Izola Bank p.l.c.

Interim Pillar 3 Disclosures
30 June 2026

1. Introduction

The Basel III capital adequacy framework consists of three complementary pillars. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market, and operational risks. Pillar 2 establishes a system of supervisory review aimed at improving banks' internal risk management and capital adequacy assessment in line with their risk profile. Pillar 3 is intended to enhance market discipline and requires banks to publish a range of disclosures aimed at providing further insight on the capital and liquidity structures, including their adequacy and risk management practices. The Pillar 3 Disclosures bearing reference date 30 June 2026 comprise both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with Part Eight of the Capital Requirements Regulation (CRR III) and the European Banking Authority's (EBA) Pillar 3 Disclosure Guidelines. Furthermore, the Pillar 3 Disclosures are compliant with the 'Reporting Framework' issued by the European Banking Authority. This interim report provides an updated overview of the Bank's key metrics, in accordance with EBA Pillar 3 Disclosure Guidelines and EBA Pillar 3 Implementing Technical Standard.

2. Statement of the Management Body

In accordance with the requirements set out in Article 431(3) of the CRR, CRR II and CRR III, the Bank has disclosed all information mandated under the Pillar 3 framework, ensuring alignment with the applicable disclosure requirements, as well as with its formally adopted policies, procedures, systems, and internal controls. These disclosures have not been subject to an external audit. The responsibility for the accuracy and completeness of the Pillar 3 disclosures lies with the Bank's management. Based on the Bank's internal verification procedures, management is satisfied that the disclosures have been prepared in a fair, accurate, and consistent manner.

3. Risk Measurement and Key Risk Metrics

Table EU KM 1 Key Metrics gives an overview of the Bank's key metrics, including the risk-weighted exposure amounts over the past relevant periods.

The increase in the Liquidity Coverage Ratio between periods is attributed to a reduction in weighted outflows as defined under the LCR Delegated Act. This reduction stems from an overall decrease in amounts owed to customers, which has lowered the expected cash outflows in the calculation. Furthermore, the Tier 1 reduction from the December 2025 position is due to the reclassification of MGS instruments.

Table 1: EU KM1- Key Metrics

		a	b	c
		30 June 2026	31 December 2025	30 June 2025
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	24,442,081	29,527,852	25,450,589
2	Tier 1 capital	27,442,081	32,527,852	28,450,589
3	Total capital	41,442,081	46,527,852	42,450,589
	Risk-weighted exposure amounts			
4	Total risk exposure amount	204,633,990	209,349,548	218,868,491
4a	Total risk exposure pre-floor	204,633,990	209,349,548	218,868,491
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	11.94%	14.10%	11.63%
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	11.94%	14.10%	11.63%
6	Tier 1 ratio (%)	13.41%	15.54%	13.00%
6b	Tier 1 ratio considering unfloored TREA (%)	13.41%	15.54%	13.00%
7	Total capital ratio (%)	20.25%	22.22%	19.40%
7b	Total capital ratio considering unfloored TREA (%)	20.25%	22.22%	19.40%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7d	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.25%	3.25%	3.25%
EU 7e	of which: to be made up of CET1 capital (percentage points)	1.83%	1.83%	1.83%
EU 7f	of which: to be made up of Tier 1 capital (percentage points)	2.44%	2.44%	2.44%
EU 7g	Total SREP own funds requirements (%)	11.25%	11.25%	11.25%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.14%	0.12%	0.15%
EU 9a	Systemic risk buffer (%)	0.23%	0.24%	0.23%
11	Combined buffer requirement (%)	2.87%	2.86%	2.88%
EU 11a	Overall capital requirements (%)	15.62%	14.11%	14.13%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.62%	7.10%	5.76%
	Leverage ratio			
13	Total exposure measure	403,744,351.13	511,031,945.42	524,827,756.98
14	Leverage ratio (%)	6.80%	6.37%	5.42%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	77,153,018	96,028,509	112,491,634
EU 16a	Cash outflows - Total weighted value	5,693,204	11,665,424	12,717,580
EU 16b	Cash inflows - Total weighted value	41,186,625	45,317,806	49,721,151
16	Total net cash outflows (adjusted value)	1,423,301	2,916,356	3,179,395
17	Liquidity coverage ratio (%)	5421%	3293%	3538%
	Net Stable Funding Ratio			
18	Total available stable funding	280,120,225	286,463,205	304,102,742
19	Total required stable funding	185,401,406	206,726,915	234,744,378
20	NSFR ratio (%)	151.1%	138.6%	129.5%

EU KM2 below shows that as at June 2026, the Group's own funds and eligible liabilities as a percentage of the total risk exposure amount (TREA) amounted to 20.25% while the own funds and eligible liabilities as a percentage of the total exposure measure (TEM) amounted to 10.26%. Consequently, the Bank's position is above the regulatory minimum requirements in relation to MREL. During the reporting period, the Bank recorded a reduction in both the Total Exposure Measure and the Total Risk Exposure Amount, reflecting management's strategic initiatives aimed at optimizing the balance sheet structure. This decrease was primarily driven by the reduction of certain commitments and the implementation of risk-weight optimization measures.

Table 2: EU KM2 - Key metrics – MREL requirements for own funds and eligible liabilities

		a **Minimum requirement for own funds and eligible liabilities (MREL)**
		T
Own funds and eligible liabilities, ratios and components		
1	Own funds and eligible liabilities	41,442,081
EU-1a	Of which own funds and subordinated liabilities	41,442,081
2	Total risk exposure amount of the resolution group (TREA)	204,633,990
3	Own funds and eligible liabilities as a percentage of the TREA	20.25%
EU-3a	Of which own funds and subordinated liabilities	20.25%
4	Total exposure measure (TEM) of the resolution group	403,744,351
5	Own funds and eligible liabilities as percentage of the TEM	10.26%
EU-5a	Of which own funds or subordinated liabilities	10.26%
6a	Does the subordination exemption in Article 72b(4) of Regulation (EU) No 575/2013 apply? (5% exemption)	
6b	Aggregate amount of permitted non-subordinated eligible liabilities instruments if the subordination discretion in accordance with Article 72b(3) of Regulation (EU) No 575/2013 is applied (max 3.5% exemption)	
6c	If a capped subordination exemption applies in accordance with Article 72b (3) of Regulation (EU) No 575/2013, the amount of funding issued that ranks *pari passu* with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks *pari passu* with excluded liabilities and that would be recognised under row 1 if no cap was applied (%)	
Minimum requirement for own funds and eligible liabilities (MREL)		
EU-7	MREL expressed as a percentage of the TREA	20.25%
EU-8	Of which to be met with own funds or subordinated liabilities	20.25%
EU-9	MREL expressed as a percentage of the TEM	10.26%
EU-10	Of which to be met with own funds or subordinated liabilities	10.26%

The Bank is not in scope for G-SII Requirement for own funds and eligible liabilities (TLAC), hence, columns T to T-4 and rows 6a to 6c were excluded from the above table.