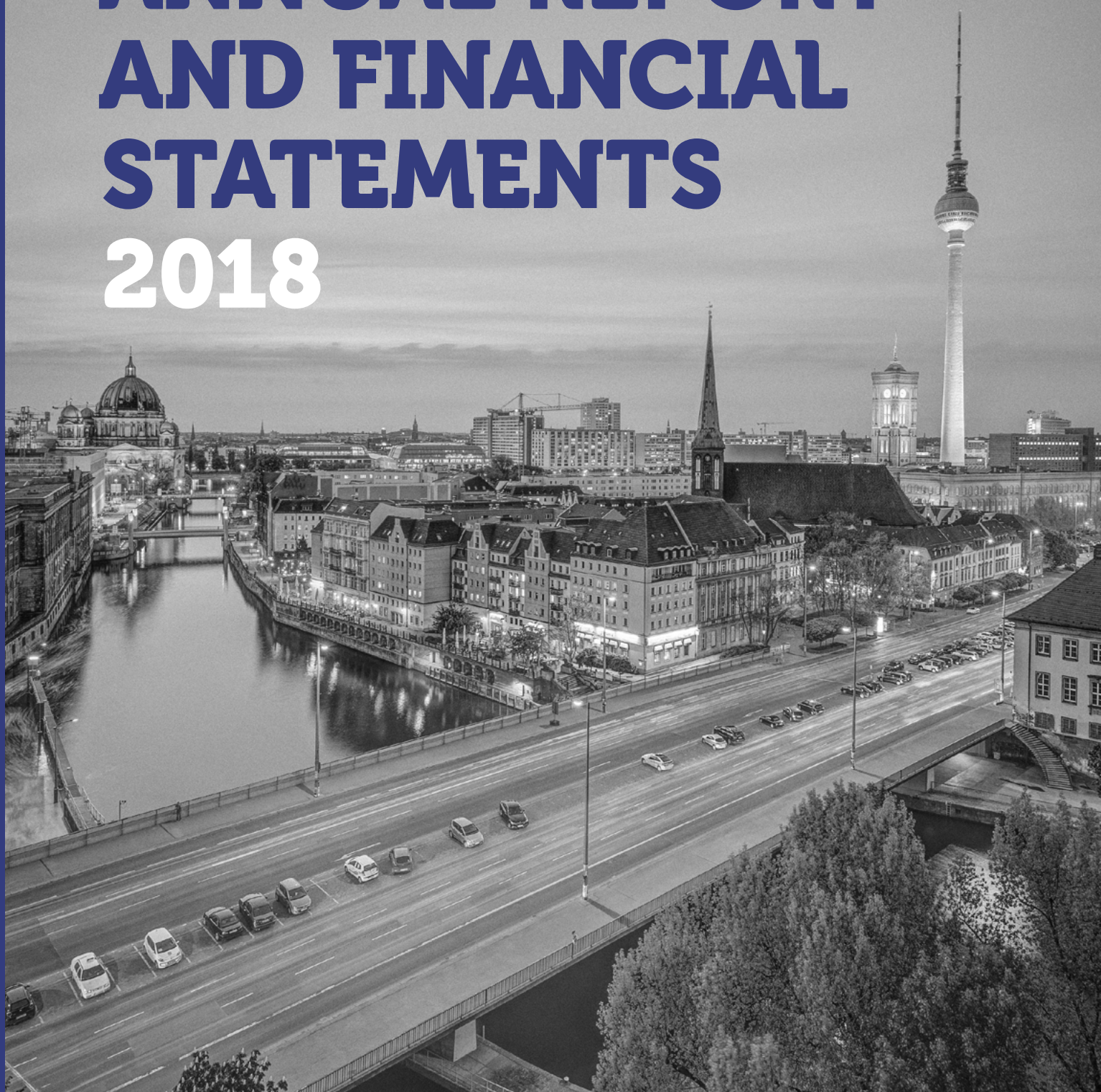
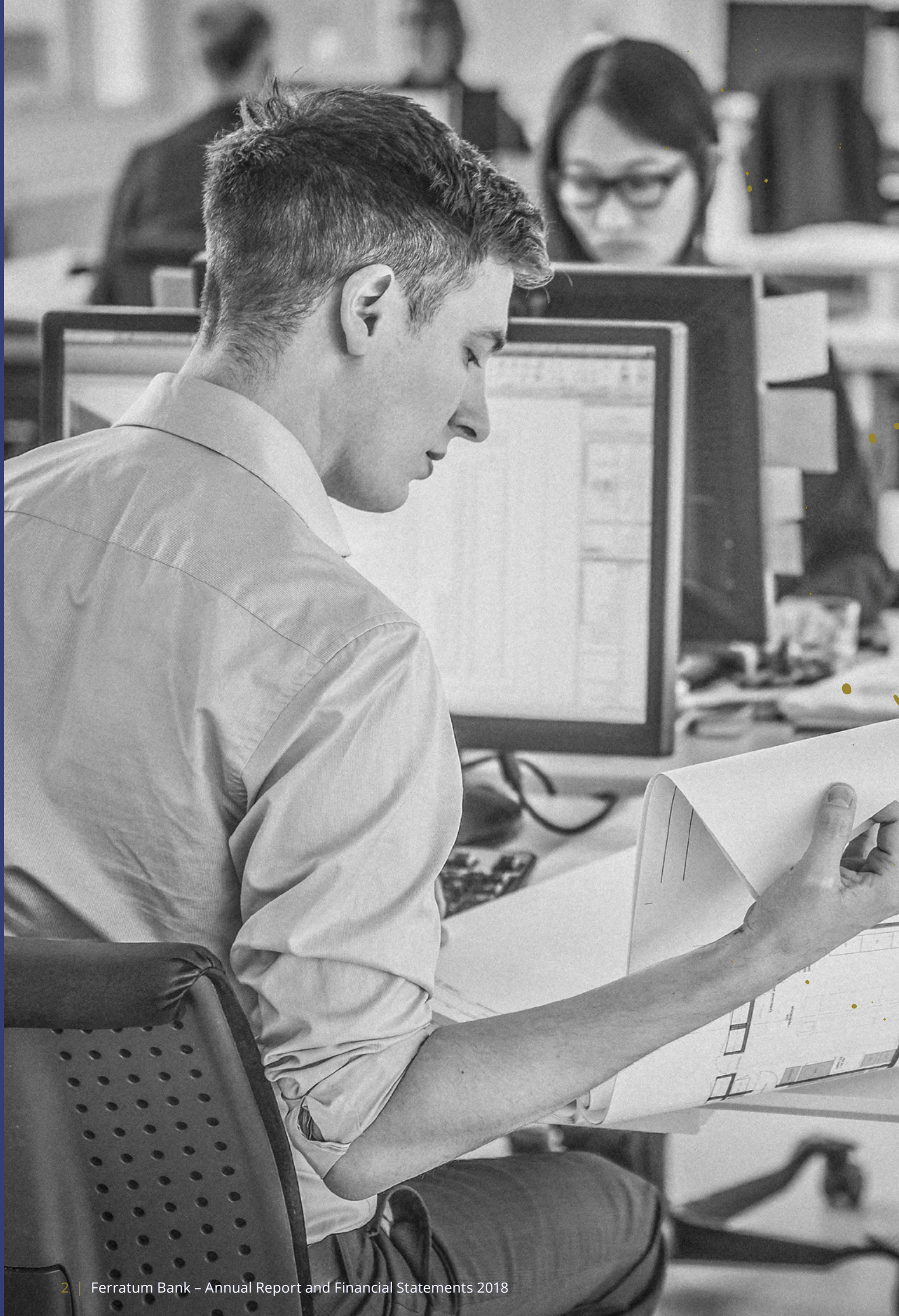


ferratum**bank**

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018







Review of the business

The Bank registered a profit after tax of €12,997,124 (2017: €10,088,170) during the financial year under review.

The Bank's principal activity comprises of 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.

Principal risks and uncertainties

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

The statement of comprehensive income is set out on page 6. The net interest income earned by the Bank amounted to €105.7 million during FY2018, reflecting an increase of 22% over FY2017. This is a reflection of the continued efforts made by the Bank to increase its lending business operations. The net fee and commission expense remained at the same levels of the previous financial year at €4.7 million. This resulted in an operating income of €101 million compared to €82 million during FY2017.

The Bank's operating expenditure increased by 31% during the current financial year, and reached a total of €50 million, compared to €38 million during FY2017. The net impairment losses on the Bank's lending business amounted to €37 million, an increase of 12% over the losses reported during the previous year at €33 million, in line with the increased lending business activity.

In view of the above, the Bank reported a profit before tax of €13.9 million compared to €10.8 million during FY2017, which is equivalent to €13 million and €10 million after tax respectively.

The statement of financial position reflects an increase in the total assets of the Bank from €261 million as at the end of 2017 to €282 million as at 31 December 2018, an increase of 8%. The main assets of the Bank continue to comprise Loans and advances to customers, which increased from €123 million to €143 million during the current year, and balances with the Central Bank of Malta and other banks, amounting to €94 million as at 31 December 2018.

The Bank continued to fund its business through customer deposits, which grew from €171 million to €181 million during the year, and debt securities which still amounted to €40 million.

During 2018 the Bank received a capital contribution amounting to €5 million from its ultimate parent company, which continued to strengthen its equity structure.

The Board expects the level of business to continue growing in a sustainable manner throughout 2019 and accordingly expects the Bank to continue registering a healthy level of net earnings enhancing the Bank's capital base.

The Bank has registered strong regulatory ratios throughout the current financial year. The Liquidity Coverage Ratio metric, designed to ensure that a bank has sufficient unencumbered high-quality liquid assets ('HQLA' consisting of cash or assets that can be converted into cash at little or no loss of value in markets) to meet its liquidity needs in a 30-calendar-day liquidity stress scenario was 990% as at 31 December 2018 (2017: 940%). The Bank is required to maintain a ratio of total regulatory capital to risk-weighted assets ("Capital requirements ratio") as well as a CET 1 capital ratio above a minimum level as prescribed by banking regulations. The Bank's total capital ratio and CET1 capital ratio as at 31 December 2018 was 17.64% (2017: 17.31%).

Statement of financial position

Year ended 31 December

EUR	2018	2017
ASSETS		
Balances with Central Bank of Malta	74,465,302	76,745,851
Loans and advances to banks	19,079,670	35,235,371
Loans and advances to customers	142,905,693	122,538,593
Loans and advances to group companies	7,720,551	4,469,479
Investment securities	8,633,176	8,950,729
Property and equipment	1,167,898	501,682
Intangible assets	517,793	513,209
Deferred tax asset	4,168,342	-
Other assets	22,926,903	12,293,079
Total assets	281,585,328	261,247,993
EQUITY AND LIABILITIES		
Equity		
Share capital	10,000,000	10,000,000
Capital contribution reserve	25,500,000	20,500,000
Other reserves	1,476,258	821,022
Retained earnings	14,628,926	10,028,247
Total equity	51,605,184	41,349,269
Liabilities		
Borrowed funds	-	64,804
Amounts owed to customers	180,975,803	171,205,580
Debt securities in issue	39,797,359	39,549,991
Other liabilities	7,681,458	8,174,423
Current tax liabilities	1,525,524	903,926
Total liabilities	229,980,144	219,898,724
Total equity and liabilities	281,585,328	261,247,993
MEMORANDUM ITEMS		
Commitments	4,410,155	3,902,255

Statement of comprehensive income

Year ended 31 December

EUR	2018	2017
Interest and similar income	110,340,926	90,653,973
Interest and similar expense	(4,633,367)	(3,994,168)
Net interest income	105,707,559	86,659,805
Fee and commission income	2,738,866	2,716,789
Fee and commission expense	(7,486,519)	(7,283,649)
Net fee and commission expense	(4,747,653)	(4,566,860)
Operating income	100,959,906	82,092,945
Employee compensation and benefits	(8,690,178)	(8,555,061)
Other operating costs	(40,779,723)	(29,171,881)
Depreciation and amortisation	(436,046)	(338,992)
Credit impairment losses	(37,188,247)	(33,277,385)
Profit before tax	13,865,712	10,749,626
Tax expense	(868,588)	(661,456)
Profit for the year – total comprehensive income	12,997,124	10,088,170

Statement of changes in equity

EUR	Share capital	Capital contribution reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2017	10,000,000	12,000,000	709,100	2,851,999	25,561,099
Comprehensive income					
Profit for the year	-	-	-	10,088,170	10,088,170
Other comprehensive income					
Transfers and other movements	-	-	111,922	(111,922)	-
Total comprehensive income for the year	-	-	111,922	9,976,248	10,088,170
Transactions with owners					
Capital contribution from shareholders	-	8,500,000	-	-	8,500,000
Dividends distributed to shareholders	-	-	-	(2,800,000)	(2,800,000)
Total transactions with owners	-	8,500,000	-	(2,800,000)	5,700,000
Balance at 31 December 2017	10,000,000	20,500,000	821,022	10,028,247	41,349,269
At 1 January – as originally stated	10,000,000	20,500,000	821,022	10,028,247	41,349,269
Changes on initial application of IFRS 9	-	-	-	(11,909,551)	(11,909,551)
Deferred tax assets recognised with respect to the initial application of IFRS 9	-	-	-	4,168,342	4,168,342
At 1 January 2018 – as restated	10,000,000	20,500,000	821,022	2,287,038	33,608,060
Comprehensive income					
Profit for the year	-	-	-	12,997,124	12,997,124
Other comprehensive income					
Transfers and other movements	-	-	655,236	(655,236)	-
Total comprehensive income for the year	-	-	655,236	12,341,888	12,997,124
Transactions with owners					
Capital contribution from shareholders	-	5,000,000	-	-	5,000,000
Total transactions with owners	-	5,000,000	-	-	5,000,000
Balance at 31 December 2018	10,000,000	25,500,000	1,476,258	14,628,926	51,605,184

Statement of cash flows

Year ended 31 December

EUR	2018	2017
Cash flows from operating activities		
Interest and commission receipts	113,397,344	93,788,163
Interest and commission payments	(11,872,518)	(11,734,058)
Income tax paid	(246,990)	-
Payments to employees and suppliers	(60,867,135)	(39,750,716)
Cash flows from operating profit before changes in operating assets and liabilities	40,410,701	42,303,389
Changes in operating assets and liabilities		
Loans and advances to group companies	(3,251,072)	(4,117,654)
Loans and advances to customers	(68,559,511)	(66,682,302)
Amounts owed to customers	9,770,223	72,720,952
Amounts paid in favour of Depositor Compensation Scheme	(634,941)	(933,236)
Net cash (used in) / generated from operating activities	(22,264,600)	43,291,149
Cash flows from investing activities		
Purchase of property, plant and equipment	(886,175)	(298,343)
Purchase of intangible assets	(220,671)	(146,708)
Proceeds from maturity of investment securities	-	2,202,599
Net cash (used in) / generated from investing activities	(1,106,846)	1,757,548
Cash flows from financing activities		
Issue of debt securities	-	15,305,695
Repayment of debt securities	-	(13,500,000)
Shareholders' contribution	5,000,000	8,500,000
Dividends paid to equity holders of the Bank	-	(2,800,000)
Net cash generated from financing activities	5,000,000	7,505,695
Net increase in cash and cash equivalents	(18,371,446)	52,554,392
Cash and cash equivalents at beginning of year	111,916,418	59,362,026
Cash and cash equivalents at end of year	93,544,972	111,916,418



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