

Izola Bank p.l.c.
First Half 2013 Results - Highlights

Review of Performance

- Profit before tax of €1,239,191 for the six months ended 30 June 2013 – down €21,188 or 1.7 per cent, compared with €1,260,379 for the same period in 2012.
- Operating income of €2,043,535 for the six months ended 30 June 2013, up €183,379 or 9.9 per cent, compared with €1,860,156 for the same period in 2012.
- The Bank's cost-to-income ratio increased to 39.4 per cent for the six months ended 30 June 2013, up 7.2 per cent, compared with 32.2 per cent for the same period in 2012.
- Loans and advances to customers of €21 million at 30 June 2013, up €2 million or 9.9 per cent, compared with 31 December 2012.
- Customer deposits of €57 million at 30 June 2013, up €2.5 million, or 4.5 per cent, compared with 31 December 2012.
- Total assets of €100 million at 30 June 2013, up €5 million, or 5.3 per cent, compared with 31 December 2012.
- Earnings per share of €2.02 for the six months ended 30 June 2013 were in line with the earnings per share for the same period in 2012.

Commentary

Izola Bank delivered a profit before tax for the six months ended 30 June 2013 of €1,239,191. This figure was slightly lower than the same period last year due to low prevailing market rates.

In fact net interest income of €848,345 for the six months ended 30 June 2013 was down €115,855 or 12.0 per cent, compared with 30 June 2012.

Net fee and commission income of €966,329 for the six months ended 30 June 2013, increased by €87,761 or 10.0 per cent, compared with 30 June 2012. This was mainly due to an expanded factoring portfolio.

The increase in the Bank's cost-to-income ratio by 7.2 per cent to 39.4 per cent was due to an increase in administration expenses and impairment allowances.

During the first six months of 2013 the bank grew its loans and advances to customers by €2 million, or 9.9 per cent, compared with 31 December 2012. 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 2013 to 30 June 2013

	01.01.2013 to 30.06.2013	01.01.2012 to 30.06.2012
	€	€
Interest receivable and similar income		
- on loans and advances	701,236	815,081
- on debt securities	1,021,692	1,043,117
Interest expense	(874,583)	(893,998)
Net interest income	848,345	964,200
Fee and commission receivable	983,498	893,490
Fee and commission payable	(17,169)	(14,922)
Net fee and commission income	966,329	878,568
Net trading gains	16,674	10,292
Other operating income	212,187	7,096
Operating income	2,043,535	1,860,156
Administrative expenses	(524,339)	(431,725)
Depreciation	(128,313)	(145,084)
Impairment allowances	(151,692)	(22,968)
Profit before income tax	1,239,191	1,260,379
Income tax expense	(433,136)	(450,581)
Profit for the period	806,055	809,798
	=====	=====
Earnings per share	2.02	2.02
	===	===

Izola Bank p.l.c.

Statement of financial position

At 30 June 2013

	30.06.2013	31.12.2012
	€	€
ASSETS		
Cash and uncleared effects	13,198	750
Balances with Central Bank of Malta	2,309,049	1,304,719
Investments	44,843,539	44,459,562
Loans and advances to banks	6,642,763	10,836,922
Factored receivables	22,211,637	16,081,859
Other loans and advances to customers	20,534,804	18,688,135
Property and equipment	2,338,731	2,377,433
Intangible Assets	748,513	535,038
Other assets	856,999	1,129,654
Total assets	100,499,233	95,414,072
LIABILITIES		
Balance with Central Bank of Malta	11,000,000	9,500,000
Amounts owed to customers	57,069,513	54,612,460
Secured notes	8,880,357	8,852,235
Deferred tax liabilities	346,781	357,003
Current tax payable	1,331,908	930,239
Accruals and deferred income	673,200	1,159,417
Total liabilities	79,301,759	75,411,354
EQUITY		
Called up share capital	10,000,000	10,000,000
Property revaluation reserve	995,900	995,900
Fair value reserve	772,594	383,893
Depositor compensation scheme reserve	80,933	80,933
Capital contribution	6,331,882	6,331,882
Retained earnings	3,016,165	2,210,110
Total equity attributable to equity holders of the bank	21,197,474	20,002,718
Total liabilities and equity	100,499,233	95,414,072

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							
Profit 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 Changes in Equity (continued)

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
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
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 income/(loss)							
Change in fair value of available-for-sale financial assets	-	-	388,701	-	-	-	388,701
Total other comprehensive income	-	-	388,701	-	-	-	388,701
Total comprehensive income for the period	-	-	388,701	-	-	806,055	1,194,756
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 cash flows

For the period 1 January 2013 to 30 June 2013

	01.01.2013 to 30.06.2013	01.01.2012 to 30.06.2012
	€	€
Cash flows from operating activities		
Interest and commission receipts	1,555,164	2,057,041
Interest and commission payments	(871,913)	(309,856)
Payments to employees and suppliers	(427,114)	(410,585)
	-----	-----
Operating profit/(loss) before changes in operating assets/liabilities	256,137	1,336,600
Changes in operating assets:		
- loans and advances to customers	(1,796,801)	220,358
- factored receivables	(6,187,216)	(1,444,272)
Changes in operating liabilities:		
- amounts owed to customers	2,457,323	(1,628,638)
- amounts owed to banks	1,500,000	3,500,000
	-----	-----
Net cash (used in)/generated from operating activities before income tax	(3,770,557)	1,984,048
Income tax paid	-	(764,033)
	-----	-----
Net cash (used in)/generated from operating activities	(3,770,557)	1,220,015
	-----	-----
Cash generated from/(used in) investing activities		
Payments to acquire property and equipment	(530,131)	(260,866)
Proceeds from/(payments) to acquire investments	4,724	(3,889,283)
Interest received from investments	1,601,402	608,670
	-----	-----
Net cash generated from/(used in) investing activities	1,075,995	(3,541,479)
	-----	-----
Cash flow from financing activities		
Dividend paid to shareholders	-	(1,500,000)
Capital contributed by shareholders	-	2,125,712
Interest paid on debt securities	(482,819)	(481,500)
	-----	-----
Net cash (used in)/generated from financing activities	(482,819)	144,212
	-----	-----
Net decrease in cash and cash equivalents	(3,177,381)	(2,177,252)
Cash and cash equivalents at beginning of period	12,142,391	11,626,599
	-----	-----
Cash and cash equivalents at end of period	8,965,010	9,449,347
	=====	=====

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 2013. 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 2012.

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 2012.

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 2013, 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