



Download our full Annual Report & Financial Statements for 2023 from [our website](https://www.izolabank.com)

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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 Malta and Belgium. 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.
4 Castille Place,
Valletta VLT1062
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.

A message from the CEO

I am pleased to, once again, present an overview of the Bank's performance for 2023.

The year 2023 witnessed a series of unprecedented events, including a resurgence in interest rates, significant inflationary pressures, and escalating geopolitical tensions. While monetary policy rates have stabilised somewhat, they remain notably higher compared to recent years. However, amidst these challenges, the Bank remained committed to executing its growth and diversification strategy. In 2023, we successfully achieved our objective of significantly expanding our retail depositor base and made substantial progress in innovating new products within the factoring sector. These advancements are anticipated to serve as key drivers for our future growth. Looking ahead, the Bank will retain its focus on being agile and responsive enough to meet new demands in this constantly changing environment and continue to offer and develop sustainable products, services and solutions through innovation and digitalisation.

During the year ended 31 December 2023, the Bank saw substantial increases in its revenue streams, growing its interest income by 45% over 2022 levels. The Bank's total assets increased by 18% during the year, surpassing the half-a-billion-euro mark and closing the year at €507,947,733. This was mainly driven by growth in the lending and factoring portfolios. Factored receivables increased by €21.6 million, or 18%, on the prior year, whilst lending increased by €20.6 million, or 13%, compared to 2022. The investment portfolio decreased by a marginal €2 million, or 2%, compared to December 2022, mainly the result of disposal of some corporate bond exposures.

However, sharp increases in interest rates on deposits during the year led to a compression of net interest income of 9%. The financial year 2023 was also characterised by increased operational expenses, partially related to continued investment in staff and systems as well as an increased advertising spend due to the return of a competitive market for deposits. This resulted in an increase of 22% in staff costs and a 19% increase in other administrative expenses. Within the latter, the Bank also incurred an increase in Depositor Compensation Scheme (DCS) contributions due to changes in the relevant legislation.

These factors resulted in an operational loss after tax for the year of €1,242,368. Taking into account a reversal of negative fair value movements from 2022 and a revaluation of the current head office, this resulted in a positive total comprehensive income for the year, net of tax, of €540,155.

As of 31 December 2023, the Bank remained well capitalised, with the Capital Adequacy Ratio (CAR) and Core Equity Tier

1 (CET1) Ratio standing at 18.96% and 12.63% respectively – within the capital requirements established following the Supervisory Review and Evaluation Process (SREP) by the Malta Financial Services Authority (MFSA) of 14.8% CAR and 10.5% CET1. The Bank's Liquidity Cover Ratio (LCR) of 1,948% is well above European banking sector norms. This is attributed to the Bank's robust and stable funding structure, primarily sourced from retail channels. Notably, a substantial portion of this funding comprises fixed term, rather than demand deposits, further fortifying the Bank's liquidity position.

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. Starting in 2017, the Bank partnered with Foodbank Lifeline Foundation, a registered NGO which provides short-term emergency food packs to people in desperate need, regardless of race, religion and gender, until they find a path to stability. During 2023, Izola Bank continued its financial and practical support to meet the increased demand for Foodbank Lifeline's services. We aim to continue helping Foodbank Lifeline not only ease hunger in Malta but also significantly reduce food waste and carbon emissions. During the year under review, the Bank also acknowledged the importance of fostering a healthy body and mind by sponsoring a local Futsal club.

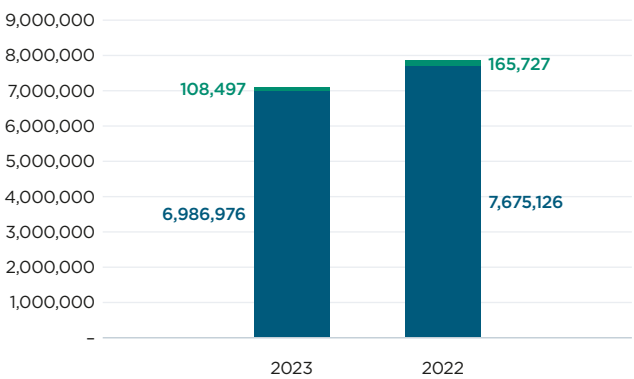
Looking ahead to 2024 and beyond, the Bank reaffirms its dedication to fostering growth in key areas such as factoring operations, corporate lending, and deposit-raising capacity. These strategic focuses underscore our commitment to providing comprehensive financial solutions while further strengthening our position in the market. As reported in 2022, the Bank launched its residential mortgage product to the retail market in Malta, with plans to grow also in the Dutch market. In view of the reduction in interest margins on such products, we have decided to put our growth plans for this business line on hold.

In 2024, the Bank will mark a significant milestone as it celebrates 30 years of successful operations. This commemoration will be highlighted by the inauguration of our new head office at Castille Place, Valletta. Consolidating our operations in this iconic location will not only bring our staff together under one roof but also enhance our brand visibility.



Andrew Mifsud
CEO

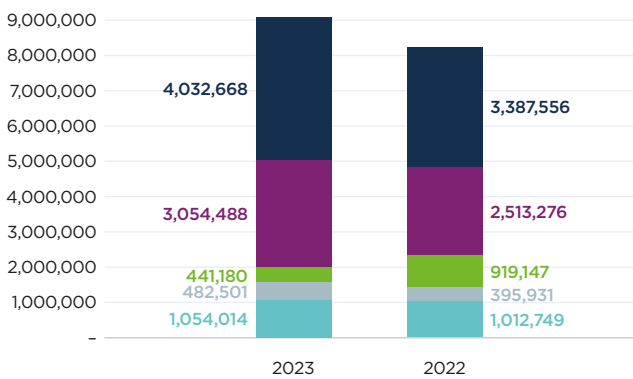
Revenues



■ Net Interest Income
■ Other income

During the year ended 31 December 2023, the Bank reported a decrease of 10% in net interest income over 2022 levels. 2023 was characterised by sharp increases in interest rates on deposits leading to the reduction in net interest income. Notwithstanding, the Bank has reported an increase of 45% in gross interest income when compared to that in the previous year.

Expenditure



(Loss)/Profit before tax: (1,969,378) (387,806)

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

The increase in total expenses resulted in a loss before tax of €1,969,378. The Bank's Cost-to-Income ratio, excluding changes in expected credit losses, increased to 121% (2022: 93%). Such cost increases are characterised by increases in employee compensation as a result of an increase in staff complement, ancillary services and increases in Depositor Compensation Scheme contributions as a result of the increase in the deposit base.

Financial Highlights

% Movement 2023—2022	2023 €	2022 €	2021 €	2020 €	2019 €
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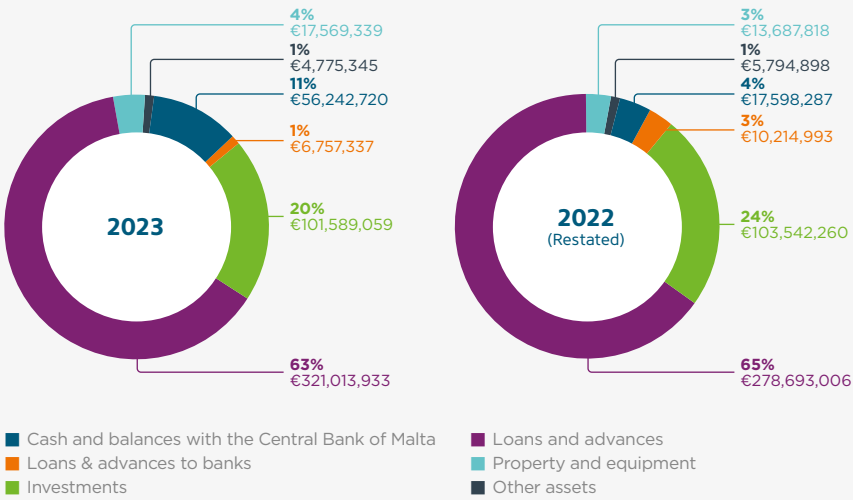
Statement of Profit or Loss and Other Comprehensive Income

Net Interest Income	-9%	6,986,976	7,675,126	6,190,824	5,563,874	6,185,501
Other Income	-35%	108,497	165,727	561,114	377,990	62,351
Operating Income	-10%	7,095,473	7,840,853	6,751,938	5,941,864	6,458,838
Pre-Tax (Loss)/Profit	-408%	(1,969,378)	(387,806)	820,157	604,891	2,495,213
Profit/(Loss) For The Year	-337%	(1,242,368)	(284,219)	447,981	385,220	1,460,740

Statement of Financial Position

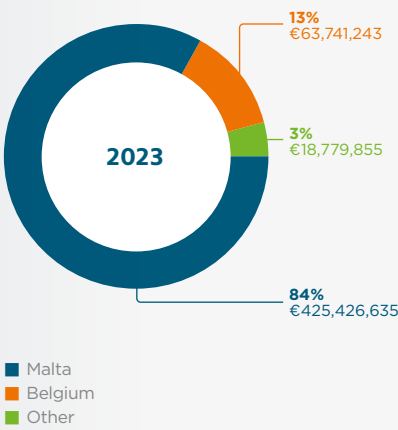
Total Assets	18%	507,947,733	429,531,262	402,808,886	389,296,940	368,331,905
Total Liabilities	20%	476,077,281	398,200,965	369,528,959	355,213,197	334,660,889
Total Equity	2%	31,870,452	31,330,297	33,279,927	34,083,743	33,671,016

Assets

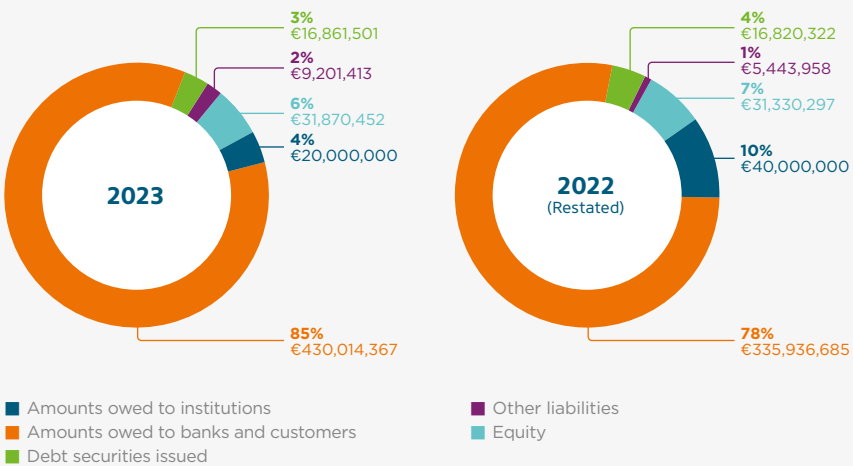


The total assets of the Bank increased by 18% to €507,947,733, mainly driven by growth in the lending and factoring portfolios as well as liquidity held with the Central Bank of Malta. Factored receivables increased by €21.7 million, or 18% on the prior year, whilst lending increased by €20.6 million, or 13%, compared to 2022. The investment portfolio decreased by €2m compared to December 2022, following a restatement associated with a specific sovereign debt portfolio compounded by the reduction in market prices and the disposal of investment securities.

Asset Country Mix

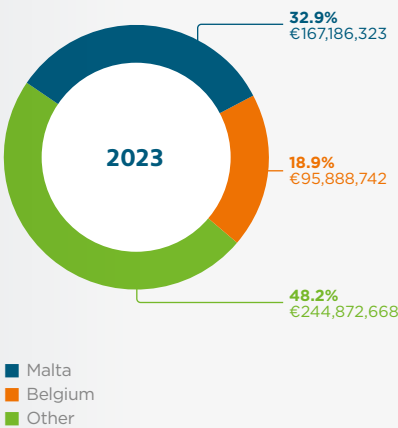


Equity & Liabilities



As at 31 December 2023, the Bank remained well capitalised and liquid with the Capital Adequacy Ratio (CAR) standing at a healthy 18.96% and a Liquidity Cover Ratio (LCR) of 1,948%, which is significantly above European banking sector norms.

Equity & Liabilities Country Mix



Regulatory Ratios

Capital Adequacy Ratio

18.96% 8%
Izola Bank Minimum

Liquidity

1,948% 100%
Izola Bank Minimum

For full details refer to the 2023 Annual Report, published in the Investor Information section on:
<https://www.izolabank.com/mt-en/who-we-are/investor-information>

During 2023, the Bank maintained strong capital and liquidity ratios with comfortable buffer levels over minimum requirements.