IIG BANK (MALTA) LTD

Annual Report and Financial Statements
31 December 2013

Company Registration Number: C48767

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

Principal activities

The Company's principal activity is the operation of a credit institution under the Banking Act, Cap 371 of the Laws of Malta, in accordance with the credit institution licence granted by the Malta Financial Services Authority.

Review of the business

The Bank registered a profit of US$640,940 (2012: US$594,005) 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.

In the current environment of volatility in the global financial markets, the Bank recognises the need to conduct business in a prudent manner, to maintain a strong capital base and maintain a strong liquid position.

Results and dividends

The income statement is set out on page 6. During 2013, the directors proposed and paid a final dividend of US$629,424 relative to the financial year ended 31 December 2012 (2012 for financial year 2011: US$236,334). The proceeds of the dividends together with a further shareholder contribution were re-invested in the Bank during 2013.

Directors

The directors of the Bank who held office during the year were:

Joseph Grioli - Chairman
Raymond Busuttil
David Hu
James Douglas Nelson
Martin S. Silver
Karl Vella

In accordance with the Bank's articles of association, the directors remain in office until they resign or are otherwise removed from office.

Directors' report - continued

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Banking Act, 1994 and the Maltese Companies Act, 1995 to prepare financial statements that give a true and fair view of the state of affairs of the Bank as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Banking Act, 1994 and the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of IIG Bank (Malta) Ltd for the year ended 31 December 2013 are included in the Annual Report 2013, which is published in hard-copy printed form and may be made available on the Bank's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Bank's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

Raymond Busuttil
Director

James Douglas Nelson
Director

Registered Office:
Level 20
Portomaso Business Tower
Portomaso
Malta

Company Secretary:
Karl Vella

Telephone number: 22484500

17 April 2014

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Independent auditor's report

To the Shareholders of IIG Bank (Malta) Ltd

Report on the Financial Statements for the year ended 31 December 2013

We have audited the financial statements of IIG Bank (Malta) Ltd on pages 5 to 51 which comprise the statement of financial position as at 31 December 2013 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 2, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Banking Act, 1994 and the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the Bank as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Banking Act, 1994 and the Maltese Companies Act, 1995.

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Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements

In our opinion:

i) 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;
ii) proper books of account have been kept by the Bank, so far as appears from our examination of those books;
iii) the Bank's financial statements are in agreement with the books of account; and
iv) to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any law in force in the manner so required.

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- the information given in the directors' report is not consistent with the financial statements.
- proper returns adequate for our audit have not been received from branches not visited by us.
- if certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

F Axisa
Fabio Axisa
Partner

17 April 2014

Statement of financial position

	Notes	As at 31 December 2013 US$	2012 US$
ASSETS			
Cash and balances with Central Bank of Malta	4	**315,371**	152,983
Financial assets designated as at fair value through profit or loss	5	**3,044,507**	55,183
Financial assets classified as available-for-sale	6	**45,844,865**	26,212,281
Derivative financial instruments	7	**863,705**	555,156
Loans and advances to banks	8	**29,755,236**	9,541,303
Loans and advances to customers	9	**29,209,260**	39,935,432
Property, plant and equipment	10	**83,305**	104,036
Intangible assets	11	**103,185**	103,916
Accrued income and other assets	12	**1,752,689**	1,787,559
Total assets		**110,972,123**	78,447,849
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**12,765,000**	11,847,000
Fair value reserve	14	**1,404,008**	582,456
Retained earnings		**666,315**	654,799
Total equity		**14,835,323**	13,084,255
Liabilities			
Amounts owed to customers	15	**80,987,848**	43,713,009
Amounts owed to Central Bank of Malta	16	**12,464,565**	20,278,885
Current tax liabilities		**355,644**	332,268
Deferred tax liabilities	17	**767,432**	322,384
Other liabilities	18	**1,561,311**	717,048
Total liabilities		**96,136,800**	65,363,594
Total equity and liabilities		**110,972,123**	78,447,849
MEMORANDUM ITEMS			
Commitments	19	**1,674,559**	785,501

The official closing middle rate of exchange applicable between US dollar and euro published by the European Central Bank as at 31 December 2013 was 1.3791 (2012: 1.3194).

The notes on pages 10 to 51 are an integral part of these financial statements.

The financial statements on pages 5 to 51 were authorised for issue by the board on 17 April 2014 and were signed on its behalf by:

Raymond Busuttil
Director

James Douglas Nelson
Director

Income statement

	Notes	Year ended 31 December 2013 US$	2012 US$
Interest and similar income	20	**5,841,327**	4,419,291
Interest and similar expenses	21	**(2,651,176)**	(1,476,913)
Net interest income		**3,190,151**	2,942,378
Fee and commission income	22	**128,504**	7,467
Fee and commission expense	22	**(510,179)**	(447,674)
Net fee and commission expense		**(381,675)**	(440,207)
Net trading (losses)/gains	23	**(156,420)**	52,789
Gains on disposal of available-for-sale financial assets		**113,061**	-
Operating income		**2,765,117**	2,554,960
Administrative expenses	24	**(1,759,207)**	(1,623,378)
Profit before tax		**1,005,910**	931,582
Tax expense	25	**(364,970)**	(337,577)
Profit for the year		**640,940**	594,005

The notes on pages 10 to 51 are an integral part of these financial statements.

Statement of comprehensive income

	Notes	Year ended 31 December 2013 US$	2012 US$
Profit for the year		**640,940**	594,005
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Fair valuation of available-for-sale financial assets:			
Net changes in fair value arising during the year, before tax	6	**1,376,988**	796,295
Reclassification adjustments – net amounts reclassified to profit or loss, before tax		**(113,061)**	-
Income tax relating to components of other comprehensive income	17	**(442,375)**	(278,703)
Other comprehensive income for the year, net of tax		**821,552**	517,592
Total comprehensive income for the year		**1,462,492**	1,111,597

The notes on pages 10 to 51 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital US$	Fair value reserve US$	Retained earnings US$	Total equity US$
Balance at 1 January 2012		11,502,000	64,864	297,128	11,863,992
Comprehensive income					
Profit for the year		-	-	594,005	594,005
Other comprehensive income:					
Fair valuation of available-for-sale financial assets					
Net changes in fair value arising during the year, net of tax	6,17	-	517,592	-	517,592
Total comprehensive income		-	517,592	594,005	1,111,597
Transactions with owners					
Issue of ordinary share capital	13	345,000	-	-	345,000
Dividends to equity holders	26	-	-	(236,334)	(236,334)
Total transactions with owners		345,000	-	(236,334)	108,666
Balance at 31 December 2012		11,847,000	582,456	654,799	13,084,255
Balance at 1 January 2013		**11,847,000**	**582,456**	**654,799**	**13,084,255**
Comprehensive income					
Profit for the year		-		640,940	640,940
Other comprehensive income:					
Fair valuation of available-for-sale financial assets					
Net changes in fair value arising during the year, net of tax	6,17	-	895,042	-	895,042
Reclassification adjustments – net amounts reclassified to profit or loss, net of deferred tax	6,17	-	(73,490)	-	(73,490)
Total comprehensive income		**-**	**821,552**	**640,940**	**1,462,492**
Transactions with owners					
Issue of ordinary share capital	13	918,000	-	-	918,000
Dividends to equity holders	26	-	-	(629,424)	(629,424)
Total transactions with owners		**918,000**	**-**	**(629,424)**	**288,576**
Balance at 31 December 2013		**12,765,000**	**1,404,008**	**666,315**	**14,835,323**

The notes on pages 10 to 51 are an integral part of these financial statements.

Statement of cash flows

	Notes	2013 US$	2012 US$
		Year ended 31 December	
Operating activities			
Interest and commission income received		**6,172,536**	4,068,785
Interest and commission expense paid		**(2,862,839)**	(1,696,887)
Net trading expense		**(2,248,006)**	(1,921,143)
Tax paid		**(338,921)**	(134,934)
Cash payments to employees and suppliers		**(1,061,122)**	(1,594,634)
Cash flows used in operating activities before changes in operating assets and liabilities		**(338,352)**	(1,278,813)
Changes in operating assets and liabilities:			
Net increase in balances with Central Bank of Malta	4	**(160,726)**	(7,623)
Net increase in loans and advances to banks	8	**(2,951,099)**	(90,904)
Net increase in amounts attributable to Depositor Compensation Scheme	12	**(200,373)**	(116,368)
Net decrease/(increase) in loans and advances to customers	9	**12,906,311**	(14,335,286)
Net increase in amounts owed to customers	15	**33,654,808**	24,616,881
Net (decrease)/increase in amounts owed to Central Bank of Malta	16	**(7,814,320)**	13,780,414
Net cash generated from operating activities		**35,096,249**	22,568,301
Investing activities			
Purchase of available-for-sale investments	6	**(18,185,461)**	(17,850,313)
Proceeds from disposal of available-for-sale investments	6	**1,677,172**	-
Purchase of property, plant and equipment	10	**(24,774)**	(19,604)
Purchase of intangible assets	11	**(37,834)**	-
Net cash used in investing activities		**(16,570,897)**	(17,869,917)
Financing activities			
Issue of ordinary share capital	13	**918,000**	345,000
Dividends paid to equity holders	26	**(629,424)**	(236,334)
Net cash generated from financing activities		**288,576**	108,666
Net movement in cash and cash equivalents		**18,813,928**	4,807,050
Cash and cash equivalents at beginning of year		**8,549,763**	3,742,713
Cash and cash equivalents at end of year	27	**27,363,691**	8,549,763

The notes on pages 10 to 51 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

1.1 Basis of preparation

The Bank's financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Banking Act, 1994 and the Maltese Companies Act, 1995. These financial statements are prepared under the historical cost convention, as modified by the fair valuation of financial assets and financial liabilities at fair value through profit or loss, including derivative financial instruments, and investments classified as available-for-sale.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgment in the process of applying the Bank's accounting policies (see Note 3 - Critical accounting estimates, and judgments in applying accounting policies).

Standards, interpretations and amendments to published standards effective in 2013

During the financial year ended 31 December 2013, the Bank adopted new standards, amendments and interpretations to existing standards that are mandatory for the Bank's accounting period beginning on 1 January 2013. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Bank's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 January 2013. The Bank has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Bank's management are of the opinion that, with the exception of IFRS 9, 'Financial instruments', there are no requirements that will have a possible significant impact on the Bank's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. The effective date of IFRS 9 is yet to be determined. The Bank will consider the implications of the standard and its impact on its financial results when completed.

1 **Summary of significant accounting policies** - continued

1.2 Foreign currency transactions and balances

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in US dollars, which is the Bank's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.3 Financial assets

The Bank classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Initial recognition and derecognition

The Bank recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Bank commits to purchase or sell the asset. Accordingly, the Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership or the Bank has not retained control of the asset.

Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held-for-trading, and financial assets designated by the Bank as at fair value through profit or loss upon initial recognition.

A financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

The Bank's held-for-trading financial instruments consist of derivative contracts.

1. Summary of significant accounting policies - continued

1.3 Financial assets - continued

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in profit or loss and are reported as 'Net trading (losses)/gains'. Interest income and dividend income on financial assets held-for-trading are included in 'Net interest income' or 'Dividend income', respectively.

The Bank also designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed.

According to IAS 39, the fair value option is only applied when the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise; or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis; or
- the financial assets consist of debt hosts and embedded derivatives that must be separated.

The Bank's financial assets at fair value through profit or loss upon initial recognition consist of units in a money market fund.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the Bank intends to sell immediately or in the short term, which are classified as held-for-trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
(b) those that the Bank upon initial recognition designates as available-for-sale; or
(c) those for which the holder may not recover substantially all of their initial investment, other than because of credit deterioration.

Loans and receivables arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets except for maturities greater than twelve months after the end of the reporting period. The latter are classified as non-current assets. Loans and receivables mainly consist of balances held with the Central Bank of Malta and other credit institutions, loans and advances to customers, and any income and accruing on each of these assets.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Interest on loans and receivables is included in profit or loss and is reported as 'Interest and similar income'.

In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and receivable and recognised in profit or loss as net impairment losses.

1. Summary of significant accounting policies - continued

1.3 Financial assets - continued

Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months of the end of the reporting period.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses (in case of monetary assets) being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss. Interest income on available-for-sale assets is calculated using the effective interest method, and is recognised in profit or loss as are foreign currency gains and losses on monetary assets classified as available-for-sale. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in profit or loss in 'Dividend income' when the Bank's right to receive payment is established. The fair values of quoted investments are based on current bid prices.

1.4 Impairment of financial assets

Assets carried at amortised cost

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments;
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or

1. **Summary of significant accounting policies** - continued

1.4 Impairment of financial assets - continued

Assets carried at amortised cost - continued

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
(i) adverse changes in the payment status of borrowers in the portfolio; and
(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between 3 months and 12 months.

The Bank does not hold assets that are not individually significant. The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Bank determines that no objective evidence of impairment exists it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets of peer groups with credit risk characteristics similar to those in the Bank since the Bank does not have specific loss experiences. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

1. Summary of significant accounting policies - continued

1.4 Impairment of financial assets - continued

Assets classified as available-for-sale

The Bank's available-for-sale investments assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

1.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.6 Derivative financial instruments

Derivative financial instruments, including currency forwards and swaps, are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured at their fair value. Fair values for currency forwards are determined using forward exchange market rates at the end of the reporting period. Discounting techniques, reflecting the fact that the respective exchange or settlement will not occur until a future date, are used when the time value of money has a significant effect on the fair valuation of these instruments.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

1.7 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use specific software. These costs are amortised over their estimated useful lives of five years. Costs associated with maintaining computer software programme are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

1. Summary of significant accounting policies - continued

1.7 Intangible assets - continued

At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable (Note 1.9).

1.8 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

	%
Leasehold improvements	20
Furniture and fittings	20
Computer hardware	20
Office equipment	33

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.9 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

1. **Summary of significant accounting policies** - continued

1.10 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.12 Financial liabilities

The Bank recognises a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Bank's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Bank derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

Financial liabilities measured at amortised cost comprise principally amounts owed to Central Bank of Malta, amounts to customers, trade and other payables (Note 1.13) together with other liabilities.

Derivatives are categorised as financial liabilities classified as held for trading. Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included directly in profit or loss and are reported as 'Trading (losses)/gains'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

1.13 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1. Summary of significant accounting policies - continued

1.14 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'Interest income' and 'Interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.15 Fee and commission income and expense

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan origination fees received by the Bank for loans which are probable of being drawn down, are an integral part of generating an involvement with the resulting financial instrument and, together with the related direct costs, are deferred and recognised as an adjustment to the effective interest rate on the loan using the effective interest method. Commissions and fees arising from negotiating a transaction are recognised on completion of the underlying transaction.

1.16 Leases

The Bank is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1.17 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, together with amounts owed to customers.

1.18 Dividend distribution

Dividend distribution to the Bank's shareholders is recognised as a liability in the Bank's financial statements in the period in which the dividends are approved by the Bank's shareholders.

2. Financial risk management

2.1 Financial risk factors

The Bank's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the entity's financial performance.

The Board of directors oversees credit, market, funding and liquidity, operational and strategic business risks. The Bank has developed an integrated risk management framework to identify, assess, manage and report risks and risk adjusted returns.

The Bank's risk management policies are designed to identify and analyse risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board is responsible for the overall effectiveness of the risk management function, which function is however carried out by all the members of the Bank's management.

The Bank's treasury function is responsible for managing assets, liabilities and the overall financial position and is also responsible for the management of funding and liquidity risks. The Bank's risk management function has the overall responsibility for the development of the entity's risk strategy and the implementation of risk principles, framework, policies and related limits.

(a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; accordingly management carefully manages its exposure to this risk. Credit exposures arise principally through the Bank's participation in trade financing transactions, through the Bank's transactions with correspondent banks, and through its investments in debt securities and other exposures arising from its investing activities.

The Bank's principal credit risk exposures relating to on-balance sheet financial assets analysed by IAS 39 categorisation, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, are as follows:

	2013	2012
	US$	US$
Financial assets at fair value through profit or loss:		
Investment in units in a money market fund (Note 5)	**3,044,507**	55,183
Derivative financial instruments (Note 7)	**863,705**	555,156
Financial assets classified as available-for-sale:		
Debt securities (Note 6)	**45,844,865**	26,212,281
Loans and receivables:		
Balances with Central Bank of Malta (Note 4)	**311,445**	150,719
Loans and advances to banks (Note 8)	**29,755,236**	9,541,303
Loans and advances to customers (Note 9)	**29,209,260**	39,935,432
Accrued interest income and receivables (Note 12)	**1,622,004**	1,588,606
	110,651,022	78,038,680

2. Financial risk management - continued

2.1 Financial risk factors - continued

a) Credit risk - continued

The exposures set out in the preceding table are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2013 and 2012, without taking account of any collateral held or any other credit enhancements attached.

In order to manage its principal risk exposures arising from its financial assets, primarily its loans and advances to customers, the Bank compiles and updates due diligence reports in respect of these financial assets, in most circumstances referring to external reviews of the primary borrowers and the respective assignees of export receivables carried out by agencies such as Dun and Bradstreet or their equivalents.

The creditworthiness of counterparties or customers is formally evaluated and appropriate exposure limits are established. Credit review procedures are designed to identify at an early stage exposures which require more detailed monitoring and review. Exposure to credit risk is managed through regular analysis of the ability of counterparties and potential counterparties to meet interest and capital repayment obligations and by changing the exposure limits where deemed appropriate. The Bank manages adherence to limits by reference to reporting mechanisms covering exposures and controls concentrations of risk wherever they are identified.

The geographical concentration of the Bank's financial assets as at the end of the reporting period is analysed below. For the purposes of this table, the Bank has allocated exposures to regions based on the country of domicile of the respective counterparties or customers.

	Latin America	USA	Malta	Other EU countries	Rest of world	Total
	US$	US$	US$	US$	US$	US$
As at 31 December 2013						
Balances with Central Bank of Malta	-	-	311,445	-	-	311,445
Financial assets designated at fair value through profit or loss	-	-	3,044,507	-	-	3,044,507
Financial assets classified as available-for-sale	-	-	42,603,515	3,241,350	-	45,844,865
Derivative financial instruments	-	-	299,344	564,361	-	863,705
Loans and advances to banks	-	-	9,842,058	19,912,154	1,024	29,755,236
Loans and advances to customers	21,019,175	-	-	3,200,000	4,990,085	29,209,260
Accrued income and other assets	705,812	-	706,074	193,132	16,986	1,622,004
	21,724,987	**-**	**56,806,943**	**27,110,997**	**5,008,095**	**110,651,022**
As at 31 December 2012						
Balances with Central Bank of Malta	-	-	150,719	-	-	150,719
Financial assets designated at fair value through profit or loss	-	55,183	-	-	-	55,183
Financial assets classified as available-for-sale	-	-	26,212,281	-	-	26,212,281
Derivative financial instruments	-	-	402,564	152,592	-	555,156
Loans and advances to banks	-	-	5,170,143	4,370,136	1,024	9,541,303
Loans and advances to customers	37,135,432	-	-	2,800,000	-	39,935,432
Accrued income and other assets	1,220,757	-	347,516	20,333	-	1,588,606
	38,356,189	**55,183**	**32,283,223**	**7,343,061**	**1,024**	**78,038,680**

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(a) Credit risk - continued

Loans and advances to customers

Loans and advances to customers are analysed by industry concentration as follows:

	2013 US$	2012 US$
Agriculture, forestry and fishing	**11,475,397**	17,394,867
Manufactured/processed commodity products	**9,543,778**	16,940,565
Construction	**-**	2,800,000
Transport	**3,200,000**	2,800,000
Wholesale trade of commodity products	**4,990,085**	-
	29,209,260	39,935,432

As outlined previously, the Bank monitors these exposures on an individual basis throughout the different stages of the cycle from approval upon origination until maturity. The Bank focuses on the compilation, together with ongoing and event-driven updating of due diligence analyses taking cognisance of actual account developments, repayment history, ability to meet commitments and collateral measurement. Loans and advances to customers are primarily secured via an assignment of export receivables of the borrower and through a cross-collateral in the form of a floating charge over assets.

As at 31 December 2013, loans and advances to customers, mainly were deemed to be fully performing with the exception of assets amounting to US$1,009,000 (2012: US$760,910) which were past due but not impaired. A financial asset is past due when a counterparty has failed to make a payment when contractually due. The past due amounts referred to above were past due by less than a month and were settled shortly after the end of the reporting period. The Bank does not hold significant renegotiated financial assets as at the end of the reporting period as considering the nature of the advances portfolio the Bank does not normally apply forbearance practices.

The Bank is exposed to a significant concentration of credit risk with respect to its loans and advances to customers since a significant proportion of the total loans and advances amounting to US$29,209,260 (2012: US$39,935,432) are due from a limited number of customers. As at 31 December 2013, loans and advances to customers amounting to US$28,412,220 (2012: US$39,320,933) were deemed to be large exposures for regulatory reporting purposes, prior to any eligible exemptions, in accordance with the requirements of the Banking Rule BR/02 "Large Exposures of Credit Institutions Authorised under the Banking Act 1994". As at 31 December 2013, no loans and advances to customers were deemed to be prohibited large exposures, prior to any eligible exemptions, in accordance with the requirements of the Banking Rule BR/02.

Loans and advances to banks and other financial assets

In the normal course of business, the Bank places funds, carries out transactions and enters into forward foreign exchange contracts or currency swaps with specific high quality locally listed banks and international banks having a very high credit rating, subject to the application of a limit framework.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Credit risk - continued

As part of its treasury management activities the Bank invests in debt instruments issued primarily by local government. These transactions are monitored through the practical use of exposure limits. All such investments are listed on the Malta Stock Exchange, which is currently the only locally-based Recognised Investment Exchange (RIE) in Malta.

During the year under review, the Bank also invested in listed debt securities issued by foreign corporates with high credit quality and strong financial background taking cognisance of the Bank's limit mechanism. External ratings such as Standard & Poor's rating or their equivalents are used for monitoring these credit risk exposures.

The Bank has also places liquidity in excess of operational requirements in an unrated money market fund, which seeks to invest predominantly in local term deposits and Malta Government Treasury Bills. During the preceding year, the Bank placed excess liquidity with an institution money market fund which invested mainly in US Government securities and repurchase agreements covering such securities. The latter fund was AAA rated by both Moody's and Standard & Poor's.

At the end of the reporting period, the Bank had no past due or impaired financial assets within this category.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Credit risk - continued

The following tables present an analysis of the Bank's financial assets, other than loans and advances to customers and amounts receivable from the Depositor Compensation Scheme, by rating agency designation at 31 December 2013 and at 31 December 2012, based on Fitch ratings or their equivalent:

	Balances with Central Bank of Malta US$	Financial assets at fair value through profit or loss US$	Financial assets classified as available -for-sale US$	Derivative financial instruments US$	Loans and advances to banks US$
2013					
AAA	-	-	403,521	-	-
AA-	-	-	986,600	-	-
A+	-	-	-	-	12,944,398
A	311,445	-	42,603,515	564,361	6,967,756
A-	-	-	275,253	-	-
BBB+	-	-	-	-	3,758,452
BBB	-	-	723,978	-	-
BBB-	-	-	851,998	-	-
BB	-	-	-	299,344	3,329,006
Unrated	-	3,044,507	-	-	2,755,624
Total	**311,445**	**3,044,507**	**45,844,865**	**863,705**	**29,755,236**
2012					
AAA	-	55,183	-	-	-
A+	150,719	-	26,212,281	-	2,784,747
A	-	-	-	349,973	2,207,899
BBB+	-	-	-	-	1,430,291
BB	-	-	-	205,183	3,117,342
Unrated	-	-	-	-	1,024
Total	**150,719**	**55,183**	**26,212,281**	**555,156**	**9,541,303**

(b) Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Market risk - continued

Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. Foreign exchange risk arises when financial assets or liabilities are denominated in currencies which are different from the Bank's functional currency.

The Bank funds its growth through the acceptance of deposits predominantly denominated in Euro and the UK Pound (GBP), and through the credit operations (Refinancing Operations) of the Central Bank of Malta within the Eurosystem's credit operations framework.

The Bank manages its currency risk on an ongoing basis by ensuring that foreign currency liabilities are utilised to fund assets denominated in the same foreign currency thereby matching asset and liability positions as much as is practicable. When it is not possible to match the asset and liability currency positions, the Bank hedges its open foreign exchange exposures arising from customer deposits by entering into forward foreign exchange contracts or currency swaps with terms which match those of the hedged items.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Market risk - continued

Foreign exchange risk - continued

The following tables summarise the Bank's exposure to foreign currency risk at 31 December. Included in the tables are the Bank's financial instruments at carrying amounts, categorised by currency.

	US$	GBP US$	Euro US$	Total US$
As at 31 December 2013				
Financial assets				
Balances with Central Bank of Malta	-	-	311,445	311,445
Financial assets designated at fair value through profit and loss	-	-	3,044,507	3,044,507
Financial assets classified as available-for-sale	986,600	-	44,858,265	45,844,865
Loans and advances to banks	12,306,234	3,449,511	13,999,491	29,755,236
Loans and advances to customers	29,209,260	-	-	29,209,260
Accrued interest income and other assets	881,831	-	740,173	1,622,004
Total financial assets	43,383,925	3,449,511	62,953,881	109,787,317
Financial liabilities				
Amounts owed to customers	8,740,021	16,228,515	56,019,312	80,987,848
Amounts owed to Central Bank of Malta	-	-	12,464,565	12,464,565
Accrued interest payable and other liabilities	608,114	131,047	822,150	1,561,311
Total financial liabilities	9,348,135	16,359,562	69,306,027	95,013,724
Net on balance sheet position	34,035,790	(12,910,051)	(6,352,146)	
Off-balance sheet net notional position		12,838,074	6,047,136	
Net currency exposure		**(71,977)**	**(305,010)**	

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) *Market risk* - continued

Foreign exchange risk – continued

As at 31 December 2012	US$	GBP US$	Euro US$	Total US$
Financial assets				
Balances with Central Bank of Malta	-	-	150,719	150,719
Financial assets designated at fair value through profit and loss	55,183	-	-	55,183
Financial assets classified as available-for-sale	-	-	26,212,281	26,212,281
Loans and advances to banks	109,398	19,117	9,412,788	9,541,303
Loans and advances to customers	39,935,432	-	-	39,935,432
Accrued interest income and other assets	1,241,090	-	347,516	1,588,606
Total financial assets	41,341,103	19,117	36,123,304	77,483,524
Financial liabilities				
Amounts owed to customers	1,727,612	8,410,789	33,574,608	43,713,009
Amounts owed to Central Bank of Malta	-	-	20,278,885	20,278,885
Accrued interest payable and other liabilities	102,874	51,596	562,578	717,048
Total financial liabilities	1,830,486	8,462,385	54,416,071	64,708,942
Net on balance sheet position	39,510,617	(8,443,268)	(18,292,767)	
Off-balance sheet net notional position		8,475,538	18,301,198	
Net currency exposure		32,270	8,431	

The notional amounts of the derivative contracts at the end of the reporting period substantially match the carrying amount of the net foreign currency exposure. Based on this, the Board believes that the foreign exchange risk is not material in view of the fact that exchange differences on the net financial position exposures are substantially offset by fair value differences on the derivative contracts. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary since the directors are of the opinion that the net impact (after hedging transactions) would be insignificant.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

2. **Financial risk management** - continued

2.1 Financial risk factors – continued

(c) *Market risk* - continued

Interest rate risk - continued

The exposure to cash flow and fair value interest rate risk as at 31 December is shown below:

	Floating rates US$	Fixed rates US$	Non-interest bearing US$	Total US$
At 31 December 2013				
Interest-bearing assets				
Financial assets designated at FVTPL:				
Units in a money market fund	3,044,507	-	-	3,044,507
Financial assets classified as available-for-sale:				
Debt securities	2,343,475	43,501,390	-	45,844,865
Loans and receivables:				
Balances with Central Bank of Malta	311,445	-	-	311,445
Loans and advances to banks	-	5,936,936	23,818,300	29,755,236
Loans and advances to customers	2,895,000	26,314,260	-	29,209,260
	8,594,427	75,752,586	23,818,300	108,165,313
Interest-bearing liabilities				
Amounts owed to customers	-	80,987,848	-	80,987,848
Amounts owed to Central Bank of Malta	12,464,565	-	-	12,464,565
	12,464,565	80,987,848	-	93,452,413
Net exposure	**(3,870,138)**	**(5,235,262)**	**23,818,300**	**14,712,900**
At 31 December 2012				
Interest-bearing assets				
Financial assets designated at FVTPL:				
Units in a money market fund	55,183	-	-	55,183
Financial assets classified as available-for-sale:				
Debt securities	-	26,212,281	-	26,212,281
Loans and receivables:				
Balances with Central Bank of Malta	150,719	-	-	150,719
Loans and advances to banks	-	3,012,919	6,528,384	9,541,303
Loans and advances to customers	-	39,935,432	-	39,935,432
	205,902	69,160,632	6,528,384	75,894,918
Interest-bearing liabilities				
Amounts owed to customers	-	43,713,009	-	43,713,009
Amounts owed to Central Bank of Malta	20,278,885	-	-	20,278,885
	20,278,885	43,713,009	-	63,991,894
Net exposure	(20,072,983)	25,447,623	6,528,384	11,903,024

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Market risk - continued

Interest rate risk - continued

Financial instruments issued at fixed rates potentially expose the Bank to fair value interest rate risk. Loans and advances to customers, loans and advances to banks and amounts owed to customers are measured at amortised cost and are therefore not subject to fair value interest rate risk.

The Bank's instruments that are fair valued comprise the Bank's investments in a money market fund which are fair valued through profit or loss (Note 5) and debt securities classified as available-for-sale (Note 6). A significant proportion of the Bank's investments in debt securities are subject to fixed interest rates. The risk of losses arising from fair value interest rate risk in this respect is principally managed by investing in debt securities issued by the Government of Malta and in securities issued by high quality foreign corporates, the fair value of which is not expected to fluctuate considerably, and accordingly exposure to fair value interest rate risk in this respect is not deemed to be significant.

As outlined above, the Bank was also exposed to cash flow interest rate risk principally in respect of certain financial assets and liabilities which were subject to floating interest rates. Financial assets and liabilities issued at variable rates expose the Bank to cash flow interest rate risk.

Taking cognisance of the nature of the Bank's financial assets and liabilities as described above, under the requirements of IFRS 7, a sensitivity analysis in respect of interest rate changes is required in relation to the Bank's net floating rate liabilities.

At the end of the reporting period, if interest rates had increased by 1% (assuming a parallel shift of 100 basis points in yields) with all other variables held constant, in particular foreign currency rates, the post-tax result for the year would decrease by US$38,701 (2012: US$200,730).

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Market risk - continued

Interest rate risk - continued

The following table summarises the Bank's exposures to interest rate risk. It includes the entity's financial instruments at carrying amounts, categorised by re-pricing dates, taking cognisance of the instruments' interest rate terms. Since the entity's interest bearing assets and liabilities are mainly subject to fixed interest rates, the re-pricing periods are generally equivalent to the remaining period to maturity.

	Within one month US$	Within three months but over one month US$	Within one year but over three months US$	More than one year US$	Non interest bearing US$	Total US$
As at 31 December 2013						
Financial assets						
Balances with Central Bank of Malta	311,445	-	-	-	-	311,445
Financial assets designated at fair value through profit or loss	3,044,507	-	-	-	-	3,044,507
Financial assets classified as available-for-sale	-	275,253	2,068,222	43,501,390	-	45,844,865
Loans and advances to banks	2,808,515	1,377,300	1,751,121	-	23,818,300	29,755,236
Loans and advances to customers	3,737,070	6,710,816	18,761,374	-	-	29,209,260
	9,901,537	**8,363,369**	**22,580,717**	**43,501,390**	**23,818,300**	**108,165,313**
Financial liabilities						
Amounts owed to customers	8,439,825	14,029,885	25,168,696	33,349,442	-	80,987,848
Amounts owed to Central Bank of Malta	-	2,754,600	-	9,709,965	-	12,464,565
	8,439,825	**16,784,485**	**25,168,696**	**43,059,407**	**-**	**93,452,413**
Interest rate gap	**1,461,712**	**(8,421,116)**	**(2,587,979)**	**441,983**		
Cumulative gap	**1,461,712**	**(6,959,404)**	**(9,547,383)**	**(9,105,400)**		

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) *Market risk* - continued

Interest rate risk - continued

As at 31 December 2012	Within one month US$	Within three months but over one month US$	Within one year but over three months US$	More than one year US$	Non interest bearing US$	Total US$
Financial assets						
Balances with Central Bank of Malta	150,719	-	-	-	-	150,719
Financial assets designated at fair value through profit or loss	55,183	-	-	-	-	55,183
Financial assets classified as available-for-sale	-	-	-	26,212,281	-	26,212,281
Loans and advances to banks	2,115,121	-	897,798	-	6,528,384	9,541,303
Loans and advances to customers	6,466,486	6,143,643	27,136,103	189,200	-	39,935,432
	8,787,509	6,143,643	28,033,901	26,401,481	6,528,384	75,894,918
Financial liabilities						
Amounts owed to customers	4,121,479	3,817,062	15,544,521	20,229,947	-	43,713,009
Amounts owed to Central Bank of Malta	4,359,630	6,605,500	-	9,313,755	-	20,278,885
	8,481,109	10,422,562	15,544,521	29,543,702	-	63,991,894
Interest rate gap	306,400	(4,278,919)	12,489,380	(3,142,221)		
Cumulative gap	306,400	(3,972,519)	8,516,861	5,374,640		

(c) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments.

The Bank manages this risk, by maintaining a strong base of shareholders' capital considering the initial stages of its operations. The Bank manages its asset base with liquidity in mind, and monitors future cash flows and changes in available liquidity on a regular basis.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- short term placements with other banks;
- investments in a money market fund; and
- unencumbered Government bonds and other securities amounting to US$27,960,008 (2012: US$5,933,396 that are readily acceptable for repurchase agreements with central banks.

Liquidity is managed by the Bank's treasury function and the Bank's liquidity management process, includes:

- day to day funding, managed by monitoring future cash flows to ensure that requirements can be met including plans for replenishment of funds as they mature;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- managing the concentration and profile of debt maturities.

Moreover, sources of liquidity are regularly reviewed by the treasury function to maintain a wide diversification by provider, product and term. Monitoring takes the form of cash flow projections for the next day, week and month respectively, as these are key periods for liquidity management.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The following table discloses financial assets and liabilities at the end of the reporting period by remaining period to maturity.

As at 31 December 2013	Within one month US$	Within three months but over one month US$	Within one year but over three months US$	More than one year US$	No maturity US$	Total US$
Financial assets						
Balances with Central Bank of Malta	-	-	-	-	311,445	311,445
Financial assets designated at fair value through profit or loss	3,044,507	-	-	-	-	3,044,507
Financial assets classified as available-for-sale	-	-	-	45,844,865	-	45,844,865
Derivative financial instruments	85,064	299,290	479,351	-	-	863,705
Loans and advances to banks	26,626,816	1,377,300	1,751,120	-	-	29,755,236
Loans and advances to customers	3,737,070	6,710,816	18,761,374	-	-	29,209,260
Accrued income and other assets	182,780	93,154	626,939	399,767	450,049	1,752,689
	33,676,237	8,480,560	21,618,784	46,244,632	761,494	110,781,707
Financial liabilities						
Amounts owed to customers	8,439,825	14,029,885	25,168,696	33,349,442	-	80,987,848
Amounts owed to Central Bank of Malta	-	2,754,600	-	9,709,965	-	12,464,565
Other liabilities	17,805	987,400	151,404	404,704	-	1,561,313
	8,457,630	17,771,885	25,320,100	43,464,111	-	95,013,726
Maturity gap	**25,218,607**	**(9,291,325)**	**(3,701,316)**	**2,780,521**		
Cumulative gap	**25,218,607**	**15,927,282**	**12,225,966**	**15,006,487**		

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

As at 31 December 2012	Within one month US$	Within three months but over one month US$	Within one year but over three Months US$	More than one year US$	No maturity US$	Total US$
Financial assets						
Balances with Central Bank of Malta	-	-	-	-	150,719	150,719
Financial assets designated at fair value through profit or loss	55,183	-	-	-	-	55,183
Financial assets classified as available-for-sale	-	-	-	26,212,281	-	26,212,281
Derivative financial Instruments	-	-	555,156	-	-	555,156
Loans and advances to banks	8,643,505	-	897,798	-	-	9,541,303
Loans and advances to customers	6,466,486	6,143,643	27,136,103	189,200	-	39,935,432
Accrued income and other assets	352,500	247,968	992,820	12,169	182,102	1,787,559
	15,517,674	6,391,611	29,581,877	26,413,650	332,821	78,237,633
Financial liabilities						
Amounts owed to customers	4,121,479	3,817,062	15,544,521	20,229,947	-	43,713,009
Amounts owed to Central Bank of Malta	4,359,630	6,605,500	-	9,313,755	-	20,278,885
Other liabilities	104,740	268,157	271,423	72,728	-	717,048
	8,585,849	10,690,719	15,815,944	29,616,430	-	64,759,681
Maturity gap	6,931,825	(4,299,108)	13,765,933	(3,202,780)		
Cumulative gap	6,931,825	2,632,717	16,398,650	13,195,870		

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The following table analyses the Bank's principal financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Within one month US$	Within three months but over one month US$	Within one year but over three months US$	More than one year US$	Total US$	Carrying amount US$
As at 31 December 2013						
Amounts owed to customers	8,703,845	14,499,994	26,732,611	36,286,144	86,222,594	80,987,848
Amounts owed to Central Bank of Malta	2,755,174	-	-	9,737,898	12,493,072	12,464,565
Other liabilities	17,803	987,400	151,404	404,704	1,561,311	1,561,311
	11,476,822	**15,487,394**	**26,884,015**	**46,428,746**	**100,276,977**	**95,013,724**
As at 31 December 2012						
Amounts owed to customers	4,271,871	4,095,781	16,565,960	22,085,617	47,019,229	43,713,009
Amounts owed to Central Bank of Malta	4,362,446	6,613,619	-	9,464,959	20,441,024	20,278,885
Other liabilities	104,740	268,157	271,423	72,728	717,048	717,048
	8,739,057	10,977,557	16,837,383	31,623,304	68,177,301	64,708,942

The Bank's currency derivatives are all settled on a gross basis. The following tables analyse the Bank's derivative financial instruments into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Contracted undiscounted cash flows		
	Within three months but over one month US$	**Within one year but over three months US$**	**Total US$**
At 31 December 2013			
Inflows	10,459,025	8,411,574	18,870,599
Outflows	(10,074,671)	(7,932,224)	(18,006,894)
	384,355	**479,350**	**863,705**
At 31 December 2012			
Inflows	4,406,277	20,412,728	24,819,006
Outflows	(4,424,609)	(19,839,241)	(24,263,850)
	(18,332)	573,487	555,156

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Bank's Board of directors is primarily responsible for the development and implementation of policies and procedures to ensure that operational risks are managed effectively. The Bank mitigates the possibility of impact risk events through the implementation of a business continuity plan, which encompasses risk mitigation achieved through back-up information security infrastructures, back-up disaster recovery sites and insurance covers over particular business risks. Such systems enable the Bank to operate on an ongoing basis and limit losses in the event of severe business disruption.

The Bank currently uses the Basic Indicator Approach to assess the operational risk capital requirements and accordingly allocates 15% of average gross income for a three year period in accordance with regulatory requirements. The operational risk regulatory capital requirement as at December 2013 amounted to US$269,581 (2012: US$295,294).

2.2 Capital risk management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' as disclosed in the statement of financial position, are:

- to comply with the capital requirements set by the Malta Financial Services Authority (MFSA);
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on an ongoing basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Union Directives, as implemented by the MFSA for supervisory purposes.

The Authority requires a bank to maintain a ratio of total regulatory capital to risk-weighted assets and the Capital requirements ratio above the prescribed minimum level of 8%.

The Capital requirements ratio expresses own funds as a proportion of risk weighted assets and off-balance sheet items in relation to credit risk together with notional risk weighted assets in respect of operational risk and market risk.

The risk-weighted assets are measured using the 'standardised approach' for credit risk. Risk weights are assigned to assets and off-balance sheet items according to their asset class and credit assessment. For the determination of credit assessments reference is made to External Credit Assessment Institutions.

2. **Financial risk management** - continued

2.2 Capital risk management - continued

The following table shows the components of own funds and accordingly the basis of calculation of the Bank's capital adequacy ratio:

	2013 **US$**	2012 US$
Share capital	**12,765,000**	11,847,000
Retained earnings	**666,315**	654,799
Less:		
Intangible assets	**(103,185)**	(103,916)
Other deductions	**(578,723)**	(306,333)
Total original own funds	**12,749,407**	12,091,550
Additional own funds:		
Fair value reserve	**1,404,008**	582,456
Total own funds	**14,153,415**	12,674,006

Other deductions relate to the commitment to pledge US$578,723 (2012: US$306,333) in favour of the Depositor Compensation Scheme as at 31 December 2013, which is excluded from the Own Funds calculation in accordance with the requirements of Banking Rule BR/03, "Own Funds of Credit Institutions Authorised under the Banking Act, 1994".

2. Financial risk management - continued

2.2 Capital risk management - continued

The following table summarises the computation of the regulatory capital ratio of the Bank as at the end of the reporting period. During the financial period under review, the Bank complied with all the externally imposed capital requirements to which it was subject with a significant buffer over and above the prescribed minimum.

	Notional amount US$	Risk weighted assets US$
As at 31 December 2013		
Balances with Central Bank of Malta	311,445	-
Financial assets designated at fair value through profit or loss	3,044,507	3,044,507
Financial assets classified as available-for-sale	45,844,865	1,906,289
Loans and advances to banks	29,755,236	11,550,609
Loans and advances to customers	29,209,260	38,298,815
Derivative financial instruments	863,705	863,705
Other assets	1,943,105	1,943,105
Credit risk	**110,972,123**	**57,607,030**
Foreign exchange risk		168,595
Operational risk		3,369,763
Total risk weighted assets		**61,145,388**
Own funds		**14,153,415**
Capital requirements ratio		**23%**
As at 31 December 2012		
Balances with Central Bank of Malta	150,719	-
Financial assets designated at fair value through profit or loss	55,183	11,037
Financial assets classified as available-for-sale	26,212,281	-
Loans and advances to banks	9,541,303	3,932,587
Loans and advances to customers	39,935,432	54,025,497
Derivative financial instruments	555,156	555,156
Other assets	1,997,775	1,142,019
Credit risk	78,447,849	59,666,296
Foreign exchange risk		26,088
Operational risk		3,691,180
Total risk weighted assets		63,383,564
Own funds		12,674,006
Capital requirements ratio		20%

2. Financial risk management - continued

2.3 Fair value of financial instruments

Financial instruments measured at fair value

The following table analyses financial instruments that are measured in the statement of financial position at fair value, by level of the following fair value measurement hierarchy. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Bank does not hold any level 3 instruments.

The following table presents the Bank's financial assets that are measured at fair value.

	Level 1 US$	Level 2 US$	Total balance US$
As at 31 December 2013			
Assets			
Financial assets designated at fair value through profit or loss:			
Investments in money market fund	3,044,507	-	3,044,507
Financial assets held-for-trading			
Derivative financial assets	-	863,705	863,705
Financial assets classified as available-for-sale:			
Listed debt securities	45,844,865	-	45,844,865
Total financial assets at fair value	**48,889,372**	**863,705**	**49,753,077**
As at 31 December 2012			
Assets			
Financial assets designated at fair value through profit or loss:			
Investments in money market fund	55,183	-	55,183
Financial assets held-for-trading			
Derivative financial assets	-	555,156	555,156
Financial assets classified as available-for-sale:			
Listed debt securities	26,212,281	-	26,212,281
Total financial assets at fair value	26,267,464	555,156	26,822,620

There were no transfers between levels 1 and 2 during the year.

2. Financial risk management - continued

2.3 Fair value of financial instruments - continued

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank is the current bid price.

Instruments included in level 1 comprise primarily debt instruments issued by the Government of Malta and listed on the Malta Stock Exchange as well as debt securities listed on the Frankfurt Stock Exchange and other exchanges. The Bank's level 1 instruments also include the Bank's investments in a money market fund the fair value of which is determined by the fund manager on a daily basis and which is directly derived from the observable market values of the principal underlying assets.

(b) Financial instruments in Level 2

Fair values for the Bank's derivative contracts are determined utilising valuation techniques, involving primarily the use of discounted cash flow techniques. The fair values referred to are determined by reference to market prices or rates (forward foreign exchange rates) quoted at the end of the reporting period. The valuation techniques used are supported by observable market prices or rates since their variables include only data from observable markets. The Bank's derivative financial instruments are accordingly categorised as level 2 instruments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Bank does not hold any level 3 instruments.

Financial instruments not measured at fair value

Loans and advances to banks and customers and amounts owed to Central Bank of Malta and customers are carried at amortised cost in the statement of financial position. The directors consider the carrying amounts of loans and advances to customers and banks to be a reasonable estimate of their fair value principally in view of the relatively short periods to repricing or maturity from the end of the reporting periods. The fair value of fixed interest deposits and amounts owed to Central Bank of Malta, is not deemed to be significantly different from their carrying amounts, based on discounted cash flows at current market interest rates, particularly due to the relatively short periods to maturity. The current market interest rates utilised for fair value estimation, which reflect essentially the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2.

3. Critical accounting estimates, and judgments in applying accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

3. Critical accounting estimates, and judgments in applying accounting policies - continued

The directors believe there are no areas involving a higher degree of judgement that have the most significant effect on the amounts recognised in the financial statements; and there are no key assumptions and other key sources of estimation uncertainty relating to estimates that require directors' most difficult, subjective or complex judgments.

4. Cash and balances with Central Bank of Malta

	2013 US$	2012 US$
Cash in hand	**3,926**	2,264
Mandatory reserve deposits with Central Bank of Malta	**311,445**	150,719
	315,371	152,983

Mandatory reserve deposits attract interest at floating rates.

5. Financial assets designated as at fair value through profit or loss

	2013 US$	2012 US$
Units in a money market fund	**3,044,507**	55,183

Financial assets at fair value through profit or loss at 31 December 2013 consist of placements in the form of investments in a money market fund that mainly seeks to invest in local term deposits and Malta Government Treasury bills. At 31 December 2012 these assets comprised overnight placements in the form of investments in a money market fund that mainly invested in US Government securities and repurchase agreements in relation to such securities. These financial assets have been designated as assets at fair value through profit or loss in view of the fact that they are risk managed and reported to senior management on a fair value basis.

Financial assets designated as at fair value through profit or loss are included in cash and cash equivalents for the purposes of the statement of cash flows (Note 27).

6. Financial assets classified as available-for-sale

	2013 US$	2012 US$
Debt securities	**45,844,865**	26,212,281

The movement in available-for-sale investments may be summarised as follows:

	2013 US$	2012 US$
Year ended 31 December		
At 1 January	**26,212,281**	7,024,375
Acquisitions	**18,185,461**	17,850,313
Disposals	**(1,677,172)**	-
Amortisation	**(35,730)**	(35,587)
Foreign exchange movements	**1,783,037**	576,885
Fair value movements	**1,376,988**	796,295
At 31 December	**45,844,865**	26,212,281

The Bank's investments consist entirely of listed securities and are analysed by issuer as follows:

	2013 US$	2012 US$
Local government	**42,603,515**	26,212,281
Foreign corporates	**3,241,350**	-
	45,844,865	26,212,281

At 31 December 2013, the Bank had pledged available-for-sale investments amounting to US$22,033,273 (2012: US$21,925,986) in favour of the Central Bank of Malta as security for term loans and advances amounting to US$12,464,565 (2012: US$20,278,885).

Furthermore, the Bank had pledged as collateral available-for-sale investments amounting to US$2,254,750 in favour of another credit institution for the purpose of executing derivative transactions.

7. Derivative financial instruments

The fair values of derivative financial instruments held at the end of each reporting period are set out in the following table:

	2013 US$	2012 US$
Derivative financial assets:		
- currency swaps	**863,705**	555,156

7. Derivative financial instruments - continued

The Bank enters into derivative contracts, mainly currency swaps, to hedge the foreign currency exposures arising out of amounts owed to customers. While these derivative transactions provide effective economic hedges, hedge accounting under the requirements of IAS 39 has not been adopted in this respect. Accordingly, these derivative contracts held for risk management purposes have been classified as held-for-trading in these financial statements in accordance with IAS 39.

The derivative financial instruments at 31 December 2013 relate to the forward purchase of £6,567,000 (2012: £5,217,000) and the forward purchase of €5,805,000 (2012: €13,853,000) against US$ maturing within one year from the end of the reporting period at the average contractual rate of 1.5803 (2012: 1.5938) and 1.3143 (2012: 1.2970) respectively. At 31 December 2013, derivative financial instruments also relate to the forward purchase of £1,200,000 (2012: £Nil) against Euro at a contractual rate of 0.8484.

8. Loans and advances to banks

	2013 US$	2012 US$
Current:		
Repayable on call and at short notice	**25,840,284**	6,528,384
Term loans and advances	**3,914,952**	3,012,919
	29,755,236	9,541,303

Loans and advances with a contractual maturity of three months or less are included in cash and cash equivalents for the purposes of the statement of cash flows (Note 27).

9. Loans and advances to customers

	2013 US$	2012 US$
Term loans and advances to customers	**29,209,260**	39,935,432
Analysed as follows:		
Current	**29,209,260**	39,746,232
Non-current	-	189,200
	29,209,260	39,935,432

Loans and advances to customers amounting to US$24,219,174 (2012: US$39,935,432) consist of participations in financing transactions, initiated by IIG Capital LLC, a related party (Note 28). These participations are subject to fixed interest rates ranging from 9.02% to 19.00% (2012: 9.04% to 14.50%), and the weighted average interest rate as at 31 December 2013 was 11.39% (2012: 10.61%).

Other loans and advances to customers amounting to US$4,990,086, of which an amount of US$2,895,000 is subject to floating interest rates, bear interest rates ranging from 5.17% to 5.85% as at 31 December 2013. The weighted average interest rate as at 31 December 2013 was 5.46%.

Loans and advances to customers are primarily secured via an assignment of export receivables of the borrower and through a cross-collateral in the form of a floating charge over inventories.

Loans and advances with a contractual maturity of three months or less are included in cash and cash equivalents for the purposes of the statement of cash flows (Note 27).

10. Property, plant and equipment

	Leasehold improvements US$	Furniture and fittings US$	Computer hardware US$	Office equipment US$	Total US$
At 1 January 2012					
Cost	45,654	84,431	59,570	30,455	220,110
Accumulated depreciation	(14,788)	(28,050)	(19,795)	(19,508)	(82,141)
Net book amount	30,866	56,381	39,775	10,947	137,969
Year ended 31 December 2012					
Opening net book amount	30,866	56,381	39,775	10,947	137,969
Additions	3,131	1,332	11,289	3,852	19,604
Depreciation charge	(9,161)	(17,363)	(14,689)	(12,324)	(53,537)
Closing net book amount	24,836	40,350	36,375	2,475	104,036
At 31 December 2012					
Cost	48,785	85,763	70,859	34,307	239,714
Accumulated depreciation	(23,949)	(45,413)	(34,484)	(31,832)	(135,678)
Net book amount	24,836	40,350	36,375	2,475	104,036
Year ended 31 December 2013					
Opening net book amount	24,836	40,350	36,375	2,475	104,036
Additions	-	-	24,774	-	24,774
Depreciation charge	(9,422)	(17,487)	(16,254)	(2,342)	(45,505)
Closing net book amount	**15,414**	**22,863**	**44,895**	**133**	**83,305**
At 31 December 2013					
Cost	48,785	85,763	95,633	34,307	264,488
Accumulated depreciation	(33,372)	(62,900)	(50,737)	(34,174)	(181,183)
Net book amount	**15,413**	**22,863**	**44,896**	**133**	**83,305**

Additions of computer hardware reflected in the table above amounting to €22,820 relate to assets in the course of development as at 31 December 2013.

11. Intangible assets

	Computer software US$
At 1 January 2012	
Cost	192,826
Accumulated amortisation	(50,345)
Net book amount	142,481
Year ended 31 December 2012	
Opening net book amount	142,481
Amortisation charge	(38,565)
Closing net book amount	103,916
At 31 December 2012	
Cost	192,826
Accumulated amortisation	(88,910)
Net book amount	103,916
Year ended 31 December 2013	
Opening net book amount	103,916
Additions	37,834
Amortisation charge	(38,565)
Closing net book amount	**103,185**
At 31 December 2013	
Cost	230,660
Accumulated amortisation	(127,475)
Net book amount	103,185

Additions of computer software reflected in the table above amounting to €37,834 relate to assets in the course of development as at 31 December 2013.

12. Accrued income and other assets

	2013 US$	2012 US$
Amounts attributable to the Depositor Compensation Scheme	**319,364**	118,991
Indirect taxation	**51,929**	135,842
Accrued interest income	**1,302,640**	1,469,615
Prepayments	**78,756**	63,111
	1,752,689	1,787,559

13. Share capital

	2013 US$	2012 US$
Authorised		
99,999,999 Ordinary 'A' shares of US$1 each	**99,999,999**	99,999,999
1 Ordinary 'B' Share of US$1 each	**1**	1
	100,000,000	100,000,000
Issued and fully paid up		
12,764,999 (2012: 11,846,999) Ordinary 'A' shares of US$1 each	**12,764,999**	11,846,999
1 Ordinary 'B' Share of US$1 each	**1**	1
	12,765,000	11,847,000

The Ordinary 'B' share, which is held by a director, does not carry any voting rights and is not entitled to receive dividends.

During 2013, by virtue of a resolution with an effective date of 26 August 2013, the Bank's shareholders approved an increase in the issued share capital from US$11,847,000 to US$12,765,000 through the allotment of 918,000 fully paid up Ordinary 'A' shares of US$1 each.

During 2012, by virtue of a resolution with an effective date of 31 July 2012, the Bank's shareholders approved an increase in the issued share capital from US$11,502,000 to US$11,847,000 through the allotment of 345,000 fully paid up Ordinary 'A' shares of US$1 each.

14. Fair value reserve

The fair value reserve reflects the effects of the fair value measurement of financial instruments classified as available-for-sale, net of deferred taxes. Any gains or losses are not recognised in profit or loss until the asset has been sold or impaired.

15. Amounts owed to customers

	2013 US$	2012 US$
Term deposits	**74,882,825**	40,827,875
Call accounts	**6,105,023**	2,885,134
	80,987,848	43,713,009
Analysed as follows:		
Current	**47,638,407**	23,483,062
Non-current	**33,349,441**	20,229,947
	80,987,848	43,713,009

Amounts owed to customers are classified as liabilities at amortised cost and are subject to fixed interest rates.

16. Amounts owed to Central Bank of Malta

	2013 US$	2012 US$
Term loans and advances	**12,464,565**	20,278,885
Analysed as follows:		
Current	**2,754,600**	10,965,130
Non-current	**9,709,965**	9,313,755
	12,464,565	20,278,885

Term loans and advances are subject to variable interest rates and are secured by a pledge over the Bank's available-for-sale investment portfolio as disclosed in Note 6. These liabilities relate to the Bank's participation in the European Central Bank's open market operations.

17. Deferred taxation

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2012: 35%).

The movement on the deferred tax account is as follows:

	2013 US$	2012 US$
At beginning of year	**322,384**	46,048
Recognised in profit or loss		
- Deferred taxes on temporary differences arising on depreciation of property, plant and equipment	**2,673**	(2,367)
Recognised in other comprehensive income		
- Deferred taxes on fair valuation of available-for-sale financial assets		
Net changes in fair value	**481,946**	278,703
Reclassification adjustments to profit or loss	**(39,571)**	-
At end of year	**767,432**	322,384

The balance at 31 December represents:

	2013 US$	2012 US$
At 31 December		
Temporary differences arising on fair valuation of available-for-sale financial assets	**756,004**	313,629
Temporary differences arising on depreciation of property, plant and equipment	**11,428**	8,755
	767,432	322,384

The recognised deferred tax liabilities are expected to be settled principally after more than twelve months.

18. Other liabilities

	2013 US$	2012 US$
Accrued interest expense	**772,291**	473,775
Other payables and accrued expenses	**789,020**	243,273
	1,561,311	717,048

19. Commitments

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases where the Bank is a lessee are as follows:

	2013 US$	2012 US$
- Not later than one year	**312,946**	209,914
- Later than one year and not later than five years	**184,308**	388,245
	497,254	598,159

The Bank's operating lease commitments relate to leases of property, motor vehicles and computer software.

Other commitments

During 2013, the Bank entered into a committed revolving lending facility agreement having an undrawn balance of US$904,915 as at 31 December 2013.

At the end of the reporting period, the Bank has a commitment to further pledge US$272,390 (2012: US$187,342) in favour of the Depositor Compensation Scheme, in addition to the funds already placed by the Bank with the Scheme as disclosed in Note 12.

20. Interest and similar income

	2013 US$	2012 US$
On financial assets classified as available-for-sale:		
- coupon interest	**1,619,821**	849,838
- net amortisation of premiums and discounts	**(35,730)**	(35,587)
On loans and advances to banks	**116,643**	105,033
On loans and advances to customers	**4,140,593**	3,500,007
	5,841,327	4,419,291

21. Interest and similar expenses

	2013 US$	2012 US$
On amounts owed to customers	**2,559,291**	1,356,345
On amounts owed to Central Bank of Malta	**91, 885**	120,568
	2,651,176	1,476,913

22. Fee and commission income and expense

(a) Fee and commission income

	2013 US$	2012 US$
Loan structuring, drawdown, early termination fees and other general fees	**128,504**	7,467

(b) Fee and commission expense

	2013 US$	2012 US$
Loan arrangement fees payable to related party	**475,544**	420,309
Other fees	**34,635**	27,365
	510,179	447,674

23. Net trading (losses)/gains

	2013 US$	2012 US$
Foreign exchange differences	**(898,745)**	(893,998)
Net fair value gains on foreign exchange derivative contracts	**727,946**	946,787
Others	**14,379**	-
	(156,420)	52,789

24. Administrative expenses

	2013	2012
	US$	US$
Staff costs		
- Directors' remuneration	**473,088**	440,052
- Other staff salaries	**238,945**	226,921
- Social security costs	**15,895**	14,359
Directors' fees	**65,839**	62,332
Depreciation of property, plant and equipment (Note 10)	**45,505**	53,537
Amortisation of intangible assets (Note 11)	**38,565**	38,565
Operating lease expense	**371,477**	333,528
Other administrative expenses	**509,893**	454,084
	1,759,207	1,623,378

Other administrative expenses mainly comprise maintenance expenditure, professional fees, marketing expenses and other services or expense items which are incurred in the course of the Bank's operations.

Average number of persons employed by the Bank throughout the financial year:

	2013	2012
- Managerial	**3**	3
- Clerical	**3**	3
	6	6

Auditor's remuneration

Fees charged by the auditor for services rendered during the financial year relate to the following:

	2013	2012
	US$	US$
Annual statutory audit	**62,060**	46,239
Other non-audit services	**56,558**	52,501
	118,618	98,740

25. Tax expense

	2013 US$	2012 US$
Current tax expense	**362,297**	339,944
Deferred tax	**2,673**	(2,367)
	364,970	337,577

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the effective tax rate applicable to the Bank as follows:

	2013 US$	2012 US$
Profit before tax	**1,005,910**	931,582
Tax on profit at 35%	**352,069**	326,054
Tax effect of:		
Disallowable expenses	**12,901**	11,523
	364,970	337,577

26. Dividends

	2013 US$	2012 US$
Dividends paid to equity holders	**629,424**	236,334
Dividends per ordinary share	**0.05**	0.02

27. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with contractual maturity of not more than three months, which form an integral part of the Bank's cash management:

	2013 US$	2012 US$
Cash and balances with Central Bank of Malta (Note 4)	**3,926**	2,264
Financial assets at fair value through profit or loss (Note 5)	**3,044,507**	55,183
Loans and advances to banks (Note 8)	**25,840,284**	8,577,450
Loans and advances to customers (Note 9)	**4,980,139**	2,800,000
Amounts owed to customers (Note 15)	**(6,505,165)**	(2,885,134)
	27,363,691	8,549,763

28. Related party transactions

IIG Malta Ltd is the Bank's immediate parent company (refer to Note 29). This immediate parent is wholly owned by IIG Malta Holdings N.V. and ultimately controlled by IIG Trade Opportunities Fund N.V. (refer to Note 29). All entities which are ultimately controlled by IIG Trade Opportunities Fund N.V. are considered related parties.

As part of its operations, the Bank enters into participation transactions initiated by related parties in the normal course of business (Note 9). All transactions with related parties were carried out on commercial terms and at market rates in accordance with the Bank's policy. The Bank's expenditure for the year ended 31 December 2013, included amounts of US$475,544 (2012: US$420,309) payable to a related party, IIG Capital LLC, as loan arrangement fees.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 24.

29. Statutory information

IIG Bank (Malta) Ltd is a limited liability company and is incorporated in Malta.

The immediate parent company of IIG Bank (Malta) Ltd is IIG Malta Ltd, a company registered in Malta that owns all the shares of IIG Bank (Malta) Ltd with the exception of one share. Its registered address is Level 20, Portomaso Business Tower, Portomaso, St Julians. The immediate parent is exempt from the preparation of consolidated financial statements.

IIG Bank (Malta) Ltd is ultimately owned by IIG Trade Opportunities Fund N.V., a fund registered in Curacao, the Kingdom of the Netherlands, with its registered office at ANT Management (Curacao) N.V., Kaya W.F.G. (Jombi) Mensing 36, Willemstad Curacao. The Fund's Investor shares are listed on the Irish Stock Exchange. The Fund's Investment Manager is International Investment Group LLC, a company registered in New York and licensed by the US Securities and Exchange Commission.

The financial statements of IIG Bank (Malta) Ltd are included in the consolidated financial statements of IIG Trade Opportunities Fund N.V., which are prepared in accordance with the requirements of International Financial Reporting Standards.

30. Comparative information

Comparative figures disclosed in the main components of these financial statements, in relation to amounts attributable to the Depositor Compensation Scheme, have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

Additional Regulatory Disclosures
31 December 2013

1. Risk management

1.1 Overview of risk disclosures

The Additional Regulatory Disclosures were prepared in accordance with the Pillar 3 quantitative and qualitative disclosure requirements as governed by Banking Rule BR/07, "Publication of Annual report and Audited Financial Statements of Credit Institutions authorised under the Banking Act 1994" issued by the Malta Financial Services Authority. This Banking Rule is based on the disclosure requirements of the EU Directive 2006/48/EC especially the disclosure requirements of Chapter 5 of the Directive (Articles 145 to 149 – Disclosures by credit institutions) and Annex XII (Technical criteria on disclosure). These disclosures will be published on an annual basis as part of the Annual Report of the Bank and seek to increase public disclosure relative to a Bank's capital structure and adequacy as well as its risk management policies and practices.

In line with the banking regulatory requirements, these Additional Regulatory Disclosures are not subject to an external audit, except to the extent that any disclosures are equivalent to those made in the Financial Statements which are prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the EU. Through internal verification procedures the Bank ensures that these Additional Regulatory Disclosures are presented fairly.

1.2 Risk management framework

The Board of Directors is ultimately responsible for the establishment and oversight of the Bank's risk management framework through the development and monitoring of compliance with the Bank's risk management policies. The aim of the risk management framework is to support the Bank in achieving its goals and objectives and ensure that the risks are commensurate with the rewards.

An understanding of risk-taking and transparency in risk-taking are key elements in the Bank's business strategy and thus in its ambition to be a strong financial institution. The Bank's internal risk management processes support this objective.

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The Bank aims to manage all major types of risk by applying methods that meet best practice. One of the main tasks of the Bank's executive management is to set the framework for this area of entity wide risk management. The core functions of the Bank's risk management processes are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The risk management framework of the Bank is based on local and international guidelines, such as the Basel II Accord and corresponding Directives of the European Union (Capital Requirements Directive), as well as contemporary international banking practices. The Bank implemented and adopted the Basel II (Pillar I) requirements, the Malta Financial Services Authority (MFSA) Banking Rules and accordingly the Capital Requirements Directive of the EU. The Bank has adopted the Standardised Approach with respect to the calculation of capital requirements in relation to credit and market risks and the Basic Indicator Approach with respect to operational risk.

1. Risk management - continued

1.2 Risk management framework - continued

The Audit Committee of the Bank assists the Board of Directors in fulfilling its governance, supervisory and monitoring responsibilities by reviewing:
- the Bank's financial statements and all related disclosures; and
- systems of internal controls established by Management together with the External audit process.

The Audit Committee is appointed to oversee the formulation of the Bank's overall risk management policy, to review risk measurement and monitoring mechanisms within the Bank and to monitor the effectiveness of the Bank's risk management practices. In the course of managing this framework the Audit Committee focuses on four key infrastructure components of effective risk management programmes with specific control activities:
- active Senior Management oversight;
- adequate detailed policies, procedures and discretionary limits;
- adequate risk-measurement, monitoring and management information systems; and
- comprehensive automated and manual internal controls.

The Bank has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve the Bank's objectives. Authority to operate the Bank is delegated to the Chief Executive Officer within the limits set by the Board.

The Bank's internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable, and not absolute, assurance against material misstatement or loss. The Board is ultimately responsible for the Bank's system of internal control and for reviewing its effectiveness.

The Bank is committed to the highest standards of business conduct and seeks to maintain these standards across its operations. The Bank's policies and procedures are in place for the reporting and resolution of fraudulent activities.

1.3 Key risk components

As outlined previously, the Board decides on the general principles for managing and monitoring risks and the Board is responsible to determine the overall risk policies and limits for all material risk types.

The Board establishes the risk appetite of the Bank which is the maximum risk that the Bank is willing to assume to meet business targets. The risk appetite is set in a process based on a thorough analysis of its current risk profile. The Bank identifies a number of key risk components and for each, determines a target that represents the Bank's perception of the component in question. The Bank's risk appetite is a key tool to ensure coherence between the Bank's strategic considerations regarding risk-taking and day-to-day decisions.

1. Risk management - continued

1.3 Key risk components - continued

In terms of MFSA Banking Rule 02/2011/01, "an exposure" is the amount at risk arising from the Bank's assets and off-balance sheet items. Consistent with this, an exposure would include the amount at risk arising from the Bank's:

(a) claims on a customer including actual and potential claims which would arise from the drawing down in full of undrawn advised facilities, which the Bank has committed itself to provide;

(b) contingent liabilities arising in the normal course of business, and those contingent liabilities which would arise from the drawing down in full of undrawn advised facilities which the Bank has committed itself to provide; and

(c) other on and off-balance sheet financial assets and commitments.

The Bank is exposed to a number of risks, which it manages at different levels.

The main categories of risk are:

- Credit risk: Credit risk stems from the loss of equity and profit as a result of the possible non-prompt repayment or non-payment of existing and contingent obligations by the Bank's counterparties. Therefore this represents the risk that the deterioration in the financial condition of a borrower will cause the asset value to decrease or be extinguished. Country risk and settlement risk are included in this category. Country risk refers to the risk of losses arising from economic or political changes that affect the country in which the asset is originated. Settlement risk refers to the risk of losses through failure of the counterparty to settle outstanding dues on the settlement date owing to bankruptcy or other causes.

- Market risk: Risk of losses arising from unfavourable changes in the level and volatility of interest rates, foreign exchange rates or investment prices.

- Liquidity risk: Liquidity risk may be divided into two sub-categories:

    - Market (product) liquidity risk: risk of losses arising from difficulty in accessing a product or market at the required time, price and volume.
    - Funding liquidity risk: risk of losses arising from a timing mismatch between investing, placements and fund raising activities resulting in obligations missing the settlement date or satisfied at higher than normal rates.

- Operational risk: Risk of damage resulting from the lack of skilful management or good governance within the Bank and the inadequacy of proper control, which might involve internal operations, personnel, system or external occurrences that in turn affect the income and capital funds of financial institutions. The Bank has adopted an operational risk management framework and procedures, which provide for the identification, assessment, management, monitoring and reporting of the Bank's operational risks.

2. Credit risk

2.1 Introduction to Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit exposures arise principally through the Bank's participation in trade financing transactions. The Bank's business activities during the financial period under review principally consisted of participations in financing transactions through a master participation agreement with the related parties IIG Trade Opportunities Fund N.V. and IIG TOF B.V.

Credit risk constitutes the Bank's largest risk in view of its lending activities and therefore the Bank is fully aware of the connotations of such risk and places great importance on its effective management. The Bank's portfolio of loans and advances to customers is monitored on an ongoing basis and the relevant management bodies, including the Board of directors and the Executive Committee, are kept informed on an ongoing basis of developments in the credit portfolio, non-performing loans and other relevant information.

The granting of a credit facility is based on the Bank's insight into the customer's financial position, which is reviewed regularly to assess whether the basis for the granting of credit has changed. Furthermore, the customer must be able to demonstrate, in all probability, the ability to repay the debt.

In order to measure its principal risk exposures, the Bank compiles due diligence reports and in most circumstances refers to external reviews of the primary borrowers and their respective assignees of export receivables carried out by agencies such as Dun and Bradstreet or their equivalents.

In order to minimise the credit risk undertaken, counterparty credit limits may be defined, which consider a counterparty's creditworthiness, the value of collateral, which can reduce the overall credit risk exposure, as well as the type and the duration of the credit facility. In order to examine a counterparty's creditworthiness, country risk, quantitative and qualitative characteristics, as well as the industry sector in which the counterparty operates are considered. The Bank has set limits of authority and has segregation of duties in place so as to maintain impartiality and independence during the approval process and to control new and existing credit facilities. Credit review procedures are designed to identify at an early stage exposures which require more detailed monitoring and review.

2. Credit risk - continued

2.1 Introduction to Credit risk - continued

The Bank's principal credit risk exposures relating to on-balance sheet financial assets analysed by IAS 39 categorisation, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, are as follows:

	2013	2012
	US$	US$
Financial assets at fair value through profit or loss:		
Funds placed under correspondent bank overnight sweep facilities (invested in units in a money market fund)	**3,044,507**	55,183
Derivative financial instruments	**863,705**	555,156
Financial assets classified as available-for-sale:		
Debt securities	**45,844,865**	26,212,281
Loans and receivables:		
Balances with Central Bank of Malta	**311,445**	150,719
Loans and advances to banks	**29,755,236**	9,541,303
Loans and advances to customers	**29,209,260**	39,935,432
Accrued interest income and receivables	**1,622,004**	1,588,606
	110,651,022	78,038,680

The exposures set out in the preceding table are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2013 and 2012, without taking account of any collateral held or any other credit enhancements attached.

2.2 Credit risk management

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical locations, industry sector or counterparty type. These risks are managed through adherence to Board approved lending criteria.

The Bank is exposed to a significant concentration of credit risk with respect to its loans and advances to customers since a significant proportion of the total loans and advances amounting to US$29,209,260 (2012: US$39,935,432) are due from a limited number of customers. As at 31 December 2013, these loans and advances to customers amounting to US$ 28,412,220 (2012: US$39,320,933) were deemed to be large exposures for regulatory reporting purposes, prior to any eligible exemptions, in accordance with the requirements of the Banking Rule BR/02 "Large Exposures of Credit Institutions Authorised under the Banking Act 1994". As at 31 December 2013 and 2012, no loans and advances to customers were deemed to be prohibited large exposures, prior to any eligible exemptions, in accordance with the requirements of the Banking Rule BR/02: Large Exposures of Credit Institutions authorised under the Banking Act 1994.

Exposures analysed by location

The Bank monitors concentrations of credit risk by location. The geographical concentration of the Bank's financial assets as at the end of the reporting period is analysed in the following table. For the purposes of this table, the Bank has allocated exposures to regions based on the country of domicile of the counterparties or customers.

2. Credit risk - continued

2.2 Credit risk management - continued

Exposures analysed by location - continued

	Latin America US$	USA US$	Malta US$	Other EU countries US$	Rest of world US$	Total US$
As at 31 December 2013						
Balances with Central Bank of Malta	-	-	311,445	-	-	311,445
Financial assets designated at fair value through profit or loss	-	-	3,044,507	-	-	3,044,507
Financial assets classified as available-for-sale	-	-	42,603,515	3,241,350	-	45,844,865
Derivative financial instruments	-	-	299,344	564,361	-	863,705
Loans and advances to banks	-	-	9,842,058	19,912,154	1,024	29,755,236
Loans and advances to customers	21,019,175	-	-	3,200,000	4,990,085	29,209,260
Accrued income and other assets	705,812	-	706,074	193,132	16,986	1,622,004
	21,724,987	**-**	**56,806,943**	**27,110,997**	**5,008,095**	**110,651,022**
As at 31 December 2012						
Balances with Central Bank of Malta	-	-	150,719	-	-	150,719
Financial assets designated at fair value through profit or loss	-	55,183	-	-	-	55,183
Financial assets classified as available-for-sale	-	-	26,212,281	-	-	26,212,281
Derivative financial instruments	-	-	402,564	152,592	-	555,156
Loans and advances to banks	-	-	5,170,143	4,370,136	1,024	9,541,303
Loans and advances to customers	37,135,432	-	-	2,800,000	-	39,935,432
Accrued income and other assets	1,220,757	-	347,516	20,333	-	1,588,606
	38,356,189	**55,183**	**32,283,223**	**7,343,061**	**1,024**	**78,038,680**

Exposures analysed by industry

The following is an analysis of the industry concentrations relating to loans and advances to corporate customers:

	2013 US$	2012 US$
Agriculture, forestry and fishing	**11,475,397**	17,394,867
Manufactured/processed commodity products	**9,543,778**	16,940,565
Construction	**-**	2,800,000
Transport	**3,200,000**	2,800,000
Wholesale trade of commodity products	**4,990,085**	-
	29,209,260	39,935,432

As outlined previously, the Bank monitors these exposures on an individual basis throughout the different stages of the cycle from approval upon origination to ongoing monitoring until maturity. The Bank focuses on the compilation, together with ongoing and event-driven updating, of due diligence analyses taking cognisance of actual account developments, repayment history, ability to meet commitments and collateral measurement. Loans and advances to customers are primarily secured via an assignment of export receivables of the borrower and through a cross-collateral in the form of a floating charge over assets.

2. Credit risk - continued

2.2 Credit risk management - continued

Asset quality

The Bank reviews all material credit exposures on a case by case and also on a collective basis in order to consider the likelihood that the Bank may be exposed to losses on loans and advances and with a view to taking early recovery action.

The Bank reviews and grades advances using the criteria laid down in the Banking Rule BR/09: Credit and Country Risk Provisioning by Credit Institutions Licensed under the Banking Act, 1994 (Chapter 371, Laws of Malta).

A financial asset is past due when a counterparty has failed to make a payment when contractually due. Past due but not impaired loans comprise loans and advances where contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security available and/or the stage of collection of amounts owed to the Bank.

As at 31 December 2013, loans and advances to corporate customers, mainly based in Latin America, were deemed to be fully performing with the exception of assets amounting to US$1,009,000 (2012: US$760,910) which were past due but not impaired. These amounts were past due by less than a month and were settled shortly after the end of the reporting period. All the other financial assets as at 31 December 2013 and 2012 were fully performing. The Bank does not hold renegotiated financial assets as at the end of the reporting period as considering the nature of the advances portfolio the Bank does not normally apply forbearance practices. The assets' credit quality is sustained by the fact that loans and advances to customers are primarily secured via an assignment of export receivables of the borrower and through a cross-collateral in the form of a floating charge over assets.

As part of its treasury management activities the Bank invests in debt instruments issued by local government. These transactions are monitored through the practical use of exposure limits. All such investments are listed on the Malta Stock Exchange. During the year under review, the Bank also invested in listed debt securities issued by foreign corporates with high credit quality and strong financial background taking cognisance of the Bank's limit mechanism. At the end of the reporting period, the Bank had no past due or impaired financial assets within this category.

Liquidity in excess of operational requirements is placed in a money market fund that mainly seeks to invest in local term deposits and Malta Government Treasury bills.

Counterparty banks' risk

The Bank runs the risk of loss of funds due to the possible delay in the repayment of existing and future obligations by counterparty banks. Within its daily operations the Bank transacts with banks and other financial institutions which are pre-approved and subject to a limits framework. In the normal course of business, the Bank places deposits with high credit quality banks and financial institutions. By conducting these transactions the Bank is running the risk of losing funds due to the possible delays in the repayment to the Bank of the existing and future obligations of the counterparty banks. The positions are checked against the limits on a daily basis and in real time.

Country risk

The Bank runs the risk of loss of funds due to the possible political, economic and other events in a particular country where funds have been placed or invested with several counterparties. Countries are assessed according to their size, economic data and prospects and their credit ratings from international rating agencies. Existing country credit risk exposures are monitored and reviewed periodically.

3. Market risk

Market risk for the Bank consists of the following elements:
- Interest rate risk, which is the risk of losses because of changes in interest rates; and
- Exchange rate risk, which is the risk of losses on the Bank's positions in foreign currency because of changes in exchange rates.

3.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

	Floating rates US$	Fixed rates US$	Non-interest bearing US$	Total US$
At 31 December 2013				
Financial assets	8,594,427	75,752,586	23,818,300	108,165,313
Financial liabilities	12,464,565	80,987,848	-	93,452,413
Net exposure	**(3,870,138)**	**(5,235,262)**	**23,818,300**	**14,712,900**
At 31 December 2012				
Financial assets	205,902	69,160,632	6,528,384	75,894,918
Financial liabilities	(20,278,885)	(43,713,009)	-	(63,991,894)
Net exposure	(20,072,983)	25,447,623	6,528,384	11,903,024

Financial instruments issued at fixed rates potentially expose the Bank to fair value interest rate risk. Loans and advances to customers, loans and advances to banks and amounts owed to customers are measured at amortised cost and are therefore not subject to fair value interest rate risk.

The Bank's instruments that are fair valued comprise the Bank's overnight investments in a money market fund which are fair valued through profit or loss and debt securities classified as available-for-sale. A significant proportion of the Bank's investments in debt securities are subject to fixed interest rates. The risk of losses arising from fair value interest rate risk in this respect is principally managed by investing in debt securities issued by the Government of Malta and in securities issued by high quality foreign corporates, the fair value of which are not expected to fluctuate considerably, and accordingly exposure to fair value interest rate risk in this respect is not deemed to be significant.

As outlined above, the Bank was also exposed to cash flow interest rate risk principally in respect of certain financial assets which were subject to floating interest rates. Financial assets and liabilities issued at variable rates expose the Bank to cash flow interest rate risk.

Taking cognisance of the nature of the Bank's financial assets and liabilities as described above, under the requirements of IFRS 7, a sensitivity analysis in respect of interest rate changes is required in relation to the Bank's net floating rate assets.

3. **Market risk** - continued

3.1 **Interest rate risk** - continued

At the end of the reporting period, if interest rates had increased by 1% (assuming a parallel shift of 100 basis points in yields) with all other variables held constant, in particular foreign currency rates, the post-tax result for the year would decrease by US$38,701 (2012: US$200,730).

The following table summarises the Bank's exposures to interest rate risk. It includes the entity's financial instruments at carrying amounts, categorised by re-pricing dates, taking cognisance of the instruments' interest rate terms. For the entity's interest bearing assets and liabilities that are mainly subject to fixed interest rates, the re-pricing periods are generally equivalent to the remaining period to maturity.

	Within one month US$	Within three months but over one month US$	Within one year but over three months US$	More than one year US$	Non interest bearing US$	Total US$
As at 31 December 2013						
Financial assets	**9,901,537**	**8,363,369**	**22,580,717**	**43,501,390**	**23,818,300**	**108,165,313**
Financial liabilities	**8,439,825**	**16,784,485**	**25,168,696**	**43,059,407**	**-**	**93,452,413**
Interest rate gap	**1,461,712**	**(8,421,116)**	**(2,587,979)**	**441,983**		
Cumulative gap	**1,461,712**	**(6,959,404)**	**(9,547,383)**	**(9,105,400)**		
As at 31 December 2012						
Financial assets	8,787,509	6,143,643	28,033,901	26,401,481	6,528,384	75,894,918
Financial liabilities	(8,481,109)	(10,422,562)	(15,544,521)	(29,543,702)	-	(63,991,894)
Interest rate gap	306,400	(4,278,919)	12,489,380	(3,142,221)		
Cumulative gap	306,400	(3,972,519)	8,516,861	5,374,640		

3.2 **Currency risk**

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. Foreign exchange risk arises when financial assets or liabilities are denominated in currencies which are different from the Bank's functional currency.

The Bank manages this risk actively by ensuring that its foreign currency denominated liabilities are matched with corresponding assets in the same currency as much as is practicable.

3. Market risk - continued

3.2 Currency risk - continued

The Bank funds its growth through the acceptance of deposits predominantly denominated in Euro and the UK Pound (GBP), and through the credit operations (Refinancing Operations) of the Central Bank of Malta within the Eurosystem's credit operations framework.

The Bank manages its currency risk on an ongoing basis by ensuring that foreign currency liabilities are utilised to fund assets denominated in the same foreign currency thereby matching asset and liability positions as much as is practicable. When it is not possible to match the asset and liability currency positions, the Bank hedges its open foreign exchange exposures arising from customer deposits by entering into forward foreign exchange contracts or currency swaps with terms which match those of the hedged items.

The following table summarises the Bank's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

		GBP	Euro	Total
	US$	US$	US$	US$
As at 31 December 2013				
Financial assets	43,383,925	3,449,511	62,953,881	109,787,317
Financial liabilities	9,348,135	16,359,562	69,306,027	95,013,724
Net on balance sheet position	34,035,790	(12,910,051)	(6,352,146)	
Off-balance sheet net notional Position		12,838,074	6,047,136	
Net currency exposure		**(71,977)**	**(305,010)**	
As at 31 December 2012				
Financial assets	41,341,103	19,117	36,123,304	77,483,524
Financial liabilities	1,830,486	8,462,385	54,416,071	64,708,942
Net on balance sheet position	39,510,617	(8,443,268)	(18,292,767)	
Off-balance sheet net notional position		8,475,538	18,301,198	
Net currency exposure		32,270	8,431	

In view of the Bank's policy for managing currency risk and its foreign currency exposures as at the end of the reporting period, the Board does not deem necessary a sensitivity analysis disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at end of the reporting period.

4. Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments.

The Bank manages this risk, by maintaining a strong base of shareholders' capital considering the initial stages of its operations. The Bank manages its asset base with liquidity in mind, and monitors future cash flows and changes in available liquidity on a regular basis.

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- short term placements with other banks;
- investments in a money market fund; and
- unencumbered Government bonds and other securities amounting to US$27,960,008 (2012: US$5,933,396) that are readily acceptable for repurchase agreements with central banks.

Liquidity is managed by the Bank's treasury function and the Bank's liquidity management process, includes:

- day to day funding, managed by monitoring future cash flows to ensure that requirements can be met including plans for replenishment of funds as they mature;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- managing the concentration and profile of debt maturities.

Moreover, sources of liquidity are regularly reviewed by the treasury function to maintain a wide diversification by provider, product and term. Monitoring takes the form of cash flow projections for the next day, week and month respectively, as these are key periods for liquidity management.

Analysis by residual maturity

The following table discloses financial assets and liabilities at the end of the reporting period by remaining period to maturity.

	Within one month US$	Within three months but over one month US$	Within one year but over three months US$	More than one year US$	No maturity US$	Total US$
As at 31 December 2013						
Financial assets	33,676,237	8,480,560	21,618,784	46,244,632	761,494	110,781,707
Financial liabilities	8,457,630	17,771,885	25,320,100	43,464,111	-	95,013,726
Maturity gap	**25,218,607**	**(9,291,325)**	**(3,701,316)**	**2,780,521**		
Cumulative gap	**25,218,607**	**15,927,282**	**12,225,966**	**15,006,487**		

4. **Liquidity risk** - continued

As at 31 December 2012	Within one month US$	Within three months but over one month US$	Within one year but over three months US$	More than one year US$	No Maturity US$	Total US$
Financial assets	15,517,674	6,391,611	29,581,877	26,413,650	332,821	78,237,633
Financial liabilities	(8,585,849)	(10,690,719)	(15,815,944)	(29,616,430)	-	(64,759,681)
Maturity gap	6,931,825	(4,299,108)	13,765,933	(3,202,780)		
Cumulative gap	6,931,825	2,632,717	16,398,650	13,195,870		

The following table analyses the Bank's principal financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

The amounts disclosed in the tables are the contractual undiscounted cash flows which the Bank will monitor through its liquidity management process.

Financial liabilities	Within one month US$	Within Three months but over one Month US$	Within one year but over three months US$	More than one year US$	Total US$	Carrying Amount US$
As at 31 December 2013	**11,476,822**	**15,487,394**	**26,884,015**	**46,428,746**	**100,276,977**	**95,013,724**
As at 31 December 2012	8,739,057	10,977,557	16,837,383	31,623,304	68,177,301	64,708,942

5. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Bank's Board of directors is primarily responsible for the development and implementation of policies and procedures to ensure that operational risks are managed effectively. The Bank mitigates the possibility of impact risk events through the implementation of a business continuity plan, which encompasses risk mitigation achieved through back-up information security infrastructures, back-up disaster recovery sites and insurance covers over particular business risks. Such systems enable the Bank to operate on an ongoing basis and limit losses in the event of severe business disruption.

The Bank currently uses the Basic Indicator Approach to assess the operational risk capital requirements and accordingly allocates 15% of average gross income for a three year period in accordance with regulatory requirements. The operational risk regulatory capital requirement as at December 2013 amounted to US$269,581 (2012: US$295,294).

6. Capital risk management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' as disclosed in the statement of financial position, are:

- to comply with the capital requirements set by the Malta Financial Services Authority (MFSA);
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on an ongoing basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Union Directives, as implemented by the MFSA for supervisory purposes.

The Authority requires a bank to maintain a ratio of total regulatory capital to risk-weighted assets and the Capital requirements ratio above the prescribed minimum level of 8%.

The Capital requirements ratio expresses own funds as a proportion of risk weighted assets and off-balance sheet items in relation to credit risk together with notional risk weighted assets in respect of operational risk and market risk.

The risk-weighted assets are measured using the 'standardised approach' for credit risk. Risk weights are assigned to assets and off-balance sheet items according to their asset class and credit assessment. For the determination of credit assessments reference is made to External Credit Assessment Institutions.

6. **Capital management** - continued

Own funds

The level of Own funds represents the Bank's available capital and reserves for the purposes of assessing capital adequacy from a regulatory perspective. The capital adequacy ratio is a measure of the long-term financial strength of a bank, usually expressed as a ratio of its own funds or capital to the measure of the Bank's assets. The Bank has processes to ensure that the minimum regulatory requirements in relation to own funds are met at all times. During the financial period ended 31 December 2013, the Bank has complied with all the externally imposed capital requirements to which it was subject.

The following table shows the components of the Bank's own funds which forms the basis of the calculation of the Bank's capital adequacy ratio:

	2013 US$	2012 US$
Share capital	**12,765,000**	11,847,000
Retained earnings	**666,315**	654,799
Less:		
Intangible assets	**(103,185)**	(103,916)
Other deductions	**(578,723)**	(306,333)
Total original own funds	**12,749,407**	12,091,550
Additional own funds:		
Fair value reserve	**1,404,008**	582,456
Total own funds	**14,153,415**	12,674,006

Other deductions relate to the commitment to pledge US$578,723 (2012: US$306,333) in favour of the Depositor Compensation Scheme as at 31 December 2012, which is excluded from the Own Funds calculation in accordance with the requirements of Banking Rule BR/03, "Own Funds of Credit Institutions Authorised under the Banking Act, 1994".

The Bank's issued share capital as at 31 December is analysed as follows:

	2013 US$	2012 US$
12,764,999 (2012: 11,846,999) Ordinary 'A' shares of US$1 each	**12,764,999**	11,846,999
1 Ordinary 'B' Share of US$1 each	**1**	1
	12,765,000	11,847,000

The Ordinary 'B' share does not carry any voting rights and is not entitled to receive dividends.

6. Capital management - continued

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank 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 sound capital position.

The allocation of capital between specific operations and activities is to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's long-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The minimum capital requirements are calculated for the credit, market and operational risks. During the year, the Bank utilised the Standardised Approach for credit risk and the Basic Indicator Approach for operational risk in order to calculate the Pillar 1 minimum capital requirements. For credit risk, under the standardised approach, risk weights are determined according to credit ratings provided by internationally recognised credit agencies such as Fitch or their equivalents and by using the applicable regulatory risk weights for unrated exposures. The Basic Indicator Approach requires that the Bank allocates capital for operational risk by taking 15% of the average gross income.

The capital ratio is calculated using the definition of regulatory capital and risk-weighted assets. In terms of the current MFSA Banking Rule BR/04 "Capital requirement of Credit Institutions authorised under the Banking Act 1994", the minimum level of the Capital Requirements Ratio stands at 8 per cent. The Capital Requirements Ratio expresses own funds as a proportion of risk weighted assets and off-balance sheet items, together with notional risk weighted assets in respect of Operational Risk and Market Risk. Total risk-weighted assets are determined by multiplying the capital requirements for market risk and operational risk by 12.5 (i.e. the reciprocal of the minimum capital ratio of 8 per cent) and adding the resulting figures to the sum of risk-weighted assets for credit risk.

6. **Capital management** - continued

The table below analyses the Bank's capital requirements and the capital adequacy ratio computation as at 31 December 2012.

	Notional amount US$	Risk weighted assets US$
As at 31 December 2013		
Balances with Central Bank of Malta	311,445	-
Financial assets designated at fair value through profit or loss	3,044,507	3,044,507
Financial assets classified as available-for-sale	45,844,865	1,906,289
Loans and advances to banks	29,755,236	11,550,609
Loans and advances to customers	29,209,260	38,298,815
Derivative financial instruments	863,705	863,705
Other assets	1,943,105	1,943,105
Credit risk	**110,972,123**	**57,607,030**
Foreign exchange risk		168,595
Operational risk		3,369,763
Total risk weighted assets		**61,145,388**
Own funds		**14,153,415**
Capital requirements ratio		**23%**
As at 31 December 2012		
Balances with Central Bank of Malta	150,719	-
Financial assets designated at fair value through profit or loss	55,183	11,037
Financial assets classified as available-for-sale	26,212,281	-
Loans and advances to banks	9,541,303	3,932,587
Loans and advances to customers	39,935,432	54,025,497
Derivative financial instruments	555,156	555,156
Other assets	1,997,775	1,142,019
Credit risk	78,447,849	59,666,296
Foreign exchange risk		26,088
Operational risk		3,691,180
Total risk weighted assets		63,383,564
Own funds		12,674,006
Capital requirements ratio		20%

6. Capital management - continued

Internal Capital Adequacy Assessment Process (ICAAP)

The Bank considers the Internal Capital Adequacy Assessment Process (ICAAP) embedded in Pillar II as a tool that ensures a proper measurement of material risks and capital and allows better capital management and an improvement in risk management. Therefore it facilitates a better alignment between material risks and regulatory capital in order to have better capital deployment and improvements in the risk management and mitigation techniques adopted by the Bank. The ICAAP as required by the MFSA Banking Rule 12 is performed on an annual basis.

Therefore ICAAP is a process that the Bank utilises to ensure that

- there is adequate identification, measurement, aggregation and monitoring of the Bank's risks;
- adequate internal capital is held by the institution in relation to its risk profile; and
- the Bank uses sound risk management systems and there is the intention to develop them further.

The Board and senior management takes overall responsibility for the conceptual design and technical details of the ICAAP document. Apart from the responsibility for the conceptual design, the Board discusses, approves, endorses and delivers the yearly ICAAP submission.

The ICAAP is a revolving management tool which starts with defining risk strategy, identifying, quantifying and aggregating risks, determining risk-bearing ability, allocating capital, establishing limits and leads to ongoing risk monitoring. The individual elements of the tool are performed with varying regularity. All the activities described in the circuit are examined at least once a year to ensure that they are up to date, adequate and also adjusted to current underlying conditions when necessary.

The process involves a quantitative assessment of individual types of risk and an assessment of the existing methods and systems for monitoring and managing risk (qualitative assessment). The risk assessment concept is used as a scoring procedure, thus providing a comprehensive overview of the risk profile of the Bank.

The basis for the quantitative implementation of the ICAAP is the risk bearing capacity calculation which demonstrates that adequate capital is in place at all times to provide sufficient cover for risks that have been entered into and which also ensures such cover is available for the future. The Bank's ICAAP is based upon a "Pillar 1 Plus" approach whereby the Pillar 1 capital requirement for credit and operational requirements is supplemented by the capital allocation for other material risks not fully addressed within Pillar 1. The risks considered for ICAAP include concentration, liquidity, reputational and strategic risks, interest rate risk in the banking book, and risks arising from the macroeconomic environment.

The Bank's ICAAP contains three year projections as well as the capital plan, and the Board monitors that there are adequate capital resources to support the corporate goals contained within the plan and the associated risks.

The Bank covers the Pillar 2 capital requirements through stress testing processes to forecast the Bank's projected capital requirements and resources in a range of stress scenarios. This enables the Bank to guarantee that it can meet its minimum regulatory capital requirements in a stressed environment.

6. Capital management - continued

Basel III and CRD IV

In 2012, the European Commission adopted a legislative package to strengthen the regulation of the banking sector, namely CRD IV. The proposal replaces the current Capital Requirements Directives (2006/48 and 2006/49) with a Directive and a Regulation and constitutes another major step towards creating a sounder and safer financial system. These developments include proposals for the introduction of tougher capital and liquidity standards.

In this respect the Bank is currently assessing the impact of the key measures emanating from Basel III and CRD IV with respect to both capital and liquidity management.

7. Remuneration policy

In terms of the Bank's Memorandum and Articles of Association, the Board of Directors performs the functions of the Remuneration Committee. Notwithstanding this, in terms of the Executive Committee Charter, the latter may make recommendations to the Board on staff remuneration.

None of the directors, in their capacity as directors of the Bank, are entitled to profit sharing, share options, pension benefits or any other remuneration from the Bank. The Bank has two directors that are employees of the Bank. These two directors are part of the Bank's senior management and receive an annual bonus payable based on an assessment of one's overall performance during the previous financial year.

The Board of Directors considers that the packages offered to senior management ensure that the Bank attracts and retains management staff that is capable of fulfilling its duties and obligations. Furthermore, it is the Bank's policy to engage its senior management staff on the basis of indefinite contracts of employment after a period of probation, rather than on fixed term contracts. Accordingly, the applicable notice periods, after probation, are those provided for in the relevant legislation.

Share options and profit sharing do not feature in the Bank's procedures and the individual contracts of employment of senior management do not contain provisions for termination payments and/or other payments linked to early termination other than as determined by the Law. Currently no pension benefits are payable by the Bank.

Senior management staff, consisting of three officials, is eligible for annual salary increases but such increases are not directly performance related. An annual bonus is payable based on an assessment of one's overall performance during the previous financial year.

Total directors' fees attributable for the financial year ended 31 December 2013 amounted to US$ 65,839 (2012: US$62,332).

Total emoluments received by senior management during the period under review are as detailed below:

Fixed Remuneration	Variable Remuneration
US$573,272	US$55,775