

CONDENSED INTERIM FINANCIAL REPORT

30 June 2024



izola Bank

Review of Operations

Commentary

The Directors present the unaudited condensed interim financial results of Izola Bank p.l.c. (“the Bank”) for the period ended 30 June 2024.

For most of the first six months of 2024, the European economy experienced peak interest rates ahead of the first rate cut by the European Central Bank in mid- June as inflationary pressures showed signs of easing towards the 2% level. This happened against the continued backdrop of geo-political uncertainties with the Russian invasion of Ukraine still ongoing and sustained tension in the Middle East.

During this period the Bank continued with its important digital transformation programme which was kicked into high gear in anticipation of completion by mid-2025. The move to new offices in Castille Place, Valletta was also completed in June, itself the culmination of a multi-year project.

Gross interest income was up by €2.4m (27%) when compared to that reported in the same period last year with the growth in revenue driven by higher yields on the majority of the Bank’s assets. Concurrently, however, the Bank’s cost of funding experienced an increase of €2.7m (51%) over the same period last year. The Bank absorbed some of the increase in interest expense, in part to mitigate the impact of a full re-pricing on its clients, resulting in a reduction in net interest income of €0.4m (11%) when compared to the equivalent period in 2024.

Employee compensation and benefits increased by 15% compared to the first six months of 2024, predominantly the impact of additional human resources employed during the latter part of 2024. Increased spend on marketing, higher depositor compensation scheme contributions and the lingering impact of inflation resulted in an increase in operating expenses of €0.9m (22%) when compared to the prior period. Expected Credit Loss (ECL) provisions remained in line with those registered as of 31 December 2024 as the Bank continued to maintain a high level of credit quality in both its lending and factoring portfolios. The net charge for the period was a normal consequence of the growth in these portfolios.

The increase in operating costs combined with the reduction in overall operational income resulted in a loss after tax for the first six months of 2024 of €1.2m compared to the loss after tax of €0.5m incurred in the comparative period.

Whilst the Bank continues to maintain good overall levels of capital and liquidity as at the end of June 2024, with the Capital Adequacy Ratio (CAR) and Liquidity Coverage Ratio (LCR) standing at 17.87% and 2,607% respectively, and both well above the statutory minimum requirements, the operating loss, together with increases in RWA due to balance sheet growth resulted in a deterioration of CET1 ratio to 11.69%, below the Pillar 2 guidance level of 12.63%. In this respect, to return above guidance levels, the Board has approved the issuance of an additional tier 1 capital instrument, once authorisation is obtained from the Regulator

Review of Operations (continued)

Financial Highlights for the half year ended 30 June 2024

- » Loss after tax of €1.244m for the six months ended 30 June 2024 – up €0.755m (155%), compared with the €0.489m loss after tax for the same period in 2024.
- » Operating income of €3.016m for the six months ended 30 June 2024, down €0.444m (13%), compared with €3.461m for the same period in 2024.
- » Loans and advances to customers (including factoring) of €348m as of 30 June 2024, up €27m (8%), compared with €321m for 31 December 2024.
- » Customer deposits of €478m as of 30 June 2024, up €48m (11%), compared with €430m for 31 December 2024.
- » Treasury portfolio of €98m as of 30 June 2024, down €4m (4%) compared with €102m for 31 December 2024.
- » Total assets of €533m as of 30 June 2024, an increase of €25m (5%), compared with €508m 31 December 2024.

Going forward, the Bank remains committed to continuing to provide excellent services levels within its factoring operations and lending activities whilst maintaining competitive savings and term accounts to its depositors in Malta and in Belgium.

Statement of Profit or Loss and Other Comprehensive Income

	01.01.2024 to 30.06.2024 (unaudited)	01.01.2023 to 30.06.2023 (unaudited)
	€	€
Interest and similar income	11,136,071	8,776,504
Interest expense	(8,116,924)	(5,369,698)
Net interest income	3,019,147	3,406,806
Fee and commission income	122,523	89,356
Fee and commission expense	(65,932)	(47,840)
Net fee and commission income	56,591	41,516
Other operating revenue	(59,327)	12,190
Total operating income	3,460,512	3,893,313
Depreciation and amortisation	(493,206)	(475,277)
Changes in expected credit losses and other credit impairment charges	(46,212)	(81,808)
IT Expenditure	(647,708)	(660,493)
Employee compensation and benefits	(1,677,640)	(1,462,172)
Other administrative expenses	(2,053,364)	(1,344,162)
Loss before tax	(1,901,719)	(563,400)
Income tax credit	657,577	74,731
Loss for the period	(1,244,142)	(488,669)
Earnings per share	(2c15)	(0c84)
Other comprehensive income		
Loss for the period	(1,244,142)	(488,669)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Financial investments measured at fair value through other comprehensive income		
- Net gains/losses reclassified to profit or loss on disposal, net of tax	(64,552)	-
- Net movement in fair value, net of tax	651,670	292,735
Total comprehensive income	(657,024)	(195,934)

Statement of Financial Position

	30.06.2024 (unaudited)	31.12.2023 (audited)
	€	€
ASSETS		
Balances with Central Bank of Malta and cash	57,926,207	56,242,720
Loans and advances to banks	5,147,399	6,757,337
Financial investments	97,516,872	101,589,059
Factored receivables	157,871,805	140,049,872
Loans and advances to customers	189,941,301	180,964,061
Property and equipment	16,003,522	13,939,136
Intangible assets	3,601,709	3,630,203
Current tax asset	74,252	183,341
Deferred tax asset	2,637,943	2,200,649
Other assets	2,801,174	2,391,355
Total assets	533,522,184	507,947,733
LIABILITIES		
Amounts owed to institutions	-	20,000,000
Amounts owed to banks	-	271,105
Amounts owed to customers	477,520,089	429,743,262
Debt securities in issue	16,772,891	16,861,501
Deferred tax liabilities	1,571,392	808,057
Accruals and other liabilities	501,121	2,244,106
Accrued Interest payable	5,943,263	6,149,250
Total liabilities	502,308,756	476,077,281
EQUITY		
Called up share capital	29,000,000	29,000,000
Capital contribution reserve	32,675	32,675
Property revaluation reserve	4,183,574	3,967,372
Fair value reserve	(1,337,405)	(1,708,321)
Depositor compensation scheme reserve	1,514,715	1,038,647
Reserve for general banking risks	55,025	55,025
Retained earnings	(2,235,156)	(514,946)
Total equity	31,213,428	31,870,452
Total liabilities and equity	533,522,184	507,947,733

Statement of Changes in Equity

	Share Capital €	Property revaluation reserve €	Fair value reserve €	Depositor compensation scheme reserve €	Capital contribution €	Reserve for general banking risk €	Retained earnings €	Total €
Balance at 1 January 2024	29,000,000	3,967,372	(1,708,321)	1,038,647	32,675	55,025	(514,946)	31,870,452
Total comprehensive income								
Loss for the period	-	-	-	-	-	-	(1,244,142)	(1,244,142)
Other comprehensive income, net of tax								
Financial investments measured at fair value through other comprehensive income								
- Net gains reclassified to profit or loss on disposal, net of tax	-	-	(64,552)	-	-	-	-	(64,552)
- Net movement in fair value, net of tax	-	216,202	435,468	-	-	-	-	651,670
Total other comprehensive income, net of tax	-	216,202	370,916	-	-	-	-	587,118
Total comprehensive income for the period	-	216,202	370,916	-	-	-	(1,244,142)	(657,024)
Transfers within reserves								
Transfer from retained earnings	-	-	-	476,068	-	-	(476,068)	-
Balance at 30 June 2024	29,000,000	4,183,574	(1,337,405)	1,514,715	32,675	55,025	(2,235,156)	31,213,428

Statement of Changes in Equity

	Share Capital €	Property revaluation reserve €	Fair value reserve €	Depositor compensation scheme reserve €	Capital contribution €	Reserve for general banking risk €	Retained earnings €	Total €
Balance at 1 January 2023	29,000,000	2,977,302	(2,500,774)	831,860	32,675	72,782	916,452	31,330,297
Total comprehensive income								
Profit for the period	-	-	-	-	-	-	(488,669)	(488,669)
Other comprehensive income, net of tax								
Financial investments measured at fair value through other comprehensive income								
- Net gains reclassified to profit or loss on disposal, net of tax	-	-	-	-	-	-	-	-
- Net movement in fair value, net of tax	-	-	292,735	-	-	-	-	292,735
Total other comprehensive income, net of tax	-	-	292,735	-	-	-	-	292,735
Total comprehensive income for the period	-	-	292,735	-	-	-	(488,669)	(195,934)
Transfers within reserves								
Transfer from retained earnings	-	-	-	373,747	-	-	(373,747)	-
Balance at 30 June 2023	29,000,000	2,977,302	(2,208,039)	1,205,607	32,675	72,782	54,036	31,134,363

Statement of Cash Flows

	01.01.2024 to 30.06.2024 (unaudited) €	01.01.2023 to 30.06.2023 (unaudited) €
Cash generated from operating activities	(4,795,742)	46,985,922
Income tax paid	-	(81,974)
Income tax refund	(81,974)	-
Net cash (outflows)/inflows operating activities	(4,686,653)	46,903,948
Cash flows from investing activities		
Payments to acquire property, equipment, and intangible assets	(1,529,098)	(1,614,773)
Proceeds from disposals of investment securities	4,465,309	1,789,397
Interest received from financial investments	2,342,751	1,726,098
Net cash flows generated from investing activities	5,278,962	1,900,722
Cash flows from financing activities		
Interest paid on debt securities in issue	(138,456)	(139,185)
Purchase of debt securities in issue	(109,200)	-
Net cash flows used in financing activities	(247,656)	(139,185)
Net increase in cash and cash equivalents	344,653	48,665,485
Cash and cash equivalents at beginning of the period	61,021,236	25,555,573
Cash and cash equivalents at end of the period	61,365,889	74,221,058

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.

The ESEF Annual Report and Financial Statements of the Bank as at and for the year ended 31 December 2023 can be viewed on the Malta Stock Exchange website (the official appointed mechanism) at <https://borzamalta.com.mt>, can be provided upon request from the Bank’s registered office or are available for viewing on its website at www.izolabank.com.

2. Basis of preparation

2.1 Statement of compliance

This interim financial report is being published in terms of Listing Rule 5.74 issued by the Malta Financial Services Authority – Listing Authority and in terms of the Prevention of Financial Markets Abuse Act, 2005. The unaudited interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard 34 – ‘Interim Financial Reporting’, as adopted by the EU.

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The condensed interim financial information has been extracted from the Bank’s unaudited half yearly financial statements. In terms of Listing Rule 5.75.5, the Directors are stating that these interim financial statements have not been subject to an audit in accordance with the requirements of International Standards on Auditing nor to a review in accordance with the requirements of ISRE 2410 ‘Review of Interim Financial Information Performed by the Independent Auditor of the Bank’.

As required by IAS 34 Interim Financial Reporting, these condensed half yearly financial statements include the comparative statements of financial position information as of 31 December 2023, and the comparative statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the period ended 30 June 2023.

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’ measured at revalued amount.

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)

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the preparation of these financial statements, the use of certain accounting estimates is required. In this respect, management is required to exercise their judgement in the process of 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.

4. 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 2023. The IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2024, which have been endorsed by the EU, and other minor amendments to IFRSs that are effective from 1 January 2025, which have not yet been endorsed by the EU. The changes resulting from the above standards, interpretations and amendments do not have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

5. IFRS 9: Financial instruments

The following table summarises the loss allowance by class of financial instrument. The provision for credit losses on balances with the Central Bank of Malta and loans and advances to banks are considered insignificant.

30.06.2024 (unaudited)	Gross carrying amount €	Stage 1 €	Stage 2 €	Stage 3 €	Net amount as per SOFP €
Loans and advances to customers at amortised cost	190,833,853	(778,526)	-	(114,027)	189,941,301
Factored receivables at amortised cost	158,738,263	(393,292)	(51,391)	(421,775)	157,871,805
Investment securities at amortised Cost – Debt instruments	51,339,703	(24,853)	-	-	51,314,850
Investment securities at FVOCI – Debt instruments	46,140,607	-	-	-	46,140,607
Loss allowance per stage	-	(1,196,670)	(51,391)	(535,802)	-
Total loss allowance	-	-	-	-	(1,783,863)

The loss allowances recognized through the fair value reserve on investment securities at FVOCI amounted to €100,226.

Notes to the Condensed Interim Financial Statements (continued)

5. IFRS 9: Financial instruments (continued)

30.06.2023 (unaudited)	Gross carrying amount €	Stage 1 €	Stage 2 €	Stage 3 €	Net amount as per SOFP €
Loans and advances to customers at amortised cost	173,197,754	(722,657)	-	(88,832)	172,386,265
Factored receivables at amortised cost	135,336,553	(112,168)	(51,391)	(805,723)	134,367,271
Investment securities at amortised Cost – Debt instruments	51,532,853	-	-	-	51,532,853
Investment securities at FVOCI – Debt instruments	49,741,937	(11,860)	-	-	49,741,937
Loss allowance per stage	-	(834,825)	(51,391)	(894,555)	-
Total loss allowance	-	-	-	-	(1,780,771)

6. Fair values of financial assets and liabilities

The Bank's financial investments within the Statement of Financial Position are measured at fair value, except for a separate group of local sovereign bonds, which are measured at amortised cost. 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 of 30 June 2024, and 31 December 2023, investments were principally valued using Level 1 inputs. Level 3 investments mainly relate to an immaterial holding in unquoted equity amounting to €16,640 (31 Dec 2023: €38,800).

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.

The fair value of the local sovereign bonds measured at amortised cost amount to €41,995,351 (2023: €42,713,946) compared to a carrying amount of €51,314,850 (2023: €51,408,026). The fair values of all the Bank's other financial assets and liabilities that are not measured at fair value but instead measured at amortized cost approximate 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 2023.

Notes to the Condensed Interim Financial Statements (continued)**7. Debt securities in issue**

	2024 (unaudited)	2023 (audited)
	€	€
At 1 January	16,861,501	16,820,322
Purchase of debt securities	(109,200)	-
Amortisation of debt issuance costs during the period/year	20,590	41,179
At 30 June/31 December	16,772,891	16,861,501

Debt securities in issue as of 30 June 2024 and 31 December 2023 represent €3,056,800 and €3,186,000 4.5% unsecured debt redeemable on 30 June 2025, respectively and €14,000,000 5% unsecured subordinated bonds maturing on 15 September 2032.

During the financial period ended 30 June 2024, the Bank purchased and cancelled €109,200 in nominal amount from the 4.5% unsecured debt (ISIN: MT0000531211). In accordance with section 5.8 of the Securities Note forming part of the Company's Prospectus dated 18 May 2015, the purchased Bonds were cancelled and may not be re-issued or re-sold.

The Bank has not had any defaults of interest or any other breaches with respect to these debt securities during the financial period ended 30 June 2024 and the year ended 31 December 2023.

8. Property and equipment and intangible assets

During the six months ended 30 June 2024, additions €747,271 (2023: €733,738) in property and equipment and additions of €781,828 (2023: €881,035) in intangible assets were made.

The Bank's premises are measured at revalued amount less accumulated depreciation. The revaluation amount is based on open market values provided periodically, at least every five years, by independent architects. The Bank's property, classified within 'Property and equipment', comprises the Bank's head office and the former offices located at 53-58, East Street, Valletta. The last independent valuation of these properties was carried out on 30 July 2023.

In June 2024, the Bank completed its multi-year refurbishment project and reallocated to the new head office at Castille Square. Following an independent appraisal of these premises, classified within property and equipment, the carrying amount has been adjusted to reflect the valuation, resulting in a net adjustment of €1,000,000 in the carrying value for the Bank.

9. Related parties**9.1 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 Strategy and Value, the Head of Operations, the Head of Credit, the Head of IT, the Head of Risk and Compliance and the Head of HR.

The Bank's immediate parent is IBL T Limited, the registered office of which is 53-58, East Street, Valletta VLT 1251, Malta. The financial results and assets and liabilities of the Bank are included in the consolidated financial statements of Carlenco Finance NV, with registration number 0755.471.533, the registered office of which is Lar Blok Z5, 8511 Kortrijk, Belgium.

Notes to the Condensed Interim Financial Statements (continued)

9. Related parties (continued)

9.1 Identification of related parties (continued)

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

9.2 Related party transactions

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

	30.06.2024 (unaudited)	30.06.2023 (unaudited)
	€	€
Interest and similar income	2,639,265	2,239,654
Fee and commission income	38,860	39,375
Other operating income	-	333
Interest expense	170,572	239,892

9.3 Related party balances

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

	30.06.2024 (unaudited)	31.12.2023 (audited)
	€	€
Assets		
Loans and advances to customers	46,975,863	41,305,410
Prepayments and accrued income	286,971	526,160
Liabilities		
Amounts owed to customers	42,876,920	36,285,602
Debt securities issued to directors	364,300	364,300
Accruals	14,998	5,743

Loans and advances to customers include seven outstanding loans amounting to €1,365,558 advanced to key management personnel.

10. 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
Other	Principally treasury and other central functions

Revenues 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)

10. Operating segments (continued)

10.1 Business Segments (continued)

Statement of Profit or Loss	30.06.24		30.06.24		30.06.24		30.06.24		30.06.23		30.06.23	
	Total	Lending	Factoring	Other	Total	Lending	Factoring	Other	Total	Lending	Factoring	Other
	€	€	€	€	€	€	€	€	€	€	€	€
Interest and similar income	11,136,071	4,167,727	4,625,593	2,342,751	8,776,504	3,553,244	3,517,162	1,726,098				
Interest expense	(8,116,924)	(3,032,510)	(2,520,504)	(2,563,909)	(5,369,698)	(1,897,032)	(1,478,651)	(1,994,015)				
Net interest income / (expense)	3,019,147	1,135,216	2,105,089	(221,158)	3,406,806	1,636,212	2,038,511	(267,917)				
Net fee and commission income	56,591	56,591	-	-	41,516	70,096	(19,172)	(9,408)				
Other operating income	(59,327)	-	-	(59,327)	12,190	-	-	12,190				
Total operating income	3,016,411	1,191,807	2,105,089	(280,485)	3,460,512	1,706,308	2,019,339	(265,135)				
Depreciation and amortisation	(493,206)	(184,585)	(204,863)	(103,758)	(475,277)	(176,196)	(213,004)	(86,077)				
Changes in expected credit losses and other credit impairment charges	(46,212)	-	(9,360)	(36,852)	(81,808)	(83,545)	129,501	(127,764)				
Employee compensation and benefits	(1,677,640)	(477,478)	(732,186)	(467,975)	(1,462,172)	(315,482)	(862,186)	(284,504)				
Other administrative expenses	(2,701,072)	(828,061)	(1,407,543)	(465,468)	(2,004,655)	(691,930)	(931,429)	(381,296)				
(Loss)/Profit before tax	(1,901,719)	(298,317)	(248,863)	(1,354,539)	(563,400)	439,155	142,221	(1,144,776)				

Notes to the Condensed Interim Financial Statements (continued)

10. Operating segments (continued)

10.1 Business Segments (continued)

Statement of Profit or Loss	30.06.24 Total	30.06.24 Lending	30.06.24 Factoring	30.06.24 Other	30.06.23 Total	30.06.23 Lending	30.06.23 Factoring	30.06.23 Other
	€	€	€	€	€	€	€	€
Assets								
Segment assets	508,403,584	189,941,301	157,871,805	160,590,478	485,603,049	180,964,061	140,049,872	164,589,116
Unallocated assets	25,118,600	-	-	-	22,344,685	-	-	-
Total Assets	533,522,184	189,941,301	157,871,805	160,590,478	507,947,734	180,964,061	140,049,872	164,589,116
Liabilities								
Segment liabilities	494,292,980	184,669,532	153,490,116	156,133,333	466,875,868	173,912,836	134,601,785	158,361,248
Unallocated liabilities	8,015,776	-	-	-	9,201,413	-	-	-
Total Liabilities	502,308,756	184,669,532	153,490,116	156,133,333	476,077,281	173,912,836	134,601,785	158,361,248

Notes to the Condensed Interim Financial Statements (continued)

11. Income tax credit

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

12. Earnings per share

Earnings per share was calculated by dividing the loss after tax attributable to ordinary shareholders of the Bank totaling to €1,244,142 (June 2023: loss of €488,669) by 52,000,000 ordinary shares as at 30 June 2024.

13. Share capital

At 30 June 2024 and 31 December 2023, 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.

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 be used to 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.

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	€	€	€	€
At 30 June 2024				
Debt Instruments	72,360,620	63,041,121	-	-
Other assets	1,707,717	1,707,717	16,003,522	16,003,522
At 31 December 2023				
Debt Instruments	72,474,849	63,780,049	-	-
Other assets	1,707,717	1,707,717	13,939,136	13,939,136

Izola Bank does not encumber any collateral received. As of 30 June 2024, the Bank did not have any outstanding liabilities associated with encumbered assets and collateral received.

The Bank undertakes the following types of encumbrances:

- Pledging of a deposit with the Central Bank of Malta in favour of the Depositor Compensation Scheme.
- 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.

Notes to the Condensed Interim Financial Statements (continued)

15. Key Regulatory Ratios

	30.06.24	31.12.23
	%	%
Common Equity Tier 1 (CET1) Ratio	11.69	11.69
Total Capital Ratio	17.87	17.87
Leverage Ratio	5.14	5.14
Liquidity Coverage Ratio (LCR)	2,607.42	2,607.42
Net Stable Funding Ratio (NSFR)	151.82	151.82

As of 30 June 2024, the Bank breached the P2G level of 1.5% as established within the SREP letter issued by the MFSA in 2023. To address this regulatory breach, earlier this year, the Directors of the Bank approved a capital management plan to contribute towards an increase in the Tier 1 ratio in the short- and medium-term horizon. As part of this plan, the Board of Directors have authorised the issue of €3 million in perpetual notes intended to be subscribed to by a related company, IBL I Limited. This capital instrument qualifies as an Additional Tier 1 instrument in accordance with the requirements of Articles 51 to 56 of the Capital Requirements Regulation (EU) No 575/2013 and will be categorized as equity within the Bank's Statement of Financial Position under the requirements of IFRSs as adopted by the EU, following approval by the MFSA.

16. Comparative Figures

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

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

I confirm that to the best of my knowledge:

- » The condensed interim financial statements give a true and fair view of the financial position as of 30 June 2024, financial performance and cash flows for the period then ended, in accordance with accounting standards adopted for use in the EU for interim financial statements IAS 34 'Interim Financial Reporting' for the Bank; and
- » The commentary includes a fair review of the information required in terms of Listing Rules 5.81.



Andrew Mifsud

Chief Executive Office