COMPANY ANNOUNCEMENT

Interim Financial Update – 1H2023

Date of Announcement:	27 July 2023
Reference No:	APSB49

The following is a Company Announcement issued by APS Bank plc (or the "Bank") pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority.

Quote

The Board of Directors of APS Bank plc met on 27 July 2023 and approved the attached Condensed Interim Financial Statements, reviewed by Deloitte Audit Malta, for the period ended 30 June 2023.

In the first half of 2023, conditions for the world economy to move towards a soft landing receded amid stubbornly high inflation and financial sector turmoil. Policymakers also took forceful actions to stabilize financial systems and avoid that the Silicon Valley Bank and Credit Suisse episodes lead to contagion. In this environment, APS Bank delivered its best-ever results for an interim financial year for both Group and Bank, thanks to a business strategy that navigated through persistent economic challenges and uncertainties. Further supporting the Group's actions was a calming of financial markets from last year's instability as sentiment generally improved.

Following are extracts from the Condensed Interim Financial Statements for the period ended 30 June:

	The Group		The Bank	
	Jun-23	**Jun-22**	**Jun-23**	**Jun-22**
Profit before tax (€ mio)	16.8	1.9	16.1	13.6
Net interest income (€ mio)	37.1	29.8	36.4	29.0
Operating income before net impairments (€ mio)	42.4	27.0	41.6	36.1
Operating costs (€ mio)	(26.3)	(23.0)	(25.6)	(22.4)
Net impairment gains/losses (€ mio)	0.1	(0.1)	0.1	(0.1)
ROAE (%)	8.2	(2.2)	7.8	9.1
Cost/Income (%)	62.1	85.1	61.7	62.2
	Jun-23	**Dec-22**	**Jun-23**	**Dec-22**
Loan book (€ mio)	2,587	2,360	2,587	2,360
Total assets (€ mio)	3,434	3,112	3,428	3,110
Customer deposits (€ mio)	2,963	2,711	2,964	2,713
Total equity (€ mio)	274.6	261.5	267.8	257.3
Capital Adequacy Ratio (%)	19.3	18.8	19.3	18.8

Financial Performance

APS Bank plc delivered a pre-tax profit of €16.8 million (1H2022: €1.9 million) at Group level, and €16.1 million (1H2022: €13.6 million) at Bank level.

- The Group generated gross interest revenue of €49.6 million during 1H2023 attributable to a mix of growth across the Bank's credit portfolio and higher interest returns across most asset classes.
- Interest expense amounted to €12.5 million, increasing by €5.6 million over 1H2022 as local deposits and non-EUR fund-raising repriced higher in line with rising interest rates.
- Net fee and commission income went up by 4.7% to €4.0 million from increased commission income on advances, card related transactions, investments and general transaction banking.
- Other operating income amounted to €1.3 million, recovering from last year's negative result of €6.6 million. Fair value changes on financial instruments contributed to this with a net gain of €0.8 million against a loss of €8.2 million of last year. Compared to the severe market turbulence that negatively impacted portfolio valuations in 2022, the period under review saw some of the unrealised losses coming back, with anticipation that this trend may continue in coming financial periods.
- A net impairment writeback of €0.1 million compares with the €0.1 million charge posted in 1H2022. This was largely due to the improved performance of previously-classified stage 3 loans, resulting in a lower ECL charge, attesting to the Bank's prudent credit underwriting standards and risk appetite.
- Operating expenses increased by 14.5% to €26.3 million mainly due to staff costs and expenditure on new technologies, regulatory and compliance requirements, security, insurance and general inflationary rises. Cost-to-income ratio from business operations for the period improved to 63.3% as the Bank continues to monitor and search for efficiency opportunities without compromising quality or the customer experience.

Financial Position

- Group total assets at 30 June 2023 were up by 10.3% reaching €3.4 billion. Key drivers of this €321.5 million growth since the start of the year were:
  - Net loans and advances to customers and the syndicated loan book, up by 9.6% to €2.6 billion. Home finance was again a main component of the growth followed by commercial and corporate lending.
  - Cash reserves at the Central Bank of Malta which increased by €143.0 million to reach €228.9 million, now earning decent returns for the first time in years.
  - Loans and advances to banks which contracted by €47.4 million to €25.5 million, counterbalancing the increase in balances with the Central Bank.
- Group liabilities stood at €3.2 billion, growing by 10.8%. By far this growth came mainly from customer deposits and amounts owed to banks, with balances increasing by €251.9 million and €31.3 million respectively amidst a more competitive interest rate environment.
- Equity closed the period 1H2023 at €274.6 million, up by 5.0% or €13.2 million over the half-year, the main contributors being:
  - Scrip dividend for FY 2022, with €5.6 million being retained in equity.
  - The profit for the period of €11.0 million.
- The Bank's CET1 ratio stood at 15.8% (31 December 2022: 15.2%) and the Capital Adequacy Ratio at 19.3% (31 December 2022: 18.8%).

Dividends

The Board is declaring the payment of an interim net dividend of €2,100,000 (gross dividend of €3,230,769), as scrip, i.e., giving the option to shareholders to elect receiving the dividend in cash or through the issuance of new ordinary shares at an attribution price of €0.57 per share. The net dividend equates to €0.0056 cents per ordinary share (gross dividend of €0.0086 cents per ordinary share). This interim dividend is subject to regulatory approval. Shareholders appearing on the Register on 25 August 2023 (last trading day 23 August 2023) will be entitled to receive the dividend.

CEO Marcel Cassar commented:

"We are proud to be announcing our best-ever half-yearly results for both the Group and the Bank. Continuing the trend of 1Q2023, we made new, exciting inroads in commercial and corporate business, increased further our share in the home finance market, managed liquidity and capital efficiently while prioritising our sustainability agenda. We achieve this by being continuously transformative and innovative through our offerings of new products, channels and services.

Despite increasing pressures on funding costs, we remain committed to manage the transmission of interest rates with the concerns of *all* our customers in mind. This presents a continuous test for our asset-liability management, but our team and their modelling are rising to this challenge with excellent results for both Bank and customers. Later this year we look forward to a stepping-up of our funding activity with the launch of an issuance programme of Tier 2 debt instruments. Most importantly, our focus is firmly on looking at opportunities to create value for our customers and shareholders driven by a strong business model, robust operating fundamentals and clear strategic priorities."

Unquote

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