izola Bank

21 August 2026

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Izola Bank p.l.c. ("the Bank") pursuant to the Capital Markets Rules.

Quote

In a meeting of the Board of Directors of Izola Bank p.l.c. held on 21 August 2026, the attached unaudited Condensed Interim Financial Statements for the six-month period ended 30 June 2026 were approved.

The Condensed Interim Financial Statements for the period ended 30 June 2026 are available for viewing and download on the Bank's website at www.izolabank.com.

Unquote

Mikiel Calleja
Company Secretary

Izola Bank p.l.c.

Condensed Interim Financial Statements
For the period 1 January 2026 to 30 June 2026

Company Registration Number: C 16343

Izola Bank p.l.c.

Condensed Interim Financial Statements
For the period 1 January 2026 to 30 June 2026

Contents

Directors' Report Pursuant to Capital Markets Rule 5.75.2

The Directors present the unaudited condensed interim financial statements of Izola Bank p.l.c. (the "Bank") for the six-month period ended 30 June 2026.

The Bank maintained its return to profitability during the first half of 2026, reporting a profit after tax of €0.176 million compared to €0.215 million in the corresponding period of 2025. Despite a challenging macroeconomic environment and the continued execution of balance sheet optimisation initiatives, the Bank remained profitable, supported by resilient net interest income generation and disciplined cost management.

Net interest income increased by 4.6% to €4.1 million (H1 2025: €3.9 million). This improvement was principally attributable to a significant reduction in interest expense, which declined to €4.3 million from €6.3 million in the comparative period, which more than offset the decline in interest income to €8.4 million (H1 2025: €10.2 million). Net fee and commission income and other operating income also improved, contributing an additional €0.1 million year-on-year. Consequently, total operating income increased by 7.2% to €4.2 million (H1 2025: €3.9 million).

Operating expenses amounted to €4.1 million, representing an increase of 7.5% over the comparative period (H1 2025: €3.8 million). The increase was primarily driven by higher administrative expenses, which rose by €0.3 million. Staff costs remained broadly stable year-on-year, while information technology expenditure decreased following the successful implementation of the Bank's new core banking system and digital banking platform. The Bank remains focused on maintaining cost discipline whilst continuing to invest selectively in initiatives that enhance operational efficiency and support ongoing regulatory compliance.

Total assets decreased to €374.8 million as at 30 June 2026 from €399.7 million at 31 December 2025, reflecting the continued execution of management's balance sheet optimisation strategy. Loans and advances to customers reduced to €132.3 million (31 December 2025: €136.7 million), consistent with a prudent approach to credit origination and risk appetite considerations. Financial investments declined to €62.2 million (31 December 2025: €64.6 million), whilst factored receivables decreased to €113.8 million (31 December 2025: €116.6 million), reflecting the Bank's ongoing focus on liquidity management and capital efficiency.

On the funding side, customer deposits decreased to €309.2 million from €338.1 million at 31 December 2025, in line with the Bank's strategic objective of optimising the size and composition of its funding base. The deposit portfolio continued to shift towards term deposits, enhancing repricing efficiency and supporting a more balanced interest rate risk profile as market conditions evolve.

Debt securities in issue remained stable at €13.7 million (31 December 2025: €13.7 million). Total equity increased modestly to €31.8 million from €31.5 million at the previous year-end, reflecting retained earnings generated during the period and the partial reversal of previously recognised negative fair value reserves.

The Bank continued to maintain capital ratios above its regulatory minimum requirements. As at 30 June 2026, the Common Equity Tier 1 (CET1) ratio stood at 11.94% (31 December 2025: 14.10%), the Tier 1 Capital Ratio at 13.41% (31 December 2025: 15.54%) and the Total Capital Ratio at 20.25% (31 December 2025: 22.22%). Liquidity ratios remained strong, with the Bank registering a Liquidity Coverage Ratio (LCR) of 3,048% as at 30 June 2026 (31 December 2025: 3,293%) and a Net Stable Funding Ratio (NSFR) of 129.64% for the same period (31 December 2025: 138.57%)

The reduction in regulatory capital ratios compared to the prior year-end was primarily attributable to the expiry of the transitional arrangements under Article 468 of the Capital Requirements Regulation ("CRR"), which provided temporary regulatory relief in respect of unrealised fair value movements recognised through reserves. Notwithstanding this change, the Bank's underlying capital position remained sound, and the Board is satisfied that the Bank continues to maintain capital levels and buffers commensurate with its risk profile, business model and regulatory obligations.

Concluding statement

The Bank's continued profitability during the first half of 2026 reflects the resilience of its turnaround strategy and the dedication and commitment of its employees. The Bank also looks forward to fully realising the benefits of its strategic technological initiatives which culminated in the successful completion of its digital transformation programme through the implementation of a new core banking system and an enhanced internet banking platform. These investments are expected to drive greater operational efficiency, strengthen the customer experience and provide a scalable platform to support future growth.

Looking ahead to the second half of 2026, the operating environment is expected to remain challenging as macroeconomic uncertainties persist and the interest rate cycle continues to evolve. The Board remains committed to the prudent management of capital, liquidity and credit risk, whilst maintaining a disciplined approach to cost control and operational efficiency. The Bank will continue to focus on preserving asset quality, strengthening its customer proposition and delivering sustainable long-term value to its shareholders and other stakeholders.

Statement pursuant to Capital Markets Rule 5.75.3

We confirm to the best of our knowledge that:

- the condensed interim financial statements give a true and fair view of the financial position of the Bank as at 30 June 2026, and of its financial performance and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting - International Accounting Standard 34, 'Interim Financial Reporting';

- the Interim Directors' Report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.

Signed on behalf of the Bank's Board of Directors:

Andrew Mifsud
Chief Executive Officer

21 August 2026

Condensed Interim Statement of Profit or Loss

	Note	**01.01.2026 to 30.06.2026 (unaudited) €**	01.01.2025 to 30.06.2025 (unaudited) €
Interest and similar income		**8,441,344**	10,248,070
Interest expense		**(4,344,572)**	(6,330,096)
Net interest income		**4,096,772**	3,917,974
Fee and commission income		**223,303**	167,486
Fee and commission expense		**(110,056)**	(120,733)
Net fee and commission income		**113,247**	46,753
Net trading loss		**(76,806)**	(133,715)
Other operating income		**78,498**	98,571
Total operating income		**4,211,710**	3,929,583
Depreciation and amortisation		**(586,256)**	(412,813)
Changes in expected credit losses and other credit impairment charges		**(30,906)**	(112,335)
IT expenditure		**(494,440)**	(601,848)
Employee compensation and benefits		**(1,615,612)**	(1,637,972)
Other administrative expenses		**(1,352,787)**	(1,031,824)
Profit before tax		**131,709**	132,791
Income tax credit		**44,431**	83,138
Profit for the period		**176,140**	215,929
Earnings per share			
- basic and diluted (in €c)	11	**0.30**	0.37

Condensed Interim Statement of Comprehensive Income

	01.01.2026 to 30.06.2026 (unaudited) €	01.01.2025 to 30.06.2025 (unaudited) €
Profit for the period	**176,140**	215,929
Other comprehensive income		
Other comprehensive income that will not be reclassified subsequently to profit or loss:		
Equity instruments measured at fair value through other comprehensive income		
Net movement in fair value before of tax	**2,190**	-
Related tax thereon	**(767)**	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss	**1,423**	-
Other comprehensive income that will be reclassified subsequently to profit or loss:		
Debt instruments measured at fair value through other comprehensive income		
Net movement reclassified to profit or loss on disposal	**75,706**	(219,777)
Net movement in fair value before tax	**106,667**	384,114
Related tax thereon	**(63,830)**	(57,518)
Total other comprehensive income that will be reclassified subsequently to profit or loss	**118,543**	106,819
Total other comprehensive income	**119,966**	106,819
Total comprehensive income	**296,106**	322,748

Condensed Interim Statement of Financial Position

	Note	30.06.2026 (unaudited) €	31.12.2025 (audited) €
ASSETS			
Balances with Central Bank of Malta		**34,981,462**	47,626,503
Loans and advances to banks		**2,641,287**	5,760,799
Financial investments	6	**62,254,651**	64,586,170
Loans and advances to customers		**132,283,099**	136,701,167
Investment property		**4,838,007**	4,838,007
Tangible fixed assets	7	**10,941,232**	11,088,564
Intangible assets	7	**5,234,577**	5,190,144
Factored receivables		**113,806,082**	116,591,575
Deferred tax asset		**5,085,540**	5,600,364
Current tax asset		**74,252**	74,252
Other assets		**2,654,821**	1,630,705
Total assets		**374,795,010**	399,688,250
LIABILITIES			
Amounts owed to institutions		**15,000,000**	10,000,000
Amounts owed to customers		**309,188,716**	338,081,138
Debt securities in issue		**13,773,910**	13,755,590
Deferred tax liabilities		**871,333**	1,365,993
Accruals and other liabilities		**4,116,779**	4,937,363
Total liabilities		**342,950,738**	368,140,084
EQUITY			
Called up share capital	13	**29,000,000**	29,000,000
Capital contribution reserve		**2,032,675**	2,032,675
Perpetual capital notes		**3,000,000**	3,000,000
Property revaluation reserve		**4,795,243**	4,795,243
Fair value reserve		**(5,282,439)**	(5,402,405)
Retained earnings	13	**(1,701,207)**	(1,877,347)
Total equity		**31,844,272**	31,548,166
Total liabilities and equity		**374,795,010**	399,688,250

Condensed Interim Statement of Changes in Equity

UNAUDITED	Share capital	Property revaluation reserve	Fair value reserve	Reserve for Capital contribution	Perpetual Capital notes	Retained earnings	Total
	€	€	€	€	€	€	€
Balance at 1 January 2025	29,000,000	4,739,260	(697,493)	2,032,675	3,000,000	(2,472,379)	35,602,063
Profit for the period	-	-	-	-	-	215,929	215,929
Other comprehensive income							
Financial investments measured at fair value through other comprehensive income							
Net movement reclassified to profit or loss on disposal	-	-	(219,777)	-	-	-	(219,777)
Net movement in fair value before tax	-	-	384,114	-		-	384,114
Related tax thereon	-	-	(57,518)	-	-	-	(57,518)
	-	-	106,819	-	-	-	106,819
Total comprehensive income for the period	-	-	106,819	-	-	215,929	322,748
Transfers within reserves	-	55,983	(55,983)	-	-	-	-
Balance at 30 June 2025	29,000,000	4,795,243	(646,657)	2,032,675	3,000,000	(2,256,450)	35,924,811

Condensed Interim Statement of Changes in Equity (continued)

UNAUDITED	Share capital	Property revaluation reserve	Fair value reserve	Reserve for Capital contribution	Perpetual Capital notes	Retained earnings	Total
	€	€	€	€	€	€	€
Balance at 1 January 2026	29,000,000	4,795,243	(5,402,405)	2,032,675	3,000,000	(1,877,347)	31,548,166
Profit for the period	-	-	-	-	-	176,140	176,140
Other comprehensive income							
Financial investments measured at fair value through other comprehensive income							
Net movement reclassified to profit or loss on disposal	-	-	75,706	-	-	-	75,706
Net movement in fair value before tax	-	-	108,857	-		-	108,857
Related tax thereon	-	-	(64,597)	-	-	-	(64,597)
	-	-	119,966	-	-	-	119,966
Total comprehensive income for the period	-	-	119,966	-	-	176,140	296,106
Balance at 30 June 2026	29,000,000	4,795,243	(5,282,439)	2,032,675	3,000,000	(1,701,207)	31,844,272

Condensed Interim Statement of Cash Flows

	01.01.2026 to 30.06.2026 (unaudited) €	01.01.2025 to 30.06.2025 (unaudited) €
Net cash outflows from operating activities	**(18,815,107)**	(8,433,293)
Cash flows from investing activities		
Payments to acquire property and equipment and intangible assets	**(483,357)**	(944,714)
Payments to acquire investments	-	(500,000)
Proceeds from disposal of investment securities	**2,332,581**	11,386,600
Interest received from financial investments	**657,262**	1,459,817
Net cash flows generated from investing activities	**2,506,486**	11,401,703
Cash flows from financing activities		
Interest paid on debt securities in issue	-	(137,556)
Purchase and redemption of debt securities in issue	-	(3,056,800)
Net cash flows used in financing activities	-	(3,194,356)
Net decrease in cash and cash equivalents	**(16,308,621)**	(225,946)
Cash and cash equivalents at beginning of the period	**51,866,738**	60,131,865
Cash and cash equivalents at end of the period	**35,558,117**	59,905,919

Notes to the Condensed Interim Financial Statements

1. Reporting entity

Izola Bank p.l.c. (the "Bank") is a credit institution domiciled and incorporated in Malta with its registered address at 4, Castille Place, Valletta, VLT1062, Malta.

The Bank's ESEF Annual Report and Financial Statements for the year ended 31 December 2025 are available for viewing on the Malta Stock Exchange's website (the officially appointed mechanism) at https://borzamalta.com.mt/, on the Bank's website at www.izolabank.com, or upon request from the Bank's registered office. These condensed interim financial statements were approved for issue by the Bank's Board of Directors on 21 August 2026.

In line with Capital Markets Rule 5.75.5, the Board of Directors confirms that these interim financial statements have not been audited or reviewed by the Bank's independent auditors in accordance with International Standards on Auditing or ISRE 2410 *Review of Interim Financial Information*, respectively.

2. Basis of preparation

2.1 Statement of compliance

The unaudited condensed interim financial statements of Izola Bank p.l.c. for the six-month period ended 30 June 2026 provide the Bank's financial position as at 30 June 2026 and its financial performance for the period then ended.

These condensed interim financial statements have been prepared and published as required by Capital Markets Rule 5.74 issued by the Malta Financial Services Authority (MFSA) and the Prevention of Financial Markets Abuse Act, 2005. The financial statements have been drawn up in compliance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as adopted by the European Union. In accordance with the provisions of IAS 34, the condensed interim financial statements include comparative information comprising:

- the statement of financial position as at 31 December 2025; and
- the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the six-month period ended 30 June 2025.

The accounting policies, presentation, and methods of computation used in preparing these interim condensed financial statements are consistent with those applied in the Bank's most recent audited annual financial statements for the year ended 31 December 2025. As such, these interim statements do not include all the disclosures required for annual financial statements and should be read in conjunction with the Bank's audited financial statements for the year then ended. They are intended to provide an update on the Bank's financial performance, financial position and cash flows, as well as significant events and transactions that have occurred since 31 December 2025.

2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis, except for:

- Financial investments measured at fair value through other comprehensive income ("FVOCI");
- Financial investments designated at FVOCI or at fair value through profit or loss ("FVTPL"); and
- Property within 'Property and equipment' and 'Investment Property held for sale' measured at revalued amount and fair value, respectively.

2.3 Functional and presentation currency

These financial statements are presented in Euro (€), which is the Bank's functional currency.

Notes to the Condensed Interim Financial Statements (continued)

2.4 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of these financial statements requires the use of certain accounting estimates. In this respect, management is required to exercise judgement in applying the Bank's accounting policies. This requires assumptions to estimate the carrying amount of assets and liabilities, as well as the recognition of income and expenses. Due to the inherent uncertainty and high level of subjectivity involved in making such judgements, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

2.5 Standards, interpretations and amendments to published standards effective in 2026 and Standards, interpretations and amendments to published standards that are not yet effective

(a) Standards, interpretations and amendments to published standards effective in 2026

The IASB has published a number of amendments to IFRSs that are effective from 1 January 2026, which have been endorsed by the EU, and other amendments to IFRSs that are effective from 1 January 2026, which have not yet been endorsed by the EU. The changes resulting from those amendments do not materially impact the Bank in the current or future reporting periods or foreseeable future transactions.

(b) Standards, interpretations and amendments to published standards that are not yet effective

The Bank continues to assess the impact of IFRS 18, *Presentation and Disclosure in Financial Statements*, which becomes effective for annual reporting periods beginning on or after 1 January 2027. There have been no material developments in the Bank's assessment since the disclosures included in the annual financial statements for the year ended 31 December 2025.

2.6 Going concern

The condensed interim financial statements have been prepared on a going concern basis. The Directors have assessed the Bank's ability to continue as a going concern and are satisfied that the Bank has adequate resources to continue operating for the foreseeable future.

3. Material accounting policies

The material accounting policies applied in these condensed interim financial statements are the same as those applied by the Bank in its financial statements as at, and for the year ended, 31 December 2025.

Notes to the Condensed Interim Financial Statements (continued)

4. IFRS 9: Financial instruments

The following table summarises the loss allowance by class of financial instrument.

30.06.2026 (unaudited)	**Gross carrying amount €**	**Stage 1 €**	**Stage 2 €**	**Stage 3 €**	**Amount as per SOFP €**
Loans and advances to customers	**133,120,408**	**(545,770)**	-	**(291,539)**	**132,283,099**
Factored receivables	**114,210,586**	**(107,477)**	-	**(297,026)**	**113,806,082**
Investment securities at FVOCI – Debt instruments	**62,186,546**	-	-	-	**62,186,546**
Loans and advances to banks	**2,675,365**	**(34,078)**	-	-	**2,641,287**
Loss allowance per stage	-	**(687,325)**	-	**(588,565)**	-
Total loss allowance	-	-	-	-	**(1,275,890)**

The loss allowances recognized through the fair value reserve on investment securities at FVOCI amounted to €59,381.

31.12.2025 (audited)	**Gross carrying amount €**	**Stage 1 €**	**Stage 2 €**	**Stage 3 €**	**Amount as per SOFP €**
Loans and advances to customers	**137,571,575**	**(584,682)**	**(54,079)**	**(231,647)**	**136,701,167**
Factored receivables	**116,931,893**	**(98,129)**	-	**(242,189)**	**116,591,575**
Investment securities at FVOCI – Debt instruments	**64,520,753**	-	-	-	**64,520,753**
Loans and advances to banks	**5,794,877**	**(34,078)**	-	-	**5,760,799**
Loss allowance per stage	-	**(776,270)**	**(54,079)**	**(473,836)**	-
Total loss allowance	-	-	-	-	**(1,304,185)**

The loss allowances recognized through the fair value reserve on investment securities at FVOCI amounted to €59,381.

5. Fair values of financial assets and financial liabilities

The Bank's financial investments within the Condensed Interim Statement of Financial Position are measured at fair value. The Bank is required to disclose fair value measurements according to the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset either directly i.e. as prices, or indirectly i.e. derived from prices (Level 2).
- Inputs for the asset that are not based on observable market data i.e., unobservable inputs (Level 3).

As at 30 June 2026 and 31 December 2025, the Bank's financial investments were principally valued using Level 1 inputs.

No transfers of financial instruments measured at fair value between different levels of the fair value hierarchy have occurred during the interim period under review.

Notes to the Condensed Interim Financial Statements (continued)

5. Fair values of financial assets and financial liabilities (continued)

For the Bank's financial assets and liabilities measured at amortised cost, their fair values are not materially different from their respective carrying values.

The valuation techniques utilised in preparing these condensed interim financial statements were consistent with those applied in the preparation of the financial statements for the year ended 31 December 2025.

6. Financial investments

6.1 Composition of investment portfolio

	At 30.06.2026 Unaudited €	At 31.12.2025 Audited €
Debt securities measured at FVOCI	**62,186,546**	64,520,753
Equity investments designated at FVOCI	**20,920**	18,730
Equity investments designated at FVTPL	**47,185**	46,687
	62,254,651	64,586,170

6.2 The table below summarises the movement in financial investments:

	At 30.06.2026 Unaudited €
At 1 January	**64,586,170**
Acquisitions	-
Disposals / Maturities	**(2,415,500)**
Amortisation of premium	**(101,081)**
Net fair value movement	**185,062**
At 30 June	**62,254,651**

7. Property and equipment, Investment Property held for sale and intangible assets

During the six months ended 30 June 2026, additions of €20,266 (six months ending 30 June 2025: €166,998) in property and equipment and additions of €463,091 (six months ending 30 June 2025: €777,717) in intangible assets were made.

No additions were made to Investment Property held for sale.

Notes to the Condensed Interim Financial Statements (continued)

8. Related parties

8.1 Identification of related parties

Related parties of the Bank include the ultimate parent, all entities controlled by the ultimate parent, key management personnel, close family members of key management personnel and entities which are controlled or jointly controlled by key management personnel or their close family members.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, being the directors and the Bank's executive management. Reference to executive management shall mean the CEO, the Head of Finance & Treasury, the Head of Commercial Banking and Operations, the Head of IT, the Head of Risk and Compliance and the Head of HR.

The Bank's immediate parent is IBL T Limited, whose registered office is located at 4, Castille Place, Valletta, VLT1062, Malta. The financial results and assets and liabilities of the Bank are included in the consolidated financial statements of Carlenco Finance NV, (company registration number 0755.471.533), whose registered office is located at Lar Blok Z5, 8511 Kortrijk, Belgium.

Caroline Van Marcke and Magdalena De Roeck have an indirect beneficial interest in the shareholding of the Bank. Caroline Van Marcke has significant control in the ultimate parent.

8.2 Related party transactions

Interest, fees, and other income/charges in respect of related parties in the statement of comprehensive income comprise:

	30.06.26 (unaudited) €	30.06.25 (unaudited) €
Interest and similar income	**1,769,220**	2,231,469
Fee and commission and other income	**49,083**	38,500
	==========	==========
Interest expense	**50,791**	162,648
	==========	==========

Notes to the Condensed Interim Financial Statements (continued)

8. Related parties (continued)

8.3 Related party balances

The statement of financial position includes outstanding transactions and balances in respect of related parties as follows:

	30.06.26 (unaudited) €	31.12.25 (audited) €
Assets		
Loans and advances to customers	**12,647,987**	13,465,677
Prepayments and accrued income	**38,500**	38,162
	=========	=========
Liabilities		
Amounts owed to customers	**9,060,406**	8,498,326
Debt securities issued to directors	**299,000**	299,000
Accruals	**12,660**	3,738
	=========	=========

Loans and advances to customers include seven outstanding loans amounting to €546,294 advanced to key management personnel (31 December 2025: six outstanding loans amounting to €549,330).

9. Operating segments

The segment reporting of the Bank is presented in terms of the following business segments, determined in accordance with the disclosure requirements in respect of reportable segments under IFRS 8 – Operating Segments:

Reportable segment	Description of activities
Factoring	Principally factoring of bills of exchange and invoices on a non-recourse basis
Lending	Principally lending to corporate clients and mortgages
Other	Principally treasury and other central functions

Income earned and expenses incurred in respect of each of the reportable business segments are presented in the table below. No reconciliation is required since there are no differences between the measurements of the reportable segments' profits or losses and the information disclosed in the statement of profit or loss and other comprehensive income.

Notes to the Condensed Interim Financial Statements (continued)

Statement of Profit or Loss

	30.06.26 Total €	30.06.26 Lending €	30.06.26 Factoring €	30.06.26 Other €	30.06.25 Total €	30.06.25 Lending €	30.06.25 Factoring €	30.06.25 Other €
Interest and similar income	8,441,344	3,160,368	4,439,129	841,847	10,248,070	4,291,621	4,532,466	1,423,983
Interest expense	(4,344,572)	(1,661,182)	(1,429,152)	(1,254,238)	(6,330,096)	(2,350,756)	(1,953,486)	(2,025,854)
Net interest income/(expense)	4,096,772	1,499,186	3,009,977	(412,391)	3,917,974	1,940,865	2,578,980	(601,871)
Net fee and commission income	113,246	102,435	85,318	(74,507)	46,753	(7,717)	54,470	-
Other operating income	1,692	-	-	1,692	(35,144)	-	-	(35,144)
Total operating income	4,211,710	1,601,621	3,095,296	(485,206)	3,929,583	1,933,148	2,633,450	(637,015)
Depreciation and amortisation	(586,256)	(219,489)	(308,300)	(58,467)	(412,813)	(172,875)	(182,577)	(57,361)
Changes in expected credit losses and other credit impairment charges	(30,906)	(60,651)	29,745	-	(112,335)	41,557	(153,892)	-
Employee compensation and benefits	(1,615,612)	(650,133)	(710,189)	(255,289)	(1,637,972)	(659,131)	(720,018)	(258,823)
Other administrative expenses	(1,847,227)	(630,101)	(850,360)	(366,766)	(1,633,672)	(557,256)	(752,051)	(324,365)
Profit / (Loss) before tax	131,709	41,247	1,256,192	(1,165,729)	132,791	585,443	824,912	(1,277,564)

Notes to the Condensed Interim Financial Statements (continued)

9. Operating segments (continued)

9.1 Business segments (continued)

	30.06.26	30.06.26	30.06.26	30.06.26	31.12.25	31.12.25	31.12.25	31.12.25
	Total	Lending	Factoring	Other	Total	Lending	Factoring	Other
	€	€	€	€	€	€	€	€
Assets								
Segment assets	345,966,582	132,283,099	113,806,082	99,877,400	371,266,213	136,701,167	116,591,575	117,973,472
Unallocated assets	28,828,428	-	-	-	28,422,037	-	-	-
Total Assets	374,795,010	132,283,099	113,806,082	99,877,400	399,688,250	136,701,167	116,591,575	117,973,472
Liabilities								
Segment liabilities	337,962,626	129,222,722	111,173,173	97,566,731	361,836,729	133,229,206	113,630,362	114,977,161
Unallocated liabilities	4,988,112	-	-	-	6,303,355	-	-	-
Total Liabilities	342,950,738	129,222,722	111,173,173	97,566,731	368,140,084	133,229,206	113,630,362	114,977,161

Notes to the Condensed Interim Financial Statements (continued)

10. Income tax

Income tax is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

11. Earnings per share

Earnings per share (basic and diluted) were calculated by dividing the profit for the period attributable to ordinary shareholders of the Bank totaling to €176,140 (June 2025: €215,929) by 58,000,000 ordinary shares at 30 June 2026.

12. Amounts owed to customers

	At 30.06.2026	At 31.12.2025
	Unaudited	Audited
	€	€
Repayable on demand	**75,829,025**	117,512,863
Term deposits	**233,359,691**	220,568,275
	309,188,716	338,081,138

13. Share capital and Accumulated Losses

At 30 June 2026 and 31 December 2025, the authorised and issued share capital comprised 120,000,000 and 58,000,000 ordinary shares of €0.50 each, respectively. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Bank.

Accumulated Losses at 30 June 2026 are inclusive of €1,268,654 (2025: €1,465,033) set aside for the Depositor Compensation Scheme. These funds are held with the Central Bank of Malta and pledged in favour of the Depositor Compensation Scheme.

14. Asset Encumbrance

Banking Rule 07 transposed the provisions of the EBA Guidelines on Disclosure of Encumbered and Unencumbered Assets (EBA/GL/2014/03) and introduced the requirement to disclose information about asset encumbrance.

This disclosure is meant to facilitate an understanding of available and unrestricted assets that could support potential future funding and collateral needs. An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the Bank to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

The disclosure is not designed to identify assets which would be available to meet the claims of creditors or to predict assets that would be available to creditors in the event of a resolution or bankruptcy.

Notes to the Condensed Interim Financial Statements (continued)

14. Asset Encumbrance (continued)

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	€	€	€	€
At 30 June 2026				
Debt Instruments	**49,821,322**	**49,821,322**	**-**	**-**
Other assets	**1,259,646**	**1,259,646**	**15,779,239**	**15,779,239**
At 31 December 2025				
Debt Instruments	**49,760,289**	**49,760,289**	**-**	**-**
Other assets	**1,520,564**	**1,520,564**	**15,926,572**	**15,926,572**

Izola Bank does not encumber any collateral received. As of 30 June 2026, the Bank had no outstanding liabilities associated with encumbered assets and collateral received.

The Bank undertakes the following types of encumbrances:

i. Pledging of a deposit with the Central Bank of Malta in favour of the Depositor Compensation Scheme.
ii. Pledging of Malta Government Stocks held in terms of Directive No. 8 (Chapter 204 of the Central Bank of Malta Act) as security for access to the Central Bank's Main and Long-Term Refinancing Operations (MROs and LTROs, respectively) not currently being utilised.

15. Comparative Figures

Certain comparative figures have been reclassified to comply with the current period presentation.

16. Subsequent events

On 21 August 2026, the Board was informed by the Bank's shareholders that a number of binding offers had been received in connection with a potential transaction involving the Bank. Currently, negotiation and selection of a successful bidder, if any, is in progress.

At this stage, there can be no assurance that any transaction will be concluded, nor as to the terms upon which any such transaction may proceed. The Bank will make further announcements through the Malta Stock Exchange as and when appropriate and in accordance with its regulatory obligations.

There have been no other subsequent events occurring after the reporting date and up to the date of approval of these interim financial statements that would require disclosure.