

**Medifin Holding Limited**  
**Condensed Consolidated**  
**Interim Financial Statements**  
**30 September 2015**

Company Registration Number C 34111

**Medifin Holding Limited**  
**30 September 2015**

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# Medifin Holding Limited

## Interim Directors' Report For the six-months ended 30 September 2015

### Principal Activities

The principal activities of Medifin Holding Limited (the "Company") that comprises Mediterranean Bank plc ("MedBank"), its principal subsidiaries Mediterranean Corporate Bank Limited and MeDirect Bank S.A., and Charts Investment Management Service Limited (together referred to as the "Group") are to provide market leading banking services primarily to the mass affluent sector, focusing primarily on savings, wealth management, investments and corporate banking.

### Financial Performance

The Group reported a profit after tax of €20.1 million for the six months ended 30 September 2015 compared with €25.3 million for the same period last year. The comparative period's performance was positively impacted by a gain of €22.4 million recorded on the acquisition of Mediterranean Corporate Bank Limited ("MedCorp" - previously Volksbank Malta Limited) on 25 September 2014.

During the six-months ended 30 September 2015, the Group registered net interest income of €22.7 million (30 September 2014: €17.4 million). Total operating income of €36.4 million (30 September 2014: €43.9 million) decreased due to the gain on initial accounting of MedCorp in 2014 as mentioned above. Total operating expenses amounted to €20.5 million (30 September 2014: €15.5 million).

The Group continued to build its corporate lending activities both internationally and domestically. As at 30 September 2015, the Group's lending portfolio stood at €1.2 billion (31 March 2015: €1.0 billion). In addition the Group had commitments of €126.9 million under revolving credit facilities as at 30 September 2015 (31 March 2015: €74.5 million) and other undrawn credit facilities of €16.5 million (31 March 2015: €16.8 million). As at 30 September 2015, the Group's investment securities portfolio stood at €1.0 billion (31 March 2015: €1.5 billion).

### Business Development

The Group's primary strategic objective is to continue to enhance its banking, investment and wealth management services, both in Malta and Belgium.

On 1 June 2015, the National Bank of Belgium issued a credit institution licence to MeDirect S.A. ("MeDirect"), a wholly owned subsidiary. The relevant assets and liabilities were transferred from the branch within MedBank to MeDirect on 1 June 2015. As of such date, MeDirect became a member of the Belgian depositor protection plan.

MeDirect is currently an online provider of savings and investment products. Through its online platform for savings, e-brokerage and e-wealth management, MeDirect provides its Belgian client base with the following services, amongst others: online discretionary wealth management; low cost trade execution for funds, stocks, bonds and ETFs; access to model portfolios of funds; access to online investment analysis and tools; and competitive savings rates.

The Group has made significant investments in technology that have allowed it to introduce new online banking and investment services for its customers, together with systems to support such services. Investment services include online execution of brokerage transactions in respect of equities, bonds and funds as well as foreign exchange execution capabilities model portfolios. The Group also offers online retirement and investment planning capabilities, analytical tools to enable customers to analyse portfolio and investment alternatives and a broad range of research and market data resources.

# Medifin Holding Limited

## Interim Directors' Report (continued) For the six-months ended 30 September 2015

The Group has an increasingly diversified investment portfolio comprising a treasury book consisting of high quality, liquid securities, including primarily bank-covered bonds and public sector bonds, and a Lending Portfolio consisting primarily of senior secured loans and bonds.

The Group's Lending Portfolio stood at €1.2 billion as of 30 September 2015 (31 March 2015: €1.0 billion), net of collective impairment loss allowances of €4.4 million (31 March 2015: €4.0 million) and specific impairment loss allowances of €8.0 million (31 March 2015: €9.6 million). The Group's Lending Portfolio consists principally of senior secured loans and bonds, substantially all of which are denominated in Euro or Pounds Sterling. All of the loans are floating rate instruments and do not bear material interest rate risk. The Group's Lending Portfolio is diversified geographically and across industries, with most lending focused on the UK and core European countries.

The Group continues to fund its portfolios through deposits and through the international wholesale financial markets. The growth of the Group's deposit base, both in Malta and internationally (primarily in Belgium), has strengthened and made the Group's funding platform more robust. Access to the Eurex repo platform provides efficient funding for the Group's Lending Portfolio. The Group's core deposit offering is a range of fixed-term and other savings products. As at 30 September 2015, the Group's deposit base reached €1.4 billion (31 March 2015: €1.2 billion). Growth of the Group's deposit base has also provided a potential customer base for investment and wealth services products.

The Group remains committed to operating with strong regulatory ratios and a robust liquidity position. At 30 September 2015, the Group's consolidated Capital Adequacy Ratio stood at 14.5%, whereas the regulatory liquidity ratio stood at 49.0% (31 March 2015: 14.8% and 73.5%, respectively).

### Regulatory supervision and the European Central Bank ("ECB") Comprehensive Assessment process

The ECB carried out the Comprehensive Assessment ("CA") on nine banks this year, four of which will be considered as new "significant credit institutions" by 2016 in view of their increased systemic significance since the ECB's CA of 130 banks in 2014, including the Group due to its standing as the third largest credit institution in Malta.

The ECB has acknowledged that the Group as at 30 September 2015 had a surplus capital of €23.1 million over the minimum capital requirement.

In line with prior years, the Group's profits were retained within the Group's equity. As a result, following a capital contribution of €28.7 million in September 2015, the CET 1 capital ratio, after the application of the baseline scenario, was equivalent to 10.56% (compared to the 8% threshold) and the CET 1 capital ratio after the application of the more severe adverse scenario, was equivalent to 7.07% (compared to the 5.5% threshold).

Therefore, the ECB does not consider that the Group should take any further capital enhancing measures.

The Asset Quality Review ("AQR") revealed an increase in specific impairment allowances of €3.2 million and an increase in collective impairment allowances of €6.6 million – a total of €9.8 million, representing 0.4% of the Group's total assets. These results include an over-provision of €3.1 million in an in-scope Maltese portfolio, which was not taken into account since AQR methodology does not allow for compensation of provisions across portfolios. After taking into account the overall AQR impact, the Group's capital ratio stood at 9.85% which is above the minimum threshold of 8%.

# Medifin Holding Limited

## Interim Directors' Report (continued) For the six-months ended 30 September 2015

These provisioning adjustments are related to the prudential nature of the AQR and are not necessarily accounting provisions required in accordance with the requirements of IFRS as adopted by the EU. In fact, these AQR provisions have not been reflected within these interim financial statements. The Group has not been notified of the AQR specific impairment provisions attributable to each debtor and accordingly analysis of such provisions to determine whether these adjustments are required in accordance with IFRS adopted by the EU was not possible at the date of authorisation for issue of these accounts. The Group has identified loss events within its categories of financial assets in accordance with the requirements of IFRS as adopted by the EU and have measured and accounted for impairment losses accordingly.

Given that the analytical details that led to the quantification of the result of the AQR exercise have not been made known by the Supervisory Authorities, the Group reserves the right to assess any recognition of these write downs in the financial statements for future financial periods on the basis of more precise indications by the national and European Supervisory Bodies.

The stress test resulted in a capital surplus in the baseline scenario but a slim theoretical capital shortfall of 38 basis points in the third year of the adverse stress test scenario. This has been mitigated through the shareholder capital contribution of €28.7 million. Taking this into account the Group has a capital surplus of €23.1 million. Therefore, the ECB does not consider that the Group should take any further capital enhancing measures.

The CA required extraordinary efforts and substantial resources by the Group but this unprecedented in-depth review of the Group's financial position will continue to boost public confidence in the Group.

### **Dividends and reserves**

Interim dividends of €28.7 million were declared and paid on 30 September 2015 (31 March 2015: €Nil). On the same date the shareholder re-injected such funds into the Group through a shareholder capital contribution.

Retained earnings as at 30 September 2015 amounted to €89.8 million (31 March 2015: €98.9 million).

### **Outlook and future business developments**

The on-going robustness of capital and liquidity ratios provide a stable foundation from which to produce attractive and sustainable returns. The strategy that has been defined by the Board of Directors over the last few years has resulted in significant growth whilst producing attractive returns and an ability to invest in the capabilities of the Group.

The increasing overall stability of the European markets and the reduction of interest rates by the ECB have had an overall positive effect on the Group's funding cost and securities portfolios. If the current stability in the international capital markets persists, a positive effect on the Group's wealth management and investment services businesses could be expected, as greater investor confidence would lead to increased customer interest in the investment products offered by the Group.

The above should be construed in light of the fact that the Eurozone macroeconomic environment remains challenging and that any reversal of the positive trends described above would have a corresponding negative effect on the Group's asset portfolios and businesses. Despite these ongoing challenges, the Group remains confident that its underlying strategy will continue to result in profitable growth.

# Medifin Holding Limited

## Interim Directors' Report (continued) For the six-months ended 30 September 2015

As a result of the operations undertaken by MedCorp, the Group will consolidate and expedite its Maltese growth strategy through its portfolio of Maltese clients which is complementary to the Group's existing customer base and aligned with its future growth strategies.

On 1 June 2015, MedBank's wholly owned subsidiary MeDirect obtained a full banking licence from the National Bank of Belgium. The Group has established a highly competitive online offering for the Belgian market through its Belgian Branch and such operations were transferred to this subsidiary in Belgium on 1 June 2015. MeDirect's operations are based on:

- Online client delivery;
- Competitive and cost effective savings and wealth management products; and
- Transparent and customer friendly products and delivery.

The Group has grown, and plans to continue to grow, its corporate lending activities and therefore the Lending Portfolio should grow as a percentage of the Group's overall asset base. Corporate credit assets typically attract higher risk weightings than the highly-rated investment securities in which the Group has historically invested. Notwithstanding this, the Group intends to continue to operate with a capital adequacy ratio in excess of the minimum capital requirements provided by the CRD IV and also in conformity with any other guidance issued by the MFSA.

The developments mentioned above enable the Board of Directors to look forward to the coming months with cautious optimism.

### Related parties

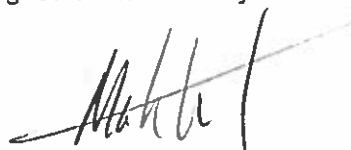
On 30 September 2015, the Group paid a dividend of €28.7 million (Note 7.7) and such funds were reinjected back into the Group through a shareholder capital contribution.

Other than the above, there were no material changes in related party transactions from those detailed in the financial statements for the period ended 31 March 2015. During this period no related party transactions materially affected the financial position or liquidity of the Group.

Approved by the Board on 12 November 2015 and signed on its behalf by:



Benjamin Hollowood  
Director



Mark A. Watson  
Director

# Medifin Holding Limited

## Condensed Consolidated Interim Statement of Financial Position As at 30 September 2015

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	30 September 2015 €000	31 March 2015 €000
<b>ASSETS</b>		
Balances with Central Banks, treasury bills and cash	33,408	14,384
Derivative assets held for risk management	4,265	3,197
Loans and advances to financial institutions	59,091	168,278
Loans and advances to customers	1,204,131	1,047,194
Investments		
- Corporate	21,497	98,620
- Treasury	1,001,360	1,405,076
Property and equipment	1,214	1,501
Intangible assets	715	758
Deferred tax assets	9,615	4,199
Prepayments and accrued income	18,109	21,310
Other assets	32,287	26,472
<b>Total assets</b>	<b>2,385,692</b>	<b>2,790,989</b>

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# Medifin Holding Limited

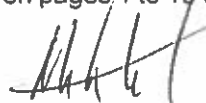
Condensed Consolidated Interim Statement of Financial Position (continued)  
As at 30 September 2015

	As at 30 September 2015 €000	As at 31 March 2015 €000
<b>EQUITY</b>		
Called up issued share capital	55,738	55,738
Share premium	13,756	13,756
Shareholders' contribution	28,700	-
Reserve for general banking risks	1,502	1,029
Fair value reserve	(9,289)	8,800
Other reserve	(1,076)	-
Retained earnings	89,784	98,872
<b>Total equity attributable to equity holders of the Company</b>	<b>179,115</b>	<b>178,195</b>
Non-controlling interests	-	876
<b>Total equity</b>	<b>179,115</b>	<b>179,071</b>
<b>LIABILITIES</b>		
Derivative liabilities held for risk management	8,710	5,200
Amounts owed to financial institutions	712,828	1,166,091
Amounts owed to customers	1,392,945	1,203,715
Debt securities in issue	9,175	157,137
Subordinated liabilities	47,762	47,777
Current tax liabilities	6,216	4,340
Deferred tax liabilities	138	283
Accruals and deferred income	23,220	24,973
Other liabilities	5,583	2,402
<b>Total liabilities</b>	<b>2,206,577</b>	<b>2,611,918</b>
<b>Total equity and liabilities</b>	<b>2,385,692</b>	<b>2,790,989</b>
<b>Memorandum items</b>		
Contingent liabilities and financial commitments	146,020	95,199

The notes on pages 9 to 19 are an integral part of these interim financial statements.

The condensed consolidated interim financial statements on pages 1 to 19 were approved and authorised for issue on 12 November 2015 by:

  
Benjamin Hollowood  
Director

  
Mark A. Watson  
Director



# Medifin Holding Limited

## Condensed Consolidated Interim Statement of Profit or Loss For the six months ended 30 September 2015

	Period from 1 April to 30 September 2015 €000	Period from 1 April to 30 September 2014 €000
Interest income	40,765	36,807
Interest expense	(18,017)	(19,427)
<b>Net interest income</b>	<b>22,748</b>	<b>17,380</b>
Fee and commission income	1,855	1,982
Fee and commission expense	(1,198)	(270)
<b>Net fee and commission income</b>	<b>657</b>	<b>1,712</b>
Net trading income	199	(2,332)
Net gain/(loss) from financial instruments designated at fair value through profit or loss	1,117	(119)
Other operating income		
– Realised gains on disposal of investments	11,318	4,037
– Realised gains on disposal of loans and advances	203	652
– Gain on initial accounting of acquisition of subsidiary	-	22,414
– Other income	155	119
<b>Total operating income</b>	<b>36,397</b>	<b>43,863</b>
Personnel expenses	(8,934)	(7,124)
Depreciation and amortisation	(350)	(1,189)
Other administrative expenses	(11,241)	(7,202)
<b>Total operating expenses</b>	<b>(20,525)</b>	<b>(15,515)</b>
<b>Net operating income before impairment charges</b>	<b>15,872</b>	<b>28,348</b>
Movement in impairment on financial assets	773	(1,802)
<b>Profit before tax</b>	<b>16,645</b>	<b>26,546</b>
Taxation	3,473	(1,200)
<b>Profit for the period</b>	<b>20,118</b>	<b>25,346</b>
<b>Profit attributable to:</b>		
Owners of the Company	20,085	25,197
Non-controlling interests	33	149
<b>Profit for the period</b>	<b>20,118</b>	<b>25,346</b>

*The notes on pages 9 to 19 are an integral part of these interim financial statements.*

# Medifin Holding Limited

## Condensed Consolidated Interim Statement of Comprehensive Income For the six months ended 30 September 2015

	Period from 1 April to 30 September 2015 €000	Period from 1 April to 30 September 2014 €000
<b>Profit for the period</b>	<b>20,118</b>	<b>25,346</b>
<b>Other comprehensive income</b>		
<i>Items that are or may be reclassified to profit or loss</i>		
Fair value reserve (Available-for-sale financial assets):		
- Net change in fair value	(7,767)	8,720
- Net amount transferred to profit or loss	(11,318)	(4,037)
Related tax on other comprehensive income	996	(234)
<b>Other comprehensive income, net of tax</b>	<b>(18,089)</b>	<b>4,449</b>
<b>Total comprehensive income, net of tax</b>	<b>2,029</b>	<b>29,795</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	1,996	29,646
Non-controlling interests	33	149
<b>Total comprehensive income for the period</b>	<b>2,029</b>	<b>29,795</b>

*The notes on pages 9 to 19 are an integral part of these interim financial statements.*

# Medifin Holding Limited

## Condensed Consolidated Interim Statement of Changes in Equity For the six months ended 30 September 2015

	Share capital €000	Share premium €000	Shareholders' contribution €000	Reserve for general banking risks €000	Fair value reserve €000	Retained earnings €000	Total €000	Non-controlling interests €000	Total €000
Balance at 1 April 2014	55,738	13,756	-	91	(8,294)	64,733	126,024	565	126,589
<b>Total comprehensive income</b>	-	-	-	-	-	25,197	25,197	149	25,346
Profit for the period	-	-	-	-	-	25,197	25,197	149	25,346
<b>Other comprehensive income, net of tax:</b>									
Fair value reserve (Available-for-sale financial assets):	-	-	-	-	8,284	-	8,284	-	8,284
- Net change in fair value	-	-	-	-	(3,835)	-	(3,835)	-	(3,835)
- Net amount transferred to profit or loss	-	-	-	-	4,449	-	4,449	-	4,449
<b>Total other comprehensive income, net of tax</b>	-	-	-	-	4,449	-	4,449	-	4,449
<b>Total comprehensive income, net of tax</b>	-	-	-	-	4,449	25,197	29,646	149	29,795
<b>Transactions with owners, recorded directly in equity</b>									
Shareholders' contribution	-	-	14,700	-	-	-	14,700	-	14,700
<b>Transfer to Reserve for general banking risks</b>	-	-	-	253	-	(253)	-	-	-
<b>Balance at 30 September 2014</b>	<b>55,738</b>	<b>13,756</b>	<b>14,700</b>	<b>344</b>	<b>(3,845)</b>	<b>89,677</b>	<b>170,370</b>	<b>714</b>	<b>171,084</b>

The notes on pages 9 to 19 are an integral part of these interim financial statements.

# Medifin Holding Limited

## Condensed Consolidated Interim Statement of Changes in Equity (continued) For the six months ended 30 September 2015

	Share capital €000	Share premium €000	Shareholders' contribution €000	Reserve for general banking risks €000	Fair value reserve €000	Other reserve €000	Retained earnings €000	Total €000	Non-controlling interests €000	Total €000
Balance at 1 April 2015	55,738	13,756	-	1,029	8,800	-	98,872	178,195	876	179,071
<b>Total comprehensive income</b>										
Profit for the period	-	-	-	-	-	-	20,085	20,085	33	20,118
<b>Other comprehensive income, net of tax:</b>										
Fair value reserve (Available-for-sale financial assets):										
- Net change in fair value	-	-	-	-	(7,337)	-	-	(7,337)	-	(7,337)
- Net amount transferred to profit or loss	-	-	-	-	(10,752)	-	-	(10,752)	-	(10,752)
<b>Total other comprehensive income, net of tax</b>										
<b>Total comprehensive income, net of tax</b>										
Transactions with owners, recorded directly in Equity										
Dividends paid	-	-	-	-	-	-	(28,700)	(28,700)	(495)	(29,195)
Shareholders' contribution	-	-	28,700	-	-	-	-	28,700	-	28,700
<b>Total transactions with owners</b>										
Acquisition of non-controlling interest in subsidiary	-	-	-	-	-	(1,076)	-	(1,076)	(414)	(1,490)
Transfer to Reserve for general banking risks	-	-	-	473	-	-	(473)	-	-	-
<b>Balance at 30 September 2015</b>	<b>55,738</b>	<b>13,756</b>	<b>28,700</b>	<b>1,502</b>	<b>(9,289)</b>	<b>(1,076)</b>	<b>89,784</b>	<b>179,115</b>	<b>-</b>	<b>179,115</b>

The notes on pages 9 to 19 are an integral part of these interim financial statements.

# Medifin Holding Limited

## Condensed Consolidated Interim Statement of Cash Flows For the six months ended 30 September 2015

	Period from 1 April to 30 September 2015 €000	Period from 1 April to 30 September 2014 €000
<b>Cash flows from operating activities</b>		
Interest and commission receipts	50,041	37,918
Interest and commission payments	(19,767)	(16,542)
Payments to employees and suppliers	(21,644)	(16,599)
<b>Operating profit before changes in operating assets/liabilities</b>	<b>8,630</b>	<b>4,777</b>
(Increase)/decrease in operating assets:		
- Reserve deposit with Central Bank of Malta	6,339	(1,260)
- Loans and advances to financial institutions and customers	(149,251)	(9,892)
- Investments	-	(235,270)
Increase/(decrease) in operating liabilities:		
- Amounts owed to financial institutions and customers	78,125	372,394
Tax paid	(6,396)	(2,616)
<b>Net cash (used in)/from operating activities</b>	<b>(62,553)</b>	<b>128,133</b>

# Medifin Holding Limited

## Condensed Consolidated Interim Statement of Cash Flows (continued) For the six months ended 30 September 2015

	Period from 1 April to 30 September 2015 €000	Period from 1 April to 30 September 2014 €000
<b>Net cash (used in)/from operating activities</b>	<b>(62,553)</b>	<b>128,133</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary	(1,490)	(35,300)
Net acquisitions of property and equipment and intangible assets	(20)	(13)
Net disposals/(acquisitions) of available-for-sale assets	466,148	(104,304)
Net disposals of investments held at fair value through profit or loss	3,636	-
Repayment of loan to ultimate parent	(140)	(2,058)
Net acquisitions of derivative instruments held for risk management	(623)	(21,268)
<b>Net cash from/(used in) investing activities</b>	<b>467,511</b>	<b>(162,943)</b>
<b>Cash flows from financing activities</b>		
Dividends paid to equity holders of the Company	(28,700)	-
Dividends paid to non-controlling interests	(495)	-
Re-purchase of debt securities in issue	(148,075)	(192)
Proceeds from shareholders' contribution	28,700	-
<b>Net cash used in financing activities</b>	<b>(148,570)</b>	<b>(192)</b>
<b>Net change in cash and cash equivalents</b>	<b>256,388</b>	<b>(35,002)</b>
Cash and cash equivalents acquired through business combination	-	(26,002)
Cash and cash equivalents at the beginning of the period	(201,708)	(124,346)
<b>Cash and cash equivalents at end of period</b>	<b>54,680</b>	<b>(185,350)</b>

*The notes on pages 9 to 19 are an integral part of these interim financial statements.*

# Medifin Holding Limited

## Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2015

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### 1. Reporting entity

Medifin Holding Limited (the 'Company') is domiciled and incorporated in Malta. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 September 2015 comprise the Company and its subsidiaries, Mediterranean Bank plc ('MedBank'), Mediterranean Corporate Bank Limited, MeDirect S.A. and Charts Investment Management Services Ltd (together referred to as the 'Group').

The principal activities of the Group are to provide market leading banking services primarily to the mass affluent sector, focusing primarily on savings, wealth management, investments and corporate banking.

### 2. Basis of preparation

#### 2.1 Statements of compliance

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all information required for a complete set of financial statements prepared in accordance with International Financial Report Standards, as adopted by the European Union. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements as at and for the year ended 31 March 2015.

#### 2.2 Judgements and estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 March 2015.

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

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

# Medifin Holding Limited

## Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2015

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### 2. Basis of preparation (continued)

#### 2.2 Judgements and estimates (continued)

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets and liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 6 – Financial Instruments.

### 3. Significant accounting policies

The accounting policies applied by the Group in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 March 2015.

### 4. Operating segments

The Group has principally a single reportable segment represented by the investment in high credit quality collateralised instruments such as covered bonds, guaranteed senior bank debt, sovereign related risk and corporate secured lending. Product and services and geographical areas are comparable to those as at 31 March 2015. Information about the financial risk, credit concentrations by sector and location and revenues from the single reportable segment can be obtained from the financial statements for the year ended 31 March 2015. The investment portfolio is spread across a large number of exposures diversified in government, financial institutions and other corporates.

### 5. Taxation

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax expected for the full financial year applied to the pre-tax income of the interim period.



# Medifin Holding Limited

## Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2015

### 6 Financial instruments

#### 6.1 Impairment

	Specific allowances €000	Collective allowances €000	Total €000
<b>Loans and advances to customers</b>			
<b>Year ended 31 March 2015</b>			
At 1 April 2014	1,422	872	2,294
Acquisition through business combination	8,672	1,140	9,812
Exchange differences	18	-	18
Impairment allowance for the period	628	290	918
	<hr/>	<hr/>	<hr/>
At 30 September 2014	10,740	2,302	13,042
Impairment allowance for the period	(1,121)	1,675	554
Exchange differences	(5)	-	(5)
	<hr/>	<hr/>	<hr/>
At 31 March 2015	9,614	3,977	13,591
	<hr/>	<hr/>	<hr/>
<b>Period ended 30 September 2015</b>			
At 1 April 2015	9,614	3,977	13,591
Impairment allowance for the period	(1,658)	401	(1,257)
	<hr/>	<hr/>	<hr/>
At 30 September 2015	7,956	4,378	12,334

#### 6.2 Carrying amounts versus fair values for financial instruments measured at fair value

The Group's financial instruments not measured at fair value comprise mainly loans and advances to customers, subordinated liabilities, debt securities in issue, loans and advances to financial institutions, amounts owed to financial institutions and amounts owed to customers. The carrying amount of these financial assets and financial liabilities represent a reasonable approximation of fair value. The fair value of loans and advances to customers is estimated by reference to Level 2 measures (discounted cash flows at current interest rates). The fair value of subordinated liabilities and debt securities in issue is calculated by reference to Level 1 prices. The latter three categories essentially reprice within short periods of time.

Price quotations are available for internationally traded loans. International loans and advances to customers with a carrying value of €1,063.7 million (31 March 2015: €872.3 million), have a fair value of €1,052.8 million (31 March 2015: €871.3 million). The net carrying amount of local loans and advances to customers amounting to €63.8 million (31 March 2015: €74.5 million) approximates their fair value because they are re-pricable at the Group's discretion. Loans and advances to municipalities amounting to €49.8 million (31 March 2015: €49.8 million) have a fair value of €48.8 million (31 March 2015: €49.3 million), which is determined by reference to actively traded instruments of the same issuer adjusted to reflect lack of active trading in this instrument. All trade receivables (31 March 2015: 95%) amounting to €26.8 million (31 March 2015: €50.6 million) mature in less than one year, hence their fair value is not deemed to differ materially from their carrying amount at the reporting date.

No specific impairment allowances are deemed necessary, other than those disclosed in note 6.1.

Disposals of 'loans and advances to customers' take place after due consideration is provided on a case by case basis of the underlying commercial viability. Loans and advances with a carrying value of €32.1 million were disposed of or redeemed during the interim period realising profits of €0.2 million.

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 March 2015.

# Medifin Holding Limited

## Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2015

### 6 Financial instruments (continued)

#### 6.3 Fair value hierarchy for financial instruments measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Condensed Consolidated Interim Statement of Financial Position.

	As at 30 September 2015			Total €000
	Level 1 €000	Level 2 €000	Level 3 €000	
<b>MedBank Group</b>				
<b>Assets</b>				
Investments				
- Available-for-sale	1,022,287	-	-	1,022,287
- Fair value through profit or loss	-	303	-	303
Derivative assets held for risk management	-	4,265	-	4,265
<b>Total financial assets</b>	<b>1,022,287</b>	<b>4,568</b>	<b>-</b>	<b>1,026,855</b>
<b>Liabilities</b>				
Derivative liabilities held for risk management	-	8,710	-	8,710
<b>Total financial liabilities</b>	<b>-</b>	<b>8,710</b>	<b>-</b>	<b>8,710</b>
	As at 31 March 2015			Total €000
	Level 1 €000	Level 2 €000	Level 3 €000	
<b>Assets</b>				
Investments				
- Available-for-sale	1,500,852	-	-	1,500,852
- Fair value through profit or loss	-	2,610	-	2,610
Derivative assets held for risk management	-	3,197	-	3,197
<b>Total financial assets</b>	<b>1,500,852</b>	<b>5,807</b>	<b>-</b>	<b>1,506,659</b>
<b>Liabilities</b>				
Derivative liabilities held for risk management	-	5,200	-	5,200
<b>Total financial liabilities</b>	<b>-</b>	<b>5,200</b>	<b>-</b>	<b>5,200</b>

As at 30 September 2015 and at 31 March 2015, the fair value of the available-for-sale (AFS) investment securities represents the closing bid price quoted in an active market.

# Medifin Holding Limited

## Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2015

### 6 Financial instruments (continued)

#### 6.3 Fair value hierarchy for financial instruments measured at fair value (continued)

Level 2 includes fair value of:

- Investment securities that are valued on the basis of price quotations from an orderly transaction between market participants provided by reputable dealers; and
- Derivatives held for risk management that are based on valuation models with the utilised methodology calculating the net present value of a series of expected cash flows, taking into account the different terms of each specific contract/instrument (discounted cash flow – DCF). These models use as their basis independently sourced market parameters including, for example, interest rate yield curves. Market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

#### 6.4 Transfers between levels for financial instruments measured at fair value

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period from 1 April 2015 to 30 September 2015.

During the financial year ended 31 March 2015, equity instruments held by the Group with a carrying amount of €2.6 million were transferred from Level 1 to Level 2 of the fair value hierarchy due to the lack of significant trades in such equity instruments.

### 7. Capital and reserves

#### 7.1 Share capital

	30 September 2015 No.	31 March 2015 No.
Issued and fully paid up:		
Ordinary 'A' shares of €1 each	56,406,546	56,406,546
Ordinary 'B' shares of €1 each	1	1
	<hr/> 56,406,547	<hr/> 56,406,547
	30 September 2015 €000	31 March 2015 €000
Issued and fully paid up:		
At beginning and end of period	55,738	55,738

- 7.1.1 On 27 June 2014, the shares in Medifin Holding Limited were transferred from Anacap Financial Partners II L.P. to Medifin Investments Limited. Following the change in shareholding the issued share capital was amended and now consists of 56,406,546 Ordinary 'A' shares of €1 each and 1 Ordinary 'B' share of €1 each.

# Medifin Holding Limited

## Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2015

### 7. Capital and reserves (continued)

#### 7.1 Share capital (continued)

7.1.2 The holders of the Ordinary 'A' Shares shall be entitled to one vote in general meetings for each of such shares held, whilst the holders of the Ordinary 'B' Shares shall not be entitled to any vote in respect of those shares. Provided that the holders of the Ordinary 'A' Shares and the holders of the Ordinary 'B' Shares shall be equally entitled to receive notice of general meetings of the Company.

The Ordinary 'B' Shares shall not carry any dividend entitlement.

The holders of the Ordinary 'A' Shares shall be entitled to any surplus assets of the Company on a winding up whilst the holders of the Ordinary 'B' Shares shall not be entitled to any surplus assets of the Company on a winding up but shall have a prior claim over the holders of the Ordinary 'A' Shares for the return of the nominal value of the said Ordinary 'B' Shares.

7.1.3 At 30 September 2015 and as at 31 March 2015, the authorised share capital consisted of 100,000,000 ordinary shares of €1 each.

7.1.4 Share capital is stated net of share issue expenses amounting to €0.7 million.

#### 7.2 Share premium

Share premium as at the reporting date represents the issue of shares in prior periods as follows:

Issue type	Number of shares No	Premium per share €	Share premium	
			30 September 2015 €000	31 March 2015 €000
Ordinary A shares	39,520,969	0.3407	13,464	13,464
Ordinary B shares	1,214,991	0.2400	292	292
			<b>13,756</b>	<b>13,756</b>

During 2015, shares in Medifin Holding Limited were transferred to Medifin Investments Limited as described in note 7.1. The share premium was re-allocated to the Ordinary 'A' shares.

#### 7.3 Shareholders' contribution

By an extraordinary resolution dated 30 September 2015, the Company's shareholders resolved to provide the Group with a shareholders' net contribution of €28.7 million.

The following terms and conditions of the contribution granted renders this instrument to be equity in nature in accordance with the requirements of IAS 32: Financial Instruments - Presentation:

- The Group has no obligation to bear any servicing cost or transfer any economic benefits of any kind to the Contributor or any other person in return; and
- The Group has no obligation to repay the Contributions.

The Contribution is also eligible as Own Funds in terms of the new capital requirements.

# Medifin Holding Limited

## Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2015

### 7. Capital and reserves (continued)

- 7.4 In accordance with Banking Rule BR/09/2013, credit institutions are required to maintain a Reserve for General Banking Risks against non-performing loans to create an additional Pillar 2 capital buffer. This reserve was transferred out of the retained earnings. As at 30 September 2015, the Reserve for General Banking Risks of the Group was equivalent to €1.5 million (31 March 2015: €1.0 million). This reserve, which is distributable subject to the formal consent of the Regulator, now represents 100% (31 March 2015: 70%) of the regulatory allocation by virtue of paragraph 38 of the Banking Rule.
- 7.5 The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments, excluding impairment losses, until the investment is derecognised, net of deferred taxation.
- 7.6 All reserves at the reporting date, except for the Company's retained earnings and the shareholders' contribution, are non-distributable. However, the shareholders' contribution reserve is distributable only and only if, the regulatory ratios are not breached and if the terms and conditions permit.
- 7.7 On 30 September 2015, the Group declared an interim dividend of €28.7 million, equivalent to €0.51 per share.

### 8. Debt securities in issue

	30 September 2015 €000	31 March 2015 €000
At amortised cost:		
Debt securities in issue (Note 8.1)	9,175	9,204
Debt securities in issue through non-derecognised controlled entity (Note 8.2)	-	147,933
	<u>9,175</u>	<u>157,137</u>

#### 8.1 Debt securities in issue

	Period from 1 April to 30 September 2015 €000	Year ended 31 March 2015 €000
At beginning of period/year	9,204	14,341
Debt securities repurchased and cancelled	(75)	(5,242)
Transaction costs amortised to profit or loss	46	105
At end of period/year	<u>9,175</u>	<u>9,204</u>

- 8.1.1 The debt securities, which are unsecured, are denominated in Euro, mature on 30 October 2015 and are listed on the Malta Stock Exchange. The interest payable is fixed at 6.25% per annum and the debt securities are redeemable at their nominal value.

# Medfin Holding Limited

## Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2015

### 8. Debt securities in issue (continued)

8.1.2 The above liabilities will in the event of default or insolvency of MedBank, have a general claim on the assets of MedBank pari passu with other unsecured creditors. Bondholders therefore would rank after all interbank funding lines and repurchase agreements that are collateralised by investments securities through the said funding.

8.1.3 During the period ended 30 September 2015, MedBank purchased through market operations a nominal value of €0.1 million (Year ended 31 March 2015: €5.2 million) of its 6.25% debt securities in issue, for cancellation in accordance with the provisions of section 7.9.8 of the Securities Note forming part of the prospectus dated 13 September 2010 (as supplemented on 30 May 2011).

As part of the issue of the 6% subordinated unsecured bonds 2019 – 2024 in November 2014, the holders of the 6.25% debt securities were given preference to subscribe to the former bonds at a discount of 4% by surrendering all or part of their latter bonds. As a result, €5.0 million 6.25% debt securities were transferred to MedBank in exchange for the new subordinated unsecured bonds 2019 – 2024.

As at 30 September 2015, the contractual amount due at maturity is €9.2 million (31 March 2015: €9.2 million).

8.1.4 The Group has not had any defaults of interest or other breaches with respect to its debt securities in issue during the period/year ended 30 September 2015 and 31 March 2015.

### 8.2 Debt securities in issue through non-derecognised controlled entity

	Period from 1 April to 30 September 2015 €000	Year ended 31 March 2015 €000
At beginning of period/year	147,933	215,786
Nominal amounts of debt securities repurchased and derecognised	(148,000)	(70,000)
Transaction costs amortised to profit or loss	67	2,147
At end of period/year	-	147,933

8.2.1 As part of the Group's funding strategy, MedBank set up GH I, a non-derecognised controlled entity since the Group retained all the risks and rewards of the structure.

8.2.2 The non-derecognised controlled entity issued the following notes, maturing in 2026, although MedBank envisaged that the debt securities issued through the non-derecognised controlled entity would be repaid within five years from date of issue:

- €240 million Class A1 Senior Secured Floating Rate Notes;
- €15 million Class A2 Senior Secured Floating Rate Notes;
- €35 million Class B Senior Secured Deferrable Floating Rate Notes;
- €22.5 million Class C Senior Secured Deferrable Floating Rate Notes;
- €32.5 million Class D Senior Secured Deferrable Floating Rate Notes;
- €10 million Class E Senior Secured Deferrable Floating Rate Notes;
- €48.4 million Subordinated Notes.

# Medifin Holding Limited

## Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2015

### 8. Debt securities in issue (continued)

- 8.2.3 During July 2013, MedBank repurchased €22.0 million of the Senior Secured Floating Rate ("SSFR") notes. During February and March 2015, MedBank repurchased €70.0 million of the SSFR notes. A further €51.0 million of the SSFR were repurchased during the period under review. The amortisation of transaction costs had been adjusted to reflect these developments.
- 8.2.4 On 5 June 2015, MedBank, as holder of the Subordinated Notes of GH I notified the noteholders of its intention to cause GH I to redeem all remaining outstanding notes. Such outstanding notes were redeemed at par in July 2015.
- 8.2.5 The Group did not have any defaults of interest or other breaches with respect to its debt securities in issue through the non-derecognised controlled entity during the five-month period ended 30 September 2015 and year ended 31 March 2015.

### 9. Acquisition of subsidiary

On the 25th September 2014, MedBank acquired 100% of the share capital of Mediterranean Corporate Bank Limited (previously Volksbank Malta Limited), after receiving full regulatory approval. MedBank paid a cash consideration of €35.3 million for this acquisition.

Mediterranean Corporate Bank is a fully owned subsidiary of MedBank. MedBank reorganised the activities of Mediterranean Corporate Bank Limited with its existing Corporate Banking services to form Malta's newest Bank focused exclusively on Corporates operating in Malta.

#### 9.1 Acquisition-related costs

MedBank incurred acquisition-related costs of €0.1 million (excluding VAT) relating to external legal fees and due diligence costs. These costs were included in 'administrative expenses' in the condensed consolidated interim statement of comprehensive income.

#### 9.2 Identifiable assets acquired and liabilities assumed

The following table summarises the recognised fair values of assets acquired and liabilities assumed as at the date of acquisition:

	€000
Balances with Central Bank of Malta and cash	513
Loans and advances to financial institutions	12,189
Loans and advances to customers	81,230
Investment securities	18,509
Derivative assets held for risk management	886
Property and equipment	303
Intangible assets	5
Prepayments and accrued income	684
Other assets	1
Deferred tax assets	4,086
Current tax receivable	107
Amounts owed to financial institutions	(38,704)
Amounts owed to customers	(16,999)
Derivative liabilities held for risk management	(2,986)
Other liabilities	(367)
Accrual and deferred income	(1,427)
Contingent provisions	(316)
<b>Fair value of identifiable net assets acquired</b>	<b>57,714</b>

# Medifin Holding Limited

## Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2015

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### 9. Acquisition of subsidiary (continued)

#### 9.2 Identifiable assets acquired and liabilities assumed (continued)

The contingent provisions related to guarantees provided by Mediterranean Corporate Bank's on credit cards and a provision in relation to a severance payment. The recognised fair value of €0.3 million was based on the expected pay-out for these items.

The fair value of the acquired loans and advances to financial institutions and customers has been taken to approximate the amortised cost amount of the assets. These receivables are net of an impairment allowance of €9.8 million which represents the present value of the contractual cash flows not expected to be collected.

#### 9.3 Gain on initial accounting of subsidiary

Gain on initial accounting of subsidiary has been recognised as follows:

	€000
Fair value of identifiable net assets	57,714
Total consideration	(35,300)
<b>Gain on initial accounting of subsidiary</b>	<b>22,414</b>

The gain on initial accounting of Mediterranean Corporate Bank Limited is recognised in 'Other operating income'. As a consequence of a government bailout, Oesterreichische Volksbanken AG decided to dispose of its non-core operations and accordingly exit the Maltese market. This decision resulted in the acquisition of Volksbank Malta Limited at a price which is significantly lower than the fair value of the net assets and liabilities acquired

### 10. Acquisition of non-controlling interest in subsidiary

On 6 May 2015 the Group entered into an agreement to acquire the remaining 35% shareholding of Charts Investment Management Services Ltd for a cash consideration of €1.7 million, of which €0.2 million is contingent upon the achievement of certain predefined targets in the coming financial year.

The subsidiary is principally engaged in providing stockbroking and corporate finance services and other authorised investment services under a Category 3 licence.

As a result of the acquisition, an amount of €0.4 million non-controlling interest has been derecognised, as disclosed in the Statement of Changes in Equity.



# Medifin Holding Limited

## Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2015

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### 11. Contingent liabilities and commitments

#### *Guarantees*

Contingent liabilities represent unsecured guarantee obligations incurred on behalf of third parties. As at 30 September 2015, the Group held other cash secured guarantee obligations amounting to €0.1 million (31 March 2015: €0.1 million).

#### *Non-cancellable lease commitments*

As at the reporting date, the future minimum lease payments under non-cancellable operating lease agreements amount to €2.5 million (31 March 2015: €3.8 million).

#### *Financial commitments*

Financial commitments represent undrawn formal standby facilities, credit facilities and other commitments to lend. As at 30 September 2015, undrawn facilities on term loans amounted to €16.5 million (31 March 2015: €16.8 million). In addition, the Group had commitments amounting to €126.9 million (31 March 2015: €74.5 million) under revolving credit facilities.

### 12. Related Parties

- 12.1 As of 31 March 2014, Medifin Leasing Limited was a subsidiary of Medifin Holding with a 99.99% shareholding. On 27 June 2014, the shares in Medifin Leasing were transferred to Medifin Investments Limited, the parent company of Medifin Holding Limited. The comparative condensed consolidated interim financial statements include the results of Medifin Leasing Limited till the date of disposal. The resulting gain on disposal of Medifin Leasing Limited of €0.1 million is disclosed in 'Other income'.
- 12.2 On 30 September 2015, the Group paid a dividend of €28.7 million (Note 7.7) to its parent company and received a shareholders' contribution of an equivalent amount (Note 7.3) from its parent entity.
- 12.3 A final dividend of €0.9 million was distributed by Charts Investment Management Services Ltd to Medifin Holding Limited and was executed on 6 May 2015.
- 12.4 Other than the above, there were no significant transactions with related parties during the six month period ended 30 September 2015 which would significantly alter the balances with related parties from those disclosed in the annual report for the year ended 31 March 2015.

### 13. Subsequent events

On 30 October 2015, unsecured debt securities bearing interest at 6.25% per annum (Note 8.1) matured and were redeemed at their nominal value of € 9.2 million.





## **Independent auditor's review report**

To the Board of Directors of Medifin Holding Limited

### **Report on the review of the condensed consolidated interim financial statements**

#### *Introduction*

We have reviewed the accompanying condensed consolidated interim statement of financial position of Medifin Holding Limited as at 30 September 2015, the related condensed consolidated income statement and the condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six-month period then ended and the explanatory notes ('the interim financial information'). The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 'Interim Financial Reporting'). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

#### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

### **PricewaterhouseCoopers**

78, Mill Street  
Qormi  
Malta

A handwritten signature in black ink that reads 'Fabio Axisa'.

Fabio Axisa  
Partner

12 November 2015

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