# REGISTRATION DOCUMENT

## DATED 22 JULY 2022

This document is a Registration Document issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the provisions of the Prospectus Regulation.

This Registration Document is being issued by:

izola Bank

**Izola Bank p.l.c.**
A PUBLIC LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA
WITH REGISTRATION NUMBER C 16343

| Sponsors | Manager & Registrar | Legal Counsel |
|---|---|---|
| MZ INVESTMENT SERVICES<br>RIZZO FARRUGIA YOUR INVESTMENT CONSULTANTS | MZ INVESTMENT SERVICES | CAMILLERI PREZIOSI ADVOCATES |

**THIS REGISTRATION DOCUMENT HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY, AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THIS MEANS THAT THE MALTA FINANCIAL SERVICES AUTHORITY HAS ONLY APPROVED THIS REGISTRATION DOCUMENT AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY, AND CONSISTENCY AS PRESCRIBED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT, HOWEVER, BE CONSIDERED AS AN ENDORSEMENT OF THE ISSUER THAT IS THE SUBJECT OF THIS REGISTRATION DOCUMENT. IN PROVIDING THIS AUTHORISATION, THE MALTA FINANCIAL SERVICES AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS OF INVESTING IN SECURITIES ISSUED BY THE BANK AND SUCH AUTHORISATION SHOULD NOT BE DEEMED, OR BE CONSTRUED, AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN ANY SUCH SECURITIES.**

**THE MALTA FINANCIAL SERVICES AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER, FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE SECURITIES ISSUED BY THE BANK.**

**A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENT.**

APPROVED BY THE BOARD OF DIRECTORS

**Andrew Mifsud**

signing in his capacity as director of the Issuer and on behalf of Simon Azzopardi, Magdalena De Roeck, Francis Gouder, Alain Malschaert, Guido Mizzi, Patrick H. Van Leynseele, and Caroline Van Marcke.

# IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT FORMS PART OF THE PROSPECTUS AND CONTAINS INFORMATION ON IZOLA BANK P.L.C. (C 16343) (THE "**ISSUER**"OR THE "**BANK**"), AND THE BUSINESS OF THE GROUP OF WHICH IT FORMS PART, IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS RULES ISSUED BY THE MALTA FINANCIAL SERVICES AUTHORITY, THE ACT, THE FMA, AND THE PROSPECTUS REGULATION.

NO BROKER, DEALER, SALESMAN, OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS, OR THE ISSUER'S ADVISERS, TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE BOND ISSUE OTHER THAN THOSE CONTAINED IN THIS REGISTRATION DOCUMENT AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, ITS DIRECTORS, OR ITS ADVISERS.

**THE MALTA FINANCIAL SERVICES AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS REGISTRATION DOCUMENT, MAKES NO REPRESENTATIONS AS TO THEIR ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THIS REGISTRATION DOCUMENT.**

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS REGISTRATION DOCUMENT AND ANY PERSON WISHING TO APPLY FOR THE BONDS TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS IN THE BONDS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE, AND, OR DOMICILE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN FINANCIAL AND OTHER PROFESSIONAL ADVISERS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN THE BONDS. A SUITABILITY TEST WILL BE REQUIRED TO BE CONDUCTED BY AUTHORISED FINANCIAL INTERMEDIARIES PRIOR TO THE SALE OF THE BONDS AND INVESTORS WHO/WHICH FAIL THE SUITABILITY TEST WILL NOT BE ELIGIBLE TO INVEST IN THE BONDS.

THE ISSUER HAS CONSENTED TO THE AUTHORISED FINANCIAL INTERMEDIARIES MAKING USE OF THIS REGISTRATION DOCUMENT IN CONNECTION WITH THEIR DISTRIBUTION AND PLACEMENT ACTIVITIES FOR THE SALE OF THE BONDS.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR BONDS ISSUED BY THE ISSUER: (I) BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION TO SUBSCRIBE FOR BONDS IS NOT QUALIFIED TO DO SO; OR (II) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

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 OFFERING OF THE BONDS 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. ACCORDINGLY, NO BONDS MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS, OR ANY OTHER OFFERING MATERIAL MAY COME, MUST INFORM THEMSELVES ABOUT, AND OBSERVE, IF ANY SUCH RESTRICTIONS ON THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING AND SALE OF THE BONDS.

THIS PROSPECTUS AND THE OFFERING, SALE, OR DELIVERY OF ANY BONDS MAY NOT BE TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE PROSPECTUS IS ACCURATE AND COMPLETE SUBSEQUENT TO ITS DATE OF ISSUE; OR (II) THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN THE FINANCIAL POSITION OR PERFORMANCE OF THE ISSUER OR THE GROUP SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

**THIS REGISTRATION DOCUMENT IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THIS REGISTRATION DOCUMENT IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES, OR MATERIAL INACCURACIES.**

ALL THE ADVISERS TO THE ISSUER NAMED IN SECTION 4.1 OF THIS REGISTRATION DOCUMENT HAVE ACTED, AND ARE ACTING, EXCLUSIVELY FOR THE ISSUER IN RELATION TO THE PROSPECTUS 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.

UNLESS INCORPORATED BY REFERENCE IN THIS REGISTRATION DOCUMENT, THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF THE 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.

**THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.**

A COPY OF THIS REGISTRATION DOCUMENT HAS BEEN SUBMITTED TO THE MALTA FINANCIAL SERVICES AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS RULES, AND TO THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MSE BYE-LAWS, AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES AT THE MALTA BUSINESS REGISTRY IN ACCORDANCE WITH THE ACT.

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

# TABLE OF CONTENTS

# 1. DEFINITIONS

In this Registration Document the following capitalised words and expressions shall bear the following meanings, except where the context otherwise requires:

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| **Act** | the Companies Act (Cap. 386 of the laws of Malta), as may be amended from time to time; |
| **ALCO** | the Issuer's asset and liability management committee; |
| **Authorised Financial Intermediary/ies** | the financial intermediaries whose details appear in Annex II of the Securities Note; |
| **B2B** | means business-to-business; |
| **Bond/s** | the unsecured subordinated bonds of an aggregate principal amount of up to €14,000,000 of a nominal value of €100 per bond, issued at par and redeemable at their nominal value on the Redemption Date or an Early Redemption Date, as applicable, bearing interest at the rate of 5% per annum, and having ISIN MT0000531229, as described in further detail in the Securities Note; |
| **Bond Issue** | the issue of the Bonds; |
| **BRRD** | Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as amended by BRRD II, and as may be further amended from time to time; |
| **BRRD II** | Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC, as may be amended from time to time; |
| **Capital Markets Rules** | the capital markets rules issued by the MFSA, as may be amended from time to time; |
| **CCD** | Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC, as may be amended from time to time; |
| **COBR** | means the conduct of business rulebook issued by the MFSA, as may be amended from time to time; |
| **CRD** | Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as may be amended from time to time; |
| **CRR** | Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended by CRR II, and as may be further amended from time to time; |
| **CRR II** | Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012, as may be amended from time to time; |
| **Directors** or **Board** | the directors of the Issuer whose names are set out in section 9.1 of this Registration Document; |
| **Early Redemption Date** | any date falling between, and including, the 15 September, 2027 and the Redemption Date, as the Issuer may determine, subject to MFSA approval and subject to the Bank giving the Bondholders at least 30 days' notice in writing; |
| **EEA** | European Economic Area; |
| **EU** | European Union; |
| **Euro** or **€** | the lawful currency of the Republic of Malta; |
| **FMA** | the Financial Markets Act (Cap. 345 of the laws of Malta), as may be amended from time to time; |
| **GDPR** | Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, as may be amended from time to time; |
| **Group** or **Van Marcke Group** | the Van Marcke group of companies of which the Issuer forms part, as illustrated in section 6 of this Registration Document; |
| **Issuer** or **Bank** | Izola Bank p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 16343 and having its registered office at 53 – 58, East Street, Valletta, Malta; |

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| **Malta Financial Services Authority** or **MFSA** | the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta), being the competent authority to approve prospectuses of any offer of securities to the public in Malta in terms of the FMA; |
| **Malta Stock Exchange** or **MSE** | Malta Stock Exchange p.l.c., as originally constituted in terms of the FMA with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta; |
| **Manager** and **Registrar** | M.Z. Investment Services Limited, a private limited liability company registered in Malta, having company registration number C 23936 and registered office at 61, M.Z. House, St. Rita Street, Rabat RBT 1523, Malta, licensed by the MFSA and member of the MSE; |
| **MCD** | Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010, as may be amended from time to time; |
| **Memorandum and Articles of Association** | the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus in the form as registered with the Registrar of Companies at the Malta Business Registry. The terms "**Memorandum**", "**Articles**", and "**Articles of Association**" shall be construed accordingly; |
| **MSE Bye-Laws** | the bye-laws issued by the MSE |
| **Official List** | the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws; |
| **Prospectus** | collectively, the Registration Document, the Securities Note and the Summary; |
| **Prospectus Regulation** | Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended from time to time, and as supplemented in accordance with the provisions of Commission Delegated Regulation No. 2019/979 and Commission Delegated Regulation No. 2019/980 issued thereunder, as may be amended from time to time; |
| **PSD** | Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC, as may be amended from time to time; |
| **Redemption Date** | means, with respect to the Bonds, the 15 September, 2032; |
| **Registration Document** | this document in its entirety issued by the Issuer in respect of the Bond Issue, dated 22 July, 2022, forming part of the Prospectus; |
| **Securities Note** | the securities note issued by the Issuer in respect of the Bond Issue, dated 22 July, 2022, forming part of the Prospectus; |
| **Sponsors** | M.Z. Investment Services Limited, a private limited liability company registered in Malta, having company registration number C 23936 and registered office at 61, M.Z. House, St. Rita Street, Rabat RBT 1523, Malta, licensed by the MFSA and member of the MSE and Rizzo, Farrugia & Co. (Stockbrokers) Ltd., a private limited liability company registered in Malta, having company registration number C 13102 and registered office at Airways House, Fourth Floor, High Street, Sliema SLM 1511, Malta, licensed by the MFSA and member of the MSE; and |
| **Summary** | the summary issued by the Issuer dated 22 July, 2022, forming part of the Prospectus. |

Unless it appears otherwise from the context:

(a) words importing the singular shall include the plural and *vice versa*;

(b) words importing the masculine gender shall include the feminine gender and *vice versa*;

(c) the word "*may*" shall be construed as permissive and the word "*shall*" shall be construed as imperative;

(d) all references in this Registration Document to "*Malta*" shall be construed as defined in Article 124 (1) of the Constitution of Malta;

(e) any phrase introduced by the terms "*including*", "*include*", "*in particular*" or any similar expression is illustrative only and does not limit the sense of the words preceding those terms; and

(f) any reference to a law, legislative act, and, or other legislation shall mean that particular law, legislative act and, or legislation as in force at the date of this Registration Document.

## 2. RISK FACTORS

**PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN 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 MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE BANK IS NOT IN A POSITION TO EXPRESS A VIEW ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.**

**THE RISK FACTOR FIRST APPEARING BELOW CONSTITUTES THAT RISK FACTOR WHICH THE DIRECTORS HAVE ASSESSED TO BE THE MOST MATERIAL RISK FACTOR RELATING TO THE ISSUER AND ITS BUSINESS, AND THE GROUP, AS AT THE DATE OF THIS REGISTRATION DOCUMENT. SUBSEQUENT RISK FACTORS ARE NOT RANKED IN ORDER OF MATERIALITY OR PROBABILITY OF OCCURRENCE. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS HAVE EVALUATED THE COMBINATION OF: (I) THE PROBABILITY THAT THE RISK FACTOR OCCURS; AND (II) THE EXPECTED MAGNITUDE OF THE ADVERSE EFFECT ON THE FINANCIAL CONDITION AND PERFORMANCE OF THE ISSUER, OR THE GROUP, IF THE RISK FACTOR WERE TO MATERIALISE.**

**IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS ADVERSE EFFECT ON THE ISSUER'S FINANCIAL RESULTS, FINANCIAL CONDITION, OPERATIONAL PERFORMANCE, BUSINESS, AND, OR TRADING PROSPECTS, AS WELL AS 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 AS AT THE DATE OF THIS REGISTRATION DOCUMENT, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER OR GROUP FACES OR COULD FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL ADVERSE IMPACT ON THE ISSUER'S FINANCIAL RESULTS, FINANCIAL CONDITION, OPERATIONAL PERFORMANCE, BUSINESS, AND, OR TRADING PROSPECTS.**

**THE PROSPECTUS, THE DOCUMENTATION INCORPORATED BY REFERENCE HEREIN AND, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH BONDS ISSUED BY THE BANK:**

**(I) IS NOT INTENDED TO PROVIDE THE BASIS FOR ANY CREDIT OR OTHER EVALUATION;**

**(II) IS NOT AND SHOULD NOT BE CONSIDERED AS A RECOMMENDATION BY THE BANK, THE DIRECTORS, ANY OF THE ADVISERS LISTED IN SECTION 4.1 BELOW, OR ANY OF THE AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS PROSPECTUS, THE DOCUMENTATION INCORPORATED BY REFERENCE HEREIN, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE THE BONDS ISSUED BY THE ISSUER (AND THEREFORE PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS REGISTRATION DOCUMENT); AND**

**(III) CONTAIN STATEMENTS THAT ARE, OR MAY BE DEEMED TO BE, *"FORWARD-LOOKING STATEMENTS".***

### 2.1 FORWARD-LOOKING STATEMENTS

Forward-looking statements can be identified by the use of forward-looking terminology, including the terms *''believes'', ''estimates'', "forecasts", "projects", ''anticipates'', ''expects'', "envisages", ''intends'', ''may'', ''will'', or ''should''* or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places within the Prospectus and include statements regarding the intentions, beliefs, or current expectations of the Issuer and, or the Directors concerning, amongst other things, the Issuer's strategy and business plans, financial condition and performance, results of operations, liquidity, prospects, investments, and the markets in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may, or may not occur, in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Issuer's and, or the Group's actual operational results, financial condition and performance, and trading prospects may differ materially from the impression created by the forward-looking statements contained in the Prospectus. In addition, even if the operational results, financial condition and performance, and trading prospects of the Issuer and, or the Group are consistent with the forward-looking statements contained in the Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, those factors identified under this section 2 of this Registration Document and elsewhere in the Prospectus.

All forward-looking statements contained in this Registration Document are made only as at the date hereof. Subject to applicable legal and regulatory obligations, the Issuer and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

### 2.2 CREDIT RISK

Credit risk arises principally through the Issuer's lending and factoring activities in Malta and Belgium and the placement of liquidity with banks domiciled in Malta and other European jurisdictions. Credit exposures through advances to Group undertakings and balances held with other Group undertakings located in European jurisdictions also give rise to credit risk, as do proprietary positions of the Issuer in financial or other instruments including investments in securitised instruments.

Credit risk is the possibility that a borrower or counterparty fails to meet its obligations in accordance with agreed terms, causing a financial loss to the Issuer. Within the context of the Issuer's lending activities, credit risk may, in particular, arise due to fluctuating quality of the customers' creditworthiness which can result in a growing rate of irregular receivables resulting from the customers' inability to fulfil their liabilities. The Issuer is also exposed to credit risk arising from interbank, commercial and retail loans and advances, syndicated facilities, factoring, balances with the Central Bank of Malta, and investments in debt securities and other financial instruments purchased as part of its liquidity management and investment activities.

In addition, changes in the credit quality of the Issuer's customers and counterparties, arising from systemic risks and macroeconomic factors in the Maltese and global financial system, can negatively affect the Issuer. Any failure by the Issuer to manage the credit quality of its borrowers or counterparties within prudent risk parameters and, or to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on the Issuer's business, financial condition, prospects, and, or results of operations.

## 2.3 LIQUIDITY RISK

Liquidity risk is the risk that the Issuer will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

Liquidity risk may arise, amongst others, from: (i) differences in the amounts and, or maturities of incoming and outgoing cashflows which could impact the ability of the Issuer to meet liabilities as they fall due; (ii) unforeseen economic and market conditions which could curtail the Issuer's access to deposits and other forms of funding, which, in turn, could limit the Issuer's access to funds to meet liabilities; (iii) the unexpected withdrawal of a large number of deposits which could arise due to, amongst others, prevailing economic conditions and, or negative public perception of the Issuer's trustworthiness and reputation; (iv) difficulties in accessing a product or market at the required time, price and volume; and, or (v) a high incidence of defaults across the Issuer's lending and factoring portfolio. The management of liquidity risk is central to the Issuer's viability and growth. The Issuer attempts to manage liquidity risk by maintaining a strong capital base to meet its liabilities when due and through a liquidity management process which is managed by the Issuer's treasury function and ALCO. Said processes include, evaluating the potential impacts of developments in the regulatory framework to the Issuer's liquidity profile; monitoring interest rate changes; monitoring the Issuer's interest rate maturity mismatch position; and monitoring adherence to internal and regulatory capital and liquidity requirements.

In the event that liquidity risks (including those mentioned above) arise and, or the Issuer's liquidity management processes are insufficient to mitigate and, or eliminate unexpected liquidity situations, this could result in the Issuer failing to meet obligations, repay creditors, and, or fulfil commitments, which could negatively impact the Issuer's business, financial condition, prospects, and, or results of operations.

## 2.4 OPERATIONAL RISK

Operational risk relates to the risk of direct or indirect loss arising from a wide variety of causes associated with the Issuer's processes, personnel, technology, infrastructure and from other external factors such as those arising from legal and, or regulatory requirements and generally accepted standards of corporate behaviour.

The Issuer's exposure to such operational risk and consequent losses can result from, amongst others, internal or external fraud (including, amongst others, credit, and, or identity fraud), errors by employees, inadequate employment practices and workplace safety measures, client claims, failure of the Issuer's systems or internal controls, failure to document transactions properly, failure to obtain proper internal authorisations, failure to comply with increasingly complex regulatory requirements and conduct of business rules, systems and equipment failures, failure to protect the Issuer's operations from increasingly sophisticated cyber-crime, loss or corruption of customer data or other sensitive information, damage to the Issuer's physical assets, natural disasters, or the failure of external systems (for example, those of the Issuer's counterparties or vendors).

Any losses arising from the above failures may result in direct or indirect losses and could have a material adverse effect on the Issuer's business, financial condition, prospects, and, or results of operations.

## 2.5 MARKET RISK

Market risks in respect of the Issuer arise, amongst others, from positions in currency and interest rate products which are exposed to market movements and changes in the level of volatility of market rates or prices, such as interest rates and foreign exchange rates. The Issuer's exposure to market risk is mainly in the form of interest rate risk and foreign exchange risk.

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates. Fluctuations in interest rates are influenced by factors outside the Issuer's control (such as the fiscal and monetary policies of governments and central banks and political and economic conditions in the countries in which it operates) and can affect the interest rate margin realised between lending and deposit and other borrowing costs, thereby affecting the Issuer's economic value of equity and, or income.

Foreign exchange risk arises on monetary assets and liabilities not denominated in the base currency of a company. Although the Bank's activities are predominantly in Euro, this being the Issuer's base currency, the financial position of the Issuer may be impacted by foreign exchange risk, which is the risk of adverse movements in the monetary value of assets and liabilities, and additionally of income and expenses, from the fluctuation of exchange rates in relation to the Euro.

Any significant fluctuations in interest rates and foreign exchange rates could therefore have a material adverse effect on the Issuer's financial position.

## 2.6 REPUTATIONAL RISK

Reputational risk is the risk of loss of goodwill, loss of customers and business, and, or a decline in profits as a result of a negative perception of the Issuer's image by relevant stakeholders. The Issuer could be exposed to reputational risk as result of, amongst others:

i. breach of, or allegations of the Issuer having breached, legal and regulatory requirements such as money laundering, anti-terrorism financing, and capital adequacy requirements, which may result in fines and, or other regulatory action being imposed or taken against the Issuer by, amongst others, the MFSA and, or the Financial Intelligence Analysis Unit ("**FIAU**");

ii. the Issuer acting, or facing allegations of having acted, unethically;

iii. the Issuer failing to address potential conflicts of interest;

iv. technology inefficiencies, disruption, or failures;

v. poor performance or operational results;

vi. the Issuer failing to maintain appropriate standards of customer privacy, customer service, and record keeping;

vii. risk of association in respect of issues being faced by competitors or the banking industry generally, which may or may not be directly applicable to the Issuer;

viii. unfavourable media coverage or measures taken by consumer protection bodies and, or consumer advocacy groups, including, in respect of the services and products offered by the Issuer; and, or

ix. failure by customers, consumer protection organizations, and the market at large, to understand the nature of the Issuer's business.

If any one or more of the above risks were to arise (or the Issuer were to face reputational damage for any other reason), relevant stakeholders may become unwilling to do business with the Issuer, which could have a material adverse effect on the Issuer's business, financial condition, prospects, and, or results of operations.

## 2.7 INFORMATION TECHNOLOGY AND CYBER-SECURITY RISK

The Issuer is reliant 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 core systems, risk management tools, credit analysis and reporting, accounting, customer service, and other information technology systems, as well as its communication networks to, from and within the main data processing centres, are critical to the Issuer's business and ability to compete effectively.

The Issuer's business activities would be materially disrupted if there were to be a partial or complete failure of any of these information technology systems or communication networks. Such failures could be caused by a variety of factors, many of which are wholly or partially outside the Issuer's control, including: (i) natural disasters; (ii) extended power outages; (iii) cyber-attacks (including malware attacks, ransomware, phishing, hacking, data theft, unauthorised use of data, bugs, or other malicious interference); (iv) deliberate or accidental loss, alteration, falsification, or leakage of information; and, or (v) destruction, disruption, errors, or misuse of information systems.

While the Issuer implements automation in several of its processes, the proper functioning of the Issuer's information technology systems also depends on accurate and reliable data and other system inputs, which are subject to human errors. Furthermore, any failure or delay in recording or processing the Issuer's transaction data or loss or leakage of confidential information could subject the Issuer to claims for losses and regulatory fines and penalties.

If any foregoing risks were to materialise, these could have a material adverse effect on the Issuer's business, financial condition, prospects ,and, or results of operations.

## 2.8 INFORMATION SECURITY AND DATA PROTECTION RISK

Information security and data protection risk relates to the risk of loss caused by deliberate or accidental loss, alteration, falsification, or leakage of information, or by destruction, disruption, errors, or misuse of information systems. Loss or leakage of confidential information could have a material adverse effect on the operations and performance of the Issuer.

The Issuer is also subject to comprehensive regulation regarding the use of personal customer data emanating principally from the GDPR. Compliance with the GDPR creates significant regulatory obligations for the Issuer and it will continue to have an ongoing impact on the acceptance, processing, and storage of personal data. The possible damage, loss, unauthorised processing, or disclosure of personal data could have a negative impact on the activity of the Issuer, in reputational terms too, and could give rise to negative consequences, including, financial loss and,or reputational damage.

## 2.9 REGULATORY RISK

The Bank is subject to a number of prudential and regulatory requirements designed, amongst others, to maintain the safety and soundness of banks, ensure banks' compliance with economic and other objectives, limit their exposure to risk, and safeguard consumers. These prudential and regulatory requirements stem from the following legislation to which the Issuer is subject, which includes, but is not limited to, PSD, CRD, BRRD, MCD, CCD (each transposed into Maltese law) and the CRR.

The Bank therefore faces risks associated with an uncertain and rapidly evolving prudential regulatory environment pursuant to which it is required, amongst other things, to adhere to stringent consumer credit legislation, maintain adequate capital and liquidity resources, and to satisfy specified capital and liquidity ratios at all times. In addition, although the Issuer is not currently classified as a significant institution under the single supervisory mechanism, it may, in the future, be deemed a significant institution and hence subject to a greater degree of regulation.

Additional, stricter, and, or new regulatory requirements may be adopted in the future and the interpretation and application by regulators of laws and regulations to which the Issuer is or may be subject may also change from time to time.

The substance and scope of any such laws and regulations (including new and amended ones) as well as the manner in which laws and regulations are (or will be) adopted, enforced, or interpreted could result in significant loss of revenue, limit the ability to pursue business opportunities in which the Bank might otherwise consider engaging or limit the ability to provide certain products and services, affect the value of assets held, impose additional compliance and other costs, or otherwise adversely affect its business.

## 2.10 FINANCIAL CRIME COMPLIANCE RISK

Financial crime compliance risk could arise should the Issuer fail to comply with anti-money laundering and prevention of financing of terrorism rules, laws, and regulatory procedures and, or otherwise fail to identify suspicious transactions, activities, or connections and, or protect customers from financial crime. Such failure may arise from: (i) lack of adherence to the appropriate regulatory environment and, or market practice; (ii) lack of implementation of directives, rules, regulations, and, or internal operating procedures; and, or (iii) inadequate internal controls to monitor level of adherence to the required standards inclusive of illegal practices such as bribery and corruption.

The materialisation of such risks could have a detrimental impact on customers and expose the Issuer to financial sanctions and regulatory reprimands and censure which could have a material adverse impact on the financial performance and condition of the Issuer. The effects of a sanctions breach or the failure to implement adequate anti-fraud, anti-bribery, and corruption measures could also give rise to additional and unwarranted financial or reputational risks.

## 2.11 RISKS RELATED TO COMPETITION IN THE BANKING INDUSTRY

The banking industry is particularly competitive, and pressures could increase due to several aspects including shifts in customer demand, competitors' strategies, regulatory changes, technological developments, and general economic trends.

The Bank is exposed to competition in the markets in which it operates, including from competitors that may have greater financial and other resources. In addition, the Bank may experience increased competition from new entrants in certain products. The banking sector is also experiencing significant technology related trends impacting the competitive landscape, which include competition from entities such as non-bank technology companies that provide digital-only products and services. As technology continues to disrupt the way traditional banking services are carried out, the Bank is subject to the risk of adapting to this form of potential competition. If the Bank does not respond appropriately to such competitive pressures, including by the introduction of innovative products and services, it may lose market share which in turn may have a negative impact on the Bank's financial performance and prospects.

## 2.12 RISKS CONNECTED WITH THE PERFORMANCE OF THE PROPERTY MARKET

The Bank is exposed to the risks of the property market, mainly because of: (a) loans granted to clients where the collateral securing the loan is immovable property; and (b) loans granted by the Bank to companies operating in the property sector. With respect to (a), poor market conditions and, or, more generally, a protracted economic or financial downturn could lead to a fall in value of the collateral properties as well as create significant difficulties in terms of monetisation of the said collateral under the scope of enforcement procedures, with possible negative effects in terms of realisation times and values. With respect to (b) above, any downturn in the real estate market could lead to a fall in market prices and a slowdown in the demand for real estate. As a result, the Bank's customers operating in the property sector may face a decrease in transaction volumes and margins as well as greater difficulties in refinancing, with negative consequences on the profitability of their activities, consequently impacting their ability to repay loans granted by the Bank. Although the Bank has a diversified lending portfolio, the Bank is exposed to the real estate market to some degree, and a potential correction in property prices could result in a decline, albeit limited, in the value of collateral, resulting in higher levels of non-performing loans and provisioning, which could in turn have a negative impact on the Bank's financial performance and condition.

## 2.13 RISKS RELATING TO KEY PERSONNEL

The Issuer is dependent, to a degree, on the skills, experience and efforts of its executives and upon their continued availability and commitment, whose contributions to immediate and future operations are of significant importance. The loss of any of the Issuer's executives could negatively affect the Issuer's business operations. From time to time, the Issuer also needs to identify and retain additional skilled management and specialised technical personnel to efficiently operate the business. Recruiting and retaining qualified personnel is critical to the success of the Issuer's business and there can be no assurance of the Issuer's ability to attract and retain such personnel.

If the Issuer is not successful in attracting and retaining qualified personnel, its ability to effectively conduct its business could be affected, which could have a material adverse impact on the financial performance and condition of the Issuer.

### 2.14 CONCENTRATION RISK

Concentration risk arises due to a high level of exposure by the Issuer to: (i) individual issuers or counterparties; (ii) a group of connected clients; (iii) industry sectors; (iv) a single currency; (v) credit exposures secured by a single security; (vi) product types; and, or (vii) geographical regions or countries (in particular, those countries on which the Issuer is dependent to generate high volumes of business). Although the Issuer is not currently exposed to concentration risk to a great degree, concentration risk is present in the Bank's factoring business as factored debtors are mainly active in Malta and Belgium.

Any major downturn in economic activity in markets where the Issuer is exposed to concentration risk could have a significant adverse impact on the financial performance and financial condition of the Issuer.

### 2.15 RISKS ASSOCIATED WITH CAPITAL ADEQUACY

The Issuer is required to adhere to capital adequacy regulations which require that it maintains appropriate capital resources in terms of both quantity and quality. Non-compliance with applicable capital requirements in the future may have a significant impact on the Issuer's operations and future sustainability. In particular, a perceived or actual shortage of capital held by the Issuer could result in actions by the regulatory authorities, including public censure and, or the imposition of sanctions. This may also affect the Issuer's capacity to access funding, continue its business operations, generate a sufficient return on capital, pay variable remuneration to staff, pay future dividends, or pursue strategic opportunities, and could have a material adverse impact on the financial performance and condition of the Issuer.

### 2.16 THE ISSUER RELIES ON EXTERNAL SERVICE PROVIDERS FOR IMPORTANT PRODUCTS AND SERVICES

The Issuer depends on a number of external service providers, being third-party service providers as well as related companies, for a variety of functions including for credit intermediation services, I.T. software and platforms, payment system services, back office, business process support, internet connections network access and deposit taking services.

If the Issuer's contractual arrangements with any of these providers are terminated for any reason or any third-party service provider becomes otherwise unavailable or unreliable in providing the service to the required standards or service level agreements, the Issuer will have to identify and implement alternative arrangements.

The Issuer may not find a suitable alternative third-party provider or supplier for the services, on a timely basis, on at least equivalent terms or on commercially viable terms without incurring a significant amount of additional costs, or at all. These factors could cause a material disruption in the Issuer's operations and could have a material adverse financial or reputational impact on the Issuer.

The Issuer is also subject to risk with respect to security breaches affecting the third-party providers and other parties that interact with these service providers. As the Issuer's interconnectivity with these third parties grows, it increasingly faces the risk of operational failure with respect to the Issuer's systems. In addition, any problems caused by these third parties, including as a result of them not providing the Issuer with their services for any reason, or performing their services poorly, could adversely affect the Issuer's ability to deliver products and services to customers and otherwise conduct its business, which could have a negative impact on the Issuer.

## 3. PERSONS RESPONSIBLE AND STATEMENT OF APPROVAL

### 3.1 PERSONS RESPONSIBLE

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 all taken reasonable care to ensure 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 accept responsibility accordingly.

### 3.2 STATEMENT OF APPROVAL

This Registration Document has been approved by the MFSA as the competent authority in Malta for the purposes of the Prospectus Regulation. The MFSA has only approved this Registration Document as meeting the standards of completeness, comprehensibility, and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer or the Group (as the subjects of this Registration Document).

# 4. ADVISERS AND STATUTORY AUDITORS

## 4.1 ADVISERS

| | |
|---|---|
| **LEGAL COUNSEL** | **Camilleri Preziosi**<br>Level 3, Valletta Buildings, South Street,<br>Valletta VLT 1103, Malta |
| **SPONSORS** | **M.Z. Investment Services Limited**<br>61, M.Z. House,<br>St Rita Street,<br>Rabat RBT 1523, Malta<br><br>**Rizzo, Farrugia & Co. (Stockbrokers) Ltd.**<br>Airways House, Fourth Floor,<br>High Street,<br>Sliema SLM 1551, Malta |
| **MANAGER AND REGISTRAR** | **M.Z. Investment Services Limited**<br>61, M.Z. House,<br>St Rita Street,<br>Rabat RBT 1523, Malta |

The services of the Issuer's advisers in respect of this Prospectus are limited to the specific matters upon which they have been consulted. There may be other matters that would have a bearing on the Issuer or an investment in the Bonds upon which the Issuer's advisers have not been consulted. The Issuer's advisers do not undertake to monitor the compliance by the Issuer with its obligations as described in this Prospectus, nor do they monitor the Issuer's activities for compliance with applicable laws. Additionally the Issuer's advisers have relied and continue to rely upon information furnished to them by the Issuer and the Directors, and have not investigated or verified, nor will they investigate or verify the accuracy and completeness of information set out herein concerning the Issuer, the Issuer's service providers or any other parties involved in the Bond Issue (including all of their respective affiliates, directors, officers, employees and agents). Moreover, the Issuer's legal counsel and the other advisers accept no responsibility for any description of matters in this Prospectus that relate to, and any issues arising from, any applicable law that is not Maltese law.

## 4.2 STATUTORY AUDITORS

**KPMG**
92, Marina Street,
Pieta' PTA 9044, Malta

**PricewaterhouseCoopers Malta**
78, Mill Street,
Zone 5, Central Business District,
Qormi CBD 5090, Malta

The annual statutory financial statements of the Issuer for the financial year ended 31st December 2019 and 31st December 2020 have been audited by KPMG. 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) and bearing Accountancy Board registration number AB/26/84/12. KPMG resigned with effect from 26th March 2021, in line with mandatory rotation requirements of the external auditor following the lapse of the allowable engagement period in accordance with applicable EU regulations concerning public interest entities.

The annual statutory financial statements of the Issuer for the financial year ended 31st December 2021 have been audited by PricewaterhouseCoopers Malta. PricewaterhouseCoopers Malta 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) and bearing Accountancy Board registration number AB/26/84/38.

# 5. INFORMATION ABOUT THE ISSUER

## 5.1 GENERAL INFORMATION ABOUT THE ISSUER

| | |
|---|---|
| **LEGAL AND COMMERCIAL NAME** | Izola Bank p.l.c. |
| **REGISTERED ADDRESS** | 53 – 58, East Street, Valletta, Malta |
| **PLACE OF REGISTRATION AND DOMICILE** | Malta |
| **REGISTRATION NUMBER** | C 16343 |
| **LEGAL ENTITY IDENTIFIER ('LEI')** | 2138003IGGAUDLPNC244 |
| **DATE OF REGISTRATION** | 8 June, 1994 |
| **LEGAL FORM** | The Issuer is lawfully existing and registered as a public limited liability company in terms of the Act. |
| **TELEPHONE NUMBER** | +356 2792 2040 |
| **EMAIL** | info@izolabank.com |
| **WEBSITE** | https://www.izolabank.com/mt-en/ |

Unless it is specifically stated herein that particular information is incorporated by reference into this Prospectus, the contents of the Issuer's website or any other website directly or indirectly linked to the Issuer's website, or any other website referred to herein, do not form part of the Prospectus. Accordingly, no reliance ought to be made by any investor on any information or other data contained in such website as a basis for a decision to invest in the Bonds.

## 5.2 HISTORICAL BACKGROUND OF THE ISSUER

The Issuer forms part of the Van Marcke Group, the largest plumbing and heating wholesaler in Belgium and a manufacturer and retailer of sanitary ware, bathroom furniture and related products. The Van Marcke Group operate over 140 stores in Belgium, France, the USA, Switzerland, and Luxembourg.

The Issuer was incorporated on 8 June, 1994 as Izola Bank Limited under the Commercial Partnerships Ordinance, 1962 (Cap. 168 of the Laws of Malta). On 13 June, 1994 the Issuer was granted a licence to carry on the business of banking as a credit institution, servicing only non-residents. 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 the Bank with a new licence in terms of the Banking Act.

As from September 2005, the Issuer was authorised to conduct general banking activities in all currencies, except the Maltese Lira, servicing 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 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 10 June, 2010, the MFSA authorised the admissibility to listing of a debt issuance programme by the Bank, which, on 30 June, 2010, proceeded to issue €9,000,000 5.35% Secured Notes, redeemable in 2015. Upon maturity of the said notes, the Bank issued €12,000,000 4.5% Unsecured Bonds, redeemable in 2025, which were admitted to listing on the Official List of the MSE on 20 June, 2015.

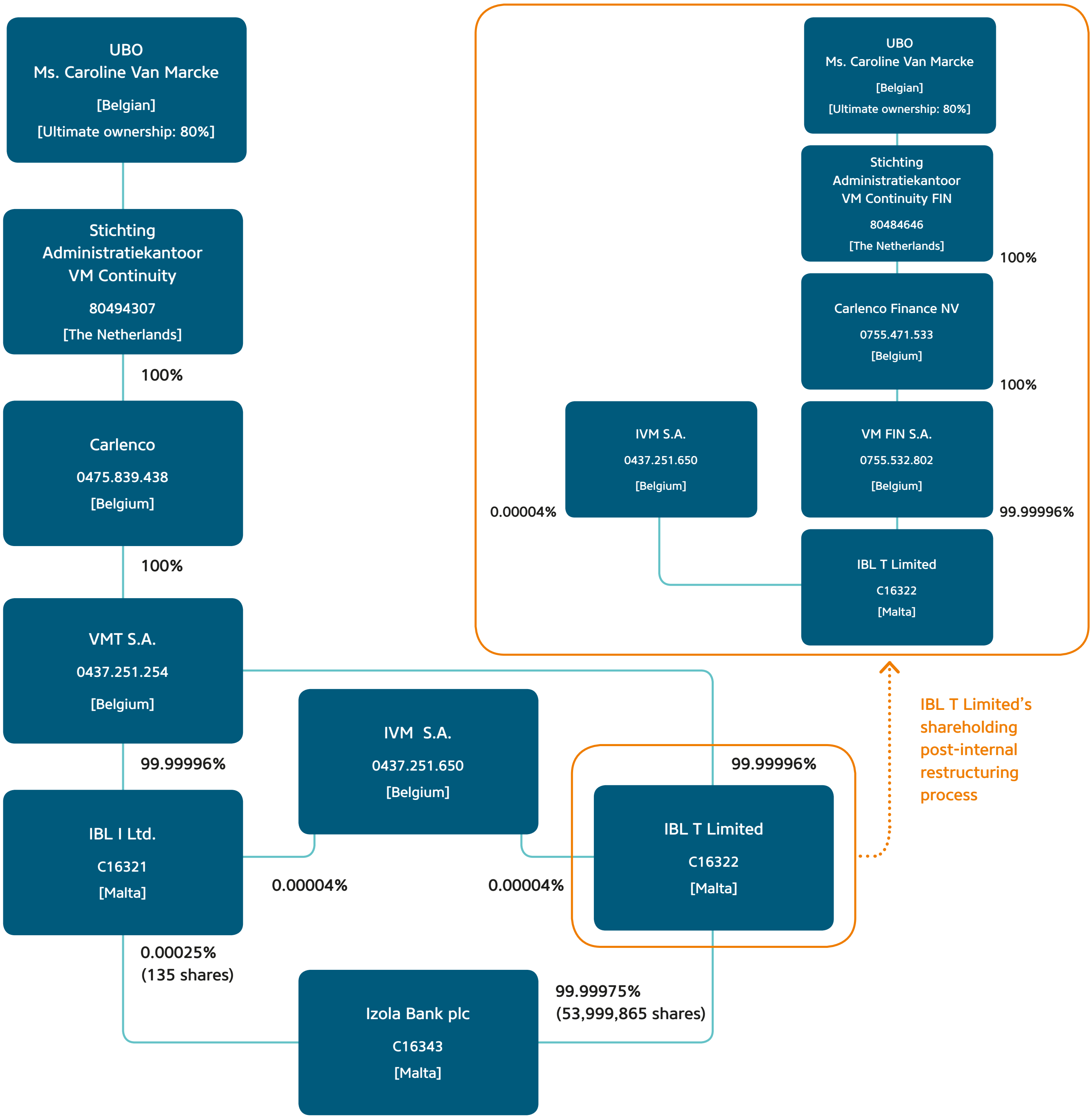
Since 1994 the Issuer has been heavily involved in Van Marcke Group's treasury operations, particularly in the areas of cash and liquidity management, as well as lending and factoring. Over the years the Issuer's business model has evolved and it now enjoys a much wider customer base, both corporate and retail, in Malta and Belgium.

The Issuer launched Euro term deposits to the Maltese market in 2010. In 2015 the Issuer unveiled a rebranded identity to mark its 21 years of banking operations in Malta and introduced its 'Izola Saver' online savings platform. It further extended its diversification strategy with the launch of 'Izola Factor' in 2016 and corporate lending and vehicle financing in 2017.

Following a steady period of sustained growth and increased diversification in third party business, the Issuer introduced retail mortgage lending in Q1 of 2022 and embarked on a holistic digital transformation programme to ensure delivery of its future growth objectives in line with its business model and strategy.

## 6. ORGANISATIONAL STRUCTURE OF THE GROUP

The organisational structure of the Group as at the date of this Registration Document is illustrated in the diagram below, indicating the position of the Issuer within the Group.




As illustrated in the diagram above, IBL T Limited (C 16322) holds 99.99% of the issued share capital of the Issuer, with the remaining 0.01% held by IBL I Limited (C 16321). In turn, the majority shareholder of the Issuer, IBL T Limited, is owned by VMT S.A. (registration number: 0437.251.254), a wholly owned subsidiary of Carlenco NV, a company registered in Belgium with company number 475.839.438). The ultimate beneficial owner of the Issuer is Caroline Van Marcke, whose interests in Carlenco NV are represented through Stichting Administratiekantoor VM Continuity (registration number 80494307). It is pertinent to note that the Group is in the process of formalising an internal restructuring process, resulting in VMT S.A.'s holding in IBL T Limited being transferred to another entity within the Group, namely, VM FIN S.A. (registration number: 0755.532.802), a wholly owned subsidiary of Carlenco Finance NV, a company registered in Belgium with company number 0755.471.533. This restructuring will have no effect on the ultimate beneficial ownership of the Issuer which remains vested in Caroline Van Marcke, whose interests in Carlenco Finance NV are represented through Stichting Administratiekantoor VM Continuity Fin (registration number 80484646).

The Group's activities are diverse; it is the largest plumbing and heating wholesaler in Belgium and a manufacturer and retailer of sanitary ware, bathroom furniture and related products. The Group is also involved in packaging and transportation.

# 7. PRINCIPAL ACTIVITIES AND MARKETS OF THE ISSUER

## 7.1 PRINCIPAL ACTIVITIES

The Issuer is licensed by the MFSA to carry on the activities of a credit institution in terms of the Banking Act, as well as the following additional activities: financial leasing; payment services as defined in the Financial Institutions Act; issuing and administering other means of payment insofar as this activity is not covered by the immediately preceding activity; participation in securities issues and the provision of services related to such issues; and trading for own account in: money market instruments, foreign exchange, exchange and interest rate instruments and transferable securities.

The Bank was initially launched to support its Group's treasury operations, particularly in the areas of cash and liquidity management, as well as lending and factoring. Over the past years, the Issuer's business model has evolved from an inward-looking model that largely serviced the banking requirements of the Group, to an outward-looking model that now generates most of its business revenues through the wider market.

### Main products sold and services performed

The Bank's core business segments are considered to be: (i) factoring; (ii) lending; (iii) deposit-taking; and (iv) liquidity management.

### (i) Factoring

'Factoring' is an alternative means of finance whereby a factor (a credit or financial institution) purchases a company's accounts receivables. The factor would proceed to collect the full amount from the debtor and pay the balance due to the company.

The Bank offers four types of factoring services:

- factoring to Group companies, with factored debtors operating principally in the property, building and construction sectors;
- the 'Izola Factor' offering, which is designed to help small to medium sized enterprises in the Maltese and Belgian markets;
- factoring of bills of exchange ('BOE') for retail purposes in Malta, currently centred on the motor vehicle importation sector. BOE factoring in the local market represents the largest portion of factored receivables on the Bank's balance sheet, surpassing factoring to Group companies. This product has grown over the years, representing 24% of the Bank's asset base, totalling €95 million in FY2021;
- financing of online B2B marketplaces through single invoice factoring.

The Bank will continue to focus on two key business products which have yielded strong results over the past three years: the 'Izola Factor' offering and the factoring of Bills of Exchange. As the Bank continues to grow these product lines, emphasis will be directed towards augmenting the local market. As at the end of FY2021, BOE exposures represented 17% of the Bank's assets, declining marginally from €69.1 million in 2020 to €66.5 million, whilst the 'Izola Factor' portfolio comprised 2% of the Bank's assets at €7.6 million, an increase from the €5.8 million in FY2021.

Looking ahead, the Bank aims to improve its factoring offering in the coming months to enrich the end-user experience and provide more flexible solutions tailored to customer requirements.

Additionally, in early FY2022, the Bank entered into an agreement with an international group of companies which operates a B2B marketplace intended to streamline, integrate, and automate certain business functions, including e-invoicing. This agreement will allow the marketplace to offer its client base single invoice financing which will be provided by the Bank. The Bank is optimistic that such a partnership will result in the establishment of a significant revenue stream.

### (ii) Lending

The Bank provides a range of corporate lending services to medium-sized and large enterprises, including commercial mortgages, overdrafts, revolving facilities, accounts receivables financing, commercial working capital facilities, capital expenditure financing, and project financing designed around client requirements. Lending is considered a key strategic growth driver for the Bank, having grown steadily over the past four years from an asset base of €65.5 million at the end of FY2017 to €131.1 million at the end of FY2021, representing 33% of the Bank's asset base.

In May 2020, the Bank launched a new product named 'Izola Boost' in collaboration with the Malta Development Bank (MDB), which was designed to aid Maltese businesses that experienced revenue losses and cashflow disruptions as a result of the COVID-19 pandemic. The product enabled businesses to access critical liquidity, helping them ensure survival.

As the world economies aim to transition from fossil fuels toward renewable and cleaner energy production, the Bank has developed a structured product to assist local businesses in investing in solar farms thus reducing their carbon footprint.

The Bank's net interest income growth has been well supported by the growth registered in its factoring and commercial lending portfolio. In continuing its growth journey, the Bank is intent on evolving its product and service offerings by expanding its targeted factoring activities, as well as broadening its lending portfolio as explained hereunder:

- *Corporate lending*

  The Bank has resolved to take a selective approach to corporate lending and has so far developed corporate relationships in a wide variety of economic sectors, including commercial real estate, the car importation sector, the retail industry, the property development sector, and large multi-sector groups. The Bank's goal is to offer tailored facilities aimed at assisting SMEs with the financing challenges they face in the market.

- *Retail mortgage lending*

  Q1 2022 saw the launch of the Bank's new home loan product in collaboration with Finance House p.l.c., an authorised financial institution licensed in terms of the Financial Institutions Act. The introduction of home loans is part of the Bank's strategy to diversify its product range in the local market. Whether potential customers will be looking to buy a new property or refinance their existing mortgage, the Bank aims to remove the complexity from the whole process to ensure a more personalised, efficient, and streamlined service throughout the term of the mortgage.

- *Green lending*

  Conscious of the growing importance of environmental, social, and governance considerations, the Bank aims to promote its green lending product, which is reflective of its wider ambition to integrate sustainability into its financing solutions. This product is expected to grow in the coming years and the Bank intends to build on its ability to assist enterprises investing in the green economy.

  Similarly, the transition from conventional cars to electric vehicles is accelerating, directly impacting auto makers and dealers alike. The Bank will remain at the forefront of assisting businesses in the mobility sector, supporting its customers in developing new and innovative means of being mobile while decreasing carbon emissions through tailormade advantageous financing for electric vehicles.

#### (iii) Deposit-taking

The Bank's activities are predominantly funded by deposits offered to retail and corporate clients, mainly originating from Malta, Belgium and Germany. These include current, savings, and term deposit accounts offered through various product lines, including the 'Izola Saver' and the 'Izola Saver+' for retail depositors, and other corporate savings and term deposits.

The Bank's deposits have grown steadily over the past six years, from €107 million in FY2015 to €297 million in FY2021. A main contributor to this growth is the Bank's successful online 'Izola Saver' product, which allows customers to open and monitor online savings and term deposit accounts using a simple, user-friendly interface, needing minimal intervention by the Bank's personnel.

In recent years the Bank supplemented retail and institutional deposits with liquidity raised through online platforms. This allows the Bank to take advantage of innovative technologies that were previously unavailable, therefore remaining relevant to the modern consumer as well as competitive in terms of attracting term deposits at a relatively lower cost.

#### (iv) Liquidity management

The Bank holds a sizeable portfolio of investments, consisting of local corporate bonds, government bonds and money market funds. Investment in these products ensures that a significant portion of its assets remain accessible within a very short period. Investments are spread across different portfolios to ensure diversification. At end FY2021, the Bank's investment portfolio comprised 29% of the Bank's asset base, totalling €117 million, with sovereign bonds comprising 64% of the total portfolio, with the remaining 36% being split between local corporate bonds and money market funds.

The investment portfolio is monitored on a regular basis by the Finance and Treasury teams and investment propositions are discussed during ALCO meetings.

### 7.2 PRINCIPAL MARKETS

The Issuer is lawfully authorised to passport certain services in several EEA Member States, namely: Belgium, France, Luxembourg, Netherlands, Germany, Austria, and Spain.

## 8. TREND INFORMATION

There has been no material adverse change in the prospects of the Bank since the date of publication of the latest audited financial statements.

The strategy defined by the Bank over recent years has resulted in a robust balance sheet growth yielding positive returns, year after year. The overall strategy, underlying principles, and supporting initiatives are revisited annually by the Board of Directors. Such a methodology ensures that the Bank operates a sustainable, forward-looking strategy and a financial plan for a minimum period of three years. In view of the ever-changing regulatory landscape, the Bank continues to invest in its systems and takes the necessary measures to ensure it remains compliant with the existing and anticipated regulatory industry standards.

The overall growth of the local economy in 2021 led to a positive effect on the Bank's performance, with a healthy increase in the commercial loans business. With net interest income generated from lending and factoring activities being the main contributor to the Bank's total income, it is anticipated that this will not be unduly affected by existing macro-economic pressures and geopolitical tensions. Furthermore, with European policymakers expected to recommend a gradual increase in interest rates to rein in inflation, the Directors do not consider the Bank to be unduly exposed to adverse interest rate margins in view of the nature and maturity profiles of both the credit and deposit portfolios.

Save for the effects of a more pronounced economic slowdown and changes within the regulatory sphere, the Bank is not aware of any other factors or events which are likely to have a material impact on the Bank's prospects in the current financial year.

# 9. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

## 9.1 THE BOARD OF DIRECTORS OF THE ISSUER

As at the date of this Registration Document, the Board of Directors of the Issuer is composed of the following eight Directors:

| NAME AND IDENTIFICATION DETAILS | DESIGNATION |
|---|---|
| **Simon Azzopardi**<br>(Maltese ID 182384M) | Independent non-executive director |
| **Magdalena De Roeck**<br>(Belgian passport number 293001372506) | Non-executive director |
| **Francis Gouder**<br>(Maltese ID 866550M) | Independent non-executive director |
| **Alain Malschaert**<br>(Belgian ID 591-9572201-52) | Independent non-executive director |
| **Andrew Mifsud**<br>(Maltese ID 114065M) | Executive director and Chief Executive Officer |
| **Guido Mizzi**<br>(Maltese ID 809353M) | Independent non-executive director |
| **Patrick H. Van Leynseele**<br>(Belgian ID 590-9524507-06) | Independent non-executive director |
| **Caroline Van Marcke**<br>(Belgian ID 591-1082441-23) | Non-executive director and Chairperson |

**Calvin Bartolo**, holder of Maltese identity card numbered 199984M is the company secretary of the Issuer.

The business address of the Directors and the company secretary is that of the Bank.

## 9.2 CURRICULA VITAE OF DIRECTORS OF THE ISSUER

| | |
|---|---|
| **Simon Azzopardi** | Appointed to the board in July 2019, Mr Azzopardi holds a B.Sc. in Commerce from the University of Malta and an M.Sc. in Computing from Oxford Brookes University. Mr Azzopardi has an extensive background in product development predominantly in the financial services and other regulated industries. Mr Azzopardi also holds several advisory, board, and investor roles in Europe and the U.S. dealing with technology businesses including Sherpa Score, Silicon Valletta and SXSW. |
| **Magdalena De Roeck** | Ms De Roeck was appointed to the Board in February 2006 and served as Chairperson from 2010 till 2022. A UCL business engineering graduate from the Catholic University of Louvain, Belgium, Ms De Roeck is the non-executive Chairperson of the Van Marcke Group. |
| **Francis Gouder** | Appointed to the Board in May 2015, Mr Gouder has extensive banking experience having worked for 45 years in the banking sector, both at branch and head office level. Mr Gouder joined Barclays and also worked for Mid-Med Bank and HSBC Bank. His last post at HSBC Bank Malta p.l.c. was that of Area Director. He was an adviser to the executive committee at Banif Bank (now BNF Bank p.l.c.) and subsequently was appointed head of private banking at Banif Bank. He presently holds several other non-executive directorships. |
| **Alain Malschaert** | Mr Malschaert joined the board in March 2022, and is also the Chairman of Izola Bank's Credit Committee. He has extensive experience in financial services, with a career spanning over four decades. He held various senior positions within the retail and corporate banking divisions of Banque Bruxelles Lambert/ING Belgium. Mr Malschaert was the General Manager of Credit Risk Management Belux for 10 years. In 2017 he joined a leading Belgian based debt restructuring and collection company, Fiducre S.A., as the CEO. Since 2021, Mr Malschaert has sat on the board of a number of corporate firms, as well as service based and cultural organizations. He is presently a lay judge specialising in Corporate Affairs at the Commercial Court of Brussels. Mr Malschaert holds a Master of Economics degree from Vrije Universiteit Brussel. |
| **Andrew Mifsud** | Mr Mifsud is an Associate of the Chartered Institute of Bankers and holder of an MBA specialising in banking from the University of Exeter. Mr Mifsud joined the Bank in 1994 as a Banking Executive and was appointed General Manager in 1998 and Executive Director from 2019. Mr Mifsud has, since December 2011, served as Chief Executive Officer of the Bank. Mr Mifsud previously held positions with National Westminster Bank plc, London and Melita Bank Limited, Malta (subsidiary of Istituto Bancario San Paolo di Torino). |
| **Guido Mizzi** | A Fellow of the Association of Chartered Certified Accountants, Mr Mizzi was appointed to the Board in September 2010. Mr Mizzi's career in the audit and accounting profession spanned over a period of 30 years, the last seven years of which he served 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** | Mr Van Leynseele was 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 law firm Daldewolf. He is a non-executive director on the boards of several companies of the Van Marcke group. |
| **Caroline Van Marcke** | Appointed to the Board in January 2000. Ms Van Marcke is a business engineering graduate from the Solvay Business School at the University of Brussels. In 2014 she became the CEO and executive director of the Van Marcke Group, as well as the majority shareholder. Under her tenure she steered the Group into a new age of business including the launch of e-commerce channels, green-inspired concept showrooms, the further expansion of the Group's operations internationally into the Netherlands, France, Luxembourg and US markets, and the launch of a fully carbon neutral distribution centre in Belgium. She was previously the President of FEST, the European Federation of the Sanitary & Heating Wholesale Industry. |

## 9.3 POTENTIAL CONFLICTS OF INTEREST

As at the date of this Registration Document, the Issuer has identified and managed the following roles which may give rise to conflicts of interest:

i. Magdalena De Roeck and Caroline Van Marcke have an indirect beneficial interest in the shareholding of the Issuer through their indirect shareholding in Carlenco NV (and Carlenco Finance NV post-restructuring, referred to in sections 6 above and 11 below); and

ii. Magdalena De Roeck, Caroline Van Marcke and Patrick H. Van Leynseele are directors of the Issuer and other companies of the Group.

Save as stated above, there are no other identified conflicts of interest between the duties of the Directors or the members of the senior management team towards the Issuer and, or the Group and their private interests and, or other duties.

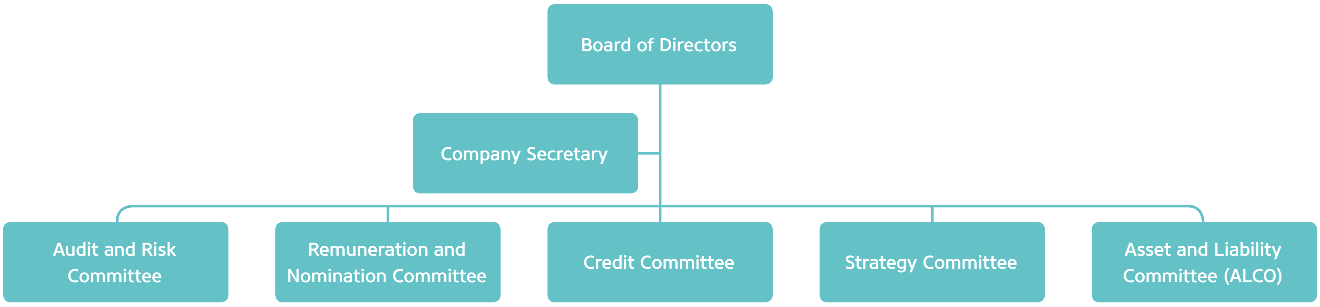
## 9.4 SENIOR MANAGEMENT

| | |
|---|---|
| **Andrew Mifsud** | *Chief Executive Officer*<br><br>The *curriculum vitae* of Andrew Mifsud may be found in section 9.2 above. |
| **Calvin Bartolo** | *Head of Finance and Treasury*<br><br>Mr Bartolo joined the Bank in November 2010 as Finance Officer and was appointed Financial Controller in June 2014. He is responsible for Finance & Treasury and also acts as Company Secretary of the Bank. He has previously held the position of Internal Auditor within the Middlesea Group. Mr Bartolo 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. |
| **Adrian Formosa** | *Head of Operations*<br><br>Mr Formosa joined the Bank in January 2015 as an Operations Manager. He is responsible for the management of the Operations function, Customer Relations, and assists the CEO 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. |
| **Josef Frendo** | *Head of Credit*<br><br>Mr Frendo joined Izola Bank p.l.c. in September 2017 as the Head of Credit. He is responsible for the management of the Credit function and in building sustainable customer relationships. He holds qualifications in Banking obtained from the Institute of Financial Services, of which he is also an associate. He has over 20 years' experience in the financial services sector with HSBC Bank p.l.c., where he has worked in different sections, both locally and abroad, providing him with substantial expertise in banking services. |
| **Simon Agius** | *Head of Risk and Compliance*<br><br>Mr Agius joined Izola Bank in May 2021 as Head of Risk and Compliance. He holds a Master's Degree in Banking and Corporate Finance and is responsible for ensuring that an effective internal compliance function is in place and that the Bank's chosen risk management framework is fully implemented in all areas. He has been in the banking industry for the last 23 years, the last 9 years specifically in the Risk, Compliance, and Anti Financial Crime sections of Bank of Valletta, where he has also held roles such as Risk Manager and Manager of Quality Assurance in the Anti Financial Crime Section. |
| **Gordon Briffa** | *Head of ICT*<br><br>Mr Briffa joined the Bank in September 2015 as an ICT Manager. He is responsible for the management of the IT Operations, Projects, and Support. He has more than 15 years of IT experience mainly in the Financial Services and Oil & Gas sectors both locally and overseas. He is a graduate of Portsmouth University in Computer Science. |
| **Petra Sant** | *Head of Human Resources*<br><br>Ms Sant joined the Bank in September 2021 and heads the Bank's Human Resource Department. She holds an M.Sc in Occupational Psychology from Birkbeck College, University of London. Prior to joining the Bank, she worked as an HR Consultant at KPMG, forming part of their People and Change Advisory team. She then moved to Elmo Insurance Limited as Head of HR. Ms Sant has experience in developing and implementing talent management strategies for organisations. She also has a background in academic research on topics such as talent management, employee engagement, interpersonal relationships, and workplace bullying in Malta. Ms Sant is committed to developing HR solutions that maximise potential through aligning core business objectives with corporate values and culture. |

# 10. BOARD PRACTICES

## 10.1 BOARD COMMITTEES

The Directors have constituted the following specialised committees, the terms of reference of which shall be determined by the Board of Directors from time to time with the purpose of fulfilling the below-mentioned purposes. Each committee shall report on its functions and make recommendations to the Board of Directors upon request, addressing matters falling within its remit as outlined in its terms of reference. Such reports shall be made through the Chairperson of each committee.




### 10.1.1 Audit and Risk Committee

The Audit and Risk Committee's primary objective is to assist the Board of Directors in fulfilling its oversight responsibilities over the Bank's financial and regulatory reporting processes, accounting policies and practices, and the risk management and control framework.

The Audit and Risk Committee oversees the conduct of the internal and external audit and acts to facilitate communication between the Board of Directors, management, and the internal and external auditors. The Audit and Risk Committee approves the internal audit work plan, which will include assessment of controls relating to financial reporting and other risks, as appropriate. The Audit and Risk Committee also has the responsibility to appoint the external auditors, review and monitor the external auditor's independence, and assess the effectiveness of the statutory audit process.

The Audit and Risk Committee is entrusted with the review of the Bank's risk-related policies, internal control systems and policies, the risk register, and the Bank's risk appetite statement. Furthermore, the Audit and Risk Committee monitors the effectiveness of internal quality control and risk management systems within the Bank, including mechanisms to identify, measure, monitor and report risks.

In addition, the Audit and Risk Committee has the role and function of evaluating any proposed transaction to be entered into by the Issuer and a related party to ensure that the execution of any such transaction is at arm's length, on a commercial basis and ultimately in the best interests of the Issuer. Furthermore, the Audit and Risk Committee has the role of assessing any potential conflicts of interest between the duties of the Directors and their respective private interests or duties unrelated to the Issuer.

The Audit and Risk Committee is made up entirely of non-executive independent Directors. Audit and Risk Committee members are appointed for a period of three years, unless terminated earlier by the Board. The Audit and Risk Committee is composed of Guido Mizzi (independent non-executive Director), Simon Azzopardi (independent non-executive Director), and Patrick H. Van Leynseele (independent non-Executive Director). The Chairman of the Audit and Risk Committee, appointed by the Board, is entrusted with reporting to the Board on the workings and findings of the Audit and Risk Committee. Guido Mizzi occupies the post of Chairman of the Audit and Risk Committee. Guido Mizzi is considered by the Board to be competent in accounting and, or auditing in terms of the Capital Markets Rules.

### 10.1.2 Remuneration and Nomination Committee

In view of its size, the Issuer has taken the view that whilst it considers the role and function of each of the remuneration and the nomination committee as important, it would be more efficient for these committees to be merged into one committee (the "**RemNom Committee**") that would serve a dual role.

In its function as remuneration committee, the RemNom Committee is charged with the oversight of the remuneration policies implemented by the Issuer with respect to its management and employees. Its objectives are those of determining a remuneration policy aimed to attract, retain and motivate directors, whether executive or non-executive, as well as senior management with the right qualities and skills for the benefit of the Issuer. It is responsible for making proposals to the Board on the individual remuneration packages of directors and senior management and is entrusted with monitoring the level and structure of remuneration of the non-executive directors. In addition, the RemNom Committee is responsible for reviewing the performance-based remuneration incentives that may be adopted by the Issuer from time to time, and is authorised to determine whether a performance-based bonus or other incentive should be paid out or otherwise.

In its function as nomination committee, the RemNom Committee's task is to propose to the Board of Directors candidates for the position of director, including persons considered to be independent in terms of the Capital Markets Rules, whilst also taking into account any recommendation from shareholders. It is to periodically assess the structure, size, composition, and performance of the Board of Directors and make recommendations to the Board of Directors regarding any changes, as well as consider issues related to succession planning. It is also entrusted with reviewing the Board of Directors' policy for selection and appointment of senior management.

The RemNom Committee is composed of Francis Gouder (Chairperson) (independent non-executive Director), Caroline Van Marcke (non-executive Director), and Patrick Van Leynseele (independent non-executive Director).

### 10.1.3 Credit Committee

The Credit Committee has been delegated authority for the approval of credit applications within the thresholds defined and approved by the Board of Directors and outlined in its credit policy. It is tasked with reviewing and contributing to defining the Bank's credit objectives and credit risk management strategies. It is the Credit Committee's responsibility to propose actions to respond to trends affecting the Bank's credit exposures.

The Credit Committee comprises a minimum of three members, the majority of whom are independent non-executive directors. In order to secure management representation, the Chief Executive Officer shall be a member of the Credit Committee *ex officio*. The Credit Committee is composed of Alain Malschaert (Chairperson) (Independent non-executive Director), Francis Gouder (independent non-executive Director), and Andrew Mifsud (Chief Executive Officer and executive Director), and operates within a Board-approved credit sanctioning limit. Proposals falling outside the Credit Committee's limits are referred, together with the Credit Committee's recommendations, to the Board of Directors for the Board's consideration and determination.

The Committee meets at least four times a year, or more frequently as required.

### 10.1.4 Strategy Committee

The Strategy Committee was developed as a forum for analysing business and strategic options and is responsible for making recommendations to the Board of Directors on the Bank's business model and forward-looking strategy, taking into consideration the risks and opportunities related to various strategies. The Strategy Committee also advises the Board of Directors on proposals for, and the creation of, new products, and, or business lines. Such committee is also responsible for analysing the implementation of the business model and strategy or any changes thereof, including any potential IT consequences.

It is composed of three directors, namely Simon Azzopardi (Chairperson) (independent non-executive director), Caroline Van Marcke (non-executive Director), and Andrew Mifsud (Chief Executive Officer and executive Director), and meets at least once a year. On an annual basis, the Chairperson reports on the Committee's activities and submits recommendations on areas falling within its remit.

### 10.1.5 Asset and Liability Management Committee (ALCO)

The Asset and Liability Management Committee (ALCO) monitors the Bank's financial performance, and reviews and manages financial risk in accordance with the Bank's strategy, policies and procedures, and regulatory limits. The ALCO also manages the Bank's investment portfolio in line with its investment objectives and risk appetite, and recommends adjustments to be made to the Bank's funding strategy. Furthermore, the ALCO is entrusted with the monitoring of the Bank's interest rate maturity mismatch position, risks, movements and developments to the net interest margin. It also ensures compliance with internal and regulatory capital and liquidity requirements.

The ALCO is composed of three members, being the Chief Executive Officer who chairs the Committee (Andrew Mifsud), the Head of Finance and Treasury (Calvin Bartolo), and the Senior Finance and Treasury Manager (Kurt Grima). It meets at least four times a year, or more frequently as required. The Committee chair reports on the activities of the Committee and submits information on areas falling within its remit to the Board of Directors on a quarterly basis.

## 10.2 COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

In accordance with the terms of the Capital Markets Rules, the Issuer should endeavour to adopt the principles of the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules (the "**Code**"). The Issuer declares its full support of the Code and undertakes to fully comply with the Code to the extent that this is considered complementary to the size, nature, and operations of the Issuer. The Issuer supports the Code and is confident that the application thereof shall result in positive effects accruing to the Issuer.

On an annual basis in its annual report, the Issuer reports on the extent of its adoption of the principles of the Code for the financial period being reported upon, in line with the "comply or explain" philosophy of the Code, explaining the reasons for non-compliance, if any.

As at the date of this Prospectus, the Board of Directors considers the Issuer to be in compliance with the Code save for the following exceptions:

**Principle 2 (Chairman and Chief Executive) – Code Provision 2.3**

The Chairperson of the Bank cannot be considered independent in accordance with the principles relating to independence contained in the Code. However, the Board is of the view that this does not impinge on her ability to bring to bear independent judgement to the Board.

**Principle 4 (The Responsibilities of the Board) – 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 Chairperson should hold key responsibility. The Board does not have a succession policy in place for the future composition of the Board of Directors. This approach may be revised in the future in line with changes to the Bank's size and, or organisational structure.

**Principle 6 (Information and Professional Development) – Code Provision 6.4.4**

Code Provision 6.4.4 recommends that the Chief Executive Officer establishes a succession plan for senior management. The Board does not have a succession policy in place for senior management. This approach may be revised in the future in line with changes to the Bank's size and, or organisational structure.

**Principle 7 (Evaluation of the Board's performance) – Code Provision 7.3**

Code Provision 7.3 recommends that the non-executive Directors are responsible for the evaluation of the Chairperson, taking into account the views of the executive directors. This evaluation has not been adopted to date but may be revised with future policy changes.

# 11. MAJOR SHAREHOLDERS

As at the date of this Registration Document, 99.99% of the entire issued share capital of the Issuer is held by IBL T Limited (C 16322), with the remaining 0.01% held by IBL I Limited (C 16321). In turn, the majority shareholder of the Issuer, IBL T Limited, is owned by VMT S.A. (registration number: 0437.251.254), a wholly owned subsidiary of Carlenco NV, a company registered in Belgium with company number 475.839.438). As indicated in section 6 of this Registration Document, the Group is in the process of formalising an internal restructuring process resulting in VMT S.A.'s holding in IBL T Limited being transferred to VM FIN S.A. (registration number: 0755.532.802), a wholly owned subsidiary of Carlenco Finance NV, a company registered in Belgium with company number 0755.471.533, which, similarly to Carlenco NV is ultimately owned by Caroline Van Marcke. Accordingly, the said restructuring has no impact on both direct ownership and ultimate beneficial ownership of the Issuer. Furthermore, there are no arrangements the operation of which may at some future date result in a change in control of the Issuer.

The presence of independent Non-Executive Directors on the Board of Directors and on the Audit and Risk Committee of the Issuer serves to ensure compliance with good corporate governance of the Issuer.

# 12. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFITS AND LOSSES

## 12.1 HISTORICAL FINANCIAL INFORMATION

The Bank's audited financial statements for financial years ended 31 December 2019 (FY2019), 31 December 2020 (FY2020) and 31 December 2021 (FY2021) (including the audit reports for such financial periods), shall be deemed to be incorporated by reference in, and form part of, this Prospectus. These financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and endorsed by the EU and are available for inspection at the Bank's registered office and on the Bank's website (https://www.izolabank.com/mt-en/who-we-are/investor-information/annual-reports-financial-statements) as set out in section 16 of this Registration Document. The Bank publishes half-yearly condensed interim financial statements which are prepared in accordance with IAS34 Interim Financial Reporting, as adopted by the EU.

### 12.1.1 Key References

The following table provides a list of cross-references to specific items of information in the Bank's audited financial statements for financial years ended 31 December 2021, 31 December 2020, and 31 December 2019.

| | **Page numbers in the annual financial statements** | | |
|---|---|---|---|
| **Information incorporated by reference in the Prospectus** | **Financial year ended 31 December 2021*** | **Financial year ended 31 December 2020** | **Financial year ended 31 December 2019** |
| Statement of Financial Position | 2 | 2 | 2 |
| Statement of Profit or Loss and Other Comprehensive Income | 1 | 3 | 3 |
| Statement of Changes in Equity | 4 | 4 | 4 |
| Statement of Cash Flows | 5 | 6 | 6 |
| Notes to Financial Statements | 6-110 | 7-72 | 7-72 |
| Independent Auditors' Report | Annex | 73-83 | 73-82 |

**Page numbers based on the ESEF format of the annual report.*

### 12.1.2 Key Financial Information

The following table sets out key financial information extracted from the audited annual financial statements of the Bank for the financial years ended 31 December 2021, 31 December 2020, and 31 December 2019.

| **For financial year ended 31 December** | **2021** | **2020** | **2019** |
|---|---|---|---|
| Net interest income and other operating income to total asset | 1.68% | 1.53% | 1.75% |
| Operating expenses to total assets | 1.47% | 1.37% | 1.08% |
| Profit before tax to total assets | 0.20% | 0.16% | 0.68% |
| Pre-tax return on capital employed | 2.82% | 2.14% | 8.63% |
| Profit after tax to equity | 1.36% | 1.13% | 4.34% |
| Cost to operating income ratio | 82% | 87% | 61% |
| Capital adequacy ratio | 16.5% | 20.2% | 20.0% |
| Average number of employees | 54 | 48 | 42 |

### 12.1.3 Financial Performance

In the financial year ended 31 December 2021 the Bank posted €0.82 million in profit before tax, an increase of 36% over FY2020 and yielding a return on equity of 2.82%. It is important to note that FY2020 was heavily impacted by an unprecedented economic scenario as a result of the COVID-19 pandemic, mainly resulting in a significant decrease in profits compared to FY2019. FY2021 was undoubtedly another challenging year with the global economy still coming to terms with the ongoing economic uncertainty brought about by the pandemic. Against this backdrop, with the economic momentum gradually improving towards the second half of FY2021, the Bank's financial results continued to improve, reaffirming the resilience of its business model.

Net interest income remained the key pillar for the Bank's revenue with a total of €6.19 million generated in FY2021, rising by €0.63 million or 11% over FY2020, marginally improving over FY2019. This was largely driven by the interest receivable on loans and advances to customers which grew by 25% over FY2020 as a direct result of the development of the credit portfolio.

Interest expense increased by 11% in FY2020 over FY2019 but decreased by 12% in FY2021, whilst amounts due to customers contracted by 2% over the same period. This reaffirmed the Bank's efficient asset-liability and cost of funding management, aiming to protect net interest margins despite the persistent negative interest rate environment.

Other operating and net commission income for FY2021 was €0.56 million, an increase of €0.18 million and €0.29 million from FY2020 and FY2019 respectively. This was largely attributed to realized fair value movements on the treasury portfolio.

Impairment against expected credit losses (ECL) amounted to a charge of €0.39 million in FY2021, an increase of €0.17 million and €0.09 million compared to FY2020 and FY2019 respectively. This was largely due to the worsening of the future-looking macro-economic variables as a result of the pandemic rather than specific deterioration in the credit quality of the lending portfolio. The non-performing loans (NPL) ratio remained stable at around 0.50% between FY2021 and FY2019, evidently reflecting the Bank's conservative risk appetite and prudent lending policies.

Operating expenses for FY2021 amounted to €5.55 million, increasing by €0.38 million and €1.68 million when compared to the €5.17 million and €3.87 million respectively during FY2020 and FY2019. Rising staff costs contributed to the overall increase as the Bank continued investing in its human resources to sustain both its operational growth and regulatory requirements. During FY2020, operating expenses included an exceptional charge from the Depositor Compensation Scheme of €1.09 million (FY2019: €0.22 million), following a substantial increase in covered deposits during the last quarter of 2019. The Bank's Cost-to-Income ratio decreased to 82% (FY2020: 87%), primarily because of the increase in overall operating income. This ratio remained relatively elevated due to ongoing investment in technology, human resources and compliance.

### 12.1.4 Financial Position

As at 31 December, 2021, the total assets of the Bank stood at €402.42 million, increasing by 3.3% over the previous year, mainly driven by an expansion in the loan and treasury portfolios. Loans and advances to customers stood at €131.37 million, increasing by 8.07% over FY2020 mainly through the provision of credit facilities to commercial customers. Factored receivables, a key component of the Bank's business, declined marginally by 4%. This decline was mainly driven by accelerated payments over contractual terms which ultimately resulted in improved credit quality. The Bank's treasury portfolio continued to expand over the previous year through the acquisition of local corporate and sovereign debt instruments.

The growth in the asset base was primarily funded through an increase in amounts owed to customers and institutions. The Bank's total liabilities stood at €369.14 million as at 31 December, 2021, increasing by €13.93 million or 3.92% over the previous year. With additional liquidity available through support measures within the Euro area financial system, amounts owed to customers and institutions increased by €13.42 million during FY2021. As of 31 December, 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%, significantly above European banking sector norms.

## 12.2 LEGAL AND ARBITRATION PROCEEDINGS

There have been no governmental, legal, or arbitration proceedings (including any such proceedings which are pending or threatened or of which the Issuer is aware) during the period covering 12 months prior to the date of the Prospectus which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

### 12.3 SIGNIFICANT CHANGE IN THE ISSUER'S FINANCIAL OR TRADING POSITION

There has been no material adverse change in the prospects of the Issuer since the date of publication of its latest audited financial statements nor has there been any significant change in the financial position of the Issuer since the end of the last financial period for which financial information has been published to the date of this Registration Document.

## 13. ADDITIONAL INFORMATION

### 13.1 SHARE CAPITAL

As at the date of this Registration Document, the authorised share capital of the Issuer is €60,000,000 divided into 120,000,000 ordinary shares of a nominal value of €0.50 each. The issued share capital of the Issuer is €27,000,000 divided into 54,000,000 ordinary shares of a nominal value of €0.50 each, subscribed for, allotted and taken up as follows:

| | |
|---|---|
| **IBL I Limited**<br>(C 16321) | 135 ordinary shares of a nominal value of €0.50 each, fully paid-up, representing 0.01% of the issued share capital of the Issuer |
| **IBL T Limited**<br>(C 16322) | 53,999,865 ordinary shares of a nominal value of €0.50 each, fully paid-up, representing 99.99% of the issued share capital of the Issuer |

### 13.2 MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum and Articles of Association of the Issuer are registered with the Malta Business Registry. A full list of the objects for which the Issuer is established is set out in clause 4 of the Memorandum of Association. These objects include, but are not limited to, the following:

(a) to carry on the business of banking from within the Republic of Malta and to undertake, carry on and execute all kinds of financial and banking operations;

(b) to engage in financial business including the acceptance and making of deposits in any currency and the lending of funds in any currency whether directly to the Bank's customers or through world financial centres;

(c) to buy, sell and deal in foreign exchange as well as to provide currency and interest hedging services;

(d) to receive and hold funds pending investment, maintain accounts for, provide safe custody services, handle transfers of securities and similar matters and to raise loans and to receive securities and valuables of all kinds;

(e) to provide bridging finance and equity financing, credit or financial accommodation, the issue of guarantees, performance bonds and bid bonds, to open and confirm letters of credit, to issue, accept and discount commercial bills of exchange and to carry out leasing type financial contracts; and

(f) to engage in the investment banking business and to subscribe for, take, or otherwise acquire and hold shares, stock, debentures or other securities of any other company.

## 14. MATERIAL CONTRACTS

Neither the Issuer nor any of the other companies forming part of the Group is party to any contract not being a contract entered into in the respective company's ordinary course of business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer as at the date of this Registration Document.

## 15. THIRD PARTY INFORMATION, STATEMENT BY EXPERTS, AND DECLARATIONS OF ANY INTEREST

The Prospectus does not contain any statement or report attributed to any person as an expert.

## 16. DOCUMENTS ON DISPLAY

For the duration period of this Registration Document the following documents shall be available for inspection at the registered address of the Issuer:

(a) the Memorandum and Articles of Association of the Issuer; and

(b) audited financial statements for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021.

Such documents are also available for inspection in electronic form on the Bank's website at: https://www.izolabank.com/mt-en/