

24 July 2018

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Izola Bank p.l.c. pursuant to Chapter 5 of the Listing Rules of the Malta Financial Services Authority.

Quote

In a meeting of the Board of Directors of Izola Bank p.l.c. held on 24th July 2018, the attached unaudited Condensed Interim Financial Statements for the six-month period ended 30th June 2018 were approved.

The Condensed Interim Financial Statements for the period ended 30th June 2018 are available for viewing and download on the Bank's website at www.izolabank.com.

Unquote



Calvin Bartolo
Company Secretary

Izola Bank p.l.c.
First Half 2018 Results - Highlights

Review of Performance

- Profit before tax of €1,598,562 for the six months ended 30 June 2018 – down €367,929 or 19 per cent, compared with €1,966,491 for the same period in 2017. This reduction is primarily the result of lower levels of other operating income, comprising mainly of gains on sales of investments.
- Operating income of €3,191,210 for the six months ended 30 June 2018, down €348,464 or 10 per cent, compared with €3,539,674 for the same period in 2017.
- The Bank's cost-to-income ratio increased to 50 per cent for the six months ended 30 June 2018, a deterioration of 6 percentage points, compared with 44 per cent for the same period in 2017.
- Loans and advances to customers (including factoring) of €127 million at 30 June 2018, up €13 million or 11 per cent, compared with 31 December 2017.
- Customer deposits of €142 million at 30 June 2018, down €3.5 million, or 2.3 per cent, compared with 31 December 2017.
- Total assets of €200.7 million at 30 June 2018, down €5.9 million, or 2.9 per cent, compared with 31 December 2017.
- Earnings per share of €2.72 for the six months ended 30 June were 15% lower than the earnings per share for the same period in 2017 (€3.21).

Commentary

The Bank experienced a reduction in its net interest income of 66 per cent when compared to the same period last year. This reduction is mainly due to decreased interest income from debt securities as a result of planned sales of Malta Government Stocks and reduced interest income on the lending portfolio.

On the other hand, net fee and commission income of €2,175,420 for the six months ended 30 June 2018 increased by €848,654 or 64 per cent, compared with 30 June 2017. This was due to an increase in factoring activity in Belgium and Malta.

Administrative and personnel expenses increased by 5.6% when compared to the same period last year however the variance between the Bank's other operating income during the first six months of 2018 when compared to the same period of 2017 of €614,745 resulted in a deterioration in the Bank's cost-to-income ratio of 6 percentage points from 44 per cent for the period ended 30 June 2017 to 50 per cent for the period ended 30 June 2018.

During the first six months of 2018 the bank increased its loans and advances to customers (including factored receivables) by €13 million or 11 per cent, and its investments were reduced by €10.6 million or 19 per cent, compared with 31 December 2017. The quality of the lending portfolio showed no sign of deterioration whilst liquidity and capital ratios remained substantially above regulatory requirements.

Izola Bank p.l.c.

Income Statements

For the period 1 January to 30 June 2018

	01.01.2018 to 30.06.2018	01.01.2017 to 30.06.2017
	EUR	EUR
Interest receivable and similar income		
- on loans and advances	1,026,836	1,339,751
- on debt securities	514,848	799,236
Interest expense	(1,217,636)	(1,198,237)
Net interest income	324,048	940,750
Fees and commission receivable	2,211,878	1,362,555
Fees and commission payable	(36,458)	(35,789)
Net fees and commission income	2,175,420	1,326,766
Net trading gains	42,185	7,856
Other operating income	649,557	1,264,302
Operating income	3,191,210	3,539,674
Administrative and personnel expenses	(1,254,379)	(1,187,322)
Depreciation and amortisation	(423,635)	(384,231)
Impairment allowances	85,366	(1,630)
Profit before income tax	1,598,562	1,966,491
Income tax expense	(509,669)	(682,985)
Profit for the period	1,088,893	1,283,506
Earnings per share	2.72	3.21

Izola Bank p.l.c.

Statement of financial position

At 30 June 2018

	30.06.2018	31.12.2017
ASSETS		
Cash and uncleared effects	33,635	2,587
Balances with Central Bank of Malta	1,603,398	1,948,344
Investments	46,553,285	57,213,412
Loans and advances to banks	12,379,460	20,079,499
Factored receivables	59,585,683	48,583,631
Other loans and advances to customers	67,554,896	65,524,805
Property and equipment	10,261,123	10,343,320
Intangible Assets	1,614,654	1,634,529
Other assets	1,135,000	1,299,677
Total assets	200,721,134	206,629,804
LIABILITIES		
Balance with Central Bank of Malta	13,000,000	16,300,000
Amounts owed to customers	142,284,487	145,767,422
Secured notes	11,880,354	11,871,811
Deferred tax liabilities	724,010	724,009
Current tax payable	1,664,340	1,154,671
Accruals and deferred income	1,271,249	1,340,051
Total liabilities	170,824,440	177,157,964
EQUITY		
Called up share capital	10,000,000	10,000,000
Property revaluation reserve	2,643,908	2,657,412
Fair value reserve	213,440	876,876
Depositor compensation scheme reserve	354,523	354,523
Reserve for general banking risk	36	36
Capital contribution	12,532,675	12,532,675
Retained earnings	4,152,112	3,050,318
Total equity attributable to equity holders of the bank	29,896,694	29,471,840
Total liabilities and equity	200,721,134	206,629,804

Izola Bank p.l.c.

Statement of Changes in Equity

For the period 1 January to 30 June 2018

	Share capital	Property revaluation reserve	Fair value reserve	Depositor compensation scheme reserve	Capital contribution	Reserve for General Banking Risk	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 1 January 2017	10,000,000	961,468	2,663,593	238,387	11,436,521	217	3,168,372	28,468,558
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	1,283,506	1,283,506
Other comprehensive income								
Change in fair value of available-for-sale financial assets	-	-	(1,031,800)	-	-	-	-	(1,031,800)
Total other comprehensive income	-	-	(1,031,800)	-	-	-	-	(1,031,800)
Total comprehensive income for the period	-	-	(1,031,800)	-	-	-	1,283,506	251,706
Transactions with owners, recorded directly in equity								
Dividends paid to equity holders	-	-	-	-	-	-	-	-
Capitalisation of capital contribution	-	-	-	-	-	-	-	-
Contributions paid by equity owners	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-
Balance at 30 June 2017	10,000,000	961,468	1,631,793	238,387	11,436,521	217	4,451,878	28,720,264

Izola Bank p.l.c.

Statement of Changes in Equity

For the period 1 January to 30 June 2018

	Share capital	Property revaluation reserve	Fair value reserve	Depositor compensation scheme reserve	Capital contribution	Reserve for General Banking Risk	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 1 January 2018	10,000,000	2,657,412	876,876	354,523	12,532,675	36	3,050,318	29,471,840
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	1,088,893	1,088,893
Other comprehensive income								
Change in fair value of available-for-sale financial assets	-	-	(663,436)	-	-	-	-	(663,436)
Transfers from / to retained earnings	-	(13,504)	-	-	-	-	12,901	(603)
Total other comprehensive income	-	(13,504)	(663,436)	-	-	-	-	(664,039)
Total comprehensive income for the period	-	(13,504)	(663,436)	-	-	-	1,101,794	424,854
Transactions with owners, recorded directly in equity								
Balance at 30 June 2018	10,000,000	2,643,908	213,440	354,523	12,532,675	36	4,152,112	29,896,694

Izola Bank p.l.c.

Statement of cash flows

For the period 1 January 2018 to 30 June 2018

	01.01.2018 to 30.06.2018	01.01.2017 to 30.06.2017
	EUR	EUR
Cash flows from operating activities		
Interest and commission receipts	3,336,679	3,776,749
Interest and commission payments	(1,483,378)	(1,685,368)
Payments to employees and suppliers	(1,226,216)	(1,004,058)
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Operating profit before changes in operating assets/liabilities	627,085	1,087,323
Changes in operating assets:		
- loans and advances to customers	(1,438,981)	(4,791,199)
- factored receivables	(10,410,942)	(3,138,299)
Changes in operating liabilities:		
- amounts owed to customers	(3,482,935)	(4,734,305)
- amounts owed to banks	(3,300,000)	3,000,000
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Net cash used in operating activities	(18,005,773)	(8,576,480)
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Cash flows from investing activities		
Payments to acquire property and equipment	(242,006)	(5,593,901)
Acquisitions of investments	-	(4,000,000)
Proceeds from sale of investments	10,300,008	5,600,630
Interest received from investments	473,834	658,478
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Net cash from / (used in) investing activities	10,531,836	(3,334,793)
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Cash flows from financing activities		
Interest paid on debt securities	(540,000)	(540,000)
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Net cash used in financing activities	(540,000)	(540,000)
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Net decrease in cash and cash equivalents	(8,013,937)	(12,451,273)
Cash and cash equivalents at beginning of period	22,030,430	42,141,918
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Cash and cash equivalents at end of period	14,016,493	29,690,645
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Basis of preparation

The condensed interim financial statements have been extracted from Izola Bank p.l.c.'s (the 'bank') unaudited management accounts for the six month period ended 30 June 2018. These condensed interim financial statements are being published in terms of Chapter 5 of the Listing Rules issued by the Listing Authority and in terms of the Prevention of Financial Markets Abuse Act, 2005.

The condensed interim financial statements have been prepared in accordance with accounting standards adopted for use in the EU for interim financial statements (adopted IAS 34, 'Interim Financial Reporting'). They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 31 December 2017.

The accounting policies applied in these condensed interim financial statements are the same as those applied by the bank in its financial statements as at, and for the year ended, 31 December 2017 save for the adoption of IFRS 9, 'Financial Instruments' effective from 1 January 2018. The impact on the bank's interim financial statements as a result of this adoption did not result in a material change in either the classification and measurement of financial assets or the level of impairment provisions.

As required by the adopted IAS 34, 'Interim Financial Reporting', these interim financial statements include comparative statements of financial position information at the previous financial year end and comparative income statement information for the comparable interim period of the immediately preceding financial year.

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

I confirm that to the best of my knowledge:

- The condensed interim financial statements give a true and fair view of the financial position, performance and cash flows for the period ended 30 June 2018, in accordance with International Financial Reporting Standards as adopted by the EU and applicable to interim financial reporting (IAS 34).
- The commentary includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.



Andrew Mifsud
Chief Executive Officer