

HSBC Bank Malta p.l.c. Preliminary Profit Statement for the year ended 31 December 2004

The preliminary profit statement is published in terms of Listing Rule 9.53 of the MFSA Listing Authority. Figures have been extracted from HSBC Bank Malta p.l.c.'s Annual Report and Accounts that have been audited by KPMG.

Review of Performance

HSBC Bank Malta p.l.c. and its subsidiaries generated a profit on ordinary activities before tax of Lm33.0 million during the year ended 31 December 2004, an increase of Lm6.9 million, or 26.3 per cent, compared with the year ended 31 December 2003.

Earnings per share increased from 46.0 cents in 2003 to 60.7 cents in 2004 with the pre-tax return on average shareholders' funds increasing from 21.1 per cent in 2003 to 24.9 per cent.

Net interest income grew by 13.8 per cent, compared with 2003, and contributed Lm39.5 million to total operating income. Local monetary policy conditions remained stable and the market was characterised by a general preference for shorter term liquidity with low international and local interest rates. There was significant growth in mortgage lending.

Non-interest income levels grew by 6.8 per cent, contributing Lm19.9 million to total operating income.

Administrative expenses reached Lm27.4 million, an increase of Lm0.1 million over 2003. Depreciation was 3.9 per cent higher as a result of the increased carrying cost of tangible fixed assets.

The group's cost:income ratio improved to 51.1 per cent from 56.8 per cent in 2003.

Net impairment reversals contributed Lm4.0 million to profitability.

The directors are proposing a final gross dividend of 27.3 cents per share (17.7 cents net of tax). This follows the interim gross dividend of 19.4 cents and additional special dividend of 35.4 cents paid in August 2004. The special dividend to shareholders marked the fifth anniversary of HSBC Bank Malta p.l.c. The final dividend will be paid on 24 March 2005 to shareholders who are on the register of shareholders as at 16 February 2005.

Shaun Wallis, Director and Chief Executive Officer of HSBC Bank Malta p.l.c. said: "The year under review was very successful across many areas and we again produced record results. We are confident that there is good potential to continue to grow our business in Malta. We thank our shareholders, staff and customers for their support."

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 about 10,000 offices in 76 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

Profit and Loss Account for the year 1 January 2004 to 31 December 2004

	Group		Bank	
	2004	2003	2004	2003
	Lm000	Lm000	Lm000	Lm000
Interest receivable and similar income				
– on loans and advances, balances with Central Bank of Malta and Treasury Bills	56,574	58,648	53,088	54,679
– on debt and other fixed income instruments	10,410	10,712	11,817	12,017
Interest payable	(27,505)	(34,660)	(27,717)	(34,637)
Net interest income	39,479	34,700	37,188	32,059
Fees and commissions receivable	10,105	10,805	7,685	8,841
Fees and commissions payable	(759)	(659)	(646)	(607)
Dividend income	117	125	5,709	125
Trading profits	6,562	5,817	6,552	5,779
Net gains on disposal of non-trading financial instruments	1,716	649	1,019	700
Other operating income	2,201	1,931	50	21
Operating income	59,421	53,368	57,557	46,918
Administrative expenses	(27,407)	(27,325)	(26,548)	(26,630)
Depreciation	(2,745)	(2,643)	(2,680)	(2,574)
Amortisation of goodwill	(339)	(291)	(189)	(205)
Other operating charges	(206)	(322)	(206)	(320)
Operating expenses	(30,697)	(30,581)	(29,623)	(29,729)
Operating profit before impairment reversals and provisions	28,724	22,787	27,934	17,189
Net impairment reversals	4,012	3,386	3,649	2,937
Reversals/(provisions) for liabilities and other charges	301	(9)	301	(9)
Profit on ordinary activities before tax	33,037	26,164	31,884	20,117
Tax on profit on ordinary activities	(10,907)	(9,383)	(10,688)	(7,352)
Profit for the financial year attributable to shareholders	22,130	16,781	21,196	12,765
Earnings per share	60.7c	46.0c	58.1c	35.0c

Balance Sheet at 31 December 2004

	Group		Bank	
	2004	2003	2004	2003
	Lm000	Lm000	Lm000	Lm000
Assets				
Balances with Central Bank of Malta, Treasury Bills and cash	106,806	133,574	106,781	133,512
Cheques in course of collection	4,458	5,637	4,458	5,637
Financial assets held for trading	4,826	2,444	4,826	2,444
Investments	245,737	235,059	268,226	256,191
Loans and advances to banks	131,281	130,700	172,363	187,945
Loans and advances to customers	979,446	922,526	888,018	813,101
Shares in subsidiary companies	–	–	42,023	41,602
Intangible fixed assets	1,022	1,762	964	1,528
Tangible fixed assets	30,647	30,511	30,620	30,458
Deferred tax asset	–	1,607	–	2,195
Other assets	76,912	59,102	2,231	1,246
Prepayments and accrued income	16,634	16,062	15,716	15,432
Total assets	1,597,769	1,538,984	1,536,226	1,491,291
Liabilities				
Financial liabilities held for trading	9,917	8,611	9,917	8,611
Amounts owed to banks	48,336	32,367	48,336	32,368
Amounts owed to customers	1,288,940	1,267,378	1,296,687	1,271,058
Debt securities in issue	12	12	–	–
Deferred tax liability	2,318	–	625	–
Other liabilities	78,546	62,080	11,195	11,032
Accruals and deferred income	15,101	15,676	14,818	15,419
Provisions for liabilities and other charges	26	1,698	26	1,746
Subordinated liabilities	20,000	20,000	20,000	20,000
	1,463,196	1,407,822	1,401,604	1,360,234
Shareholders' funds				
Called up share capital	9,120	9,120	9,120	9,120
Revaluation reserves	11,086	10,978	33,265	32,069
Other reserve	4,242	4,242	4,242	4,242
Profit and loss account	103,652	100,989	81,522	79,793
Dividend reserve	6,473	5,833	6,473	5,833
	134,573	131,162	134,622	131,057
Total liabilities and shareholders' funds	1,597,769	1,538,984	1,536,226	1,491,291
Memorandum items				
Contingent liabilities	44,127	38,818	44,537	39,238
Commitments	330,584	297,631	346,758	315,397

Statement of Changes in Equity for the year 1 January 2004 to 31 December 2004
Cash Flow Statement for the year 1 January 2004 to 31 December 2004

	Group					Total Lm000
	Called up share capital	Revaluation reserves	Other reserve	Profit and loss account	Dividend reserve	
	Lm000	Lm000	Lm000	Lm000	Lm000	
At 1 January 2003	9,120	7,933	4,242	92,572	3,130	116,997
Release of net gains on available-for-sale assets transferred to the profit and loss account on disposal	-	(610)	-	30	-	(580)
Net fair value adjustments on investments	-	3,239	-	-	-	3,239
Surplus on revaluation of freehold and long leasehold properties	-	416	-	-	-	416
Net gains not recognised in the profit and loss account	-	3,045	-	30	-	3,075
Profit attributable to shareholders	-	-	-	16,781	-	16,781
Dividends	-	-	-	(8,394)	8,394	-
Dividends paid	-	-	-	-	(5,691)	(5,691)
At 31 December 2003	9,120	10,978	4,242	100,989	5,833	131,162
At 1 January 2004	9,120	10,978	4,242	100,989	5,833	131,162
Release of net gains on available-for-sale assets transferred to the profit and loss account on disposal	-	(1,357)	-	-	-	(1,357)
Net fair value adjustments on investments	-	615	-	-	-	615
Surplus on revaluation of freehold and long leasehold properties	-	850	-	-	-	850
Net gains not recognised in the profit and loss account	-	108	-	-	-	108
Profit attributable to shareholders	-	-	-	22,130	-	22,130
Dividends	-	-	-	(19,467)	19,467	-
Dividends paid	-	-	-	-	(18,827)	(18,827)
At 31 December 2004	9,120	11,086	4,242	103,652	6,473	134,573

	Bank					Total Lm000
	Called up share capital	Revaluation reserves	Other reserve	Profit and loss account	Dividend reserve	
	Lm000	Lm000	Lm000	Lm000	Lm000	
At 1 January 2003	9,120	24,939	4,242	75,392	3,130	116,823
Release of net gains on available-for-sale assets transferred to the profit and loss account on disposal	-	(661)	-	30	-	(631)
Net fair value adjustments on investments	-	7,375	-	-	-	7,375
Surplus on revaluation of freehold and long leasehold properties	-	416	-	-	-	416
Net gains not recognised in the profit and loss account	-	7,130	-	30	-	7,160
Profit attributable to shareholders	-	-	-	12,765	-	12,765
Dividends	-	-	-	(8,394)	8,394	-
Dividends paid	-	-	-	-	(5,691)	(5,691)
At 31 December 2003	9,120	32,069	4,242	79,793	5,833	131,057
At 1 January 2004	9,120	32,069	4,242	79,793	5,833	131,057
Release of net gains on available-for-sale assets transferred to the profit and loss account on disposal	-	(660)	-	-	-	(660)
Net fair value adjustments on investments	-	1,006	-	-	-	1,006
Surplus on revaluation of freehold and long leasehold properties	-	850	-	-	-	850
Net gains not recognised in the profit and loss account	-	1,196	-	-	-	1,196
Profit attributable to shareholders	-	-	-	21,196	-	21,196
Dividends	-	-	-	(19,467)	19,467	-
Dividends paid	-	-	-	-	(18,827)	(18,827)
At 31 December 2004	9,120	33,265	4,242	81,522	6,473	134,622

	Group		Bank	
	2004 Lm000	2003 Lm000	2004 Lm000	2003 Lm000
Cash flows from operating activities				
Interest and commission receipts	69,537	73,413	63,919	67,914
Interest and commission payments	(30,276)	(39,214)	(30,256)	(39,116)
Payments to employees and suppliers	(25,841)	(25,756)	(25,133)	(24,966)
Operating profit before changes in operating assets/liabilities	13,420	8,443	8,530	3,832
(Increase)/decrease in operating assets:				
Trading instruments	(1,742)	(209)	(1,742)	(209)
Reserve deposits with Central Bank of Malta	(4,827)	5,756	(4,841)	5,736
Loans and advances to banks	(7,079)	4,431	(7,080)	4,432
Loans and advances to customers	(52,913)	(29,220)	(71,273)	(47,962)
Treasury Bills with contractual maturity of over three months	30,701	9,004	30,700	9,000
Cheques in course of collection	1,179	(1,651)	1,179	(1,651)
Other receivables	(16,122)	(23,027)	325	(344)
Increase/(decrease) in operating liabilities:				
Amounts owed to banks	14,561	(14,550)	14,560	(15,102)
Amounts owed to customers	23,234	(28,844)	27,297	(20,758)
Other payables	18,415	24,115	(70)	3,094
Net cash from/(used in) operating activities before tax	18,827	(45,752)	(2,415)	(59,932)
Tax paid	(10,412)	(6,239)	(9,504)	(5,459)
Net cash flows from/(used in) operating activities	8,415	(51,991)	(11,919)	(65,391)
Cash flows from investing activities				
Dividends received	77	125	3,887	125
Interest received from available-for-sale debt and other fixed income instruments	5,083	5,196	5,083	5,196
Interest received from held-to-maturity debt and other fixed income instruments	7,429	8,083	8,802	8,824
Proceeds on disposal of available-for-sale instruments	10,814	9,986	5,224	7,095
Proceeds on maturity of held-to-maturity debt and other fixed income instruments	70,488	72,588	70,488	67,395
Proceeds on disposal of tangible fixed assets	52	26	47	26
Purchase of available-for-sale instruments	(35,332)	(1,812)	(30,764)	(741)
Purchase of held-to-maturity debt and other fixed income instruments	(57,805)	(50,295)	(57,805)	(50,295)
Purchase of tangible fixed assets	(1,276)	(5,286)	(1,244)	(5,225)
Purchase of intangible fixed assets	(86)	(66)	(81)	(66)
Net cash flows (used in)/from investing activities	(556)	38,545	3,637	32,334
Cash flows from financing activities				
Dividends paid	(18,827)	(5,691)	(18,827)	(5,691)
Cash used in financing activities	(18,827)	(5,691)	(18,827)	(5,691)
Decrease in cash and cash equivalents	(10,968)	(19,137)	(27,109)	(38,748)
Effect of exchange rate changes on cash and cash equivalents	(1,139)	(6,066)	(1,139)	(6,021)
Net decrease in cash and cash equivalents	(9,829)	(13,071)	(25,970)	(32,727)
Net decrease in cash and cash equivalents	(10,968)	(19,137)	(27,109)	(38,748)
Cash and cash equivalents at beginning of year	108,019	127,156	165,217	203,965
Cash and cash equivalents at end of year	97,051	108,019	138,108	165,217

Segmental information

a	Class of business	Personal Financial Services		Commercial Banking		Corporate, Investment Banking and Markets		Total	
		2004 Lm000	2003 Lm000	2004 Lm000	2003 Lm000	2004 Lm000	2003 Lm000	2004 Lm000	2003 Lm000
Group									
	Profit before tax								
	Segment operating income	28,927	25,549	22,136	20,363	8,358	7,456	59,421	53,368
	Segment impairment allowances	107	993	3,905	2,393	-	-	4,012	3,386
	Common costs	-	-	-	-	-	-	(30,396)	(30,590)
	Profit on ordinary activities before tax							33,037	26,164
	Assets								
	Segment total assets	476,682	413,546	651,187	644,033	469,900	481,405	1,597,769	1,538,984
	Average total assets	445,114	383,779	647,610	649,653	475,653	521,227	1,568,377	1,554,659
	Net assets	39,534	38,531	82,104	80,024	12,935	12,607	134,573	131,162

b Geographical segments

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