

27 July 2006

HSBC Bank Malta p.l.c.
Half-Yearly Results for 2006

Review of Performance

The published figures, which have been prepared in accordance with International Financial Reporting Standards for interim financial statements (IAS 34 'Interim Financial Reporting'), have been extracted from HSBC Bank Malta p.l.c.'s unaudited group management accounts for the six months ended 30 June 2006. The half-yearly results are being published in terms of Chapters 8 and 9 of the Listing Rules of the Listing Authority - Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act 2005. These figures have been drawn up according to the accounting policies used in the preparation of the annual audited accounts.

HSBC Bank Malta p.l.c. and its subsidiaries recorded a profit before tax of Lm20.6 million for the six months ended 30 June 2006 which represents an increase of 11.3 per cent over the Lm18.5 million earned during the same period in 2005.

- Profit after tax attributable to shareholders of Lm13.4 million, an increase of 11.0 per cent over the Lm12.1 million earned during the same period in 2005.
- Net interest income increased by 7.1 per cent over prior year to Lm22.8 million.
- Non-interest income increased by 24.8 per cent, contributing Lm15.1 million to net operating income.
- Administrative expenses increased by 8.8 per cent, primarily due to higher performance-based compensation for all staff. However, the cost:income ratio improved from 47.5 per cent to 45.5 per cent.
- Risk provisions were at low levels supported by an unchanged conservative policy in the assessment of credit risk and effective risk management. Impaired loans reduced from Lm61.7 million to Lm58.8 million.
- Customer deposits increased to Lm1,407.2 million at 30 June 2006 compared with Lm1,367.2 million at 31 December 2005. Funds, life insurance contracts and amounts under custody increased by Lm53.0 million in aggregate during the period.
- Loans and advances to customers increased to Lm1,075.2 million at 30 June 2006 - up Lm59.1 million or 5.8 per cent over 31 December 2005.
- Total assets of Lm1.71 billion at 30 June 2006 when compared with Lm1.66 billion at 31 December 2005.

- Earnings per share for the first six months ended 30 June 2006 increased to 4.6 cents compared to 4.1 cents for the first six months of 2005. Comparative data has been adjusted for the April 2006 three-for-one bonus share issue.
- Return after tax on capital employed increased to 10.9 per cent compared with 8.3 per cent for the first six months of last year.

Shaun Wallis, Director and Chief Executive Officer of HSBC Bank Malta p.l.c., said:

“Our results for the first six months reflect continued business growth in all customer groups and across all product lines. Our focus continues to be on maximising customer relationships.

“The Board is recommending an interim gross dividend of 5.3 cents per share (3.4 cents net of tax) which equates to a cash payment of Lm10.1 million. This will be paid on 17 August 2006, to shareholders who are on the bank's register of shareholders as at 4 August 2006.

“We would like to thank our customers for their business during the first six months of this year, to thank our staff for their continued high level of customer service and to thank the community for their support.

“We remain optimistic about economic activity and HSBC's business prospects in Malta.”

HSBC Bank Malta p.l.c. is a member of the HSBC Group, whose ultimate parent company is HSBC Holdings plc. Headquartered in London, HSBC Holdings plc is one of the largest banking and financial services organisations in the world. The HSBC Group's international network comprises over 9,500 offices in 76 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

Income Statement for the period 1 January 2006 to 30 June 2006

	<i>Group</i>		<i>Bank</i>	
	6 mths to 30/6/06 Lm000	6 mths to 30/6/05 Lm000	6 mths to 30/6/06 Lm000	6 mths to 30/6/05 Lm000
Interest receivable and similar income				
– on loans and advances and balances with Central Bank of Malta and Treasury Bills	32,542	29,430	31,736	27,877
– on debt and other fixed income instruments	4,729	5,536	5,155	6,232
Interest payable	(14,464)	(13,671)	(14,685)	(13,808)
Net interest income	22,807	21,295	22,206	20,301
Fees and commissions receivable	6,738	5,587	5,167	4,427
Fees and commissions payable	(445)	(359)	(338)	(287)
Net fee and commission income	6,293	5,228	4,829	4,140
Dividend income	32	38	357	338
Trading profits	3,525	3,598	3,525	3,607
Net income from insurance financial instruments designated at fair value through profit or loss	1,147	3,860	-	-
Net gains on disposal of non-trading financial instruments	2,293	1,221	2,293	1,267
Net earned insurance premium	7,327	8,305	-	-
Other operating income	1,415	677	508	2
Total operating income	44,839	44,222	33,718	29,655
Net insurance claims incurred and movement in policyholders' liabilities	(6,965)	(10,857)	-	-
Net operating income	37,874	33,365	33,718	29,655
Employee compensation and benefits	(10,668)	(9,938)	(10,198)	(9,478)
General and administrative expenses	(5,088)	(4,472)	(4,815)	(4,233)
Depreciation	(1,188)	(1,127)	(1,176)	(1,105)
Amortisation of intangible assets	(286)	(296)	(243)	(262)
Net operating income before impairment reversals and provisions	20,644	17,532	17,286	14,577
Net impairment reversals	54	953	14	938
(Provisions)/reversals for liabilities and other charges	(130)	1	-	1
Profit before tax	20,568	18,486	17,300	15,516
Tax on profit	(7,136)	(6,396)	(5,712)	(5,297)
Profit for the period	13,432	12,090	11,588	10,219
Profit attributable to shareholders of the bank	13,419	12,090	11,588	10,219
Profit attributable to minority interest	13	-	-	-
Earnings per share	4.6c	4.1c	4.0c	3.5c

Balance Sheet at 30 June 2006

	<i>Group</i>		<i>Bank</i>	
	30/6/06	31/12/05	30/6/06	31/12/05
	Lm000	Lm000	Lm000	Lm000
Assets				
Balances with Central Bank of Malta, treasury bills and cash	105,658	77,121	105,658	77,118
Cheques in course of collection	5,245	9,727	5,245	9,727
Financial assets held for trading	3,631	3,907	3,631	3,907
Financial assets designated at fair value through profit or loss	101,410	93,131	-	-
Investments	183,610	224,500	183,608	254,468
Loans and advances to banks	160,594	162,882	161,332	202,332
Loans and advances to customers	1,075,192	1,016,084	1,075,245	937,813
Shares in subsidiary companies	-	-	9,682	20,350
Intangible assets	10,240	9,433	754	829
Property, plant and equipment	29,259	29,746	29,274	29,755
Investment property	2,911	961	1,950	-
Assets held for sale	4,455	4,918	4,519	5,864
Current tax recoverable	-	1,895	-	1,607
Deferred tax asset	-	-	925	-
Other assets	10,159	8,701	3,503	2,699
Prepayments and accrued income	13,840	12,868	13,034	12,945
Total assets	1,706,204	1,655,874	1,598,360	1,559,414
Liabilities				
Financial liabilities held for trading	4,311	4,050	4,331	4,050
Amounts owed to banks	32,082	22,667	32,082	22,667
Amounts owed to customers	1,407,231	1,367,214	1,420,097	1,381,683
Debt securities in issue	-	12	-	-
Provision for current tax	3,653	-	3,861	-
Deferred tax liability	3,589	3,843	-	349
Liabilities to customers under investment contracts	7,865	8,297	-	-
Liabilities under insurance contracts issued	92,625	86,275	-	-
Other liabilities	14,419	16,755	13,544	16,192
Accruals and deferred income	17,065	15,035	16,840	14,942
Provisions for liabilities and other charges	155	25	25	25
Total liabilities	1,582,995	1,524,173	1,490,780	1,439,908
Equity				
Called up share capital	36,480	9,120	36,480	9,120
Revaluation reserves	10,568	13,105	10,568	13,041
Other reserve	-	4,242	-	4,242
Retained earnings	76,161	104,906	60,532	93,103
Equity attributable to shareholders	123,209	131,373	107,580	119,506
Minority interest	-	328	-	-
Total equity	123,209	131,701	107,580	119,506
Total liabilities and equity	1,706,204	1,655,874	1,598,360	1,559,414

Balance Sheet at 30 June 2006 (continued)

Memorandum items

Contingent liabilities	<u>52,329</u>	51,513	<u>52,339</u>	51,523
Commitments	<u>414,151</u>	401,216	<u>414,151</u>	412,044

The interim financial statements were approved by the Board of Directors on 27 July 2006 and signed on its behalf by:

Albert Mizzi, *Chairman*

Shaun Wallis, *Chief Executive Officer*

Statement of Changes in Equity for the period 1 January 2006 to 30 June 2006

	<i>Attributable to shareholders of the bank</i>						<i>Total equity</i>
	<i>Called up share capital</i>	<i>Revaluation reserves</i>	<i>Other reserve</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Minority interest</i>	
	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	
<i>Group</i>							
At 1 January 2005 as previously stated	9,120	11,473	4,242	109,618	134,453	-	134,453
Impact of adoption of IFRS 4	-	-	-	(199)	(199)	-	(199)
At 1 January 2005 as restated	9,120	11,473	4,242	109,419	134,254	-	134,254
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(779)	-	-	(779)	-	(779)
Net fair value adjustments on investments	-	257	-	-	257	-	257
Release of revaluation reserve on disposal of property	-	52	-	(52)	-	-	-
Net gains not recognised in the income statement	-	(470)	-	(52)	(522)	-	(522)
Profit for the period	-	-	-	12,090	12,090	-	12,090
Dividends	-	-	-	(6,473)	(6,473)	-	(6,473)
At 30 June 2005	9,120	11,003	4,242	114,984	139,349	-	139,349
At 1 January 2006	9,120	13,105	4,242	104,906	131,373	328	131,701
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(1,490)	-	-	(1,490)	-	(1,490)
Net fair value adjustments on investments	-	(1,035)	-	-	(1,035)	-	(1,035)
Release of revaluation reserve on disposal of property	-	(12)	-	18	6	-	6
Net gains not recognised in the income statement	-	(2,537)	-	18	(2,519)	-	(2,519)
Bonus share issue	27,360	-	(4,242)	(23,118)	-	-	-
Increase in share capital of subsidiary	-	-	-	-	-	91	91
Profit for the period	-	-	-	13,419	13,419	13	13,432
Disposal of subsidiary	-	-	-	-	-	(432)	(432)
Dividends	-	-	-	(19,064)	(19,064)	-	(19,064)
At 30 June 2006	36,480	10,568	-	76,161	123,209	-	123,209

Statement of Changes in Equity for the period 1 January 2006 to 30 June 2006 (continued)

	<i>Called up share capital</i>	<i>Revaluation reserves</i>	<i>Other reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
	Lm000	Lm000	Lm000	Lm000	Lm000
<i>Bank</i>					
At 1 January 2005	9,120	11,479	4,242	87,493	112,334
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(825)	-	-	(825)
Net fair value adjustments on investments	-	248	-	-	248
Release of revaluation reserve on disposal of properties	-	52	-	(52)	-
Net gains not recognised in the income statement	-	(525)	-	(52)	(577)
Profit for the period	-	-	-	10,219	10,219
Dividends	-	-	-	(6,473)	(6,473)
At 30 June 2005	9,120	10,954	4,242	91,187	115,503
At 1 January 2006	9,120	13,041	4,242	93,103	119,506
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(1,490)	-	-	(1,490)
Net fair value adjustments on investments	-	(971)	-	-	(971)
Release of revaluation reserve on disposal of properties	-	(12)	-	18	6
Net gains not recognised in the income statement	-	(2,473)	-	18	(2,455)
Bonus share issue	27,360	-	(4,242)	(23,118)	-
Effect of amalgamation of subsidiary	-	-	-	(1,995)	(1,995)
Profit for the period	-	-	-	11,588	11,588
Dividends	-	-	-	(19,064)	(19,064)
At 30 June 2006	36,480	10,568	-	60,532	107,580

Cash Flow Statement for the period 1 January 2006 to 30 June 2006

	<i>Group</i>		<i>Bank</i>	
	6 mths to	6 mths to	6 mths to	6 mths to
	30/6/06	30/6/05	30/6/06	30/6/05
	Lm000	Lm000	Lm000	Lm000
Cash flows from operating activities				
Interest and commission receipts	50,101	50,554	39,289	38,015
Interest and commission payments	(13,966)	(13,989)	(12,911)	(12,913)
Payments to employees and suppliers	(16,791)	(15,829)	(15,030)	(14,902)
Operating profit before changes in operating assets/liabilities	19,344	20,736	11,348	10,200
(Increase)/decrease in operating assets:				
Trading instruments	(392)	809	(392)	809
Reserve deposits with Central Bank of Malta	214	73	214	73
Loans and advances to banks with contractual maturity of over three months	3,609	(6,513)	3,609	(6,515)
Loans and advances to customers	(59,557)	(49,491)	(63,937)	(55,695)
Treasury bills with contractual maturity of over three months	2,000	29,907	2,000	29,907
Cheques in course of collection	4,482	(866)	4,482	(866)
Other receivables	(578)	(1,031)	297	(938)
Increase/(decrease) in operating liabilities:				
Amounts owed to banks with contractual maturity of over three months	8,752	(22,367)	8,752	(22,367)
Amounts owed to customers	43,996	25,118	42,665	26,941
Other payables	(4,409)	4,578	(3,720)	4,262
Net cash from/(used in) operating activities before tax	17,461	953	5,318	(14,189)
Tax paid	(454)	(1,100)	(436)	(933)
Net cash flows from/(used in) operating activities	17,007	(147)	4,882	(15,122)
Cash flows from investing activities				
Dividends received	12	25	512	325
Income received from financial instruments designated at fair value through profit or loss	1,579	695	-	-
Interest received from available-for-sale debt and other fixed income instruments	3,888	3,351	3,888	3,351
Interest received from held-to-maturity debt and other fixed income instruments	2,673	2,759	3,084	4,116

Cash Flow Statement for the period 1 January 2006 to 30 June 2006 (continued)

Proceeds on disposal of financial instruments designated at fair value through profit or loss	4,180	7,463	-	-
Proceeds on disposal of available-for-sale instruments	30,411	11,401	30,411	11,299
Proceeds on maturity of held-to-maturity debt and other fixed income instruments	17,189	25,293	47,177	25,293
Proceeds on disposal of property, plant and equipment	56	439	56	431
Purchase of financial instruments designated at fair value through profit or loss	(14,185)	(14,388)	-	-
Purchase of available-for-sale instruments	(11,967)	(27,961)	(11,967)	(27,961)
Purchase of property, plant and equipment and investment property	(761)	(591)	(755)	(584)
Purchase of intangible assets	(171)	(344)	(168)	(52)
Proceeds on disposal of shares in subsidiary company	450	-	450	-
Net cash flows from investing activities	33,354	8,142	72,688	16,218
Cash flows from financing activities				
Dividends paid	(19,064)	(6,473)	(19,064)	(6,473)
Decrease in debt securities in issue	(12)	-	-	-
Maturity of subordinated loan stock	-	(19,914)	-	(20,000)
Issue of units to minority interest	91	-	-	-
Cash used in financing activities	(18,985)	(26,387)	(19,064)	(26,473)
Effect of amalgamation of subsidiary company on cash and cash equivalents	-	-	(65,840)	-
Increase/(decrease) in cash and cash equivalents	31,376	(18,392)	(7,334)	(25,377)
Effect of exchange rate changes on cash and cash equivalents	(5,447)	2,588	(5,447)	2,538
Net increase/(decrease) in cash and cash equivalents	36,823	(20,980)	(1,887)	(27,915)
Cash and cash equivalents at beginning of period	31,376	(18,392)	(7,334)	(25,377)
Cash and cash equivalents at end of period	167,844	78,659	168,581	112,731

Segmental Information

a Class of business

	<i>Personal financial services</i>		<i>Commercial banking</i>		<i>Corporate, investment banking and markets</i>		<i>Total</i>	
	6 mths to 30/6/06 Lm000	6 mths to 30/6/05 Lm000	6 mths to 30/6/06 Lm000	6 mths to 30/6/05 Lm000	6 mths to 30/6/06 Lm000	6 mths to 30/6/05 Lm000	6 mths to 30/6/06 Lm000	6 mths to 30/6/05 Lm000
<i>Group</i>								
Profit before tax								
Segment operating income	18,814	16,048	12,920	11,204	6,140	6,113	37,874	33,365
Segment impairment allowances	(20)	(174)	(56)	1,128	-	-	(76)	954
Common costs							(17,230)	(15,833)
Profit before tax							20,568	18,486
	30/6/06 Lm000	31/12/05 Lm000	30/6/06 Lm000	31/12/05 Lm000	30/6/06 Lm000	31/12/05 Lm000	30/6/06 Lm000	31/12/05 Lm000
Assets								
Segment total assets	627,968	582,512	631,162	610,844	447,074	462,518	1,706,204	1,655,874
Average total assets	602,651	500,335	621,003	654,596	454,796	457,678	1,678,450	1,612,609
Total equity	36,359	38,261	75,517	79,806	11,333	13,634	123,209	131,701

b Geographical segments

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