

COMPANY ANNOUNCEMENT

Quarterly Financial Update – 1Q2024

Date of Announcement: 25 April 2024
Reference No: APSB63

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

APS Bank plc announces the publication of the financial results extracted from the Group and Bank unaudited management accounts for the quarter ended 31 March 2024, (also referred to as the “period”, “1Q” or “3M”) as presented to the Board of Directors on 25 April 2024.

Financial Performance

During the period under review, APS Bank plc registered a pre-tax profit of €5.0 million at Group level (1Q2023: €7.9 million) and €4.4 million at Bank level (1Q2023: €7.0 million). As anticipated, the interest rate environment already prevailing since the second half of 2023, coupled with the build-up in MREL, continued piling pressure on margins, with increases in administrative and compliance expenses resulting in lower returns compared to the same period last year.

- a) Net interest income for the quarter under review was €16.7 million, with interest receivable increasing by €4.5 million over 1Q2023. Correspondingly, with interest rates remaining high and amidst continued competitive pressures, interest payable more than doubled over 1Q2023, contracting total net interest income by €1.7 million. The anticipation of interest rates easing over the coming months is expected to result in more stable cost of funding and improved margins.
- b) Net fee and commission income of €2.4 million, up by 8.1% over the same period last year, reflects the growth in business, with the main commission streams being insurance, investments, cards and transactional banking.
- c) At Group level, other operating income fared lower compared to 2023, mainly due to the strong rebound from one of the Group’s sub-funds which was not repeated in 1Q2024. At Bank level, figures marginally improved over last year, with other operating income being the main contributor to such increase.
- d) Net impairment losses of €1.3 million reflect credit charges on loans across the three IFRS 9 stages mostly on the local commercial book and international syndicated lending. The non performing loan (NPL) ratio positively crossed the 2% level, ending at 1.9% down from 2.2% in December 2023.
- e) Operating expenses amounted to €13.5 million, rising marginally by €0.7 million when compared to 1Q2023. Technology and regulatory costs together with inflationary pressures mainly contributed to this with a total aggregate increase of €0.5 million. Cost-to-income ratio for the period under review was of 69.9% (1Q2023: 59.9%).

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

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

Financial Position

The Group grew the balance sheet at a slower pace than 1Q2023, continuing with the emphasis on high credit underwriting standards, improving NPL ratios while prudently managing the loans/deposits mix.

- f) Total Group Assets/Liabilities grew by 1.8% during the 3M under review, reaching a total of €3.7 billion.
- g) The main contributors were the growth in loans and advances to customers and syndicated loans, which expanded by €28.8 million across the retail, mainly home loans, commercial and international syndicated loan books.
- h) Cash reserves at the Central Bank of Malta and loans and advances to banks followed with a total increase of €26.9 million, up by €16.8 million and €10.2 million respectively.
- i) Funding from customers grew by €52.6 million during 1Q2024, 90% of the increase being attributable to fixed term deposits.
- j) Equity closed the end of the first quarter of 2024 at €291.1 million, up by €3.7 million over December 2023.
- k) The Bank's CET1 ratio stood at 14.2% (31 December 2023: 14.6%) and the Capital Adequacy Ratio at 20.1% (31 December 2023: 20.6%).

CEO Marcel Cassar commented:

“Having reported consistent growth in revenues and profits over most financial periods in recent years, these first quarter results might look like a reversal of fortunes. But what we've been experiencing since last year, thanks to an environment of higher interest rates, was anticipated to show up in a compression of our interest margins. The strategy behind our business model remained pinned on not increasing home loan rates, offering lowest possible pricing on products that represent our social and green agenda, remaining competitive with our commercial lending while at the same time passing on interest rate increases to our depositors. During the quarter under review we also increased our ECL charge mainly to reflect higher uncertainty around an old (pre-2013) legacy NPL which will not be repeated in future financial periods.

As Malta continues to perform well, and the global economy shows signs of resilience supported by a more benign outlook on inflation, it is easy to overlook that there are some very rough seas out there, with many geopolitical hotspots that continue to fuel uncertainty. The Maltese banking system also continues to benefit from high levels of liquidity, which boosted profits and capital ratios in 2023 but are not necessarily contributing to an equitable transmission of interest rates across loans and deposits pricing. Despite the current pressure on our margins, we are taking the necessary corrective actions and are confident that our business model will deliver stronger, sustained returns over the medium to longer term. 1Q2024 has seen us rolling out products, services and technologies that are making APS Bank more the 'primary bank' for our customers. We are also confident of the traction generated by the investment in our transformation programme, equally our business strategy needs more scale to make that efficiency work and create value for all our stakeholders.”

Unquote



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

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

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

STATEMENTS OF PROFIT OR LOSS (unaudited)

for the three months ended 31 March 2024

	The Group		The Bank	
	Mar-24 €000	Mar-23 €000	Mar-24 €000	Mar-23 €000
Interest receivable and similar income:				
On loans and advances and balances with the Central Bank of Malta	26,438	21,998	26,438	21,998
On debt and other fixed income instruments	1,788	1,774	1,371	1,427
Total interest receivable and similar income	28,226	23,772	27,809	23,425
Interest payable	(11,532)	(5,420)	(11,532)	(5,420)
Net interest income	16,694	18,352	16,277	18,005
Fee and commission income	2,930	2,982	2,657	2,770
Fee and commission expense	(514)	(748)	(511)	(745)
Net fee and commission income	2,416	2,234	2,146	2,025
Dividend income	-	-	169	158
Net gains on foreign exchange	213	13	182	198
Net (losses)/gains on other financial assets	(125)	669	-	(7)
Other operating income	84	37	84	37
Operating income before net impairments	19,282	21,305	18,858	20,416
Net impairment charges	(1,258)	(912)	(1,258)	(912)
Net operating income	18,024	20,393	17,600	19,504
Employee compensation and benefits	(6,940)	(6,939)	(6,761)	(6,775)
Other administrative expenses	(5,134)	(4,530)	(4,997)	(4,385)
Depreciation of property and equipment	(507)	(474)	(507)	(474)
Amortisation of intangible assets	(743)	(671)	(743)	(671)
Depreciation of right-of-use assets	(153)	(154)	(153)	(154)
Operating expenses	(13,477)	(12,768)	(13,161)	(12,459)
Net operating profit before associates' results	4,547	7,625	4,439	7,045
Share of results of associates, net of tax	478	283	-	-
Profit before tax	5,025	7,908	4,439	7,045
Income tax expense	(1,577)	(2,470)	(1,554)	(2,466)
Profit for the period	3,448	5,438	2,885	4,579

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

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

STATEMENTS OF FINANCIAL POSITION *(unaudited)*

as at 31 March 2024

	The Group		The Bank	
	Mar-24 €000	Dec-23 €000	Mar-24 €000	Dec-23 €000
ASSETS				
Cash and balances with Central Bank of Malta	147,858	131,071	147,858	131,071
Loans and advances to banks	64,656	54,499	64,408	53,951
Loans and advances to customers	2,721,099	2,694,229	2,721,099	2,694,229
Syndicated loans	186,095	184,172	186,095	184,172
Derivative financial instruments	541	536	541	536
Financial assets at fair value through profit or loss	47,403	46,484	-	-
Non-current assets held for sale	1,738	1,738	1,738	1,738
Other debt and fixed income instruments	443,748	442,032	443,748	442,032
Equity and other non-fixed income instruments	6,915	6,960	6,915	6,960
Investment in subsidiaries	-	-	40,251	40,251
Investment in associates	15,093	14,784	14,563	14,563
Investment properties	6,714	6,714	6,714	6,714
Property and equipment	39,700	39,824	39,700	39,824
Intangible assets	18,034	17,523	18,034	17,523
Right of use assets	4,233	4,386	4,233	4,386
Deferred tax assets	3,082	3,154	3,082	3,154
Other receivables	18,868	13,008	17,906	12,180
TOTAL ASSETS	3,725,777	3,661,114	3,716,885	3,653,284
LIABILITIES				
Derivative financial instruments	541	536	541	536
Amounts owed to banks	72,469	80,685	72,469	80,685
Amounts owed to customers	3,190,406	3,137,839	3,191,840	3,139,214
Debt securities in issue	104,431	104,173	104,431	104,173
Lease liabilities	4,343	4,585	4,343	4,585
Other liabilities	35,527	20,385	35,485	20,339
Accruals	26,915	25,483	26,856	25,428
TOTAL LIABILITIES	3,434,632	3,373,686	3,435,965	3,374,960
EQUITY				
Share capital	94,451	94,451	94,451	94,451
Share premium	51,907	51,907	51,907	51,907
Revaluation reserve	7,520	7,905	7,520	7,905
Other reserve	389	293	389	293
Retained earnings	120,669	118,508	126,653	123,768
Attributable to equity holders of the parent	274,936	273,064	280,920	278,324
Non-controlling interest	16,209	14,364	-	-
TOTAL EQUITY	291,145	287,428	280,920	278,324
TOTAL LIABILITIES AND EQUITY	3,725,777	3,661,114	3,716,885	3,653,284

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

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