



28 April 2020

## COMPANY ANNOUNCEMENT

The following is a Company Announcement by HSBC Bank Malta p.l.c. pursuant to the Listing Rules issued by the Listing Authority:

### **HSBC BANK MALTA p.l.c. INTERIM DIRECTORS' STATEMENT AND COVID-19 IMPACT UPDATE**

#### **Quote**

The COVID-19 outbreak is an unprecedented event in modern times that has unavoidably caused significant disruption to Malta's economy. While HSBC Bank Malta p.l.c. (the 'bank') welcomes the measures taken by the government to protect jobs and safeguard companies, it is expected that Malta's economy will contract sharply in 2020. The outlook over the medium term remains uncertain and volatile. The pace and effectiveness of recovery will have significant dependency on both local and international progress to combat the COVID-19.

Prior to COVID-19 the bank had experienced a strong start to 2020, with business volumes ahead of the prior year. Good progress continued on cost reduction, with operating expenses in the first quarter lower than the same period in 2019, reflecting ongoing delivery of the strategic actions announced last year.

Compared to December 2019, loans and advances to customers increased, driven by strong growth in mortgages and increases in the commercial banking book. Liquidity continues to be robust, with customer deposits increasing since December 2019.

The environment, which supported this strong growth has clearly changed. At the current time, the bank has not experienced material increases in specific credit losses from either business or retail customers. This reflects the benefit of support measures introduced by government, policy guidance from regulators and the bank's conservative risk culture.

However, the Board has made judgements to reflect the potential impact of COVID-19 at a portfolio level, and accordingly the bank has booked an expected credit loss provision of €7m in the first quarter results. Excluding the subsidiaries, the bank continued to be profitable during the first quarter, but at a lower level than the same period in 2019 in view of the increased credit loss provision. The bank's capital position remains exceptionally strong and exceeds regulatory requirements.

Including the subsidiaries, the bank's results were impacted by extreme market volatility in the investment portfolio of HSBC Life Assurance (Malta) Limited ('HSBC Life'). HSBC Life holds financial assets over a long-term horizon but is required under accounting rules to value these at current market rates and recognise valuation adjustments in each reporting period. Given the extreme market conditions, HSBC Life reported a loss in the first quarter of the year but remains adequately capitalised.

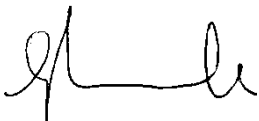
After including HSBC Life results, the local group made a loss before tax of €7m in the first quarter of the year.

Andrew Beane, Chief Executive Officer of the bank, said: “Our priority as a bank during these extraordinary times is to support Malta’s economy, while keeping our employees and customers safe. I am humbled by the heroic efforts of my HSBC colleagues to keep the bank’s services available to our customers and I am enormously grateful to all of them.

It is inevitable that these events will have significant negative implications for profitability. HSBC’s long-established conservative approach to risk places us in a strong position to withstand these challenges. The volatility that has impacted our insurance company is to be expected in these market conditions”.

Simon Vaughan Johnson, Chief Executive Officer Designate of the bank, said: “While of course I wish the circumstances for the country were easier ones for everybody, I am struck by the courage and fortitude of the Maltese people and am enormously grateful to my HSBC colleagues in Malta for their care and dedication. HSBC has a long tradition of supporting our customers and communities in difficult times and we will continue to do so.”

***Unquote***



Dr George Brancalone LL.D.  
Company Secretary

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**Notes to editors:**

**1. Basis of preparation**

This statement is based on the unaudited management accounts of HSBC Bank Malta p.l.c. up to 31 March 2020 and other financial information.

**2. HSBC Holdings plc**

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$ 2,918bn at 31 March 2020, HSBC is one of the world’s largest banking and financial services organisations.