



31 May 2022

COMPANY ANNOUNCEMENT

The following is a Company Announcement by HSBC Bank Malta p.l.c. in compliance with the Capital Markets Rules issued by the Malta Financial Services Authority.

HSBC BANK MALTA p.l.c. INTERIM DIRECTORS' STATEMENT

Quote:

HSBC Bank Malta p.l.c. (the 'bank') had a satisfactory start to the year, with the bank's strategy remaining on track. Reported profit before tax for Q1 2022 was €4.8m, down €5.1m compared to the €9.9m profits reported in the same period last year. The decrease is mainly attributable to the lower profit reported by the insurance subsidiary of €4.9m, reflecting the unfavourable market impact on Wealth revenue.

Revenues were €6.2m lower than those reported in Q1 2021. The insurance subsidiary reported a decrease in revenue of €5.0m. This was a result of adverse market conditions which led to weaker performances in equity markets, compared with favourable movements in Q1 2021. The bank experienced a decrease in net interest income as a result of tighter margins and an increase in cash placements at negative rates. The bank reported improvements in net fee income driven by increased activity across cards and payments. Strong performance was also reported in foreign exchange income.

Expected Credit Losses were broadly maintained at the levels booked as at 31 December 2021. A marginal release was booked for the retail business in view of the improvement in customers' performance.

The bank continued to implement effective cost management discipline and operating expenses were €1.1m lower than those reported in Q1 2021. Cost savings continued to be realised through the implementation of the prior year's transformation programme. Lower regulatory fees also contributed to the reduction in expenses.

Net loans and advances to customers were marginally lower than those reported as at 31 December 2021. Customer deposits increased by €122m compared to 31 December 2021. The bank's liquidity position remained strong and regulatory capital ratios continued to exceed regulatory capital requirements.

The Russian invasion of Ukraine has led to elevated geopolitical instability and resulted in the EU imposing significant sanctions and other trade restrictions against Russia, numerous government officials and individuals, and Russian companies and financial institutions. While the bank has very limited exposure to Russia or Russian nationals, it is using its sanctions compliance capabilities to respond to the new sanctions regulations. Global commodity markets have been significantly impacted, leading to supply chain disruptions and increased prices for both energy and non-energy products, which in turn have had global inflationary pressure. There has also been increased financial market volatility which impacted the performance of the bank's investment portfolio and insurance subsidiary. The bank will continue to closely monitor the direct and indirect macroeconomic impacts of the situation.

Simon Vaughan Johnson, Chief Executive Officer of HSBC Bank Malta p.l.c., said: "Whilst profits decreased compared to Q1 2021 due to the marked increase in financial market volatility over the period, we continue to successfully implement our strategy. In Q1 2022, we launched the new cards platform which provides customers with enhanced features, services and security. The card fraud management system has also been upgraded, enabling us to better protect our customers and the bank.

"We continue to implement our Environmental, Social and Governance ('ESG') strategy. We have commenced work on the transformation of our offices in Qormi which is currently the biggest real-estate project of its kind for HSBC in Europe. This important capital investment in Malta will create a modern, fit-for-purpose business environment for all who work in or visit the campus and will facilitate a number of carbon net zero initiatives that are fully aligned to our published targets".

Unquote



Dr Paula Mamo LL.D.
Company Secretary