

## COMPANY ANNOUNCEMENT

### Condensed Interim Financial Statements 2021

Date of Announcement: 29 July 2021  
Reference No: APSB14

The following is a Company Announcement issued by APS Bank plc (or the “Bank”) pursuant to the Listing Rules of the Listing Authority.

#### Quote

The Board of Directors of APS Bank plc met on 29 July 2021 and approved the attached Condensed Interim Financial Statements for the period ended 30 June 2021.

During the six months under review, the business landscape remained over-shadowed by the COVID-19 pandemic. Against this background, the financial results for the period reflect the strength and resilience of the Group’s business model, taking a pragmatic approach and adjusting itself throughout the various pandemic phases. The Bank continued growing the retail and commercial loan book through new or renewed support measures. It is encouraging to note that the vast majority of lending moratoria granted to personal clients have returned to satisfactory performance, reflecting in a release of credit losses recognised in the prior financial year. During the period the Bank has ably managed its position across liquidity and funding costs, maintaining a level of liquidity commensurate with the business risks whilst safeguarding interest margins. Concurrently it continued executing its investment programme in digital and physical infrastructure, innovation, risk and compliance management – all supported by capacity strengthening with the engagement and skilling of the human talent.

The following is an extract from the Condensed Interim Financial Statements for the period ended 30 June:

	The Group		The Bank	
	Jun-21	Jun-20	Jun-21	Jun-20
Net interest income (€ mio)	26.3	23.9	25.6	23.4
Operating income before net impairments (€ mio)	30.4	26.7	29.1	27.5
Net impairment gains / (losses) (€ mio)	1.7	(1.4)	1.7	(1.4)
Operating costs (€ mio)	(19.8)	(15.9)	(19.3)	(15.8)
Profit before tax (€ mio)	12.2	8.9	11.5	10.3
ROAE (%)	7.7	5.6	7.8	7.5
Capital Adequacy Ratio (%)	17.5	15.5	17.3	14.7
Cost/Income (%)	65.2	59.7	66.4	57.6
	Jun-21	Dec-20	Jun-21	Dec-20
Loan book (€ mio)	1,932	1,802	1,932	1,802
Customer deposits (€ mio)	2,305	2,123	2,305	2,124
Total equity (€ mio)	212	206	193	192
Total assets/liabilities (€ mio)	2,641	2,421	2,622	2,407

## Financial Performance

For the period ended 30 June 2021, APS Group registered a pre-tax profit of €12.2 million (2020: €8.9 million) while the Bank posted a pre-tax result of €11.5 million (2020: €10.3 million).

Net interest income was the main contributor to the Group's profitability registering a total of €26.3 million (2020: €23.9 million). This was mainly attributable to interest receivable on loans and advances, which as at 30 June 2021 amounted to €30.3 million (2020: €27.8 million). The growth in interest revenue was a direct result of 10% growth in both personal and commercial lending. Interest expense was consistent with the comparative period as the Group's funding and related costs continue being managed with the aim to preserve superior net interest margins.

Net fee and commission income for the period was €2.8 million marginally lower than the result for the comparative period (2020: €2.9 million). Whilst fee income increased by €0.7 million (18%), this was offset by an increase in card and other financial charges.

Other operating income totalled €1.3 million (2020: loss of €0.1 million loss). This was mainly due to net gains on foreign exchange and net gains on financial instruments, which registered an increase of €0.5 million and €0.8 million respectively compared to €0.1 million loss in the comparative period. Notwithstanding the ongoing market volatility, the Group's subsidiaries, APS Diversified Bond Fund and APS Global Equity Fund returned a positive performance, effectively contributing to the net gain on financial instruments realised by the Group of 0.6 million (2020: €0.03 million loss).

Operating expenses for the period increased by 24.2% to €19.8 million. The rise was anticipated and mainly driven by factors that have been dominating the Group's focus in the current environment. Foremost is the continuous investment in human resources in a market where pressures on labour and talent have never been greater. Cost increases are also arising from regulatory requirements, telecommunications, licences, insurance and maintenance agreements, to name a few. Furthermore, several projects are also underway aimed to achieve a stronger position for the Group in the market.

Net impairment charges on expected credit losses amounted to a write back of €1.7 million compared to the charge of €1.4 million for the corresponding 2020 period. This drop is mainly related to the loans and advances to customers portfolio which during the reporting period posted a write back of €1.9 million – a reflection of the performance of underlying loans which had indications of a significant increase in credit risk at the end of the last financial year and also affirming the Group's prudent approach toward its risk appetite and credit lending policies.

## Financial Position

At 30 June 2021, the Group's total assets reached €2.64 billion, recording an additional growth of €220.2 million. Loans and advances to customers and additional cash balances held at the Central Bank of Malta were the key drivers to this, increasing by €122.4 million and €89.1 million respectively. Overall, the growth in loans and advances to customers particularly stemmed from the demand for home finance which expanded by 7.4% (€83.1million) to €1.21 billion.

The Group's funding grew by 9.7%, mainly resulting from an increase in customers' deposits by €181.3 million. The Liquidity Coverage Ratio ("LCR") at June 2021 stood at 174.2% (31 December 2020: 138.9%). Group Total Equity at 30 June 2021 stood at €212.4 million, increasing by €6.2 million (December 2020: €206.2 million). At Group level, CET1 ratio was at 13.4% whilst the Capital Adequacy Ratio at 17.5% (December 2020: 15.1% and 19.5% respectively).

## Interim dividend

Taking into account the regulatory limitations in force and the prevailing economic uncertainty resulting from the pandemic, the Board of Directors is not recommending an interim dividend at this stage. The position will continue being assessed in the coming months with a view to consider the payment of a dividend later in the year.

## Outlook

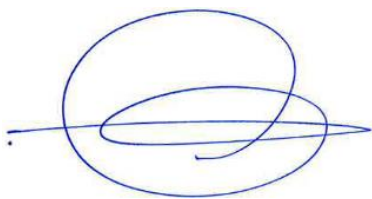
The increasing vaccination rate, low level of hospitalisations and deaths caused by the COVID-19 pandemic are favouring a continued easing of virus containment measures across Europe and in Malta, bringing economies towards a gradual improvement. Compared with six months ago, the outlook for the Maltese economy appears to be brighter for the second half of 2021 and 2022, with the European Commission and the IMF increasing their Malta real GDP growth forecasts. Several downside risks, however, remain. Firstly, the emergence and spread of new virus variants and secondly, the economic risks related to the possible negative consequences of the decision of the Financial Action Task Force (FATF) to add Malta to the list of jurisdictions under increased monitoring.

CEO Marcel Cassar commented:

*“We are pleased to report this strong interim performance for APS Group which evinces the resilience of our business model to endure the prevailing uncertainty. As the pickup in business sentiment sees its way also in the impairment write-backs for the period, we maintain a prudent watch on credit underwriting and asset quality, mindful that pandemic-related developments, including the extent of rebound of key sectors such as tourism, continue to shape the landscape. The coming months will also see us invest further in enriching the customer experience, via our digital offering, product suite and accelerated transformation of the network. We shall also be focusing on more diversification of funding sources and developing new streams of non-banking income. Work has now started on the strategic discussion that will drive the 2022-2024 Business Plan and there is full alignment within the Management body about the key role which we must play in the community banking space. The wheels are also in motion for the Bank to approach the market in 2022 for Phase 3 of its Capital Development Plan, strengthening the equity base while also setting the platform for our next stage of development.”*

The Condensed Interim Financial Statements for the period ending 30 June 2021 can be viewed on the Bank’s website <https://www.apsbank.com.mt/financial-information>

*Unquote*



Graziella Bray B.A., LL.D  
Company Secretary