IŻB IZOLA BANK

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Izola Bank Malta p.l.c. pursuant to Chapter 8 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 30th July 2010, the attached unaudited Condensed Interim Financial Statements for the six-month period ended 30 June 2010 were approved.

The Condensed Interim Financial Statements for the period ended 30th June 2010 are available for viewing and download on the Bank's website at www.izolabank.eu.

Unquote

Stefan Farrugia
Company Secretary

30th July 2010

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Izola Bank p.l.c.
First Half 2010 Results - Highlights

Review of Performance

- Profit before tax of €781,522 for the six months ended 30 June 2010 – down €56,058 or 6.7 per cent, compared with €837,580 for the same period in 2009.
- Operating income of €1,345,186 for the six months ended 30 June 2010, up €42,851 or 3.3 per cent, compared with €1,302,335 for the same period in 2009.
- The Bank's cost-to-income ratio increased to 41.9 per cent for the six months ended 30 June 2010, up 6.2 per cent, compared with 35.7 per cent for the same period in 2009.
- Loans and advances to customers of €35.86 million at 30 June 2010, up €3.65 million, or 11.3 per cent, compared with 30 June 2009.
- Customer deposits of €66.00 million at 30 June 2010, up €3.78 million, or 6.1 per cent, compared with 30 June 2009.
- Total assets of €92.44 million at 30 June 2010, up €16.51 million, or 21.7 per cent, compared with 30 June 2009.
- Return on equity of 4.0 per cent for the six months ended 30 June 2010, compared to 5.9 per cent in the first half of 2009.

Commentary

Izola Bank delivered a profit before tax for the six months ended 30 June 2010 of €781,522. This figure signified a decline of 6.7 per cent compared to the same period in 2009 and was a result of a higher general impairment allowance taken due to the increase in the factoring portfolio and a higher depreciation charge.

The drop in net interest income was due to margin compression as debt securities were re-priced during the course of 2009. In addition, interest spread on certain balance sheet items such as shareholders' equity was compressed due to prevailing very low interest rates.

Net fees and commission income of €656,050 for the six months ended 30 June 2010, was up €191,178, or 41.1 per cent, compared with 30 June 2009. This increase was a result of the growth in factoring activity.

Due to this strong growth in net fees and commission income, the operating income increased slightly by €42,851, or 3.3 per cent, compared with the same period in 2009.

The increase in the Bank's cost-to-income ratio by 6.2 per cent to 41.9 per cent was mainly due to a higher general impairment allowance and depreciation charge.

During the first six months of 2010 the bank grew its loans and advances to customers by €3.65 million, or 11.3 per cent, compared with the same period in 2009. The quality of the lending portfolio showed no sign of deterioration whilst liquidity and capital ratios remained substantially above regulatory requirements.

The Board is not declaring an interim dividend.

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Izola Bank p.l.c.

Income Statements

For the period 1 January 2010 to 30 June 2010

	01.01.2010 to 30.06.2010	01.01.2009 to 30.06.2009
	EUR	EUR
Interest receivable and similar income		
- on loans and advances	**848,023**	577,889
- on debt securities	**487,615**	896,847
Interest expense	**(660,126)**	(645,339)
Net interest income	**675,512**	829,397
Fees and commission receivable	**677,265**	481,016
Fees and commission payable	**(21,215)**	(16,144)
Net fees and commission income	**656,050**	464,872
Net trading gains	**11,528**	5,970
Other operating income	**2,096**	2,096
Operating income	**1,345,186**	1,302,335
Administrative expenses	**(324,629)**	(325,388)
Depreciation	**(139,964)**	(121,385)
Impairment allowances	**(99,071)**	(17,982)
Profit before income tax	**781,522**	837,580
Income tax expense	**(212,003)**	(96,808)
Profit for the period	**569,519**	740,772
Earnings per share	**3.56**	4.63

Izola Bank p.l.c.

Statement of financial position

At 30 June 2010

	30.06.2010	31.12.2009
	EUR	EUR
ASSETS		
Cash	**1,070**	850
Balances with Central Bank of Malta	**714,305**	504,998
Investments	**29,787,580**	28,945,952
Loans and advances to banks	**8,182,170**	11,219,096
Factored receivables	**14,844,901**	5,338,919
Other loans and advances to customers	**35,858,784**	21,140,261
Property and equipment	**2,450,869**	2,016,686
Other assets	**595,334**	1,305,893
Total assets	**92,435,013**	70,472,655
LIABILITIES		
Balance with Central Bank of Malta	**1,500,000**	1,500,000
Amounts owed to customers	**66,005,746**	53,915,259
Secured notes	**9,000,000**	-
Deferred tax liabilities	**312,007**	347,228
Current tax payable	**442,269**	230,043
Accruals and deferred income	**1,011,295**	885,948
Total liabilities	**78,271,317**	56,878,478
EQUITY		
Called up share capital	**4,000,000**	4,000,000
Property revaluation reserve	**640,483**	640,483
Depositor compensation scheme reserve	**51,417**	51,417
Capital contribution	**7,449,182**	7,449,182
Retained earnings	**2,022,614**	1,453,095
Total equity attributable to equity holders of the bank	**14,163,696**	13,594,177
Total liabilities and equity	**92,435,013**	70,472,655
Memorandum items		
Commitments	**22,231,060**	6,835,420

Izola Bank p.l.c.

Statement of Changes in Equity

For the period 1 January 2009 to 30 June 2009

	Share Capital	Revaluation Reserve	Depositor Compensation Scheme Reserve	Capital Contribution	Retained Earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 1 January 2009	4,000,000	647,695	-	-	7,099,030	11,746,725
Total comprehensive income for the period						
Profit for the period	-	-	-	-	740,772	740,772
Total comprehensive income for the period	-	-	-	-	740,772	740,772
Balance at 30 June 2009	4,000,000	647,695	-	-	7,839,802	12,487,497

Izola Bank p.l.c.

Statement of Changes in Equity (continued)

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
Total comprehensive income for the period						
Profit for the period	-	-	-	-	569,519	569,519
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Total comprehensive income for the period	-	-	-	-	2,022,614	14,163,696
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Balance at 30 June 2010	**4,000,000**	**640,483**	**51,417**	**7,449,182**	**2,022,614**	**14,163,696**
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Izola Bank p.l.c.

Statement of cash flows

For the period 1 January 2010 to 30 June 2010

	01.01.2010 to 30.06.2010	01.01.2009 to 30.06.2009
	EUR	EUR
Cash flows from operating activities		
Interest and commission receipts	**1,538,912**	1,066,971
Interest and commission payments	**(850,881)**	(1,955,127)
Payments to employees and suppliers	**(185,468)**	(335,709)
Operating profit/(loss) before changes in operating assets/liabilities	**502,563**	(1,223,865)
Increase in operating assets:		
- loans and advances to customers	**(14,718,522)**	(17,178,829)
- factored receivables	**(9,358,399)**	(1,995,729)
- other receivables	**32,034**	-
Increase in operating liabilities:		
- amounts owed to customers	**12,090,487**	17,036,309
- amounts owed on taxation	**212,003**	90,159
Net cash used in operations before income tax	**(11,239,834)**	(3,271,955)
Income tax paid	**(34,999)**	(81,217)
Net cash used in operating activities	**(11,274,833)**	(3,353,172)
Cash flows from investing activities		
Payments to acquire property and equipment	**(496,305)**	(132,020)
Payments to acquire investments	**(1,053,630)**	(2,010,001)
Interest received from investments	**997,369**	393,419
Net cash used in investing activities	**(552,566)**	(1,748,602)
Cash flow from financing activities		
Issue of secured notes	**9,000,000**	-
Net cash from financing activities	**9,000,000**	-
Net decrease in cash and cash equivalents	**(2,827,399)**	(5,101,774)
Cash and cash equivalents at beginning of period	**11,724,944**	10,175,029
Cash and cash equivalents at end of period	**8,897,545**	5,073,255

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 2010. These condensed interim financial statements are being published in terms of Chapters 8 and 9 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 2009.

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 2009.

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 30th June 2010, 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