24th July 2023

Company Announcement

The following is a Company Announcement issued by Izola Bank p.l.c. ("the Bank") pursuant to the Capital Markets Rules.

QUOTE

In a meeting of the Board of Directors of Izola Bank p.l.c. held on 24 July 2023, the attached unaudited Condensed Interim Financial Statements for the six-month period ended 30 June 2023 were approved.

The Condensed Interim Financial Statements for the period ended 30 June 2023 are available for viewing and download on the Bank's website at **www.izolabank.com**.

UNQUOTE

Calvin Bartolo
Company Secretary

CONDENSED INTERIM FINANCIAL REPORT

30 June 2023

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 2023.

Against the backdrop of an uncertain global outlook for economic growth and inflationary pressures, the Bank has remained resilient in adapting to this financial climate. Gross interest income was up by €2.8m (48%) when compared to that reported in the same period last year. The increase in revenue was driven by a positive performance registered in the Bank's main product lines and the placement of excess liquidity at positive interest rates compared to the negative interest rate environment in the same period last year. The increase in interest rates negatively impacted the Bank's cost of funding. The increase in the level of business allowed the Bank to absorb some of the increase in interest expense, resulting in a decrease in net interest income of €0.3m when compared to the equivalent period in 2022.

The investment in technology and human resources continued to be a priority, which together with the impact of rising inflation, led to an increase in operating expenses of €0.68m compared to the prior period. Nonetheless, the digital transformation programme remains at the forefront of the Bank's agenda, ensuring improved operational efficiency and the maintenance of exceptional client service levels. An increase of 6.6% in IT expenditure was registered whilst employee compensation and benefits increased by 23% compared to the first six months of 2022. The digital transformation programme has also led to accelerated depreciation and amortisation charges. Due to this exceptional expenditure, which will ultimately be translated into operational and cost-saving benefits, the cost-to-income ratio remains high at 114%.

Expected Credit Loss (ECL) provisions remained in line with those registered as of 31 December 2022. The Bank continues to maintain a high credit quality level in both its lending and factoring portfolios. The net charge for the period was a normal consequence of the growth in the portfolios as well as improved coverage levels on doubtful exposures.

The increase in operating expenses impacted the loss before tax for the first six months of 2023 which amounted to €0.56m compared to a profit before tax of €0.55m registered in the comparative period.

Finally, the Bank continues to maintain good levels of capital and liquidity buffers to enable it to withstand potential negative economic shifts and retain a prudent approach towards lending. As of the end of June 2023, regulatory capital and liquidity remained stable with the Capital Adequacy Ratio (CAR) and Liquidity Coverage Ratio (LCR) standing at 21.93% and 1,482% respectively, both well above the statutory minimum requirements.

Review of Operations (continued)

Financial Highlights for the half year ended 30 June 2023

- **Loss before tax of €0.56m for the six months ended 30 June 2023 – down €1.11m (203%), compared with the €0.55m profit before tax for the same period in 2022.**
- **Operating income of €3.5m for the six months ended 30 June 2023, down €0.4m (11%), compared with €3.89m for the same period in 2022.**
- **Loans and advances to customers (including factoring) of €307m as of 30 June 2023, up €28m (10%), compared with 31 December 2022.**
- **Customer deposits of €450m as of 30 June 2023, up €114m (34%), compared with 31 December 2022.**
- **Treasury portfolio of €105m as of 30 June 2023, up €13.5m (14.7%) compared with 31 December 2022.**
- **Total assets of €507m as of 30 June 2023, an increase of €86m (20%), compared with 31 December 2022.**
- **Loss per share of €0.01 cents for the six months ended 30 June 2023 compared with an earnings per share of €0.57 cents for the same period in 2022.**

Outlook

The Bank remains cautiously optimistic that the financial performance will improve, and key target segments will yield additional growth in the coming months. The Board remains committed towards its business strategy with growth expected in target markets such as retail mortgage lending, with the origination of the Dutch retail mortgage portfolio expected over the coming weeks.

Moreover, the commitment towards building on the success in growing its factoring operations, corporate lending activity, and seeking out new deposit-raising facilities, places the Bank in a competitive position. Notwithstanding, caution in the approach taken remains key considering the economic challenges being faced by the industry.

Statement of Profit or Loss and Other Comprehensive Income

	01.01.2023 to 30.06.2023 (unaudited)	01.01.2022 to 30.06.2022 (unaudited)
	€	€
Interest and similar income	**8,776,504**	5,932,088
Interest expense	**(5,369,698)**	(2,220,458)
Net interest income	**3,406,806**	3,711,630
Fee and commission income	**89,356**	85,665
Fee and commission expense	**(47,840)**	(66,579)
Net fee and commission income	**41,516**	19,086
Other operating revenue	**12,190**	162,597
Total operating income	**3,460,512**	3,893,313
Depreciation and amortisation	**(475,277)**	(468,013)
Changes in expected credit losses and other credit impairment charges	**(81,808)**	(148,843)
IT Expenditure	**(660,493)**	(619,394)
Employee compensation and benefits	**(1,462,172)**	(1,190,961)
Other administrative expenses	**(1,344,162)**	(917,092)
(Loss)/ Profit before tax	**(563,400)**	549,010
Income tax credit/(expense)	**74,731**	(220,571)
(Loss)/profit for the period	**(488,669)**	328,439
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Financial investments measured at fair value through other comprehensive income		
- Net gains reclassified to profit or loss on disposal, net of tax	**-**	(8,125)
- Reversal of unrealised fair value movement upon reclassification to amortized cost, net of taxes	**9,922,660**	901,896
- Net movement in fair value, net of tax	**145,209**	(293,136)
Total comprehensive income	**9,579,200**	929,074
Earnings per share	**(0c01)**	0c57

Statement of Financial Position

	30.06.2023 (unaudited)	31.12.2022 (audited)
	€	€
ASSETS		
Balances with Central Bank of Malta	**68,482,564**	17,598,287
Loans and advances to banks	**7,714,211**	10,214,993
Financial investments	**105,002,475**	91,550,927
Factored receivables	**134,367,271**	118,363,724
Loans and advances to customers	**172,386,265**	160,329,282
Property and equipment	**12,374,392**	11,712,225
Intangible assets	**2,452,923**	1,975,593
Current tax asset	**715,752**	641,499
Deferred tax asset	**745,647**	5,920,924
Other assets	**2,972,556**	3,181,811
Total assets	**507,214,056**	421,489,265
LIABILITIES		
Amounts owed to institutions	**-**	40,000,000
Amounts owed to banks	**268,000**	275,815
Amounts owed to customers	**449,898,694**	335,660,870
Debt securities in issue	**16,840,912**	16,820,322
Deferred tax liabilities	**624,982**	436,414
Accruals and other payables	**317,520**	1,015,689
Accrued Interest payable	**6,148,818**	3,744,225
Total liabilities	**474,098,926**	397,953,335
EQUITY		
Called up share capital	**29,000,000**	29,000,000
Capital contribution reserve	**32,675**	32,675
Property revaluation reserve	**2,977,302**	2,977,302
Fair value reserve	**(227,272)**	(10,295,141
Depositor compensation scheme reserve	**1,205,607**	831,860
Reserve for general banking risks	**72,782**	72,782
Retained earnings	**54,036**	916,452
Total equity	**33,115,130**	23,535,930
Total liabilities and equity	**507,214,056**	421,489,265

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	(10,295,141)	831,860	32,675	72,782	916,452	23,535,930
Total comprehensive income								
Loss for the period	-	-	-	-	-	-	(488,669)	(488,669)
Other comprehensive income, net of tax								
Capitalization of capital contribution	-	-	-	-	-	-	-	-
Financial investments measured at fair value through other comprehensive income								
- Reversal of unrealised fair value movement upon reclassification to amortized cost, net of taxes	-	-	9,922,660	-	-	-	-	9,922,660
- Net movement in fair value, net of tax	-	-	145,209	-	-	-	-	145,209
Total other comprehensive income, net of tax	-	-	10,067,869	-	-	-	-	10,067,869
Total comprehensive income for the period	-	-	10,067,869	-	-	-	(488,669)	10,067,869
Transfers within reserves								
Transfer from retained earnings	-	-	-	373,747	-	-	(373,747)	-
Balance at 30 June 2023	29,000,000	2,977,302	(227,272)	1,205,607	32,675	72,782	54,036	33,115,130

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 2022	**10,000,000**	**3,521,238**	**(612,547)**	**1,288,168**	**17,032,675**	**45,091**	**2,005,302**	**33,279,927**
Total comprehensive income								
Profit for the period	-	-	-	-	-	-	**328,439**	**328,439**
Other comprehensive income, net of tax								
Capitalization of capital contribution	**17,000,000**	-	-	-	**(17,000,000)**	-	-	-
Financial investments measured at fair value through other comprehensive income								
- Net gains reclassified to profit or loss on disposal, net of tax	-	-	**(8,125)**	-	-	-	-	**(8,125)**
- Reversal of unrealised fair value movement upon reclassification to amortized cost, net of taxes	-	-	**901,896**	-	-	-	-	**901,896**
- Net movement in fair value, net of tax	-	-	**(293,136)**	-	-	-	-	**(293,136)**
Total other comprehensive income, net of tax	-	-	**600,635**	-	-	-	-	**600,635**
Total comprehensive income for the period	-	-	**600,635**	-	-	-	**328,439**	**929,074**
Balance at 30 June 2022	**27,000,000**	**3,521,238**	**(11,912)**	**1,288,168**	**32,675**	**45,091**	**2,333,741**	**34,209,000**

Statement of Cash Flows

	01.01.2023 to 30.06.2023 (unaudited)	01.01.2022 to 30.06.2022 (unaudited)
	€	€
Cash flows from operating activities		
Net cash increase/(decreases) from operating activities before income tax	**46,985,922**	(16,492,165)
Income tax (paid)/refund	**(81,974)**	(60,041)
Net cash from/(used in) operating activities	**46,903,948**	(16,552,206)
Cash flows from investing activities		
Payments to acquire property, equipment, and intangible assets	**(1,614,773)**	(1,354,597)
Payments to acquire investment securities	**-**	(6,200,099)
Proceeds from disposals of investment securities	**1,789,397**	21,639,045
Interest received from financial investments	**1,726,098**	476,031
Net cash from investing activities	**1,900,722**	14,560,380
Cash flow from financing activities		
Interest paid on debt securities in issue	**(139,185)**	(540,000)
Net cash used in financing activities	**(139,185)**	(540,000)
Net increase/(decrease) in cash and cash equivalents	**48,665,485**	(2,531,826)
Cash and cash equivalents at beginning of the period	**25,555,573**	39,970,678
Cash and cash equivalents at end of the period	**74,221,058**	37,438,852

Notes to the Condensed Interim Financial Statements

1. Reporting entity

Izola Bank p.l.c. (the "Bank") is a public limited liability company domiciled and incorporated in Malta. The Bank is primarily involved in corporate and retail banking.

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 2023 have been prepared in accordance with International Accounting Standard 34 - 'Interim Financial Reporting'.

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, 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 this interim financial report has 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'.

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.

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. Accounting policies

The 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 2022. The IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2023, which have been endorsed by the EU, and other minor amendments to IFRSs that are effective from 1 January 2024, 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.

Notes to the Condensed Interim Financial Statements (continued)

5. IFRS 9: Financial instruments

5.1 Loss allowances

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.

30.06.2023 (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	**74,894,662**	**-**	**-**	**-**	**74,894,662**
Investment securities at FVOCI – Debt instruments	**29,526,937**	**-**	**-**	**-**	**29,526,937**
Loss allowance per stage	**412,955,906**	**(834,825)**	**(51,391)**	**(894,555)**	**411,175,135**
Total loss allowance	**-**	**(834,825)**	**(51,391)**	**(894,555)**	**(1,780,771)**

30.06.2022 (unaudited)	**Gross carrying amount**	**Stage 1**	**Stage 2**	**Stage 3**	**Net amount as per SOFP**
	€	**€**	**€**	**€**	**€**
Loans and advances to customers at amortised cost	143,574,519	(397,378)	(1,699)	(64,122)	143,111,320
Factored receivables at amortised cost	107,601,366	(78,303)	-	(535,465)	106,987,598
Investment securities at amortised Cost – Debt instruments	72,843,358	-	-	-	72,843,358
Investment securities at FVOCI – Debt instruments	28,642,791	(11,860)	-	-	28,630,931
Loss allowance per stage	352,662,034	(487,541)	(1,699)	(599,587)	351,573,207
Total loss allowance	-	(487,541)	(1,699)	(599,587)	(1,088,827)

Notes to the Condensed Interim Financial Statements (continued)

5. IFRS 9: Financial instruments (continued)

5.2 Change in business model of local sovereign debt portfolio

Management unveiled a new business line during 2022, as the Bank launched its mortgage product offering to the retail market in Malta. The development of this business line enabled the Bank to diversify its asset portfolios and to limit the level of concentration risk to specific portfolios within its asset base. In line with significant developments made in this area, management changed the classification and measurement of its local sovereign debt portfolio, as highlighted in the annual report for the year ended 31 December 2022, in financial year 2023. This portfolio was previously classified within a "held-to-collect and sell" business model, given that these financial instruments were utilised to meet the operational requirements of the business. The Bank's sovereign debt portfolio is currently allocated solely to raising funds through the ECB open market operations in order to address the liquidity gaps attributable to the local and Dutch retail mortgage business lines.

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 local sovereign bonds. 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 2023 and 31 December 2022, investments were principally valued using Level 1 inputs. Level 3 investments mainly relate to an immaterial holding in unquoted equity amounting to €36,375 (31 Dec 2022: €30,275) whilst the remaining balance of €2,000,000 represents a private bond placement.

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. Subsequent to the interim period, the aforementioned private bond placement of €2,100,000, inclusive of a premium of €100,000 was converted into a listed instrument following the commencement of trading on 5 July 2023 and as a result transferred to the Level 1 input category. The fair values of all the Bank's other financial assets that are not measured at fair value but instead measured at amortized cost amount to €457,844,973 (2022: €360,656,148) compared to a fair value of €443,864,501 (2022: €350,256,960). The value of financial liabilities approximates 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 2022.

Notes to the Condensed Interim Financial Statements (continued)

7. Debt securities in issue

	2023 (unaudited)	2022 (audited)
	€	€
At 1 January	**16,820,322**	11,940,167
Debt securities issued	**-**	14,000,000
Debt securities converted to new securities	**-**	(6,811,900)
Redemption of debt securities	**-**	(2,002,100)
Issue costs incurred	**-**	(528,720)
Loss on modification of debt securities	**-**	170,298
Amortisation of debt issuance costs during the period/year	**20,590**	52,577
At 30 June/31 December	**16,840,912**	16,820,322

Debt securities in issue as of 30 June 2023 and 31 December 2022 represent €3,186,000 4.5% unsecured debt redeemable on 30 June 2025 and €14,000,000 5% unsecured subordinated bonds maturing on 15 September 2032. There were no movements other than amortisation of debt issuance costs during the period.

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 2023 and the year ended 31 December 2022.

8. Property and equipment and intangible assets

During the six months ended 30 June 2023, additions of €733,738 (2022: €1,413,917) in property and equipment and additions of €881,035 (2022: €1,064,771) in intangible assets were made.

9. Related Party disclosures

9.1 Identity of related parties, parent, and ultimate controlling party

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.

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.

Notes to the Condensed Interim Financial Statements (continued)

9. Related Party disclosures (continued)

9.2 Related party transactions

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

	30.06.2023 (unaudited)	30.06.2022 (audited)
	€	€
Interest and similar income	**2,239,654**	1,870,045
Fee and commission income	**39,375**	40,250
Other operating income	**333**	131,372
Interest expense	**239,892**	164,700

9.3 Related party balances

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

	30.06.2023 (unaudited)	31.12.2022 (audited)
Assets	**€**	€
Loans and advances to customers	**40,849,859**	2,239,142
Prepayments and accrued income	**278,688**	537,581
Liabilities		
Amounts owed to customers	**35,968,755**	42,133,209
Debt securities issued to directors	**364,300**	364,300
Accruals	**9,683**	5,743

Loans and advances to customers include nine outstanding loans amounting to €1,158,246 advanced to key management personnel. €613,448 is secured against property in Malta, bears interest between 1% to 2.7% per annum and is repayable after more than five years from the reporting date. The remaining amounts are unsecured and bear interest between 1.1% and 1.6% per annum and are repayable after more than five years.

10. Operating segments

10.1 Business 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	2023 Total	2023 Lending	2023 Factoring	2023 Other	2022 Total	2022 Lending	2022 Factoring	2022 Other
	€	€	€	€	€	€	€	€
Interest and similar income	**8,776,504**	**3,533,244**	**3,517,162**	**1,726,098**	5,932,088	2,450,027	2,958,126	523,935
Interest expense	**(5,369,698)**	**(1,897,032)**	**(1,478,651)**	**(1,994,015)**	(2,220,458)	(917,077)	(1,107,265)	(196,116)
Net interest income /(expense)	**3,406,806**	**1,636,212**	**2,038,511**	**(267,917)**	3,711,630	1,532,950	1,850,861	327,819
Net fee and commission income	**41,516**	**70,096**	**(19,172)**	**(9,408)**	19,086	58,168	(33,201)	(5,881)
Other operating income	**12,190**	**-**	**-**	**12,190**	162,597	-	-	162,597
Total operating income	**3,460,512**	**1,706,308**	**2,019,339**	**(265,135)**	3,893,313	1,591,118	1,817,660	484,535
Depreciation and amortisation	**(475,277)**	**(176,196)**	**(213,004)**	**(86,077)**	(468,013)	(167,035)	(237,798)	(63,180)
Changes in expected credit losses and other credit impairment charges	**(81,808)**	**(83,545)**	**129,501**	**(127,764)**	(148,843)	(122,353)	(26,490)	-
Employee compensation and benefits	**(1,462,172)**	**(315,482)**	**(862,186)**	**(284,504)**	(1,190,961)	(425,057)	(605,130)	(160,774)
Other administrative expenses	**(2,004,655)**	**(691,930)**	**(931,429)**	**(381,296)**	(1,536,486)	(548,376)	(780,692)	(207,418)
(Loss)/Profit before tax	**(563,400)**	**439,155**	**142,221**	**(1,144,776)**	549,010	328,297	167,550	53,163

Notes to the Condensed Interim Financial Statements (continued)

10. Operating segments (continued)

10.1 Business Segments (continued)

Statement of Profit or Loss	2023 Total €	2023 Lending €	2023 Factoring €	2023 Other €	2022 Total €	2022 Lending €	2022 Factoring €	2022 Other €
Assets								
Segment assets	**487,952,785**	**172,386,265**	**134,367,271**	**181,199,249**	390,350,992	152,905,116	106,987,598	130,458,277
Unallocated assets	**19,261,271**	**-**	**-**	**-**	19,045,763	-	-	-
Total Assets	**507,214,056**	**-**	**-**	**-**	409,396,755	-	-	-
Liabilities								
Segment liabilities	**467,007,606**	**164,986,653**	**128,599,609**	**173,421,344**	375,800,943	147,205,690	102,999,713	125,595,540
Unallocated liabilities	**6,357,321**	**-**	**-**	**-**	4,279,011	-	-	-
Total Liabilities	**474,098,926**	**-**	**-**	**-**	380,079,954	-	-	-

Notes to the Condensed Interim Financial Statements (continued)

10. Operating segments (continued)

10.2 Geographical information

The Bank provides all its services from Malta. In presenting information based on geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	30.06.2023 (unaudited)	30.06.2022 (audited)
Revenue	**€**	€
Malta	**6,318,962**	3,599,092
Belgium	**2,457,542**	2,332,996
	8,776,504	5,932,088
Non-current assets		
Malta – property, equipment and intangible assets	**14,827,315**	15,226,451

The Bank's major customer is the Group of which it forms part. Belgium is the country of domicile of this Group. Information about revenues, costs, and balances because of transactions with this Group is set out in note 9.

11. Income tax expense

Income tax expense 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

The calculation of the basic earnings per share (EPS) has been based on the following (loss)/profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding, whilst also adjusting for the increase in issued share capital retrospectively.

	30.06.2023 (unaudited)	30.06.2022 (unaudited)
	€	€
Profit for the period to holders of ordinary shares	**(488,669)**	328,439
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**58,000,000**	58,000,000
Weighted average number of ordinary shares at 30 June	**58,000,000**	58,000,000

13. Dividends

In interest of preservation of capital and liquidity, the Board of Directors do not propose any interim dividend.

Notes to the Condensed Interim Financial Statements (continued)

14. Share capital

At 30 June 2023 and 31 December 2022, 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.

15. 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 2023				
Debt Instruments	74,894,662	60,914,190	-	-
Other assets	1,707,717	1,707,717	12,374,392	12,374,392
At 31 December 2022				
Debt Instruments	59,810,846	59,810,846	-	-
Other assets	831,860	831,860	11,712,225	11,712,225

Izola Bank does not encumber any collateral received. As of 30 June 2023, the Bank did not have any outstanding liabilities associated with encumbered assets and collateral received.

The Bank undertakes the following types of encumbrances:

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

15. Comparative Figures

Certain comparative figures have been reclassified to comply with the current year 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 2023, 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