

REGISTRATION DOCUMENT DATED 18 MAY 2015

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014.

The Bonds are being issued by



Izola Bank p.l.c.

(a public limited liability company registered under the laws of Malta with registration number C 16343)

ISIN:- MT0000531211

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Sponsor, Manager & Registrar

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

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APPROVED BY THE DIRECTORS

Andrew Mifsud
on behalf of

Magdalena De Roeck, Caroline Van Marcke,
Joseph Caruana, Francis X. Gouder, Charles Hertogs, Guido Mizzi, Patrick H. Van Leynseele



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1. IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT FORMS PART OF THE PROSPECTUS AND CONTAINS INFORMATION ON IZOLA BANK PLC (THE “ISSUER”) IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT AND THE REGULATION.

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IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY SECURITIES ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFER OF SECURITIES OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE SECURITIES CAN ONLY BE OFFERED TO “QUALIFIED INVESTORS” (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES, IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THIS PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

THE CONTENTS OF THE ISSUER’S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER’S WEBSITE DO NOT FORM PART OF THIS PROSPECTUS. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

ALL THE ADVISERS TO THE ISSUER HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS PUBLIC OFFER AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS.

2. DEFINITIONS

In this Registration Document the following words and expressions shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Bond/s	the €12,000,000 unsecured bonds of a nominal value of €100 per bond issued at par and redeemable on the Redemption Date at their nominal value, bearing interest at the rate of 4.5% per annum, as detailed in the Securities Note;
Directors or Board	the directors of the Issuer whose names are set out in section 4.1 of this Registration Document;
Euro or €	the lawful currency of the Republic of Malta;
Group	the Van Marcke group of companies, the ultimate group holding company of which is VMKG PLLC, a company registered in Belgium with company number 0447.152.677;
Issuer or Bank	Izola Bank p.l.c.;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta) by virtue of Legal Notice 1 of 2003;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
Memorandum and Articles of Association or M&As	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
MFSA	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Prospectus	collectively this Registration Document, the Securities Note and the Summary Note, as such documents may be amended, updated, replaced and supplemented from time to time;
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as may be amended from time to time;
Redemption Date	shall have the meaning set out in the Securities Note;
Registration Document	this document in its entirety;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities; and Commission Delegated Regulation (EU) No. 382/2014 of 7 March 2014 supplementing Directive 2003/71/EC with regard to regulatory technical standards for publication of supplements to the prospectus;
Securities Note	the securities note issued by the Issuer dated 18 May 2015, forming part of the Prospectus;
Summary Note	the summary note issued by the Issuer dated 18 May 2015, forming part of the Prospectus.

3. RISK FACTORS

3.1 GENERAL

An investment in the Issuer involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in this Prospectus before deciding to make an investment in the Issuer. Some of these risks are subject to contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingencies occurring. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

If any of the risks described below were to materialise, they could have a serious effect on the Issuer's financial results and trading prospects and the ability of the Issuer to fulfil its obligations under the securities issued by it from time to time.

The risks and uncertainties discussed below are those identified as such by the Directors, but these risks and uncertainties may not be the only ones that the Issuer faces. Additional risks and uncertainties, including those which the Issuer's Directors are not currently aware of, may result in a material impact on the financial condition and operational performance of the Issuer. Accordingly prospective investors should make their own independent evaluation of all risk factors, and should consider all other sections in this document.

3.2 FORWARD LOOKING STATEMENTS

This Prospectus contains "forward looking statements" which include, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These forward looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer's Directors. No assurance is given that the future results or expectations will be achieved.

3.3 RISKS RELATING TO THE ISSUER

The following are the risks that are material to the Issuer and that may affect the Issuer's ability to fulfil its obligations under the Bonds. Prospective investors ought to carefully consider these risk factors before deciding to invest in the Bonds.

(a) STRATEGIC AND BUSINESS RISK

The Issuer principally provides banking services to the Group and to customers of the Group, including but not limited to, the provision of cash management services, factoring and advances and acceptance of funds on current, savings and term deposit accounts. The Issuer is largely dependent on the Group for its ongoing business operations and future business expansion. Consequently, any adverse changes to the Group's operating results, financial position and business prospects could adversely affect the Issuer's business and the results of its operations.

(b) CREDIT RISK

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in the Issuer's business. As at 31 December 2014, the Issuer held specific impairment provisions in respect of approximately 1.6% of the principal amount of its factored receivables. Adverse changes in the credit quality of the Issuer's borrowers and counterparties or a general deterioration in European or global economic conditions, or arising from systemic risks in the financial systems, could affect the recoverability and value of the Issuer's assets and require an increase in the provision for impairment losses and other provisions.

(c) CONCENTRATION RISK

Concentration risk denotes the risk arising from an uneven distribution of counterparties in a credit or any other business relationship or from a concentration in business sectors or geographical regions which is capable of generating losses large enough to jeopardise the Issuer's solvency. The Issuer currently factors Group debtors on a non-recourse basis. The debtors are currently drawn from the Belgian property, building and construction and related services sector. Accordingly, the Issuer is currently exposed to the said business sectors and geographical region. The said concentration risk may, if the business sectors involved are the subject of adverse conditions or a negative trend, have a negative impact on the financial performance of the Issuer.

(d) LIQUIDITY RISK

Liquidity risk is the risk that the Issuer will encounter difficulty in raising funds to meet financial commitments. This may result from a number of causes, including the Issuer's inability to realise financial assets in a timely manner at close to fair value or to obtain adequate funding which could have a material adverse affect on the financial performance of the Issuer.

(e) INTEREST RATE RISK

Interest rate risk arises from the extent that interest-earning assets and liabilities mature or re-price at different times. Such a mismatch, if it occurs, may have a negative impact on the financial performance of the Issuer.

(f) OPERATIONAL RISK

Operational risk covers the risk of losses arising from inadequate or failed internal processes and systems, the inability to retain key personnel, and unforeseen external events. The impact of such losses on the Issuer may be substantial. The Issuer has implemented risk controls and loss mitigation measures, and allocated considerable resources to business continuity planning, staff training and to developing efficient procedures and systems. As a result the Issuer can provide reasonable, but not absolute assurance, that such procedures will be effective in controlling each of the operational risks faced by the Issuer.

The occurrence of any operational risk event due to failure of the Issuer's system of internal controls could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects and could also materially adversely affect its reputation. Operational risk specific to the Issuer's IT systems is described below.

(g) RISKS RELATING TO INFORMATION TECHNOLOGY

The Issuer depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Issuer's business and operating data. The proper functioning of the Issuer's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems are critical to the Issuer's business and ability to compete effectively. The Issuer's business activities would be materially disrupted if there were a partial or complete failure of any of these information technology systems.

Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Issuer's control including natural disasters, extended power outages and computer viruses. The proper functioning of the Issuer's information technology systems also depends on accurate and reliable data and other system input, which are subject to human errors. In addition, errors may be repeated or compounded before they are discovered and rectified. Any failure or delay in recording or processing the Issuer's transaction data could subject it to claims for losses and regulatory fines and penalties.

(h) EXTERNAL RISK

The Issuer's overall performance and results may also be adversely affected by external factors beyond the Issuer's control. These include changes in economic conditions, business cycles, volatility in financial markets and increased competitive pressure in the financial services sector. Negative changes in overall local and international economic conditions, inflation, consumer and business spending, recession, unemployment, limited credit availability and such other factors which are beyond the Issuer's control, may also negatively affect the performance of the Group.

(i) REPUTATIONAL RISK

Reputational risk is the risk that negative publicity regarding the Issuer's and/or the Group's business practices, whether true or not, will cause a decline in the customer base, costly litigation or revenue reductions. Negative publicity can result from the Issuer's actual or alleged conduct in any number of activities, including lending practices, corporate governance, and actions taken by government regulators in response to those activities.

(j) REGULATORY MATTERS

The Issuer is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk. These controls include laws and regulations promulgated by the MFSA, which is the regulatory body for banks. In addition, the Issuer may ultimately be subject to regulation at the level of the European Central Bank.

The Issuer is also required to comply with applicable know your customer, anti-money laundering and counter-terrorism financing laws and regulations. To the extent that the Issuer fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged, with consequent adverse effects on its business, financial condition, results of operations and prospects.

Any failure or delay in receiving any required regulatory approvals or the enactment of new and adverse regulations or regulatory requirements may have a material adverse effect on the Issuer's business. In addition, future legislative, judicial and regulatory agency actions could have a material adverse effect on the Issuer's business. Furthermore, changes in the regulatory environment could ultimately place increased regulatory pressure on the Issuer, and could have a material adverse effect on its business, financial condition, results of operation and cash flow, particularly in the case of an adverse impact resulting from regulatory developments which could expose its business to a number of risks as well as limit growth, curtail revenues and impact the Issuer's service offerings. Moreover, there is a risk of non-compliance associated with the complexity of regulation. Failure to comply with current or future regulation could expose the Issuer's business to various sanctions, including fines or the withdrawal of authority to conduct certain lines of business.

4. IDENTITY OF DIRECTORS, ADVISERS AND AUDITORS OF THE ISSUER

4.1 DIRECTORS

As at the date of this Registration Document, the board of Directors of the Issuer is composed of the following persons:

Magdalena De Roeck	Chairperson
Caroline Van Marcke	Non-Executive Director
Joseph Caruana	Independent Non-Executive Director
Francis X. Gouder	Independent Non-Executive Director
Charles Hertogs	Independent Non-Executive Director
Guido Mizzi	Independent Non-Executive Director
Patrick H. Van Leynseele	Independent Non-Executive Director

The business address of said Directors is 53/58, East Street, Valletta VLT 1251, Malta.

The Directors of the Issuer are the persons responsible for the information contained in this Registration Document. To the best of the knowledge and belief of the Directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of the Issuer accept responsibility accordingly.

4.2 ADVISERS

LEGAL COUNSEL

Name:	Camilleri Preziosi
Address:	Level 3, Valletta Buildings, South Street, Valletta VLT 1103, Malta

SPONSOR, MANAGER AND REGISTRAR

Name:	Charts Investment Management Service Limited
Address:	Vault 17, Valletta Waterfront, Pinto Wharf, Floriana FRN 1913, Malta

4.3 AUDITORS

Name:	KPMG
Address:	Portico Building, Marina Street, Pieta PTA 9044, Malta

The annual statutory financial statements of the Issuer for the financial years ended 31 December 2014, 31 December 2013 and 31 December 2012 have been audited by KPMG, Portico Building, Marina Street, Pieta PTA 9044, Malta. KPMG is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the Laws of Malta).

5. INFORMATION ABOUT THE ISSUER

5.1 INTRODUCTION

Full legal & commercial name of Issuer:	Izola Bank p.l.c.
Registered address:	53/58 East Street, Valletta VLT 1251, Malta
Place of registration and domicile:	Malta
Registration number:	C 16343
Legal form:	Public limited liability company
Legislation under which the Issuer operates:	Companies Act (Cap. 386 of the Laws of Malta) and the Banking Act (Cap. 371 of the Laws of Malta)
Telephone number:	(00356) 2124 1258
Telefax:	(00356) 2124 1250
Email:	info@izolabank.com
Website:	www.izolabank.com

5.2 HISTORICAL BACKGROUND

The Issuer was incorporated on 8 June 1994 as Izola Bank Limited for an indefinite duration under the Commercial Partnerships Ordinance, 1962 (Cap. 168 of the Laws of Malta), and with effect from 28 February 1998 complied with the Act under which it, *inter alia*, is currently regulated.

On 15 February 2010, the shareholders of the Issuer resolved to change the status of the Issuer from a private limited liability company to that of a public limited liability company.

On 13 June 1994 the Issuer was granted a licence by the Ministry of Finance to carry on the business of banking as a credit institution operating initially with non-residents subject to such conditions as may from time to time be imposed under Section 4(6)(c) of the Banking Act, 1970. Following the enactment of the Banking Act, Cap. 371 of the Laws of Malta, the Central Bank of Malta became the competent authority responsible for the regulation and supervision of credit institutions. On 15 November 1994, the Central Bank of Malta issued a new licence in terms of the Banking Act.

In September 2005, the terms of the licence were changed and the Issuer was authorised to conduct full banking activities in all currencies, except the Maltese Lira, with both residents and non-residents. With the entry of Malta into the Eurozone in 2008 and the adoption of the Euro as its currency, the Maltese lira ceased to be legal tender.

On 10 June 2010, the Listing Authority authorised the admissibility to listing of a debt issuance programme of the Issuer amounting to €27,000,000. In terms of the programme, the Bank issued the first and only tranche on 30 June 2010 of €9,000,000 5.35% Secured Notes 2015. The Notes will mature on 30 June 2015.

6. ORGANISATIONAL STRUCTURE

The Issuer is wholly owned by the Group. The financial results and assets and liabilities of the Issuer are included in the consolidated financial statements of VMKG PLLC, company number 0447.152.677 (the ultimate group holding company), the registered office of which is Paepsemiaan 28-30, 1070 Brussels, Belgium.

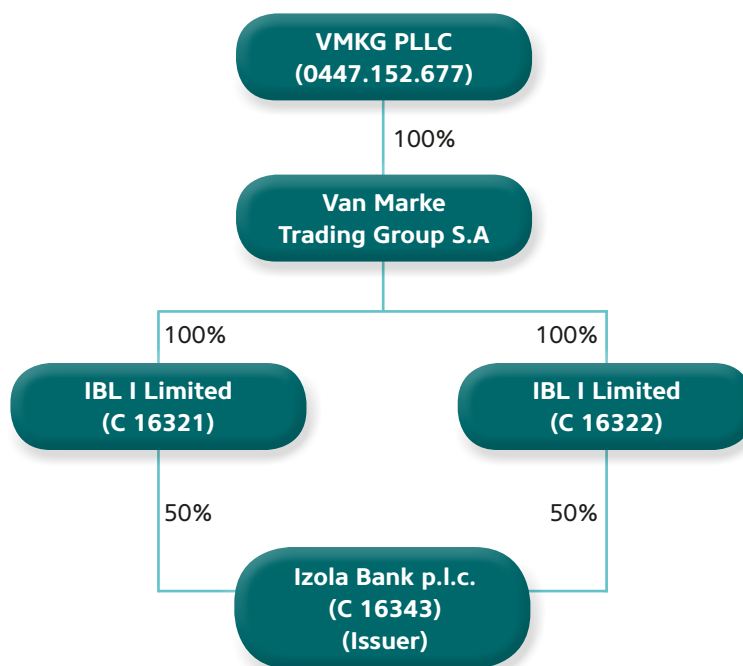
The Issuer is 50% owned by IBL I Limited and 50% owned by IBL T Limited. Both IBL I Limited and IBL T Limited are Maltese registered companies. IBL I Limited and IBL T Limited are in turn owned by Van Marcke Trading Group S.A which is the main holding company of the Group.

The Group, whose head office is located in Kortrijk, Belgium, operates 142 outlets in Belgium, France, the Netherlands, USA, Switzerland and Luxembourg, though the bulk of its operations are concentrated in Belgium. Its activities are diverse; the Group primarily sells sanitary ware, heating systems, kitchens and eco-friendly solutions for heating and water. The Group is also involved in packaging and transportation.

As at 31 December 2014 the Group's total assets amounted to €260,000,000 with a consolidated turnover of €410,000,000 (unaudited). The average number of persons employed by the Group in 2014 stood at 1,358.

As a result of the business operations of the Issuer as described in section 7 hereunder, the Issuer is largely dependent on the Group for its ongoing business operations and future business expansion. Consequently, any adverse changes to the Group's operating results, financial position and business prospects could adversely affect the Issuer's business and the results of its operations.

The following chart displays the position of the Issuer within the Group:



7. BUSINESS OVERVIEW

7.1 PRINCIPAL ACTIVITIES

The Issuer is licensed by the MFSA under the Banking Act (Cap. 371 of the Laws of Malta), as a credit institution and is authorised to carry out the business of banking. The Issuer is wholly owned by the Van Marcke private group of companies.

The principal activities of the Issuer comprise the following:

- The receipt and acceptance of customers' money on deposit in current, savings and term accounts which may be denominated in Euro and other major currencies
- The provision of advances to business customers by way of short and longer term loans and subscription to private bond issues
- Consumer lending
- Money transmission services via SWIFT
- Factoring services
- Debit and Credit card issuance
- Internet banking services
- Cash and treasury management services

One of the Issuer's main activities comprises the acceptance of customers' funds on current, savings and term deposit accounts in Euro and other major currencies and the provision of advances by way of short and medium term loans and subscription to private bond issues. In this regard, the Group is the Issuer's principal customer. The Issuer is also heavily involved in providing cash management services to the Group. These services, including balance reporting, zero balancing, sweep accounts and SWIFT and SEPA transfers, are delivered through highly computer automated straight through processing operations.

The Issuer began providing factoring services in 2003 on a customised software platform which caters for the straight-through processing of all factored invoices.

In 2005 the Issuer finalised its infrastructure to provide internet banking services and in accordance with LN88 of 2004, as amended by LN66 of 2005 Regulation 9, of the European Passport Rights for Credit Institutions Regulations 2004, gave notice to the MFSA of its intention to provide cross border internet banking services to residents of Belgium. Permission was granted by the Belgian authorities and in 2006 the Issuer launched its internet banking services to Belgian customers of the Group and began issuing debit cards which could be used by the Issuer's internet banking customers to access their accounts online and purchase goods in the Group's hundred odd stores across Belgium.

In 2008 the Issuer launched a credit card for its internet banking customers which could be used online to settle Group invoices and to purchase goods in the Group's stores.

In 2009 the Issuer, in accordance with LN88 of 2004, as amended by LN66 of 2005 Regulation 9, of the European Passport Rights for Credit Institutions Regulations 2004, gave notice to the MFSA of its intention to provide cross border internet banking services to residents of France. Permission was granted by the French authorities and the Issuer launched its internet banking services to French customers of the Group.

In 2010 the Issuer started offering term deposit accounts to the Maltese Public and also listed a Secured Note of €9,000,000 on the Malta Stock Exchange.

In 2014, the Issuer registered with the Belgian authorities to provide consumer lending to Belgian individuals. This lending is targeted principally at retail customers of the Van Marcke Group as well as Van Marcke staff.

Early in 2015, the Issuer launched Izola Saver, an online savings platform aimed at personal customers. This was initially launched in the Maltese market but will be offered to Belgian and French customers during the course of the year.

7.2 PRINCIPAL MARKETS

The Issuer is authorised to provide banking services to residents of Malta, Belgium and France.

The Issuer provides a range of services to residents of Belgium: current, savings and term deposit accounts, short and medium term loans, money transmission services, factoring services, credit card issuance, internet banking and cash management services.

The Issuer provides internet banking services to residents of France and offers current, savings and term deposit accounts. The Bank also provides current, savings and term deposit accounts as well as money transmission services to residents of Malta.

8. FINANCIAL INFORMATION

The financial information about the Issuer is included in the audited financial statements of the Issuer for the financial years ended 31 December 2014, 31 December 2013 and 31 December 2012. The said statements have been published and are available at the registered office of the Issuer.

Set out below are highlights taken from the audited financial statements of the Issuer for the financial periods indicated hereunder.

Izola Bank p.l.c. Summarised Income Statement

for the year ended 31 December

	2014 (€'000)	2013 (€'000)	2012 (€'000)
Net interest income	2,005	1,729	1,866
Net fee and commission income	2,735	2,234	1,715
Net trading exchange gains and other operating income	412	377	145
Operating income	5,152	4,340	3,726
Depreciation and amortisation	(188)	(177)	(223)
Impairment allowances	(62)	(164)	(171)
Personnel and other expenses	(1,375)	(1,157)	(924)
Profit before tax	3,527	2,842	2,408
Taxation	(1,229)	(988)	(839)
Profit after tax	2,298	1,854	1,569
Other comprehensive income, net of taxation	1,716	47	634
Total comprehensive income for the year	4,014	1,901	2,203

Izola Bank p.l.c. Summarised Balance Sheet

as at 31 December

	2014 (€'000)	2013 (€'000)	2012 (€'000)
ASSETS			
Balances with Central Bank of Malta and cash	1,006	3,662	1,305
Investments	71,080	53,260	44,460
Loans and advances to banks	16,977	17,271	10,837
Factored receivables	21,293	21,343	16,082
Other loans and advances to customers	33,017	19,706	18,688
Property and equipment	2,495	2,349	2,377
Intangible and other assets	2,503	1,901	1,665
Total assets	148,371	119,492	95,414
EQUITY AND LIABILITIES			
Liabilities			
Balances with Central Bank of Malta	20,000	15,500	9,500
Amounts owed to customers	90,853	70,864	54,612
Debt securities issued	8,970	8,910	8,852
Deferred tax liabilities	1,322	398	357
Current tax payable	766	1,147	930
Accruals and deferred income	1,520	1,194	1,160
Total liabilities	123,431	98,013	75,411
Equity			
Total equity	24,940	21,479	20,003
Total liabilities and equity	148,371	119,492	95,414

Review of Performance

During the year ended 31 December 2014, the Bank generated a profit before tax of €3,527,401 up 24% on 2013. Profit after tax was €2,298,200, an increase of 24% over the previous year.

For the financial year ended 31 December 2014, net interest income increased by 16% (2014: €2.01 million; 2013: €1.73 million) whilst net fee and commission income registered a 22% increase compared to the previous year (2014: €2.74 million; 2013: €2.23 million).

Administrative expenses increased by 8% in the financial year ended 31 December 2014. The Bank's Cost-to-Income ratio stood at a healthy 31.5% (2013: 34.5%).

Total assets increased by 24% to €148,370,669 in the financial year ended 31 December 2014 whereas total liabilities rose from €98,012,284 to €123,430,226 – an increase of 26%. Shareholders' equity in the financial year ended 31 December 2014 amounted to €24,940,443 compared with €21,479,257 in 2013.

Capital adequacy and liquidity ratios

As at 31 December 2014, the Capital Adequacy Ratio of 49% and Liquidity Ratio of 148% were both well above the requirements of the EU Credit Requirements Directive (CRD IV).

Additional impairment allowances taken in 2014 stood at €61,860 when compared to €163,643 taken in the previous year. The current credit approval and monitoring structures have been critical in enhancing the credit quality of factoring debtors and minimising losses. This has resulted in bad debts of €39,814 during financial year ended 31 December 2014 out of a total amount of €134,392,599 of net invoices factored in the same year.

9. TREND INFORMATION

Despite the challenging environment characterised by low interest rates and geo-political turmoil, the Issuer continued to perform well in all its core operations in 2014.

The rate of inflation in the euro area remained at very low levels and averaged below 1%. This rate reflected itself in the low interest environment that major global economies continued to experience during 2014. Several measures were taken by the European Central Bank to address this situation, amongst which were the introduction of targeted longer-term refinancing operations aimed at improving bank lending to the euro area non-financial private sector, the reduction of the main refinancing rate to a new record low of 0.05% as well as an expanded asset purchase programme.

Notwithstanding the constant decline in market interest rates experienced during 2014, the Issuer managed to maintain its net interest margin in line with 2013 levels. This was achieved through increased loan and investment activity. Increased commissions generated by factoring activity also contributed positively to the Issuer's growth in profitability in 2014. On the factoring business side, there has, to date, been no evidence of any deterioration in credit quality and there were no significant material losses reported for 2015.

The Issuer's conservative funding and liquidity policies effectively mean that the Issuer does not rely on the short-term inter-bank or commercial paper market for funding the loan book. Nor does the Issuer engage in proprietary trading. Hence, the Issuer was, and remains, in a strong liquid position and at no time has it been forced to dispose of any assets in its portfolio of holdings to meet its liabilities.

The Issuer's credit risk is to a large extent contained, as 76% of the loan book is cash secured by amounts owed to customers. The Directors consider that trading conditions for the Issuer throughout 2015 will remain largely in line with those experienced in 2014.

The Directors look forward to further developing the factoring and credit business, both to Belgian corporate and personal customers. The factoring business has registered steady growth since its introduction in 2003. The Directors consider that there exists plenty of scope to carry on expanding this area of activity in the coming years. The existing vigilant controls will be kept in place. As at 31 December 2014, the Issuer's largest exposure to a single factoring debtor amounted to €525,147 which represented 2.33% of the total advances portfolio.

The current credit approval and monitoring structures have helped to ensure very good credit quality of factoring debtors and minimise losses for the Issuer. In fact out of a total amount of €134,392,599 of invoices factored during 2014, the Bank only incurred bad debts amounting to €39,814 pertaining to two debtors.

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements, that is, 31 December 2014.

10. BUSINESS STRATEGY

The Issuer's business strategy is to further diversify its customer base by expanding, principally, its targeted factoring activities, as well as corporate and retail lending, in Belgium, in order to foster organic growth for the Issuer and ultimately for the Group.

The Issuer intends to implement measures aimed at the further expansion of its depositor base in its target markets by positioning itself as the preferred "second bank" for retail customers, and providing straightforward, easy to use online products for customers' short or longer term savings needs, at competitive rates of interest.

Being part of a family run business ensures stability, security and a long term vision which allow the Issuer to move into the future confidently and at a steady pace. The Issuer will continue to adopt a cautious and risk-averse approach to lending and investments. This strategy is evident in the Issuer's maintenance of robust capital adequacy and liquidity ratios throughout the years, which are well above minimum statutory requirements. This provides added peace of mind to all stakeholders and also serves as a strong base to support future growth.

11. BOARD OF DIRECTORS, COMMITTEES AND SENIOR MANAGEMENT

11.1 BOARD OF DIRECTORS

The Issuer is currently managed by a board of seven non-executive directors entrusted with the overall direction and management of the Issuer. The Board meets to establish and review the policies and strategies of the Issuer and to monitor the implementation thereof and the overall performance of the Issuer. A brief biographical note for each director is included below:

Magdalena De Roeck - *Chairperson*

Appointed to the Board in February 2006. A UCL business engineering graduate from the Catholic University of Louvain, Belgium. Ms de Roeck is Chairperson and non-executive director of the Group.

Caroline Van Marcke – *Non-Executive Director*

Appointed to the Board in January 2000. A Solvay business engineering graduate from the University of Brussels, Belgium. Ms Van Marcke is the Chief Executive Officer and executive director of the Group.

Joseph Caruana – *Independent Non-Executive Director*

Appointed to the Board in February 2006. He has extensive banking experience, having worked for 44 years in the financial services sector both with Barclays Bank in Malta and the U.K., and as General Manager of the Mid-Med Bank Group and HSBC Bank Malta p.l.c. until his retirement in 2000. He is at present a director of APS Bank Limited, Malta and holds a number of other non-executive directorships.

Francis X. Gouder – *Independent Non-Executive Director*

Appointed to the Board in May 2015. He has extensive banking experience having worked for 45 years in the banking sector, both at branch and head office level, namely at Mid-Med Bank and HSBC Bank. More recently he also worked at Banif Bank, as an adviser to the executive committee and later as head of private banking. He presently holds a number of other non-executive directorships.

Charles Hertogs – *Independent Non-Executive Director*

Appointed to the Board in January 2010. A business graduate from the Catholic University of Louvain, Belgium. Mr Hertogs is a business consultant specialising in large industrial plants, mainly in relation to the ThyssenKrupp Group. He is a non-executive director on the boards of several companies of the Group.

Guido Mizzi – *Independent Non-Executive Director*

Appointed to the Board in September 2010. A Fellow of the Association of Chartered Certified Accountants. His career in the audit and accounting profession spanned a period of thirty years, the last seven years of which as managing partner of the local accountancy firm MSD & Co, then local representative firm of Andersen Worldwide. During this period he acted as engagement partner for some of the larger companies and national corporations in Malta including banks, utility corporations and private companies involved in varied industrial and commercial undertakings.

Patrick H. Van Leynseele – *Independent Non-Executive Director*

Appointed to the Board in January 2010. A law graduate from the Free University of Brussels, Belgium, Mr Van Leynseele holds a Masters degree in Comparative Law from the University of Miami. Called to the Bar in Brussels in 1979 and in New York in 1997, Mr Van Leynseele is a partner in the Brussels law firm Dal & Veldekens. He is a non-executive director on the boards of several companies of the Group.

11.2 CONFLICT OF INTEREST

Magdalena De Roeck and Caroline Van Marcke have an indirect beneficial interest in the shareholding of the Issuer through their indirect shareholding in VMKG PLLC, the ultimate group holding company. Furthermore, Magdalena De Roeck, Caroline Van Marcke, Charles Hertogs and Patrick H Van Leynseele are directors of the Issuer and other companies of the Group. Conflicts of interest could potentially arise in relation to transactions involving the Issuer and other companies of the Group.

To the extent known to the Issuer as at the date of this Prospectus, there are no potential conflicts of interest between the duties to the Issuer and their private duties or other duties of the Directors and members of senior management of the Issuer.

11.3 BOARD AND MANAGEMENT COMMITTEES

Board Committee

The Board Committee comprises two non-executive Directors, namely, Magdalena De Roeck (Chairperson) and Caroline Van Marcke, and the Chief Executive Officer and acts in an advisory capacity to the Board of Directors on certain matters which include, but are not limited to, capital and other expenditure and human resources.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely, Guido Mizzi (Chairman), Charles Hertogs and Patrick Van Leynseele. Mr Mizzi has been identified by the board as the audit committee director competent in accounting and/or auditing as required by the Listing Rules. The Committee is responsible to monitor the audit of the annual accounts and to evaluate the scope, role and effectiveness of the internal audit function on an ongoing basis. The Audit Committee also monitors operational risk control effectiveness and reviews the Bank's compliance with applicable laws and regulations. The Chief Executive Officer acts as secretary to the Committee. The Financial Controller together with the ICT Manager attend meetings. The composition and operation of the Audit Committee is in line with the applicable listing rules as issued by the Listing Authority.

Credit Committee

The Credit Committee currently comprises two non-executive Directors, namely, Joseph Caruana (Chairman) and Francis X. Gouder, and the Chief Executive Officer. The Credit Committee reviews the credit risk management of the Bank and considers and reviews credit applications and limits. The Financial Controller attends meetings of the Credit Committee and the Credit Officer acts as the secretary to the Committee.

Asset and Liability Management Committee (ALCO)

The ALCO currently comprises the Chief Executive Officer (Chairman), one non-executive Director, namely, Francis X. Gouder, the Financial Controller and a Finance Executive. The ALCO monitors the Bank's financial performance, and reviews and manages financial risks in accordance with Bank policies, namely: interest rate, liquidity and funding risk, solvency, market sector and country risk and counterparty and foreign exchange risk.

11.4 COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The statement of compliance with the Code of Principles of Good Corporate Governance (the "Code"), which indicates the extent to which the Issuer has complied with the Code, is set out in its entirety in the Issuer's annual report for the financial year ended 31 December 2014 under the heading "Statement of Compliance with the Principles of Good Corporate Governance".

The Board considers the Issuer to be in compliance with the Code save for the following exceptions:

Principle 2 – Code Provision 2.3

The Chairperson (Ms Magdalena De Roeck) has an indirect beneficial interest in the shareholding of the Issuer through her indirect shareholding in VMKG PLLC, the ultimate group holding company. As such, the Chairperson cannot be considered independent in accordance with the principles relating to independence contained in the Code.

Principle 3 – Composition of the Board

The Board is composed entirely of non-executive directors. The Chief Executive Officer, although not a member of the Board, attends all board meetings in order to provide the Board with all necessary management and operational information.

Principle 4 – Code Provision 4.2.7

The Code Provision recommends that the Board should develop a succession policy for the future composition of the Board and particularly the executive component thereof, for which the Chairman should hold key responsibility. The Board does not have a succession policy in place for the future composition of the Board of Directors.

Principle 4 – Code Provision 4.3

The Board does not organise formal information sessions for its Directors but information on the day-to-day running of the Bank is provided by the Chief Executive Officer who attends Board meetings. Through his attendance, the Chief Executive Officer keeps the Board informed of their statutory and fiduciary duties and the Bank's operations and prospects.

Principle 6 – Information and Professional Development

Code Provision 6.4.4 recommends the Chief Executive Officer to establish a succession plan for senior management. The Board does not have a formal succession policy in place for senior management.

Principle 7 – Evaluation of the Board's Performance

The Board does not consider it necessary to appoint a Committee to carry out an annual evaluation of its own performance and that of its Committees.

Principle 8.B.1 - Nomination Committee

The Board has not established a Nomination Committee for the appointment of new directors to the Board. All potential new directors are informally assessed by the Board based on an evaluation of the skills, knowledge and experience already present and those needed.

11.5 SENIOR MANAGEMENT

The business address of each of the below described persons is the registered office of the Issuer. Brief biographical notes on senior management are included hereunder:

Andrew Mifsud – *Chief Executive Officer*

An Associate of the Chartered Institute of Bankers and holder of an MBA specialising in banking from the University of Exeter, U.K. Appointed Chief Executive Officer in December 2011, he joined the Bank in June 1994 as a Banking Executive and was appointed General Manager in August 1998. Previously Mr Mifsud held positions with National Westminster Bank plc, London and Melita Bank Limited, Malta (subsidiary of Istituto Bancario San Paolo di Torino).

Calvin Bartolo – *Financial Controller*

Joined the Bank in November 2010 as Finance Officer and was appointed Financial Controller in June 2014. He is responsible for Finance, Treasury, Credit and Legal & Compliance and also acts as Company Secretary and MLRO. Previously Mr Bartolo held the position of Internal Auditor within the Middlesea Group. He is a graduate of the University of Malta in Banking and Finance and is also in possession of post-graduate qualifications in Financial Reporting and Auditing.

Alexander Micallef - *ICT Manager*

Prior to joining the Bank Mr Micallef had twenty years' experience in IT programming, systems analysis and systems administration. He joined the Bank in December 2007 and is responsible for the ICT department. Previously he held positions with ST Microelectronics Ltd (Malta), Marsovin, Employment and Training Corporation and the Mizzi Organisation.

Adrian Formosa – *Operations Manager*

Joined the Bank in January 2015 as Operations Manager. He is responsible for the management of the operations function, customer relations, and assists the Chief Executive Officer with marketing strategies. Mr Formosa has wide banking experience, having worked for 20 years in the financial services sector with APS Bank Limited, Malta. He is a holder of an MBA specialising in Finance from Leicester University, U.K.

12. MAJOR SHAREHOLDERS

The Bank's issued ordinary shares are equally held by IBL I Limited and IBL T Limited, which are 100% indirect subsidiaries of VMKG PLLC (the ultimate parent company of the Group). Accordingly, VMKG PLLC has the indirect control of the Issuer. The presence of independent Non-Executive Directors on the Board of Directors and on the Audit Committee of the Issuer serves to ensure compliance with good corporate governance of the Issuer.

13. HISTORICAL FINANCIAL INFORMATION

The historical financial information of the Issuer is included in the audited financial statements for the financial years ended 31 December 2014, 31 December 2013 and 31 December 2012. The aforesaid statements have been published and can be viewed on the Issuer's website www.izolabank.com

There were no significant changes to the financial or trading position of the Issuer since 31 December 2014, being the end of the financial period to which the last audited financial statements relate.



14. LEGAL AND ARBITRATION PROCEEDINGS

There have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering twelve (12) months prior to the date of the Prospectus which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer or of the Group.

15. MATERIAL CONTRACTS

The Issuer has not entered into any material contracts which are not in the ordinary course of business and which, in the view of the Issuer, could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to security holders in respect of the securities being issued pursuant to, and described in, the Securities Note forming part of the Prospectus.

16. DOCUMENTS ON DISPLAY

For the duration period of this Registration Document, the following documents or certified copies thereof, where applicable, shall be available for inspection at the registered office of the Issuer during office hours:

- Memorandum and Articles of Association of the Issuer; and
- Audited Financial Statements of the Issuer for each of the financial years ended 31 December 2012, 2013 and 2014.

The above mentioned documents are also available for inspection in electronic form on the Issuer's website at www.izolabank.com