

23 July 2019

COMPANY ANNOUNCEMENT

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

Quote

In a meeting of the Board of Directors of Izola Bank p.l.c. held on 23rd July 2019, the attached unaudited Condensed Interim Financial Statements for the six-month period ended 30th June 2019 were approved.

The Condensed Interim Financial Statements for the period ended 30th June 2019 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 2019 Results - Highlights*

Review of Performance

- Profit before tax of €1,335,324 for the six months ended 30 June 2019 – down €263,238 or 16 per cent, compared with €1,598,562 for the same period in 2018. This reduction is primarily the result of lower levels of other revenue, comprising mainly of gains on sales of investments.
- Operating income of €3,690,625 for the six months ended 30 June 2019, up €499,415 or 16 per cent, compared with €3,191,210 for the same period in 2018.
- The Bank's cost-to-income ratio increased to 63.8 per cent for the six months ended 30 June 2019, a deterioration of 13.9 percentage points, compared with 49.9 per cent for the same period in 2018.
- Loans and advances to customers (including factoring) of €186 million at 30 June 2019, up €25.3 million or 16 per cent, compared with 31 December 2018.
- Customer deposits of €203 million at 30 June 2019, up €25.8 million, or 14.5 per cent, compared with 31 December 2018.
- Total assets of €264.4 million at 30 June 2019, up €27 million, or 11 per cent, compared with 31 December 2018.
- Earnings per share of €2.01 for the six months ended 30 June 2019 were 26% lower than the earnings per share for the same period in 2018 (€2.72).

Commentary

The Bank experienced an improvement in its net interest income of 37 per cent when compared to the same period last year. This increase is a result of strong growth registered in the Bank's factoring and lending activities, both in Malta and in Belgium.

On the other hand, net fee and commission income of €25,068 for the six months ended 30 June 2019 decreased by €35,373 or 58 per cent, compared with 30 June 2018. This is primarily due to a year-on-year reduction in fees and timing differences.

Administrative and personnel expenses increased by 30% when compared to the same period last year mainly arising from increased expenditure on personnel, IT, compliance and credit insurance to support the strong growth of the Bank's core business lines which is evidenced by the 37% improvement in net interest income. Other income declined due to one-off gains registered in 2018 from the sale of investments and from writebacks of IAS39 provisions following the adoption of IFRS9, which were naturally not repeated in 2019.

During the first six months of 2019 the bank increased its loans and advances to customers (including factored receivables) by €25.3 million or 16 per cent, and its investments were increased by €2 million or 5 per cent, compared with 31 December 2018. 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.

Statement of Financial Position

As at 30 June 2019

	30.06.2019	31.12.2018
	€	€
ASSETS		
Cash and items in transit	26,672	816
Balances with Central Bank of Malta	6,007,658	2,512,597
Investment securities	44,175,241	42,111,712
Loans and advances to banks	15,291,438	18,788,220
Factored receivables	105,293,445	86,260,140
Other loans and advances to customers	80,553,535	74,286,614
Property and equipment	10,318,715	10,264,853
Intangible assets	1,514,068	1,653,214
Other assets	1,240,805	1,275,436
Total assets	264,421,577	237,153,602
LIABILITIES		
Balance owed to Central Bank of Malta	13,000,000	13,000,000
Deposits from banks	250,194	250,068
Deposits from customers	202,999,180	177,157,086
Debt securities issued	11,897,444	11,888,899
Deferred tax liabilities	634,342	560,484
Current tax payable	1,139,616	802,074
Accruals	1,493,009	1,410,264
Total liabilities	231,413,785	205,068,875
EQUITY		
Share capital	10,000,000	10,000,000
Capital contribution	16,032,675	16,032,675
Property revaluation reserve	2,629,651	2,629,651
Fair value reserve	747,537	627,781
Depositor compensation scheme reserve	409,640	409,640
Reserve for general banking risk	6,470	6,470
Retained earnings	3,181,819	2,378,510
Total equity attributable to equity holders of the Bank	33,007,792	32,084,727
Total liabilities and equity	264,421,577	237,153,602

Izola Bank p.l.c.

Statement of Profit or Loss and Other Comprehensive Income

For the period 1 January to 30 June 2019

	01.01.2019 to 30.06.2019	01.01.2018 to 30.06.2018
	€	€
Interest income calculated using the effective interest method	5,013,570	3,698,848
Interest expense	(1,617,222)	(1,217,636)
Net interest income	3,396,348	2,481,212
Fee and commission income	68,104	96,899
Fee and commission expense	(43,036)	(36,458)
Net fee and commission income	25,068	60,441
Other revenue	269,209	649,557
Operating income	3,690,625	3,191,210
Depreciation and amortisation	(520,785)	(344,134)
Impairment reversals / (losses) on financial instruments	(206,258)	85,367
Personnel expenses	(847,795)	(670,359)
Other expenses	(780,463)	(663,522)
Profit before tax	1,335,324	1,598,562
Income tax expense	(532,015)	(509,669)
Profit for the year	803,309	1,088,893
Earnings per share	2.01	2.72

Statement of Changes in Equity

For the period 1 January to 30 June 2019

	Share capital	Property revaluation reserve	Fair value reserve	Depositor compensation scheme reserve	Capital contribution	Reserve for general banking risk	Retained earnings	Total
	€	€	€	€	€	€	€	€
Balance at 1 January 2019	10,000,000	2,629,651	627,781	409,640	16,032,675	6,470	2,378,510	32,084,727
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	803,309	803,309
Other comprehensive income, net of tax								
Transfer from retained earnings	-	-	-	-	-	-	-	-
Transfer of depreciation on revaluation surplus	-	-	-	-	-	-	-	-
Fair value reserve:								
- net change in fair value	-	-	184,240	-	-	-	-	184,240
- reclassified to profit or loss	-	-	-	-	-	-	-	-
Tax on other comprehensive income	-	-	(64,484)	-	-	-	-	(64,484)
Total other comprehensive income	-	-	119,756	-	-	-	-	119,756
Total comprehensive income for the year	-	-	119,756	-	-	-	803,309	923,065
Transactions with equity holders								
Contributions and distributions								
Dividends to equity holders (note 26.8)	-	-	-	-	-	-	-	-
Contributions paid by equity holders	-	-	-	-	-	-	-	-
Total contributions and distributions	-	-	-	-	-	-	-	-
Balance at 30 June 2019	10,000,000	2,629,651	747,537	409,640	16,032,675	6,470	3,181,819	33,007,792

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
	€	€	€	€	€	€	€	€
Balance at 1 January 2018	10,000,000	961,468	2,663,593	238,387	11,436,521	217	3,168,372	28,468,558
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	1,283,506	1,283,506
Other comprehensive income, net of tax								
Transfer from retained earnings	-	-	-	-	-	-	-	-
Revaluation surplus	-	-	-	-	-	-	-	-
Movement in fair value reserve (available-for-sale financial assets):								
- net change in fair value	-	-	(1,031,800)	-	-	-	-	(1,031,800)
- reclassified to profit or loss	-	-	-	-	-	-	-	-
Tax on other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	(1,031,800)	238,387	-	-	-	251,706
Total comprehensive income for the year	-	-	(1,031,800)	238,387	-	-	-	251,706
Transactions with equity holders								
Contributions and distributions								
Dividends to equity holders (note 26.8)	-	-	-	-	-	-	-	-
Contributions paid by equity holders	-	-	-	-	-	-	-	-
Total contributions and distributions	-	-	-	-	-	-	-	-
Balance at 30 June 2018	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 Cash Flows

For the period 1 January to 30 June 2019

	01.01.2019 to 30.06.2019 €	01.01.2018 to 30.06.2018 €
Cash flows from operating activities		
Interest and commission receipts	4,681,552	3,336,679
Interest and commission payments	(1,120,258)	(1,483,378)
Payments to employees and suppliers	(1,841,597)	(1,226,216)
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Cash from operations before changes in operating assets/liabilities	1,719,697	627,085
Increase/(decrease) in operating assets:		
- other loans and advances to customers	(6,266,921)	(1,438,981)
- factored receivables	(20,729,390)	(10,410,942)
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Increase/(decrease) in operating liabilities:		
- deposits from customers	25,842,220	(3,842,935)
- balance owed to Central Bank of Malta	-	(3,300,000)
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Net cash increase from operating activities before income tax	565,606	(18,005,773)
Income tax paid	(194,473)	-
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Net cash from operating activities	371,133	(18,005,773)
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Cash flows from investing activities		
Payments to acquire property, equipment and intangible assets	(206,810)	(242,006)
Proceeds from disposals of investment securities	1,500,000	10,300,008
Payments to acquire investment securities	(1,505,548)	-
Interest received from investment securities	644,332	473,834
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Net cash from investing activities	443,070	10,531,836
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Cash flow from financing activities		
Interest paid on debt securities	(540,000)	(540,000)
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Net cash from/(used in) financing activities	(540,000)	(540,000)
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Net increase/(decrease) in cash and cash equivalents	274,203	(8,013,937)
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Cash and cash equivalents at beginning of the period	21,051,565	22,030,430
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Cash and cash equivalents at end of the period	21,325,768	14,016,493
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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 2019. 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 2018.

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 2018

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 2019, 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