Annual Report & Financial Statements 2022

FIMBANK
GROUP

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Dear Shareholder,

The year 2022 was marked by rising inflation, tighter monetary policy, financial stress, and rising geopolitical tensions, which led to exceptional challenges for our customers, associates, and communities. Even as we speak, global economic recovery continues to face significant headwinds, amid lingering supply-chain challenges, persistent labour market challenges, and rising inflationary pressures. In the midst of this turbulence, the FIMBank Group maintained a commendable level of prudence, by adhering to a disciplined approach towards risk management and implementing robust monitoring and control measures. This approach resulted in no new material non-performing loans being registered for the financial period under review. This resulted in a notable improvement in performance but was regretfully overshadowed by impairment of legacy positions and the underperformance of the trading portfolio, which contributed to a post-tax loss of USD26.7 million, compared to a loss of USD3.6 million in 2021. As Chairman, it is always difficult to address the challenges faced by the Group, especially because I am well aware of the constant, professional and diligent effort which Management and all our people consistently dedicate towards ensuring the best possible outcomes for the Group. However, it is also critical to ensure transparency and acknowledge the reality of the situation, whilst explaining the actions being taken to improve the Group’s financial position.

This year’s performance was impacted both by the trading results and impairments of legacy positions. The trading results specifically relate to the performance of the forfaiting trading portfolio, while the impairments relate to pre-2020 legacy balance sheet positions that include non-performing loans, deferred tax assets, and goodwill on subsidiaries. While these results undeniably fall short of our expectations, I firmly believe that as in the past, our response to these challenges will once again define us as a Group. I am confident – and I know that Management is determined to ensure - that this temporary setback will drive us to regroup and further intensify our efforts to overcome the current difficulties and deliver the results that our Shareholders expect and deserve. To this end, we are committed to the process of refining our business model to ensure it remains agile and responsive to the ever-changing market landscape, including the complex global challenges we are currently facing. We recognise that this is a continuous process that requires patience and perseverance, and we will be taking all the necessary steps to strengthen our operations and enable the long-term success for the Group. This process will also augment our potential to capitalise on opportunities for sustainable growth and profitability, even amidst the most challenging of circumstances.

When analysing the performance of the year in review, it is also important to highlight the significant transformation that is underway within our Group and which will have a significant impact on our future performance. During 2022, the Bank stepped up this process with the closure of its Hellenic Branch in Greece and the liquidation of FIM Holdings (Chile) S.p.A. These developments have already contributed towards lowering our expense base and further streamlining the Group. The significant progress registered in managing operating expenses, as evidenced in the end-of-year financial statements, is a testament to our commitment to enhancing efficiency, optimising our resources, and achieving sustainable profitability.

My unwavering confidence in the future of the Group is rooted to the fact that our business operations are founded upon customer centricity. This allows us to deliver exceptional services that meet the specific needs of our clients, working tirelessly to foster meaningful relationships with them and treating them as our partners. We go beyond the traditional transactional approach and work together towards mutually beneficial outcomes. Our customised products and services are designed to help the businesses of our clients thrive, and we take pride in delivering exceptional value. As we look towards the future, we remain steadfast in enhancing our presence in markets where we already operate. In Malta, our home market, we will continue to focus on serving local corporates, building strong partnerships, and providing tailored solutions that meet their specific needs. By doing so, we can continue to provide a dependable banking experience to Maltese businesses that goes beyond financial solutions. FIMBank's progress towards the achievement of its strategic goals is underpinned by a pool of highly skilled human capital across various specialised disciplines, ongoing investment in technology, a reduced level of legacy balance sheet items, and a strong shareholder base. These strategic pillars place the Bank in a favourable position to achieve its goals in a steady and sustainable manner.

At FIMBank, we place great emphasis on maintaining strong investor relations, and over the course of the year, we have taken steps to foster engagement with all our stakeholders. On behalf of the Board, I would like to express our deep appreciation for the unwavering trust and loyalty demonstrated by our Shareholders. I take this opportunity to thank our majority shareholder, the KIPCO Group, for their solid and continued backing during these challenging times. Their support has been instrumental towards allowing us to navigate the rapidly changing landscape, and an important source of encouragement in our drive to achieve our strategic objectives.

In closing, I wish to express my gratitude and appreciation to the Directors, Management, and employees of the FIMBank Group. Their commitment and dedication have been critical when facing these challenging times. We remain grateful for their invaluable contribution, their tireless efforts in upholding our corporate values and executing our strategic objectives.

Signed by John C. Grech (Chairman) on 22 March 2023

FIMBank Group performance 2022

CEO's message

FIMBank's financial results for the year 2022 demonstrated an improving trend in its underlying performance, as evidenced by the Group's 'income before net impairment and net trading results'. This showed a considerable growth, increasing from a negative USD1.9million in 2021 to USD8.0 million in 2022. The improved performance in net interest, net fee and dividend income, as well as in operating expenses, were however overshadowed by the impact from impairment of legacy positions and from trading results.

Regrettably, the effect from impairment of legacy positions, which are related to larger balance sheet positions that date back to pre-pandemic (2020), together with elevated trading losses, significantly impacted our bottom line in this year's financial results. With regards to specific legacy relationships, the Group absorbed the impact of the latest developments in the recovery process. In respect to our investments in subsidiaries in Egypt and India, we recognised the impact from a lower valuation due to a combination of rising interest rates and uncertainties regarding their growth potential in the future.

In respect to trading losses, the default of two forfaiting assets in the portfolio of our subsidiary, London Forfaiting Company, impacted to the resulting bottom line, as the recovery value for these assets had to be adjusted downwards in light of the prevailing uncertainty. The Group's net trading results were also affected by lower trading volumes, which were primarily a consequence of the current market conditions.

On a positive note, for the third consecutive year, the Group's prudent risk appetite has allowed it to reap tangible benefits, with no new material non-performing loans registered for the period. The Group's responsible lending practices and effective risk management strategies have played a critical role in this regard. Effective risk management strategies have enabled the Group to identify potential risks and take measures to mitigate them proactively through the adoption of responsible lending practices, thus ensuring that only creditworthy borrowers receive loans, reducing the likelihood of defaults. Containing non-performing loans is crucial for sustaining a healthy banking business. During the year, the Group has made noteworthy progress in recovering legacy non-performing exposures. Resolution of non-performing loans is a complex task that requires a multidisciplinary approach and we have a dedicated team of specialists working tirelessly with the mandate to purge the balance sheet of legacy non-performing loans.

The organisation recognises that the banking industry is dynamic and constantly evolving. We are therefore committed to continuously refine our strategies to ensure that the Group stays ahead of emerging trends and potential risks.

Overview of financial results

While we are pleased to report a notable improvement in our performance in 2022, we are disappointed to acknowledge that this progress was overshadowed by the impairment of legacy positions and underperformance in our trading portfolio. As a result, the FIMBank Group reported a post-tax loss of USD26.7 million for the financial year ended 31 December 2022, compared to a post-tax loss of USD3.6 million in 2021.

The Group's total consolidated assets stood at USD1.69 billion, a decrease of 6%, or USD101 million, when compared to the previous year. Despite this minor rebalancing, we are confident that our ongoing focus on a risk reward model, steadily managing our assets size and capital positions, will enable us to continue operating effectively and deliver value for our stakeholders.

At FIMBank, we place great importance on maintaining a strong risk management framework and prudent risk appetite. We are proud to report that our efforts have paid off, as we did not recognise any new material non-performing loans in 2022. This is a significant achievement for us, as it reflects our commitment to providing sustainable financial solutions that meet the needs of our customers while minimising our risk exposure. It is a testament to our ongoing efforts to identify and mitigate risks, as well as our dedication to maintaining a healthy loan portfolio. By not registering any new non-performing loans, we have been able to focus on other ongoing initiatives, including expanding our lending products. This achievement also demonstrates our ability to adapt to changing market conditions and our commitment to deliver long-term value to our stakeholders.

In addition, we reviewed the level of gross non-performing exposures and identified several fully provided exposures with remote recovery prospects which were written off. This led to an improvement of our asset quality ratios, allowing our management team to concentrate on expanding our performing portfolio. We will continue to monitor the quality of our assets and take proactive measures to mitigate potential risks.

I believe that balancing risk and reward is crucial for the Bank's financial health. We manage risks associated with lending, whilst also earning a suitable return on investment. This ensures sustainable growth and success for the Bank. We do this by focusing on prudent risk management and sustainable growth, in order to deliver value to our stakeholders. Our focus going forward will remain to carefully manage our assets and liabilities, to optimise our capital position and support our ongoing business operations.

During the period under review, the Group initiated a transformation exercise to revitalise our strategy and streamline operations in response to the new economic realities, as well as developments in the regulatory and compliance spheres. As part of our strong compliance-focused policy, we exited various business activities, jurisdictions, and customer groups. The Group also pursued a strategy of optimising our structure, with the aim of streamlining our operations and reducing expenses. We worked to improve the efficiency of our processes and organisation, allowing us to focus on our core business areas. During 2022, we closed our Hellenic branch in Athens and saw the liquidation of FIM Holdings (Chile) S.p.A. By optimising our structure, we were able to create a more agile and flexible business model, be better positioned to respond to changing market conditions and customer needs. This ongoing effort to optimise our operations will continue to be a key focus for the Group, as we strive to maintain our competitive edge.

Overall, these actions have positioned us for continued success in a rapidly evolving business landscape. We are committed to continue exploring opportunities to improve our operations and deliver sustainable financial solutions to our valued customers. By remaining vigilant and proactive in monitoring market conditions, regulatory requirements, and evolving customer needs, we will be able to adapt effectively, and succeed in a rapidly changing business environment.

Despite the challenging market conditions in 2022, we are pleased to report that the FIMBank Group's capital position and liquidity remained strong.

Our Total Capital Ratio (TCR) was of 17.8%, which is well above the minimum TCR requirement of 16%. Recently, the results of the Supervisory Review and Evaluation Process (SREP) from the Malta Financial Services Authority resulted in a decrease in our minimum TCR requirement from 17.5% to 16%. We appreciate the confidence shown by the Malta Financial Services Authority and are proud of our strong capital position, which demonstrates our commitment to maintaining a solid financial foundation that can withstand market fluctuations.

Our Liquidity Coverage Ratio (LCR) was managed well above the regulatory requirements. An average LCR of 198% reflects our consistently strong shorter term liquidity position. Similarly, our Net Stable Funding Ratio (NSFR) averaging 128% in 2022 was well above our regulatory requirements and demonstrated solid liquidity from a longer-term perspective. The level of liquidity balances maintained, was in line with the Group's prudent banking practices defined in our carefully crafted Risk Appetite Statement.

Business unit performance

London Forfaiting Company Ltd ("LFC")
Founded in 1984, LFC has a proven track record of providing efficient custom finance solutions to importers, exporters, and financial institutions. The company is dedicated to partnering with clients in key markets to offer forfaiting services and trade finance solutions, with an extensive global network of offices providing unmatched breadth of nation coverage. During the year in review, the trading results of LFC's portfolio were affected by a downward fair valuation of USD7.3 million mainly due to two overdue assets. Some level of volatility is typical for LFC's trading business, but the impact in 2022 was higher than in previous years. Nonetheless, LFC generated sufficient profits from its normal business activities to fully absorb the negative trading impact, and record a profit after tax of USD0.7 million. It is worth noting that LFC has maintained its trademark ability to be dynamic and adaptable, enabling it to upsize or downsize its portfolio in response to current market opportunities and group strategies. The fact that LFC has been able to generate a profit each year since being acquired by FIMBank, even after absorbing any negative trading impact, underscores the inherent and resilient consistency of its business model.

India Factoring and Finance Solutions Private Ltd ("India Factoring")
India Factoring retained its leadership position in the provision of factoring services in India for the fifth consecutive year. The company continues to support small and medium enterprises with tailor-made working capital solutions. Clients benefit from access to immediate liquidity, to smooth out cash requirements, improve financial planning, and more importantly, optimise their financials. In 2022, India Factoring maintained its portfolio at a similar level to that of the previous year. Despite outperforming in terms of operational profit, the subsidiary experienced an increase in provisions which impacted the positive performance. The increase in provisions was on account of one legacy domestic relationship. The company's performance of its export book, has been strong and its current portfolio status remains impeccable. During the year in review, India Factoring sustained a loss of USD0.7 million, compared to a profit of USD1.9 million registered in 2021.

The Egyptian Company for Factoring S.A.E. ("Egypt Factors")
Egypt Factors experienced a decline in its factoring portfolio during the first six months of 2022, however rebounded with steady growth during the second half of the year. The subsidiary returned a profit of USD0.4 million, a level which is similar to the previous year. Egypt Factors was the first licensed Egyptian company specialising in factoring services, it is considered a pioneer in the financial services sector in Egypt and maintained its leading market position measured by the market share. The subsidiary was awarded the 'Leaders in Innovation and Development 2022' by Aalam EL Mal newspaper, one of the principal business journalism media organisations in Egypt.

Investment in technology

Digital and technology are critical enablers for modern banking, and FIMBank has fully embraced this paradigm through continuous investment over the years. During 2022, we successfully achieved a number of milestones on our digital transformation journey. One of our main priorities during the year was the upgrade of our digital banking platform, FIMBank Direct, which will be completed in 2023. Our focus is on enhancing our customer's digital journey and expanding the platform's functional capabilities. This will enable our customers to securely manage their banking requirements in a streamlined manner. We are also well on the way to replace our Group factoring operating platforms, in anticipation of market driven changes which are due in the payments industry.

Malta Corporate Finance

FIMBank recently launched its Corporate Finance strategy to proactively engage with Malta's corporate customers, increase its presence in the local market, and establish stronger roots through a selective approach. The Bank has expanded its range of corporate lending products to support this forward-looking strategy and create tailored financial solutions for commercial customers. FIMBank is well-equipped to offer working capital finance solutions, including overdrafts, guarantee facilities, revolving loans, and project financing, as well as loans for capital expenditures.

The Bank's goal is to build and maintain valued relationships with local customers by understanding their business models and prospects. FIMBank provides tailored financing packages that align with the customers' growth strategies, while ensuring that the Bank always acts in the clients' best interests and fosters long-lasting relationships.

FIMBank is sensitive to its customers' business needs and is agile in its approach, helping clients reach their desired prospects. This contributes to the Bank's strategy of increasing profitability and asset class diversification, while expanding its role in supporting the community through corporate social responsibility initiatives.

Corporate Social Responsibility

At FIMBank, we are committed to making a positive impact on our community. During this financial period, we donated funds in support of various philanthropic organisations and initiatives.

One of these was Children's Dreams, which fulfils the Christmas wishes of children identified by the Foundation for Social Welfare Services. These children come from challenging financial and social backgrounds, and our support has helped bring them joy during the holiday season. We also supported the 'Naħseb Fik' project, which provides assistance to elderly people who come from challenging financial and social backgrounds. In October, we also showed our support for Breast Cancer Awareness month with a donation to Europa Donna Malta, an organisation that raises awareness about breast cancer and provides support to those affected by it. In November, we supported the 'Movember' annual event, which raises awareness and funds for men suffering from prostate and testicular cancer.

In 2022, FIMBank provided further support to the Research Trust of the University of Malta and the University of Malta, as part of an ongoing research study revolving around the findings and remains resulting from the excavation of deposits, retrieval of faunal material and extraction of speleothems. This research requires the specialised research and input of foreign scientists. The project is anticipated to produce a series of major scientific peer-reviewed papers, each of which will expand the existing knowledge on the subject. The project is being undertaken together with the Superintendence of Cultural Heritage.

At FIMBank, we believe in giving something back to our community, particularly by supporting philanthropic organisations and initiatives. We will continue to explore new ways to make a positive impact and support those in need.

Environmental, Social and Corporate Governance principles (ESG)

The FIMBank Group recognises the increasing significance of Environmental, Social, and Governance ("ESG") standards and our role in promoting sustainable practices. As a business, we have a direct influence on the health of people in many countries, through our role as an employer, the products and services we offer, as well as our external influence on the environment and the communities in which we operate.

At FIMBank, we are committed to integrating ESG into our business strategy to effectively promote sustainability in the investment decision-making process. This includes identifying and mitigating ESG-related risks, enhancing our social impact, and reducing our environmental footprint. We believe that by promoting sustainable practices, we can help create a more resilient future for all stakeholders, including our customers, shareholders, employees, and the wider community. As we continue to integrate ESG into our business operations, we will strive to make a positive impact and fulfil our role as a responsible corporate citizen.

To ensure that we are fulfilling our responsibility to the community, we have engaged external consultants to assist us in implementing an ESG framework within the organisation. This framework will enable us to support the European Union's ESG objectives and manage the risks posed by environmental change to the Group, our customers, and society as a whole.

Concluding remarks

As we navigate through uncertain times marked by high inflation and geopolitical uncertainty, FIMBank remains grounded and cautious in its projections. We will continue to execute our strategy while searching for business opportunities that match our risk appetite, with the principle of risk-adjusted returns. This approach will ensure that we experience moderate growth in diversified product offerings, in business lines that provide superior returns.

The Group's balance sheet remains resilient, with lower legacy exposures and improved and sustainable revenue-generation capabilities. Over the past years, we have learned that we can change and adapt to overcome unprecedented situations. Our goal is to integrate this commitment within our customer centricity mindset and transform it into a prudently designed ecosystem that guarantees the realisation of mutual value.

Our primary mission is to remain customer centric. This will continue to underline our continuous Group-wide efforts to provide a superior customer experience. We recognise that finding the right balance between risk and reward is crucial for banks to remain financially healthy, and we remain committed to ensuring that we do so while maintaining our focus on our customers. With the dedication of our employees, we are confident that we will continue to navigate these challenging times and emerge stronger and better than ever before.

Finally, I would like to take this opportunity to express my sincere thanks and gratitude to our Board of Directors for their continuous guidance and support, and to the Management and all our employees for their dedication, hard work and support.

Signed by Adrian A. Gostuski (Chief Executive Officer) on 22 March 2023

Directors' report

For the year ended 31 December 2022

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 2022. This report is prepared in accordance with Article 177 of the Companies Act, 1995 (Chapter 386, Laws of Malta) ("the Companies Act"), including the further provisions as set out in the Sixth Schedule of the Companies Act.

Results for the year

The Group and the Bank reported a loss after tax of USD26,672,050 and USD22,010,084 respectively, for the year under review.

Further information about the results are provided in the Statements of Profit or Loss and the Statements of Other Comprehensive Income on pages 32 and 33 and in the Review of Performance section within this report.

Group structure and principal activities

The Group comprises the Bank and its wholly owned subsidiaries, London Forfaiting Company Limited ("LFC"), FIM Business Solutions Limited ("FBS"), FIM Property Investment Limited ("FPI"), The Egyptian Company for Factoring S.A.E. ("Egypt Factors"), and FIMFactors B.V. ("FIMFactors"). LFC and FIMFactors are themselves parents of a number of subsidiaries as set out in Note 27 to the Financial Statements. The Group is supervised on a consolidated basis by the Malta Financial Services Authority ("MFSA"), whilst some of its subsidiaries and branches are subject to authorisation and regulation according to the respective jurisdictions in which they operate.

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

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

  The Bank has a branch registered in Dubai International Finance Centre, United Arab Emirates, which is regulated by the Regulator in the UAE.

  During the Board of Directors' meeting held on 10 November 2021, a resolution was passed to close the Hellenic Branch in Greece. The closure was finalised on 28 February 2022.

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

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

- FPI (100%), registered in Malta, owns and manages FIMBank's Head Office 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. On 28 June 2022, a decision was made by FPI to change its status and adopt the status of a private exempt single member company in accordance with the terms of Article 211 of the Companies Act, with such change resulting in FIMBank becoming 100% shareholder in FPI;

- 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:

  a. 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.

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

- FHC (100%), registered in Chile, previously served as a corporate vehicle was officially liquidated on 2 March 2022.

Review of performance

The financial period ended 31 December 2022 saw a notable improving trend in underlying performance, overshadowed by impairment of legacy positions and trading results. While the FIMBank Group post-tax loss for the year stood at USD26.7 million (compared to a loss of USD3.6 million registered in 2021), 'income before net impairment and net trading results' registered an improvement reaching USD8.0 million (compared to a USD1.9 million loss for 2021).

The global macroeconomic environment during the year in review largely played out as anticipated by the Bank's Management. Although the uncertainty in connection with the Covid-19 pandemic largely dissipated during 2022, with a gradual return to "business as usual", inflation rose beyond predetermined thresholds and prompted governments and central banks to implement counter-inflationary measures. Our balance sheet structure was well positioned to benefit from such increased interest rates and our net interest income performance improved ahead of our earlier expectations.

During the year in review the Group continued to attain the tangible benefits of its prudent risk appetite. As a result, throughout 2022 no new material non-performing loans were recognised. Moreover, the Group reviewed the level of gross non-performing exposures and wrote-off a number of fully provided exposures where it was determined that the recovery prospects would be remote. In addition to improving the Group's asset quality ratios, this also allowed management more time to concentrate on other ongoing recovery initiatives, and on preserving and expanding the performing portfolio.

The year in review also saw the Group pursuing the medium-term strategy of further pruning its structure. During 2022, the closure of the Hellenic branch in Athens and the liquidation of FIM Holdings (Chile) S.p.A. contributed to a more streamlined business model and a lower expense base. The ongoing and prudent management of expenditure was aided by higher USD exchange rates, which led to passive savings on expenses denominated in other currencies than the functional currency.

The Group did not perform as well as expected in a few particular areas, such as trading results and impairment of legacy positions. Trading results refer to the performance of the forfaiting trading portfolio held in the entity London Forfaiting Company Ltd ("LFC"). Certain larger balance sheet positions that date back to pre-Covid-19 pandemic are referred to as "legacy". These positions include non-performing loans, deferred tax asset and goodwill on subsidiaries.

The Group registered progress on additional legacy exposures for which future recovery is anticipated, while making headway in recovering other legacy non-performing exposures. This accomplishment was overshadowed by higher impairment charges associated with a handful of legacy non-performing loans, where the unique legal circumstances or delays in the recovery process required a higher level of coverage in accordance with IFRS rules. Furthermore, the valuation of our companies in Egypt and India has been impacted by rising interest rates combined with future uncertainties, resulting in goodwill write-off.

The trading results emanating from LFC's portfolio recorded a loss of USD7.3 million. A certain level of volatility is a normal feature of the trading business, and although the 2022 trading loss was higher than our historical experience, LFC generated sufficient profits from other business to fully absorb the negative trading results and recorded a profit after tax of USD0.7 million. It is significant to highlight that LFC has maintained its trademark of being dynamic and adaptable, which allowed it to upsize or downsize in response to current market opportunities. LFC's ability to generate a profit after absorbing the negative trading results of the year in review also underlines its inherent resilience.

India Factoring maintained its factoring portfolio at a level similar to the previous year, while outperforming 2021's results on its operational profit, despite another wave of the COVID-19 pandemic and the ensuing interruptions to global trade. However, an increase in provision was necessary due to a delay in the recovery process for one specific legacy group of connected clients. In contrast to its profit of USD1.9 million in 2021, the company ended the year in review with a loss of USD0.7 million. Meanwhile, the business continued to recover debt from other legacy clients, while also onboarding new customers with robust balance sheets under well-structured facilities.

Egypt Factors had originally witnessed a decline in its factoring portfolio, although this stabilised towards the end of 2022. During the year the entity recorded recoveries of legacy exposures and also released some provisions. By the end of 2022, the company had returned a profit of USD0.4 million, which was at a level similar to the previous year.

The Group's capital position remained strong, with a Total Capital Ratio ("TCR") of 17.8%. This was well above the 16% minimum TCR requirement, which had been lowered as a result of the MFSA Supervisory Review and Evaluation Process (SREP). This assessment led to the lowering of the Group's Pillar 2 Requirement (P2R) from 6% to 4.5%. It is important to emphasize that the Pillar 2 capital reduction was a recognition by the MFSA of the advancements and improvements made by the Group and its management on various fronts. Thanks to the outcome of this assessment the Group now has the opportunity to originate additional assets that are consistent with its risk appetite and that can generate incremental revenue streams. The Group maintained a strong liquidity position throughout the year with an average Liquidity Coverage Ratio (LCR) of 198% and an average Net Stable Funding Ratio (NSFR) of 128%. Both liquidity metrics were well above the regulatory minimum requirement and the Group's internal risk appetite level.

Statements of profit or loss

For the year ended 31 December 2022, the Group registered a post-tax loss of USD26.7 million compared to a post-tax loss of USD3.6 million in 2021. Group earnings per share were negative at US cents 5.09 (2021: negative US cents 0.74). The results for the year under review are summarised in the table below, which should be read in conjunction with the explanatory commentary that follows:

	Group		
	2022 USD	2021 USD	Movement USD
Net interest income	30,336,949	24,868,755	5,468,194
Net fee and commission income	11,428,873	10,837,563	591,310
Dividend income	3,821,545	1,089,189	2,732,356
Other operating income	163,542	1,737,303	(1,573,761)
Operating results from non-trading portfolio	**45,750,909**	**38,532,810**	**7,218,099**
Operating expenses	(37,762,423)	(40,420,374)	2,657,951
Income before net impairment and net trading results	**7,988,486**	**(1,887,564)**	**9,876,050**
Net trading results	(6,924,935)	2,502,426	(9,427,361)
Net impairment losses	(25,777,991)	(1,907,796)	(23,870,195)
Loss before taxation	**(24,714,440)**	**(1,292,934)**	**(23,421,506)**
Taxation	(1,957,610)	(2,319,589)	361,979
Loss for the year	**(26,672,050)**	**(3,612,523)**	**(23,059,527)**

At USD45.8 million the Group's 'operating results from non-trading portfolio' exceeded last year's by USD7.2 million (19%). 'Net interest income' rose by USD5.5 million (22%) year on year, to USD30.3 million, as policy makers are gradually executing their monetary policies allowing the Group to widen its interest margins. 'Net fees and commission income' at USD11.4 million improved slightly from prior year. The Group received USD3.8 million dividends from its investment in an unlisted sub-fund, compared to USD1.1 million recorded in 2021.

'Other operating income' includes a fair value loss of USD0.3 million recognised on Financial Assets at FVTPL, compared to a fair value gain of USD0.4 million in the previous year. Moreover, the Group did not recognise any fair value gains or losses on Financial Assets at FVOCI, as during the year under review the Group changed its business model resulting in debt securities being reclassified from FVOCI to amortised cost (Refer to Note 26.1). In 2021 the Group recognised USD0.7 million in fair value gains on Financial Assets at FVOCI. Other elements of other operating income were fairly stable. The Group's investment property was subject to an external valuation which did not result in any upward or downward movement as the market value of the property remained largely unvaried when compared to prior years.

'Operating expenses' for the year under review stood at USD37.8 million, a USD2.7 million (7%) decrease from 2021. Inflationary pressures were offset by the Group's careful cost control, which was passively aided by the weakening of the Euro relative to the US Dollar. The Group continued investing in its human resources through the attraction, retention and training of employees.

These improvements resulted in the 'income before net impairment and net trading results' of USD8.0 million, compared to a loss of USD1.9 million in 2021.

In contrast to the prior year's gain of USD2.5 million, 'Net trading results' took a turn in 2022, with a loss of USD6.9 million. The trading book held at the Group's subsidiary LFC, was mainly impacted by the default of two assets. LFC together with a wider group of creditors are currently in negotiations with the two borrowers, regarding settlement of the overdue assets. Whilst the prospects of recovery remain positive, it is too early to speculate the quantum of the recovery. To reflect the uncertain recovery value the fair values of these assets have been revised downwards. Net trading results were also impacted by lower trade volumes, due to the uncertainty caused by the conflict in Ukraine, and higher interest payments being honoured by borrowers due to the rise in interest rates.

As several risks materialised, the Group increased its 'net impairment losses' by USD25.8 million, primarily due to legacy non-performing clients and goodwill write-off. On the basis of higher modelled expected credit losses, the Group increased its Stage 1 and Stage 2 provisions for performing clients by USD1.9 million. In contrast, in 2021 USD2.3 million of provisions were released. The Group has also taken USD0.5 million provisions for liabilities and charges (2021: Nil).

The Group reversed USD13.0 million of Stage 3 provision (2021: USD15.8 million). USD32.5 million (2021: USD28.1 million) were reversed upon write-offs or recoveries of non-performing exposures, whereas USD19.5 million (2021: USD12.3 million) was a coverage increase for legacy non-performing exposures and coverage for legal fees incurred in the process of recovering the Group's delinquent portfolio.

The Group recovered USD1.6 million in previously written-off debt (2021: USD1.4 million). The Group also wrote-off USD32.7 million (2021: USD 21.4 million) of non-performing exposures on which the Group has no reasonable expectations of recovering the contractual cash flows. The majority of this written-off debt was fully provided for in preceding years. In the majority of cases, the Group had not forgiven the debt and is not precluded from enforcing, selling, or transferring the credit to another entity. These developments along with other measurements have helped the Group to lower its NPL Ratio by approximately 3.4% within the year under review.

The Group performed an impairment assessment of goodwill on two of its subsidiaries namely Egypt Factors and India Factoring. The goodwill recognised as of the review date was not supported by the concluded value-in-use and the fair value less cost to dispose models, resulting in a USD 5.2 million write off to bring goodwill down to zero. Please refer to Note 30.2 for further information.

Provisions for tax for all Group entities, for 2022 were USD2.0 million, compared to USD2.3 million in 2021. The Group has utilised some of its deferred taxation and has carried out an assessment to ensure that the recognised deferred tax assets are recoverable before their finite expiry, where such is applicable.

Financial position

At 31 December 2022, total consolidated assets stood at USD1.69 billion, down by USD101 million or 6% from end-2021. Average total consolidated assets were 2% lower than the average for prior year.

Compared to previous year, the Group closed the year with lower balances in treasury assets which includes HQLA (by USD73 million) and factoring assets (by USD51 million) and with higher balances in trade finance (by USD20 million), loans to banks (by USD14 million) and trading assets (by USD5 million).

Average factoring balances were higher by USD78 million, whereas average balances were lower for treasury assets (by USD89 million), trade finance (by USD12 million), loans to banks (by USD7 million) and trading assets (by USD4 million). The Group continued with its strong risk focused strategy, maintaining caution around some business activities, jurisdiction and customer groups. Regulatory requirements, in particular the Total Capital Ratio (TCR), were high on the agenda and business volumes were managed around these requirements. The residual effects of the pandemic, the conflict in Ukraine and inflationary pressures left their mark on market demand and trade flows.

Once an evaluation of the investments in India Factoring and Egypt Factors revealed that the recoverable amount is less than the carrying value, the Group reduced the goodwill on these subsidiaries to zero and impaired a portion of its investment in these two subsidiaries. Nonetheless an assessment on deferred tax asset and investment property concluded that the carrying amount of these assets was adequate. When conducting these assessments, Management have weighed in on various factors having a significant impact on the global economy and on the specific activities of these assets.

The Group had consolidated liabilities of USD1.49 billion as at 31 December 2022, a drop of USD73 million from prior year. Average balances for 2022 were higher than previous year by USD33 million for factoring creditors and USD27 million for bank wholesale funding, but lower for corporate and retail deposits (by USD67 million), debt securities in issue (by USD22 million) and bank deposits (by USD4 million).

Total equity decreased by USD27.8 million to USD195.5 million, reflecting the loss for the year and other equity adjustments. As at 31 December 2022 the Group's CET1 and TCR ratios stood at 17.8% (2021: 18.7%).

Total consolidated commitments at USD100.0 million (2021: USD153.6 million) consist mainly of confirmed letters of credit, documentary credits, commitments to purchase forfaiting assets and factoring commitments. Total consolidated contingent liabilities, principally consisting of outstanding guarantee obligations, stood at USD12.1 million (2021: USD2.0 million).

Principal risks and uncertainties

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

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

Further disclosures on the Group's principal risks and uncertainties are provided in Note 5 of this Annual Report and the 2022 Pillar 3 Disclosures Report published on the Bank's website.

Outlook for 2023

Today's interconnected world calls for being vigilant and to follow closely the wider macroeconomic environment development. The geopolitical situation and related tensions do impact our customers through global supply chain disruptions, trade volumes changes and commodity prices fluctuations. Moreover, developments unique to Malta have to be continually monitored and addressed with due attention.

The global growth is projected to pick up only in the longer term. In the shorter term we may see a global growth slowdown. The impact of the conflict in Ukraine and Central Banks' interest rate-related policies are anticipated to be some of the major issues to watch in the coming months.

Taking this into consideration, the Group will continually carry out its strategy, pursuing business opportunities in accordance with its risk appetite and the principle of risk-adjusted returns. In comparison to prior years, the Group's balance sheet is more resilient due to lower legacy exposures and enhanced and sustainable revenue-generation capabilities. Moreover, the balance sheet structure is positioned favourably for an increasing interest rate scenario.

We anticipate modest portfolio growth within our customer-centric focus, constrained by regulatory developments on capital requirements. The strategic focus continues to be on business lines and geographical areas that deliver superior returns and carry lower risks generating consistent value to the Group. Whilst we steadily eliminate complex structures, business lines are streamlined and our presence in Malta continues to develop and mature.

The Group remains focused on improving its strategy in pursuit of our long-term objective of expanding and future-proofing our Shareholders' value. The Group has commissioned a highly reputable advisory firm to perform an in-depth review that shall lead to strategic recommendations. The holistic approach taken by the advisors shall focus on business lines, markets, products and building competitive advantage. Significance will also be given to the Group's cost structure, IT architecture design and integration and the resources and capabilities the Group requires to achieve its objectives.

The MFSA Supervisory Review and Evaluation Process (SREP) resulted in a reduction of our Pillar 2 Requirement (P2R) by 1.5% which was welcomed by the Group. This result enables further growth in asset portfolios and creates an opportunity for the Group to convert its asset origination power into incremental tangible revenue streams. The trend of decreasing the stock of non-performing assets and improving our coverage ratios is continuing and the fully dedicated Recovery function supported by our Legal team is helping the Group to maintain this growing momentum.

In the context of complex and dynamic regulatory framework, including the very relevant ESG topic, the Group's ongoing drive to improve governance and controls will undoubtedly be a source of future sustainable growth. The Group is in the process of developing an ESG transition plan which will seek to integrate social and environmental considerations into every aspect of the business. FIMBank is in a good position to progress toward its strategic goals in a steady and sustainable way because of its pool of highly skilled human capital across many disciplines, the ongoing investment in technology, the lower level of legacy balance sheet items, and the stability of a strong shareholder base.

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 (2021: 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 14 June 2022 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 2022 are as follows:

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

In addition to the Shareholders listed in the above table, as at 31 December 2022, Tunis International Bank S.A. (a subsidiary of BBK) holds 9,207,000 shares (1.76%);

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

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

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

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

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

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

At 31 December 2022 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

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

Going concern

As required by 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 (inclusive of any changes to the date of this report) were:

John C. Grech (Chairman)	CGC, BCC, BRIC	
Masaud M.J. Hayat (Vice Chairman)	NRC	
Abdel Karim A.S. Kabariti	CGC, NRC	
Claire Imam Thompson	CGC, BAC, BRC	
Edmond Brincat	BAC, NRC	
Erich Schumacher	BRC	
Hussain Abdul Aziz Lalani	BAC, BRC, BRIC	
Majed Essa Ahmed Al-Ajeel	CGC, NRC	
Mohamed Fekih Ahmed	BCC	
Osama Talat Al-Ghoussein	BRC	Retired on 31 March 2022
Rabih Soukarieh	BCC	
Rogers David LeBaron	CGC, NRC	

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)
- Nomination and Remuneration Committee (NRC)

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 2022, the Bank has carried out a tender process for the contract of external audit services. The tender process was overseen by the Audit Committee, which Committee has recommended the appointment of Ernst & Young Malta Limited as the Group's External Auditors. The recommendation was endorsed by the Board of Directors. The appointment of Ernst & Young Malta Limited as the Group's External Auditors will be proposed at the forthcoming Annual General Meeting. Subject to the approval of the Shareholders, Ernst & Young Malta Limited will undertake the audit of FIMBank Group for the year ending 31 December 2023.

The Directors and Management take the opportunity to express their gratitude to KPMG for the sterling service and professionalism demonstrated in their role as External Auditors of the Group over the past twenty-eight years.

Approved by the Board of Directors and signed on its behalf by John C. Grech (Chairman) and Masaud M.J. Hayat (Vice Chairman) on 22 March 2023

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 2022

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.

Part 1: Compliance with the principles

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

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

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

Principle 1: Roles and responsibilities of the board

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

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

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

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

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

Principle 3: Board composition and appointment of directors

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

	Year when first appointed	
John C. Grech (Chairman)	2004	
Rogers David LeBaron	2006	
Majed Essa Ahmed Al-Ajeel	2013	
Masaud M.J. Hayat (Vice Chairman)	2013	
Mohamed Fekih Ahmed	2013	
Rabih Soukarieh	2013	
Osama Talat Al-Ghoussein	2014	Retired on 31 March 2022
Edmond Brincat (Independent Director)	2017	
Hussain Abdul Aziz Lalani	2017	
Abdel Karim A.S. Kabariti	2020	
Claire Imam Thompson (Independent Director)	2020	
Erich Schumacher *	2022	Appointed on 14 June 2022

' * ' Erich Schumacher was appointed by the Shareholders on 14 June 2022 and regulatory approval was obtained on 15 September 2022.

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

The Board considered and resolved that all Non-Executive 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 Non-Executive 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 Non-Executive Directors in March 2023. 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 2022, the Board of Directors consisted of:

	Number of directorships held (including FIMBank p.l.c. and its subsidiaries)
John C. Grech (Chairman)	11
Masaud M.J. Hayat (Vice Chairman)	12
Abdel Karim A.S. Kabariti	5
Claire Imam Thompson	1
Edmond Brincat	17
Erich Schumacher	1
Hussain Abdul Aziz Lalani	4
Majed Essa Ahmed Al-Ajeel	2
Mohamed Fekih Ahmed	6
Rabih Soukarieh	3
Rogers David LeBaron	1

Principles 4 and 5: Duties and proceedings of directors

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

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

The Board held five meetings in 2022. All Members of the Board were present for all five meetings except for Abdel Karim A.S. Kabariti, who was excused in March and June and Hussain Abdul Aziz Lalani who was excused in December. Erich Schumacher attended three meetings, two meetings as an invitee and one meeting as a 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, Nomination and Remuneration Committee, Corporate Governance Committee, Board Credit Committee and Board Risk Committee). Committees report to the Board on their activities through their respective Chairman at each Board Meeting. Management reporting is also done directly to the Board at each Meeting, either by means of an update presentation from the 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.

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 2022 in order for Directors to have the necessary knowledge on their duties and responsibilities.

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 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. The Board undertakes an annual evaluation of its own performance and that of its Committees. The evaluation forms are then evaluated by a Committee, which function has been entrusted to the Nomination and Remuneration Committee ("NRC"), which then reports directly to the Board Chairman who is required to act on the results of the performance evaluation process. The outcome would be to ascertain the strengths and to address the weaknesses of the Board and its Committees and to report this to the Board itself and, where appropriate, to report at the Annual General Meeting. This exercise began in 2013 and has been repeated annually ever since. The self-evaluation of the Board and its Committees and the suitability assessment was conducted in June 2022 through the Skills Matrix Template to Assess the Collective Suitability of the Members of the Management Body, did not indicate that any changes were required. The only change in the membership composition was due to a direct replacement of a Director who resigned. Details regarding the changes to Committee composition have been disclosed under Principle 8: Changes to committee memberships during 2022. The last evaluations from Directors were requested in the last quarter of 2022 and were presented to the NRC in March 2023.

Principle 8: Board committees

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

Accordingly, the Board has established the following Committees:

- Board Review and Implementation Committee
- Board Audit Committee
- Board Risk Committee
- Assets Liabilities Committee
- Board Credit Committee
- Nomination and Remuneration Committee (further information can be found in the Remuneration Report on page 25)
- Corporate 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 2022 are the following:

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

The Board Review and Implementation Committee met on nine occasions during 2022.

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 2022 are the following:

Edmond Brincat (Chairman – Independent Director)
Hussain Abdul Aziz Lalani (Vice Chairman)
Claire Imam Thompson (Member– Independent Director)

Rogers David LeBaron is a non-voting, permanent invitee of the BAC.

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.

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. In February 2018, Edmond Brincat joined SmartCity (Malta), a subsidiary of Dubai Holding LLC, and currently acts as the company's Chief Executive Officer. 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.

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. 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.

Claire Imam Thompson currently holds the position of Executive Vice President, Head of Global Trade, Enterprise Partnerships at Mastercard. Claire Imam Thompson is an accountant by profession and also holds a Bachelor of Science (Hons) in Business Studies which she obtained from the University of Bradford.

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 2022 and all Members were present for all ten meetings except for Claire Imam Thompson who was excused for the meeting held on 16 February 2022. The Group Head of Internal Audit was also invited to attend and attended all ten meetings. The External Auditors were invited to all Board Audit Committee Meetings and were only present for the agenda items which considered and discussed the 2021 Statutory External Audit (February 2022), 2021 Annual Report (April 2022), 2021 Management Letter (April 2022), Parent Statutory Reporting Audit Update (May 2022), Interim Report for the period ended 30 June 2022 (August 2022) and Statutory Audit Plan for Financial Year ending 31 December 2022 (December 2022).

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.

The Board Risk Committee Members as at 31 December 2022 are the following:

Hussain Abdul Aziz Lalani (Chairman)
Erich Schumacher (Member)
Claire Imam Thompson (Member)

During 2022, the Board Risk Committee met on nine occasions.

Assets liabilities committee

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

The ALCO is composed of representatives of Senior Management, vested with the power to make decisions. As at 31 December 2022, the voting members of the ALCO were the following:

Adrian A. Gostuski (Chairman)
Zbigniew Makula (Member)
Julio Bonifacino (Member)
Simon Lay (Member)
Ronald Haverkorn (Member)
Modesto Luengo (Member)
Juraj Beno (Member)

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

During 2022, 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 Procedures; and
- review and consider for approval country limit applications, within the guidelines specified in the Group's Credit Policy Procedures.

The Board Credit Committee Members as at 31 December 2022 are the following:

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

Adrian A. Gostuski (GCEO) and Modesto Luengo (GCRO) are non-voting, permanent invitees of the BCC.

During 2022, the Board Credit Committee met on six occasions.

Nomination and remuneration committee

The Nomination and Remuneration Committee ("NRC") is currently composed of five members, one of whom is an independent director. The Nomination and Remuneration Committee is governed by the NRC's Charter as may be amended by the Board of Directors ("Board") in line with the relevant laws and regulations. The Charter establishes the authority and responsibilities conferred by the Board to the NRC in line with Appendix 5.1 (8) (A) & (B) of the Code of Principles of Good Corporate Governance. The responsibilities of the NRC 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 instructions on 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 Remuneration Policy Supplement 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 Supplement;
- 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 Remuneration Policy Supplement 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, bonuses and share awards, as may be recommended by the GCEO;
- preparing a Remuneration Report and a Remuneration Statement for inclusion in the Annual Report; and,
- reviewing and assessing at least annually the adequacy of the NRC 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.

The Nomination and Remuneration Committee Members as at 31 December 2022 are the following:

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

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

During 2022, the Nomination and Remuneration Committee met on six occasions.

All members were present for all six meetings except for Masaud M.J. Hayat who was excused for the January meeting and Abdel Karim A.S. Kabariti who was excused for the March, April, and June 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 2022 are the following:

Majed Essa Ahmed Al-Ajeel (Chairman)
John C. Grech (Vice Chairman)
Abdel Karim A.S. Kabariti (Member)
Claire Imam Thompson (Member)
Rogers David LeBaron (Member)

During 2022, the Corporate Governance Committee met on four occasions.

Changes to committee membership during 2022

During 2022, Erich Schumacher was appointed Member of the Board Risk Committee and Osama Talat Al-Ghoussein retired, resulting in Mr. Al-Ghoussein no longer being a Member of the Board Risk 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 as a result of the pandemic and further to legislative amendments carried out to the Companies Act in this respect, during the year 2022 the Annual General Meeting of the Bank was held in June. The notice contains all the resolutions proposed for approval by the Annual General Meeting and, as necessary, notes accompanying such resolutions. Pursuant to the Companies Act, notices are delivered to Shareholders at least fourteen clear days before the date of the Annual General Meeting. Advance notification of the resolutions proposed for approval is also given by way of a Company Announcement as soon as these are decided and approved, normally at the same Board Meeting that approves the Annual Financial Statements. The Board also considers the Annual Report to be an effective document which, in addition to the statutory disclosures, contains detailed information about the Group's performance. Moreover, the Board ensures that the Annual General Meeting serves as a medium at which information is communicated to Shareholders in a transparent and accountable manner. Additionally, the Bank holds meetings from time to time with financial intermediaries and financial market practitioners to disseminate information about the Group's progress, activities and financial performance. These meetings are usually organised to follow the publication of the half yearly and annual financial results as well as in connection with other Group developments and events. Procedures are in place to resolve conflicts between minority shareholders and controlling shareholders.

The Board complies with the provisions of the Bank's Memorandum and Articles of Association, as well as all legislation, rules and regulations that require it to maintain a fair and informed market in the Bank's equity securities. It discharges its obligations by having in place, formal procedures for dealing with potentially price-sensitive information and ensuring the proper conduct of its officers and 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 2022 the Bank issued nine 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 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

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 2022 is as follows:

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

' * ' Aside from these direct interests in the shareholding of the Bank, these Directors are considered to be associated with companies that hold a beneficial interest in the Bank's shareholding. No Shareholder is entitled to any automatic right to nominate or appoint a Director on the Board.

Details of outstanding loans, guarantees or similar facilities made available to related parties or beneficial interests thereof, including Directors, are disclosed in the Notes to the Financial Statements.

Principle 12: Corporate social responsibility

We recognise that our social, environmental and ethical conduct has an impact on our reputation and the communities within which we operate, and we therefore take our corporate social responsibilities (CSR) seriously. We consider CSR to be fundamental for FIMBank's corporate culture.

We are committed to advancing our policies and systems across the Group to ensure that we address and monitor all aspects of CSR that are relevant to our business. The Bank's CSR strategy is built around our core values, thus reflecting the corporate commitments we make to our clients, shareholders, employees and the Maltese community, which has hosted FIMBank's head office since its inception.

The objectives of our CSR programme are to maximise and protect shareholder value, while building socially responsible and ethically robust relationships with clients and partners. It also aims to further policies which help maintain a work environment in which all our employees can thrive professionally, while achieving a positive work-life balance. The CSR programme also has a strong focus on serving the communities in which we operate, in terms of their social and environmental well-being.

Our commitment to CSR is aimed at ensuring that we perform in accordance with the highest standards of good governance and ethics, while providing a constantly developing range of services that meets the rising expectations and changing requirements of our clients and business partners. Our CSR programme is designed to allow us to attract and retain employees who are both technically qualified and guided by strong ethical values. Our CSR initiatives are expected to provide meaningful support to the local community, while improving the social and environmental impacts of our business practices.

Our CSR objectives are achieved by ensuring sound corporate governance and compliance practices, and increased transparency on reporting on those activities, while maintaining ethical policies and providing training to ascertain that all employees perform with high standards of integrity and trust. This will be supported through the provision of programmes designed to manage the long-term development of our employees, while fostering an environment where employees can grow and excel. Our CSR efforts are based on driving corporate philanthropy that advances quality of life. Given the market and regulatory environment in which the Bank operates, the success of our CSR also hinges on ensuring proper risk management, data security and privacy programmes to safeguard all stakeholders.

Further details of CSR initiatives undertaken by the Group in 2022 are explained in the CEO's Message of the Annual Report.

Part 2: Non-compliance with the principles

Principle 2.3: Chairman and chief executive

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

Principle 3: Composition of the board

Principle 3 in Appendix 5.1 of the Capital Markets Rules requires that the Board should be composed of executive and non-executive directors including independent non- executives. The Board of Directors of FIMBank is comprised solely of Non-Executive Directors. This notwithstanding, the Bank considers the non-compliance with this Principle not to be of concern in view of the fact that members of senior management and the Group Chief Executive Officer attend Board Meetings by invitation depending on the agenda content and relevance. Furthermore, the Board Review and Implementation Committee already consists of a mix of Non-Executive Directors and a member that forms part of the Bank's Executive Management. This provides the balance suggested in Principle 3.The Bank considers the non-compliance with principle 3 not to be of concern in view of the fact that all Directors signed the written declaration of independence in 2022, whereby they all declared that they undertake to maintain in all circumstances their independence of analysis, decision and action, not to seek or accept any unreasonable advantages that could be considered as compromising their independence and to clearly express their opposition in the event that they find that a decision of the Board may harm the Bank.

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 NRC, during its August meeting, discussed Directors' succession planning on the basis of an internet-based global market research which among others took into consideration factors like gender, and experience in financial services, IT and ESG including experience at international level. During the June and August meetings of 2022, the NRC discussed the management succession plan as presented ensuring that the succession plan for management identifies both interim and long-term successors.

Principle 8: Nomination and remuneration committee

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

The existing Chairman and Vice Chairman of the Nomination and Remuneration Committee are not independent members in terms of the 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 both the Chairman and Vice Chairman of the NRC have signed a written declaration whereby they have declared that they undertake to maintain in all circumstances their independence of analysis, decision and action.

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 John C. Grech (Chairman) and Masaud M.J. Hayat (Vice Chairman) on 22 March 2023

Remuneration report

For the year ended 31 December 2022

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

Terms of reference and membership

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

As at 31 December 2022, the NRC was composed of five members, Masaud M.J. Hayat (Chairperson), Majed E. Al-Ajeel (Vice-Chairperson), Rogers D. LeBaron, Edmond Brincat (Independent Member) and Abdel Karim A.S. Kabariti. John C. Grech and Adrian A. Gostuski in their capacity as Chairperson of the Group and Group Chief Executive Officer ("GCEO") respectively, attended the NRC's meetings as permanent invitees. The Group Chief Human Resources Officer ("GCHRO") acted as Board Committee Secretary.

Meetings

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

Members	**Attended**
Masaud M.J. Hayat (Chairperson)	5
Majed Essa Ahmed Al-Ajeel (Vice-Chairperson)	6
Abdel Karim A.S. Kabariti (Member)	3
Edmond Brincat (Member)	6
Rogers David LeBaron (Member)	6

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. NRC Charter;
f. Board Committees memberships;
g. Group Remuneration Policy and Remuneration Policy Supplement;
h. Executive Management recruitment, appointments, performance, promotions, succession and remuneration;
i. Group salary review, bonus allocation and out of cycle increases/payments;
j. Succession planning for all entities;
k. Control functions (independence, recruitment, succession and performance);
l. Performance review of GCEO;
m. HR Policies;
n. NRC and Remuneration Policy statements for Annual Report;
o. Renewal of Egypt Factors CEO's definite contract;
p. Issuance of Banking Rule 21;
q. Retirement and replacement of Director/Group appointed Director;
r. Remuneration Policy Statement, Statement of the NRC and Directors' Remuneration Report – Approval for Annual Report;
s. Group Salary Review and Bonus Allocation;
t. Suitability and Succession Policy and Skills Matrix Template; and,
u. Board of Directors Suitability Assessment and Succession Planning / Board Succession Planning.

Remuneration statement

The NRC has the role of making recommendations to the Board of Directors' on remuneration. Decisions taken by the NRC are presented by the NRC Chairperson to the Board for ratification or otherwise. The guiding principle, as outlined in the Remuneration Policy and the Remuneration Policy Supplement, is that the remuneration for the Directors shall be competitive to ensure that the Group attracts and retains outstanding individuals of integrity, calibre, credibility and who have the necessary skills and experience to bring an independent judgement to bear on the issues of strategy, performance and resources for the success of the Group. Directors are remunerated through a fixed-remuneration structure which varies according to whether the appointment is that of an independent Director or otherwise and to whether the Directors are chairpersons or members of the other respective Board Committees.

The Annual General Meeting of Shareholders approves the maximum annual aggregate remuneration which the Directors may receive for the holding of their office. At the Annual General Meeting held remotely on 14 June 2022, the Shareholders approved the maximum aggregate emoluments of the Directors for the financial year ending 31 December 2022 at USD450,000 (2021: USD450,000). Directors, in their capacity as Directors of the Bank, are not entitled to profit sharing, share options or pension benefits. The total fees paid specifically for Board of Directors Meetings for the financial year ending 31 December 2022 amounted to USD201,720.

Code provision 8.A.5

For 2022, the total payments received by the Directors from the Bank and the Group were:

- fixed remuneration USD415,833
- variable remuneration Nil
- executive share options Nil
- fringe benefits USD400

The fixed annual remuneration is inclusive of remuneration with respect to Committee/s memberships.

The NRC ensures that while its remuneration practices are in compliance with existing EU/Maltese Directives and Regulations, including the applicable Capital Requirements Directive V and the Capital Requirements Regulation, it also ensures that the remuneration packages reflect industry benchmarks. This makes it possible for the Group to attract and retain Executives with the right qualities and skills for the proper management of the Group as well as the proper execution of the strategy as laid down by the Board of Directors. Unless the current economic scenario changes materially, no new significant changes are envisaged for the financial year ending 2023.

The various remuneration components, including that for Executive Management are:

- fixed remuneration (incl. 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 within the Group. Executive Management were not entitled to discretionary supplementary pension or early retirement schemes.

For 2022, the total payments received by Executive Management (members within the C-suite) from the Bank and the Group were:

- fixed remuneration (incl. fringe benefits) USD2,547,042
- variable remuneration USD621,763
- executive share options granted Nil

Additional disclosures on the governance process related to the variable portion of remuneration have been made under the Directors' Remuneration Report and under the Remuneration Policy which can be found in the 2022 Pillar 3 Disclosures Report published on the Bank's website.

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

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

Directors' Remuneration Report (as per 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 Remuneration Policy Supplement ("Policy") as approved by the Annual General Meeting held on 14 June 2022 and published on the Bank's website. The Policy was implemented without making any derogations and, or deviations from the procedure for the implementation of the Remuneration Policy as defined in Chapter 12 of the Capital Markets Rules.

The total remuneration of each individual director is detailed in tables below. The non-executive Directors only receive fixed fees for their participation at Board and Committee level. Consequently, the percentage split between fixed and variable should be taken as 100% vs 0%. The tables include remuneration received by the Bank's Directors and the GCEO of the Bank, confirming that they did not receive any remuneration from the Bank's subsidiaries. The Deputy CEO, also included in the tables below in line with the requirement of Chapter 12 of the Capital Markets Rules, received all his remuneration from London Forfaiting Company (LFC), the subsidiary where he holds the position of CEO. For information about the general performance and events of material importance of the Group refer to the Statements of Profit or Loss and the Statements of Other Comprehensive Income on pages 32 and 33 and in the Review of Performance section within the Director's Report. These did not impact the total remuneration of Directors. The Group's approach to remuneration is that of ensuring that the Group is able to attract and retain talented and high performing Directors by recognising, valuing and fairly rewarding their contributions while remaining aligned to the Group's long-term strategy, risk appetite, sustainable performance and corporate values.

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

Directors' remuneration

Name of director	2022 USD	2021 USD	*Difference RFY vs RFY-1 %	*Difference RFY-1 vs RFY-2 %	Notes
John C. Grech	**100,400	101,032	(0.6)	2.84	No change in remuneration structure. Difference due to minor change in the utilisation of fringe benefits in 2022 vs 2021
Masaud M.J. Hayat	19,750	17,000	16.2	(17.12)	No change in remuneration structure. Difference due to number of meetings attended in 2022 vs 2021
Abdel Karim A.S. Kabariti	13,500	17,667	(23.6)	140.69	No change in remuneration structure. Difference due to number of meetings attended in 2022 vs 2021
Claire Imam Thompson	46,000	38,333	0.0	-	No change in remuneration structure. Difference due to 2022 being a full year
Edmond Brincat	46,000	47,333	(2.8)	1.64	No change in remuneration structure. Difference due to change in committee membership in 2022 vs 2021
Eric Schumacher	7,917	-	NA	NA	Remuneration for 2022 is pro-rata representing (August to December). % difference not applicable
Hussain Abdul Aziz Lalani	36,750	36,750	-	5.43	No change in remuneration structure
Majed Essa Ahmed Al-Ajeel	27,750	25,750	7.8	21.94	No change in remuneration structure. Difference due to number of meetings attended in 2022 vs 2021
Mohamed Fekih Ahmed	27,000	27,000	-	(4.74)	No change in remuneration structure
Osama Talat Al-Ghoussein	3,167	19,000	(33.3)	(1.60)	No change in remuneration structure. Retired at the end of Q1. Annualised difference due to number of meetings attended in Q1
Rabih Soukarieh	25,000	23,000	8.7	(11.77)	No change in remuneration structure. Difference due to number of meetings attended in 2022 vs 2021
Rogers David LeBaron	63,000	63,000	-	(0.07)	No change in remuneration structure

'*' Percentage annual change of remuneration (RFY vs RFY-1 vs RY-2) was based on annualised remuneration to allow for a meaningful comparison.

'**' The remuneration of the non-executive Directors comprises fees only, except for the case of the Chairperson of the Board of Directors whose total emoluments for the 2022 comprise USD100,000 in fees and USD400 in fringe benefits.

Name of director	Position
John C. Grech	Chairperson FIMBank BoD, Chairperson LFC BoD, Chairperson BRIC, Chairperson BCC, Vice Chairperson CGC, Permanent Invitee NRC
Masaud M.J. Hayat	Vice Chairperson BoD, Chairperson NRC
Abdel Karim A.S. Kabariti	Member BoD, Member CGC, Member NRC
Claire Imam Thompson	Member BoD (independent member), Member AC, Member BRC, Member CGC
Edmond Brincat	Member BoD (independent member), Chairperson AC, Member NRC
Eric Schumacher	Member BoD, Member BRC
Hussain Abdul Aziz Lalani	Member BoD, Chairperson BRC, Vice Chairperson AC, Vice Chairperson BRIC, Member LFC BoD
Majed Essa Ahmed Al-Ajeel	Member BoD, Chairperson CGC, Vice Chairperson NRC, Member LFC BoD
Mohamed Fekih Ahmed	Member BoD, Member BCC, Member LFC BoD
Osama Talat Al-Ghoussein	Member BoD, Vice Chairperson BRC – retired on 31 March 2022
Rabih Soukarieh	Member BoD, Vice Chairperson BCC
Rogers David LeBaron	Member BoD, Member CGC, Member NRC, Permanent Invitee AC

	Executive remuneration				
Name of executive	2022 USD	2021 USD	*Difference RFY vs RFY-1 %	*Difference RFY-1 vs RFY-2 %	Notes
Adrian A. Gostuski	787,996	634,882	24.1	15.56	Increase in remuneration in 2022 vs 2021 is mainly due to a higher variable remuneration and an increase in fixed remuneration following the signing of a new definite contract
Simon Lay	861,899	782,889	10.1	7.55	Increase in remuneration in 2022 vs 2021 is mainly due to a salary increase and higher variable remuneration

‘ * ‘ Differences also include fluctuation in rate of exchange.

Name of executive	Position
Adrian A. Gostuski	GCEO FIMBank, Chairperson MCC, Chairperson ALCO, Member ERPC, Member ITSC, Member ORMC, Member NCIC, Non-Voting Member BRIC, Chairperson Egypt Factors BoD, Chairperson India Factoring BoD, Chairperson FPI BoD, Member Brasil Factors BoD, Member FBS BoD
Simon Lay	Deputy CEO FIMBank, CEO LFC, Member MCC, Member ALCO, Member ERPC

The Executives received all remuneration from the Bank with the exception of Simon Lay whose remuneration is received from a subsidiary of the Bank.

Company performance

Performance indicators	2022 USD	2021 USD	2020 USD	Difference RFY vs RFY-1 %	Difference RFY-1 vs RFY-2 %
Operating income/(loss) before net impairment	4,206,308	3,237,112	(5,823,426)	*29.9	*155.6
Loss for the year	(22,010,084)	(663,219)	(55,976,602)	**(3,218.7)	*98.8
Gross non-performing assets	94,001,953	119,068,469	174,337,048	*21.1	*31.7

‘ * ‘ Percentages in respect of FIMBank Performance are being shown as positive given that they denote improvements in these metrics.
‘**’ Percentage in respect of FIMBank Performance is being shown as negative given that this figure denotes a deterioration in this metric.

Average remuneration on full-time equivalent basis of employee	2022 USD	2021 USD	2020 USD	Difference RFY vs RFY-1 %	Difference RFY-1 vs RFY-2 %
Employees of the Company	77,158	76,206	69,573	1.2	9.5
Employees of the Group	72,226	73,137	64,944	(1.2)	12.6

Remuneration for executives for financial year 2022

Name of executive	Fixed remuneration: Base salary USD	Fees USD	Fringe benefits USD	Variable remuneration: One-year variable USD	Multi-year variable USD	Extraordinary items USD	Pension Expense USD	Total remuneration USD	Proportion of fixed and variable remuneration
Adrian A. Gostuski	386,454	-	139,862	261,680	-	-	-	787,996	67%-33%
Simon Lay	425,334	-	128,175	210,768	-	-	97,622	861,899	76%-24%

The variable remuneration awarded to Executives during the reporting year (performance bonus in respect of financial year 2021) reflects their overall performance. In determining the variable remuneration of both the GCEO and the Deputy CEO, their performance was assessed by the NRC against specific goals related to financials as well as other criteria namely, service/client delivery, risk and control, leadership and people management, market position and project and initiatives. On the basis of this assessment, the NRC approved an award of 100% of the maximum awardable performance bonus to both the GCEO and the Deputy CEO. This in view of the GCEO's extraordinary efforts to strategically redirect the Group towards a more sustainable business model and Deputy CEO's material contribution in ensuring that LFC remains a profit-making entity for the Group also in 2021.

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

Denotes membership of:

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

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

Statements of financial position

As at 31 December 2022

		Group		Bank	
		2022	2021	2022	2021
	Note	USD	USD	USD	USD
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	19	211,898,623	239,998,839	211,883,765	239,982,048
Derivative assets held for risk management	20	1,610,475	841,688	1,610,475	841,688
Trading assets	21	444,583,661	439,985,203	-	-
Loans and advances to banks	22	154,682,628	198,488,576	130,851,134	182,458,548
Loans and advances to customers	23	592,785,157	628,912,340	729,767,493	745,564,139
Financial assets at fair value through profit or loss	24	18,179,220	19,966,163	18,179,220	19,966,163
Financial assets at fair value through other comprehensive income	25	-	162,408,542	-	162,408,542
Financial assets at amortised cost	26	183,292,866	9,914,754	183,292,866	9,914,754
Investments in subsidiaries	27	-	-	152,687,573	159,448,858
Property and equipment	28	26,717,939	30,910,454	4,770,241	1,965,249
Investment property	29	21,637,065	17,223,820	-	-
Intangible assets and goodwill	30	3,096,854	9,376,595	3,099,853	3,774,315
Current tax assets		1,498,194	1,280,465	-	66,667
Deferred tax assets	31	22,001,417	24,920,527	15,004,834	16,336,538
Other assets	32	5,372,835	4,244,384	4,291,634	3,848,321
Total assets		**1,687,356,934**	**1,788,472,350**	**1,455,439,088**	**1,546,575,830**
Liabilities and equity					
Liabilities					
Derivative liabilities held for risk management	20	578,779	1,499,026	818,031	1,533,556
Amounts owed to banks	33	473,295,256	563,553,044	386,787,784	497,633,356
Amounts owed to customers	34	981,906,210	934,096,196	877,538,831	838,675,598
Debt securities in issue	35	15,451,068	45,345,575	-	-
Current tax liabilities		250,624	567,144	-	-
Deferred tax liabilities	31	4,097,858	4,215,075	-	-
Provision for liabilities and charges	36	907,755	356,722	121,209	201,775
Other liabilities	37	14,857,450	14,859,385	10,498,948	7,921,481
Total liabilities		**1,491,345,000**	**1,564,492,167**	**1,275,764,803**	**1,345,965,766**
Equity					
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
Reserve for general banking risks	38	-	2,218,995	-	2,218,995
Currency translation reserve	38	(13,717,527)	(10,941,184)	-	-
Fair value reserve	38	11,424,322	9,879,740	-	(1,074,305)
Other reserve	38	2,982,435	2,982,435	2,681,041	2,681,041
Accumulated losses	38	(67,240,656)	(42,869,373)	(85,087,523)	(65,296,434)
Total equity attributable to equity holders of the Bank		**195,529,341**	**223,351,380**	**179,674,285**	**200,610,064**
Non-controlling interests	39	482,593	628,803	-	-
Total equity		**196,011,934**	**223,980,183**	**179,674,285**	**200,610,064**
Total liabilities and equity		**1,687,356,934**	**1,788,472,350**	**1,455,439,088**	**1,546,575,830**

Statements of financial position

As at 31 December 2022

		Group		Bank	
		2022	2021	2022	2021
	Note	USD	USD	USD	USD
Memorandum items					
Contingent liabilities	40	**12,134,442**	**1,950,534**	**36,131,883**	**39,327,362**
Commitments	41	**100,001,463**	**153,618,234**	**91,414,423**	**107,469,111**

The official middle rate of exchange issued by the European Central Bank between US Dollar and Euro as at 31 December 2022 was 1.0666 (2021: 1.1326).

The Notes on pages 40 to 157 are an integral part of these Financial Statements.

The Financial Statements on pages 30 to 157 were approved and authorised for issue by the Board of Directors on 22 March 2023.

Signed by John C. Grech (Chairman) and Masaud M.J. Hayat (Vice Chairman) on 22 March 2023

Statements of profit or loss

For the year ended 31 December 2022

	Note	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Interest income	9	48,000,111	37,472,230	27,401,735	19,588,232
Interest expense	9	(17,663,162)	(12,603,475)	(13,509,191)	(10,457,006)
Net interest income	9	**30,336,949**	**24,868,755**	**13,892,544**	**9,131,226**
Fee and commission income	10	18,019,213	15,899,548	6,177,499	4,940,843
Fee and commission expense	10	(6,590,340)	(5,061,985)	(2,510,399)	(2,165,538)
Net fee and commission income	10	**11,428,873**	**10,837,563**	**3,667,100**	**2,775,305**
Net trading results	11	(6,924,935)	2,502,426	1,411,029	(594,353)
Net (loss)/gain from other financial instruments carried at fair value	12	(337,257)	1,137,221	(337,257)	1,137,221
Dividend income	13	3,821,545	1,089,189	10,321,545	16,989,049
Gains/(Losses) on lease modifications	43.1	11,764	-	106,101	(27,037)
Other operating income	14	853,240	728,990	460,373	133,940
Other operating expenses	15	(364,205)	(128,908)	(364,205)	(128,906)
Operating income before net impairment		**38,825,974**	**41,035,236**	**29,157,230**	**29,416,445**
Net impairment charge on financial assets	5	(20,028,684)	(1,970,935)	(17,424,101)	(3,699,557)
Net impairment (charge)/gain on non-financial assets		-	63,139	-	-
Provision for other liabilities and charges	36	(500,000)	-	-	-
Impairment of goodwill	30	(5,249,307)	-	-	-
Impairment of investments in subsidiaries	27	-	-	(8,261,536)	(87,356)
Operating income		**13,047,983**	**39,127,440**	**3,471,593**	**25,629,532**
Administrative expenses	16	(34,660,839)	(37,085,595)	(22,139,252)	(23,213,366)
Depreciation and amortisation	28/30	(3,101,584)	(3,334,779)	(2,811,670)	(2,965,967)
Total operating expenses		**(37,762,423)**	**(40,420,374)**	**(24,950,922)**	**(26,179,333)**
Loss before tax		**(24,714,440)**	**(1,292,934)**	**(21,479,329)**	**(549,801)**
Taxation	17	(1,957,610)	(2,319,589)	(530,755)	(113,418)
Loss for the year		**(26,672,050)**	**(3,612,523)**	**(22,010,084)**	**(663,219)**
Loss attributable to:					
Owners of the Bank		(26,590,278)	(3,840,703)	(22,010,084)	(663,219)
Non-controlling interests	39	(81,772)	228,180	-	-
		(26,672,050)	**(3,612,523)**	**(22,010,084)**	**(663,219)**
Earnings per share					
Basic loss per share (US cents)	18	**(5.09)**	**(0.74)**	**(4.21)**	**(0.13)**

The Notes on pages 40 to 157 are an integral part of these Financial Statements.

Statements of other comprehensive income

For the year ended 31 December 2022

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Loss for the year	**(26,672,050)**	**(3,612,523)**	**(22,010,084)**	**(663,219)**
Other comprehensive expense:				
Items that will not be reclassified to profit or loss:				
Movement in fair value reserve:				
– Property and equipment - net change in fair value	-	(399,566)	-	-
Related tax	470,277	-	-	-
	470,277	**(399,566)**	**-**	**-**
Items that are or may be reclassified subsequently to profit or loss:				
Movement in translation reserve:				
– Foreign operations - foreign currency translation differences	(2,840,781)	(1,677,971)	-	-
Movement in fair value reserve:				
– Debt investments in fair value through other comprehensive income - net change in fair value	-	(3,484,283)	-	(3,484,283)
– Debt investments in fair value through other comprehensive income - reclassified to profit or loss	-	(749,186)	-	(749,186)
– Debt investments in fair value through other comprehensive income - reclassification to amortised cost	2,406,009	-	2,406,009	-
Related tax	(1,331,704)	745,583	(1,331,704)	745,583
	(1,766,476)	**(5,165,857)**	**1,074,305**	**(3,487,886)**
Other comprehensive (expense)/income, net of tax	**(1,296,199)**	**(5,565,423)**	**1,074,305**	**(3,487,886)**
Total comprehensive expense	**(27,968,249)**	**(9,177,946)**	**(20,935,779)**	**(4,151,105)**
Total comprehensive expense attributable to:				
Owners of the Bank	(27,822,039)	(9,399,277)	(20,935,779)	(4,151,105)
Non-controlling interests	(146,210)	221,331	-	-
	(27,968,249)	**(9,177,946)**	**(20,935,779)**	**(4,151,105)**

Statements of changes in equity

For the year ended 31 December 2022

Group

	Attributable to equity holders of the Bank									
	Share capital USD	Share premium USD	Reserve for general banking risks USD	Currency translation reserve USD	Fair value reserve USD	Other reserve USD	Accumulated loss USD	Total USD	Non-controlling interests USD	Total equity USD
Balance at 1 January 2022	**261,221,882**	**858,885**	**2,218,995**	**(10,941,184)**	**9,879,740**	**2,982,435**	**(42,869,373)**	**223,351,380**	**628,803**	**223,980,183**
Total comprehensive expense										
Loss for the year	-	-	-	-	-	-	(26,590,278)	(26,590,278)	(81,772)	**(26,672,050)**
							-			
Other comprehensive expense:										
Fair value reserve:										
– Debt investments at fair value through other comprehensive income - net change in fair value	-	-	-	-	-	-	-	-	-	**-**
– Debt investments at fair value through other comprehensive income - reclassified to profit or loss	-	-	-	-	-	-	-	-	-	**-**
– Debt investments at fair value through other comprehensive income – reclassification to amortised cost	-	-	-	-	1,074,305	-	-	1,074,305	-	**1,074,305**
– Property and equipment - net change in fair value	-	-	-	-	470,277	-	-	470,277	-	**470,277**
Translation reserve:										
– Foreign operations - foreign translation difference	-	-	-	(2,776,343)	-	-	-	(2,776,343)	(64,438)	**(2,840,781)**
Total other comprehensive expense	**-**	**-**	**-**	**(2,776,343)**	**1,544,582**	**-**	**-**	**(1,231,761)**	**(64,438)**	**(1,296,199)**
Total comprehensive expense	**-**	**-**	**-**	**(2,776,343)**	**1,544,582**	**-**	**(26,590,278)**	**(27,822,039)**	**(146,210)**	**(27,968,249)**
Transfer between reserves	-	-	(2,218,995)	-	-	-	2,218,995	-	-	**-**
Balance at 31 December 2022	**261,221,882**	**858,885**	**-**	**(13,717,527)**	**11,424,322**	**2,982,435**	**(67,240,656)**	**195,529,341**	**482,593**	**196,011,934**

Statements of changes in equity

For the year ended 31 December 2022

Group

	Share capital USD	Share premium USD	Reserve for general banking risks USD	Currency translation reserve USD	Fair value reserve USD	Other reserve USD	Accumulated loss USD	Total USD	Non-controlling interests USD	Total equity USD
	Attributable to equity holders of the Bank									
Balance at 1 January 2021	**261,221,882**	**858,885**	**3,358,738**	**(10,011,229)**	**13,367,626**	**2,982,435**	**(39,027,680)**	**232,750,657**	**407,472**	**233,158,129**
Total comprehensive expense										
Loss for the year	-	-	-	-	-	-	(3,840,703)	(3,840,703)	228,180	**(3,612,523)**
Other comprehensive expense:										
Fair value reserve:										
– Debt investments at fair value through other comprehensive income - net change in fair value	-	-	-	-	(2,738,700)	-	-	(2,738,700)	-	**(2,738,700)**
– Debt investments at fair value through other comprehensive income - reclassified to profit or loss	-	-	-	-	(749,186)	-	-	(749,186)	-	**(749,186)**
– Property and equipment - net change in fair value	-	-	-	-	-	-	(399,566)	(399,566)	-	**(399,566)**
Translation reserve:										
– Foreign operations - foreign translation difference	-	-	-	(1,671,122)	-	-	-	(1,671,122)	(6,849)	**(1,677,971)**
Total other comprehensive expense	**-**	**-**	**-**	**(1,671,122)**	**(3,487,886)**	**-**	**(399,566)**	**(5,558,574)**	**(6,849)**	**(5,565,423)**
Total comprehensive expense	**-**	**-**	**-**	**(1,671,122)**	**(3,487,886)**	**-**	**(4,240,269)**	**(9,399,277)**	**221,331**	**(9,177,946)**
Transfer between reserves	-	-	(1,139,743)	741,167	-	-	398,576	-	-	-
Balance at 31 December 2021	**261,221,882**	**858,885**	**2,218,995**	**(10,941,184)**	**9,879,740**	**2,982,435**	**(42,869,373)**	**223,351,380**	**628,803**	**223,980,183**

Statements of changes in equity

For the year ended 31 December 2022

Bank

	Share capital USD	Share premium USD	Reserve for general banking risks USD	Fair value reserve USD	Other reserve USD	Accumulated losses USD	Total equity USD
Balance at 1 January 2022	**261,221,882**	**858,885**	**2,218,995**	**(1,074,305)**	**2,681,041**	**(65,296,434)**	**200,610,064**
Total comprehensive expense							
Loss for the year	-	-	-	-	-	(22,010,084)	**(22,010,084)**
Other comprehensive income:							
Fair value reserve:							
– Debt investments at fair value through other comprehensive income net change in fair value	-	-	-	-	-	-	**-**
– Debt investments at fair value through other comprehensive income reclassified to profit or loss	-	-	-	-	-	-	**-**
– Debt investments at fair value through other comprehensive income reclassification to amortised cost	-	-	-	1,074,305	-	-	**1,074,305**
Total other comprehensive income	**-**	**-**	**-**	**1,074,305**	**-**	**-**	**1,074,305**
Total comprehensive expense	**-**	**-**	**-**	**1,074,305**	**-**	**(22,010,084)**	**(20,935,779)**
Transfer between reserves	-	-	(2,218,995)	-	-	2,218,995	**-**
Balance at 31 December 2022	**261,221,882**	**858,885**	**-**	**-**	**2,681,041**	**(85,087,523)**	**179,674,285**

Statements of changes in equity

For the year ended 31 December 2022

Bank

	Share capital USD	Share premium USD	Reserve for general banking risks USD	Fair value reserve USD	Other reserve USD	Accumulated losses USD	Total equity USD
Balance at 1 January 2021	**261,221,882**	**858,885**	**3,358,738**	**2,413,581**	**2,681,041**	**(65,772,958)**	**204,761,169**
Total comprehensive expense							
Loss for the year	-	-	-	-	-	(663,219)	**(663,219)**
Other comprehensive expense:							
Fair value reserve:							
– Debt investments at fair value through other comprehensive income net change in fair value	-	-	-	(2,738,700)	-	-	**(2,738,700)**
– Debt investments at fair value through other comprehensive income reclassified to profit or loss	-	-	-	(749,186)	-	-	**(749,186)**
Total other comprehensive expense	**-**	**-**	**-**	**(3,487,886)**	**-**	**-**	**(3,487,886)**
Total comprehensive expense	**-**	**-**	**-**	**(3,487,886)**	**-**	**(663,219)**	**(4,151,105)**
Transfer between reserves	-	-	(1,139,743)	-	-	1,139,743	-
Balance at 31 December 2021	**261,221,882**	**858,885**	**2,218,995**	**(1,074,305)**	**2,681,041**	**(65,296,434)**	**200,610,064**

Statements of cash flows

For the year ended 31 December 2022

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Cash flows from operating activities				
Interest and commission receipts	67,842,075	55,525,226	41,447,798	28,973,357
Exchange received	20,591,890	8,927,656	15,912,422	9,317,492
Interest and commission payments	(22,566,935)	(12,647,022)	(13,460,067)	(13,639,330)
Payments to employees and suppliers	(36,264,817)	(34,541,419)	(22,429,122)	(21,384,875)
Operating profit before changes in operating assets/liabilities	**29,602,213**	**17,264,441**	**21,471,031**	**3,266,644**
(Increase)/Decrease in operating assets:				
– Trading assets	(3,788,591)	11,562,138	-	-
– Loans and advances to customers and banks	29,040,224	(49,314,586)	33,519,596	9,902,960
– Other assets	(513,833)	1,887,605	(345,894)	1,878,571
(Decrease)/Increase in operating liabilities:				
– Amounts owed to customers and banks	(7,758,320)	(102,639,099)	(13,640,792)	(114,492,171)
– Other liabilities	(217,251)	(40,600)	(223,771)	(31,993)
– Net advances from subsidiary companies	-	-	(13,749,925)	(19,141,340)
Net cash generated from/(absorbed by) operating activities before income tax	**46,364,442**	**(121,280,101)**	**27,030,245**	**(118,617,329)**
Income tax paid	(1,282,984)	(409,062)	(476,091)	(115,683)
Net cash flows generated from/(used in) operating activities	**45,081,458**	**(121,689,163)**	**26,554,154**	**(118,733,012)**
Cash flows from investing activities				
Payments to acquire financial assets at fair value through other comprehensive income	-	(74,874,050)	-	(74,874,050)
Payments to acquire financial assets at amortised cost	(40,118,426)	-	(40,118,426)	-
Payments to acquire treasury bills at amortised cost	(429,590,021)	-	(429,590,021)	-
Payments to acquire shares in subsidiary companies	-	-	(252)	-
Payments to acquire property and equipment	(1,113,450)	(518,656)	(916,620)	(399,511)
Payments to acquire intangible assets	(318,308)	(779,861)	(318,308)	(779,881)
Proceeds on disposal of financial assets at fair value through profit or loss	127,493	160,770	127,493	160,770
Proceeds on disposal of financial assets at fair value through other comprehensive income	-	50,918,619	-	50,918,619
Proceeds on disposal of financial assets at amortised cost	22,800,719	-	22,800,719	-
Proceeds on disposal of treasury bills at amortised cost	296,265,806	-	296,265,806	-
Proceeds on disposal of property and equipment	19,729	9,751	1,565	9,751
Receipt of dividend	3,821,545	1,089,189	8,821,545	4,889,049
Net cash flows used in investing activities	**(148,104,913)**	**(23,994,238)**	**(142,926,499)**	**(20,075,253)**
Decrease in cash and cash equivalents c/f	**(103,023,455)**	**(145,683,401)**	**(116,372,345)**	**(138,808,265)**

Statements of cash flows

For the year ended 31 December 2022

	Group		Bank	
	2022	2021	2022	2021
	USD	USD	USD	USD
Decrease in cash and cash equivalents b/f	**(103,023,455)**	**(145,683,401)**	**(116,372,345)**	**(138,808,265)**
Cash flows from financing activities				
– Net movement in debt securities	(29,806,615)	(5,490,217)	-	-
– Payment of lease liabilities	(700,703)	(1,139,127)	(1,330,082)	(1,787,096)
Net cash flows used in financing activities	**(30,507,318)**	**(6,629,344)**	**(1,330,082)**	**(1,787,096)**
Decrease in cash and cash equivalents	**(133,530,773)**	**(152,312,745)**	**(117,702,427)**	**(140,595,361)**
Analysed as follows:				
– Effect of exchange rate changes on cash and cash equivalents	(15,406,845)	(24,586,990)	(14,867,995)	(26,036,980)
– Net (decrease) in cash and cash equivalents	(118,123,928)	(127,725,755)	(102,834,432)	(114,558,381)
Decrease in cash and cash equivalents	**(133,530,773)**	**(152,312,745)**	**(117,702,427)**	**(140,595,361)**
Cash and cash equivalents at beginning of year	**89,611,104**	**241,923,849**	**127,314,325**	**267,909,686**
Cash and cash equivalents at end of year	**(43,919,669)**	**89,611,104**	**9,611,898**	**127,314,325**

Notes to the financial statements

For the year ended 31 December 2022

Notes to the financial statements

For the year ended 31 December 2022

1 Reporting entity

FIMBank p.l.c. (the "Bank") is a company domiciled in Malta. The address of the Bank's registered office is Mercury Tower, The Exchange Financial and Business Centre, Elia Zammit Street, St. Julian's STJ 3155, Malta. The Financial Statements of the Bank as at and for the year ended 31 December 2022 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 Basis of preparation

2.1 Statement of compliance

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

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

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

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 22 March 2023.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

2.4 Use of judgements and estimates

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.

2.4.1 Judgements

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

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

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

2.4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2022 is set out below in relation to the impairment of financial instruments and in the following Notes in relation to other areas:

- Accounting Policy 3.10.8 – impairment of financial instruments: key assumptions used in estimating recoverable cash flows;
- Note 2.4.2.1 – determination of the fair value of financial instruments with significant unobservable inputs;
- Note 5 – impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information;
- Note 30.2 – impairment testing for CGUs containing goodwill: key assumptions underlying recoverable amounts; and
- Note 31 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

2.4.2.1 Determining fair values

A number of the Group's Accounting Policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This framework includes reports to the Group's Chief Financial Officer and Executive Management having overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. Market risk and related exposure to fair value movement is also a key function of the Group's Assets Liabilities Committee and all valuations of financial instruments are reported to the Committee for review and approval. Significant valuation issues are reported to the Group's 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 6 – fair values of financial instruments;
- Note 28 – property and equipment; and
- Note 29 – investment property.

3 Significant accounting policies

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

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.

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

3.1.5 Discontinued operations

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

- represents a separate major line of business or geographic areas of operations;
- is part of a single co-ordinated 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 income and expenses (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 amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year.

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

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

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

3.2.2 Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and accumulated in the currency translation reserve, except to the extent that the translation difference is allocated to 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

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

For information on when financial assets are credit-impaired see Accounting Policy 3.10.8.

Presentation

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

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

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

- financial liabilities measured at amortised cost;
- negative interest on financial assets measured at amortised cost;
- 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 Fees and commissions

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

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

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

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

3.7 Dividends

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

3.8 Leases

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

3.8.1.1 Group acting as a lessee

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, 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.

3.8.1.2 Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

3.9 Income tax

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

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

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

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

3.10 Financial assets and liabilities

3.10.1 Recognition and initial measurement

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

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

3.10.2 Classification

3.10.2.1 Financial assets

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

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI (see Accounting Policy 3.15). This election is made on an investment-by-investment basis. All other financial assets are classified as measured at fair value through profit or loss. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income at fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (see Accounting Policy 3.10.9).

Business model assessment

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

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

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

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

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

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

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

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

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

Non-recourse loans

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

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

Reclassifications

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

See Accounting Policies 3.12, 3.13, 3.14 and 3.15.

3.10.2.2 Financial liabilities

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

See Accounting Policies 3.12, 3.13, 3.21 and 3.23.

3.10.3 Derecognition

3.10.3.1 Financial assets

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

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

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

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

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

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

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

3.10.3.2 Financial liabilities

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

3.10.4 Modifications of financial assets and financial liabilities

3.10.4.1 Financial assets

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

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

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

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

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

3.10.4.2 Financial liabilities

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

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Interest rate benchmark reform

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

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

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

3.10.5 Offsetting

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

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

3.10.6 Amortised cost measurement

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

3.10.7 Fair value measurement

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique 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 2.4.2.1.

3.10.8 Identification and measurement of impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12-months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. 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 are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a life-time ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

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

Measurement of ECL

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

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

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

The model used for this review period was based on three possible scenarios covering a wide range of possible outcomes. Each scenario assumed different epidemiological and economic circumstances, tightening of monetary policy rates, stabilisation of bond markets, fiscal policies aimed at easing the pressures arising from high energy prices and escalation (or non-escalation) of Russia's invasion beyond Ukraine. The main assumptions used in the model include different levels of:

- rising cost of financing, policy rate hikes, growth outlook, pandemic resurgence/rebound, supply chain shortages;
- financial market conditions, geopolitical tensions, 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.

See also Note 5.2.1.8.

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

A 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.

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. Consequently, POCI assets do not carry an impairment allowance 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.

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 neither is 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'.

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

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

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

3.10.9 Designated at fair value through profit or loss

Financial assets

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

Financial liabilities

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

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

3.11 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, 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.

3.12 Trading assets and liabilities

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

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

3.13 Derivatives held for risk management purposes

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

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

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

3.13.1 Net investment hedges

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

3.14 Loans and advances

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

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

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

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

3.15 Investment securities

The investment securities in the Statement of Financial Position include:

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

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

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

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

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

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

3.16 Investments in subsidiaries, associates and jointly-controlled entities

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

3.17 Property and equipment

3.17.1 Recognition and measurement

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

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.

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

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.

3.17.2 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.

3.17.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Improvements to leasehold premises are depreciated over the shorter of the lease term and their useful lives.

Land is not depreciated.

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

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

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

3.17.4 Reclassification to investment property

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

3.18 Investment property

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

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

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

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

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

3.19 Intangible assets and goodwill

3.19.1 Recognition and measurement

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.

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.

Other intangible assets

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

3.19.2 Subsequent expenditure

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

3.19.3 Amortisation

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

- software 7 years
- other intangible assets 5 years

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

3.20 Impairment of non-financial assets

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

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

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

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

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

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

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

3.21 Deposits, debt securities in issue and subordinated liabilities

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

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

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

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

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

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

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

3.22 Provisions

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

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

3.23 Financial guarantees and loan commitments

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

Financial guarantees issued and loan commitments 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 3.10.3 are applied to loan commitments issued and held.

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

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

3.24 Employee benefits

3.24.1 Defined contribution plans

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

3.24.2 Share-based payment transactions

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

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.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognised as personnel expenses in profit or loss.

3.25 Share capital

3.25.1 Ordinary shares

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

3.25.2 Repurchase of share capital

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

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

3.26 Earnings per share

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

As at December 2022, basic and diluted earnings per share were equal.

3.27 Segment reporting

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

3.28 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted, however, the Group has not early adopted them in preparing these Financial Statements.

Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at the date. For all other transactions the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group accounts for deferred tax on leases apply the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. As at 31 December 2022, the taxable temporary difference in relation to the right-of-use asset is USD1,178,878 and the deductible temporary difference in relation to the lease liability is USD1,221,609, resulting in a net deferred tax asset of USD42,731. Under the amendments, the Group will present a separate deferred tax liability of USD1,178,878 and a deferred tax asset of USD1,221,609. There will be no impact on retained earnings on the adoption of the amendments.

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

- amendments to IAS 1 – presentation of financial statements: classification of liabilities as current or non-current;
- amendments to IAS 1 – presentation of financial statements and IFRS practice statement 2: disclosure of accounting policies;
- amendments to IAS 8 – accounting policies, changes in accounting estimates and errors: definition of accounting estimates;
- amendments to IFRS 16 – leases: lease liability in a sale and leases back; and
- IFRS 17 insurance contracts and amendments to IFRS 17 insurance contracts.

4 Changes in accounting policies

The Group has no transactions that are affected by newly effective requirements.

5 Financial risk review

5.1 Introduction and overview

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

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

a. credit risk:
   - default risk;
   - concentration risk;
   - counterparty credit risk;
   - settlement risk; and
   - foreign exchange lending risk;
b. liquidity risk;
c. market risk:
   - foreign exchange risk;
   - interest rate risk in the banking book;
   - position risk in the traded debt instruments; and
   - price risk;
d. operational risk (including IT and Legal risk); and
e. compliance and financial crime risk (including conduct and reputational risk)

5.1.1 Risk management framework

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

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

5.2 Credit risk

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

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

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

5.2.1 Default Risk

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

Strict credit assessment and control procedures are in place in order to monitor such exposures. Overall responsibility for credit risk is entrusted to the Board Credit Committee ("BCC") which is responsible for overseeing adherence to the Group's Credit Policy and 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 oversight of operational, legal and reputational risk related to credit activity. Further information on the composition and function of the BCC is found in the Statement of Compliance with the Principles of Good Corporate Governance.

The Group also ensures that it has a reasonable mix of loans to customers. This diversification of credit among different economic sectors is adopted by the Group to mitigate such risks. Additionally, through country limits, the bank 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 assets, the Group exercises the same credit controls as those applied to on-balance sheet exposures and limits are established accordingly.

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

5.2.1.1 Credit quality analysis

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

Group – 31 December 2022

	2022				
	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	0.11% - 0.61%	196,054,477	-	-	**196,054,477**
Grades 5+ to 5- fair risk	0.56% - 0.57%	15,929,718	-	-	**15,929,718**
		211,984,195	**-**	**-**	**211,984,195**
Loss allowance		(85,572)	-	-	**(85,572)**
Carrying amount		**211,898,623**	**-**	**-**	**211,898,623**
Loans and advances to banks					
Grades 1 to 4- low risk	0.16% - 0.82%	58,974,333	-	-	**58,974,333**
Grades 5+ to 5- fair risk	0.64% - 4.39%	8,899,263	-	-	**8,899,263**
Grades 6+ to 7 substandard	1.2% - 7.34%	86,272,654	-	-	**86,272,654**
Grade 7- to 8- doubtful	5.38%	-	981,535	-	**981,535**
Grade 9 to 10 loss	100%	-	29,534	-	**29,534**
		154,146,250	**1,011,069**	**-**	**155,157,319**
Loss allowance		(458,281)	(16,410)	-	**(474,691)**
Carrying amount		**153,687,969**	**994,659**	**-**	**154,682,628**
Loans and advances to customers *					
Grades 1 to 4- low risk	0.08% - 0.9%	43,879,093	560,550	-	**44,439,643**
Grades 5+ to 5- fair risk	0.38% - 3.53%	165,739,219	15,840,557	-	**181,579,776**
Grades 6+ to 7 substandard	2.52% - 32.46%	223,008,026	67,345,351	-	**290,353,377**
Grade 7- to 8- doubtful	16.16% - 40.49%	4,076,786	44,829,657	-	**48,906,443**
Grade 9 to 10 loss	100%	-	51,000	102,531,826	**102,582,826**
		436,703,124	**128,627,115**	**102,531,826**	**667,862,065**
Loss allowance		(1,807,610)	(3,738,804)	(69,530,494)	**(75,076,908)**
Carrying amount		**434,895,514**	**124,888,311**	**33,001,332**	**592,785,157**
Financial assets at amortised cost					
Grades 1 to 4- low risk	0.03% - 0.67%	173,652,176	-	-	**173,652,176**
Grades 5+ to 5- fair risk	0.93%	9,805,955	-	-	**9,805,955**
		183,458,131	**-**	**-**	**183,458,131**
Loss allowance		(165,265)	-	-	**(165,265)**
Carrying amount		**183,292,866**	**-**	**-**	**183,292,866**
Contingent liabilities					
Grades 1 to 4- low risk	0.29% - 0.84%	91,324	-	-	**91,324**
Grades 5+ to 5- fair risk	0.87% - 3.11%	7,516,187	4,127	-	**7,520,314**
Grades 6+ to 7 substandard	1.56% - 17.53%	4,270,380	85,847	-	**4,356,227**
Grade 9 to 10 loss	100%	-	-	166,577	**166,577**
Carrying amount		**11,877,891**	**89,974**	**166,577**	**12,134,442**
Loss allowance		(43,668)	(107)	-	**(43,775)**
Commitments					
Grades 1 to 4- low risk	0.16% - 0.94%	5,902,394	-	-	**5,902,394**
Grades 5+ to 5- fair risk	1.09% - 3.16%	53,329,456	-	-	**53,329,456**
Grades 6+ to 7 substandard	1.8% - 29.66%	26,733,134	14,036,479	-	**40,769,613**
Carrying amount		**85,964,984**	**14,036,479**	**-**	**100,001,463**
Loss allowance		(274,242)	(2,878)	-	**(277,120)**

' * ' In 2022, the Group has adopted a new model provided by Moody's Analytics focusing specially on private firms in order to have a more refined model which is more aligned with the nature of the clients of the Group. The Group has applied this model for its exposure to unlisted corporates. The range for the 12-month PD is higher under this model than the model previously used.

Group – 31 December 2021

	2021				
	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	0.06% - 0.2%	223,146,495	-	-	**223,146,495**
Grades 5+ to 5- fair risk	0.26% - 0.26%	16,971,941	-	-	**16,971,941**
		240,118,436	**-**	**-**	**240,118,436**
Loss allowance		(119,597)	-	-	**(119,597)**
Carrying amount		**239,998,839**	**-**	**-**	**239,998,839**
Loans and advances to banks					
Grades 1 to 4- low risk	0.17% - 0.72%	111,995,895	-	-	**111,995,895**
Grades 5+ to 5- fair risk	0.92% - 3.55%	6,611,439	-	-	**6,611,439**
Grades 6+ to 7 substandard	1.27% - 9.23%	78,180,723	2,086,670	-	**80,267,393**
		196,788,057	**2,086,670**	**-**	**198,874,727**
Loss allowance		(363,708)	(22,443)	-	**(386,151)**
Carrying amount		**196,424,349**	**2,064,227**	**-**	**198,488,576**
Loans and advances to customers					
Grades 1 to 4- low risk	0.03% - 0.71%	26,462,373	7,434,690	-	**33,897,063**
Grades 5+ to 5- fair risk	0.2% - 1.67%	146,280,818	22,137,848	-	**168,418,666**
Grades 6+ to 7 substandard	0.35% - 7.39%	223,231,799	97,784,507	-	**321,016,306**
Grade 7- to 8- doubtful	2.07% - 100%	626,142	47,403,330	2,356,861	**50,386,333**
Grade 9 to 10 loss	100%	-	35,656	137,943,170	**137,978,826**
		396,601,132	**174,796,031**	**140,300,031**	**711,697,194**
Loss allowance		(1,267,844)	(2,740,295)	(78,776,715)	**(82,784,854)**
Carrying amount		**395,333,288**	**172,055,736**	**61,523,316**	**628,912,340**
Financial assets at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.02% - 0.23%	164,896,615	-	-	**164,896,615**
Carrying amount at cost		**164,896,615**	**-**	**-**	**164,896,615**
Carrying amount at fair value		**162,408,542**	**-**	**-**	**162,408,542**
Loss allowance		(82,065)	-	-	**(82,065)**
Financial assets at amortised cost					
Grades 1 to 4- low risk	0.99%	9,972,376	-	-	**9,972,376**
		9,972,376	**-**	**-**	**9,972,376**
Loss allowance		(57,622)	-	-	**(57,622)**
Carrying amount		**9,914,754**	**-**	**-**	**9,914,754**
Contingent liabilities					
Grades 1 to 4- low risk	0.38% - 0.6%	100,294	-	-	**100,294**
Grades 5+ to 5- fair risk	0.2% - 2.38%	70,855	61,015	-	**131,870**
Grades 6+ to 7 substandard	0.54% - 4.44%	1,152,054	-	-	**1,152,054**
Grade 9 to 10 loss	100%	-	-	566,316	**566,316**
Carrying amount		**1,323,203**	**61,015**	**566,316**	**1,950,534**
Loss allowance		(823)	-	(161,243)	**(162,066)**
Commitments					
Grades 1 to 4- low risk	0.06% - 0.6%	38,795,787	-	-	**38,795,787**
Grades 5+ to 5- fair risk	0.2% - 1.67%	44,960,903	-	-	**44,960,903**
Grades 6+ to 7 substandard	0.55% - 9.75%	69,390,613	470,931	-	**69,861,544**
Carrying amount		**153,147,303**	**470,931**	**-**	**153,618,234**
Loss allowance		(94,841)	(2,421)	-	**(97,262)**

Bank – 31 December 2022

	2022				
	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	0.11% - 0.61%	196,039,619	-	-	**196,039,619**
Grades 5+ to 5- fair risk	0.56% - 0.57%	15,929,718	-	-	**15,929,718**
		211,969,337	**-**	**-**	**211,969,337**
Loss allowance		(85,572)	-	-	**(85,572)**
Carrying amount		**211,883,765**	**-**	**-**	**211,883,765**
Loans and advances to banks					
Grades 1 to 4- low risk	0.16% - 0.82%	56,828,579	-	-	**56,828,579**
Grades 6+ to 7 substandard	1.2% - 6.36%	73,491,266	-	-	**73,491,266**
Grade 7- to 8- doubtful	5.38%	-	981,535	-	**981,535**
		130,319,845	**981,535**	**-**	**131,301,380**
Loss allowance		(439,318)	(10,928)	-	**(450,246)**
Carrying amount		**129,880,527**	**970,607**	**-**	**130,851,134**
Loans and advances to customers *					
Grades 1 to 4- low risk	0.12% - 0.87%	376,581,853	-	-	**376,581,853**
Grades 5+ to 5- fair risk	0.38% - 3.16%	107,707,493	15,683,049	-	**123,390,542**
Grades 6+ to 7 substandard	2.96% - 32.46%	147,366,511	49,578,249	-	**196,944,760**
Grade 7- to 8- doubtful	16.57% - 33.05%	-	7,324,878	-	**7,324,878**
Grade 9 to 10 loss	100%	-	51,000	93,835,376	**93,886,376**
		631,655,857	**72,637,176**	**93,835,376**	**798,128,409**
Loss allowance		(1,730,647)	(2,562,047)	(64,068,222)	**(68,360,916)**
Carrying amount		**629,925,210**	**70,075,129**	**29,767,154**	**729,767,493**
Financial assets at amortised cost					
Grades 1 to 4- low risk	0.03% - 0.67%	173,652,176	-	-	**173,652,176**
Grades 5+ to 5- fair risk	0.93%	9,805,955	-	-	**9,805,955**
		183,458,131	**-**	**-**	**183,458,131**
Loss allowance		(165,265)	-	-	**(165,265)**
Carrying amount		**183,292,866**	**-**	**-**	**183,292,866**
Contingent liabilities					
Grades 1 to 4- low risk	0.29% - 0.84%	24,095,625	-	-	**24,095,625**
Grades 5+ to 5- fair risk	0.87% - 3.11%	7,516,188	4,127	-	**7,520,315**
Grades 6+ to 7 substandard	1.56% - 17.53%	4,263,519	85,847	-	**4,349,366**
Grade 9 to 10 loss	100%	-	-	166,577	**166,577**
Carrying amount		**35,875,332**	**89,974**	**166,577**	**36,131,883**
Loss allowance		(75,317)	(107)	-	**(75,424)**
Commitments					
Grades 1 to 4- low risk	0.16% - 0.94%	6,455,110	-	-	**6,455,110**
Grades 5+ to 5- fair risk	1.25% - 3.16%	52,776,740	-	-	**52,776,740**
Grades 6+ to 7 substandard	2.5% - 29.66%	18,146,094	14,036,479	-	**32,182,573**
Carrying amount		**77,377,944**	**14,036,479**	**-**	**91,414,423**
Loss allowance		(42,904)	(2,881)	-	**(45,785)**

‘ * ‘ In 2022, the Bank has adopted a new model provided by Moody’s Analytics focusing specially on private firms in order to have a more refined model which is more aligned with the nature of the clients of the Bank. The Bank has applied this model for its exposure to unlisted corporates. The range for the 12-month PD is higher under this model than the model previously used.

Bank – 31 December 2021

	2021				
	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	0.06% - 0.2%	223,129,704	-	-	**223,129,704**
Grades 5+ to 5- fair risk	0.26% - 0.26%	16,971,941	-	-	**16,971,941**
		240,101,645	**-**	**-**	**240,101,645**
Loss allowance		(119,597)	-	-	**(119,597)**
Carrying amount		**239,982,048**	**-**	**-**	**239,982,048**
Loans and advances to banks					
Grades 1 to 4- low risk	0.17% - 0.63%	110,813,293	-	-	**110,813,293**
Grades 6+ to 7 substandard	1.27% - 9.23%	70,214,711	1,798,907	-	**72,013,618**
		181,028,004	**1,798,907**	**-**	**182,826,911**
Loss allowance		(345,928)	(22,435)	-	**(368,363)**
Carrying amount		**180,682,076**	**1,776,472**	**-**	**182,458,548**
Loans and advances to customers					
Grades 1 to 4- low risk	0.04% - 0.71%	355,864,012	-	-	**355,864,012**
Grades 5+ to 5- fair risk	0.2% - 1.42%	105,212,988	16,868,547	-	**122,081,535**
Grades 6+ to 7 substandard	0.35% - 7.39%	152,994,192	57,893,853	-	**210,888,045**
Grade 7- to 8- doubtful	2.07% - 30.46%	-	7,149,724	-	**7,149,724**
Grade 9 to 10 loss	100%	-	35,656	118,502,153	**118,537,809**
		614,071,192	**81,947,780**	**118,502,153**	**814,521,125**
Loss allowance		(1,663,749)	(2,051,951)	(65,241,286)	**(68,956,986)**
Carrying amount		**612,407,443**	**79,895,829**	**53,260,867**	**745,564,139**
Financial assets at fair value through other comprehensive income					
Grades 1 to 4- low risk	0.02% - 0.23%	164,896,615	-	-	**164,896,615**
Carrying amount at cost		**164,896,615**	**-**	**-**	**164,896,615**
Carrying amount at fair value		**162,408,542**	**-**	**-**	**162,408,542**
Loss allowance		(82,065)	-	-	**(82,065)**
Financial assets at amortised cost					
Grades 1 to 4- low risk	0.99%	9,972,376	-	-	**9,972,376**
		9,972,376	**-**	**-**	**9,972,376**
Loss allowance		(57,622)	-	-	**(57,622)**
Carrying amount		**9,914,754**	**-**	**-**	**9,914,754**
Contingent liabilities					
Grades 1 to 4- low risk	0.38% - 0.6%	37,895,938	-	-	**37,895,938**
Grades 5+ to 5- fair risk	0.2% - 2.38%	70,854	61,015	-	**131,869**
Grades 6+ to 7 substandard	0.54% - 4.44%	733,239	-	-	**733,239**
Grade 9 to 10 loss	100%	-	-	566,316	**566,316**
Carrying amount		**38,700,031**	**61,015**	**566,316**	**39,327,362**
Loss allowance		(752)	-	(161,243)	**(161,995)**
Commitments					
Grades 1 to 4- low risk	0.06% - 0.6%	19,960,002	-	-	**19,960,002**
Grades 5+ to 5- fair risk	0.2% - 1.67%	34,662,969	-	-	**34,662,969**
Grades 6+ to 7 substandard	0.55% - 9.75%	52,375,209	470,931	-	**52,846,140**
Carrying amount		**106,998,180**	**470,931**	**-**	**107,469,111**
Loss allowance		(37,358)	(2,422)	-	**(39,780)**

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

Group – 31 December 2022

	2022			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Current	154,146,250	1,011,069	-	**155,157,319**
Overdue < 30 days	-	-	-	**-**
Overdue > 30 days	-	-	-	**-**
Total	**154,146,250**	**1,011,069**	**-**	**155,157,319**
Loans and advances to customers				
Current	386,994,128	125,261,902	-	**512,256,030**
Overdue < 30 days	49,708,996	492,684	-	**50.201.680**
Overdue > 30 days	-	2,872,529	102,531,826	**105,404,355**
Total	**436,703,124**	**128,627,115**	**102,531,826**	**667,862,065**

Group – 31 December 2021

	2021			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Current	196,788,057	2,063,270	-	**198,851,327**
Overdue < 30 days	-	23,400	-	**23,400**
Overdue > 30 days	-	-	-	**-**
Total	**196,788,057**	**2,086,670**	**-**	**198,874,727**
Loans and advances to customers				
Current	357,154,217	150,204,216	-	**507,358,433**
Overdue < 30 days	39,446,915	15,646,321	-	**55,093,236**
Overdue > 30 days	-	8,945,494	140,300,031	**149,245,525**
Total	**396,601,132**	**174,796,031**	**140,300,031**	**711,697,194**

Bank – 31 December 2022

	2022			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Current	130,319,845	981,535	-	**131,301,380**
Overdue < 30 days	-	-	-	**-**
Overdue > 30 days	-	-	-	**-**
Total	**130,319,845**	**981,535**	**-**	**131,301,380**
Loans and advances to customers				
Current	600,337,141	72,045,646	-	**672,382,787**
Overdue < 30 days	31,318,716	261,675	-	**31,580,391**
Overdue > 30 days	-	329,855	93,835,376	**94,165,231**
Total	**631,655,857**	**72,637,176**	**93,835,376**	**798,128,409**

Bank – 31 December 2021

	2021			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans and advances to banks				
Current	181,028,006	1,775,507	-	**182,803,513**
Overdue < 30 days	-	23,400	-	**23,400**
Overdue > 30 days	-	-	-	**-**
Total	**181,028,006**	**1,798,907**	**-**	**182,826,913**
Loans and advances to customers				
Current	584,475,445	65,703,700	-	**650,179,145**
Overdue < 30 days	29,595,747	15,082,474	-	**44,678,221**
Overdue > 30 days	-	1,161,606	118,502,153	**119,663,759**
Total	**614,071,192**	**81,947,780**	**118,502,153**	**814,521,125**

In 2022, there were no overdue balances for 'balances with the Central Bank of Malta and treasury bills', 'financial assets at fair value through other comprehensive income' and 'financial assets at amortised cost' (2021: Nil).

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

	Group	
	2022 USD	2021 USD
Trading assets		
Rated A- to A+	5,447,684	244,584
Rated BBB+ below	263,545,485	234,848,775
Unrated	175,590,492	204,891,844
Carrying amount	**444,583,661**	**439,985,203**

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

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

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

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

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

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

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

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

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

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

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

During the financial years ended 31 December 2022 and 2021 there have been no changes in the forbearance criteria applied to renegotiated facilities. Following the impact of COVID-19 on the economy, governments of those countries in which the Group operates in, allowed institutions to apply a payment moratorium on existing facilities. These schemes are preventative in nature, are applicable to a large group of obligors and offer the same conditions to all borrowers that apply.

Based on these criteria being fulfilled, EBA/GL/2020/02 Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis, clarifies that the application of such moratorium schemes to the Group's facilities should not change the classification of exposures under the definition of forbearance in accordance with Article 47b of Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/630 or change whether they are treated as distressed restructuring in accordance with Article 178(3)(d) of that Regulation. Accordingly, applying such a moratorium in itself should not lead to reclassification of the exposure as forborne, unless the facility was already classified as forborne. As of 31 December 2022, 64% of the facilities granted moratoria under COVID-19 schemes have been repaid with only USD15,626,756 remaining. Repayment of the remaining balances is as per the agreed terms and conditions.

For the Group, the aggregate amount of renegotiated and forborne loans at reporting date amounted to USD12,424,630 (2021: USD20,167,453), of which USD273,947 are performing (2021: USD4,330,159), whilst USD12,150,683 (2021: USD15,837,294) are non-performing with an extendible collateral value of USD251,591 (2021: USD1,979,638). Interest income recognised during 2022 in respect to renegotiated and forborne assets amounts to USD695,751 (2021: USD854,315).

For the Bank, the aggregate amount of renegotiated and forborne loans at reporting date amounted to USD10,247,579 (2021: USD15,517,797), of which USD273,947 (2021: USD1,948,525) are performing, whilst USD9,973,632 (2021: USD13,569,272) are non-performing with an extendible collateral value of USD251,591 (2021: USD1,964,585). Interest income recognised during 2022 in respect to renegotiated and forborne assets amounts to USD315,193 (2021: USD396,968).

Movement in forbearance activity during the year is as follows:

Group – 31 December 2022

	2022		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	4,330,159	15,837,294	**20,167,453**
Additions	-	1,761,231	**1,761,231**
Recovered	(4,073,840)	(4,134,796)	**(8,208,636)**
Written-off	-	(1,295,418)	**(1,295,418)**
Reclassified	17,628	(17,628)	**-**
At 31 December	**273,947**	**12,150,683**	**12,424,630**

Group – 31 December 2021

	2021		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	3,225,698	24,489,666	**27,715,364**
Additions	2,342,499	3,728,355	**6,070,854**
Recovered	(1,238,038)	(12,596,111)	**(13,834,149)**
Written-off	-	215,384	**215,384**
Reclassified	-	-	**-**
At 31 December	**4,330,159**	**15,837,294**	**20,167,453**

Bank – 31 December 2022

	2022		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	1,948,525	13,569,272	**15,517,797**
Additions	-	12,328	**12,328**
Recovered	(1,692,206)	(2,294,922)	**(3,987,128)**
Written off	-	(1,295,418)	**(1,295,418)**
Reclassified	17,628	(17,628)	**-**
At 31 December	**273,947**	**9,973,632**	**10,247,579**

Bank – 31 December 2021

	2021		
	Stage 2 USD	Stage 3 USD	Total USD
At 1 January	-	13,957,686	**13,957,686**
Additions	1,948,525	2,972,186	**4,920,711**
Recovered	-	(3,360,600)	**(3,360,600)**
Written off	-	-	**-**
Reclassified	-	-	**-**
At 31 December	**1,948,525**	**13,569,272**	**15,517,797**

5.2.1.3 Measurement of ECL

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

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

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

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

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

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

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

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

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 2022 increased the loss allowance by USD1,281,670 (2021: USD829,476).

5.2.1.4 Loss allowance

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

Group – 31 December 2022

	2022			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with Central Bank of Malta, treasury bills and cash				
Balance at 1 January	119,597	-	-	**119,597**
Net remeasurement of loss allowance	(46,311)	-	-	**(46,311)**
New financial assets originated or purchased	31,604	-	-	**31,604**
Financial assets that have been derecognised	(19,318)	-	-	**(19,318)**
Balance at 31 December	**85,572**	**-**	**-**	**85,572**
Loans and advances to banks				
Balance at 1 January	363,708	22,443	-	**386,151**
Transfer to Stage 1	9	(9)	-	**-**
Net remeasurement of loss allowance	(31,409)	(4,860)	-	**(36,269)**
New financial assets originated or purchased	375,946	5,483	-	**381,429**
Financial assets that have been derecognised	(248,518)	(6,647)	-	**(255,165)**
Foreign exchange and other movements	(1,455)	-	-	**(1,455)**
Balance at 31 December	**458,281**	**16,410**	**-**	**474,691**
Loans and advances to customers				
Balance at 1 January	1,267,844	2,740,295	78,776,715	**82,784,854**
Transfer to Stage 1	24,819	(24,819)	-	**-**
Transfer to Stage 2	(3,820)	485,677	(481,857)	**-**
Transfer to Stage 3	-	(1,813)	1,813	**-**
Net remeasurement of loss allowance	(433,008)	604,027	(5,421,487)	**(5,250,468)**
New financial assets originated or purchased	1,148,377	229,265	183,080	**1,560,722**
Financial assets that have been derecognised	(161,387)	(296,299)	25,624,015	**25,166,329**
Write-offs	-	(1,168)	(27,202,150)	**(27,203,318)**
Foreign exchange and other movements	(35,215)	3,639	(1,949,635)	**(1,981,211)**
Balance at 31 December	**1,807,610**	**3,738,804**	**69,530,494**	**75,076,908**
Financial assets at fair value through other comprehensive income				
Balance at 1 January	82,065	-	-	**82,065**
Financial assets that have been derecognised	(82,065)	-	-	**(82,065)**
Balance at 31 December	**-**	**-**	**-**	**-**
Financial assets at amortised cost				
Balance at 1 January	57,622	-	-	**57,622**
Net remeasurement of loss allowance	122,542	-	-	**122,542**
New financial assets originated or purchased	42,723	-	-	**42,723**
Financial assets that have been derecognised	(57,622)	-	-	**(57,622)**
Balance at 31 December	**165,265**	**-**	**-**	**165,265**
Contingent liabilities				
Balance at 1 January	823	-	161,243	**162,066**
Net remeasurement of loss allowance	72	-	(158,039)	**(157,967)**
New financial assets originated or purchased	43,399	107	-	**43,506**
Financial assets that have been derecognised	(626)	-	-	**(626)**
Foreign exchange and other movements	-	-	(3,204)	**(3,204)**
Balance at 31 December	**43,668**	**107**	**-**	**43,775**
Commitments				
Balance at 1 January	94,841	2,421	-	**97,262**
Net remeasurement of loss allowance	467	-	-	**467**
New financial assets originated or purchased	270,362	2,878	-	**273,240**
Financial assets that have been derecognised	(91,428)	(2,421)	-	**(93,849)**
Balance at 31 December	**274,242**	**2,878**	**-**	**277,120**

Group – 31 December 2021

	2021			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with Central Bank of Malta, treasury bills and cash				
Balance at 1 January	131,651	21,049	-	**152,700**
Net remeasurement of loss allowance	(25,242)	-	-	**(25,242)**
New financial assets originated or purchased	19,318	-	-	**19,318**
New financial assets originated or purchased	(6,130)	(21,049)	-	**(27,179)**
Balance at 31 December	**119,597**	**-**	**-**	**119,597**
Loans and advances to banks				
Balance at 1 January	775,489	75,487	3,140,579	**3,991,555**
Transfer to Stage 1	166	(166)	-	**-**
Net remeasurement of loss allowance	(70,359)	(53,941)	-	**(124,300)**
New financial assets originated or purchased	263,977	1,063	-	**265,040**
Financial assets that have been derecognised	(605,269)	-	(1,349,148)	**(1,954,417)**
Interest and fee in suspense	-	-	(1,728,518)	**(1,728,518)**
Foreign exchange and other movements	(296)	-	(62,913)	**(63,209)**
Balance at 31 December	**363,708**	**22,443**	**-**	**386,151**
Loans and advances to customers				
Balance at 1 January	2,069,713	3,618,347	95,890,842	**101,578,902**
Transfer to Stage 1	34,852	(34,852)	-	**-**
Transfer to Stage 2	(4,348)	4,348	-	**-**
Transfer to Stage 3	-	(88,319)	88,319	**-**
Net remeasurement of loss allowance	(621,888)	(583,301)	4,253,102	**3,047,913**
New financial assets originated or purchased	186,900	263,390	-	**450,290**
Financial assets that have been derecognised	(394,698)	(438,004)	2,457,793	**1,625,091**
Write-offs	-	-	(21,313,112)	**(21,313,112)**
Interest and fee in suspense	-	-	(4,629,946)	**(4,629,946)**
Foreign exchange and other movements	(2,687)	(1,314)	2,029,717	**2,025,716**
Balance at 31 December	**1,267,844**	**2,740,295**	**78,776,715**	**82,784,854**
Financial assets at fair value through other comprehensive income				
Balance at 1 January	71,827	-	-	**71,827**
Net remeasurement of loss allowance	(8,849)	-	-	**(8,849)**
New financial assets originated or purchased	34,115	-	-	**34,115**
Financial assets that have been derecognised	(15,028)	-	-	**(15,028)**
Balance at 31 December	**82,065**	**-**	**-**	**82,065**
Financial assets at amortised cost				
Balance at 1 January	70,674	-	-	**70,674**
New remeasurement of loss allowance	(13,052)	-	-	**(13,052)**
Balance at 31 December	**57,622**	**-**	**-**	**57,622**
Contingent liabilities				
Balance at 1 January	9,611	-	-	**9,611**
Net remeasurement of loss allowance	(1,226)	-	-	**(1,226)**
New financial assets originated or purchased	212	-	161,243	**161,455**
Financial assets that have been derecognised	(7,774)	-	-	**(7,774)**
Balance at 31 December	**823**	**-**	**161,243**	**162,066**
Commitments				
Balance at 1 January	14,808	153,176	-	**167,984**
Net remeasurement of loss allowance	(6,885)	-	-	**(6,885)**
New financial assets originated or purchased	94,840	2,421	-	**97,261**
Financial assets that have been derecognised	(7,922)	(153,176)	-	**(161,098)**
Balance at 31 December	**94,841**	**2,421**	**-**	**97,262**

Bank – 31 December 2022

	2022			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with Central Bank of Malta, treasury bills and cash				
Balance at 1 January	119,597	-	-	**119,597**
Net remeasurement of loss allowance	(46,311)	-	-	**(46,311)**
New financial assets originated or purchased	31,604	-	-	**31,604**
Financial assets that have been derecognised	(19,318)	-	-	**(19,318)**
Balance at 31 December	**85,572**	-	-	**85,572**
Loans and advances to banks				
Balance at 1 January	345,928	22,435	-	**368,363**
Net remeasurement of loss allowance	(28,640)	(4,860)	-	**(33,500)**
New financial assets originated or purchased	369,064	-	-	**369,064**
Financial assets that have been derecognised	(247,034)	(6,647)	-	**(253,681)**
Balance at 31 December	**439,318**	**10,928**	**-**	**450,246**
Loans and advances to customers				
Balance at 1 January	1,663,749	2,051,951	65,241,286	**68,956,986**
Transfer to Stage 1	431	(431)	-	**-**
Transfer to Stage 2	-	481,857	(481,857)	**-**
Net remeasurement of loss allowance	(384,082)	53,160	566,569	**235,647**
New financial assets originated or purchased	647,590	65,375	183,080	**896,045**
Financial assets that have been derecognised	(197,041)	(96,337)	17,097,873	**16,804,495**
Write-offs	-	-	(17,596,231)	**(17,596,231)**
Foreign exchange and other movements	-	6,472	(942,498)	**(936,026)**
Balance at 31 December	**1,730,647**	**2,562,047**	**64,068,222**	**68,360,916**
Financial assets at fair value through other comprehensive income				
Balance at 1 January	82,065	-	-	**82,065**
Financial assets that have been derecognised	(82,065)	-	-	**(82,065)**
Balance at 31 December	-	-	-	-
Financial assets at amortised cost				
Balance at 1 January	57,622	-	-	**57,622**
Net remeasurement of loss allowance	122,542	-	-	**122,542**
New financial assets originated or purchased	42,723	-	-	**42,723**
Financial assets that have been derecognised	(57,622)	-	-	**(57,622)**
Balance at 31 December	**165,265**	**-**	**-**	**165,265**
Contingent liabilities				
Balance at 1 January	752	-	161,243	**161,995**
Net remeasurement of loss allowance	74	-	(158,039)	**(157,965)**
New financial assets originated or purchased	75,045	107	-	**75,152**
Financial assets that have been derecognised	(554)	-	-	**(554)**
Foreign exchange and other movements	-	-	(3,204)	**(3,204)**
Balance at 31 December	**75,317**	**107**	**-**	**75,424**
Commitments				
Balance at 1 January	37,358	2,422	-	**39,780**
Net remeasurement of loss allowance	467	-	-	**467**
New financial assets originated or purchased	39,027	2,878	-	**41,905**
Financial assets that have been derecognised	(33,948)	(2,419)	-	**(36,367)**
Balance at 31 December	**42,904**	**2,881**	**-**	**45,785**

Bank – 31 December 2021

	2021			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balances with Central Bank of Malta, treasury bills and cash				
Balance at 1 January	131,651	21,049	-	**152,700**
Net remeasurement of loss allowance	(25,242)	-	-	**(25,242)**
New financial assets originated or purchased	19,318	-	-	**19,318**
Financial assets that have been derecognised	(6,130)	(21,049)	-	**(27,179)**
Balance at 31 December	**119,597**	**-**	**-**	**119,597**
Loans and advances to banks				
Balance at 1 January	704,578	71,442	3,140,579	**3,916,599**
Net remeasurement of loss allowance	(6,814)	(50,070)	-	**(56,884)**
New financial assets originated or purchased	251,152	1,063	-	**252,215**
Financial assets that have been derecognised	(602,988)	-	(1,349,148)	**(1,952,136)**
Interest and fee in suspense	-	-	(1,728,518)	**(1,728,518)**
Foreign exchange and other movements	-	-	(62,913)	**(62,913)**
Balance at 31 December	**345,928**	**22,435**	**-**	**368,363**
Loans and advances to customers				
Balance at 1 January	1,866,268	2,328,744	73,681,009	**77,876,021**
Transfer to Stage 1	1,485	(1,485)	-	**-**
Transfer to Stage 2	(4,348)	4,348	-	**-**
Transfer to Stage 3	-	(179)	179	**-**
Net remeasurement of loss allowance	(164,405)	(104,477)	3,903,892	**3,635,010**
New financial assets originated or purchased	202,441	96,335	-	**298,776**
Financial assets that have been derecognised	(237,692)	(271,335)	2,588,703	**2,079,676**
Write-offs	-	-	(18,533,957)	**(18,533,957)**
Interest and fee in suspense	-	-	1,539,148	**1,539,148**
Foreign exchange and other movements	-	-	2,062,312	**2,062,312**
Balance at 31 December	**1,663,749**	**2,051,951**	**65,241,286**	**68,956,986**
Financial assets at fair value through other comprehensive income				
Balance at 1 January	71,827	-	-	**71,827**
Net remeasurement of loss allowance	(8,849)	-	-	**(8,849)**
New financial assets originated or purchased	34,115	-	-	**34,115**
Financial assets that have been derecognised	(15,028)	-	-	**(15,028)**
Balance at 31 December	**82,065**	**-**	**-**	**82,065**
Financial assets at amortised cost				
Balance at 1 January	70,674	-	-	**70,674**
Net remeasurement of loss allowance	(13,052)	-	-	**(13,052)**
Balance at 31 December	**57,622**	**-**	**-**	**57,622**
Contingent liabilities				
Balance at 1 January	5,067	-	-	**5,067**
Net remeasurement of loss allowance	(1,226)	-	-	**(1,226)**
New financial assets originated or purchased	141	-	161,243	**161,384**
Financial assets that have been derecognised	(3,230)	-	-	**(3,230)**
Balance at 31 December	**752**	**-**	**161,243**	**161,995**
Commitments				
Balance at 1 January	14,809	153,175	-	**167,984**
Net remeasurement of loss allowance	(6,885)	-	-	**(6,885)**
New financial assets originated or purchased	37,357	2,421	-	**39,778**
Financial assets that have been derecognised	(7,923)	(153,174)	-	**(161,097)**
Balance at 31 December	**37,358**	**2,422**	**-**	**39,780**

The following table provides a reconciliation between:

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

Group – 31 December 2022

	Balances with the Central Bank of Malta, treasury bills and cash USD	Loans and advances to banks USD	Loans and advances to customers USD	Financial assets at fair value through other comprehensive income USD	Financial assets at amortised cost USD	Contingent liabilities USD	Commitments USD	Other assets USD	Total USD
Net remeasurement of loss allowance	(46,311)	(36,269)	(5,250,468)	-	122,542	(157,967)	467	500,000	**(4,868,006)**
New financial assets originated or purchased	31,604	381,429	1,560,722	-	42,723	43,506	273,240	-	**2,333,224**
Financial assets that have been derecognised	(19,318)	(255,165)	25,166,329	(82,065)	(57,622)	(626)	(93,849)	2,668	**24,660,352**
Total	**(34,025)**	**89,995**	**21,476,583**	**(82,065)**	**107,643**	**(115,087)**	**179,858**	**502,668**	**22,125,570**
Recoveries of amounts previously written-off	-	-	(1,596,886)	-	-	-	-	-	**(1,596,886)**
Total	**(34,025)**	**89,995**	**19,879,697**	**(82,065)**	**107,643**	**(115,087)**	**179,858**	**502,668**	**20,528,684**

Group – 31 December 2021

	Balances with the Central Bank of Malta, treasury bills and cash USD	Loans and advances to banks USD	Loans and advances to customers USD	Financial assets at fair value through other comprehensive income USD	Financial assets at amortised cost USD	Contingent liabilities USD	Commitments USD	Other assets USD	Total USD
Net remeasurement of loss allowance	(25,242)	(124,300)	3,047,913	(8,849)	(13,052)	(1,226)	(6,885)	(63,139)	**2,805,220**
New financial assets originated or purchased	19,318	265,040	450,290	34,115	-	161,455	97,261	-	**1,027,479**
Financial assets that have been derecognised	(27,179)	(1,954,417)	1,625,091	(15,028)	-	(7,774)	(161,098)	56,624	**(483,781)**
Total	**(33,103)**	**(1,813,677)**	**5,123,294**	**10,238**	**(13,052)**	**152,455**	**(70,722)**	**(6,515)**	**3,348,918**
Recoveries of amounts previously written-off	-	(520,067)	(921,055)	-	-	-	-	-	**(1,441,122)**
Total	**(33,103)**	**(2,333,744)**	**4,202,239**	**10,238**	**(13,052)**	**152,455**	**(70,722)**	**(6,515)**	**1,907,796**

Bank – 31 December 2022

	Balances with the Central Bank of Malta, treasury bills and cash USD	Loans and advances to banks USD	Loans and advances to customers USD	Financial assets at fair value through other comprehensive income USD	Financial assets at amortised cost USD	Contingent liabilities USD	Commitments USD	Other assets USD	Total USD
Net remeasurement of loss allowance	(46,311)	(33,500)	235,647	-	122,542	(157,965)	467	-	**120,880**
New financial assets originated or purchased	31,604	369,064	896,045	-	42,723	75,152	41,905	-	**1,456,493**
Financial assets that have been derecognised	(19,318)	(253,681)	16,804,495	(82,065)	(57,622)	(554)	(36,367)	2,668	**16,357,556**
Total	**(34,025)**	**81,883**	**17,936,187**	**(82,065)**	**107,643**	**(83,367)**	**6,005**	**2,668**	**17,934,929**
Recoveries of amounts previously written-off	-	-	(510,828)	-	-	-	-	-	**(510,828)**
Total	**(34,025)**	**81,883**	**17,425,359**	**(82,065)**	**107,643**	**(83,367)**	**6,005**	**2,668**	**17,424,101**

Bank – 31 December 2021

	Balances with the Central Bank of Malta, treasury bills and cash USD	Loans and advances to banks USD	Loans and advances to customers USD	Financial assets at fair value through other comprehensive income USD	Financial assets at amortised cost USD	Contingent liabilities USD	Commitments USD	Other assets USD	Total USD
Net remeasurement of loss allowance	(25,242)	(56,884)	3,635,010	(8,849)	(13,052)	(1,226)	(6,885)	-	**3,522,872**
New financial assets originated or purchased	19,318	252,215	298,776	34,115	-	161,384	39,778	-	**805,586**
Financial assets that have been derecognised	(27,179)	(1,952,136)	2,079,676	(15,028)	-	(3,230)	(161,097)	-	**(78,994)**
Total	**(33,103)**	**(1,756,805)**	**6,013,462**	**10,238**	**(13,052)**	**156,928**	**(128,204)**	**-**	**4,249,464**
Recoveries of amounts previously written-off	-	(520,067)	(29,840)	-	-	-	-	-	**(549,907)**
Total	**(33,103)**	**(2,276,872)**	**5,983,622**	**10,238**	**(13,052)**	**156,928**	**(128,204)**	**-**	**3,699,557**

5.2.1.5 Write-off policy

The Group writes off a loan or security balance (and any related allowances for impairment losses) when it has been unequivocally determined that the loan or security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower 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 below shows the gross carrying value of loans written-off. Loss allowance on loans written-off are disclosed in Note 5.2.1.4.

	Group		Bank	
	2022 USD	2021 USD	2022 USD	2021 USD
Loans and advances to customers				
Written-off	32,530,501	48,455,745	23,071,885	36,172,515

5.2.1.6 Collaterals

Loans are typically secured either by cash collateral, property (including shipping vessels), credit insurance cover, bank guarantees, corporate guarantees, personal guarantees, pledged goods or some combination thereof. Each collateral type is given a weighting determined by internal policy. These collaterals are reviewed periodically by Management both in terms of exposure to the Bank and the Group and also to ensure the validity and enforceability of the security taken under default events. Estimates of fair value are also updated periodically together with such reviews. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2022 and 2021.

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

Group – 31 December 2022

	Loans and advances to banks USD	Loans and advances to customers USD	Commitments outstanding USD	Contingent liabilities USD	Total USD
Cash or quasi cash	4,335,169	152,860,436	14,755,383	4,272,512	**176,223,500**
Property	-	77,294,878	52,773,508	-	**130,068,386**
Other	-	87,797,147	10,631,703	-	**98,428,850**
	4,335,169	**317,952,461**	**78,160,594**	**4,272,512**	**404,720,736**

Group – 31 December 2021

	Loans and advances to banks USD	Loans and advances to customers USD	Commitments outstanding USD	Contingent liabilities USD	Total USD
Cash or quasi cash	2,528,428	145,348,195	9,709,661	767,158	**158,353,442**
Property	-	56,686,127	34,187,304	-	**90,873,431**
Other	-	98,725,704	9,003,395	-	**107,729,099**
	2,528,428	**300,760,026**	**52,900,360**	**767,158**	**356,955,972**

Bank – 31 December 2022

	Loans and advances to banks USD	Loans and advances to customers USD	Commitments outstanding USD	Contingent liabilities USD	Total USD
Cash or quasi cash	4,335,169	61,461,364	14,755,383	4,265,650	**84,817,566**
Property	-	77,294,878	52,773,508	-	**130,068,386**
Other	-	87,577,729	10,631,703	-	**98,209,432**
	4,335,169	**226,333,971**	**78,160,594**	**4,265,650**	**313,095,384**

Bank – 31 December 2021

	Loans and advances to banks USD	Loans and advances to customers USD	Commitments outstanding USD	Contingent liabilities USD	Total USD
Cash or quasi cash	2,528,428	61,798,827	9,709,661	767,158	**74,804,074**
Property	-	56,686,127	34,187,304	-	**90,873,431**
Other	-	98,724,487	9,003,395	-	**107,727,882**
	2,528,428	**217,209,441**	**52,900,360**	**767,158**	**273,405,387**

5.2.1.7 Offsetting financial assets and financial liabilities

With the exception of cash collateral, as disclosed in this Note and in Notes 33 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 legal enforceable right to offset such collaterals against the respective facilities for which the collateral is taken under default events. At 31 December 2022 and 2021, all financial assets and respective collaterals are disclosed separately in the Financial Statements without any offsetting.

5.2.1.8 Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See Accounting Policy 3.10.8.

Significant increase in credit risk

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

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

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

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

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

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

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

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

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

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

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

IFRS 9 allows low credit risk expedient for the purpose of allocating stages to the exposures based on the significant increase in credit risk of the exposures. Under this expedient, an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Loans and advances to related entities generally classify as having a low credit risk for the purpose of determining ECL in the separate financial statements.

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

Credit risk grades

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

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

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

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

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

Grading	12-month weighted-average PD	External rating
Grades 1 to 4- low risk	0.23%	Aaa-Baa3
Grades 5+ to 5- fair risk	2.00%	Ba1-Ba3
Grades 6+ to 7 substandard	6.36%	B1-Caa2
Grades 7- to 8- doubtful	21.69%	Caa3-Ca
Grades 9 to 10 loss	98.76%	C

Generating the term structure of PD

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

Definition of default

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

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

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

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

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The Group has implemented the definition of default as per Article 178 of the 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 realization of collateral. This definition is used for the purpose of measuring ECL and identifying assets as having undergone a significant increase in credit risk or being credit-impaired.

Incorporation of forward-looking information

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

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

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

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

The economic scenarios for the top five geographies used as at 31 December 2022 included the following key indicators for the years ending 31 December 2023 to 2027.

		Year-on-year change				
Country: Malta		2023	2024	2025	2026	2027
Equity	Base	1%	8%	10%	9%	7%
	Upside	14%	4%	8%	7%	6%
	Downside	-28%	26%	24%	12%	7%
GDP growth	Base	7%	1%	4%	3%	2%
	Upside	9%	1%	4%	3%	2%
	Downside	1%	1%	5%	3%	2%
Unemployment	Base	12%	3%	2%	1%	1%
	Upside	11%	1%	3%	2%	2%
	Downside	24%	15%	-1%	-3%	-3%
Country: Germany		2023	2024	2025	2026	2027
Equity	Base	5%	-2%	4%	4%	3%
	Upside	10%	2%	4%	3%	2%
	Downside	-31%	23%	15%	6%	2%
GDP growth	Base	1%	4%	3%	2%	1%
	Upside	3%	4%	3%	2%	1%
	Downside	-5%	5%	4%	2%	1%
Unemployment	Base	3%	-3%	-2%	-1%	0%
	Upside	-6%	-7%	1%	2%	1%
	Downside	35%	0%	-9%	-6%	-5%
Country: India		2023	2024	2025	2026	2027
Equity	Base	6%	4%	4%	2%	2%
	Upside	13%	3%	4%	1%	3%
	Downside	-16%	12%	8%	4%	3%
GDP growth	Base	5%	7%	6%	5%	5%
	Upside	7%	8%	7%	5%	5%
	Downside	-3%	7%	6%	4%	5%
Unemployment	Base	5%	-1%	0%	0%	0%
	Upside	2%	-1%	0%	0%	0%
	Downside	12%	-2%	-2%	-2%	-1%
FX	Base	2%	1%	1%	1%	1%
	Upside	1%	2%	1%	1%	1%
	Downside	6%	-1%	0%	1%	1%
Country: United Arab Emirates		2023	2024	2025	2026	2027
Equity	Base	-2%	-1%	1%	0%	1%
	Upside	4%	-3%	0%	0%	1%
	Downside	-20%	8%	4%	2%	1%
Unemployment	Base	-7%	-10%	-4%	-1%	-1%
	Upside	-29%	1%	12%	-1%	-1%
	Downside	21%	-20%	-9%	-6%	-3%
Oil price	Base	-11%	-15%	-1%	1%	1%
	Upside	-9%	-17%	-2%	1%	1%
	Downside	-34%	-3%	13%	1%	2%
Country: Egypt		2023	2024	2025	2026	2027
Equity	Base	32%	3%	3%	3%	2%
	Upside	50%	-2%	0%	1%	2%
	Downside	-16%	30%	17%	3%	2%
GDP growth	Base	6%	5%	5%	5%	5%
	Upside	8%	5%	5%	5%	5%
	Downside	1%	5%	6%	6%	5%
Unemployment	Base	-1%	1%	2%	2%	1%
	Upside	-5%	2%	4%	2%	1%
	Downside	20%	0%	-5%	-4%	-2%

Sensitivity of ECL to future economic conditions

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

The tables below show the loss allowance assuming each forward-looking scenario (e.g. base case, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios. For ease of comparison, the tables also include the probability-weighted amounts that are reflected in the Financial Statements. The model driven staging of exposures may change under the different scenarios as described below and accordingly impact the extent of Stage 2 loans as a proportion of gross exposure.

Group – 31 December 2022

	2022			
	Upside	Base Case	Downside	Probability-weighted
	USD	USD	USD	USD
Gross exposure	1,330,597,615	1,330,597,615	1,330,597,615	1,330,597,615
Loss allowance	74,170,713	74,880,589	77,735,369	76,123,331
Proportion of assets in Stage 2	9.90%	9.90%	9.90%	10.80%

Group – 31 December 2021

	2021			
	Upside	Base Case	Downside	Probability-weighted
	USD	USD	USD	USD
Gross exposure	1,478,640,043	1,478,640,043	1,478,640,043	1,478,640,043
Loss allowance	81,717,835	82,174,423	85,553,746	83,689,617
Proportion of assets in Stage 2	11.95%	12.00%	27.29%	12.00%

Bank – 31 December 2022

	2022			
	Upside	Base Case	Downside	Probability-weighted
	USD	USD	USD	USD
Gross exposure	1,452,403,563	1,452,403,563	1,452,403,563	1,452,403,563
Loss allowance	67,244,758	67,797,390	70,115,869	69,183,208
Proportion of assets in Stage 2	6.02%	6.02%	6.02%	6.04%

Bank – 31 December 2021

	2021			
	Upside	Base Case	Downside	Probability-weighted
	USD	USD	USD	USD
Gross exposure	1,556,627,074	1,556,627,074	1,556,627,074	1,556,627,074
Loss allowance	67,858,994	68,276,647	71,676,987	69,786,408
Proportion of assets in Stage 2	5.41%	5.41%	24.85%	5.41%

5.2.2 Concentration of credit risk

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

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

Concentration risk by geographical region is monitored by the BCC and supervised by the BRC. The Group monitors concentrations of credit risk by geographic location based on the exposure country of the borrower ("country risk"). Country risk refers to risks associated with the economic, social and political environment of the obligor's exposure country. A component of country risk is transfer risk which arises when a borrower's obligation is not denominated in the respective local currency. The currency of the obligation may become unavailable to the borrower regardless of its particular condition. The Policy governing country risk concentration defines a ceiling – in terms of percentage of the Group's Own Funds – for each individual country exposure, which is linked to the rating granted to each country by international rating agencies. The ceiling increases (up to a maximum of 100% of the Bank's Own Funds for investment grade countries) with the rating of the country. As for single-name limits, country limits do not automatically increase to the pre-defined ceiling, as the initial assessment is based on the country's specific economic, financial and political risk conditions. Group entities put forward their business 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 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Balances with the Central Bank of Malta, treasury bills and cash				
– Europe	211,898,623	239,998,839	211,883,765	239,982,048
Trading assets				
– Europe	82,233,407	87,976,874	-	-
– Sub-Saharan Africa	147,323,290	95,475,315	-	-
– Middle East and North Africa (MENA)	98,619,466	86,337,206	-	-
– Commonwealth of Independent States (CIS) region	5,099,800	15,082,254	-	-
– Others	111,307,698	155,113,554	-	-
Loans and advances to banks				
– Europe	104,504,759	162,271,327	103,995,558	161,959,210
– Sub-Saharan Africa	5,106,346	2,765,778	5,106,346	2,765,778
– Middle East and North Africa (MENA)	30,648,535	16,747,208	18,370,349	11,649,034
– Commonwealth of Independent States (CIS) region	994,656	1,614,058	970,605	1,597,336
– Others	13,428,332	15,090,205	2,408,276	4,487,190
Loans and advances to customers				
– Europe	184,735,287	222,236,329	438,173,976	455,547,583
– Sub-Saharan Africa	16,747,725	1,461,080	15,592,890	305,572
– Middle East and North Africa (MENA)	205,126,959	223,829,636	184,557,632	193,609,028
– Others	186,175,186	181,385,295	91,442,995	96,101,956
Financial assets at fair value through profit or loss				
– Europe	17,426,377	19,119,728	17,426,377	19,119,728
– Middle East and North Africa (MENA)	752,843	846,435	752,843	846,435
Financial assets at fair value through other comprehensive income				
– Europe	-	162,408,542	-	162,408,542
Financial assets at amortised cost				
– Europe	173,525,587	-	173,525,587	-
– Middle East and North Africa (MENA)	9,767,279	9,914,754	9,767,279	9,914,754
Contingent liabilities				
– Europe	11,522,050	1,556,735	35,519,491	38,933,563
– Middle East and North Africa (MENA)	612,392	393,799	612,392	393,799
Commitments				
– Europe	59,212,388	69,430,972	59,765,103	66,152,348
– Sub-Saharan Africa	24,524,102	38,809,596	18,124,563	10,160,559
– Middle East and North Africa (MENA)	13,524,757	16,502,518	13,524,757	17,499,492
– Others	2,740,216	28,875,148	-	13,656,712
	1,717,558,060	**1,855,243,185**	**1,401,520,784**	**1,507,090,667**

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

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Balances with the Central Bank of Malta, treasury bills and cash				
– Financial intermediation	86,519,547	98,304,907	86,504,689	98,288,116
– Other services	125,379,076	141,693,932	125,379,076	141,693,932
Trading assets				
– Industrial raw materials	51,798,300	71,443,833	-	-
– Shipping and transportation	5,600,957	665,080	-	-
– Wholesale and retail trade	35,115,323	46,268,358	-	-
– Financial intermediation	248,681,065	248,836,273	-	-
– Other services	103,388,016	72,771,659	-	-
Loans and advances to banks				
– Financial intermediation	154,682,628	198,488,576	130,851,134	182,458,548
Loans and advances to customers				
– Industrial raw materials	274,232,817	306,270,182	80,027,084	109,399,209
– Shipping and transportation	2,031,586	3,008,011	-	144,774
– Wholesale and retail trade	133,969,700	144,572,985	92,262,636	98,706,888
– Financial intermediation	54,879,136	64,111,105	415,117,288	414,106,815
– Real estate activities	53,353,107	32,052,981	79,530,116	57,273,782
– Other services	74,318,811	78,897,076	62,830,369	65,932,671
Financial assets at fair value through profit or loss				
– Financial intermediation	18,126,144	19,913,086	18,126,144	19,913,086
– Other services	53,076	53,077	53,076	53,077
Financial assets at fair value through other comprehensive income				
– Shipping and transportation	-	11,059,246	-	11,059,246
– Financial intermediation	-	60,202,890	-	60,202,890
– Other services	-	91,146,406	-	91,146,406
Financial assets at amortised cost				
– Shipping and transportation	10,736,966	-	10,736,966	-
– Financial intermediation	67,013,083	9,914,754	67,013,083	9,914,754
– Other services	105,542,817	-	105,542,817	-
Contingent liabilities				
– Industrial raw materials	2,302,822	293,676	2,302,822	293,676
– Shipping and transportation	180,000	-	180,000	-
– Wholesale and retail trade	368,564	372,754	368,564	372,754
– Financial intermediation	5,841,433	202,775	29,845,736	37,998,418
– Real estate activities	3,203,281	31,091	3,203,281	31,091
– Other services	238,342	1,050,238	231,480	631,423
Commitments				
– Industrial raw materials	27,960,496	26,001,031	27,960,496	31,093,594
– Shipping and transportation	-	-	-	415,440
– Wholesale and retail trade	1,476,405	34,686,933	1,476,405	42,546,431
– Financial intermediation	29,028,954	65,024,247	26,841,454	19,691,378
– Real estate activities	34,682,412	12,082,711	34,682,412	12,082,711
– Other services	6,853,196	15,823,312	453,656	1,639,557
	1,717,558,060	**1,855,243,185**	**1,401,520,784**	**1,507,090,667**

5.2.3 Counterparty credit risk

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

Use of derivatives within the Group is limited to hedging balance-sheet positions, hedging capital investments, interest rate hedging on behalf of LFC and, to a lesser extent, to satisfy customer requests (for example, for foreign exchange hedging). The Group's Treasury unit is responsible for the internal management of such instruments.

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

5.2.4 Settlement risk

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

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

5.2.5 Foreign exchange lending risk

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

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

5.3 Liquidity risk

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

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

In response to the 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 200% to mitigate the risk of unexpected liquidity outflows or shortfalls, well above the regulatory minimum of 100%.

5.3.1 Management of liquidity risk

Liquidity risk is managed by maintaining significant levels of liquid funds, and 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. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

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

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

5.3.2 Exposure to liquidity risk

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

5.3.2.1 Liquidity coverage ratio ("LCR")

The LCR is a ratio of the Group's buffer of unencumbered high quality liquid assets to its net liquidity outflows over a 30 calendar day stress period. Net liquidity outflows are calculated by deducting the Group's liquidity inflows from its liquidity outflows. During a 30-day stressed period, the Group should be able to convert quickly its liquid assets into cash without recourse to central bank liquidity or public funds, which may result in its liquidity coverage ratio falling temporarily below the required minimum level. The regulatory LCR minimum requirement is 100%. Additional disclosures are included within the Pillar 3 Disclosures Report published on the Bank's website.

5.3.2.2 Residual contractual maturities of financial assets and liabilities

Group - 31 December 2022

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	211,898,623	211,891,345	115,514,776	63,592,889	22,168,959	10,614,721	-	-
Financial Assets Held for Trading	444,583,661	469,233,392	28,003,387	72,891,424	151,358,755	131,317,048	62,839,537	22,823,241
Derivative assets held for risk management	1,610,475	1,610,475	862,905	390,260	303,465	53,845	-	-
Loans and advances to banks	154,682,628	156,285,329	85,473,110	48,263,070	920,536	11,784,675	970,605	8,873,333
Loans and advances to customers	592,785,157	616,051,673	272,309,246	84,846,593	68,362,770	109,958,956	26,979,078	53,595,030
Financial assets at fair value through profit or loss	18,179,220	18,179,220	18,179,220	-	-	-	-	-
Financial Assets at amortised cost	183,292,866	196,705,169	-	6,708,759	7,500,439	641,929	25,002,759	156,851,283
Total assets	**1,607,032,630**	**1,669,956,603**	**520,342,644**	**276,692,995**	**250,614,924**	**264,371,174**	**115,791,979**	**242,142,887**
Liabilities								
Derivative liabilities held for risk management	(578,779)	(578,779)	(136,858)	(55,634)	(293,218)	(93,069)	-	-
Amounts owed to banks	(473,295,256)	(476,046,125)	(301,209,084)	(66,349,306)	(34,049,116)	(44,745,856)	(21,061,410)	(8,631,353)
Amounts owed to customers	(981,906,210)	(984,787,168)	(518,688,810)	(224,155,818)	(90,878,647)	(139,381,118)	(10,512,968)	(1,169,807)
Debt securities in issue	(15,451,068)	(15,568,873)	-	(15,568,873)	-	-	-	-
Other liabilities – finance lease liabilities	(2,704,717)	(3,042,967)	(12,927)	(110,642)	(216,219)	(475,271)	(866,614)	(1,361,294)
Total liabilities	**(1,473,936,030)**	**(1,480,023,912)**	**(820,047,679)**	**(306,240,273)**	**(125,437,200)**	**(184,695,314)**	**(32,440,992)**	**(11,162,454)**
Liquidity gap			**(299,705,035)**	**(29,547,278)**	**125,177,724**	**79,675,860**	**83,350,987**	**230,980,433**

Group - 31 December 2021

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	239,998,839	239,992,637	105,240,606	79,094,499	35,227,927	20,429,605	-	-
Trading assets	439,985,203	459,710,913	20,360,930	64,893,612	135,281,889	156,002,329	49,727,646	33,444,507
Derivative assets held for risk management	841,688	841,688	330,545	170,663	266,418	74,062	-	-
Loans and advances to banks	198,488,576	198,866,712	36,924,311	46,743,020	102,043,148	11,445,101	113,796	1,597,336
Loans and advances to customers	628,912,340	644,423,464	255,115,001	73,602,203	92,009,480	122,743,214	66,442,942	34,510,624
Financial assets at fair value through profit or loss	19,966,163	19,966,163	19,966,163	-	-	-	-	-
Financial assets at fair value through other comprehensive income	162,408,542	169,616,733	-	5,143,337	3,022,131	5,007,838	14,246,625	142,196,802
Financial assets at amortised cost	9,914,754	11,422,623	-	-	751,869	-	10,670,754	-
Total assets	**1,700,516,105**	**1,744,840,933**	**437,937,556**	**269,647,334**	**368,602,862**	**315,702,149**	**141,201,763**	**211,749,269**
Liabilities								
Derivative liabilities held for risk management	(1,499,026)	(1,499,026)	(988,530)	(167,245)	(254,632)	(70,904)	(17,715)	-
Amounts owed to banks	(563,553,044)	(563,657,262)	(235,068,025)	(91,023,200)	(84,021,494)	(75,742,540)	(55,663,470)	(22,138,533)
Amounts owed to customers	(934,096,196)	(935,314,919)	(459,948,649)	(219,389,020)	(108,880,494)	(145,136,626)	(1,144,523)	(815,607)
Debt securities in issue	(45,345,575)	(45,465,377)	(11,326,302)	(34,139,075)	-	-	-	-
Other liabilities – finance lease liabilities	(2,224,451)	(2,371,881)	(40,275)	(122,126)	(211,075)	(385,114)	(666,402)	(946,889)
Total liabilities	**(1,546,718,292)**	**(1,548,308,465)**	**(707,371,781)**	**(344,840,666)**	**(193,367,695)**	**(221,335,184)**	**(57,492,110)**	**(23,901,029)**
Liquidity gap			**(269,434,225)**	**(75,193,332)**	**175,235,167**	**94,366,965**	**83,709,653**	**187,848,240**

Bank - 31 December 2022

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	211,883,765	211,876,487	115,499,918	63,592,889	22,168,959	10,614,721	-	-
Derivative assets held for risk management	1,610,475	1,610,475	862,905	390,260	303,465	53,845	-	-
Loans and advances to banks	130,851,134	132,359,339	67,693,589	44,292,108	289,241	10,240,463	970,605	8,873,333
Loans and advances to customers	729,767,493	755,564,040	149,538,328	109,605,179	179,806,302	231,322,799	32,011,300	53,280,132
Financial assets at fair value through profit or loss	18,179,220	18,179,220	18,179,220	-	-	-	-	-
Financial Assets at amortised cost	183,292,866	196,705,169	-	6,708,759	7,500,439	641,929	25,002,759	156,851,283
Total assets	**1,275,584,953**	**1,316,294,730**	**351,773,960**	**224,589,195**	**210,068,406**	**252,873,757**	**57,984,664**	**219,004,748**
Liabilities								
Derivative liabilities held for risk management	(818,031)	(818,031)	(376,110)	(55,634)	(293,218)	(93,069)	-	-
Amounts owed to banks	(386,787,784)	(387,400,850)	(267,312,752)	(35,768,107)	(23,107,331)	(31,519,897)	(21,061,410)	(8,631,353)
Amounts owed to customers	(877,538,831)	(880,360,921)	(460,686,105)	(188,448,158)	(81,181,698)	(138,418,846)	(10,512,968)	(1,113,146)
Other liabilities - finance lease liabilities	(3,490,312)	(3,583,821)	(698,520)	-	-	(715,521)	(1,456,463)	(713,317)
Total liabilities	**(1,268,634,958)**	**(1,272,163,623)**	**(729,073,487)**	**(224,271,899)**	**(104,582,247)**	**(170,747,333)**	**(33,030,841)**	**(10,457,816)**
Liquidity gap			**(377,299,527)**	**317,296**	**105,486,159**	**82,126,424**	**24,953,823**	**208,546,932**

Bank - 31 December 2021

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	Between 1 & 2 years USD	More than 2 years USD
Assets								
Balances with the Central Bank of Malta, treasury bills and cash	239,982,048	239,975,846	105,223,815	79,094,499	35,227,927	20,429,605	-	-
Derivative assets held for risk management	841,688	841,688	330,545	170,663	266,418	74,062	-	-
Loans and advances to banks	182,458,548	182,743,756	28,891,686	46,734,928	93,976,423	11,429,587	113,796	1,597,336
Loans and advances to customers	745,564,139	770,306,022	159,339,704	159,912,767	188,631,659	134,341,041	58,087,355	69,993,496
Financial assets at fair value through profit or loss	19,966,163	19,966,163	19,966,163	-	-	-	-	-
Financial assets at fair value through other comprehensive income	162,408,542	169,616,733	-	5,143,337	3,022,131	5,007,838	14,246,625	142,196,802
Financial assets at amortised cost	9,914,754	11,422,623	-	-	751,869	-	10,670,754	-
Total assets	**1,361,135,882**	**1,394,872,831**	**313,751,913**	**291,056,194**	**321,876,427**	**171,282,133**	**83,118,530**	**213,787,634**
Liabilities								
Derivative liabilities held for risk management	(1,533,556)	(1,533,556)	(1,023,060)	(167,245)	(254,632)	(70,904)	(17,715)	-
Amounts owed to banks	(497,633,356)	(496,507,491)	(227,187,254)	(51,824,512)	(83,492,475)	(56,201,247)	(55,663,470)	(22,138,533)
Amounts owed to customers	(838,675,598)	(839,844,878)	(411,948,191)	(183,721,239)	(97,153,753)	(145,061,565)	(1,144,523)	(815,607)
Other liabilities – finance lease liabilities	(1,128,594)	(1,163,722)	(658,879)	(19,376)	(29,064)	(75,657)	(121,944)	(258,802)
Total liabilities	**(1,338,971,104)**	**(1,339,049,647)**	**(640,817,384)**	**(235,732,372)**	**(180,929,924)**	**(201,409,373)**	**(56,947,652)**	**(23,212,942)**
Liquidity gap			**(327,065,471)**	**55,323,822**	**140,946,503**	**(30,127,240)**	**26,170,878**	**190,574,692**

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.

5.4 Market risk

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

The Group manages these risks as noted below and furthermore, they are tracked by ALCO using various metrics and by BRC on a quarterly basis against the Bank'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 the six European Central Bank mandated interest rate shock scenarios have on net interest income and the economic value of equity ("EVE").

5.4.1 Foreign exchange risk

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

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

Group - 31 December 2022

All amounts are expressed in USD	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	4,226	211,889,153	54	5,190	**211,898,623**
Trading assets	256,046,083	164,524,398	-	24,013,180	**444,583,661**
Loans and advances to banks	22,881,436	111,927,313	17,391,282	2,482,597	**154,682,628**
Loans and advances to customers	325,321,923	219,051,640	19,931,765	28,479,829	**592,785,157**
Financial assets at fair value through profit or loss	53,077	17,373,300	-	752,843	**18,179,220**
Financial assets at fair value through other comprehensive income	-	-	-	-	**-**
Financial assets at amortised cost	54,828,865	118,823,311	-	9,640,690	**183,292,866**
Other assets	215,981	1,534,073	2,213,950	222,030	**4,186,034**
Liabilities					
Amounts owed to banks	(354,275,351)	(103,912,057)	(6,306,950)	(8,800,898)	**(473,295,256)**
Amounts owed to customers	(207,799,560)	(757,979,583)	(4,346,399)	(11,780,668)	**(981,906,210)**
Debt securities in issue	-	(15,451,068)	-	-	**(15,451,068)**
Other liabilities	(7,473,847)	(8,943,432)	(2,219,015)	(1,477,393)	**(20,113,687)**
Net on balance sheet financial position	**89,802,833**	**(41,162,952)**	**26,664,687**	**43,537,400**	**118,841,968**
Notional amount of derivative Instruments held for risk management	**38,533,240**	**34,935,032**	**(30,749,974)**	**(42,718,298)**	**-**
Net foreign exchange exposure		**(6,227,920)**	**(4,085,287)**	**819,102**	

The USD30.5m (2021: USD40.2m) derivative instruments are held by the Bank to manage the risk of INR foreign exchange risk that occurs on consolidation.

Group - 31 December 2021

All amounts are expressed in USD	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	4,291	239,990,565	158	3,825	**239,998,839**
Trading assets	310,064,673	120,605,927	-	9,314,603	**439,985,203**
Loans and advances to banks	10,235,233	172,362,945	10,903,665	4,986,733	**198,488,576**
Loans and advances to customers	324,059,128	255,073,849	22,847,679	26,931,684	**628,912,340**
Financial assets at fair value through profit or loss	899,512	19,066,651	-	-	**19,966,163**
Financial assets at fair value through other comprehensive income	54,820,240	107,588,302	-	-	**162,408,542**
Financial assets at amortised cost	-	-	-	9,914,754	**9,914,754**
Other assets	5,380,123	1,988,442	11,026,880	29,020	**18,424,465**
Liabilities					
Amounts owed to banks	(384,742,995)	(160,511,176)	(2,691,699)	(15,607,174)	**(563,553,044)**
Amounts owed to customers	(197,385,930)	(726,303,696)	(111,369)	(10,295,201)	**(934,096,196)**
Debt securities in issue	-	(45,345,575)	-	-	**(45,345,575)**
Other liabilities	(11,571,439)	(5,247,466)	(933,321)	(2,280,631)	**(20,032,857)**
Net on balance sheet financial position	**111,762,836**	**(20,731,232)**	**41,041,993**	**22,997,613**	**155,071,210**
Notional amount of derivative Instruments held for risk management	**49,855,270**	**13,722,001**	**(40,200,000)**	**(23,377,271)**	**-**
Net foreign exchange exposure		**(7,009,231)**	**841,993**	**(379,658)**	

Bank - 31 December 2022

All amounts are expressed in USD	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	-	211,882,265	-	1,500	**211,883,765**
Loans and advances to banks	19,277,365	110,153,159	-	1,420,610	**130,851,134**
Loans and advances to customers	363,271,755	333,358,992	-	33,136,746	**729,767,493**
Financial assets at fair value through profit or loss	53,077	17,373,300	-	752,843	**18,179,220**
Financial assets at fair value through other comprehensive income	-	-	-	-	**-**
Financial assets at amortised cost	54,828,865	118,823,311	-	9,640,690	**183,292,866**
Other assets	251,890	2,049,450	-	35,411	**2,336,751**
Liabilities					
Amounts owed to banks	(299,275,979)	(87,502,890)	-	(8,915)	**(386,787,784)**
Amounts owed to customers	(136,013,243)	(739,579,056)	-	(1,946,532)	**(877,538,831)**
Other liabilities	(2,327,842)	(8,228,995)	44	(158,084)	**(10,714,877)**
Net on balance sheet financial position	**65,888**	**(41,670,464)**	**44**	**42,874,269**	**1,269,737**
Notional amount of derivative Instruments held for risk management	**38,533,240**	**34,935,032**	**(30,749,974)**	**(42,718,298)**	**-**
Net foreign exchange exposure		**(6,735,432)**	**(30,749,930)**	**155,971**	

Bank - 31 December 2021

All amounts are expressed in USD	In reporting currency	EUR	INR	Other currencies	Total
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	-	239,981,630	-	418	**239,982,048**
Loans and advances to banks	8,101,051	172,052,595	-	2,304,902	**182,458,548**
Loans and advances to customers	434,938,420	298,133,587	-	12,492,132	**745,564,139**
Financial assets at fair value through profit or loss	899,512	19,066,651	-	-	**19,966,163**
Financial assets at fair value through other comprehensive income	54,820,240	107,588,302	-	-	**162,408,542**
Financial assets at amortised cost	-	-	-	9,914,754	**9,914,754**
Other assets	42,759	1,531,048	49	241,874	**1,815,730**
Liabilities					
Amounts owed to banks	(350,701,479)	(146,891,877)	-	(40,000)	**(497,633,356)**
Amounts owed to customers	(130,845,258)	(707,174,512)	-	(655,828)	**(838,675,598)**
Other liabilities	(2,944,696)	(4,455,558)	-	(757,532)	**(8,157,786)**
Net on balance sheet financial position	**14,310,549**	**(20,168,134)**	**49**	**23,500,720**	**17,643,184**
Notional amount of derivative Instruments held for risk management	**49,855,270**	**13,722,001**	**(40,200,000)**	**(23,377,271)**	**-**
Net foreign exchange exposure		**(6,446,133)**	**(40,199,951)**	**123,449**	

The following exchange rates were applied during the year:

	Average rate 2022	Average rate 2021	Reporting date mid-spot rate 2022	Reporting date mid-spot rate 2021
1 EUR	1.0517	1.1825	1.0666	1.1326
1 INR	0.0127	0.0135	0.0121	0.0135

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 Equity USD	Group Profit or loss USD	Bank Equity USD	Bank Profit or loss USD
2022				
EUR	(435,954)	(435,954)	(471,480)	(471,480)
INR	(285,970)	-	(2,152,495)	(2,152,495)
Other currencies	57,337	57,337	10,918	10,918
2021				
EUR	(490,646)	(490,646)	(451,229)	(451,229)
INR	58,940	-	(2,813,997)	(2,813,997)
Other currencies	(26,576)	(26,576)	8,641	8,641

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

5.4.2 Position risk

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

The forfaiting portfolio (position risk) is comprised of assets originating from banks and companies operating in many market sectors in a very broad range of countries, the majority of which are emerging markets. The Group regularly updates its mark-to-market positions and recording the unrealized and realized profits and losses. The performance of this portfolio remained within risk parameters and within the stress tests applied as part of the regular ICAAP process; where the assessment applied in 2022 assumed a shock to credit spreads in line with the peak seen during the COVID-19 crisis and an additional shock relating to an unexpected change in interest rates.

5.4.3 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).

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.

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

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, for the first time in 31 December 2022 treasury bills are not marked as not 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 assessment 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 2022

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Not subject to interest rate risk in the banking book USD	Total USD
Assets							
Balances with the Central Bank of Malta, treasury bills and cash	115,497,512	63,592,889	22,168,959	10,614,721	-	24,542	**211,898,623**
Trading assets	-	-	-	-	-	444,583,661	**444,583,661**
Loans and advances to banks	86,216,662	57,895,785	603,159	1,460,729	8,026,240	480,053	**154,682,628**
Loans and advances to customers	442,693,776	21,086,987	17,220,848	4,342,432	947,181	106,493,933	**592,785,157**
Financial assets at fair value through profit or loss	-	-	-	-	-	18,179,220	**18,179,220**
Financial assets at amortised cost	-	6,609,166	16,896,662	-	159,085,872	701,166	**183,292,866**
Other assets	-	-	-	-	-	81,934,779	**81,934,779**
	644,407,950	**149,184,827**	**56,889,628**	**16,417,882**	**168,059,293**	**652,397,354**	**1,687,356,934**
Liabilities							
Amounts owed to banks	(298,744,689)	(73,382,842)	(33,464,164)	(35,980,056)	(29,848,252)	(1,875,253)	**(473,295,256)**
Amounts owed to customers	(462,080,830)	(184,544,303)	(79,961,228)	(135,889,074)	(11,306,295)	(108,124,480)	**(981,906,210)**
Debt securities in issue	-	(15,419,088)	-	-	-	(31,980)	**(15,451,068)**
Other liabilities	-	-	-	-	-	(20,692,466)	**(20,692,466)**
Equity	-	-	-	-	-	(196,011,934)	**(196,011,934)**
	(760,825,519)	**(273,346,233)**	**(113,425,392)**	**(171,869,130)**	**(41,154,547)**	**(326,736,113)**	**(1,687,356,934)**

	USD	Less than 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Not subject to interest rate risk in the banking book USD	Total USD
Assets		793,592,777	56,889,628	16,417,882	168,059,293	652,397,354	**1,687,356,934**
Liabilities		(1,034,171,752)	(113,425,392)	(171,869,130)	(41,154,547)	**(326,736,113)**	**(1,687,356,934)**
Interest sensitivity gap in the banking book		**(240,578,975)**	**(56,535,764)**	**(155,451,248)**	**126,904,746**	**325,661,241**	**-**
Cumulative gap		**(240,578,975)**	**(297,114,739)**	**(452,565,987)**	**(325,661,241)**	**-**	**-**

Group – 31 December 2021

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets							
Balances with the Central Bank of Malta, treasury bills and cash	98,280,828	-	-	-	-	141,718,011	**239,998,839**
Trading assets	-	-	-	-	-	439,985,203	**439,985,203**
Loans and advances to banks	2,198,487	45,849,623	101,859,284	11,330,122	-	37,251,060	**198,488,576**
Loans and advances to customers	398,196,134	12,408,888	26,153,547	11,765,498	2,597	180,385,676	**628,912,340**
Financial assets at fair value through profit or loss	-	-	-	-	-	19,966,163	**19,966,163**
Financial assets at fair value through other comprehensive income	-	5,011,000	3,003,300	4,998,000	148,599,518	796,724	**162,408,542**
Financial assets at amortised cost	-	-	9,917,355	-	-	(2,601)	**9,914,754**
Other assets	-	-	-	-	-	88,797,933	**88,797,933**
Total assets	**498,675,449**	**63,269,511**	**140,933,486**	**28,093,620**	**148,602,115**	**908,898,169**	**1,788,472,350**
Liabilities							
Amounts owed to banks	171,105,298	78,729,679	82,200,000	62,100,414	79,284,177	90,133,476	**563,553,044**
Amounts owed to customers	316,071,119	177,657,319	90,300,069	143,938,104	1,874,654	204,254,931	**934,096,196**
Debt securities in issue	11,285,407	33,940,299	-	-	-	119,869	**45,345,575**
Other liabilities	-	-	-	-	-	21,497,352	**21,497,352**
Equity	-	-	-	-	-	223,980,183	**223,980,183**
Total liabilities and equity	**498,461,824**	**290,327,297**	**172,500,069**	**206,038,518**	**81,158,831**	**539,985,811**	**1,788,472,350**

	Less than 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets	561,944,960	140,933,486	28,093,620	148,602,115	908,898,169	**1,788,472,350**
Liabilities	(788,789,121)	(172,500,069)	(206,038,518)	(81,158,831)	(539,985,811)	**(1,788,472,350)**
Interest sensitivity gap	**(226,844,161)**	**(31,566,583)**	**(177,944,898)**	**67,443,284**	**368,912,358**	**-**
Cumulative gap	**(226,844,161)**	**(258,410,744)**	**(436,355,642)**	**(368,912,358)**	**-**	**-**
Change in interest rate for the period:						
200bps increase	**(3,402,662)**	**(315,666)**	**(296,575)**			
200bps decrease	**3,402,662**	**315,666**	**296,575**			

Bank – 31 December 2022

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Not subject to interest rate risk in the banking book USD	Total USD
Assets							
Balances with the Central Bank of Malta, treasury bills and cash	115,497,513	63,592,889	22,168,959	10,614,721	-	9,683	**211,883,765**
Loans and advances to banks	68,566,297	54,126,363	-	-	8,026,240	132,234	**130,851,134**
Loans and advances to customers	681,573,422	14,982,597	16,497,328	-	5,637,778	11,076,368	**729,767,493**
Financial assets at fair value through profit or loss	-	-	-	-	-	18,179,220	**18,179,220**
Financial assets at amortised cost	-	6,609,166	16,896,662	-	159,085,872	701,166	**183,292,866**
Other assets	-	-	-	-	-	181,464,610	**181,464,610**
	865,637,232	**139,311,015**	**55,562,949**	**10,614,721**	**172,749,890**	**211,563,281**	**1,455,439,088**
Liabilities							
Amounts owed to banks	(265,211,752)	(34,800,000)	(23,464,164)	(31,996,587)	(29,848,252)	(1,467,029)	**(386,787,784)**
Amounts owed to customers	(455,085,104)	(184,544,303)	(79,961,228)	(135,917,390)	(11,306,295)	(10,724,511)	**(877,538,831)**
Debt securities in issue	-	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	(11,438,188)	**(11,438,188)**
Equity	-	-	-	-	-	(179,674,285)	**(179,674,285)**
	(720,296,856)	**(219,344,303)**	**(103,425,392)**	**(167,913,977)**	**(41,154,547)**	**(203,304,013)**	**(1,455,439,088)**

	Less than 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Not subject to interest rate risk in the banking book USD	Total USD
Assets	1,004,948,247	55,562,949	10,614,721	172,749,890	211,563,281	**1,455,439,088**
Liabilities	(939,641,159)	(103,425,392)	(167,913,977)	(41,154,547)	(203,304,013)	**(1,455,439,088)**
Interest sensitivity gap in the banking book	**65,307,088**	**(47,862,443)**	**(157,299,256)**	**131,595,343**	**8,259,268**	**-**
Cumulative gap	**65,307,088**	**17,444,645**	**(139,854,611)**	**(8,259,268)**	**-**	**-**

Bank – 31 December 2021

	Less than 1 month USD	Between 1 & 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets							
Balances with the Central Bank of Malta, treasury bills and cash	98,280,828	-	-	-	-	141,701,220	**239,982,048**
Loans and advances to banks	2,078,609	45,842,928	93,976,423	11,315,479	-	29,245,109	**182,458,548**
Loans and advances to customers	633,423,204	15,814,564	18,687,760	1,558,934	-	76,079,677	**745,564,139**
Financial assets at fair value through profit or loss	-	-	-	-	-	19,966,163	**19,966,163**
Financial assets at fair value through other comprehensive income	-	5,011,000	3,003,300	4,998,000	148,599,518	796,724	**162,408,542**
Financial assets at amortised cost	-	-	9,917,355	-	-	(2,601)	**9,914,754**
Other assets	-	-	-	-	-	186,281,636	**186,281,636**
Total assets	**733,782,641**	**66,668,492**	**125,584,838**	**17,872,413**	**148,599,518**	**454,067,928**	**1,546,575,830**
Liabilities							
Amounts owed to banks	138,500,000	50,000,000	82,200,000	57,570,506	79,284,177	90,078,673	**497,633,356**
Amounts owed to customers	309,414,846	177,657,319	95,529,674	143,968,176	1,874,654	110,230,929	**838,675,598**
Other liabilities	-	-	-	-	-	9,656,812	**9,656,812**
Equity	-	-	-	-	-	200,610,064	**200,610,064**
Total liabilities and equity	**447,914,846**	**227,657,319**	**177,729,674**	**201,538,682**	**81,158,831**	**410,576,478**	**1,546,575,830**

	Less than 3 months USD	Between 3 & 6 months USD	Between 6 months & 1 year USD	More than 1 year USD	Non-interest bearing USD	Total USD
Assets	800,451,133	125,584,838	17,872,413	148,599,518	454,067,928	**1,546,575,830**
Liabilities	(675,572,165)	(177,729,674)	(201,538,682)	(81,158,831)	(410,576,478)	**(1,546,575,830)**
Interest sensitivity gap	**124,878,968**	**(52,144,836)**	**(183,666,269)**	**67,440,687**	**43,491,450**	**-**
Cumulative gap	**124,878,968**	**72,734,132**	**(110,932,137)**	**(43,491,450)**	**-**	**-**
Change in interest rate for the period:						
200bps increase	**1,873,185**	**(521,448)**	**(306,110)**			
200bps decrease	**(1,873,185)**	**521,448**	**306,110**			

Cash flow sensitivity analysis for repricing instruments

As at 31 December 2022, the table below depicts the changes in economic value of equity and net interest income from movement in stressed yield curves. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. IRRBB is reported monthly on a consolidated basis, however as the approval for the new IRRBB tool was given in mid-2022 the Group and Bank calculations are presented as at year-end 2022. The new tool introduced during the current financial year of review is in line with the latest EBA guidelines. Further information related to the measurement of interest rate risk can be found in the Pillar 3 Disclosures Report published on the Bank's website.

31 December 2022

	Parallel Up USD	Parallel Down USD	Short Rates Up USD	Short Rates Down USD	Steepener USD	Flattener USD
Sensitivity of Equity to interest rate movements						
Group – at 31 December	(7,847,213)	4,702,306	347,833	(1,157,497)	(4,951,725)	1,700,982
Bank – at 31 December	(8,420,643)	5,145,308	194,857	(953,763)	(5,053,773)	1,626,944
Sensitivity to Net Interest Income to Interest rate movements						
Group – at 31 December	(5,231,995)	2,615,997	-	-	-	-
Bank – at 31 December	195,748	(433,409)	-	-	-	-

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:

		EUR (in basis points)	USD (in basis points)
Parallel Up		+200	+200
Parallel Down		-200	-200
Short Rates Up		+250	+300
Short Rates Down		-250	-300
Steepener	Short Rates Down	-250	-300
	Long Rates Up	+100	+150
Flattener	Short Rates Up	+250	+300
	Long Rates Down	-100	-150

Financial instruments denominated in non-material currencies are grouped with those financial instruments denominated in USD.

As at 31 December 2021, under the previous approach, a simple 200 basis points shock would result in a decrease in equity and net interest income for the Group by the amounts shown below. However, for the Bank this increase would result in an increase in equity and net interest income by the amounts shown below. This analysis assumed that all other variables, in particular foreign currency rates, remain constant.

31 December 2022

	Equity USD	Net Interest Income USD	Equity USD	Net Interest Income USD
Sensitivity to interest rate movements	(4,014,903)	(4,014,903)	1,045,626	1,045,626

Interest rate benchmark reform

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates ("IBOR") with alternative nearly risk-free rates ("RFR"), referred to as 'IBOR Reform'. The Group has significant exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives.

The main risks to which the Group has been exposed as a result of IBOR Reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems, revision of operational controls related to the reform, as well as managing related tax and accounting implications and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Group established an IBOR Conversion Steering Committee to manage its transition to alternative rates. The objectives of the IBOR Committee include evaluating the extent to which loans advanced, loan commitments, liabilities, derivatives and leases reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR Reform and how to manage communication about IBOR Reform with counterparties.

The Group has engaged an external consultancy company to conduct respective impact analysis and provide strategic recommendations and best practices on how to efficiently conduct this transition. Following the recommendations received, the Group has implemented an IBOR conversion project, appointing an IBOR Conversion Steering Committee, Program Manager, Project Manager and Project Team, which consists of senior and experienced representatives from main areas of the Group. The respective comprehensive project plan was prepared and executed by the Project Team, who have been collaborating with other business functions as needed. The IBOR Committee provides periodic updates to the Board Review and Implementation Committee ("BRIC").

For contracts indexed to an IBOR that mature after the expected cessation of the IBOR rate, the IBOR Committee has established policies to amend the contractual terms. These amendments include the addition of fallback clauses or replacement of the IBOR rate with an alternative benchmark rate.

The Bank's risk exposure that is directly affected by the interest rate benchmark reform predominantly comprises its trade finance and real estate loans, factoring agreements and its forfaiting portfolio which are measured at amortised cost or at fair value through profit or loss. Such instruments are, in the absolute majority, denominated in USD, EUR and GBP and have floating rates linked to IBOR. The value of such financial instruments in the books of the Group is extensive, although several contracts have short term tenures which matured before the end of 2021 and therefore were not affected by the IBOR Reform since LIBOR rates were available until 31 December 2021.

The IBOR Conversion Steering Committee approved a policy which required that, with effect from 5 October 2021:

- all newly originated floating-rate contracts denominated in EUR and GBP, were to be referenced to €STR, EURIBOR and SONIA forward looking term-rates;
- existing floating-rate contracts denominated in EUR and GBP, were converted to €STR, EURIBOR and SONIA forward looking term-rates by 31 December 2021; and
- a flexible approach is adopted allowing for new contracts denominated in USD to be referenced to either LIBOR or SOFR until full market readiness is detected.

The Group initiated communication with counterparties, confirming the specific changes being implemented. The Group continues to engage with industry participants and counterparties to ensure an orderly transition to risk free rates and to minimise the risks arising from transition.

The table below sets out the IBOR rates that the Group had exposure to, the new benchmark rates to which these exposures have or are being transitioned:

Currency	Benchmark before reform	Benchmark after reform
USD	USD LIBOR	SOFR
EUR	EURO EURIBOR	EURIBOR reformed
EUR	EONIA	€STR
GBP	GBP LIBOR	SONIA

In March 2021, the Financial Conduct Authority (FCA), as the regulator of ICE (the authorised administrator of LIBOR), announced that after 31 December 2021 LIBOR settings for sterling, euro and the one-week and two-month US dollar settings either ceased to be provided or were no longer be representative. The remaining US dollar settings will either cease to be provided or no longer be representative after 30 June 2023.

The following table contains details of all the financial instruments held by the Group, which have transitioned to risk free rates or currently being transitioned to risk free rates at 31 December 2022:

	Carrying amount USD	Of which: subject to IBOR Reform USD	Of which: subject to IBOR Reform and have yet to transition to an alternative benchmark interest rate USD
Non-derivative assets measured at amortised cost			
Balances with Central Bank, treasury bills & cash			
EUR	211,967,838	-	-
USD	14,804	-	-
Other	1,553	-	-
	211,984,195	**-**	**-**
Financial assets at amortised cost			
EUR	118,823,311	-	-
USD	54,828,865	-	-
Other	9,805,955	-	-
	183,458,131	**-**	**-**
Loans and advances to banks			
EUR	111,927,308	28,253	-
GBP	1,266,679	-	-
USD	23,346,675	357,713	-
Other	18,616,657	-	-
	155,157,319	**385,966**	**-**
Loans and advances to customers			
EUR	229,392,695	177,125,652	-
GBP	10,073,238	9,789,493	-
USD	297,226,214	238,388,584	17,705,113
Other	131,169,918	-	-
	667,862,065	**425,303,729**	**17,705,113**
Non-derivative assets measured at fair value through profit or loss			
Trading Assets			
EUR	164,524,396	151,435,010	-
GBP	24,013,182	5,816,605	-
USD	256,046,083	143,298,519	-
	444,583,661	**300,550,134**	**-**

The following table contains details of all the financial instruments held by the Bank, which have transitioned to risk free rates or currently being transitioned to risk free rates at 31 December 2022:

	Carrying amount USD	Of which: subject to IBOR Reform USD	Of which: subject to IBOR Reform and have yet to transition to an alternative benchmark interest rate USD
Non-derivative assets measured at amortised cost			
Balances with Central Bank, treasury bills & cash			
EUR	211,967,838	-	-
GBP	1,499	-	-
	211,969,337	**-**	**-**
Financial assets at amortised cost			
EUR	118,823,311	-	-
USD	54,828,865	-	-
Other	9,805,955	-	-
	183,458,131	**-**	**-**
Loans and advances to banks			
EUR	110,153,155	28,253	-
GBP	983,017	-	-
USD	19,727,615	357,713	-
Other	437,593	-	-
	131,301,380	**385,966**	**-**
Loans and advances to customers			
EUR	362,235,334	309,968,288	-
GBP	33,420,492	33,136,747	-
USD	402,353,663	342,682,510	47,615,652
Other	118,920	-	-
	798,128,409	**685,787,545**	**47,615,652**

5.4.4 Price risk

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

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 in active markets. Effective 1 January 2022, the Group changed its business model for its bond portfolio (see Note 26.1). The portfolio is now held on an amortised cost basis. The Group continues to monitor the marketable securities portfolio on a daily basis.

The financial assets designated at fair value through profit or loss include equity shares in sub-funds of a local collective investment scheme. It is assumed that units held in the funds are not easily liquidated, particularly under stress, hence these investments are considered as non high-quality liquid assets. Additionally, the financial assets designated 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.

	Group		Bank	
	2022	2021	2022	2021
	USD	USD	USD	USD
Financial assets at fair value through profit or loss	18,179,220	19,966,163	18,179,220	19,966,163
Financial assets at fair value through other comprehensive income	-	162,408,542	-	162,408,542
Trading assets	444,583,661	439,985,203	-	-

Cash flow sensitivity analysis for market risk

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

	Group		Bank	
	Equity	Profit or loss	Equity	Profit or loss
	USD	USD	USD	USD
2022	46,276,288	46,276,288	1,817,922	1,817,922
2021	62,235,991	45,995,137	18,237,471	1,996,616

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

5.5 Operational risk

The Group defines operational 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 but its main objective is to maintain such risk within acceptable levels and parameters. Although the prime responsibility of establishing detailed processes to identify, assess, monitor and report operational risks in accordance with the Operational Risk Management ("ORM") Policy, lies with the Business/Support Unit Head 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.

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

5.5.1 IT risk

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

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

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

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

5.5.2 Legal risk

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

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

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

5.6 Climate related risk

The Group, like all financial institutions, is exposed to the risk of climate change. These climate related risks are potential negative impacts on the Group's own property, staff and activities or on those of its clients as a result of climate change. Climate related risks have an impact on other key risk areas (i.e. credit risk, market risk, operational risk) but are treated as an independent risk category by the European Central Bank and Malta Financial Services Authority.

Climate related risks can be grouped into two categories – physical risk and transition risk. Physical risks are those presented by acute weather events, longer term changes in climate and rising sea levels. Transition risks are those resulting from an inability to adapt to changing laws and regulations, consumer demand, and investor demand arising from measures to mitigate the impact of climate change.

The Group is in the process of developing an ESG transition plan which will seek to integrate climate and social factors into all aspects of the business. In future years, the Group may then disclose the progress made in implementing this roadmap and key findings which warrant disclosure, all of which will eventually be incorporated into the Group's reporting under the Corporate Sustainability Reporting Directive ("CSRD"). Under the CSRD the Group is required to report its climate related and environmental risks from first quarter 2026 for the financial year 2025.

5.7 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.

5.7.1 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.

5.7.2 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 from 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.

5.8 Capital management

The Group's regulatory capital consists of Common Equity Tier 1 (CET1) capital, which includes ordinary share capital, related share premiums, retained earnings, reserves and NCI after adjustment for dividends proposed after the year-end and deductions for goodwill, intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

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

The Group and its individually regulated operations have complied with all externally imposed capital requirements. The Group adheres to the requirements set out in the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD).

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

2022 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'.

	Group		Bank	
	2022	2021	2022	2021
	USD	USD	USD	USD
Own funds				
Tier 1				
Paid up capital instruments	261,221,882	261,221,882	261,221,882	261,221,882
Share premium	858,885	858,885	858,885	858,885
Accumulated losses	(67,240,652)	(42,869,371)	(85,087,525)	(65,296,438)
Other reserves	689,233	4,139,983	2,681,041	3,825,730
Deductions:				
Goodwill accounted for as intangible asset	-	(5,605,349)	-	-
Other intangible assets	(245,265)	(456,370)	(232,494)	(445,851)
Deferred tax liabilities associated to other intangible assets	-	-	-	-
Deferred tax asset that rely on future profitability and arise from temporary differences	(2,376,891)	(3,273,047)	-	-
Market value of assets pledged in favour of Depositor Compensation Scheme	(2,149,970)	(4,433,866)	(2,149,970)	(4,433,866)
Insufficient coverage for non-performing exposures	(12,280)	(297,448)	-	-
Value adjustments due to the requirements for prudent valuation	(464,952)	(624,701)	(20,608)	(344,199)
Other transitional adjustments	2,409,914	4,765,539	992,075	1,984,150
Common equity tier 1	**192,689,904**	**213,426,137**	**178,263,286**	**197,370,293**
Total tier 1	**192,689,904**	**213,426,137**	**178,263,286**	**197,370,293**
Total tier 2	**-**	**-**	**-**	**-**
Total own funds	**192,689,904**	**213,426,137**	**178,263,286**	**197,370,293**

6 Fair values of financial instruments

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

6.1 Valuation of financial instruments

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

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

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

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

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

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

6.2 Financial instruments measured at fair value – fair value hierarchy

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

Group – 31 December 2022

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
– foreign exchange	20	-	1,610,475	-	**1,610,475**
Trading assets	21	-	-	444,583,661	**444,583,661**
Financial assets at fair value through profit or loss	24	-	53,077	18,126,143	**18,179,220**
Liabilities					
Derivative liabilities held for risk management:					
– foreign exchange	20	-	578,779	-	**578,779**

Group – 31 December 2021

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
– foreign exchange	20	-	841,688	-	**841,688**
Trading assets	21	-	-	439,985,203	**439,985,203**
Financial assets at fair value through profit or loss	24	-	53,077	19,913,086	**19,966,163**
Financial assets at fair value through other comprehensive income	25	162,408,542	-	-	**162,408,542**
Liabilities					
Derivative liabilities held for risk management:					
– foreign exchange	20	-	1,499,026	-	**1,499,026**

Bank – 31 December 2022

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
– foreign exchange	20	-	1,610,475	-	**1,610,475**
Financial assets at fair value through profit or loss	24	-	53,077	18,126,143	**18,179,220**
Liabilities					
Derivative liabilities held for risk management:					
– foreign exchange	20	-	723,311	-	**723,311**
– interest rate	20	-	94,720	-	**94,720**

Bank – 31 December 2021

	Note	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets					
Derivative assets held for risk management:					
– foreign exchange	20	-	841,688	-	**841,688**
Financial assets at fair value through profit or loss	24	-	53,077	19,913,086	**19,966,163**
Financial assets at fair value through other comprehensive income	25	162,408,542	-	-	**162,408,542**
Liabilities					
Derivative liabilities held for risk management:					
– foreign exchange	20	-	1,499,026	-	**1,499,026**
– interest rate	20	-	34,530	-	**34,530**

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 in or out of Level 3 during the reporting period.

6.3 Level 3 fair value measurements

6.3.1 Reconciliation

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

Group - 31 December 2022

	Trading assets USD	Financial assets at fair value through profit or loss USD	Total USD
Balance at 1 January 2022	439,985,203	19,913,086	**459,898,289**
Total gains and losses in profit or loss	(5,289,526)	(337,257)	**(5,626,783)**
Purchases	812,766,912	-	**812,766,912**
Settlements	(790,052,784)	(127,493)	**(790,180,277)**
Effects of movement in exchange rates	(11,288,887)	(1,322,193)	**(12,611,080)**
Write-off	(1,537,257)	-	**(1,537,257)**
Balance at 31 December 2022	**444,583,661**	**18,126,143**	**462,709,804**

Group - 31 December 2021

	Trading assets USD	Financial assets at fair value through profit or loss USD	Total USD
Balance at 1 January 2021	452,326,547	20,332,246	**472,658,793**
Total gains and losses in profit or loss	651,802	388,035	**1,039,837**
Purchases	623,419,539	898,492	**624,318,031**
Settlements	(627,692,362)	(143,654)	**(627,836,016)**
Effects of movement in exchange rates	(8,720,323)	(1,562,033)	**(10,282,356)**
Balance at 31 December 2021	**439,985,203**	**19,913,086**	**459,898,289**

Bank - 31 December 2022

	Financial assets at fair value through profit or loss USD
Balance at 1 January 2022	19,913,086
Total gains and losses in profit or loss	(337,257)
Settlements	(127,493)
Effects of movement in exchange rates	(1,322,193)
Balance at 31 December 2022	**18,126,143**

Bank - 31 December 2021

	Financial assets at fair value through profit or loss USD
Balance at 1 January 2021	20,332,246
Total gains and losses in profit or loss	388,035
Purchases	898,492
Settlements	(143,654)
Effects of movement in exchange rates	(1,562,033)
Balance at 31 December 2021	**19,913,086**

The change in unrealised gains or losses for the year included in profit or loss relating to those assets held at 31 December 2022 amounted to USD386,466 (2021: USD296,438).

These gains and losses are recognised in profit or loss as 'Net (loss)/gain from other financial instruments carried at fair value'.

6.3.2 Unobservable inputs used in measuring fair value

The below sets out information about significant unobservable inputs used at 31 December 2022 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Trading assets

The 'trading assets' portfolio represent forfaiting assets, that is the discounting of receivables generated from an export contract on a without recourse basis. The assets would be evidenced by a number of different debt instruments including bills of exchange, promissory notes, letters of credit and trade or project related syndicated and bi-lateral loan (financing) agreements.

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

At 31 December 2022, the Group used the Risk Free Rates (RFRs) yield curve plus an adequate credit margin spread to discount the trading assets held whereas as 31 December 2021, the Group used the LIBOR yield curve plus an adequate credit margin spread to discount the trading assets.

At 31 December 2022, the discount rates used range between 5.13% and 12.86% (2021: between 0.98% and 19.30%).

The effect of a one-percentage point increase/(decrease) in the interest rate on trading assets at 31 December 2022 would increase/(decrease) the Group equity by approximately USD409,282 (2021: USD2,835,580).

Financial assets at fair value through profit or loss

As at December 2022, 'financial assets at fair value through profit or loss' mainly represent holdings in two sub-funds and a foreign holding company, 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 fair market value. Assets are marked at observable traded prices where that is possible. Where there is no observable price, the assets are marked in accordance with best market practice. This may involve the use of models and forward projections. Inputs and assumptions used in these models may be subjective and could include a number of highly judgemental uncertainties including the projected valuations of the individual plants and the future potential income from each plant.

  The effect of a ten-percentage point increase/(decrease) in the net asset value of the sub-fund at 31 December 2022 would increase/(decrease) the Bank and Group equity by approximately USD1,574,085 (2021: USD1,737,699).

- 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 fair market value. Assets are marked at observable traded prices where that is possible. Where there is no observable price, the assets are marked in accordance with best market practice. This may involve the use of models and forward projections. Inputs and assumptions used in these models may be subjective and could include a number of highly judgemental uncertainties including the projected valuations of the individual assets and the future potential income from each asset.

  The effect of a ten-percentage point increase/(decrease) in the net asset value of the sub-fund at 31 December 2022 would increase/(decrease) the Bank and Group equity by approximately USD163,245 (2021: USD168,967).

- A foreign holding company registered in the State of Kuwait. The fair value is measured by the Group based on a market price quoted by a custodian.

  The effect of a ten-percentage point increase/(decrease) in the net asset value of the equity shares at 31 December 2022 would have increased/(decreased) the Bank and Group equity by approximately USD75,284 (2021: USD84,643).

7 Classification of financial assets and liabilities

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

Group – 31 December 2022

	Mandatorily at fair value through profit or loss USD	Designated at fair value through profit or loss USD	Fair value through other comprehensive income debt instruments USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	-	211,898,623	**211,898,623**
Derivative assets held for risk management	1,610,475	-	-	-	**1,610,475**
Trading assets	444,583,661	-	-	-	**444,583,661**
Loans and advances to banks	-	-	-	154,682,628	**154,682,628**
Loans and advances to customers	-	-	-	592,785,157	**592,785,157**
Financial assets at fair value through profit or loss	18,126,143	53,077	-	-	**18,179,220**
Financial assets at amortised cost	-	-	-	183,292,866	**183,292,866**
Total financial assets	**464,320,279**	**53,077**	**-**	**1,142,659,274**	**1,607,032,630**
Derivative liabilities held for risk management	578,779	-	-	-	**578,779**
Amounts owed to banks	-	-	-	473,295,256	**473,295,256**
Amounts owed to customers	-	-	-	981,906,210	**981,906,210**
Debt securities in issue	-	-	-	15,451,068	**15,451,068**
Total financial liabilities	**578,779**	**-**	**-**	**1,470,652,534**	**1,471,231,313**

Group – 31 December 2021

	Mandatorily at fair value through profit or loss USD	Designated at fair value through profit or loss USD	Fair value through other comprehensive income debt instruments USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	-	239,998,839	**239,998,839**
Derivative assets held for risk management	841,688	-	-	-	**841,688**
Trading assets	439,985,203	-	-	-	**439,985,203**
Loans and advances to banks	-	-	-	198,488,576	**198,488,576**
Loans and advances to customers	-	-	-	628,912,340	**628,912,340**
Financial assets at fair value through profit or loss	19,913,086	53,077	-	-	**19,966,163**
Financial assets at fair value through other comprehensive income	-	-	162,408,542	-	**162,408,542**
Financial assets at amortised cost	-	-	-	9,914,754	**9,914,754**
Total financial assets	**460,739,977**	**53,077**	**162,408,542**	**1,077,314,509**	**1,700,516,105**
Derivative liabilities held for risk Management	1,499,026	-	-	-	**1,499,026**
Amounts owed to banks	-	-	-	563,553,044	**563,553,044**
Amounts owed to customers	-	-	-	934,096,196	**934,096,196**
Debt securities in issue	-	-	-	45,345,575	**45,345,575**
Total financial liabilities	**1,499,026**	**-**	**-**	**1,542,994,815**	**1,544,493,841**

Bank – 31 December 2022

	Mandatorily at fair value through profit or loss USD	Designated at fair value through profit or loss USD	Fair value through other comprehensive income debt instruments USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	-	211,883,765	**211,883,765**
Derivative assets held for risk management	1,610,475	-	-	-	**1,610,475**
Loans and advances to banks	-	-	-	130,851,134	**130,851,134**
Loans and advances to customers	-	-	-	729,767,493	**729,767,493**
Financial assets at fair value through profit or loss	18,126,143	53,077	-	-	**18,179,220**
Financial assets at amortised cost	-	-	-	183,292,866	**183,292,866**
Total financial assets	**19,736,618**	**53,077**	**-**	**1,255,795,258**	**1,275,584,953**
Derivative liabilities held for risk Management	818,031	-	-	-	**818,031**
Amounts owed to banks	-	-	-	386,787,784	**386,787,784**
Amounts owed to customers	-	-	-	877,538,831	**877,538,831**
Total financial liabilities	**818,031**	**-**	**-**	**1,264,326,615**	**1,265,144,646**

Bank – 31 December 2021

	Mandatorily at fair value through profit or loss USD	Designated at fair value through profit or loss USD	Fair value through other comprehensive income debt instruments USD	Amortised cost USD	Total carrying amount USD
Balances with the Central Bank of Malta, treasury bills and cash	-	-	-	239,982,048	**239,982,048**
Derivative assets held for risk management	841,688	-	-	-	**841,688**
Loans and advances to banks	-	-	-	182,458,548	**182,458,548**
Loans and advances to customers	-	-	-	745,564,139	**745,564,139**
Financial assets at fair value through profit or loss	19,913,086	53,077	-	-	**19,966,163**
Financial assets at fair value through other comprehensive income	-	-	162,408,542	-	**162,408,542**
Financial assets at amortised cost	-	-	-	9,914,754	**9,914,754**
Total financial assets	**20,754,774**	**53,077**	**162,408,542**	**1,177,919,489**	**1,361,135,882**
Derivative liabilities held for risk Management	1,533,556	-	-	-	**1,533,556**
Amounts owed to banks	-	-	-	497,633,356	**497,633,356**
Amounts owed to customers	-	-	-	838,675,598	**838,675,598**
Total financial liabilities	**1,533,556**	**-**	**-**	**1,336,308,954**	**1,337,842,510**

At 31 December 2022, 'financial assets at amortised cost' represent the Group's debt instruments portfolio which is largely comprised of investments in bonds issued by the governments of countries in the European Union and European banks, which are held at the Bank primarily for liquidity management. The fair value of financial assets at amortised cost amounted to USD157,023,351 (2021: USD9,917,355). The fair value is derived using quoted market prices under Level 1 of the fair value hierarchy at the end of the reporting period.

At 31 December 2022 and 31 December 2021, the fair value of the below financial assets and liabilities measured at amortised cost is approximately equal to the carrying amount. The approximate fair value is based on the following:

- **'balances with Central Bank of Malta, treasury bills and cash'**
  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 80% of the Group's 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 rate. As a result, the carrying amount of loans and advances to customers is a reasonable approximation of fair value.

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

  The Group's debt securities in issue are subject to fixed and variable interest rates. Interest rates on debt securities are further disclosed in Note 35.

8 Operating segments

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

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

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

8.1 Information about operating segments

Group – 2022

	Trade finance USD	Forfaiting USD	Factoring USD	Real estate USD	Treasury USD	Total USD
External revenue						
Interest income	5,512,787	19,670,064	14,371,472	3,360,519	4,786,057	**47,700,899**
Net fee and commission income	3,150,715	3,159,347	4,628,327	1,204,635	403,027	**12,546,051**
Net trading results	-	-	-	-	(6,924,935)	**(6,924,935)**
Net gain from other financial instruments	-	-	-	-	(337,257)	**(337,257)**
Dividend income	3,821,545	-	-	-	-	**3,821,545**
	12,485,047	**22,829,411**	**18,999,799**	**4,565,154**	**(2,073,108)**	**56,806,303**
Reportable segment (loss)/profit before income tax	(26,699,125)	(2,392,144)	(6,446,742)	2,820,656	736,079	**(31,981,276)**
Reportable segment assets	182,627,460	449,275,957	397,941,486	77,270,524	512,669,532	**1,619,784,959**
Reportable segment liabilities	73,356,379	78,640,525	145,208,971	-	1,182,568,369	**1,479,774,244**

Group – 2021

	Trade finance USD	Forfaiting USD	Factoring USD	Real estate USD	Treasury USD	Total USD
External revenue						
Interest income	2,812,731	17,533,106	9,398,610	4,058,183	3,670,705	**37,473,335**
Net fee and commission income	1,130,896	5,900,173	3,588,083	750,030	442,476	**11,811,658**
Net trading results	-	1,431,007	-	-	1,071,419	**2,502,426**
Net gain from other financial instruments	-	-	-	-	1,137,221	**1,137,221**
Dividend income	1,089,189	-	-	-	-	**1,089,189**
	5,032,816	**24,864,286**	**12,986,693**	**4,808,213**	**6,321,821**	**54,013,829**
Reportable segment (loss)/profit before income tax	(8,643,915)	6,944,840	(4,060,541)	2,170,415	1,604,540	**(1,984,661)**
Reportable segment assets	177,212,662	444,928,907	446,963,427	54,242,483	590,666,529	**1,714,014,008**
Reportable segment liabilities	71,353,439	94,101,409	144,015,176	-	1,243,193,425	**1,552,663,449**

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

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

Group

	2022 USD	2021 USD
Revenues		
Total revenue for reportable segments	56,806,303	54,013,829
Consolidated adjustments	(817,965)	(975,515)
Other revenue	865,003	729,305
Consolidated revenue	**56,853,341**	**53,767,619**
Profit or loss		
Total loss for reportable segments	(31,981,276)	(1,984,661)
Other gains	1,712,049	1,614,235
	(30,269,227)	**(370,426)**
Effect of other consolidation adjustments on segment results	5,554,787	(922,508)
Consolidated loss before tax	**(24,714,440)**	**(1,292,934)**

	2022 USD	2021 USD
Assets		
Total assets for reportable segments	1,619,784,959	1,714,014,008
Other assets	74,133,687	74,448,793
	1,693,918,646	**1,788,462,801**
Effect of other consolidation adjustments on segment results	(6,561,712)	9,549
Consolidated assets	**1,687,356,934**	**1,788,472,350**
Liabilities		
Total liabilities for reportable segments	1,479,774,244	1,552,663,449
Other liabilities	15,137,817	12,575,017
	1,494,912,061	**1,565,238,466**
Effect of other consolidation adjustments on segment results	(3,567,061)	(746,299)
Consolidated liabilities	**1,491,345,000**	**1,564,492,167**

8.3 Geographical areas

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

Group

	External revenues and net trading results	
	2022 USD	2021 USD
Malta	17,664,053	9,069,378
India	9,509,807	6,176,542
Egypt	6,514,887	4,130,075
Other countries (individually less than 10%)	23,164,594	34,391,624
	56,853,341	**53,767,619**

Group

	Non-current assets 2022 USD	2021 USD
Malta	48,532,574	52,762,681
India	877,226	83,418
Egypt	747,513	931,479
Other countries (individually less than 10%)	1,294,545	3,733,291
	51,451,858	**57,510,869**

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

9 Net interest income

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Interest income				
On negative interest Central Bank of Malta funding	1,304,356	634,925	1,304,356	634,925
On loans and advances to banks	1,353,846	601,227	689,438	194,887
On loans and advances to customers	24,429,247	17,670,854	13,436,197	11,820,430
On loans and advances to subsidiary companies	-	-	10,727,694	5,904,351
	27,087,449	**18,907,006**	**26,157,685**	**18,554,593**
On forfaiting assets	19,668,612	17,531,585	-	-
On financial assets at fair value through other comprehensive income	-	500,599	-	500,599
On financial assets at amortised cost	1,164,635	372,810	1,164,635	372,810
On other trade finance activities	79,415	160,230	79,415	160,230
	48,000,111	**37,472,230**	**27,401,735**	**19,588,232**
Interest expense				
On amounts owed to banks	7,973,738	4,168,473	4,268,371	2,723,464
On amounts owed to customers	6,934,006	6,281,151	6,934,007	6,281,151
On debt securities in issue	415,775	685,627	-	-
On amounts owed to subsidiary companies	-	-	1,365	1,343
On Central Bank of Malta funding and negative interest deposits	1,958,000	933,065	1,958,000	933,065
On negative interest treasury balances	295,264	459,337	295,264	459,337
On lease liability with third parties	86,379	75,822	6,018	17,022
On lease liability with subsidiary companies	-	-	46,166	41,624
	17,663,162	**12,603,475**	**13,509,191**	**10,457,006**
Net interest income	**30,336,949**	**24,868,755**	**13,892,544**	**9,131,226**

Included in Group and Bank are 'interest income' and 'interest expense' payable to the parent company and other related companies (see Note 44).

10 Net fee and commission income

	Group		Bank	
	2022 USD	2021 USD	2022 USD	2021 USD
Fee and commission income				
Credit related fees and commission	2,991,965	2,017,411	2,981,986	2,000,046
On letters of credit	1,390,043	1,025,129	1,390,043	1,059,076
On factoring	6,637,893	5,262,546	886,056	832,564
On forfaiting	6,019,908	6,650,820	-	-
Charged to subsidiary companies	-	-	87,244	252,731
Other fees	979,404	943,642	832,170	796,426
	18,019,213	**15,899,548**	**6,177,499**	**4,940,843**
Fee and commission expense				
Credit related fees and commission	594,143	548,121	292,142	316,437
Correspondent banking fees	348,504	311,282	272,963	235,845
On forfaiting	1,308,000	924,623	-	-
On factoring	2,893,241	2,110,498	1,157,869	1,076,934
Insurance cover	1,436,317	1,146,048	752,072	506,173
Charged by subsidiary companies	-	-	25,218	10,158
Other fees	10,135	21,413	10,135	19,991
	6,590,340	**5,061,985**	**2,510,399**	**2,165,538**
Net fee and commission income	**11,428,873**	**10,837,563**	**3,667,100**	**2,775,305**

Included in Group and Bank are 'fee and commission income' and 'fee and commission expense' payable to related parties (see Note 44).

11 Net trading results

	Group		Bank	
	2022 USD	2021 USD	2022 USD	2021 USD
Net trading (expense)/income from assets held for trading	(7,342,792)	1,889,779	-	-
Foreign exchange rate results	818,987	1,554,424	829,445	1,392,276
Net results on derivatives held for risk management	(401,130)	(941,777)	581,584	(1,986,629)
	(6,924,935)	**2,502,426**	**1,411,029**	**(594,353)**

'Net results on derivatives held for risk management' include an amount of USD154,295 (2021: nil) payable to subsidiary companies of the Bank. See Note 44 for balances due from other related parties.

12 Net (loss)/gain from other financial instruments carried at fair value

	Group		Bank	
	2022 USD	2021 USD	2022 USD	2021 USD
Investment securities				
Equity investments at fair value through profit or loss	(337,257)	388,035	(337,257)	388,035
Debt investments at fair value through other comprehensive income	-	749,186	-	749,186
	(337,257)	**1,137,221**	**(337,257)**	**1,137,221**

13 Dividend income

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Dividend income from equity investments at fair value through profit or loss	3,821,545	1,089,189	3,821,545	1,089,189
Dividend income from subsidiary companies	-	-	6,500,000	15,899,860
	3,821,545	**1,089,189**	**10,321,545**	**16,989,049**

14 Other operating income

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Rental income from leased property	834,721	720,996	51,268	124,189
Profit on disposal of property and equipment	18,519	7,994	355	9,751
Hosting fees receivable from subsidiary companies	-	-	408,750	-
	853,240	**728,990**	**460,373**	**133,940**

15 Other operating expenses

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Fees payable on recoveries	364,205	128,908	364,205	128,906
	364,205	**128,908**	**364,205**	**128,906**

16 Administrative expenses

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

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Personnel expenses	23,630,665	25,949,981	13,403,083	14,792,481
Expenses relating to short-term leases and leases of low-value assets	489,673	252,975	216,699	123,132
Other administrative expenses	10,540,501	10,882,639	7,567,473	7,202,358
Recharge of services rendered by subsidiary companies	-	-	951,997	1,095,395
	34,660,839	**37,085,595**	**22,139,252**	**23,213,366**

See Note 44 for balances due from other related parties.

Included in 'other administrative expenses' of the Group for the financial year ended 31 December 2022 are the following fees charged by the Group Statutory Auditors:

Group

	Audit services		Other assurance services		Tax advisory services		Other non-audit services	
	2022 USD	2021 USD	2022 USD	2021 USD	2022 USD	2021 USD	2022 USD	2021 USD
By the auditors of the parent	456,785	411,952	133,483	160,143	1,201	13,311	24,398	6,976
By the auditors of subsidiary companies	188,487	293,723	128,095	112,133	12,843	2,803	2,987	-

Bank

	Audit services		Other assurance services		Tax advisory services		Other non-audit services	
	2022 USD	2021 USD	2022 USD	2021 USD	2022 USD	2021 USD	2022 USD	2021 USD
By the auditors of the parent	446,779	395,630	133,483	160,143	-	10,502	24,398	-

All fees are inclusive of indirect taxes.

16.2 Personnel expenses incurred during the year

	Group		Bank	
	2022 USD	2021 USD	2022 USD	2021 USD
Directors' emoluments	416,359	414,414	416,359	414,414
Staff costs:				
- wages, salaries and allowances	22,114,384	24,112,170	12,551,108	13,817,936
- defined contribution costs	1,099,922	1,423,397	435,616	560,131
	23,630,665	**25,949,981**	**13,403,083**	**14,792,481**

16.3 Average number of employees

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

	Group		Bank	
	2022 No. of employees	2021 No. of employees	2022 No. of employees	2021 No. of employees
Executive and senior managerial	40	39	24	22
Other managerial, supervisory and clerical	275	277	150	152
Other staff	8	8	-	-
	323	**324**	**174**	**174**

16.4 Executive share option schemes

FIMBank

In May 2019, the Annual General Meeting authorised the Board of Directors of the Bank to issue and allot up to a maximum of 10,000,000 Equity Securities over a period of five years limitedly, for the purpose of implementing the Employee Share Award Scheme Rules.

During 2022 and 2021 the Bank has not awarded shares under the Employee Share Award Scheme.

India Factoring

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

At 31 December 2022, the company had 2,152,800 (31 December 2021: 2,152,800) outstanding share options, at an exercise price of INR10/option (31 December 2021: INR10/option).

17 Taxation

17.1 Amounts recognised in profit or loss

	Group		Bank	
	2022 USD	2021 USD	2022 USD	2021 USD
Current tax	(633,297)	(721,589)	(530,755)	(113,418)
Deferred tax				
- deferred tax assets	(1,324,313)	(1,598,000)	-	-
Taxation	**(1,957,610)**	**(2,319,589)**	**(530,755)**	**(113,418)**

17.2 Amounts recognised in other comprehensive income

Group – 31 December 2022

	Before tax USD	Tax benefit USD	Net of tax USD
Items that will not be reclassified to profit or loss			
Movement in fair value reserve (property and equipment)	-	470,277	470,277
	-	**470,277**	**470,277**
Items that are or may be reclassified subsequently to profit or loss			
Movement in translation reserve:			
- Foreign currency translation differences for foreign operations	(2,840,781)	-	(2,840,781)
	(2,840,781)	**-**	**(2,840,781)**
Movement in fair value reserve (debt instruments):			
- Net change in fair value			
Loss allowance	(82,065)	-	(82,065)
Reversal due to reclassification to amortised cost	2,488,074	(1,331,704)	1,156,370
	2,406,009	**(1,331,704)**	**1,074,305**
	(1,766,476)	**470,277**	**(1,296,199)**

Group – 31 December 2021

	Before tax USD	Tax expense USD	Net of tax USD
Items that will not be reclassified to profit or loss			
Movement in fair value reserve (property and equipment)	(399,566)	-	(399,566)
	(399,566)	**-**	**(399,566)**
Items that are or may be reclassified subsequently to profit or loss			
Movement in translation reserve:			
- Foreign currency translation differences for foreign operations	(1,677,971)	-	(1,677,971)
	(1,677,971)	**-**	**(1,677,971)**
Movement in fair value reserve (debt instruments):			
- Net change in fair value			
Fair value movement	(3,494,521)	745,583	(2,748,938)
Loss allowance	10,238	-	10,238
	(3,484,283)	**745,583**	**(2,738,700)**
- Net amount reclassified to profit or loss			
Fair value movement	(749,186)	-	(749,186)
	(749,186)	**-**	**(749,186)**
	(6,311,006)	**745,583**	**(5,565,423)**

Bank – 31 December 2022

	Before tax USD	Tax benefit USD	Net of tax USD
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve (debt instruments):			
- Net change in fair value			
Loss allowance	(82,065)	-	(82,065)
Reversal due to reclassification to amortised cost	2,488,074	(1,331,704)	1,156,370
	2,406,009	**(1,331,704)**	**1,074,305**

Bank – 31 December 2021

	Before tax USD	Tax expense USD	Net of tax USD
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve (debt instruments):			
- Net change in fair value			
Fair value movement	(3,494,521)	745,583	(2,748,938)
Loss allowance	10,238	-	10,238
	(3,484,283)	**745,583**	**(2,738,700)**
- Net amount reclassified to profit or loss			
Fair value movement	(749,186)	-	(749,186)
	(749,186)	**-**	**(749,186)**
	(4,233,469)	**745,583**	**(3,487,886)**

17.3 Reconciliation of effective tax rate

	Group		Bank	
	2022	2021	2022	2021
	USD	USD	USD	USD
Loss before tax	**(24,714,440)**	**(1,292,934)**	**(21,479,329)**	**(549,801)**
Tax income using the domestic income tax rate of 35%	**8,650,054**	**452,527**	**7,517,765**	**192,430**
Tax effect of:				
Non-deductible expenses	(89,301)	(21,590)	(1,994)	(1,296)
Non-deductible capital loss	(1,837,258)	-	(2,891,538)	(30,575)
Non-taxable income	1,337,541	412,622	3,612,541	5,946,167
Unrecognised temporary differences	(9,731,289)	(4,769,976)	(8,342,904)	(6,146,421)
Investment tax credit	343	-	-	-
Different tax rates on capital gains	-	(332)	-	(332)
Different tax rates in foreign jurisdictions	(287,700)	1,607,160	(424,625)	(73,391)
Taxation	**(1,957,610)**	**(2,319,589)**	**(530,755)**	**(113,418)**

18 Earnings per share

Basic loss per share

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

Profit attributable to ordinary shareholders

	Group		Bank	
	2022	2021	2022	2021
	USD	USD	USD	USD
Loss attributable to Equity Holders of the Bank	(26,590,278)	(3,840,703)	(22,010,084)	(663,219)

Weighted average number of ordinary shares

	2022	2021
	No. of shares	No. of shares
Weighted average number of ordinary shares at 31 December (basic)	522,443,763	522,443,763

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

	Group		Bank	
	2022	2021	2022	2021
	USD	USD	USD	USD
Cash	24,541	24,079	9,683	7,288
Balances with the Central Bank of Malta	86,548,974	98,381,107	86,548,974	98,381,107
Treasury bills	125,410,680	141,713,250	125,410,680	141,713,250
Loss allowance	(85,572)	(119,597)	(85,572)	(119,597)
	211,898,623	**239,998,839**	**211,883,765**	**239,982,048**

'Balances with the Central Bank of Malta' include a reserve deposit of EUR9,249,484 (USD9,865,064) (2021: EUR8,451,100 (USD9,571,979) in terms of Regulation (EC) No: 1745/2003 of the European Central Bank.

At 31 December 2022, 'treasury bills' included assets with a carrying amount of USD105,313,695 (2021: USD141,713,250) pledged in favour of third parties under borrowing arrangements.

20 Derivatives held for risk management

	Group		Bank	
	2022	2021	2022	2021
	USD	USD	USD	USD
Derivative assets held for risk management				
- foreign exchange	1,610,475	841,688	1,610,475	841,688
	1,610,475	**841,688**	**1,610,475**	**841,688**
Derivative liabilities held for risk management				
- foreign exchange	(578,779)	(1,499,026)	(723,311)	(1,499,026)
- interest rate	-	-	(94,720)	(34,530)
	(578,779)	**(1,499,026)**	**(818,031)**	**(1,533,556)**

'Derivative liabilities held for risk management includes an amount of USD239,252 (2021: nil) related to subsidiary companies of the Bank.

See Note 44 for derivatives with related parties.

21 Trading assets

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

At 31 December 2022, there were no 'trading assets' pledged in favour of third parties under reverse-repos or borrowing arrangements (2021: Nil).

22 Loans and advances to banks

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Repayable on call and at short notice	21,363,320	35,044,550	11,804,730	27,011,814
Term loans and advances	35,034,095	22,489,142	20,736,746	14,474,062
	56,397,415	**57,533,692**	**32,541,476**	**41,485,876**
Pledged in favour of third parties	98,759,904	141,341,035	98,759,904	141,341,035
Gross loans and advances to banks	**155,157,319**	**198,874,727**	**131,301,380**	**182,826,911**
Loss allowance	(474,691)	(386,151)	(450,246)	(368,363)
Net loans and advances to banks	**154,682,628**	**198,488,576**	**130,851,134**	**182,458,548**

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

See Note 44 for balances due from related parties.

23 Loans and advances to customers

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Repayable on call and at short notice	422,967,231	479,749,066	160,489,813	199,573,375
Term loans and advances	241,994,141	226,756,238	241,994,141	226,749,228
	664,961,372	**706,505,304**	**402,483,954**	**426,322,603**
Pledged in favour of third parties	2,900,693	5,191,890	2,900,693	5,191,890
Amounts owed by subsidiary companies	-	-	392,743,762	383,006,632
Total loans and advances to customers	**667,862,065**	**711,697,194**	**798,128,409**	**814,521,125**
Loss allowance	(75,076,908)	(82,784,854)	(67,711,400)	(68,451,595)
Loss allowance on loans to subsidiary companies	-	-	(649,516)	(505,391)
Net loans and advances to customers	**592,785,157**	**628,912,340**	**729,767,493**	**745,564,139**

'Pledged in favour of third parties' include an amount of USD388,680 (2021: USD365,808) pledged in favour of the Single Resolution Fund and USD2,149,970 (2021: USD4,705,713) pledged in favour of the Depositor Compensation Scheme.

'Amounts owed by subsidiary companies' include facilities that are unsecured and repayable on demand. Pricing of facilities is dependent on the currency of funding and market conditions.

During 2021, a stage 3 loan was partially settled by transfer of 7,609,907 shares in Tawazun Holding Company (KSC) (refer to Note 24).

See Note 44 for balances due from other related parties.

24 Financial assets at fair value through profit or loss

At reporting date, the Group and Bank held an investment in two unlisted sub-funds of a local collective investment scheme regulated by the MFSA, which is independently run by an investment manager licensed and regulated by the Financial Conduct Authority in the United Kingdom. An investment amounting to USD15,740,851 (2021: USD17,376,985) in Sustainable Investment Fund, a sub-fund that invests in sustainable energy plants with returns generated throughout the life of each plant and an investment amounting to USD1,632,449 (2021: USD1,689,666) in Global Opportunities Fund, a sub-fund that invests in a variety of investments, with relative complex structures and limited liquidity.

At reporting date, the Group and Bank holds more than 50% of the units in Sustainable Investment Fund. However, these shares do not carry any voting rights in relation to management and control of the sub-fund. The Group and Bank do not have the power to direct the relevant activities of the sub-fund or to affect the amount of own returns. As a result, the Group and Bank is not consolidating the investment and is measuring it at fair value through profit or loss.

During 2021, the Group and Bank acquired 0.777% equity shares in a foreign holding company, Tawazun Holding Company (KSC), through a debt settlement agreement. The settlement value has been determined by reference to the fair value of the acquired equity shares amounting to USD752,843 (2021: USD898,492) (refer to Note 23).

25 Financial assets at fair value through other comprehensive income

'Financial assets at fair value through other comprehensive income' is comprised exclusively of debt instruments. On 1 January 2022, the Group changed the business model for its long-term debt securities from 'hold-to-collect and sell' to 'hold-to-collect'. This has led to the reclassification of this portfolio from 'financial assets at fair value through other comprehensive income to 'financial assets at amortised cost' (Refer to Note 26.1).

At 31 December 2022, no 'financial assets at fair value through other comprehensive income' were pledged in favour of third parties under borrowing arrangements (2021: USD121,958,073).

26 Financial assets at amortised cost

	Group		Bank	
	2022 USD	2021 USD	2022 USD	2021 USD
Debt investments at amortised cost	183,458,131	9,972,376	183,458,131	9,972,376
Loss allowance	(165,265)	(57,622)	(165,265)	(57,622)
	183,292,866	**9,914,754**	**183,292,866**	**9,914,754**

At 31 December 2022, 'financial assets at amortised cost' included assets with a carrying amount of USD106,623,492 (2021: Nil) pledged in favour of third parties under borrowing arrangements.

See Note 44 for financial assets issued by related parties.

26.1 IFRS 9 – Change in business model of long-term debt securities

On 1 January 2022, the Group changed the business model for its long-term debt securities from 'hold-to-collect and sell' to 'hold-to-collect'. This has led to the reclassification of this portfolio from 'financial assets at fair value through other comprehensive income to 'financial assets at amortised cost'. The reclassification was done to reflect a change in the business model for managing these long-term securities such as sovereign bonds, corporate bonds, and Malta Government Bonds, to a held-to-collect business model in terms of IFRS 9.

In 2015, the Group classified these long-term securities as available-for-sale ("AFS"), given the flexibility to buy and sell these bonds to meet the business needs of the Bank at the time, without recognising fluctuations in the Statement of Profit or Loss. Given the restrictions on the held-to-maturity ("HTM") classification under International Accounting Standards (IAS) 39, Management did not consider classifying these long-term securities as HTM out of concern that the moment a bond was sold it would taint the entire portfolio and would require the Bank to reclassify the securities to AFS.

Over the years, the objective of this portfolio has changed and in view of this, Management have assessed the current circumstances which now prohibit the Bank from selling these long-term securities due to the following:

- the Bank has to maintain a portfolio of high-quality liquid assets on an ongoing basis, to meet the liquidity requirements of its Regulators, in particular for the purposes of the Liquidity Coverage Ratio; and
- the Bank has devoted the entire portfolio as the primary foundation in building up a liquidity buffer by pledging these securities.

Given that the business objective, practices and activities revolving around these securities have changed over the years, Management carried out another assessment to determine what is permissible under IFRS9. Based on the following considerations, Management concluded that the change in business model is allowed by IFRS 9:

- the change in the business model was determined by the Senior Management;
- the change in the business model was driven by external or internal changes that met IFRS9 requirements;
- the change in the business model is significant to the Bank's operation;
- the changes are demonstrable to external parties, in particular the fact that there is a visible requirement that forbids the Bank from selling these securities, due to the prohibition resulting from the regulatory requirements; and
- the Bank has ceased to perform the activity of selling such securities.

Management also assessed and confirmed that these securities meet the following two conditions in order to be classified as financial assets at amortised cost under IFRS 9:

- the securities held within a business model whose objective is to hold financial assets in order 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) on the principal amount outstanding.

Management concluded that the investments in long-term securities no longer meet the condition for classification at FVOCI (held-to-collect and sell), not only as a consequence of the requirement of the Bank to maintain certain liquidity requirements that prohibit the Bank from selling these investments but also due to a change in the business objective that resulted in a change in business model as discussed above. Hence the Bank is required to reclassify the investment portfolio to amortised cost.

The effect of change in the business model on the financial statements of both Group and Bank is summarised below:

	31 Dec 2022 USD	31 Dec 2021 USD
Assets		
Investments at amortised cost		
Debt investments at amortised cost	182,756,964	9,917,355
Interest accrued on debt investments at amortised cost	701,166	55,021
Loss allowance on debt investments at amortised cost	(165,264)	(57,622)
Financial assets at fair value through other comprehensive income		
Debt investments designated at FVOCI	-	161,611,818
Interest accrued on debt investments at FVOCI	-	796,724
Equity		
Fair Value Reserve		
Valuation loss on debt investments designated at FVOCI	-	(1,156,369)
Loss allowance on debt investments designated at FVOCI	-	82,064
Statements of profit or loss		
Net impairment (charge)/reversal on financial assets		
Loss allowance on debt investments at amortised cost	(107,642)	13,052
Loss allowance on debt investments designated at FVOCI	82,064	(10,238)

'Financial assets at fair value through other comprehensive income' amounting to USD161,611,818 were reclassified to 'investments at amortised cost' on 1 January 2022.

The fair value loss that would have been recognised in other comprehensive income during the reporting period, if the 'financial assets at amortised cost' had not been reclassified from 'financial assets at fair value through other comprehensive income', amounts to USD16,931,506.

27 Investments in subsidiaries

27.1 Movement in carrying amount

	Bank 2022 USD	Bank 2021 USD
At 1 January	159,448,858	147,436,214
Additional investment in London Forfaiting Company Limited	1,500,000	12,100,000
Additional investment in FIM Property Investment Limited	251	-
Movement in impairment of investments	(8,261,535)	(87,356)
Write-off of FIM Holdings (Chile) S.p.A.	(1)	-
At 31 December	**152,687,573**	**159,448,858**

Name of company	Country of incorporation	Nature of business	Equity interest 2022 %	Equity interest 2021 %	Bank 2022 USD	Bank 2021 USD
FIM Business Solutions Limited	Malta	IT services provider	100	100	5,000	5,000
FIM Property Investment Limited	Malta	Property management	100	100	1,006,000	1,005,749
London Forfaiting Company Limited	United Kingdom	Forfaiting	100	100	107,966,435	106,466,435
The Egyptian Company for Factoring S.A.E.	Egypt	Factoring	100	100	10,023,448	11,664,983
FIMFactors B.V.	Netherlands	Holding company	100	100	33,686,690	40,306,690
FIM Holdings (Chile) S.p.A. *	Chile	Holding company	-	100	-	1
					152,687,573	**159,448,858**

‘ * ’ FIM Holdings (Chile) S.p.A. previously registered in Chile and which served as a corporate vehicle, was officially liquidated on 2 March 2022.

The carrying amount of the ‘investments in subsidiaries’ is stated net of impairment, amounting to USD56,861,691 (2021: USD50,055,426), in relation to FIMFactors B.V. and The Egyptian Company for Factoring S.A.E.

The Bank, indirectly through FIMFactors B.V. controls India Factoring and Finance Solutions Private Limited, incorporated in India, to carry out the business of factoring in India. As at December 2022, the Bank held 88.16% (2021: 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 December 2022, the Bank held 100% (2021: 100%) shareholding.

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

Name of company	Country of incorporation	Nature of business	Equity interest 2022 %	Equity interest 2021 %
London Forfaiting Americas Inc.	United States of America	Marketing	100	100
London Forfaiting do Brasil Ltda.	Brazil	Marketing	100	100

27.2 Impairment assessment

At each reporting date the Bank carries out an impairment assessment to calculate the recoverable amounts of its investment in subsidiaries and determine the possibility of an impairment loss. The recoverable amounts of the investment in subsidiaries is determined based on the higher of ‘fair value less cost of disposal’ and ‘value-in-use’. The resulting net impairment loss for the year amounted to USD8,261,535 (2021: USD87,356). The assumptions and methodology applied in determining the recoverable amount of a CGU are disclosed in Note 30.2.

See Note 44 for related party balances and transactions.

28 Property and equipment

28.1 Reconciliation of carrying amount

Group

	Freehold Land USD	Buildings USD	Computer system USD	Improvement to premises USD	Computer equipment USD	Others USD	Total USD
Cost							
At 1 January 2021	7,759,088	26,610,561	1,955,011	1,353,061	4,309,526	3,081,356	**45,068,603**
Reclassification	(265,512)	(120,402)	-	-	-	-	**(385,914)**
Additions	-	955,519	-	8,682	408,652	69,608	**1,442,461**
Disposals	-	-	-	-	(115,789)	(121,548)	**(237,337)**
Lease modifications that decrease the scope of the lease	-	(77,605)	-	-	-	-	**(77,605)**
Effect of movement in exchange rates	-	(11,563)	-	(4,101)	(3,934)	(2,583)	**(22,181)**
At 31 December 2021	**7,493,576**	**27,356,510**	**1,955,011**	**1,357,642**	**4,598,455**	**3,026,833**	**45,788,027**
At 1 January 2022	7,493,576	27,356,510	1,955,011	1,357,642	4,598,455	3,026,833	**45,788,027**
Reclassification	(1,011,055)	(3,924,947)	-	-	(43,869)	(189,393)	**(5,169,264)**
Additions	-	712,714	-	-	882,633	207,466	**1,802,813**
Disposals	-	-	-	-	(2,221)	(92,775)	**(94,996)**
Lease modifications that increase the scope of the lease	-	818,861	-	-	-	-	**818,861**
Lease modifications that decrease the scope of the lease	-	(94,720)	-	-	-	-	**(94,720)**
Derecognition of right-of-use asset upon termination of lease	-	(1,619,141)	-	-	-	-	**(1,619,141)**
Effect of movement in exchange rates	-	(61,366)	-	(24,574)	(24,175)	(15,473)	**(125,588)**
At 31 December 2022	**6,482,521**	**23,187,911**	**1,955,011**	**1,333,068**	**5,410,823**	**2,936,658**	**41,305,992**

	Freehold Land USD	Buildings USD	Computer system USD	Improvement to premises USD	Computer equipment USD	Others USD	Total USD
Depreciation							
At 1 January 2021	-	3,738,619	1,955,011	650,900	3,791,142	2,766,115	**12,901,787**
Reclassification	-	-	-	-	1,713	11,939	**13,652**
Charge for the year	-	1,686,817	-	187,629	306,845	111,420	**2,292,711**
Release on disposals	-	-	-	-	(114,032)	(121,548)	**(235,580)**
Lease modifications that decrease the scope of the lease	-	(77,605)	-	-	-	-	**(77,605)**
Effects of movement in exchange rates	-	(8,442)	-	(3,024)	(3,540)	(2,386)	**(17,392)**
At 31 December 2021	**-**	**5,339,389**	**1,955,011**	**835,505**	**3,982,128**	**2,765,540**	**14,877,573**
At 1 January 2022	-	5,339,389	1,955,011	835,505	3,982,128	2,765,540	**14,877,573**
Reclassification	-	(540,022)	-	-	(42,673)	(173,324)	**(756,019)**
Charge for the year	-	1,460,976	-	135,119	370,539	142,368	**2,109,002**
Release on disposals	-	-	-	-	(2,221)	(91,565)	**(93,786)**
Lease modifications that decrease the scope of the lease	-	(83,170)	-	-	-	-	**(83,170)**
Derecognition of right-of-use asset upon termination of lease	-	(1,341,722)	-	-	-	-	**(1,341,722)**
Effects of movement in exchange rates	-	(61,323)	-	(22,819)	(23,527)	(16,156)	**(123,825)**
At 31 December 2022	**-**	**4,774,128**	**1,955,011**	**947,805**	**4,284,246**	**2,626,863**	**14,588,053**
Carrying amounts							
At 1 January 2021	7,759,088	22,871,942	-	702,161	518,384	315,241	**32,166,816**
At 31 December 2021	7,493,576	22,017,121	-	522,137	616,327	261,293	**30,910,454**
At 31 December 2022	**6,482,521**	**18,413,783**	**-**	**385,263**	**1,126,577**	**309,795**	**26,717,939**
Carrying amount had the assets been carried at cost							
At 31 December 2022	**4,166,326**	**13,122,669**	**-**	**385,263**	**1,127,066**	**314,588**	**19,115,911**

As at 31 December 2022, ‘buildings’ includes right-of-use assets of USD2,678,020 (2021: USD2,163,727) related to leased branches and office premises (see Note 43).

Bank

	Buildings USD	Computer system USD	Improvement to premises USD	Computer equipment USD	Others USD	Total USD
Cost						
At 1 January 2021	5,881,155	1,955,011	710,821	3,351,190	2,058,634	**13,956,811**
Additions	-	-	-	382,305	17,206	**399,511**
Disposals	-	-	-	-	(53,890)	**(53,890)**
Lease modifications that increase the scope of the lease	33,840	-	-	-	-	**33,840**
At 31 December 2021	**5,914,995**	**1,955,011**	**710,821**	**3,733,495**	**2,021,950**	**14,336,272**
At 1 January 2022	5,914,995	1,955,011	710,821	3,733,495	2,021,950	**14,336,272**
Additions	4,009,002	-	-	855,307	61,313	**4,925,622**
Release on disposals	-	-	-	(2,221)	(42,948)	**(45,169)**
Lease modifications that decrease the scope of the lease	(94,720)	-	-	-	-	**(94,720)**
Derecognition of right-of-use asset upon termination of lease	(5,638,486)	-	-	-	-	**(5,638,486)**
At 31 December 2022	**4,190,791**	**1,955,011**	**710,821**	**4,586,581**	**2,040,315**	**13,483,519**
Depreciation						
At 1 January 2021	3,185,407	1,955,011	393,291	2,985,971	1,929,622	**10,449,302**
Charge for the year	1,625,813	-	48,947	230,782	46,134	**1,951,676**
Disposals	-	-	-	-	(53,890)	**(53,890)**
Lease modifications that increase the scope of the lease	23,935	-	-	-	-	**23,935**
At 31 December 2021	**4,835,155**	**1,955,011**	**442,238**	**3,216,753**	**1,921,866**	**12,371,023**
At 1 January 2022	4,835,155	1,955,011	442,238	3,216,753	1,921,866	**12,371,023**
Charge for the year	1,420,098	-	42,080	314,016	42,706	**1,818,900**
Release on disposals	-	-	-	(2,221)	(41,738)	**(43,959)**
Lease modifications that decrease the scope of the lease	(83,170)	-	-	-	-	**(83,170)**
Derecognition of right-of-use asset upon termination of lease	(5,349,516)	-	-	-	-	**(5,349,516)**
At 31 December 2022	**822,567**	**1,955,011**	**484,318**	**3,528,548**	**1,922,834**	**8,713,278**
Carrying amounts						
At 1 January 2021	2,695,748	-	317,530	365,219	129,012	**3,507,509**
At 31 December 2021	1,079,840	-	268,583	516,742	100,084	**1,965,249**
At 31 December 2022	**3,368,224**	**-**	**226,503**	**1,058,033**	**117,481**	**4,770,241**

As at 31 December 2022, 'buildings' is comprised exclusively of right-of-use assets related to leased branches and office premises (see Note 43).

28.2 Measurement of fair values

Land and buildings are revalued by an independent, professionally qualified architect in accordance with Accounting Policy 3.17.1. Valuations of land and buildings are done using the 'investment income approach' whereby market value is derived by capitalising at an appropriate yield rate, the annual income produced, should the property be leased out to third parties. The income is based on actual rental income as per current lease agreements. To determine the reasonableness of the actual rates being used, a comparison is then drawn between the actual rates and rental rates of other properties, taking cognisance of the location, size, layout, and planning and energy performance considerations.

The land and premises were revalued on 31 December 2022.

The valuation contains a 'valuation uncertainty' clause as defined in the European Valuation Standards 2016, and in line with the 'Kamra tal-Periti' Valuation Standards COVID-19 Guidance Note (May 2020), due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is more uncertainty than under normal market conditions. Accordingly, the valuer cannot attach as much weight as usual to previous market evidence for comparison purposes, and there is an increased risk that the price realised in an actual transaction would differ from the value conclusion.

Property fair value measurement is classified as Level 3 (see Note 2.4.2.1). Significant unobservable inputs used in the valuation of these properties is the rental income and the percentage capitalisation rate which indicates the multiplier relationship between net rental income and property value. Further details about these significant inputs are summarised in the table below:

	Valuation technique	Significant unobservable inputs	Range of unobservable inputs per annum	Inter-relationship between key unobservable inputs and fair value measurements
Office space	Investment income approach	Rental value per square metre	€288 to €476	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	6.0%	The higher the capitalisation rate the lower the fair value
Parking space	Investment income approach	Rental value per square metre	€85 to €210	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	7.5%	The higher the capitalisation rate the lower the fair value
Stores and ancillary	Investment income approach	Rental value per square metre	€60 to €170	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	9.0%	The higher the capitalisation rate the lower the fair value

29 Investment property

29.1 Reconciliation of carrying amount

	Group 2022 USD	Group 2021 USD
Cost		
At 1 January	17,223,820	17,223,820
Reclassification from 'property and equipment'	4,413,245	-
At 31 December	**21,637,065**	**17,223,820**
Carrying amounts		
Cost	9,988,802	7,049,357
Net fair value gains	11,648,263	10,174,463
Carrying amount	**21,637,065**	**17,223,820**

'Investment property' comprises a number of areas within the Group Head Office building in St. Julian's, Malta which are available for rent to third parties.

29.2 Measurement of fair values

Investment property is revalued by an independent professionally qualified architect in accordance with Accounting Policy 3.18. The valuation of investment property is prepared using only 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.

Under the 'comparative value approach' the market value of the property is estimated by selecting an appropriately adjusted price per unit (€/square metre) based on transactions in comparable properties located in proximity to the property.

The investment property was last revalued on 31 December 2022.

The valuation contains a 'valuation uncertainty' clause as defined in the European Valuation Standards 2016, and in line with the 'Kamra tal-Periti' Valuation Standards COVID-19 Guidance Note (May 2020), due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is more uncertainty than under normal market conditions. Accordingly, the valuer cannot attach as much weight as usual to previous market evidence for comparison purposes, and there is an increased risk that the price realised in an actual transaction would differ from the value conclusion.

Property fair value measurement is classified as Level 3 (see Note 2.4.2.1). Significant unobservable inputs used in the valuation of these properties is the rental income and the percentage capitalisation rate which indicates the multiplier relationship between net rental income and property value. Further details about these significant inputs are summarised in the table below:

	Valuation technique	Significant unobservable inputs	Range of unobservable inputs per annum	Inter-relationship between key unobservable inputs and fair value measurements
Office space	Investment income approach	Rental value per square metre	€288 to €476	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	6.0%	The higher the capitalisation rate the lower the fair value
Retail space	Investment income approach	Rental value per square metre	€85 to €210	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	7.5%	The higher the capitalisation rate the lower the fair value
Stores and ancillary	Investment income approach	Rental value per square metre	€60 to €170	The higher the rate per square metre the higher the fair value
	Investment income approach	Capitalisation rate	9.0%	The higher the capitalisation rate the lower the fair value

30 Intangible assets and goodwill

30.1 Reconciliation of carrying amount

Group

	Goodwill USD	Software USD	Total USD
Cost			
At 1 January 2021	14,633,691	11,318,572	**25,952,263**
Additions	-	779,861	**779,861**
Disposals	-	(2,266,153)	**(2,266,153)**
Effects of movement in exchange rates	(210,149)	(2,826)	**(212,975)**
At 31 December 2021	**14,423,542**	**9,829,454**	**24,252,996**
At 1 January 2022	14,423,542	9,829,454	**24,252,996**
Additions	-	318,308	**318,308**
Write-offs	(13,163,836)	-	**(13,163,836)**
Effects of movement in exchange rates	(1,259,706)	(3,895)	**(1,263,601)**
At 31 December 2022	**-**	**10,143,867**	**10,143,867**
Accumulated amortisation and impairment losses			
At 1 January 2021	8,968,945	7,284,983	**16,253,928**
Charge for the year	-	1,042,068	**1,042,068**
Disposals	-	(2,266,153)	**(2,266,153)**
Effects of movement in exchange rates	(150,753)	(2,689)	**(153,442)**
At 31 December 2021	**8,818,192**	**6,058,209**	**14,876,401**
At 1 January 2022	8,818,192	6,058,209	14,876,401
Charge for the year	-	992,582	992,582
Write-offs	(13,163,836)	-	(13,163,836)
Impairment loss	5,249,307	-	5,249,307
Effects of movement in exchange rates	(903,663)	(3,778)	(907,441)
At 31 December 2022	**-**	**7,047,013**	**7,047,013**
Carrying amounts			
At 1 January 2021	5,664,746	4,033,589	9,698,335
At 31 December 2021	5,605,350	3,771,245	9,376,595
At 31 December 2022	**-**	**3,096,854**	**3,096,854**

Bank

	Software USD
Cost	
At 1 January 2021	8,976,604
Additions	779,881
At 31 December 2021	**9,756,485**
At 1 January 2022	9,756,485
Additions	318,308
At 31 December 2022	**10,074,793**
Accumulated amortisation	
At 1 January 2021	4,967,879
Charge for the year	1,014,291
At 31 December 2021	**5,982,170**
At 1 January 2022	5,982,170
Charge for the year	992,770
At 31 December 2022	**6,974,940**
Carrying amounts	
At 1 January 2021	4,008,725
At 31 December 2021	3,774,315
At 31 December 2022	**3,099,853**

30.2 Impairment testing for CGUs containing goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's cash generating units ("CGUs") as follows:

	Group 2022 USD	Group 2021 USD
India Factoring		
- cost, net of exchange differences	12,292,542	12,292,542
- accumulated impairment, net of exchange differences	(12,292,542)	(8,818,192)
Egypt Factors		
- cost	2,131,000	2,131,000
- accumulated impairment	(2,131,000)	-
	-	**5,605,350**

Similar to previous years, the Group carried out an impairment assessment on the CGUs which resulted in the impairment of the entire balance for both CGUs. Management's expectations reflect performance to date and are based on its experience and consistent with the assumptions that a market participant would make.

30.2.1 India Factoring and Finance Solutions (Private) Limited

In 2022, the recoverable amount of this CGU was based on its 'fair value less cost to dispose', estimated using a market comparison technique. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

Management carried out two assessments to measure both the 'value-in-use' and the 'fair value less cost to dispose'. In order to determine the 'value-in-use', Management followed the approach in previous years (explained in the paragraphs below). In establishing the fair value less cost to dispose of the CGU, Management estimated the cashflows that would flow to the Group in the event of a disposal of the CGU. Management compared the two and determined the recoverable amount to be the 'fair value less cost to dispose' given this has resulted in the higher value and adjusted the carrying amount of the CGU accordingly.

In determining the 'fair value less cost to dispose', Management identified the cashflows that they believe the CGU had the potential to generate in an orderly transaction with independent market participants using a market multiple, within a short timeframe. Management has also taken into consideration other cash flows including recoveries of non-performing assets and costs to dispose.

The key assumptions used in the estimation of the recoverable amount using the market comparison technique are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Market multiple

The valuation model is based on market multiples derived from quoted prices of companies comparable to the CGU. Management deemed it appropriate to determine a price to book multiple from within a range of multiples of comparable companies. The selection of the appropriate multiple in arriving at the recoverable amount from within the range required judgement, considering qualitative and quantitative factors specific to the measurement.

In this respect, management concluded on a derived multiple of 1.0x as being the appropriate price to book ratio. At this multiple, the recoverable amount was determined to be lower than the carrying amount of the CGU and goodwill was fully written-off.

Valuation risks

The key assumptions described above may change as economic, political and market conditions change. Whilst it is inherent that the actual fair value and the related costs incurred to sell may differ from those assumed, and such variations may be significant, the Directors believe that the Group is unable to recover goodwill on this CGU. This resulted in a full impairment of goodwill allocated to India Factoring.

In 2021, the recoverable amount of this CGU was based on its 'value-in-use', determined using the 'income approach' to business valuations. This approach provides an estimate of the present value of the monetary benefits expected to flow to the owners of the business. It requires projection of the cash flows that the business is expected to generate. These cash flows are then converted to their present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risk in the investment. The value of the business, or recoverable amount, is the sum of the discounted cash flows.

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

Financial projections

In 2021, the financial projections for a ten-year period formed the basis for the discounted cash flow analysis used to determine 'value-in-use'. These projections were based on expectations of future outcomes, taking into account past experience adjusted for the anticipated revenue cumulative annual growth rate of 25.6%. Revenue growth was projected taking into account the updated business model of the entity and the estimated growth over the projection period.

Terminal value

In 2021, the terminal value or the value attributed to the CGU beyond the explicit forecast period, was estimated using a 'Gordon Growth Model'. This determination assumed a long-term growth rate of 5.0%, which was considered appropriate considering the industry and economy growth estimates.

Discount rate

The income approach applied in 2021 using the 'value-in-use' model, required the application of an appropriate discount rate that reflected the risks of the cash flows. As the valuation discounted cash flows available to equity shareholders, the valuation model adopted the 'cost of equity' as the discount rate.

IAS 36 - Impairment of Assets, requires pre-tax cash flows to be discounted using pre-tax discount rate. The pre-tax discount rate cannot be obtained by grossing up the post-tax discount rate by the standard rate of tax, as the pre-tax rate needs to take into account the post-tax discount rate, the timing of the future cash flows and the useful life of the asset or CGU. The pre-tax discount rate was estimated by an iterative process which was used to solve for a rate that, when applied to the pre-tax cash flows, resulted in the same total invested capital value of the CGU as estimated based on the post-tax cash flows.

As at 31 December 2021, the pre-tax and post-tax discount rate for the CGU were 22.1% and 18.0% respectively. The post-tax discount rate (representing the cost of equity) applied on valuation date was 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.

30.2.2 Egypt Factors

This CGU falls in its entirety under Level 3 fair value hierarchy as it is based on a valuation technique that includes unobservable inputs that have a significant effect on the valuation of the CGU.

The recoverable amount of this CGU was based on its 'value-in-use' in accordance with the requirements of IAS 36. This approach provides an estimate of the present value of the monetary benefits expected to flow to the owners of the business. It requires projection of the cash flows that the business is expected to generate. These cash flows are then converted to their present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risk in the investment. The value of the business, or recoverable amount, is the sum of the discounted cash flows.

At reporting date, the recoverable amount was determined to be lower than the carrying amount of the CGU and goodwill was fully written-off.

Financial projections

Financial projections for a five-year period form the basis for discounted cash flow analysis used to determine 'value-in-use'. These projections were based on expectations of future outcomes based on past experience, adjusted for a revenue cumulative annual growth rate of 14.2% (2021: 21.5%). Revenue growth was projected by taking into consideration the updated business model of the entity and the estimated growth over the projection period. Management has approved the forecasts, relating to the business carried out by Egypt Factoring, which are based on a strategy to grow the business in a changing market landscape, whilst ensuring an effective operational and control environment.

Terminal value

In 2022, the terminal value, or the value attributed to the CGU beyond the explicit forecast period, was estimated using a 'Gordon Growth Model'. This determination assumed a long-term growth rate of 3.0% (2021: 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 shareholders, the valuation model adopts the 'cost of equity' as the discount rate. IAS 36 requires pre-tax cash flows to be discounted using pre-tax discount rate. As Egypt Factors is a free-trade zone entity which profits are exempt from tax, the pre-tax and post-tax discount rates are identical.

As at 31 December 2022, the discount rate for the CGU was 19.10% (2021: 12.0%). The discount rate (representing the cost of equity) applied on valuation date is based on the rate of 10-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. In 2021, the discount rate used was based on the rate of the Central Bank of Egypt.

Valuation risks

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 Group is unable to recover goodwill on this CGU. This resulted in full impairment of goodwill allocated to Egypt Factors.

31 Deferred taxation

31.1 Analysis of deferred taxation

	Group		Bank	
	2022	2021	2022	2021
	USD	USD	USD	USD
Deferred tax assets				
Tax effect of temporary differences relating to:				
- excess of capital allowances over depreciation	(680,857)	(665,157)	(735,325)	(735,325)
- allowances for uncollectibility	6,401,133	6,216,552	6,896,077	6,810,121
- changes in fair value of financial instruments	76,463	1,408,167	76,463	1,408,167
- unabsorbed capital allowances	622,026	622,026	622,026	622,026
- unabsorbed tax losses	15,582,652	17,252,983	8,145,593	8,145,593
- other temporary differences	-	85,956	-	85,956
Total deferred tax assets	**22,001,417**	**24,920,527**	**15,004,834**	**16,336,538**
Deferred tax liabilities				
Tax effect of temporary differences relating to:				
- fair valuation of property and equipment	2,366,893	2,837,170	-	-
- fair valuation of investment property	1,730,965	1,377,905	-	-
Total deferred tax liabilities	**4,097,858**	**4,215,075**	**-**	**-**

31.2 Unrecognised deferred taxation

At financial reporting date, the Bank had unutilised tax losses and temporary differences that were unrecognised, amounting to USD134.0 million (2021: USD101.2 million). In addition, other Group entities had unutilised and unrecognised tax losses amounting to USD34.0 million (2021: USD38.0 million) and no unrecognised tax credits (2021: USD0.7 million). Unrecognised unabsorbed tax losses amounting to USD3.7 million carried in a Group entity, have an expiry period ranging between 31 March 2024 to 31 March 2025.

31.3 Movements in temporary differences during the year

31.3.1 Deferred tax assets

Group

	Opening balance USD	Recognised in other comprehensive income USD	Recognised in profit or loss USD	Effect of movement in exchange rates USD	Closing balance USD
2022					
Excess of capital allowances over depreciation	(665,157)	-	(8,971)	(6,729)	**(680,857)**
Allowances for uncollectibility	6,216,552	-	125,802	58,779	**6,401,133**
Changes in fair values of financial instruments	1,408,167	(1,331,704)	-	-	**76,463**
Unabsorbed capital allowances	622,026	-	-	-	**622,026**
Unabsorbed tax losses	17,252,983	-	(1,002,128)	(668,203)	**15,582,652**
Other temporary differences	85,956	-	(85,956)	-	**-**
	24,920,527	**(1,331,704)**	**(971,253)**	**(616,153)**	**22,001,417**
2021					
Excess of capital allowances over depreciation	(666,297)	-	2,313	(1,173)	**(665,157)**
Allowances for uncollectibility	6,955,456	-	(740,330)	1,426	**6,216,552**
Changes in fair values of financial instruments	662,584	745,583	-	-	**1,408,167**
Unabsorbed capital allowances	622,026	-	-	-	**622,026**
Unabsorbed tax losses	18,216,009	-	(859,983)	(103,043)	**17,252,983**
Other temporary differences	85,956	-	-	-	**85,956**
	25,875,734	**745,583**	**(1,598,000)**	**(102,790)**	**24,920,527**

Bank

	Opening balance USD	Recognised in other comprehensive income USD	Recognised in profit or loss USD	Effect of movement in exchange rates USD	Closing balance USD
2022					
Excess of capital allowances over depreciation	(735,325)	-	-	-	**(735,325)**
Allowances for uncollectibility	6,810,121	-	85,956	-	**6,896,077**
Changes in fair values of financial instruments	1,408,167	(1,331,704)	-	-	**76,463**
Unabsorbed capital allowances	622,026	-	-	-	**622,026**
Unabsorbed tax losses	8,145,593	-	-	-	**8,145,593**
Other temporary differences	85,956	-	(85,956)	-	**-**
	16,336,538	**(1,331,704)**	**-**	**-**	**15,004,834**
2021					
Excess of capital allowances over depreciation	(735,325)	-	-	-	**(735,325)**
Allowances for uncollectibility	6,810,121	-	-	-	**6,810,121**
Changes in fair values of financial instruments	662,584	745,583	-	-	**1,408,167**
Unabsorbed capital allowances	622,026	-	-	-	**622,026**
Unabsorbed tax losses	8,145,593	-	-	-	**8,145,593**
Other temporary differences	85,956	-	-	-	**85,956**
	15,590,955	**745,583**	**-**	**-**	**16,336,538**

31.3.2 Deferred tax liabilities

Group

	Opening balance USD	Recognised in other comprehensive income USD	Recognised in profit or loss USD	Closing balance USD
2022				
Changes in fair value of investment property and property and equipment	(4,215,075)	470,277	(353,060)	**(4,097,858)**
2021				
Changes in fair value of investment property and property and equipment	(4,215,075)	-	-	**(4,215,075)**

32 Other assets

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Accounts receivable and prepayments	5,001,366	3,927,217	3,999,635	3,575,093
Accrued income	80,962	49,832	54,619	68,552
Indirect taxation	223,532	242,947	171,732	181,705
Other assets	66,975	24,388	65,648	22,971
	5,372,835	**4,244,384**	**4,291,634**	**3,848,321**

'Accounts receivable and prepayments' includes an amount of USD1,106,078 (2021: USD1,045,631) related to subsidiary companies of the Bank. 'Accrued income' includes an amount of USD8 (2021: USD43,843) related to subsidiary companies of the Bank.

See Note 44 for balances with related parties.

33 Amounts owed to banks

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Term loans and deposits	389,266,657	476,598,906	302,759,185	410,679,218
Repayable on demand	84,028,599	86,954,138	84,028,599	86,954,138
	473,295,256	**563,553,044**	**386,787,784**	**497,633,356**

The Group includes balances amounting to USD21,296,527 (2021: USD15,092,139) and the Bank includes balances amounting to USD21,296,527 (2021: USD15,092,139) held as collateral for irrevocable commitments. Pledges are generally conducted under terms that are usual and customary for standard borrowing contracts.

See Note 44 for balances due to related parties.

34 Amounts owed to customers

	Group		Bank	
	2022	2021	2022	2021
	USD	USD	USD	USD
Term deposits	732,574,374	679,438,958	732,574,374	679,438,958
Repayable on demand	249,331,836	254,657,238	144,096,606	151,700,283
	981,906,210	**934,096,196**	**876,670,980**	**831,139,241**
Amounts owed to subsidiary companies	-	-	867,851	7,536,357
	981,906,210	**934,096,196**	**877,538,831**	**838,675,598**

The Group and the Bank have deposits amounting to USD62,486,402 (2021: USD54,068,183) and USD62,479,541 (2021: USD55,986,370) respectively, held as collateral for irrevocable commitments. Pledges are generally conducted under terms that are usual and customary for standard borrowing contracts.

'Amounts owed to subsidiary companies' include facilities that are interest-free, unsecured and repayable on demand.

See Note 44 for balances due to related parties.

35 Debt securities in issue

	2022	2021
	USD	USD
Opening balance	45,345,575	50,832,661
Drawdowns	72,243,603	109,118,677
Repayments	(102,138,110)	(114,605,763)
Closing balance	**15,451,068**	**45,345,575**

'Debt securities in issue' comprise of promissory notes with a tenor of up to one year. The Group's effective interest rate ranges between 3.475% and 3.69% (2021: 1.50% and 1.70%).

36 Provision for liabilities and charges

	Group		Bank	
	2022	2021	2022	2021
	USD	USD	USD	USD
Expected credit loss provision on contingent liabilities	43,775	162,066	43,779	161,997
Expected credit loss provision on contingent liabilities - subsidiary companies	-	-	31,647	-
Expected credit loss provision on commitments	277,120	97,262	44,549	39,778
Expected credit loss provision on commitments - subsidiary companies	-	-	1,234	-
Provision for restoration costs	86,860	97,394	-	-
Provision for end-of-service costs	500,000	-	-	-
	907,755	**356,722**	**121,209**	**201,775**

See Note 44 for provisions on commitments to related parties.

37 Other liabilities

	Group 2022 USD	Group 2021 USD	Bank 2022 USD	Bank 2021 USD
Creditors and accruals	10,815,857	11,469,573	6,500,079	6,311,826
Deferred fee income	1,052,870	664,106	277,566	26,300
Indirect taxation	53,391	104,391	375	57,896
Lease liabilities	2,704,717	2,224,450	3,490,312	1,128,593
Other liabilities	230,615	396,865	230,616	396,866
	14,857,450	**14,859,385**	**10,498,948**	**7,921,481**

No 'creditors and accruals' were payable to subsidiary companies of the Bank (2021: USD30,647). 'Lease liabilities' include USD3,372,506 (2021: USD647,185) payable to subsidiary companies of the Bank.

See Note 44 for balances due to related parties.

38 Equity

38.1 Share capital

	2022 Shares of 50 US cents Shares	2022 Shares of 50 US cents USD	2021 Shares of 50 US cents Shares	2021 Shares of 50 US cents USD
Authorised				
Ordinary shares at 31 December	1,000,000,000	500,000,000	1,000,000,000	500,000,000
Issued and fully paid up				
Ordinary shares at 31 December	522,443,763	261,221,882	522,443,763	261,221,882

	Ordinary shares 2022 No of shares	Ordinary shares 2021 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**

38.2 Share premium

The share premium represents the excess, net of issue costs, over the nominal value of shares, received through a number of capital raising initiatives including new equity from strategic shareholders, rights issues, scrip dividend and allotment of shares under the executive share option schemes. This reserve is non-distributable.

38.3 Reserve for general banking risks

The reserve for general banking risks was a regulatory reserve created by virtue of Banking Rule 9 - Measures Addressing Credit Risks Arising from the Assessment of the Quality of Asset Portfolios of Credit Institutions authorised under the Banking Act 1994, which was appliable up to December 2021. Under this Rule, banks were required to calculate a regulatory allocation which was equal to their level of non-performing exposures (gross of any collateral but reduced for suspended interest) reduced by the specific impairment allowance as calculated and disclosed in these Financial Statements. An amount ranging between 2.5% and 5.0% of the regulatory allocation was then appropriated to the 'reserve for general banking risks'. Banking Rule 9 was revised in December 2022 and under the new rule banks are no longer required to hold this reserve.

38.4 Currency translation reserve

The currency translation reserve consists of exchange differences arising on the translation of the net investment in foreign operations and the fair value changes on the hedging of net investment in foreign operations.

38.5 Fair value reserve

The fair value reserve consists of the cumulative net change in the fair value of revalued property, net of deferred tax.

On 1 January 2022, the Group changed the business model for its long-term debt securities from 'hold-to-collect and sell' to 'hold-to-collect'. This has led to the reclassification of this portfolio from ;financial assets at fair value through other comprehensive income' to 'financial assets at amortised cost' and the reversal of the fair value gains and losses recognised in the Fair Value Reserve (Refer to Note 26.1).

38.6 Other reserve

The reserve consists of amounts representing the difference between the net proceeds received on the sale of own shares, net of the relative acquisition costs and the share issue costs by a subsidiary undertaking.

38.7 Dividends

No dividends were declared or paid during the year (2021: Nil). As none of the reserves are available for distribution, the Board of Directors will not be recommending the payment of a dividend for the financial year ended 31 December 2022.

38.8 Retained earnings

The transfer between reserves represents amounts transferred from retained earnings to or from the 'reserve for general banking risks' and 'other reserves' in accordance with regulatory requirements.

38.9 Availability of reserves for distribution

At 31 December 2022, the Bank had accumulated losses of USD85,087,523 (2021: USD65,296,434).

39 Non-controlling interest

The following table summarises the information relating to the Group's subsidiary that has a material non-controlling interest ("NCI"), before any intra-group eliminations:

31 December 2022

	India Factoring
Acquisition date	31 March 2014
NCI percentage	11.84%
	USD
Total assets	222,968,423
Total liabilities	(185,531,925)
Net assets	**37,436,498**
Carrying amount of NCI	**482,593**
Net revenue for the year	5,631,462
Net revenue for the year allocated to NCI	**666,765**
Loss for the year	(690,648)
Loss allocated to NCI	**(81,772)**
Net decrease in cash and cash equivalents	**(11,683,713)**

31 December 2021

	India Factoring
Acquisition date	31 March 2014
NCI percentage	11.84%
	USD
Total assets	219,950,862
Total liabilities	(177,470,440)
Net assets	**42,480,422**
Carrying amount of NCI	**628,803**
Net revenue for the year	4,580,204
Net revenue for the year allocated to NCI	**542,296**
Profit for the year	1,927,198
Profit allocated to NCI	**228,180**
Net increase in cash and cash equivalents	**(5,155,389)**

'Non-controlling interest' includes a restatement from 'retained earnings' of the amounts attributed over the years, consequent to dilution of holdings in India Factoring.

40 Contingent liabilities

'Contingent liabilities' comprise of guarantee obligations incurred on behalf of third parties. Guarantees issued to subsidiary companies amount to USD24,004,301 (2021: USD37,795,644).

As at December 2022, an expected credit loss allowance, determined in accordance with IFRS 9, amounting to USD43,775 (2021: USD162,066) for the Group and USD75,424 (2021: USD161,995) for the Bank, was recognised and presented within 'provision for liabilities and charges'.

41 Commitments

	Group		Bank	
	2022	2021	2022	2021
	USD	USD	USD	USD
Commitments to purchase assets				
Undrawn credit facilities	60,774,694	70,437,057	60,774,694	70,437,057
Confirmed letters of credit	21,083,250	37,269,149	19,448,466	16,123,849
Documentary credits	6,389,064	7,540,705	6,389,064	7,540,705
Risk participations	4,802,199	-	4,802,199	-
Factoring commitments	-	-	-	13,367,500
Commitment to purchase assets	6,952,256	58,371,323	-	-
Commitments to sell assets				
Commitment to sell assets	-	(20,000,000)	-	-
	100,001,463	**153,618,234**	**91,414,423**	**107,469,111**

The Group has total sanctioned limits to customers amounting to USD1,793,981,647 (2021: USD1,951,786,983). The Bank has confirmed USD552,716 (2021: USD5,461,395) of documentary credits in favour of subsidiary companies.

As at December 2022, an expected credit loss allowance, determined in accordance with IFRS 9, amounting to USD277,120 (2021: 97,262) for the Group and USD45,785 (2021: USD39,780) for the Bank, was recognised and presented within 'provision for liabilities and charges'.

See Note 44 for 'commitments' to related parties.

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	
	2022	2021	2022	2021
	USD	USD	USD	USD
Balances with the Central Bank of Malta, treasury bills and cash	86,573,516	239,956,890	86,558,657	239,940,100
Loans and advances to banks	25,977,354	34,534,224	16,418,767	26,501,486
Amounts owed to banks	(156,470,539)	(184,880,010)	(93,365,526)	(139,127,261)
Cash and cash equivalents at end of year	**(43,919,669)**	**89,611,104**	**9,611,898**	**127,314,325**
Adjustment to reflect balances with contractual maturity of more than three months	(62,794,336)	(214,676,733)	(53,664,783)	(202,507,085)
As per statements of financial position	**(106,714,005)**	**(125,065,629)**	**(44,052,885)**	**(75,192,760)**
Analysed as follows:				
Balances with the Central Bank of Malta, treasury bills and cash	211,898,623	239,998,839	211,883,765	239,982,048
Loans and advances to banks	154,682,628	198,488,576	130,851,134	182,458,548
Amounts owed to banks	(473,295,256)	(563,553,044)	(386,787,784)	(497,633,356)
	(106,714,005)	**(125,065,629)**	**(44,052,885)**	**(75,192,760)**

43 Leases

43.1 Leases as lessee

The Group leases a number of branch and office premises that are accounted for in accordance with IFRS 16 provisions. The leases run for a period ranging from two to sixteen years. Some leases have an option to renew the lease after that date. Some leases provide for additional rent payments that are based on changes in local price indices.

The Group also leases some other office premises, motor vehicles and IT equipment, which are low in value and/or short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets relate to leased office premises that are presented within 'property and equipment' (see Note 28).

	Group		Bank	
	Office premises 2022 USD	Office premises 2021 USD	Office premises 2022 USD	Office premises 2021 USD
Balance at 1 January	2,163,727	2,189,053	1,079,840	2,695,748
Depreciation charge for the year	(704,919)	(946,008)	(1,420,098)	(1,625,813)
Additions	689,363	923,805	4,009,002	-
Lease modifications that increase the scope of the lease	818,861	-	-	9,905
Lease modifications that decrease the scope of the lease	(11,550)	-	(11,550)	-
Derecognition of right-of-use asset upon termination of lease	(277,419)	-	(288,970)	-
Effect of movement in exchange rates	(43)	(3,123)	-	-
Balance at 31 December	**2,678,020**	**2,163,727**	**3,368,224**	**1,079,840**

The Bank's right-of-use assets include the lease of office premises from a subsidiary.

Lease liabilities

	Group		Bank	
	Office premises 2022 USD	Office premises 2021 USD	Office premises 2022 USD	Office premises 2021 USD
Balance at 1 January	2,224,450	2,416,376	1,128,593	2,864,380
Additions	1,508,224	923,805	4,009,002	-
Lease modifications that increase the scope of the lease	-	-	-	36,941
Lease modifications that decrease the scope of the lease	(300,733)	-	(406,621)	-
Interest expense	86,379	75,822	52,184	58,646
Payments	(700,703)	(1,139,127)	(1,330,082)	(1,787,096)
Effect of movement in exchange rates	(112,900)	(52,426)	37,236	(44,278)
Balance at 31 December	**2,704,717**	**2,224,450**	**3,490,312**	**1,128,593**

The Bank's lease liabilities include the lease of office premises from a subsidiary.

Amounts recognised in profit or loss

	Group		Bank	
	2022 USD	2021 USD	2022 USD	2021 USD
Interest on lease liabilities	86,379	75,822	52,184	58,646
Gains/(Losses) on lease modifications	11,764	-	106,101	(27,037)
Expenses relating to short-term leases	461,064	229,221	193,124	103,051
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	28,609	23,754	23,575	20,081

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.

43.2 Leases as lessor

Operating lease

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 29 sets out information about the operating leases of investment property.

Rental income recognised by the Group during the year ended 31 December 2022 was USD0.8 million (2021: USD0.7 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	Group		Bank	
	2022 USD	2021 USD	2022 USD	2021 USD
Less than one year	314,453	583,518	-	25,058
Between one and five years	115,744	457,628	-	-
Total	**430,197**	**1,041,146**	-	**25,058**

44 Related parties

44.1 Identity of related parties

The Bank has a related party relationship with its significant shareholders, subsidiary companies, directors, executive officers and companies forming part of the KIPCO Group. For the purpose of this Note, significant shareholders include all Shareholders (and their connected parties) holding at least five percent of the issued share capital of the Bank.

44.1.1 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:

		Parent		Subsidiaries of parent	
		2022	2021	2022	2021
	Note	USD	USD	USD	USD
Assets					
Loans and advances to customers	23	39,915,398	42,259,198	-	-
Financial assets at amortised cost	26	9,805,955	9,972,376	-	-
Liabilities					
Derivative liabilities held for risk management	20	-	-	44,026	17,715
Amounts owed to banks	33	-	-	48,335	1,306,953
Amounts owed to customers	34	47,294,349	40,647,843	2,508	2,583
Statements of profit or loss					
Interest income	9	1,803,585	1,815,398	-	-
Interest expense	9	(2,083)	-	(2,194)	-
Fee and commission income	10	78	120	8,042	3,861
Fee and commission expense	10	(6,957)	(6,216)	-	-
Net trading results	11	-	-	(26,311)	(114,382)
Administrative expenses	16	-	-	(60,897)	(326,800)

From the total in 'amounts owed to customers' related to the parent, USD40,000,000 is held as collateral against loans and advances to customers with a related company.

The aggregate values of transactions and outstanding balances related to the shareholder having significant influence, subsidiary of shareholder having significant influence and other related companies were as follows:

		Shareholder having significant influence		Subsidiary of shareholder having significant influence		Other related companies	
		2022	2021	2022	2021	2022	2021
	Note	USD	USD	USD	USD	USD	USD
Assets							
Loans and advances to banks	22	96,550	47,629	-	11,326,311	-	-
Loans and advances to customers	23	-	-	-	-	40,414,656	42,733,988
Liabilities							
Amounts owed to banks	33	-	-	-	10,002,778	-	-
Amounts owed to customers	34	-	-	-	-	17,111	2,920,956
Other liabilities	37	-	-	-	-	687	730
Statements of profit or loss							
Interest income	9	-	-	-	16,706	1,517,135	1,503,255
Interest expense	9	(197,384)	(54,793)	(99,783)	(304,095)	-	-
Fee and commission income	10	-	-	-	-	42,590	47,333
Fee and commission expense	10	-	-	(51,268)	-	(4,738)	(763)
Net trading results	11	-	(101,477)	-	-	-	-

44.2 Transactions with key management personnel

		Directors		Executive officers	
		2022	2021	2022	2021
	Note	USD	USD	USD	USD
Assets					
Loans and advances to customers	23	-	-	-	1,114
Other assets	32	-	-	-	1,066
Liabilities					
Amounts owed to customers	34	732,829	655,413	336,545	340,822
Other liabilities		-	-	1,920	-
Statements of profit or loss					
Interest income	9	-	-	1	25
Interest expense	9	(8,752)	(8,125)	(1,227)	(1,569)
Fee and commission income	10	240	160	-	-
Administrative expenses - remuneration	16	(415,833)	(414,833)	(2,648,004)	(2,176,655)
Administrative expenses - other long-term benefits	16	(400)	(1,032)	(520,801)	(467,237)
Administrative expenses - others	16	(39,444)	-	(48,534)	(855)

Directors of the Group control less than 1 per cent of the voting shares of the Bank (2021: less than one per cent).

44.3 Other related party transactions

		Other related parties	
		2022	2021
	Note	USD	USD
Liabilities			
Amounts owed to customers	34	342,901	352,460
Statements of profit or loss			
Interest expense	9	(5,199)	(5,205)

Other related party transactions relate to family members of Directors of the Group.

44.4 Related party balances

Information on amounts related to subsidiary companies are reported in Notes 9, 10, 11, 13, 14, 16, 20, 23, 27, 30, 32, 34, 36, 37, 40, 41 and 43 of these Financial Statements.

45 Capital commitments

At financial reporting date the Group had the following commitments:

	2022	2021
	USD	USD
Authorised and contracted	170,382	201,375
Authorised but not contracted	91,596	312,827
	261,978	**514,202**

46 Financial commitments

At financial reporting date the Group had the following commitments:

	2022 USD	2021 USD
Authorised and contracted	6,107,754	5,002,794
Authorised but not contracted	1,076,717	1,040,570
	7,184,471	**6,043,364**

47 Subsequent events

The Group has no subsequent events to report.

48 Ultimate parent company

The ultimate parent company of FIMBank p.l.c. is Kuwait Projects Company (Holding) K.S.C.P. (“KIPCO”) a company registered in Kuwait. The registered address is KIPCO Tower, Khalid Bin Al Waleed Street, Sharq, Kuwait City.

The immediate parent company is United Gulf Holding Company B.S.C. (“UGH”), a holding company licensed by the Ministry of Industry, Commerce and Tourism in Bahrain. The registered address is PO Box 5565, Diplomatic Area, UGB Tower, Manama, Kingdom of Bahrain.

Statement by the directors pursuant to Capital Markets Rule 5.68

For the year ended 31 December 2022

We, the undersigned, declare that to the best of our knowledge, the Financial Statements set out on pages 30 to 157 prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and its subsidiaries included in the consolidation taken as a whole and that this report includes a fair review of the development and performance of the business and the position of the Bank and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board of Directors by John C. Grech (Chairman) and Masaud M.J. Hayat (Vice Chairman) on 22 March 2023

KPMG

Independent auditors' report

To the shareholders of FIMBank p.l.c.

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements of FIMBank p.l.c. (the "Bank" or the "Company") and of the Group of which the Company is the parent, which comprise the statements of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

a. give a true and fair view of the financial position of the Bank and the Group as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and

b. have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") and the Banking Act, 1994 (Chapter 371, Laws of Malta) (the "Banking Act") and, additionally, specifically in relation to those of the Group, with the requirements of Article 4 of the Regulation on the application of IFRS as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year (selected from those communicated to the audit committee), and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters, together with our response by way of the audit procedures we performed to address that matter in our audit, and key observations arising with respect to such risks of material misstatement.

KPMG

Independent auditors' report
To the shareholders of FIMBank p.l.c.

Key audit matters (*continued*)

Assessment of the carrying amounts of goodwill at group level and investment in subsidiaries at company level

Accounting policy notes 2.4.2, 3.1.1, 3.1.2, 3.16, 3.19 and 3.20 to the financial statements and notes 27 and 30 for further disclosures.

'Goodwill' (Group: Nil); and 'Investment in subsidiaries' (Company: USD152,687,573).

'Investment in subsidiaries' includes, among others, the investment in The Egyptian Company for Factoring S.A.E. (referred to as "Egypt Factors") and, indirectly through FIM Factors B.V., the investment in India Factoring and Finance Solutions Private Limited (referred to as "India Factoring"), to which the key audit matter relates.

The Group

During the current year, the Group has written off all goodwill which arose in prior years in relation to the acquisition of the interests in Egypt Factors and India Factoring (the "components"). Both components are separately identified by the Group as cash generating units ("CGU" or "CGUs"), in line with the applicable financial reporting framework, as they generate cash-inflows for the Group that are largely independent of the cash inflows generated by other assets or groups of assets.

At Group level, an assessment of each CGU is required annually by the relevant financial reporting framework to establish whether the recoverable amount is at least equal to the carrying amount, and therefore, whether any impairment should be recorded. Significant judgement is required in determining the recoverable amount of each CGU.

The Company

'Investments in subsidiaries' are carried at cost less any impairment losses in the Company's statement of financial position. That financial statement caption includes the components to which those CGUs relate (Egypt Factors and India Factoring). Any impairment relating to those CGUs may result in the Company's investment in subsidiaries being impaired should such impairment result in the recoverable amount of the related investment being lower than its carrying amount.

Our response

For the Egypt Factors CGU, as part of our procedures:

- we evaluated the reasonableness of the data used in the preparation of the cash flow forecasts (in the main, projected factoring volumes and margins) with reference to our understanding of the component's historical trends and the current economic environment;
- we involved our valuation specialist to assist us in assessing the valuation of Egypt Factors. Involvement included assessing (i) the appropriateness of the selected valuation model; and (ii) whether the discount rates and the expected long-term growth rates applied to the cash flow forecasts were within a reasonable range by comparison with market data;
- we assessed the impact of reasonable possible changes in the key assumptions in the valuation model including discount rates and expected long term growth rates used for estimating the recoverable amount of the CGU in concluding on the impairment assessment, and assessed whether there were any indicators of management bias in the selection of those assumptions;
- we compared the Group's and Company's 2022 budgets with the actual performance for the reporting period, and made enquiries as to the reasons for any significant variations identified and assessed the reasonableness of the explanations provided, by corroborating these against our knowledge of the Group; and
- we assessed whether the impairment loss on goodwill and investment in Egypt Factors recognised as at 31 December 2022 is appropriate.

KPMG

Independent auditors' report

To the shareholders of FIMBank p.l.c.

Key audit matters (*continued*)

Assessment of the carrying amounts of goodwill at group level and investment in subsidiaries at company level *(continued)*

Our response (*continued*)

For the India Factoring CGU, as part of our procedures:

- we evaluated the reasonableness of the data and assumptions used in determining the fair value less cost to dispose;
- we involved our valuation specialist to assist us in assessing the valuation of India Factoring. Involvement included assessing
  i. the appropriateness of the selected valuation model; and
  ii. whether the fair value less cost to dispose is reflective of the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions, less incremental costs directly attributable to the disposal of the CGU;
- we assessed the impact of reasonable possible changes in the key assumptions in the valuation model including discount rates and price to book multiple; and
- we assessed whether the impairment loss on goodwill and investment in India Factoring recognised as at 31 December 2022 is appropriate.

We have no key observations to report, specific to this matter.

Recoverability of recognised deferred tax assets

Accounting policy note 3.9 to the financial statements and note 31 for further disclosures.

'Deferred tax assets' (Group: USD22,001,417 and Company: USD15,004,834).

The Group and the Company recognised deferred tax assets in respect of the future benefit of net deductible temporary differences and accumulated tax losses. In accordance with the applicable financial reporting framework, the recognition of those deferred tax assets is permitted to the extent that it is probable that future taxable profits will be available against which these assets can be used. Such restrictions are more pronounced in certain jurisdictions, in which the Group operates, where the carry forward of losses to future periods are time-barred. The recognition of deferred tax assets, therefore, requires significant judgement in estimating future profitability (and the extent of taxable profits) based on business plans drawn up by the directors. Due to estimation uncertainty, the projected relief of the tax losses, for which the deferred tax assets are recognised, might be materially different from the amount ultimately relieved.

Our response

As part of our procedures:

- we assessed the applicability of enacted and substantively enacted tax laws that support the recognition of the deferred tax assets;
- we evaluated the assumptions underlying the Company's and its subsidiaries' projections used to support the recognition of the deferred tax asset having regard to:
  i. our understanding of the respective jurisdiction and applicable fiscal legislation; and
  ii. the current pipeline of new business;
- specifically in relation to carry forward losses subject to time-barring, we also assessed the impact of reasonable possible changes in the underlying assumptions of the forecasts on the Group's ability to utilise the losses before their expiry; and
- we compared the Group's and Company's 2022 budgets with the actual performance for the reporting period, and made enquiries as to the reasons for any significant variations identified and assessed the reasonableness of the explanations provided, by corroborating these against our knowledge of the Group and by evaluating the sales pipeline and evidencing a significant shift in lower risk business as a result of the Group's continued de-risking process.

We have no key observations to report, specific to this matter.

KPMG

Independent auditors' report
To the shareholders of FIMBank p.l.c.

Key audit matters (*continued*)

Measurement of impairment allowances on loans and advances measured at amortised cost, including off-balance sheet elements of the allowance

Accounting policy note 3.10.8 to the financial statements and notes 2.4.1, 2.4.2, 5.2.1.1, 5.2.1.4, 22, 23, and 36 for further disclosures.

Expected credit loss allowance on loans and advances to banks at amortised cost (Group: USD155,157,319 and Company: USD131,301,380) amounted to USD474,691 - Group and USD450,246 - Company.

Expected credit loss allowance on loans and advances to customers at amortised cost (Group: USD667,862,065 and Company: USD798,128,409) amounted to USD75,076,908 - Group and USD68,360,916 - Company.

Expected credit loss provision on off-balance sheet credit exposures (Group: USD112,135,905 and Company: USD 127,546,306) amounted to USD320,895 - Group and USD121,209 - Company.

Subjective estimate

The calculation of Expected Credit Loss ("ECL") involves significant judgement and estimates. Of all the Group's financial instruments, the most significant impact in terms of complexities around the measurement of the ECL and of the materiality of the resultant allowances was in relation to the Group's lending activities to banks and customers (and the related off-balance sheet elements). In that regard, our key areas of audit focus in the Group's calculation of the ECL were the following:

- Model estimation - Inherently judgmental modelling is used to estimate ECLs which involve determining 'Probabilities of Default' ("PD"), 'Loss Given Default' ("LGD"), and 'Exposures at Default' ("EAD"). In particular, the PD models are the key drivers of the Group's ECL calculation and are therefore the most significant judgmental element of the Group's ECL modelling approach;
- Economic scenarios - Significant judgment is applied in determining the selection of (i) forward-looking macroeconomic scenarios, (ii) the associated scenario probabilities and (iii) the material economic variables which drive the scenarios and the related weightings;
- Qualitative adjustments to the model-driven ECL results may be raised by the Group to address known impairment model limitations or emerging trends. Estimating those adjustments also involves significant judgement;
- Identification of a significant increase in credit risk ("SICR") is also a key area of judgement within the Group's ECL calculation, as the application of the SICR criteria determines whether a twelve month or lifetime provision is recorded; and
- Individually assessed as stage 3 exposures may be materially misstated if individual impairments are not appropriately identified and estimated. The calculation of expected credit losses includes a range of estimates of future cash flows and valuation of collateral, which are inherently uncertain and judgemental.

The disclosures regarding the application of IFRS 9 are key to explaining the key judgements made, as referred to in this key audit matter, and inputs used to generate the IFRS 9 ECL results.

KPMG

Independent auditors' report
To the shareholders of FIMBank p.l.c.

Key audit matters (*continued*)

Measurement of impairment allowances on loans and advances measured at amortised cost, including off-balance sheet elements of the allowance (*continued*)

Our response

As part of our procedures:

- we assessed the design and implementation as well as the operating effectiveness of controls within the ECL process with respect to (a) the approval of the credit application by the Credit Committee or the delegated authority (depending on monetary value); and (b) the review of ECL provision levels and movements by the Head of Finance and the Chief Risk Officer;
- we involved our financial risk modelling specialists in evaluating:
    - the appropriateness of the Group's selected IFRS 9 impairment methodologies within the ECL model by reference to the sensitivity analysis as performed by the Group with respect to the ECL model results; and
    - the appropriateness of the SICR criteria used; and
- we involved our economics specialists to assist in assessing:
    - the appropriateness of the Group's methodology for determining the macroeconomic scenarios used and the reasonableness of the probability weightings applied to them; and
    - the relevance of the key macroeconomic variables used in the ECL model.

Specifically in relation to a sample of performing loans ('stage 1' and 'stage 2'), we:

- performed testing over key data elements (EAD, PD and LGD) impacting the ECL calculations to assess the accuracy of information used; and
- performed tests to determine whether a significant increase in credit risk was appropriately identified by the Group, including 'days past due'.

Specifically in relation to a sample of loans and advances discussed in the Board Risk Committee and the Credit Committee (the "focus exposures"), including those not otherwise automatically captured by the ECL model as non-performing loans ('stage 3'):

- we performed credit reviews focusing on the borrowers' ability to repay from normal operations, the performance history of the account and receipts after the financial reporting date; and
- in the case of non-performing loans, we evaluated the appropriateness of the inputs, particularly the LGD and discount rates used in the ECL model. In cases where the LGD involved the realisation of collateral, we corroborated the extendible value of collateral with external data sources.

We assessed management's determination for the need of any post model adjustments required to capture possible model defects.

We assessed whether the disclosures in relation to IFRS 9 adequately explain the key judgements made and significant inputs used in the recognition of expected credit losses as at the end of the financial reporting period.

We have no key observations to report, specific to this matter.

KPMG

Independent auditors' report

To the shareholders of FIMBank p.l.c.

Key audit matters (*continued*)

Valuation of unquoted assets measured at fair value

Accounting policy notes 2.4.2, 3.10.9 and 3.12 to the financial statements and notes 21 and 24 for further disclosures.

Shares in two sub-funds of a local unlisted collective investment scheme (Bank and Group: USD17,373,300) included within 'Financial assets at fair value through profit or loss'; and 'Trading assets' (Group: USD444,583,661).

The fair value of certain financial assets held by the Group is determined through the application of valuation techniques that involve the exercise of judgement, and the use of assumptions based on limited observable market data. These unquoted assets relate primarily to:

- the equity instruments in the form of shares (classified as financial assets at fair value through profit or loss) held in two sub-funds of a local unlisted collective investment scheme ("the Funds") which hold assets that cannot be valued through observable market data; and
- the trading assets, held by London Forfaiting Company Limited ("LFC"), that represent forfaiting assets (discounted receivables generated from an export contract) whose valuation incorporates significant unobservable inputs.

Our response

For equity instruments held in the Funds we performed the following:

- we assessed the audited financial information of the Funds and quarterly net asset value as published by the fund administrator;
- we evaluated available financial information in relation to direct exposures held by the Funds and assessed replies to further enquiries in relation to these direct exposures; and
- we considered other relevant publicly available information.

In relation to forfaiting financial assets, as part of our procedures:

- we assessed the design and implementation as well as the operating effectiveness of the following controls:
  - Approval levels for all deals;
  - Authorisation of accounting instructions; and
  - Management review control – Review of rationale of risk margin.
- we involved our valuation specialist to independently reprice a sample of fixed and floating forfaiting assets in order to determine a range of the fair value, for the purpose of testing the LFC's methodology. The final sample included counterparties and contracts which cover each country and industry in the forfaiting assets portfolio where exposure was material;
- we tested a sample of exposures covering all countries and industries within the residual population, by challenging LFC as to the validity of the assumptions used in setting the risk premium within the discount rate by assessing consistency with publicly available information and information from other sources;
- we tested the accuracy of the LIBOR rates and other inputs (such as the average life at value date, average LIBOR) employed by LFC by comparing the LIBOR rates with information available to the public from tested sources, and other inputs to data within the forfeiting system; and
- we also back tested a sample of disposals during the year to determine the appropriateness of the prior period valuations. This was achieved by comparing the disposal price of the asset with the latest fair value, at end of the month prior to sale of the asset to determine whether those fair values were appropriate.

We have no key observations to report, specific to this matter.

KPMG

Independent auditors' report

To the shareholders of FIMBank p.l.c.

Other information

The directors are responsible for the other information. The other information comprises the:

- the 'Chairman's statement to the shareholders';
- the 'FIMBank group performance 2022';
- the 'Directors' report';
- the 'Statement of compliance with the principles of good corporate governance';
- the 'Remuneration report';
- the 'Statement by the directors pursuant to Capital Markets Rule 5.68'; and
- the 'Schedules to the annual report'

but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, other than in the case of the directors' report on which we report separately below in our 'Opinion on the Directors' Report', we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act and the Banking Act, and, additionally, specifically in relation to those of the Group, with the requirements of Article 4 of the Regulation on the application of IFRS as adopted by the EU. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and/or the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the financial reporting process.

KPMG

Independent auditors' report
To the shareholders of FIMBank p.l.c.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditors' report
To the shareholders of FIMBank p.l.c.

2 Opinion on the directors' report

The directors are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act and other applicable legal requirements, and is to include a statement that the Company is a going concern with supporting assumptions or qualifications as necessary, as required by Capital Markets Rule 5.62 issued by the Listing Authority in Malta.

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

Pursuant to article 179(3) of the Act, other than for the non-financial information that is exclusively required to be disclosed by paragraph 8 of the Sixth Schedule of the Act with respect to the Bank, and paragraph 11 of the Sixth Schedule of the Act with respect to the Group (and on which we report separately below in our 'Report on Other Legal and Regulatory Requirements'), we are also required to:

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and
- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

Pursuant to Capital Markets Rule 5.62 of the Capital Markets Rules issued by the Listing Authority in Malta, we are required to review the directors' statement in relation to going concern.

In such regards:

- in our opinion, the directors' report has been prepared in accordance with the applicable legal requirements;
- we have not identified material misstatements in the directors' report; and
- we have nothing to report in relation to the statement on going concern.

Independent auditors' report
To the shareholders of FIMBank p.l.c.

3 Report on other legal and regulatory requirements

Matters on which we are required to report by the Act, specific to public-interest entities

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were first appointed as auditors by the shareholders on 8 November 1994, and subsequently reappointed at the Company's general meetings for each financial period thereafter. The period of total uninterrupted engagement is twenty-eight years;
- our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act); and
- we have not provided any of the prohibited services as set out in the Accountancy Profession Act.

Matters on which we are required to report by the Banking Act and by exception by the Act

Pursuant to article 31(3)(a), (b) and (c) of the Banking Act, in our opinion:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- proper books of account have been kept by the Bank so far as appears from our examination thereof; and
- the Bank's financial statements are in agreement with the books of account.

Furthermore, we have nothing to report in respect of the above matters, where the Act requires us to report to you by exception pursuant to articles 179(10) and 179(11).

Pursuant to article 31(3)(d) of the Banking Act, in our opinion and to the best of our knowledge and belief and, on the basis of the explanations given to us, the financial statements give the information required by law in force in the manner so required.

KPMG

Independent auditors' report
To the shareholders of FIMBank p.l.c.

Report on compliance with the requirements of the Commission Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC (the "ESEF Regulation"), by reference to Capital Markets Rule 5.55.6 issued by the Listing Authority

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, 1979 (Chapter 281, Laws of Malta), the Accountancy Profession (European Single Electronic Format) Assurance Directive, on the Group's Annual Report and Financial Statements for the year ended 31 December 2022, prepared in a single electronic reporting format.

Responsibilities of the directors for compliance with the requirements of the ESEF Regulation

As required by Capital Markets Rule 5.56A, the directors are responsible for the preparation of the Annual Report and Financial Statements in XHTML format, including the specified mark-ups, in accordance with the requirements of the ESEF Regulation.

In addition, the directors are responsible for such internal control as they determine is necessary to enable the preparation of the Annual Report and Financial Statements that is in compliance with the requirements of the ESEF Regulation.

Auditors' responsibilities to report on compliance with the requirements of the ESEF Regulation

Our responsibility is to obtain reasonable assurance about whether the Annual Report and Financial Statements in XHTML format, including the specified mark-ups, comply in all material respects with the ESEF Regulation based on the evidence we have obtained.

In discharging that responsibility, we:

- obtain an understanding of the entity's financial reporting process, including the preparation of the Annual Report and Financial Statements, in accordance with the requirements of the ESEF Regulation;
- perform validations to determine whether the Annual Report and Financial Statements has been prepared in accordance with the requirements of the technical specifications of the ESEF Regulation; and
- examine the information in the Annual Report and Financial Statements to determine whether all the required mark-ups therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF Regulation.

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 Report and Financial Statements for the year ended 31 December 2022 has been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation, by reference to Capital Markets Rule 5.55.6.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Thomas Galea.

Signed by Thomas Galea on 22 March 2023

KPMG
Registered Auditors

KPMG

Independent assurance report

To the shareholders of FIMBank p.l.c.

Report required by Capital Markets Rules 5.98 and 12.26N issued by the Malta Financial Services Authority (the "MFSA")

We were engaged by the Directors of FIMBank p.l.c. (the "Bank") to report on the disclosures of specific elements in the Corporate Governance Statement and the Remuneration Report (the "Disclosures") as at 31 December 2022, in the form of an independent reasonable assurance conclusion, as to whether they are, in all material respects, in compliance with the corporate governance regulations and information to be provided in the Remuneration Report set out in the Capital Markets Rules issued by the MFSA (the "Capital Market Rules"). More specifically, we are required to report on the Disclosures in the form of an independent reasonable assurance conclusion about whether:

a. in light of our knowledge and understanding of the Bank and its environment obtained in the course of the statutory audit, we have identified material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 (dealing with the Bank's internal control and risk management systems in relation to the financial reporting process) and 5.97.5 (where a takeover bid applies). Where material misstatements are identified in relation to those requirements, we shall, in addition to our conclusion, provide an indication of the nature of such misstatements;

b. the Disclosures include the other information required by Capital Markets Rule 5.97, insofar as it is applicable to the Bank; and

c. the Disclosures include the information required by Appendix 12.1, 'Information to be provided in the Remuneration Report', to Chapter 12 of the Capital Markets Rules (as applicable).

Responsibilities of the Directors

The Directors are responsible for preparing and presenting the Disclosures that are free from material misstatement in accordance with the requirements of the Capital Market Rules and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal control as they determine is necessary to enable the preparation and presentation of the Disclosures that are free from misstatement, whether due to fraud or error.

The Directors are also responsible for preventing and detecting fraud and for identifying and ensuring that the Bank complies with laws and regulations applicable to its activities. The Directors are responsible for ensuring that personnel involved in the preparation and presentation of the Disclosures are properly trained, systems are properly updated and that any changes in reporting relevant to the Disclosures encompass all significant business units.

Our Responsibilities

Our responsibility is to examine the Disclosures prepared by the Bank and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ("ISAE 3000") issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Disclosures are properly prepared and presented, in all material respects, in accordance with the requirements set out in the relevant Capital Markets Rules.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our assurance engagement in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. The IESBA Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

KPMG

Independent assurance report
To the shareholders of FIMBank p.l.c.

Our Responsibilities (*continued*)

The procedures selected and our determination of the nature, timing and extent of those procedures, will depend on our judgment, including the assessment of the risks of material misstatement of the preparation and presentation of the Disclosures whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Disclosures in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Bank's internal control over the preparation and presentation of the Disclosures. Reasonable assurance is less than absolute assurance.

We are not required to, and we do not, consider whether the Directors' statements on internal control and risk management systems cover all the risks and controls in relation to the financial reporting process or form an opinion on the effectiveness of the Bank's corporate governance procedures or its risks and control procedures, nor on the ability of the Bank to continue in operational existence. Our opinion in relation to the disclosures pursuant to Capital Markets Rules 5.97.4 and 5.97.5 (as appropriate) is based solely on our knowledge and understanding of the Bank and its environment obtained in forming our opinion on the audit of the financial statements.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Disclosures nor of the underlying records or other sources from which the Disclosures were extracted.

Other Information

We also read the other information included in the Annual Report that contains the Disclosures, and our report thereon, in order to identify material inconsistencies, if any, with the Disclosures. We have nothing to report in this regard.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion:

a. in light of our knowledge and understanding of the Bank and its environment obtained in the course of the statutory audit, we have not identified material misstatements with respect to the information requirements referred to in Capital Markets Rules 5.97.4 and 5.97.5;

b. the Disclosures include the other information required by Capital Markets Rule 5.97; and,

c. the Disclosures include the information required by Appendix 12.1 to Chapter 12 of the Capital Markets Rules.

The Principal authorised to sign on behalf of KPMG on the work resulting in this assurance report is Thomas Galea.

Signed by Thomas Galea on 22 March 2023.

KPMG
Registered Auditors

Schedule I

Statements of profit or loss

Five-year summary – Bank

	2022 USD	2021 USD	2020 USD	2019 USD	2018 USD
Interest income	27,401,735	19,588,232	22,721,724	30,311,233	35,303,561
Interest expense	(13,509,191)	(10,457,006)	(11,482,001)	(14,037,860)	(19,139,771)
Net interest income	**13,892,544**	**9,131,226**	**11,239,723**	**16,273,373**	**16,163,790**
Fee and commission income	6,177,499	4,940,843	5,366,867	7,753,143	12,849,903
Fee and commission expense	(2,510,399)	(2,165,538)	(2,552,278)	(3,078,283)	(2,799,252)
Net fee and commission income	**3,667,100**	**2,775,305**	**2,814,589**	**4,674,860**	**10,050,651**
Net trading results	1,073,772	542,868	(554,107)	3,107,935	2,632,452
Dividend income	10,321,545	16,989,049	7,240,817	43,591,794	17,660,271
Gains/(Losses) on lease modifications	106,101	(27,037)	-	-	-
Other operating income	460,373	133,940	120,725	118,904	125,068
Other operating expenses	(364,205)	(128,906)	-	-	-
Operating income before net impairment	**29,157,230**	**29,416,445**	**20,861,747**	**67,766,866**	**46,632,232**
Net impairment charge on financial assets	(17,424,101)	(3,699,557)	(34,272,400)	(14,210,257)	(15,514,849)
Impairment of investments in subsidiaries	(8,261,536)	(87,356)	(9,314,000)	-	(1,455,270)
Operating income/(expense)	**3,471,593**	**25,629,532**	**(22,724,653)**	**53,556,609**	**29,662,113**
Administrative expenses	(22,139,252)	(23,213,366)	(23,722,803)	(20,305,701)	(23,787,047)
Depreciation and amortisation	(2,811,670)	(2,965,967)	(2,962,370)	(2,896,531)	(1,022,470)
Total operating expenses	**(24,950,922)**	**(26,179,333)**	**(26,685,173)**	**(23,202,232)**	**(24,809,517)**
(Loss)/Profit before tax	**(21,479,329)**	**(549,801)**	**(49,409,826)**	**30,354,377**	**4,852,596**
Taxation	(530,755)	(113,418)	(6,566,776)	(765,433)	(1,115,249)
(Loss)/Profit for the year	**(22,010,084)**	**(663,219)**	**(55,976,602)**	**29,588,944**	**3,737,347**

Schedule II

Statements of financial position

Five-year summary – Bank

	2022 USD	2021 USD	2020 USD	2019 USD	2018 USD
Assets					
Balances with the Central Bank of Malta, treasury bills and cash	211,883,765	239,982,048	319,267,749	208,259,407	151,891,005
Derivative assets held for risk management	1,610,475	841,688	1,019,288	96,285	109,727
Loans and advances to banks	130,851,134	182,458,548	179,364,067	232,351,750	321,550,241
Loans and advances to customers	729,767,493	745,564,139	779,834,360	811,152,849	730,708,445
Financial assets at fair value through profit or loss	18,179,220	19,966,163	20,385,323	125,342,798	173,438,374
Financial assets at fair value through other comprehensive income	-	162,408,542	153,327,686	79,367,556	87,468,166
Financial assets at amortised cost	183,292,866	9,914,754	9,839,457	9,785,496	9,923,499
Investments in subsidiaries	152,687,573	159,448,858	147,436,214	147,948,385	102,595,614
Property and equipment	4,770,241	1,965,249	3,507,509	5,229,059	968,472
Intangible assets	3,099,853	3,774,315	4,008,725	4,647,642	4,669,342
Current tax assets	-	66,667	76,225	226,886	-
Deferred tax assets	15,004,834	16,336,538	15,590,954	22,011,162	22,599,041
Other assets	4,291,634	3,848,321	5,570,563	8,824,153	7,352,443
Total assets	**1,455,439,088**	**1,546,575,830**	**1,639,228,120**	**1,655,243,428**	**1,613,274,369**
Liabilities and equity					
Liabilities					
Derivative liabilities held for risk management	818,031	1,533,556	1,629,434	193,691	2,928,925
Amounts owed to banks	386,787,784	497,633,356	387,900,641	405,072,025	398,815,757
Amounts owed to customers	877,538,831	838,675,598	1,037,118,337	978,134,002	961,292,743
Debt securities in issue	-	-	-	-	14,849,948
Provision for liabilities and charges	121,209	201,775	173,051	85,159	269,784
Other liabilities	10,498,948	7,921,481	7,645,488	13,077,128	5,708,599
Total liabilities	**1,275,764,803**	**1,345,965,766**	**1,434,466,951**	**1,396,562,005**	**1,383,865,756**
Equity					
Share capital	261,221,882	261,221,882	261,221,882	261,221,882	252,720,107
Share premium	858,885	858,885	858,885	858,885	9,275,773
Reserve for general banking risks	-	2,218,995	3,358,738	2,323,486	1,242,511
Fair value reserve	-	(1,074,305)	2,413,581	357,233	758,254
Other reserve	2,681,041	2,681,041	2,681,041	2,681,041	2,681,041
Accumulated losses	(85,087,523)	(65,296,434)	(65,772,958)	(8,761,104)	(37,269,073)
Total equity	**179,674,285**	**200,610,064**	**204,761,169**	**258,681,423**	**229,408,613**
Total liabilities and equity	**1,455,439,088**	**1,546,575,830**	**1,639,228,120**	**1,655,243,428**	**1,613,274,369**
Memorandum items					
Contingent liabilities	**36,131,883**	**39,327,362**	**44,246,902**	**61,628,654**	**67,466,612**
Commitments	**91,414,423**	**107,469,111**	**105,245,766**	**143,026,427**	**158,386,020**

Schedule III

Cash flow statements

Five-year summary – Bank

	2022 USD	2021 USD	2020 USD	2019 USD	2018 USD
Net cash flows generated from/(used in) operating activities	**26,554,154**	**(118,733,012)**	**61,848,191**	**28,447,866**	**(115,353,903)**
Cash flows from investing activities					
Payments to acquire financial assets at fair value through profit or loss	-	-	-	(2,469,245)	(18,092,429)
Payments to acquire financial assets at fair value through other comprehensive income	-	(74,874,050)	(109,616,706)	(84,984,922)	-
Payments to acquire financial assets at amortised cost	(40,118,426)	-	-	-	(9,881,423)
Payments to acquire treasury bills at amortised cost	(429,590,021)	-	-	-	-
Payments to acquire shares in subsidiary companies	(252)	-	(1,801,829)	(5,352,772)	-
Payments to acquire shares in other investments	-	-	-	-	(35,210)
Payments to acquire property and equipment	(916,620)	(399,511)	(142,744)	(372,658)	(344,451)
Payments to acquire intangible assets	(318,308)	(779,881)	(393,096)	(951,219)	(2,543,743)
Proceeds on disposal of financial assets at fair value through profit or loss	127,493	160,770	105,639,259	50,000,000	-
Proceeds on disposal of financial assets at fair value through other comprehensive income	-	50,918,619	49,246,582	93,035,159	15,000,000
Proceeds on disposal of financial assets at amortised cost	22,800,719	-	-	-	-
Proceeds on disposal of treasury bills at amortised cost	296,265,806	-	-	-	-
Proceeds on disposal of property and equipment	1,565	9,751	-	3,551	-
Receipt of dividend	8,821,545	4,889,049	240,817	4,628,411	7,472,717
Net cash flows (used in)/generated from investing activities	**(142,926,499)**	**(20,075,253)**	**43,172,283**	**53,536,305**	**(8,424,539)**
Cash flows from financing activities					
Issue of share capital	-	-	-	84,887	54,557,207
Net movement in debt securities	-	-	-	(14,834,943)	14,834,942
Payment of lease liabilities	(1,330,082)	(1,787,096)	(997,729)	(2,354,026)	-
Net cash flows (used in)/from financing activities	**(1,330,082)**	**(1,787,096)**	**(997,729)**	**(17,104,082)**	**69,392,149**
(Decrease)/Increase in cash and cash equivalents	(117,702,427)	(140,595,361)	104,022,745	64,880,089	(54,386,293)
Cash and cash equivalents at beginning of year	127,314,325	267,909,686	163,886,941	99,006,852	153,393,145
Cash and cash equivalents at end of year	**9,611,898**	**127,314,325**	**267,909,686**	**163,886,941**	**99,006,852**

Schedule IV

Accounting ratios

Five-year summary – Bank

	2022 %	2021 %	2020 %	2019 %	2018 %
Net interest income and other operating income to total assets	2.20	2.05	1.43	4.28	3.06
Operating expenses to total assets	(1.71)	(1.69)	(1.63)	(1.40)	(1.54)
(Loss)/Profit before tax to total assets	(1.48)	(0.04)	(3.01)	1.83	0.30
Pre-tax return on capital employed	(11.95)	(0.27)	(24.13)	11.73	2.12
(Loss)/Profit after tax to equity	(12.25)	(0.33)	(27.34)	11.44	1.63

	2022	2021	2020	2019	2018
Weighted average number of shares in issue (000's) *	522,444	522,444	522,444	514,568	459,637
Net assets per share (US cents) *	34.39	38.40	39.19	50.27	49.91
Basic earnings per share (US cents) *					
Basic	(4.21)	(0.13)	(10.71)	5.75	0.81
Diluted	(4.21)	(0.13)	(10.71)	5.75	0.81

' * ' Weighted average number of shares in issue and ratios for 2018 have been restated to reflect the number of shares in issue as a result of the 2019 bonus issue of shares.

Directors and executive management

Board of Directors

John C. Grech (Chairman)
Masaud M.J. Hayat (Vice Chairman)
Abdel Karim A.S. Kabariti
Claire Imam Thompson
Edmond Brincat
Eric Schumacher
Hussain Abdul Aziz Lalani
Majed Essa Ahmed Al-Ajeel
Mohamed Fekih Ahmed
Rabih Soukarieh
Rogers David LeBaron

Company Secretary

Andrea Batelli

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MALTA

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Executive Management

FIMBank p.l.c.

Group Chief Executive Officer	Adrian A. Gostuski	
First Executive Vice President	Simon Lay	Deputy Chief Executive Officer
Executive Vice Presidents	Andrea Batelli	Group General Counsel, Head of Investor Relations & Company Secretary
	Christine Coleiro	Group Chief Human Resources Officer
	Julio Bonifacino	Chief Investment Officer, Structuring Executive & Advisor to the GCEO
	Juraj Beno	Group Chief Financial Officer
	Thomas Dodd	Group Chief Compliance Officer & MLRO
	Ronald Haverkorn	Advisor to the GCEO

London Forfaiting Company Limited

Chief Executive Officer	Simon Lay	
Company Secretary	William Ramzan	Head of Finance

India Factoring and Finance Solutions (Private) Limited

Chief Executive Officer	Ravi Valecha	
Company Secretary	Swati Zawar	Manager – Compliance

The Egyptian Company for Factoring S.A.E.

Chief Executive Officer	Ahmed Shaheen	
Company Secretary	Mohamed Gamaleldien	Head of Legal