

# Prospectus

Dated 15 September 2008

## **€25,000,000 5.9% Subordinated Bonds**

due

7 October 2018

of a nominal value of €100 per Bond issued at par

by

**HSBC Bank Malta p.l.c.**

Sponsor

 **CHARTS**

WEALTH MANAGEMENT • CORPORATE BROKING

**HSBC** 

The world's local bank

**Prospectus**

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by

**HSBC Bank Malta p.l.c.**

(incorporated in Malta with limited liability under registration number C 3177)

Offer Period: from 24 September 2008 to 30 September 2008

(subject to the right of the Issuer to close the Offer early in the event of over-subscription)

ISIN: MT0000031238

**Sponsor**

Charts Investment  
Management Service Ltd.

**Manager and Registrar**

HSBC Bank Malta p.l.c.

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**Summary of the Prospectus**

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## Important Information

### Introduction

This document constitutes a summary to the Prospectus dated 15 September 2008 and contains information on the issue by HSBC Bank Malta p.l.c. (the “Issuer”) of €25,000,000 5.9% Subordinated Bonds due 7 October 2018 of a nominal value of €100 per Bond issued at par and any additional Bonds not exceeding €5,000,000 in value which the Issuer may issue at its sole and absolute discretion under the Over-allotment Option to meet any outstanding Applications in the event of over-subscription. Interest on the Bonds will become due and payable semi annually in arrears on 7 October and 7 April of each year, between 2009 and the year in which the Bonds are redeemed, both years included, the first Interest Payment Date falling on 7 April 2009. Any Interest Payment Date which falls on a day other than a Business Day, will be carried over to the next following day that is a Business Day. The nominal value of the Bonds on offer will be repayable in full at maturity on 7 October 2018, unless the Bonds are previously re-purchased and cancelled.

The Prospectus, of which this Summary forms part, also contains information about the Issuer and the Bonds in accordance with the requirements of the Listing Rules of the Listing Authority, the Companies Act, 1995 (Cap. 386, Laws of Malta) (the “Act”) and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

The Directors, whose names appear under the heading “**Directors and Company Secretary of the Issuer**” on page 35 of the Registration Document forming part of this Prospectus are the persons responsible for the information contained in the Prospectus. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

No broker, dealer, salesman or other person has been authorised by the Issuer or by its Directors to issue any advertisement or to give any information or to make any representations in connection with the Bond Issue, other than those contained in the Prospectus and in the documents referred to herein, and if given or made such information and representations must not be relied upon as having been authorised by the Issuer or its Directors.

All the Advisers to the Issuer named in the Prospectus under the heading “**Advisers to the Issuer**” on page 24 of the Registration Document are acting exclusively for the Issuer in relation to this offer and will not be responsible to any investor or any other person whomsoever in relation to the transactions proposed in the Prospectus.

The Prospectus, a copy of which has been registered with the Registrar of Companies in accordance with the Act, has been published with the consent of the Registrar of Companies in terms of regulation 5(2) of the Companies Act (The Prospectus) Regulations (L.N. 389 of 2005).

A copy of the Prospectus has also been submitted to the Listing Authority for its authorisation for admissibility of the Bonds to listing in satisfaction of the requirements under the Listing Rules. Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to this Prospectus to be listed and traded on the Official List of the Malta Stock Exchange once the Bonds are authorised as admissible to listing by the Listing Authority.

An Application Form, together with a guide on how to complete it, may be obtained from any Authorised Distributor and is set out in Appendix 2 of the Prospectus.

Statements in the Prospectus are, except where otherwise stated, based on the law and practice currently in force in Malta and are subject to changes therein.

## Selling Restrictions

The Prospectus does not constitute, and may not be used for purposes of an offer or invitation to subscribe for Bonds by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; or (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

It is the responsibility of any persons in possession of the Prospectus and any persons wishing to apply for Bonds to inform themselves of, and to observe and comply with, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Bonds should inform themselves as to the legal requirements of so applying and of any applicable exchange control requirements and taxation in the countries of their nationality, residence or domicile.

Save for the public offering in the Republic of Malta, no action has been or will be taken by the Issuer that would permit a public offering of the Bonds or the distribution of the Prospectus (or any part thereof) or any offering material in any country or jurisdiction where action for that purpose is required.

In relation to each Member State of the European Economic Area (other than Malta) which has implemented the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the “**Prospectus Directive**”) or which, pending such implementation, applies article 3.2 of the Prospectus Directive, the Bonds can only be offered to “qualified investors” (as defined in the Prospectus Directive) as well as in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to article 3 of the Prospectus Directive.

The Bonds have not been nor will they be registered under the United States Securities Act, 1933 as amended (the “1933 Act”), or under any Federal or State securities law and may not be offered, sold or otherwise transferred, directly or indirectly in the United States of America, its territories or possessions, or any area subject to its jurisdiction (the “United States”) or to or for the benefit of, directly or indirectly, any United States person (as defined in Regulation “S” of the 1933 Act, as amended from time to time). Furthermore the Issuer will not be registered under the United States Investment Company Act, 1940 (the “1940 Act”) as amended and investors will not be entitled to the benefits of the 1940 Act.

## Warnings

This Summary has to be read as an introduction to the Prospectus dated 15 September 2008 written in English (the “Prospectus”) and composed of the following parts:

- Summary of the Prospectus
- Registration Document
- Securities Note

Any decision to invest in the Bonds has to be based on an exhaustive analysis by the investor of the Prospectus as a whole.

The Directors have tabled this Summary and applied for its notification and assume responsibility for its content, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity. Prospective investors should carefully consider all the information contained in the Prospectus as a whole and should consult their own independent financial and other professional advisers before deciding to make an investment in the Bonds.

## 1. Definitions

Words and expressions used in this Summary shall, except where the context otherwise requires, bear the same meaning as defined in the Registration Document forming part of the Prospectus.

## 2. Directors, Senior Management, Auditors and Advisers

### 2.1 Directors and Company Secretary

As at the date of the Summary, the Board of Directors of the Issuer is composed of the following persons:

#### **Albert Mizzi**, *Non-Executive Chairman*

Age 81. Non-Executive Chairman of the Issuer since June 1999. In 1946, joined family business Alf. Mizzi & Sons Ltd. and was Chairman for several years. In the 1960s he was heavily involved in private banking and appointed director of Medport. Established a number of Malta's important parastatal businesses: Air Malta, Sea Malta, Medserv, Mediterranean Insurance Brokers and Middle Sea Insurance. Following the setting up of Air Malta in 1973, he served as its Chairman for 19 years.

#### **Alan Richards**, *Director and Chief Executive Officer*

Age 49. Director and Chief Executive Officer of the Issuer since May 2008. A Senior Associate of the Australasian Institute of Banking and Finance and a member of the Institute of Financial Services. He was formerly Director and Deputy Chief Executive Officer of HSBC Australia and Director and Head of Retail Banking, HSBC Bank A.S. Turkey. Previously, he has also held the posts of Director of HSBC Broking Asia and prior to that of General Manager HSBC Bank Malaysia.

#### **Sally Robson**, *Director and Chief Operating Officer*

Age 50. Director and Chief Operating Officer of the Issuer since 31 March 2006. A professional banker and a fellow of the Chartered Institute of Bankers. Joined the then Midland Bank plc in 1979. Since 1983 she has held a number of key managerial positions within the HSBC Group in the UK, with the last post held being that of Area Director for Greater Manchester.

#### **Anthony Mahoney**, *Non-Executive Director*

Age 46. Director of the Issuer since September 2008. Associate of the Institute of Financial Services. Has occupied various top managerial posts within the HSBC Group since 1997. Presently occupies the post of Group General Manager, Head of HSBC Bank plc, International.

#### **Philip Farrugia Randon**, *Non-Executive Director*

Age 59. Director of the Issuer since June 2004. Graduated LL.D. in 1973 and joined the Issuer in 1974 as a legal adviser. Held the post of Company Secretary and Head of Group Legal Department of the Issuer for several years.

#### **Charles John Farrugia**, *Executive Director*

Age 51. Director of the Issuer since November 2004. Joined the bank in 1975. Was appointed Chief Dealer in 1995, Group Senior Treasury Manager in 1999 and Managing Director of HSBC Stockbrokers (Malta) Ltd. in 2001. Currently holds the post of Head of Global Banking and Markets.

#### **Victor Scicluna**, *Non-Executive Director*

Age 70. Director of the Issuer since March 2001 and member of the Audit Committee since June 2001. A Certified Public Accountant. Former Director and General Manager of Central Cigarettes Co Ltd, former Chairman of the Board of Governors of the Malta College of Arts, Science and Technology, former President of The Malta Employers Association and former Chairman of The Malta Council for Economic and Social Development.

**Peter Paul Testaferrata Moroni Viani, Non-Executive Director**

Age 48. Non-Executive Director of the Issuer since March 2001. Holds various executive positions and directorships within the Testaferrata Group of companies.

**Saviour sive Sonny Portelli, Non-Executive Director**

Age 64. Appointed Director of the Issuer on 9 October 2006. A senior Maltese businessman who is currently the Chairman of Go p.l.c. Group and Chairman of The Malta Council for Economic and Social Development. Had an early career in the Malta Civil Service which he left to join the Tourist Sector. Besides being a Marketing Specialist he sits as non-executive director on the boards of various Maltese companies.

**Company Secretary****George Brancaleone**

Age 47. Company Secretary of the Issuer since June 2004. Joined the Issuer in 1980 and graduated LL.D. in 1988. Company Secretary of various HSBC subsidiaries in Malta since 2001. Presently holds the post of Senior Manager at Group Legal Department of the Issuer.

**Interests of Directors**

Directors' interest in the share capital of the Issuer or in any related company as at 31 December 2007

	<i>No. of shares</i>
Albert Mizzi	8,000
Shaun Wallis (resigned on 15 May 2008)	2,000
Saviour sive Sonny Portelli	4,700
Philip Farrugia Randon	6,400

Peter Paul Testaferrata Moroni Viani has a beneficial interest in the Issuer of 58,800 ordinary shares through the shareholding of MacApps Limited and 40,000 ordinary shares through the shareholding of Capps Ltd. in HSBC Bank Malta p.l.c. He also has a non-beneficial interest in the Issuer of 300,000 ordinary shares through the shareholding of Santumas Shareholdings p.l.c., 40,000 ordinary shares through the shareholding of Viani Limited and 5,000 ordinary shares through the shareholding of Circles Limited in the Issuer.

Albert Mizzi has a non-beneficial interest in the Issuer of 177,480 ordinary shares through the shareholding held by Finco Control Co Limited in HSBC Bank Malta p.l.c. and a non-beneficial interest in the Issuer of 339,680 ordinary shares through the shareholding of Finco Treasury Management Limited in the Issuer.

Charles John Farrugia has a non-beneficial interest in the Issuer of 7,342,267 ordinary shares through the shareholding held by Amalgamated Investments Sicav p.l.c. in HSBC Bank Malta p.l.c.

Save for the matters disclosed on page 36 and 39 of the Registration Document under the headings "Interests of Directors", "Interest of Major Shareholders" and "Related Party Transactions" there are no potential conflicts of interests between any duties to the Issuer of the persons referred to above under the headings "Directors of the Issuer" and "Senior Management" and their private interests and/or other duties.

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## 2.2 Board Committees

The Directors have established the following board committees:

- Executive Committee
- Audit Committee
- Remuneration Committee
- Asset and Liability Management Committee
- Credit Risk Management Committee
- Group Risk Management Committee

### *Executive Committee*

The Executive Committee meets on a monthly basis to oversee the overall management of the Issuer. The Chief Executive Officer chairs this committee which is composed of the Chief Operating Officer together with the top management of the Issuer.

### *Audit Committee*

This committee meets at least six times a year. Its terms of reference are modelled mainly on the recommendations in the Cadbury Report and the provisions on the Audit Committee contained in the Listing Rules. These terms of reference also reflect HSBC Group standards. This committee which is accountable to the Board assists the Board in meeting its responsibilities in ensuring an effective system of internal control and compliance and for meeting its external financial reporting obligations, including its obligations under the Listing Rules, laws and regulations and is directly responsible on behalf of the Board for the selection, oversight and remuneration of the external auditor. It also reviews the materiality and nature of related party transactions carried out by the Issuer to ensure that the arms' length principle is adhered to at all times. Its members are Victor Scicluna (Chairman), Peter Paul Testaferrata Moroni Viani, Saviour sive Sonny Portelli, all independent Non-Executive Directors and Philip Farrugia Randon LL.D., a Non-Executive Director. Executives of the Issuer are available to attend any of the meetings as directed by the committee. The Chief Executive Officer, the Chief Operating Officer and a representative of the external auditors attend the meetings. In line with Listing Rule 8.61, the Head of Internal Audit is always present for the meetings and has a right of direct access to the Chairman of the committee at all times.

In terms of Listing Rule 8.62.8, the Audit Committee is responsible for developing and implementing a policy on the engagement of the external auditor to supply non-audit services. Since HSBC Holdings plc is a Securities Exchange Commission (SEC) registered company, non-audit services provided by the external auditor are regulated in terms of the SEC rules.

### *Remuneration Committee*

The Remuneration Committee established within the Issuer is set up on a similar basis to its counterparts in HSBC Group, and hence is different in character from the 'remuneration committee' envisaged under the Code of Principles of Good Corporate Governance. More specifically, there is no committee appointed by the Board to fix the remuneration packages of the individual Directors.

The Remuneration Committee meets primarily to review the compensation policy of the Issuer and to make annual recommendations, which are then sent to HSBC Bank plc for concurrence on pay review, salary increases and bonuses for key management personnel. It is chaired by Albert Mizzi (independent Non-Executive Director) and comprises Peter Paul Testaferrata Moroni Viani, Saviour sive Sonny Portelli and Philip Farrugia Randon LL.D.

### *Asset and Liability Management Committee*

This Committee ("ALCO") reviews the following financial risks of the Group in Malta and ensures their prudent management: interest rate risk, liquidity and funding, foreign exchange risk, capital solvency, market sector risk and country risk. Furthermore, ALCO monitors the external environment and measures the impact on profitability of factors such as interest rate volatility, market liquidity, exchange rate volatility, monetary and fiscal policies and competitor banks activity.

The Chief Executive Officer has primary responsibility for ensuring efficient development of asset and liability management. Membership consists of senior executives with responsibility for the following functions: corporate banking, retail banking, treasury, financial control, marketing, and credit. The ALCO, which is chaired by the Chief Executive Officer and deputised by the Chief Operating Officer, meets once a month.

***Credit Risk Management Committee***

The Credit Risk Management Committee reviews the credit risk management issues of the Group in Malta. It meets on a quarterly basis and is chaired by the Chief Executive Officer and deputised by the Chief Operating Officer. Membership consists of senior executives with responsibility for the following functions: credit and risk management, corporate banking, retail banking, audit and compliance, treasury and consumer finance.

***Group Risk Management Committee***

The Group Risk Management Committee reviews the operational risks of the Group in Malta: the identification, measurement, monitoring and controlling of operational business risks; and determines and agrees strategies and policies to mitigate these risks.

This Committee meets at least four times a year and is chaired by the Chief Operating Officer and is composed of Chief Financial Officer, Senior Internal Audit Manager and the Heads of Credit, Banking Services, Commercial Banking, Personal Financial Services, Global Banking and Markets and Compliance.

**2.3 Senior Management**

As at the date of this Registration Document the senior management of the Issuer is composed of the following:

<b>Alan Richards</b>	<i>Chief Executive Officer</i>
<b>Sally Robson</b>	<i>Chief Operating Officer</i>
<b>Charles John Farrugia</b>	<i>Head of Global Banking and Markets</i>
<b>Eric Mamo</b>	<i>Acting Head of Group Legal</i>
<b>Richard Cottell</b>	<i>Head of Commercial Banking</i>
<b>Godfrey Swain</b>	<i>Head of Personal Financial Services</i>
<b>Alasdair Robertson</b>	<i>Head of Credit</i>
<b>Philip Farrugia</b>	<i>Head of Banking Services</i>
<b>Mark Sims</b>	<i>Head of Human Resources</i>
<b>Joseph V. Borg</b>	<i>Head of IT</i>
<b>David Demarco</b>	<i>Chief Financial Officer</i>
<b>Brian Tortell</b>	<i>Head of Marketing</i>
<b>Josef Camilleri</b>	<i>Head of Public Affairs and CSR</i>
<b>Richard Philip Jones</b>	<i>Head of Insurance Services</i>
<b>Martin Scicluna</b>	<i>Head of Wealth Management</i>
<b>Charles Azzopardi</b>	<i>Head of Funds Administration</i>
<b>Ray Briffa</b>	<i>Head of Channel Management</i>
<b>Kevin Rapinett</b>	<i>Head of Global Markets and Investment Banking</i>
<b>John Sammut</b>	<i>Senior Audit and Compliance Manager</i>
<b>Stephen Pandolfino</b>	<i>Head of Investment Management</i>

The Group employed an average of 1,632 employees during 2007.

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## 2.4 Remuneration of Directors and Senior Management

Directors' remuneration for the financial year ended 31 December 2007:

- Directors' fees €110,645
- Directors' emoluments as full-time bank employees €970,263

No Director is entitled to profit sharing, share options, pension benefits (other than performance-related bonus awards) or any other remuneration, directly from the Issuer.

Senior management are employed under an indefinite contract of service. Senior management are remunerated by way of salary and are, in addition, entitled to bonuses linked to individual performance and overall performance of the Group.

## 2.5 Auditors

The annual statutory financial statements of the Issuer for the financial years ended 31 December 2006 and 2007 have been audited by KPMG, Certified Public Accountants of Portico Building, Marina Street, Pieta, Malta. KPMG is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act, 1979 (Cap. 281, Laws of Malta).

## 3. Advisers to the Issuer

### Legal Advisers to the Issuer

HSBC Bank Malta p.l.c.  
Legal Office  
116, Archbishop Street  
Valletta VLT 1116  
Malta

### Manager and Registrar

HSBC Bank Malta p.l.c.  
233, Republic Street  
Valletta VLT 1116  
Malta

### Sponsor

Charts Investment Management Service Ltd  
Valletta Waterfront Vault 17  
Pinto Wharf  
Floriana FRN 1913  
Malta

#### 4. Offer Statistics

Issuer:	HSBC Bank Malta p.l.c., a company registered in Malta with registration number C 3177.
Amount:	€25,000,000, subject to the Over-allotment Option described below.
Over-allotment Option:	At the sole and absolute discretion of the Issuer, additional Bonds not exceeding €5,000,000 in value may be issued at the Bond Issue Price to cover any outstanding Applications in the event of over-subscription.
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the Central Securities Depository.
Denomination:	Euro (€).
Minimum amount per subscription:	Minimum of two thousand five hundred Euro (€2,500).
Subscription:	Multiples of one hundred Euro (€100).
Maturity Date:	7 October 2018
Bond Issue Price:	At par (€100 per Bond).
Status of the Bonds:	The Bonds constitute the general, direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank pari passu, without any priority or preference among themselves and, shall thus rank after other present outstanding, unsubordinated and unsecured obligations of the Issuer.
Listing:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.
Offer Period:	The period between 24 September 2008 to 30 September 2008 (or such earlier date as may be determined by the Issuer in the event of over-subscription) during which the Bonds are on offer.
Interest:	five point nine per cent (5.9%) per annum.
Interest Payment Date(s):	7 October and 7 April of each year, between 2009 and the Maturity Date (both years included).
Redemption Value:	At par (€100 per Bond).
Manager and Registrar:	HSBC Bank Malta p.l.c.
Sponsor:	Charts Investment Management Service Ltd.
Governing Law and Jurisdiction:	The Bonds are governed by and shall be construed in accordance with Maltese law. The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

## 5. Expected Time-table of Principal Events

Application Forms available	16 September 2008
Opening of subscription lists	24 September 2008
Closing of subscription lists	30 September 2008
Announcement of basis of Acceptance	7 October 2008
Commencement of interest on the Bonds	7 October 2008
Expected dispatch of allotment advice and refunds of unallocated monies	14 October 2008
Admission to trading	16 October 2008

The Issuer reserves the right to close the Offer before 30 September 2008 in the event of over-subscription, in which case, the remaining events set out in the “Expected Time-table of Principal Events” shall be anticipated in the same chronological order in such a way as to retain the same number of Business Days between the said principal events.

## 6. Key Information

The following information is extracted from the Issuer’s Group Unaudited Half-Yearly Results for the six months ended 30 June 2007 and 30 June 2008 and the Group Audited Annual Report and Accounts for the financial years ended 31 December 2006 and 31 December 2007.

	<i>Group Income Statement</i>	
	<b>6 months to 30/06/08 (unaudited) €000</b>	6 months to 30/06/07 (unaudited) €000
Net interest income	<b>60,803</b>	63,273
Net non-interest income	<b>28,184</b>	35,369
Operating expenses	<b>(42,023)</b>	(39,595)
Net impairment (provisions) / reversals	<b>(583)</b>	58
Reversals / (Provisions) for liabilities and other charges	<b>169</b>	(142)
<b>Profit before tax</b>	<b>46,550</b>	58,963
Tax expense	<b>(16,494)</b>	(19,903)
<b>Profit attributable to shareholders of the Issuer</b>	<b>30,056</b>	39,060
<b>Earnings per share</b>	<b>10.3c</b>	13.4c

	<i>Group Income Statement</i>	
	12 months to 31/12/07 (audited) €000	12 months to 31/12/06 (audited) €000
Net interest income	126,238	109,392
Net non-interest income	72,455	66,634
Operating expenses	(83,613)	(80,007)
Net impairment (provisions) / reversals	(42)	422
Provisions for liabilities and other charges	(340)	(16)
<b>Profit before tax</b>	<b>114,698</b>	<b>96,425</b>
Tax expense	(38,344)	(33,944)
<b>Profit attributable to shareholders of the Issuer</b>	<b>76,354</b>	<b>62,481</b>
<b>Earnings per share</b>	<b>26.2c</b>	<b>21.4c</b>

	<i>Group Balance Sheet</i>		
	30/06/08 (unaudited) €000	31/12/07 (audited) €000	31/12/06 (audited) €000
<b>Total assets</b>	<b>5,100,849</b>	<b>4,895,089</b>	<b>4,396,259</b>
<b>Total liabilities</b>	<b>4,827,962</b>	<b>4,618,797</b>	<b>4,101,898</b>
<b>Total equity</b>	<b>272,887</b>	<b>276,292</b>	<b>294,361</b>

## 7. Reasons for the Offer and Use of Proceeds

The net proceeds from the issue of the Bonds will be used by the Issuer to meet part of its general financing requirements. The proceeds of the Bond will constitute Additional Own Funds (Tier II capital) of the Issuer in terms of the Banking Rule BR/03/2008 Own Funds of Credit Institutions Authorised under the Banking Act.

## 8. Risk Factors

**An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to make an investment in the Bonds.**

**This document contains forward-looking statements. No assurance can be given that future results or expectations covered by such forward-looking statements will be achieved. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the Issuer's control.**

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## 8.1 Risks relating to the Issuer

- The Issuer is a company engaged primarily in the business of banking and owns various subsidiaries. As a group which is involved in a wide spectrum of financial services activities, it is subject to influence by numerous unpredictable factors.
- Market cycles may reduce investment and demand for investment and life insurance products promoted or distributed by the Group.
- Changes in overall economic conditions, which are beyond the Issuer's control, may also affect in a negative way the Group's overall performance and results.
- Increased competitive pressure in the financial services sector could adversely affect the Issuer's results of operations and profitability.
- Concentration of ownership in the hands of a particular shareholder or shareholders may enable them, acting individually or in concert, to exercise control over the Issuer and to have a significant role in the Issuer's development.
- Various operational risks must also be taken into consideration, for instance, failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud, other factors over which the Issuer has no control such as catastrophic events, terrorist attacks and other acts of war and hostility, changes in the laws and regulations to which the Issuer is subject, including changes in the interpretation thereof.
- Changes in foreign exchange rates, volatility in interest rates, and volatility in equity markets, may also affect in a negative way the Group's overall performance and results.

## 8.2 Risks related to the Bonds

- A public trading market having the desired characteristics of depth, liquidity and orderliness depends on a number of factors including the presence in the market place of willing buyers and sellers of the Issuer's Bonds at any given time, which presence is dependent upon the individual decisions of investors over which the Issuer has no control.
- No prediction can be made about the effect which any future public offerings of the Issuer's securities or any takeover or merger activity involving the Issuer will have on the market price of the Bonds prevailing from time to time.
- The Bonds will rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future.

## 9. Information on the Issuer

### History and development

The Issuer was registered in Malta under the name Mid-Med Bank Limited, a private limited liability company under registration number C 3177. The company is domiciled in Malta. It was incorporated on 25 September 1975 for an unlimited duration under the Commercial Partnerships Ordinance, 1962 (Cap. 168, Laws of Malta) and with effect from 31 December 1997 complied with the Companies Act, 1995 (Cap. 386, Laws of Malta) under which it is regulated.

The Issuer's ordinary shares were listed on the Official List of the Malta Stock Exchange on 4 January 1993. The status of the Issuer was changed to that of a public limited liability company (p.l.c.) on 31 December 1997. The Issuer changed its name from Mid-Med Bank Limited to Mid-Med Bank p.l.c. on 31 December 1997 and on 1 December 1999 the Issuer changed its name from Mid-Med Bank p.l.c. to the current name, HSBC Bank Malta p.l.c.

The Issuer is licensed by the MFSA under the Banking Act, 1994 as a credit institution and provides a wide range of banking and financial related services. It also holds Category 3 and Category 4 Investment Services Licences issued by the Malta Financial Services Authority under the Investment Services Act, 1994.

The Issuer is a licensed financial intermediary in terms of the Financial Markets Act, 1990.

The Issuer is enrolled by the MFSA in the Tied Insurance Intermediaries List under Article 37 of the Insurance Intermediaries Act 2006 to act as a Tied Insurance Intermediary and to carry out tied insurance intermediaries activities for and on behalf of the following insurers and in respect of the undermentioned classes of insurance business:

1. Group 8 (General business) limited to classes 1, 2 and 16 restricted to payment protection contracts of insurance issued in relation to loan repayments on behalf of Elmo Insurance Limited, Atlas Insurance PCC Limited, Citadel Insurance p.l.c. and GasanMamo Insurance Limited.
2. Class I and III (Long term business classes) on behalf of HSBC Life Assurance (Malta) Ltd.

The Issuer provides trust services in terms of the Trusts and Trustees Act, 1989 (Cap. 331 of the Laws of Malta)

The Issuer's registered office and Head Office is situated at 233, Republic Street, Valletta VLT 1116. The addresses of the principal offices of the Issuer and its subsidiary companies can be found in the Annual Report and Accounts which is filed at the Registrar of Companies in accordance with the provisions of the Act.

The Issuer may be contacted on telephone number: 00356 2597 0000, Customer Service Number: 00356 2380 2380, Facsimile Number: 00356 2380 4923 and website: [www.hsbc.com.mt](http://www.hsbc.com.mt)

## 10. Business Overview

### Principal activities

The Issuer 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 around 11,000 properties in 85 countries and territories in five geographical regions: Europe; Hong Kong; the rest of Asia-Pacific, including the Middle East and Africa; North America; and Latin America.

The Issuer and its Subsidiaries operate primarily in:

- Banking business
- Investment services
- Tied insurance intermediary activities
- Stockbroking business
- Trustee and custodian services
- Life insurance business

The Issuer had the following Subsidiaries as at 30 June 2008:

- HSBC Life Assurance (Malta) Ltd.
- HSBC Global Asset Management (Malta) Limited
- HSBC Stockbrokers (Malta) Ltd.
- HSBC Securities Services (Malta) Limited

The Issuer provides a comprehensive range of banking and financial related services.

The objects and business of the Issuer are to carry on the business of banking in all its aspects including but not limited to the transaction of all financial monetary and other business which may be usually or commonly carried on by banks, discount houses, merchant banks or financiers.

The Issuer's main activity comprises the acceptance of customers' funds on current, savings and term deposit accounts in euro and in all other major foreign currencies and the provision of advances by way of overdrafts and loans, mainly in the short term, to a wide spectrum of the domestic industry.

## 11. Trend information

There has been no adverse material change in the prospects of the Issuer since 30 June 2008 which is the date of its last published interim financial information.

### 11.1 Financial Performance for the Half-Year ended 30 June 2008

- Profit before tax of €46.6 million for the six months ended 30 June 2008 – down €12.4 million, compared with €59.0 million for the same period in 2007.
- Profit attributable to shareholders down 23.1 per cent, or €9.0 million, to €30.1 million, compared with €39.1 million over the comparable period in 2007.
- Earnings per share at 10.3 euro cents, compared to 13.4 euro cents for the same period in 2007.
- Loans and advances to customers of €2,968.9 million at 30 June 2008 – up €146.6 million, or 5.2 per cent, compared with 31 December 2007.
- Core customer deposits of €3,394.5 million at 30 June 2008 – up €18.8 million, compared with 31 December 2007.
- Total assets of €5,100.8 million, up €205.8 million, or 4.2 per cent, compared with 31 December 2007. Total liabilities of €4,828.0 million, up €209.2 million, or 4.5 per cent, compared with 31 December 2007.
- Annualised return on capital employed of 22.0 per cent for the six months ended 30 June 2008, compared to 27.6 per cent in the first half of 2007.
- The Board declared an interim gross dividend of €0.119 per share (€0.077 net of tax) which was paid in August 2008.

Profit before tax of €46.6 million represented a decline of 21.1 per cent, compared to the same period last year. The prior period did however include significantly stronger revenue flows from pre euro conversion foreign exchange and investment dealing activities. Overall profitability remained strong with a return on equity of 22.0 per cent.

Increases in loans and advances generated a steady growth in interest receivable. This was off-set by the increase in interest payable on retail deposits and margin compression from heightened competition and euro conversion. Net interest income of €60.8 million represented a decline of 3.9 per cent compared to €63.3 million during the prior year period, which included a significant recovery from previously non-performing loans.

Fees and commission income of €15.5 million was in line with the first half of 2007, despite reduced levels of business activity during the first quarter of 2008 due to Malta's adoption of the euro on 1 January 2008 and the general elections. Adopting the euro also affected foreign exchange dealing income which, at €3.7 million, was significantly lower than the €8.5 million earned in the six months to 30 June 2007. Life insurance business generated a profit before tax of €6.4 million, up 5.6 per cent on the same period of the previous year.

Operating expenses of €42.0 million were 6.1 per cent higher compared to the same period in 2007 with a cost efficiency ratio of 47.2 per cent compared to 40.1 per cent for the same period in 2007. Expense growth in the first half was primarily driven by non-recurring costs related to the euro conversion, increased staff costs and information technology investment.

The quality of the overall loan book remained good, with loans and advances to customers continuing to increase. There was no deterioration in the quality of credit lending.

The available-for-sale investments portfolio was marked-down by €7.7 million at the close of the period. The mark-down was charged to revaluation reserve, net of tax effect.

## 11.2 Financial Performance for the Financial Year Ended 31 December 2007

### *Group profit*

During the year ended 31 December 2007, HSBC Bank Malta p.l.c. and its Subsidiaries generated a profit on ordinary activities before tax of €114.7 million, an increase of €18.3 million or 19.0 per cent, compared to 2006.

Profit attributable to shareholders was €76.4 million, an increase of €13.9 million or 22.2 per cent over prior year figures.

Net interest income grew by €16.8 million. Net non-interest income levels grew by €5.8 million.

Operating expenses were €83.6 million, an increase of €3.6 million over prior year figures.

As a result, the group's cost to income ratio improved to 42.1 per cent in 2007 from 45.5 per cent in 2006.

### *Shareholder ratios*

Earnings per share increased to €0.262 from a 2006 figure of €0.214 with the pre-tax return on average shareholders' funds increasing to 40.2 per cent from 32.1 per cent in 2006.

A final ordinary dividend of €0.148 gross per share was recommended by the Board. This, together with the gross interim ordinary dividend of €0.154 and gross interim special dividend of €0.093, produced a total gross dividend for the year of €0.395.

### *Taxation*

The 2007 effective rate of tax was 33.4 per cent. Tax on profit on ordinary activities for 2007 increased to €38.3 million.

### *Assets*

Total assets increased by €498.8 million to €4,895.1 million.

Net loans and advances to customers increased by €199.1 million to €2,822.3 million with growth spread across both personal and commercial sectors.

Advances to deposits ratio improved to 69.9 per cent from 76.3 per cent in 2006 as a result of strong deposits growth.

This surplus liquidity was placed with the Central Bank, interbank and money markets.

Balances with Central Bank of Malta, Cash and Treasury Bills holdings increased from a prior year end level of €304.1 million to a year end level of €472.1 million.

Short term liquid money market placements in the form of loans and advances to bank's increased from €596.5 million to €631.0 million.

Financial investments increased from €391.7 million to €456.5 million.

Life insurance business assets, are primarily designated as financial assets at fair value through profit or loss. This portfolio grew to €275.7 million from a prior year end level of €262.0 million.

*Liabilities*

Total liabilities increased by €516.9 million to €4,618.8 million.

Amounts owed to customers increased by €602.6 million against a background of strong second half growth both in retail and professional deposits.

Amounts owed to banks was reduced from a year opening level of €294.3 million to a year end closing level of €87.1 million thus reducing market dependency.

Funds under management by the group decreased to a year end closing level of €475.2 million, down from an opening level of €668.5 million as customers switched to deposits in time of market volatility.

Liabilities under insurance contracts issued increased by €51.6 million during the year to reach a year end level of €290.9 million.

In January 2007, a tranche of €58.2 million in 10 year subordinated liabilities were issued as part of the group's debt capital funding.

**12. Prospects**

The Prospectus does not contain any profit forecast or estimate.

**13. Major Shareholders and Related Party Transactions****13.1 Interest of Major Shareholders**

The following hold in excess of 5% of the Issuer's ordinary shares as at 31 December 2007.

	<i>Ordinary shares</i>	<i>%</i>
HSBC Europe B.V.	204,379,640	70.03

**13.2 Related Party Transactions**

Full details on related party transactions during the financial year ended 31 December 2007 may be viewed in the Annual Report and Accounts of the Issuer, available for public inspection.

**14. Financial Information****14.1 Historical financial information**

Full historical financial information for the two financial years ended 31 December 2006 and 31 December 2007 are set out in the Annual Report and Accounts of the Issuer, available for public inspection.

**14.2 Financial statements**

An Auditors' Report including the audited statutory financial statements for the Group for the financial years ended 31 December 2006 and 31 December 2007 are set out in the Annual Report and Accounts of the Issuer, available for public inspection.

Selected financial information for the two financial years ended 31 December 2006 and 31 December 2007 and the two unaudited half-years ended 30 June 2007 and 30 June 2008 may be found on page 27 of the Registration Document.

**14.3 Auditing of historical annual financial information**

The annual statutory financial statements of the Issuer for the financial years ended 31 December 2006 and 31 December 2007 have been audited by KPMG.

#### **14.4 Age of latest financial information**

The latest audited financial information available in respect of the Issuer relates to the financial year ended on 31 December 2007 and was approved for issuance by the Board of Directors on 18 February 2008.

#### **14.5 Significant change in the Issuer's financial or trading position**

There has been no significant change in the financial or trading position of the Issuer or the Group which has occurred since the 30 June 2008 which is the date of its last published interim financial information.

### **15. Details on the Offer**

#### **15.1 Admission to Trading**

Application has been made to the Listing Authority for the admission of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and to be traded on its Official List.

#### **15.2 Distribution**

The Issuer may enter into conditional placement agreements with investors prior to the commencement of the Offer Period whereby the Issuer binds itself to allocate to such investors, which shall bind themselves to purchase, upon closing of subscription lists, an amount not exceeding fifty per cent (50%) in aggregate of the Bonds.

During the Offer Period, Applications for subscription to the Bonds may be made through any of the Authorised Distributors whose names are set out in Appendix 1 on page 55 of the Prospectus.

#### **15.3 Markets**

Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List. The conditions contained herein shall be read in conjunction with the Bye-Laws of the MSE applicable from time to time.

#### **15.4 Estimated expenses of the Offer**

Selling commission is payable to Authorised Distributors in respect of Bonds allotted to Applicants applying through such Authorised Distributor at the rate of 0.50%.

The Offer expenses including selling commissions, professional fees, publicity, advertising, printing, listing, registration, sponsor, management and registrar fees and other miscellaneous costs incurred in connection with this Offer, are estimated not to exceed €300,000 and shall be borne by the Issuer.

### **16. Material Contracts**

There are no material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in any Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Bondholders.

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## 17. Additional Information

### 17.1 Share capital

The Issuer's authorised share capital as at the date of the Prospectus is €141,000,000 divided into 470,000,000 ordinary shares of €0.30 each. The Issuer's issued share capital as at the date of the Prospectus is €87,552,000 divided into 291,840,000 ordinary shares of €0.30 each which are all listed on the Malta Stock Exchange. The ordinary shares of the Issuer which have been fully paid up rank pari passu. The Issuer has no other classes of shares.

### 17.2 Memorandum and Articles of Association

The Issuer is registered under the Companies Act with registration number C 3177.

The principal objects and purposes of the Issuer are set out in Clause 4 of the Memorandum of Association and are to carry on the business of banking in all its aspects whether in Malta or abroad, and whether related to national or international business including offshore business and including but not limited to the transaction of all financial, monetary, investment and other businesses which now or at any time during the existence of the Issuer may be usually or commonly carried on in any part of the world by banks, discount houses, merchant banks or financiers.

A copy of the Memorandum and Articles of Association of the Issuer is available for public inspection.

### 17.3 Documents on display

The following documents (or copies thereof), where applicable, may be inspected at the registered office of the Issuer at 233, Republic Street, Valletta VLT 1116, Malta:

- The Memorandum and Articles of Association of the Issuer;
- The Audited Financial Statements of the Issuer for each of the financial years ended 31 December 2006 and 31 December 2007;
- The Audited Financial Statements of the Subsidiaries of the Issuer for each of the financial years ended 31 December 2006 and 31 December 2007; and
- The Unaudited Half-Yearly Results of the Issuer for the six months ended 30 June 2007 and 30 June 2008.

The Audited Financial Statements and the Unaudited Half-Yearly Results of the Issuer may also be inspected on the Issuer's website: [www.hsbc.com.mt](http://www.hsbc.com.mt)

## Registration Document

This document is a Registration Document issued in accordance with the provisions of Chapter 6 of the Listing Rules issued by the Listing Authority and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

This Registration Document is issued pursuant to the requirements of Listing Rule 6.4.2 of the Listing Rules and contains information about HSBC Bank Malta p.l.c. (the “Issuer”) as the issuer of securities for which application has been made for admission to listing and trading on the Malta Stock Exchange. This document should be read in conjunction with the most updated Securities Note issued by the Issuer from time to time that will provide the details of the securities to which it relates.

This document is dated 15 September 2008

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## 1. Definitions

In this Prospectus the following words and expressions shall bear the following meanings except where the context otherwise requires:

<b>Act</b>	The Companies Act, 1995, Cap. 386, Laws of Malta;
<b>Advisers</b>	The Advisers to the Issuer whose names and addresses are set out under the heading “Advisers to the Issuer” on page 24 of this Prospectus;
<b>Applicant</b>	A person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
<b>Application/s</b>	The application/s to subscribe for Bonds made by an Applicant by completing an Application Form and delivering it to the Registrar or to any of the Authorised Distributors;
<b>Application Form</b>	The form of application of subscription for the Bonds, a specimen of which is set out in Appendix 2 of this Prospectus;
<b>Authorised Distributors</b>	The financial intermediaries set out on page 55 of this Prospectus;
<b>Bond/s</b>	A maximum of €25,000,000 5.9% Subordinated Bonds redeemable on 7 October 2018, or in case of the Over-allotment Option, up to an aggregate amount of €30,000,000 issued pursuant to this Prospectus;
<b>Bondholders</b>	The holders of the Bonds, each a “Bondholder”;
<b>Bond Issue</b>	The issue of €25,000,000 subject to the Over-allotment option;
<b>Bond Issue Price</b>	At par (€100 for each Bond);
<b>Business Day</b>	Any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>Central Securities Depository</b>	The Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws;
<b>Charts Investment Management Service Ltd or Sponsor</b>	Charts Investment Management Service Ltd. which is authorised to conduct investment services business by the Malta Financial Services Authority;
<b>Directors or Board of Directors</b>	The Directors of the Issuer whose names and addresses are set out under the heading “Directors and Company Secretary of the Issuer” on page 35 of this Registration Document;
<b>Euro or €</b>	The lawful currency of the Republic of Malta and recognised as legal tender by the Member Countries of the European Monetary Union;
<b>Group</b>	The Issuer and its Subsidiaries;
<b>HSBC Bank, Manager or Registrar</b>	HSBC Bank Malta p.l.c. which is authorised to conduct banking and investment services business by the Malta Financial Services Authority;
<b>HSBC Global Asset Management</b>	HSBC Global Asset Management (Malta) Limited, a company registered in Malta with registration number C 20653;

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<b>HSBC Life Assurance</b>	HSBC Life Assurance (Malta) Ltd., a company registered in Malta with registration number C 18814;
<b>HSBC Securities Services</b>	HSBC Securities Services (Malta) Limited, a company registered in Malta with registration number C 30282;
<b>HSBC Stockbrokers</b>	HSBC Stockbrokers (Malta) Ltd., a company registered in Malta with registration number C 27430;
<b>Interest Payment Date(s)</b>	7 October and 7 April of each year between 2009 and the Maturity Date (both years included);
<b>Issuer</b>	HSBC Bank Malta p.l.c., a company registered in Malta with registration number C 3177;
<b>Listing Authority</b>	The MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act, 1990, Cap. 345, Laws of Malta by virtue of Legal Notice 1 of 2003;
<b>Listing Rules</b>	The Listing Rules of the Listing Authority;
<b>Malta Financial Services Authority or MFSA</b>	The Malta Financial Services Authority established in terms of the Malta Financial Services Authority Act, 1988, Cap. 330, Laws of Malta;
<b>Malta Stock Exchange, Exchange or MSE</b>	The Malta Stock Exchange established by the Financial Markets Act, 1990, Cap. 345, Laws of Malta;
<b>Maturity Date</b>	7 October 2018;
<b>Offer</b>	The invitation to subscribe for Bonds contained in this Prospectus;
<b>Offer Period</b>	The period between 24 September 2008 to 30 September 2008 (or such earlier date as may be determined by the Issuer in the event of over-subscription) during which the Bonds are on offer;
<b>Official List</b>	The list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
<b>Over-allotment Option</b>	At the sole and absolute discretion of the Issuer to offer for subscription additional Bonds not exceeding €5,000,000 in value to cover any outstanding Applications in the event of over-subscription;
<b>Prospectus</b>	This document in its entirety, comprising the Registration Document, the Securities Note and the Summary;
<b>Registration Document</b>	The document set out on pages 21 to 41 (both pages included) of this Prospectus;
<b>Securities Note</b>	The document set out on pages 42 to 54 (both pages included) of this Prospectus;
<b>Subsidiaries</b>	The Issuer's subsidiaries: HSBC Global Asset Management, HSBC Life Assurance, HSBC Stockbrokers and HSBC Securities Services;
<b>Summary</b>	The document set out as on pages 3 to 20 (both pages included) of this Prospectus and which is also available separately from this Prospectus;

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All references in this Prospectus to **Malta** are to the **Republic of Malta**;

Unless it appears otherwise from the context:

- (a) words importing the singular shall include the plural and vice-versa;
- (b) words importing the masculine gender shall include also the feminine gender and vice-versa;
- (c) the word **may** shall be construed as permissive and the word **shall** shall be construed as imperative.

## **2. Persons Responsible**

This document includes information given in compliance with the Listing Rules of the Listing Authority for the purpose of giving information with regard to the Issuer. All of the Directors whose names appear on page 35, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

## **3. Statutory Auditors**

The annual statutory financial statements of the Issuer for the financial years ended 31 December 2006 and 2007 have been audited by KPMG, Certified Public Accountants of Portico Building, Marina Street, Pieta, Malta. KPMG is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act, 1979 (Cap. 281, Laws of Malta).

## **4. Advisers to the Issuer**

### **Legal Advisers to the Issuer**

HSBC Bank Malta p.l.c.  
Legal Office  
116, Archbishop Street  
Valletta VLT 1116  
Malta

### **Manager and Registrar**

HSBC Bank Malta p.l.c.  
233, Republic Street  
Valletta VLT 1116  
Malta

### **Sponsor**

Charts Investment Management Service Ltd.  
Valletta Waterfront Vault 17  
Pinto Wharf  
Floriana FRN 1913  
Malta

## 5. Risk Factors

An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in this Prospectus before deciding to make an investment in the Bonds. Some of these risks are subject to contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingencies occurring. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

This document contains forward-looking statements, relating to the Issuer's objectives and plans and other statements of expectation and belief, which can be identified by the use of forward-looking terminology such as "expect", "may", "will", "could", "intend", "estimate", or "anticipate" or the negative thereof or other variations or comparable terminology. No assurance can be given that future results or expectations covered by such forward-looking statements will be achieved. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the Issuer's control. The following factors could cause actual experience to vary materially from the matters covered in such forward-looking statements.

### Risks relating to the Issuer

#### *Market and economic conditions*

The Issuer is a company engaged primarily in the business of banking, it owns subsidiaries engaged primarily in investment, fund management, life assurance and broking activities. As a group which is involved in a wide spectrum of financial services activities, it is subject to influence by numerous unpredictable factors. The important factors, many of which are out of the Issuer's control, which could affect its actual results and could cause its results to vary materially from those expressed in public statements or documents are summarised hereunder.

- Market cycles, including volatile movements on the financial markets, in equity and bond prices, interest rates and exchange rates may reduce investment and demand for investment and life insurance products promoted or distributed by the Group.
- Changes in overall economic conditions, inflation, consumer and business spending, recession, unemployment and other such factors which are beyond the Issuer's control, may also affect in a negative way the Group's overall performance and results.
- Changes in foreign exchange rates, volatility in interest rates, and volatility in equity markets, may also affect in a negative way the Group's overall performance and results.

#### *Competition*

Increased competitive pressure in the financial services sector could adversely affect the Issuer's results of operations and profitability. The main sources of increased competition include:

- A noticeable increase in the number of institutional providers of financial services, both at national and international level. Since May 2004, EU service providers operating in banking, insurance and securities sectors enjoy the benefits of passporting their activities to Malta.
- The widening and deepening of the range of services such providers offer across the markets in which the Issuer operates as competitors increase the scale of their operations.
- Consumer demand, technological advances, regulatory trends and other factors may also encourage greater competition.

### *Concentration of Ownership*

HSBC Europe B.V. has a 70.031% majority shareholding in the issued share capital of the Issuer whilst the remaining 29.969% is held by other shareholders. Concentration of ownership in the hands of the foregoing or any other shareholders may enable them, acting individually or in concert, to exercise control over the Issuer and to have a significant role in the Issuer's development. Conversely a dilution in the shareholding interest of the majority shareholder may in turn lead to a decrease in the influence exercised by such shareholders over the Issuer and the Group. The interests of the majority shareholder might not always coincide with the interests of the Issuer or Bondholders.

### *Operational Risks*

The main operational risks are the following:

- The effectiveness of models or programmes to predict loan delinquency or loss and initiatives to improve collections in all business areas and the impact of changes the Issuer may implement from time to time to these models, programmes and initiatives.
- Continued acceptance by consumers of the Issuer's distribution systems and demand for its loan, investment and insurance products.
- The costs, effects and outcomes of regulatory reviews or the business practices or policies of any of its business units, such as additional compliance requirements.
- Increased funding costs due to instability in the capital markets and risk tolerance of fixed income investors.
- The costs, effects and outcomes of any litigation that adversely affects the Issuer or its business.
- The ability to attract and retain qualified personnel to support the key business activities of the Issuer.
- Other operational risks, such as failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud. Operational risks are managed at appropriate levels through the implementation of high standard control policies and procedures, in accordance with HSBC Group standards. These control measures are aimed at mitigating operational risks as much as possible although it is impossible to eliminate risk completely.
- The inability to manage any or all of the foregoing risks as well as anticipated.

### *Counter-party risks*

Third parties, such as debtors, financial intermediaries, reinsurers that owe the Group money, securities or other assets may not pay or perform under their obligations. Default by counterparties may be due to a variety of reasons, such as lack of liquidity, market or economic downturns, operational failure.

### *Force Majeure*

The Group has in place contingency plans in case of events of force majeure. However, events which are beyond the control of the Issuer, such as terrorist attacks and other acts of war or hostility, industrial action and natural calamities may impact negatively on economic conditions on the Group's business and results in ways that cannot be totally anticipated.

### *Applicable law and regulation*

- The Issuer and its Subsidiaries operate in a highly regulated environment. The laws and regulations to which the Issuer and its Subsidiaries are subject are intended, inter alia, to ensure the sound and prudential management of the business and resources of regulated entities and the maintenance of adequate solvency margins. Such laws and regulations are, however, intended principally for the benefit of customers and policy holders rather than investors in the Issuer. The Issuer is also subject to environmental, health and safety, property and planning laws and regulations.
- The timing and effects of changes in the laws and regulations to which the Issuer is subject, including changes in the interpretation thereof which cannot be predicted, are beyond the control of the Issuer, and could have an adverse affect on the business, financial condition and results of operations of the Issuer.

## 6. Selected Financial Information

The following information is extracted from the Issuer's Group Audited Annual Report and Accounts for the financial years ended 31 December 2006 and 31 December 2007 and the Group Unaudited Half-Yearly Results for the six months ended 30 June 2007 and 30 June 2008.

	<i>Group Income Statement</i>	
	<b>6 months to 30/06/08 (unaudited) €000</b>	6 months to 30/06/07 (unaudited) €000
Interest receivable and similar income	<b>122,733</b>	115,299
Interest payable	<b>(61,930)</b>	(52,026)
<b>Net interest income</b>	<b>60,803</b>	63,273
Net non-interest income	<b>28,184</b>	35,369
Operating expenses	<b>(42,023)</b>	(39,595)
Net impairment (provisions) / reversals	<b>(583)</b>	58
Reversals / (Provisions) for liabilities and other charges	<b>169</b>	(142)
<b>Profit before tax</b>	<b>46,550</b>	58,963
Tax expense	<b>(16,494)</b>	(19,903)
<b>Profit for the period</b>	<b>30,056</b>	39,060
<b>Profit attributable to shareholders of the Issuer</b>	<b>30,056</b>	39,060
<b>Earnings per share</b>	<b>10.3c</b>	13.4c

	<i>Group Income Statement</i>	
	12 months to 31/12/07 (audited) €000	12 months to 31/12/06 (audited) €000
Interest receivable and similar income	237,580	188,388
Interest payable	(111,342)	(78,996)
<b>Net interest income</b>	126,238	109,392
Net non-interest income	72,455	66,634
Operating expenses	(83,613)	(80,007)
Net impairment (provisions) / reversals	(42)	422
Provisions for liabilities and other charges	(340)	(16)
<b>Profit before tax</b>	114,698	96,425
Tax expense	(38,344)	(33,944)
<b>Profit for the year</b>	<b>76,354</b>	62,481
<b>Profit attributable to shareholders of the Issuer</b>	<b>76,354</b>	62,451
<b>Profit attributable to minority interest</b>	-	30
<b>Earnings per share</b>	<b>26.2c</b>	21.4c

	30/06/08 (unaudited) €000	Group Balance Sheet	
		31/12/07 (audited) €000	31/12/06 (audited) €000
<b>Assets</b>			
Balances with Central Bank of Malta, Treasury Bills and cash	217,551	472,136	304,144
Cheques in course of collection	9,945	3,103	24,540
Financial assets held for trading	11,067	15,980	24,216
Financial assets designated at fair value through profit or loss	282,497	275,695	261,999
Financial investments	449,958	456,525	391,656
Loans and advances to banks	917,609	631,018	596,459
Loans and advances to customers	2,968,892	2,822,315	2,623,169
Intangible assets	55,296	36,110	25,388
Property and equipment	72,702	77,820	66,648
Investment property	12,885	12,885	7,959
Assets held for sale	9,660	11,922	9,266
Current tax recoverable	2,269	2,596	1,877
Deferred tax assets	13,019	11,553	-
Other assets	30,940	25,855	24,955
Prepayments and accrued income	46,559	39,576	33,983
<b>Total assets</b>	<b>5,100,849</b>	<b>4,895,089</b>	<b>4,396,259</b>
<b>Liabilities</b>			
Financial liabilities held for trading	10,068	15,043	24,792
Amounts owed to banks	312,279	87,142	294,264
Amounts owed to customers	3,990,681	4,039,492	3,436,873
Provision for current tax	13,352	11,043	-
Deferred tax liabilities	14,579	12,361	10,729
Liabilities to customers under investment contracts	17,641	18,947	21,321
Liabilities under insurance contracts issued	316,210	290,943	239,390
Other liabilities	37,035	32,303	32,183
Accruals and deferred income	57,895	53,147	42,271
Provisions for liabilities and other charges	245	414	75
Subordinated liabilities	57,977	57,962	-
<b>Total liabilities</b>	<b>4,827,962</b>	<b>4,618,797</b>	<b>4,101,898</b>
<b>Total equity</b>	<b>272,887</b>	<b>276,292</b>	<b>294,361</b>
<b>Total liabilities and equity</b>	<b>5,100,849</b>	<b>4,895,089</b>	<b>4,396,259</b>
<b>Memorandum items</b>			
Contingent liabilities	134,356	129,972	138,779
Commitments	1,182,019	1,148,034	1,064,288

## 7. Information about the Issuer

### History and development of the Issuer

The Issuer was registered in Malta under the name Mid-Med Bank Limited, a private limited liability company under registration number C 3177. The company is domiciled in Malta. It was incorporated on 25 September 1975 for an unlimited duration under the Commercial Partnerships Ordinance, 1962 (Cap. 168, Laws of Malta) and with effect from 31 December 1997 complied with the Companies Act, 1995 (Cap. 386, Laws of Malta) under which it is regulated.

The Issuer's ordinary shares were listed on the Official List of the Malta Stock Exchange on 4 January 1993. The status of the Issuer was changed to that of a public limited liability company (p.l.c.) on 31 December 1997. The Issuer changed its name from Mid-Med Bank Limited to Mid-Med Bank p.l.c. on 31 December 1997 and on 1 December 1999 the Issuer changed its name from Mid-Med Bank p.l.c. to the current name, HSBC Bank Malta p.l.c.

On 2 November 2002, the Issuer effectively acquired through merger HSBC Overseas Bank (Malta) Limited (OS/973/T) and HSBC Investment Holdings (Malta) Limited (C 19200) in accordance to the provisions of the Commercial Partnership Ordinance, Cap. 168 and the Act. On 21 April 2006 the Issuer acquired one of its subsidiary companies, HSBC Home Loans (Malta) Ltd., through merger and as a result the Issuer acquired the banking business of HSBC Home Loans (Malta) Ltd. The companies acquired by the Issuer have ceased to exist without being wound up and on the effective merger date, the Issuer succeeded to all the rights, assets, obligations and liabilities of HSBC Home Loans (Malta) Ltd., HSBC Overseas Bank (Malta) Limited and HSBC Investment Holdings (Malta) Limited, including 1,999,998 Ordinary shares of Lm1 each held by HSBC Investment Holdings (Malta) Limited in HSBC Fund Management (Malta) Ltd (now HSBC Global Asset Management (Malta) Limited).

The Issuer is licensed by the MFSA under the Banking Act, 1994 as a credit institution and provides a wide range of banking and financial related services. It also holds Category 3 and Category 4 Investment Services Licences issued by the Malta Financial Services Authority under the Investment Services Act, 1994.

The Issuer is a licensed financial intermediary in terms of the Financial Markets Act, 1990 (Cap. 345 of the Laws of Malta).

The Issuer is enrolled by the MFSA in the Tied Insurance Intermediaries List under Article 37 of the Insurance Intermediaries Act 2006 to act as a Tied Insurance Intermediary and to carry out tied insurance intermediaries activities for and on behalf of the following insurers and in respect of the undermentioned classes of insurance business:

1. Group 8 (General business) limited to classes 1, 2 and 16 restricted to payment protection contracts of insurance issued in relation to loan repayments on behalf of Elmo Insurance Limited, Atlas Insurance PCC Limited, Citadel Insurance p.l.c. and GasanMamo Insurance Limited.
2. Class I and III (Long term business classes) on behalf of HSBC Life Assurance (Malta) Ltd.

The Issuer provides trust services in terms of the Trusts and Trustees Act, 1989 (Cap. 331 of the Laws of Malta) whereby it holds and manages assets or invests funds in various financial instruments at the discretion of the customer.

On 14 December 1994, the Issuer authorised a first share split of its authorised and fully paid up issued share capital. The authorised share capital of the Issuer of Lm40,000,000 divided into 80,000,000 ordinary shares of Lm0.50 each was split into 160,000,000 ordinary shares of Lm0.25 each. The issued and fully paid up share capital of the Issuer of Lm9,120,000 divided into 18,240,000 of Lm0.50 each was split into 36,480,000 ordinary shares of Lm0.25 each.

On 28 March 2005, the Issuer authorised a second share split of its authorised and fully paid issued share capital. The authorised share capital of the Issuer of Lm40,000,000 divided into 160,000,000 ordinary shares of Lm0.25 each was split into 320,000,000 ordinary shares of Lm0.125 each.

The issued and fully paid up share capital of Lm9,120,000 divided into 36,480,000 ordinary shares of Lm0.25 each was split into 72,960,000 ordinary shares of Lm0.125 each, which are all listed on the Malta Stock Exchange.

On 24 April 2006, the Issuer's Board of Directors approved a bonus share issue of three new shares for every one held. The bonus share issue of Lm27,360,000 increased the issued share capital of the Issuer to 291,840,000 shares of Lm0.125 each, which are all listed on the Malta Stock Exchange.

The Annual General Meeting of the Issuer held on 4 April 2008 approved a capital restructuring of the Issuer which became necessary following the adoption of the euro as the lawful currency of Malta. Following this restructuring, the authorised share capital of the Issuer is one hundred forty one million euro (€141,000,000) divided into four hundred seventy million (470,000,000) ordinary shares of thirty euro cents (€0.30) each.

The issued and fully paid-up capital of the Issuer is eighty seven million, five hundred fifty two thousand euro (€87,552,000) divided into two hundred ninety one million, eight hundred and forty thousand (291,840,000) shares of thirty euro cents (€0.30) each, which are all listed on the Malta Stock Exchange.

On 1 July 2008, the Issuer acquired 4,998 ordinary shares having a nominal value of €2.329373 each from HSBC Global Asset Management in HSBC Securities Services.

The Issuer's registered office and Head Office is situated at 233, Republic Street, Valletta VLT 1116. The addresses of the principal offices of the Issuer and its subsidiary companies can be found in the Annual Report and Accounts which is filed at the Registrar of Companies in accordance with the provisions of the Act.

The Issuer may be contacted on telephone number: 00356 2597 0000, Customer Service Number: 00356 2380 2380, Facsimile Number: 00356 2380 4923 and website: [www.hsbc.com.mt](http://www.hsbc.com.mt)

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## 8. Business Overview

### 8.1 Principal Activities

#### *Introduction*

The Issuer 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 around 11,000 properties in 85 countries and territories in five geographical regions: Europe; Hong Kong; the rest of Asia-Pacific, including the Middle East and Africa; North America; and Latin America.

The Issuer and its Subsidiaries operate primarily in:

- Banking business
- Investment services
- Tied insurance intermediary activities
- Stockbroking business
- Trustee and custodian services
- Life insurance business

The Issuer had the following Subsidiaries as at 30 June 2008:

- HSBC Life Assurance (Malta) Ltd.
- HSBC Global Asset Management (Malta) Limited
- HSBC Stockbrokers (Malta) Ltd.
- HSBC Securities Services (Malta) Limited

#### *Principal activities of the Issuer*

The Issuer provides a comprehensive range of banking and financial related services.

The objects and business of the Issuer are to carry on the business of banking in all its aspects including but not limited to the transaction of all financial monetary and other business which may be usually or commonly carried on by banks, discount houses, merchant banks or financiers.

The Issuer's main activity comprises the acceptance of customers' funds on current, savings and term deposit accounts in euro and in all other major foreign currencies and the provision of advances by way of overdrafts and loans, mainly in the short term, to a wide spectrum of the domestic industry.

The Issuer also provides a wide range of banking services which include:

1. General banking facilities, such as discounting of bills of exchange, shipping and other guarantees, performance bonds and factoring, foreign exchange transactions including the receipt and transmission of funds, forward contracts, documentary collections, the establishment and negotiation of documentary letters of credit, negotiation of bills and the purchase and sale of foreign monies;
2. Dealing in securities;
3. Other services include the issue of credit cards, safe deposit boxes, night safe facilities, automated teller machines and other services designed to cater for the specific needs of particular customers.

### ***Principal activities of the Subsidiaries***

HSBC Life is licensed by the MFSA under the Insurance Business Act, 1998 (Cap. 403 of the Laws of Malta). Its principal activities are to carry on life insurance business in Malta.

HSBC Global Asset Management acts as a manager of collective investment schemes. Until 1 July 2008, the company was also the parent company of HSBC Securities Services. On 1 July 2008, the company transferred 4,998 ordinary shares having a nominal value of €2.329373 to the Issuer in HSBC Securities Services.

HSBC Securities Services is licensed under the Investment Services Act, 1994 and is registered as an authorised financial intermediary. Its main business activity is the provision of fund administration services to third parties. It also provides back office support to HSBC Bank in the distribution of third party funds through the bank network.

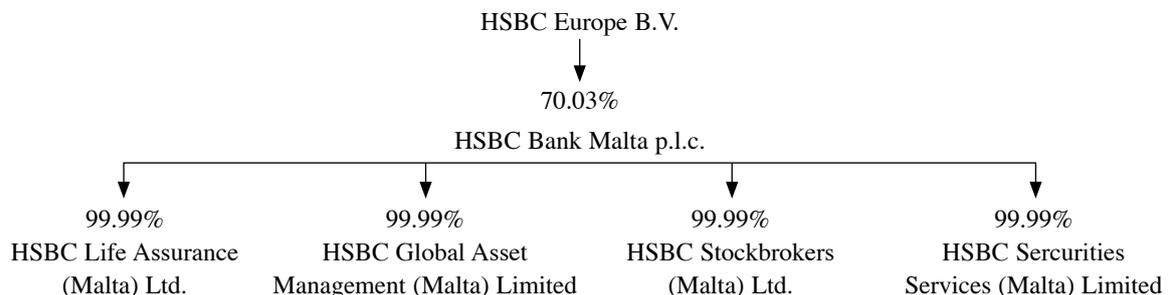
HSBC Stockbrokers is a member of the Malta Stock Exchange and is regulated under the Investment Services Act, 1994 by the Malta Financial Services Authority. The company is principally engaged in stockbroking business on the Malta Stock Exchange and arranges/supports the listing of stocks and shares on the Exchange.

## **8.2 Principal Markets**

The Issuer operates principally in and from Malta.

## **9. Organisational Structure**

The diagram below indicates the structure of the Group as at the date of this Registration Document.



The Issuer is not dependent upon other entities within the Group.

## **10. Trend Information**

There has been no adverse material change in the prospects of the Issuer since 30 June 2008, which is the date of its last published interim financial information.

### **10.1 Financial Performance for the Half-Year ended 30 June 2008**

- Profit before tax of €46.6 million for the six months ended 30 June 2008 – down €12.4 million, compared with €59.0 million for the same period in 2007.
- Profit attributable to shareholders down 23.1 per cent, or €9.0 million, to €30.1 million, compared with €39.1 million over the comparable period in 2007.
- Earnings per share at 10.3 euro cents, compared to 13.4 euro cents for the same period in 2007.
- Loans and advances to customers of €2,968.9 million at 30 June 2008 – up €146.6 million, or 5.2 per cent, compared with 31 December 2007.

- Core customer deposits of €3,394.5 million at 30 June 2008 – up €18.8 million, compared with 31 December 2007.
- Total assets of €5,100.8 million, up €205.8 million, or 4.2 per cent, compared with 31 December 2007. Total liabilities of €4,828.0 million, up €209.2 million, or 4.5 per cent, compared with 31 December 2007.
- Annualised return on capital employed of 22.0 per cent for the six months ended 30 June 2008, compared to 27.6 per cent in the first half of 2007.
- The Board declared an interim gross dividend of €0.119 per share (€0.077 net of tax) which was paid in August 2008.

Profit before tax of €46.6 million represented a decline of 21.1 per cent, compared to the same period last year. The prior period did however include significantly stronger revenue flows from pre euro conversion foreign exchange and investment dealing activities. Overall profitability remained strong with a return on equity of 22.0 per cent.

Increases in loans and advances generated a steady growth in interest receivable. This was off-set by the increase in interest payable on retail deposits and margin compression from heightened competition and euro conversion. Net interest income of €60.8 million represented a decline of 3.9 per cent compared to €63.3 million during the prior year period, which included a significant recovery from previously non-performing loans.

Fees and commission income of €15.5 million were in line with the first half of 2007, despite reduced levels of business activity during the first quarter of 2008 due to Malta's adoption of the euro on 1 January 2008 and the general elections. Adopting the euro also affected foreign exchange dealing income which, at €3.7 million, was significantly lower than the €8.5 million earned in the six months to 30 June 2007. Life insurance business generated a profit before tax of €6.4 million, up 5.6 per cent on the same period of the previous year.

Operating expenses of €42.0 million are 6.1 per cent higher compared to the same period in 2007 with a cost efficiency ratio of 47.2 per cent compared to 40.1 per cent for the same period in 2007. Expense growth in the first half was primarily driven by non-recurring costs related to the euro conversion, increased staff costs and information technology investment.

The quality of the overall loan book remained good, with loans and advances to customers continuing to increase. There was no deterioration in the quality of credit lending.

The available-for-sale investments portfolio was marked-down by €7.7 million at the close of the period. The mark-down was charged to revaluation reserve, net of tax effect.

## 10.2 Financial Performance for the Financial Year Ended 31 December 2007

### *Group profit*

During the year ended 31 December 2007, HSBC Bank Malta p.l.c. and its Subsidiaries generated a profit on ordinary activities before tax of €114.7 million, an increase of €18.3 million or 19.0 per cent, compared to 2006.

Profit attributable to shareholders was €76.4 million, an increase of €13.9 million or 22.2 per cent over prior year figures.

Net interest income grew by €16.8 million.

Net non-interest income levels grew by €5.8 million.

Operating expenses were €83.6 million, an increase of €3.6million over prior year figures.

As a result, the Group's cost to income ratio improved to 42.1 per cent in 2007 from 45.5 per cent in 2006.

### *Shareholder ratios*

Earnings per share increased to €0.262 from a 2006 figure of €0.214 with the pre-tax return on average shareholders' funds increasing to 40.2 per cent from 32.1 per cent in 2006.

A final ordinary dividend of €0.148 gross per share was recommended by the Board. This, together with the gross interim ordinary dividend of €0.154 and gross interim special dividend of €0.093, produces a total gross dividend for the year of €0.395.

*Net interest income*

Net interest income grew by €16.8 million or 15.4 per cent over prior year to €126.2 million.

Growth was driven by increased customer loans of 7.6 per cent and customer deposits of 17.5 per cent. Growth in customer loans resulted from increased residential mortgages and commercial lending.

There was a strong increase in deposits of €602.6 million to €4,039.5 million attributable both to increased local demand for savings products and international corporate deposit growth introduced through the HSBC International Banking Centre network.

*Non-interest income*

Non-interest income levels grew by €5.8 million or 8.7 per cent to €72.5 million, driven by growth in business activity and volumes which were well-spread across the Group's core products and service lines.

Revenues increased through growth in lending, Trust services, card issuance and usage fees, and retail brokerage.

Commission earned on account and transfer services reduced due to increased usage of automated services which are more efficient and less costly for our customers.

Life insurance activities were a significant contributor to Group profits generating a 43.0 per cent increase in profitability over the prior year, reaching a profit before tax of €13.0 million. Strong customer demand was supported by new launches of regular premium products and increased volumes of single premium products. Other operating income benefited from the growth in new insurance business by €7.6 million.

During the year revaluation gains on the Group's investment properties generated €3.0 million in other operating income.

*Operating expenses*

Operating expenses grew by 4.5 per cent to €83.6 million from €80.0 million in 2006.

Employee compensation and benefits was unchanged at €49.8 million in spite of a 2.5 per cent increase in wages and salaries as higher staff turnover and lower voluntary retirement benefits costs offset the effect of the increase.

General and administrative expenses increased by €4.0 million to €26.7 million largely as a result of investment in a large number of mandatory projects including euro conversion and adoption of SEPA legislation, as well as the cost of increased business volumes and increased regulatory fees.

Depreciation and amortisation charges were flat at €7.1 million.

*Net impairment reversals*

There were no significant lending impairment issues during the year and no net impact on impairment charges to profit.

Impairment reversals contributed €8.2 million to profit. New impairment allowances of €5.8 million were raised and bad debt write-offs of €2.6 million were effected.

An overall improvement in the credit quality of the lending book reduced non-performing loans from €101.9 million to €81.6 million.

The aggregate amount of non-performing loans improved to 2.8 per cent of gross loans and advances from 3.8 per cent at the end of 2006.

*Taxation*

The 2007 effective rate of tax was 33.4 per cent. Tax on profit on ordinary activities for 2007 increased to €38.3 million.

*Assets*

Total assets increased by €498.8 million to €4,895.1 million.

Net loans and advances to customers increased by €199.1 million to €2,822.3 million with growth spread across both personal and commercial sectors.

Advances to deposits ratio improved to 69.9 per cent from 76.3 per cent in 2006 as a result of strong deposits growth.

This surplus liquidity was placed with the Central Bank, interbank and money markets.

Balances with Central Bank of Malta, Cash and Treasury Bills holdings increased from a prior year end level of €304.1 million to a year end level of €472.1 million.

Short term liquid money market placements in the form of loans and advances to bank's increased from €596.5 million to €631.0 million.

Financial investments increased from €391.7 million to €456.5 million.

Life insurance business assets, are primarily designated as financial assets at fair value through profit or loss. This portfolio grew to €275.7 million from a prior year end level of €262.0 million.

#### *Liabilities*

Total liabilities increased by €516.9 million to €4,618.8 million.

Amounts owed to customers increased by €602.6 million against a background of strong second half growth both in retail and professional deposits.

Amounts owed to banks was reduced from a year opening level of €294.3 million to a year end closing level of €87.1 million thus reducing market dependency.

Funds under management by the Group decreased to a year end closing level of €475.2 million, down from an opening level of €668.5 million as customers switched to deposits in time of market volatility.

Liabilities under insurance contracts issued increased by €51.6 million during the year to reach a year end level of €290.9 million.

In January 2007, a tranche of €58.2 million in 10 year subordinated liabilities were issued as part of the Group's debt capital funding.

#### *Shareholders' funds*

Equity totalled €276.3 million at year end following dividend payments of €93.6 during 2007.

The number of shareholders increased from 9,417 to 9,946 as at 31 December 2007.

The solvency ratio stands at 11.3 per cent.

## **11. Profit Forecast or Estimates**

The Registration Document does not contain any profit forecast or estimate.

## **12. Administrative, Management and Supervisory bodies**

The Memorandum of Association of the Issuer specifically regulates the appointment of directors. The Board consists of not more than nine directors who are appointed/elected by the shareholders. Every shareholder owning 11 per cent of the ordinary share capital is entitled to appoint one director for each 11 per cent shareholding. The majority shareholder therefore has the right to appoint six directors. Furthermore, any excess fractional shareholding not so utilised may be used to participate in the voting for the election of further directors. Shareholders who own less than 11 per cent of the ordinary share capital participate in the election of the remaining three directors.

The largest single shareholder (subject to a minimum 33% holding of the ordinary issued share capital of the company), is entitled to appoint a chairman from amongst the directors appointed or elected to the Board. Every poll for the election of directors is overseen by the Issuer's external auditors.

The Board regularly reviews and evaluates corporate strategy, major operational and financial plans, risk policy, performance objectives and monitors implementation and corporate performance within the parameters of all relevant laws, regulations and codes of best business practice.

## 12.1 Directors and Company Secretary of the Issuer

As at the date of this Registration Document the Board of Directors of the Issuer is composed of the following persons. Their business address is that of the Issuer.

### **Albert Mizzi**, *Non-Executive Chairman*

Age 81. Non-Executive Chairman of the Issuer since June 1999. In 1946, joined family business Alf. Mizzi & Sons Ltd. and was Chairman for several years. In the 1960s he was heavily involved in private banking and appointed director of Medport. Established a number of Malta's important parastatal businesses: Air Malta, Sea Malta, Medserv, Mediterranean Insurance Brokers and Middle Sea Insurance. Following the setting up of Air Malta in 1973, he served as its Chairman for 19 years.

### **Alan Richards**, *Director and Chief Executive Officer*

Age 49. Director and Chief Executive Officer of the Issuer since May 2008. A Senior Associate of the Australasian Institute of Banking and Finance and a member of the Institute of Financial Services. He was formerly Director and Deputy Chief Executive Officer of HSBC Australia and Director and Head of Retail Banking, HSBC Bank A.S. Turkey. Previously, he has also held the posts of Director of HSBC Broking Asia and prior to that of General Manager HSBC Bank Malaysia.

### **Sally Robson**, *Director and Chief Operating Officer*

Age 50. Director and Chief Operating Officer of the Issuer since 31 March 2006. A professional banker and a fellow of the Chartered Institute of Bankers. Joined the then Midland Bank plc in 1979. Since 1983 she has held a number of key managerial positions within the HSBC Group in the UK, with the last post held being that of Area Director for Greater Manchester.

### **Anthony Mahoney**, *Non-Executive Director*

Age 46. Director of the Issuer since September 2008. Associate of the Institute of Financial Services. Has occupied various top managerial posts within the HSBC Group since 1997. Presently occupies the post of Group General Manager, Head of HSBC Bank plc, International.

### **Philip Farrugia Randon**, *Non-Executive Director*

Age 59. Director of the Issuer since June 2004. Graduated LL.D. in 1973 and joined the Issuer in 1974 as a legal adviser. Held the post of Company Secretary and Head of Group Legal Department of the Issuer for several years.

### **Charles John Farrugia**, *Executive Director*

Age 51. Director of the Issuer since November 2004. Joined the bank in 1975. Was appointed Chief Dealer in 1995, Group Senior Treasury Manager in 1999 and Managing Director of HSBC Stockbrokers (Malta) Ltd. in 2001. Currently holds the post of Head of Global Banking and Markets.

### **Victor Scicluna**, *Non-Executive Director*

Age 70. Director of the Issuer since March 2001 and member of the Audit Committee since June 2001. A Certified Public Accountant. Former Director and General Manager of Central Cigarettes Co Ltd, former Chairman of the Board of Governors of the Malta College of Arts, Science and Technology, former President of The Malta Employers Association and former Chairman of The Malta Council for Economic and Social Development.

### **Peter Paul Testaferrata Moroni Viani**, *Non-Executive Director*

Age 48. Non-Executive Director of the Issuer since March 2001. Holds various executive positions and directorships within the Testaferrata Group of companies.

### **Saviour sive Sonny Portelli**, *Non-Executive Director*

Age 64. Appointed Director of the Issuer on 9 October 2006. A senior Maltese businessman who is currently the Chairman of Go p.l.c. Group and Chairman of The Malta Council for Economic and Social Development. Had an early career in the Malta Civil Service which he left to join the Tourist Sector. Besides being a Marketing Specialist he sits as non-executive director on the boards of various Maltese companies.

**Company Secretary****George Brancaleone**

Age 47. Company Secretary of the Issuer since June 2004. Joined the Issuer in 1980 and graduated LL.D. in 1988. Company Secretary of various HSBC subsidiaries in Malta since 2001. Presently holds the post of Senior Manager at Group Legal Department of the Issuer.

**12.2 Senior Management**

As at the date of this Registration Document the senior management of the Issuer is composed of the following:

<b>Alan Richards</b>	<i>Chief Executive Officer</i>
<b>Sally Robson</b>	<i>Chief Operating Officer</i>
<b>Charles John Farrugia</b>	<i>Head of Global Banking and Markets</i>
<b>Eric Mamo</b>	<i>Acting Head of Group Legal</i>
<b>Richard Cottell</b>	<i>Head of Commercial Banking</i>
<b>Godfrey Swain</b>	<i>Head of Personal Financial Services</i>
<b>Alasdair Robertson</b>	<i>Head of Credit</i>
<b>Philip Farrugia</b>	<i>Head of Banking Services</i>
<b>Mark Sims</b>	<i>Head of Human Resources</i>
<b>Joseph Borg</b>	<i>Head of IT</i>
<b>David Demarco</b>	<i>Chief Financial Officer</i>
<b>Brian Tortell</b>	<i>Head of Marketing</i>
<b>Josef Camilleri</b>	<i>Head of Public Affairs and CSR</i>
<b>Richard Philip Jones</b>	<i>Head of Insurance Services</i>
<b>Martin Scicluna</b>	<i>Head of Wealth Management</i>
<b>Charles Azzopardi</b>	<i>Head of Funds Administration</i>
<b>Ray Briffa</b>	<i>Head of Channel Management</i>
<b>Kevin Rapinett</b>	<i>Head of Global Markets and Investment Banking</i>
<b>John Sammut</b>	<i>Senior Audit and Compliance Manager</i>
<b>Stephen Pandolfino</b>	<i>Head of Investment Management</i>

**Employees**

The Group employed an average of 1,632 employees during 2007.

**Interests of Directors**

Directors' interest in the share capital of the Issuer or in any related company as at 31 December 2007:

	<i>No of shares</i>
Albert Mizzi	8,000
Shaun Wallis (resigned on 15 May 2008)	2,000
Saviour sive Sonny Portelli	4,700
Philip Farrugia Randon	6,400

Peter Paul Testaferrata Moroni Viani has a beneficial interest in the Issuer of 58,800 ordinary shares through the shareholding of MacApps Limited and 40,000 ordinary shares through the shareholding of Capps Ltd. in HSBC Bank Malta p.l.c. He also has a non-beneficial interest in the Issuer of 300,000 ordinary shares through the shareholding of Santumas Shareholdings p.l.c., 40,000 ordinary shares through the shareholding of Viani Limited and 5,000 ordinary shares through the shareholding of Circles Limited in the Issuer.

Albert Mizzi has a non-beneficial interest in the Issuer of 177,480 ordinary shares through the shareholding held by Finco Control Co. Limited in HSBC Bank Malta p.l.c. and a non-beneficial interest in the Issuer of 339,680 ordinary shares through the shareholding of Finco Treasury Management Limited in the Issuer.

Charles John Farrugia has a non-beneficial interest in the Issuer of 7,342,267 ordinary shares through the shareholding held by Amalgamated Investments Sicav p.l.c. in HSBC Bank Malta p.l.c.

Save for the matters disclosed on page 36 and 39 under the headings “Interests of Directors”, “Interest of Major Shareholders” and “Related Party Transactions” there are no potential conflicts of interests between any duties to the Issuer of the persons referred to above under the headings “Directors of the Issuer” and “Senior Management” and their private interests and/or other duties.

### **12.3 Remuneration of Directors and Senior Management**

The Board of Directors determines the remuneration of Non-Executive Directors, including remuneration of the Chairman of the Remuneration Committee. The Executive Directors of the Issuer are employed under an indefinite contract of service.

In accordance with the Issuer’s Articles of Association, the total emoluments payable to all Directors, excluding remuneration paid to any Director by virtue of holding a salaried office with the Issuer, is subject to shareholder approval at general meeting.

Directors’ remuneration for the financial year ended 31 December 2007:

- Directors’ fees	€110,645
- Directors’ emoluments as full-time bank employees	€970,263

No Director is entitled to profit sharing, share options, pension benefits (other than performance-related bonus awards) or any other remuneration, directly from the Issuer.

Executive Directors may be entitled to HSBC Holdings plc share options and certain pension and early retirement benefits. These Directors are not paid any fees for their directorship.

The members of executive management are employed under an indefinite contract of service. Senior executives are remunerated by way of salary and are, in addition, entitled to bonuses linked to individual performance and overall performance of the Group.

## **13. Board Practices**

### **13.1 Corporate Governance**

The Board of Directors is committed to sound corporate governance and to best practice in this regard guided by international codes on corporate governance. Although Principles as outlined in the Code of Principles of Good Corporate Governance are not mandatory, the Board has endorsed them except where there are particular circumstances that warrant non-adherence thereto.

### **13.2 Board Committees**

The Directors have established the following board committees:

- Executive Committee
- Audit Committee
- Remuneration Committee
- Asset and Liability Management Committee
- Credit Risk Management Committee
- Group Risk Management Committee

#### ***Executive Committee***

The Executive Committee meets on a monthly basis to oversee the overall management of the Issuer. The Chief Executive Officer chairs this committee which is composed of the Chief Operating Officer together with the top management of the Issuer.

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***Audit Committee***

This committee meets at least six times a year. Its terms of reference are modelled mainly on the recommendations in the Cadbury Report and the provisions on the Audit Committee contained in the Listing Rules. These terms of reference also reflect HSBC Group standards. This committee which is accountable to the Board assists the Board in meeting its responsibilities in ensuring an effective system of internal control and compliance and for meeting its external financial reporting obligations, including its obligations under the Listing Rules, laws and regulations and is directly responsible on behalf of the Board for the selection, oversight and remuneration of the external auditor. It also reviews the materiality and nature of related party transactions carried out by the Issuer to ensure that the arms' length principle is adhered to at all times. Its members are Victor Scicluna (Chairman), Peter Paul Testaferrata Moroni Viani, Saviour sive Sonny Portelli, all independent Non-Executive Directors and Philip Farrugia Randon LL.D., a Non-Executive Director. Executives of the Issuer are available to attend any of the meetings as directed by the committee. The Chief Executive Officer, the Chief Operating Officer and a representative of the external auditors attend the meetings. In line with Listing Rule 8.61, the Head of Internal Audit is always present for the meetings and has a right of direct access to the Chairman of the committee at all times.

In terms of Listing Rule 8.62.8, the Audit Committee is responsible for developing and implementing a policy on the engagement of the external auditor to supply non-audit services. Since HSBC Holdings plc is a Securities Exchange Commission (SEC) registered company, non-audit services provided by the external auditor are regulated in terms of the SEC rules.

***Remuneration Committee***

The Remuneration Committee established within the Issuer is set up on a similar basis to its counterparts in HSBC Group, and hence is different in character from the 'remuneration committee' envisaged under the Code of Principles of Good Corporate Governance. More specifically, there is no committee appointed by the Board to fix the remuneration packages of the individual Directors.

The Remuneration Committee meets primarily to review the compensation policy of the Issuer and to make annual recommendations, which are then sent to HSBC Bank plc for concurrence on pay review, salary increases and bonuses for key management personnel. It is chaired by Albert Mizzi (independent Non-Executive Director) and comprises Peter Paul Testaferrata Moroni Viani, Saviour sive Sonny Portelli and Philip Farrugia Randon LL.D.

***Asset and Liability Management Committee***

This Committee ("ALCO") reviews the following financial risks of the Group in Malta and ensures their prudent management: interest rate risk, liquidity and funding, foreign exchange risk, capital solvency, market sector risk and country risk. Furthermore, ALCO monitors the external environment and measures the impact on profitability of factors such as interest rate volatility, market liquidity, exchange rate volatility, monetary and fiscal policies and competitor banks activity.

The Chief Executive Officer has primary responsibility for ensuring efficient development of asset and liability management. Membership consists of senior executives with responsibility for the following functions: corporate banking, retail banking, treasury, financial control, marketing, and credit.

The ALCO, which is chaired by the Chief Executive Officer and deputised by the Chief Operating Officer, meets once a month.

***Credit Risk Management Committee***

The Credit Risk Management Committee reviews the credit risk management issues of the Group in Malta. It meets on a quarterly basis and is chaired by the Chief Executive Officer and deputised by the Chief Operating Officer. Membership consists of senior executives with responsibility for the following functions: credit and risk management, corporate banking, retail banking, audit and compliance, treasury and consumer finance.

***Group Risk Management Committee***

The Group Risk Management Committee reviews the operational risks of the Group in Malta: the identification, measurement, monitoring and controlling operational business risks and determines and agrees strategies and policies to mitigate these risks.

This Committee meets at least four times a year and is chaired by the Chief Operating Officer and is composed of Chief Financial Officer, Senior Internal Audit Manager and the Heads of Credit, Banking Services, Commercial Banking, Personal Financial Services, Global Banking and Markets and Compliance.

### 13.3 Internal Controls

The Board of Directors is ultimately responsible for the Issuer's system of internal control and for reviewing its effectiveness. Such procedures are designed to manage rather than to eliminate the risk of failure, to achieve business objectives and can only provide reasonable and not absolute assurance against material error, losses or fraud. Systems of internal controls may comprise the following:

- Authority to operate the Issuer is delegated to the Chief Executive Officer within the limits set by the Board of the Issuer. Functional, operating and financial reporting standards are applicable within all entities of the HSBC Group. These are supplemented by operating standards set by the Issuer's management, as required.
- Systems and procedures are in place in the Issuer to identify, control and to report on the major risks including credit, changes in the market prices of financial instruments, liquidity, operational error and fraud. Exposure to these risks is monitored by the Asset and Liability Management Committee, by the Group Risk Management Committee and by the Credit Risk Management Committee.
- Comprehensive annual financial plans are prepared, reviewed and approved by the Board. Results are monitored and reports on progress compared with plan are prepared monthly. Financial accounting and reporting and certain management reporting standards have been established. Centralised functional control is exercised over all computer system developments and operations. Common systems are employed where possible for similar business processes.
- Responsibilities for financial performance against plans and for capital expenditure, credit exposures and market risk exposures are delegated with limits to line management. In addition, functional management in the Issuer has been given the responsibility to set policies, procedures and standards in the areas of finance; legal and regulatory compliance; internal audit; human resources; credit; market risk; operational risk; computer systems and operations; property management; and for certain HSBC Group product lines.
- The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures within the Issuer and its Subsidiaries. The work of the internal audit function focuses on areas of greatest risk as determined by a risk management approach.
- The Issuer's Compliance Department ensures that the Issuer's Group complies with all the local and international regulatory obligations and HSBC Group standards and regulations.

## 14. Major Shareholders and Related Party Transactions

### 14.1 Interest of Major Shareholders

The following hold in excess of 5% of the Issuer's ordinary shares as at 31 December 2007.

	<i>Ordinary shares</i>	<i>%</i>
HSBC Europe B.V.	204,379,640	70.03

The risks associated with the concentration of ownership in the hands of any of the Issuer's shareholders are described on page 26 of the Prospectus under the heading "Risks relating to the Issuer – Concentration of Ownership". In accordance with the Principles of Good Corporate Governance set out in Appendix 8.1 of the Listing Rules, the Audit Committee, which has been approved by the Listing Authority in terms of Listing Rule 8.72, is responsible for reviewing the Group's procedures and internal control systems, with a view to ensuring inter alia the arm's length nature of related party transactions that the Issuer and its Subsidiaries carry out.

### 14.2 Related Party Transactions

Full details on related party transactions during the financial year ended 31 December 2007 may be viewed in the Annual Report and Accounts of the Issuer, available for public inspection.

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## **15. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses**

### **15.1 Historical financial information**

Full historical financial information for the two financial years ended 31 December 2006 and 31 December 2007 are set out in the Annual Report and Accounts of the Issuer, available for public inspection.

### **15.2 Financial statements**

Auditors' Report including the Audited Financial Statements for the Group for the financial years ended 31 December 2006 and 31 December 2007 are set out in the Annual Report and Accounts of the Issuer, available for public inspection.

Selected financial information for the two financial years ended 31 December 2006 and 31 December 2007 may be found on page 27 of the Registration Document.

### **15.3 Auditing of historical annual financial information**

The Annual Financial Statements of the Issuer for the financial years ended 31 December 2006 and 31 December 2007 have been audited by KPMG.

### **15.4 Age of latest financial information**

The latest Audited financial information available in respect of the Issuer relates to the financial year ended 31 December 2007 and was approved for issuance by the Board of Directors on 18 February 2008.

### **15.5 Interim and other financial information**

The Unaudited Half-Yearly Results for the six months ended 30 June 2008 have been published by the Issuer on 25 July 2008 and are available for public inspection.

Selected financial information for the Unaudited Half-Yearly Results for the six months ended 30 June 2007 and 30 June 2008 may be found on page 27 of the Registration Document.

### **15.6 Legal and arbitration proceedings**

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during a period covering twelve months prior to the date of this Registration Document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or the Group.

### **15.7 Significant change in the Issuer's financial or trading position**

There has been no significant change in the financial or trading position of the Issuer or the Group which has occurred since the 30 June 2008 which is the date of its last published interim financial information.

## **16. Material Contracts**

There are no material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in any Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Bondholders.

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## 17. Third Party Information and Statement by Experts and Declarations of any Interest

This Registration Document does not contain any statement or report attributed to any person as an expert.

## 18. Documents on Display

For the life of the Registration Document, the following documents (or copies thereof), where applicable, may be inspected at the registered office of the Issuer at 233, Republic Street, Valletta VLT 1116, Malta:

- The Memorandum and Articles of Association of the Issuer;
- The Audited Financial Statements of the Issuer for the financial years ended 31 December 2006 and 31 December 2007;
- The Audited Financial Statements of the Subsidiaries of the Issuer for the financial years ended 31 December 2006 and 31 December 2007; and
- The Unaudited Half-Yearly Results of the Issuer for the six months ended 30 June 2007 and 30 June 2008.

The Audited Financial Statements and the Unaudited Half-Yearly Results of the Issuer may also be inspected on the Issuer's website: [www.hsbc.com.mt](http://www.hsbc.com.mt)

## 19. Additional Information

### 19.1 Share capital

The Issuer's authorised share capital as at the date of this Registration Document is €141,000,000 divided into 470,000,000 ordinary shares of €0.30 each. The Issuer's issued share capital as at the date of this Registration Document is €87,552,000 divided into 291,840,000 ordinary shares of €0.30 each which are all listed on the Malta Stock Exchange. The ordinary shares of the Issuer which have been fully paid up rank pari passu. The Issuer has no other classes of shares.

### 19.2 Memorandum and Articles of Association

The Issuer is registered under the Companies Act with registration number C 3177.

The principal objects and purposes of the Issuer are set out in Clause 4 of the Memorandum of Association and are to carry on the business of banking in all its aspects whether in Malta or abroad, and whether related to national or international business including offshore business and including but not limited to the transaction of all financial, monetary, investment and other businesses which now or at any time during the existence of the Issuer may be usually or commonly carried on in any part of the world by banks, discount houses, merchant banks or financiers.

A copy of the Memorandum and Articles of Association of the Issuer is available for public inspection.

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## Securities Note

This document is a Securities Note issued in accordance with the provisions of Chapter 6 of the Listing Rules issued by the Listing Authority and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council concerning information contained in the prospectus, its publication dissemination of advertisements.

This Securities Note is issued pursuant to the requirements of listing rule 6.4.3 of the Listing Rules and contains information about the Bonds being offered by HSBC Bank Malta p.l.c. (the “Issuer”). Application has been made for the admission to listing and trading of the Bonds on the Malta Stock Exchange. This Securities Note should be read in conjunction with the most updated Registration Document issued by the Issuer from time to time that provides details of the Issuer.

This document is dated 15 September 2008

The Bonds shall constitute the general, direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and, shall thus rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future.

ISIN: MT0000031238

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Words and expressions used in this Securities Note shall, except where the context otherwise requires, bear the same meaning as defined under “Definitions” on page 22 forming part of this Prospectus.

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## 1. Persons Responsible

All of the Directors of the Issuer whose names and functions appear on page 35, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

## 2. Risk Factors

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity. An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers (including tax, accounting, credit, legal and regulatory advice) the following risk factors and other investment considerations as well as all the other information contained in this Prospectus before deciding to make an investment in the Bonds. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

Neither this Securities Note, nor any other parts of the Prospectus or any other information supplied in connection with any Bonds: (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or the Sponsor or Authorised Distributors that any recipient of this Securities Note or any other part of the Prospectus or any other information supplied in connection with the Prospectus or any Bonds, should purchase any Bonds.

### Risks relating to the Bond

#### *Trading and liquidity of the Bonds*

There is currently no trading record in respect of the Bonds as there has never been a public market for the Bonds prior Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List. There can be no assurance, however, that an active secondary market for the Bonds will develop or, if it develops, that it will continue nor can there be any assurance that an investor will be able to re-sell his Bonds at or above the Bond Issue Price or at all.

A public trading market having the desired characteristics of depth, liquidity and orderliness depends on a number of factors including the presence in the market place of willing buyers and sellers of the Issuer's Bonds at any given time, which presence is dependent upon the individual decisions of investors over which the Issuer has no control. Many other factors over which the Issuer has no control may affect the trading market for, and trading value of, the Bonds. These factors include the time remaining to the maturity of the Bonds, the outstanding amount of the Bonds and the level, direction and volatility of market interest rates generally.

No prediction can be made about the effect which any future public offerings of the Issuer's securities or any takeover or merger activity involving the Issuer will have on the market price of the Bonds prevailing from time to time.

#### *Prior ranking charges*

The Bonds will rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future. The Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future, undertaking, assets or revenues (including uncalled capital).

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### 3. Key Information

#### 3.1 Offer Statistics

Issuer:	HSBC Bank Malta p.l.c., a company registered in Malta with registration number C 3177.
Amount:	€25,000,000, subject to the Over-allotment Option described below.
Over-allotment Option:	At the sole and absolute discretion of the Issuer, additional Bonds not exceeding €5,000,000 may be issued at the Bond Issue Price to cover any outstanding Applications in the event of over-subscription.
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the Central Securities Depository.
Denomination:	Euro (€).
Minimum amount per subscription:	Minimum of two thousand five hundred euro (€2,500).
Subscription:	Multiples of one hundred euro (€100).
Maturity Date:	7 October 2018.
Bond Issue Price:	At par (€100 per Bond).
Status of the Bonds:	The Bonds constitute the general, direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank pari passu, without any priority or preference among themselves and, shall thus rank after other present outstanding, unsubordinated and unsecured obligations of the Issuer.
Listing:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.
Offer Period:	The period between 24 September 2008 to 30 September 2008 (or such earlier date as may be determined by the Issuer in the event of over-subscription) during which the Bonds are on offer.
Interest:	five point nine per cent (5.9%) per annum.
Interest Payment Date(s):	7 October and 7 April of each year, between 2009 and the Maturity Date (both years included).
Redemption Value:	At par (€100 per Bond).

Manager and Registrar: HSBC Bank Malta p.l.c.

Sponsor: Charts Investment Management Service Ltd.

Governing Law and Jurisdiction: The Bonds are governed by and shall be construed in accordance with Maltese law. The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

### 3.2 Expected Time-table of Principal Events

Application Forms available	16 September 2008
Opening of subscription lists	24 September 2008
Closing of subscription lists	30 September 2008
Announcement of basis of acceptance	7 October 2008
Commencement of interest on the Bonds	7 October 2008
Expected dispatch of allotment advice and refunds of unallocated monies	14 October 2008
Admission to trading	16 October 2008

**The Issuer reserves the right to close the Offer before 30 September 2008 in the event of over-subscription, in which case, the remaining events set out in the “Expected Time-table of Principal Events” shall be anticipated in the same chronological order in such a way as to retain the same number of Business Days between the said principal events.**

### 3.3 Interest of natural and legal persons involved in the Offer

Potential investors should pay attention to the fact that various potential conflicts of interest may arise.

HSBC Bank Malta p.l.c. is acting as Manager, Registrar and Authorised Distributor and HSBC Stockbrokers (Malta) Ltd. (which is a wholly owned subsidiary of HSBC Bank Malta p.l.c.) is acting as Authorised Distributor in respect of the issue of the Bonds. The Issuer and HSBC Stockbrokers (Malta) Ltd. will be effecting transactions for the account of customers on an “execution-only” basis without any advice being given or any discretion being exercised.

### 3.4 Reasons for the Offer and use of proceeds

The net proceeds from the issue of the Bonds will be used by the Issuer to meet part of its general financing requirements. The proceeds of the Bond will constitute Additional Own Funds (Tier II capital) of the Issuer in terms of the Banking Rule BR/03/2008 Own Funds of Credit Institutions Authorised under the Banking Act.

### 3.5 Estimated expenses and proceeds of the Offer

Selling commission is payable to Authorised Distributors in respect of Bonds allotted to Applicants applying through such Authorised Distributor at the rate of 0.50%.

The Offer expenses including selling commissions, professional fees, publicity, advertising, printing, listing, registration, sponsor, management and registrar fees and other miscellaneous costs incurred in connection with this Offer, are estimated not to exceed €300,000 and shall be borne by the Issuer. This amount will be deducted from the proceeds of the Offer, which accordingly will bring the net proceeds from the Offer to €29,700,000 if the Over-allotment Option is exercised in full.

## 4. Information concerning the Securities to be Offered / Admitted to Trading

### 4.1 General

- 4.1.1 Each Bond forms part of a duly authorised issue of 5.9% Subordinated Bonds of a nominal value of €100 per Bond issued by the Issuer at par (the “Bonds”) up to the principal amount of twenty five million euro (€25,000,000) (except as otherwise provided under clause 4.15 “Further Issues”) subject to the exercise by the Issuer of the Over-allotment Option described in sub-clause (2) hereunder).
- 4.1.2 The Issuer may issue Bonds pursuant to the Over-allotment Option up to an amount of €5,000,000 so that in no event shall the aggregate value of the Bonds outstanding at any time exceed €30,000,000.
- 4.1.3 Subject to admission to listing of the Bonds to the Official List of the Malta Stock Exchange, the Bonds are expected to be assigned the following ISIN: MT0000031238.

### 4.2 Legislation under which the Bonds have been created

The issue of the Bonds is made in accordance with the requirements of the Listing Rules of the Listing Authority, the Companies Act, 1995 (Cap. 386, Laws of Malta) and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council.

### 4.3 Registration, Denomination, Form and Title

- 4.3.1 Certificates will not be delivered to Bondholders in respect of the Bonds as each Bondholder’s entitlement will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the Central Securities Depository. There will be entered in such electronic register the names and addresses of the Bondholders and particulars of the Bonds held by them respectively and a copy of such register will, at all reasonable times during business hours, be open to the inspection of the Bondholders at the registered office of the Issuer.
- 4.3.2 The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription the Bonds will be issued for a minimum of €2,500.
- 4.3.3 Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under clause 4.13.

### 4.4 Currency of the Bonds

The currency of the Bonds is the euro (€).

### 4.5 Status of the Bonds (Ranking)

The Bonds will rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future. The Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future, undertaking, assets or revenues (including uncalled capital).

### 4.6 Rights attached to the Bonds

There are no special rights attached to the Bonds other than the right of the Bondholders to payment of capital and interest (vide clauses 4.7 and 4.8) and in accordance with the ranking as provided under clause 4.5.

#### 4.7 Interest

- 4.7.1 The Bonds shall bear interest from and including 7 October 2008 at the rate of 5.9% per annum on the nominal value thereof, payable semi-annually in arrears on 7 October and 7 April of each year, (each an "Interest Payment Date"), the first Interest Payment Date being on 7 April 2009. Provided that any Interest Payment Date which falls on a day other than a Business Day, will be carried over to the next following day that is a Business Day.
- 4.7.2 When interest is required to be calculated for any period of less than a year such interest shall be calculated on the basis of the actual number of days in such period divided by the actual number of days (365 or 366) in the respective year.

#### 4.8 Payments

- 4.8.1 Payment of the principal amount of a Bond will be made by the Issuer to the person in whose name such Bond is registered at the close of business on the Maturity Date, with interest accrued to the Maturity Date, by direct credit to Bondholder's bank account as indicated by the Bondholder in the Application Form or of any person as the Bondholder may designate. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the Central Securities Depository. In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the Central Securities Depository shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.
- 4.8.2 Payment of any instalment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date by means of a direct credit into the Bondholder's bank account as indicated by the Bondholder in the Application Form or of any person as the Bondholder may designate, provided that if any such day is not a Business Day, such Interest Payment Date will be carried over to the next following day that is a Business Day. The Bondholder shall be required to make such designation in the Application Form. The Issuer shall not be responsible for any loss or delay in transmission. Provided that where the Bondholder's bank account number is not known, the interest is retained by the Issuer for collection by the Bondholder entitled to such interest or for remittance when the bank account number of the said Bondholder is made known to the Issuer.
- 4.8.3 All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.
- 4.8.4 No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.
- 4.8.5 Unless previously purchased and cancelled as provided below, the Issuer will redeem the Bonds (together with payment of interest accrued thereon) at their nominal value on 7 October 2018 (the "Maturity Date").
- 4.8.6 Subject to the provisions of Clause 4.8.7 below the Issuer (or any of its subsidiary undertakings or holding company or any subsidiary undertakings of such holding company) may at any time purchase Bonds in the open market or otherwise and at any price. If purchases are made by tender, tenders shall be made available to all Bondholders alike.
- 4.8.7 All Bonds purchased by the Issuer on its own account will be cancelled forthwith and may not be re-issued or resold. However, the re-purchase in terms of 4.8.6 could be undertaken during the last five years before the Repayment Date in terms of Article 2.1.5 of Appendix I of the Banking Rule BR/03/2008. The cancellation of such Bonds shall not prejudice the Issuer's solvency.

#### 4.9 Yield

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at maturity date is five point nine per cent (5.9%).

#### 4.10 Meetings of Bondholders

- 4.10.1 The Issuer may at any time convene a meeting of Bondholders to consider and approve by Extraordinary Resolution: (i) any matter affecting their interests, including the amendment, modification, waiver, abrogation or substitution of any of the terms or conditions of the Bonds and the rights of Bondholders, whether or not those rights arise under this Prospectus; (ii) the exchange or substitution of the Bonds by, or the conversion of the Bonds into, shares, debentures or other obligations or securities of the Issuer; and (iii) the earlier redemption or roll-over of the Bonds on their Maturity Date.
- 4.10.2 At least 14 days' prior notice of a meeting shall be given to Bondholders by the Issuer (exclusive of the day on which the notice is given and of the day for which it is given).
- 4.10.3 The instrument appointing a proxy shall be deposited at least 48 hours before the time fixed for the meeting at such place as the Issuer shall designate or approve, and in default it shall not be valid unless the Chairman of the meeting decides otherwise before the meeting proceeds to business. A proxy need not be a Bondholder.
- 4.10.4 The Chairman of a meeting of Bondholders shall be the Chairman of the Board of Directors of the Issuer or such other person as the Issuer may nominate in writing. The Chairman of an adjourned meeting need not be the same person as the Chairman of the original meeting.
- 4.10.5 The following may attend and speak at a meeting of Bondholders: (i) the Chairman of the meeting; (ii) representatives and Directors of the Issuer; and (iii) Bondholders. No other person shall be entitled to attend or speak at a meeting.
- 4.10.6 Bondholders holding in aggregate at least 50 per cent (50%) in nominal value of the Bonds for the time being outstanding, present in person or by proxy shall constitute a quorum.
- 4.10.7 No business (except choosing a Chairman if required in terms of sub-clause 4.10.4 above) shall be transacted at a meeting of Bondholders unless a quorum is present at the commencement of business. If a quorum is not present within 30 minutes from the time initially fixed for the meeting, it shall stand adjourned until such date, time and place as the Chairman may decide. If a quorum is not present within 30 minutes from the time fixed for a meeting so adjourned the meeting shall be dissolved.
- 4.10.8 Each matter submitted to a meeting shall be decided by a show of hands unless a poll is (before, or following the result of the show of hands) demanded by the Chairman. Every Bondholder shall be entitled to one vote for each Bond held whether on a show of hands or on a poll. Voting, whether on a show of hands or on a poll shall be taken in such manner as the Chairman of the meeting shall direct.
- 4.10.9 An Extraordinary Resolution shall be binding on all the Bondholders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The Issuer shall give notice of the passing of an Extraordinary Resolution to Bondholders within 14 days but failure to do so shall not invalidate the resolution. No Extraordinary Resolution shall be binding or effective unless the Issuer shall have expressly agreed thereto in writing.

4.10.10 In this clause, unless the context otherwise requires:

- (a) “Extraordinary Resolution” means a resolution proposed by the Issuer and passed at a meeting duly convened and held in accordance with the provisions of this clause by a majority of at least seventy five per cent (75%) in nominal value of the Bondholders present at that meeting in person or by proxy;
- (b) references to a meeting is to a meeting of Bondholders and includes, any adjournment thereof;
- (c) reference to the Chairman is to the Chairman of a meeting of Bondholders in accordance with the provisions of sub-clause 4.10.4 above.

4.10.11 The Chairman shall have the power to decide upon any other procedural issues that may arise in connection with Meetings of Bondholders.

#### **4.11 Authorisations and approvals**

The issue of the Bonds has been authorised by a resolution of the Board of Directors of the Issuer.

The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 10 September 2008.

Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to this Prospectus to be listed and traded on the Official List of the Malta Stock Exchange and for dealings to commence once the Bonds are authorised as admissible to listing by the Listing Authority.

#### **4.12 Issue Date**

The Issue Date of the Bonds is 15 September 2008.

#### **4.13 Transferability of the Bonds**

- 4.13.1 The Bonds are freely transferable and once admitted to the Official List of the MSE, shall be transferable in accordance with the rules and regulations of the MSE applicable from time to time.
- 4.13.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the Central Securities Depository, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Central Securities Depository, a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.
- 4.13.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 4.13.4 The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.
- 4.13.5 The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

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## 4.14 Taxation

### General

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation in respect of the Bonds, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to holders of the Bonds in Malta. This information, which does not constitute legal or tax advice, and which does not purport to be exhaustive, refers only to holders of the Bonds who do not deal in securities in the course of their trading activity.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject-matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors; the precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

### Interest

On the basis that interest is payable in respect of a bond which is the subject of a public issue, unless the Issuer is otherwise advised by a Bondholder who is resident in Malta and who falls within the definition of “recipient” in terms of article 41 of the Income Tax Act, 1948 (Cap. 123, Laws of Malta), interest shall be paid to such person net of a final withholding tax at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act. Bondholders which do not fall within the definition of a “recipient” do not qualify for the said 15% rate and should seek advice on the taxation of such income. Special rules apply where the recipient is a collective investment scheme and such a recipient should obtain specific advice accordingly.

This withholding tax is considered as a final tax and a resident individual Bondholder should not declare the interest so received on his income tax return. No person shall be charged to further tax in respect of such income. However tax withheld shall in no case be available to any person for a credit against that person’s tax liability or for a refund as the case may be.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of the 15% withholding tax, interest will be paid gross and such person will be obliged to declare the interest so received on his income tax return and be subject to tax on it at the standard rates applicable to that person at that time. Any such election made by a resident Bondholder at the time of the application may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

Non-resident Bondholders satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite certificate being provided to the Issuer in terms of law.

### Capital gains on transfer of the Bonds

In accordance with the current legislation, no tax on capital gains should be chargeable in respect of transfer of the Bonds.

### Duty on documents and transfers

On the basis that the Bonds involve securities of a company quoted on the Malta Stock Exchange, redemptions and transfers of the Bonds should be exempt from Maltese duty on documents and transfers.

## 4.15 Further Issues

The Issuer may, from time to time, without the consent of the Bondholder, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue.

#### 4.16 Events of Default

The only circumstance under which the Bond will become repayable before the Maturity Date shall be the winding up of the Issuer (an “Event of Default”).

#### 4.17 Subordination

All rights available to the Bondholders in an Event of Default situation shall rank after all other outstanding, unsubordinated and unsecured obligations of the Issuer.

#### 4.18 Limited Recourse

The Bondholder agrees to waive his rights of enforcement against the Issuer in the case of non-payment of interest or other breach of the terms of the Bond. The only remedy available to the Bondholder shall be the petitioning for the winding up of the Issuer, which shall constitute an Event of Default.

### 5. Terms and Conditions of the Offer

#### 5.1 Conditions

- 5.1.1 The contract created by the acceptance of an Application shall be subject to the terms and conditions set out in this Prospectus and the Memorandum and Articles of the Issuer.

It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to exchange control (including any applicable external transaction requirements) in Malta and in the countries of their nationality, residence or domicile.

If the Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have bound his principal, or the relative corporation, corporate entity, or association of persons and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such intermediary may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Registrar.

In the case of joint Applications, reference to the Applicant in these terms and conditions is a reference to each Applicant, and liability therefor is joint and several.

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-a-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner.

The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.

No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to him/her nor should he/she in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to him/her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholders at his registered address and posted.

Save where the context requires otherwise, terms defined in the Prospectus bear the same meaning when used in the Application Form and in any other document issued pursuant to the Prospectus.

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- 5.1.2 The Amount of the Bond is €25,000,000 subject to the Over-allotment Option in virtue of which the Issuer may, at its sole and absolute discretion, issue additional Bonds not exceeding €5,000,000 in value, issued at par, to cover any outstanding Applications in the event of over-subscription.
- 5.1.3 The subscription lists will open at 08.30 hours on 24 September 2008 and will close as soon thereafter as may be determined by the Issuer but not later than 12.00 hours on 30 September 2008.
- Any person, whether natural or legal, shall be eligible to submit an Application, and any one person, whether directly or indirectly, should not submit more than one Application Form. In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person authorised to sign and bind such Applicant. It shall not be incumbent on the Issuer or Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised.
- Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholders, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder. Provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
- In the case of joint Applications, the joint holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first named in the register of Bondholders shall for all intents and purposes be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.
- 5.1.4 Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down any Application, including multiple or suspected multiple Applications and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- If any Application is not accepted, or if any Application is accepted for fewer Bonds than those applied for, the Application monies or the balance of the amount paid on Application will be returned by the Issuer without interest by direct credit into the Bondholder's bank account as indicated by the Bondholder on the Application Form. The Issuer shall not be responsible for any loss or delay in transmission.
- 5.1.5 The Bonds will be issued in multiples of one hundred euro (€100). The minimum subscription amount of Bonds that can be subscribed for is €2,500.
- 5.1.6 The completed Application Forms are to be lodged with the Issuer or any of the Authorised Distributors mentioned in this Prospectus. Unless other arrangements are concluded with the Issuer, all Application Forms must be accompanied by the full price of the Bonds applied for in euro. Payment may be made either in cash or by cheque payable to "The Registrar – HSBC Bond Issue". In the event that cheques accompanying Application Forms are not honoured on their first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.
- 5.1.7 Within five (5) Business Days from the closing of the subscription lists, the Issuer shall determine and announce the basis of acceptance of applications and allocation policy to be adopted through a press release in at least one local newspaper.

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5.1.8 By completing and delivering an Application Form the Applicant(s):

- (a) agree/s to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein, and in particular the conditions stipulated in conditions 5.1.1 to 5.1.8 of the Securities Note;
- (b) confirm/s that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than those contained in this Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- (c) agree/s to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application(s);
- (d) warrant/s, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your Application in any territory and that you have not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or your Application;
- (e) warrant/s that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- (f) represent/s that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the “United States”) or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- (g) agrees that Charts Investment Management Service Ltd. in its capacity of Sponsor will not treat the Applicant as its customer by virtue of Applicant’s Application to subscribe for the Bonds being accepted and that Charts Investment Management Service Ltd. will not owe duties or responsibilities towards the Applicant concerning the price of the Bonds or their suitability for the Applicant;
- (h) agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant’s own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the application Form;
- (i) for the Purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2003 as subsequently amended, all appointed selling agents are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the “Code of Conduct for Members of the Malta Stock Exchange” appended as Appendix IV to Chapter 3 of the Malta Stock Exchange Bye-Laws, irrespective of whether the said appointed selling agents are Malta Stock Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Chapter 440 of the Laws of Malta) for the purposes and within the terms of the Malta Stock Exchange Data Protection Policy as published from time to time;
- (j) renounce(s) to any rights applicant(s) may have to set off any amounts applicant(s) may at any time owe the Issuer against any amount due under the terms of these Bonds;

(k) acknowledges that in terms of Appendix 1 of Banking Rule BR/03/2008 Own Funds of Credit Institutions Authorised under the Banking Act, the Bonds shall become repayable before the Maturity Date only in the event of the winding up of the Issuer.

## **5.2 Plan of distribution and allotment**

5.2.1 The Bonds are open for subscription to all categories of investors. The Issuer may enter into conditional placement agreements with investors prior to the commencement of the Offer Period whereby the Issuer binds itself to allocate to such investors, which shall bind themselves to purchase, upon closing of subscription lists, an amount not exceeding fifty per cent (50%) in aggregate of the Bonds.

5.2.2 It is expected that an allotment advice to Applicants will be dispatched within 5 Business Days of the announcement of the allocation policy.

The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act, 1994 (and regulations made thereunder). Such monies will not bear interest while retained as aforesaid.

## **6. Admission to Trading and Dealing Arrangements**

Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List. The Conditions contained herein shall be read in conjunction with the Bye-Laws of the MSE applicable from time to time.

## **7. Additional Information**

### **7.1 Statement by experts**

This Securities Document does not contain any statement or report attributed to any person as an expert.

### **7.2 Credit rating**

The Issuer has not sought the credit rating of an independent rating agency and there has been no assessment by an independent rating agency of the Bonds.

### **7.3 Documents on display**

For the life of the Securities Note, the following documents (or copies thereof), where applicable, may be inspected at the registered office of the Issuer at 233, Republic Street, Valletta VLT 1116, Malta:

- The Memorandum and Articles of Association of the Issuer;
- The Audited Financial Statements of the Issuer for the financial years ended 31 December 2006 and 31 December 2007;
- The Audited Financial Statements of the Subsidiaries of the Issuer for the financial years ended 31 December 2006 and 31 December 2007; and
- The Unaudited Half-Yearly results of the Issuer for the six months ended 30 June 2007 and 30 June 2008.

The Audited Financial Statements and the Unaudited Half-Yearly Results of the Issuer may also be inspected on the Issuer's website: [www.hsbc.com.mt](http://www.hsbc.com.mt)

## Appendix 1 - Authorised Distributors

### Members of the Malta Stock Exchange

<b>Atlas Investment Services Ltd.</b> Abate Rigord Street, Ta' Xbiex XBX 1121	Tel: 23265690	Fax: 23265691
<b>Bank of Valletta p.l.c.</b> BOV Centre, Cannon Road, St Venera SVR 9030	Tel: 22751732	Fax: 22751733
<b>Calamatta Cuschieri &amp; Co. Ltd</b> 5th Floor, Valletta Buildings, South Street, Valletta VLT 1103	Tel: 25688688	Fax: 25688256
<b>Charts Investment Management Service Ltd.</b> Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913	Tel: 21224106	Fax: 21241101
<b>Curmi &amp; Partners Ltd.</b> Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	Tel: 21347331	Fax: 21347333
<b>Financial Planning Services Ltd.</b> 4, Marina Court, G Cali Street, Ta' Xbiex XBX 1421	Tel: 21344243	Fax: 21341202
<b>FINCO Treasury Management Ltd.</b> Level 5, The Mall Complex, The Mall, Floriana FRN 1470	Tel: 21220002	Fax: 21243280
<b>GlobalCapital Financial Management Ltd.</b> 120, The Strand, Gzira GZR 1027	Tel: 21310088	Fax: 23282207
<b>Hogg Capital Investments Ltd.</b> Regent House, Level 3, Suite 33, Bisazza Street, Sliema SLM 1641	Tel: 21322872	Fax: 21342760
<b>HSBC Stockbrokers (Malta) Ltd.</b> 233, Republic Street, Valletta VLT 1116	Tel: 25972241	Fax: 25972494
<b>Rizzo, Farrugia &amp; Co (Stockbrokers) Ltd.</b> Airways House, Third Floor, High Street, Sliema SLM 1549	Tel: 22583000	Fax: 22583001

### Investment Services Providers

<b>APS Bank Ltd.</b> APS House, 21, St. Anne Square, Floriana FRN 9020	Tel: 25671177	Fax: 25671167
<b>Crystal Finance Investments Ltd.</b> 6, Freedom Square, Valletta VLT 1011	Tel: 21226190	Fax: 21226188
<b>D.B.R. Investments Ltd.</b> 'Deber', Nigret Road, Żurrieq ZRQ 3172	Tel: 21647763	Fax: 21647765
<b>Growth Investments Ltd.</b> Middlesea House, Floriana FRN 1442	Tel: 21226411	Fax: 21249811
<b>HSBC Bank Malta p.l.c.</b> 241/2, Republic Street, Valletta VLT 1116	Tel: 25972209	Fax: 25972475
<b>Jesmond Mizzi Financial Services Ltd.</b> 67, Flat 3, South Street, Valletta VLT 1105	Tel: 21224410	Fax: 21223810
<b>Joseph Scicluna Investment Services Ltd.</b> Level 3, Bella Vista Court, Gorg Borg Olivier Street, Victoria, Gozo VCT 2517	Tel: 21565707	Fax: 21565706
<b>Lombard Bank (Malta) p.l.c.</b> Lombard House, 67, Republic Street, Valletta VLT 1117	Tel: 21248411	Fax: 25581150
<b>Michael Grech Financial Investment Services Ltd.</b> 1, Mican Court, JF Kennedy Square, Victoria, Gozo VCT 2580	Tel: 21554492	Fax: 21559199
<b>MZ Investment Services Ltd.</b> 11, St. Rita Street, Rabat RBT 1523	Tel: 21453739	Fax: 21453407

## Appendix 2 - Specimen Application Form



The world's local bank

# HSBC Bank Malta p.l.c. 5.9% 2018 Subordinated Bonds

Application No.

Please read the notes overleaf before completing this Application Form. Mark 'X' if applicable.

<b>A</b> APPLICANT <i>(see notes 2 to 6)</i>							
<input type="checkbox"/> Non-Resident <input type="checkbox"/> CIS-Prescribed Fund <input type="checkbox"/> Minor (under 18) <input type="checkbox"/> Body Corporate / Body of Persons							
<b>B</b> TITLE (Mr/Mrs/Ms/...)		FULL NAME & SURNAME / REGISTERED NAME					
ADDRESS / REGISTERED OFFICE							
			POSTCODE				
MSE A/C NO. (if applicable)	ID CARD / PASSPORT / COMPANY REG. NUMBER	TEL. NO.	MOBILE NO.				
<b>C</b> ADDITIONAL (JOINT) APPLICANTS <i>(see note 2)</i> <span style="float: right;"><i>(please use additional Application Forms if space is not sufficient)</i></span>							
TITLE (Mr/Mrs/Ms/...)		FULL NAME & SURNAME	ID CARD / PASSPORT NO				
TITLE (Mr/Mrs/Ms/...)		FULL NAME & SURNAME	ID CARD / PASSPORT NO				
<b>D</b> MINOR'S PARENTS / LEGAL GUARDIAN/S <i>(see note 4)</i> <span style="float: right;"><i>(to be completed ONLY if the Applicant is a minor)</i></span>							
I TITLE (Mr/Mrs/Ms/...)		FULL NAME & SURNAME	ID CARD / PASSPORT NO				
II TITLE (Mr/Mrs/Ms/...)		FULL NAME & SURNAME	ID CARD / PASSPORT NO				
<b>E</b> I/WE APPLY TO PURCHASE AND ACQUIRE <i>(see notes 7 &amp; 8):</i>							
AMOUNT IN FIGURES		AMOUNT IN WORDS					
€							
<small>HSBC Bank Malta p.l.c. 5.9% Subordinated Bonds 2018 (minimum €2,500 and in multiples of €100 thereafter) or any smaller number of Bonds for which this Application may be accepted at the Bond Offer Price as defined in the Prospectus dated 15 September 2008 payable in full upon application under the terms and conditions as defined in the said Prospectus.</small>							
<b>F</b> WITHHOLDING TAX ON INTEREST <i>(see note 9)</i> <span style="float: right;"><i>(to be completed ONLY if the Applicant is a resident)</i></span>							
<input type="checkbox"/> I/We elect to have Final Withholding Tax deducted from my/our interest.							
<input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).							
<b>G</b> NON-RESIDENT – DECLARATION FOR TAX PURPOSES <i>(see note 10)</i> <span style="float: right;"><i>(to be completed ONLY if the Applicant is a non-resident)</i></span>							
TAX COUNTRY		TOWN OF BIRTH					
TAX IDENTIFICATION NUMBER		COUNTRY OF BIRTH					
PASSPORT / ID CARD NUMBER	COUNTRY OF ISSUE	ISSUE DATE					
<input type="checkbox"/> I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union							
<input type="checkbox"/> I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union							
<b>H</b> INTEREST MANDATE <i>(see note 9)</i>							
BANK		BRANCH	ACCOUNT NUMBER				
<b>I</b> I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus and subject to its terms and conditions which I/we fully accept. Furthermore, I/we confirm that this is the only Application Form I/we am/are submitting on my/our behalf or on behalf of the company or other entity I/we represent.							
Signature/s of Applicant/s <i>(both parents or legal guardian/s are/is to sign if Applicant is a minor)</i> <i>(all parties are to sign in the case of a joint Application)</i>			Date				
Authorised Distributor's Stamp		Authorised Distributor's Code					
		<table border="1" style="width: 100%; height: 20px;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table>					

## Notes on how to complete this Application Form and other information

*The following notes are to be read in conjunction with the Prospectus dated 15 September 2008*

1. The Application Form is to be completed in BLOCK LETTERS.
2. Applicants are to insert full personal details in Panel B. In the case of an application by more than one person (including husband and wife) full details of all individuals – including I.D. Card Numbers – must be given in Panels B and C but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bond. Interest and redemption proceeds will be issued in the name of such Bondholder.
3. Non-Resident applicants must indicate their passport number in Panel B, complete Panel G and the relative box in Panel A must also be marked appropriately. Applications must be accompanied by the corresponding amount in Euro of the Bonds applied for.
4. In the case of an Applicant who is a minor, the word 'minor' must be indicated in Panel B next to the Applicant's name and the relative box in Panel A must also be marked. A Public Registry birth certificate must be attached to the Application Form. (The birth certificate is not required if the minor already holds securities which are listed on the Malta Stock Exchange (MSE)). The Application Form must be signed by both parents or by the legal guardian/s. In the latter case documentary evidence of the legal guardian's appointment should be provided. (Interest and redemption proceeds will be made payable to the parent/s / legal guardian/s named in Panel DI until such time as the Issuer is notified that the minor named in Panel B has attained the age of 18). The address to be inserted in Panel B is to be that of the parents / legal guardian/s.
5. In the case of a body corporate, the name of the entity, exactly as registered, and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. Applicants, who hold securities on the Malta Stock Exchange, are to indicate their MSE account number. If details shown on this Application Form differ from the existing account details at the MSE, a new MSE account may be opened for this Application.
7. Application must be for a minimum of €2,500 and thereafter in multiples of €100.
8. Payment may be made by cheque payable to 'The Registrar – HSBC Bond Issue'. In the event that cheques accompanying Application Forms are not honoured on their first presentation, the Issuer reserves the right to invalidate the relative Application.
9. The Applicant may elect to have Final Withholding Tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross, i.e. without deduction of Final Withholding Tax but he/she will be obliged to declare interest so received on his / her return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have Final Withholding Tax, currently 10%, deducted from interest payments. Applicants will receive their interest directly in a bank account held locally, which has to be indicated in Panel H.
10. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. European Council Directive 2003/48/EC on the Taxation of Savings Income in the form of interest payments requires all payors established in the EU which pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payor is established. If the Applicant's permanent residential address is in an EU Member State or in another country to which the Directive applies (called a "specified territory") then the interest paid will be reported.
11. Subscription lists will open at 08.30 hours on 24 September 2008 and will close at 12.00 hours on 30 September 2008. The Issuer reserves the right, however, to close the Bond Issue before 30 September 2008 in the event of over-subscription. Any Applications received by the Registrar after the subscription lists close will be rejected.
12. Completed Application Forms are to be delivered to the offices of the Issuer, The Registrar or any Authorised Distributor listed in the Prospectus, during normal office hours. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not received by the closing of the subscription lists.
13. The Issuer reserves the right to refuse any Application which appears to be in breach of the terms and conditions of the Bond as contained in the Prospectus.
14. The terms used in this Application Form have the same meaning as that assigned to them in the Prospectus.
15. The Issuer may process the personal data that the Applicant provides in the Application Form, for all purposes necessary for and related to the issue of the Bonds applied for, in accordance with the Data Protection Act, 2001. The Applicant has the right to request access to and rectification of the personal data relating to him/her, as processed by the Issuer. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates.

**The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent investment advisor, licensed under the Investment Services Act (Cap.370 of the Laws of Malta), for advice.**

Legal Advisers to the Issuer

**HSBC Bank Malta p.l.c.**

Legal Office

116, Archbishop Street

Valletta VLT 1116

Malta

Manager and Registrar

**HSBC Bank Malta p.l.c.**

233, Republic Street

Valletta VLT 1116

Malta

Sponsor

**Charts Investment Management Service Ltd**

Valletta Waterfront,

Vault 17, Pinto Wharf

Floriana FRN 1913

Malta