

24 July 2017

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 2017, the attached unaudited Condensed Interim Financial Statements for the six-month period ended 30th June 2017 were approved.

The Condensed Interim Financial Statements for the period ended 30th June 2017 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 2017 Results - Highlights

Review of Performance

- Profit before tax of €1,966,491 for the six months ended 30 June 2017 – down €144,709 or 7 per cent, compared with €2,111,200 for the same period in 2016.
- Operating income of €3,539,674 for the six months ended 30 June 2017, up €444,197 or 14 per cent, compared with €3,095,477 for the same period in 2016.
- The Bank's cost-to-income ratio increased to 44 per cent for the six months ended 30 June 2017, an increase of 8 percentage points, compared with 36 per cent for the same period in 2016.
- Loans and advances to customers of €66.1 million at 30 June 2017, up €4.8 million or 8 per cent, compared with 31 December 2016.
- Customer deposits of €127.6 million at 30 June 2017, down €4.7 million, or 3.5 per cent, compared with 31 December 2016.
- Total assets of €196 million at 30 June 2017, down €1.4 million, or 1 per cent, compared with 31 December 2016.
- Earnings per share of €3.21 for the six months ended 30 June 2017 were 9% lower than the earnings per share for the same period in 2016 (€3.54).

Commentary

Izola Bank delivered a profit before tax for the six months ended 30 June 2017 of €1,966,491. This figure remained relatively stable when compared to the same period last year mainly as a result of 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 13 per cent when compared to the same period last year. For the six months ended 30 June 2017, net interest income was €940,750 compared with €1,081,433 at 30 June 2016.

Net fee and commission income of €1,326,766 for the six months ended 30 June 2017 increased by €91,541, or 7 per cent, compared with 30 June 2016. This was due to an increase in factoring activity experienced during the first six months of the year.

Administrative expenses increased by 39% compared to the same period last year and this resulted in an increase in the Bank's cost-to-income ratio of 8 percentage points from 36 per cent for the period ended 30 June 2016 to 44 per cent for the period ended 30 June 2017.

During the first six months of 2017 the bank increased its loans and advances to customers by €4.8 million or 8 per cent, and its investments were reduced by €2.1 million or 3 per cent, compared with 31 December 2016. 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 2017

	01.01.2017 to 30.06.2017	01.01.2016 to 30.06.2016
	EUR	EUR
Interest receivable and similar income		
- on loans and advances	1,339,751	1,381,658
- on debt securities	799,236	813,378
Interest expense	(1,198,237)	(1,113,603)
Net interest income	940,750	1,081,433
Fees and commission receivable	1,362,555	1,267,312
Fees and commission payable	(35,789)	(32,087)
Net fees and commission income	1,326,766	1,235,225
Net trading gains	7,856	8,896
Other operating income	1,264,302	769,923
Operating income	3,539,674	3,095,477
Administrative expenses	(1,187,322)	(855,995)
Depreciation and amortisation	(384,231)	(255,418)
Impairment allowances	(1,630)	127,136
Profit before income tax	1,966,491	2,111,200
Income tax expense	(682,985)	(694,423)
Profit for the period	1,283,506	1,416,777
Earnings per share	3.21	3.54

Izola Bank p.l.c.

Statement of financial position

At 30 June 2017

	30.06.2017	31.12.2016
ASSETS		
Cash and uncleared effects	17,957	2,084
Balances with Central Bank of Malta	6,840,455	10,351,518
Investments	64,805,717	66,925,325
Loans and advances to banks	22,832,233	31,788,316
Factored receivables	23,375,499	20,237,200
Other loans and advances to customers	66,141,308	61,350,109
Property and equipment	8,583,071	3,226,026
Intangible Assets	1,534,819	1,560,192
Other assets	1,822,486	1,979,181
Total assets	195,953,545	197,419,951
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LIABILITIES		
Balance with Central Bank of Malta	24,300,000	21,300,000
Amounts owed to customers	127,602,718	132,337,023
Secured notes	11,863,265	11,854,721
Deferred tax liabilities	1,126,200	1,579,636
Current tax payable	1,232,112	549,126
Accruals and deferred income	1,108,986	1,330,887
Total liabilities	167,233,281	168,951,393
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EQUITY		
Called up share capital	10,000,000	10,000,000
Property revaluation reserve	961,468	961,468
Fair value reserve	1,631,793	2,663,593
Depositor compensation scheme reserve	238,387	238,387
Reserve for general banking risk	217	217
Capital contribution	11,436,521	11,436,521
Retained earnings	4,451,878	3,168,372
Total equity attributable to equity holders of the bank	28,720,264	28,468,558
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Total liabilities and equity	195,953,545	197,419,951
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Izola Bank p.l.c.

Statement of Changes in Equity

For the period 1 January to 30 June 2017

	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 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

Izola Bank p.l.c.

Statement of cash flows

For the period 1 January 2017 to 30 June 2017

	01.01.2017 to 30.06.2017	01.01.2016 to 30.06.2016
	EUR	EUR
Cash flows from operating activities		
Interest and commission receipts	3,776,749	3,286,401
Interest and commission payments	(1,685,368)	(1,441,631)
Payments to employees and suppliers	(1,004,058)	(1,026,248)
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Operating profit before changes in operating assets/liabilities	1,087,323	818,522
Changes in operating assets:		
- loans and advances to customers	(4,791,199)	5,726,972
- factored receivables	(3,138,299)	(214,814)
Changes in operating liabilities:		
- amounts owed to customers	(4,734,305)	3,628,375
- amounts owed to banks	3,000,000	(400,000)
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Net cash used in / (from) operating activities	(8,576,480)	9,559,055
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Cash flows from investing activities		
Payments to acquire property and equipment	(5,593,901)	(549,748)
Acquisitions of investments	(4,000,000)	(2,580,000)
Proceeds from sale of investments	5,600,630	3,433,243
Interest received from investments	658,478	722,966
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Net cash used in / (from) investing activities	(3,334,793)	1,026,461
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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 increase in cash and cash equivalents	(12,451,273)	10,045,516
Cash and cash equivalents at beginning of period	42,141,918	35,117,438
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Cash and cash equivalents at end of period	29,690,645	45,162,954
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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 2017. 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 2016.

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 2016.

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, performance and cash flows for the period ended 30 June 2017, 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