

Izola Bank p.l.c.
First Half 2012 Results - Highlights

Review of Performance

- Profit before tax of €1,260,379 for the six months ended 30 June 2012 – up €79,204 or 7 per cent, compared with €1,181,175 for the same period in 2011.
- Operating income of €1,860,156 for the six months ended 30 June 2012, up €34,806 or 2 per cent, compared with €1,825,350 for the same period in 2011.
- The Bank's cost-to-income ratio decreased to 32.2 per cent for the six months ended 30 June 2012, down 4.1 per cent, compared with 36.3 per cent for the same period in 2011.
- Loans and advances to customers of €19 million at 30 June 2012 were in line with the balance of loans and advances at the end of December 2011.
- Customer deposits of €53.01 million at 30 June 2012, down €1.6 million, or 3 per cent, compared with 31 December 2011.
- Total assets of €93.24 million at 30 June 2012, up €3.4 million, or 3.8 per cent, compared with 31 December 2011.
- Earnings per share of €2.02 for the six months ended 30 June 2012 compared to €1.93 in the first half of 2011.

Commentary

Izola Bank delivered a profit before tax for the six months ended 30 June 2012 of €1,260,379. This figure signified an increase of 7 per cent compared to the same period in 2011 and was a result of higher yielding investments by the Bank.

In fact net interest income of €964,200 for the six months ended 30 June 2012 was up €104,588 or 12.2 per cent, compared with 30 June 2011.

Net fee and commission income of €878,568 for the six months ended 30 June 2012, was down €75,294 or 7.9 per cent, compared with 30 June 2012. This was a result of a decrease in the discount charge to reflect current market conditions.

The decrease in the Bank's cost-to-income ratio by 4.1 per cent to 32.2 per cent was due to higher operating income and a decrease in administration expenses. The comparative figure for administration expenses in 2011 included a one-off marketing expense.

During the first six months of 2012 the Bank's loans and advances to customers were in line with those extended at the end of 2011. 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 2012 to 30 June 2012

	01.01.2012 to 30.06.2012	01.01.2011 to 30.06.2011
	€	€
Interest receivable and similar income		
- on loans and advances	815,081	813,741
- on debt securities	1,043,117	838,141
Interest expense	(893,998)	(792,270)
Net interest income	964,200	859,612
Fee and commission receivable	893,490	972,440
Fee and commission payable	(14,922)	(18,578)
Net fee and commission income	878,568	953,862
Net trading gains	10,292	7,994
Other operating income	7,096	3,882
Operating income	1,860,156	1,825,350
Administrative expenses	(431,725)	(526,081)
Depreciation	(145,084)	(126,885)
Impairment allowances	(22,968)	8,791
Profit before income tax	1,260,379	1,181,175
Income tax expense	(450,581)	(407,549)
Profit for the period	809,798	773,626
Earnings per share	2.02	1.93

Izola Bank p.l.c.

Statement of financial position

At 30 June 2012

	30.06.2012	31.12.2011
	€	€
ASSETS		
Cash	737	1,104
Balances with Central Bank of Malta	3,483,016	5,288,371
Investments	43,105,601	38,757,542
Loans and advances to banks	5,965,594	6,337,124
Factored receivables	17,197,792	15,787,107
Other loans and advances to customers	19,065,323	19,281,374
Property and equipment	2,107,112	2,331,502
Intangible Assets	337,476	186,787
Other assets	1,977,086	1,948,574
Total assets	93,239,737	89,819,768
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LIABILITIES		
Balance with Central Bank of Malta	10,500,000	7,000,000
Amounts owed to customers	53,005,852	54,634,490
Secured notes	8,822,314	8,792,718
Deferred tax liabilities	345,201	345,201
Current tax payable	488,912	804,831
Accruals and deferred income	1,494,188	943,215
Total liabilities	74,656,467	72,520,455
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EQUITY		
Called up share capital	10,000,000	7,000,000
Property revaluation reserve	626,059	626,059
Fair value reserve	105,300	128,024
Depositor compensation scheme reserve	37,425	37,425
Capital contribution	6,331,882	7,206,170
Retained earnings	1,482,604	2,172,806
Total equity attributable to equity holders of the bank	18,583,270	17,170,484
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Total liabilities and equity	93,239,737	89,690,939
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Memorandum items		
Commitments	23,049,910	21,984,511
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Izola Bank p.l.c.

Statement of Changes in Equity

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
	€	€	€	€	€	€	€
Balance at 1 January 2011	4,000,000	633,271	6,091	37,425	7,449,182	2,628,320	14,754,289
Total comprehensive income for the period	-	-	-	-	-	773,626	773,626
Other comprehensive income/(loss)							
Change in fair value of available-for-sale financial assets	-	-	(19,386)	-	-	-	(19,386)
Total other comprehensive loss	-	-	(19,386)	-	-	-	(19,386)
Total comprehensive (loss)/income for the period	-	-	(19,386)	-	-	773,626	754,240
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	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
Balance at 30 June 2011	7,000,000	633,271	(13,295)	37,425	7,206,173	1,401,946	16,265,520

Izola Bank p.l.c.

Statement of Changes in Equity (continued)

For the period 1 January 2012 to 30 June 2012

	Share capital	Property revaluation reserve	Fair value reserve	Depositor compensation scheme reserve	Capital contribution	Retained earnings	Total
	€	€	€	€	€	€	€
Balance at 1 January 2012	7,000,000	626,059	128,024	37,425	7,206,170	2,172,806	17,170,484
Total comprehensive income for the period	-	-	-	-	-	809,798	809,798
Other comprehensive (loss)/income							
Change in fair value of available-for-sale financial assets	-	-	(22,724)	-	-	-	(22,724)
Total other comprehensive (loss)/income	-	-	(22,724)	-	-	-	(22,724)
Total comprehensive (loss)/income for the period	-	-	(22,724)	-	-	809,798	787,074
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid to equity holders	-	-	-	-	-	(1,500,000)	(1,500,000)
Capitalisation of capital contribution	3,000,000	-	-	-	(3,000,000)	-	-
Contributions paid by equity holders	-	-	-	-	2,125,712	-	2,125,712
Total contributions by and distributions to owners	3,000,000	-	-	-	(874,288)	(1,500,000)	625,712
Balance at 30 June 2012	10,000,000	626,059	105,300	37,425	6,331,882	1,482,604	18,583,270

Izola Bank p.l.c.

Statement of cash flows

For the period 1 January 2012 to 30 June 2012

	01.01.2012 to 30.06.2012	01.01.2011 to 30.06.2011
	€	€
Cash flows from operating activities		
Interest and commission receipts	2,057,041	1,798,075
Interest and commission payments	(309,856)	(1,679,233)
Payments to employees and suppliers	(410,585)	(438,532)
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Operating profit/(loss) before changes in operating assets/liabilities	1,336,600	(319,690)
Changes in operating assets:		
- loans and advances to customers	220,358	(2,817,799)
- factored receivables	(1,444,272)	356,185
- other receivables	-	(756,991)
Changes in operating liabilities:		
- amounts owed to customers	(1,628,638)	(711,217)
- amounts owed to banks	3,500,000	3,000,000
- other liabilities	-	10,102
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Net cash generated from/(absorbed by) operating Activities before income tax	1,984,048	(1,239,410)
Income tax paid	(764,033)	(195,922)
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Net cash used in operating activities	1,220,015	(1,435,332)
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Cash used in investing activities		
Payments to acquire property and equipment	(260,866)	(180,371)
Payments to acquire investments	(4,370,783)	(3,083,088)
Interest received from investments	608,670	743,020
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Net cash used in investing activities	(4,022,979)	(2,520,439)
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Cash flow from financing activities		
Dividend paid to shareholders	(1,500,000)	(2,000,000)
Capital contributed by shareholders	2,125,712	2,756,991
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Net cash from financing activities	625,712	756,991
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Net decrease in cash and cash equivalents	(2,177,252)	(3,198,780)
Cash and cash equivalents at beginning of period	11,626,599	11,939,155
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Cash and cash equivalents at end of period	9,449,347	8,740,375
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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 2012. 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 2011.

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 2011.

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 2012, 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