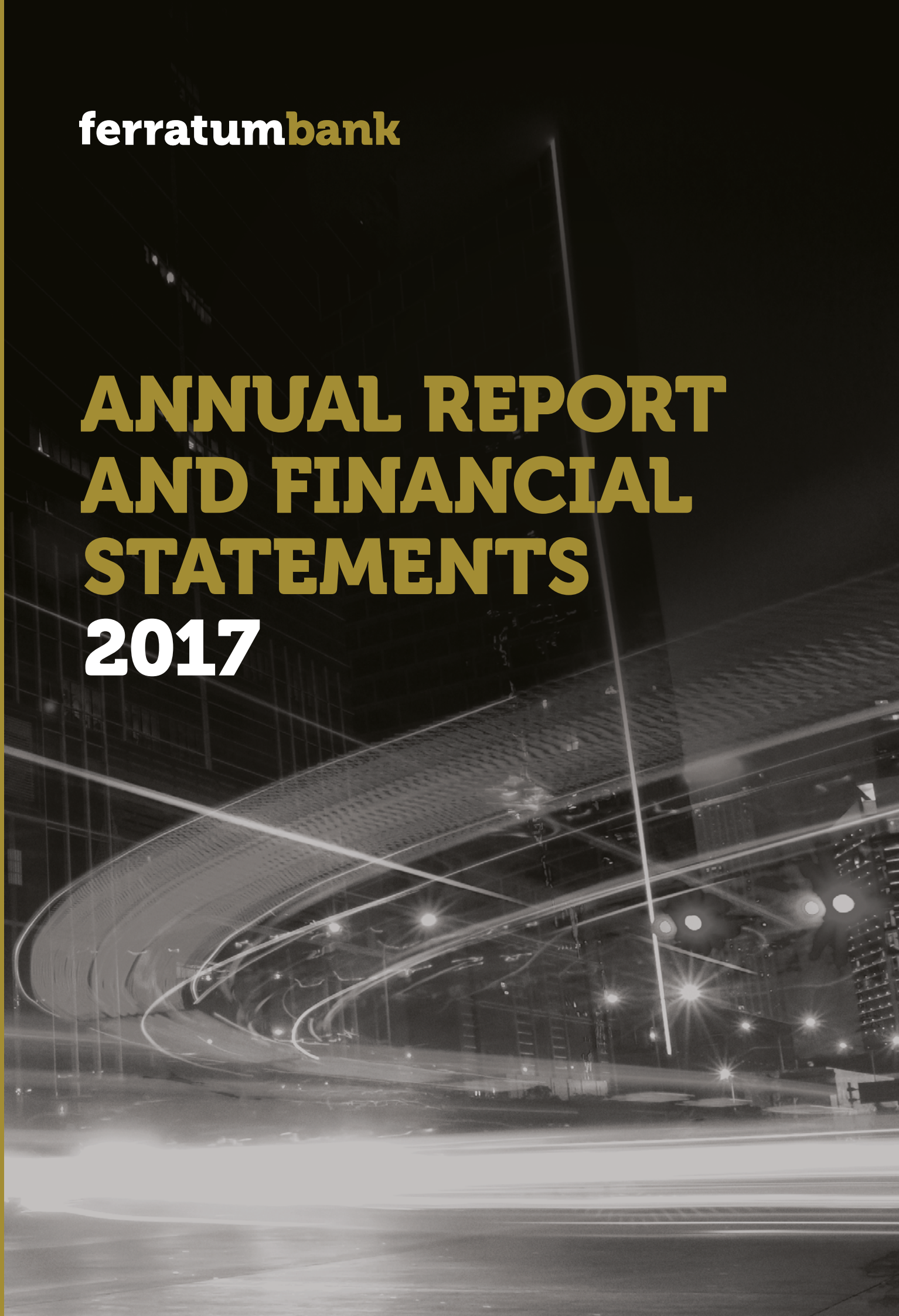


**ferratumbank**

# **ANNUAL REPORT AND FINANCIAL STATEMENTS 2017**







## Review of the business

The Bank registered a profit of €10,088,170 (2016: €3,025,490) during the financial year under review.

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, Spain and Croatia. The Bank also offers deposit products, which primarily consist of savings and term deposits, to its customers in Germany, Sweden, Norway, France and Spain.

The Financial Risk Management Note in the Financial Statements (Note 2) 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

The statement of comprehensive income is set out on page 14. The net interest income increased by 45% over last year to €86.7 million whilst the net fee and commission expense fell by 15% over the same period last year to €4.6 million. In the financial year ending 2017, the operating expenses increased by 36% reaching €38 million, whilst the net impairment losses were up by 43% at €33.3 million. The profit after tax for the financial year 2017 amounted to €10,088,170 which reflects a significant increase of 233.4% over financial year 2016.

In the statement of financial position for the financial year ending 2017, the directors note that the loans and advances to customers have increased by 37.5% reaching €122.5 million, whilst the retail deposits have also increased by 74% to €171.2 million.

During the year, the directors proposed a final dividend of €2,800,000 (2016: €4,362,770) amounting to a net dividend of 28.0 cent per share (2016: 43.6 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 €0.1 million (2016: €0.2 million) from profits has been allocated to the Bank's Reserve for General Banking Risks, in addition to the €0.7 million which was already allocated in the previous years.

## Statement of financial position

EUR '000	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>		
Balances with Central Bank of Malta	76,745,851	21,288,297
Loans and advances to banks	35,235,371	38,228,035
Loans and advances to customers	122,538,593	89,133,676
Loans and advances to group companies	4,469,479	351,825
Held-to-maturity financial assets	8,950,729	11,570,732
Property, plant and equipment	501,682	332,982
Intangible assets	513,209	575,850
Other assets	12,293,079	7,357,187
<b>Total assets</b>	<b>261,247,993</b>	<b>168,838,584</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	10,000,000	10,000,000
Capital contribution reserve	20,500,000	12,000,000
Other reserves	821,022	709,100
Retained earnings	10,028,247	2,851,999
<b>Total equity</b>	<b>41,349,269</b>	<b>25,561,099</b>
<b>Liabilities</b>		
Borrowed funds	64,804	154,306
Amounts owed to customers	171,205,580	98,484,628
Debt securities in issue	39,549,991	38,200,537
Other liabilities	8,174,423	6,195,544
Current tax liabilities	903,926	242,470
<b>Total liabilities</b>	<b>219,898,724</b>	<b>143,277,485</b>
<b>Total equity and liabilities</b>	<b>261,247,993</b>	<b>168,838,584</b>
<b>MEMORANDUM ITEMS</b>		
Commitments	3,902,255	2,788,749



## Statement of comprehensive income

EUR '000	31 Dec 2017	31 Dec 2016
Interest and similar income	90,653,973	62,821,884
Interest and similar expense	(3,994,168)	(2,972,596)
<b>Net interest income</b>	<b>86,659,805</b>	<b>59,849,288</b>
Fee and commission income	2,716,789	802,815
Fee and commission expense	(7,283,649)	(6,143,137)
<b>Net fee and commission expense</b>	<b>(4,566,860)</b>	<b>(5,340,322)</b>
<b>Operating income</b>	<b>82,092,945</b>	<b>54,508,966</b>
Employee compensation and benefits	(8,555,061)	(7,620,677)
Other operating costs	(29,171,881)	(20,224,983)
Depreciation and amortisation	(338,992)	(135,615)
Net impairment losses	(33,277,385)	(23,261,972)
<b>Profit before tax</b>	<b>10,749,626</b>	<b>3,265,719</b>
Tax expense	(661,456)	(240,229)
<b>Profit for the year - total comprehensive income</b>	<b>10,088,170</b>	<b>3,025,490</b>

## Statement of changes in equity

EUR '000	Share capital	Capital contribution reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2016	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>	-	-	<b>173,495</b>	<b>2,851,995</b>	<b>3,025,490</b>
<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>	-	<b>12,000,000</b>	-	<b>(4,362,770)</b>	<b>7,637,230</b>
<b>Balance at 31 December 2016</b>	<b>10,000,000</b>	<b>12,000,000</b>	<b>709,100</b>	<b>2,851,999</b>	<b>25,561,099</b>
<b>Comprehensive income</b>					
Profit for the year	-	-	-	10,088,170	10,088,170
<b>Other comprehensive income</b>					
Transfers and other movements	-	-	111,922	(111,922)	-
<b>Total comprehensive income for the year</b>	-	-	<b>111,922</b>	<b>9,976,248</b>	<b>10,088,170</b>
<b>Transactions with owners</b>					
Capital contribution from shareholders	-	8,500,000	-	-	8,500,000
Dividends distributed to shareholders	-	-	-	(2,800,000)	(2,800,000)
<b>Total transactions with owners</b>	-	<b>8,500,000</b>	-	<b>(2,800,000)</b>	<b>5,700,000</b>
<b>Balance at 31 December 2017</b>	<b>10,000,000</b>	<b>20,500,000</b>	<b>821,022</b>	<b>10,028,247</b>	<b>41,349,269</b>

## Statement of cash flows

EUR '000	31 Dec 2017	31 Dec 2016
<b>Cash flows from operating activities</b>		
Interest and commission receipts	93,788,163	63,503,714
Interest and commission payments	(11,734,058)	(9,558,468)
Income tax paid	-	(3,888,449)
Payments to employees and suppliers	(39,750,716)	(31,119,344)
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>	<b>42,303,389</b>	<b>18,937,453</b>
Changes in operating assets and liabilities:		
Loans and advances to group companies	(4,117,654)	(3,908,418)
Loans and advances to customers	(66,682,302)	(69,192,195)
Amounts owed to customers	72,720,952	98,481,845
Amounts paid in favour of Depositor Compensation Scheme	(933,236)	-
<b>Net cash generated from operating activities</b>	<b>43,291,149</b>	<b>44,318,685</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(298,343)	(232,126)
Purchase of intangible assets	(146,708)	(286,906)
Purchase of held-to-maturity financial assets	-	(11,588,814)
Proceeds from maturity of held-to-maturity financial assets	2,202,599	-
<b>Net cash generated from/(used in) investing activities</b>	<b>1,757,548</b>	<b>(12,107,846)</b>
<b>Cash flows from financing activities</b>		
Issue of debt securities	15,305,695	25,000,000
Repayment of debt securities	(13,500,000)	(6,500,000)
Shareholders' contribution	8,500,000	12,000,000
Dividends paid to equity holders of the Bank	(2,800,000)	(6,708,094)
Net cash generated from financing activities	7,505,695	23,791,906
<b>Net increase in cash and cash equivalents</b>	<b>52,554,392</b>	<b>56,002,745</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>59,362,026</b>	<b>3,359,281</b>
<b>Cash and cash equivalents at end of year</b>	<b>111,916,418</b>	<b>59,362,026</b>



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