

## COMPANY ANNOUNCEMENT

### Quarterly Financial Update – 3Q2023

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Date of Announcement: 26 October 2023  
Reference No: APSB54

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.

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#### *Quote*

#### **Strong operating performance continues to underpin results**

APS Bank plc announces the publication of its financial results extracted from the Group and Bank unaudited management accounts for the nine months ended 30 September 2023, (also referred to as the “period”, “3Q” or “9M”) as presented to the Board of Directors on Thursday 26 October 2023.

#### **Financial Performance**

For the nine months under review APS Bank plc registered pre-tax profits of €23.3 million for the Group (3Q2022: €8.4 million) and €23.6 million for the Bank (3Q2022: €21.7 million). As the Group continued to recover from the unrealised, negative investment markets trends of 2022, late-September volatility led to mixed results causing the Bank solo performance to outpace marginally that of the Group.

- a) Interest income for the 9M under review grew by €19.9 million or 34.7% over the same period last year, largely driven by robust growth in the loans portfolio and generally higher asset yields.
- b) As interest rates continued to rise, domestic deposits and non-EUR funding repriced higher, increasing interest costs to €21.6 million, or €11.0 million more than the same period last year.
- c) Net fee and commission income of €6.2 million was up by 13.9% on 9M2022. This was consistent with the growth in business activity and ensuing commission streams from lending, card related transactions, investments and local and foreign transaction banking.
- d) Financial markets instability late in September, following shortly after two summer interest rate hikes, slowed down the recovery at Group level despite still returning €0.4 million net trading gains for the 9M compared to almost €9 million unrealised loss for the comparative period.
- e) This sentiment also impacted the ‘Share of Results from Associates’ which returned negatively for the quarter but remained in positive territory for the period at €0.2m (9M2022, loss of €2.6m).
- f) Net impairment charges for the period were €0.3 million compared to a €0.1 million writeback in 3Q2022, movements mainly attributable to the growth in the loans and advances book.

Registered Office: APS Bank plc, APS Centre, Tower Street, Birkirkara BKR 4012 – Malta

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APS Bank plc is regulated by the Malta Financial Services Authorities as a Credit Institution under the Banking Act 1994 and licenced to carry out Investment Services activities under the Investment Service Act 1994. The Bank is also registered as a Tied Insurance Intermediary under the Insurance Distribution Act 2018

- g) Operating expenses of €39.5 million grew by 16.7% compared to the €33.8 million for 3Q2022. Drivers for this increase were costs related to human resources, recruitment, new technologies, regulatory and compliance requirements, security, insurance and general inflationary rises.
- h) Cost-to-income ratio for the period under review was contained at 62.8% (3Q2022: 75.6%).

### Financial Position

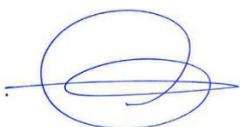
- i) Total Group Assets/Liabilities grew by 12.4% during the 9M under review, reaching a total of €3.5 billion.
- j) The main contributor was the growth in loans and advances to customers, which expanded by €363.2 million across retail, mainly home loans, commercial credit as well as the international syndicated loan book.
- k) Cash reserves at the Central Bank of Malta increased by €73.5 million, counterweighed by a contraction of €49.9 million in liquidity with other banks, optimising short-term yields.
- l) Corresponding with the increase in the main asset lines, funding from customers and banks grew by €347.5 million, or 12.6% over the 9M under review.
- m) As interest rates continued to rise in 2023, customers moved in search of a pick-up in returns, as reflected in the significant shift towards fixed-term deposits and commensurate increase in blended funding cost.
- n) Equity closed 3Q2023 at €278.5 million, up by 6.5% or €17.0 million over December 2022 and helped in part by a €5.6 million scrip dividend plough-back.
- o) The Bank's CET1 ratio stood at 15.3% (31 December 2022: 15.2%) and the Capital Adequacy Ratio at 18.6% (31 December 2022: 18.8%).

### CEO Marcel Cassar commented:

“We are pleased to report a solid operating performance for the period under review, as shown by record numbers across most income lines and pre-tax profits of just under €24 million. At the same time, monetary policy tightening keeps our margins under pressure as we pass on interest rate increases to depositors but not on home loan borrowers, and with the concerns of our commercial customers in mind. Thanks to the active management of our bond and syndicated loan portfolios, we are able to pick up good spreads while improving the geographic, industry, ESG and overall risk profile of our book.

While banks across Europe, and in Malta, are expected to enjoy a boost to their profits from higher interest rates, our sights are on more medium-to-long term growth areas as the tailwinds from central banks' measures to curb inflation are expected to slow down. Against a backdrop of mixed geopolitical, economic and market developments, APS Group is once again showing the way with a performance that balances a forward-looking, profitable business model with its role as a leading provider of credit to the Maltese economy and banker for the community. We are also confident that the imminent launch of our bond issuance programme, aimed at shoring up our Tier 2 and regulatory requirements, will support a strong closing of the current financial year and pave the way for yet further growth in 2024.”

*Unquote*



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

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## STATEMENTS OF PROFIT OR LOSS *(unaudited)*

for the nine months ended 30 September 2023

	The Group		The Bank	
	Sep-23 €000	Sep-22 €000	Sep-23 €000	Sep-22 €000
<b>Interest receivable and similar income:</b>				
On loans and advances and balances with the Central Bank of Malta	71,864	52,845	71,864	52,845
On debt and other fixed income instruments	5,312	4,463	4,213	3,375
<b>Total interest receivable and similar income</b>	<b>77,176</b>	<b>57,308</b>	<b>76,077</b>	<b>56,220</b>
Interest payable	(21,638)	(10,596)	(21,638)	(10,596)
<b>Net interest income</b>	<b>55,538</b>	<b>46,712</b>	<b>54,439</b>	<b>45,624</b>
Fee and commission income	8,091	6,923	7,349	6,240
Fee and commission expense	(1,902)	(1,491)	(1,866)	(1,481)
<b>Net fee and commission income</b>	<b>6,189</b>	<b>5,432</b>	<b>5,483</b>	<b>4,759</b>
Dividend income	-	112	760	956
Net gains on foreign exchange	516	676	516	696
Net gains/(losses) on other financial assets	431	(8,413)	1,050	2,353
Other operating income	191	247	191	247
<b>Operating income before net impairments</b>	<b>62,865</b>	<b>44,766</b>	<b>62,439</b>	<b>54,635</b>
Net impairment (charges)/reversals	(254)	97	(254)	97
<b>Net operating income</b>	<b>62,611</b>	<b>44,863</b>	<b>62,185</b>	<b>54,732</b>
Employee compensation and benefits	(21,221)	(18,950)	(20,725)	(18,552)
Other administrative expenses	(14,158)	(11,384)	(13,735)	(10,999)
Depreciation of property and equipment	(1,460)	(1,631)	(1,460)	(1,631)
Amortisation of intangible assets	(2,187)	(1,423)	(2,187)	(1,423)
Depreciation of right-of-use assets	(461)	(460)	(461)	(460)
<b>Operating expenses</b>	<b>(39,487)</b>	<b>(33,848)</b>	<b>(38,568)</b>	<b>(33,065)</b>
<b>Net operating profit before associates' results</b>	<b>23,124</b>	<b>11,015</b>	<b>23,617</b>	<b>21,667</b>
Share of results of associates, net of tax	225	(2,581)	-	-
<b>Profit before tax</b>	<b>23,349</b>	<b>8,434</b>	<b>23,617</b>	<b>21,667</b>
Income tax expense	(8,313)	(7,537)	(8,266)	(7,429)
<b>Profit for the period</b>	<b>15,036</b>	<b>897</b>	<b>15,351</b>	<b>14,238</b>

## STATEMENTS OF FINANCIAL POSITION *(unaudited)*

as at 30 September 2023

	The Group		The Bank	
	Sep-23 €000	Dec-22 €000	Sep-23 €000	Dec-22 €000
<b>ASSETS</b>				
Cash and balances with Central Bank of Malta	159,402	85,887	159,402	85,887
Cheques in course of collection	3	-	3	-
Loans and advances to banks	22,984	72,870	22,106	71,023
Loans and advances to customers	2,546,231	2,224,694	2,546,231	2,224,694
Syndicated loans	176,840	135,210	176,840	135,210
Derivative financial instruments	576	738	576	738
Financial assets at fair value through profit or loss	43,752	41,046	-	-
Non-current assets held for sale	-	1,733	-	1,733
Other debt and fixed income instruments	441,961	459,601	441,961	459,601
Equity and other non-fixed income instruments	232	303	232	303
Investment in subsidiaries	-	-	40,251	40,251
Investment in associates	14,102	13,667	14,563	14,063
Investment properties	8,452	6,593	8,452	6,593
Property and equipment	40,215	39,252	40,215	39,252
Intangible assets	17,139	14,545	17,139	14,545
Right of use assets	4,539	5,040	4,539	5,040
Deferred tax assets	2,573	2,957	2,573	2,957
Other receivables	18,061	8,016	17,607	8,202
<b>TOTAL ASSETS</b>	<b>3,497,062</b>	<b>3,112,152</b>	<b>3,492,690</b>	<b>3,110,092</b>
<b>LIABILITIES</b>				
Derivative financial instruments	576	738	576	738
Amounts owed to banks	82,914	50,387	82,914	50,387
Amounts owed to customers	3,025,625	2,710,633	3,027,432	2,712,804
Debt securities in issue	54,676	54,642	54,676	54,642
Lease liabilities	4,643	5,246	4,643	5,246
Other liabilities	25,244	15,427	24,867	15,386
Accruals	24,915	13,621	25,200	13,561
<b>TOTAL LIABILITIES</b>	<b>3,218,593</b>	<b>2,850,694</b>	<b>3,220,308</b>	<b>2,852,764</b>
<b>EQUITY</b>				
Share capital	94,283	91,729	94,283	91,729
Share premium	51,692	48,410	51,692	48,410
Revaluation reserve	3,200	2,981	3,200	2,981
Other reserve	196	147	196	147
Retained earnings	115,804	107,209	123,011	114,061
Attributable to equity holders of the parent	265,175	250,476	272,382	257,328
Non-controlling interest	13,294	10,982	-	-
<b>TOTAL EQUITY</b>	<b>278,469</b>	<b>261,458</b>	<b>272,382</b>	<b>257,328</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,497,062</b>	<b>3,112,152</b>	<b>3,492,690</b>	<b>3,110,092</b>