



30 May 2023

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 strong start to the year with reported profit before tax for Q1 2023 of €26.5m, an increase of €21.7m over the €4.8m profit reported in the same period last year. The increase in profitability is mainly attributable to higher interest income and improved credit quality of the bank's loan book.

Revenue was up €18.8m or 60% when compared to those reported in Q1 2022. The increase in revenue was mainly driven by higher net interest income due to interest rate rises. Increase in net interest income is mainly due to the bank placing its excess liquidity at positive rates compared to negative rates in same period last year. Insurance income was also higher than that reported in Q1 2022 given improved equity markets in Q1 2023. On 1 January 2023, the bank adopted IFRS 17 'Insurance Contracts'. Under IFRS 17 there is no present value of in-force business ('PVIF') asset recognised up front. Instead the measurement of the insurance contract liability takes into account fulfilment cash flows and a contractual service margin representing the unearned profit. In contrast to the bank's previous IFRS 4 accounting where profits are recognised up front, under IFRS 17 they are deferred and systematically recognised in revenue as services are provided over the life of the contract. The contractual service margin also includes attributable cost, which had previously been expensed as incurred and which is now incorporated within the insurance liability measurement and recognised over the life of the contract.

The bank recorded an improvement in the credit quality of its loan book, resulting in a release of expected credit losses ('ECL') of €3.7m in Q1 2023 compared to a release of €0.3m in Q1 2022. The Q1 2023 release reflected the upgrade of facilities which were granted mortaria during the Covid-19 pandemic and a favourable change in the probability weightings of economic scenarios.

Investment in technology, automation and people continued to be priority actions which, together with the impact of rising inflation, led to an increase in operating expenses of €0.5m compared to those reported in Q1 2022.

The bank continues to lend responsibly. Net loans and advances to customers and customer deposits remained broadly in line with 31 December 2022 levels. The bank's liquidity position remained strong and regulatory capital ratios continued to exceed regulatory capital requirements.

Geoffrey Fichte, Chief Executive Officer of HSBC Bank Malta p.l.c., said: "We reported strong Q1 2023 results driven by increase in interest rates and improvement in the credit quality of our loan book. We remain focused on improving our customer service and investing in technology while maintaining cost discipline.

"We continue to innovate and respond to the evolving needs of our customers. For example, in Q1 2023, we launched the HSBC Key FIVE Critical Illness Cover plan which is a market-leading and standalone critical illness insurance policy which is designed to support policyholders in the event of being diagnosed with any of the five most common critical illnesses.

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)

“As the leading international bank in Malta with an ambitious net zero agenda, HSBC is actively focused on channelling finance and investment to where it can have the greatest impact, in close partnership with our clients. The material investment in our Qormi campus continues at pace, helping us to achieve our net zero ambition by 2030.

“HSBC Bank Malta was voted as the Market Leader and Best Service Provider in the Euromoney Trade Finance Survey 2023, a recognition of the bank’s outstanding performance and commitment to providing its clients with high-quality trade finance solutions.

“I would like to thank our customers for their business.”

Unquote

A handwritten signature in blue ink, appearing to read 'Paula Mamo', with a stylized flourish at the end.

Dr Paula Mamo LL.D.
Company Secretary