

Izola Bank p.l.c.

Interim Pillar 3 Disclosures
30 June 2025

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 2025 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. As of June 30, 2025, the Bank exceeded the P2G threshold of 1.5% set in the SREP letter issued by the Malta Financial Services Authority.

The increase in the total risk exposure amount for the period is primarily attributable to modifications in the regulatory treatment of risk-weighted assets, resulting from the implementation of CRR III. The revised framework has led to changes in certain exposure classes, methodologies, and risk parameters, which have impacted the calculation of RWAs. Consequently, the transition from CRR II to CRR III has resulted in a higher aggregate risk exposure amount as captured in the current reporting period, in comparison with the previous period.

The significant change in the leverage ratio arises from revised off-balance sheet item treatments under CRR III, including recalibrated credit conversion factors and reclassifications. The increase in the Liquidity Coverage Ratio between periods is attributable 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.

Table 1: EU KM1- Key Metrics

		a 30 June 2025	b 30 December 2024
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	25,450,589	25,578,977
2	Tier 1 capital	28,450,589	28,578,977
3	Total capital	42,450,589	42,578,977
Risk-weighted exposure amounts			
4	Total risk exposure amount	218,868,491	201,293,381
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	11.63%	12.71%
6	Tier 1 ratio (%)	13.00%	14.20%
7	Total capital ratio (%)	19.40%	21.15%
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%
EU 7e	of which: to be made up of CET1 capital (percentage points)	1.83%	1.83%
EU 7f	of which: to be made up of Tier 1 capital (percentage points)	2.44%	2.44%
EU 7g	Total SREP own funds requirements (%)	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%
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 (%)	0.11%	0.15%
EU 9a	Systemic risk buffer (%)	0.21%	0.23%
11	Combined buffer requirement (%)	2.82%	2.88%
EU 11a	Overall capital requirements (%)	14.07%	14.13%
12	CET1 available after meeting the total SREP own funds requirements (%)	4.56%	5.76%
Leverage ratio			
13	Total exposure measure	524,827,757	619,900,668
14	Leverage ratio (%)	5.42%	4.61%
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%
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%
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	112,491,634	119,679,334
EU 16a	Cash outflows - Total weighted value	12,717,580	24,336,557
EU 16b	Cash inflows - Total weighted value	49,721,151	52,837,193
16	Total net cash outflows (adjusted value)	3,179,395	6,084,139
17	Liquidity coverage ratio (%)	3538%	1967%
Net Stable Funding Ratio			
18	Total available stable funding	304,318,672	372,312,587
19	Total required stable funding	234,744,378	264,077,259
20	NSFR ratio (%)	130%	141%

EU KM2 below shows that as at June 2025, the Group's own funds and eligible liabilities as a percentage of the total risk exposure amount (TREA) amounted to 19.40% while the own funds and eligible liabilities as a percentage of the total exposure measure (TEM) amounted to 8.09%. Consequently, the Bank's position is above the regulatory minimum requirements in relation to MREL. Furthermore, the transition adjustment due to IFRS 9 was not material to the Bank.

Condensed Interim Financial Report - 30 June 2025

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	42,450,589
EU-1a	Of which own funds and subordinated liabilities	42,450,589
2	Total risk exposure amount of the resolution group (TREA)	218,868,491
3	Own funds and eligible liabilities as a percentage of the TREA	19.40%
EU-3a	Of which own funds and subordinated liabilities	19.40%
4	Total exposure measure (TEM) of the resolution group	524,827,757
5	Own funds and eligible liabilities as percentage of the TEM	8.09%
EU-5a	Of which own funds or subordinated liabilities	8.09%
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	19.40%
EU-8	Of which to be met with own funds or subordinated liabilities	19.40%
EU-9	MREL expressed as a percentage of the TEM	8.09%
EU-10	Of which to be met with own funds or subordinated liabilities	8.09%

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