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A message from the CEO

I am pleased to present an overview of the Bank's performance for 2021.

The last year has certainly been another eventful one. Families and businesses continued to face struggles caused by the Covid-19 pandemic. Whilst encountering continued uncertainty around the pace and nature of the recovery, we saw the re-emergence of inflation and the eventual return of a rising interest rate environment. Closer to home, the inclusion of Malta in the Financial Action Task Force's list of jurisdictions subject to increased monitoring only continued to add to a background of uncertainty. Many were also confronted with new challenges driven by severe weather such as the devastation seen in Belgium last summer and the overall impact of climate change globally.

Challenges like these raise important questions about the future. Indeed, we are witnessing emerging insights about the resilience of businesses and banks which focus on good governance, support the environment and the communities they serve.

During the year ended 31 December 2021, despite all the global uncertainty, the Bank managed to generate growth in its revenue streams, increasing its net interest income by 11% over 2020 levels. Net interest income, which is a key indicator of the Bank's business performance, grew by €626,650 compared to the previous year. Coupled with growth in other operating income, this increase more than offset the rise in expenditure, resulting in a profit before tax for the year of €820,157; an increase of 36% on 2020. Profit after tax was €447,981, up 16% compared to the previous year.

The Bank's Cost-to-Income ratio decreased to 82% (2020: 87%), primarily due to the impact of an increase in overall operating income. This ratio remained relatively elevated owing to ongoing investment in technology, human resources and compliance. The total assets of the Bank increased by 3.3% to €402,420,451, mainly driven by an expansion in the loan and treasury portfolios. Factored receivables, a key component of the Bank's

business, declined marginally by 4%. This decline was mainly caused by an acceleration in the repayment of receivables which also results in improved credit quality.

As of the end of 2021, the Bank remained well capitalised and liquid with the Capital Adequacy Ratio (CAR) standing at 16.5% and a Liquidity Cover Ratio (LCR) of 1,320%, comfortably above European banking sector norms.

Our management team and staff have shown tremendous resilience over the last year; their hard work and resolve to support the Bank and its ambitions is unfaltering. I can't thank them enough for their dedication. On behalf of the Board of Directors, I would also like to thank our customers for their continued loyalty and support.

With the rising cost of living and especially the price increases of basic food items, I am also pleased to confirm our continued support of the Foodbank Life-line Foundation. It has never been more important to ensure no person in our community should suffer the indignity of hunger.

The lingering effects of the pandemic and more recent geo-political developments, create significant uncertainty and have adversely impacted global commercial activities. The quantum of this ongoing impact on economic and market conditions and the shape and speed of an eventual recovery warrant that we approach the future with vigilance.

Whilst times remain uncertain, we are fully committed to our long-term plans to continue seeking further growth in our factoring operations and lending activity by further exploring promising niche lending opportunities.


Andrew Mifsud
CEO



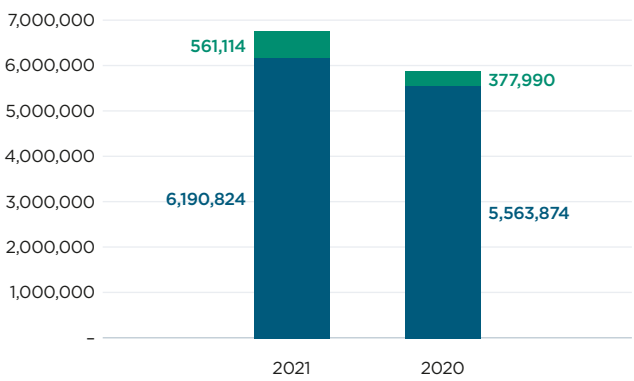
Izola Bank was set up in 1994 and is a subsidiary of the Belgian Van Marcke Group. The Group is one of Europe's largest suppliers of wholesale plumbing, heating and sanitary ware. Over the years the Bank has expanded its line of business to offer easy-to-use online banking services to both corporate and personal clients in Belgium, France and Malta. Today, the Bank has furthered its development in factoring and niche lending services with the intention to expand further in the future.

Izola Bank p.l.c. is licensed to conduct the business of banking and is regulated by the MFSA (Malta Financial Services Authority).
Izola Bank p.l.c. is a member of the Malta Depositor Compensation Scheme.

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Company Reg: C 16343
VAT No: MT 13175712
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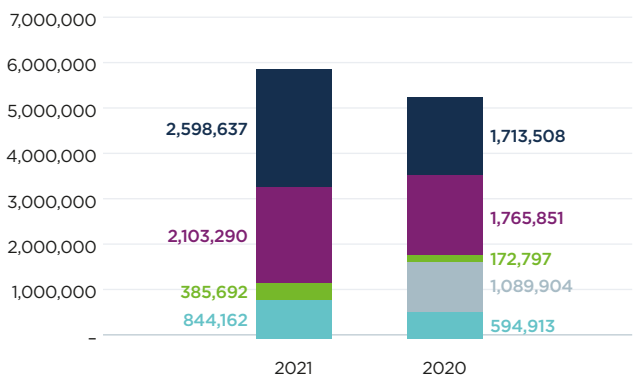
Revenues



■ Net Interest Income
■ Other income

During the year ended 31 December 2021, despite the ongoing pandemic and the prevailing negative interest environment, the Bank managed to generate growth in its revenue streams, increasing its net interest income by 11% over 2020 levels. Net interest income, which is a key indicator of the Bank's business performance, grew by €626,650 compared to the previous year.

Expenditure



Profit before tax: 820,157 604,891

■ Depreciation & amortisation
■ Deposit compensation scheme contributions
■ Employee compensation benefits
■ Changes in expected credit losses and other credit impairment charges
■ Other administrative expenses

Despite an increase in total expenses, profit before tax increased by 36% to €820,157 on 2020. The Bank's Cost-to-Income ratio decreased to 82% (2020: 87%), primarily as a result of the impact of an increase in overall operating income. This ratio remained relatively elevated due to ongoing investment in technology, human resources and compliance.

Financial Highlights

	% Movement 2021—2020	2021 €	2020 €	2019 €	2018 €	2017 €
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Statement of Profit or Loss and Other Comprehensive Income

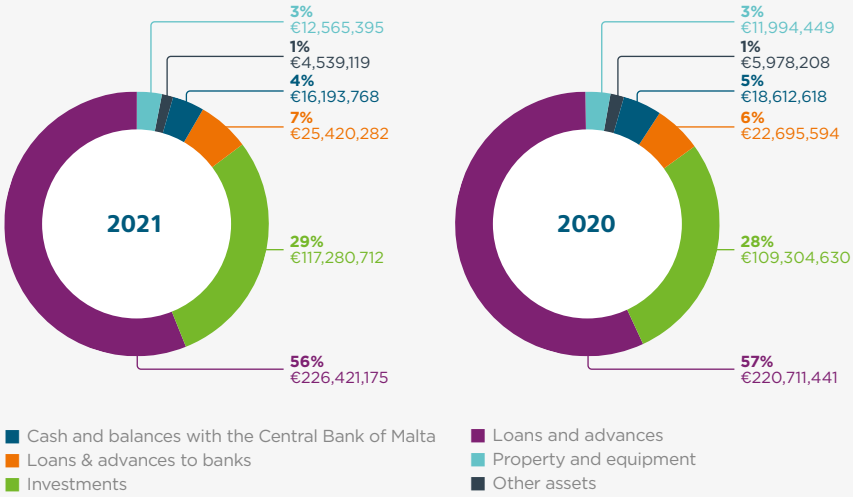
Net Interest Income	11%	6,190,824	5,563,874	6,185,501	5,453,076	4,521,008
Other Income	48%	561,114	377,990	273,337	351,809	2,581,223
Operating Income	14%	6,751,938	5,941,864	6,458,838	5,804,885	7,102,231
Pre-Tax Profit	36%	820,157	604,891	2,495,213	2,442,498	3,556,931
Profit For The Year	16%	447,981	385,220	1,460,740	1,508,179	2,261,404

Statement of Financial Position

Total Assets	3%	402,420,451	389,296,940	368,331,905	368,331,905	237,153,602
Total Liabilities	4%	369,140,524	355,213,197	334,660,889	334,660,889	205,068,875
Total Equity	(2%)	33,279,927	34,083,743	33,671,016	33,671,016	32,084,727

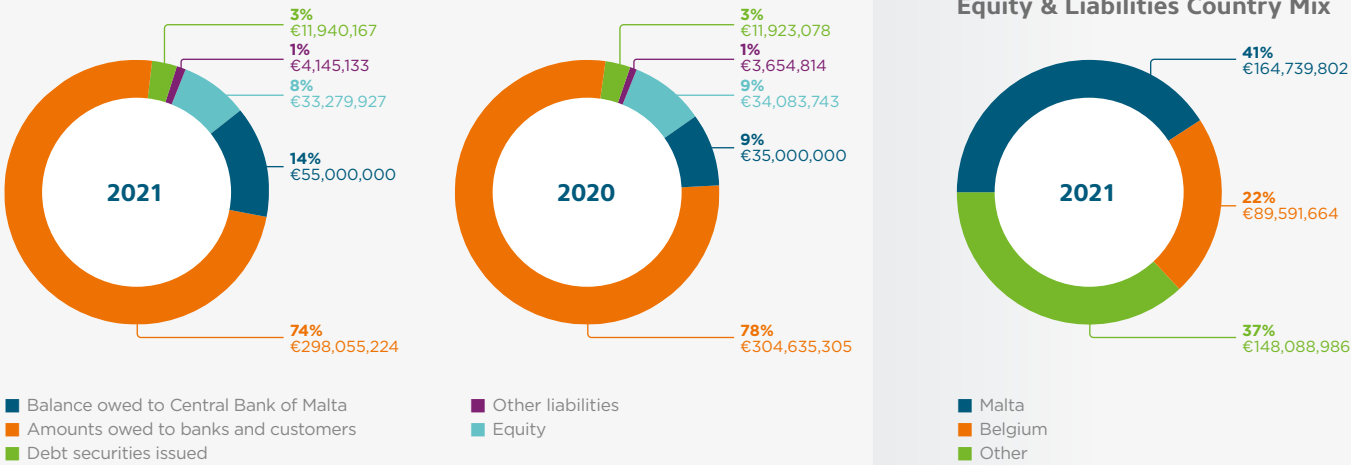
For full details refer to the 2021 Annual Report, published in the Investor Information section on:
<https://www.izolabank.com/mt-en/who-we-are/investor-information>

Assets



The total assets of the Bank increased by 3% to €402,420,451, mainly driven by an expansion in the loan and treasury portfolios. Factored receivables, a key component of the Bank's business, declined marginally by 4%. This decline was mainly driven by a reduction in the repayment cycle of receivables which, ultimately, results in improved credit quality.

Equity & Liabilities



As at 31 December 2021, the Bank remained well capitalised and liquid with the Capital Adequacy Ratio (CAR) standing at a healthy 16.52% and a Liquidity Cover Ratio (LCR) of 1320% significantly above European banking sector norms.

Regulatory Ratios

Capital Adequacy Ratio

16.5%
Izola Bank
8% Minimum

Liquidity Coverage Ratio

1,320%
Izola Bank
100% Minimum

During 2021, the Bank maintained strong capital and liquidity ratios with comfortable buffer levels over minimum requirements that can adequately support the Bank's growth in the medium term.