

29 April 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

The Board of Directors of Izola Bank p.l.c. has approved the Annual Report for the financial year ended 31 December 2025 and its publication. The Bank’s ESEF Annual Report and Financial Statements have been made available publicly on the Company’s website at <https://www.izolabank.com/mt-en/who-we-are/investor-information/annual-reports-financial-statements>.

The ESEF Annual Report & Financial Statements for the year ended 31 December 2025, and the Directors’ Declaration on the ESEF Annual Report & Financial Statements 2025, can be viewed on the Malta Stock Exchange website (the officially appointed mechanism) at <https://borzamalta.com.mt/>.

The Directors’ Declaration is attached to this company announcement.

Bank Performance

Izola Bank p.l.c. has published its financial results for the year ended 31 December 2025. These results reflect a year of disciplined balance sheet and cost management in a gradually normalising interest-rate environment, with a clear focus on funding-cost optimisation, margin preservation, and prudent execution. This strategic discipline is evidenced by the successful return to profitability, representing a material turnaround in financial performance within a single year following the challenges experienced in recent years.

The Bank generated a profit before tax of €0.68 million for the year (2024: loss of €4.1 million). Net interest income increased by 25% to €7.7 million (2024: €6.2 million), driven by funding cost optimisation and pricing improvements. Interest and similar income declined by 15% to €19.0 million (2024: €22.4 million), reflecting the reduction in market interest rates and balance sheet recalibration. This reduction was more than offset by materially lower funding costs, with interest expense decreasing by 30% to €11.3 million (2024: €16.2 million).

Fee and commission income increased to €0.31 million (2024: €0.23 million), whilst fee and commission expenses amounted to €0.14 million (2024: €0.15 million), resulting in net fee and commission income of €0.18 million (2024: €0.09 million).

Operating expenses declined year on year, reflecting disciplined cost control while maintaining targeted investment in core operational capabilities. Employee compensation and benefits amounted to €3.35 million (2024: €3.40 million), and other administrative

expenses decreased significantly to €3.18 million (2024: €5.45 million), primarily the result of the absence of Depositor Compensation Scheme contributions for the year and a significantly reduced marketing spend.

Amortisation and depreciation charges totalled €0.99 million, comprising depreciation of €0.34 million (2024: €0.30 million) and amortisation of €0.65 million (2024: €0.85 million). The decrease in amortisation primarily reflects the full amortisation or write-off of certain intangible assets which were decommissioned in prior years.

Following the recognition of an income tax expense of €87,419 (2024: income tax credit of €1.1 million), the Bank reported a profit after tax of €0.6 million, compared to a loss of €2.97 million in the prior year.

Total comprehensive income for the year amounted to €0.82 million (2024: total comprehensive loss of €0.42 million), including other comprehensive income of €0.23 million (2024: €2.55 million). The reduction in other comprehensive income reflects lower valuation gains on property and financial instruments compared to the prior year.

Balance Sheet and Capital Position

Izola Bank maintained a resilient balance sheet during the year, with total assets of €399.7 million (2024: €503.8 million).

The year-on-year contraction reflects deliberate balance sheet optimisation and selective origination aligned with margin, liquidity, and risk appetite considerations. Loans and advances to customers stood at €136.7 million (2024: €194.0 million), while factored receivables amounted to €116.6 million (2024: €138.2 million).

Customer deposits, the Bank's principal source of funding, totalled €338.1 million (2024: €448.6 million). This recalibration of deposit volumes is consistent with the calibration of the asset base.

The Bank closed the year with a Tier 1 capital ratio of 15.54%, comfortably exceeding the minimum regulatory requirement, including guidance, of 12.80%.

Total equity stood at €31.5 million (2024: €30.7 million), reflecting ongoing consolidation following the capital actions undertaken in the prior year, together with the accounting impact arising from a Malta Financial Services Authority decision. This resulted in all Malta Government Bond holdings being accounted for at Fair Value through Other Comprehensive Income as disclosed to the market on 30 January 2026 by way of a Company Announcement issued in accordance with the Capital Markets Rules.

Reversal of a Correction in the Audited Financial Statements

Reference is made to the Malta Financial Services Authority's ("MFSA") Enforcement of Financial Information examination of the Bank's Annual Report and Audited Financial Statements for the financial year ended 31 December 2023. The review focused on the IAS 8

retrospective adjustment disclosed in relation to the initial classification of Malta Government Bonds acquired in 2021. At the time, the Bank considered the accounting treatment adopted to be appropriate. However, the MFSA reached a different conclusion, and, accordingly, the Bank has implemented the required reversal of the correction in its audited financial statements, commencing with the financial year ending 31 December 2025.

This implementation includes the restatement of comparative figures, as applicable, in accordance with IAS 8, and as requested by the MFSA. While the revised accounting treatment results in a reduction in corrected accounting equity, the Bank expects annual total comprehensive income to increase in subsequent periods due to the recovery of unrealised fair value losses. This is anticipated to be driven by declining yields and the corresponding increases in bond prices.

The restatement covers the following periods:

Opening position as at 1 January 2024
Financial position as at 31 December 2024
Interim figures as at 30 June 2025
Year-end figures as at 31 December 2025

The retrospective accounting adjustments do not affect reported regulatory capital ratios up to 31 December 2025. This is due to the application of the prudential treatment under Article 468 of the Capital Requirements Regulation (CRR), which provides for the temporary exclusion of unrealised gains/losses measured at FVOCI from own funds calculations until 31 December 2025. Under this treatment, unrealised losses on bonds issued by euro area sovereigns and measured at FVOCI are excluded from regulatory capital.

From 1 January 2026, regulatory capital ratios (CET1, Tier 1, Total Capital, and Leverage Ratio) fully reflect the prudential impact of relevant FVOCI movements on Own Funds and are therefore lower than reported in 2025. Notwithstanding this impact, the Bank continues to remain above its applicable minimum regulatory capital requirements and guidance levels.

Further details on the impact of the above-mentioned retrospective accounting adjustments on the Bank's financial statements are set out in Note 2.8 to the financial statements.

Strategic Developments

During 2025, the Bank continued to build on earlier achievements through a number of key strategic initiatives designed to further enhance its operational and financial foundations.

Significant progress was achieved in the Bank's digital transformation programme. Migration to the new core and internet banking systems was successfully completed, representing a major operational milestone. Enhancements to the enterprise data warehouse continued during the year and are progressing well, with completion targeted for the second half of 2026. These initiatives are intended to enhance the customer digital experience, improve operational efficiency, and strengthen the Bank's data, risk, and reporting capabilities.

Outlook for 2026

Looking ahead, the operating environment in 2026 is expected to remain challenging and uncertain. Heightened geopolitical tensions, including developments in the Middle East, together with ongoing macroeconomic volatility, inflationary pressures, and evolving interest rate expectations, continue to shape market conditions and present challenges for the banking sector.

Against this backdrop, the Bank's priorities for 2026 are firmly centred on preserving financial stability and sustaining capital and liquidity strength within a disciplined and prudent risk framework. Despite potential headwinds affecting near-term performance, the Board and senior management remain focused on disciplined execution and ensuring ongoing balance-sheet resilience.

In parallel, senior management remains fully committed to the continued strengthening of governance, risk management, and operational capabilities. The Bank will also continue progressing its digital transformation initiatives, supporting operational efficiency and service quality, while maintaining a cautious and measured approach to business activity.

Despite the external challenges, the Board is confident that the actions being undertaken will support the Bank's resilience and sustainability, enabling it to navigate a complex and uncertain environment while remaining focused on the interests of its customers, shareholders, and other stakeholders.

Separately, the shareholders have advised the Board that discussions remain ongoing with multiple potential investors regarding a possible change in the Bank's ownership structure. The Board will consider any binding offer once it is formally submitted and subject to receipt of all necessary regulatory approvals.

Unquote



Mikiel Calleja
Company Secretary

**DIRECTORS' DECLARATION
ON ESEF ANNUAL REPORT AND FINANCIAL STATEMENTS 2025**

We, Mr. Andrew Mifsud and Mr Guido Mizzi, in our capacity as Directors of Izola Bank Plc (Company registration number: C 16343), hereby certify:

- i. That the Annual Report and Financial Statements (“ARFS”) for the year ended 31 December 2025 has been approved by the Board of Directors of the Company and is hereby being made available to the public.
- ii. That the ARFS has been prepared in terms of the applicable rules and regulations, including the Commission Delegated Regulation on the European Single Electronic Format (“ESEF”) and the Capital Markets Rules.
- iii. That the Audit Report on the ESEF ARFS is an exact copy of the original signed by the auditor and that no alterations have been made to the audited elements of the ARFS including the annual financial statements.
- iv. That the ARFS shall serve as the official document for the purposes of the Capital Markets Rules and the Companies Act (Chapter 386 of the Laws of Malta).



Andrew Mifsud

Chief Executive Officer and Director



Guido Mizzi

Director

Dated: 29 April 2026

¹ Commission Delegated Regulation 2019/815 on the European Single Electronic Format, as may be further amended from time to time.

² Capital Markets Rules as issued by the Malta Financial Services Authority (MFSA).