

30 January 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 Bank makes reference to a 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. This review focused specifically on the IAS 8 retrospective adjustment disclosed therein in relation to the initial classification of Malta Government Stocks acquired in 2021.

At the time, the Bank considered the adopted approach to be appropriate. However, the MFSA reached a different conclusion, and as a result, the Bank will implement the required reversal of the correction in its upcoming audited financial statements, commencing with the financial year ending 31 December 2025. This process will include the restatement of comparative figures, as applicable, in accordance with IAS 8, and as requested by the MFSA.

While the revised accounting treatment will result in a reduction in corrected accounting equity, the Bank expects annual total comprehensive income to increase due to the recovery of unrealised fair value losses in subsequent years, driven by declining yields and corresponding increases in bond prices.

The restatement will cover the following applicable 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 Bank does not expect the retrospective accounting adjustments to impact reported regulatory capital ratios up to 31 December 2025. This is due to the available prudential treatment under CRR Article 468 (temporary treatment of unrealised gains/losses measured at FVOCI, applicable until 31 December 2025) under which unrealised losses on bonds issued by euro area sovereigns (among others) and measured at FVOCI are excluded from own funds calculations.

From 1 January 2026, regulatory capital ratios (CET1, Tier 1, Total Capital and Leverage Ratio) will fully reflect the prudential impact of the relevant FVOCI movements on Own Funds and are therefore expected to be lower than 2025 levels. Notwithstanding this, the Bank will remain above its applicable minimum regulatory capital requirements. Full details will be provided in the Bank's Annual Report and Financial Statements and Pillar 3 disclosures for the financial year 2025.

Unquote


Mikiel Calleja
Company Secretary

Izola Bank p.l.c. – Information for the market