

HSBC Bank Malta p.l.c. Half-Yearly Results for 2015

The condensed interim financial statements have been extracted from HSBC Bank Malta p.l.c.'s (the 'bank') and its subsidiary undertakings (collectively referred to as the 'group') unaudited management accounts for the six month period ended 30 June 2015. These condensed interim financial statements are being published in accordance with Chapter 5 of the Listing Rules issued by the Listing Authority and the Prevention of Financial Markets Abuse Act, 2005.

Review of Performance

- Profit before tax of €36m for the six months ended 30 June 2015. The performance was €4m lower than for the same period last year but was higher than for the second half of 2014. Net operating income was up 3% year-on-year, however, higher costs and loan impairment charges contributed to the decline in the first half profits.
- Profit attributable to shareholders of €24m for the six months ended 30 June 2015 resulting in earnings per share of 6.6 cents compared with 7.1 cents in the same period in 2014.

Statements of Profit or Loss for the period 1 January 2015 to 30 June 2015

	Group		Bank	
	6 mths to 30/06/15	6 mths to 30/06/14	6 mths to 30/06/15	6 mths to 30/06/14
	€000	€000	€000	€000
Interest and similar income				
– on loans and advances, balances with Central Bank of Malta, Treasury Bills and other instruments	64,713	67,493	64,888	67,499
– on debt and other fixed income instruments	8,058	8,613	7,866	8,312
Interest expense	(12,739)	(17,796)	(12,775)	(17,848)
Net interest income	60,032	58,310	59,979	57,963
Fee and commission income	16,217	15,933	13,436	14,525
Fee and commission expense	(1,190)	(1,222)	(855)	(776)
Net fee and commission income	15,027	14,711	12,581	13,749
Trading profits	4,895	4,314	4,895	4,314
Net income from insurance financial instruments designated at fair value	17,131	27,349	–	–
Net gains on sale of available-for-sale financial investments	383	1,497	383	1,497
Net earned insurance premiums	28,952	31,221	–	–
Movement in Present Value of in-Force long-term insurance business	2,262	(11,278)	–	–
Net other operating income	555	868	522	616
Total operating income	129,237	126,992	78,360	78,139
Net insurance claims incurred and movement in policyholders' liabilities	(39,392)	(39,558)	–	–
Net operating income	89,845	87,434	78,360	78,139
Employee compensation and benefits	(25,348)	(24,877)	(23,941)	(23,579)
General and administrative expenses	(21,207)	(18,114)	(18,851)	(16,800)
Depreciation	(1,808)	(1,713)	(1,803)	(1,708)
Amortisation	(1,566)	(1,633)	(1,538)	(1,606)
Net operating income before impairment charges and provisions	39,916	41,097	32,227	34,446
Net impairment on financial assets	(3,566)	(1,434)	(3,566)	(1,434)
Net provisions for liabilities and other charges	(41)	(85)	(41)	(85)
Profit before tax	36,309	39,578	28,620	32,927
Tax expense	(12,384)	(13,922)	(9,692)	(11,575)
Profit for the period	23,925	25,656	18,928	21,352
Profit attributable to shareholders	23,925	25,656	18,928	21,352
Earnings per share	6.6c	7.1c	5.3c	5.9c

Statements of Profit or Loss and Comprehensive Income for the period 1 January 2015 to 30 June 2015

	Group		Bank	
	6 mths to 30/06/15	6 mths to 30/06/14	6 mths to 30/06/15	6 mths to 30/06/14
	€000	€000	€000	€000
Profit for the period	23,925	25,656	18,928	21,352
Other comprehensive income				
Items that may be reclassified to Profit or Loss:				
Available-for-sale investments:				
– fair value gains	(5,357)	8,968	(5,225)	8,988
– fair value gains transferred to profit or loss on disposal	(383)	(1,497)	(383)	(1,497)
– income taxes	2,009	(2,615)	1,963	(2,622)
	(3,731)	4,856	(3,645)	4,869
Items that will not be reclassified to Profit or Loss:				
Properties:				
– revaluation	–	62	–	62
– income taxes	1,529	(22)	1,529	(22)
	1,529	40	1,529	40
Other comprehensive income for the period, net of tax	(2,202)	4,896	(2,116)	4,909
Total comprehensive income	21,723	30,552	16,812	26,261

- Common equity tier 1 capital ratio of 11.5% as at 30 June 2015, up from 10.6% at the end of 2014.
- Cost efficiency ratio of 55.6% for the six months ended 30 June 2015, compared with 53.2% for the same period in 2014. Managed costs were well controlled; however total costs increased as a result of new regulatory costs, continued investment in risk and compliance staff and additional expenses in relation to outsourced services.
- Return on equity of 10.5% for the six months ended 30 June 2015, compared with 11.6% for the same period in 2014.
- Total assets of €7,682m at 30 June 2015, up €483m, or 7%, compared with 31 December 2014.
- Customer accounts of €5,198m at 30 June 2015, up €331m, or 7%, compared with 31 December 2014.

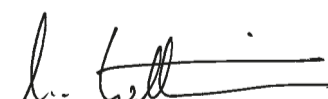
Statements of Financial Position at 30 June 2015

	Group		Bank	
	30/06/15	31/12/14	30/06/15	31/12/14
	€000	€000	€000	€000
Assets				
Balances with Central Bank of Malta, Treasury Bills and cash	94,545	118,033	94,545	118,033
Cheques in course of collection	8,117	10,990	8,117	10,990
Derivatives	9,194	13,170	9,068	13,098
Financial assets designated at fair value	1,456,746	1,421,580	–	–
Financial investments	1,204,837	1,153,884	1,188,842	1,137,697
Loans and advances to banks	1,312,508	875,095	1,159,470	796,257
Loans and advances to customers	3,248,518	3,273,381	3,259,844	3,284,881
Shares in subsidiary companies	–	–	34,541	34,541
Intangible assets	75,362	73,971	8,115	8,989
Property, plant and equipment	58,742	59,481	58,839	59,573
Investment property	16,535	16,326	11,876	11,667
Non-current assets held for sale	10,940	9,297	10,940	9,297
Current tax assets	7,955	8,833	1,531	3,258
Deferred tax assets	16,516	13,612	16,508	13,602
Other assets	115,522	106,604	19,772	8,946
Prepayments and accrued income	45,687	44,730	35,789	35,898
Total assets	7,681,724	7,198,987	5,917,797	5,546,727
Liabilities				
Derivatives	9,420	13,870	9,259	13,419
Deposits by banks	69,594	59,848	69,594	59,848
Customer accounts	5,198,305	4,867,124	5,272,452	4,931,485
Current tax liabilities	4,121	172	3,719	–
Deferred tax liabilities	30,570	28,244	–	–
Liabilities under investment contracts	1,110,185	1,020,594	–	–
Liabilities under insurance contracts	634,690	602,712	–	–
Other liabilities	46,277	44,103	40,157	30,138
Accruals and deferred income	27,748	27,514	25,765	26,070
Provisions for liabilities and other charges	2,168	2,417	2,168	2,417
Subordinated liabilities	87,323	87,284	88,119	88,093
Total liabilities	7,220,401	6,753,882	5,511,233	5,151,470
Equity				
Called up share capital	108,092	97,281	108,092	97,281
Revaluation reserve	40,308	42,510	40,023	42,139
Retained earnings	312,923	305,314	258,449	255,837
Total equity	461,323	445,105	406,564	395,257
Total liabilities and equity	7,681,724	7,198,987	5,917,797	5,546,727
Memorandum items				
Contingent liabilities	129,413	133,448	131,093	135,151
Commitments	1,355,527	1,291,225	1,355,517	1,295,275

The financial statements were approved and authorised for issue by the Board of Directors on 3 August 2015 and signed on its behalf by:



Sonny Portelli, Chairman



Mark Watkinson, Chief Executive Officer

Statements of Changes in Equity for the period 1 January 2015 to 30 June 2015

	Share capital	Revaluation reserve	Retained earnings	Total equity
	€000	€000	€000	€000
Group				
At 1 January 2015	97,281	42,510	305,314	445,105
Profit for the period	–	–	23,925	23,925
Other comprehensive income				
Available-for-sale investments:				
– fair value gains, net of tax	–	(3,482)	–	(3,482)
– fair value gains transferred to profit or loss on disposal, net of tax	–	(249)	–	(249)
Properties:				
– effect of changes in tax rate	–	1,529	–	1,529
Total other comprehensive income	–	(2,202)	–	(2,202)
Total comprehensive income for the period	–	(2,202)	23,925	21,723
Transactions with owner, recognised directly in equity				
Contributions and distributions to owners:				
– share-based payments	–	–	6	6
– dividends	–	–	(5,511)	(5,511)
– bonus issue	10,811	–	(10,811)	–
Total contributions and distributions to owners	10,811	–	(16,316)	(5,505)
At 30 June 2015	108,092	40,308	312,923	461,323
At 1 January 2014	87,552	35,107	300,325	422,984
Profit for the period	–	–	25,656	25,656
Other comprehensive income				
Available-for-sale investments:				
– fair value gains, net of tax	–	5,829	–	5,829
– fair value gains transferred to profit or loss on disposal, net of tax	–	(973)	–	(973)
Properties:				
– release of revaluation reserve on disposal, net of tax	–	(337)	337	–
– revaluation of properties, net of tax	–	40	–	40
Total other comprehensive income	–	4,559	337	4,896
Total comprehensive income for the period	–	4,559	25,993	30,552
Transactions with owners of the bank				
Contributions and distributions:				
– share-based payments	–	–	46	46
– dividends	–	–	(9,864)	(9,864)
– bonus issue	9,729	–	(9,729)	–
Total contributions and distributions	9,729	–	(19,547)	(9,818)
At 30 June 2014	97,281	39,666	306,771	443,718

	Share capital	Revaluation reserve	Retained earnings	Total equity
	€000	€000	€000	€000
Bank				
At 1 January 2015	97,281	42,139	255,837	395,257
Profit for the period	–	–	18,928	18,928
Other comprehensive income				
Available-for-sale investments:				
– fair value gains, net of tax	–	(3,396)	–	(3,396)
– fair value gains transferred to profit or loss on disposal, net of tax	–	(249)	–	(249)
Properties:				
– effect of changes in tax rate	–	1,529	–	1,529
Total other comprehensive income	–	(2,116)	–	(2,116)
Total comprehensive income for the period	–	(2,116)	18,928	16,812
Transactions with owner, recognised directly in equity				
Contributions and distributions to owners:				
– share-based payments	–	–	6	6
– dividends	–	–	(5,511)	(5,511)
– bonus issue	10,811	–	(10,811)	–
Total contributions and distributions to owners	10,811	–	(16,316)	(5,505)
At 30 June 2015	108,092	40,023	258,449	406,564
At 1 January 2014	87,552	34,636	244,094	366,282
Profit for the period	–	–	21,352	21,352
Other comprehensive income				
Available-for-sale investments:				
– fair value gains, net of tax	–	5,842	–	5,842
– fair value gains transferred to profit or loss on disposal, net of tax	–	(973)	–	(973)
Properties:				
– release of revaluation reserve on disposal, net of tax	–	(337)	337	–
– revaluation of properties, net of tax	–	40	–	40
Total other comprehensive income	–	4,572	337	4,909
Total comprehensive income for the period	–	4,572	21,689	26,261
Transactions with owners of the bank				
Contributions and distributions:				
– share-based payments	–	–	46	46
– dividends	–	–	(9,864)	(9,864)
– bonus issue	9,729	–	(9,729)	–
Total contributions and distributions	9,729	–	(19,547)	(9,818)
At 30 June 2014	97,281	39,208	246,236	382,725

Statements of Cash Flows for the period 1 January 2015 to 30 June 2015

	Group		Bank	
	6 mths to 30/06/15	6 mths to 30/06/14	6 mths to 30/06/15	6 mths to 30/06/14
	€000	€000	€000	€000
Cash flows from operating activities				
Interest, commission and premium receipts	118,158	121,126	84,300	85,831
Interest, commission and claims payments	(73,781)	(39,395)	(13,989)	(16,938)
Payments to employees and suppliers	(45,890)	(43,751)	(42,747)	(41,706)
Operating profit before changes in operating assets/liabilities	(1,513)	37,980	27,564	27,187
(Decrease)/increase in operating assets:				
Financial assets designated at fair value	(32,173)	3,898	–	–
Reserve deposit with Central Bank of Malta	(1,729)	(2,032)	(1,729)	(2,032)
Loans and advances to customers and banks	37,755	36,288	37,928	36,288
Treasury Bills	(10,745)	(38,838)	(10,745)	(38,838)
Other receivables	(4,565)	(17,185)	(6,471)	(1,992)
Increase/(decrease) in operating liabilities:				
Customer accounts and deposits by banks	279,466	22,947	289,678	29,824
Other payables	137,491	62,180	8,148	55,411
Net cash from/(used in) operating activities before tax	403,987	105,238	344,373	105,848
Tax paid	(4,563)	(6,006)	(3,621)	(5,887)
Net cash from/(used in) operating activities	399,424	99,232	340,752	99,961
Cash flows from investing activities				
Dividends received	–	486	–	–
Interest received from financial investments	27,726	13,509	12,087	11,514
Purchase of financial investments	(191,555)	(281,431)	(191,583)	(281,431)
Proceeds from sale and maturity of financial investments	181,453	122,642	181,453	122,642
Purchase of property, plant and equipment and intangible assets	(2,423)	(3,701)	(2,284)	(2,080)
Proceeds on sale of property, plant and equipment and intangible assets	341	68	340	68
Net cash (used in)/from investing activities	15,542	(148,427)	13	(149,287)
Cash flows from financing activities				
Dividends paid	(5,511)	(9,864)	(5,511)	(9,864)
Cash used in financing activities	(5,511)	(9,864)	(5,511)	(9,864)
Decrease in cash and cash equivalents	409,455	(59,059)	335,254	(59,190)
Effect of exchange rate changes on cash and cash equivalents	(40,864)	5,457	(40,864)	5,457
Net decrease in cash and cash equivalents	450,319	(64,516)	376,118	(64,647)
Cash and cash equivalents at beginning of period	409,455	(59,059)	335,254	(59,190)
Cash and cash equivalents at end of period	827,685	521,411	748,847	521,295
Cash and cash equivalents at end of period	1,237,140	462,352	1,084,101	462,105

Net operating income

Net operating income includes net income from Life insurance business analysed as follows:

	Group	
	6 mths to 30/06/15	6 mths to 30/06/14
	€000	€000
Net interest income	192	301
Net fee and commission income	1,536	371
Net income from insurance financial instruments designated at fair value	17,131	27,349
Net gain on sale of available-for-sale financial investments	–	–
Net earned insurance premiums	28,952	31,221
Net other operating expense	2,316	(11,219)
	50,127	48,023
Net insurance claims incurred and movement in policyholders' liabilities	(39,392)	(39,558)
	10,735	8,465

Net impairment

	Group/Bank	
	6 mths to 30/06/15	6 mths to 30/06/14
	€000	€000
Write-downs		
Loans and advances to customers		
– specific allowances	(8,892)	(3,151)
– bad debts written off	(7,038)	(51)
	(15,930)	(3,202)
Reversals of write-downs		
Loans and advances to customers		
– specific allowances	10,575	1,739
– collective allowances	1,322	28
– bad debts written off	467	1
	12,364	1,768
	(3,566)	(1,434)

Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table sets out the fair values of financial assets and liabilities as at the reporting date.

Fair values are determined according to the following hierarchy:

- Level 1 – quoted market price:* financial instruments with quoted prices for identical instruments in active markets.
- Level 2 – valuation technique using observable inputs:* financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs:* financial instruments valued using models where one or more significant inputs are unobservable.

The valuation techniques utilised in preparing these condensed interim financial statements are consistent with those applied in the preparation of financial statements for the year ended 31 December 2014. There were no transfers between levels of the fair value hierarchy during the period under review.

Fair values of financial assets and liabilities carried at fair value and basis of valuation:

	Valuation techniques			
	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Group				
Assets at 30 June 2015				
Treasury Bills	–	13,750	–	13,750
Derivatives	–	9,194	–	9,194
Financial assets designated at fair value through profit or loss	1,267,208	185,474	4,064	1,456,746
Financial investments	1,204,815	–	22	1,204,837
Liabilities				
Derivatives	–	9,420	–	9,420
Liabilities under investment contacts	919,886	186,235	4,064	1,110,185
Assets at 31 December 2014				
Treasury Bills	–	31,496	–	31,496
Derivatives	–	13,170	–	13,170
Financial assets designated at fair value through profit or loss	1,207,613	207,414	6,553	1,421,580
Financial investments	1,153,862	–	22	1,153,884
Liabilities				
Derivatives	–	13,870	–	13,870
Liabilities under investment contacts	807,006	207,035	6,553	1,020,594

Bank				
Assets at 30 June 2015				
Treasury Bills	–	13,750	–	13,750
Derivatives	–	9,068	–	9,068
Financial investments	1,188,823	–	19	1,188,842
Liabilities				
Derivatives	–	9,259	–	9,259
Assets at 31 December 2014				
Treasury Bills	–	31,496	–	31,496
Derivatives	–	13,098	–	13,098
Financial investments	1,137,678	–	19	1,137,697
Liabilities				
Derivatives	–	13,419	–	13,419

Level 3 Financial assets designated at fair value through profit or loss

At 1 January 2015	6,553
Disposals during the period	(2,403)
Unrealised losses	(900)
Gains recognised in profit or loss	814
At 30 June 2015	<u>4,064</u>

The collective investment schemes categorised in Level 3, consist of shares in alternative funds which are unlisted and have illiquid price sources. In view of no quoted market prices or observable inputs for modelling their value, the fair value of the shares held is derived using the net asset value as sourced from the respective custodians. The uncertainty in utilising the net asset value lies in the availability of the unaudited financial statements of the alternative funds as at 30 June 2015. The latest available financial statements of the alternative funds are as at 31 December 2014 and are accompanied by an unqualified audit opinion.

The collective investment schemes categorised in Level 3 are financial assets held to cover linked liabilities. The corresponding liabilities to customers under investment contracts in relation to these investments are also categorised in Level 3. Investment risk on these Level 3 assets is borne by the policyholder as it was the decision of the policyholder to invest in these assets.

Financial investments

There were no movements during the period under review.

These investments consist of shares in unlisted companies, which have illiquid price sources. In view of no quoted market or observable inputs for modelling their value, the fair value of the shares held is derived using the net asset value of the respective companies as reported in the latest available financial statements.

Any changes in the unobservable inputs of both classes of financial assets categorised in Level 3 are not considered to result in significantly higher or lower fair value measurement, given that the amounts invested are considered to be immaterial.

The following non-financial assets are also measured at fair value. Freehold and long leasehold properties including investment properties are remeasured to fair value on the basis of their existing use. Revaluations are carried out by professionally qualified architects with sufficient regularity such that the carrying amount does not materially differ from that which would be determined using fair values at the reporting date.

	Group		Bank	
	30/06/15	30/06/14	30/06/15	30/06/14
	€000	€000	€000	€000
Assets				
Property	40,891	42,513	41,133	42,611
Investment property	16,535	16,326	11,876	11,667
	<u>57,426</u>	<u>58,839</u>	<u>53,009</u>	<u>54,278</u>

The fair values of these assets are determined under Level 3 of the fair value hierarchy. The unobservable inputs used to determine the fair value of property and investment property are the rental market going rates. A discount factor is added to cover property, depreciation and tenant risk where applicable.

Fair values of financial assets and liabilities not carried at fair value

Certain financial assets and liabilities are either carried at amortised cost or cost less impairment. The fair values of these financial assets and liabilities are not disclosed given that the carrying amount is a reasonable approximation of the fair value because these are either re-priced to current market rates frequently or are short-term in nature.

The following table sets out the carrying amounts and fair values of financial assets and liabilities not carried at fair value:

	Group		Bank	
	30/06/15	30/06/14	30/06/15	30/06/14
	€000	€000	€000	€000
Assets				
Balances with Central Bank of Malta and cash	80,795	86,537	80,795	86,537
Cheques in course of collection	8,117	10,990	8,117	10,990
Loans and advance to banks	1,312,507	875,095	1,159,470	796,257
Loans and advance to customers	3,248,518	3,273,381	3,259,845	3,284,881
Accrued interest	41,177	40,824	32,523	31,704
	<u>4,691,114</u>	<u>4,286,827</u>	<u>4,540,750</u>	<u>4,210,369</u>
Liabilities				
Deposits by banks	69,594	59,848	69,594	59,848
Customer accounts	5,198,305	4,867,124	5,272,452	4,931,485
Subordinated liabilities	87,323	87,284	88,119	88,093
Accrued interest	10,427	10,807	10,423	10,808
	<u>5,365,649</u>	<u>5,025,063</u>	<u>5,440,588</u>	<u>5,090,234</u>

Asset encumbrance

The disclosure on asset encumbrance is a new requirement introduced in Banking Rule 07 transposing the provisions of the EBA Guidelines on Disclosure of Encumbered and Unencumbered Assets (EBA/GL/2014/03).

The objective of this disclosure is to facilitate an understanding of available and unrestricted assets that could be used to support potential future funding and collateral needs. An asset is defined as encumbered if it has been pledged as collateral against an existing liability, and as a result is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

The disclosure is not designed to identify assets which would be available to meet the claims of creditors or to predict assets that would be available to creditors in the event of a resolution or bankruptcy.

Encumbered and unencumbered assets

	Carrying amount of encumbered gross assets	Fair value of encumbered gross assets	Carrying amount of unencumbered gross assets	Fair value of unencumbered gross assets
	€000	€000	€000	€000
Group				
At 30 June 2014				
Equity instruments	–	–	22	22
Debt securities	90,248	90,248	1,114,567	1,114,567
Loan and advances to customers	91,967	91,967	3,244,987	3,244,987
Other assets	–	–	3,228,370	3,228,370
	<u>182,215</u>	<u>182,215</u>	<u>7,587,946</u>	<u>7,587,946</u>
At 31 December 2014				
Equity instruments	–	–	22	22
Debt securities	91,018	91,018	1,062,844	1,062,844
Loan and advances to customers	103,438	103,438	3,260,455	3,260,455
Other assets	8,000	8,000	2,763,722	2,763,722
	<u>202,456</u>	<u>202,456</u>	<u>7,087,043</u>	<u>7,087,043</u>
Bank				
At 30 June 2014				
Equity instruments	–	–	19	19
Debt securities	90,248	90,248	1,098,575	1,098,575
Loan and advances to customers	91,967	91,967	3,256,314	3,256,314
Other assets	–	–	1,469,111	1,469,111
	<u>182,215</u>	<u>182,215</u>	<u>5,824,019</u>	<u>5,824,019</u>
At 31 December 2014				
Equity instruments	–	–	19	19
Debt securities	91,018	91,018	1,046,660	1,046,660
Loan and advances to customers	103,438	103,438	3,271,955	3,271,955
Other assets	8,000	8,000	1,116,149	1,116,149
	<u>202,456</u>	<u>202,456</u>	<u>5,434,783</u>	<u>5,434,783</u>

The local group does not encumber any of the collateral received or any of its own debt securities issued.

As at 30 June 2015, the local group did not have any outstanding liabilities associated with encumbered assets and collateral received.

The bank undertakes the following types of encumbrance:

- Pledging of debt securities against the provision of credit lines by the Central Bank of Malta.
- Pledging of debt securities in favour of the Depositor Compensation Scheme.

Segmental analysis

a) Class of business

The group's segments are organised into three global businesses: Retail Banking and Wealth Management, Commercial Banking and Global Banking and Markets. The group comprises HSBC Bank Malta p.l.c. and its subsidiaries. The segments presented reflect the way the Chief Executive Officer, as chief operating decision-maker, reviews financial information in order to make decisions about allocating resources and assessing performance. Information provided to the chief operating decision-maker is measured in accordance with IFRSs as adopted by the EU.

	Retail Banking and Wealth Management		Commercial Banking		Global Banking and Markets		Inter-segment		Group Total	
	6 mths to 30/06/15	6 mths to 30/06/14	6 mths to 30/06/15	6 mths to 30/06/14	6 mths to 30/06/15	6 mths to 30/06/14	6 mths to 30/06/15	6 mths to 30/06/14	6 mths to 30/06/15	6 mths to 30/06/14
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
<i>Group</i>										
Net interest income										
– External	24,176	21,333	29,385	29,979	6,471	6,998	–	–	60,032	58,310
– Inter-segment	4,906	6,399	(7,413)	(8,472)	2,507	2,073	–	–	–	–
	29,082	27,732	21,972	21,507	8,978	9,071	–	–	60,032	58,310
Net non-interest income										
– External	19,206	17,898	7,247	6,922	3,360	4,304	–	–	29,813	29,124
– Inter-segment	370	(401)	–	584	–	102	(370)	(285)	–	–
	19,576	17,497	7,247	7,506	3,360	4,406	(370)	(285)	29,813	29,124
External employee compensation and benefits	(17,627)	(16,268)	(6,462)	(7,210)	(1,259)	(1,399)	–	–	(25,348)	(24,877)
General and administrative expenses										
– External	(14,832)	(13,042)	(5,532)	(4,316)	(843)	(756)	–	–	(21,207)	(18,114)
– Inter-segment	(370)	(285)	–	–	–	–	370	285	–	–
	(15,202)	(13,327)	(5,532)	(4,316)	(843)	(756)	370	285	(21,207)	(18,114)
External depreciation	(1,182)	(1,291)	(548)	(384)	(78)	(38)	–	–	(1,808)	(1,713)
External amortisation	(1,047)	(1,145)	(473)	(425)	(46)	(63)	–	–	(1,566)	(1,633)
External net impairment	(943)	(735)	(2,575)	(699)	(48)	–	–	–	(3,566)	(1,434)
External net provisions for liabilities and other recoveries	(106)	(58)	65	(27)	–	–	–	–	(41)	(85)
Profit before tax	12,551	12,405	13,694	15,952	10,064	11,221	–	–	36,309	39,578
Assets										
Segment total assets	3,760,399	3,667,153	1,482,739	1,480,420	2,438,587	2,051,414	–	–	7,681,724	7,198,987
Total Equity	228,147	216,707	168,633	166,931	64,542	61,467	–	–	461,323	445,105

b) Geographical segments

The group's activities are carried out within Malta. There are no identifiable geographical segments or other material concentrations.

c) Products and services

HSBC Bank Malta p.l.c. provides a comprehensive range of banking and related financial services to its customers. The products and services offered to customers are organised by global business.

– Retail Banking and Wealth Management ('RBWM') offers a broad range of products and services to meet the personal banking and wealth management needs of individual customers. Typically, customer offerings include personal banking products (current and savings accounts, mortgages and personal loans, credit cards, debit cards and local and international payment services) and wealth management services (insurance and investment products, global asset management services and financial planning services).

– Commercial Banking ('CMB') offers a broad range of products and services to serve the needs of our commercial customers, including small and medium sized enterprises, mid-market enterprises and corporates. These include credit and lending, international trade and receivables finance, treasury management and liquidity solutions (payments and cash management and commercial cards) and commercial insurance. We also offer our customers access to products and services offered by other global businesses, for example Global Banking and Markets, which include foreign exchange products, raising capital on debt and equity markets and advisory services.

– Global Banking and Markets ('GB&M') serves primarily as Treasury, managing the interest rate and liquidity risk of the bank. GB&M also provides tailored financial solutions to corporate and institutional clients. The capabilities include financing, advisory and transaction services, and a markets business that provides risk management solutions covering interest rates, foreign exchange and commodities.

Basis of Preparation

The condensed interim financial statements have been extracted from HSBC Bank Malta p.l.c.'s (the 'bank') and its subsidiary undertakings (collectively referred to as the 'group') unaudited management accounts for the six months period ended 30 June 2015. These condensed interim financial statements are being published in accordance with Chapter 5 of the Listing Rules issued by the Listing Authority and the Prevention of Financial Markets Abuse Act, 2005.

The condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, adopted by the EU. They do not include all the information required for a complete set of annual financial statements, and should be read in conjunction with the financial statements for the year ended 31 December 2014.

There were no new standards adopted during the period ended 30 June 2015. However, the group adopted interpretations and amendments to standards which had an insignificant effect on the interim consolidated financial statements.

The accounting policies applied in these condensed interim financial statements are the same as those applied by the group in its financial statements as at and for the year ended 31 December 2014.

As required by IAS 34, Interim Financial Reporting, adopted by the EU, these interim financial statements include comparative statements of financial position information at the previous financial year end and comparative profit or loss statements and statements of profit or loss and comprehensive income information for the comparable interim periods of the immediately preceding financial year.

Related party transactions with other members of the HSBC Group covering the period 1 January to 30 June 2015 have increased mainly as a result of new services offshored. Other than that, these transactions did not materially affect the performance of the period under review and financial position at the end of the reporting date.

Certain comparative amounts have been reclassified to comply with the current period's presentation.

**Commentary by Mark Watkinson, Chief Executive Officer,
HSBC Bank Malta p.l.c.:**

HSBC Bank Malta p.l.c. reported a profit before tax of €36m for the six months ended 30 June 2015 compared with €40m for the same period in 2014. This performance reflected the continuing low interest rate environment as a result of record low European Central Bank rates, muted commercial lending growth and an increase in costs as a result of compliance investment and new regulatory charges. In addition, the 2014 performance benefited from a bigger gain on the sale of securities.

All three main business lines, Retail Banking and Wealth Management, Commercial Banking and Global Banking and Markets, were profitable during the six month period under review.

Net interest income increased to €60m compared with €58m in the same period in 2014. The increase in net interest income was primarily driven by a lower interest expense as deposits rates reduced. Interest income decreased as well as a result of diminishing lending margins. Interest income on investment portfolio declined as proceeds of higher yielding maturing bonds were re-invested at the lower prevailing rates.

Net fee income was up 2% compared with the same period in 2014 primarily as a result of higher asset management fees in the insurance subsidiary. Custody and stock brokerage fee income declined following the winding-up of these businesses in early 2014. Credit fees reduced as fewer credit facilities were sanctioned in the first half of 2015 compared with the same period in 2014.

HSBC Life Assurance (Malta) Ltd. reported a profit before tax of €7m compared with €6m in the first half of 2014. The results in 2015 benefited from a recovery in yield curve, release of model uncertainty reserve and new revenue earned on the portfolio of investment contracts transferred to the company at the end of 2014.

A net gain on disposals of available-for-sale securities of €0.4m was reported for the six months ended 30 June 2015, compared with €1.5m for the same period in 2014.

Operating expenses of €50m were €4m, or 7%, higher than the first half of 2014 largely due to compliance investment, regulatory fees and costs attributable to regulatory obligations (new Single Supervisory Mechanism fees and the new requirement for contribution to the Single Resolution Fund) and the increased cost of outsourced services as a result of currency fluctuations and new services related to the transferred insurance portfolio. Excluding these items, expenses were well controlled and marginally above the comparable period in 2014.

Net impairment charges of €3.6m were €2m higher than in the first half of 2014 but considerably lower than in the second half of 2014. Overall asset quality remains satisfactory with a high percentage of tangible security held against the overall loan portfolio.

Net loans and advances to customers were €3,249m, €24m lower than at 31 December 2014. The growth in mortgage balances supported by government incentives for first time buyers was offset by the reduction in corporate lending where repayments were higher as a result of the persistent low interest rate environment. The lending pipeline remains robust and newly sanctioned loans amounted to €462m reflecting the bank's continued support of the local economy. The second tranche of the Malta Trade for Growth fund of €75m was launched in June 2015, aimed at helping Maltese companies internationalise their business.

Customer deposits increased by €331m to €5,198m reflecting the growth in both retail and corporate deposits. As deposit rates decrease, the shift from longer-dated to shorter-dated deposits continues.

The bank's available-for-sale investment portfolio is composed of highly-rated paper and is conservatively positioned.

The bank's liquidity position was further strengthened with an advances-to-deposits ratio of 62% compared with 67% at 31 December 2014.

The bank continued to strengthen its total CET 1 ratio to 11.5% from 10.6% at 31 December 2014. Total capital ratio increased to 13.3% compared with 13% at 31 December 2014.

Mark Watkinson, Director and Chief Executive Officer of HSBC Malta, said: "Operating conditions remain difficult. The European Union has been unsettled by the challenges around Greece, levels of liquidity in the market remain very high, the European Central Bank continues to pay negative rates of interest on deposits and regulatory fees have seen considerable rises, particularly with respect to deposit compensation and bank resolution fund schemes. Despite these challenges, the three main business lines all operate profitably and a continuing improvement in the local economy will be positive for our business over time. The Bank remains focused on continuing its investment in its local franchise and leveraging the opportunities as Malta becomes increasingly globally connected, sitting astride the world's single largest trade route connecting Asia, the Middle East and Europe."

"I would like to take this opportunity to thank our staff, Directors and shareholders for their commitment, hard work and support during the first half of 2015."

The Board has declared an interim gross dividend of 5.1 cents per share (3.3 cents net of tax). This will be paid on 10 September 2015 to shareholders who are on the bank's register of shareholders at 14 August 2015.

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

I confirm that to the best of my knowledge:

- the condensed interim financial statements give a true and fair view of the financial position of the group and the bank as at 30 June 2015, as well as of their financial performance and cash flows for the period then ended, in accordance with IAS 34 Interim Financial Reporting, adopted by the EU; and
- the commentary includes a fair review of the information required under Listing Rule 5.81 to 5.84.



Mark Watkinson, Chief Executive Officer

HSBC Bank Malta p.l.c. is a member of the HSBC Group. HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 6,100 offices in 72 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,572bn at 30 June 2015, HSBC is one of the world's largest banking and financial services organisations.