

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Izola Bank Malta 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 Malta p.l.c. held on 26th July 2013, the attached unaudited Condensed Interim Financial Statements for the six-month period ended 30th June 2013 were approved.

The Condensed Interim Financial Statements for the period ended 30th June 2013 are available for viewing and download on the Bank's website at www.izolabank.eu.

Unquote

A handwritten signature in black ink, appearing to read 'Stefan Farrugia', with a stylized flourish underneath.

Stefan Farrugia
Company Secretary

26th July 2013

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