IŻB IZOLA BANK

18th March 2011

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Izola Bank p.l.c. pursuant to Chapter 5 of the Malta Financial Services Authority Listing Rules:

Quote

The Board of Directors of Izola Bank p.l.c. has approved the Annual Report for the financial year ended 31 December 2010 and its publication, which has been made available for viewing on the Company's website www.izolabank.eu *(refer to Investor Information section)* or at the Company's registered address at 58, East Street, Valletta, VLT 1251, Malta.

The financial information provided below has been extracted from the Annual Report of Izola Bank p.l.c. for the financial year ended 31 December 2010. The Bank's Financial Statements were audited by KPMG and prepared in accordance with the International Financial Reporting Standards as adopted by the EU and with the requirements of the Companies Act, 1995 and the Banking Act, 1994.

Review of performance

During the year ended 31 December 2010, the bank generated a profit before tax of €1,895,146, up 21.6% on 2009. Profit after tax was €1,150,137, a decrease of 18% over the previous year. The decrease in profit after tax is attributable to a change in the way income tax was computed in 2010, as the Bank was no longer eligible to claim foreign tax credits. The Bank's statutory tax rate for 2010 was 35% (2009: 8.8%).

Net interest income decreased by 9% when compared to the previous year, which was in the main due to prevailing low interest rates. The contraction in net interest income was compensated for by an increase in net fee and commission income which was 70% above that earned in the previous year. Income derived from factoring activities largely contributed to the increase in commission income.

Operating expenses increased by 10%, or €64,338, in the year under review due to increases in staff costs as well as marketing and fee expenses in relation to the Bank's Note Issue which took place in June 2010. The Bank's Cost-to-Income ratio stood at a healthy 36.57 (2009: 35.99).

Total assets increased by 11.8% to €78,819,768 whereas total liabilities rose from €56,878,478 to €64,065,479 – an increase of 12.6%. Shareholders' equity amounted to €14,754,289 compared with €13,594,177 of a year earlier.

As at 31 December 2010 the Capital Adequacy Ratio of 56% and Liquidity Ratio of 182% were both well above the European and US banking sector norms.

The Bank successfully listed a 5 year Secured Note Issue on the Malta Stock Exchange in June 2010. The proceeds of the Issue, which was over-subscribed, were utilised in expanding the Bank's factoring activity. In fact the total factored receivables increased by 208% year on year – €16,605,593 as at 31 December 2010 compared to €5,393,565 in 2009.

There was no sign of deterioration in asset quality in 2010. 76% of the Bank's investments and loans and advances to customers and banks is cash secured by amounts owed to customers held by the Bank. The current credit approval and monitoring structures have helped to ensure very good credit quality of factoring debtors and minimised losses. In fact out of a total amount of €69,106,953 of invoices factored in 2010, the Bank has taken a specific provision on €25,864 worth of invoices or 0.04% of the total factored during the year.

The Board of Directors is proposing a final ordinary Gross Dividend of €19.23 (Net Dividend €12.50) per ordinary share for approval by the Annual General Meeting to be held on 15th April 2011. The shareholders have signified their intention to re-invest the proceeds of the dividend issue in the Bank, either through an equivalent increase in share capital or capital contribution.

Unquote

Stefan Farrugia
Company Secretary

Izola Bank p.l.c.
53/58, East Street,
Valletta VLT 1251
Malta.

T: +356 21 241 258
F: +356 21 241 250

info@izolabank.eu
www.izolabank.eu

Co. Reg. No.: C16343