



**FerratumBank™**

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# ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2016







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## REVIEW OF THE BUSINESS

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The Bank registered a profit of €3,025,490 (2015: €4,801,771) during the financial year under review. The directors expect the Bank's trading activity to continue improving in the forthcoming financial year. The Bank's financial position is satisfactory and the directors expect that the current position will be sustained in the foreseeable future.

The Bank's principal activity comprises the provision of unsecured consumer loans and other consumer and business orientated financial products, distributed through a mobile phone platform and through the internet. The Bank is currently providing services in Poland, Estonia, Latvia, the Czech Republic, Germany, Bulgaria, Sweden, Norway, France, Spain and Croatia. As from 2015, the Bank also commenced offering deposit products, which primarily consist of savings and time deposits, to its customers in Sweden. In the course of 2016 these products were also made available to its customers in Norway and Germany.

The Financial Risk Management note in the Financial Statements, describes the process of how the Bank identifies and manages its risks and uncertainties. The main categories of risk described in this Note are credit risk, market risk, liquidity risk and operational risk. The same Note includes extensive detail of the processes undertaken by the bank to manage these risks.

## RESULTS AND DIVIDENDS

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During the year, the directors proposed a final dividend of €4,362,770 (2015: €2,345,324) amounting to a net dividend of €43.6 cent per share (2015: 23.5 cent per share).

In compliance with the revised Banking Rule 09: 'Measures addressing credit risks arising from the assessment of the quality of asset portfolios of credit institutions authorised under the Banking Act, 1994' issued by the MFSA, an amount of €0.2 million (2015: €0.4 million) from profits has been allocated to the Bank's Reserve for General Banking Risks, in addition to the €0.5 million which was already allocated in the previous years.



## STATEMENT OF FINANCIAL POSITION

As at 31 December

	2016 €	2015 €
<b>ASSETS</b>		
Balances with Central Bank of Malta	21,288,297	182
Loans and advances to banks	38,228,035	3,704,583
Loans and advances to customers	89,133,676	43,203,453
Loans and advances to group companies	351,825	–
Held-to-maturity financial assets	11,570,732	–
Property, plant and equipment	332,982	165,147
Intangible assets	575,850	360,268
Other assets	7,357,187	2,535,666
<b>Total assets</b>	<b>168,838,584</b>	<b>49,969,299</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	10,000,000	10,000,000
Capital contribution reserve	12,000,000	–
Other reserves	709,100	535,605
Retained earnings	2,851,999	4,362,774
<b>Total equity</b>	<b>25,561,099</b>	<b>14,898,379</b>
<b>Liabilities</b>		
Borrowed funds	154,306	345,484
Amounts owed to customers	98,484,628	2,783
Debt securities in issue	38,200,537	20,143,271
Loans and advances from group companies	–	3,556,593
Other liabilities	6,195,544	7,132,099
Current tax liabilities	242,470	3,890,690
<b>Total liabilities</b>	<b>143,277,485</b>	<b>35,070,920</b>
<b>Total equity and liabilities</b>	<b>168,838,584</b>	<b>49,969,299</b>
<b>MEMORANDUM ITEMS</b>		
Commitments	3,161,876	1,496,947

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	2016 €	2015 €
Interest and similar income	62,821,884	42,788,395
Interest and similar expense	(2,972,596)	(1,442,398)
<b>Net interest income</b>	<b>59,849,288</b>	41,345,997
Fee and commission income	802,815	344,210
Fee and commission expense	(6,143,137)	(2,729,103)
<b>Net fee and commission expense</b>	<b>(5,340,322)</b>	(2,384,893)
<b>Operating profit</b>	<b>54,508,966</b>	<b>38,961,104</b>
Employee compensation and benefits	(7,620,677)	(4,535,017)
Other operating costs	(20,224,983)	(13,169,722)
Depreciation and amortisation	(135,615)	(33,960)
Net impairment losses	(23,261,972)	(13,835,065)
<b>Profit before tax</b>	<b>3,265,719</b>	7,387,340
Tax expense	(240,229)	(2,585,569)
<b>Profit for the year - total comprehensive income</b>	<b>3,025,490</b>	4,801,771

## STATEMENT OF CHANGES IN EQUITY

	Share capital €	Capital contribution reserve €	Other reserves €	Retained earnings €	Total equity €
<b>Balance at 1 January 2015</b>	10,000,000	–	96,608	2,345,324	12,441,932
<b>Comprehensive income</b>					
Profit for the year	–	–	–	4,801,771	4,801,771
<b>Other comprehensive income</b>					
Transfers and other movements	–	–	438,997	(438,997)	–
<b>Total comprehensive income for the year</b>	–	–	438,997	4,362,774	4,801,771
<b>Balance at 31 December 2015</b>	10,000,000	–	535,605	4,362,774	14,898,379
<b>Comprehensive income</b>					
Profit for the year	–	–	–	3,025,490	3,025,490
<b>Other comprehensive income</b>					
Transfers and other movements	–	–	173,495	(173,495)	–
<b>Total comprehensive income for the year</b>	–	–	173,495	2,851,995	3,025,490
<b>Transactions with owners</b>					
Capital contribution from shareholders	–	12,000,000	–	–	12,000,000
Dividends distributed to shareholders	–	–	–	(4,362,770)	(4,362,770)
<b>Total transactions with owners</b>	–	12,000,000	–	(4,362,770)	7,637,230
<b>Balance at 31 December 2016</b>	10,000,000	12,000,000	709,100	2,851,999	25,561,099

## STATEMENT OF CASH FLOWS

Year ended 31 December

	2016 €	2015 €
<b>Cash flows from operating activities</b>		
Interest and commission receipts	63,503,714	43,132,605
Interest and commission payments	(9,558,468)	(4,028,230)
Tax payments	(3,888,449)	(7,219)
Cash payments to employees and suppliers	(31,119,344)	(17,554,974)
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>	<b>18,937,453</b>	21,542,182
Changes in operating assets and liabilities:		
Loans and advances to/(from) group companies	(3,908,418)	4,917,438
Loans and advances to customers	(69,192,195)	(40,665,478)
Amounts owed to customers	98,481,845	–
Borrowed funds	–	(3,301,282)
<b>Net cash generated from/(used in) operating activities</b>	<b>44,318,685</b>	(17,507,140)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(232,126)	(97,892)
Purchase of intangible asset	(286,906)	(360,268)
Purchase of held-to-maturity financial assets	(11,588,814)	–
<b>Net cash used in investing activities</b>	<b>(12,107,846)</b>	(458,160)
<b>Cash flows from financing activities</b>		
Issue of debt securities	25,000,000	20,000,000
Repurchase of debt securities	(6,500,000)	–
Shareholders' contribution	12,000,000	–
Payment of dividends	(6,708,094)	–
<b>Net cash generated from financing activities</b>	<b>23,791,906</b>	20,000,000
<b>Net increase in cash and cash equivalents</b>	<b>56,002,745</b>	2,034,700
<b>Cash and cash equivalents at beginning of year</b>	<b>3,359,281</b>	1,324,581
<b>Cash and cash equivalents at end of year</b>	<b>59,362,026</b>	3,359,281





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