COMPANY ANNOUNCEMENT

Quarterly Financial Update – 1Q2022

Date of Announcement:	28 April 2022
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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

Exceptional Bank results contrasted by volatile market conditions

APS Bank plc announces the publication of the following information extracted from the Group and Bank unaudited financial statements for the period ended 31 March 2022, as presented today at a meeting of the Board of Directors.

G: Group **B: Bank**

NET INTEREST INCOME[1]
2022
G: €14.7m 1Q2021: €12.8m
B: €14.3m 1Q2021: €12.4m

OPERATING INCOME[1]
2022
G: €13.3m 1Q2021: €14.2m
B: €19.5m 1Q2021: €14.1m

NET IMPAIRMENT LOSSES[1]
2022
G: €0.6m 1Q2021: €1.0m
B: €0.6m 1Q2021: €1.0m

OPERATING COSTS[1]
2022
G: €10.3m 1Q2021: €9.5m
B: €10.2m 1Q2021: €9.2m

PROFIT BEFORE TAX[1]
2022
G: €1.9m 1Q2021: €3.8m
B: €8.7m 1Q2021: €3.9m

ROAE[1]
2022
G: -1.4% 1Q2021: 4.8%
B: 12.7% 3Q2020: 5.3%

LOAN BOOK[2]
2022
G: €2,096.6m Dec 2021: €2,066.3m
B: €2,096.6m Dec 2021: €2,066.3m

TOTAL ASSETS[2]
2022
G: €2,895.0m Dec 2021: €2,795.0m
B: €2,878.8m Dec 2021: €2,773.1m

CUSTOMER DEPOSITS[2]
2022
G: €2,553.5m Dec 2021: €2,431.8m
B: €2,555.0m Dec 2021: €2,433.1m

TOTAL EQUITY[2]
2022
G: €213.0m Dec 2021: €220.8m
B: €195.6m Dec 2021: €197.9m

[1] For the period ended 31 March 2022 and 31 March 2021
[2] At 31 March 2022 and 31 December 2021

For the quarter ended 31 March 2022, the Group and the Bank posted a pre-tax profit of €1.9 million (same period 2021: €3.8 million) and €8.7 million (2021: €3.9 million), respectively. These contrasting outcomes emerge from a mixed start to 2022: strong operating performance in a climate overshadowed by market volatility arising from the Russian invasion of Ukraine and lingering pandemic effects.

Net Interest Income increased by 14.8% to €14.7 million compared to the €12.8 million of the same period in 2021. The continued growth in the loan book pushed interest income from lending activity to €16.6 million (2021: €16.3 million), as more efficient funding management saw interest expense drop marginally to €3.3 million despite the growth in the Group's customer deposits portfolio.

During the quarter under review, net fee and commission income rose by 55% to €1.7 million due to general business growth and new non-banking revenue streams from the Group's investment services offerings, including the funds and pension plans. As the Bank's Operating Income rose sharply from €14.1 million in 2021 to €19.5 million this quarter, that of the Group contracted to €13.3 million when compared to the €14.2 million of Q1 2021. This was mainly driven by price movements on the sub-funds' financial instruments, which for the period declined in value by €3.6 million (2021: €0.1 million). This change, *mostly unrealised*, is driven by the volatility in the financial markets compounded by the impact of the conflict, supply-side disruptions, inflation and fixed-income yields adjustment throughout the quarter under review.

Group Operating Costs increased by €0.8 million to €10.3 million, reflecting continuous investment in technology, human capital and the latest systems and methods, within a strategic context that keeps quality customer service at the centre of the Bank's ethos. Largely as a result of the market-driven instability in operating income, the Group's and Bank's cost-to-income ratios respectively worsened and improved. Impairment losses for the period amounted to €0.6 million, compared to €1.0 million posted for Q1 of 2021. This is once again testimony to the Bank's strong business model and its prudent approach to credit underwriting, as practically all Covid-19 moratoria are finally expiring with the last few facilities, mainly commercial, performing normally and not a single default experienced.

At 31 March 2022, the Group's Total Assets stood at €2.9 billion, growing by a further €100 million over the quarter. As the deposit market remained buoyant, liquidity and credit activity expanded by a net €70 million and €30 million respectively, with the loan book now reaching €2.1 billion. Customer deposits in fact grew by €121.8 million, reaching €2.6 billion by the end of the quarter – driven by an increase of €128.9 million in overnight deposits with a reduction of €7.0 million in term deposits, improving further the Group's funding mix. New credit origination was largely fuelled by a consistent momentum in home loan activity which accounted for most of the increase, while the commercial lending portfolio retracted slightly as borrowing patterns of business customers remained guarded. The international syndicated loan book also decreased marginally over the quarter reflecting a more cautious appetite due to heightened geopolitical and cross-border risks.

For the period, Equity was also impacted by the market movements however with a CET1 ratio of 12.7% and a Capital Adequacy Ratio of 16.7%, the Bank satisfies the required regulatory thresholds including buffers.

Outlook

Marcel Cassar, Chief Executive Officer, commented:

"2022 got off to an extraordinary start as the impetus which developed during 2021, on the back of a post-Covid economic rebound and more favourable global financing conditions, experienced a new series of shocks. Most prominently, the ongoing conflict between Russia and Ukraine has further disrupted supply chains, contributing to a now persisting inflation and the prospects for higher interest rates which could stifle recovery going forward. Such global developments are felt also in our widely open economy through higher costs of inputs and imported goods. On a positive note, recent estimates by the IMF revised domestic 2022 GDP growth at 4.8% (higher than EU estimates) and CPI inflation peaking at 4.7% in 2022, before returning to more normalised levels in 2023. Optimism that the FATF grey listing might be lifted later this year is also contributing to a more benign outlook for the Maltese economy.

Against this background, APS Bank continues to be a safe and trusted partner for customers, employees, shareholders and the broader community we proudly serve. Despite the various uncertainties, we continue to grow market share, our credit quality remains strong and customer confidence in our model is at its highest. In these challenging times the resilience we show is more important than ever.

Notwithstanding the market volatility impacting the Group, the Bank generated an annualised return on capital exceeding 12% for the quarter under review. As our outlook for the coming months continues to be cautioned by the circumstances around us, we enter the second quarter on top gear as we prepare to approach the market for new equity capital and a listing of the Bank's ordinary shares for the first time in our history. The sentiment for the Initial Public Offering is proving to be very strong and we look forward to this round of capital raising as a gateway for the next, exciting phase of APS Bank's development."

Unquote

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

Company Secretary