

Izola Bank p.l.c.
First Half 2014 Results - Highlights

Review of Performance

- Profit before tax of €1,944,440 for the six months ended 30 June 2014 – up €705,249 or 57 per cent, compared with €1,239,191 for the same period in 2013.
- Operating income of €2,665,535 for the six months ended 30 June 2014, up €622,000 or 30 per cent, compared with €2,043,535 for the same period in 2013.
- The Bank's cost-to-income ratio decreased to 27 per cent for the six months ended 30 June 2014, an improvement of 12.4 percentage points, compared with 39.4 per cent for the same period in 2013.
- Loans and advances to customers of €22 million at 30 June 2014, up €2.3 million or 10.5 per cent, compared with 31 December 2013.
- Customer deposits of €75.4 million at 30 June 2014, up €4.5 million, or 6.4 per cent, compared with 31 December 2013.
- Total assets of €127.5 million at 30 June 2014, up €8 million, or 6.8 per cent, compared with 31 December 2013.
- Earnings per share of €3.20 for the six months ended 30 June 2014 were 58% higher than the earnings per share for the same period in 2012 (€2.02).

Commentary

Izola Bank delivered a profit before tax for the six months ended 30 June 2013 of €1,944,440. This figure was significantly higher than the same period last year due to increased fees and commissions receivable on factoring business and higher capital gains derived from the Bank's treasury operations.

Despite the prevailing low interest rates, the Bank still managed to increase its net interest income by 7.3 per cent compared to the same period last year. For the six months ended 30 June 2014, net interest income was €910,540 compared with €848,345 at 30 June 2013.

Net fee and commission income of €1,359,163 for the six months ended 30 June 2014 increased by €392,834, or 40.1 per cent, compared with 30 June 2013. This was mainly due to an expanded factoring portfolio.

Administrative expenses increased by 6% compared to the same period last year and this resulted in an improvement in the Bank's cost-to-income ratio of 12.4 percentage points from 39.4 per cent for the period ended 30 June 2013 to 27 per cent for the period ended 30 June 2014.

During the first six months of 2014 the bank grew its loans and advances to customers by €2.3 million, or 10.5 per cent and its investments by €10.3 million, or 19.4 per cent, compared with 31 December 2013. 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 2014 to 30 June 2014

	01.01.2014 to 30.06.2014	01.01.2013 to 30.06.2013
	€	€
Interest receivable and similar income		
- on loans and advances	708,051	701,236
- on debt securities	1,240,968	1,021,692
Interest expense	(1,038,479)	(874,583)
Net interest income	910,540	848,345
Fee and commission receivable	1,382,402	983,498
Fee and commission payable	(23,239)	(17,169)
Net fee and commission income	1,359,163	966,329
Net trading gains	8,894	16,674
Other operating income	386,938	212,187
Operating income	2,665,535	2,043,535
Administrative expenses	(555,639)	(524,339)
Depreciation	(173,502)	(128,313)
Impairment allowances	8,046	(151,692)
Profit before income tax	1,944,440	1,239,191
Income tax expense	(663,488)	(433,136)
Profit for the period	1,280,952	806,055
Earnings per share	3.20	2.02

Izola Bank p.l.c.

Statement of financial position

At 30 June 2014

	30.06.2014	31.12.2013
	€	€
ASSETS		
Cash and uncleared effects	182,826	51,353
Balances with Central Bank of Malta	2,278,566	3,610,741
Investments	63,600,094	53,260,197
Loans and advances to banks	11,630,689	17,271,494
Factored receivables	23,682,174	21,343,003
Other loans and advances to customers	22,027,427	19,705,987
Property and equipment	2,119,894	2,349,355
Intangible Assets	812,545	760,912
Other assets	1,242,599	1,138,499
Total assets	127,576,814	119,491,541
LIABILITIES		
Balance with Central Bank of Malta	18,500,000	15,500,000
Amounts owed to customers	75,411,992	70,864,196
Secured notes	8,939,758	8,910,057
Deferred tax liabilities	397,715	397,704
Current tax payable	1,469,905	1,147,112
Accruals and deferred income	1,055,425	1,193,215
Total liabilities	105,774,795	98,012,284
EQUITY		
Called up share capital	10,000,000	10,000,000
Property revaluation reserve	975,684	975,684
Fair value reserve	1,474,909	433,099
Depositor compensation scheme reserve	148,109	148,109
Capital contribution	7,406,946	7,406,946
Retained earnings	1,796,371	2,515,419
Total equity attributable to equity holders of the bank	21,802,019	21,479,257
Total liabilities and equity	127,576,814	119,491,541

Izola Bank p.l.c.

Statement of Changes in Equity

For the period 1 January 2013 to 30 June 2013

	Share capital	Property revaluation reserve	Fair value reserve	Depositor compensation scheme reserve	Capital contribution	Retained earnings	Total
	€	€	€	€	€	€	€
Balance at 1 January 2013	10,000,000	995,900	383,893	80,933	6,331,882	2,210,110	20,002,718
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	806,055	806,055
Other comprehensive (loss)/income							
Change in fair value of available-for-sale financial assets	-	-	388,701	-	-	-	388,701
Total other comprehensive (loss)/ income	-	-	388,701	-	-	-	388,701
Total comprehensive (loss)/income for the period	-	-	388,701	-	-	806,055	1,194,756
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid to equity holders	-	-	-	-	-	-	-
Capitalisation of capital contribution	-	-	-	-	-	-	-
Contributions paid by equity holders	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-
Balance at 30 June 2013	10,000,000	995,900	772,594	80,933	6,331,882	3,016,165	21,197,474

Izola Bank p.l.c.

Statement of Changes in Equity (continued)

For the period 1 January 2014 to 30 June 2014

	Share capital	Property revaluation reserve	Fair value reserve	Depositor compensation scheme reserve	Capital contribution	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 1 January 2014	10,000,000	975,684	433,099	148,109	7,406,946	2,515,419	21,479,257
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	1,280,952	1,280,952
Other comprehensive (loss)/income							
Change in fair value of available-for-sale financial assets	-	-	1,041,810	-	-	-	1,041,810
Total other comprehensive (loss)/ income	-	-	1,041,810	-	-	-	1,041,810
Total comprehensive (loss)/income for the period	-	-	1,041,810	-	-	1,280,952	2,322,762
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid to equity holders	-	-	-	-	-	(2,000,000)	(2,000,000)
Capitalisation of capital contribution	-	-	-	-	-	-	-
Contributions paid by equity holders	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	(2,000,000)	(2,000,000)
Balance at 30 June 2014	10,000,000	975,684	1,474,909	148,109	7,406,946	1,796,371	21,802,019

Izola Bank p.l.c.

Statement of cash flows

For the period 1 January 2014 to 30 June 2014

	01.01.2014 to 30.06.2014	01.01.2013 to 30.06.2013
	€	€
Cash flows from operating activities		
Interest and commission receipts	1,738,716	1,555,164
Interest and commission payments	(935,841)	(871,913)
Payments to employees and suppliers	(623,038)	(427,114)
	-----	-----
Operating profit/(loss) before changes in operating assets/liabilities	179,837	256,137
Changes in operating assets:		
- loans and advances to customers	(1,758,776)	(1,796,801)
- factored receivables	(1,251,532)	(6,187,216)
Changes in operating liabilities:		
- amounts owed to customers	4,547,796	2,457,323
- amounts owed to banks	3,000,000	1,500,000
	-----	-----
Net cash (used in)/generated from operating activities before income tax	4,717,325	(3,770,557)
Income tax paid	-	-
	-----	-----
Net cash (used in)/generated from operating activities	4,717,325	(3,770,557)
	-----	-----
Cash generated from/(used in) investing activities		
Payments to acquire property and equipment	(125,750)	(530,131)
Proceeds from/(payments) to acquire investments	(8,918,245)	4,724
Interest received from investments	1,496,777	1,601,402
	-----	-----
Net cash generated from/(used in) investing activities	(7,547,218)	1,075,995
	-----	-----
Cash flow from financing activities		
Dividend paid to shareholders	(2,000,000)	-
Capital contributed by shareholders	-	-
Interest paid on debt securities	(481,500)	(482,819)
	-----	-----
Net cash (used in)/generated from financing activities	(2,481,500)	(482,819)
	-----	-----
Net decrease in cash and cash equivalents	(5,311,393)	(3,177,381)
Cash and cash equivalents at beginning of period	20,933,588	12,142,391
	-----	-----
Cash and cash equivalents at end of period	15,622,195	8,965,010
	=====	=====

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 2014. 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 2013.

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 2013.

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 2014, 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