



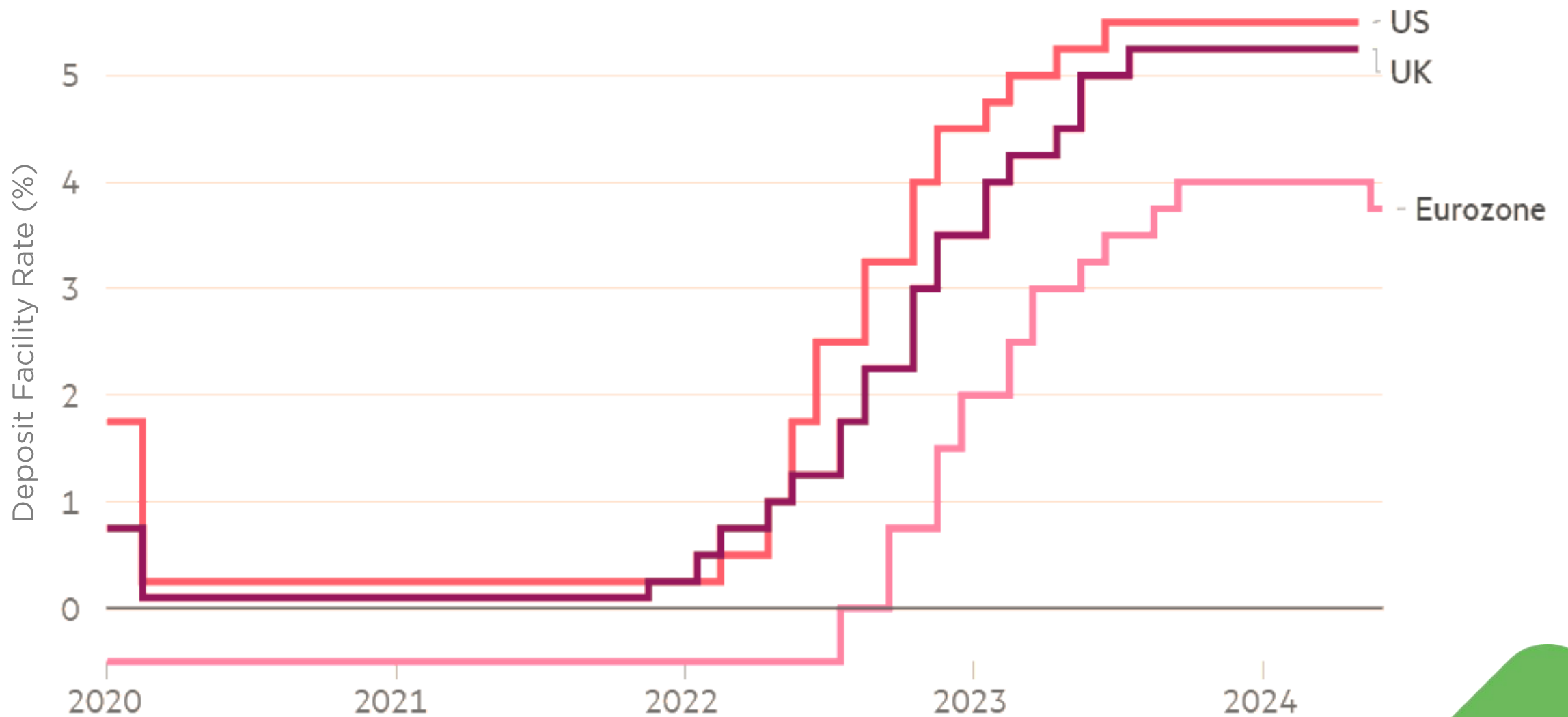
What does the ECB's rate cut mean for our customers?

Market Briefing 11 June 2024



Global background

First large economy to cut rates

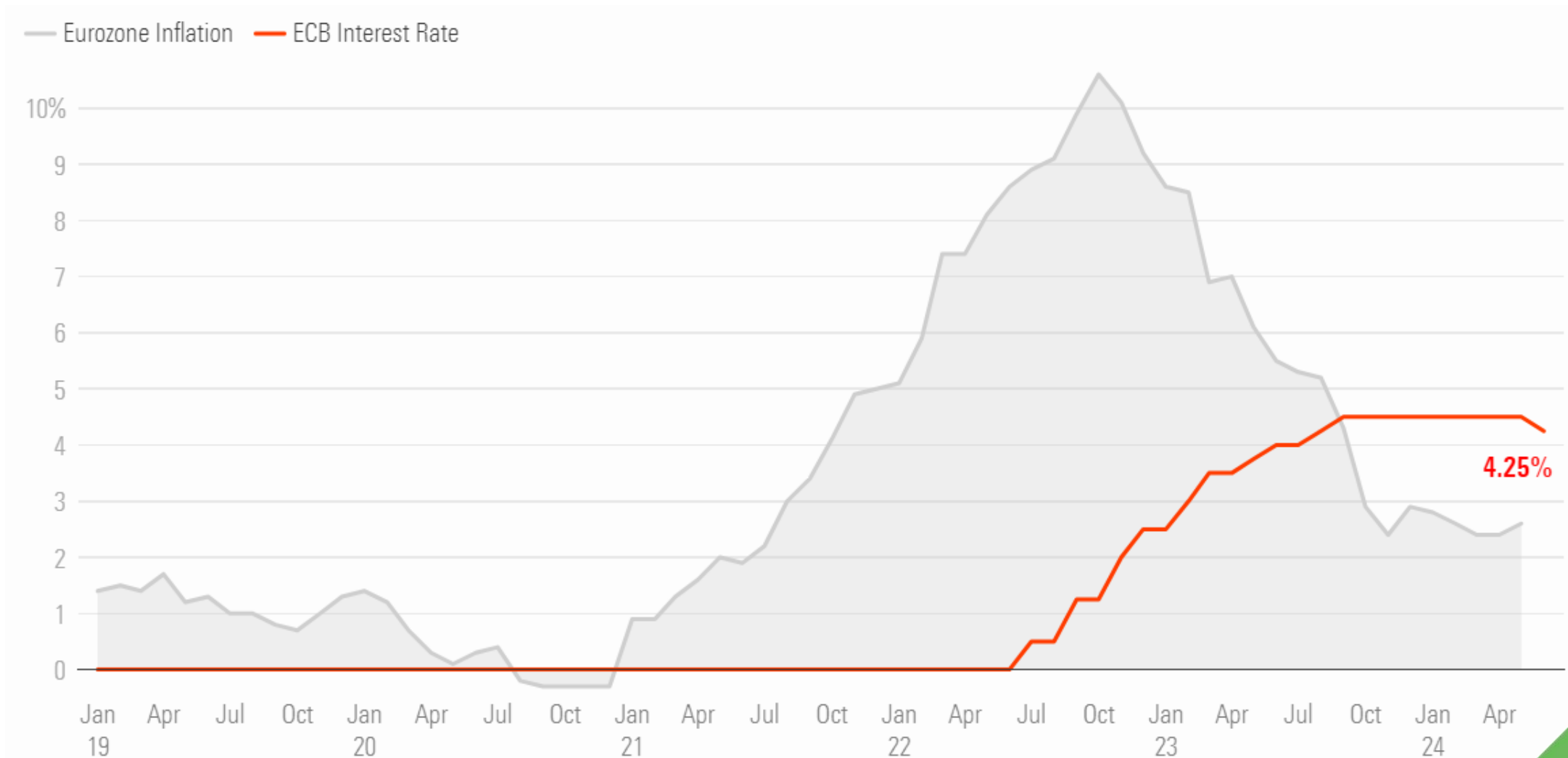


Previous rate cut cycles started from a crisis



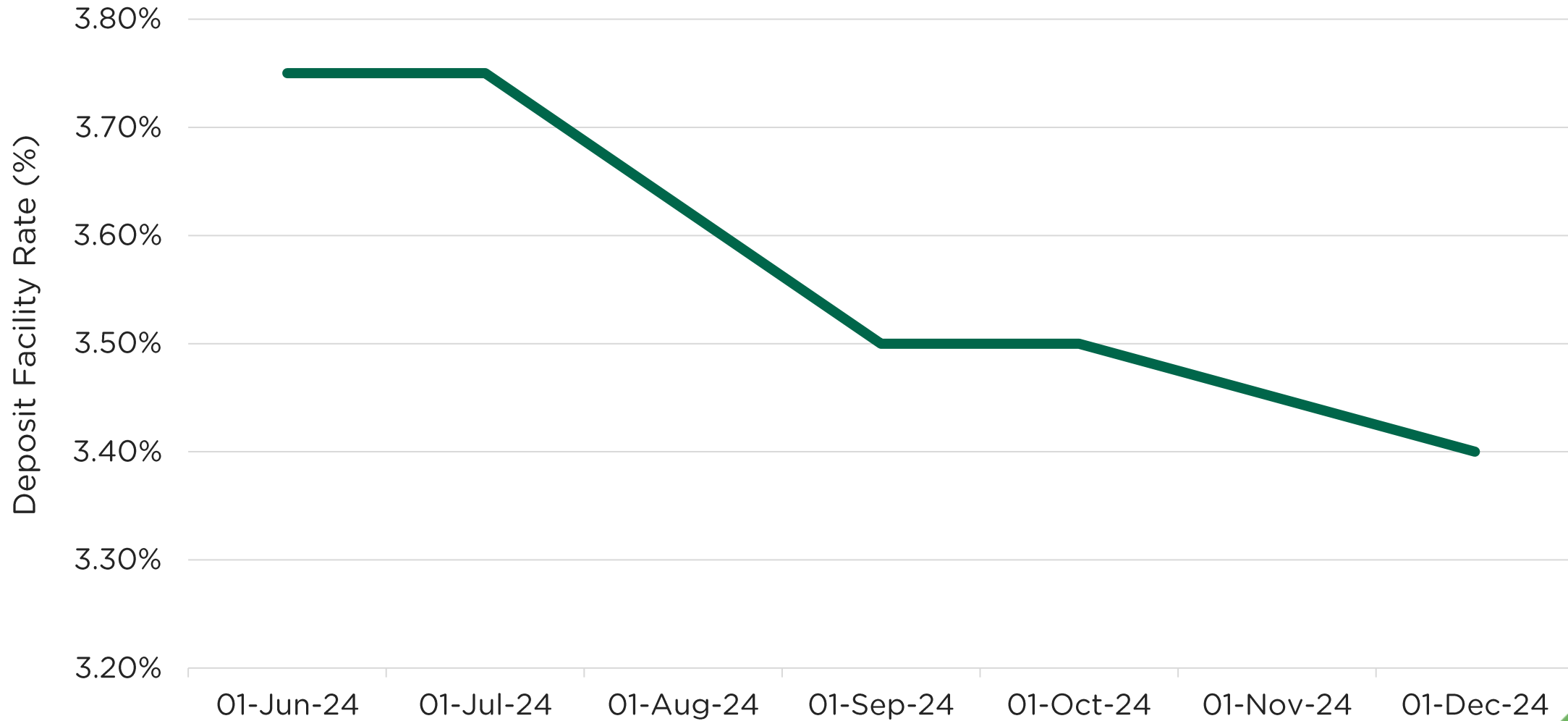
ECB cutting rates into an improving situation (rather than a deteriorating one), making further rate cuts less urgent/certain than in previous cycles

2% inflation rate is still far off



Source: Morningstar

How many more cuts in 2024?

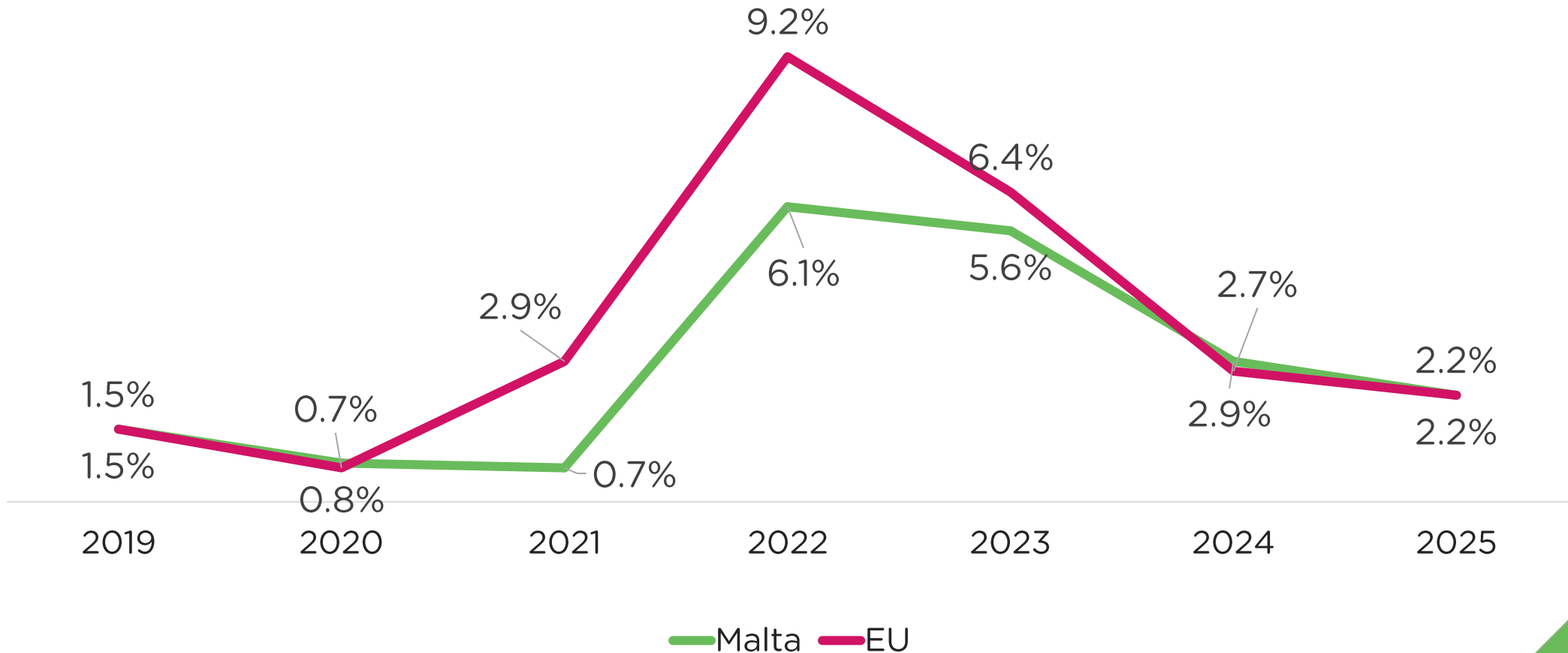




The local context

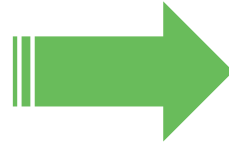
Inflation in Malta was less damaging than in the EU

Inflation rate (HICP)



How do lower interest rates stimulate the economy

Lower cost of mortgages



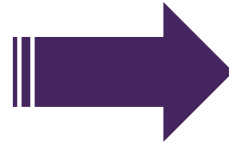
Recovery in housing markets

Lower rates on corporate loans



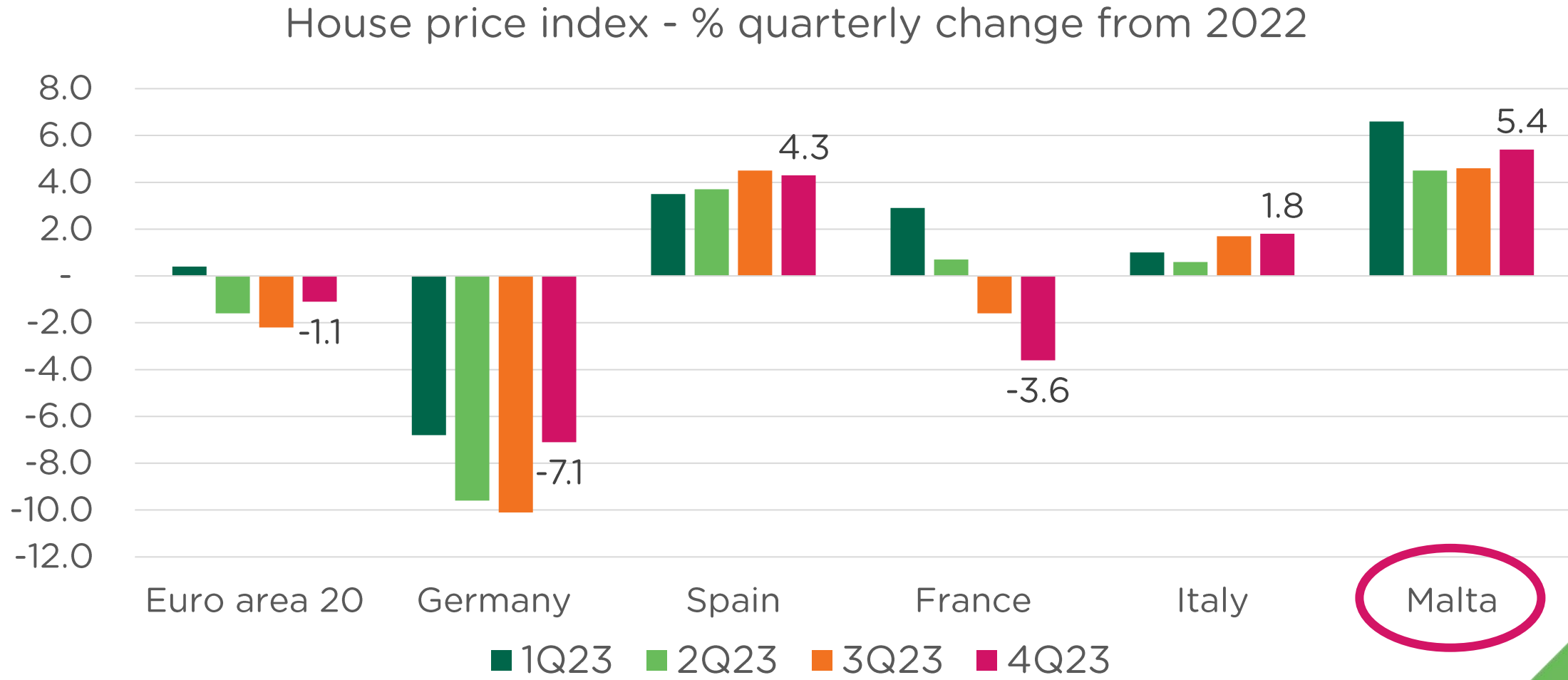
Recovery in investment

Lower consumer lending rates



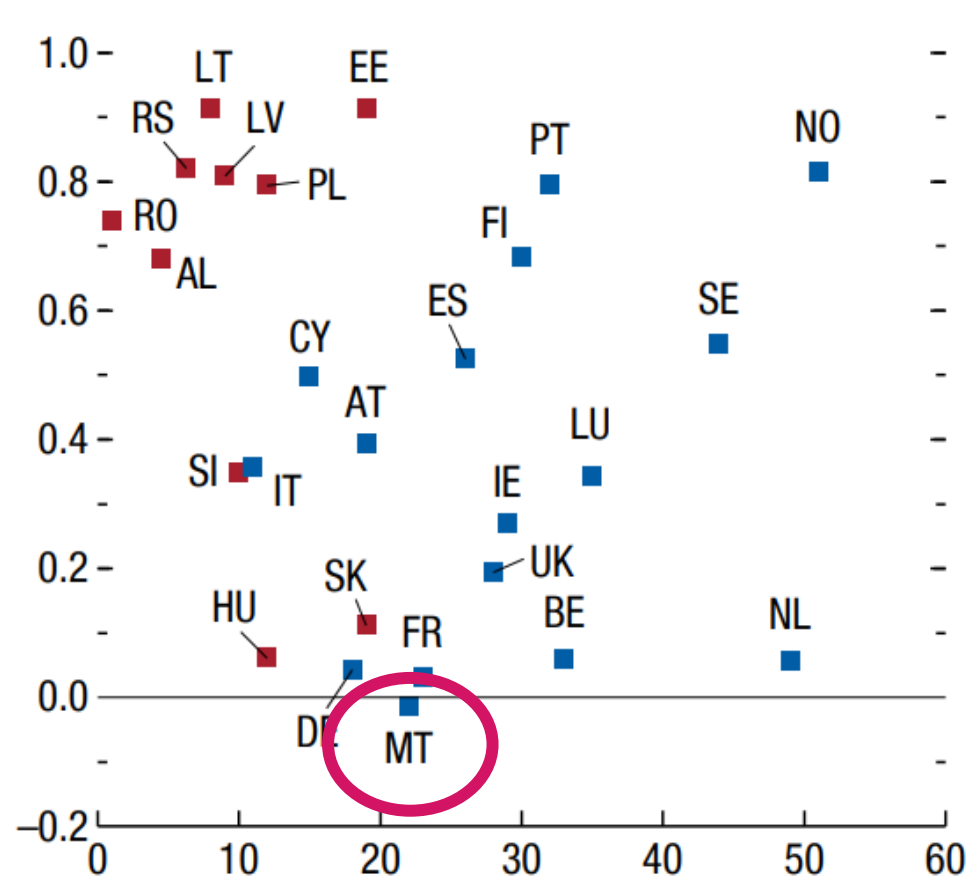
Higher disposable income/recovery in consumer spending

Effect of rate hikes on house prices

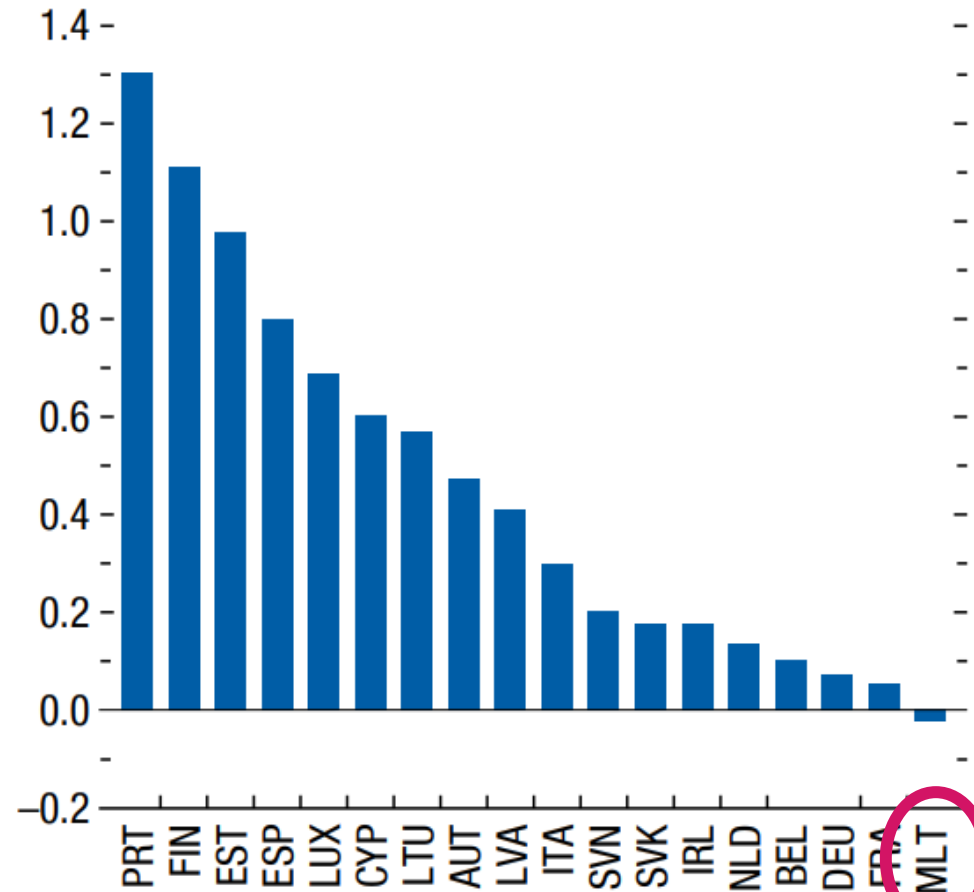


The Maltese anomaly

Pass-through and % of Households with mortgages (*ratio*)

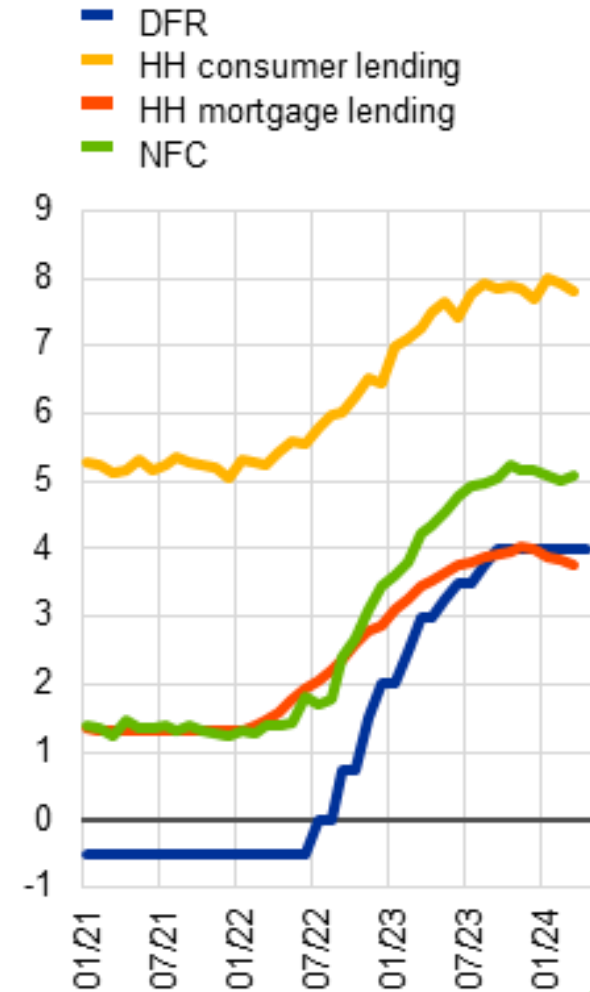
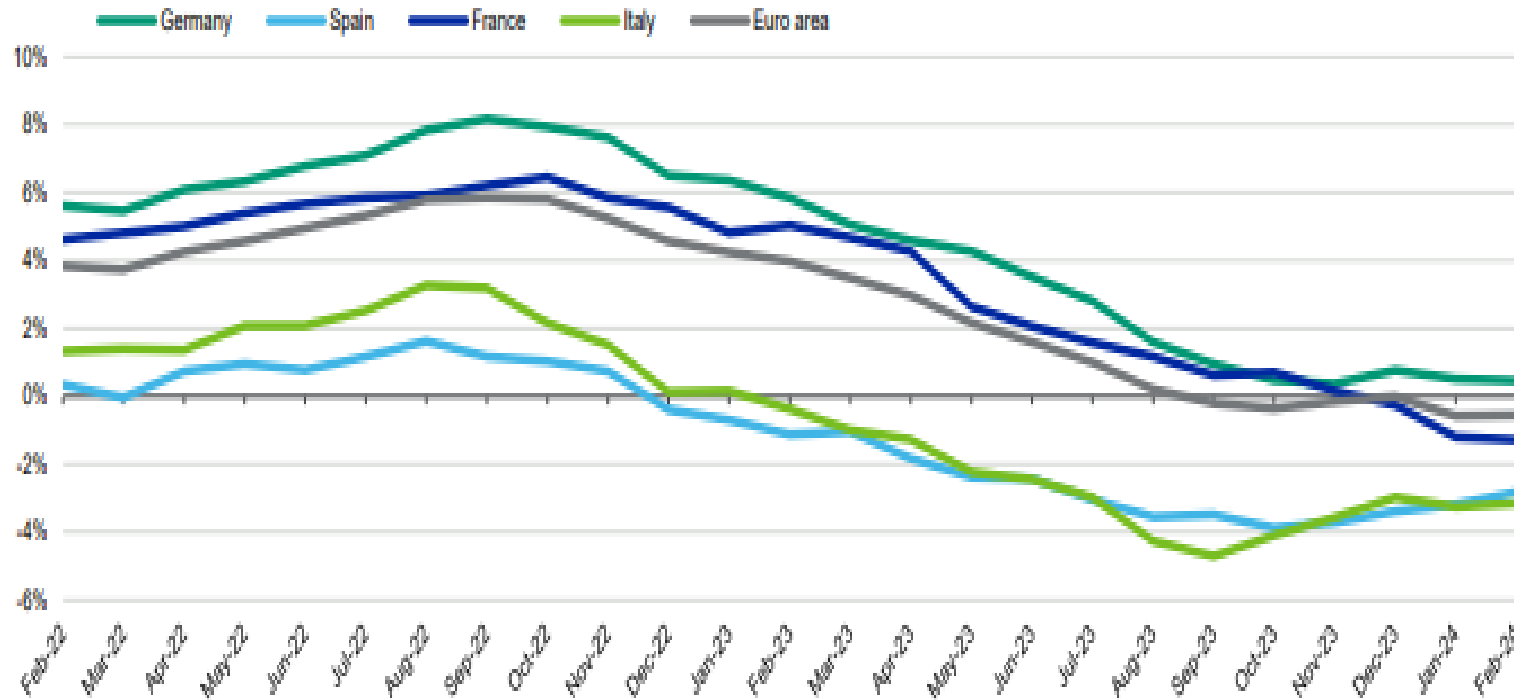


Change in mortgage service costs after ECB hikes (% of 2022 GDP)



Eurozone loan growth has been subdued

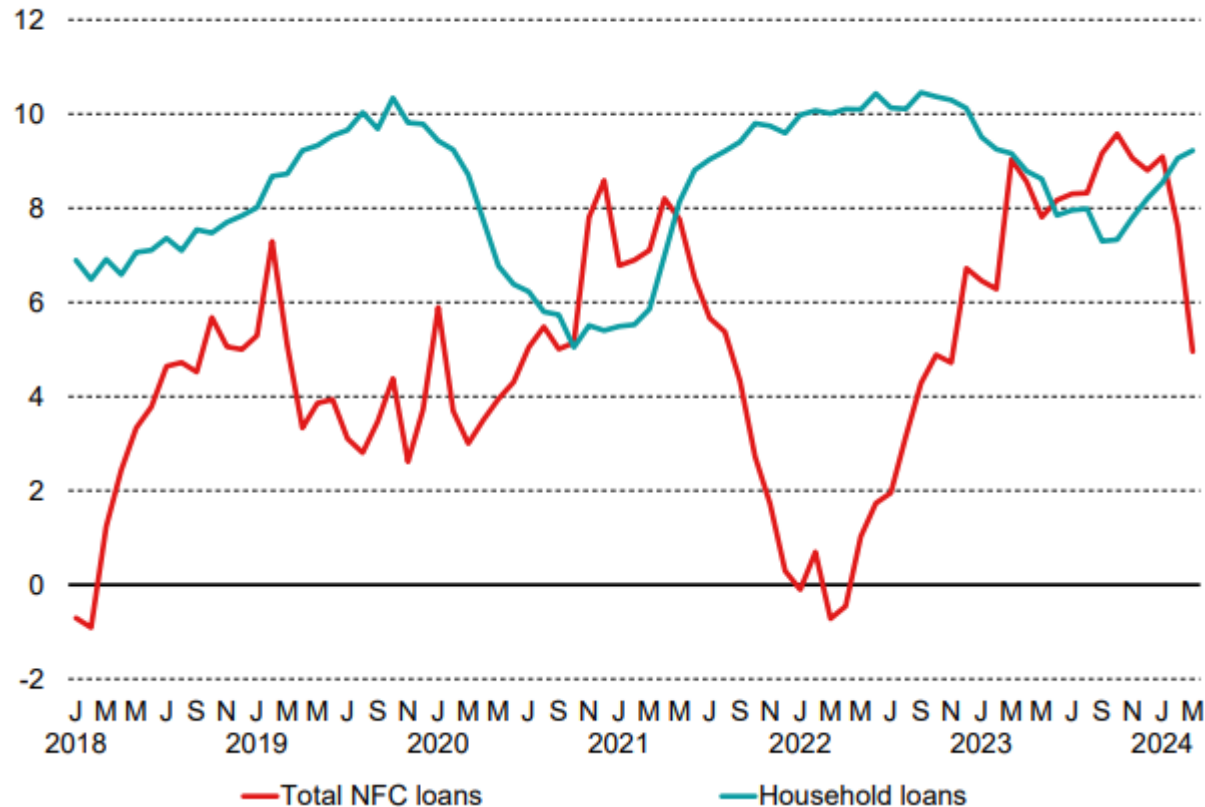
Year-over-year change in domestic bank loans to customers, %



Bank lending trends in Malta diverge from Eurozone

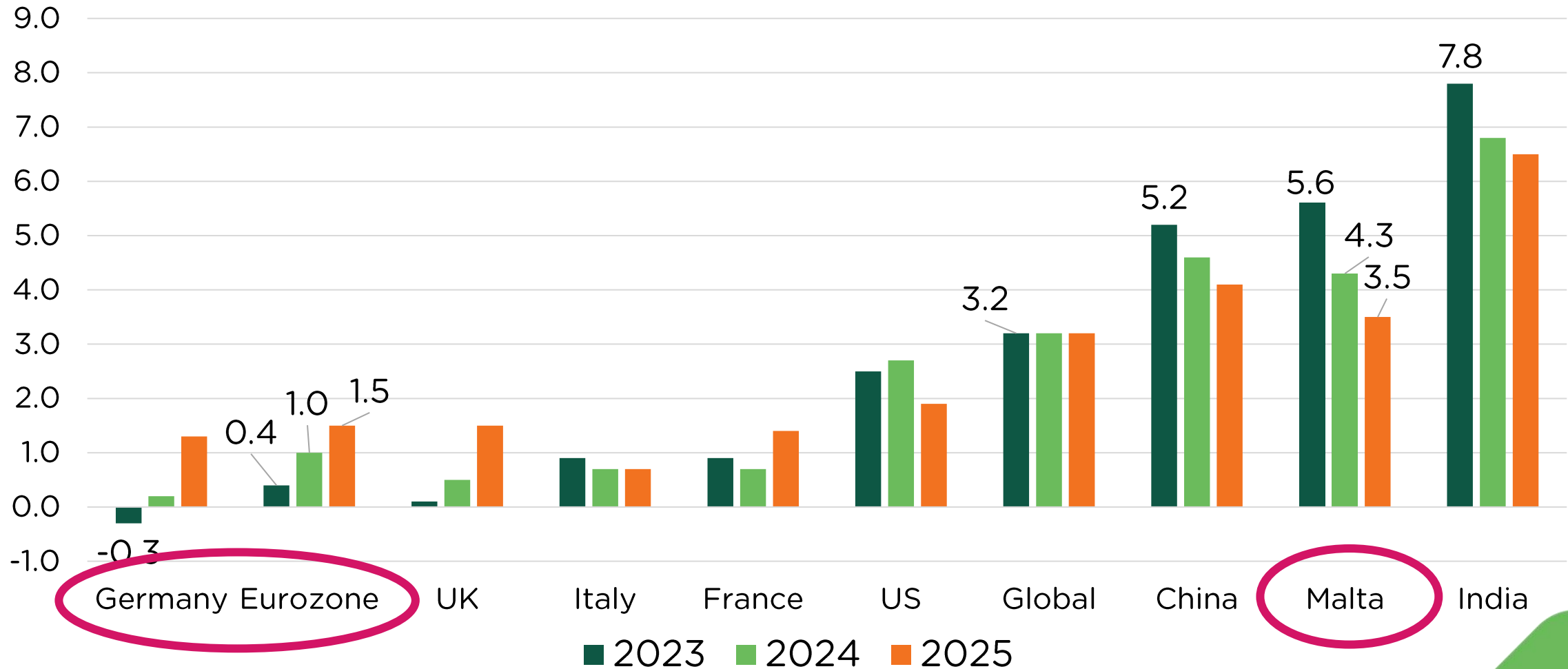
LOANS BY SECTOR

(annual percentage changes)

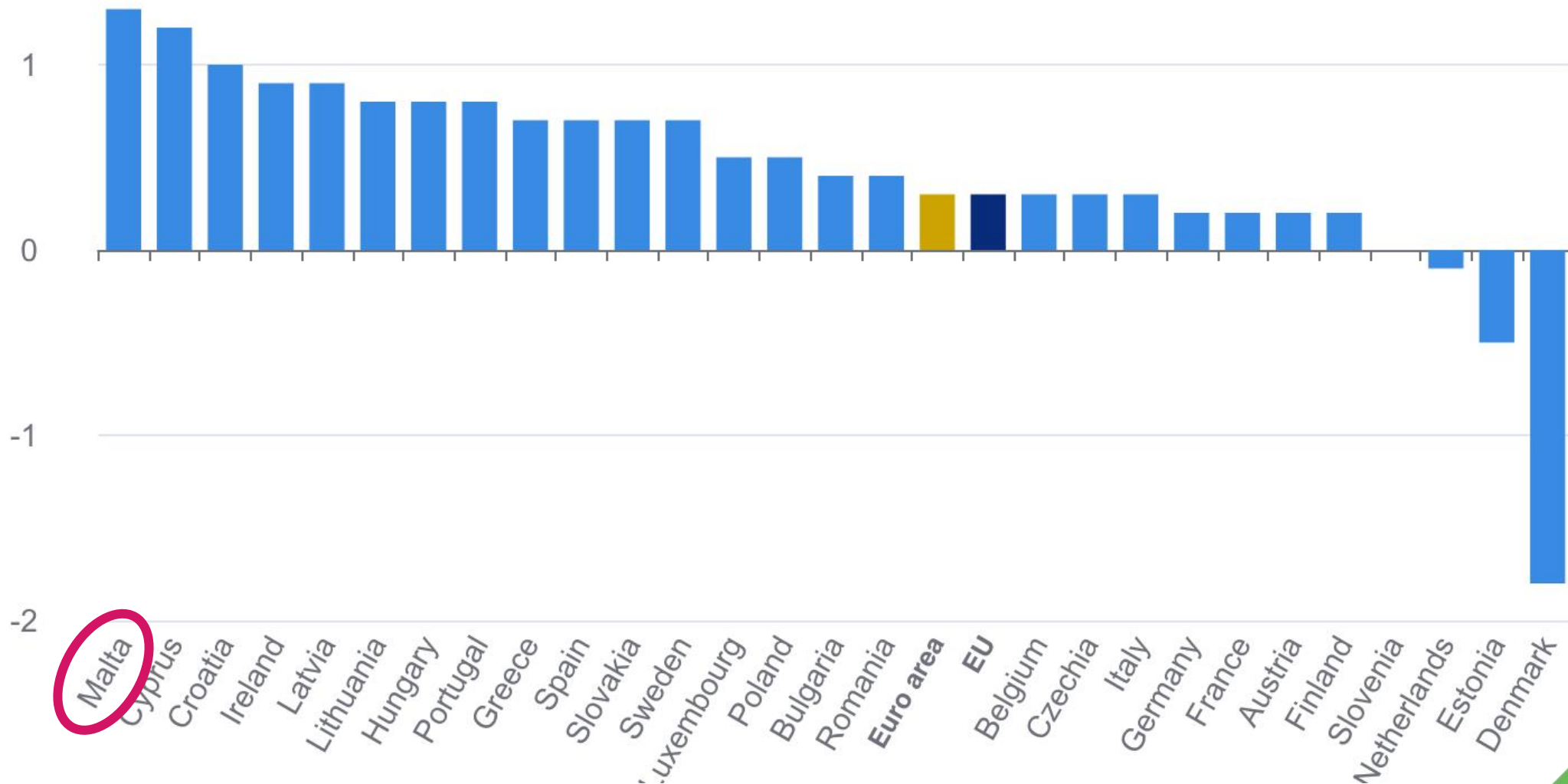


	March 23	March 24
Rates charged on new loans	2.96%	3.22%

GDP growth forecast to 2025



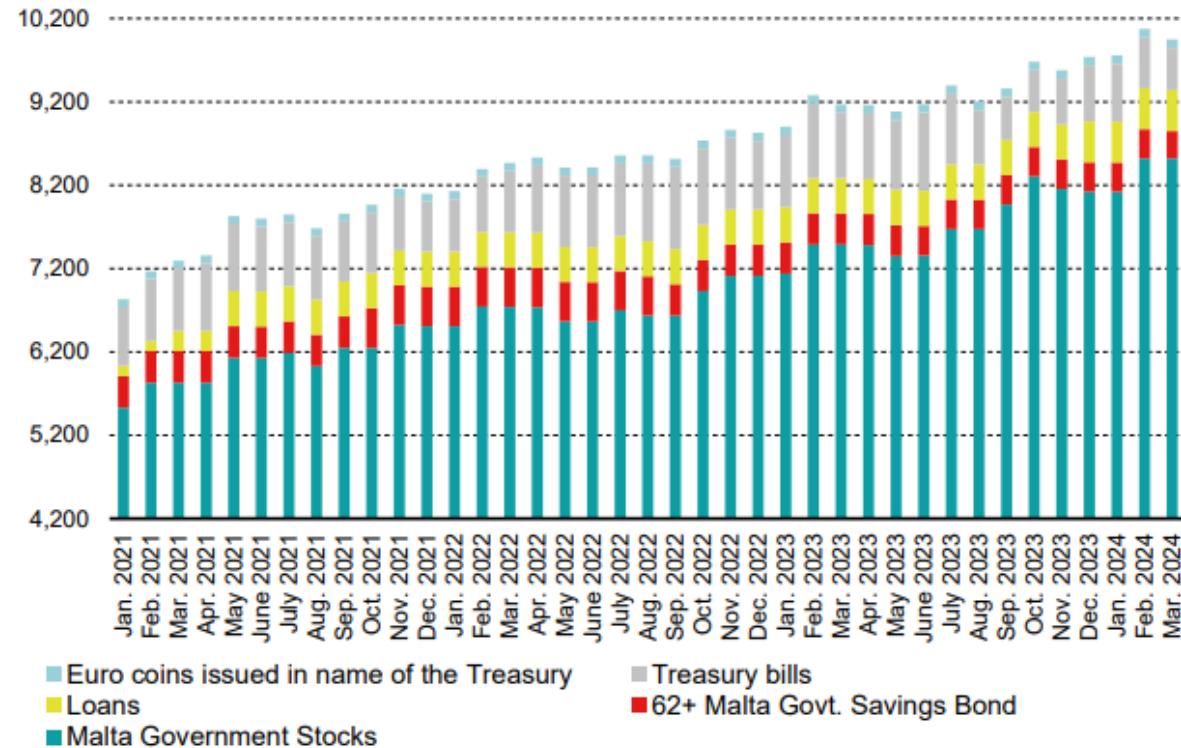
Malta keeps growing above average in 1Q24 (GDP %)



Government funding needs crowded out bank deposits

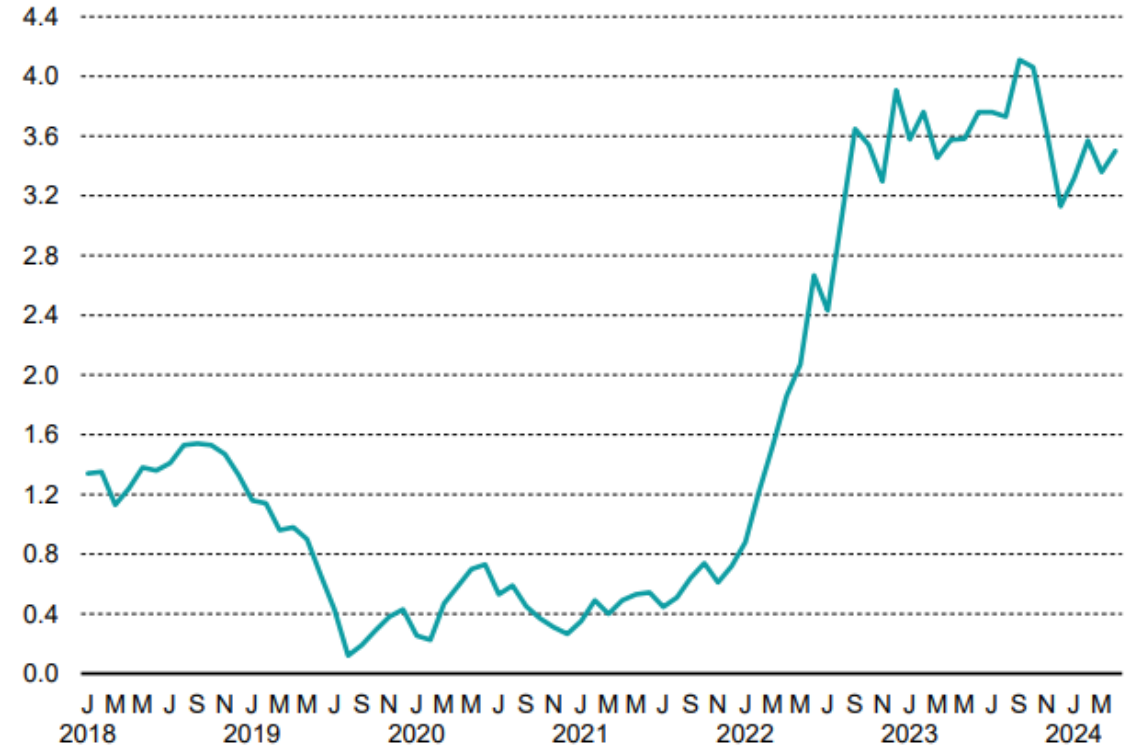
GOVERNMENT DEBT⁽¹⁾

(EUR millions)

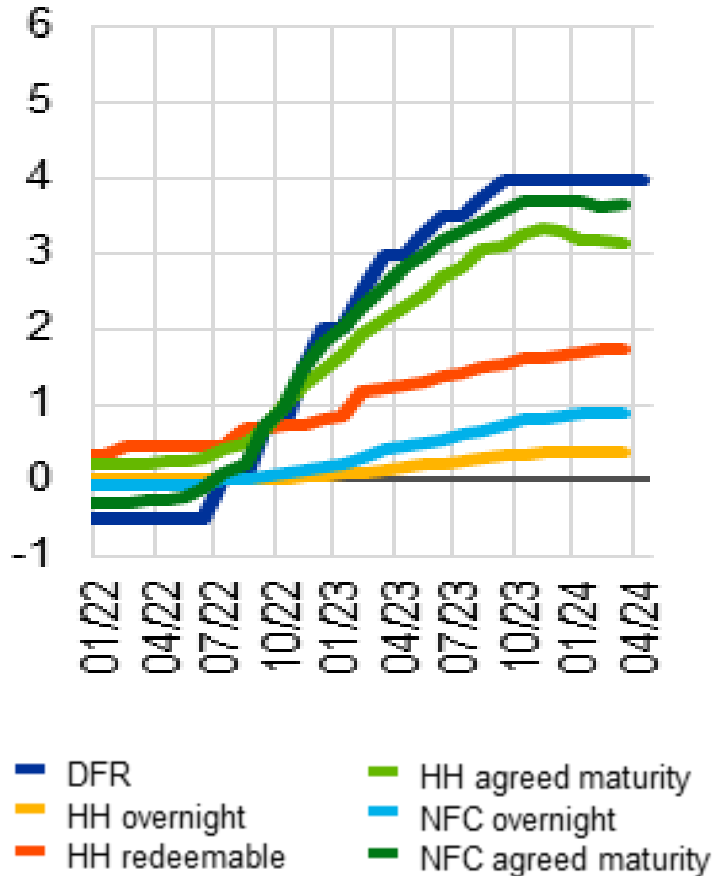


TEN-YEAR MALTA GOVERNMENT BOND YIELD

(ISMA yield; percentages per annum; end of month)

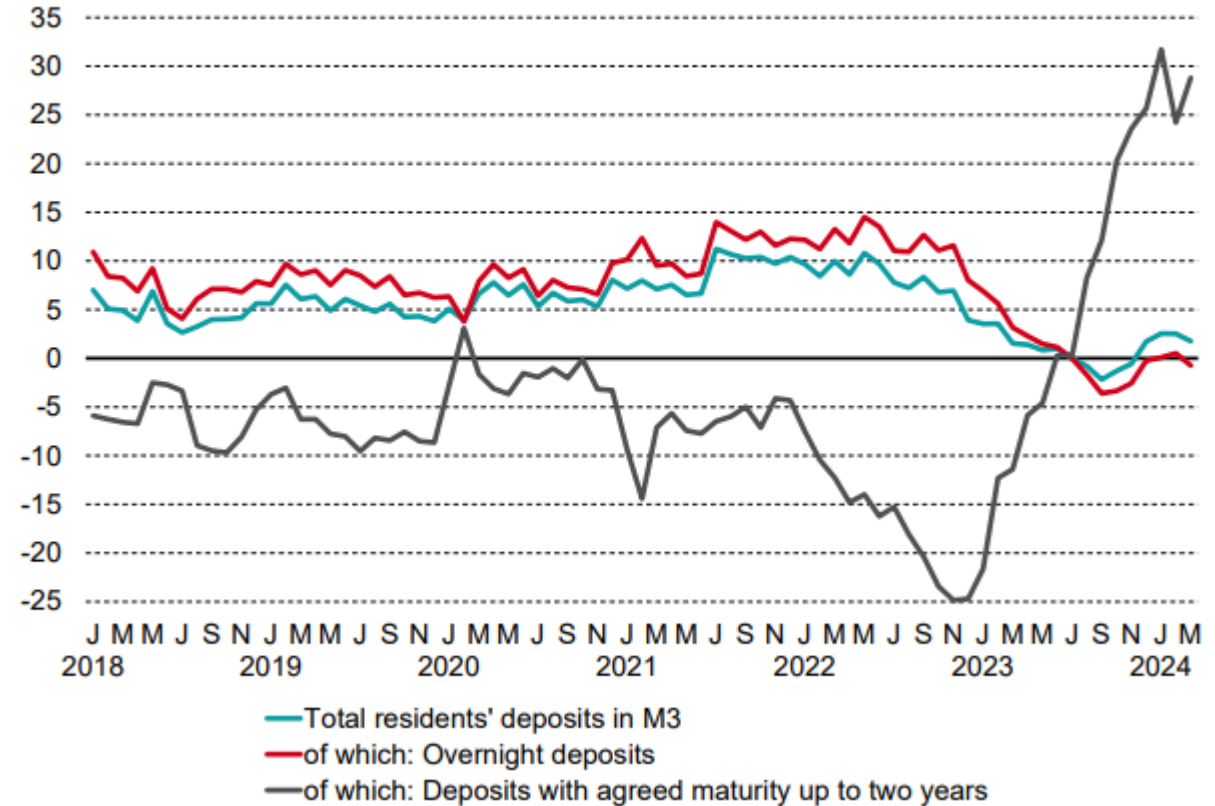


Deposit rates in the Eurozone and in Malta



SELECTED DEPOSITS OF MALTESE RESIDENTS

(annual percentage changes)

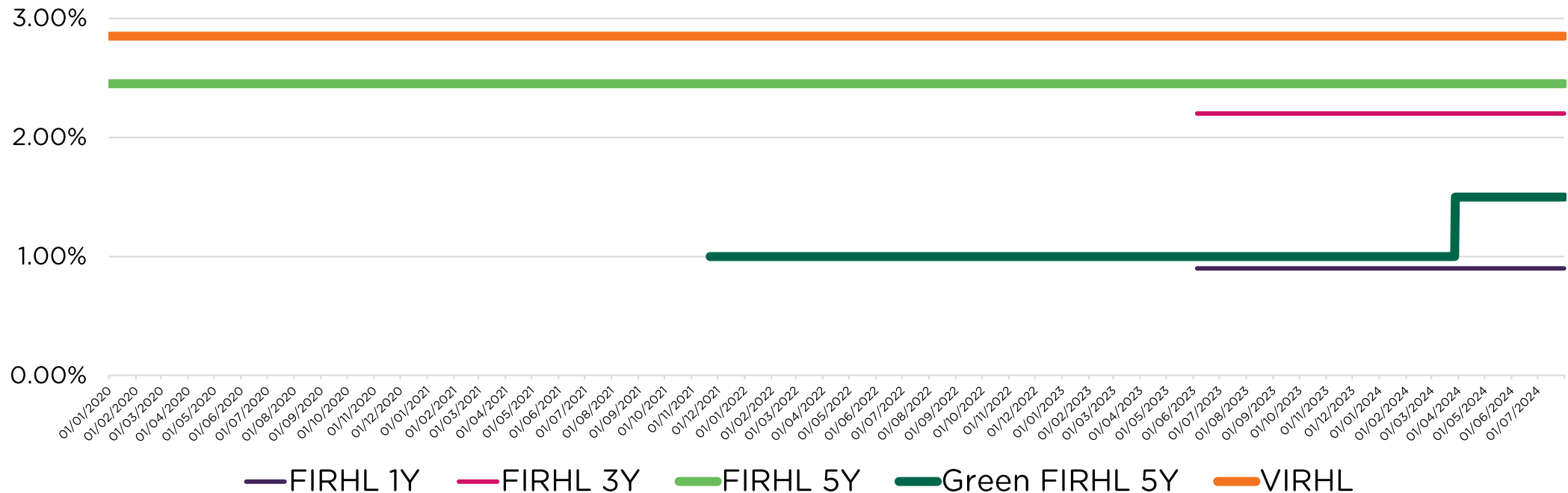


	March 23	March 24
Rates paid on new deposits	1.63%	2.88%

APS Bank – Products strategy

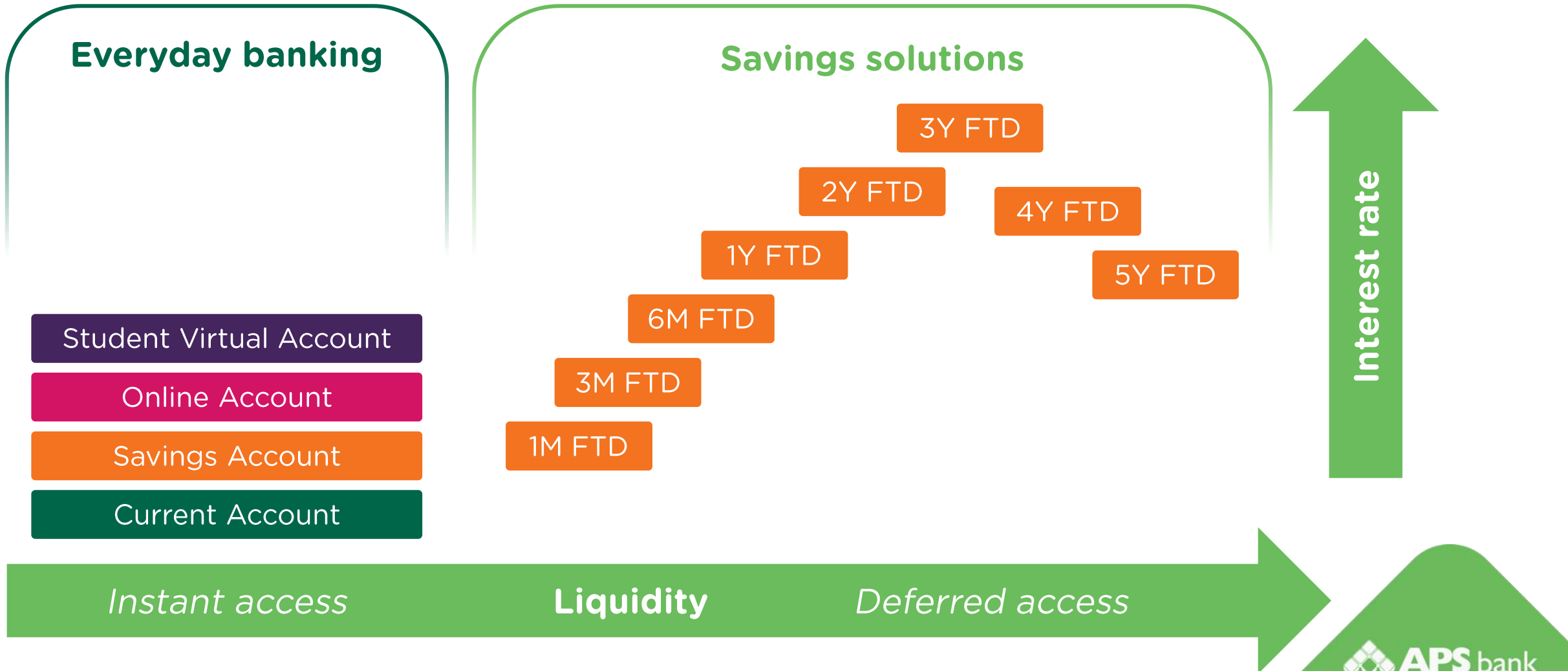
Home Loans' rate evolution over time

APS Bank Home Loan rates

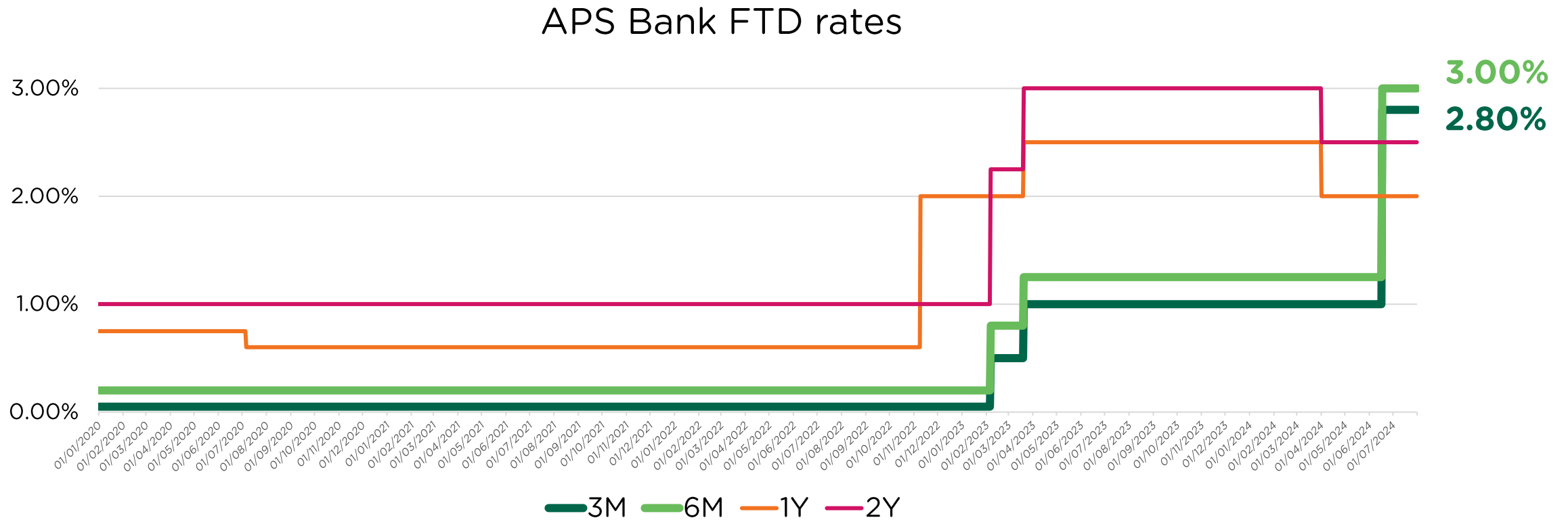


Since the pandemic (2020), APS has enriched its home loan product offering to bring more value to customers while maintaining the interest rates low

Product suite for depositors



Fixed Term Deposits' rate evolution over time



Since the pandemic (2020), APS has carefully managed its fixed term deposit rates to ensure a great value proposition to its depositors, while considering ECB rate trends and outlook

FTDs with promotional rates (until 15 September)

Customer benefits

- Rates of **2.80%** and **3.00%** (per annum) on standard fixed term deposit accounts for 3-month and 6-month maturities respectively
- **Fixed at the “top” of the curve**, before any further ECB rate cuts
- Complements the other FTD terms on offer so customers can actively manage their liquidity and interest income
- Available both online and in-branch

Bank pledge

- Demonstrates our commitment towards the community by providing **best-in-class deposit solutions** to our customers
- Provides additional funding to support our strong lending pipeline in both retail and commercial
- **Available for a limited time only (until 15 September)**

Disclaimer

APS Bank plc, APS Centre, Tower Street, B'Kara BKR 4012 is regulated by the Malta Financial Services Authority as a Credit Institution under the Banking Act 1994 and to carry out Investment Services activities under the Investment Services Act 1994. The Bank is also registered as a Tied Insurance Intermediary under the Insurance Distribution Act 2018.

The Bank is a participant in the Depositor Compensation Scheme established under the laws of Malta. Terms and conditions apply. All related information is available on apsbank.com.mt/deposit-accounts, apsbank.com.mt/everyday-banking and on request.



Thank you
Any questions?