

## **Review of Performance**

- Profit before tax of €1,181,175 for the six months ended 30 June 2011 – up €399,653 or 51 per cent, compared with €781,522 for the same period in 2010.
- Operating income of €1,825,350 for the six months ended 30 June 2011, up €480,164 or 36 per cent, compared with €1,345,186 for the same period in 2010.
- The Bank's cost-to-income ratio decreased to 35.3 per cent for the six months ended 30 June 2011, down 6.6 per cent, compared with 41.9 per cent for the same period in 2010.
- Loans and advances to customers of €19 million at 30 June 2011, up €2.82 million, or 17.4 per cent, compared with 31 December 2010.
- Customer deposits of €52.01 million at 30 June 2011, down €0.7 million, or 1.3 per cent, compared with 31 December 2010.
- Total assets of €82.02 million at 30 June 2011, up €3.2 million, or 4.1 per cent, compared with 31 December 2010.
- Earnings per share of 2.76 per cent for the six months ended 30 June 2011, compared to 3.56 per cent in the first half of 2010.

## **Commentary**

Izola Bank delivered a profit before tax for the six months ended 30 June 2011 of €1,181,175. This figure signified an increase of 51 per cent compared to the same period in 2010 and was mainly a result of higher commission earned on an expanded factoring portfolio.

In fact net fees and commission income of €953,862 for the six months ended 30 June 2011, was up €297,812, or 45 per cent, compared with 30 June 2010.

The decrease in the Bank's cost-to-income ratio by 6.6 per cent to 35.3 per cent was mainly due to the robust growth in operating income over the six month period.

During the first six months of 2011 the bank grew its loans and advances to customers by €2.82 million, or 17.4 per cent, compared with 31 December 2010. The quality of the lending portfolio showed no sign of deterioration whilst liquidity and capital ratios remained substantially above regulatory requirements.

A final net dividend of EUR 2,000,000 for 2010 was declared and paid on 28 April 2011 representing a dividend per share of EUR7.14. The shareholders have re-invested the proceeds of the dividend issue in the Bank through an equivalent capital contribution.

The Board is not declaring an interim dividend.

# Izola Bank p.l.c.

## Income Statements

For the period 1 January 2011 to 30 June 2011

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	01.01.2011 to 30.06.2011	01.01.2010 to 30.06.2010
	EUR	EUR
Interest receivable and similar income		
- on loans and advances	813,741	848,023
- on debt securities	838,141	487,615
Interest expense	(792,270)	(660,126)
<b>Net interest income</b>	<b>859,612</b>	<b>675,512</b>
Fees and commission receivable	972,440	677,265
Fees and commission payable	(18,578)	(21,215)
<b>Net fees and commission income</b>	<b>953,862</b>	<b>656,050</b>
Net trading gains	7,994	11,528
Other operating income	3,882	2,096
<b>Operating income</b>	<b>1,825,350</b>	<b>1,345,186</b>
Administrative expenses	(526,081)	(324,629)
Depreciation	(126,885)	(139,964)
Impairment allowances	8,791	(99,071)
<b>Profit before income tax</b>	<b>1,181,175</b>	<b>781,522</b>
Income tax expense	(407,549)	(212,003)
<b>Profit for the period</b>	<b>773,626</b>	<b>569,519</b>
<b>Earnings per share</b>	<b>2.76</b>	<b>3.56</b>

# Izola Bank p.l.c.

## Statement of financial position

At 30 June 2011

	30.06.2011	31.12.2010
	EUR	EUR
<b>ASSETS</b>		
Cash	4,109	1,218
Balances with Central Bank of Malta	837,825	885,071
Investments	33,873,326	30,790,237
Loans and advances to banks	7,898,441	11,052,866
Factored receivables	16,056,728	16,404,996
Other loans and advances to customers	19,037,297	16,219,498
Property and equipment	2,354,620	2,331,502
Other assets	1,959,728	1,134,380
<b>Total assets</b>	<b>82,022,074</b>	<b>78,819,768</b>
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<b>LIABILITIES</b>		
Balance with Central Bank of Malta	3,000,000	-
Amounts owed to customers	52,007,588	52,718,805
Secured notes	8,733,363	8,733,363
Deferred tax liabilities	343,777	343,777
Current tax payable	1,154,526	942,899
Accruals and deferred income	517,300	1,326,635
<b>Total liabilities</b>	<b>65,756,554</b>	<b>64,065,479</b>
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<b>EQUITY</b>		
Called up share capital	7,000,000	4,000,000
Property revaluation reserve	633,271	633,271
Fair value reserve	(13,295)	6,091
Depositor compensation scheme reserve	37,425	37,425
Capital contribution	7,206,173	7,449,182
Retained earnings	1,401,946	2,628,320
<b>Total equity attributable to equity holders of the bank</b>	<b>16,265,520</b>	<b>14,754,289</b>
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<b>Total liabilities and equity</b>	<b>82,022,074</b>	<b>78,819,768</b>
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<b>Memorandum items</b>		
Commitments	21,793,310	21,709,573
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# Izola Bank p.l.c.

## Statement of Changes in Equity

For the period 1 January 2010 to 30 June 2010

	Share Capital	Revaluation Reserve	Depositor Compensation Scheme Reserve	Capital Contribution	Retained Earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 1 January 2010	4,000,000	640,483	51,417	7,449,182	1,453,095	13,594,177
<b>Total comprehensive income for the period</b> Profit for the period	-	-	-	-	569,519	569,519
Total comprehensive income for the period	-	-	-	-	2,022,614	14,163,696
Balance at 30 June 2010	4,000,000	640,483	51,417	7,449,182	2,022,614	14,163,696

# Izola Bank p.l.c.

## Statement of Changes in Equity (continued)

For the period 1 January 2011 to 30 June 2011

	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 2011	4,000,000	633,271	6,091	37,425	7,449,182	2,628,320	14,754,289
<b>Total comprehensive income for the period</b>	-	-	-	-	-	773,626	773,626
<b>Other comprehensive income/(loss)</b>							
Change in fair value of available-for-sale financial assets	-	-	(19,386)	-	-	-	(19,386)
Total other comprehensive income/(loss)	-	-	(19,386)	-	-	-	(19,386)
Total comprehensive income/(loss) for the period	-	-	(19,386)	-	-	773,626	754,240
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends paid to equity holders	-	-	-	-	-	(2,000,000)	(2,000,000)
Capitalisation of capital contribution	3,000,000	-	-	-	(3,000,000)	-	-
Contributions paid by equity holders	-	-	-	-	2,756,991	-	2,756,991
Total contributions by and distributions to owners	3,000,000	-	-	-	(243,009)	(2,000,000)	756,991
<b>Balance at 30 June 2011</b>	<b>7,000,000</b>	<b>633,271</b>	<b>(13,295)</b>	<b>37,425</b>	<b>7,206,173</b>	<b>1,401,946</b>	<b>16,265,520</b>

# Izola Bank p.l.c.

## Statement of cash flows

For the period 1 January 2011 to 30 June 2011

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	<b>01.01.2011 to 30.06.2011</b>	01.01.2010 to 30.06.2010
	EUR	EUR
<b>Cash flows from operating activities</b>		
Interest and commission receipts	<b>1,798,075</b>	1,538,912
Interest and commission payments	<b>(1,679,233)</b>	(850,881)
Payments to employees and suppliers	<b>(438,532)</b>	(185,468)
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Operating (loss)/profit/ before changes in operating assets/liabilities	<b>(319,690)</b>	502,563
Increase in operating assets:		
- loans and advances to customers	<b>(2,817,799)</b>	(14,718,522)
- factored receivables	<b>356,185</b>	(9,358,399)
- other receivables	<b>(756,991)</b>	32,034
Increase in operating liabilities:		
- amounts owed to customers	<b>(711,217)</b>	12,090,487
- amounts owed to banks	<b>3,000,000</b>	-
- other liabilities	<b>10,102</b>	212,003
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Net cash used in operations before income tax	<b>(1,239,410)</b>	(11,239,834)
Income tax paid	<b>(195,922)</b>	(34,999)
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<b>Net cash used in operating activities</b>	<b>(1,435,332)</b>	(11,274,833)
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<b>Cash flows from investing activities</b>		
Payments to acquire property and equipment	<b>(180,371)</b>	(496,305)
Payments to acquire investments	<b>(3,083,088)</b>	(1,053,630)
Interest received from investments	<b>743,020</b>	997,369
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<b>Net cash used in investing activities</b>	<b>(2,520,439)</b>	(552,566)
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<b>Cash flow from financing activities</b>		
Net capital contribution received	<b>756,991</b>	-
Issue of secured notes	-	9,000,000
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<b>Net cash from financing activities</b>	<b>756,991</b>	9,000,000
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<b>Net decrease in cash and cash equivalents</b>	<b>(3,198,780)</b>	(2,827,399)
Cash and cash equivalents at beginning of period	<b>11,939,155</b>	11,724,944
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<b>Cash and cash equivalents at end of period</b>	<b>8,740,375</b>	8,897,545
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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 2011. 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 2010.

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 2010.

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 9.44k.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<sup>th</sup> June 2011, 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 Rule 9.44k.2.

Andrew Mifsud  
General Manager