

# Izola Bank p.l.c.

Investor Presentation - July 2022

Supporting our customers' ambitions for growth

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# Izola Bank in Figures (May 2022)

**28+**

Years  
Established

**60+**

Employees

**1,800+**

Depositors

**7,000+**

Mobility Financing  
Debtors

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**€407m**

Total assets

**92%**

Collateralized  
Lending

**3,006%**

Liquidity  
Coverage Ratio

**16.9%**

Common equity  
tier 1 capital

# Introduction

# Van Marcke Group – A family owned business

Izola Bank is wholly owned by the Van Marcke Group, a family-owned company which is fast approaching its centennial of operations. Though the bulk of its business is concentrated in Belgium, the Group operates over 140 stores in Belgium, France, the USA, Switzerland and Luxembourg.

The Van Marcke Group is the largest plumbing and heating wholesaler in Belgium and a manufacturer and retailer of sanitary ware, bathroom furniture and related products. It is also involved in packaging and transportation.

Van Marcke is a brand dedicated to providing a better quality of life through environmentally friendly and sustainable products. The Group's new €75 million distribution centre in Kortrijk, Belgium is completely carbon neutral.



# Van Marcke Group in Figures

**93**

Years  
Established

**1,645**

Employees

**146**

Worldwide Stores

**41k**

Clients

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**€585m**

Turnover

**€43.2m**

EBIDTA

**7**

Countries



## Who we are

Izola Bank obtained its banking licence in 1994 and has been heavily involved in the Van Marcke Group's treasury operations, particularly in the areas of cash and liquidity management, as well as lending and factoring.

The Bank also provides tailor-made financing solutions for SMEs and large companies in Malta and Belgium which are specifically looking for growth or financing for a particular project. This includes Izola Factor, commercial credit facilities, comprising of term-loans and overdrafts and tailor-made structures aimed at financing the specific underlying needs of the business. Retail mortgage lending was introduced earlier in 2022.

# 28 Years of Success

Izola Bank incorporated in Malta to service the Van Marcke Group through its Commercial Banking license.

**1994**

Bank converted to a PLC. Issued first debt instrument on the MSE (€9m). Initial offerings of third-party deposits in Malta.

**2010**

Launched Izola Factor in Belgium.

**2016**

HPD Lendscape appointed as factoring technology partner.

**2021**

**2003**

The Bank introduced factoring services to the Van Marcke Group

**2015**

Rebranded to mark its 21st anniversary. Launched Izola Saver & Izola Saver+ in Malta, Belgium & France.

**2017**

Launched commercial third-party lending and vehicle financing in Malta.

**2022**

Launched Izola HomeLoans to service Maltese clients.



# Board of Directors



Caroline van Marcke  
Chairperson, Non-executive Director



Magdalena De Roeck  
Non-executive Director



Guido Mizzi  
Non-executive Director\*



Patrick H. Van Leynseele  
Non-executive Director\*



Francis Gouder  
Non-executive Director\*



Simon Azzopardi  
Non-executive Director\*



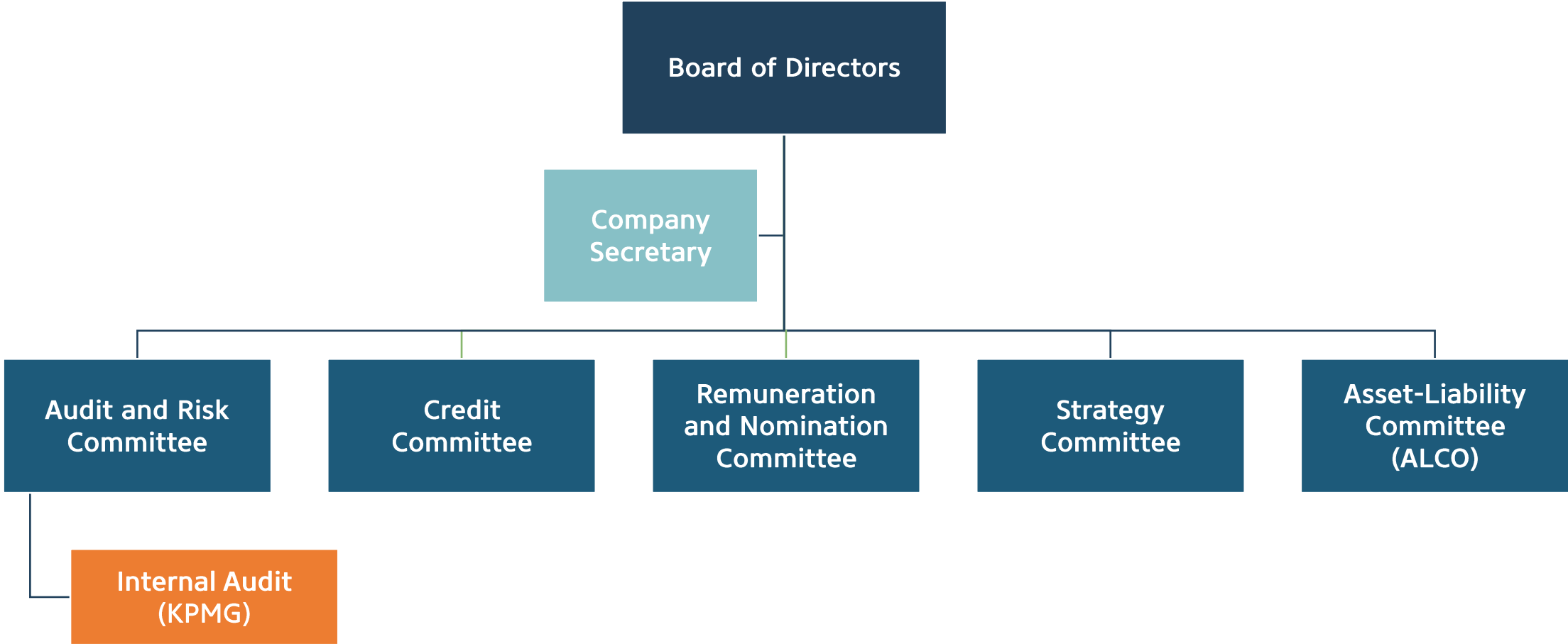
Andrew Mifsud  
CEO & Executive Director



Alain Malschaert  
Non-executive Director\*

\*Independent

# Corporate Governance Structure



# Senior Management



Andrew Mifsud  
CEO & Executive Director



Calvin Bartolo  
Head of Finance & Treasury  
and Company Secretary



Adrian Formosa  
Head of Operations



Gordon Briffa  
Head of ICT



Josef Frendo  
Head of Credit



Simon Agius  
Head of Risk & Compliance



Petra Sant  
Head of HR



# Mission, Vision & Strategy

# Purpose, Vision & Mission

## Purpose:

We believe in supporting businesses by offering tailored financial products and services that can help unburden their operations as they achieve their plans for growth. We work with our customers, finding ways to offer added value and incentives to those that are positively supporting the community and the environment. We believe in purposeful growth, and we strive to be an enabler of sustainable change.

## Our Vision:

Offering highly personal digital based solutions that positively impact our customers by supporting their ambitions and unburdening their operations.

Being a financial enabler to those that directly support society and the environment.

## Our Mission is simple and impactful:

Delivering financial products through easy-to-use digital platforms, always with a human touch.

# Our Values

Our culture is based on core values which shape the way we work. We interpret these values as behaviours which influence our day-to-day operations and help us stand out from our competition.



# Overall Strategy

The Bank aims to continue to grow in a sustainable and ethical manner through the:

**Provision of relevant digital financial solutions to business and personal clients.**

**Establishment of long-term professional relationships adopting a customer-focused approach.**

**Further development of the niche segments in the product suite.**

# Prudent Risk Appetite

The Bank adopts a conservative approach when setting its risk appetite.

## AML Risk:

Izola has no appetite to establish business relationships with entities conducting higher risk activities, such as:

- Complex corporate structures which do not have a clearly identifiable legitimate business objective;
- Online or land-based Gaming Operations;
- Adult Entertainment Establishments;
- Crypto currency platforms;

## Credit Risk:

In addition to conducting credit quality checks, the Bank ensure that all factoring exposures are covered by credit insurance.

New loan facilities are sanctioned only if they enjoy low loan-to-value ratio and healthy interest coverage.

Treasury portfolio made up of HQLA and exposures to leading local corporate issuers.

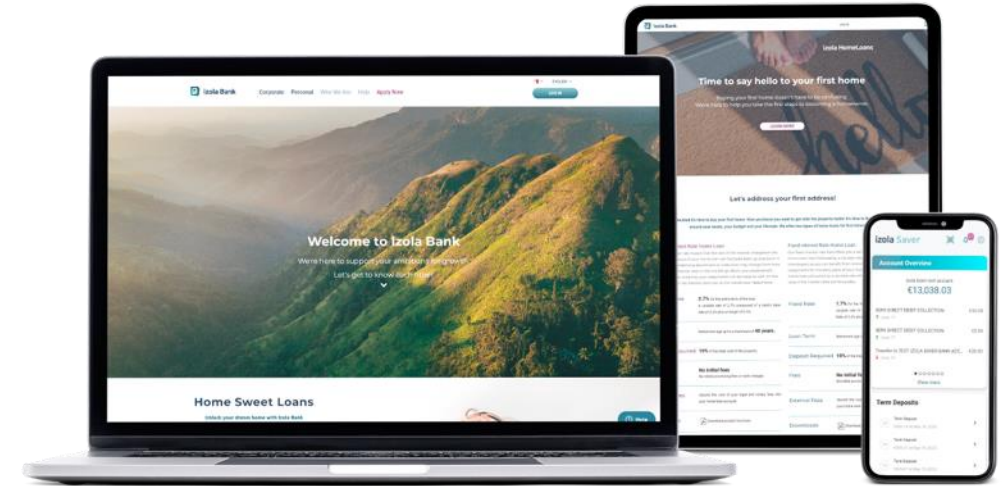
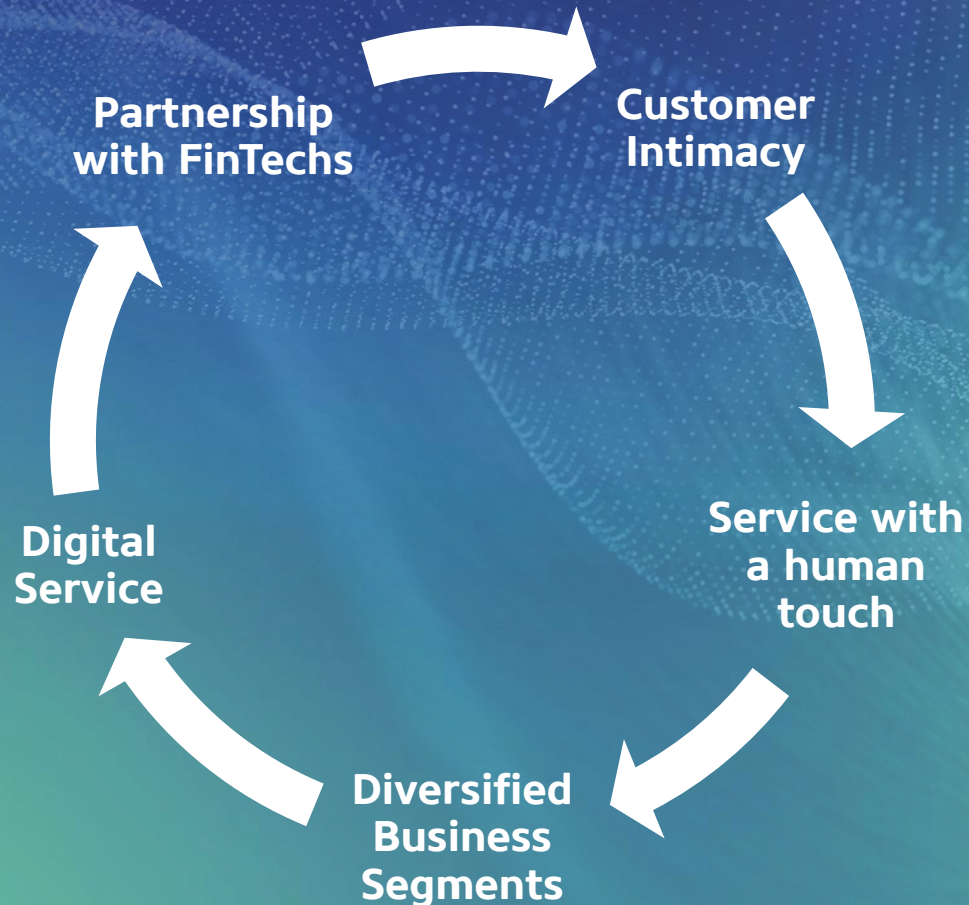
## Operational Risk:

Triple layers of IT redundancy for business continuity {including on cloud}.

Significant investment in cybersecurity and extensive ongoing staff training.



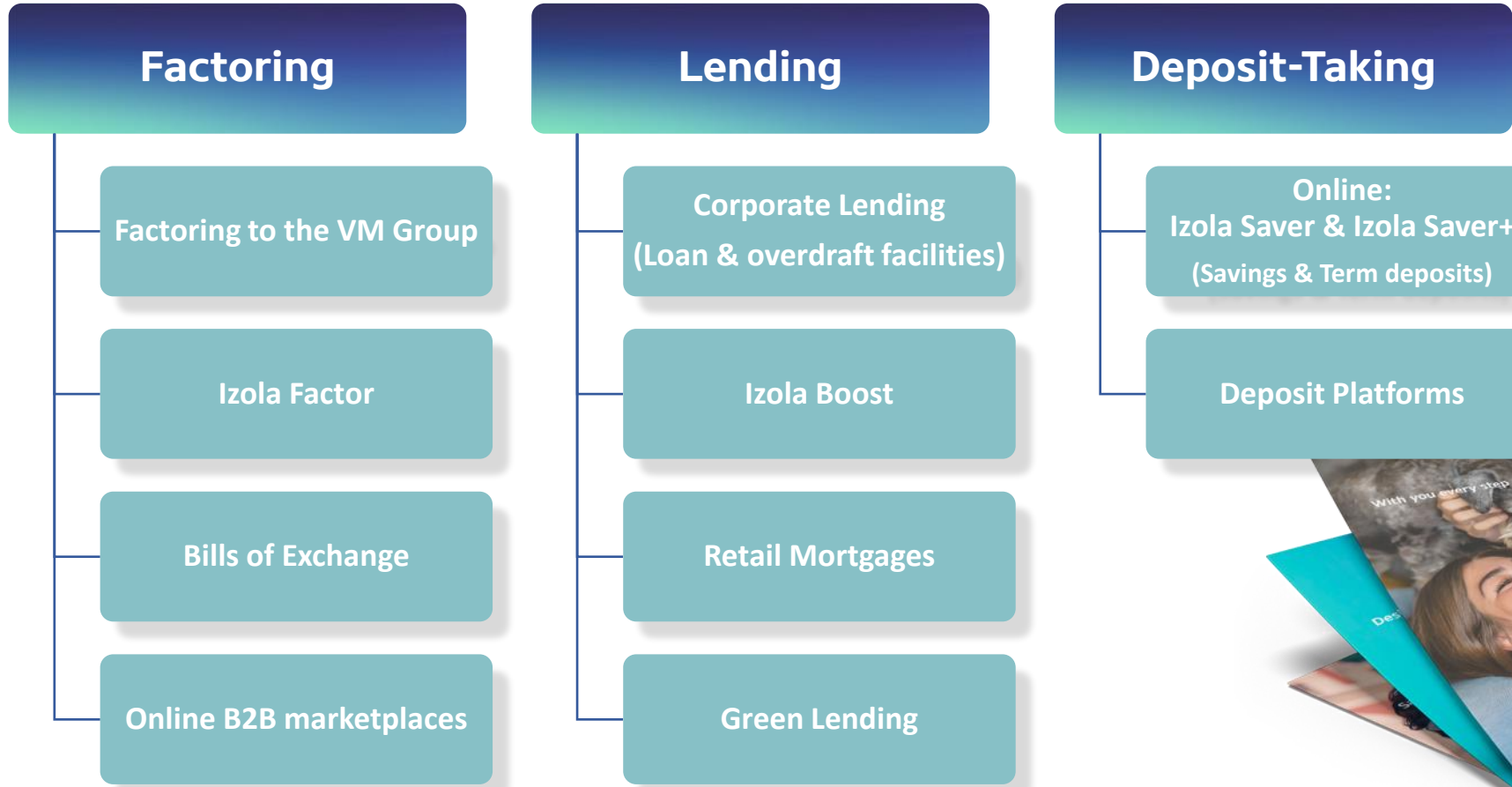
# What makes us different?



Izola is committed to provide digital banking services through the recently launched company website, imminent launch of the updated Izola Saver portal and a new best-in-class factoring system.

Technology has transformed banking and Izola will continue to provide customer-focused services through a cutting-edge digital experience.

# Product Suite



# A Conscious Approach to Growth



Izola Bank's products and services are aligned with specific Sustainable Development Goals (SDGs), concentrated on care for the planet and the communities in which the Bank operates.

The Bank focuses on purpose driven business, supporting corporate customers whose business offering has a positive impact on the community and/or the environment.

The Bank promotes inclusive and sustainable economic growth through the continued support of SMEs with products and services that unburden their operations and help them achieve their ambitions for growth.

The Bank is currently working on its ESG policy, which will integrate climate risks into its financial analysis and decision making and define a reward path for businesses working towards their own sustainability goals.

Izola Bank also continues to develop products aligned to its chosen SDGs: from solar panel financing, to supporting everyone's right to own a home, to facilitating climate friendly mobility through electric transport financing.

The Bank is working towards reducing its own carbon footprint, including ensuring its new office in Valletta is carbon neutral through the purchase of Renewable Energy Certificates and further investment in global green energy projects.

# Corporate Social Responsibility



Hunger is a growing problem around the world and in Malta. As is the environmental impact from food waste.

For the last 6 years the Bank has been a main sponsor of Foodbank Lifeline Foundation, a local NGO which provides weekly food packs to people facing crisis situations. Since its formation in 2015 demand on the Foodbank has risen from just a few families needing help every week to tens of thousands of people needing support throughout the year.

The Bank also recently extended its support to another local NGO, Victory Kitchen, named after the war time kitchens set up all over Malta to help feed a starving population. Victory Kitchen was founded at the start of the pandemic by Chef Rafel Sammut, with the sole purpose of providing one fully cooked meal a day to people struggling to feed themselves. Since its formation 2 years ago, Victory Kitchen is now preparing and delivering over 1,700 meals every week to families in need.

The Bank's team is actively participating in community focus groups, made up of members of the public, NGOs and environmentalists, in order to identify ways of minimizing food waste in the community. From households to hotels and restaurants to supermarkets, food waste starts at source – from the energy and water it took to grow or be made, down to the methane gas produced when the food ends up in a landfill. Methane is incredibly detrimental to the environment, 25 times stronger than CO<sub>2</sub>.

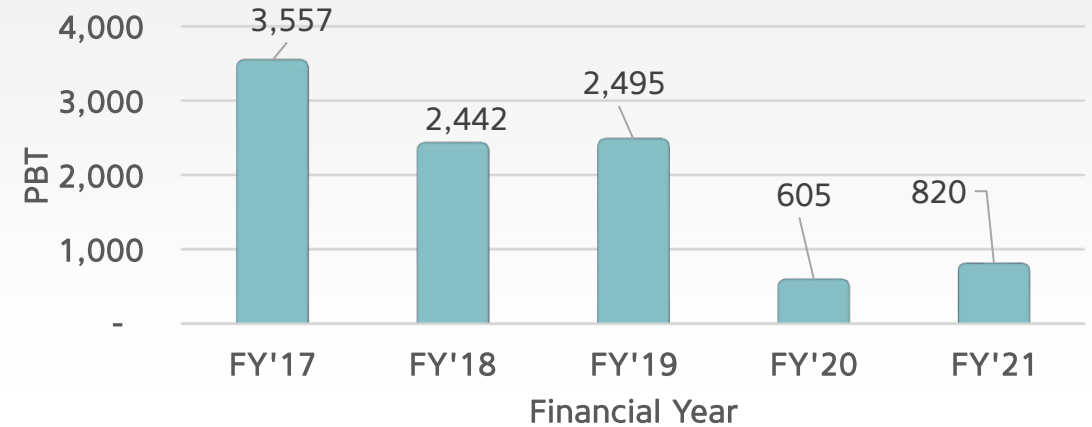
# Financial Performance

# Profitability

Figures in €'000

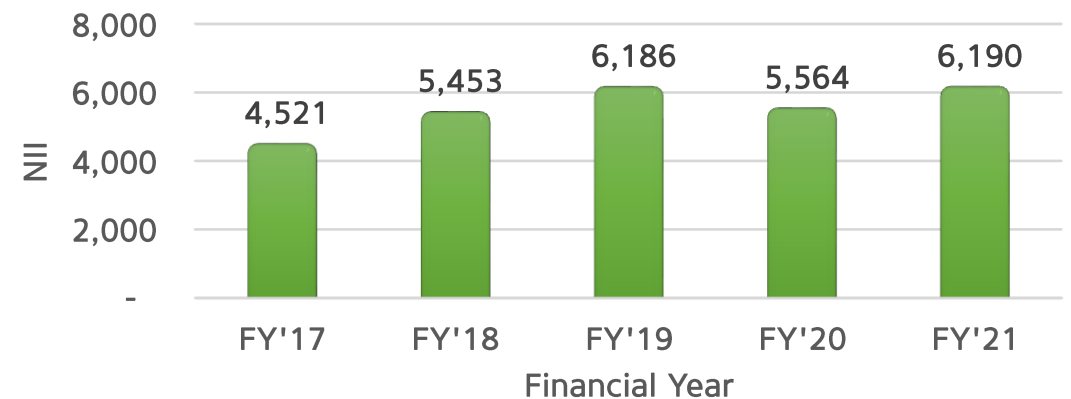
## Profit before tax (PBT)

PBT levels were strong over a 3-year term, buoyed by a diversification in the product mix coupled with strong returns on the treasury portfolio. The last two years reflected a shift in product mix. Profitability in FY20 was impacted by the pandemic whilst FY21 generated a modest improvement amidst ongoing investment in technology, human resources and compliance.



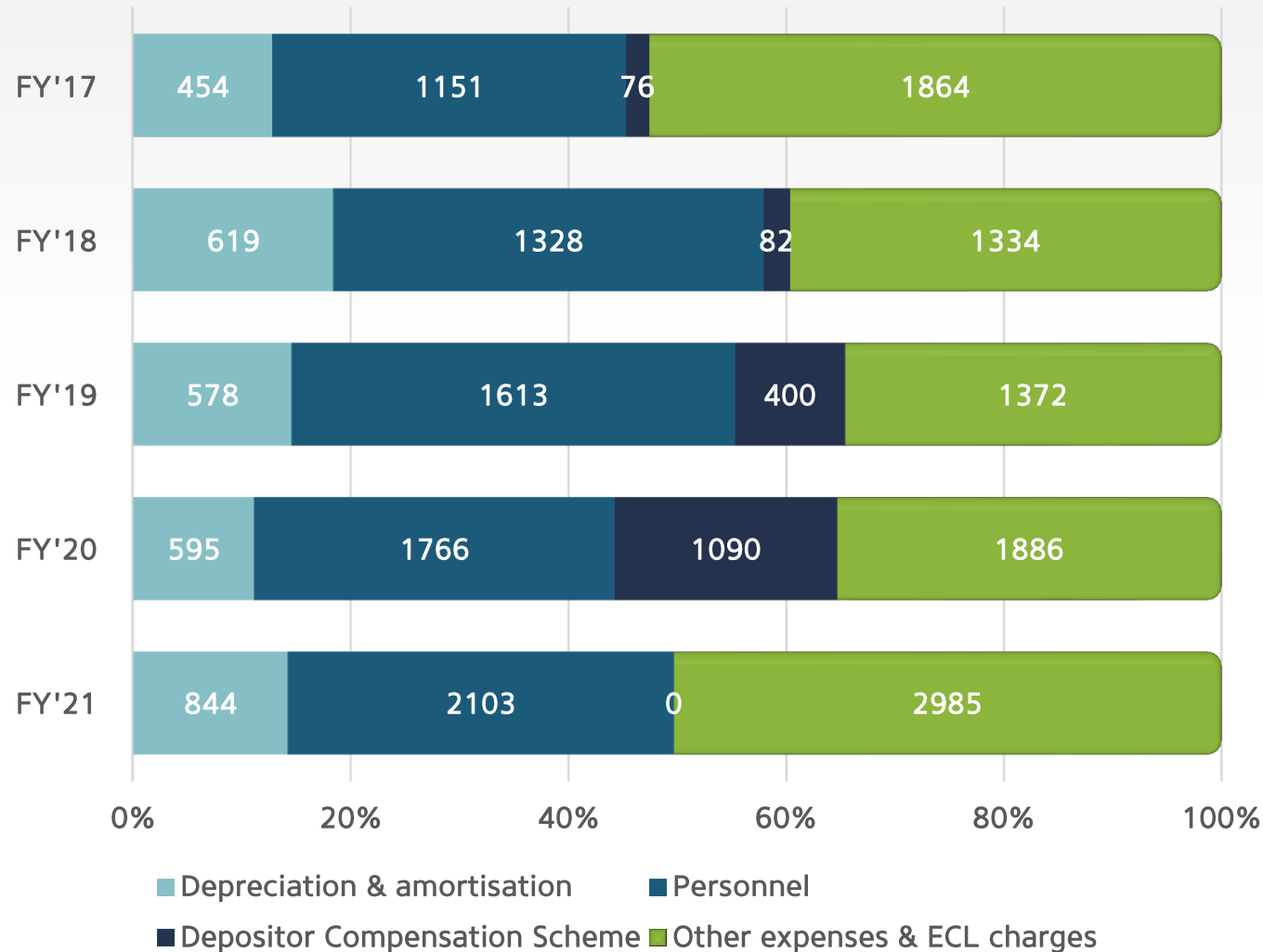
## Net interest income (NII)

NII enjoyed a healthy increase over a 3-year term, consolidating the bank's credit business through YOY growth in all. COVID-19 delayed credit facility drawdowns in FY20, resulting in a mismatch between interest income and interest expense. NII returned to pre-pandemic levels in FY21, reaffirming the Bank's stable and robust business model.



# Profitability

Figures in €'000



## Key highlights:

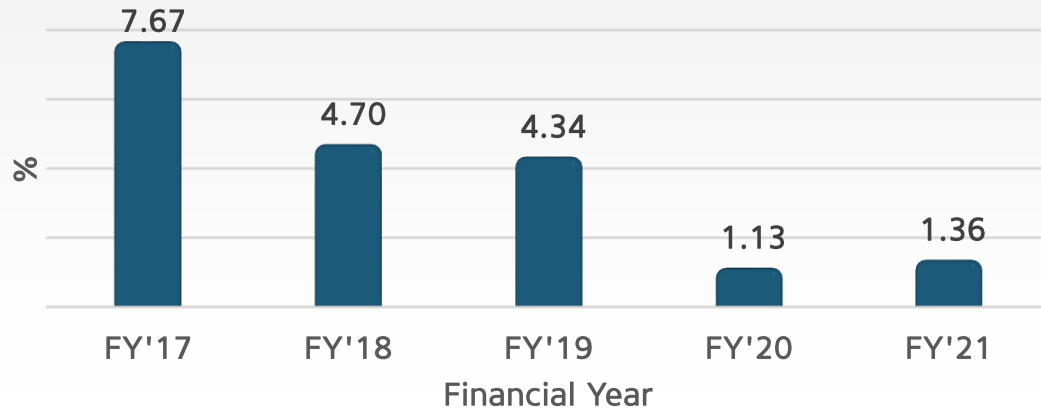
Staff costs represent the main operating expenditure of the Bank, increasing year-on-year as the Bank continued to invest in its internal structures whilst positioning itself for the next growth phase.

Depositor Compensation Scheme charge in FY20 reflected the significant increase in liquidity towards the end of FY19.

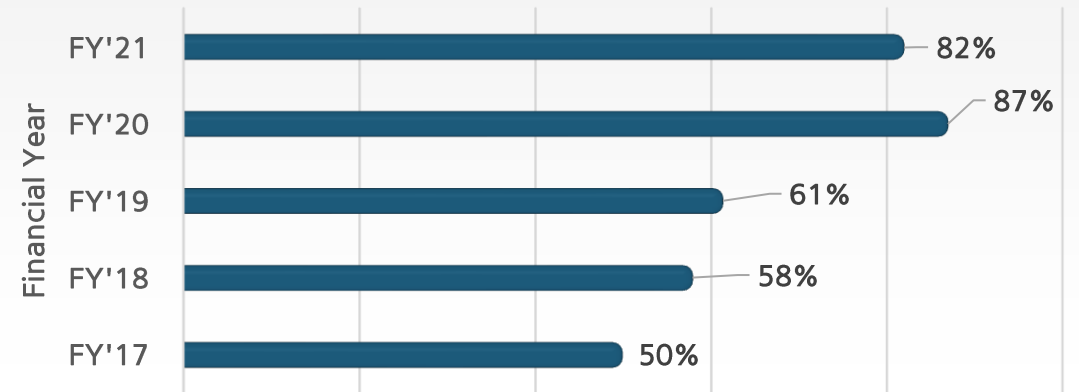
Other operating expenses comprise mainly professional, IT, marketing and general expenses.

# Key Performance Indicators

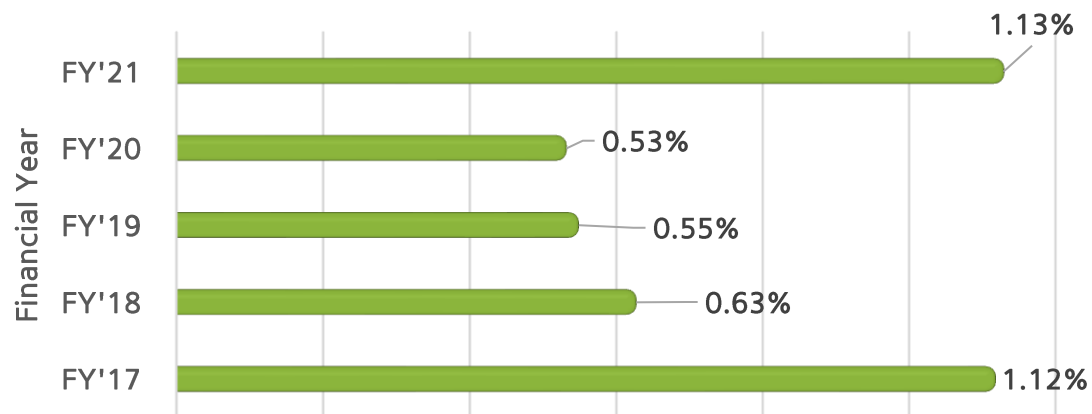
ROE (post tax)



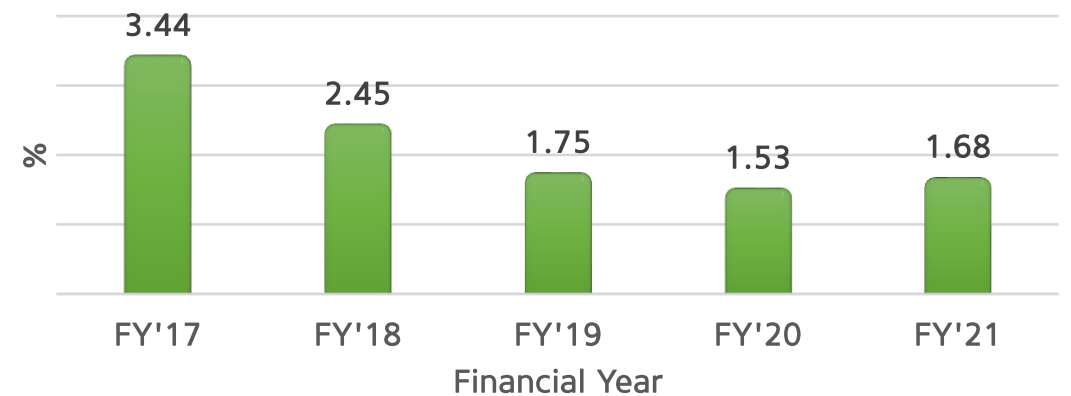
Cost to operating income ratio



NPL Loans vs gross loans and advances



NII to total assets





# Factors affecting Cost-to-Income ratio

The Bank has invested significantly in human resources to be able to deliver the expected growth in line with its business model and strategy

This investment was necessary to ensure continuous delivery of excellent customer service, operational resilience and business continuity

The investment saw the strengthening of all teams across the bank with particular emphasis on risk and regulatory compliance

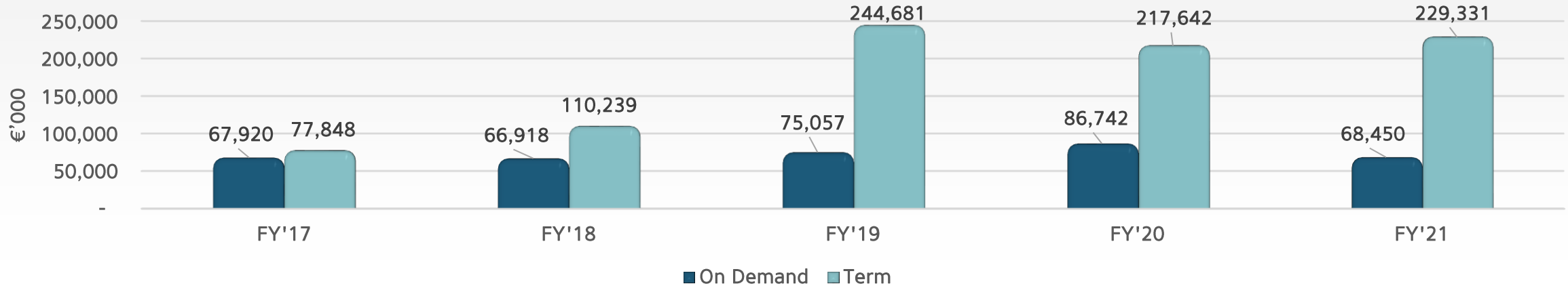
The bank is in the middle of a multi-year digital transformation programme with significant upgrades to the entire IT infrastructure to ensure system security and availability

The programme will include an updated online banking portal, the introduction of a new state-of-the-art factoring platform and the implementation of a new data warehouse

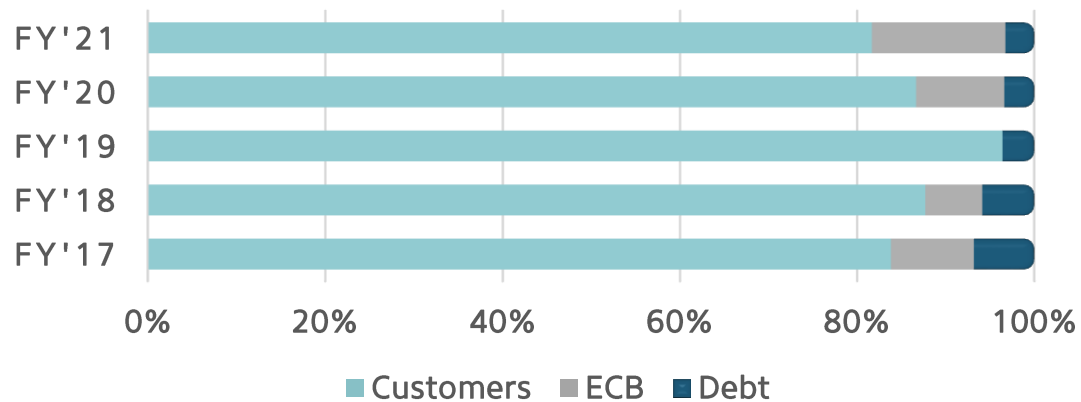
# Liquidity Funding

Figures in €'000

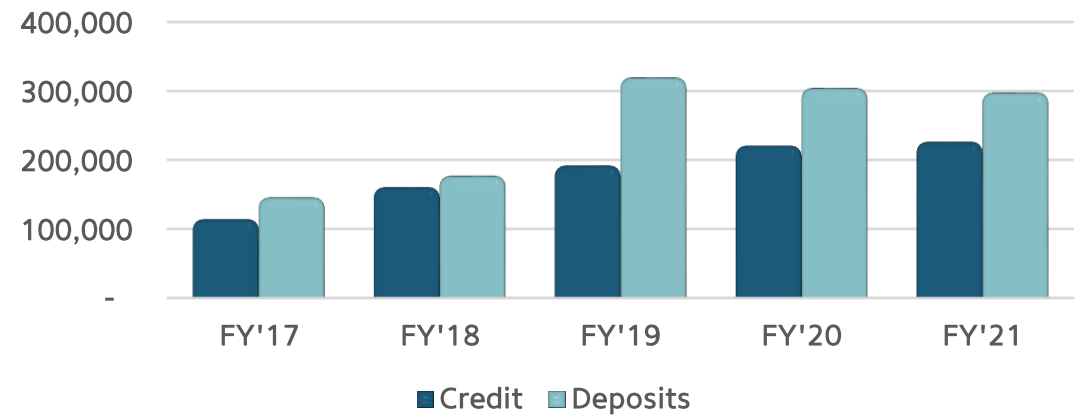
## Amounts due to Customer maturity profile - Mitigated liquidity risk



## Funding Profile

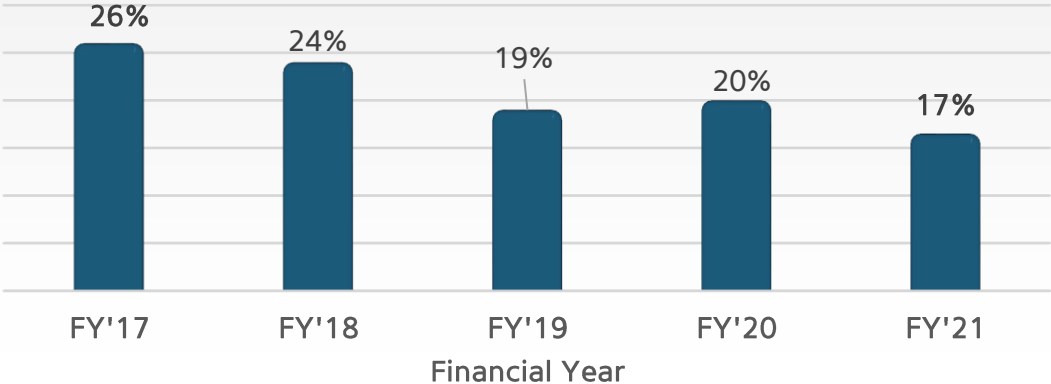


## Deposits vs Credit Portfolio {inc. Factoring}

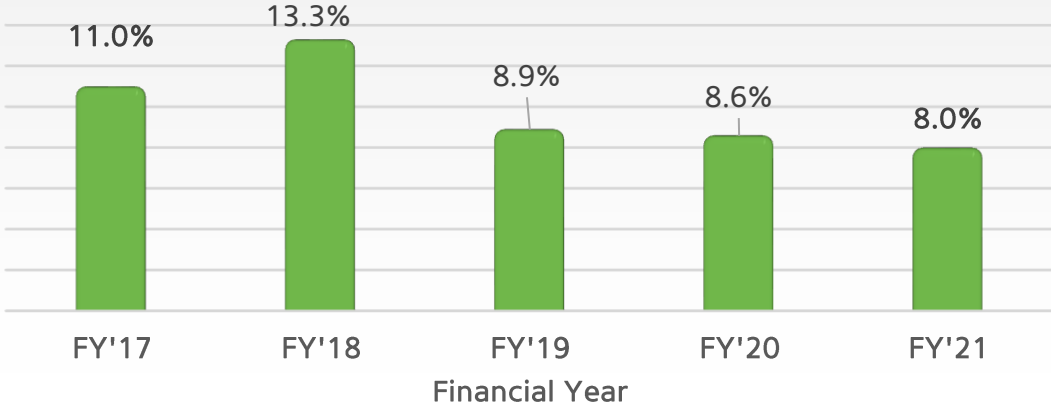


# Key Performance Indicators

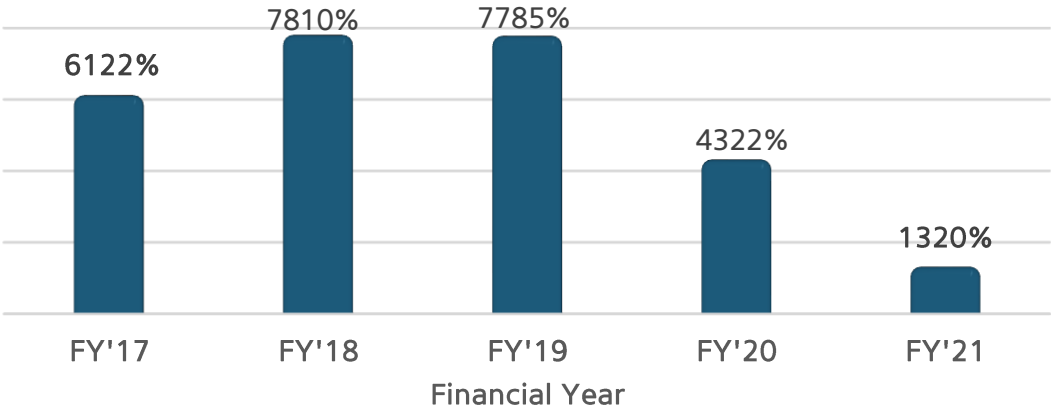
### Capital Adequacy Ratio (CAR)



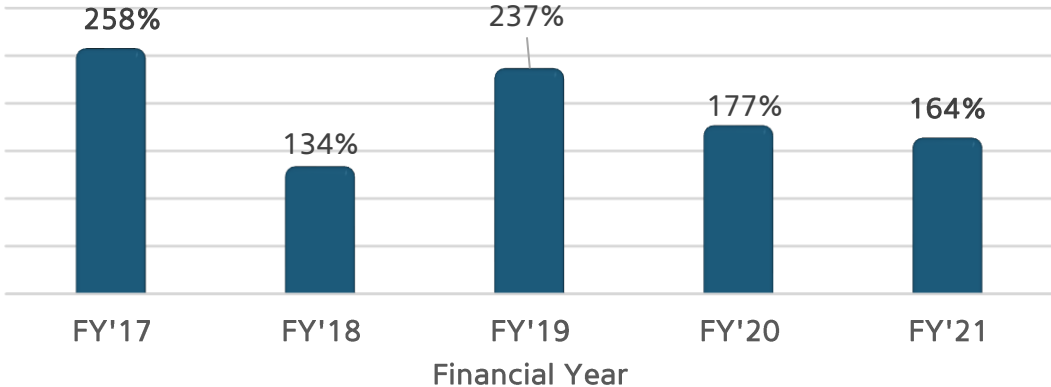
### Leverage Ratio



### Liquidity Coverage Ratio (LCR)

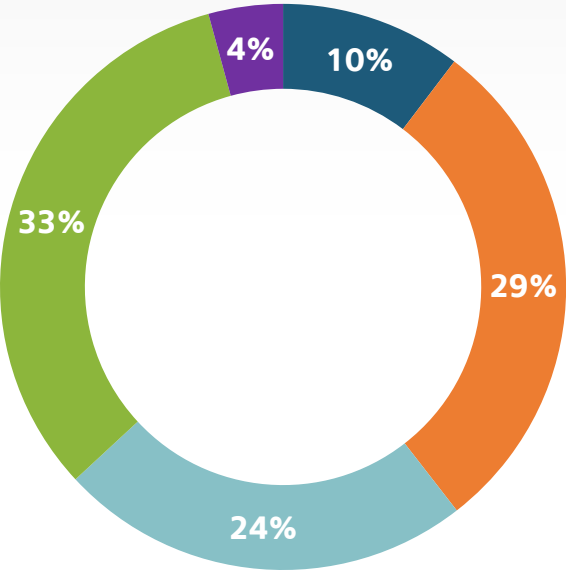


### Net Stable Funding Ratio (NSFR)



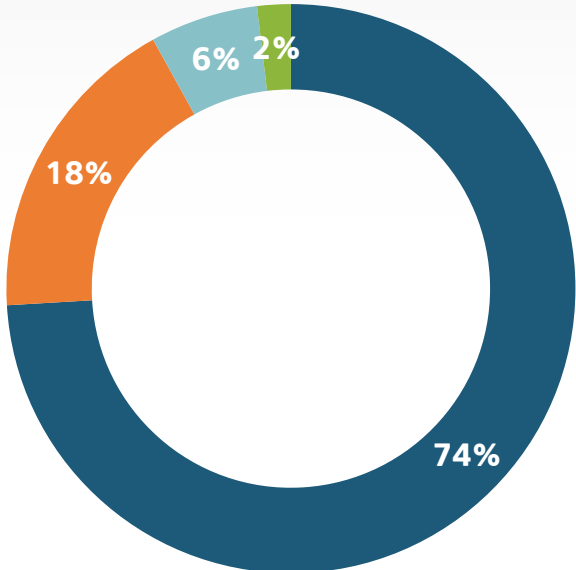
# 2021 Asset Overview

### Asset Composition



- Highly liquid assets
- Factored receivables
- Other assets
- Financial investments
- Loans and advances to customers

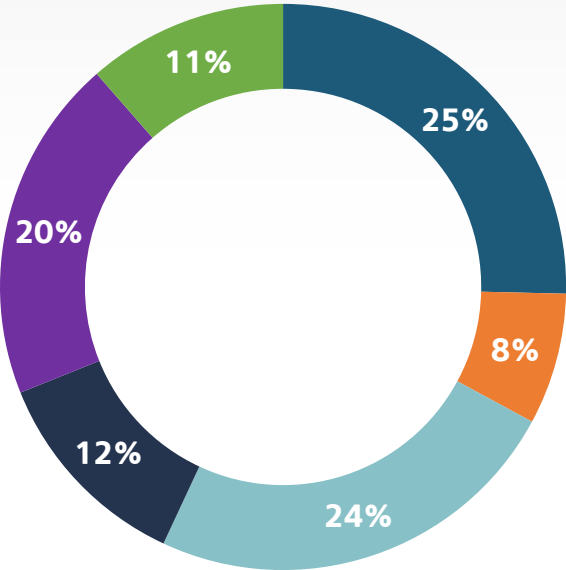
### Country Exposure



- Malta
- Belgium
- France
- Other

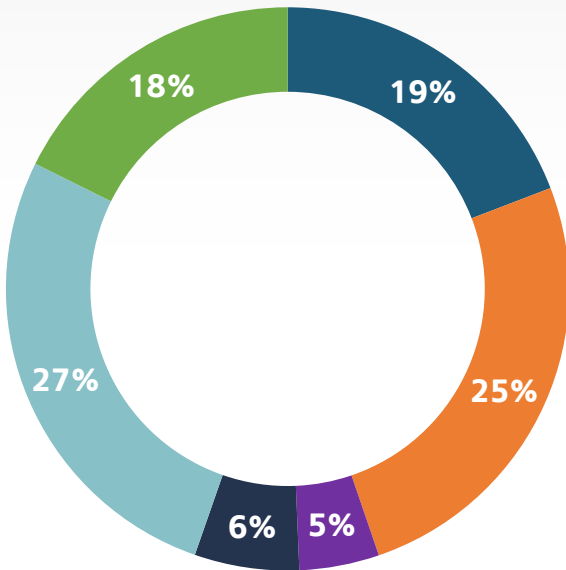
# 2021 Lending portfolio

### Loans & Advances - Collaterals



- Bank Deposits
- Bills of exchange
- Real estate
- Assignment of receivables
- MDB CGS guarantee
- Unsecured

### Lending Portfolio (incl. Factoring) by Sector



- Construction
- Wholesale and retail
- Manufacturing
- Other Sectors
- Services
- Households and individuals

# Quality of the Lending Portfolio

**Diversified exposures to quality clients.**

**Only 8% unsecured lending, relatively low compared to the larger banks in Malta.**

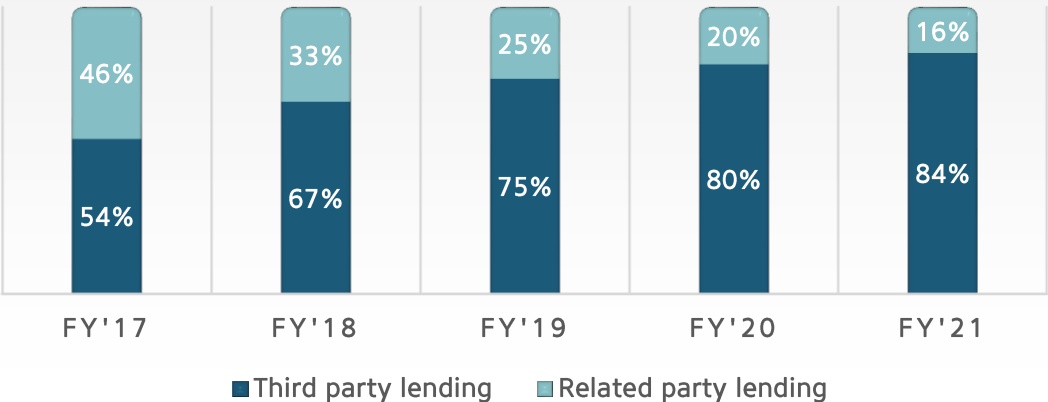
**Quality collateral and healthy LTV ratios for corporate lending.**

**Factored receivables are covered by credit insurance.**

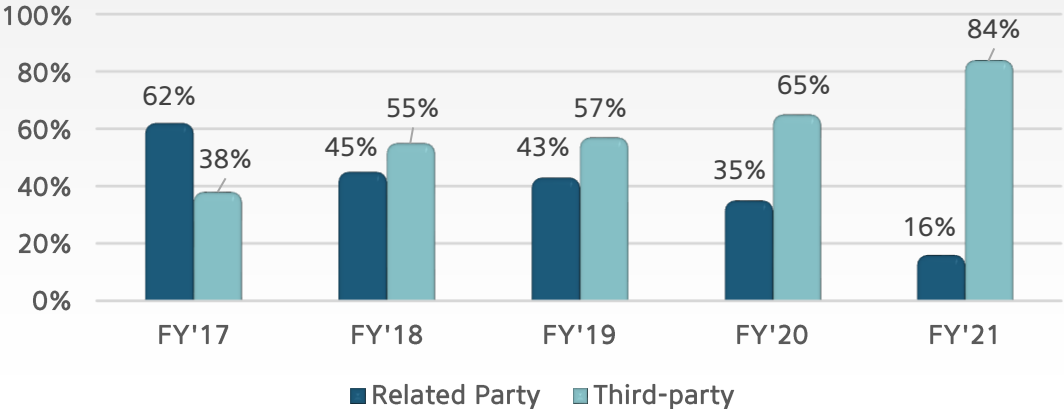
**COVID-19 had a limited impact on ECLs and NPLs.**

# Growing third party business

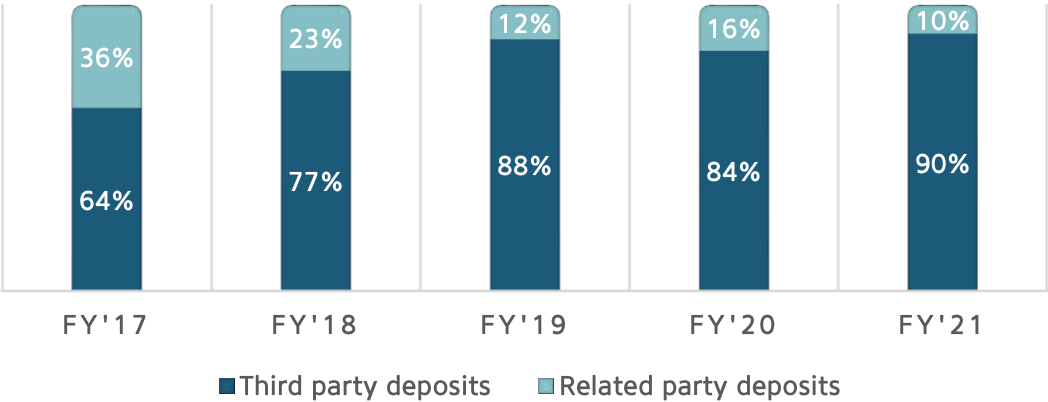
Amounts due from customers



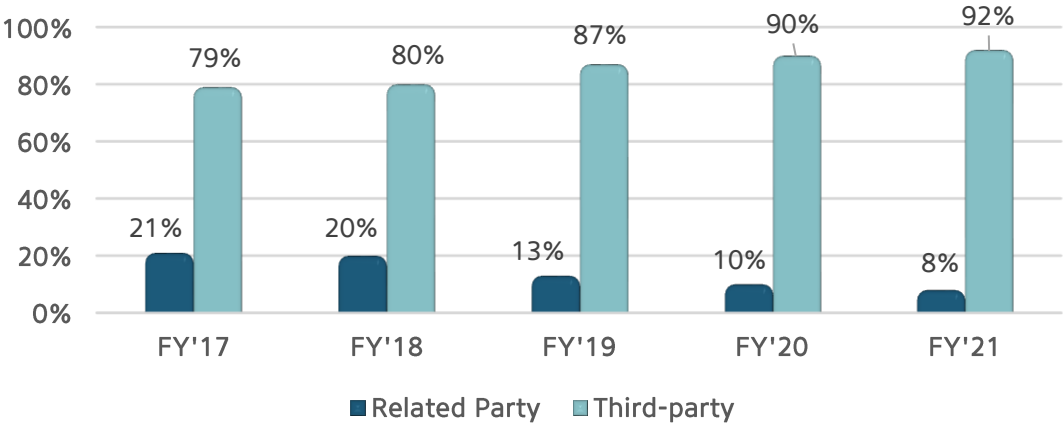
Gross interest income



Amounts due to customers



Gross interest expense



# The Subordinated Bond Issue



# Subordinated Bond Issue

- Izola Bank plans to issue a Subordinated Bond that qualifies as Tier 2 Capital as per CRR definition. The issuance is in line with the Bank's capital plan and proceeds will be used to sustain the growth strategy of the Bank.
- The Subordinated Bond issue for a nominal of €14 million, will mature in 2032 but may be redeemable at the discretion of the Issuer on the fifth anniversary onwards, until maturity. The Issue will be priced at 5%, with the coupon being paid annually.
- The Subordinated Bond is considered as a complex instrument as it falls under the BRRD regime – can be sold to investors subject to suitability assessment and a minimum application of €10,000 per underlying applicant.

# Subordinated Bond Issue

- Existing bondholders will be given preference to exchange their holding at a 2.5% premium over par value (i.e. at €102.50), subject to the suitability assessment. Existing bondholders owning less than €10,000 are required to top-up the difference to subscribe to the minimum amount. The 2.50% premium will be paid separately by bank transfer or by cheque.
- €8 million allocated to existing bond holders for conversion and the remaining €6 million allocated for the Intermediaries' offer.
- Following MFSA Board Approval, the Bond will be admitted to the Official List of the Malta Stock Exchange and tradable in minimum subscription amounts of €10,000 and increments of €100.
- Authorised Financial Intermediaries may apply for the Subordinated Bonds on behalf of their clients or for their own account during the Intermediaries' Offer.

# Expected Timetable

Expected Timetable of Bond Issue	
1 Approval from the MFSA	22 July 2022
2 Application Forms mailed to Existing Bondholders as at the Cut-Off Date	27 July 2022
3 Offer Period for Existing Bondholders	1 August to 7 September 2022
4 Intermediaries' Offer	1 August to 7 September 2022
5 Commencement of interest on the Bonds	15 September 2022
6 Announcement of basis of acceptance	15 September 2022
7 Refunds of unallocated monies (if any)	23 September 2022
8 Expected dispatch of allotment advices	23 September 2022
9 Expected date of admission of the Bonds to listing	23 September 2022
10 Expected date of commencement of trading in the Bonds	26 September 2022

The Issuer reserves the right to close the Offer Period and the Intermediaries' Offer before 7 September 2022 in the event of over-subscription, in which case the events set out in 5 to 10 above will be brought forward to no earlier than the 15 September 2022 but shall be kept in the same chronological order as set out above.

# Advisors Line-up

Joint Sponsor



Joint Sponsor,  
Manager & Registrar



External Auditors



Legal Counsel



# Annexes

# Financials – Income Statement

Statement of Profit or Loss and Other Comprehensive Income					
	2021 (€'000)	2020 (€'000)	2019 (€'000)	2018 (€'000)	2017 (€'000)
Interest income	10,705	10,575	10,158	8,081	7,066
Interest expense	(4,514)	(5,011)	(3,973)	(2,628)	(2,545)
Net interest income	6,191	5,564	6,185	5,453	4,521
Other revenue	561	378	273	352	2,581
Operating income	6,752	5,942	6,458	5,805	7,102
Depreciation and amortisation	(844)	(595)	(578)	(619)	(454)
ECL charges	(386)	(173)	(90)	135	(350)
Personnel expenses	(2,103)	(1,766)	(1,613)	(1,328)	(1,151)
Depositor Compensation Scheme	-	(1,090)	(400)	(82)	(76)
Other admin expenses	(2,599)	(1,713)	(1,282)	(1,469)	(1,514)
Net profit before tax	820	605	2,495	2,442	3,557

# Financials – Balance Sheet

Statement of Financial Position					
	2021 (€'000)	2020 (€'000)	2019 (€'000)	2018 (€'000)	2017 (€'000)
Cash & balances with CBM	16,194	18,613	39,087	2,513	1,951
Loans and advances to banks	25,420	22,695	40,549	18,788	20,079
Investment securities	117,280	109,305	81,370	42,112	57,213
Loans, advances to customers	131,369	121,556	86,523	74,287	65,525
Factored receivables	95,052	99,156	105,412	86,260	48,584
Other assets	17,105	17,972	15,391	13,194	13,378
<b>Total assets</b>	<b>402,420</b>	<b>389,297</b>	<b>368,332</b>	<b>237,154</b>	<b>206,630</b>
Amounts due to banks	275	250	250	250	-
Amounts due to customers	297,781	304,385	319,738	177,157	145,767
Other liabilities	71,084	50,578	14,673	27,662	31,391
<b>Total liabilities</b>	<b>369,140</b>	<b>355,213</b>	<b>334,661</b>	<b>205,069</b>	<b>177,158</b>
<b>Total equity</b>	<b>33,280</b>	<b>34,084</b>	<b>33,671</b>	<b>32,085</b>	<b>29,472</b>

# Risk Factors

- Credit, Liquidity, Operational, Market, Reputational and Regulatory risk
- Information technology and cybersecurity risk
- Information security and data protection risk
- Financial crime compliance risk
- Risks related to competition in the Banking Industry
- Risks connected with the performance of the property market
- Risks relating to key personnel
- Concentration risk
- Risks associated with capital adequacy
- Risk of reliance on external service providers for important products and services
- Subordinated status and ranking of the Bonds
- Risks associated with Recovery and Resolution Regulations
- Orderly and liquid market
- Subsequent changes in interest rate and potential impact of inflation
- Limited recourse, additional indebtedness, early redemption and complexity



# Important Information & Disclaimers

This presentation contains information about the business of, and bond being offered by, Izola Bank p.l.c. (the “Bank”) and is being delivered to a very selective audience. This presentation and the information contained herein is subject to change at the Bank’s sole discretion, is highly confidential and may contain legally privileged information.

The proposed bond offer by the Bank is the subject of an application with the Malta Financial Services Authority for authorisation for admissibility to listing on the Official List of the Malta Stock Exchange. No Bonds shall be issued, nor shall any documents be released except on a confidential basis, without the prior approval of the Malta Financial Services Authority. Prospective investors are deemed to have knowledge of such facts.

An informed investment decision can only be made by investors after they have read and fully understood the risk factors (the most material of which are annexed to this presentation) associated with an investment in the Bond offer and the risks associated with the Bank’s business. If any risks materialise, the value of the bond offered by the Bank could be adversely affected. The contents of this presentation do not constitute an assessment of appropriateness or suitability of the Bond for potentially interested clients. Prospective applicants should approach appointed financial services intermediaries in order to assess appropriateness or suitability in line with their specific circumstances.

Izola Bank p.l.c. is a credit institution licensed by the Malta Financial Services Authority to undertake the business of banking under the Banking Act 1994.

Izola Bank p.l.c., 53/58 East Street, Valletta VLT 1251, Malta. Company Registration No. C16343.



**Thank you**  
Any questions?

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