COMPANY ANNOUNCEMENT

Quarterly Financial Update – 1Q2021

Date of Announcement:	27 April 2021
Reference No:	APSB09

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

Quote

APS Bank plc announces the publication of the following information extracted from the Group and Bank unaudited financial statements for the quarter ended 31 March 2021, as presented at a recent meeting of the Board of Directors.

G: Group **B: Bank**

LOANS PORTFOLIO
2021
G: €1,850.0m Dec 2020: €1,802.2m
B: €1,850.0m Dec 2020: €1,802.2m

TOTAL ASSETS
2021
G: €2,524.4m Dec 2020: €2,421.0m
B: €2,508.7m Dec 2020: €2,407.0m

CUSTOMER DEPOSITS
2021
G: €2,219.0m Dec 2020: €2,123.4m
B: €2,219.8m Dec 2020: €2,124.1m

TOTAL EQUITY
2021
G: €207.6m Dec 2020: €206.2m
B: €191.4m Dec 2020: €191.7m

NET INTEREST INCOME
2021
G: €12.8m 1Q2020: €11.5m
B: €12.4m 1Q2020: €11.5m

OPERATING INCOME
2021
G: €15.0m 1Q2020: €12.0m
B: €14.9m 1Q2020: €14.2m

NET IMPAIRMENT CHARGES
2021
G: €1.0m 1Q2020: €1.1m
B: €1.0m 1Q2020: €1.1m

OPERATING COSTS
2021
G: €10.3m 1Q2020: €7.9m
B: €10.1m 1Q2020: €7.8m

PROFIT BEFORE TAX
2021
G: €3.8m 1Q2020: €2.0m
B: €3.9m 1Q2020: €5.2m

ROAE
2021
G: 4.8% 1Q2020: 0.5%
B: 5.3% 1Q2020: 7.5%

Registered Office: APS Bank plc, APS Centre, Tower Street, Birkirkara BKR 4012 – Malta
Registration Number: C2192 | Website: www.apsbank.com.mt | E-mail: investor.relations@apsbank.com.mt | Tel.: 25603000

For the quarter ended 31 March 2021, APS Group registered a pre-tax profit of €3.8 million (1Q2020: €2.0 million). The Bank registered a pre-tax profit of €3.9 million (1Q2020: €5.2 million).

2021 largely continued from where 2020 left off, with the widespread COVID-19 economic disruption starting to make way for cautious optimism as the vaccination programme in many countries gathered momentum. With Government continuing its direct intervention in favour of the sectors most affected by the pandemic, APS Bank remained committed to support its business and personal clients during this delicate period. It is satisfying to note that more retail customers are successfully exiting the moratoria period, a trend started in 4Q2020 that has continued.

The Group's loans portfolio grew by a net €48 million (+2.7%) to reach €1.85 billion, net of impairment charges, with households and mortgage financing being the main contributors. The continued availability of market liquidity resulted in an increase of high-quality treasury assets of €98 million (+23%) to €522 million – a balanced mix of debt securities and bank balances. The Group's customer deposit base also grew by €96 million (+4.5%).

Against this background of continued growth in the lending book, interest income grew by 8.7% to €16.3 million. With interest expense flat at €3.5 million compared to 1Q2020, reflecting efficiency in the cost of funding, net interest income grew by 11.3% to €12.8 million. Other operating income rebounded at Group level as last year's net fair value losses of €1.5 million resulting from market volatility at the early stages of the pandemic were not repeated this quarter. Fees and other operating income remained at last year's levels. Operating expenses increased by €2.4 million to €10.3 million as a result of continuous investment in technology, staff, support, as well as increased regulatory and pandemic-related costs. The Group's cost-to-income ratio at end-March was 68.6%.

Impairments for expected credit losses of €1.0 million largely reflect the quarterly growth in the lending book at broadly unchanged expected default rates and also taking into account changes to the credit risk and behaviour of borrowers. During the quarter ended March 2021, there have been no material changes to the IFRS9 staging composition, with the Group writing-off €200,000 of legacy exposures deemed irrecoverable.

Group profit after tax for the quarter was €2.4 million (1Q2020: €0.2 million), an annualised return on average equity of 4.8% compared to 0.5% in the comparative period. At end-March, the Bank's equity stood at €191.4 million in line with the position at end-2020 with a CET1 ratio of 13.7% and a Capital Adequacy Ratio of 18.0%.

CEO Marcel Cassar commented: "Usually our first quarter is the most challenging, this year especially so as the pandemic effects continue to bite. We are confident that our business model will endure and overcome the current uncertainty, yet the extent of the rebound of key sectors such as tourism is going to be critical even for the short-to-medium term economic recovery. As we experience a gradual pickup in business sentiment we shall maintain a prudent watch on credit underwriting and asset quality, mindful that pandemic-related developments will continue to shape the landscape for quite some time to come."

Unquote

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