

25 July 2016

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 25th July 2016, the attached unaudited Condensed Interim Financial Statements for the six-month period ended 30th June 2016 were approved.

The Condensed Interim Financial Statements for the period ended 30th June 2016 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 2016 Results - Highlights

Review of Performance

- Profit before tax of €2,111,200 for the six months ended 30 June 2016 – up €30,895 or 1 per cent, compared with €2,080,305 for the same period in 2015.
- Operating income of €3,085,917 for the six months ended 30 June 2016, down €14,746 or 0.5 per cent, compared with €3,110,223 for the same period in 2015.
- The Bank's cost-to-income ratio increased to 36 per cent for the six months ended 30 June 2016, an increase of 3 percentage points, compared with 33 per cent for the same period in 2015.
- Loans and advances to customers of €52.7 million at 30 June 2016, down €5.7 million or 10 per cent, compared with 31 December 2015.
- Customer deposits of €110.9 million at 30 June 2016, up €3.6 million, or 3.4 per cent, compared with 31 December 2015.
- Total assets of €177 million at 30 June 2016, up €5.2 million, or 3 per cent, compared with 31 December 2015.
- Earnings per share of €3.54 for the six months ended 30 June 2016 were 5% higher than the earnings per share for the same period in 2015 (€3.38).

Commentary

Izola Bank delivered a profit before tax for the six months ended 30 June 2016 of €2,111,200. This figure remained stable when compared to the same period last year mainly as a result of higher capital gains derived from the Bank's treasury operations and lower provisions against loans.

Due to the prevailing low interest rates and increased deposit taking activity, the Bank experienced a reduction in its net interest income of 8 per cent when compared to the same period last year. For the six months ended 30 June 2016, net interest income was €1,081,433 compared with €1,178,143 at 30 June 2015.

Net fee and commission income of €1,235,225 for the six months ended 30 June 2016 decreased by €140,755, or 10 per cent, compared with 30 June 2015. This was due to a reduction in factoring activity experienced during the first six months of the year.

Administrative expenses increased by 30% compared to the same period last year and this resulted in an increase in the Bank's cost-to-income ratio of 3 percentage points from 33 per cent for the period ended 30 June 2015 to 36 per cent for the period ended 30 June 2016.

During the first six months of 2016 the bank reduced its loans and advances to customers by €5.7 million, or 10 per cent and its investments were increased by €5.1 million, or 9.8 per cent, compared with 31 December 2015. The quality of the lending portfolio showed no sign of deterioration whilst liquidity and capital ratios remained substantially above regulatory requirements.



Income Statements For the period 1 January to 30 June 2016

	01.01.2016 to 30.06.2016	01.01.2015 to 30.06.2015
	EUR	EUR
Interest receivable and similar income		
- on loans and advances	1,381,658	812,443
- on debt securities	813,378	1,500,023
Interest expense	(1,113,603)	(1,134,323)
Net interest income	1,081,433	1,178,143
Fees and commission receivable	1,267,312	1,403,893
Fees and commission payable	(32,087)	(27,913)
Net fees and commission income	1,235,225	1,375,980
Net trading gains	8,896	23,158
Other operating income	769,923	532,942
Operating income	3,095,477	3,110,223
Administrative expenses	(855,995)	(656,066)
Depreciation and amortisation	(255,418)	(226,523)
Impairment allowances	127,136	(147,329)
Profit before income tax	2,111,200	2,080,305
Income tax expense	(694,423)	(729,951)
Profit for the period	1,416,777	1,350,354
Earnings per share	3.54	3.38



Statement of financial position At 30 June 2016

	30.06.2016	31.12.2015
ASSETS		
Cash and uncleared effects	4,200	1,656,731
Balances with Central Bank of Malta	1,288,243	989,261
Investments	57,671,988	52,537,656
Loans and advances to banks	38,844,900	32,471,446
Factored receivables	19,854,357	19,639,543
Other loans and advances to customers	52,712,903	58,439,875
Property and equipment	3,193,068	3,150,034
Intangible Assets	1,463,352	1,100,934
Other assets	1,587,697	1,414,231
Total assets	176,620,708	171,399,711
	=====	=====
LIABILITIES		
Balance with Central Bank of Malta	21,300,000	21,700,000
Amounts owed to customers	110,889,611	107,261,236
Secured notes	11,846,175	11,837,631
Deferred tax liabilities	1,635,485	1,515,335
Current tax payable	737,206	286,575
Accruals and deferred income	847,157	1,118,970
Total liabilities	147,255,634	143,719,747
	=====	=====
EQUITY		
Called up share capital	10,000,000	10,000,000
Property revaluation reserve	1,048,190	1,048,190
Fair value reserve	3,288,767	3,020,434
Depositor compensation scheme reserve	238,387	238,387
Reserve for general banking risk	217	217
Capital contribution	10,482,904	10,482,904
Retained earnings	4,306,609	2,889,832
Total equity attributable to equity holders of the bank	29,365,074	27,679,964
	=====	=====
Total liabilities and equity	176,620,708	171,399,711
	=====	=====



Statement of Changes in Equity
For the period 1 January to 30 June 2016

	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 2016	10,000,000	1,048,190	3,020,434	238,387	10,482,904	217	2,889,832	27,679,964
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	1,416,777	1,416,777
Other comprehensive income								
Change in fair value of available-for-sale financial assets	-	-	268,333	-	-	-	-	268,333
Total other comprehensive income	-	-	268,333	-	-	-	-	268,333
Total comprehensive income for the period	-	-	268,333	-	-	-	1,416,777	1,685,110
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 2016	10,000,000	1,048,190	3,288,767	238,387	10,482,904	217	4,306,609	29,365,074



Statement of Changes in Equity (continued)
For the period 1 January to 30 June 2015

	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 2015	10,000,000	955,479	2,150,803	160,508	8,853,898	8,544	2,811,211	24,940,443
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	1,350,354	1,350,354
Other comprehensive income								
Change in fair value of available-for-sale financial assets	-	-	285,605	-	-	-	-	285,605
Total other comprehensive income	-	-	285,605	-	-	-	-	285,605
Total comprehensive income for the period	-	-	285,605	-	-	-	1,350,354	1,635,959
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 2015	10,000,000	955,479	2,436,408	160,508	8,853,898	8,544	4,161,565	26,576,402



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Statement of cash flows

For the period 1 January 2016 to 30 June 2016

	01.01.2016	01.01.2015
	to	to
	30.06.2016	30.06.2015
	EUR	EUR
Cash flows from operating activities		
Interest and commission receipts	3,286,401	3,929,948
Interest and commission payments	(1,441,631)	(1,746,060)
Payments to employees and suppliers	(1,026,248)	(828,441)
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Operating profit before changes in operating assets/liabilities	818,522	1,355,447
Changes in operating assets:		
- loans and advances to customers	5,726,972	(12,814,201)
- factored receivables	(214,814)	(2,652,480)
Changes in operating liabilities:		
- amounts owed to customers	3,628,375	2,043,168
- amounts owed to banks	(400,000)	(1,300,000)
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Net cash from / (used in) operating activities	9,559,055	(13,368,066)
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Cash flows from investing activities		
Payments to acquire property and equipment	(549,748)	(802,281)
Acquisitions of investments	(2,580,000)	12,351,517
Proceeds from sale of investments	3,433,243	-
Interest received from investments	722,966	895,350
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Net cash from investing activities	1,026,461	12,444,586
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Cash flows from financing activities		
Issue of debt securities, net of transaction costs	-	3,000,000
Interest paid on debt securities	(540,000)	-
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Net cash (used in) / from financing activities	(540,000)	3,000,000
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Net increase in cash and cash equivalents	10,045,516	2,076,520
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Cash and cash equivalents at beginning of period	35,117,438	17,983,119
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Cash and cash equivalents at end of period	45,162,954	20,059,639
	=====	=====



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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 months period ended 30 June 2016. 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 2015.

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 2015.

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 statements information for the comparable interim periods 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 as at 30 June 2016, financial performance and cash flows for the period then ended, 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