

COMPANY ANNOUNCEMENT

Quarterly Financial Update – 3Q2024

Date of Announcement: 31 October 2024
Reference No: APSB74

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 its financial results, extracted from the Group and Bank unaudited management accounts for the nine months ended 30 September 2024 (also referred to as the "period", "3Q", or "9M"), as presented to the Board of Directors on 31 October 2024.

Income Statement

During the period under review, APS Bank plc registered a pre-tax profit of €16.5 million at Group level (3Q 2023: €23.3 million) and €14.8 million at Bank level (3Q2023: €23.6 million). As anticipated earlier in the year, and despite a progressive improvement in performance over the past months, the results continue to lag those of 2023 mainly due to a contraction in net interest income, primarily driven by margin compression on loans and deposits.

- a) In fact, net interest income for the 9M was €49.1 million, down on the €55.5 million for the same period in 2023. Interest receivable increased from €77.2 million in 2023 to €84.7 million, with growth being spread across both retail and commercial product lines.
- b) This was more than neutralised by interest expense which increased to €35.6 million from €21.6 million in 2023, due to higher cost of MREL funding and the Bank’s policy of passing through the interest rate benefits to its depositors.
- c) Net fee and commission income is up by 2.8% over 2023 to €6.4 million, reflecting overall business growth and revenue from insurance intermediation, pensions, investment services and cards.
- d) Other income for the period amounted to €2.6 million, markedly up on the €1.1 million recorded for 3Q 2023 and resulting mainly from gains on movements in the portfolio of financial assets at both Group and Bank levels.

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

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- e) Net impairment charges for 3Q 2024 were €1.1 million, spread over the three Expected Credit Losses (ECL) stages and across a growing local commercial book and the international syndicated loan portfolio; the NPL (Non-performing loans) ratio of 1.7% - lowest in years – indicative of the quality of the book and strength of the Group’s credit underwriting standards.
- f) Operating expenses of €41.1 million are up by 4.1% on the €39.5 million for the corresponding 9M of 2023. Continued investment in top-end technology, including fraud prevention, digitalisation, regulatory, compliance and human resources, and associated cost inflation, are the key contributors.
- g) The cost-to-income ratio for the 9M period was 70.8%, up from the 3Q 2023 ratio of 62.8% and in large part a result of the contraction in net interest income.

Financial Position

- h) Total Group assets/liabilities at 30 September 2024 exceeded €3.9 billion, expanding by 7.2% (or €264.6 million) during the period under review. Key contributors were:
 - A growth in customer deposits which increased by €305.3 million to reach €3.4 billion, largely attributable to strategic product campaigning such as targeted offers of classic term deposits, new Kapital+ releases as well as initiatives promoting the Bank for everyday banking.
 - Countering the above increase, the Group reported a reduction in amounts owed to banks of €47.3 million, shifting dependencies to optimise on treasury lines and liquidity management.
 - Most of the fund raising went to the Bank’s loan books which grew by €226.6 million to reach €3.1 billion - home finance remaining the top contributor to growth now reaching €2.0 billion by 3Q 2024, with limited, cautious growth in the commercial and syndicated loan portfolios.
 - Taking advantage of opportunities created by the interest rate environment, cash balances with the Central Bank of Malta increased by €75.3 million to €206.3 million over the 9M under review, as the portfolio of debt and fixed income instruments contracted by €36.6 million to €405.4 million.
 - The pick-up in fund-raising and higher cash levels in 3Q 2024 resulted in Liquidity Coverage Ratios (LCR) hovering comfortably between 150% and 170%.
- i) Total equity at the end of 3Q 2024 was €296.1 million, up by €8.7 million on December 2023, in part also thanks to the downward direction of interest rates and some uplift from market performance which further helped claw back unrealised losses in the Bank’s investments portfolio.
- j) The Bank’s CET1 ratio stood at 14.4% (31 December 2023: 14.6%) and the Capital Adequacy Ratio at 20.0% (31 December 2023: 20.6%).
- k) Assets under management remained stable thanks to generally positive market sentiment, with steady growth in both occupational and personal pension clients.

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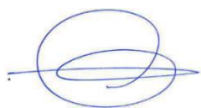
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CEO Marcel Cassar commented:

“The easing of monetary policy and roll-out of interest rate cuts continue to contrast with heightened geopolitical risk and conflicts in various areas, a slowdown in economic growth in China and uncertainty around the outcome of presidential elections in the United States. As banks across Europe, including Malta, have benefited from a profits bonanza thanks to higher interest rates, retail banking strategies will now turn more defensive in the face of increasing headwinds: cost inflation, including from technology and fraud protection, rising customer expectations, uncertainty about interest rates and higher credit risk as post-pandemic economic boosts are now wearing off. At the same time, economic activity in Malta is resilient, although growth is expected to moderate from the high rates experienced in recent years while employment, inflation and debt/GDP indicators remain at healthy levels.

The APS Bank strategy remains focused on delivering simpler banking, by strengthening our products and digital offerings and enhancing the experience for all consumers. We are also taking a broader view of the interest rate cycle, noting that the measures we implemented in 2Q 2024 to ease margin pressures are helping us keep our pricing competitive while supporting profitability. As we continue to see steady growth in our customer and business base, along with improvements in efficiency and revenue potential, the Bank’s and Group’s strategy is focused on gaining scale and scope from the substantial, transformational investment we have been making in technology, talent and systems. We are confident that this will not only consolidate our market position and sustain our competitiveness but will also be in the best interests of all our stakeholders.”

Unquote



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

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STATEMENTS OF PROFIT OR LOSS *(unaudited)*

for the period ended 30 September 2024

	The Group		The Bank	
	Sep-24 €000	Sep-23 €000	Sep-24 €000	Sep-23 €000
Interest receivable and similar income:				
On loans and advances and balances with the Central Bank of Malta	79,197	71,864	79,197	71,864
On debt and other fixed income instruments	5,482	5,312	4,162	4,213
Total interest receivable and similar income	84,679	77,176	83,359	76,077
Interest payable	(35,586)	(21,638)	(35,586)	(21,638)
Net interest income	49,093	55,538	47,773	54,439
Fee and commission income	8,212	8,091	7,364	7,349
Fee and commission expense	(1,851)	(1,902)	(1,825)	(1,866)
Net fee and commission income	6,361	6,189	5,539	5,483
Dividend income	81	-	977	760
Net gains on foreign exchange	518	516	564	516
Net gains on other financial assets	1,725	431	844	1,050
Other operating income	267	191	267	191
Operating income before net impairments	58,045	62,865	55,964	62,439
Net impairment charges	(1,134)	(254)	(1,134)	(254)
Net operating income	56,911	62,611	54,830	62,185
Employee compensation and benefits	(21,911)	(21,221)	(21,271)	(20,725)
Other administrative expenses	(15,054)	(14,158)	(14,615)	(13,735)
Depreciation of property and equipment	(1,563)	(1,460)	(1,563)	(1,460)
Amortisation of intangible assets	(2,115)	(2,187)	(2,115)	(2,187)
Depreciation of right-of-use assets	(462)	(461)	(462)	(461)
Operating expenses	(41,105)	(39,487)	(40,026)	(38,568)
Net operating profit before associates' results	15,806	23,124	14,804	23,617
Share of results of associates, net of tax	717	225	-	-
Profit before tax	16,523	23,349	14,804	23,617
Income tax expense	(4,896)	(8,313)	(4,859)	(8,266)
Profit for the period	11,627	15,036	9,945	15,351

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STATEMENTS OF FINANCIAL POSITION *(unaudited)*

as at 30 September 2024

	The Group		The Bank	
	Sep-24 €000	Dec-23 €000	Sep-24 €000	Dec-23 €000
ASSETS				
Cash and balances with Central Bank of Malta	206,348	131,071	206,348	131,071
Loans and advances to banks	44,684	54,499	42,746	53,951
Loans and advances to customers	2,926,309	2,694,229	2,926,309	2,694,229
Syndicated loans	178,722	184,172	178,722	184,172
Derivative financial instruments	1,328	536	1,328	536
Financial assets at fair value through profit or loss	47,343	46,484	-	-
Non-current assets held for sale	-	1,738	-	1,738
Other debt and fixed income instruments	405,400	442,032	405,400	442,032
Equity and other non-fixed income instruments	6,648	6,960	6,648	6,960
Investment in subsidiaries	-	-	40,251	40,251
Investment in associates	16,154	14,784	15,563	14,563
Investment properties	8,393	6,714	8,393	6,714
Property and equipment	39,682	39,824	39,682	39,824
Intangible assets	20,386	17,523	20,386	17,523
Right of use assets	4,028	4,386	4,028	4,386
Deferred tax assets	3,242	3,154	3,242	3,154
Other receivables	17,011	13,008	16,508	12,180
TOTAL ASSETS	3,925,678	3,661,114	3,915,554	3,653,284
LIABILITIES				
Derivative financial instruments	1,328	536	1,328	536
Amounts owed to banks	33,427	80,685	33,427	80,685
Amounts owed to customers	3,443,166	3,137,839	3,444,998	3,139,214
Debt securities in issue	104,183	104,173	104,183	104,173
Lease liabilities	4,153	4,585	4,153	4,585
Other liabilities	16,291	20,385	16,252	20,339
Accruals	27,044	25,483	26,996	25,428
TOTAL LIABILITIES	3,629,592	3,373,686	3,631,337	3,374,960
EQUITY				
Share capital	94,902	94,451	94,902	94,451
Share premium	52,466	51,907	52,466	51,907
Revaluation reserve	10,375	7,905	10,375	7,905
Other reserve	259	293	259	293
Retained earnings	122,071	118,508	126,215	123,768
Attributable to equity holders of the parent	280,073	273,064	284,217	278,324
Non-controlling interest	16,013	14,364	-	-
TOTAL EQUITY	296,086	287,428	284,217	278,324
TOTAL LIABILITIES AND EQUITY	3,925,678	3,661,114	3,915,554	3,653,284

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