

# CONDENSED INTERIM FINANCIAL STATEMENTS

30 June 2022

# TABLE OF CONTENTS

	Page
Directors' Report Pursuant to Capital Market Rule 5.75.2	3
Statement of Directors' Responsibilities Pursuant to Capital Market Rules	6
Statements of Profit or Loss	7
Statements of Comprehensive Income	8
Statements of Financial Position	9
Statements of Changes in Equity	10
Statements of Cash Flows	12
Notes to the Condensed Interim Financial Statements	13
Independent Auditor's Report	29
Performance Ratios	31

# DIRECTORS' REPORT PURSUANT TO CAPITAL MARKET RULE 5.75.2

The Directors present their report together with the Condensed Interim Financial Statements of APS Bank plc (the Bank) for the six months ended 30 June 2022. The report is prepared in accordance with Rule 5.75.2 in terms of the Capital Market Rules issued by the Malta Financial Services Authority.

APS Group comprises APS Bank plc, ReAPS Asset Management Limited and APS Diversified Bond Fund (sub-fund of APS Funds SICAV plc). The Group also has a significant investment in its associates IVALIFE Insurance Limited, APS Income Fund, APS Regular Income Ethical Fund and APS Global Equity Fund (the latter funds are also sub-funds of APS Funds SICAV plc). APS Global Equity Fund was treated as a subsidiary as at reporting date 31 December 2021.

## RESULTS FOR THE PERIOD

The Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Reporting as adopted by the EU. These published financial statements have been extracted from the Group's unaudited accounts for the six months ended 30 June 2022 as approved by the Board of Directors on 28 July 2022.

For the six months ended 30 June 2022, APS Bank registered €1.9 million profit before tax at the Group level (2021: €12.2 million) and €13.6 million profit before tax at the Bank level (2021: €11.5 million). As the world is slowly transitioning into a post-pandemic era, economic instability is threatened once again from various directions - the geopolitical crisis emanating from the Russia-Ukraine war, continued global supply-side disruptions across various industries and inflationary threats which are leading to interest rate normalisation policies with cross-border economic effects. Amid these unprecedented challenges, the Bank posted record interim results which were in part reversed by the negative trends, albeit unrealised, of the investment in APS SICAV sub-funds at the Group level.

The Group's revenues remain largely driven by net interest income which grew to €29.8 million for the period under review, 13.2% higher than the comparable figure of €26.3 million for 2021. Despite the tight interest rate conditions which prevailed, the growth in the lending book across both personal and commercial credit lines, and to a lesser extent in the syndicated book, created opportunities for spread. Interest payable remained around the same level of 1H2021 at €6.9 million, evincing the management's ability to achieve more efficient cost of funding with stable interest pricing on higher deposit liabilities.

Net fee and commission income grew by 35.1% over 2021 to reach €3.8 million. This growth is driven by general business activity in loans, payments and cards and a wider customer base which provides new sources of revenue generation. The Group is also now realising additional fees and commissions from the distribution of personal and occupational pension plans. Fee and commission expense for 1H2022 was €0.9 million, €0.3 million lower than last year.

For the six months under review, the Group's other operating income went into red territory of €6.6 million. This was largely due to the recent financial markets instability and rising fixed income yields which negatively affected the investment in the Group's sub funds. These results reflect the performance of major bonds and equity indices, both in Malta and internationally, which have retracted by double-digit figures since the start of the year. Other operating revenues from business operations amounted to €1.6 million, increasing by €1.1 million over the comparative period. Key contributors here were the net gains of €1.0 million from derecognition of financial assets, and net foreign exchange gains of €0.3 million for the reporting period (2021: €0.2 million).

# DIRECTORS' REPORT PURSUANT TO CAPITAL MARKET RULE 5.75.2 (continued)

## RESULTS FOR THE PERIOD (CONTINUED)

Figures for other operating income with and without the effect of the Group's sub-funds are being further illustrated in the below table:

	The Group	
	Jun-22 €000	Jun-21 €000
Net interest income	29,783	26,313
Net fee income	3,788	2,804
<b>Other Operating Income</b>		
Dividend income	86	150
Net gains on foreign exchange	345	179
Net gains from derecognition of financial assets at amortised cost	984	-
Other operating income	169	182
<b>Other operating income before net (losses)/gains on other financial assets</b>	<b>35,155</b>	<b>29,628</b>
Net (losses)/gains on other financial assets	(8,164)	753
<b>Operating income before net impairments</b>	<b>26,991</b>	<b>30,381</b>

Operating expenses for the six months ended 30 June 2022 were €23.0 million, up by €3.2 million or 15.9% on 2021. Main contributors include a higher accrual of €1.0 million in relation to the Deposit Compensation Scheme ('DCS') stemming from the Legal Notice 193 which brought forward a transitory period originally intended to be concluded in 2024. Staff costs also increased, reflecting rising labour prices across all levels and also the Group's commitment to attract and retain highly skilled resources, and invest in their wellbeing and training. Other increases are noticeable for most classes of insurance, security and certain sub-contracted services. Concurrently, various initiatives are under way to improve efficiency through greater automation, digitisation of records, centralisation of processes from the network and greater use of robotics and new technologies.

The cost-to-income ratio for the period is impacted by the unrealised negative returns on financial assets. Allowing for this, cost-to-income stands at 65.3%, marginally down by 1.6% when compared to last year. Net impairment charges amounted to €0.1 million, in contrast with the €1.7 million writeback for 1H2021 that had resulted from a reversal of impairment overlays reserved in the prior, Covid-19 financial year. The Group consistently maintains a prudent view of credit in line with its risk appetite and respectful of general economic conditions and outlook.

At the end of the reporting period the Group recognised €2.0 million losses from its associates - APS Income Fund, APS Income Ethical Fund, APS Global Equity Fund and IVALIFE Insurance - again largely as a result of negative, unrealised financial asset deterioration due to the unfavourable market circumstances,

## FINANCIAL POSITION

Total assets stood at €3.05 billion for the reporting period, further expanding by €259.3 million or 9.3% in the past six months. This growth was largely steered by the increase in the Bank's lending book which since end-2021 grew by 6.4% to €2.2 billion. Home lending to retail customers remained a main driver for the growth, affirming the Bank's strong market position in this segment. The liquidity stock also grew significantly during the six months under review, with the treasury fixed-income portfolio increasing by €47.0 million to reach €375.1 million while cash and reserves with the Central Bank of Malta growing to €291.4 million compared to the €207.7 million at December 2021. Correspondingly, funding through short-term deposits increased by €205.7 million against a reduction of €18.6 million in term deposits, thus further improving the deposit portfolio mix. Amounts owed to banks stood at €70.1 million, increasing by €12.9 million on December 2021.

The period under review also saw the Bank conclude the final phase of its 2018-2022 Capital Development Plan, which has motored the growth of recent years. Early in June, the Bank closed an Initial Public Offering (IPO) of 110 million ordinary shares at an offer price of €0.62 per share, raising €66 million of new equity. The highly successful IPO, which was closed prematurely due to heavy oversubscription, led to the listing of the Bank's entire share capital on the Malta Stock Exchange. At end-June the Bank's CET1 ratio stands at 16.4% and the Capital Adequacy Ratio (CAR) at 20.3%.

# DIRECTORS' REPORT PURSUANT TO CAPITAL MARKET RULE 5.75.2 (continued)

## DIVIDENDS

Following the Annual General Meeting held in May 2022, shareholders approved the payment of a net dividend of €3,000,000 (gross of tax, €4,615,385).

The Board is recommending the payment of an interim net dividend of €1,800,000 (gross dividend of €2,769,231), payable through the issuance of new ordinary shares at the nominal value of €0.25c per ordinary share. The net dividend equates to 0.50 cents per ordinary share (gross dividend of 0.77 cents per ordinary share). An Extraordinary General Meeting will be convened in the coming weeks to approve the issuance of new shares in satisfaction of this interim dividend.

## OUTLOOK

The outlook for the remainder of 2022 and into 2023 remains uncertain, overshadowed by lingering pandemic effects and the global shocks which ushered in the new year and which remain unresolved. The invasion of Ukraine has exacerbated supply chain issues in both energy and food prices, stoking inflationary pressure both in developed and emerging markets. Central banks in most economies have started a tightening cycle in an attempt to contain price inflation but the results are yet to be seen due to the many, dynamic and complex factors in play. While inflation in the Eurozone remains persistently high, energy and food prices in Malta benefit from continued subsidies from Government, which however contribute to a build-up in public debt that eventually will need to be confronted.

But against this challenging backdrop, the Maltese economy is experiencing strong growth, boosted by a stronger than expected tourism season which led the European Commission to upgrade its GDP growth forecast for Malta in 2022 to 4.9%. Tourist arrivals are expected to fully recover in 2023, while other sectors, like financial services and other international business activities, are expected to gather momentum also thanks to Malta's removal from the FATF greylist and the uncertainty which that created. Real GDP is however forecast to increase at a slower pace in 2023, but still by a robust 3.8%, with a general economic slowdown of Malta's trading partners compensated by strong exports growth. Inflation is expected to reach a peak of 5.6% in 2022 and then to abate in 2023.

Against these developments and while an increase in interest rates should generally be expected to benefit bank margins, it may also impact the ability of certain borrowers to service their repayments, in principle leading to weaker asset quality. It is still early to forecast how this new phase of interest rate normalisation will evolve; however the Bank is entering it with a strong balance sheet, fortified by a high capital pile, ample liquidity and a conservative risk appetite resulting from a tried and tested business model. As the market absorbs the policy adjustments and hopefully moves into a calmer environment, values of financial instruments should be expected to improve and slowly regain the unrealised losses of recent months. These are also times of exciting opportunities and both Group and Bank look at the months ahead with confidence and enthusiasm.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES PURSUANT TO CAPITAL MARKET RULES

The Directors are responsible for the preparation and fair presentation of the condensed interim financial statements in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU and the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting*. In preparing the condensed interim financial statements, the Directors should:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business as a going concern.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group. This responsibility includes designing, implementing and maintaining such internal controls as the Directors determine is necessary to enable the preparation of these condensed interim financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**MARTIN SCICLUNA**  
Chairman



**FRANCO AZZOPARDI**  
Director

28 July 2022

# STATEMENTS OF PROFIT OR LOSS

for the period ended 30 June 2022

		The Group		The Bank	
	Note	Jun-22 €000	Jun-21 €000	Jun-22 €000	Jun-21 €000
<b>Interest receivable and similar income:</b>					
On loans and advances and balances with the Central Bank of Malta		33,964	30,315	33,964	30,315
On debt and other fixed income instruments		2,701	2,903	1,938	2,215
<b>Total interest receivable and similar income</b>		<b>36,665</b>	<b>33,218</b>	<b>35,902</b>	<b>32,530</b>
Interest payable		(6,882)	(6,905)	(6,882)	(6,905)
<b>Net interest income</b>		<b>29,783</b>	<b>26,313</b>	<b>29,020</b>	<b>25,625</b>
Fee and commission income		4,723	4,086	4,575	3,651
Fee and commission expense		(935)	(1,282)	(935)	(1,282)
<b>Net fee and commission income</b>		<b>3,788</b>	<b>2,804</b>	<b>3,640</b>	<b>2,369</b>
Dividend income		86	150	882	604
Net gains on foreign exchange		345	179	365	157
Net gains from derecognition of financial assets at amortised cost		984	-	984	-
Net (losses)/gains on other financial assets		(8,164)	753	1,369	196
Other operating income		169	182	169	182
<b>Operating income before net impairments</b>		<b>26,991</b>	<b>30,381</b>	<b>36,429</b>	<b>29,133</b>
Net impairment (losses)/gains	3	(59)	1,705	(59)	1,705
<b>Net operating income</b>		<b>26,932</b>	<b>32,086</b>	<b>36,370</b>	<b>30,838</b>
Personnel expenses		(12,188)	(10,332)	(12,417)	(10,124)
Other administrative expenses		(8,499)	(7,290)	(8,088)	(7,018)
Depreciation of property and equipment		(946)	(996)	(946)	(996)
Amortisation of intangible assets		(1,040)	(934)	(1,040)	(934)
Depreciation of right-of-use assets		(287)	(258)	(287)	(258)
<b>Operating expenses</b>		<b>(22,960)</b>	<b>(19,810)</b>	<b>(22,778)</b>	<b>(19,330)</b>
Net operating profit before associates' results		3,972	12,276	13,592	11,508
Share of results of associates, net of tax		(2,028)	(45)	-	-
<b>Profit before tax</b>		<b>1,944</b>	<b>12,231</b>	<b>13,592</b>	<b>11,508</b>
Income tax expense	9	(4,428)	(4,153)	(4,321)	(4,036)
<b>(Loss)/profit for the period</b>		<b>(2,484)</b>	<b>8,078</b>	<b>9,271</b>	<b>7,472</b>
<b>(Loss)/profit for the period attributable to:</b>					
Equity holders of the parent		(496)	7,731	9,271	7,472
Non-controlling interest		(1,988)	347	-	-
		<b>(2,484)</b>	<b>8,078</b>	<b>9,271</b>	<b>7,472</b>
<b>Earnings per ordinary share</b>	12	<b>(0.9c)</b>	<b>3.2c</b>	<b>3.5c</b>	<b>3.0c</b>

# STATEMENTS OF COMPREHENSIVE INCOME

for the period ended 30 June 2022

	The Group		The Bank	
	Jun - 22 €000	Jun - 21 €000	Jun - 22 €000	Jun - 21 €000
<b>(Loss)/profit for the period</b>	<b>(2,484)</b>	<b>8,078</b>	<b>9,271</b>	<b>7,472</b>
<b>Other comprehensive loss:</b>				
<i>Items that may be subsequently reclassified to profit and loss:</i>				
Change in fair value on debt instruments measured at fair value through other comprehensive income (FVTOCI)	(18,754)	(3,752)	(18,754)	(3,752)
Release of fair value on disposal of debt instruments measured at FVTOCI	1,375	(177)	1,375	(177)
Deferred income tax related to the components of other comprehensive income (OCI)	526	(298)	526	(298)
<b>Other comprehensive loss for the period, net of tax</b>	<b>(16,853)</b>	<b>(4,227)</b>	<b>(16,853)</b>	<b>(4,227)</b>
<b>Total comprehensive (loss)/income for the period, net of tax</b>	<b>(19,337)</b>	<b>3,851</b>	<b>(7,582)</b>	<b>3,245</b>
<b>Total comprehensive (loss)/income for the period attributable to:</b>				
Equity holders of the parent	(17,349)	3,504	(7,582)	3,245
Non-controlling interest	(1,988)	347	-	-
	<b>(19,337)</b>	<b>3,851</b>	<b>(7,582)</b>	<b>3,245</b>

# STATEMENTS OF FINANCIAL POSITION

as at 30 June 2022

as at 30 June 2022

		The Group		The Bank	
		Jun-22	Dec-21	Jun-22	Dec-21
	Note	€000	€000	€000	€000
<b>ASSETS</b>					
Cash and balances with Central Bank of Malta		291,399	207,723	291,399	207,723
Cheques in course of collection		5	2,881	5	2,881
Loans and advances to banks		57,950	32,296	53,895	30,831
Loans and advances to customers		2,060,908	1,932,044	2,060,908	1,932,044
Syndicated loans		136,749	134,262	136,749	134,262
Derivative financial instruments		298	552	298	552
Financial assets at fair value through profit or loss		40,424	61,846	-	-
Other debt and fixed income instruments		375,059	328,041	375,059	328,041
Equity and other non-fixed income instruments		306	307	306	307
Investment in subsidiaries		-	-	40,251	45,251
Investment in associates	10	13,422	19,802	13,563	16,761
Investment properties		6,112	6,053	6,112	6,053
Property and equipment	5	41,507	40,998	41,507	40,998
Intangible assets	5	12,806	11,746	12,806	11,746
Right of use assets		4,907	5,051	4,907	5,051
Deferred tax assets		2,628	2,249	2,627	2,249
Other receivables		9,787	9,153	9,190	8,303
<b>TOTAL ASSETS</b>		<b>3,054,267</b>	<b>2,795,004</b>	<b>3,049,582</b>	<b>2,773,053</b>
<b>LIABILITIES</b>					
Derivative financial instruments		298	552	298	552
Amounts owed to banks		70,149	57,208	70,149	57,208
Amounts owed to customers		2,618,698	2,431,757	2,620,307	2,433,073
Debt securities in issue		54,619	54,597	54,619	54,597
Current tax		3,760	945	3,498	758
Lease liabilities		5,111	5,348	5,111	5,348
Other liabilities		28,763	10,450	28,502	10,404
Accruals		14,029	13,325	13,977	13,224
<b>TOTAL LIABILITIES</b>		<b>2,795,427</b>	<b>2,574,182</b>	<b>2,796,461</b>	<b>2,575,164</b>
<b>EQUITY</b>					
Share capital		89,929	62,429	89,929	62,429
Share premium		48,767	10,453	48,767	10,453
Revaluation reserve		8,481	25,334	8,481	25,334
Retained earnings		100,478	103,974	105,944	99,673
Attributable to equity holders of the parent		247,655	202,190	253,121	197,889
Non-controlling interest		11,185	18,632	-	-
<b>TOTAL EQUITY</b>		<b>258,840</b>	<b>220,822</b>	<b>253,121</b>	<b>197,889</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,054,267</b>	<b>2,795,004</b>	<b>3,049,582</b>	<b>2,773,053</b>
<b>MEMORANDUM ITEMS</b>					
Contingent liabilities		23,140	25,356	23,140	25,356
Commitments		829,959	802,552	829,959	802,552

The interim financial statements were approved by the Board of Directors and authorised for issue on 28 July 2022 and signed on its behalf by:



**MARTIN SCICLUNA**  
Chairman



**FRANCO AZZOPARDI**  
Director



**MARCEL CASSAR**  
Chief Executive Officer



**RONALD MIZZI**  
Chief Financial Officer

# STATEMENTS OF CHANGES IN EQUITY

for the period ended 30 June 2022

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		
<b>PERIOD ENDED 30 JUNE 2022</b>							
Balance at 1 January 2022	62,429	10,453	25,334	103,974	202,190	18,632	220,822
Profit for the period	-	-	-	(496)	(496)	(1,988)	(2,484)
Other comprehensive loss	-	-	(16,853)	-	(16,853)	-	(16,853)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(16,853)</b>	<b>(496)</b>	<b>(17,349)</b>	<b>(1,988)</b>	<b>(19,337)</b>
Issue of shares net of issue costs	27,500	38,314	-	-	65,814	-	65,814
Dividend payable by parent	-	-	-	-	-	(199)	(199)
Dividends paid	-	-	-	(3,000)	(3,000)	-	(3,000)
Net share capital issued by subsidiary company	-	-	-	-	-	949	949
Loss of control of subsidiary company	-	-	-	-	-	(6,209)	(6,209)
<b>Balance at 30 June 2022</b>	<b>89,929</b>	<b>48,767</b>	<b>8,481</b>	<b>100,478</b>	<b>247,655</b>	<b>11,185</b>	<b>258,840</b>
<b>PERIOD ENDED 30 JUNE 2021</b>							
Balance at 1 January 2021	62,255	10,140	32,260	91,736	196,391	9,828	206,219
Profit for the period	-	-	-	7,731	7,731	347	8,078
Other comprehensive loss	-	-	(4,227)	-	(4,227)	-	(4,227)
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>(4,227)</b>	<b>7,731</b>	<b>3,504</b>	<b>347</b>	<b>3,851</b>
Dividend payable by parent	174	313	-	(2,400)	(1,913)	-	(1,913)
Dividends paid	-	-	-	-	-	(75)	(75)
Net share capital issued by subsidiary company	-	-	-	-	-	4,341	4,341
<b>Balance at 30 June 2021</b>	<b>62,429</b>	<b>10,453</b>	<b>28,033</b>	<b>97,067</b>	<b>197,982</b>	<b>14,441</b>	<b>212,423</b>

# STATEMENTS OF CHANGES IN EQUITY

for the period ended 30 June 2022

The Bank	Share capital €000	Share premium €000	Revaluation reserve €000	Retained earnings €000	Total €000
<b>PERIOD ENDED 30 JUNE 2022</b>					
Balance at 1 January 2022	62,429	10,453	25,334	99,673	197,889
Profit for the period	-	-	-	9,271	9,271
Other comprehensive loss	-	-	(16,853)	-	(16,853)
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>(16,853)</b>	<b>9,271</b>	<b>(7,582)</b>
Issue of shares net of issue costs	27,500	38,314	-	-	65,814
Dividend payable	-	-	-	(3,000)	(3,000)
<b>Balance at 30 June 2022</b>	<b>89,929</b>	<b>48,767</b>	<b>8,481</b>	<b>105,944</b>	<b>253,121</b>
<b>PERIOD ENDED 30 JUNE 2021</b>					
Balance at 1 January 2021	62,255	10,140	32,260	87,032	191,687
Profit for the period	-	-	-	7,472	7,472
Other comprehensive loss	-	-	(4,227)	-	(4,227)
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>(4,227)</b>	<b>7,472</b>	<b>3,245</b>
Dividend payable	174	313	-	(2,400)	(1,913)
<b>Balance at 30 June 2021</b>	<b>62,429</b>	<b>10,453</b>	<b>28,033</b>	<b>92,104</b>	<b>193,019</b>

# STATEMENTS OF CASH FLOWS

for the period ended 30 June 2022

	The Group		The Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	€000	€000	€000	€000
<b>OPERATING ACTIVITIES</b>				
Interest and commission receipts	39,073	34,810	38,003	33,604
Interest and commission payments	(6,829)	(6,841)	(6,829)	(6,841)
Cash paid to employees and suppliers/depositors	(20,651)	(16,637)	(20,481)	(16,223)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>11,593</b>	<b>11,332</b>	<b>10,693</b>	<b>10,540</b>
<b>(Increase)/decrease in operating assets</b>				
Loans and advances to customers	(131,321)	(127,822)	(131,321)	(127,822)
Loans and advances to banks	(707)	-	-	-
Reserve deposit with Central Bank of Malta	(1,936)	(1,778)	(1,936)	(1,778)
Cheques in course of collection	2,876	101	2,876	101
Other assets	129	34	-	-
<b>Increase/(decrease) in operating liabilities</b>				
Amounts owed to customers	186,942	181,289	187,234	181,583
Amounts owed to banks	(774)	(775)	(774)	(775)
Other liabilities	18,191	5,102	18,282	5,075
<b>Net cash generated from operating activities before tax</b>	<b>84,993</b>	<b>67,483</b>	<b>85,054</b>	<b>66,924</b>
Income tax paid	(1,466)	(1,454)	(1,434)	(1,409)
<b>Net cash flows generated from operating activities</b>	<b>83,527</b>	<b>66,029</b>	<b>83,620</b>	<b>65,515</b>
<b>INVESTING ACTIVITIES</b>				
Dividends received	351	330	882	604
Interest income from debt securities	3,284	3,471	3,284	3,471
Purchase of debt instruments measured at FVTOCI	(1,907)	(13,049)	(1,907)	(13,049)
Proceeds on disposal of debt instruments measured at FVTOCI	38,381	10,075	38,381	10,075
Purchase of debt instruments measured at amortised cost	(105,348)	-	(105,348)	-
Proceeds on maturity of debt instruments measured at amortised cost	3,988	-	3,988	-
Purchase of financial assets measured at FVTPL	(75,249)	(23,953)	-	-
Proceeds on disposal of financial assets at FVTPL	78,346	17,653	-	250
Proceeds on disposal of investment in associates	9,589	-	9,589	-
Additional investment in associate	-	(1,500)	-	(1,500)
Purchase of property, equipment and intangible assets	(3,739)	(2,729)	(3,739)	(2,729)
<b>Net cash flows used in investing activities</b>	<b>(52,304)</b>	<b>(9,702)</b>	<b>(54,870)</b>	<b>(2,878)</b>
<b>FINANCING ACTIVITIES</b>				
Dividends paid	(3,122)	(1,988)	(3,000)	(1,913)
Proceeds from issue of new shares, net of issue costs	65,814	-	65,814	-
Amounts received on creation of shares by subsidiaries	527	4,520	-	-
Amounts paid on redemption of shares by subsidiaries	(285)	(179)	-	-
Cash payment for the principal portion of lease liability	(433)	(272)	(433)	(272)
<b>Net cash flows from/(used in) financing activities</b>	<b>62,501</b>	<b>2,081</b>	<b>62,381</b>	<b>(2,185)</b>
<b>Net increase in cash and cash equivalents</b>	<b>93,724</b>	<b>58,408</b>	<b>91,131</b>	<b>60,452</b>
<b>Cash and cash equivalents at 1 January</b>	<b>171,101</b>	<b>142,821</b>	<b>169,636</b>	<b>138,034</b>
<b>Cash and cash equivalents at 30 June</b>	<b>264,825</b>	<b>201,229</b>	<b>260,767</b>	<b>198,486</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 1. CORPORATE INFORMATION

APS Bank plc is incorporated and domiciled in Malta as a public limited company under the Companies Act, Cap. 386 of the Laws of Malta. The registered office of APS Bank plc is APS Centre, Tower Street, Birkirkara, BKR 4012 and the registration number is C2192.

APS Group comprises APS Bank plc, ReAPS Asset Management Limited and APS Diversified Bond Fund (sub-fund of APS Funds SICAV plc). The Group also has a significant investment in its associates IVALIFE Insurance Limited, APS Income Fund, APS Regular Income Ethical Fund and APS Global Equity Fund (the latter funds are also sub-funds of APS Funds SICAV plc). APS Global Equity Fund was treated as a subsidiary as at reporting date 31 December 2021.

## 2. BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU. The condensed interim financial statements have been extracted from the unaudited accounts for the period ended 30 June 2022 and have been reviewed in terms of ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

The comparative amounts reflect the position of the Group and the Bank as included in the audited financial statements ended 31 December 2021 and the unaudited results, changes in equity and cash flows for the period ended 30 June 2021.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's and the Bank's annual financial statements as at 31 December 2021, which form the basis for these condensed interim financial statements. The condensed interim financial statements are intended to provide an update from the most recent audited annual financial statements and accordingly disclose material new activities, events and circumstances.

The significant accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the Group's and the Bank's audited financial statements for the year ended 31 December 2021, unless otherwise disclosed below in the Section entitled 'IFRS applicable in the current year'. These policies are described in Note 2 of the audited financial statements for the year ended 31 December 2021. In preparing these condensed interim financial statements, management has made judgements and estimates that affect the application of accounting policies and that can significantly affect the amounts recognised. The significant judgements made in applying the Group's and the Bank's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

### Use of judgements and estimates

Significant judgements made in applying the Group's accounting policies with respect to investments in which the Group controls less than 20%, deferred tax assets and impairment losses on financial assets were the same as those described in the last annual financial statements. The significant estimates which have the most significant effect on amounts recognised in the financial statements continue to relate to the fair value of investment properties and land and buildings included within property, plant and equipment and impairment losses on financial assets.

In preparing these condensed interim financial statements, certain significant judgements made by management in applying the Group accounting policies and certain key sources of estimating uncertainty were impacted by the volatility resulting from the COVID-19 pandemic. Such impact on specific areas is disclosed separately in Note 3 to these interim financial statements.

The condensed interim financial statements have been prepared keeping in mind the financial impact and the economic downturn following the recent events of the war in Ukraine and the post-COVID 19 recovery.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 2. BASIS OF PREPARATION (continued)

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

The following amendments are effective in the current year:

- Amendments to IAS 37 – The amendments deal with the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
- Amendments to IFRS 3 – The amendments update an outdated reference in IFRS 3 without significantly changing its requirements.
- Amendments to IAS 16 – The amendments address the proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.
- Amendments to IFRS 9 (as part of the 2018 – 2020 Annual Improvements Cycle) – The amendments clarify which fees an entity includes when it applies the '10 per cent test' in assessing whether to derecognise a financial liability.

The above standards, interpretations and amendments did not have a material effect on the condensed interim financial statements of the Group or the Bank.

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

Up to the date of approval of these condensed interim financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which have not been adopted early.

The following standards, interpretations and amendments have been issued by the IASB:

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (effective for financial years on or after 1 January 2023). The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Material accounting policy information is now required to be disclosed instead of significant accounting policies. The amendments explain how an entity can identify material accounting policy information and give examples of when accounting policy information is likely to be material. Accounting policy information may be material due to its nature and is material if users of an entity's financial statements would need it to understand other material information in financial statements.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

- Amendments to IAS 8 – Definition of Accounting Estimates (effective for financial years on or after 1 January 2023). The changes to IAS 8 focus entirely on accounting estimates and clarify that the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. A change in accounting estimate that results from new information or new developments is not the correction of an error and a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 2. BASIS OF PREPARATION (continued)

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

- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for financial years on or after 1 January 2023 but not yet endorsed by the EU). The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognises deferred tax for all temporary differences related to leases and decommissioning obligations and recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

- Amendment to IAS 1 – Classification of Liabilities as Current or Non-Current. These affect only the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of asset, liability income or expense, or the information that entities disclose about those items.

The changes resulting from these standards, interpretations and amendments are in the process of being assessed by the Group to determine their applicability and potential effect on the financial statements of the Group and the Bank.

## 3. EFFECTS OF COVID-19 ON THE CONDENSED INTERIM FINANCIAL STATEMENTS

The period under review was characterised by a number of measures being released when it comes to the restrictions imposed following the COVID-19 pandemic. Business operations started returning to normality even in sectors which have been impacted the most such as tourism, hospitality and the entertainment industry.

The following are the effects that the pandemic had on the Group's and the Bank's condensed interim financial statements:

### Expected Credit Loss ("ECL") measurement

During the peak of the COVID-19 pandemic, the Group took several decisions to address the repercussions brought along by the pandemic and thus having a more realistic ECL calculation. At the initial phase of the pandemic, the Group introduced a post-model adjustment, by triggering a forward transition on specific performing exposures, operating in sectors impacted by the pandemic. The aim behind such decision was to mitigate the risk of not capturing Significant Increase in Credit Risk ("SICR") due to the suspension of capital and interest payments during the moratorium period.

Consequently, the Group continued monitoring the effects of the pandemic on the economy and with the availability of more loan performance data and economic updates, it continued fine-tuning its judgement and assumptions when applying the post-model adjustment. Whilst the initial post-model adjustment was based on portfolio level, during the prior year, the Group adopted a more granular approach by looking at customer-specific factors and circumstances. This entails assessing the customer's ability to generate sufficient cash flows to be able to maintain their respective repayment obligations and determine whether the client requires a forward transition. However, the Group still monitors and considers these performing exposures, whilst analysing the post-model adjustment.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 3. EFFECTS OF COVID-19 ON THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### Expected Credit Loss (“ECL”) measurement (continued)

Although the current year commenced with a spike in COVID-19 cases, during the six months under review, the business landscape improved significantly since the COVID-19 pandemic has smoothed up and nearly all restrictions have been lifted. Most of the customers, both retail and commercial, who had encountered some difficulties to continue repaying their loans during the past two years, have resumed with their regular repayments during the six months under review. Having said this, the Group still applies the post-model adjustment on customers who have or are still benefitting from a moratorium. However, the number of customers captured within the post-model adjustment, has significantly reduced given that most customers have resumed repaying their loan commitments and therefore the mechanism of the post-model adjustment is functioning as expected.

#### i) Post-Model Adjustment Impact

The impact of the post-model adjustment on the ECL charge on the loans and advances to customers portfolio is illustrated in the table below:

##### The Group/The Bank

	Additional ECL	
	Jun-22 €000	Dec-21 €000
Commercial clients	235	436
Retail clients	27	215
<b>Total</b>	<b>262</b>	<b>651</b>

#### ii) Loss Allowance Movement

The following table provides the changes in loss allowance during the period for each portfolio;

##### The Group/The Bank

	June 2022 €000	December 2021 €000	Movement in H1 2022 €000
Loans and advances to banks - amortised cost	71	31	(40)
Cash and balances with the Central Bank of Malta	15	12	(3)
Loans and advances to customers - amortised cost	18,579	18,676	97
Syndicated loans	1,194	990	(204)
Debt securities - amortised cost	153	62	(91)
Debt securities - FVTOCI	231	215	(16)
<b>Total</b>	<b>20,243</b>	<b>19,986</b>	<b>(257)</b>
Write offs during the period			(191)
Post model adjustment			389
<b>Net impairment losses</b>			<b>(59)</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 3. EFFECTS OF COVID-19 ON THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### Expected Credit Loss (“ECL”) measurement (continued)

The Group/The Bank	June 2021 €000	December 2020 €000	Movement in H1 2021 €000
Loans and advances to banks - amortised cost	56	49	(7)
Cash and balances with the Central Bank of Malta	12	5	(7)
Loans and advances to customers - amortised cost	18,113	17,096	(1,017)
Syndicated loans	1,354	1,396	42
Debt securities - amortised cost	62	75	13
Debt securities - FVTOCI	223	246	23
<b>Total</b>	<b>19,820</b>	<b>18,867</b>	<b>(953)</b>
Write offs during the period			(295)
Post model adjustment			2,953
<b>Net impairment gains</b>			<b>1,705</b>

The table hereunder analyses further the net impairment loss for the period:

The Group/The Bank	Jun-22 €000	Jun-21 €000
<b>Charge for the year:</b>		
- collective impairment	(733)	(1,124)
- individual impairment	(633)	(2,153)
- bad debts written off	(191)	(295)
	<b>(1,557)</b>	<b>(3,572)</b>
<b>Reversal of write-downs:</b>		
- collective impairment	385	4,058
- individual impairment	1,113	1,219
	<b>1,498</b>	<b>5,277</b>
<b>Net impairment (losses)/gains</b>	<b>(59)</b>	<b>1,705</b>

## 4. EFFECTS OF RUSSIAN INVASION ON UKRAINE

The Group continued to monitor the geopolitical and economic repercussions brought about by the evolving conflict between Russia and Ukraine. As at end of December 2021 and at June 2022, the Group had an immaterial direct exposure in the region as well as immaterial payment flows that might have been impacted by the enforcement of economic sanctions.

This immaterial direct exposure included debt securities held by the Group and issued by the Russian Government and Russian Corporates for which an insignificant ECL movement was generated, during the six months under review. These debt securities are classified in the Statements of Financial Position as part of “Other debt and fixed income instruments” and classified at fair value through other comprehensive income and fair value through profit or loss. In view of the sanctions that have been imposed upon Russia, the Group is unable to trade in these particular debt securities. Moreover, the debt securities were initially downgraded by several notches and accordingly since these were downgraded to a sub-investment grade rating, these are no longer considered as having ‘low credit risk’ and thus have been forward transitioned to Stage 2. Recently, all external rating agencies withdrew the external rating of the debt securities and also to the Russian Government. Due to the lower credit rating these debt securities are assigned a higher probability of default, however their exposure is immaterial. To date, there is no reason or requirement to treat these securities as in default, given that the last interest due was still received on time, even though sanctions were imposed.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 4. EFFECTS OF RUSSIAN INVASION ON UKRAINE (continued)

However, the Group is continuously monitoring these debt securities, with one of the debt securities due to mature during the first quarter of next year and the next and last coupon payment is due upon maturity.

Following the various restrictions and sanctions imposed on a global level, the Group did not increase further its exposure within this region and thus, its direct exposure is still considered to be immaterial as at end of June 2022. Given the minimal exposure held by the Group, no material adjustments were necessary to the carrying amount of the assets.

Moreover, the indirect economic impact of the Russian invasion of Ukraine is being reflected in the IFRS 9 model. The Group has selected the future looking macro-economic metrics of unemployment rate, inflation rate and GDP Growth rate for its IFRS 9 model. The macroeconomic indicators are obtained from a third party provided and the forecasted macro-economic scenarios cover a ten-year time horizon. As per the IFRS 9 policy, to ensure that PDs, EADs and LGDs reflect the current and expected future economic impact the macro-economic variables are reviewed and updated within the IFRS 9 model, on a quarterly basis.

## 5. TANGIBLE AND INTANGIBLE ASSETS

The following table includes a summary of the tangible and intangible assets acquired by the Group during the period ended June 2022 and year ended 31 December 2021:

### The Group/The Bank

	Jun-22 €000	Dec-21 €000
Land and buildings (including improvements)	15	586
Computer software	2,100	4,803
Computer hardware	257	433
Other fixed assets	1,156	1,358

Also, up to the date of approval of the condensed interim financial statements the Group entered into a number of commitments amounting to €4,309K (Dec-21: €3,063K).

There was no disposal of assets as at end of June 2022 (Dec-21: €281K).

## 6. RELATED PARTY DISCLOSURES

### The Group's structure

The condensed interim financial statements of the Group include the financial statements of APS Bank plc and its subsidiaries, together with associates accounted for using the equity method.

During the course of its normal banking business, the Bank conducts business on commercial terms with its subsidiaries, associates, controlling parties, key management personnel and other related parties.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 6. RELATED PARTY DISCLOSURES (continued)

### Related party transactions

The following tables provide the total amount of transactions, which have been entered into by the Group and the Bank with related parties for the relevant period:

	The Group		The Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	€000	€000	€000	€000
<b>Interest receivable on loans and advances:</b>				
Controlling parties	2	12	2	12
Key management personnel	17	13	17	13
Other related parties	163	217	163	217
<b>Fee and commission income:</b>				
Subsidiaries	-	-	640	581
Associates	533	514	-	-
Controlling parties	107	168	-	31
Other related parties	78	83	-	83
<b>Interest payable:</b>				
Associates	9	9	9	9
Controlling parties	88	88	88	88
Key management personnel	7	4	7	4
Other related parties	11	9	11	9
<b>Personnel expenses:</b>				
Key management personnel	2,951	2,147	2,930	2,126
<b>General administrative expenses:</b>				
Controlling parties	91	117	91	117

#### (a) Transactions with Directors:

	Jun-22	Dec-21
	€000	€000
Loans and advances	670	690
Commitments	193	197

#### (b) Transactions with Executives:

	Jun-22	Dec-21
	€000	€000
Loans and advances	8,738	7,572
Commitments	1,470	699

The above facilities do not involve more than the normal risk of repayment or present other unfavourable features and were made in the ordinary course of business on substantially the same terms as for comparable transactions with persons of a similar standing, or where applicable, other employees.

Included in the amounts owed to customers are term deposits of controlling parties amounting to €8,839,342 (Dec-21: €4,067,231), which bear interest at the prevailing Bank rates. Furthermore, the amounts due from other related parties include secured facilities of €6,906,799 (Dec-21: €7,975,996). There were no unsecured facilities as at end of June 2022 (Dec-21: €2,141). For the period ended 30 June 2022, the Bank provided for impairment of receivables relating to amounts due from related parties amounting to €2,813 (Dec-21: €2,285). No guarantees were received by related parties as at end of June 2022 (Dec-21: Nil). Special guarantees given to related parties amount to €108,576 (Dec-21: €103,414).

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 7. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The level within which the fair value measurement is categorised is determined based on the lowest level of input that is significant to fair value measurement. The reporting of fair values is intended to guide users as to the amount, timing and certainty of cash flows.

Fair value measurement hierarchy of the Group's and the Bank's assets and liabilities are as follows:

The Group	Fair value measurement hierarchy			
	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
<b>Assets as at 30 June 2022</b>				
Property and equipment				
- Land and buildings	-	-	29,143	29,143
Investment properties				
- Residential property	-	-	495	495
- Commercial property	-	-	5,617	5,617
Derivative assets not designated as hedges	-	298	-	298
Financial assets at FVTPL				
- Fixed income instruments and investment in collective investment schemes	40,424	-	-	40,424
Financial assets at FVTOCI				
- Other debt and fixed income instruments	172,337	-	-	172,337
- Non-listed equity and other non-fixed income instruments	-	-	306	306
<b>Total</b>	<b>212,761</b>	<b>298</b>	<b>35,561</b>	<b>248,620</b>
<b>Liabilities as at 30 June 2022</b>				
Derivative liabilities not designated as hedges	-	298	-	298
<b>Total</b>	<b>-</b>	<b>298</b>	<b>-</b>	<b>298</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 7. 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
<b>Assets as at 31 December 2021</b>				
Property and equipment				
- Land and buildings	-	-	29,159	29,159
Investment properties				
- Residential property	-	-	495	495
- Commercial property	-	-	5,558	5,558
Derivative assets not designated as hedges	-	552	-	552
Financial assets at FVTPL				
- Fixed income instruments and investment in collective investment schemes	61,846	-	-	61,846
Financial assets at FVTOCI				
- Other debt and fixed income instruments	227,103	-	-	227,103
- Non-listed equity and other non-fixed income instruments	-	-	307	307
<b>Total</b>	<b>288,949</b>	<b>552</b>	<b>35,519</b>	<b>325,020</b>

<b>Liabilities as at 31 December 2021</b>				
Derivative liabilities not designated as hedges	-	552	-	552
<b>Total</b>	<b>-</b>	<b>552</b>	<b>-</b>	<b>552</b>

The Bank	Fair value measurement hierarchy			
	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
<b>Assets as at 30 June 2022</b>				
Property and equipment				
- Land and buildings	-	-	29,143	29,143
Investment properties				
- Residential property	-	-	495	495
- Commercial property	-	-	5,617	5,617
Derivative assets not designated as hedges	-	298	-	298
Financial assets at FVTOCI				
- Other debt and fixed income instruments	172,337	-	-	172,337
- Non-listed equity and other non-fixed income instruments	-	-	306	306
<b>Total</b>	<b>172,337</b>	<b>298</b>	<b>35,561</b>	<b>208,196</b>

<b>Liabilities as at 30 June 2022</b>				
Derivative liabilities not designated as hedges	-	298	-	298
<b>Total</b>	<b>-</b>	<b>298</b>	<b>-</b>	<b>298</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 7. 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
<b>Assets as at 31 December 2021</b>				
Property and equipment				
- Land and buildings	-	-	29,159	29,159
Investment properties				
- Residential property	-	-	495	495
- Commercial property	-	-	5,558	5,558
Derivative assets not designated as hedges	-	552	-	552
Financial assets at FVTOCI				
- Other debt and fixed income instruments	227,103	-	-	227,103
- Non-listed equity and other non-fixed income instruments	-	-	307	307
<b>Total</b>	<b>227,103</b>	<b>552</b>	<b>35,519</b>	<b>263,174</b>
<b>Liabilities as at 31 December 2021</b>				
Derivative liabilities not designated as hedges	-	552	-	552
<b>Total</b>	<b>-</b>	<b>552</b>	<b>-</b>	<b>552</b>

There were no reclassifications made within the fair value hierarchy and there were no changes in valuation techniques used by the Group during the period.

### Investment properties

Investment property held by the Group and the Bank is valued by an accredited external independent architect at the end of the financial year with the latest valuation being carried out as at 31 December 2021. For the six months ended 30 June 2022, there were no fair value movements on the property held by the Group and the Bank (Jun-21: same) based on internal measures used by comparing valuations of similar properties.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 7. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### Property and equipment – Land and buildings

Revaluations for land and buildings are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. A valuation was carried out by an independent architect as at 31 December 2021. For the six months ended 30 June 2022, there were no fair value movements on the property held by the Group and the Bank (Jun-21: same) based on internal measures used by comparing valuations of similar properties.

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

All of the Group's financial assets at FVTPL are carried at market value using available quoted market prices.

### Fair value through other comprehensive income

Fair values of debt and equity instruments classified in this category are generally based on quoted market prices, if available.

### Other financial instruments

The amounts stated for cash balances, balances with the Central Bank of Malta and loans and advances to banks which are repayable on call and at short notice are highly liquid assets. The Directors regard the amounts shown in the statements of financial position for these items as reflecting their fair value in that these assets will be realised for cash in the immediate future. The fair value of the placements with other banks not repayable at short notice is not materially different from their carrying amount since these carry an arm's length rate of interest which is reflective of conditions at year end.

At the reporting date debt securities classified at amortised cost amounted to €202.9 million (Dec-21: €101.0 million). Their market value amounted to €198.4 million (Dec-21: €107.7 million), whilst their nominal value amounted to €200.5 million (Dec-21: €98.3 million).

Loans and advances to customers are stated at the amounts contractually due less provision to reflect the expected recoverable amounts. Their carrying amount is not deemed to differ materially from their fair value as these are re-priced to take into consideration changes in both the Bank's base rate and credit margins. Their fair value measurement is a Level 2 input.

At the reporting date, syndicated loans and trade finance classified at amortised cost amounted to €137.9 million (Dec-21: €135.3 million). Their market value amounted to €135.6 million (Dec-21: €134.6 million), whilst their nominal value amounted to €139.6 million (Dec-21: €134.9 million).

Amounts owed to banks and customers are mainly deposit liabilities. Of this category of liability 86% (Dec-21: 84%) have contractual re-pricing within one year, whilst 14% (Dec-21: 16%) re-price between one year and over. For demand deposits and term deposits within one year, fair value is taken to be the amount payable on demand at the reporting date. For term deposits after one year with a carrying amount of €370.0 million (Dec-21: €401.2 million), fair value is €370.0 million (Dec-21: €401.2 million). All term deposits at different maturities were revalued to reflect the current interest rates. Their fair value measurement is a Level 2 input.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 7. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### Other financial instruments (continued)

Debt securities in issue have a carrying amount of €54.6 million at 30 June 2022 (Dec-21: €54.6 million). The market value, based on quoted prices in an active market (Level 1), amounted to €53.9 million at 30 June 2022 (Dec-21: €56.4 million).

The reconciliation of Level 3 fair value measurements of financial instruments is disclosed below.

#### The Group/The Bank

	Jun-22 €000	Dec-21 €000
Opening balance	307	303
Fair value movements	(1)	4
<b>Closing balance</b>	<b>306</b>	<b>307</b>

## 8. OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. Operating results of all operating segments are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group has four reportable segments, as reported below. Based on internal reporting submitted to the Board of Directors, during the current reporting period, the Investments Segment was further split into two (as shown below). In identifying segments, Management follows the Group's service lines which make up its main products and services.

- **Retail:** offers a broad range of products and services to meet the personal banking of individual customers. This includes home loans, personal loans, overdraft facilities and deposits products.
- **Commercial:** offers banking products to meet the needs of commercial customers. This includes all lending facilities falling under the suite of the commercial products as well as deposit products.
- **Investment services:** provides a range of products and services to meet the investment need of clients including a broad range of investment and insurance products, as well as the pension plan product and discretionary investment services.
- **Liquidity management and structured loans:** includes the management of the financial investments portfolio, correspondent bank relationships and the trade finance and syndicated loan portfolios.

Each of these operating segments is managed separately as each requires a different client approach and expertise. As for intersegment transactions, Retail is being compensated for unutilised deposits which are being used by other segments as follows; Commercial amounting to €1,579K (Jun-21: €2,041K) and Liquidity Management and Structured Loans amounting to €2,811K (Jun-21: €2,980K). The compensation rate is based on the price charged to unrelated customers in a stand-alone sale of identical services. The total amount of the intersegment transactions amount to €4,390K (Jun-21: €5,021K).

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 8. OPERATING SEGMENTS (continued)

In addition, several costs, assets, and liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment but rather included within the below table under the unallocated items. This primarily applies to the following items which are not included in the tables hereunder:

- Salaries pertaining to staff contributing to other cost centres;
- Recurrent costs of maintenance agreements for software and hardware support, attributed to other cost centres;
- Depreciation charge of fixed assets attributed to other cost centres;
- Property and Equipment; and
- Other assets and liabilities which include tax liability, accruals and accrued income.

All revenues, investment properties, property and equipment, intangible assets and right of use assets are attributed to Malta. The information in this note is based on internal management reports that are reviewed by the Group's Executive Committee.

### The Group

	Retail		Commercial		Investment Services		Liquidity Management and Structured Loans		Total Reportable Segments	
	Jun-22 €000	Jun-21 €000	Jun-22 €000	Jun-21 €000	Jun-22 €000	Jun-21 €000	Jun-22 €000	Jun-21 €000	Jun-22 €000	Jun-21 €000
Interest receivable and similar income from external customers	19,475	16,098	12,460	12,707	-	-	4,730	4,413	36,665	33,218
Interest payable	(736)	(86)	(2,186)	(2,788)	-	-	(3,917)	(3,989)	(6,839)	(6,863)
Net (losses)/gains on financial instruments	-	-	-	-	-	-	(7,180)	753	(7,180)	753
Net fee and commission income and other income	643	68	1,544	961	1,411	1,326	640	152	4,238	2,507
<b>Operating income before net impairments</b>	<b>19,382</b>	<b>16,080</b>	<b>11,818</b>	<b>10,880</b>	<b>1,411</b>	<b>1,326</b>	<b>(5,727)</b>	<b>1,329</b>	<b>26,884</b>	<b>29,615</b>
Impairment (losses)/gains	(209)	2,291	503	(650)	-	-	(353)	64	(59)	1,705
<b>Net operating income</b>	<b>19,173</b>	<b>18,371</b>	<b>12,321</b>	<b>10,230</b>	<b>1,411</b>	<b>1,326</b>	<b>(6,080)</b>	<b>1,393</b>	<b>26,825</b>	<b>31,320</b>
Personnel expenses	(1,894)	(1,861)	(850)	(653)	(899)	(794)	(290)	(189)	(3,933)	(3,497)
Other administrative and operating expenses	(1,122)	(947)	(57)	(3)	(506)	(152)	(338)	(179)	(2,023)	(1,281)
<b>Operating expenses</b>	<b>(3,016)</b>	<b>(2,808)</b>	<b>(907)</b>	<b>(656)</b>	<b>(1,405)</b>	<b>(946)</b>	<b>(628)</b>	<b>(368)</b>	<b>(5,956)</b>	<b>(4,778)</b>
<b>Net operating profit/(loss) before associates' results</b>	<b>16,157</b>	<b>15,563</b>	<b>11,414</b>	<b>9,574</b>	<b>6</b>	<b>380</b>	<b>(6,708)</b>	<b>1,025</b>	<b>20,869</b>	<b>26,542</b>
Share of results from associates	-	-	-	-	-	-	(2,028)	(45)	(2,028)	(45)
<b>Profit/(loss) before tax as per segments</b>	<b>16,157</b>	<b>15,563</b>	<b>11,414</b>	<b>9,574</b>	<b>6</b>	<b>380</b>	<b>(8,736)</b>	<b>980</b>	<b>18,841</b>	<b>26,497</b>
Less: Unallocated items									(16,897)	(14,266)
<b>Profit/(loss) before tax as per statements of profit or loss</b>									<b>1,944</b>	<b>12,231</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 8. OPERATING SEGMENTS (continued)

	Retail		Commercial		Investment Services		Liquidity Management and Structured Loans		Total Reportable Segments	
	Jun-22	Dec-21	Jun-22	Dec-21	Jun-22	Dec-21	Jun-22	Dec-21	Jun-22	Dec-21
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
<b>Total assets as per segments</b>	<b>1,420,796</b>	<b>1,302,478</b>	<b>640,111</b>	<b>629,567</b>	<b>-</b>	<b>-</b>	<b>915,613</b>	<b>787,710</b>	<b>2,976,520</b>	<b>2,719,755</b>
Add: Unallocated items									<b>77,747</b>	<b>75,249</b>
<b>Total assets as per Statements of Financial Position</b>									<b>3,054,267</b>	<b>2,795,004</b>
<b>Investment in associates</b>		-		-		-	<b>13,422</b>	<b>19,803</b>	<b>13,422</b>	<b>19,803</b>
<b>Total liabilities as per segments</b>	<b>2,423,590</b>	<b>2,243,360</b>	<b>195,108</b>	<b>188,397</b>	<b>-</b>	<b>-</b>	<b>125,066</b>	<b>112,357</b>	<b>2,743,764</b>	<b>2,544,114</b>
Add: Unallocated items									<b>51,663</b>	<b>30,068</b>
<b>Total liabilities as per Statements of Financial Position</b>									<b>2,795,427</b>	<b>2,574,182</b>
<b>Profit before tax</b>									<b>Jun-22 €000</b>	<b>Jun-21 €000</b>
As per reportable segments									18,841	26,497
Unallocated items:										
Interest payable									(42)	(42)
Net fee and commission income and other income									150	71
Personnel expenses									(8,466)	(6,907)
Professional fees									(480)	(315)
Repairs and maintenance									(2,182)	(2,035)
Telecommunications									(280)	(222)
Other administrative expenses									(3,323)	(2,628)
Depreciation and amortisation									(2,274)	(2,188)
<b>As per Statements of Profit or Loss</b>									<b>1,944</b>	<b>12,231</b>
<b>Total assets</b>									<b>Jun-22 €000</b>	<b>Dec-21 €000</b>
As per reportable segments									2,976,520	2,719,755
Unallocated items:										
Investment properties									6,112	6,053
Property and equipment									41,507	40,998
Intangible assets									12,806	11,746
Right-of use assets									4,907	5,051
Deferred tax assets									2,628	2,249
Other receivables									9,787	9,152
<b>As per Statements of Financial Position</b>									<b>3,054,267</b>	<b>2,795,004</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 8. OPERATING SEGMENTS (continued)

	Jun-22 €000	Dec-21 €000
<b>Total liabilities</b>	2,743,764	2,544,114
As per reportable segments		
<i>Unallocated items:</i>		
Current tax	3,760	945
Lease liabilities	5,111	5,348
Other liabilities	28,763	10,450
Accruals	14,029	13,325
<b>As per Statements of Financial Position</b>	<b>2,795,427</b>	<b>2,574,182</b>

## 9. INCOME TAX EXPENSE

Income tax expense is recognised in each period based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

## 10. INVESTMENT IN ASSOCIATES

During the period under review, the Group disposed of a percentage in its investment in associates; APS Income Fund and APS Ethical Income Fund. The proceeds from disposal of the investments amounted to €9.6 million.

As at end of June 2022, the Group held 8.6% and 2.9% in APS Income Fund and APS Ethical Income Fund respectively. The Group still holds significant influence in these investments and thus, have been treated as associates as at end of June 2022.

Also, during the period under review the Group lost control over the APS Global Equity Fund through a dilution in its investment and as at end of June 2022 the percentage holding was of 46.4%. In this respect, the Fund has been classified as an associate given that the Group still holds significant influence.

## 11. INITIAL PUBLIC OFFERING

On the 3 June 2022, the Group made an Initial Public Offering (IPO) of 100 million new ordinary shares subject to an over-allotment option of an additional 10 million new shares. The IPO was fully subscribed, and the Group's equity was accordingly increased by €65.8 million, with €27.5 million being the increase in share capital while €38.3 million being the increase in share premium.

	The Group/The Bank	
	Jun-22 Number of shares '000	Dec-21 Number of shares '000
At 1 January	249,716	249,019
Scrip Dividend	-	697
Issue of IPO	110,000	-
	<b>359,716</b>	<b>249,716</b>

During the period under review, the Group increased its share premium through the subscription of the IPO as follows:

	The Group/The Bank	
	Jun-22 €000	Dec-21 €000
At 1 January	10,453	10,140
Scrip Dividend	-	313
Issue of IPO	38,314	-
	<b>48,767</b>	<b>10,453</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended 30 June 2022

## 12. EARNINGS PER SHARE

	The Group		The Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
	cents per share	cents per share	cents per share	cents per share
Earnings per share	(0.9)	3.2	3.5	3.0

The earnings per share was calculated on loss attributable to shareholders of the Group; €2,484K and profit attributable to the Bank €9,271K divided by the weighted average number of ordinary shares outstanding during the period amounting to 268,049K (Jun-21: 249,252K).

## 13. DIVIDENDS PAID

During the period under the review the Bank distributed a gross dividend of €4,615,385 (Jun-21: €3,692,307); net dividend of €3,000,000 (Jun-21: €2,400,000) to its shareholders.

The Group's subsidiaries paid dividends amounting to €682,480 to their shareholders, including the Bank (Jun-21: €490,464).

## Independent review report of condensed interim financial statements

to the members of Board of Directors of APS Bank plc

### Introduction

We have reviewed the accompanying condensed interim financial statements of APS Bank plc ('the Bank') and the consolidated condensed interim financial statements of the Bank and its subsidiaries (together 'the Group'), which comprise the interim statements of financial position as at 30 June 2022, 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 month period then ended and other explanatory notes. We have read the other information contained in the financial report and considered whether it contains any apparent misstatement or material inconsistencies with the information in the condensed set of interim financial statements.

### Directors' responsibilities

The condensed interim financial report is the responsibility of and has been approved by the directors and is released for publication in compliance with the requirement of Rule 5.75.4 of the Capital Market Rules. As disclosed in page 6, the condensed set of interim financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU and the presentation and disclosure requirements of IAS 34 Interim Financial Reporting.

### Our responsibility

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

Deloitte Audit Limited is a limited liability company registered in Malta with registered office at Deloitte Place, Triq L-Intornjatur, Central Business District, CBD 3050 Malta. Deloitte Audit Limited forms part of the Deloitte Malta firm. The Deloitte Malta firm consists of (i) Deloitte, a civil partnership regulated in terms of the laws of Malta, constituted between limited liability companies, operating at Deloitte Place, Triq L-Intornjatur, Central Business District, CBD 3050 Malta and (ii) the affiliated operating entities: Deloitte Services Limited (C51320), Deloitte Digital & Technology Limited (C70308), Deloitte Digital Limited (C23487), Deloitte Technology Limited (C36094), and Deloitte Audit Limited (C51312), all limited liability companies registered in Malta with registered offices at Deloitte Place, Triq L-Intornjatur, Central Business District, CBD 3050 Malta. The Deloitte Malta firm is an affiliate of Deloitte Central Mediterranean S.r.l., a company limited by guarantee registered in Italy with registered number 09599600963 and its registered office at Via Tortona no. 25, 20144, Milan, Italy. For further details, please visit [www.deloitte.com/mt/about](http://www.deloitte.com/mt/about).

Deloitte Central Mediterranean S.r.l. is the affiliate for the territories of Italy, Greece and Malta of Deloitte NSE LLP, a UK limited liability partnership and member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL, Deloitte NSE LLP and Deloitte Central Mediterranean S.r.l. do not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

© 2022. For information, contact Deloitte Malta.

# Independent review report of condensed interim financial statements (continued)

to the members of Board of Directors of APS Bank plc

## Scope of review

---

We conducted our review in accordance with International Standard on Review Engagements 2410, '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 persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As with the statutory audit of the Bank and the Group prepared in accordance with articles 179, 179A and 179B of the Companies Act (Cap.386), the scope of our review does not address the future viability of the Bank and the Group or the efficiency or effectiveness with which the directors have conducted or will 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 may events occurring after the date of our review, including, but not limited to, events of force majeure.

As such, our review of the Bank's and the Group's historical condensed interim financial statements is not intended to facilitate or enable, nor is it suitable for, reliance by any person, in the creation of any projections or predictions, with respect to the future financial health and viability of the Bank and/or the Group, and cannot therefore be utilised or relied upon for the purpose of decisions regarding investment in, or otherwise dealing with (including but not limited to the extension of credit), the Bank and/or the Group. Any decision-making in this respect should be formulated on the basis of a separate analysis, specifically intended to evaluate the prospects of the Bank and/or the Group and to identify any facts or circumstances that may be materially relevant thereto.

For the avoidance of doubt, any conclusions concerning the adequacy of the capital structure of the Bank, including the formulation of a view as to the manner in which financial risk is distributed between shareholders and/or creditors cannot be reached on the basis of the condensed interim financial statements alone and must necessarily be based on 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 measurements principles of International Financial Reporting Standards as adopted by the EU and the presentation and disclosure requirements of IAS 34 Interim Financial Reporting.



Sarah Curmi as Director  
In the name and on behalf of  
**Deloitte Audit Limited**  
Registered auditor  
Central Business District, Malta

28 July 2022

# PERFORMANCE RATIOS

for the period ended 30 June 2022

	The Group		The Bank	
	Jun-22 %	Jun-21 %	Jun-22 %	Jun-21 %
Return on average equity after tax (ROAE)*	<b>(2.2)</b>	7.7	<b>9.1</b>	7.8
Net interest income and other operating income to total assets*	<b>1.8</b>	2.3	<b>2.4</b>	2.2
Cost to operating income ratio	<b>85.1</b>	65.2	<b>62.5</b>	66.4
Growth in total assets / liabilities	<b>9.3</b>	9.1	<b>10.0</b>	8.9
Growth in gross loans and advances to customers	<b>6.3</b>	7.0	<b>6.3</b>	7.0
Growth in amounts owed to customers	<b>7.7</b>	8.5	<b>7.7</b>	8.5
Non-performing loans to total gross loans and advances	<b>3.2</b>	4.2	<b>3.2</b>	4.2
CET 1 Capital Ratio	<b>15.7</b>	13.4	<b>16.4</b>	13.2
Total Capital Ratio	<b>19.5</b>	17.5	<b>20.3</b>	17.3

\*Annualised over a 12-month period.