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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.  
53/58 East Street,  
Valletta VLT 1251  
Malta

Company Reg: C 16343  
VAT No: MT 13175712  
Swift BIC: IZOLMTMT

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.

## **izola Bank** **2022 FINANCIAL HIGHLIGHTS**

# A message from the CEO

I am pleased to, once again, present an overview of the Bank's performance for 2022.

2022 will surely be remembered for the unexpected resurgence of an unstable geopolitical and macroeconomic climate due to the Russian invasion of Ukraine, supply chain disruptions and rising interest rates as Central Banks attempted to rein in inflation after over a decade of very loose monetary policy.

From the Bank's perspective, we continued the implementation of our growth and diversification strategy, which resulted in a year-on-year growth in operating income of 16%. Furthermore, I would like to mention the issuance of our subordinated bond, which was very well received by the investor community. I would like once again to express our thanks for this clear show of confidence in the Bank.

In early 2022, a new business line was introduced when the Bank launched its residential mortgage product to the retail market in Malta. Subsequently, the Board also considered complementary investment opportunities to accelerate the level of growth in this business line and introduce further diversification, always within a conservative risk profile. In this respect, the Board decided to commence the origination of a portfolio of Dutch NHG (government-guaranteed) mortgages in 2023 whilst continuing to build our local offering. During 2022, we continued the multi-year comprehensive overhaul of our technology platforms, successfully replacing our core factoring software and introducing significant upgrades to our AML/CFT systems and data capabilities.

Looking ahead, the Bank will continue to pursue growth opportunities to further diversify its asset base. The Board acknowledges the need to focus on being agile and responsive enough to meet new demands in a rapidly changing economic environment and continue offering and developing sustainable products, services and solutions through innovation and digitalisation that fully respect the environment around us.

During the year ended 31 December 2022, the Bank managed to generate growth in its revenue streams, increasing its net interest income by 24% over 2021 levels. Net interest income, which is by far the primary indicator of business performance, grew by €1,484,302 compared to the previous year.

However, the financial year 2022 was also characterised by several exceptional charges, which ultimately resulted in the Bank registering a marginal loss after tax for the year of €284,219. These exceptional charges included one-time costs

related to the exchange offer accompanying our subordinated bond issue and a change in IFRS9 provisioning models, resulting in higher Expected Credit Loss (ECL) charges. The Bank also recognised accelerated depreciation on various IT systems that are being replaced as part of the digital transformation programme. Finally, increases in Depositor Compensation Scheme (DCS) contributions due to changes in relevant legislation also contributed to these extraordinary charges.

The Bank's total assets increased by 4.6% to €421,489,265, mainly driven by growth in the lending and factoring portfolios. Factored receivables increased by €23.3 million, or 25% on the prior year, whilst lending increased by €29.0 million, or 22%, compared to 2021. Total equity amounted to €23,535,930, compared to €33,279,927 in December 2021. The negative impact on reserves was mainly a result of adverse movements on highly rated sovereign bonds classified as hold-to-collect-and-sell (HTC&S) following the increase in term market yield curves. The Bank reconfirms the decision taken in 2022 to reclassify this bond portfolio out of the FVO-CI category into the amortised cost category in the Financial Year 2023 which will result in a positive impact on reserves and capital ratios.

As of 31 December 2022, the Bank remained well capitalised, with the Capital Adequacy Ratio (CAR) and Core Equity Tier 1 (CET1) Ratio standing at 22.12% and 13.35% respectively, well within the capital requirements established following the Supervisory Review and Evaluation Process (SREP) by the Malta Financial Services Authority (MFSA).

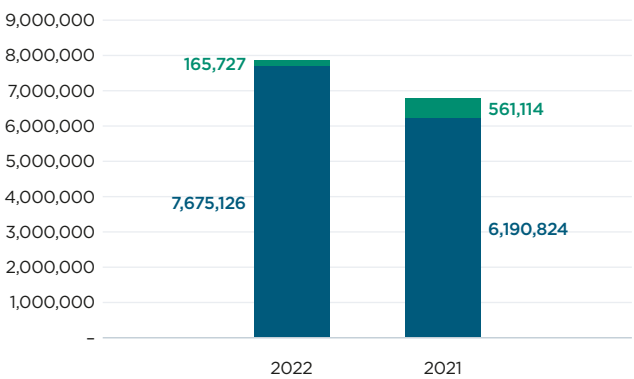
The Bank strongly believes in taking an active role in society by investing in community-based organisations that directly address pressing issues within the country. In 2022, Izola Bank continued its financial and practical support to meet the increasing demand for Foodbank Lifeline's services, which became even more relevant this year. We aim to continue helping Foodbank Lifeline not only ease hunger in Malta but also significantly reduce food waste and carbon emissions.

Besides focusing on growing the retail mortgage portfolio, in 2023, the Bank will remain committed to nurturing its factoring operations, corporate lending activity, and deposit-raising capacity, mainly through our Izola Saver platform.



**Andrew Mifsud**  
CEO

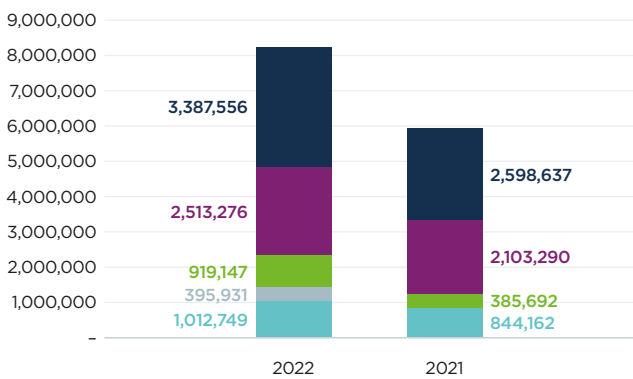
## Revenues



■ Net Interest Income  
■ Other income

During the year ended 31 December 2022, the Bank generated an increase of 24% in net interest income over 2021 levels. Net interest income, which is a key indicator of the Bank's business performance, grew by €1,484,302 compared to the previous year.

## Expenditure



|                           |           |         |
|---------------------------|-----------|---------|
| (Loss)/Profit before tax: | (387,806) | 820,157 |
|---------------------------|-----------|---------|

The increase in total expenses resulted in a loss before tax of €387,806 which is 147% less than 2021. The Bank's Cost-to-Income ratio, excluding changes in expected credit losses, increased to 93% (2021: 82%). Such cost increases are characterised by several exceptional charges, including costs related to the exchange offer accompanying our subordinated bond issue and accelerated depreciation on various IT systems that are being replaced as part of the digital transformation programme. Such cost base was also impacted by the increases in Depositor Compensation Scheme contributions due to changes in relevant legislation.

## Financial Highlights

|  | % Movement<br>2022—2021 | 2022<br>€ | 2021<br>€ | 2020<br>€ | 2019<br>€ | 2018<br>€ |
|--|-------------------------|-----------|-----------|-----------|-----------|-----------|
|--|-------------------------|-----------|-----------|-----------|-----------|-----------|

### Statement of Profit or Loss and Other Comprehensive Income

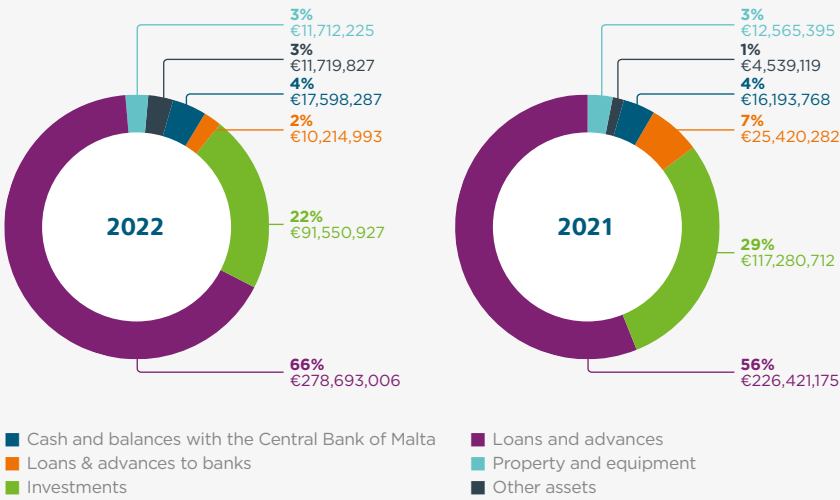
|                       |        |           |           |           |           |           |
|-----------------------|--------|-----------|-----------|-----------|-----------|-----------|
| Net Interest Income   | 24%    | 7,675,126 | 6,190,824 | 5,563,874 | 6,185,501 | 5,453,076 |
| Other Income          | (70%)  | 165,727   | 561,114   | 377,990   | 62,351    | 33,658    |
| Operating Income      | 16%    | 7,840,853 | 6,751,938 | 5,941,864 | 6,458,838 | 5,804,885 |
| Pre-Tax (Loss)/Profit | (147%) | (387,806) | 820,157   | 604,891   | 2,495,213 | 2,442,498 |
| Profit For The Year   | (163%) | (284,219) | 447,981   | 385,220   | 1,460,740 | 1,508,179 |

### Statement of Financial Position

|                   |       |             |             |             |             |             |
|-------------------|-------|-------------|-------------|-------------|-------------|-------------|
| Total Assets      | 5%    | 421,489,265 | 402,808,886 | 389,296,940 | 368,331,905 | 368,331,905 |
| Total Liabilities | 8%    | 397,953,335 | 369,528,959 | 355,213,197 | 334,660,889 | 334,660,889 |
| Total Equity      | (29%) | 23,535,930  | 33,279,927  | 34,083,743  | 33,671,016  | 33,671,016  |

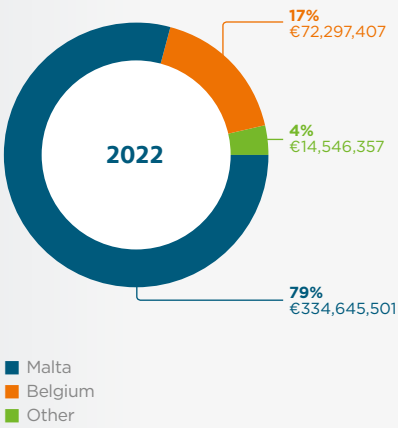
For full details refer to the 2022 Annual Report, published in the Investor Information section on:  
<https://www.izolabank.com/mt-en/who-we-are/investor-information>

## Assets

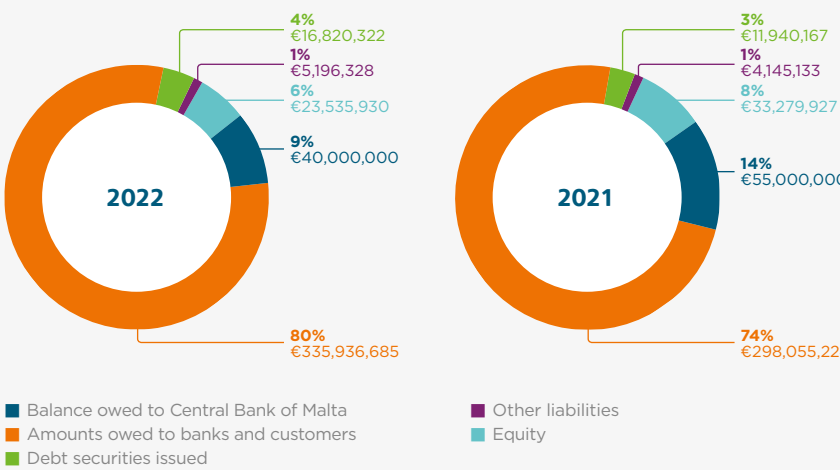


The total assets of the Bank increased by 4.6% to €421,489,265, mainly driven by growth in the lending and factoring portfolios. Factored receivables increased by €23.3 million, or 25% on the prior year, whilst lending increased by €29.0 million, or 22%, compared to 2021. The investment portfolio decreased by €25.7m compared to December 2021, mainly driven by the liquidation of treasury assets to partially fund new business and fair value adjustments due to increased yields.

### Asset Country Mix

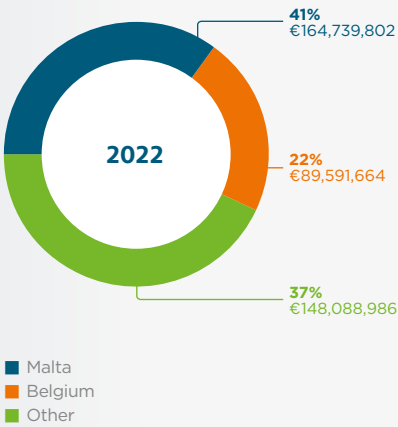


## Equity & Liabilities



As at 31 December 2022, the Bank remained well capitalised and liquid with the Capital Adequacy Ratio (CAR) standing at a healthy 22.12% and a Liquidity Cover Ratio (LCR) of 725%, which is significantly above European banking sector norms.

### Equity & Liabilities Country Mix



## Regulatory Ratios

Capital Adequacy Ratio

**22.12%**  
Izola Bank  
8% Minimum

Liquidity Coverage Ratio

**725%**  
Izola Bank  
100% Minimum

During 2022, 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.