



# Market Briefing

27 October 2022

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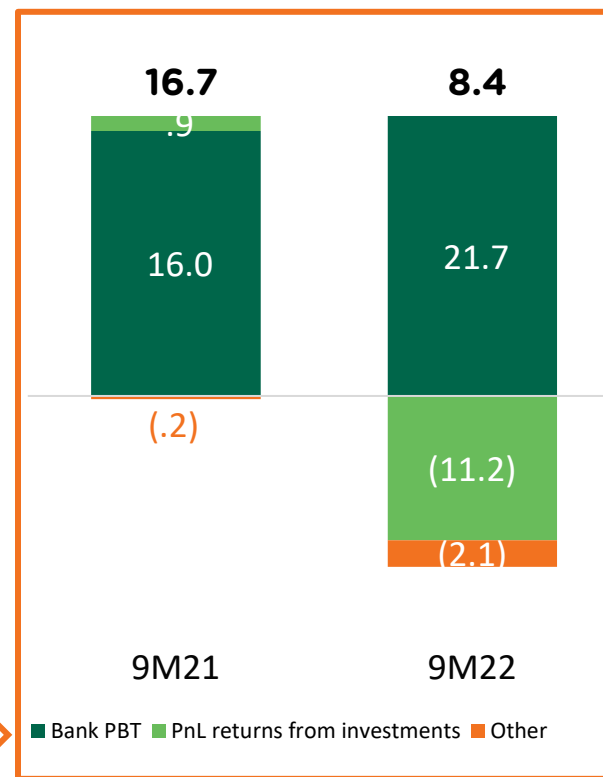


# Financial Results 3Q22

# Business growth and a lower negative market impact returning improved quarterly results

	BANK		GROUP	
€ mio	9M2021	9M2022	9M2021	9M2022
Net interest income	39.3	45.6	40.6	46.7
Net fee income	4.1	5.3	4.9	5.1
Other operating income	1.4	1.9	0.3	1.0
	<b>44.8</b>	<b>52.8</b>	<b>45.8</b>	<b>52.8</b>
Net gains/losses on fin. inst.	-	2.4	0.3	(8.4)
<b>Operating income</b>	<b>44.8</b>	<b>55.2</b>	<b>46.1</b>	<b>44.4</b>
Operating expenses	(29.8)	(33.6)	(30.4)	(33.5)
Net impairments	1.0	0.1	0.9	0.1
Results from associates	-	-	0.1	(2.6)
<b>Profit before tax</b>	<b>16.0</b>	<b>21.7</b>	<b>16.7</b>	<b>8.4</b>
Tax	(5.6)	(7.5)	(5.8)	(7.5)
<b>PROFIT AFTER TAX</b>	<b>10.4</b>	<b>14.2</b>	<b>10.9</b>	<b>0.9</b>

Components of Group PBT



\* Investments in the APS Diversified Bond Fund, Global Equity Fund, Income Fund, Income Ethical Income Fund & Ivalife

# Overall impact of investments on the Group financials

€ mio	APS % holding	P&L	Equity (Revaluation Reserve)
<b>Diversified Bond Fund</b>	75.2	(8.1)	-
<b>Global Equity Fund</b>	45.2	(1.6)	-
<b>Income Fund</b>	8.8	(0.7)	-
<b>Income Ethical Fund</b>	2.9	(0.4)	-
<b>IVALIFE</b>	25.0	(0.4)	-
<b>Bonds available-for-sale</b>	n/a	-	(21.8)
		<b>(11.2)</b>	<b>(21.8)</b>

# 3Q witnessing growth in both loans and deposits, improving HL market share and deposit mix



Loans



Deposits

9M '22 vs  
9M '21

▲ +16.5% YoY

▲ +15.1% YoY

3Q '22 vs  
2Q '22

▲ +5.3% QoQ

▲ +2.6% QoQ

LCR @  
140%



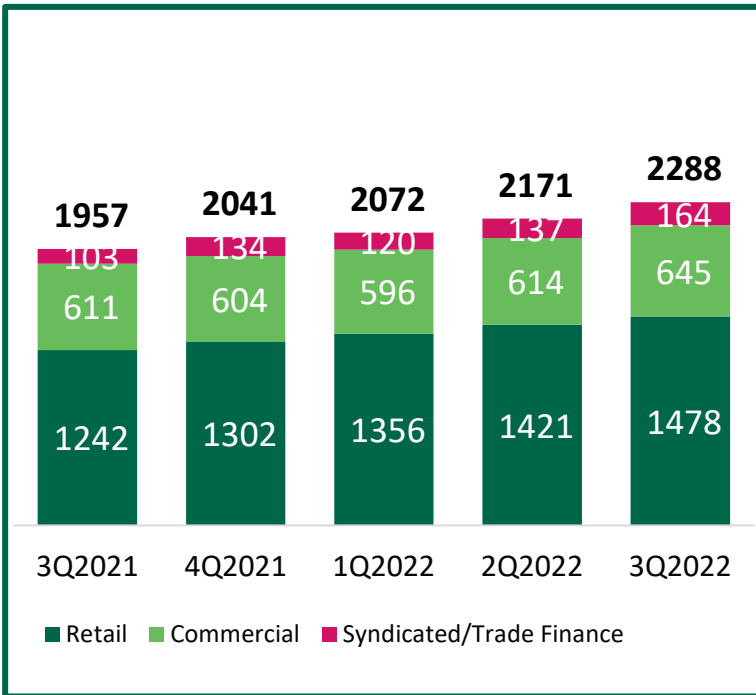
LTD @  
98%



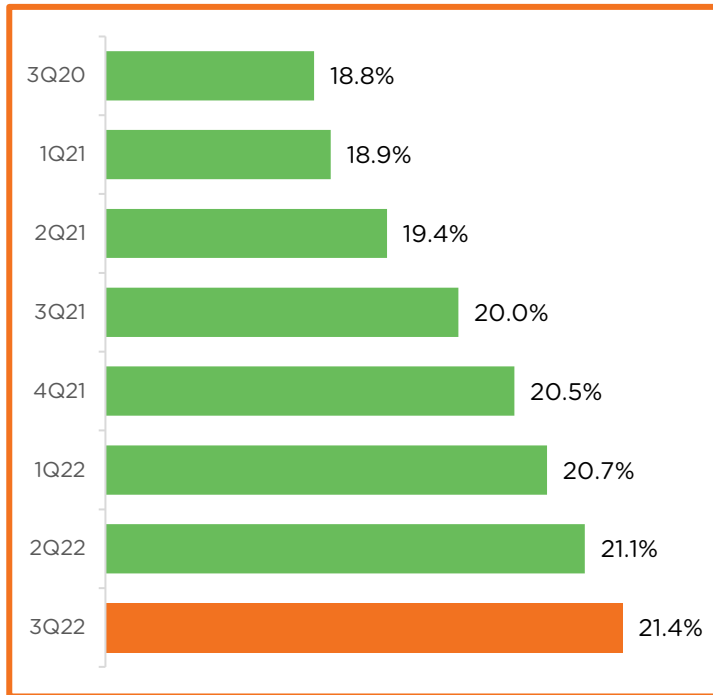
\*LTD ratio as per EBA definition



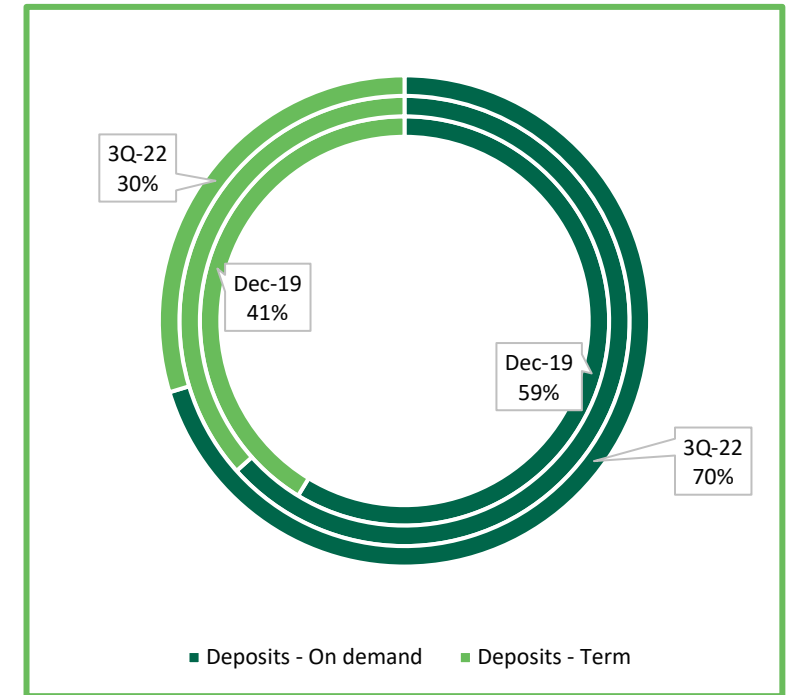
### Loans +ve trajectory continues



### Consistently capturing more new home loan business

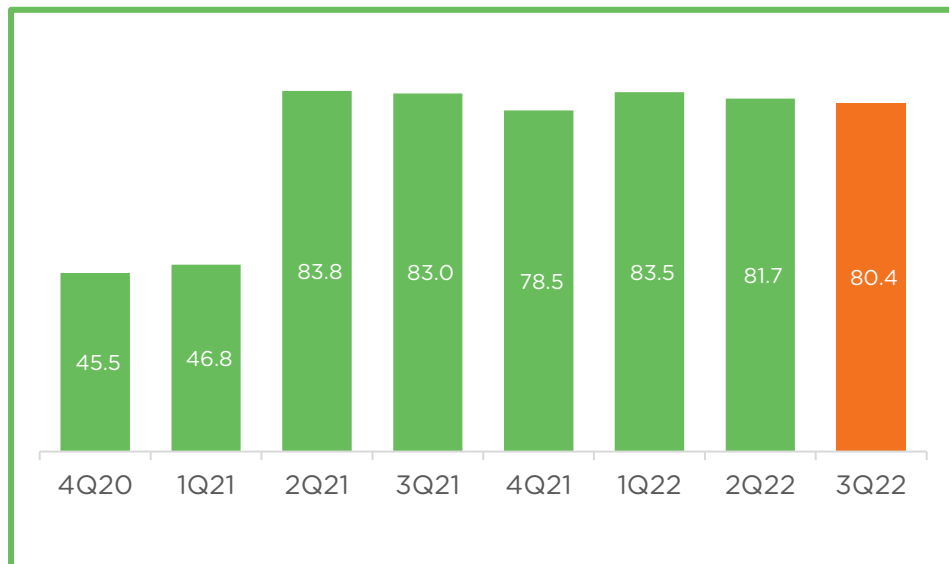


### Deposit mix target achieved

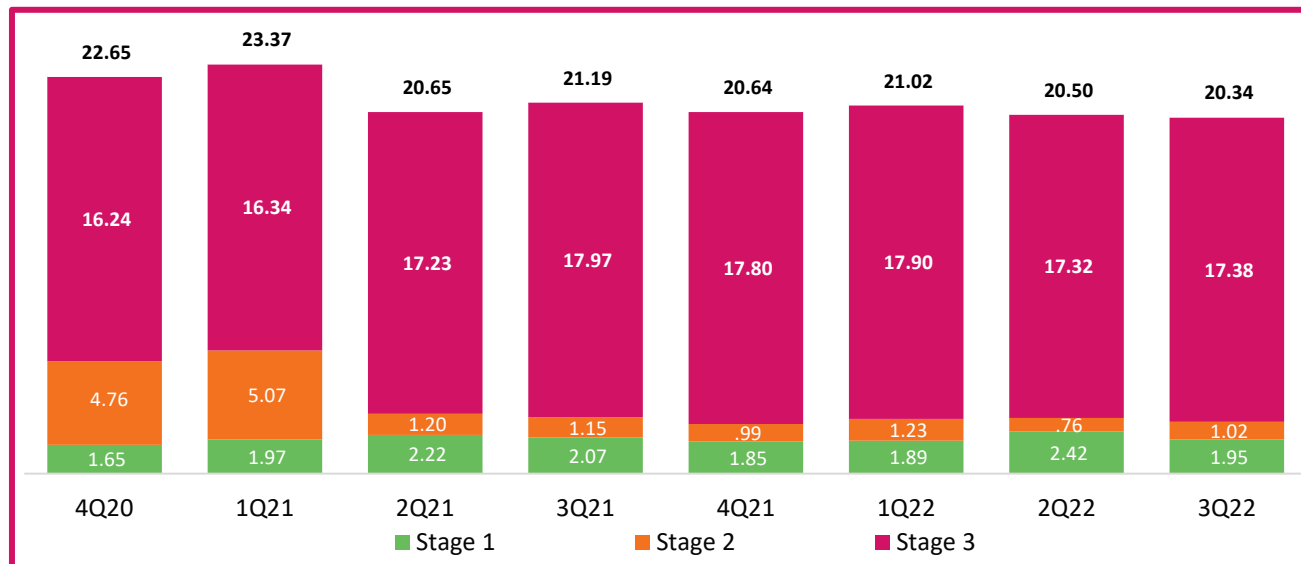


# Asset quality improving on lower NPL stock, better coverage and lower required ECL

Reducing non-performing loans



... with most of ECL covering Stage 3 facilities



... and stable credit quality indicators

	4Q21	2Q22	3Q22
<b>NPL Ratio</b>	3.4%	3.2%	3.2%
<b>Coverage<sup>1</sup></b>	100%	100%	100%
<b>Cost of Credit</b>	(6bps)	1bp	0bps

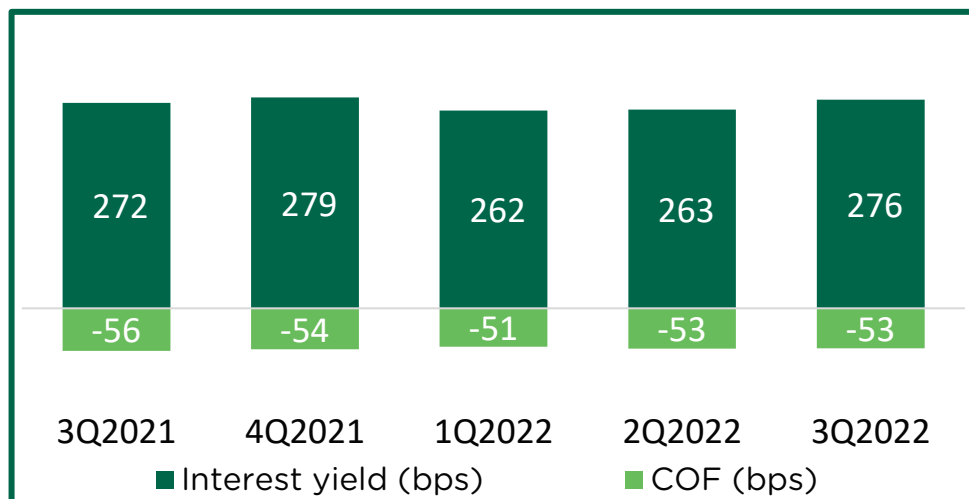
<sup>1</sup> Coverage ratio net of discounted collateral



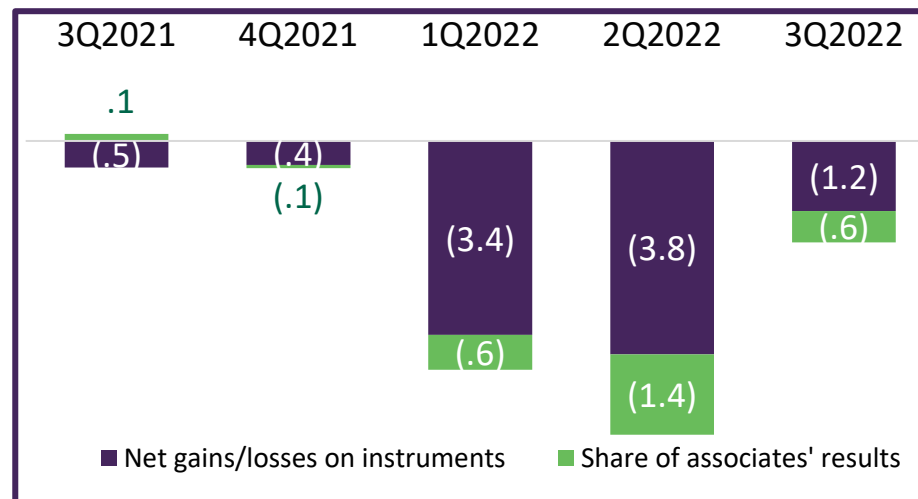
# Strong core revenues offset by market slide

	€m	9M '22 vs 9M '21	3Q '22 vs 2Q '22
<b>NII</b>	46.7	▲ +15% YoY	▲ +12% QoQ
<b>Advances &amp; payment fees</b>	4.0	▲ +12% YoY	▼ -5 % QoQ
<b>Investments &amp; insurance fees</b>	2.5	▼ -18% YoY	▼ -9 % QoQ
<b>FX</b>	1.0	▲ +100% YoY	▲ +77% QoQ
<b>Cards</b>	0.5	▲ +100% YoY	▲ +4% QoQ

Net interest margins



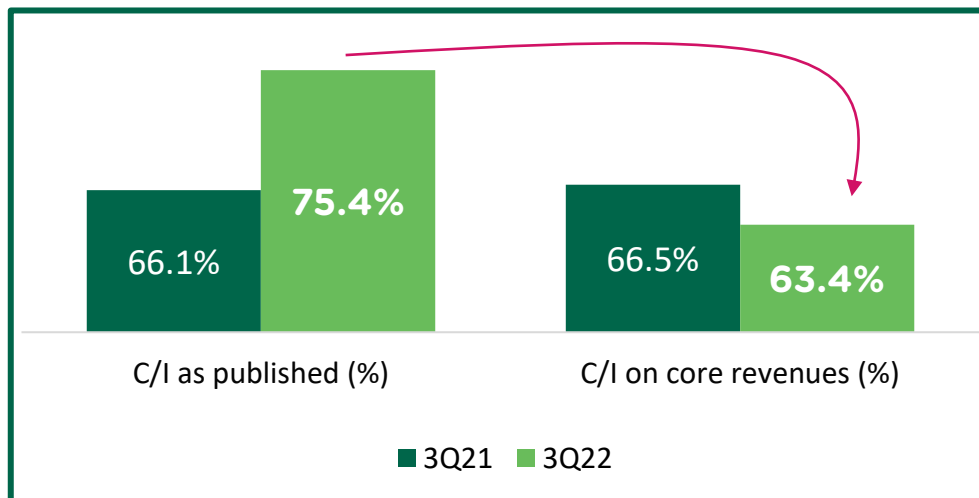
Market impact on profitability



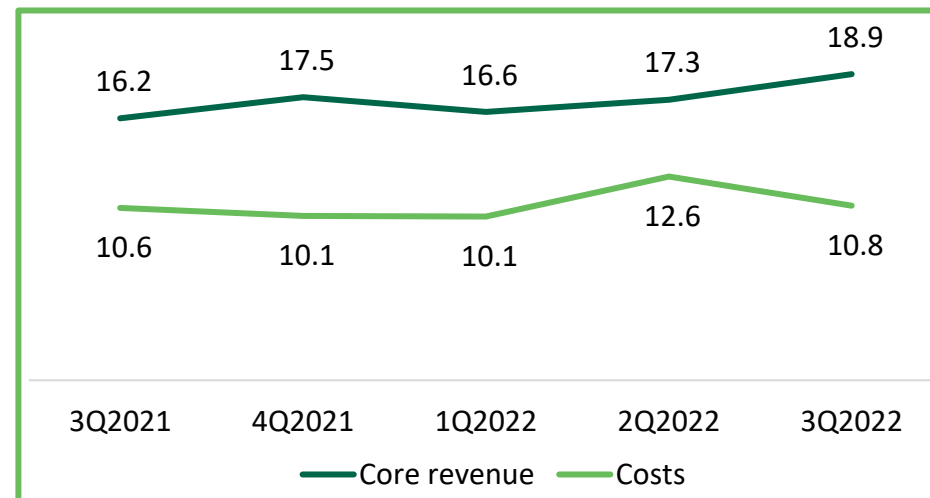
# 3Q normalised costs as C/I and JAWS improve over prior quarters

	€m	9M '22 vs 9M '21	3Q '22 vs 2Q '22
Staff costs	19.3	▲ +18% YoY	▼ -1% QoQ
Admin costs	10.7	▼ -1% YoY	▼ -38% QoQ
Depreciation/Amortisation	3.5	▲ +5% YoY	▲ +5% QoQ

Decreasing cost-to-income on core revenues

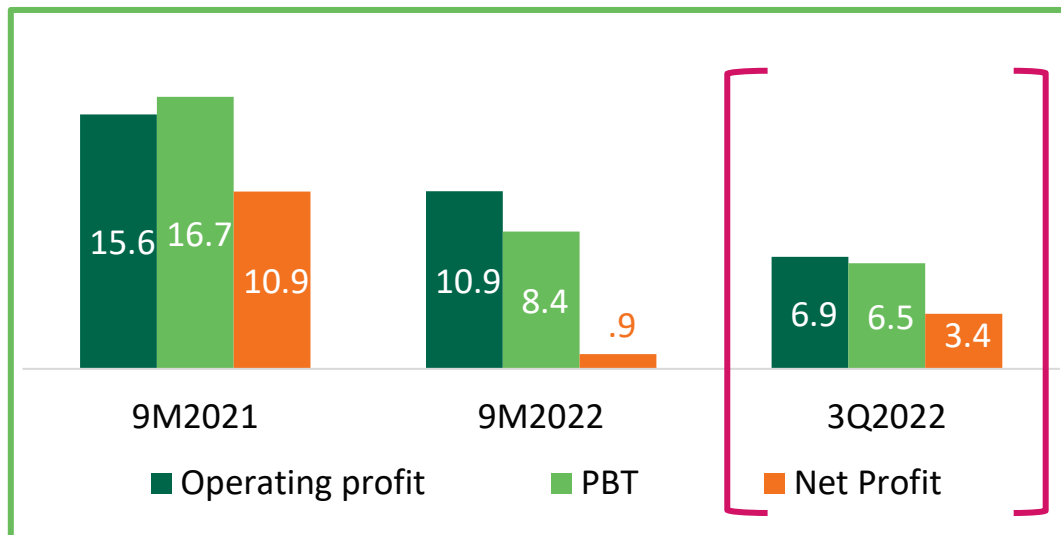


Positive JAWS at +5%

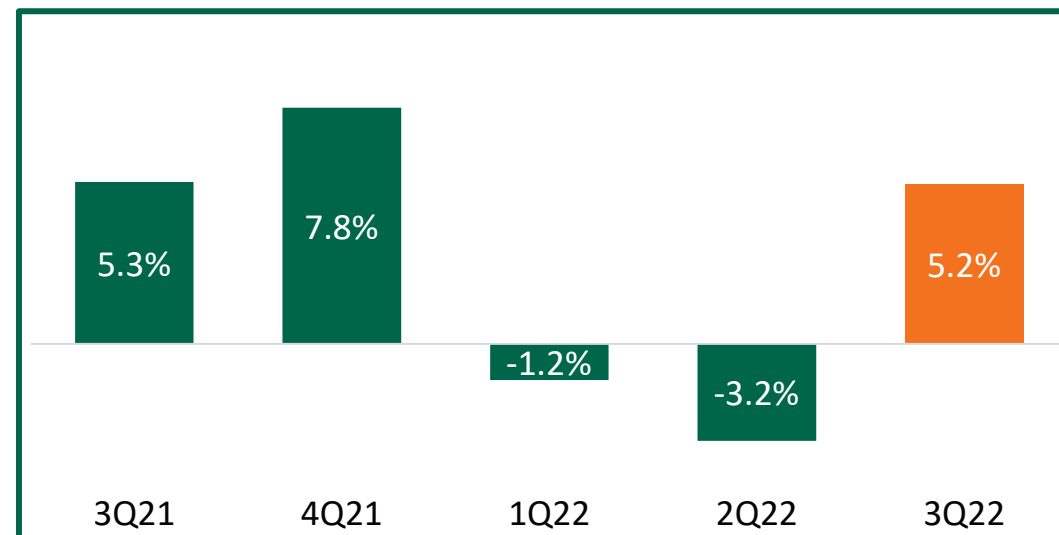


# Recovering profitability and returns

3Q profit reversing prior quarter results



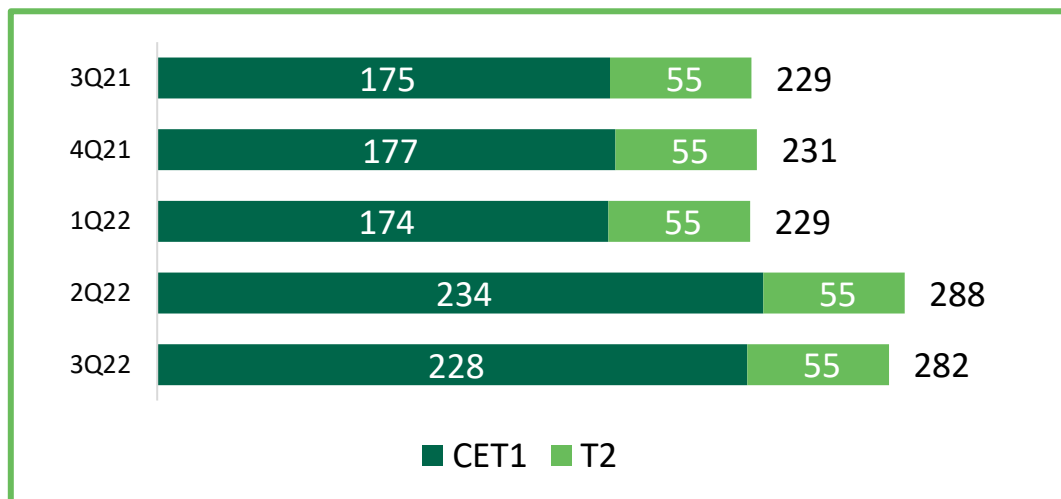
ROAE



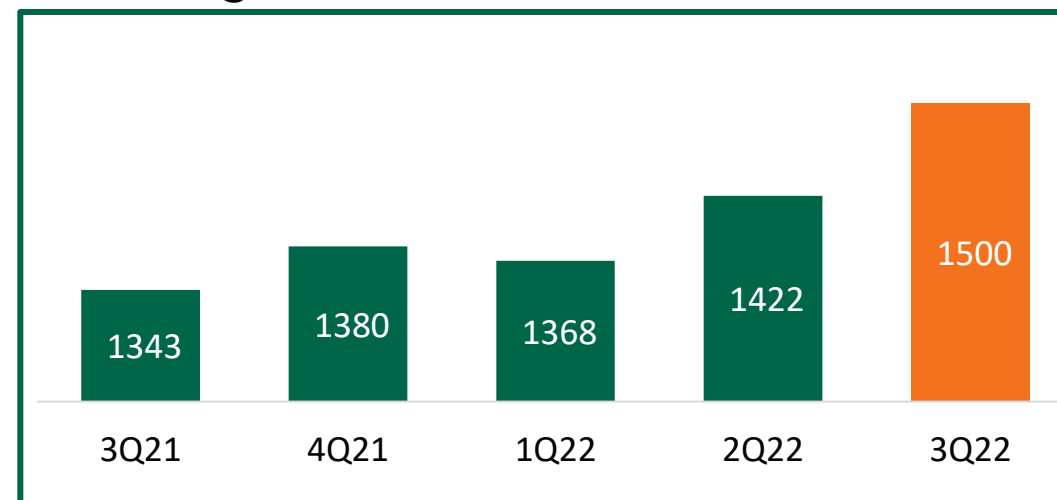
	IPO <sup>1</sup>	Today <sup>2</sup>
<b>Share Price</b>	€0.620	<b>€0.625</b>
<b>P/B</b>	0.83x	<b>0.91x</b>
<b>P/E (TTM)</b>	14.2x	<b>33.9</b>

# Capital consumption through growth in business and market impact

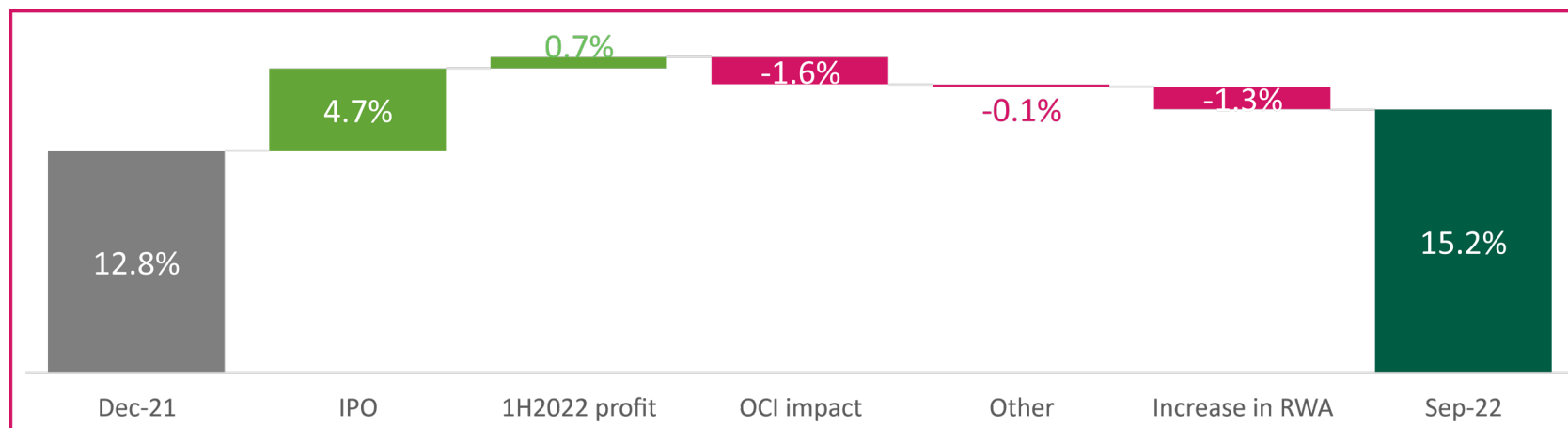
Strong CET1 regulatory capital base



Risk-weighted assets > €1.5bn



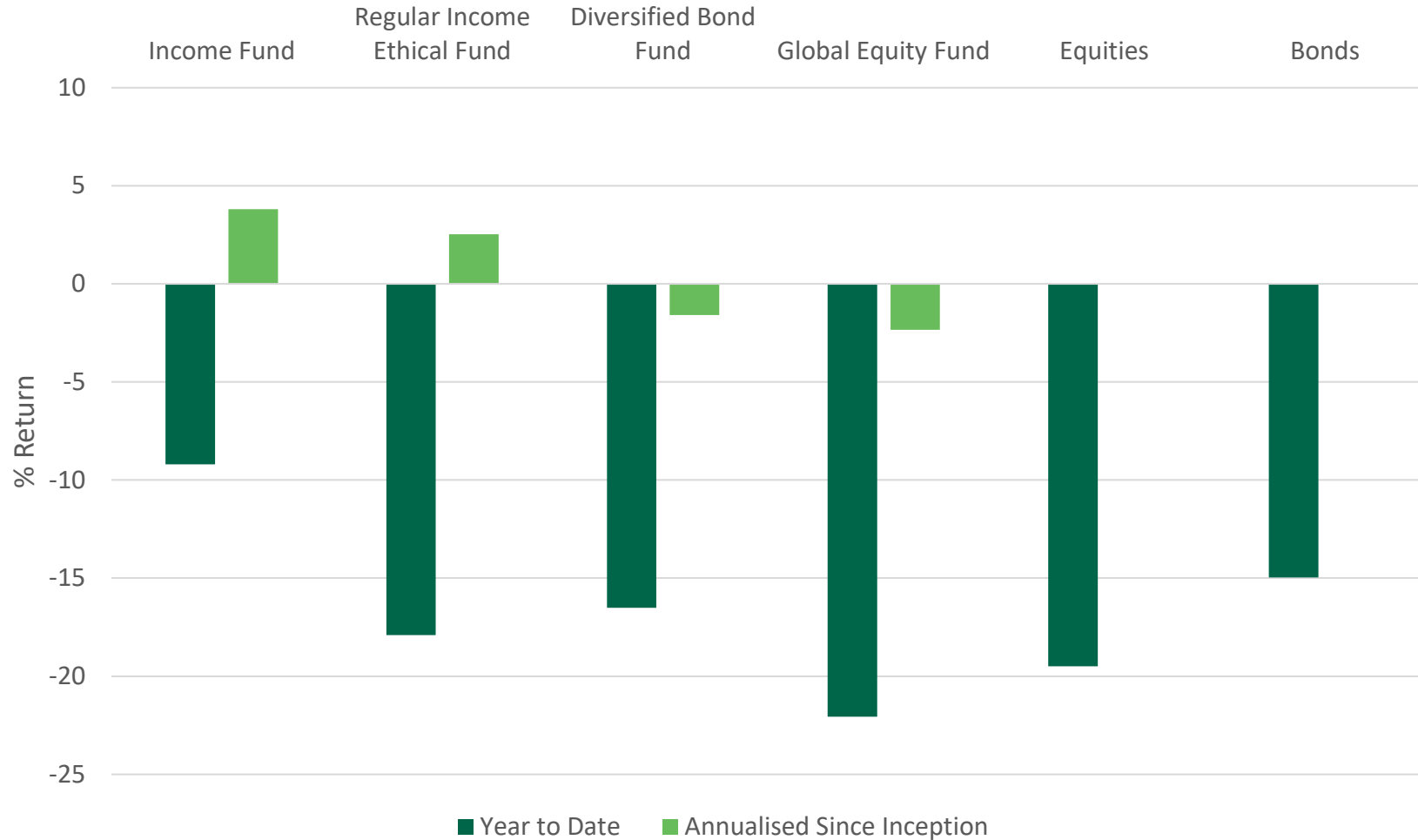
Core CET ratio boosted by IPO



The background of the slide is a complex, abstract representation of financial data. It features a dark teal color palette with various line graphs, candlestick charts, and numerical values (like 2.97, 1.58, 1.55) overlaid. A prominent white curved line arches across the middle of the image. In the bottom right corner, there is a green triangular shape containing the APS bank logo and tagline.

# Global Outlook

# 2022 -> not a good year for financial assets

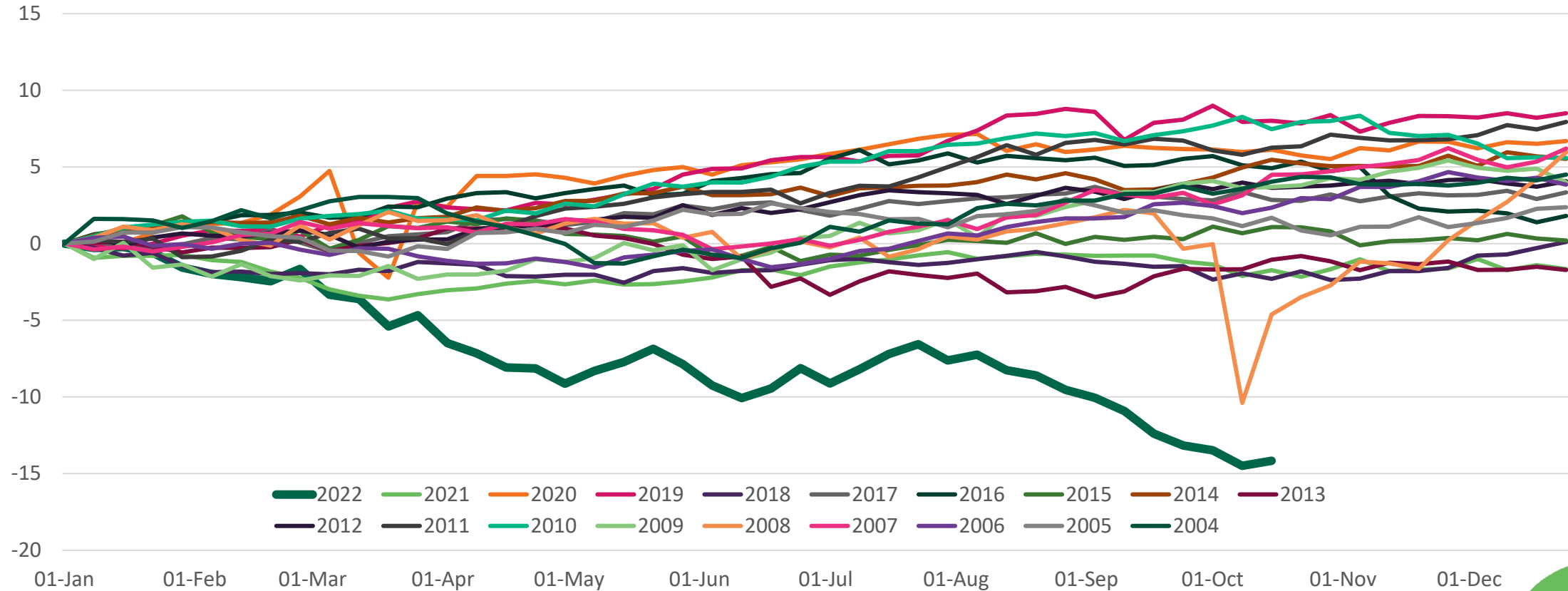


As at 25/10/22; Source: APS Funds SICAV plc and Bloomberg LP

# 2022 in context - Bonds



USA Bonds



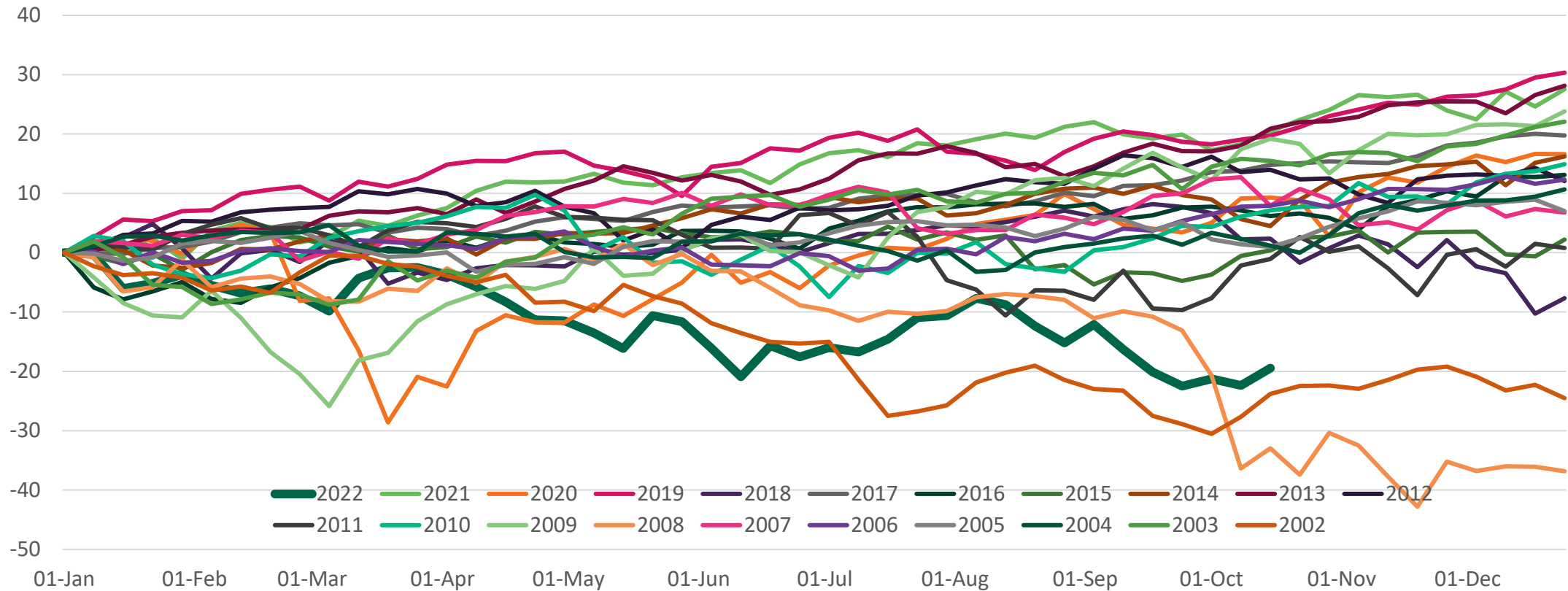
2022 in **thick green**

Source: Bloomberg LP

# 2022 in context - Equities



USA Equities



2022 in **thick green**

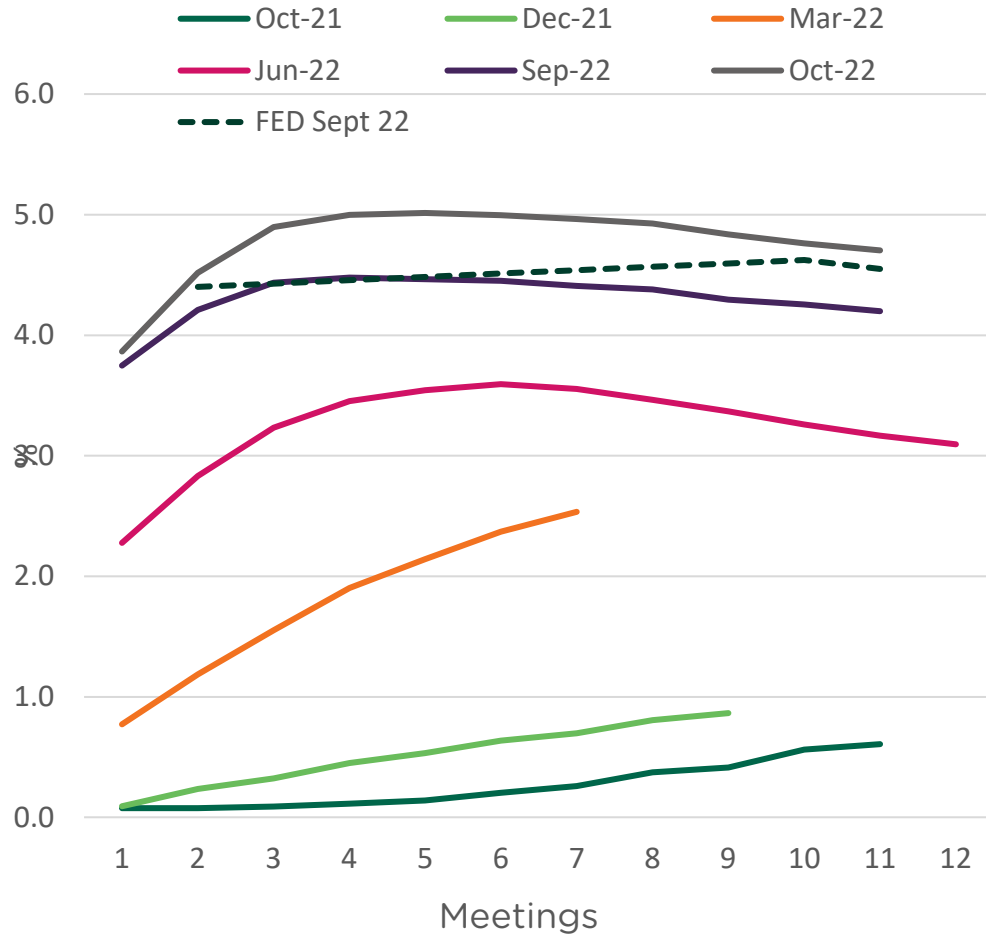
Source: Bloomberg LP



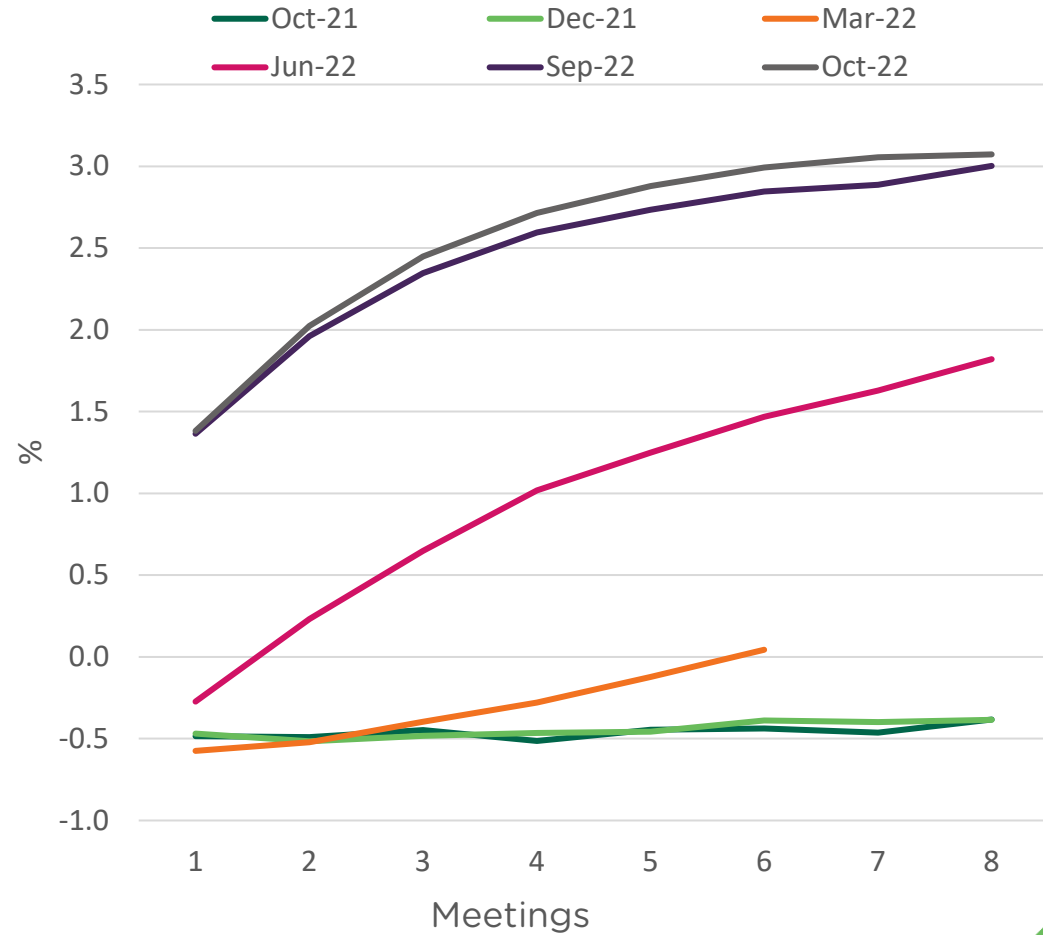


# Market expectations - Fed & ECB base rates

## US Federal Reserve



## Euro Area ECB



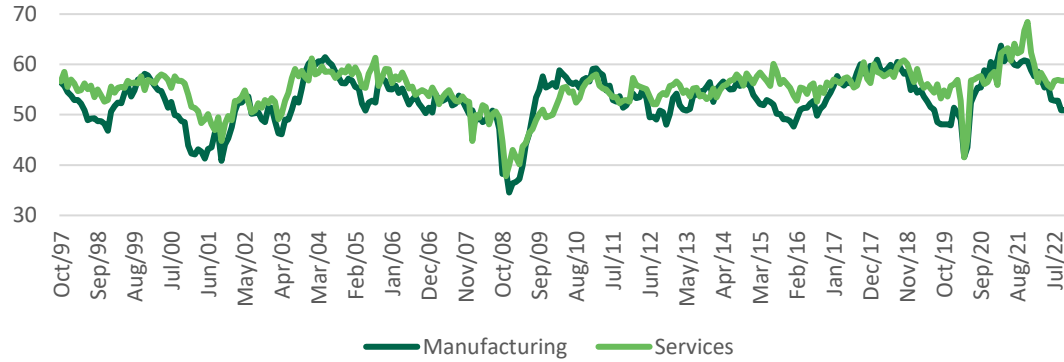
Severe upward revisions over the course of the year

Source: Bloomberg LP

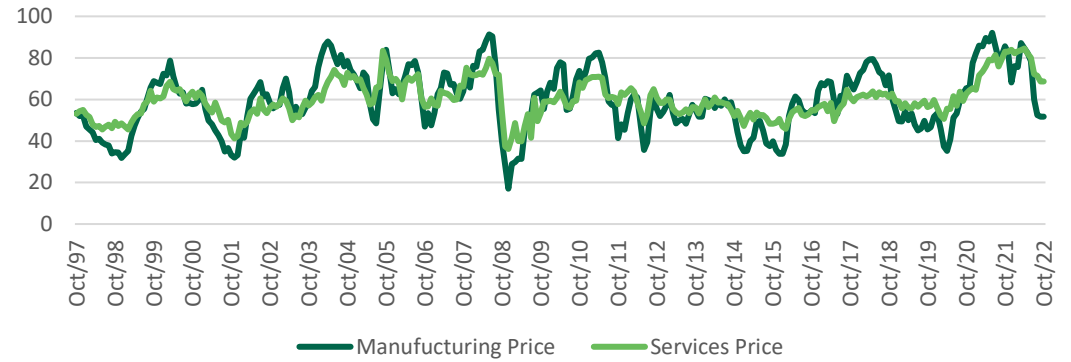
# Economic Surveys: USA and Germany



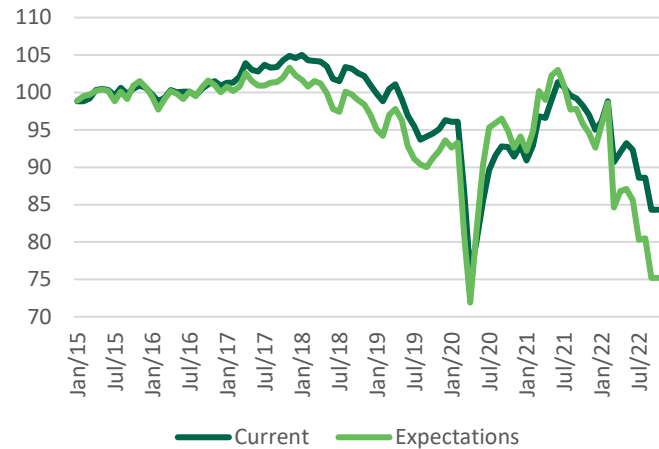
USA ISM PMI Surveys



USA ISM Price Surveys



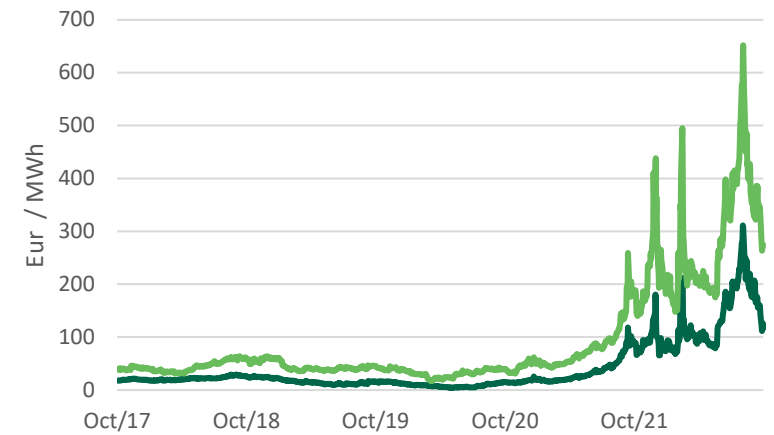
Germany IFO



IFO Price Expectations



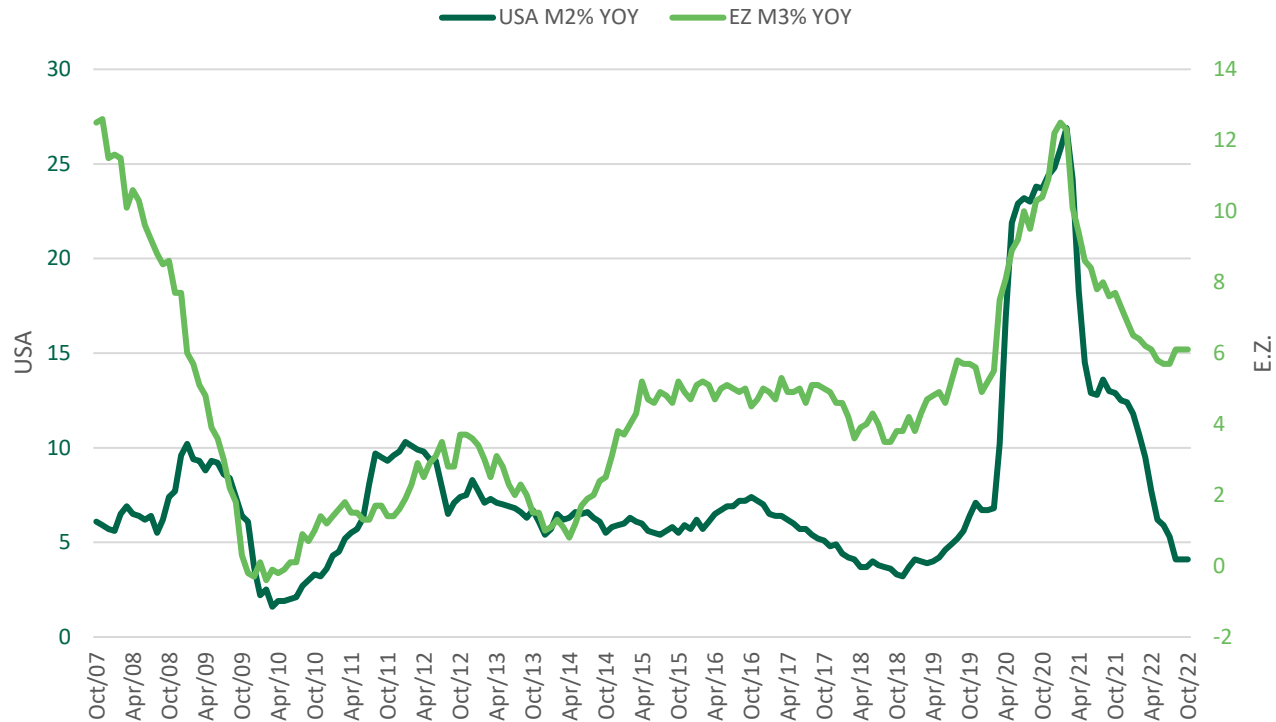
European Energy Prices



Optimism and price expectations falling as policy tightening bites

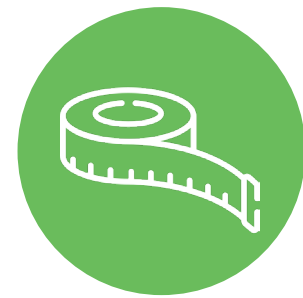
— Natural Gas — Electricity

# Tightening happening...

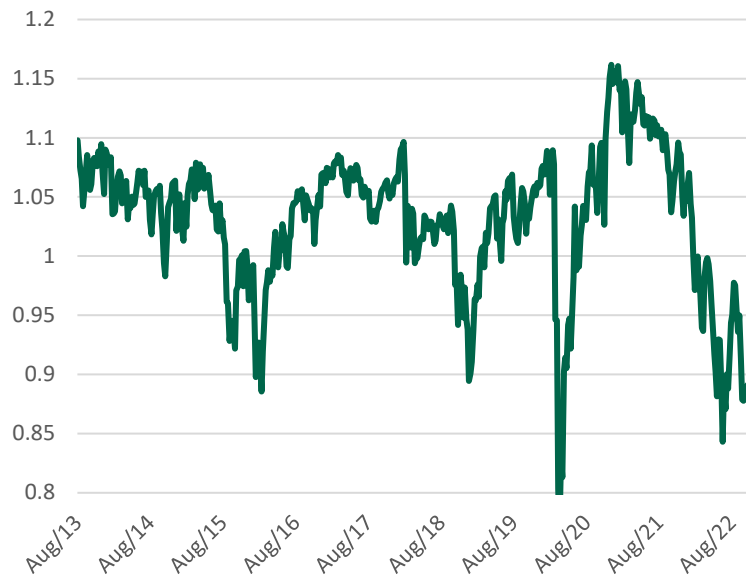


Current inflation is the result of previous easing, which is being unwound very rapidly...

# Sentiment measure



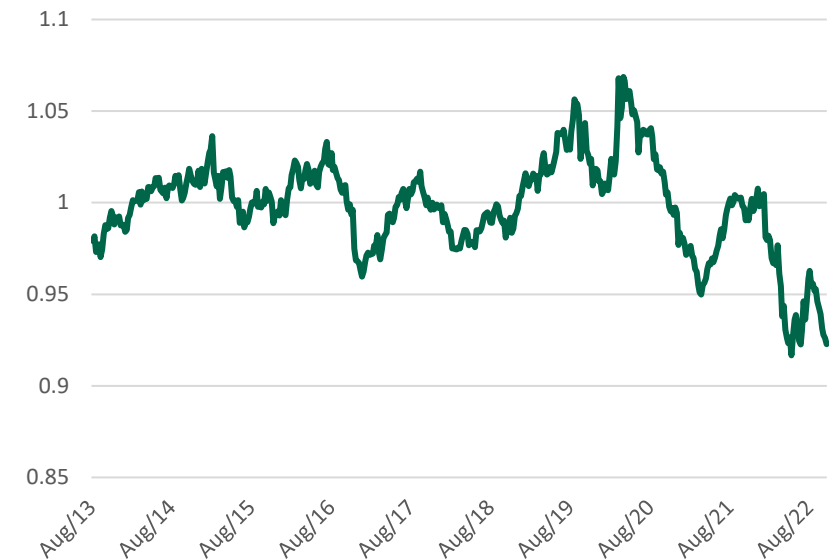
### Global Equities



### European Govt Bonds



### US Govt Bonds

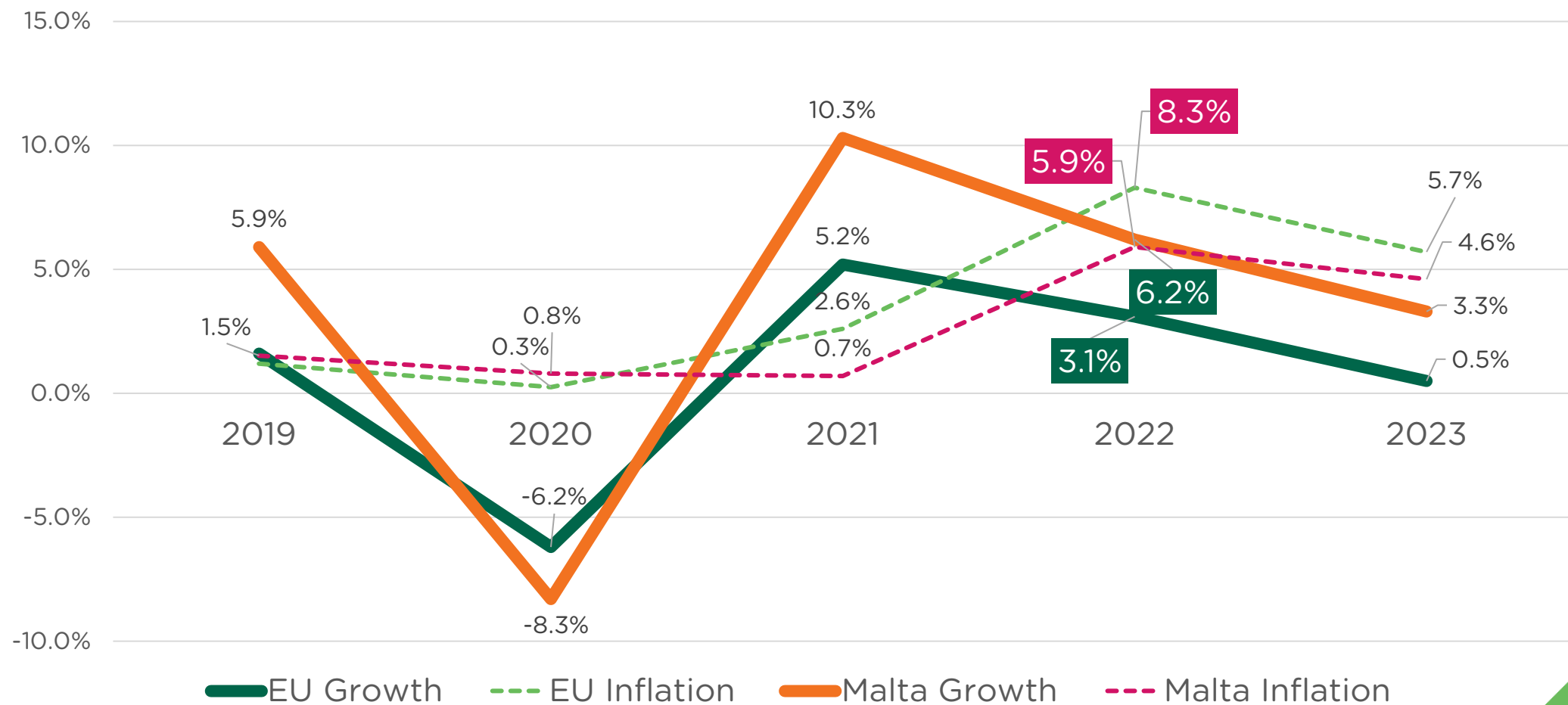


Financial assets extremely oversold currently...



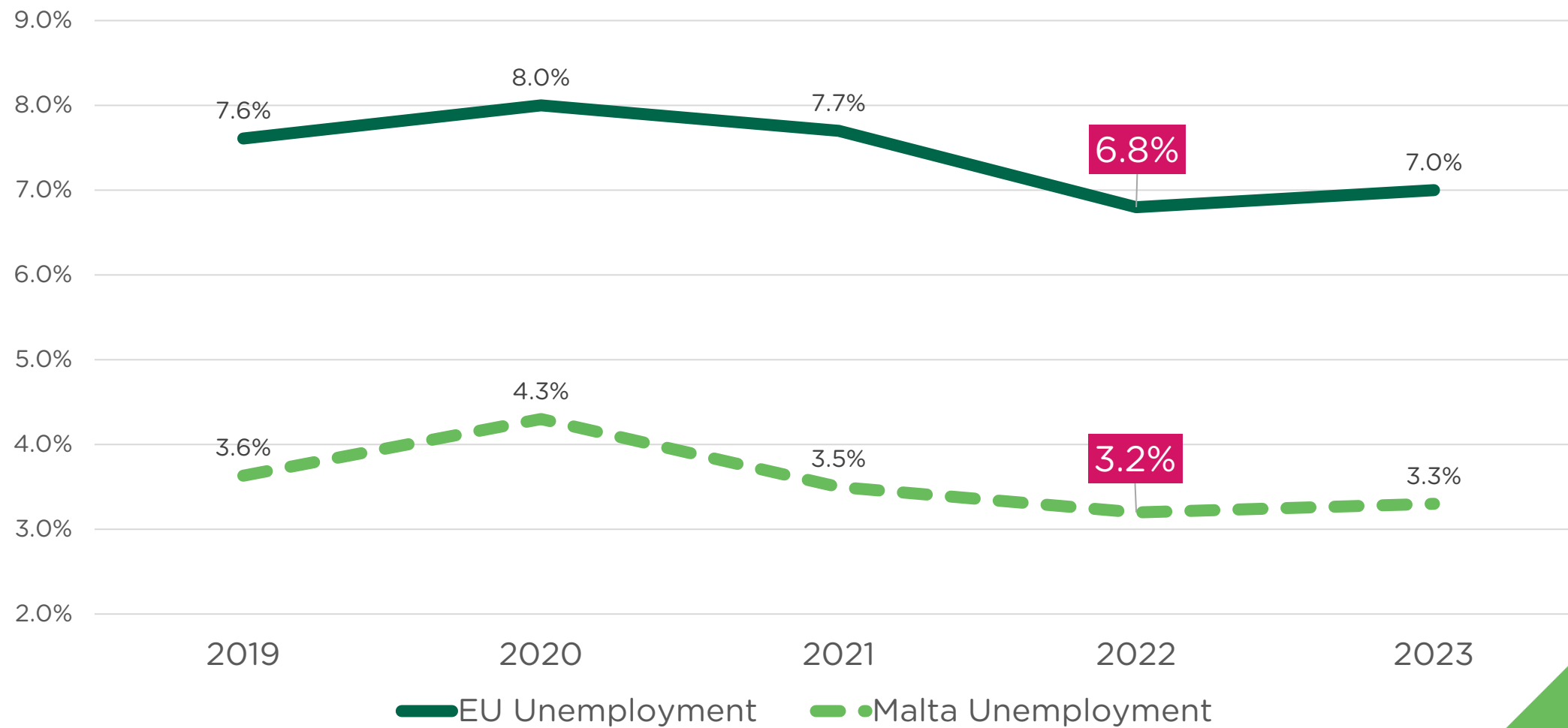
# Maltese Economic Outlook

# Economic Growth and Inflation (a not so Gloomy Picture)



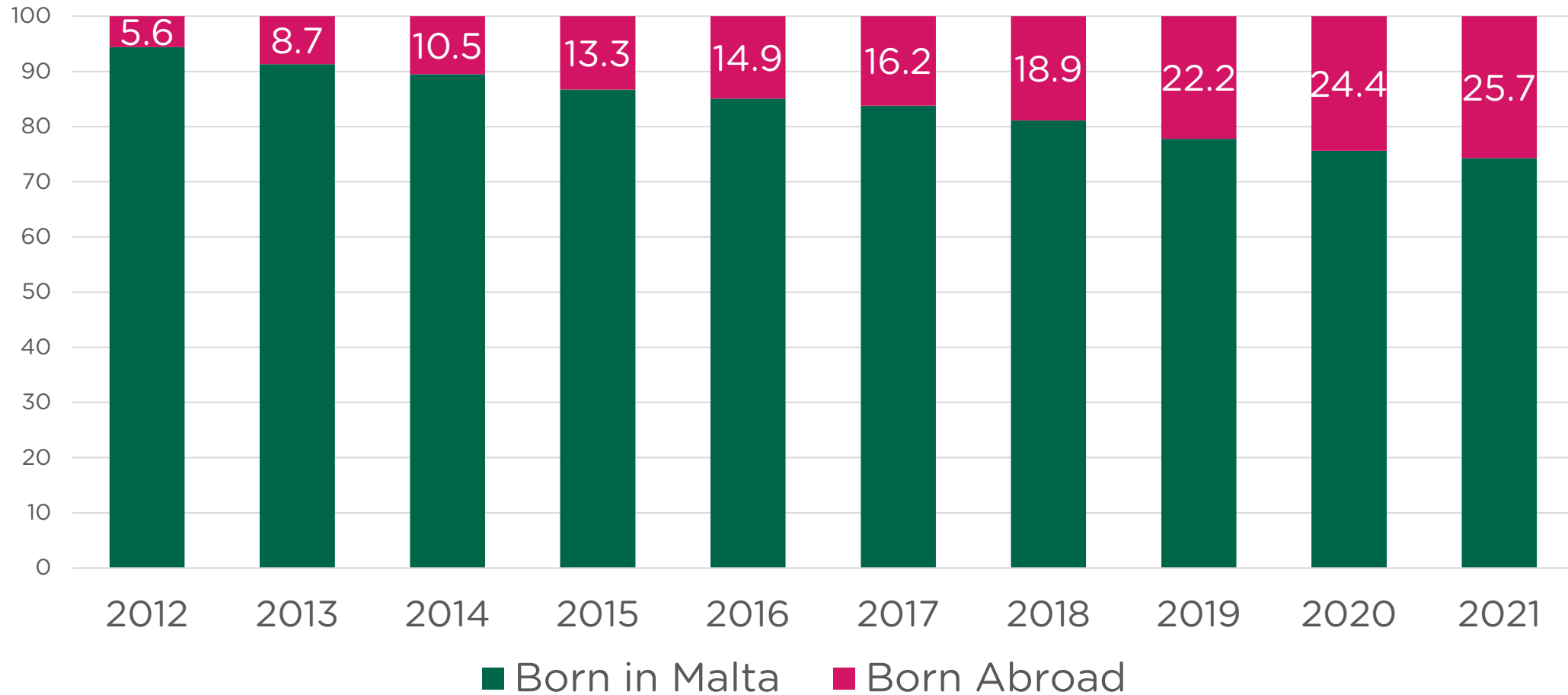
Source: IMF October 2022

# Unemployment to Remain Low, Amongst Skills Shortage



Source: IMF October 2022

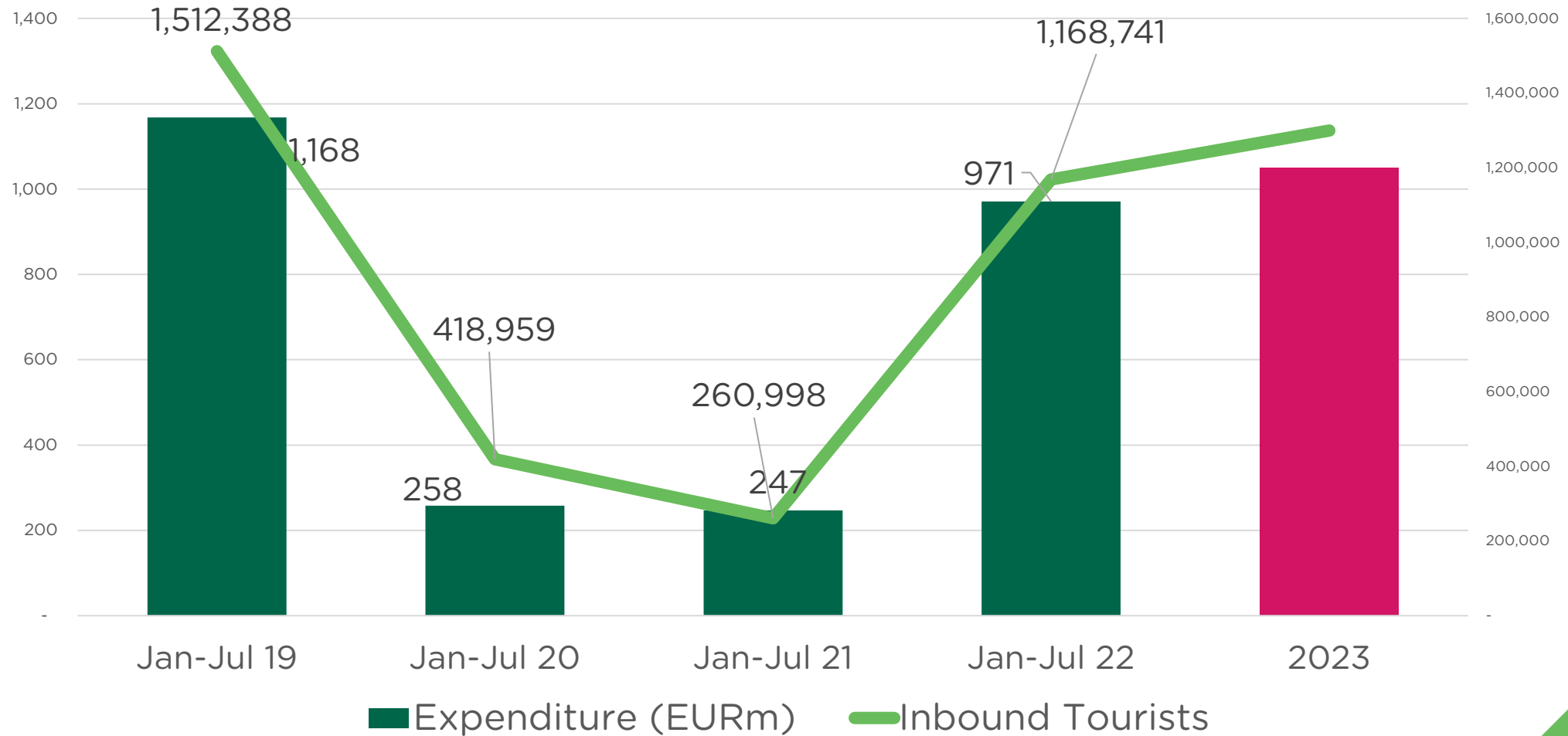
# Foreign Population Growth, Supporting Labour Market and Property Sector



Source: NSO

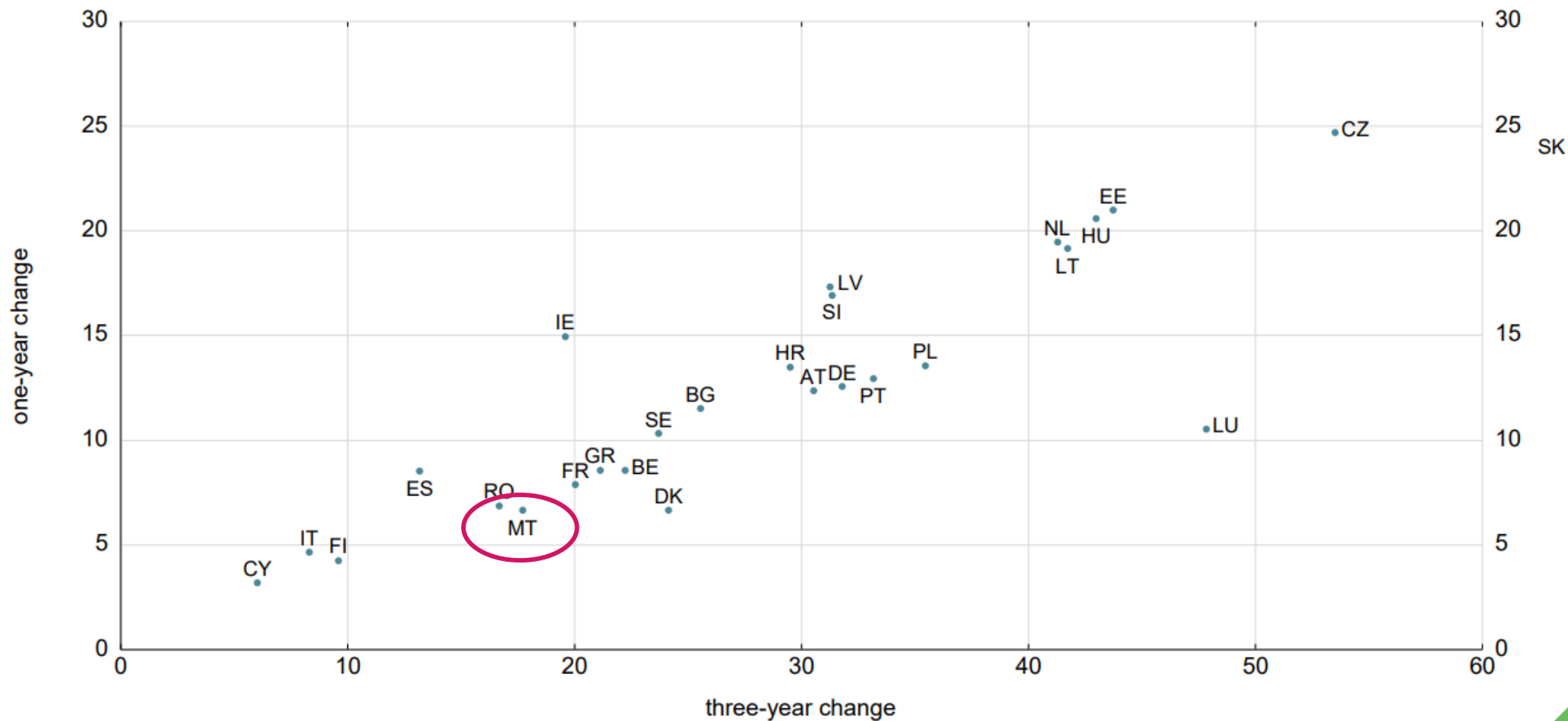


# Tourism Recovery Faster than Anticipated



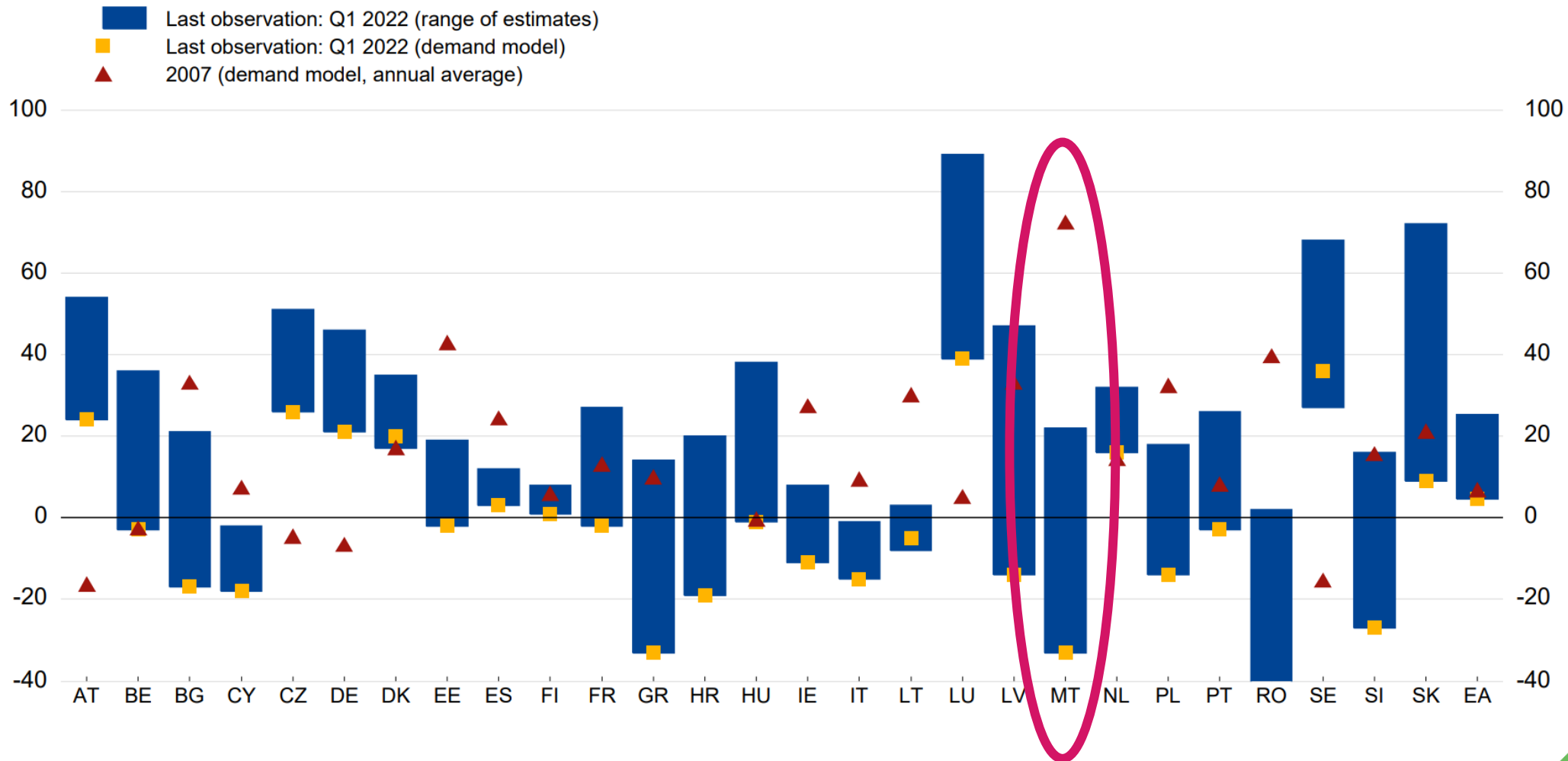
Source: NSO, own estimates

# Property Sector: Price Growth



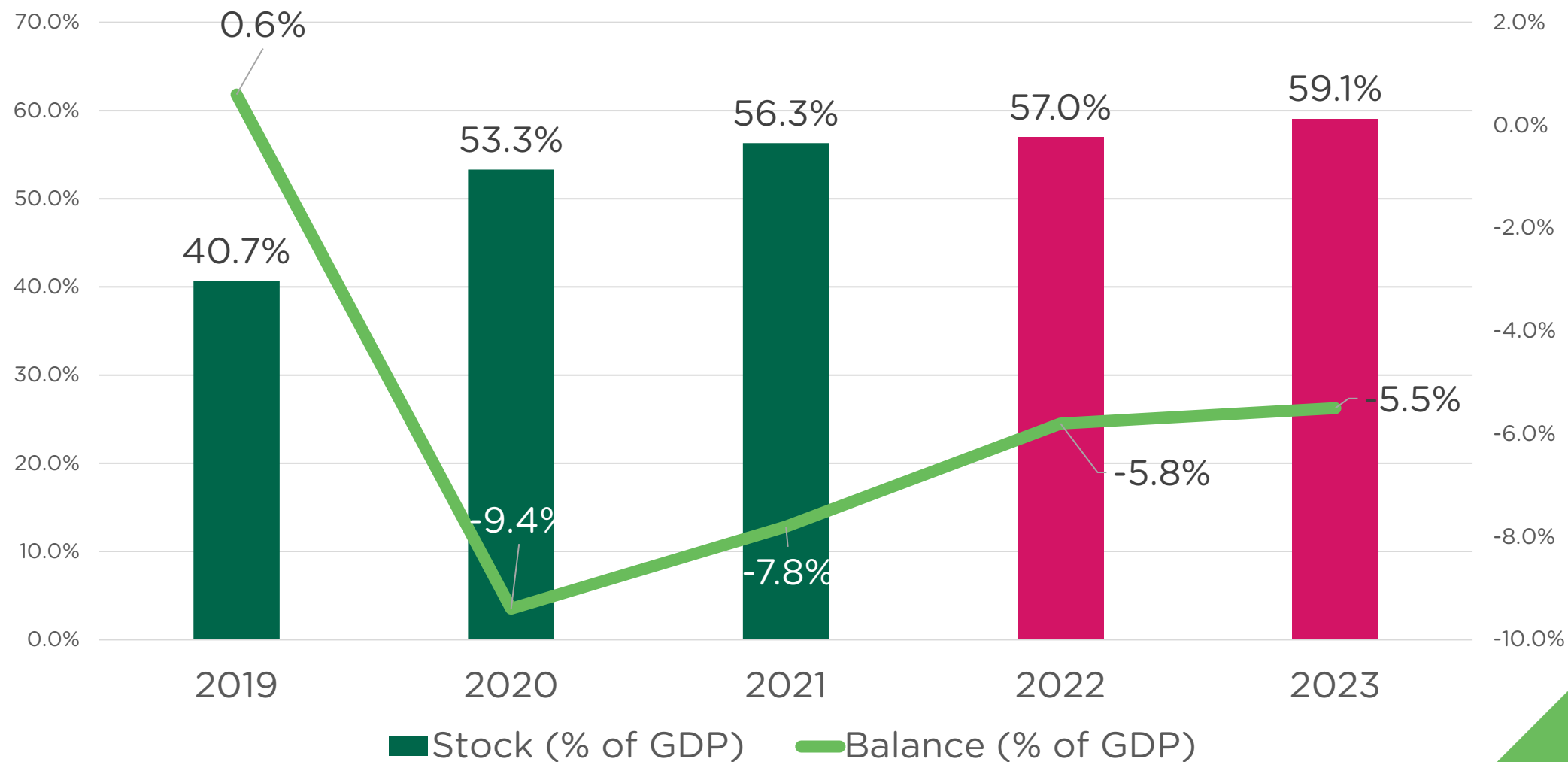
Source: ESRB (last observation 1Q22)

# Property Sector: Over/Undervaluation



Source: ESRB (last observation 1Q22)

# Government Debt and Balance, Measures Supporting the Recovery



Source: CBM, Budget 2023

# Budget 2023 - Key Highlights

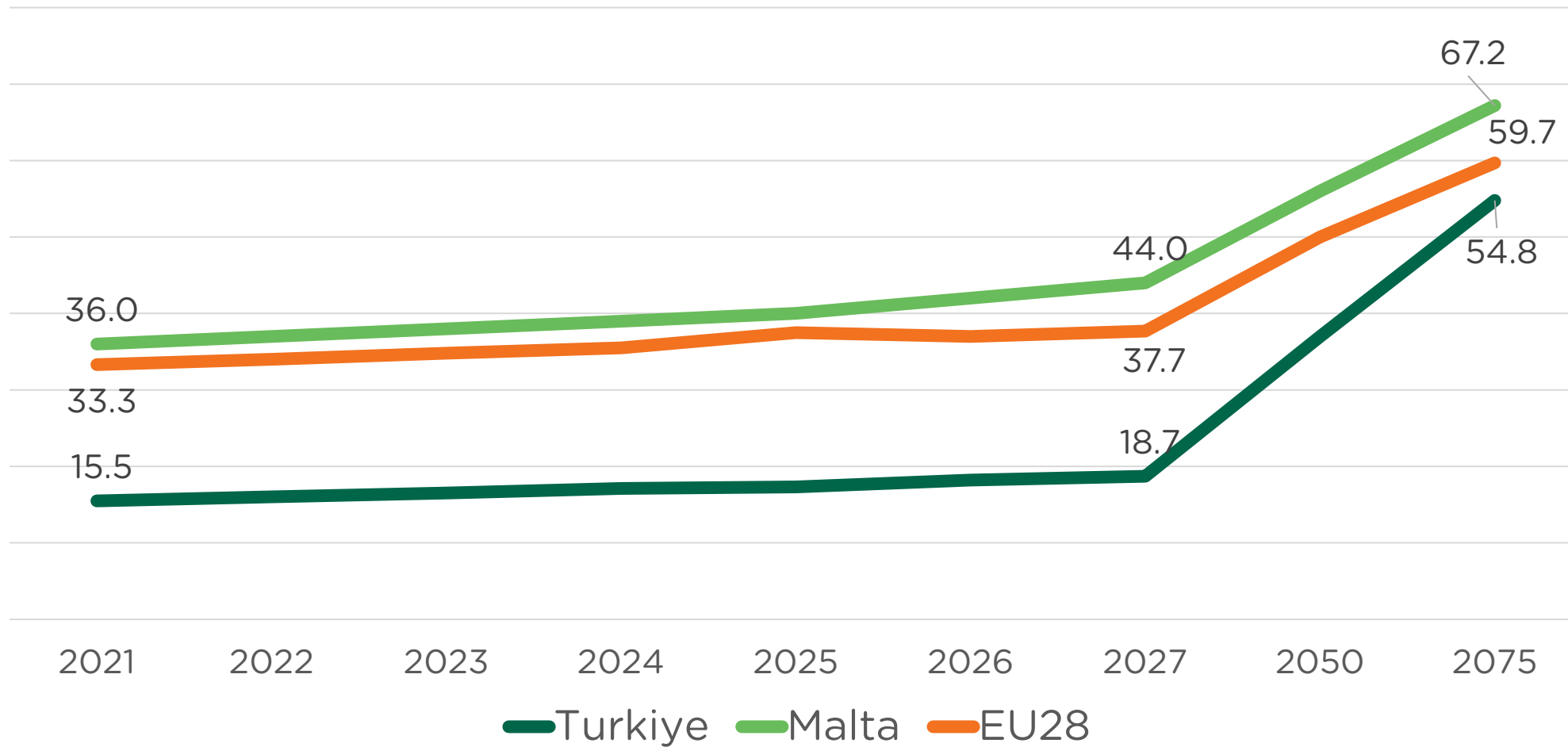
- COLA €9.90 and pensioners to receive an additional €2.60
- Non-taxable pension income threshold to increase to €14,968
- Annual €200 tax credit for parents of children with disability
- €10k grant for qualifying first time buyers
- Income tax on royalty income for authors to decrease from 15% to 7.5%
- Tax refunds of between €60 and €140 to be reissued
- One-stop-shop for startups to be launched in 2023 and incentives digitisation projects
- Extension of 1.5% reduced stamp duty rate on transfers of shares in family businesses
- Implementation of masterplan to enhance the aviation sector
- Extension of up to €12k grant for new electric vehicles
- Increase to €300 on tax deduction to parents for children's sports, arts and cultural activities

Government aims to minimise the impact of inflation by absorbing over €600m of the increased cost of energy and grains

Limited space for environmental and “quality-of-life” measures

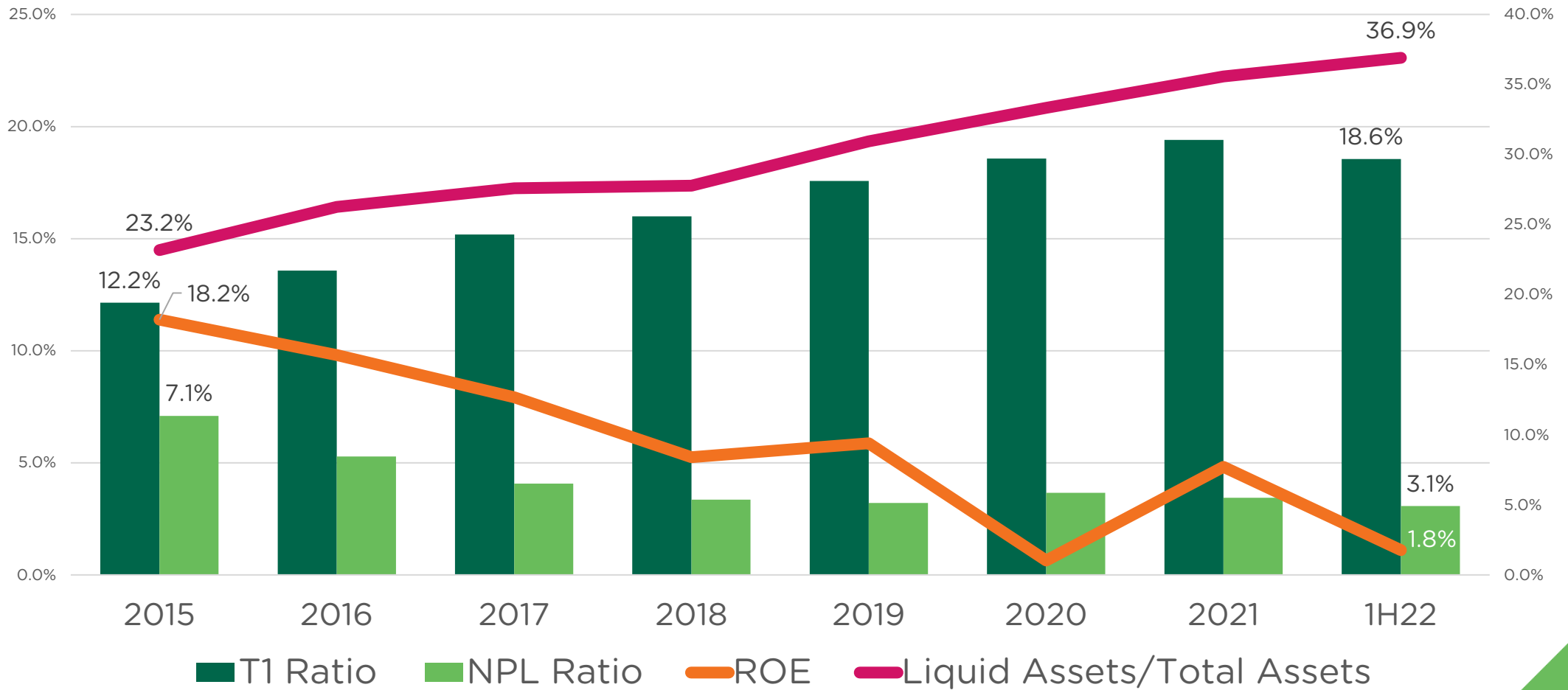
Debt-to-GDP ratio will reach close to 60% in 2023, reducing Government flexibility for further intervention in the economy

# Old Age Dependency Ratio, a Long Term Challenge



Source: OECD

# Maltese Banking System, Safer but Less Profitable



Source: Central Bank of Malta

# Key Risks to the Outlook

## Short Term Risks



- High energy and food prices lingering (Malta insularity)
- More supply disruptions
- European markets recession (DE, IT, UK) – affecting Malta exports

## Long Term Risks



- New Cold War
- Increased military spending, crowding out green transition
- Blow to globalisation

## Existing Challenges



- Slower recovery from Covid than anticipated
- Inflation build-up and market volatility to continue (end of QE, start of QT, interest hikes ineffective?)





**Thank you**