IZOLA BANK

23rd March 2012

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 2011 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 2011. 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 2011, the Bank generated a profit before tax of €2,298,379, up 21.3% on 2010. Profit after tax was €1,536,943, an increase of 33.6% over the previous year.

Net interest income increased by 32.2% whilst net fee and commission income registered a 15.9% increase over the previous year.

Administrative expenses increased by 61% in the year under review due to the Bank's participation in a one-time major marketing event. The Bank's Cost-to-Income ratio stood at a healthy 37.7% (2010: 36.6).

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Review of performance

Total assets increased by 13.8% to €89,690,939 whereas total liabilities rose from €64,065,479 to €72,516,902 – an increase of 13.2%. Shareholders' equity amounted to €17,174,037 compared with €14,754,289 of a year earlier.

As at 31 December 2011 the Capital Adequacy Ratio of 58% and Liquidity Ratio of 137% were both well above the European and US banking sector norms.

There was no sign of deterioration in asset quality in 2011. 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 €75,995,395 of invoices factored in 2011, the Bank has taken a specific provision on €40,160 worth of invoices or 0.05% of the total factored during the year.

The Directors have proposed a final dividend of €1,500,000 in respect of 2011, representing a dividend per share of €5.36. The shareholders have signified their intention to re-invest the major part of the proceeds of the dividend issue in the Bank, either through an increase in share capital or capital contribution.

Unquote

Stefan Farrugia
Company Secretary

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