



16 November 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') is announcing its results for the nine-month period ended 30 September 2022. Reported profit before tax amounted to €33.5m, an increase of €8.3m over the same period last year. Adjusted profits, which represent reported profits excluding significant items, amounted to €34.8m compared to €28.6m reported last year. Significant items incurred in 2021 and 2022 mainly consist of restructuring provisions and related transformation costs.

Revenues were €2.9m higher than those reported in Q3 2021. The insurance subsidiary reported an increase in revenues of €2.5m as a result of favourable equity market trends. Net interest income was lower than that reported in the same period last year as some of the excess liquidity was still being placed at negative interest rates until 27 July 2022. Net fee income remained at 2021 levels. Reported improvements in fee income were driven by increased activity across cards and payments. These increases were offset primarily by the removal of the high balance fee in July 2022, which was a decision taken by the bank in view of the rising interest rate environment. Very strong performance was reported in foreign exchange income.

ECL decreased by €9.9m as a release of €10.0m was booked this year compared to a release of €0.1m booked in the same period in 2021. This release was mainly attributable to a significant recovery on a commercial non-performing loan which was largely provided for in prior years. Additional charges were booked during the year, reflecting heightened levels of economic uncertainty and increasing inflationary pressures.

Adjusted operating expenses increased by €6.6m compared with the same period last year. This was mainly due to higher regulatory fees as a change in the Depositor Compensation Scheme legislation was enacted in the first half of 2022 requiring banks to anticipate the cash contributions payable in 2023 and 2024. There was a further change in this legislation in October, which will result in a release of the additional regulatory fees booked prior to this period. There was also an increase in the depreciation of tangible assets and amortisation of intangible assets arising from investments made by the bank in property and software developments.

Net loans and advances to customers were in line with those reported as at 31 December 2021. Customer deposits increased by €351m compared to 31 December 2021. The bank's liquidity position remained strong.

The bank's common equity tier 1 capital was 16.6% as at 30 September 2022, compared to 18.4% at the end of 2021. The total capital ratio decreased to 19.3% compared to 21.1% at 31 December 2021. As reported in the half year company announcement, the reduction in the capital ratios was driven by adverse movements on financial instruments classified as hold-to-collect-and-sell, as a result of the increase in term market yield curves, impacting negatively revaluation reserves by €20.6m. The negative revaluation reserves remained at June 2022 levels as the bank took action to address the negative impact by entering into fair value hedges to mitigate against further decreases in market prices as well as setting up a hold-to-collect portfolio. The capital ratios are still well above regulatory requirements.

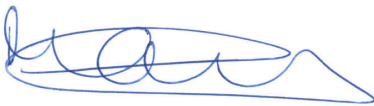
This Company Announcement is issued by  
**HSBC Bank Malta p.l.c.**  
Company Secretary Tel: (+356) 2380 2380

HSBC Bank Malta p.l.c.  
Registered in Malta number C3177.  
Registered Office: 116, Archbishop Street, Valletta VLT 1444, Malta.  
HSBC Bank Malta p.l.c. authorised by the Malta Financial Services Authority to provide investment services under the Investment Services Act 1994.  
HSBC Bank Malta p.l.c. is enrolled as a tied insurance intermediary for HSBC Life Assurance (Malta) Ltd under the Insurance Distribution Act (Cap. 487 of the Laws of Malta)

Simon Vaughan Johnson, Chief Executive Officer of HSBC Bank Malta p.l.c., said: “We delivered a good set of results in the first nine months of the year with very strong foreign exchange performance and sustained good progress in fee income despite the removal of the high balance fee. We also started experiencing an increase in net interest income on the back of rising interest rates. We continue to deliver on our safe growth strategy and are focused on executing our plans.

“We are a founding member of the Malta ESG Alliance, highlighting our ongoing commitment to decarbonise our operations and promote the transition to a net-zero economy. As part of this drive, the bank made significant progress on a study, being carried out in collaboration with the Malta Chamber of Commerce, to make our campus at 80 Mill Street, Qormi a net-zero building and to use the experience and learnings to establish a blueprint for transitioning commercial buildings across Malta into more sustainable environments”.

***Unquote***



Dr Paula Mamo LL.D.  
Company Secretary