

HSBC Bank Malta p.l.c. Preliminary Profit Statement for the year ended 31 December 2003

(Published in terms of Section 6.05.06 (iii) of the Bye Laws of the Malta Stock Exchange)

	<i>Group</i>		<i>Bank</i>	
	2003	2002	2003	2002
	Lm000	Lm000	Lm000	Lm000
Interest receivable and similar income	69,360	76,105	66,696	71,807
Interest payable	(34,660)	(42,778)	(34,637)	(44,612)
Net interest income	34,700	33,327	32,059	27,195
Other net operating income	18,668	18,282	14,859	14,004
Total operating income	53,368	51,609	46,918	41,199
Operating expenses	(30,290)	(28,588)	(29,524)	(27,265)
Net amortisation of goodwill	(291)	(291)	(205)	(205)
Operating profit before impairment losses and provisions	22,787	22,730	17,189	13,729
Net impairment losses	3,386	(1,515)	2,937	(1,960)
Provisions for contingent liabilities and other charges	(9)	(89)	(9)	(89)
Profit on ordinary activities before tax	26,164	21,126	20,117	11,680
Tax on profit on ordinary activities	(9,383)	(5,762)	(7,352)	(3,944)
Profit for the financial year attributable to shareholders	16,781	15,364	12,765	7,736
Earnings per share	46.0c	42.1c	35.0c	21.2c
Dividends per share, net of income tax	46.0c	13.8c	46.0c	13.8c

Balance sheet extracts as at

	<i>Group</i>		<i>Bank</i>	
	31/12/03	31/12/02	31/12/03	31/12/02
<i>(Figures in Lm millions)</i>				
Total assets	1,539	1,570	1,491	1,535
Loans and advances to customers	922	891	813	763
Amounts owed to customers	1,267	1,303	1,271	1,299
Shareholders' funds	131	117	131	117

Review of group performance

HSBC Bank Malta p.l.c. and its subsidiaries recorded a profit before tax of Lm26.2 million for the year ended 31 December 2003. This represents an increase of 23.8 per cent over the Lm21.1 million earned in 2002. Profit after tax of Lm16.8 million for the year ended 31 December 2003 represents an increase of 9.2 per cent over the Lm15.4 million earned in 2002. Earnings per share for the year ended 31 December 2003 increased to 46.0 cents compared to 42.1 cents for 2002.

- Net interest income of Lm34.7 million, up by 4.1 per cent, over prior year levels.
- Non-interest income levels grew by 2.1 per cent, contributing Lm18.7 million to total operating income.
- Operating expenses, up by 5.9 per cent influenced by higher retirement benefits
- Net impairment losses. The reduction in net impairment losses totalled Lm3.4 million. New specific allowances of Lm3.3 million were raised and bad debt write-offs of Lm1.3 million were effected. An overall improvement in the credit quality of the lending book reduced non-performing loans from Lm120.3 million to Lm107.5 million. This contributed towards the reversing of Lm4.6 million in specific allowances together with a Lm2.6 million reduction in the level of general allowances held. Investment disposals contributed towards the reversing of a further Lm0.8 million in impairment allowances.
- Customer deposits of Lm1.27 billion at 31 December 2003 compared with Lm1.30 billion at 31 December 2002. Collective investment schemes managed by the group and life assurance products grew by Lm82.0 million during the year.
- Loans and advances to customers of Lm922.3 million at 31 December 2003 - up Lm31.6 million or 3.6 per cent over 31 December 2002.
- Total assets of Lm1.54 billion at 31 December 2003 compared with Lm1.57 billion at 31 December 2002.

Chris Hothersall, Chief Executive Officer of HSBC Bank Malta p.l.c., said: "2003 was another challenging year for the bank operating within a local economy gearing itself for EU membership. Despite the conditions of political uncertainty which characterised the earlier part of the year under review and the economic restructuring underway, the bank registered a very satisfactory financial result. Capital and liquidity positions remain strong. The credit quality of our loan portfolio remains sound.

All our banking services continue to show good growth as we diversify into new channels of distribution with the launch of our Personal Internet Banking service and Call Centre initiatives. Demand for our wealth management investment products has been strong and we have successfully expanded the product range.

In 2003, the bank received FT's *The Banker* awards for the "Best Bank" in Malta.

The Board has recommended a final dividend of 60.0 cents per share, inclusive of a special dividend of 36.0 cents per share. The special dividend is being proposed in order to reduce group shareholders' funds by Lm8.5 million, which amount is considered surplus to current and planned operational needs. The total gross dividend for 2003 will amount to 70.8 cents per share, as an interim net dividend of 10.8 cents per share was paid in August 2003.

We would like to thank our customers for their support during the year as well as our staff for their continued commitment to customer service, which is reflected in these results.

The dividend, which will be approved at the next Annual General Meeting, will be paid to shareholders who are on the Register of Members of the company on 18 February 2004.

