

29 November 2013

COMPANY ANNOUNCEMENT

The following are company announcements issued by Mediterranean Bank Malta plc (the “Bank”) pursuant to the Malta Financial Services Authority Listing Rules:

Quote

Increase in Issued Share Capital

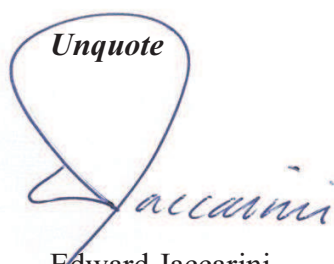
On 27 November 2013, the Bank’s shareholders resolved to increase the Bank’s share capital by €9.8 million.

As at 28 November 2013, the Bank’s issued share capital was increased by €9,800,000 ordinary A shares divided into nine million eight hundred thousand shares, each with a nominal value of one Euro (€1), through a cash contribution, thereby increasing the Bank’s issued share capital from € 88,250,107 to € 98,050,107.

Condensed Interim Financial Statements

In a meeting of 27 November 2013, the Board of Directors of Mediterranean Bank plc approved the attached Condensed Interim Financial Statements for the six month period ended 30 September 2013, which are also available for viewing and download on the Bank’s website at www.medbank.com.mt.

Unquote



Edward Jaccarini
Company Secretary

Mediterranean Bank plc
Condensed
Interim Financial Statements
30 September 2013

Mediterranean Bank plc

30 September 2013

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Mediterranean Bank plc

Interim Directors' Report pursuant to Listing Rules 5.74 et seq

For the six-months ended 30 September 2013

Principal Activities

The principal activities of Mediterranean Bank plc (the "Bank") are to provide market leading banking services primarily to the mass affluent sector, focusing primarily on savings, wealth management, investments and corporate banking.

Financial Performance

During the first six months of this financial year, the Bank recorded a profit before tax of €16.735 million. This was driven by the Bank's treasury management activities and its corporate credit investment portfolio which, combined with its low cost base and excellent customer service, have enabled the Bank to position itself as a market leading provider of savings and term deposit products, primarily in the Maltese market. As at 30 September 2013, the Bank investment securities portfolio stood at €1.555 billion (31 March 2013: €1.564 billion). Corporate lending activities stood at €387 million (31 March 2013: €402 million). A balance of €121 million recorded as contingent assets relate to corporate lending, being transactions traded but not yet acquired.

During the six-months ended 30 September 2013, the Bank registered net interest income of €14.5 million (30 September 2012: €10.1 million) and other operating income of €14.4 million (30 September 2012: €16.8 million), resulting in a total operating income of €30.3 million (30 September 2012: €26.6 million). Total operating expenses amounted to €13.6 million (30 September 2012: €10.2 million).

The average number employees increased from 152 for the period ended 30 September 2012 to 216 for the period ended 30 September 2013. Personnel expenses amounted to €6.4 million for the six-month ended 30 September 2013 (30 September 2012: €5.2 million). The number of employees increased from 160 as at 30 September 2012 to 235 as 30 September 2013.

The Directors anticipate continued stable but growing revenues for the remainder of the financial year.

Strategic Development

The Bank's primary strategic objective is to be a leading provider of savings, investment and wealth management products to the mass affluent market, both in Malta and other European Union countries.

Having established its position in the Maltese market primarily initially through its core savings offering, the Bank has invested considerable resources in building an investment services and e-Wealth Management platform, which provides the Bank's customers with an information rich and cost efficient platform to deliver investment and savings products in a seamless, transparent and user friendly format. The platform allows the Bank to offer its products and services in both the local and international markets. The underlying strategy is designed to meet the long-term savings and investment requirements of its core customer base. The Bank's online investment services platform provides investors with the ability to execute transactions in equities, bonds and funds in a cost efficient and easy to use manner. The Bank's e-wealth platform provides customers with a large range of investment research and analysis tools as well as financial planning tools that enable its customers to build portfolios designed to meet their financial goals.

In addition to its efforts in respect of improving and diversifying its customer offering, the Bank intends to continue to diversify its liability structure, while continuing to strengthen its deposit base. The Bank's core deposit offering is a range of attractively priced fixed-term and other savings products. As at 30 September 2013, the Bank's deposit base reached €649 million.

Mediterranean Bank plc

Interim Directors' Report pursuant to Listing Rules 5.74 et seq (continued)

For the six-months ended 30 September 2013

Strategic Development (continued)

The Bank also continues to access the international wholesale funding markets through bilateral repo lines, access to the Eurex repo platform and a secured 3-year term funding facility with an international counterparty. In addition, to support the growth of its lending activities, the Bank issued €240 million of secured notes through a Netherlands funding vehicle.

Supported by a robust liability structure, the asset base of the Bank has continued to grow, having reached €2.150 billion as at 30 September 2013. This growth has been concentrated primarily in the Bank's portfolio of international senior secured corporate loans and bonds, which have been an increasingly important portion of the Bank's asset portfolio. The Bank also continues to focus on its treasury portfolio and its traditional strategy of investing in quality and liquid EU assets. The Bank's portfolio of corporate loans reached €508 million as at 30 September 2013 (representing corporate credit assets purchased and traded).

Mediterranean Bank remains committed to operating with strong regulatory ratios and a robust liquidity position. At 30 September 2013 the Bank's regulatory liquidity ratio stood at 171%, and it reported a Capital Adequacy Ratio of 14.9%. The growth of the Bank's corporate loan portfolio has resulted in and is expected to continue to result in greater consumption of capital over the medium term. As a result, it is expected that the Bank will operate at or around its current Capital Adequacy Ratios rather than the higher ratios that have historically been the case. The Bank intends always to operate at Capital Adequacy Ratios that are comfortably in excess of regulatory requirements. Likewise, the Bank's regulatory liquidity ratio is also expected to remain comfortably in excess of regulatory requirements.

Outlook

Over the last few months, markets have responded positively to a number of Eurozone initiatives, including the Outright Monetary Transaction (OMT) facility implemented by the ECB and moves toward a more unified system of bank regulation. This has led to a period of relative calm in European peripheral debt markets and a significant narrowing of spreads for most peripheral credits relative to core European credits. However, underlying issues still exist which have been compounded by a weak economic growth outlook and the ongoing challenges of structural reform. These issues are expected to remain an ongoing source of concern for investors and policy makers during the foreseeable future. Despite these ongoing challenges, the Bank remains confident that its underlying strategy will continue to result in profitable growth.

In August, the Bank launched its Belgian branch, which initially offered deposit and investment products including online execution of transactions in equities, bonds and funds. More recently, the Bank launched its e-Wealth platform in the Belgian market, including its suite of financial planning tools and its wide range of research and investment tools.

Following the launch of online investment services and eBanking products in Malta, the Bank intends to launch an online e-Wealth platform in Malta, based on the systems designed for the Belgian market. The launch of the Belgian branch and of a range of new products and services in Malta are expected to increase the non-interest income of the Bank.

Mediterranean Bank plc

Interim Directors' Report pursuant to Listing Rules 5.74 et seq (continued)

For the six-months ended 30 September 2013

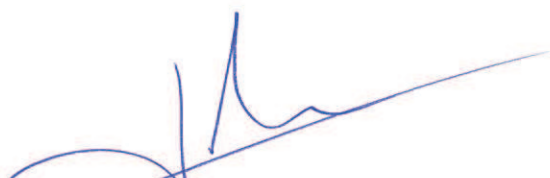
Related parties

There were no material changes in related party transactions from those detailed in the financial statements for the period ended 31 March 2013 (note 35). During this period no related party transactions materially affected the financial position or performance of the Bank.

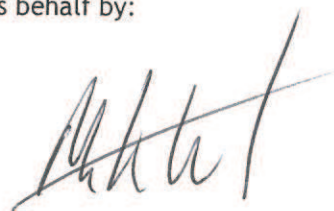
Statement by the directors pursuant to Listing Rule 5.75.3

We, the undersigned, declare that to the best of our knowledge, the condensed interim financial statements prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and its subsidiaries included in the consolidation taken as a whole, and that this report includes a fair review of the performance of the business and the position of the Bank and its subsidiaries, included in the consolidation taken as a whole and that the interim directors report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84;

Approved by the Board on 27 November 2013 and signed on its behalf by:



Mr. Francis J. Vassallo
Chairman



Mr. Mark A. Watson
Director and Chief Executive

Mediterranean Bank plc

Condensed Interim Statement of Financial Position

As at 30 September 2013

	30 Sep 2013	31 Mar 2013
	€000	€000
ASSETS		
Balances with Central Bank of Malta, Treasury Bills and cash	45,080	70,055
Loans and advances to financial institutions	115,527	20,131
Loans and advances to customers	386,939	402,174
Investment securities	1,554,745	1,564,034
Derivative assets held for risk management	391	279
Derivative assets held for trading	334	-
Investments in subsidiaries	2	65
Property and equipment	2,175	2,485
Intangible assets	196	228
Other assets	18,255	14,471
Prepayments and accrued income	24,948	27,996
Deferred tax assets	1,100	-
Total assets	2,149,692	2,101,918

The notes on pages 7 to 15 are an integral part of these condensed interim financial statements.

Mediterranean Bank plc

Condensed Interim Statement of Financial Position (continued)

As at 30 September 2013

	30 Sep 2013	31 Mar 2013
	€000	€000
EQUITY		
Share capital	83,350	62,350
Share premium	13,464	13,464
Retained earnings	11,076	21,191
Shareholders' contribution	9,750	8,500
Other reserves	(851)	9,578
Total equity	116,789	115,083
LIABILITIES		
Amounts owed to financial institutions	1,106,485	1,368,995
Amounts owed to customers	649,020	566,047
Debt securities in issue	229,891	15,664
Subordinated liabilities	22,319	12,341
Derivative liabilities held for risk management	3,358	-
Current tax payable	6,349	7,660
Other liabilities	1,732	1,100
Accruals	13,749	9,966
Deferred tax liability	-	5,062
Total liabilities	2,032,903	1,986,835
Total equity and liabilities	2,149,692	2,101,918

Memorandum

Commitments to acquire assets	120,700	76,000
Contingencies and commitments	-	12,285

The notes on pages 7 to 15 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 1 to 15 were approved and authorised for issue by the Board of directors on 27 November 2013 and signed on its behalf by:

Mr. Francis J. Vassallo
Chairman

Mr. Mark A. Watson
Director and Chief Executive Officer

Mediterranean Bank plc

Condensed Interim Statement of Comprehensive Income

For the six-months ended 30 September 2013

	1 Apr 2013 to 30 Sep 2013	1 Apr 2012 to 30 Sep 2012
	€000	€000
Interest income	30,484	24,158
Interest expense	(15,943)	(14,094)
Net interest income	14,541	10,064
Fee and commission income	957	313
Fee and commission expense	(1,324)	(1,156)
Net fee and commission expense	(367)	(843)
Net trading income	1,793	625
Other operating income	14,351	16,790
Total operating income	30,318	26,636
Net impairment loss on investments in subsidiaries	4	-
Collective impairment provision	179	75
Administrative and other expenses	6,508	4,486
Personnel expenses	6,425	5,168
Depreciation and amortisation	467	464
Total operating expenses	13,583	10,193
Profit before income tax	16,735	16,443
Income tax expense	(5,850)	(5,481)
Profit for the period	10,885	10,962
Other comprehensive income		
Fair value reserve (available-for-sale assets)		
Net change in fair value	(3,509)	46,149
Net amount transferred to profit or loss	(12,535)	(15,778)
Income taxes	5,615	(10,630)
Other comprehensive income for the period	(10,429)	19,741
Total comprehensive income for the period	456	30,703
Basic earnings per share	13c8	19c6

The notes on pages 7 to 15 are an integral part of these condensed interim financial statements.

Mediterranean Bank plc

Condensed Interim Statement of Changes in Equity

For the six-months ended 30 September 2013

	Share capital €000	Share premium €000	Retained earnings €000	Fair value reserve €000	Total €000
Balance at 1 April 2012	56,030	13,464	7,029	(1,137)	75,386
Total comprehensive income for the period:					
Profit for the period	-	-	10,962	-	10,962
Other comprehensive income for the period:					
Available-for-sale assets:					
- Net change in fair value	-	-	-	29,997	29,997
- Net amount transferred to profit or loss	-	-	-	(10,256)	(10,256)
Total comprehensive income for the period, net of tax	-	-	10,972	19,741	30,703
Balance at 30 September 2012	56,030	13,464	17,991	18,604	106,089

The notes on pages 7 to 15 are an integral part of these condensed interim financial statements.

Mediterranean Bank plc

Condensed Interim Statement of Changes in Equity (continued)

For the six-months ended 30 September 2013

	Share capital €000	Share premium €000	Shareholders' contribution €000	Retained earnings €000	Fair value reserve €000	Total €000
Balance at 1 April 2013	62,350	13,464	8,500	21,191	9,578	115,083
Total comprehensive income for the period: Profit for the period	-	-	-	10,885	-	10,885
Other comprehensive income for the period: Available-for-sale assets:						
- Net change in fair value	-	-	-	-	(2,281)	(2,281)
- Net amount transferred to profit or loss	-	-	-	-	(8,148)	(8,148)
Total comprehensive income for the year, net of tax	-	-	-	10,885	(10,429)	456
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners: Issue of bonus shares	21,000	-	-	(21,000)	-	-
Shareholders' contribution	-	-	1,250	-	-	1,250
Total contributions by owners	21,000	-	1,250	(21,000)	-	1,250
Balance at 30 September 2013	83,350	13,464	9,750	11,076	(851)	116,789

The notes on pages 7 to 15 are an integral part of these condensed interim financial statements.

Mediterranean Bank plc

Condensed Interim Statement of Cash flows

For the six-months ended 30 September 2013

	1 Apr 2013 to 30 Sep 2013	1 Apr 2012 to 30 Sep 2012
	€000	€000
Cash flows from operating activities		
Interest and commission receipts	37,890	20,868
Interest payments and commission expense	(13,268)	(11,929)
Payments to employees and suppliers	(12,781)	(4,290)
Operating profit before changes in operating assets/liabilities	11,841	4,649
(Increase)/decrease in operating assets:		
- reserve deposits with Central Bank of Malta	(71)	2,037
- loans advanced to customers and financial institutions	10,272	(220,601)
- investment securities	(312,094)	32,997
(Decrease)/increase in operating liabilities:		
- amounts owed to customers and financial institutions	(29,735)	503,830
Tax paid	(7,709)	(1,997)
Net cash (used in)/ generated from operating activities	(327,496)	320,915
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	(125)	(58)
Acquisition of available-for-sale assets	(336,067)	(692,320)
Disposal/redemptions of available-for-sale assets	652,203	565,728
Acquisition of assets held for risk management	10,486	-
Net payments to related parties	(4,389)	(1,795)
Net cash from/(used in) investing activities	322,108	(128,445)
Cash flows from financing activities		
Proceeds from shareholders' contribution	1,250	-
Re-purchase of debt securities	(1,452)	-
Net proceeds from the issue of subordinated debt securities	9,978	-
Proceeds from issue of debt securities through funding structure	237,367	-
Re-purchase of debt securities issued through funding structure	(21,546)	-
Net cash from financing activities	225,597	-
Net change in cash and cash equivalents	220,209	192,470
Cash and cash equivalents at beginning of period	(575,822)	(617,268)
Cash and cash equivalents at end of period	(355,613)	(424,798)

The notes on pages 7 to 15 are an integral part of these condensed interim financial statements.

Mediterranean Bank plc

Notes to the Condensed Interim Financial Statements (continued)

For the six-months ended 30 September 2013

1. Reporting entity

Mediterranean Bank plc (the "Bank") is domiciled and incorporated in Malta. The condensed interim financial statements of the Bank presented are as at and for the six months ended 30 September 2013.

The financial statements of the Bank as at and for the year ended 31 March 2013 are available upon request from the Bank's registered office and are available for viewing on its website at www.medbank.com.mt.

The principal activities of Mediterranean Bank plc (the "Bank") are to provide market leading banking services primarily to the mass affluent sector, focusing primarily on savings, wealth management, investments and corporate banking.

2. Basis of preparation

2.1 Statements of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Bank since the last annual financial statements as at and for the year ended 31 March 2013. These condensed interim financial statements do not include all information required for a complete set of financial statements prepared in accordance with International Financial Report Standards, as adopted by the European Union.

These financial statements present only the Bank's separate financial statements. Mediterranean Global Advisory SA has been liquidated during the period ended 30 September 2013 resulting in a minimal impairment loss as disclosed in note 6.1. Mediterranean Research Limited is dormant and is placed on liquidation. No impairment is deemed necessary. As disclosed in note 19.3 to the Annual Report 2013, a partnership was set up to lease property and which are then leased back to the Bank. Its operations are deemed to be immaterial, having no impact on the operations of the Bank.

On 7 June 2013, the Bank established a funding structure (Grand Harbour I B.V.) to issue notes secured by identifiable assets. The Bank has retained substantially all risks and rewards of assets, liabilities and related income and expenditure, and as such, all assets, liabilities and related income and expenditure have been recognised within the Bank's financial statements (note 8.3).

2.2 Judgements and estimates

Preparing these interim financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, significant judgements made by Management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 March 2013.

Mediterranean Bank plc

Notes to the Condensed Interim Financial Statements (continued)

For the six-months ended 30 September 2013

3. Significant accounting policies

Except as described below, the accounting policies applied by the Bank in these condensed interim financial statements are consistent with those applied in the financial statements for the period ended 31 March 2013.

The Bank has adopted the IFRS 13, *Fair value Measurement*, with a date of initial application of 1 April 2013.

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Bank has included additional disclosures in this regard (see Note 6).

In accordance with the transitional provisions of IFRS 13, the Bank has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Bank's assets and liabilities.

4. Operating segments

The Bank has a single reportable segment represented by the investment in high credit quality collateralised instruments such as covered bonds, guaranteed senior bank debt, sovereign related risk and corporate secured lending. Product and services and geographical areas are comparable to those as at 31 March 2013. Information about the financial risk, credit concentrations by sector and location and revenues from the single reportable segment can be obtained from the financial statements for the period ended 31 March 2013. The investment portfolio is spread across a large number of exposures diversified in government, financial institutions and other corporates.

5. Taxation

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax expected for the full financial year applied to the pre-tax income of the interim period.

The Bank's effective tax rate is 35%, which is the same rate as the applicable domestic tax rate of 35% (six months ended 30 September 2012: 35%).

Mediterranean Bank plc

Notes to the Condensed Interim Financial Statements (continued)

For the six-months ended 30 September 2013

6. Financial instruments

6.1 Impairment

	Specific Impairment €000	Collective Impairment €000	Total €000
At 1 April 2013	-	676	676
Charge for the period	4	179	183
At 30 September 2013	4	855	859

The specific impairment relates to the loss incurred upon liquidation of a dormant subsidiary, Mediterranean Global Advisory SA. The subsidiary was domiciled in Switzerland and wholly owned by the Bank.

During the six-month period ended 30 September 2013, the Bank provided for a collective impairment allowance of €197,919 on investment securities and released €19,332 on the loans and advances to customers.

As at 30 September 2013, €656,453 of the collective impairment provision relates to loans and advances to customers and €197,919 relates to investment securities.

6.2 Carrying amounts versus fair values

The carrying value of financial assets and financial liabilities of the Bank represent a reasonable approximation of fair value except for 'held to maturity' investment securities with a carry value of €649.9 million, the fair value of which is €644.5 million.

The fair value of 'loans and advances to customers' with a carry value of €386.9 million and Notes issued through a funding structure within 'debt securities' in issue with a carry value of €218 million cannot be reliably measured due to:

- little information is publicly available;
- inactive market;
- reliable broker quotes are negotiated on a one-to-one basis.

Notwithstanding this, no specific impairment allowances are deemed necessary, other to those disclosed in note 6.1, above.

Disposals of 'loans and advances to customers' take place after due consideration is provided on a case by case basis of the underlying commercial viability. Loans and advances amounting to a carry value of €119.9 million were disposed or redeemed during the interim period realising profits of €2.3 million.

All aspects of the Bank's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 March 2013.

Mediterranean Bank plc

Notes to the Condensed Interim Financial Statements (continued)

For the six-months ended 30 September 2013

6. Financial instruments (continued)

6.3 Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Balances with Central Bank of Malta, treasury bills and cash	30,968	-	-	30,968
Investment securities	865,687	39,442	-	905,129
Derivative assets held for trading	334	-	-	334
Derivative assets held for risk management	-	391	-	391
Total financial assets carried at fair value	896,989	39,833		936,822
Derivative liabilities held for risk management	-	3,358	-	3,358
Total financial liabilities carried at fair value	-	3,358	-	3,358

Level 2 fair value of investment securities in inactive markets are implied from quoted prices of similar instruments.

Level 2 fair value of derivatives held for risk management are based on valuation models and the methodology is to calculate the net present value of a series of expected cash flows, taking into account the different terms of each specific contract/instrument (discount cash flow, DCF). These models use as their basis independently sourced market parameters including, for example, interest rate yield curves. Market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

6.4 Transfers between levels

The Bank recognises transfer between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the six months ended 30 September 2013.

Mediterranean Bank plc

Notes to the Condensed Interim Financial Statements (continued)

For the six-months ended 30 September 2013

6. Financial instruments (continued)

6.5 Reclassifications and sales out of Held-to-Maturity (HTM) Investment Securities

A number of investment securities were identified for reclassification due to isolated and non-recurring events which could not have been reasonably anticipated. During the interim period ending 30 September 2013, the Bank reclassified HTM investments to AFS having an amortised cost of €19.8 million. The event that caused the Bank to reclassify or sell included the unexpected withdrawal of eligibility for refinancing which could not reasonably have been foreseen when the investments were originally classified as HTM and that has significantly altered the economic rationale at the time of acquisition.

All investments reclassified from HTM to AFS during the interim period ending 30 September 2013 were sold realising a profit of €246,006. Investments reclassified from HTM to AFS in prior year, were disposed during the current period realising a profit of €259,534.

A total fair value loss of €863,119 was recognised in other comprehensive income that would not have been recognised if the reclassifications had not been made in prior year.

At 30 September 2013, the effective interest rates on reclassified HTM investment securities ranged from 1.2 percent to 3.4 percent.

7. Capital and reserves

	30 Sep 2013	31 Mar 2013
	No.	No.
7.1 Share capital		
Issued and fully paid up:		
Shares of €1 each		
Ordinary 'A' shares	83,350,106	62,350,106
Ordinary 'B' share	1	1
	-----	-----
	83,350,107	62,350,107
	=====	=====

7.2 At 30 September 2013 the authorised share capital consisted of 100,000,000 (31 March 2013: 100,000,000) ordinary shares of €1 each. All issued shares are fully paid-up.

	Note	€000
7.3		
As at 1 April 2012		56,030
Issued for cash during year ended 31 March 2013		6,320

Balance as at 31 March 2013		62,350
Bonus issue during period ended 30 September 2013	7.4	21,000

Balance as at 30 September 2013		83,350
		=====

Mediterranean Bank plc

Notes to the Condensed Interim Financial Statements (continued)

For the six-months ended 30 September 2013

7. Capital and reserves (continued)

- 7.4 The directors' proposal for a final gross ordinary dividend of €21,000,000 representing €0.52 per share as bonus shares for the period ended 31 March 2013 was approved on 9 May 2013 and executed on 10 May 2013.
- 7.5 During the period ended 30 September 2013, by an extraordinary resolution dated 28 June 2013, it was resolved to provide the Bank a shareholders' contribution (Contribution) of €1,250,000. The following terms and conditions of the Contribution granted renders this instrument to be equity in nature in accordance with the requirements of IAS 32: Financial Instruments - Presentation:
- The Bank has no obligation to bear any servicing cost or transfer any economic benefits of any kind to the Contributor or any other person in return; and
 - The Bank has no obligation to repay the Contribution.
- The Contribution is also eligible as Own Funds in terms of MFSA Banking Rule 3.
- 7.6 All reserves at the reporting date, except for retained earnings and the shareholders' contribution, are non-distributable. However, the shareholders' contribution reserve is distributable only and only if, the regulatory ratios are not breached and if the terms and conditions permit.
- 7.7 As described in the subsequent events note 12, on 31 October 2013, the issued share capital was further increased by €4.9 million.

8. Debt securities in issue

8.1		30 Sep 2013	31 Mar 2013
		€000	€000
Note			
At amortised cost:			
Debt securities in issue	8.2	14,364	15,664
Debt securities in issue through funding structure	8.3	215,527	-
		229,891	15,664
		=====	

Mediterranean Bank plc

Notes to the Condensed Interim Financial Statements (continued)

For the six-months ended 30 September 2013

8. Debt securities in issue (continued)

8.2 Movement in Debt securities in issue

	30 Sep 2013	31 Mar 2013
	€000	€000
Balance at the beginning of the period/year	15,664	19,672
Debt securities repurchased and cancelled	(1,300)	(4,008)
Balance at end of period/year	14,364	15,664

During the six-month period ended 30 September 2013, the Bank purchased through market operations a nominal value of €1,338,400 of its 6.25% debt securities in issue, for cancellation in accordance with the provisions of section 7.9.8 of the Security Note forming part of the prospectus dated 13 September 2010 (as supplemented on 30 May 2011). All bonds so purchased by the Bank were cancelled.

As at 30 September 2013, the contractual amount due at maturity is €14,566,400.

The carrying amount of the debt securities in issue is €203,218 lower than the contractual amount due at maturity.

8.3 Movement in Debt securities through funding structure

	30 Sep 2013	31 Mar 2013
	€000	€000
Balance at the beginning of the period/year	-	-
Debt securities issued	240,000	-
Debt securities repurchased and derecognised	(22,000)	-
Transaction costs	(2,633)	-
Transaction costs amortised to income statement	160	-
Balance at end of period/year	215,527	-

During the six-month period ended 30 September 2013, as part of the funding strategy, the Bank issued €240 million Senior Secured Floating Rate notes maturing by 2026, through a fund structure situated in the Netherlands.

The Bank has been assessed to have retained all risks and rewards of the structure.

During July 2013, the Bank repurchased €22 million of the Senior Secured Floating Rate notes. An amount of €160,378 transaction costs has been amortised to the income statement.

8.4 The Bank has not had any defaults of interest or other breaches with respect to its debt securities in issue during both years ended 31 March 2013 and period ended 30 September 2013.

Mediterranean Bank plc

Notes to the Condensed Interim Financial Statements (continued)

For the six-months ended 30 September 2013

9. Subordinated liabilities

9.1 Movement in subordinated liabilities in issue

		30 Sep 13 €000	31 Mar 13 €000
	Note		
At amortised cost:			
Balance at the beginning of the period/year		12,341	-
Issue of subordinated liabilities			
- nominal value	9.2	9,984	12,500
- related transaction costs		(77)	(90)
- effect of foreign exchange revaluation		71	(69)
		-----	-----
Balance at the end of the period/year		22,319	12,341
		=====	=====

9.2 During the period under review, the Bank issued further subordinated debt securities. The debt securities, which are unsecured, mature on 30 December 2019 and are listed on the Malta Stock Exchange. The interest payable is fixed at 7.50% per annum (effective interest rate 7.60%) and are redeemable at their nominal value.

9.3 The above liabilities will, in the event of the winding-up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer. The Bank has not had any defaults of interest or other breaches with respect to its subordinated debt securities during the year ended 31 March 2013.

9.4 The carrying amount of the subordinated debt securities in issue is €145,493 lower than the contractual amount due at maturity.

10. Contingent liabilities

No events occurred that required any changes to the contingent liabilities of the Bank disclosed in the financial statements for the period ended 31 March 2013.

11. Commitments to acquire assets

At reporting date, the Bank had financial unsettled amounts of €120.7 million relating to secured corporate lending which were traded but not yet settled.

Mediterranean Bank plc

Notes to the Condensed Interim Financial Statements (continued)

For the six-months ended 30 September 2013

12. Subsequent events

Debt securities repurchased

The number of debt securities repurchased on the local exchange through market operations up to the date of issue of this report is €35,000. All repurchase securities were at current market prices with a weighted average price of 105.

Issue of share capital

On 30 October 2013, the shareholders of the Bank resolved to increase the capital of the Bank by up to €15 million by year end. As at 31 October, the Bank's issued share capital was increased by €4.9 million ordinary A shares divided into four million nine hundred thousand shares each with a nominal value of one Euro (€1). These were paid in cash, thereby increasing the Banks' issued share capital from €83,350,107 to €88,250,107.

Except as described above, there were no other material events which occurred subsequent to the reporting date which would otherwise require adjustment or disclosure in these condensed interim financial statements.



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Independent Auditors' Report on Review of Condensed Interim Financial Statements

To the Board of Directors of Mediterranean Bank plc

Introduction

We have reviewed the accompanying condensed interim financial statements of Mediterranean Bank plc (the "Bank") (the "Condensed Interim Financial Statements") set out on pages 1 to 15, which comprise the condensed statement of financial position as at 30 September 2013, and the related condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of the condensed interim financial statements in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. Our responsibility is to express a conclusion on these interim financial statements based on our review.

This report is made solely to the Board of Directors in accordance with the terms of our engagement and is released for publication in compliance with the requirements of listing rule 5.75.4 issued by the Listing Authority. Our review has been undertaken so that we might state to the Board of Directors those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors for our review work, for this report, or for the conclusions we have expressed.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements for the six month period ended 30 September 2013 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Noel Mizzi (Partner) for and on behalf of

KPMG
Registered Auditors

27 November 2013