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Izola Bank plans €7m bond issue in March

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Izola Bank, the Maltese bank established in 1994, plans to launch a five-year €7 million secured bond issue in March, with an over-allotment option of €2 million, subject to regulatory approval.

Valletta-based Izola Bank is a fully-owned subsidiary of the Van Marcke trading and manufacturing group of Belgium. With a turnover of €400 million in 2008, the group operates in Belgium, France, the Netherlands, the US, Switzerland and Luxembourg. Established in 1929, the group currently employs over 1,600.

The proceeds of the bonds will be channelled towards the expansion of the bank's factoring business and efforts to win more credit business from the Van Marcke Group's considerable customer base in Belgium.

The group is one of Europe's largest plumbing and heating wholesalers. It has other interests in manufacturing involving office and laboratory furniture and sanitary ware, and is engaged in a diverse range of sectors, including packaging, transportation, asphalt supply, and contracting.

Based at two adjoining 18th century buildings in East Street, Izola Bank has maintained a discreet presence in Malta for over 15 years as it went about its business, primarily servicing its owners' banking requirements. Its name only began to appear locally last year when it came to the Maltese market with a small but successful range of fixed-term deposit products.

In 1994, Malta was selected as the location to establish the bank rather than Luxembourg and Ireland, the other 'fashionable' jurisdictions at the time, as the Van Marcke family had already become enamoured with Malta in the late 1970s. Business plans involving the Middle East at the time were derailed, and Malta was suggested as an alternative. Two manufacturing concerns were subsequently established here.

"The bank originally serviced the group's needs," general manager Andrew Mifsud told The Sunday Times. "Izola Bank carries out cash management services, offers the group loans and deposits, and is entrusted with the payment of the group's 6,000-plus suppliers through Swift transfers."

Mr Mifsud, who has worked for Izola Bank since its inception, emphasised the group never intended the bank to remain exclusively for its own use. After successfully building an infrastructure to fulfil the group's brief, Izola Bank got two 'breaks': Firstly, Malta had just announced its EU membership plans, which would eventually allow passporting of banking services; and secondly, IND, the Hungary-based company, offered an affordable front-end online banking add-on solution which would allow Izola to launch internet banking in Belgium and France without establishing a presence overseas.

Izola Bank's target customers were the group's own. Over the years, the Van Marcke Group expanded considerably through acquisitions, and amassed a base of around 10,000 regular customers, including SMEs, small operations in plumbing, heating and installations, and large contracting and DIY firms.

Since 2005, the bank has provided corporate customers with current, savings and term accounts online, credit and debit cards and related facilities. Customers are also able to view, select and pay outstanding Van Marcke Group invoices over the internet.

Meanwhile, Izola Bank has been factoring invoices on a non-recourse basis since 2003. The business has grown year on year. Factoring debtors are mainly Belgian, drawn from the construction and property sectors.

The group's network boasts more than 120 stores, and Izola Bank is marketed through in-store campaigns and by the extensive sales force. New and extended banking facilities for customers will continue to build on the existing platform.

"Belgium's larger banks have taken a confidence knock over the past two years and we would like to take advantage of the opportunity," Mr Mifsud explained. "We will seek to win more of the group's customers' business as they shop around for alternatives. Izola Bank's strategy is similar to Tesco's in the UK, where the supermarket chain has set up its very own bank - but on a much smaller scale for our own niche market in Belgium. We intend to offer more credit facilities such as overdrafts in a restricted fashion - the credit will be solely intended to settle Van Marcke group invoices and in-store purchases."

Mr Mifsud pointed out Izola Bank's brand awareness among its Belgian customers is strong, as the bank is marketed at all Van Marcke group customer events and conferences. Izola Bank also runs campaigns in in-store magazines and other promotional material.



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Izola Bank's business model is in keeping with the Van Marcke Group's prudent approach and strict cost-consciousness.

Maltese customers, in turn, have shown encouraging response to Izola Bank's first products which exceeded the bank's own expectations.

"The response has been very positive," Mr Mifsud said. "The minimum deposit required is €10,000 and the product has proven to be attractive to the Maltese public.

"We trust Maltese investors react with similar enthusiasm to the upcoming bond issue."

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