

HSBC Bank Malta p.l.c. Half-Yearly Results for 2007

The condensed financial statements have been extracted from HSBC Bank Malta p.l.c.'s unaudited group management accounts for the six months ended 30 June 2007. The bank's financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. In the case of the group, consolidated financial statements are prepared in accordance with accounting standards adopted for use in the EU for interim financial statements (adopted IAS 34 'Interim Financial Reporting'). 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. Related party transactions with other members of the HSBC Group were at a similar level to the prior period.

All figures are stated in Maltese lira, the functional currency of HSBC Bank Malta p.l.c. The euro exchange rate ruling on 30 June 2007 was €1 = Lm0.4293. The US dollar and sterling exchange rates ruling on the same day were US\$1 = Lm0.3189 and £1 = Lm0.6345. Average exchange rates for 2007 for euro, US dollar and sterling were €1 = Lm0.4293, US\$1 = Lm0.3230 and £1 = Lm0.6364.

Review of performance

- Profit before tax of Lm25.3 million (EUR58.9 million) for the six months ended 30 June 2007 – up Lm4.7 million (EUR10.9 million), or 23.1 per cent, compared with Lm20.6 million (EUR48.0 million) for the same period in 2006.
- Profit attributable to shareholders up 24.9 per cent, or Lm3.4 million (EUR7.9 million), to Lm16.8 million (EUR39.1 million), compared with Lm13.4 million (EUR31.2 million) over the comparable period in 2006.
- Net operating income increased by Lm4.5 million (EUR10.5 million) to Lm42.3 million (EUR98.5 million), up 11.8 per cent compared with same six month period in 2006.
- Costs down Lm0.2 million (EUR0.5 million), or 1.3 per cent, compared with same period in 2006, to Lm17.0 million (EUR39.6 million).
- Earnings per share up 24.9 per cent to 5.7 cents (13.3 euro cents), from 4.6 cents (10.7 euro cents) for the same period in 2006.
- Customer deposits of Lm1,518.3 million (EUR3,536.7 million) at 30 June 2007 – up Lm42.8 million (EUR99.7 million), or 2.9 per cent, compared with 31 December 2006.
- Loans and advances to customers of Lm1,175.4 million (EUR2,737.9 million) at 30 June 2007 – up Lm49.2 million (EUR114.6 million), or 4.4 per cent, compared with 31 December 2006.
- Total assets to Lm2,031.4 million (EUR4,731.9 million), up Lm144.1 million (EUR335.7 million), or 7.6 per cent, compared with 31 December 2006.
- Annualised return on capital employed of 27.6 per cent for the six months ended 30 June 2007, compared to 21.2 per cent in the first half of 2006.

Income Statement for the period 1 January 2007 to 30 June 2007

	Group		Bank	
	6 mths to 30/06/07 Lm000	6 mths to 30/06/06 Lm000	6 mths to 30/06/07 Lm000	6 mths to 30/06/06 Lm000
Interest receivable and similar income				
– on loans and advances, balances with Central Bank of Malta and Treasury Bills	45,858	32,542	45,860	31,736
– on debt and other fixed income instruments	3,640	4,729	3,640	5,155
Interest payable	(22,335)	(14,464)	(22,575)	(14,685)
Net interest income	27,163	22,807	26,925	22,206
Fees and commissions receivable	7,183	6,738	5,693	5,167
Fees and commissions payable	(476)	(445)	(329)	(338)
Net fee and commission income	6,707	6,293	5,364	4,829
Dividend income	87	32	164	357
Trading profits	3,628	3,525	3,628	3,525
Net income from financial instruments designated at fair value through profit or loss	299	1,147	–	–
Net gains on sale of financial investments	1,280	2,293	1,280	2,293
Net earned insurance premiums	13,336	7,327	–	–
Other operating income	3,117	1,415	119	508
Total operating income	55,617	44,839	37,480	33,718
Net insurance claims incurred and movement in policyholders' liabilities	(13,270)	(6,965)	–	–
Net operating income	42,347	37,874	37,480	33,718
Employee compensation and benefits	(10,305)	(10,668)	(9,838)	(10,198)
General and administrative expenses	(5,190)	(5,088)	(4,855)	(4,815)
Depreciation	(1,308)	(1,188)	(1,302)	(1,176)
Amortisation of intangible assets	(199)	(286)	(144)	(243)
Net operating income before impairment reversals and provisions	25,345	20,644	21,341	17,286
Net impairment reversals	25	54	25	14
Provisions for liabilities and other charges	(61)	(130)	(61)	–
Profit before tax	25,309	20,568	21,305	17,300
Tax expense	(8,543)	(7,136)	(7,138)	(5,712)
Profit for the period	16,766	13,432	14,167	11,588
Profit attributable to shareholders of the bank	16,766	13,419	14,167	11,588
Profit attributable to minority interest	–	13	–	–
Earnings per share	5.7c	4.6c	4.9c	4.0c

Commentary by Shaun Wallis, Director and Chief Executive Officer, HSBC Malta:

"HSBC Malta continues to experience strong growth across all of its customer group businesses.

"Increases in loans and advances and customer deposits, together with improved margins, generated a 19.1 per cent increase in net interest income. Sales of products and services, including insurance and brokerage, and trading profits resulted in an 8.4 per cent increase in revenues arising from these activities.

"Our overall cost base was again flat and consequently the cost efficiency ratio improved strongly from 45.5 per cent to 40.1 per cent.

"Costs continue to be driven down by investment in new systems to improve automation, operational processes and in direct channels to increase customer sales and service. All of this is 'joining up' the company more effectively and improving its productivity and profitability.

"Malta will convert to the euro on 1 January and will implement and be prepared for SEPA, 'Chip and Pin' card functionality, MIFID, and Basel 2 by the end of 2007. All key projects related to these events are on track.

"Investment has also been made in a new 'retail look and feel' branch refurbishment with the dual objective of driving our aim to make HSBC the Best Place to Bank and the Best Place to Work. Customer and staff satisfaction survey levels continue to improve.

"HSBC also continues to maintain good liquidity and a strong capital position. HSBC has a conservative policy to keep sufficient capital to meet normal regulatory and prudential levels and to fund balance sheet and business growth. It is our policy to pay any surplus capital to shareholders.

"HSBC Malta will continue to follow its strong dividend payout policy in line with our objective of making HSBC Malta the Best Company for Shareholders."

The Board is declaring an interim gross dividend of 6.6 cents per share (4.3 cents net of tax) and a special gross dividend of 4.0 cents per share (2.6 cents net of tax), giving a total interim gross dividend of 10.6 cents. This will be paid on 22 August 2007 to shareholders who are on the bank's register of shareholders as at 8 August 2007.

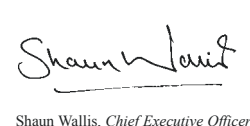
HSBC Bank Malta p.l.c. is a member of the HSBC Group, whose ultimate parent company is HSBC Holdings plc. Headquartered in London, HSBC Holdings plc is one of the largest banking and financial services organisations in the world. The HSBC Group's international network comprises over 10,000 offices in 83 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

Balance Sheet at 30 June 2007

	Group		Bank	
	30/06/07 Lm000	31/12/06 Lm000	30/06/07 Lm000	31/12/06 Lm000
Assets				
Balances with Central Bank of Malta, Treasury Bills and cash	163,673	130,569	163,673	130,569
Cheques in course of collection	11,498	10,535	11,498	10,535
Financial assets held for trading	11,379	10,396	11,379	10,399
Financial assets designated at fair value through profit or loss	118,601	112,476	–	–
Financial investments	200,279	168,138	199,262	168,123
Loans and advances to banks	268,654	256,060	268,654	256,042
Loans and advances to customers	1,175,367	1,126,126	1,175,367	1,126,126
Investments in subsidiary undertakings	–	–	9,682	9,682
Intangible assets	13,711	10,899	661	794
Property, plant and equipment	28,069	28,612	28,093	28,632
Investment property	3,417	3,417	2,456	2,456
Assets held for sale	4,546	3,978	4,610	4,042
Current tax recoverable	–	806	–	780
Deferred tax assets	–	–	2,054	724
Other assets	16,025	10,713	5,874	2,984
Prepayments and accrued income	16,159	14,589	15,183	13,630
Total assets	2,031,378	1,887,314	1,898,446	1,765,518
Liabilities				
Financial liabilities held for trading	10,556	10,643	10,648	10,693
Amounts owed to banks	176,995	126,328	176,995	126,328
Amounts owed to customers	1,518,255	1,475,450	1,534,534	1,487,906
Provision for current tax	5,208	–	4,834	–
Deferred tax liabilities	4,240	4,606	–	–
Liabilities to customers under investment contracts	9,365	9,153	–	–
Liabilities under insurance contracts issued	114,933	102,770	–	–
Other liabilities	22,668	13,816	21,921	13,003
Accruals and deferred income	22,744	18,147	22,449	17,936
Provisions for liabilities and other charges	92	32	92	32
Subordinated liabilities	25,000	–	25,000	–
Total liabilities	1,910,056	1,760,945	1,796,473	1,655,898
Equity				
Called up share capital	36,480	36,480	36,480	36,480
Revaluation reserves	8,937	10,629	8,945	10,629
Other reserves	370	242	346	227
Retained earnings	75,535	79,018	56,202	62,284
Total equity	121,322	126,369	101,973	109,620
Total liabilities and equity	2,031,378	1,887,314	1,898,446	1,765,518
Memorandum items				
Contingent liabilities	62,723	59,578	62,733	59,588
Commitments	471,909	456,899	471,909	456,899

The condensed interim financial statements were approved by the Board of Directors on 30 July 2007 and signed on its behalf by:


Albert Mizzi, Chairman


Shaun Wallis, Chief Executive Officer

Statement of Changes in Equity for the period 1 January 2007 to 30 June 2007

	Attributable to shareholders of the bank						Total equity Lm000
	Called up share capital	Revaluation reserves	Other reserves	Retained earnings	Total	Minority interest	
	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	
Group							
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
Income and expenses recognised directly in equity	-	(2,537)	-	18	(2,519)	-	(2,519)
Bonus share issue	27,360	-	(4,242)	(23,118)	-	-	-
Share capital of subsidiary	-	-	-	-	-	91	91
Disposal of subsidiary	-	-	-	-	-	(432)	(432)
Profit for the period	-	-	-	13,419	13,419	13	13,432
Dividends	-	-	-	(19,064)	(19,064)	-	(19,064)
At 30 June 2006	36,480	10,568	-	76,161	123,209	-	123,209
At 1 January 2007	36,480	10,629	242	79,018	126,369	-	126,369
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(619)	-	(211)	(830)	-	(830)
Net fair value adjustments on investments	-	(1,073)	-	-	(1,073)	-	(1,073)
Income and expenses recognised directly in equity	-	(1,692)	-	(211)	(1,903)	-	(1,903)
Profit for the period	-	-	-	16,766	16,766	-	16,766
Share based payments	-	-	128	70	198	-	198
Dividends	-	-	-	(20,108)	(20,108)	-	(20,108)
At 30 June 2007	36,480	8,937	370	75,535	121,322	-	121,322

	Called up share capital	Revaluation reserves	Other reserves	Retained earnings	Total equity
	Lm000	Lm000	Lm000	Lm000	Lm000
	Bank				
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
Income and expenses recognised directly in equity	-	(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
At 1 January 2007	36,480	10,629	227	62,284	109,620
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(619)	-	(211)	(830)
Net fair value adjustments on investments	-	(1,065)	-	-	(1,065)
Income and expenses recognised directly in equity	-	(1,684)	-	(211)	(1,895)
Profit for the period	-	-	-	14,167	14,167
Share based payments	-	-	119	70	189
Dividends	-	-	-	(20,108)	(20,108)
At 30 June 2007	36,480	8,945	346	56,202	101,973

Segmental Information

a Class of business	Personal Financial Services		Commercial Banking		Corporate, Investment Banking and Markets		Total	
	6 mths to 30/06/07	6 mths to 30/06/06	6 mths to 30/06/07	6 mths to 30/06/06	6 mths to 30/06/07	6 mths to 30/06/06	6 mths to 30/06/07	6 mths to 30/06/06
	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000
Group								
Profit before tax								
Segment operating income	20,739	18,814	15,452	12,920	6,156	6,140	42,347	37,874
Segment impairment allowances	(230)	110	255	(56)	-	-	25	54
Common costs	-	-	-	-	-	-	(17,063)	(17,360)
Profit before tax							25,309	20,568
	30/06/07	31/12/06	30/06/07	31/12/06	30/06/07	31/12/06	30/06/07	31/12/06
	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000
Assets								
Segment total assets	731,133	679,457	663,791	651,948	636,454	555,909	2,031,378	1,887,314
Average total assets	705,295	630,984	657,869	631,396	596,182	509,214	1,959,346	1,771,594
Total equity	40,320	37,191	66,868	77,605	14,134	11,573	121,322	126,369

b Geographical segments

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

Cash Flow Statement for the period 1 January 2007 to 30 June 2007

	Group		Bank	
	6 mths to 30/06/07	6 mths to 30/06/06	6 mths to 30/06/07	6 mths to 30/06/06
	Lm000	Lm000	Lm000	Lm000
Cash flows (used in)/from operating activities				
Interest, commission and premium receipts	69,671	50,101	54,478	39,289
Interest, commission and claims payments	(22,270)	(13,966)	(19,048)	(12,911)
Payments to employees and suppliers	(15,636)	(16,791)	(14,826)	(15,030)
Operating profit before changes in operating assets/liabilities	31,765	19,344	20,604	11,348
(Increase)/decrease in operating assets:				
Trading instruments	(6,596)	(8,818)	(685)	(392)
Reserve deposit with Central Bank of Malta	7,794	214	7,794	214
Loans and advances to customers and banks	(48,301)	(55,948)	(48,301)	(60,328)
Treasury Bills with contractual maturity of over three months	(37,570)	2,000	(37,570)	2,000
Other receivables	(2,064)	3,904	(2,158)	4,779
Increase/(decrease) in operating liabilities:				
Customer accounts and amounts owed to banks	40,490	52,748	44,405	51,417
Other payables	6,701	(4,409)	7,116	(3,720)
Net cash (used in)/from operating activities before tax	(7,781)	9,035	(8,795)	5,318
Net tax paid	(1,765)	(454)	(1,821)	(436)
Net cash (used in)/from operating activities	(9,546)	8,581	(10,616)	4,882
Cash flows (used in)/from investing activities				
Dividends received	63	12	113	512
Interest received from financial investments	3,476	6,561	3,476	6,972
Proceeds from sale and maturity of financial investments	65,031	47,600	65,031	77,588
Proceeds on sale of property, plant and equipment and intangible assets	24	56	24	56
Purchase of financial investments and assets held for sale	(98,848)	(11,967)	(97,848)	(11,967)
Purchase of property, plant and equipment, investment property and intangible assets	(844)	(932)	(806)	(923)
Proceeds on sale of investment in subsidiary undertaking	-	450	-	450
Net cash (used in)/from investing activities	(31,098)	41,780	(30,010)	72,688
Cash flows (used in)/from financing activities				
Dividends paid	(20,108)	(19,064)	(20,108)	(19,064)
Maturity of debt securities in issue	-	(12)	-	-
Issue of subordinated loan stock	25,000	-	25,000	-
Issue of units to minority interest	-	91	-	-
Net cash from/(used in) financing activities	4,892	(18,985)	4,892	(19,064)
Effect of amalgamation of subsidiary undertaking on cash and cash equivalents	-	-	-	(65,840)
(Decrease)/increase in cash and cash equivalents	(35,752)	31,376	(35,734)	(7,334)
Effect of exchange rate changes on cash and cash equivalents	(1,744)	(5,447)	(1,744)	(5,447)
Net (decrease)/increase in cash and cash equivalents	(34,008)	36,823	(33,990)	(1,887)
	(35,752)	31,376	(35,734)	(7,334)
Cash and cash equivalents at beginning of period	158,547	136,468	158,529	175,915
Cash and cash equivalents at end of period	122,795	167,844	122,795	168,581

Key Financials in Euros

	Group		Bank	
	6 mths to 30/06/07	6 mths to 30/06/06	6 mths to 30/06/07	6 mths to 30/06/06
	€000	€000	€000	€000
Profit before tax	58,954	47,911	49,627	40,298
Profit attributable to shareholders of the bank	39,054	31,258	33,000	26,993
Earnings per share	13.4c	10.7c	11.3c	9.2c
	30/06/07	31/12/06	30/06/07	31/12/06
	€000	€000	€000	€000
Total assets	4,731,838	4,396,259	4,422,190	4,112,551
Total equity	282,604	294,361	237,533	255,346

Statement pursuant to Listing Rule 9.44.3 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 as at 30 June 2007, financial performance and cash flows for the period then ended, in accordance with accounting standards adopted for use in the EU for interim financial statements (adopted IAS 34 'Interim Financial Reporting') for the group, and in accordance with IAS 34 'Interim Financial Reporting' for the bank; and
- the interim Directors' report includes a fair review of the information required in terms of Listing Rule 9.44.2.

Shaun Wallis
Shaun Wallis, Chief Executive Officer



The world's local bank