

# Financial Results 1Q23



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## Proprietary Information

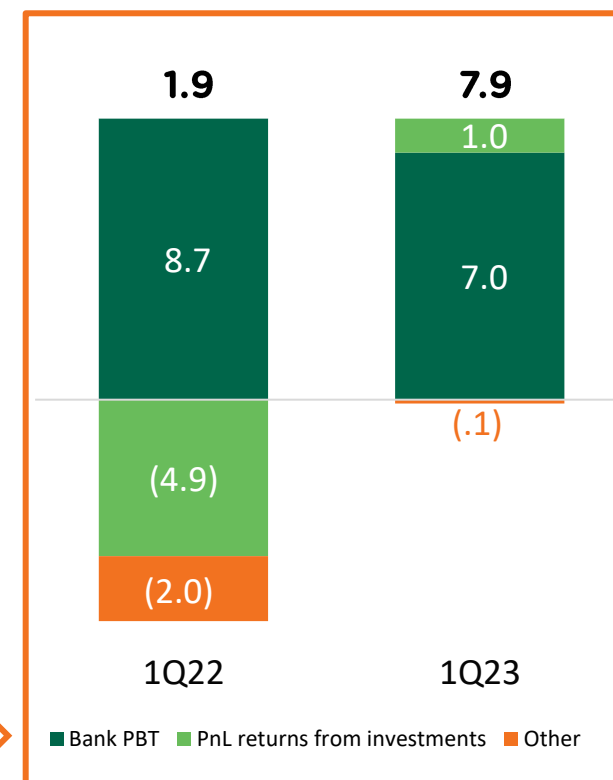
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# Profit strengthening through further growth in core revenues

	BANK		GROUP	
€ mio	1Q2022	1Q2023	1Q2022	1Q2023
Net interest income	14.3	18.0	14.7	18.4
Net fee income	1.5	2.0	1.7	2.2
Other operating income	1.2	0.4	0.5	-
	<b>17.0</b>	<b>20.4</b>	<b>16.9</b>	<b>20.6</b>
Net gains/losses on fin. inst.	2.3	-	(3.6)	0.7
<b>Operating income</b>	<b>19.3</b>	<b>20.4</b>	<b>13.3</b>	<b>21.3</b>
Operating expenses	(10.0)	(12.5)	(10.3)	(12.8)
Net impairments	(0.6)	(0.9)	(0.6)	(0.9)
Results from associates	-	-	(0.6)	0.3
<b>Profit before tax</b>	<b>8.7</b>	<b>7.0</b>	<b>1.9</b>	<b>7.9</b>
Tax	(2.4)	(2.4)	(2.5)	(2.5)
<b>PROFIT AFTER TAX</b>	<b>6.3</b>	<b>4.6</b>	<b>(0.7)</b>	<b>5.4</b>

Components of Group PBT



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

# Loan stock improving across all three portfolios



Loans



Deposits

Mar '23 vs  
Mar '22

▲ +18.5% YoY

▲ +9.3% YoY

Mar '23 vs  
Dec '22

▲ +5.3% QoQ

▲ +2.9% QoQ

LCR @  
135%



LTD @  
99%

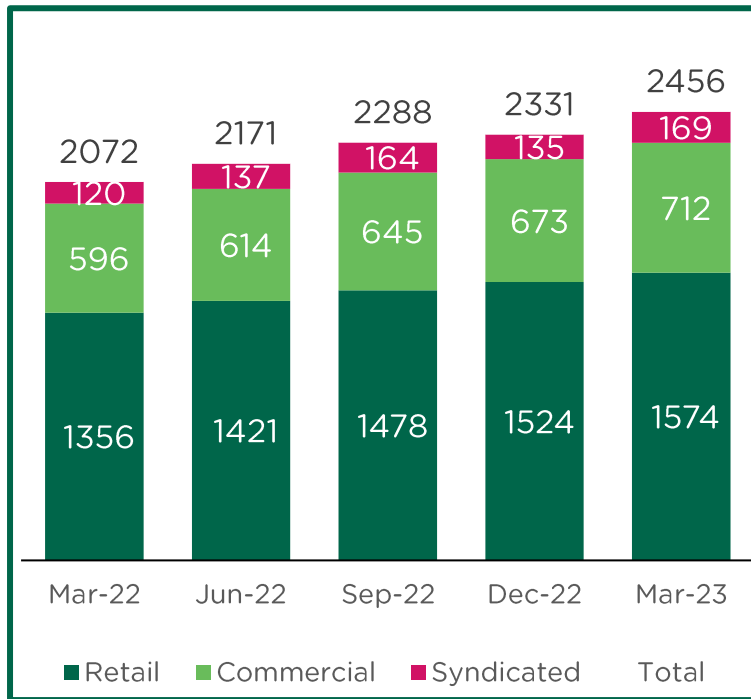


\*LTD ratio as per EBA definition

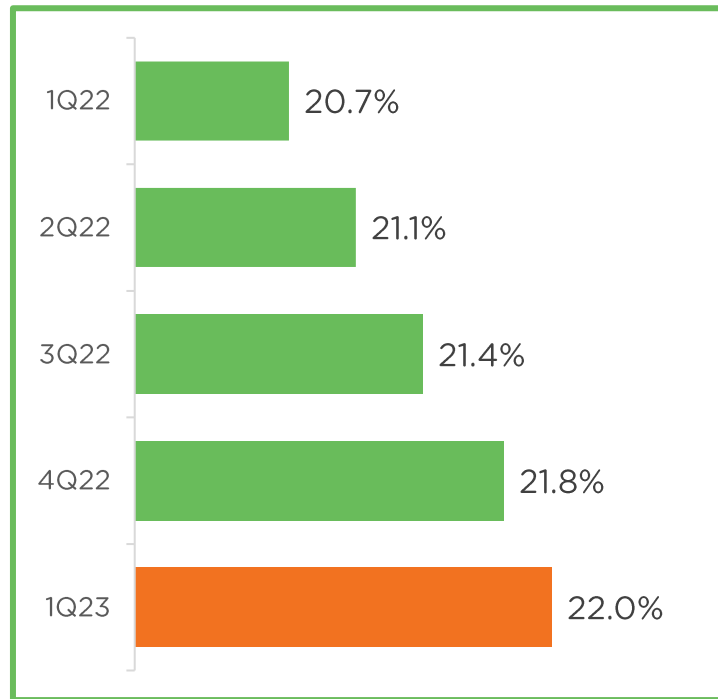
# Stable loan pipeline leading to book expansion



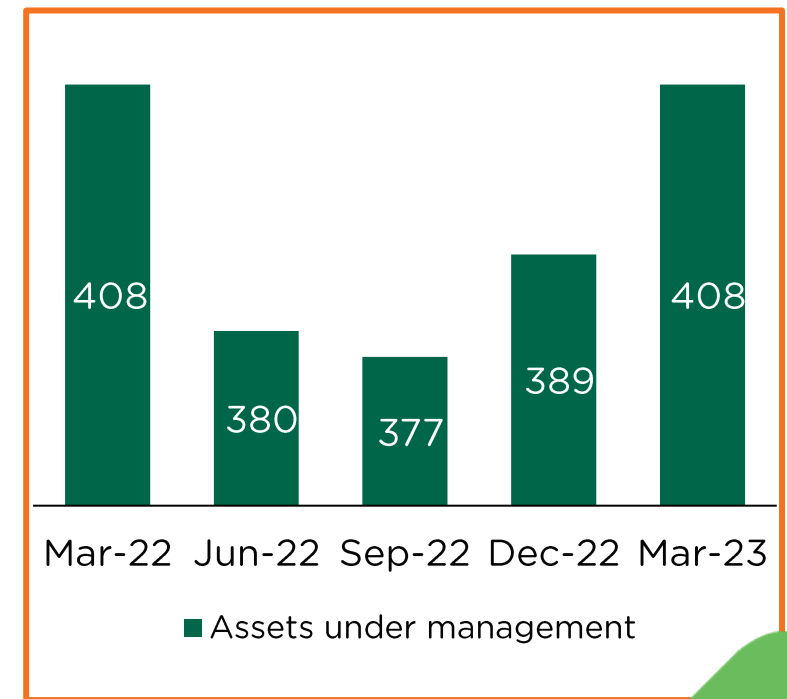
Loans growth across all portfolios



Crossing 22% Home Loan share

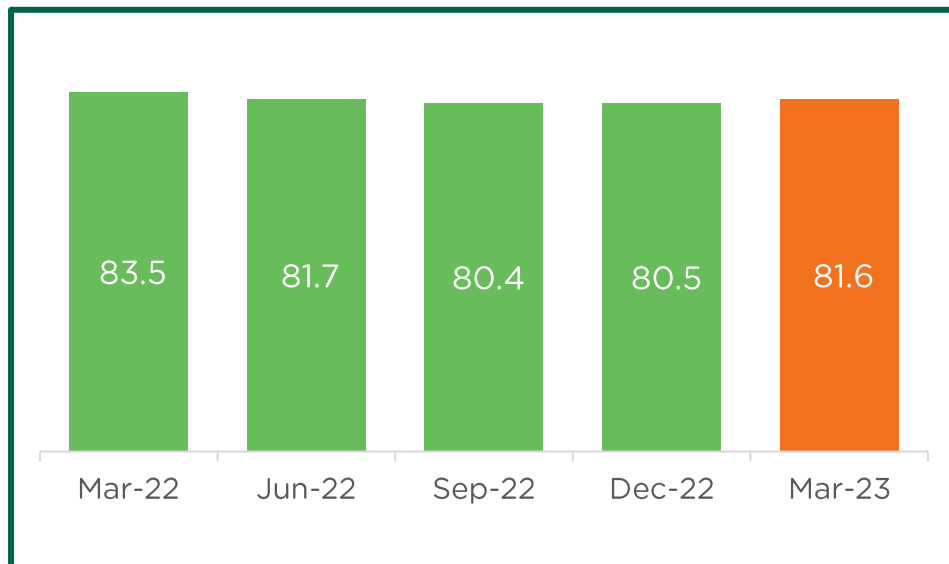


AUM returning to PY levels

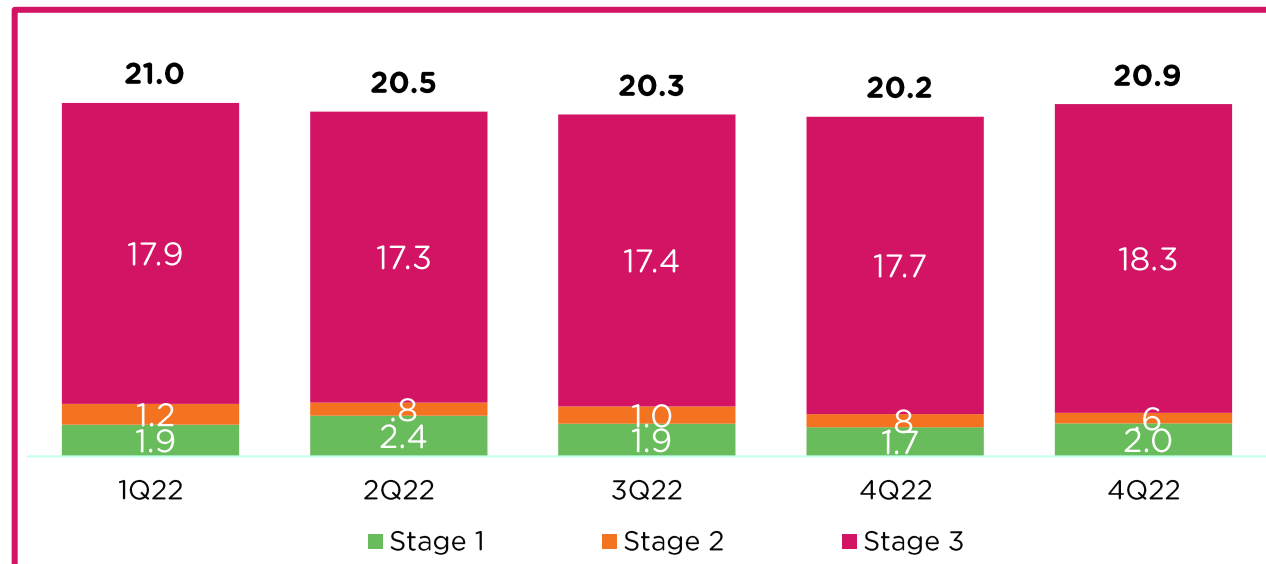


# Strong asset quality and focused risk-taking

Stable non-performing loans



Main ECL changes on Stage 3



Improving NPL ratio, consistent coverage leading to higher CoC

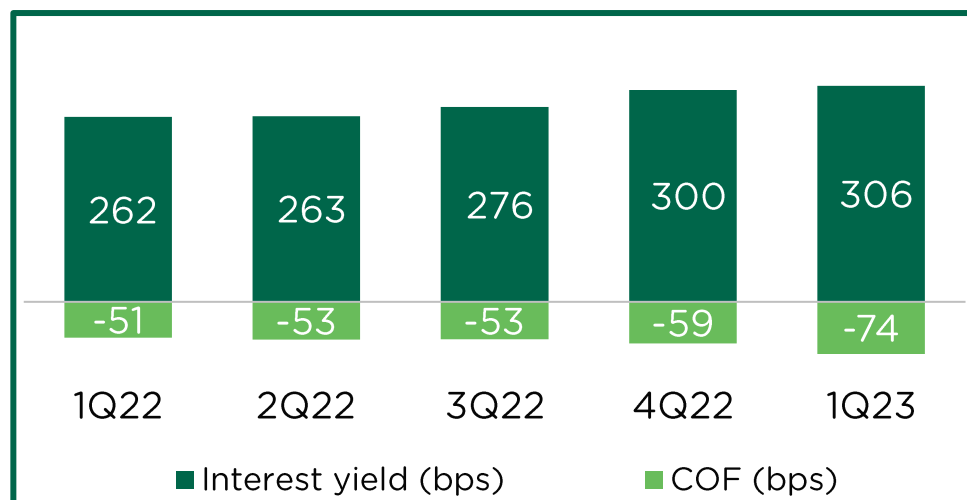
	Mar-22	Dec-22	Mar-23
<b>NPL Ratio</b>	3.4%	3.2%	3.1%
<b>Coverage<sup>1</sup></b>	100%	100%	99%
<b>Cost of Credit</b>	8bps	(1bp)	12bps

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

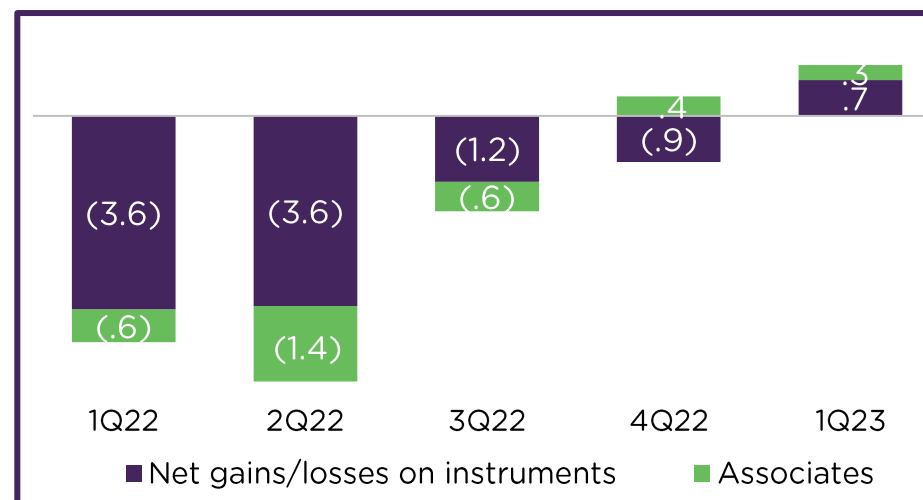
# Core revenues rising & margins improving, supported by +ve market performance

	€m	3M '23 vs 3M '22	1Q '23 vs 4Q '22
<b>NII</b>	18.4	▲ +25% YoY	■ 0% QoQ
<b>Advances &amp; payment fees</b>	1.8	▲ +39% YoY	▲ +63 % QoQ
<b>Investments &amp; insurance fees</b>	1.0	▲ 3% YoY	▲ +14 % QoQ
<b>Client FX</b>	0.2	▲ +11% YoY	▲ +22% QoQ
<b>Cards</b>	0.2	▲ +67% YoY	▼ -3% QoQ

Net interest margins



Market impact on profitability

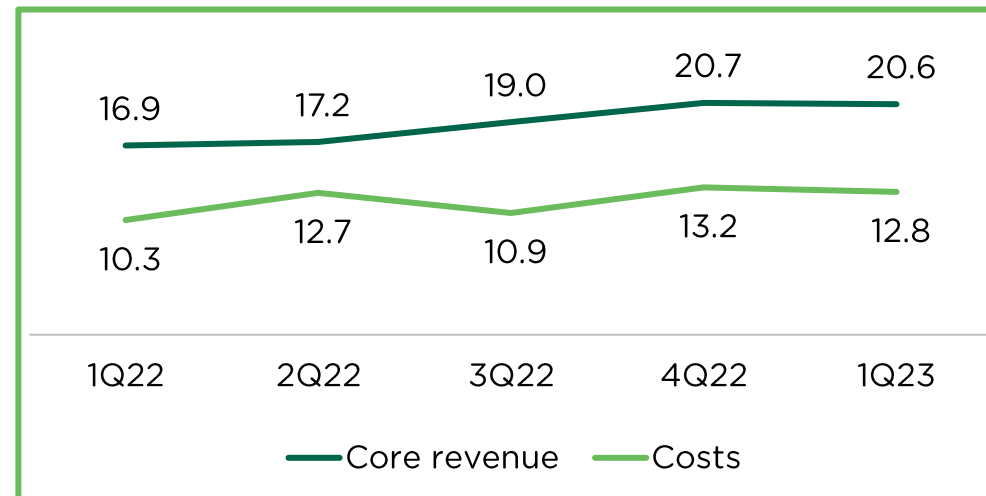
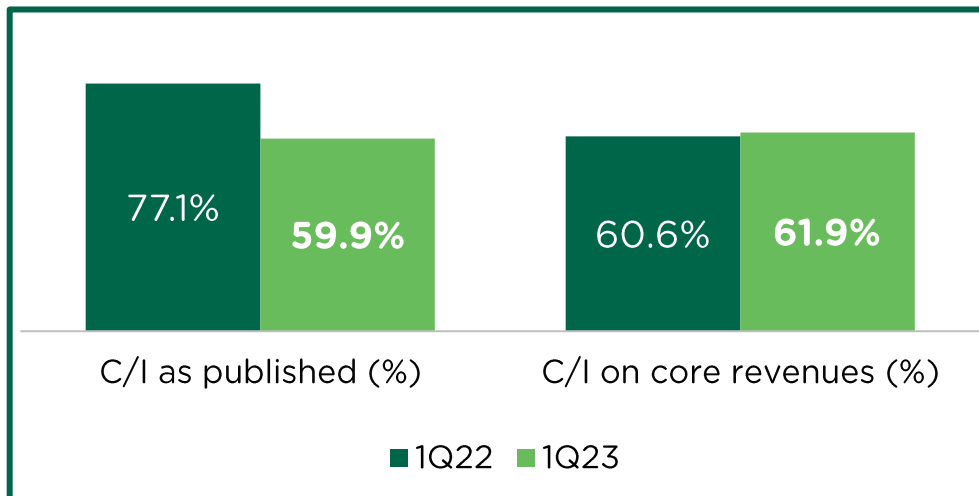


# Quarterly reduction in costs, growing to last year on reg and IT costs

	€m	3M '23 vs 3M '22	1Q '23 vs 4Q '22
<b>Staff costs</b>	6.9	▲ +19% YoY	▼ -3% QoQ
<b>Admin costs</b>	4.5	▲ +36% YoY	▼ -5% QoQ
<b>Depreciation/Amortisation</b>	1.3	▲ +18% YoY	▲ +2% QoQ

Improving cost-to-income, stable on core revenues

+3% QoQ JAWS, shrinking YTD





# Market performance supplementing Bank profitability

**APS Diversified Bond Fund\***  
1Q2023 +1.5% return (Y2022 -15.4%)

**APS Ethical Income Fund\*\***  
1Q2023 +2.9% return (Y2022 -16.0%)

**APS Global Equity Fund\*\***  
1Q2023 +4.8% return (Y2022 -17.1%)

**APS Income Fund\*\***  
1Q2023 -0.9% return (Y2022 -8.9%)



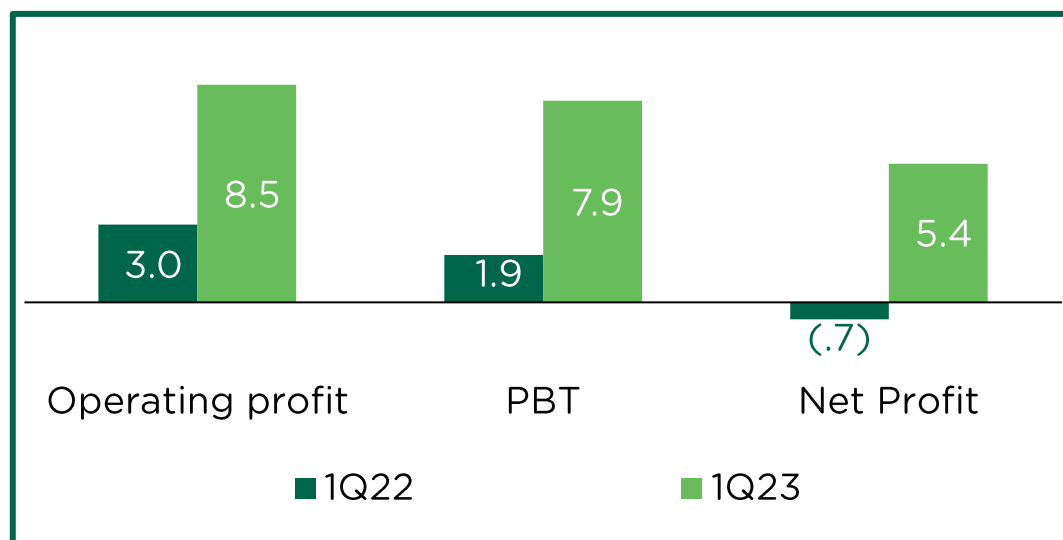
	APS % holding	P&L	Equity
ReAPS*	100.0	0.1	
Diversified Bond Fund*	73.8	0.7	-
Global Equity Fund**	42.9	0.3	-
Income Fund**	9.2	(0.1)	-
Income Ethical Fund**	2.9	-	-
IVALIFE**	25.0	-	-
Bonds available-for-sale	n/a	-	2.4
		<b>1.0</b>	<b>2.4</b>

\*Line-by-line consolidation; \*\*Share of results consolidation

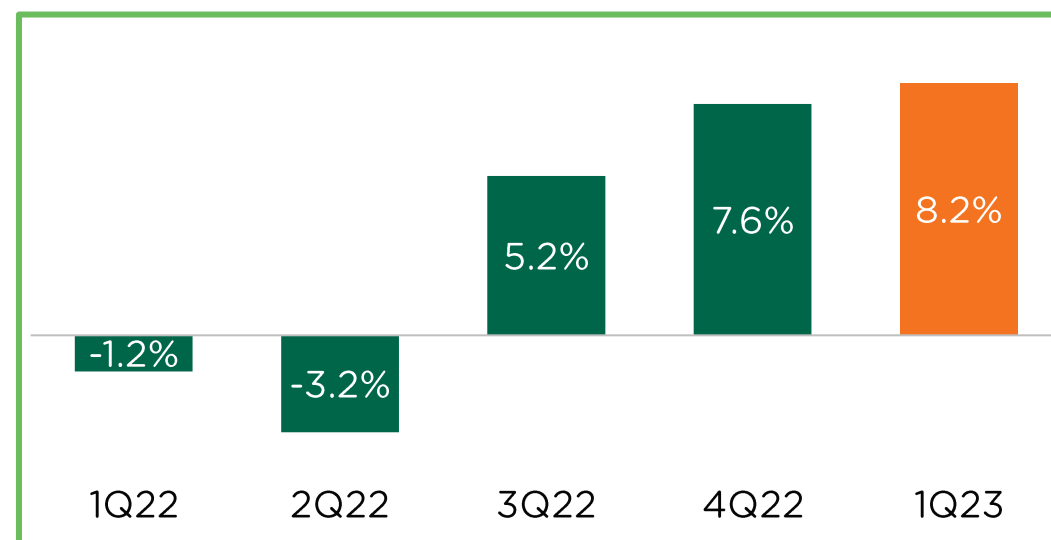
Performance of Accumulator Share Classes for Income and Global Equity Funds and A Accumulator Share Classes for Regular Income Ethical and Diversified Bond Funds

# Sustained group profitability with robust returns

Improved profitability on all profit lines



+ve ROAE reflecting profits

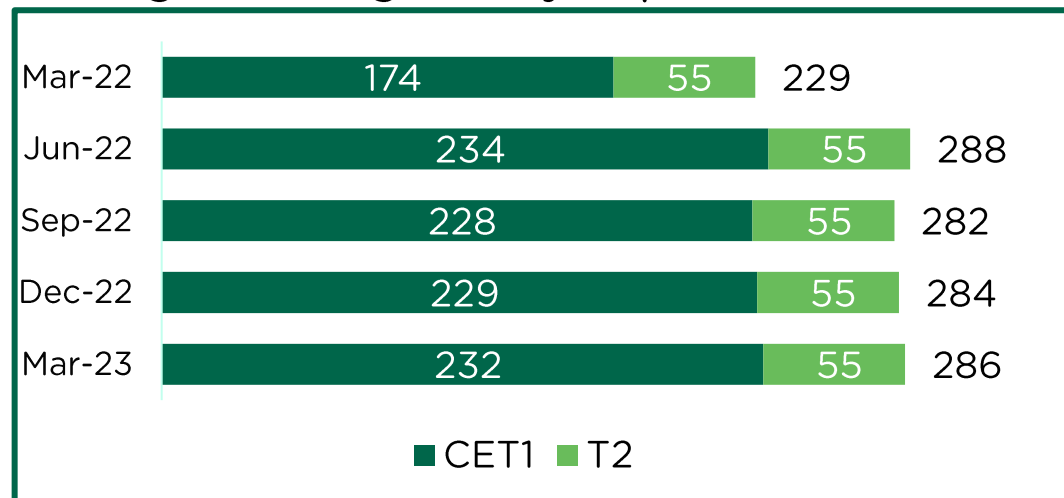


	Y/E 2022	Today <sup>1</sup>
<b>Share Price</b>	€0.615	<b>€0.610</b>
<b>Book value</b>	€0.683	<b>€0.704 ▲ 2c1</b>
<b>P/B</b>	0.90x	<b>0.87x</b>

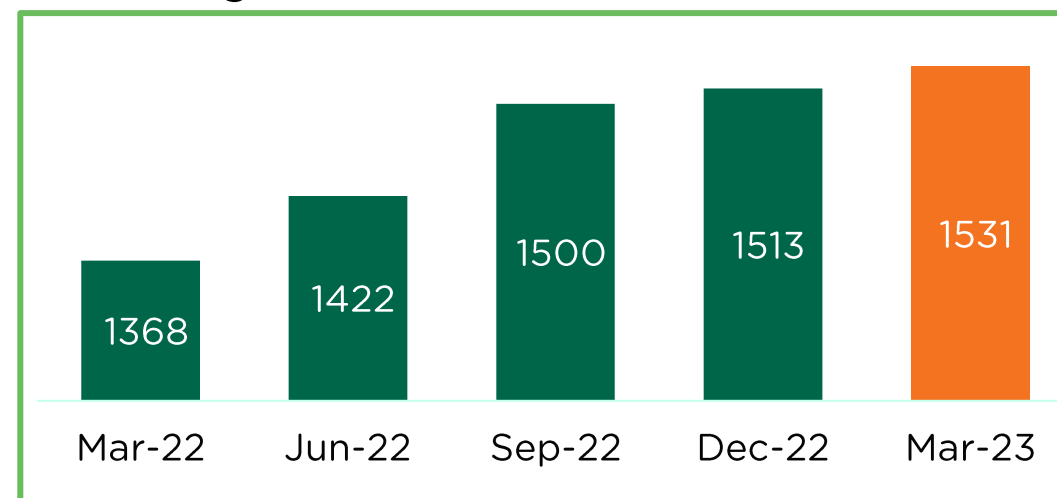
<sup>1</sup> Share price at 21/Apr 2023

# Consistent capital ratios on Risk-weighted-asset growth

Strong CET1 regulatory capital base



Risk-weighted assets > €1.5bn



CET1 @  
**15.1%**

(Dec 2022:  
15.2%)

CAR @  
**18.7%**

(Dec 2022:  
18.8%)

# Annual General Meeting - May 2023

Will be held on  
Tuesday 16 May 2023,  
at 1800hours at The  
Hilton Malta

Notice and Agenda  
issued on Tuesday 25  
April 2023

Circular, Proxy Form  
and Scrip Dividend  
Election Form mailed  
out to all shareholders

Shareholders opting  
for Scrip are to  
submit the Scrip  
Election form by  
Monday 15 May

The dividend is  
expected to be paid,  
and shares issued, by  
31 May 2023.

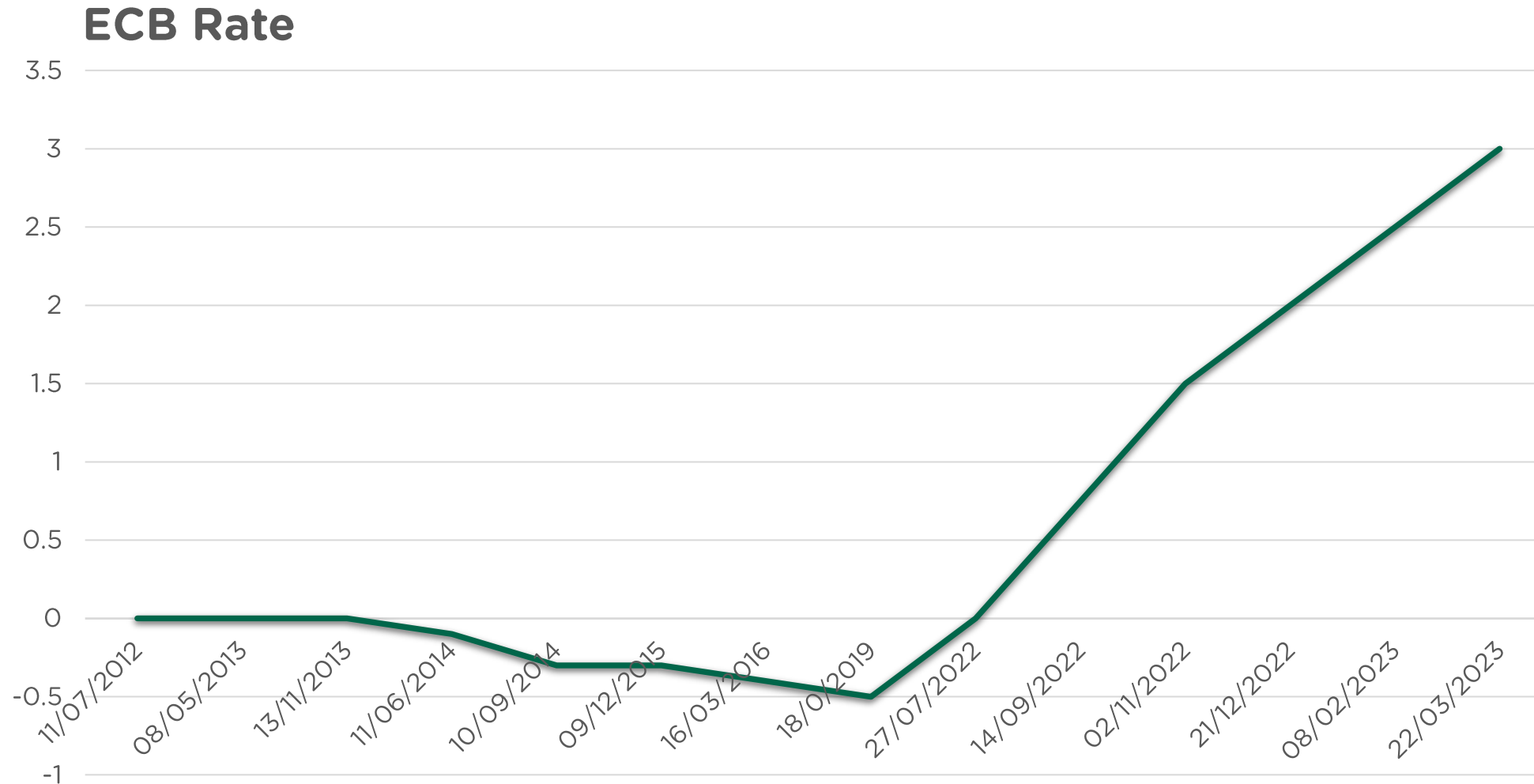


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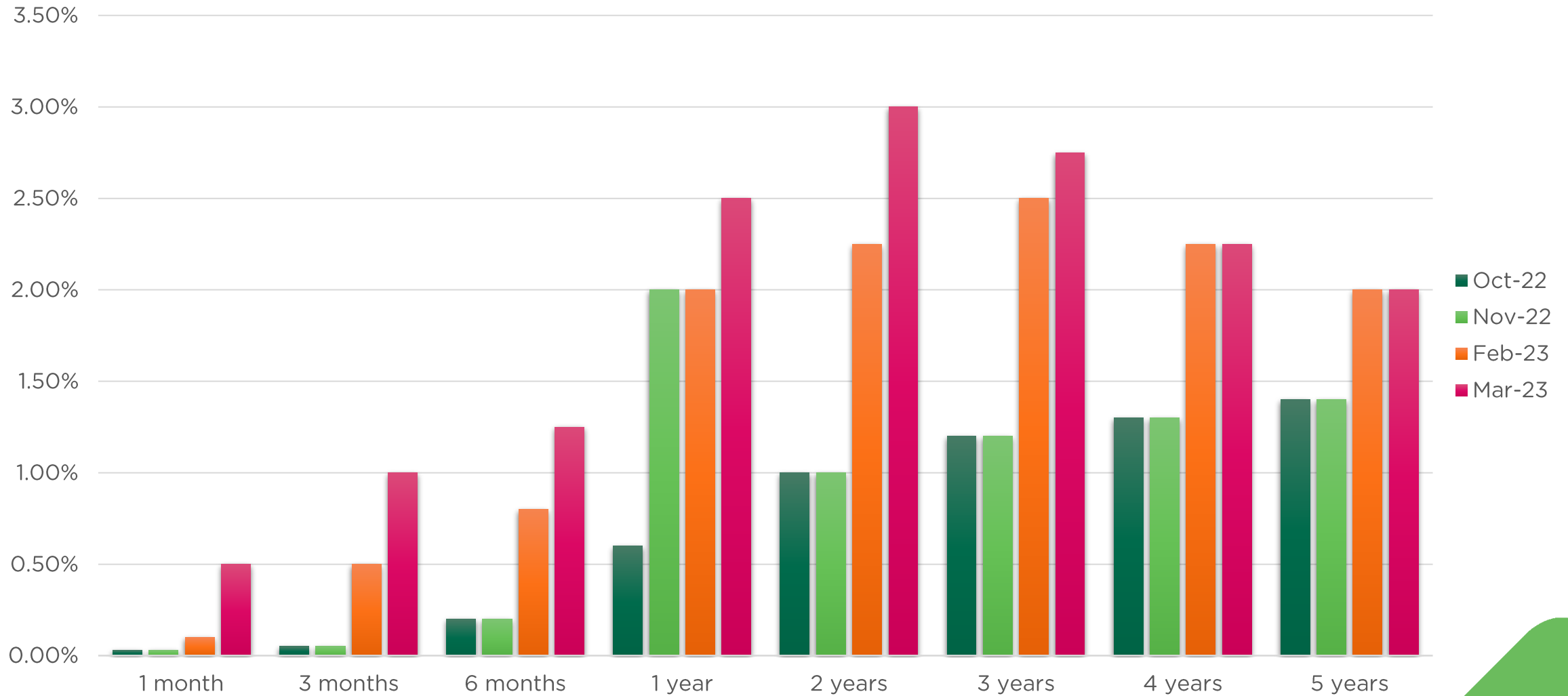


# ALM Review 1Q23

# A Decade of 0% Rates Ends

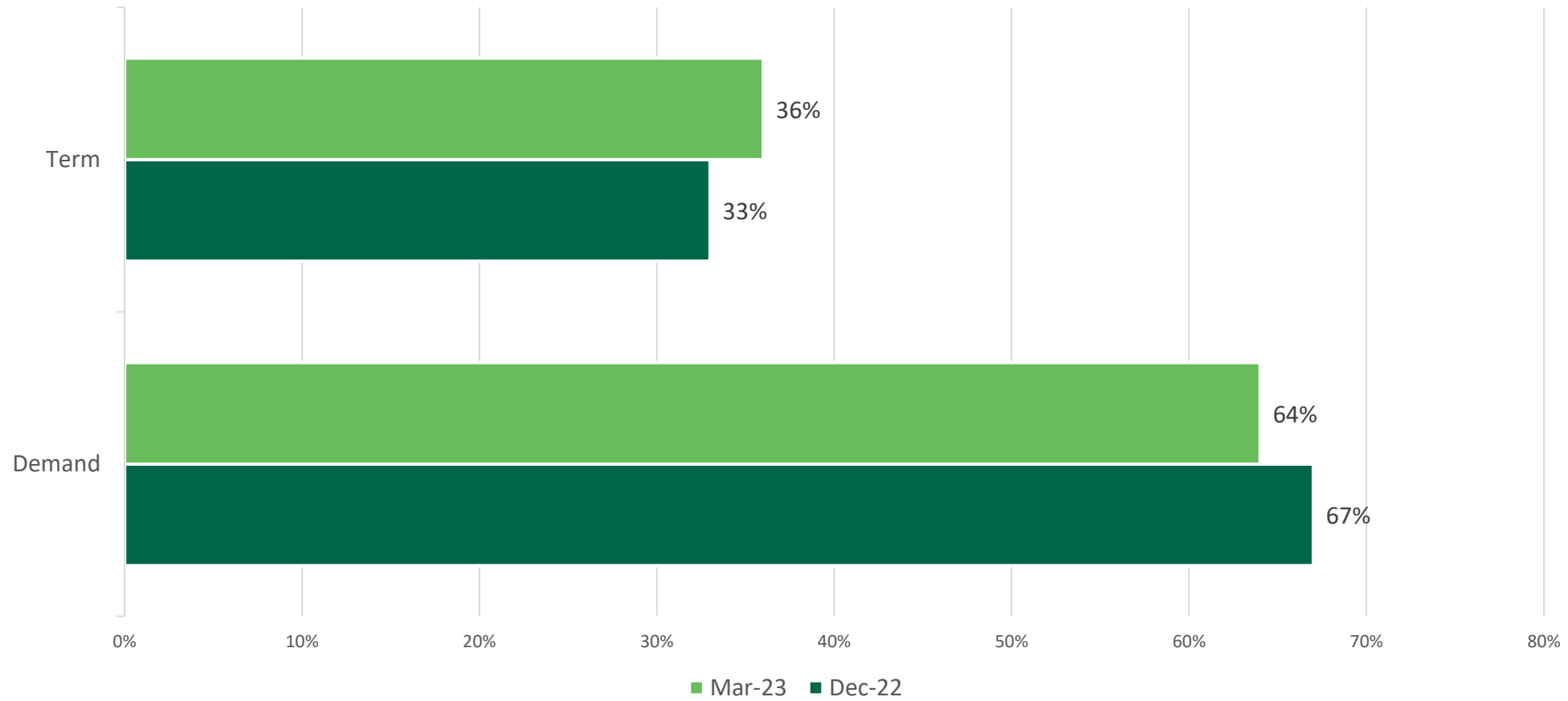


# Passthrough to deposit rates, but not loans





# Term deposits back in focus

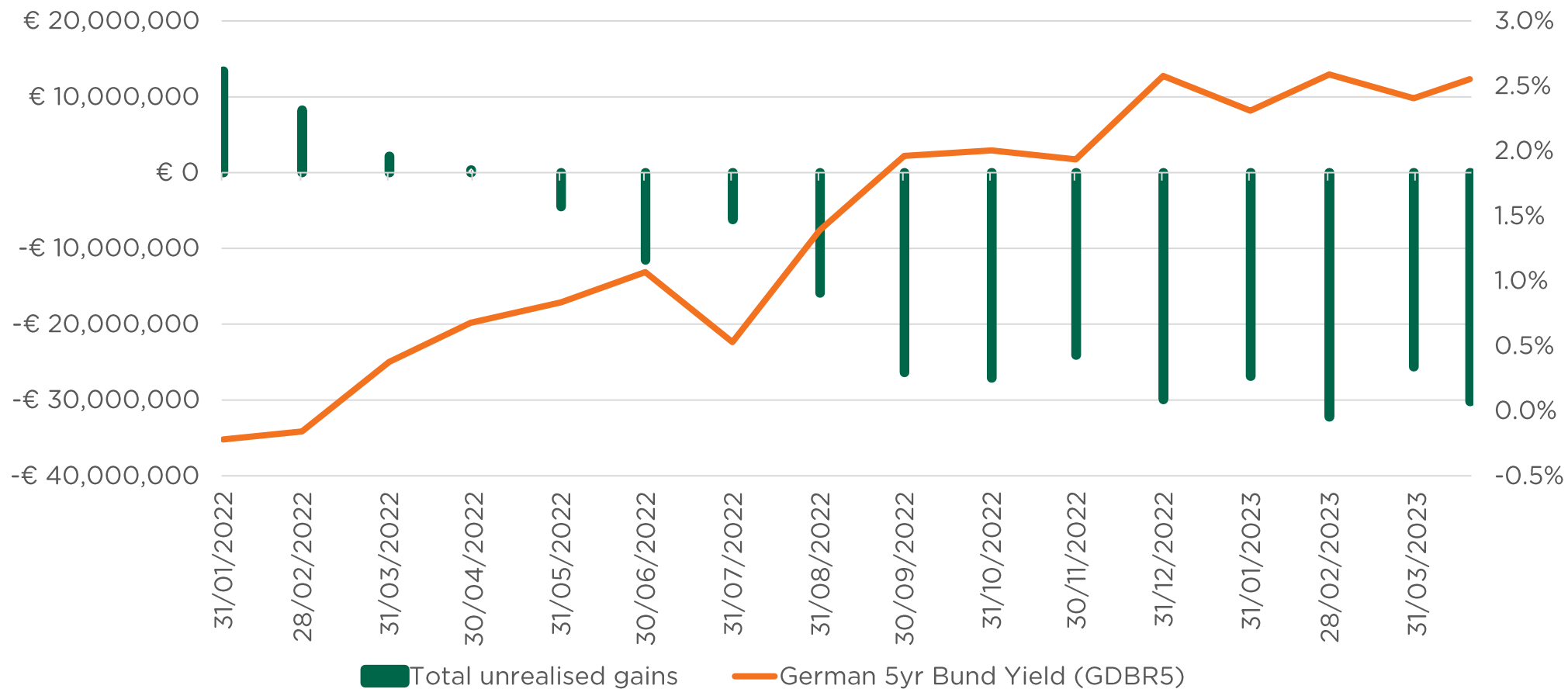


# CREDIT SUISSE

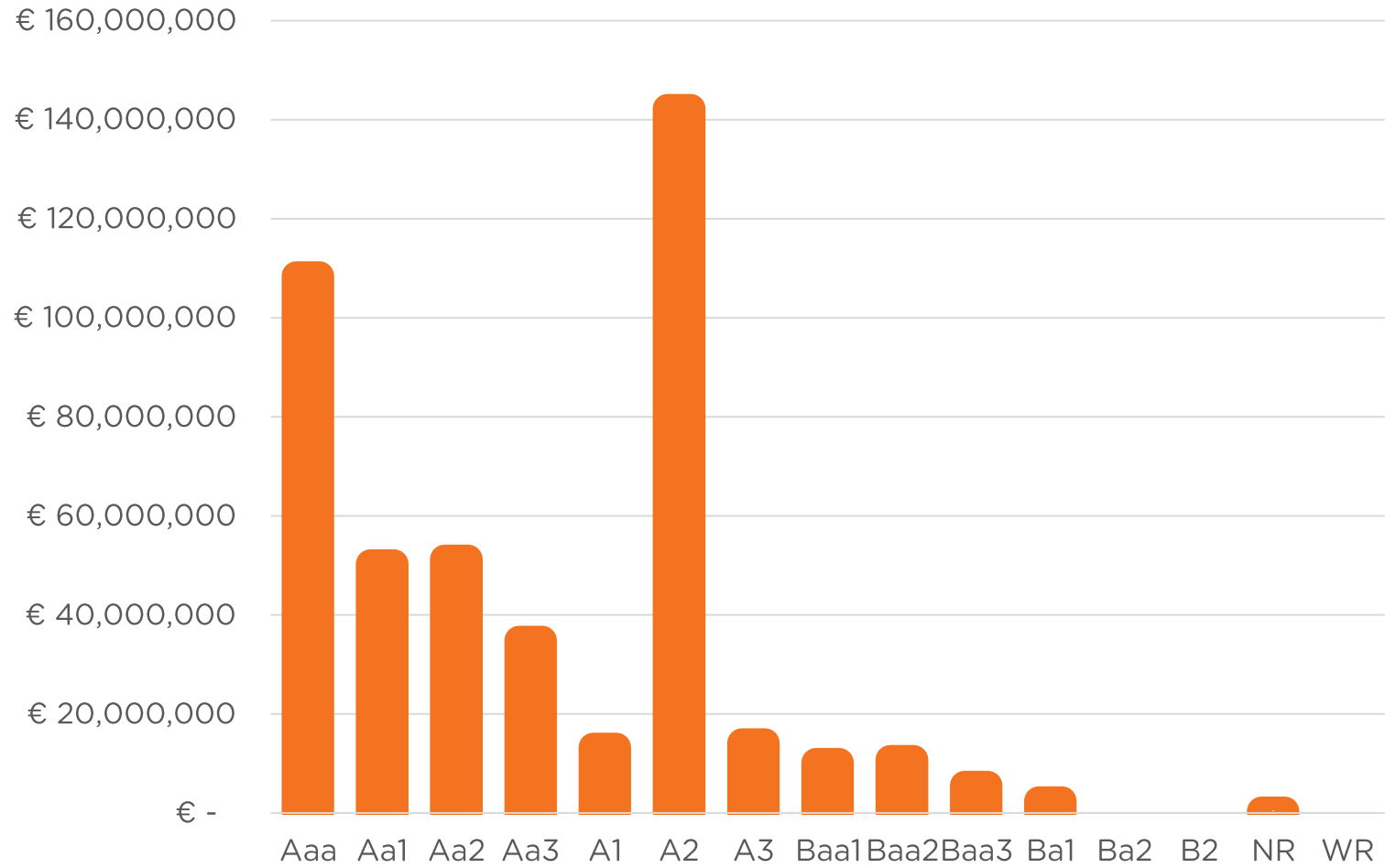


Source: The Guardian

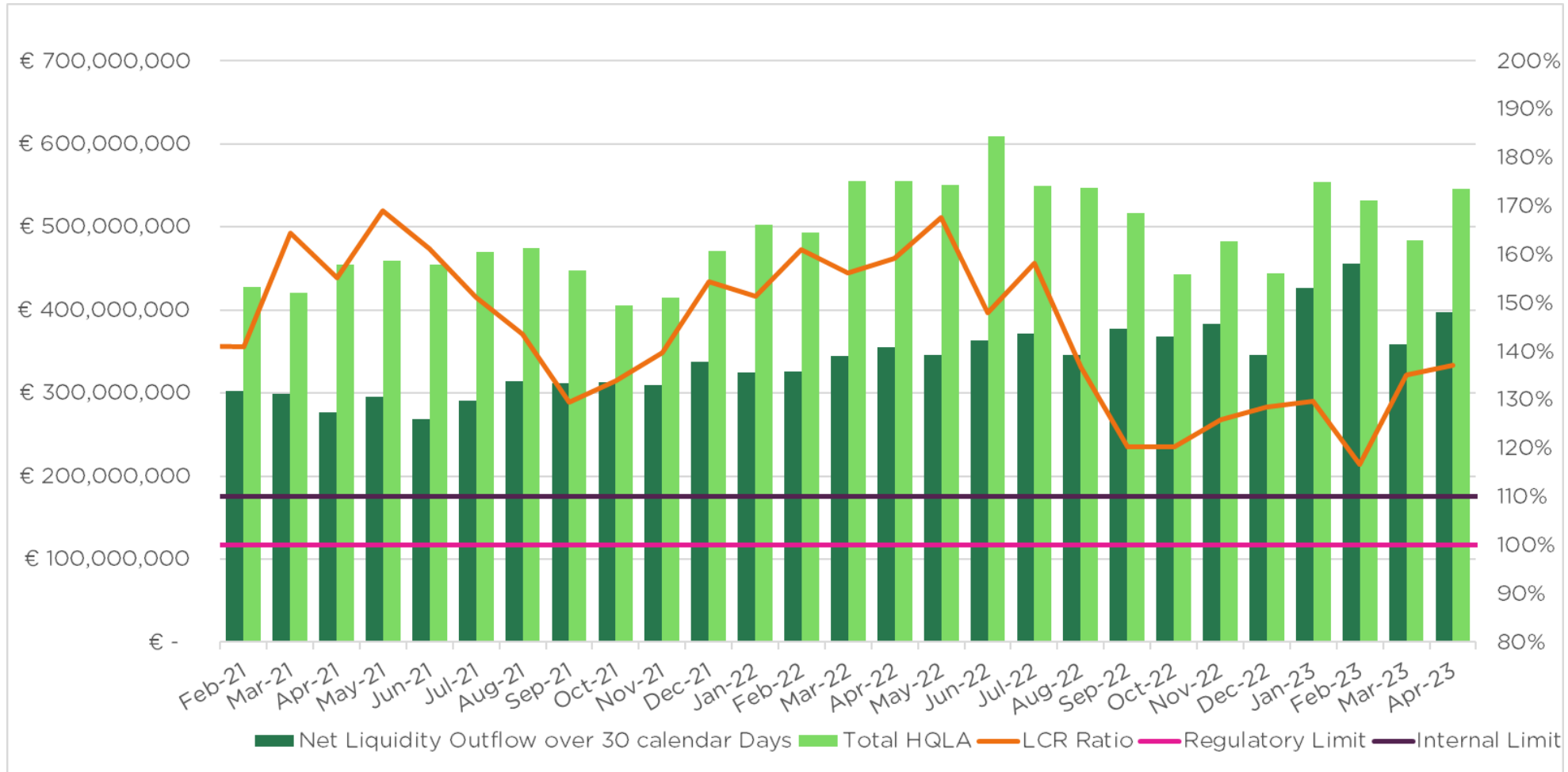
# Low duration reduces the impact of rising rates



# High Quality Bond Book

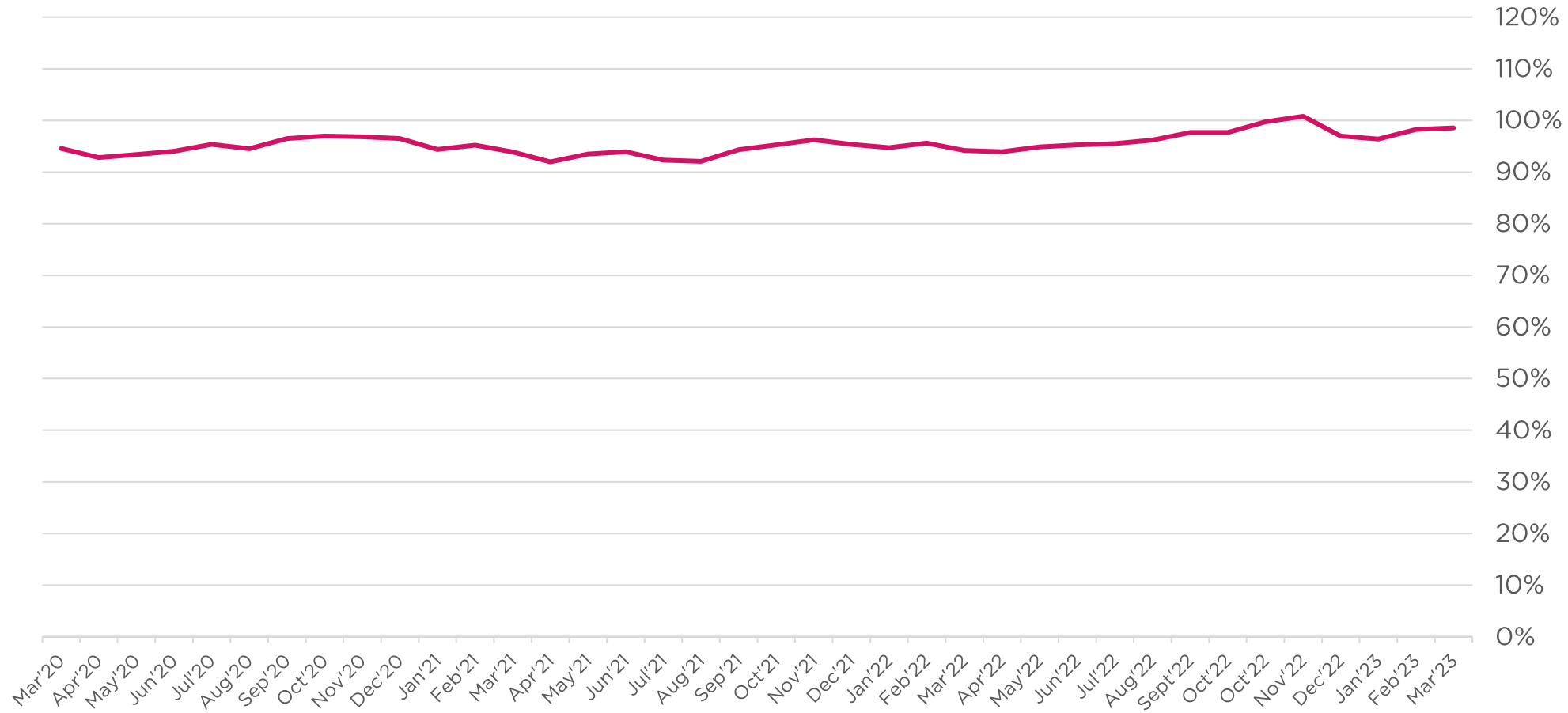


# Liquidity ratios rising with interest rates



# Efficient use of liquidity

Loan to Deposit Ratio



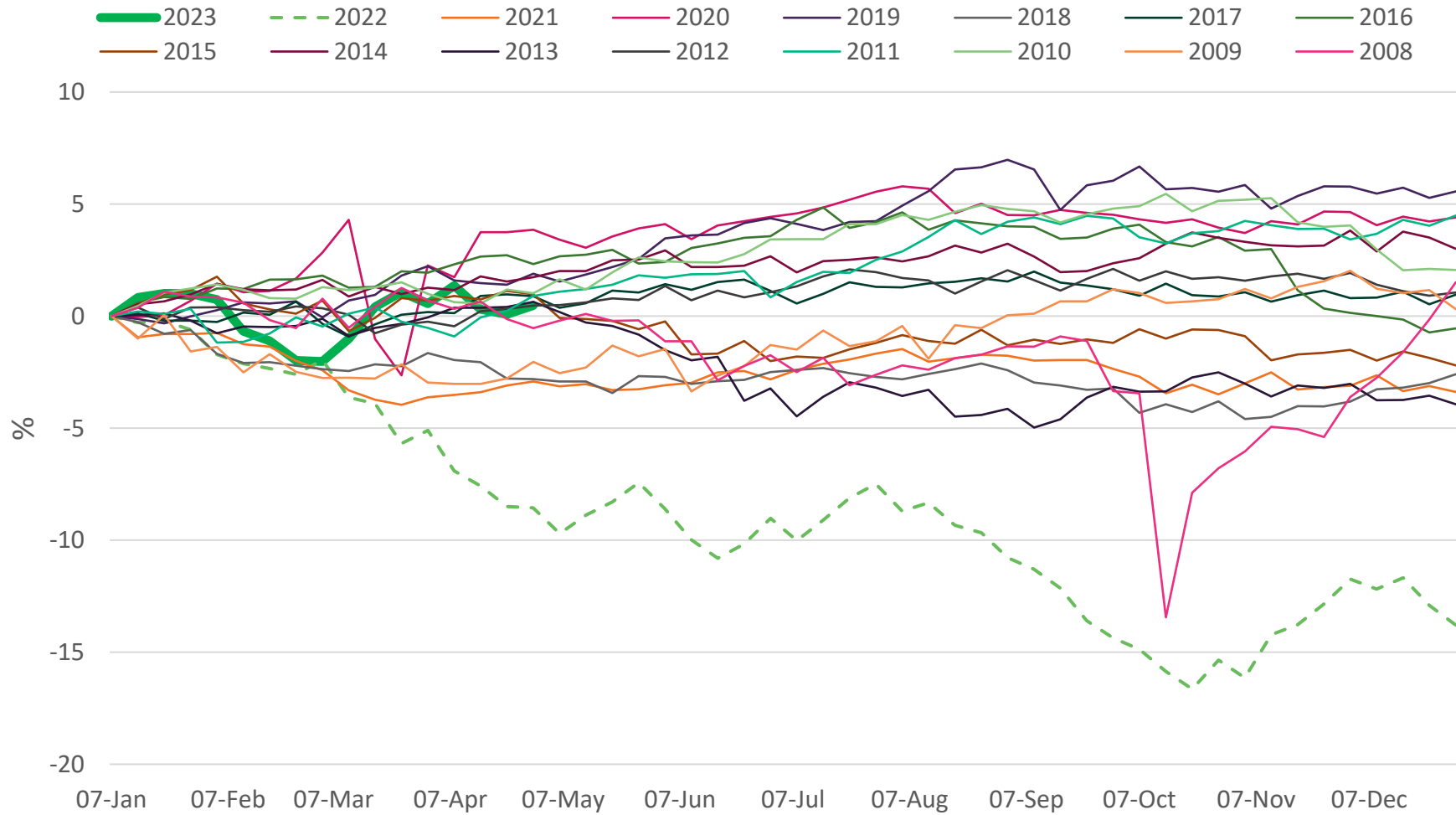


**Thank you**

# Global Outlook



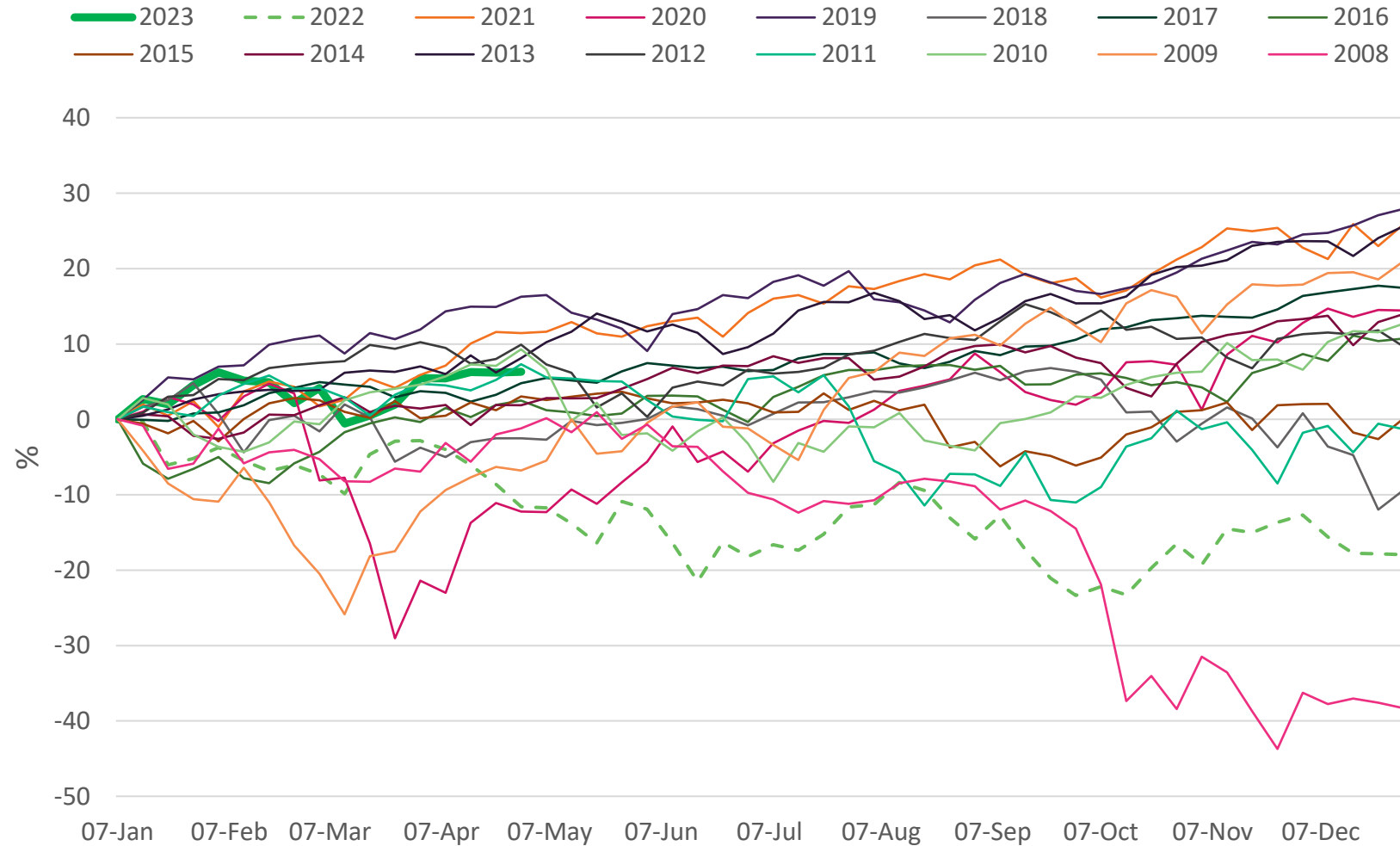
# 2023 in context - Bonds



2023 in thick green

Source: Bloomberg LP

# 2023 in context - Equities



2023 in thick green

Source: Bloomberg LP

# Measured inflation still too high



## USA - Core CPI



## Euro Area - Core CPI



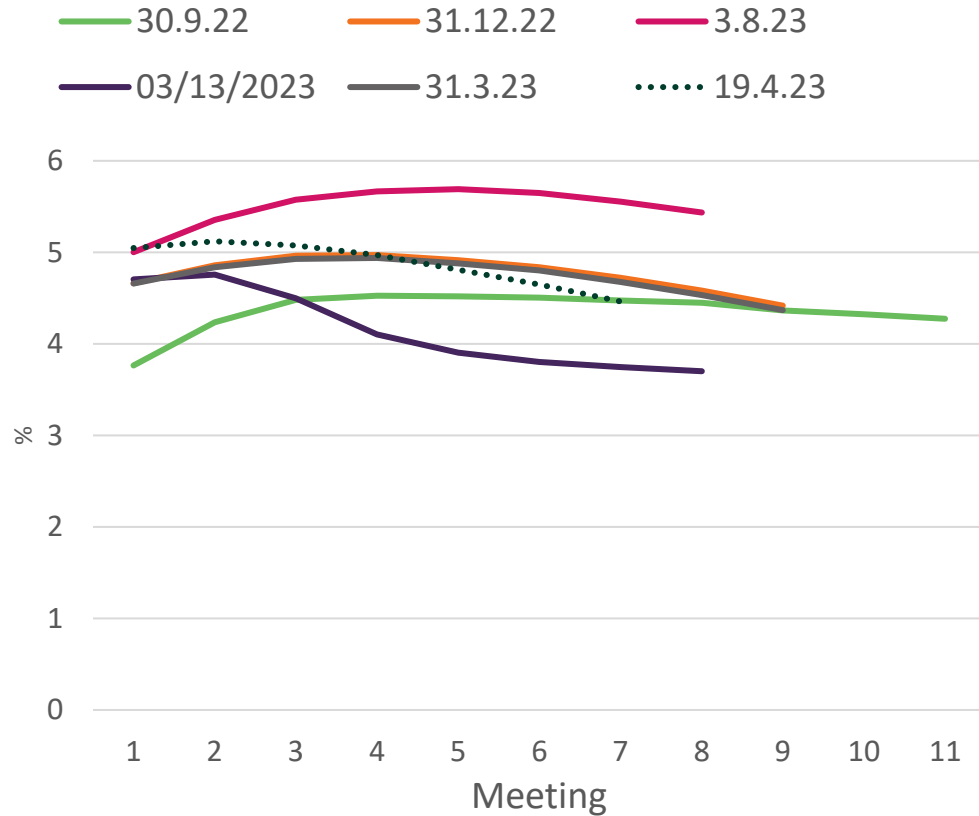
With inflation still very high Central Banks have no choice but to keep monetary policy tight

Source: Bloomberg LP

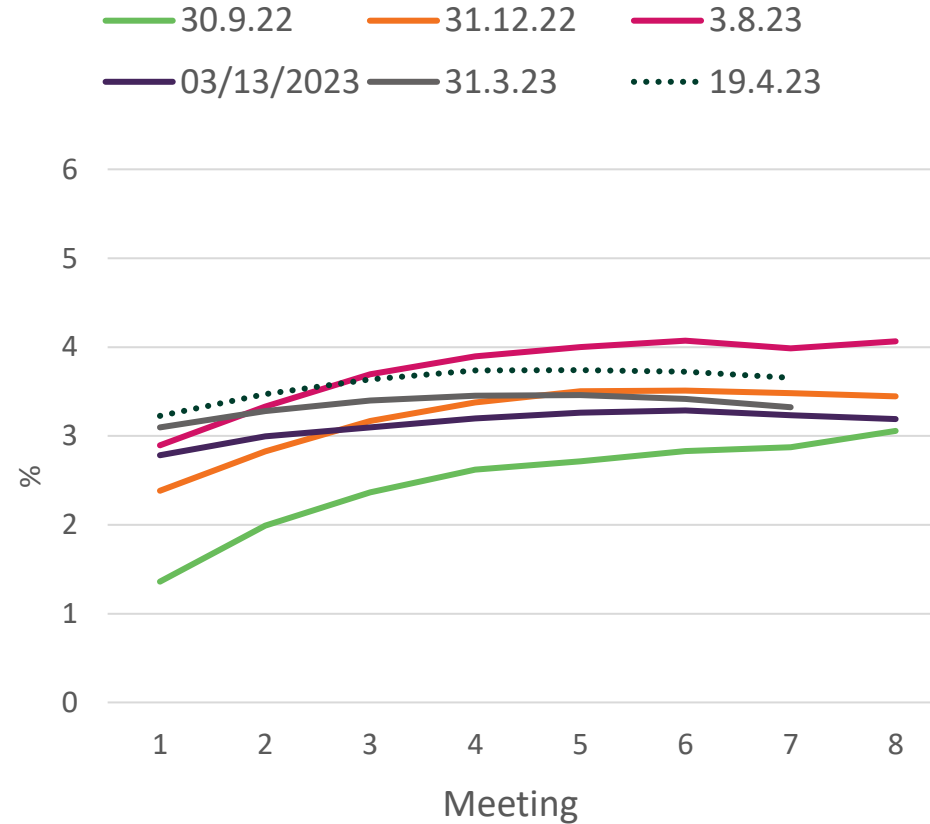


# Market expectations - Fed & ECB base rates

## US Federal Reserve



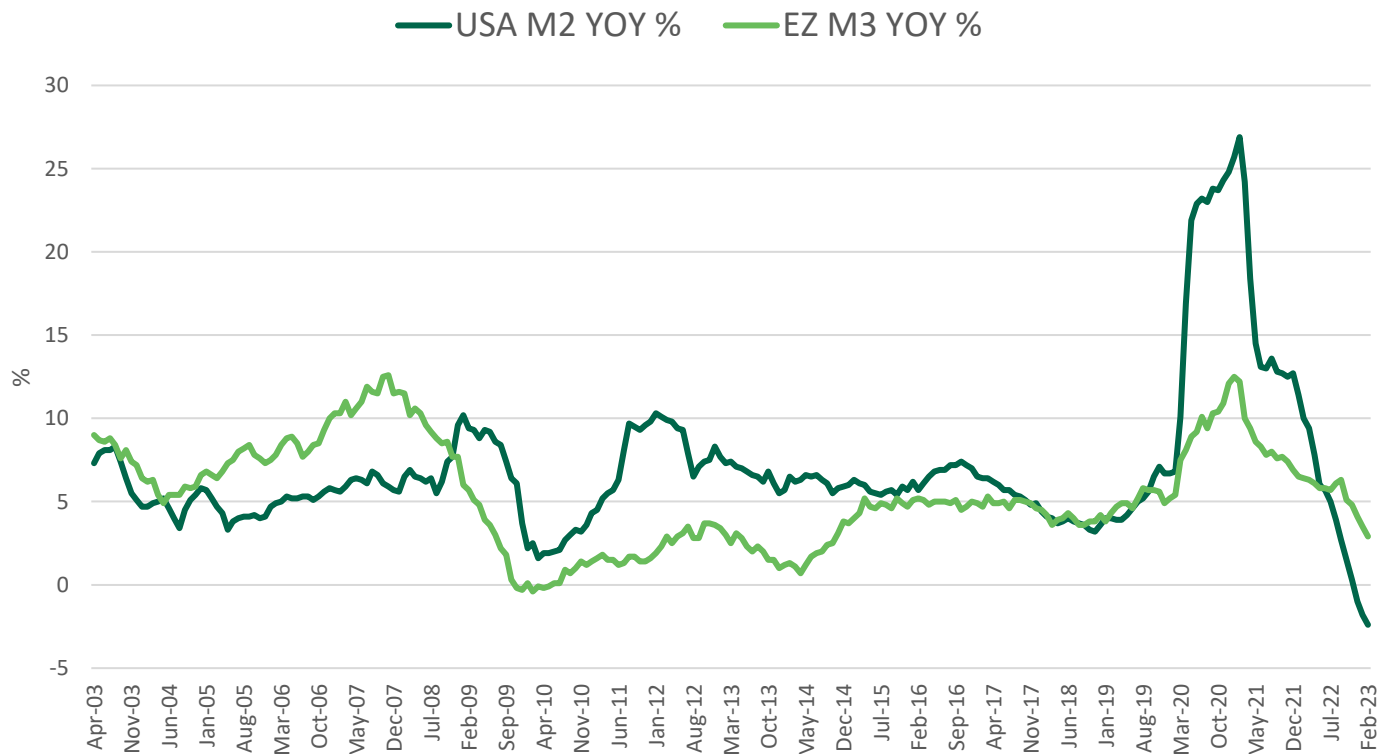
## ECB



Continuous upward revisions until Banks ran into trouble in March 2023

Source: Bloomberg LP

# Tightening happening... 1



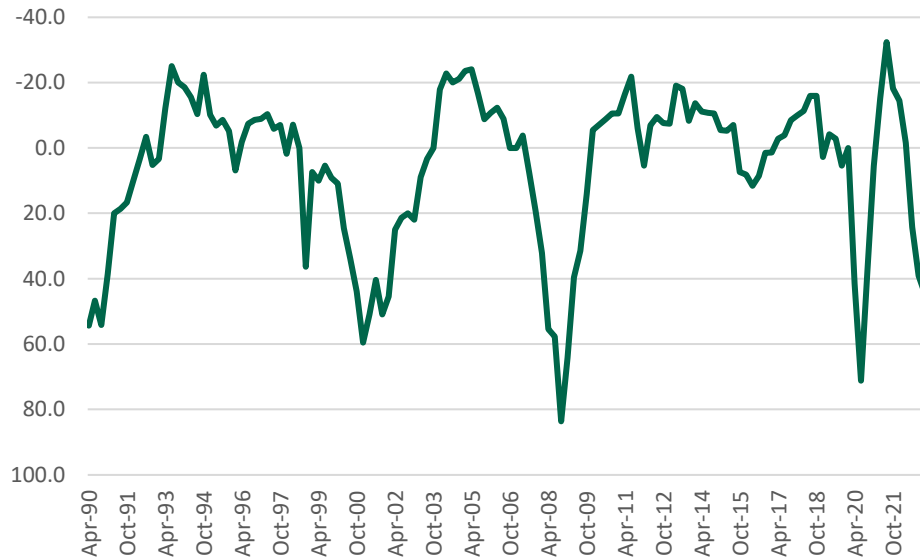
Level of money circulating in the economy (a measure of forward trajectory of inflation) falling rapidly

Source: Bloomberg LP

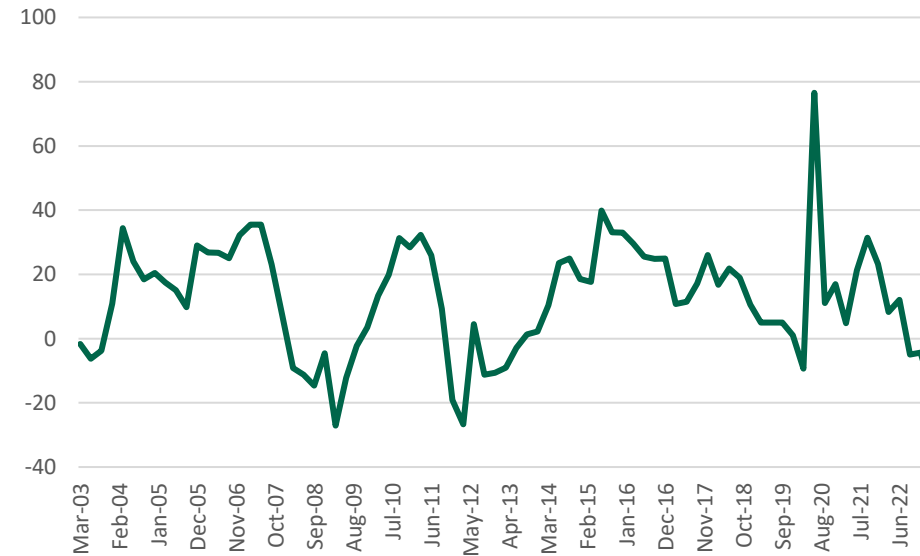
# Tightening happening... 2



### USA



### Euro Area



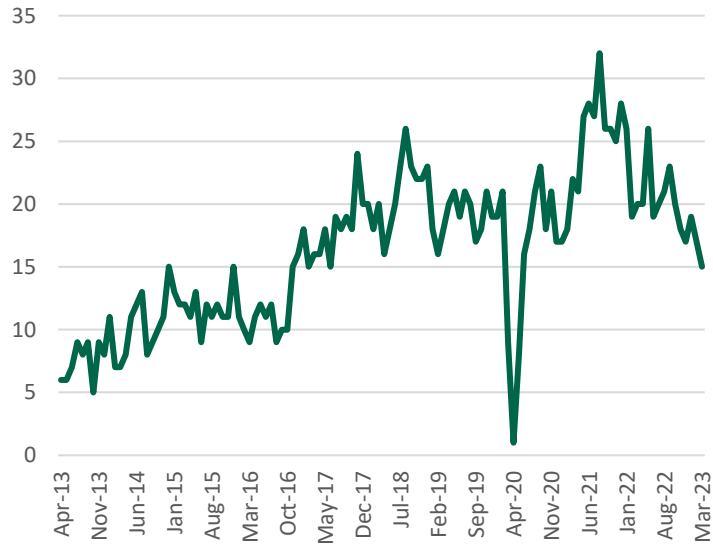
Previous tightening is having the desired effect as willingness to extend more credit recedes

Source: St. Louis Fed and ECB

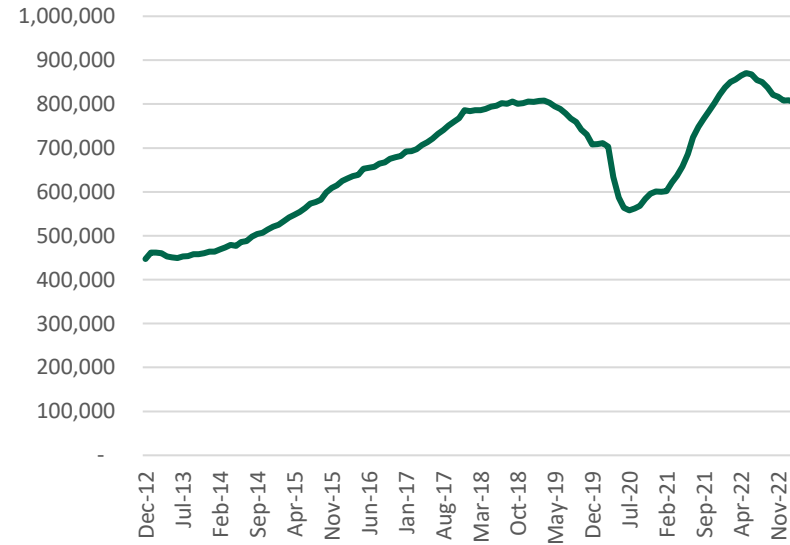
# Tightening happening... 3



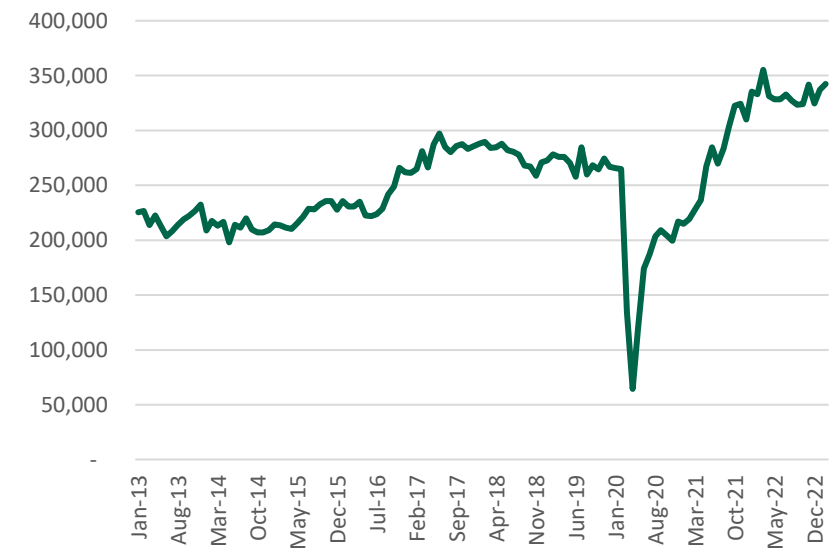
### USA Small Business Hiring Plans - Index



### Germany Number of Open Vacancies



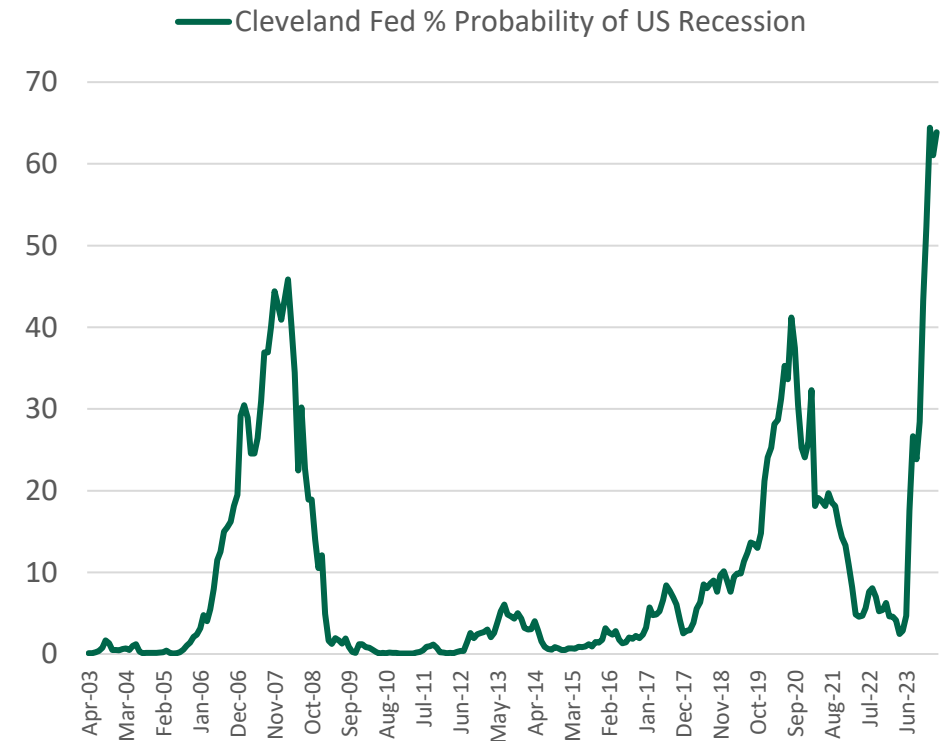
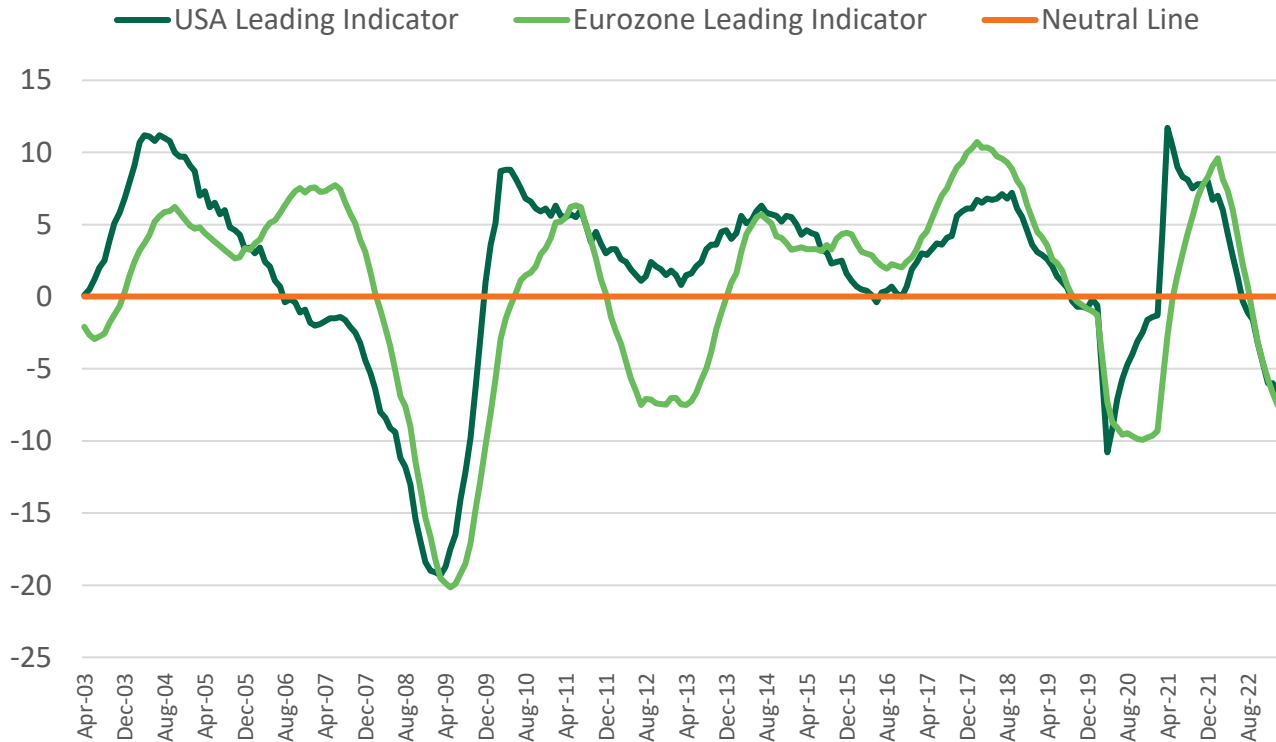
### France Number of Open Vacancies



Demand for labour flagging, typically softer wage and service inflation follows  
– however labour markets take a long time to respond to tighter policy.

Source: Bloomberg and OECD

# Economic outlook

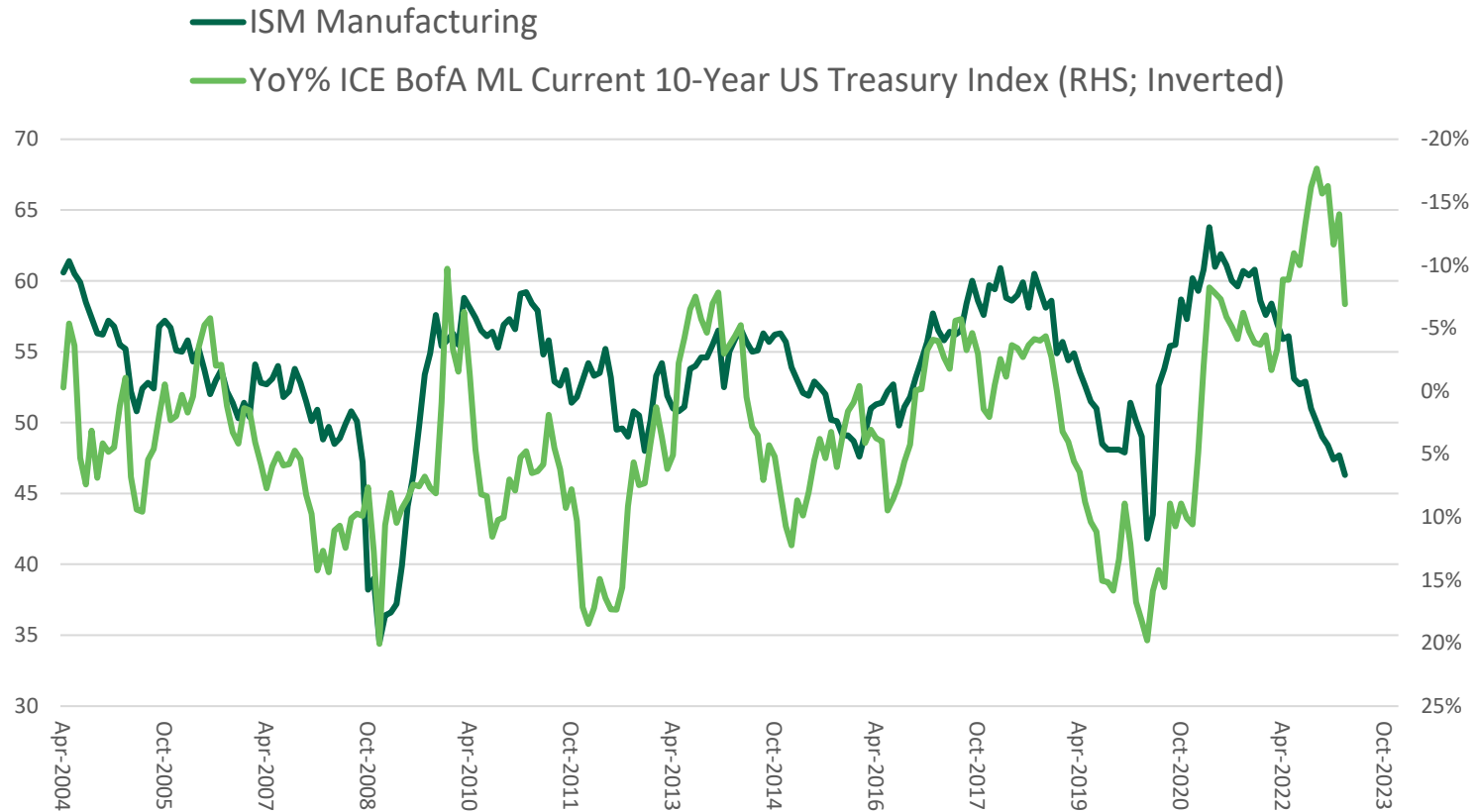


Owing to the effects of past monetary policy tightening, an economic slowdown is to be expected

Source: Bloomberg, Conference Board



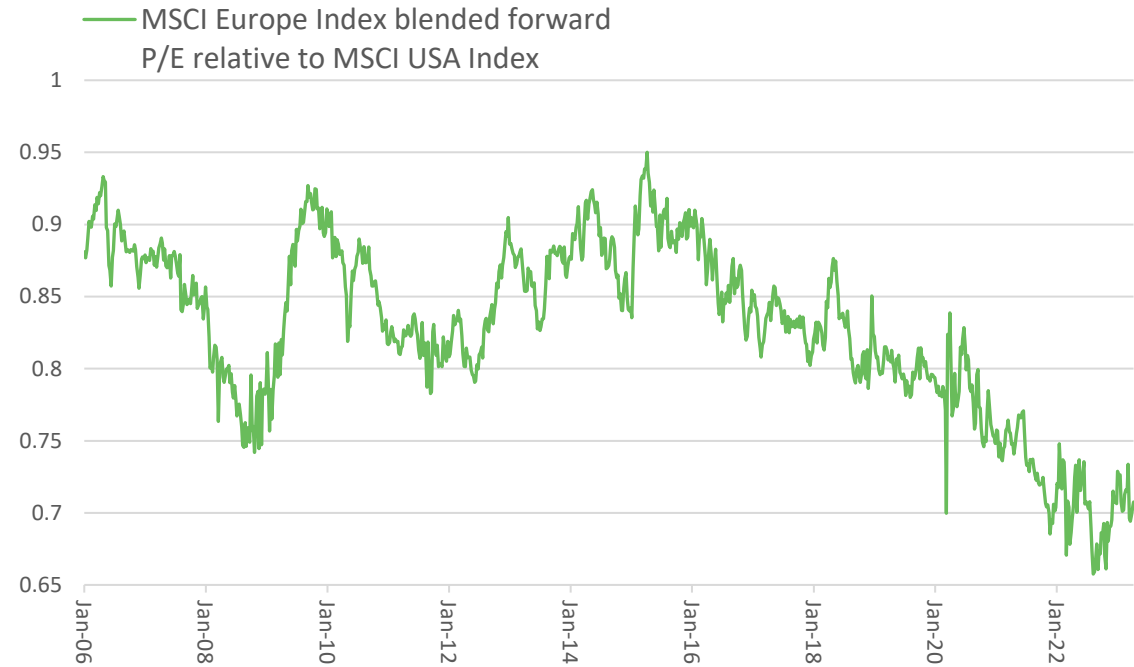
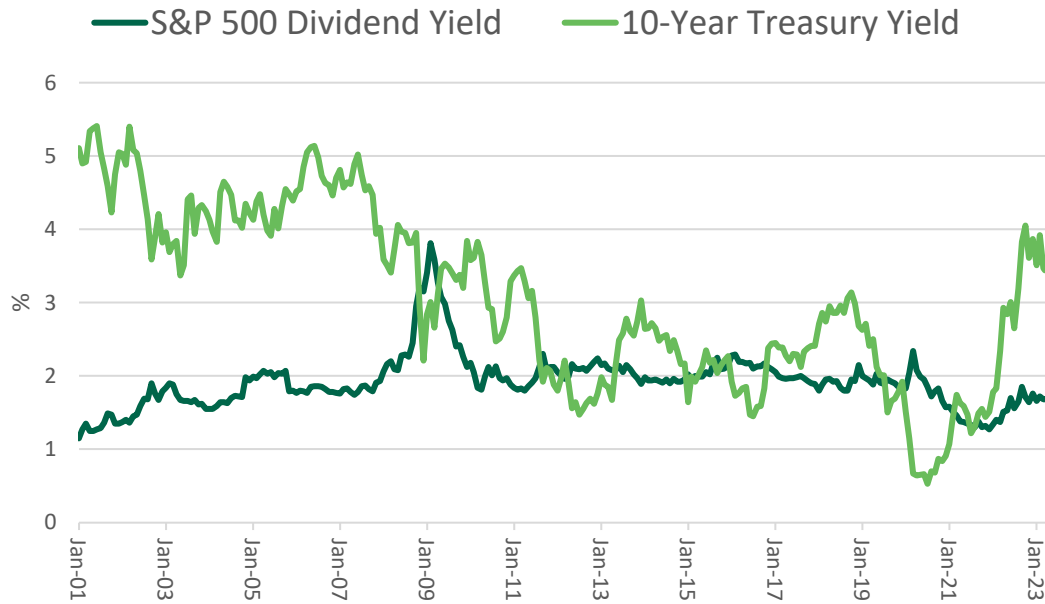
# Bond outlook



Our strategic view is constructive on Government Bonds as we expect them to perform on projected economic weakness and peak central bank rates

Source: Bloomberg

# Equity outlook



- We maintain a cautious stance on equities as we see heightened risk of recession which might lead to lower equity prices.
- In between asset classes we prefer Bonds over Equities.
- Significant European valuation discounts versus US leads us to favour European equities currently.

Source: Bloomberg

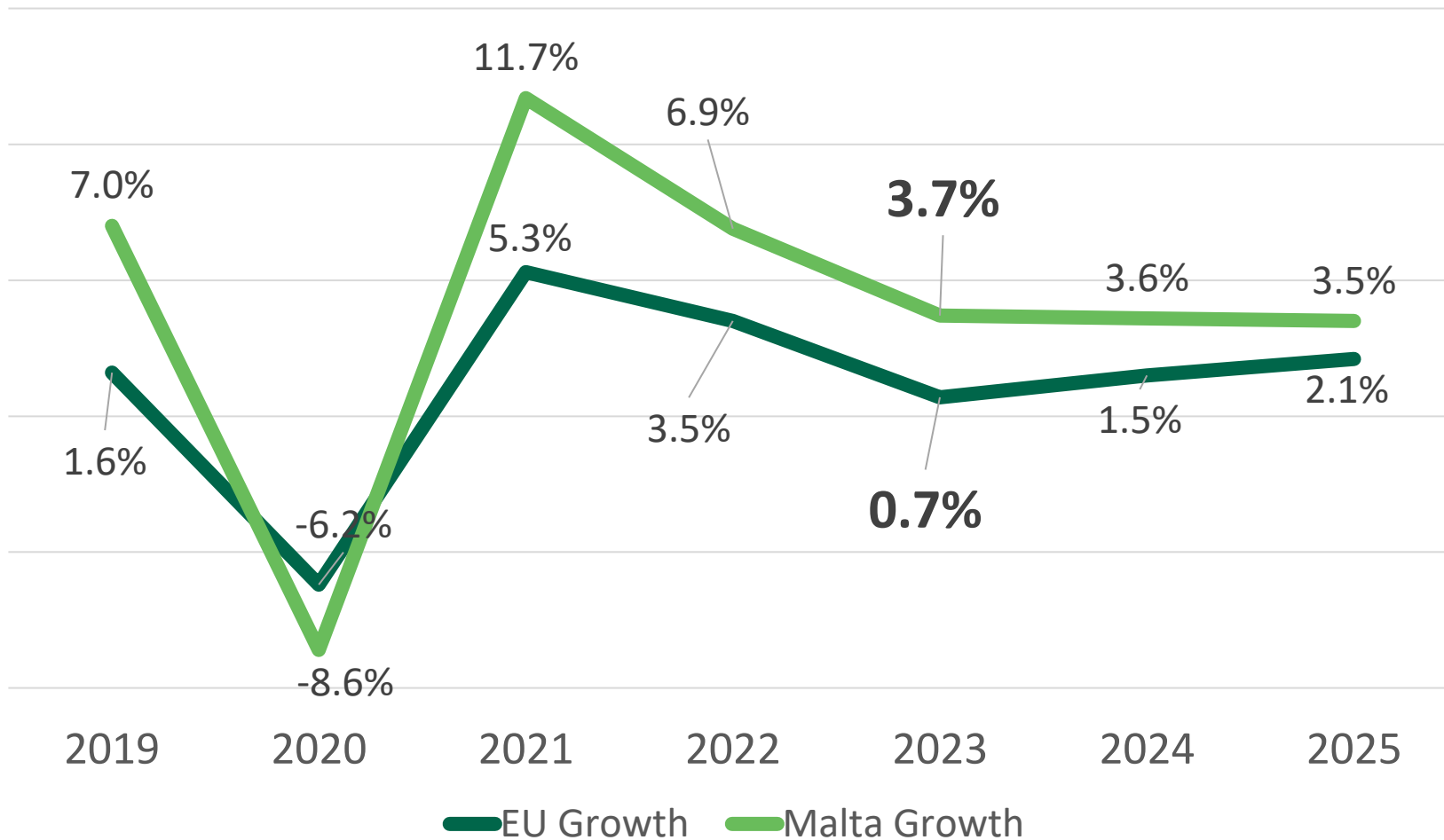


Thank you



# Malta Economic Outlook

# Economic Growth

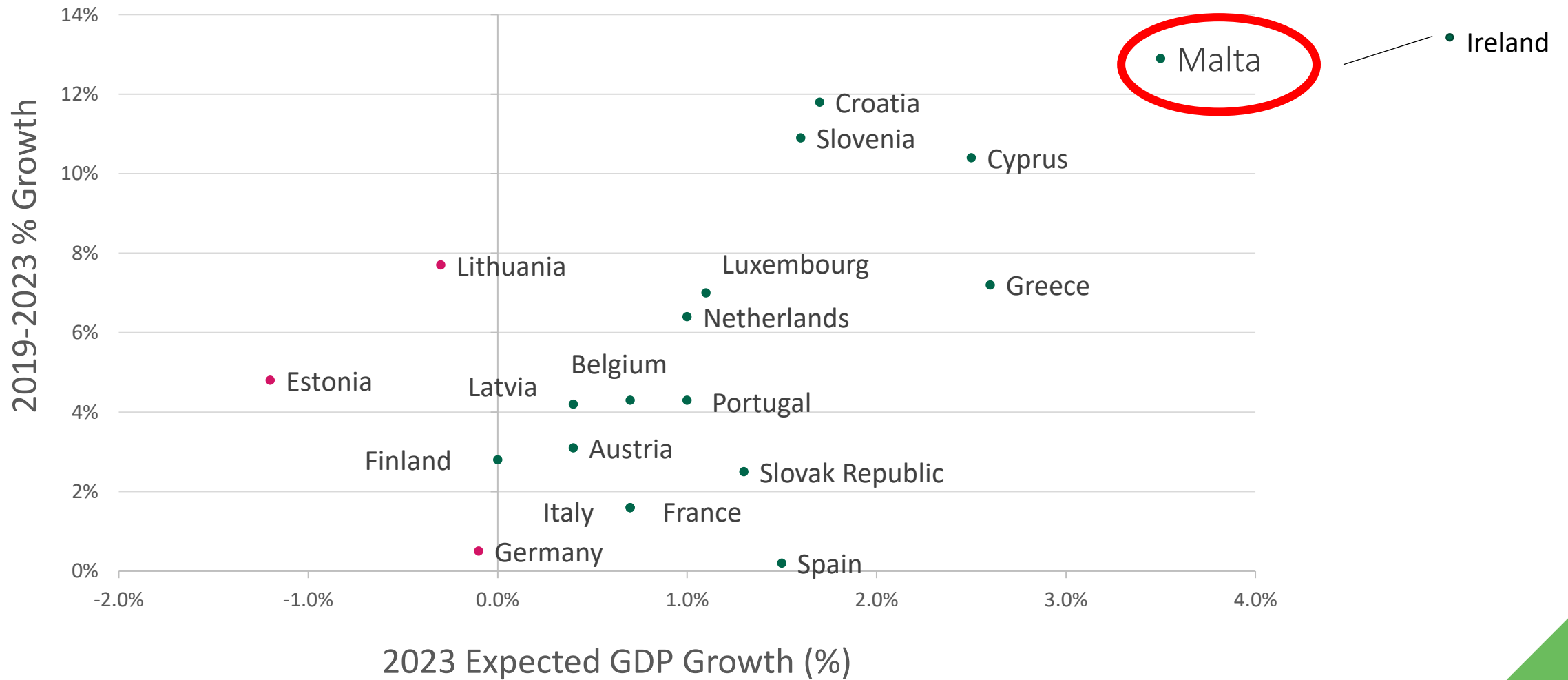


## Key risks

- Persistent inflation
- Ongoing war
- 3 years of COVID
- Financial sector turmoil
- Corporate sector strain

Source: IMF/CBM

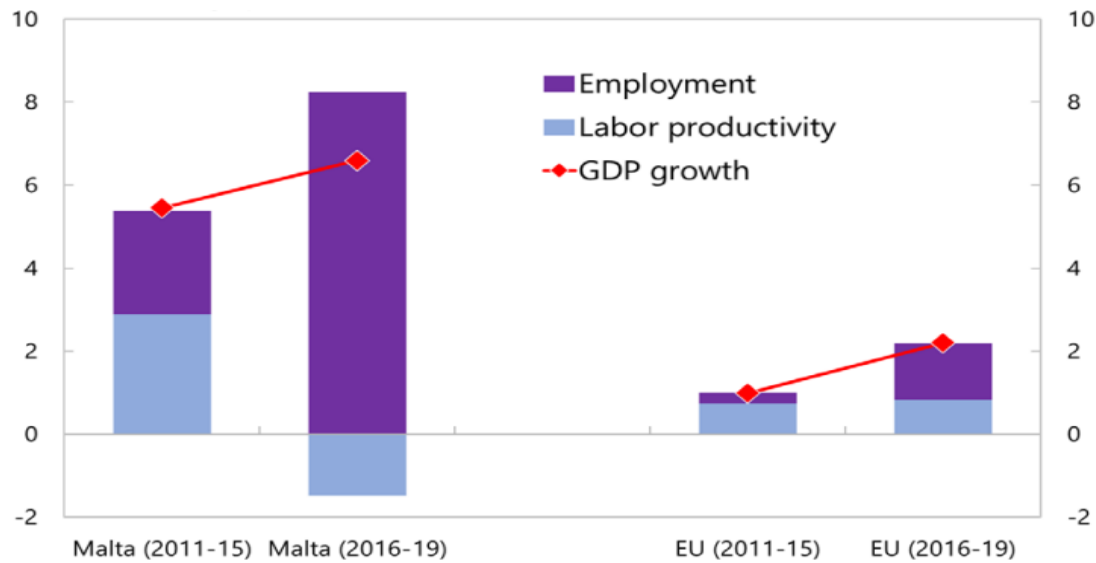
# Pre and Post Covid



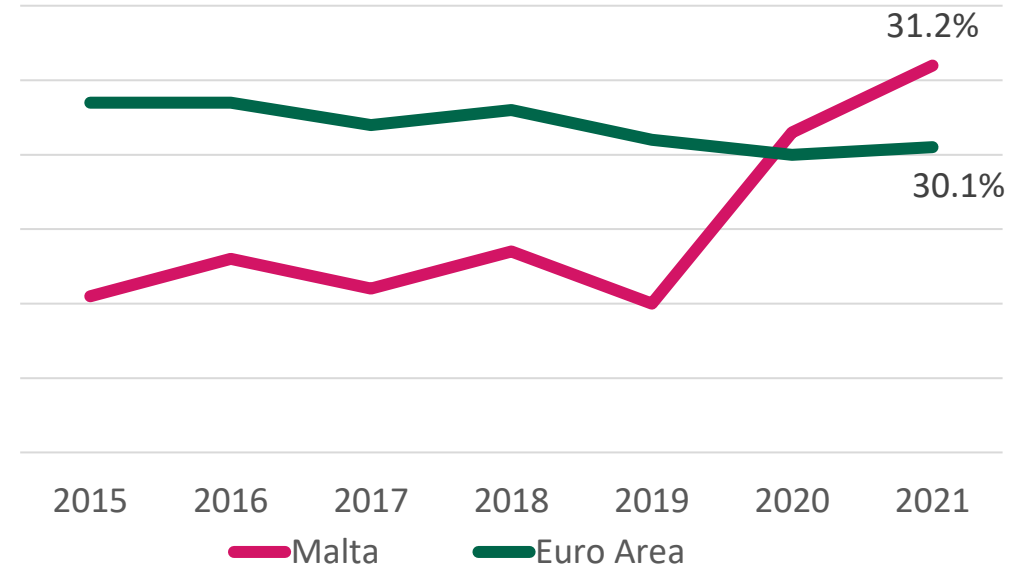
Source: IMF

# Quality of Growth

## Productivity



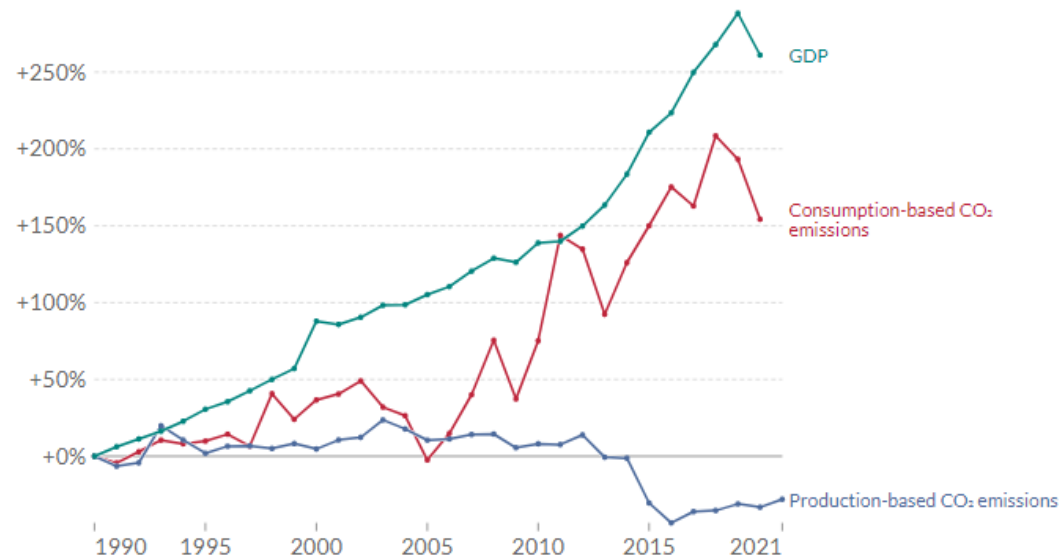
## Inequality (Gini)



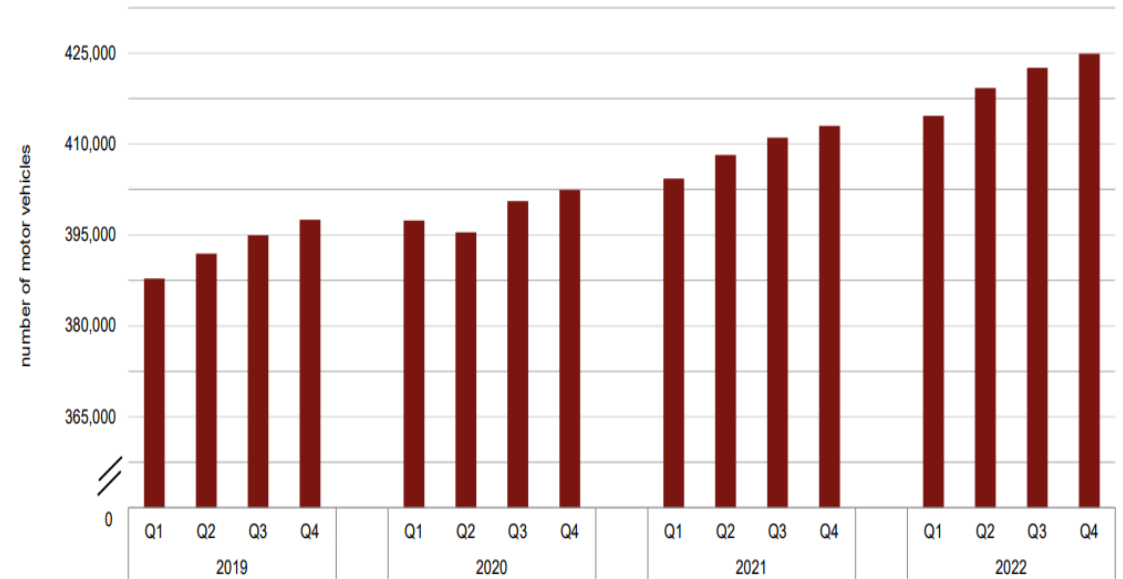
Source: Eurostat/IMF

# Quality of Growth (2)

## CO2 Emissions



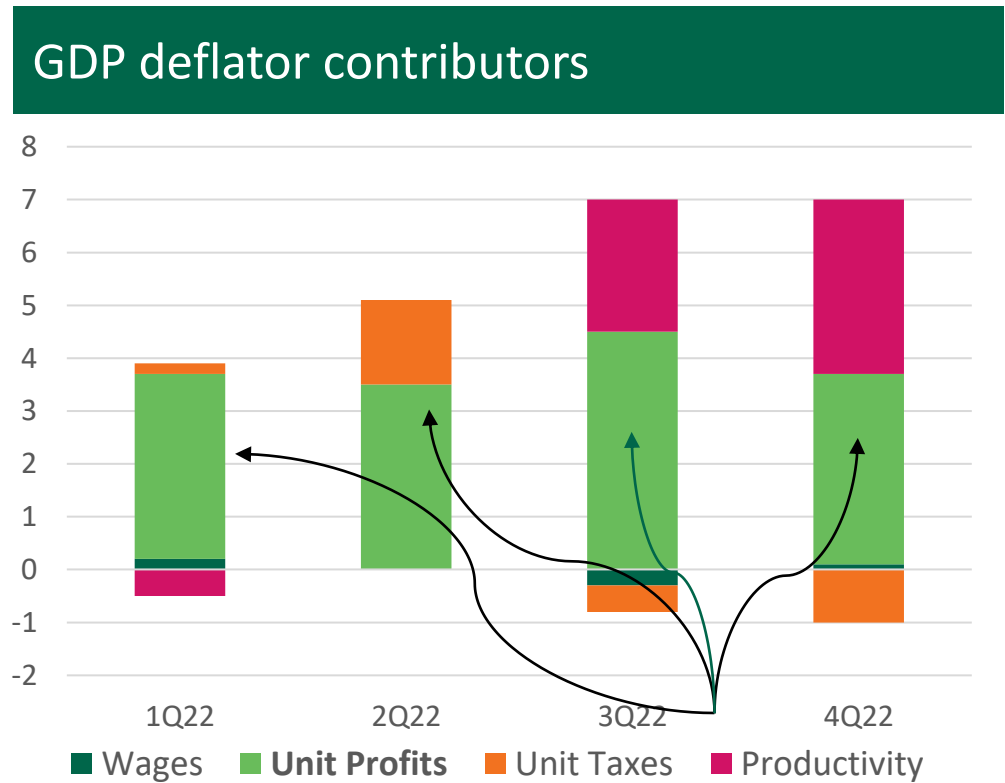
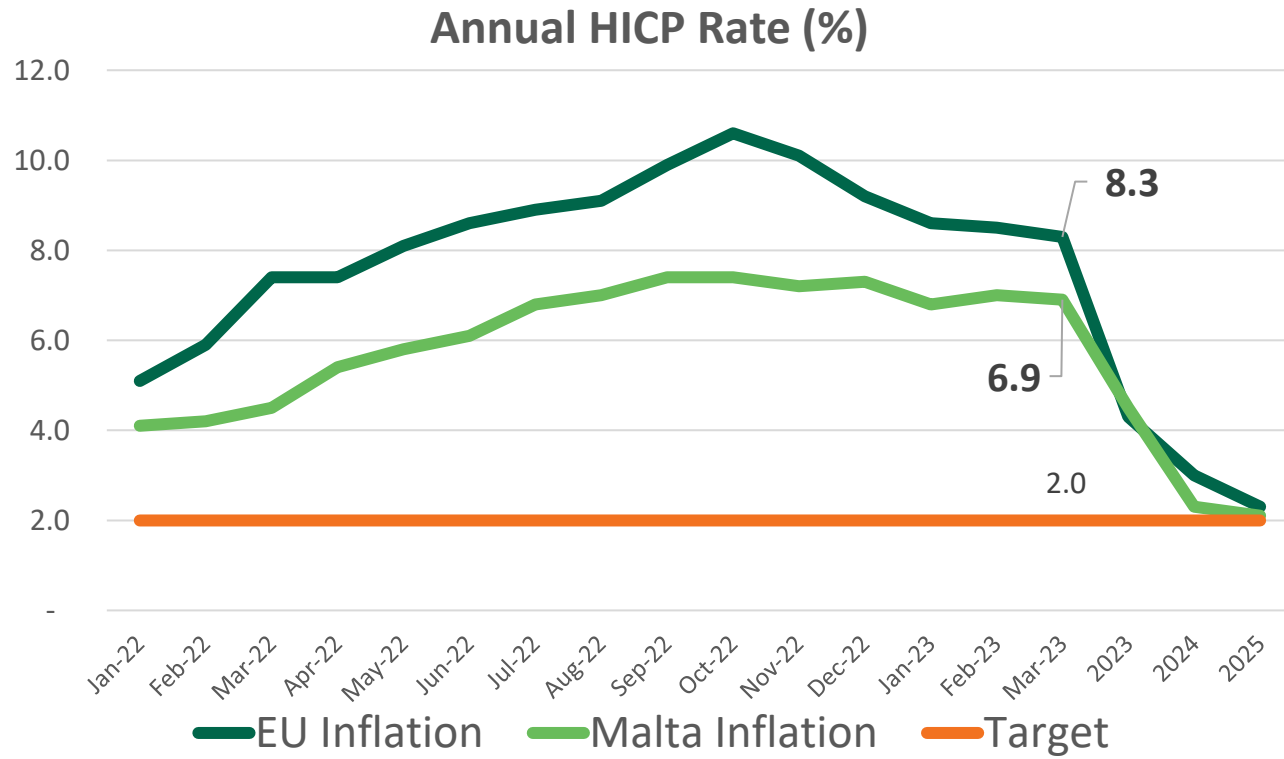
## Motor Vehicles



Source: World Bank/NSO



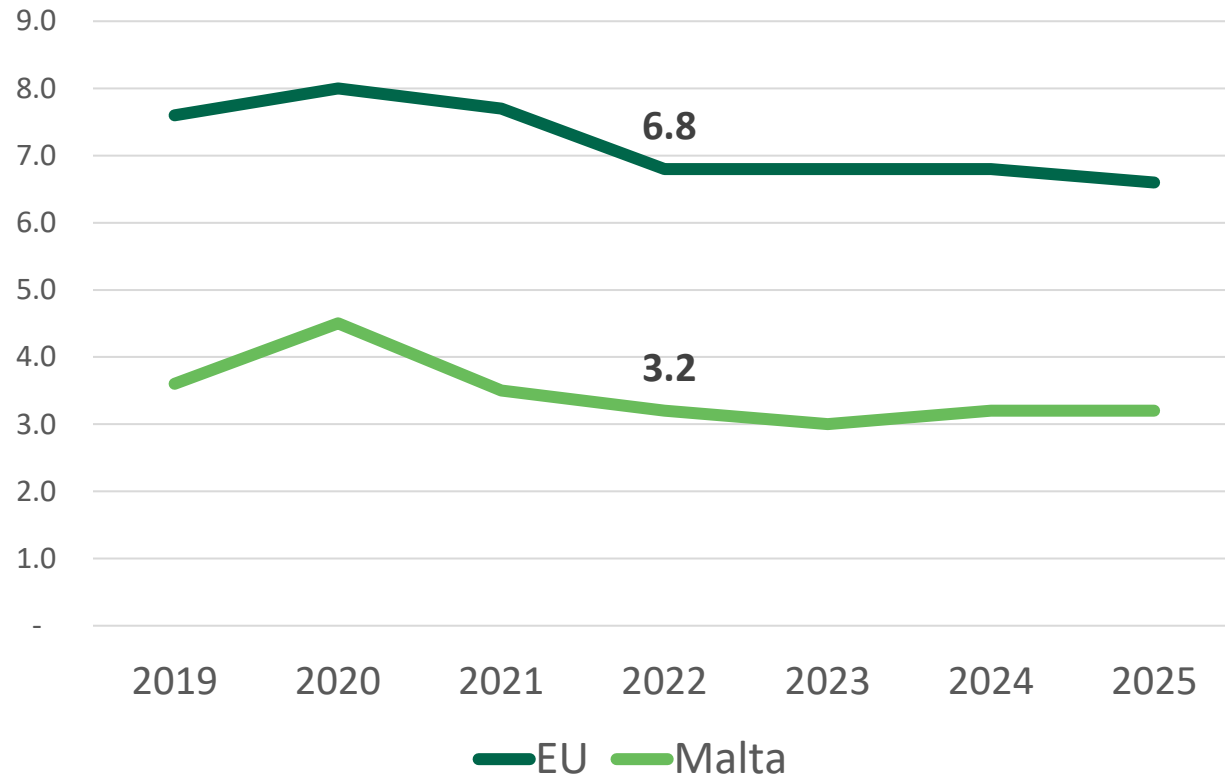
# Greedflation



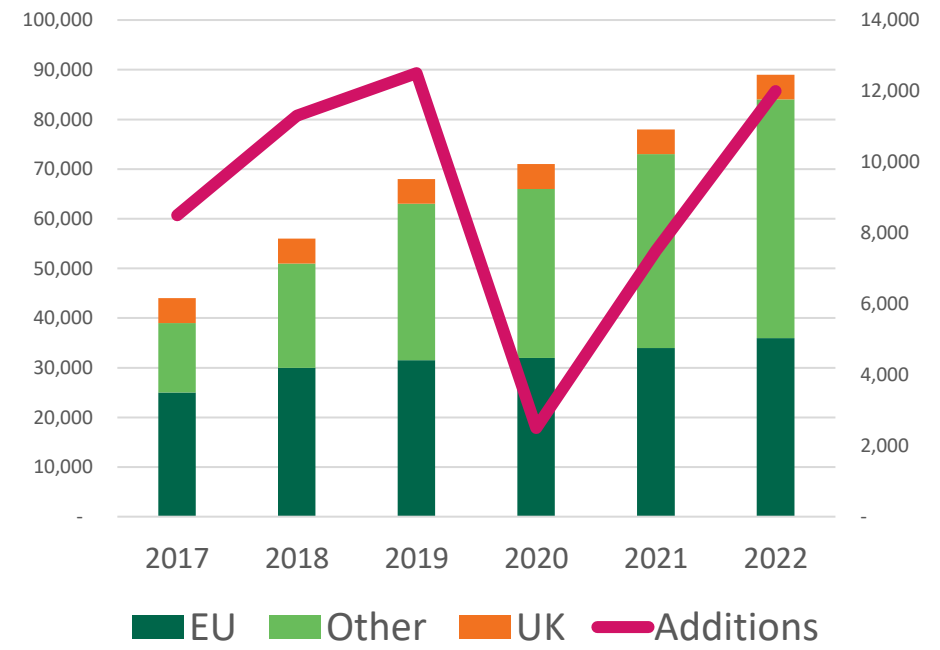
Source: NSO/Eurostat/BOV

# Employment

Unemployment rate (%)

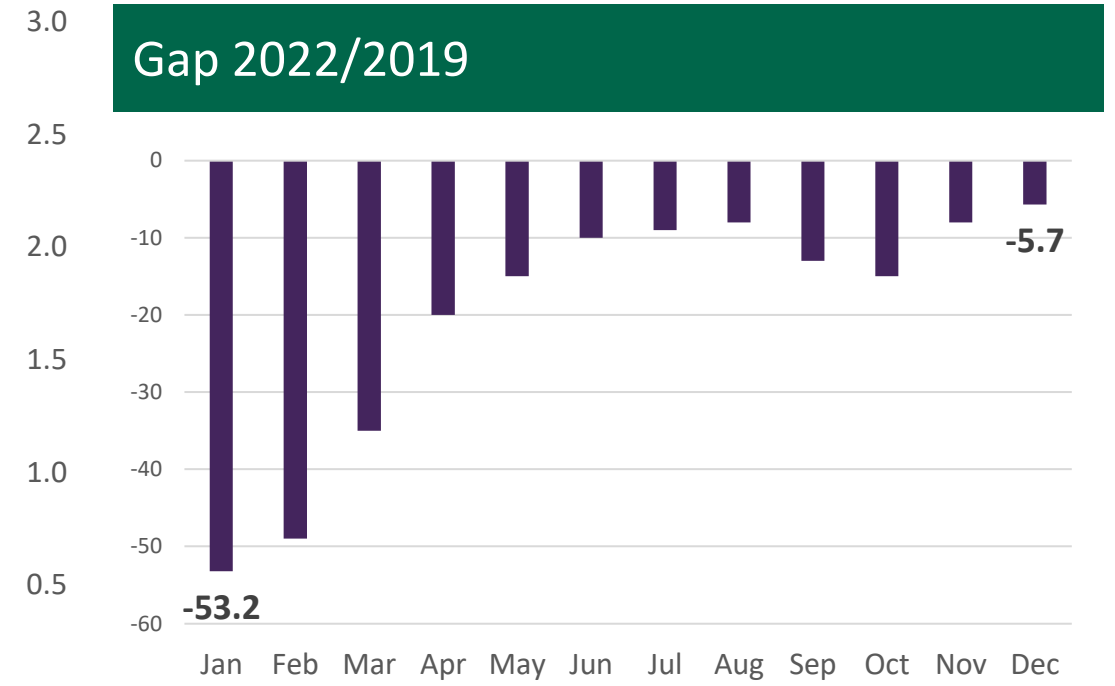
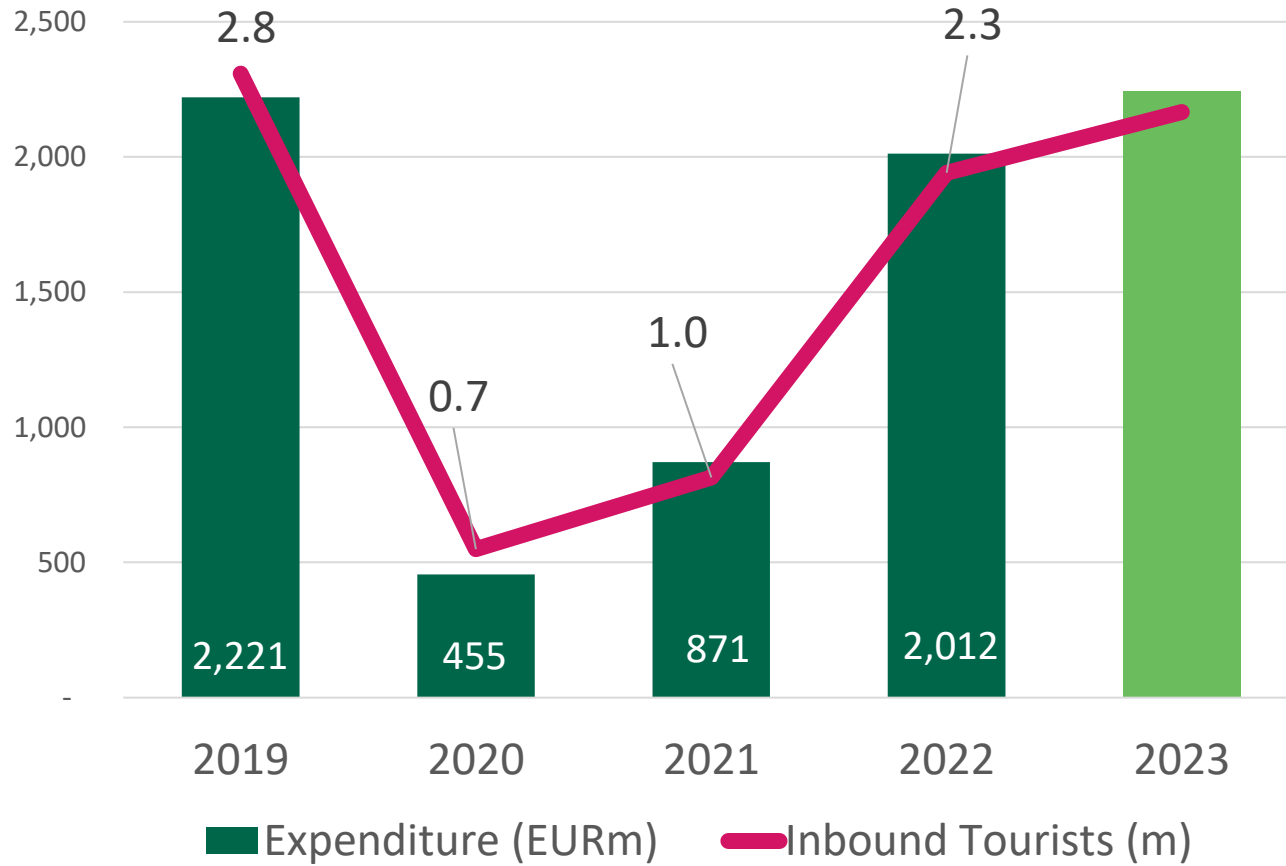


## Return of foreign workers



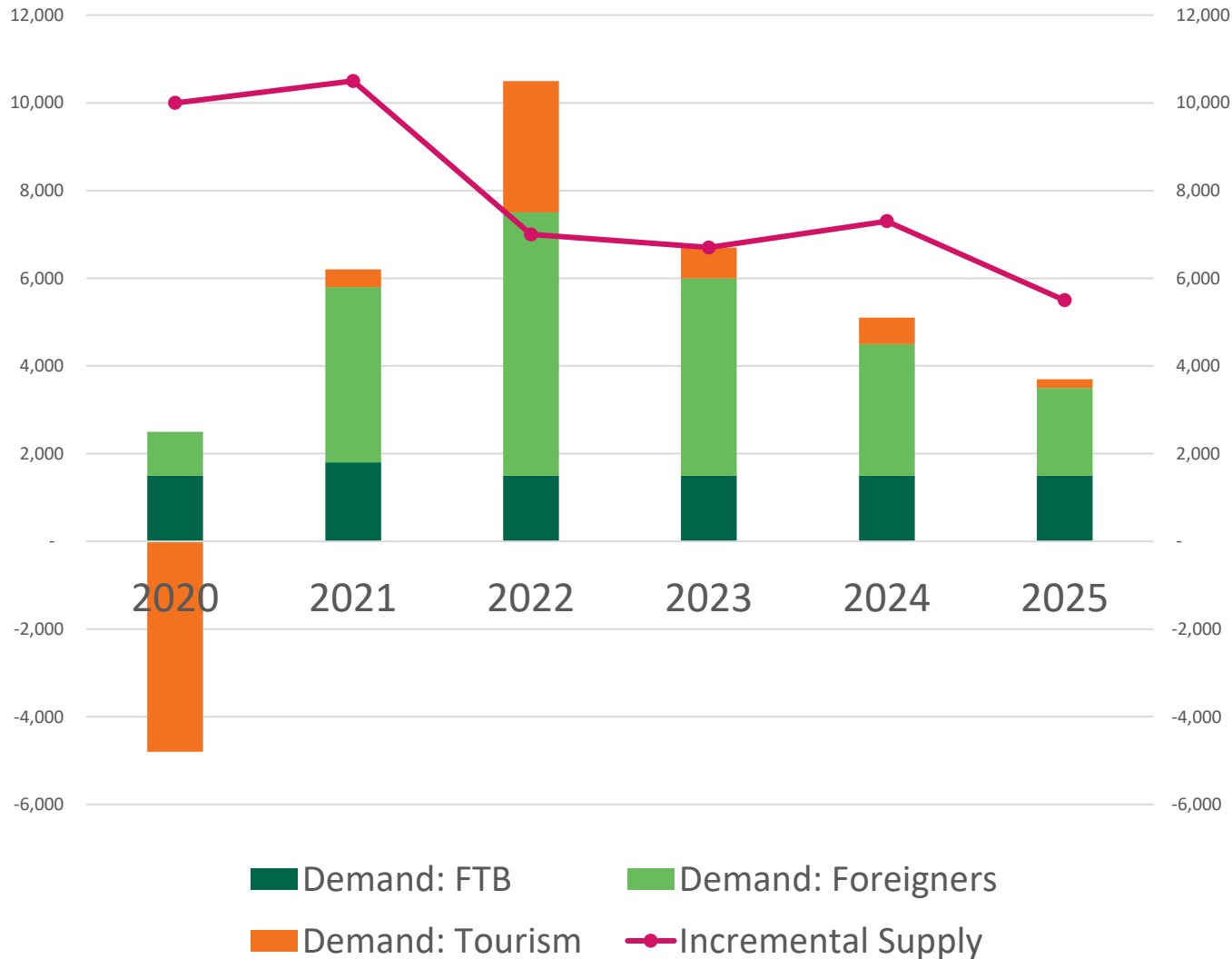
Source: NSO/CBM

# Tourism

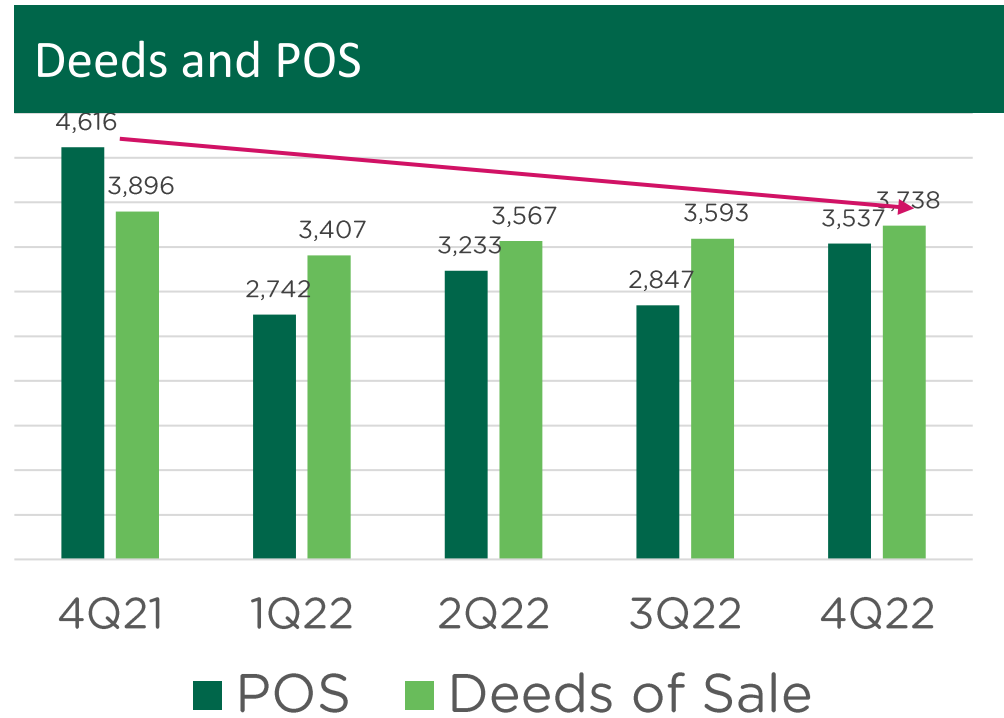


Source: NSO/KPMG

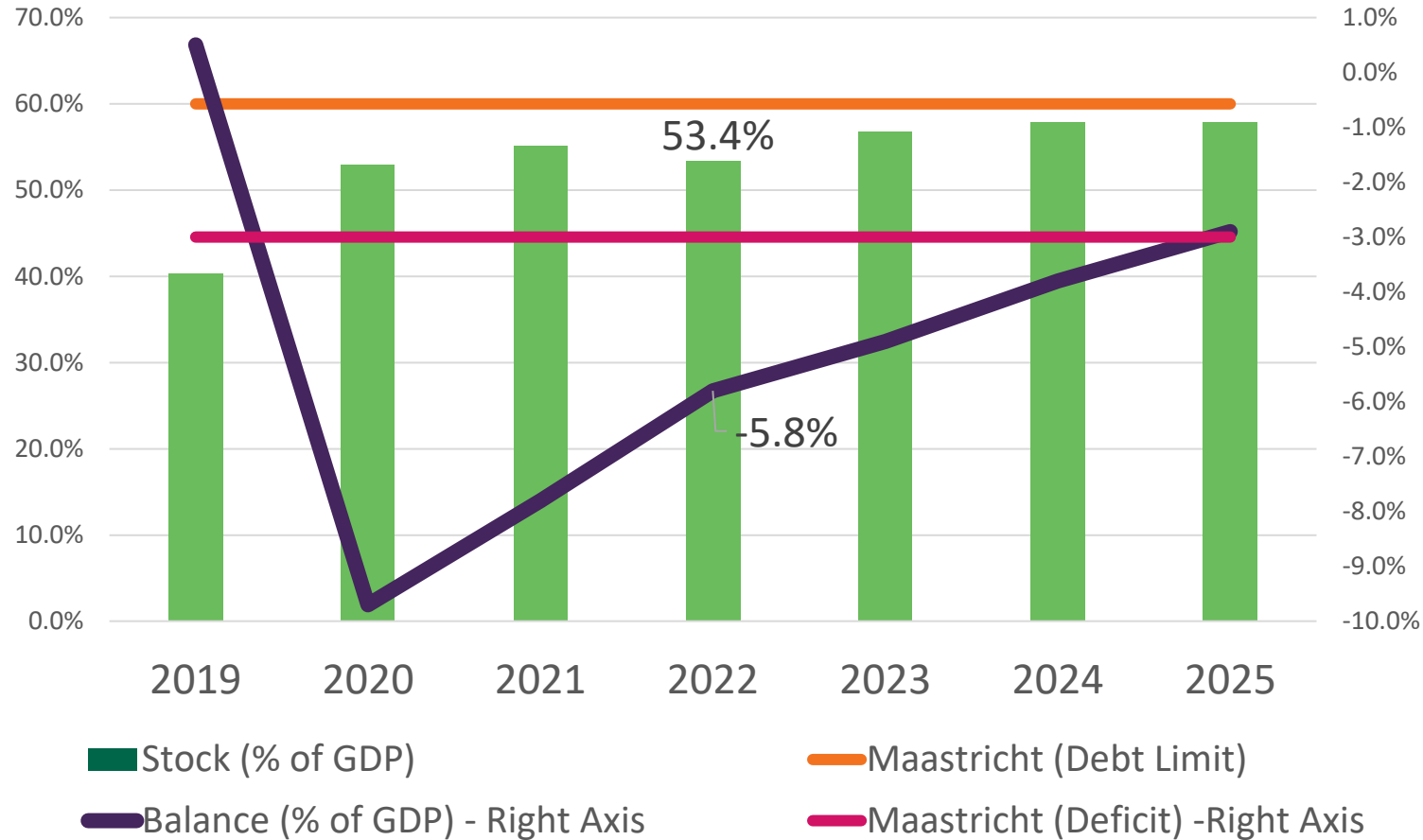
# Property Market Projections



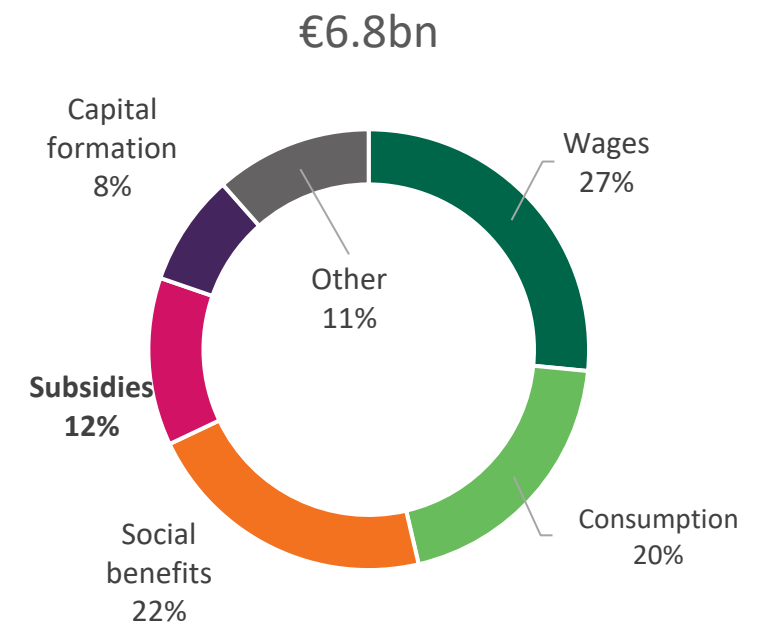
Source: Grant Thornton/NSO



# Public Finances

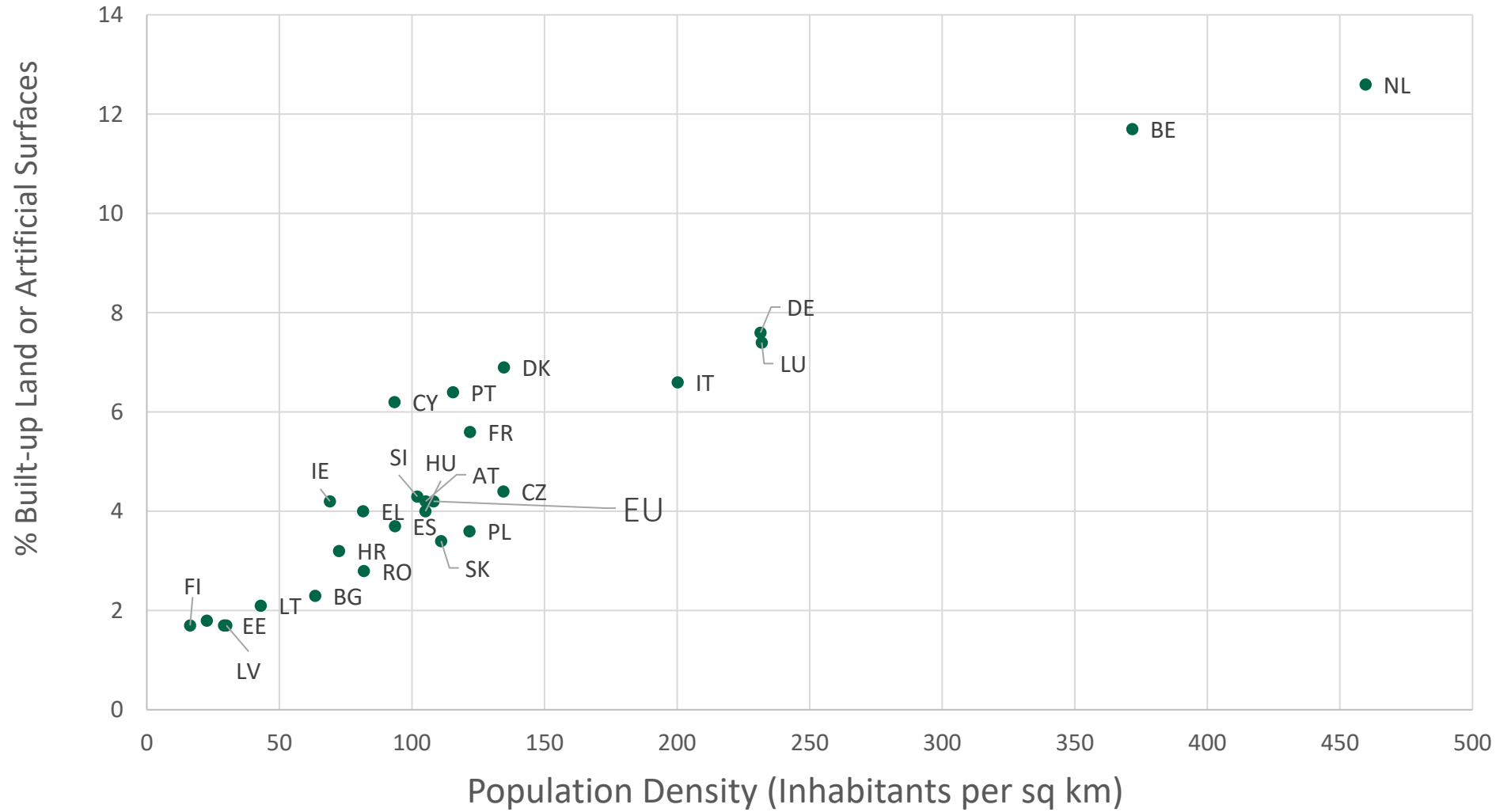


## Govt Expenditure



Source: CBM/NSO

# Overpopulation/Overdevelopment



Source: Eurostat (2018 data)

# Sustainable Development



Transformation and innovation to increase productivity



Climate change and adaptation policy



Sustainable tourism, focus on value added



Exploit one-off opportunity to upgrade infrastructure (RRF)



Strengthen governance to attract investment



Thank you