

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

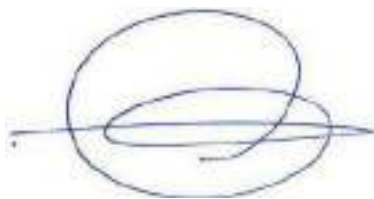
The increasing vaccination rate, low level of hospitalisations and deaths caused by the COVID-19 pandemic are favouring a continued easing of virus containment measures across Europe and in Malta, bringing economies towards a gradual improvement. Compared with six months ago, the outlook for the Maltese 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

CONDENSED INTERIM
FINANCIAL STATEMENTS **2021**

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DIRECTORS' REPORT PURSUANT TO LISTING RULE 5.75.2

The Directors approved this report on June 23, 2024. The report was prepared in accordance with Article 5.75.2 of the Rules of the Exchange and Listing Rule 5.75.2 of the Rules of the Exchange and Listing Rule 5.75.2 of the Rules of the Exchange.

APL's report is prepared in accordance with Article 5.75.2 of the Rules of the Exchange and Listing Rule 5.75.2 of the Rules of the Exchange. The report is prepared in accordance with Article 5.75.2 of the Rules of the Exchange and Listing Rule 5.75.2 of the Rules of the Exchange.

RESULTS FOR THE PERIOD

The company's results for the period ended June 30, 2024, are reported in accordance with Article 5.75.2 of the Rules of the Exchange and Listing Rule 5.75.2 of the Rules of the Exchange. The company's results for the period ended June 30, 2024, are reported in accordance with Article 5.75.2 of the Rules of the Exchange and Listing Rule 5.75.2 of the Rules of the Exchange.

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INCOME STATEMENT

The company's results for the period ended June 30, 2024, are reported in accordance with Article 5.75.2 of the Rules of the Exchange and Listing Rule 5.75.2 of the Rules of the Exchange. The company's results for the period ended June 30, 2024, are reported in accordance with Article 5.75.2 of the Rules of the Exchange and Listing Rule 5.75.2 of the Rules of the Exchange.

DIRECTORS' REPORT PURSUANT TO LISTING RULE 5.75.2 (continued)

INCOME STATEMENT (CONTINUED)

Both the operating income and the net income for the 2022 period are \$22 million lower than the respective corresponding periods 2021 (\$22 million higher for net income) and \$27 million higher for net income, and of other non-recurring charges.

Costs of production are reduced \$12 million in 2022 based on cost analysis. This reduction is due to more efficient production, reduced expenses for energy and materials. The 2022 production costs are \$2.5 million and \$32 million respectively, compared to \$2.6 million and \$32 million respectively for the corresponding periods. The high energy efficiency is mainly related to the use of solar cells. EBITDA is reduced 20% from \$100 million to \$80 million. Earnings before interest and taxes performance is \$10 million. Earnings before interest and taxes performance is reduced by the change of \$10 million in 2022, \$10 million decrease.

Cost of sales expense for the 2022 period is \$20 million higher than the 2021 period. This increase is primarily due to the effect of the increase in the average price of the raw materials used in the production process and the increase in the cost of sales for the 2022 period. The average price of raw materials used in the production process is higher than the average price of raw materials used in the production process for the 2021 period. The increase in the cost of sales for the 2022 period is primarily due to the increase in the average price of raw materials used in the production process.

Net operating profit for the period is \$10 million higher than the 2021 period. This increase is primarily due to the increase in the average price of raw materials used in the production process and the increase in the cost of sales for the 2022 period. The average price of raw materials used in the production process is higher than the average price of raw materials used in the production process for the 2021 period. The increase in the cost of sales for the 2022 period is primarily due to the increase in the average price of raw materials used in the production process.

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The increase in the net income is primarily due to the increase in the average price of raw materials used in the production process and the increase in the cost of sales for the 2022 period. The average price of raw materials used in the production process is higher than the average price of raw materials used in the production process for the 2021 period. The increase in the cost of sales for the 2022 period is primarily due to the increase in the average price of raw materials used in the production process.

FINANCIAL POSITION

At the end of 2022, the company had 1,000 shares outstanding, compared to 1,000 shares outstanding at the end of 2021. The company has a total of 1,000 shares outstanding, compared to 1,000 shares outstanding at the end of 2021. The company has a total of 1,000 shares outstanding, compared to 1,000 shares outstanding at the end of 2021.

The company's total assets are \$10 million, compared to \$10 million at the end of 2021. The company's total assets are \$10 million, compared to \$10 million at the end of 2021. The company's total assets are \$10 million, compared to \$10 million at the end of 2021. The company's total assets are \$10 million, compared to \$10 million at the end of 2021.

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DIRECTORS' REPORT PURSUANT TO LISTING RULE 5.75.2 (continued)

DIVIDENDS PAID

On 15th August 2022, the Board has approved a dividend for 2021 of 100% of the 2021 profit after tax, which is 4.57 pence per share based on the 24th February 2022 share price of 141.00 pence. The dividend is payable on 15th August 2022 to shareholders who are registered in the register of members of BPC on 15th August 2022.

OUTLOOK

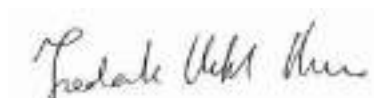
The main objective of the Group is to deliver a profitable and sustainable business. The Board has approved a strategy for the Group for the period 2021 to 2024, which is set out in the 2021 Annual Report. The Board has also approved a budget for the period 2021 to 2022, which is set out in the 2021 Annual Report. The Board has also approved a budget for the period 2022 to 2023, which is set out in the 2022 Annual Report.

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FREDERICK MIFSUD BONNICI
Chairman



FRANCO AZZOPARDI
Director

21 July 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, which includes the application of accounting policies. The Directors are also responsible for ensuring that the financial statements comply with the IFRS as applied in the preparation of the financial statements of the Group, and the provisions of the Companies Act 2006, Section 247C of the Companies Act 2006 and the provisions of the Companies Act 2006, Section 247D of the Companies Act 2006.

- to prepare financial statements that give a true and fair view of the financial position;
- to prepare financial statements that are consistent with the financial records;
- to prepare the financial statements in accordance with the provisions of the Companies Act 2006, Section 247C of the Companies Act 2006 and the provisions of the Companies Act 2006, Section 247D of the Companies Act 2006.

The Directors are also responsible for ensuring that appropriate accounting policies are adopted and that the financial statements are prepared in accordance with the applicable financial reporting framework. This includes the responsibility for ensuring that the financial statements are prepared in accordance with the applicable financial reporting framework, which includes the application of accounting policies. The Directors are also responsible for ensuring that the financial statements are prepared in accordance with the applicable financial reporting framework, which includes the application of accounting policies. The Directors are also responsible for ensuring that the financial statements are prepared in accordance with the applicable financial reporting framework, which includes the application of accounting policies.

STATEMENTS OF PROFIT OR LOSS

for the six months ended 30 June 2021

Notes	The Group		The Bank	
	Jun - 21 € 000	Jun - 20 € 000	Jun - 21 € 000	Jun - 20 € 000
Interest receivable and similar income:				
Interest receivable and similar income				
Interest on Bank deposits	30,315	27,121	30,315	27,121
Interest on other financial assets	2,903	2,174	2,215	1,834
Total interest receivable and similar income	33,218	29,295	32,530	28,955
Interest expense:	(6,905)	(6,905)	(6,905)	(6,905)
Net interest income	26,313	22,390	25,625	22,050
Fee and commission income:	4,086	4,034	3,651	3,727
Fee and commission expense:	(1,282)	(1,134)	(1,282)	(1,134)
Net fee and commission income	2,804	2,900	2,369	2,593
Other income:	150	150	604	604
Other income from other financial assets	179	150	157	150
Other income from other financial liabilities	753	150	196	150
Other income from other operations	102	150	102	150
Operating income before net impairments	30,301	27,594	29,133	27,317
Net impairment losses:	(1,705)	(4,433)	(1,705)	(4,433)
Net operating income	32,096	23,161	30,838	22,884
Operating expenses:	(10,404)	(10,404)	(10,196)	(10,196)
Operating expenses from operations	(7,218)	(7,218)	(6,946)	(7,218)
Operating expenses from other operations	(996)	(996)	(996)	(996)
Operating expenses from other financial assets	(934)	(934)	(934)	(934)
Operating expenses from other financial liabilities	(258)	(258)	(258)	(258)
Operating expenses	(19,010)	(19,010)	(19,330)	(19,330)
Profit before tax:	12,276	4,151	11,508	3,454
Profit before tax:	(45)	(45)	-	(45)
Profit before tax	12,231	4,106	11,508	3,409
Income tax expense:	(4,153)	(4,153)	(4,036)	(4,036)
Profit for the period	8,078	(47)	7,472	(627)
Profit for the period attributable to:				
Shareholders of the Group	7,731	47	7,472	627
Shareholders of the Bank	347	(47)	-	(627)
Profit for the period	8,078	(47)	7,472	(627)

STATEMENTS OF COMPREHENSIVE INCOME

for the six months ended 30 June 2021

	The Group		The Bank	
	Jun - 21 €000	Jun - 20 €000	Jun - 21 €000	Jun - 20 €000
Profit for the period	8,078	5,462	7,472	1,847
Other comprehensive loss:				
Change in fair value of available-for-sale financial assets				
Change in fair value of available-for-sale financial assets measured at fair value through profit or loss				
Change in fair value of available-for-sale financial assets measured at fair value through other comprehensive income (€'000)	(3,752)	(1,100)	(3,752)	(1,100)
Change in fair value of available-for-sale financial assets measured at fair value through profit or loss (€'000)	(177)	117	(177)	117
Change in fair value of available-for-sale financial assets measured at fair value through other comprehensive income (€'000)	(298)	(100)	(298)	(100)
Change in fair value of available-for-sale financial assets measured at fair value through profit or loss (€'000)	-	(1)	-	(1)
Other comprehensive loss for the period, net of tax	(4,227)	(2,084)	(4,227)	(2,084)
Total comprehensive income for the period, net of tax	3,851	3,378	3,245	(237)
Total comprehensive income for the period attributable to:				
Equity holders of the Group	3,504	3,439	3,245	(237)
Non-controlling interests	347	(61)	-	-
	3,851	3,378	3,245	(237)

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2021

	Note	The Group		The Bank	
		Jun - 21 €000	Dec - 20 €000	Jun - 21 €000	Dec - 20 €000
ASSETS					
Intangible assets		197,390	197,390	197,390	197,390
Property, plant and equipment		1	1	1	1
Goodwill		47,605	44,860	44,860	44,860
Investment in subsidiaries		1,011,307	1,011,307	1,011,307	1,011,307
Investment in associates		120,274	120,274	120,274	120,274
Financial assets at fair value through profit or loss		756	756	756	756
Financial assets at fair value through other comprehensive income		57,525	-	-	-
Financial assets at amortised cost		313,412	313,412	313,412	313,412
Financial assets at cost		305	305	305	305
Prepaid expenses		-	-	45,250	45,250
Other receivables		19,907	16,762	16,762	16,762
Other assets		1,030	1,030	1,030	1,030
Deferred tax assets	4	45,636	45,636	45,636	45,636
Other non-current assets	4	9,732	9,732	9,732	9,732
Current tax assets		5,052	5,052	5,052	5,052
Current tax liabilities		1,399	1,399	1,399	1,399
Other current assets		9,011	8,146	8,146	8,146
TOTAL ASSETS		2,641,228	2,622,198	2,622,198	2,622,198
LIABILITIES					
Financial liabilities at fair value		1,022	756	756	756
Financial liabilities at amortised cost		33,951	33,951	33,951	33,951
Financial liabilities at cost		2,304,735	2,304,970	2,304,970	2,304,970
Financial liabilities at fair value through other comprehensive income		54,574	54,574	54,574	54,574
Other liabilities		2,647	2,534	2,534	2,534
Provisions		5,232	5,232	5,232	5,232
Other non-current liabilities		14,766	15,474	15,474	15,474
Other current liabilities		11,670	11,608	11,608	11,608
TOTAL LIABILITIES		2,428,005	2,429,179	2,429,179	2,429,179
EQUITY					
Share capital		62,429	62,429	62,429	62,429
Reserves		10,453	10,453	10,453	10,453
Retained earnings		26,033	26,033	26,033	26,033
Other reserves		97,067	92,104	92,104	92,104
Financial assets at fair value through other comprehensive income		197,902	193,019	193,019	193,019
Financial liabilities at fair value through other comprehensive income		14,441	-	-	-
TOTAL EQUITY		212,423	193,019	193,019	193,019
TOTAL LIABILITIES AND EQUITY		2,641,228	2,622,198	2,622,198	2,622,198
MEMORANDUM ITEMS					
Deferred tax liabilities		25,320	25,320	25,320	25,320
TOTAL MEMORANDUM ITEMS		25,320	25,320	25,320	25,320

The accompanying statements were approved by the Board of Directors and signed on their behalf on 20 July 2021 and signed on behalf of the Bank.



FREDERICK MIFSUD BONNICI
Chairman



FRANCO AZZOPARDI
Chairman



MARCEL CASSAR
Chair Executive Director



RONALD MIZZI
Chair Executive Director

STATEMENTS OF CHANGES IN EQUITY

for the six months ended 30 June 2021

The Group	Attributable to equity holders of the parent						Non-controlling interest €000	Total €000
	Share capital €000	Share premium €000	Revaluation reserve €000	Retained earnings €000	Total €000			
PERIOD ENDED 30 JUNE 2021								
Balance at 1 January 2021	10,140	10,110	28,111	97,067	145,428	14,441	159,869	
Expenses on acquisition of non-controlling interest	-	-	-	1,000	1,000	100	1,100	
Share repurchase programme	-	-	(4,227)	-	(4,227)	-	(4,227)	
Total comprehensive (loss) /income	-	-	(4,227)	7,731	3,504	347	3,851	
Dividend on ordinary shares	100	100	-	(200)	100	-	100	
Dividend on preference shares	-	-	-	-	-	100	100	
Share repurchase programme (including dividends)	-	-	-	-	-	(100)	(100)	
Balance at 30 June 2021	62,429	10,453	23,883	97,067	197,832	14,441	212,273	
PERIOD ENDED 30 JUNE 2020								
Balance at 1 January 2020	10,140	10,110	28,111	97,067	145,428	14,441	159,869	
Expenses on acquisition of non-controlling interest	-	-	-	1,000	1,000	100	1,100	
Share repurchase programme	-	-	(2,063)	-	(2,063)	-	(2,063)	
Total comprehensive (loss) /income	-	-	(2,063)	5,502	3,439	(100)	3,339	
Dividend on ordinary shares	100	100	-	(200)	100	-	100	
Dividend on preference shares (including dividends)	-	-	-	-	-	100	100	
Balance at 30 June 2020	62,255	10,140	26,048	97,795	196,238	7,154	203,392	

STATEMENTS OF CHANGES IN EQUITY

for the six months ended 30 June 2021

The Bank	Share capital €200	Share premium €200	Revaluation reserve €200	Retained earnings €200	Total €200
PERIOD ENDED 30 JUNE 2021					
Balance at 1 January 2021	62,255	10,140	29,643	64,844	165,882
Expenses on acquisition of shares	-	-	-	7,472	7,472
Share repurchase programme	-	-	(4,227)	-	(4,227)
Total comprehensive (loss) / income	-	-	(4,227)	7,472	3,245
Dividends paid	-	778	-	(778)	-
Balance at 30 June 2021	62,429	10,453	29,033	92,104	193,019
PERIOD ENDED 30 JUNE 2020					
Balance at 1 January 2020	62,255	10,140	29,643	64,844	165,882
Expenses on acquisition of shares	-	-	-	7,472	7,472
Share repurchase programme	-	-	(2,063)	-	(2,063)
Total comprehensive (loss) / income	-	-	(2,063)	6,843	4,780
Balance at 30 June 2020	62,255	10,140	29,643	64,844	165,882

STATEMENTS OF CASH FLOWS

for the six months ended 30 June 2021

	Jun - 21 €200	The Group Jun - 20 €200	Jun - 21 €200	The Bank Jun - 20 €200
OPERATING ACTIVITIES				
Interest income on cash and cash equivalents	34,810	4,117	33,604	4,117
Interest expense on bank borrowings	(6,841)	(1,318)	(6,841)	(1,318)
Operating profit before changes in operating assets and liabilities	(16,637)	2,799	(16,223)	2,799
Operating profit before changes in operating assets and liabilities	11,332	1,311	10,540	1,311
(Increase) / decrease in operating assets				
Decrease in trade receivables	(127,822)	(1,114)	(127,822)	(1,114)
Increase in trade payables	(1,778)	(1,111)	(1,778)	(1,111)
Increase in other receivables	101	(1,111)	101	(1,111)
Increase in other assets	34	(1,111)	-	(1,111)
Increase / (decrease) in operating liabilities				
Decrease in other liabilities	181,289	(1,111)	181,583	(1,111)
Decrease in other liabilities	(775)	(1,111)	(775)	(1,111)
Increase in other liabilities	5,102	2,799	5,075	2,799
Net cash generated from operating activities before tax	67,483	1,311	66,924	1,311
Income tax expense	(1,454)	(1,111)	(1,409)	(1,111)
Net cash flows generated from operating activities	66,029	2,222	65,515	2,222
INVESTING ACTIVITIES				
Dividends received	330	(1,111)	604	(1,111)
Interest income on cash and cash equivalents	3,471	(1,111)	3,471	(1,111)
Proceeds from sale of non-current assets	(13,049)	(1,111)	(13,049)	(1,111)
Proceeds from disposal of non-current assets from operations	12,075	(1,111)	12,075	(1,111)
Proceeds from sale of non-current assets from operations	-	2,799	-	2,799
Proceeds from disposal of non-current assets from operations	-	(1,111)	-	(1,111)
Proceeds from disposal of non-current assets from operations	(23,953)	(1,111)	-	(1,111)
Proceeds from disposal of non-current assets from operations	17,653	(1,111)	250	(1,111)
Proceeds from disposal of non-current assets from operations	-	(1,111)	-	(1,111)
Proceeds from disposal of non-current assets from operations	(1,500)	(1,111)	(1,500)	(1,111)
Proceeds from disposal of non-current assets from operations	(2,729)	(1,111)	(2,729)	(1,111)
Net cash flows used in investing activities	(9,702)	(1,111)	(2,876)	(1,111)
FINANCING ACTIVITIES				
Dividends paid	(1,980)	(1,111)	(1,913)	(1,111)
Proceeds from bank borrowings	4,520	(1,111)	-	(1,111)
Proceeds from bank borrowings	(179)	(173)	-	(1,111)
Proceeds from bank borrowings	(272)	(1,111)	(272)	(1,111)
Net cash flows from / (used in) financing activities	2,089	1,111	(2,185)	1,111
Net increase / (decrease) in cash and cash equivalents	58,416	3,422	60,452	3,422
Cash and cash equivalents at 1 January	142,821	1,222	138,034	1,222
Cash and cash equivalents at 30 June	201,237	4,644	198,486	4,644

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

2. BASIS OF PREPARATION (continued)

Standards, interpretations and amendments to published standards, which are effective in the current year

The table below shows the impact of the standards that are effective:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (effective from 1 January 2021) and IAS 39 (effective from 1 January 2021)

The Bank's assessment of the impact of these standards is detailed below. The standards have not yet been adopted in the consolidated financial statements for the period ended 30 June 2021.

The impact of the standards is set out in the table below. The standards have not yet been adopted in the consolidated financial statements for the period ended 30 June 2021. The standards have not yet been adopted in the consolidated financial statements for the period ended 30 June 2021. The standards have not yet been adopted in the consolidated financial statements for the period ended 30 June 2021.

The Bank's management of the Bank's credit risk is set out in the Bank's credit risk management policy. The Bank's credit risk management policy is set out in the Bank's credit risk management policy. The Bank's credit risk management policy is set out in the Bank's credit risk management policy. The Bank's credit risk management policy is set out in the Bank's credit risk management policy.

The Bank's credit risk management policy is set out in the Bank's credit risk management policy. The Bank's credit risk management policy is set out in the Bank's credit risk management policy. The Bank's credit risk management policy is set out in the Bank's credit risk management policy.

Standards, interpretations and amendments to published standards that are not yet effective

The table below shows the impact of the standards that are not yet effective. The standards have not yet been adopted in the consolidated financial statements for the period ended 30 June 2021.

The table below shows the impact of the standards that are not yet effective. The standards have not yet been adopted in the consolidated financial statements for the period ended 30 June 2021.

- Amendments to IFRS 17 – Insurance Contracts (effective from 1 January 2023)
- Amendments to IFRS 17 – Insurance Contracts (effective from 1 January 2023)
- Amendments to IFRS 17 – Insurance Contracts (effective from 1 January 2023)
- Amendments to IFRS 17 – Insurance Contracts (effective from 1 January 2023)
- Amendments to IFRS 17 – Insurance Contracts (effective from 1 January 2023)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

2. BASIS OF PREPARATION (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

- Amendments to AASB – Financial plant and equipment – process of better – (incorporated into the financial reporting standards) – June 2021
- Amendments to AASB – IAS 10 – Financial liabilities – amendments – July 2021 – (incorporated into financial reporting standards) – August 2021 – (not applicable for 2021/22)
- Amendments to AASB – IAS 37 – Provisions, contingent liabilities and contingent assets – (incorporated into financial reporting standards) – August 2021 – (not applicable for 2021/22)
- Amendments to AASB – IAS 38 – Intangible Assets – 2020 Annual Improvements – (incorporated into financial reporting standards) – January 2022
- Amendments to AASB – IAS 37 – Provisions, contingent liabilities and contingent assets – (incorporated into financial reporting standards) – January 2022
- Amendments to AASB – IAS 37 – Provisions, contingent liabilities and contingent assets – (incorporated into financial reporting standards) – January 2022
- Amendments to AASB – IAS 2 – Inventories – Tax related inventory and liabilities – (incorporated into financial reporting standards) – January 2021

The following standards, interpretations and amendments are not yet effective and are not expected to be adopted by the Group. Amendments to standards that are not yet effective are not included in the financial statements of the Group for the period.

3. EFFECTS OF COVID-19 ON THE INTERIM FINANCIAL REPORTING

The Group has been severely impacted by the economic impact of the COVID-19 pandemic. The financial statements for the period to 30 June 2021 are prepared on a going concern basis. The Group's operations are severely impacted by the COVID-19 pandemic. The Group's operations are severely impacted by the COVID-19 pandemic.

The following table shows the impact of the pandemic on the Group's financial statements for the period to 30 June 2021.

Moratoria on loan repayments

The Group has been severely impacted by the economic impact of the COVID-19 pandemic. The Group's operations are severely impacted by the COVID-19 pandemic. The Group's operations are severely impacted by the COVID-19 pandemic.

The Group's operations are severely impacted by the economic impact of the COVID-19 pandemic. The Group's operations are severely impacted by the COVID-19 pandemic. The Group's operations are severely impacted by the COVID-19 pandemic.

The Group's operations are severely impacted by the economic impact of the COVID-19 pandemic. The Group's operations are severely impacted by the COVID-19 pandemic. The Group's operations are severely impacted by the COVID-19 pandemic.

The Group/The Bank

	Jun-21 €000	Dec-20 €000
Financial assets	19,807	156,628
Financial liabilities	19,807	156,628
Total	19,807	156,628

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

3. EFFECTS OF COVID-19 ON THE INTERIM FINANCIAL REPORTING (continued)

Moratoria on loan repayments (continued)

At 30 June 2021, moratoria on loan repayments on the loan book stand at approximately €1.2 billion (€1.2 billion at 30 June 2020). The moratoria are included in the loan impairment at 30 June 2021 of €20,627 million (€20,627 million at 30 June 2020).

Following the cessation of ERM (€1.1 billion) and ERM (€1.1 billion) in 2021, the Group has de-risked its loan portfolio supporting the sale of its subsidiaries. The moratoria on loan repayments on these subsidiaries are included in the loan impairment at 30 June 2021 of €2.2 million.

At 30 June 2021, the Bank's subordinated loan portfolio includes provisions totaling €1.1 billion (€1.1 billion at 30 June 2020). The moratoria on loan repayments on these subordinated loans are included in the loan impairment at 30 June 2021 of €1.1 billion (€1.1 billion at 30 June 2020).

Malta Development Bank ("MDB") COVID-19 Guarantee Scheme

The MDO COVID-19 Guarantee Scheme was implemented in 2020 to support business owners whose turnover has fallen by at least 20%. Full coverage of the guarantee scheme has been for the 12 months ending 30 June 2021. The MDO COVID-19 Guarantee Scheme was implemented to support businesses which have experienced a turnover decline of at least 20% and to support the employment of their employees.

At 30 June 2021, the total value of the MDO COVID-19 Guarantee Scheme for the period 30 June 2020 to 30 June 2021 stands at €11,432,724 (€1,420,432,209 at 30 June 2020). At 30 June 2021, the value of the MDO COVID-19 Guarantee Scheme stands at €11,432,724 (€1,420,432,209 at 30 June 2020).

MDO COVID-19 Guarantee Scheme for the period 30 June 2020 to 30 June 2021 stands at €11,432,724 (€1,420,432,209 at 30 June 2020).

Expected Credit Loss ("ECL") Measurement

An expected credit loss ("ECL") is the difference between the carrying amount of a financial asset and the net present value of its expected future cash flows, determined on the basis of the credit risk at the reporting date. The ECL is measured on a probability-weighted basis, taking into account the time value of money. The ECL is measured on a probability-weighted basis, taking into account the time value of money. The ECL is measured on a probability-weighted basis, taking into account the time value of money.

An expected credit loss ("ECL") is the difference between the carrying amount of a financial asset and the net present value of its expected future cash flows, determined on the basis of the credit risk at the reporting date. The ECL is measured on a probability-weighted basis, taking into account the time value of money. The ECL is measured on a probability-weighted basis, taking into account the time value of money.

- Probability-weighted basis, taking into account the time value of money.

- Expected credit loss ("ECL") measurement
- Probability-weighted basis
- Time value of money
- Expected credit loss ("ECL") measurement

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

3. EFFECTS OF COVID-19 ON THE INTERIM FINANCIAL REPORTING (continued)

Expected Credit Loss ("ECL") Measurement (continued)

- b) For the purposes of the ECL measurement, the Group has identified the following categories of financial assets and liabilities, which are subject to the ECL measurement, based on the nature of the financial assets. The categories of financial assets and liabilities are defined in the measurement of the ECL, based on the nature of the financial assets and liabilities, and are defined in the ECL measurement model.

i) Post-Model Adjustment Impact

The impact of the post-model adjustments to the ECL charge is detailed in the graph below, which shows the post-model adjustments to the ECL charge for the period.

The Group/The Bank

	Additional ECL
	Jun-21
	€000
Additional ECL	-
Less	-
Total	026

ii) Loss Allowance Movement

The table below shows the movement in the loss allowance for the period, based on the ECL measurement model.

The Group/The Bank

	June 2021	December 2020	Movement in 1H 2021
	€000	€000	€000
Loss allowance - June 2021	-	-	-
Loss allowance - December 2020	-	-	-
Loss allowance - June 2021	-	-	-
Loss allowance - December 2020	-	-	-
Loss allowance - June 2021	-	-	-
Loss allowance - December 2020	-	-	-
Total	19,020	18,867	(953)
Write-downs - June 2021	-	-	(295)
Write-downs - December 2020	-	-	2,953
Net impairment gains	-	-	1,705

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

3. EFFECTS OF COVID-19 ON THE INTERIM FINANCIAL REPORTING (continued)

Expected Credit Loss ("ECL") Measurement (continued)

ii) Loss Allowance Movement (continued)

The Group/The Bank

	June 2020 €000	December 2019 €000	Movement in 1H 2020 €000
Loss allowance – credit impairment	0	0	0
Loss allowance – credit impairment	10,587	11,853	1,266
Provision expense	1,311	1,151	160
Provisions written – provision expense	0	0	0
Provisions written off	81	104	23
Total	10,587	17,321	(1,266)
Write-downs in the year			(117)
Net impairment losses			(1,383)

Reversal of write-downs in the year – credit impairment (continued)

The Group/The Bank	Jun-21 €000	Jun-20 €000
Change for the year:		
– credit impairment	(1,124)	0
– credit impairment	(2,153)	0
– credit impairment	(295)	0
	(3,572)	0
Reversal of write-downs:		
– credit impairment	4,058	0
– credit impairment	1,219	0
	5,277	0
Net impairment gains / (losses)	1,705	0

As a result of the impact of COVID-19, the Group has applied the temporary relief measures provided by the Government of Ireland in relation to the impairment of financial assets. The Group has applied the temporary relief measures to all financial assets that are not impaired as at 30 June 2021.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

3. EFFECTS OF COVID-19 ON THE INTERIM FINANCIAL REPORTING (continued)

Additional costs incurred

During the first six months of the year, the Group has incurred additional costs in respect of the COVID-19 pandemic and the impact of the related measures. These include the following: (i) additional costs incurred in respect of the Group's operations; (ii) additional costs incurred in respect of the Group's employees; (iii) additional costs incurred in respect of the Group's operations; and (iv) additional costs incurred in respect of the Group's operations.

- Additional costs incurred in respect of the Group's operations;
- Additional costs incurred in respect of the Group's employees;
- Additional costs incurred in respect of the Group's operations;
- Additional costs incurred in respect of the Group's operations.

The above additional costs are not considered to be significant for the Group's financial reporting.

In addition, the Group has incurred additional costs in respect of the COVID-19 pandemic and the impact of the related measures. These include the following: (i) additional costs incurred in respect of the Group's operations; (ii) additional costs incurred in respect of the Group's employees; (iii) additional costs incurred in respect of the Group's operations; and (iv) additional costs incurred in respect of the Group's operations.

Fair value movement

During the first six months of the reporting period, the Group's fair value movements are as follows: (i) additional costs incurred in respect of the Group's operations; (ii) additional costs incurred in respect of the Group's employees; (iii) additional costs incurred in respect of the Group's operations; and (iv) additional costs incurred in respect of the Group's operations.

Key movements include the following: (i) additional costs incurred in respect of the Group's operations; (ii) additional costs incurred in respect of the Group's employees; (iii) additional costs incurred in respect of the Group's operations; and (iv) additional costs incurred in respect of the Group's operations.

4. TANGIBLE AND INTANGIBLE ASSETS

The following table includes a summary of the Group's tangible and intangible assets as at 30 June 2021 and 31 December 2020, including the movements during the period. The Group's tangible and intangible assets are as follows:

The Group/The Bank

	Jun-21 €000	Dec-20 €000
Property, plant and equipment	1,234	1,234
Intangible assets	567	567
Goodwill	123	123
Other intangible assets	444	444
Total	1,824	1,824

As a result of the above, the Group's tangible and intangible assets are as follows: (i) additional costs incurred in respect of the Group's operations; (ii) additional costs incurred in respect of the Group's employees; (iii) additional costs incurred in respect of the Group's operations; and (iv) additional costs incurred in respect of the Group's operations.

The Group's intangible assets are as follows: (i) additional costs incurred in respect of the Group's operations; (ii) additional costs incurred in respect of the Group's employees; (iii) additional costs incurred in respect of the Group's operations; and (iv) additional costs incurred in respect of the Group's operations.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

5. RELATED PARTY DISCLOSURES

The Group's structure

The consolidated financial statements of the Group includes the financial statements of APL Bank plc and its subsidiaries together with those of its associates, including its subsidiaries, and joint ventures.

APL Group comprises APL Bank plc, APL Asset Management Limited, APL Finance Limited, APL Fund and APL Capital Europe Limited, subsidiaries of APL Bank plc, APL plc. The Group also has a significant investment in a majority-owned subsidiary, ALICE Finance Limited, APL Asset Management Limited and APL Finance Limited. Other APL Group entities are also subsidiaries of APL Bank plc, APL plc.

During the reporting period, the Group conducted business with APL Group entities, group companies and third parties, which are not group companies, with management and personnel of the related parties.

Related party transactions

The following table sets out the nature and amount of transactions of the Group between its group entities during the reporting period, which are not group companies, and joint ventures.

	The Group		The Bank	
	Jun-21 €000	Jun-20 €000	Jun-21 €000	Jun-20 €000
Interest receivable on loans and advances:				
- joint ventures	7	7	7	7
- group companies	10,000	10,000	10,000	10,000
- joint ventures	10,000	10,000	10,000	10,000
Fee and commission income:				
- bank services, fees and commissions	10,000	10,000	10,000	10,000
- fees and commissions	10,000	10,000	10,000	10,000
- bank services, fees and commissions	10,000	10,000	10,000	10,000
- fees and commissions	10,000	10,000	10,000	10,000
- bank services, fees and commissions	10,000	10,000	10,000	10,000
- fees and commissions	10,000	10,000	10,000	10,000
Interest payable:				
- bank services	10,000	10,000	10,000	10,000
- joint ventures	10,000	10,000	10,000	10,000
- group companies	10,000	10,000	10,000	10,000
Personnel expenses:				
- group companies	10,000	10,000	10,000	10,000
General administrative expenses:				
- group companies	10,000	10,000	10,000	10,000

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

5. RELATED PARTY DISCLOSURES (continued)

Related party transactions (continued)

Transaction with D. J. O'Leary	Jun-21 €000	Dec-20 €000
Company director's remuneration	1,873	1,111
Company director's expenses	643	117
	<u>2,516</u>	<u>1,228</u>

Transaction with D. J. O'Leary and D. J. O'Leary & Associates	Jun-21 €000	Dec-20 €000
Company director's remuneration	5,305	1,111
Company director's expenses	317	117
	<u>5,622</u>	<u>1,228</u>

The above related party disclosures include remuneration for the six months to 30 June 2021 and the period ended 31 December 2020. The remuneration disclosed above includes the director's remuneration for the period ended 31 December 2020. The remuneration disclosed above also includes the director's remuneration for the period ended 30 June 2021.

The above related party disclosures include remuneration for the six months to 30 June 2021 and the period ended 31 December 2020. The remuneration disclosed above includes the director's remuneration for the period ended 31 December 2020. The remuneration disclosed above also includes the director's remuneration for the period ended 30 June 2021.

The above related party disclosures include remuneration for the six months to 30 June 2021 and the period ended 31 December 2020. The remuneration disclosed above includes the director's remuneration for the period ended 31 December 2020. The remuneration disclosed above also includes the director's remuneration for the period ended 30 June 2021.

The above related party disclosures include remuneration for the six months to 30 June 2021 and the period ended 31 December 2020. The remuneration disclosed above includes the director's remuneration for the period ended 31 December 2020. The remuneration disclosed above also includes the director's remuneration for the period ended 30 June 2021.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

6. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has the policy that all debt instruments are classified as measured at fair value through profit or loss. The fair value of debt instruments is determined by reference to the market value of the instruments.

The fair value measurement hierarchy is based on the following assumptions and inputs that are used to measure the fair value of debt instruments by reference to market:

- **Level 1** – quoted prices in active markets for identical instruments that the Group can access
- **Level 2** – Valuation techniques using observable market data (e.g. quoted prices for similar instruments, interest rates, credit ratings, etc.)
- **Level 3** – Valuation techniques using significant unobservable data (e.g. valuation techniques that require the use of subjective assumptions)

The Group has no Level 1 or Level 2 instruments. The Group has Level 3 instruments that are measured at fair value through profit or loss. The Group has no Level 1 or Level 2 instruments that are measured at fair value through profit or loss.

The Group has no financial assets or liabilities that are measured at fair value through profit or loss.

The Group	Fair value measurement hierarchy			
	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Assets as at 30 June 2021				
Debt instruments measured at fair value through profit or loss	-	-	41,471	41,471
Equity instruments measured at fair value through profit or loss	-	-	1,171	1,171
Equity instruments measured at fair value through profit or loss	-	-	1,471	1,471
Derivative financial instruments measured at fair value through profit or loss	-	4	-	4
Financial assets measured at fair value through profit or loss	267,077	-	36,840	303,917
Financial liabilities measured at fair value through profit or loss	-	-	-	-
Financial assets measured at fair value through profit or loss	267,077	-	36,840	303,917
Financial liabilities measured at fair value through profit or loss	-	-	4	4
Total	267,077	756	36,840	304,673
Liabilities as at 30 June 2021				
Derivative financial instruments measured at fair value through profit or loss	-	1,022	-	1,022
Total	-	1,022	-	1,022

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

6. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The Group	Fair value measurement hierarchy			
	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Assets as at 31 December 2020				
Investment in equity instrument	-	-	20,714	20,714
Investment in debt instrument	-	-	2,114	2,114
Derivative financial instrument	-	-	2,114	2,114
Investment in property	-	-	2,114	2,114
Investment in equity instrument	-	-	2,114	2,114
Investment in debt instrument	-	100	-	100
Derivative financial instrument	-	-	-	-
Investment in property	-	-	-	-
Investment in equity instrument	1,100	-	-	1,100
Investment in debt instrument	-	-	-	-
Investment in equity instrument	2,114	-	-	2,114
Investment in debt instrument	-	-	2,114	2,114
Total	262,387	499	36,527	299,413

Liabilities as at 31 December 2020				
Investment in equity instrument	-	100	-	100
Total	-	499	-	499

The Bank	Fair value measurement hierarchy			
	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Assets as at 30 June 2021				
Investment in equity instrument	-	-	20,714	20,714
Investment in debt instrument	-	-	2,114	2,114
Derivative financial instrument	-	-	2,114	2,114
Investment in property	-	-	2,114	2,114
Investment in equity instrument	-	-	2,114	2,114
Investment in debt instrument	-	100	-	100
Derivative financial instrument	-	-	-	-
Investment in property	-	-	-	-
Investment in equity instrument	1,100	-	-	1,100
Investment in debt instrument	-	-	-	-
Investment in equity instrument	2,114	-	-	2,114
Investment in debt instrument	-	-	2,114	2,114
Total	209,552	756	36,840	247,140

Liabilities as at 30 June 2021				
Investment in equity instrument	-	100	-	100
Total	-	756	-	756

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

6. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The Bank	Fair value measurement hierarchy			
	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Assets as at 31 December 2020				
Investment properties	-	-	41,744	41,744
Investment properties	-	-	2,100	2,100
Investment properties	-	-	1,100	1,100
Investment properties	-	14	-	14
Investment properties	1,100	-	-	1,100
Investment properties	-	-	4,600	4,600
Total	212,002	499	36,527	249,028
Liabilities as at 31 December 2020				
Investment properties	-	499	-	499
Total	-	499	-	499

The Bank has no assets or liabilities which fall into the category of fair value through profit or loss or category 5 measurement for the period ended 30 June 2021 (compared to 30 June 2020).

Investment properties

In order to separate the assets of the Bank and the Bank's interest in other entities, a separate system of accounting is used for all of the assets of the Bank which are held for the purpose of generating cash or cash equivalents. On 30 June 2020, the Bank's investment properties were measured at fair value using the fair value approach. The Bank's investment properties are measured at fair value using the fair value approach.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

6. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Property and equipment – Land and buildings

Property and equipment and construction in progress are measured at cost less accumulated depreciation and amortisation. Land and buildings are measured at fair value. The fair value is determined by reference to the market value of similar property in the same location, adjusted for differences in location, condition and other factors. In 2020, the fair value of land and buildings was determined by reference to the market value of similar property in the same location, adjusted for differences in location, condition and other factors. The fair value of land and buildings was determined by reference to the market value of similar property in the same location, adjusted for differences in location, condition and other factors. The fair value of land and buildings was determined by reference to the market value of similar property in the same location, adjusted for differences in location, condition and other factors.

Financial assets at fair value through profit or loss – fixed income instruments and collective investments schemes

All financial assets measured at fair value are measured at market value. The fair value is determined by reference to the market value of similar assets in the same location, adjusted for differences in location, condition and other factors.

Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are measured at fair value. The fair value is determined by reference to the market value of similar assets in the same location, adjusted for differences in location, condition and other factors.

Other financial instruments

The fair value of debt securities is determined by reference to the market value of similar securities in the same location, adjusted for differences in location, condition and other factors. The fair value of debt securities is determined by reference to the market value of similar securities in the same location, adjusted for differences in location, condition and other factors. The fair value of debt securities is determined by reference to the market value of similar securities in the same location, adjusted for differences in location, condition and other factors.

All the fair value of debt securities is determined by reference to the market value of similar securities in the same location, adjusted for differences in location, condition and other factors. The fair value of debt securities is determined by reference to the market value of similar securities in the same location, adjusted for differences in location, condition and other factors.

Loans and receivables are measured at fair value. The fair value is determined by reference to the market value of similar loans and receivables in the same location, adjusted for differences in location, condition and other factors. The fair value of loans and receivables is determined by reference to the market value of similar loans and receivables in the same location, adjusted for differences in location, condition and other factors.

All the fair value of loans and receivables is determined by reference to the market value of similar loans and receivables in the same location, adjusted for differences in location, condition and other factors. The fair value of loans and receivables is determined by reference to the market value of similar loans and receivables in the same location, adjusted for differences in location, condition and other factors.

Financial liabilities are measured at fair value. The fair value is determined by reference to the market value of similar liabilities in the same location, adjusted for differences in location, condition and other factors. The fair value of financial liabilities is determined by reference to the market value of similar liabilities in the same location, adjusted for differences in location, condition and other factors. The fair value of financial liabilities is determined by reference to the market value of similar liabilities in the same location, adjusted for differences in location, condition and other factors.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

6. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Other financial instruments (continued)

Carrying amounts of financial instruments reported in the consolidated statement of financial position at 30 June 2021 (€ 1,200,431) differ from their market value, based on quoted prices in an active market, by € 50 million (30 June 2020: € 1,200,431) (€ 1,200,430) (€ 1,200,430) million.

The carrying amount of Level 3 financial instruments analysed using the following disclosure categories is as follows:

The Group/The Bank

	Jun-21 €000	Dec-20 €000
Financial assets	303	214
Financial liabilities	2	214
Closing balance	305	428

7. OPERATING SEGMENTS

An appropriate method of division of the Group into operating segments in business activities is to divide the Group into segments that are the primary segments of the Group, taking into account the nature of the products and services provided, the risks and returns of the activities, the way the Group manages its activities and the geographical location of the activities. The Group's operating segments are as follows:

The Group is divided into four operating segments: Retail, Commercial, Investment services and Liquidity management and structured loans. Each operating segment reports to the Chief Executive Officer of the Group during the course of the management. The Chief Executive Officer is the primary segment manager. The Group's operating segments are as follows:

- **Retail:** includes all financial products and services provided to private banking clients and all retail activities. This includes all the services provided to private banking clients, such as deposits, loans, insurance, investment services and structured loans.
- **Commercial:** includes all financial products and services provided to corporate clients. This includes all services provided to the retail and private banking clients, such as deposits, loans, insurance, investment services and structured loans.
- **Investment services:** provides all financial products and services provided to institutional clients, such as private equity, hedge funds, pension funds, insurance, investment services and structured loans.
- **Liquidity management and structured loans:** includes all financial products and services provided to institutional clients, such as private equity, hedge funds, pension funds, insurance, investment services and structured loans.

Carrying amounts of financial instruments reported in the consolidated statement of financial position at 30 June 2021 (€ 1,200,431) differ from their market value, based on quoted prices in an active market, by € 50 million (30 June 2020: € 1,200,431) (€ 1,200,430) (€ 1,200,430) million. The carrying amount of Level 3 financial instruments analysed using the following disclosure categories is as follows:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

7. OPERATING SEGMENTS (continued)

	Retail		Commercial		Investment Services		Equity Management and Structured Equities		Total Regulated Segments	
	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Total assets as per requirements of the Regulatory Framework	1,174,104	1,111,244	6,512,243	6,512,243	—	—	257,125	257,125	2,561,547	2,561,547
Total assets as per Statements of Financial Position									2,141,224	2,141,224
Investment in associates	—	—	—	—	—	—	19,907	19,907	—	—
Total liabilities as per requirements of the Regulatory Framework									64,524	64,524
Total liabilities as per Statements of Financial Position									2,420,005	2,420,005
									Jun-21 €000	Jun-20 €000
Profit before tax										
Continuing operations									2,111	1,131
Discontinued operations									—	—
Share of profit/loss of associates									(2)	—
Share of profit/loss of joint ventures									71	—
Finance income									1,111	1,111
Finance expense									(11)	(11)
Net gain/loss on derivatives									11	11
Share of profit/loss of subsidiaries									(111)	(111)
Share of profit/loss of other entities									11	11
As per Statements of Profit or Loss									(2,23)	0,865
									Jun-21 €000	Dec-20 €000
Total assets										
Continuing operations									2,641,228	2,641,228
Discontinued operations									—	—
Equity management products									1,111	1,111
Investment services products									1,111	1,111
Other regulated entities									1,111	1,111
As per Statements of Financial Position									2,641,228	2,420,903

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months to 30 June 2021

7. OPERATING SEGMENTS (continued)

	Jun-21 €000	Dec-20 €000
Total liabilities	2,428,005	2,214,764
Provision for impairment of investments	1,000,000	1,000,000
Provision for impairment of intangible assets	1,000,000	1,000,000
Provision for impairment of property, plant and equipment	1,000,000	1,000,000
Provision for impairment of other non-current assets	1,000,000	1,000,000
As per Statements of Financial Position	2,428,005	2,214,764

8. INCOME TAX EXPENSE

The income tax expense is an expense in the current period based on the distribution of the consolidated net profit amounting to 1,345,458,000 for the full year 2021.

9. INVESTMENT IN ASSOCIATES

In June 2021, the Group made an investment in the company, the "Dutch" unit of ALIFE Insurance, by acquiring the fully owned subsidiary of 4.1 million. The Group has a 27% shareholding in the company.

In February 2020, the Malta Finance Services Authority approved the results of the sale of the company, Guinness A.I.P., ALIFE Insurance Limited to 100% complete Business and legal services started in Malta in 2018, as a 20% shareholding in Malta by the Group.

10. DIVIDENDS PAID

The Board approved at the Annual General Meeting of 2020 the payment of dividends to the Board members of 100,000,000 for the year ended 31/12/2020. The total amount of 100,000,000 was paid to the members of the Board in 2021. The total amount of 100,000,000 was paid to the members of the Board in 2021. The total amount of 100,000,000 was paid to the members of the Board in 2021.

The Group's Board has approved a cumulative dividend of 100,000,000 for the year ended 30 June 2021.

STATEMENT PURSUANT TO LISTING RULE 5.75.3

www.fca.gov/duffell/disclosure/2016/03/16/160316

- The Company's general counsel provided the following information regarding the Company's compliance with the Listing Rule 5.75.3(b) and the Blue Book at 20:00 on 23/03/2016 and the information is provided in a single document for the general counsel's compliance with the 2016 Form 10-K Reporting accepted by the EU and
- The Blue Book Reporting which started on 23/03/2016 and the information is provided in a single document on 23/03/2016.



MARCEL CASSAR
Chief Executive Officer



RONALD MIZZI
Chief Financial Officer

INDEPENDENT REVIEW REPORT OF CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

Independent review report of condensed interim financial statements

to the members of Board of Directors of AFB banka

Introduction

We have reviewed the accounting and condensed interim financial statements of AFB banka (the Bank) and the condensed interim financial statements of the Bank's wholly owned subsidiary together (the Entity), which comprise the interim statements of financial position as at 30 June 2021 and the related statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the six months ended then ended and other explanatory notes. We have read the other information contained in the financial report and considered whether it contains any equipment in statement of material inconsistencies with the information in the condensed set of interim financial statements.

Directors' responsibilities

The condensed interim financial report is the responsibility of management and has been approved by the Directors. As stated above in page 1 of the condensed set of interim financial statements, have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as endorsed by the EU and the presentation and disclosure requirements of IAS 34 Interim Financial Reporting.

Our responsibility

Our responsibility is to express to the Entity and the Bank a conclusion on the condensed interim set of financial information based on our review.

Scope of review

We conducted our review in accordance with Item 6 of the International Review engagements 2400 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of those charged with financial and accounting matters, and applying analytical and other non-audit procedures. A review is less likely to identify misstatements and their effects on financial statements than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to express an opinion that we would be able to do if we had performed an audit that included the identification of misstatements. Accordingly, we do not express an audit opinion.

As with the statutory audit of the Bank and the group prepared in accordance with articles 178, 194 and 195 of the Companies Act (Law 30/01), the scope of our review does not address the future viability of the Bank and the group or the effectiveness of the controls with which the directors have conducted or are to conduct the affairs of the Bank and the group. Decisions taken or to be taken by the management of the Bank and/or the group may impact the financial position of the Bank and/or group as matters may occur after the date of our review including, but not limited to, events of large magnitude.

As with our review of the Bank and the Group's interim financial statements, we have not conducted an audit intended to facilitate or enable users to make financial decisions for any reason, in the context of any project and/or analysis, with respect to the future financial health and viability of the Bank and/or the Group, and cannot be relied upon for that purpose. Our review is not intended to be used for any other purpose, and we do not intend to be held liable for the extension of credit to the Bank and/or the group. Any users' decisions to invest in or use the Bank or the group are based on the

INDEPENDENT REVIEW REPORT OF CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

Users of a separate analysis specifically intended to evaluate the prospects of the undertaking or the Group are to identify and take account of alternatives that may be materially different to ours.

For the reasons stated above, our analysis concerning the adequacy of the capital structure of the Company, and the formulation of our views on the manner in which management makes decisions between shareholders and creditors, cannot be regarded on the basis of the interim financial statements alone and must necessarily be taken into a broader analysis supported by additional information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not present fairly, in all material respects, in accordance with the recognition and measurement principles set out in the Financial Reporting Standards as adopted by the UK, and the presentation and disclosure requirements of AIC 34 Interim Financial Reporting.



Simon Clavin, Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Central Business District, Malta

29 July 2021

PERFORMANCE RATIOS

for the six months ended 30 June 2021

	The Group		The Bank	
	Jun-21 %	Jun-20 %	Jun-21 %	Jun-20 %
Return on average capital employed (ROACE)*	7.7	8.6	7.8	7.1
Return on average assets before tax (ROA) before tax* and before depreciation	1.2	1.1	1.1	1.1
Cost of capital	65.2	57.7	66.4	57.6
Return on total assets before tax and before depreciation and before tax	9.1	8.0	8.9	8.0
Return on total assets before depreciation	7.0	6.7	7.0	6.7
Return on average funds employed before tax	8.5	8.0	8.5	8.0
Return on average funds employed before tax and depreciation	4.2	4.0	4.2	4.0
ECF (see Note 5)	13.4	13.7	13.2	13.7
Total Capital Gains	17.5	19.7	17.3	19.7

* All figures are in £ million unless stated