

# HSBC Bank Malta p.l.c. Half-Yearly Results for 2011

The condensed interim financial statements have been extracted from HSBC Bank Malta p.l.c.'s (the 'bank') and its subsidiary undertakings (collectively referred to as the 'group') unaudited management accounts for the six month period ended 30 June 2011. These condensed interim financial statements are being published in terms of Chapter 5 of the Listing Rules issued by the Listing Authority and in terms of the Prevention of Financial Markets Abuse Act, 2005.

## Review of Performance

- Profit before tax of €50m for the six months ended 30 June 2011 – an increase of €8m, or 19%, compared with €42m for the same period in 2010.
- Profit attributable to shareholders of €33m for the six months ended 30 June 2011 – up €5m, or 19%, compared with €27m for the same period in 2010 resulting in earnings per share of 11.2 cent, up 19%.

- Total assets of €5,692m at 30 June 2011, up €27m, or 0.5%, compared with 31 December 2010.
- Loans and advances to customers were €3,296m at 30 June 2011, a decrease of €8m, or 0.2%, compared with 31 December 2010.
- Customer accounts were €4,281m at 30 June 2011, a decrease of €182m, or 4%, compared with 31 December 2010.
- Return on equity for the six months ended 30 June 2011 was 18.5%, compared with 16.9% for the first half in 2010.
- Cost efficiency ratio improved to 43.9% from 48.4% for the same period last year.
- Capital adequacy ratio of 10.6% at 30 June 2011, compared with 10.4% at 30 June 2010 and 10.2% at 31 December 2010.

## Income Statements for the period 1 January 2011 to 30 June 2011

|  | Group              |                    | Bank               |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 6 mths to 30/06/11 | 6 mths to 30/06/10 | 6 mths to 30/06/11 | 6 mths to 30/06/10 |
|  | €000               | €000               | €000               | €000               |
| Interest receivable and similar income   |                    |                    |                    |                    |
| – on loans and advances, balances with Central Bank of Malta, Treasury Bills and other instruments | 76,665             | 75,360             | 76,657             | 75,362             |
| – on debt and other fixed income instruments   | 10,823             | 8,292              | 8,955              | 6,437              |
| Interest expense   | (23,264)           | (22,883)           | (23,420)           | (23,226)           |
| <b>Net interest income</b>   | <b>64,224</b>      | <b>60,769</b>      | <b>62,192</b>      | <b>58,573</b>      |
| Fees and commissions income  | 18,402             | 18,122             | 16,428             | 15,931             |
| Fees and commissions expense   | (1,460)            | (1,209)            | (1,328)            | (1,075)            |
| <b>Net fee and commission income</b>   | <b>16,942</b>      | <b>16,913</b>      | <b>15,100</b>      | <b>14,856</b>      |
| Dividend income  | –                  | –                  | 15,385             | 538                |
| Trading profits  | 4,105              | 2,877              | 4,105              | 2,877              |
| Net (expense)/income from insurance financial instruments designated at fair value                 | (1,750)            | 10,866             | –                  | –                  |
| Net losses on sale of available-for-sale financial investments                                     | (3,677)            | –                  | (3,683)            | –                  |
| Net earned insurance premiums  | 32,313             | 28,693             | –                  | –                  |
| Net other operating income/(expense)   | 11,794             | 5,841              | (51)               | 550                |
| <b>Total operating income</b>  | <b>123,951</b>     | <b>125,959</b>     | <b>93,048</b>      | <b>77,394</b>      |
| Net insurance claims incurred and movement in policyholders' liabilities                           | (27,117)           | (41,548)           | –                  | –                  |
| <b>Net operating income</b>  | <b>96,834</b>      | <b>84,411</b>      | <b>93,048</b>      | <b>77,394</b>      |
| Employee compensation and benefits   | (23,168)           | (24,042)           | (21,838)           | (22,893)           |
| General and administrative expenses  | (16,301)           | (13,257)           | (15,157)           | (12,415)           |
| Depreciation   | (2,647)            | (3,009)            | (2,644)            | (2,998)            |
| Amortisation   | (386)              | (527)              | (351)              | (483)              |
| <b>Net operating income before impairment charges and provisions</b>                               | <b>54,332</b>      | <b>43,576</b>      | <b>53,058</b>      | <b>38,605</b>      |
| Net impairment   | (4,271)            | (1,408)            | (1,849)            | (1,408)            |
| Net provisions for liabilities and other charges   | 299                | 29                 | 300                | 8                  |
| <b>Profit before tax</b>   | <b>50,360</b>      | <b>42,197</b>      | <b>51,509</b>      | <b>37,205</b>      |
| Tax expense  | (17,715)           | (14,818)           | (18,121)           | (13,073)           |
| <b>Profit for the period</b>   | <b>32,645</b>      | <b>27,379</b>      | <b>33,388</b>      | <b>24,132</b>      |
| <b>Profit attributable to shareholders</b>   | <b>32,645</b>      | <b>27,379</b>      | <b>33,388</b>      | <b>24,132</b>      |
| <b>Earnings per share</b>  | <b>11.2c</b>       | <b>9.4c</b>        | <b>11.4c</b>       | <b>8.3c</b>        |

## Statements of Financial Position at 30 June 2011

|  | Group            |                  | Bank             |                  |
|--|------------------|------------------|------------------|------------------|
|  | 30/06/11         | 30/06/10         | 30/06/11         | 30/06/10         |
|  | €000             | €000             | €000             | €000             |
| <b>Assets</b>  |                  |                  |                  |                  |
| Balances with Central Bank of Malta, Treasury Bills and cash | 282,484          | 379,985          | 277,985          | 379,984          |
| Cheques in course of collection                              | 11,765           | 9,011            | 11,765           | 9,011            |
| Derivatives  | 14,025           | 11,489           | 14,124           | 11,686           |
| Financial assets designated at fair value                    | 348,357          | 306,299          | –                | –                |
| Financial investments  | 892,757          | 690,606          | 804,983          | 593,107          |
| Loans and advances to banks                                  | 594,865          | 714,901          | 594,807          | 714,850          |
| Loans and advances to customers                              | 3,295,970        | 3,303,835        | 3,295,970        | 3,303,835        |
| Shares in subsidiary companies                               | –                | –                | 35,707           | 35,707           |
| Intangible assets  | 85,832           | 70,655           | 10,880           | 7,583            |
| Property, plant and equipment                                | 65,473           | 65,487           | 65,569           | 65,580           |
| Investment property  | 14,586           | 14,591           | 11,663           | 11,668           |
| Assets held for sale   | 10,660           | 9,674            | 10,660           | 9,674            |
| Current tax assets   | 1,968            | 4,712            | 1,911            | 4,516            |
| Deferred tax assets  | 9,562            | 10,181           | 9,291            | 9,902            |
| Other assets   | 23,386           | 34,425           | 7,666            | 9,439            |
| Prepayments and accrued income                               | 40,249           | 38,710           | 35,402           | 34,256           |
| <b>Total assets</b>  | <b>5,691,939</b> | <b>5,664,561</b> | <b>5,188,383</b> | <b>5,200,798</b> |
| <b>Liabilities</b>   |                  |                  |                  |                  |
| Derivatives  | 12,289           | 12,311           | 12,388           | 12,313           |
| Deposits by banks  | 405,112          | 232,790          | 404,872          | 232,790          |
| Customer accounts  | 4,281,265        | 4,462,861        | 4,303,299        | 4,517,763        |
| Current tax liabilities                                      | 9,213            | 2,603            | 8,212            | 953              |
| Deferred tax liabilities                                     | 24,341           | 19,604           | –                | –                |
| Liabilities to customers under investment contracts          | 18,003           | 18,962           | –                | –                |
| Liabilities under insurance contracts issued                 | 414,623          | 410,461          | –                | –                |
| Other liabilities  | 46,617           | 46,424           | 42,487           | 42,721           |
| Accruals and deferred income                                 | 40,234           | 36,304           | 39,786           | 35,327           |
| Provisions for liabilities and other charges                 | 222              | 531              | 184              | 494              |
| Subordinated liabilities                                     | 87,893           | 87,880           | 87,893           | 87,880           |
| <b>Total liabilities</b>                                     | <b>5,339,812</b> | <b>5,330,731</b> | <b>4,899,121</b> | <b>4,930,241</b> |
| <b>Equity</b>  |                  |                  |                  |                  |
| Share capital  | 87,552           | 87,552           | 87,552           | 87,552           |
| Revaluation reserve  | 28,708           | 28,674           | 27,990           | 28,283           |
| Retained earnings  | 235,867          | 217,604          | 173,720          | 154,722          |
| <b>Total equity</b>  | <b>352,127</b>   | <b>333,830</b>   | <b>289,262</b>   | <b>270,557</b>   |
| <b>Total liabilities and equity</b>                          | <b>5,691,939</b> | <b>5,664,561</b> | <b>5,188,383</b> | <b>5,200,798</b> |
| <b>Memorandum items</b>                                      |                  |                  |                  |                  |
| Contingent liabilities                                       | 117,481          | 128,947          | 117,481          | 128,970          |
| Commitments  | 994,889          | 977,718          | 994,889          | 977,718          |

The financial statements were approved and authorised for issue by the Board of Directors on 29 July 2011 and signed on its behalf by:



Albert Mizzi, Chairman



Alan Richards, Chief Executive Officer

## Statements of Comprehensive Income for the period 1 January 2011 to 30 June 2011

|  | Group              |                    | Bank               |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 6 mths to 30/06/11 | 6 mths to 30/06/10 | 6 mths to 30/06/11 | 6 mths to 30/06/10 |
|  | €000               | €000               | €000               | €000               |
| <b>Profit attributable to shareholders</b>                             | <b>32,645</b>      | <b>27,379</b>      | <b>33,388</b>      | <b>24,132</b>      |
| <b>Other comprehensive income/(expense)</b>                            |                    |                    |                    |                    |
| Available-for-sale investments:  |                    |                    |                    |                    |
| – change in fair value   | (6,068)            | 6,758              | (4,133)            | 5,737              |
| – change in fair value transferred to profit or loss                   | 6,120              | –                  | 3,683              | –                  |
| – income taxes   | (18)               | (2,365)            | 157                | (2,008)            |
| <b>Other comprehensive income/(expense) for the period, net of tax</b> | <b>34</b>          | <b>4,393</b>       | <b>(293)</b>       | <b>3,729</b>       |
| <b>Total comprehensive income for the period, net of tax</b>           | <b>32,679</b>      | <b>31,772</b>      | <b>33,095</b>      | <b>27,861</b>      |

## Statements of Changes in Equity for the period 1 January 2011 to 30 June 2011

|   | Share capital | Revaluation reserve | Retained earnings | Total equity   |   | Share capital | Revaluation reserve | Retained earnings | Total equity   |
|---|---------------|---------------------|-------------------|----------------|---|---------------|---------------------|-------------------|----------------|
|   | €000          | €000                | €000              | €000           |   | €000          | €000                | €000              | €000           |
| <b>Group</b>  |               |                     |                   |                | <b>Bank</b>   |               |                     |                   |                |
| At 1 January 2011   | 87,552        | 28,674              | 217,604           | 333,830        | At 1 January 2011   | 87,552        | 28,283              | 154,722           | 270,557        |
| Profit for the period   | -             | -                   | 32,645            | 32,645         | Profit for the period   | -             | -                   | 33,388            | 33,388         |
| <b>Other comprehensive income</b>                                 |               |                     |                   |                | <b>Other comprehensive expense</b>                                |               |                     |                   |                |
| Available-for-sale investments:                                   |               |                     |                   |                | Available-for-sale investments:                                   |               |                     |                   |                |
| - change in fair value, net of tax                                | -             | (3,944)             | -                 | (3,944)        | - change in fair value, net of tax                                | -             | (2,686)             | -                 | (2,686)        |
| - change in fair value, transferred to profit or loss, net of tax | -             | 3,978               | -                 | 3,978          | - change in fair value, transferred to profit or loss, net of tax | -             | 2,393               | -                 | 2,393          |
| <b>Total other comprehensive income</b>                           | -             | 34                  | -                 | 34             | <b>Total other comprehensive expense</b>                          | -             | (293)               | -                 | (293)          |
| <b>Total comprehensive income for the period</b>                  | -             | 34                  | 32,645            | 32,679         | <b>Total comprehensive income/(expense) for the period</b>        | -             | (293)               | 33,388            | 33,095         |
| <b>Transactions with owners, recorded directly in equity</b>      |               |                     |                   |                | <b>Transactions with owners, recorded directly in equity</b>      |               |                     |                   |                |
| Contributions by and distributions to owners:                     |               |                     |                   |                | Contributions by and distributions to owners:                     |               |                     |                   |                |
| - share-based payments  | -             | -                   | 224               | 224            | - share-based payments  | -             | -                   | 216               | 216            |
| - dividends   | -             | -                   | (14,606)          | (14,606)       | - dividends   | -             | -                   | (14,606)          | (14,606)       |
| <b>Total contributions by and distributions to owners</b>         | -             | -                   | (14,382)          | (14,382)       | <b>Total contributions by and distributions to owners</b>         | -             | -                   | (14,390)          | (14,390)       |
| <b>At 30 June 2011</b>  | <b>87,552</b> | <b>28,708</b>       | <b>235,867</b>    | <b>352,127</b> | <b>At 30 June 2011</b>  | <b>87,552</b> | <b>27,990</b>       | <b>173,720</b>    | <b>289,262</b> |
| At 1 January 2010   | 87,552        | 25,825              | 193,210           | 306,587        | At 1 January 2010   | 87,552        | 25,030              | 133,814           | 246,396        |
| Profit for the period   | -             | -                   | 27,379            | 27,379         | Profit for the period   | -             | -                   | 24,132            | 24,132         |
| <b>Other comprehensive income</b>                                 |               |                     |                   |                | <b>Other comprehensive income</b>                                 |               |                     |                   |                |
| Available-for-sale investments:                                   |               |                     |                   |                | Available-for-sale investments:                                   |               |                     |                   |                |
| - change in fair value, net of tax                                | -             | 4,393               | -                 | 4,393          | - change in fair value, net of tax                                | -             | 3,729               | -                 | 3,729          |
| <b>Total other comprehensive income</b>                           | -             | 4,393               | -                 | 4,393          | <b>Total other comprehensive income</b>                           | -             | 3,729               | -                 | 3,729          |
| <b>Total comprehensive income for the period</b>                  | -             | 4,393               | 27,379            | 31,772         | <b>Total comprehensive income for the period</b>                  | -             | 3,729               | 24,132            | 27,861         |
| <b>Transactions with owners, recorded directly in equity</b>      |               |                     |                   |                | <b>Transactions with owners, recorded directly in equity</b>      |               |                     |                   |                |
| Contributions by and distributions to owners:                     |               |                     |                   |                | Contributions by and distributions to owners:                     |               |                     |                   |                |
| - share-based payments  | -             | -                   | 236               | 236            | - share-based payments  | -             | -                   | 224               | 224            |
| - dividends   | -             | -                   | (15,176)          | (15,176)       | - dividends   | -             | -                   | (15,176)          | (15,176)       |
| <b>Total contributions by and distributions to owners</b>         | -             | -                   | (14,940)          | (14,940)       | <b>Total contributions by and distributions to owners</b>         | -             | -                   | (14,952)          | (14,952)       |
| <b>At 30 June 2010</b>  | <b>87,552</b> | <b>30,218</b>       | <b>205,649</b>    | <b>323,419</b> | <b>At 30 June 2010</b>  | <b>87,552</b> | <b>28,759</b>       | <b>142,994</b>    | <b>259,305</b> |

## Segmental Information

The group's segments are organised into three business lines: Retail Banking and Wealth Management, Commercial Banking and Global Banking and Markets. The business lines reflect the way the CEO, as chief operating decision-maker, reviews financial information in order to make decisions about allocating resources and assessing performance.

|   | Retail Banking and Wealth Management |                    | Commercial Banking |                    | Global Banking and Markets |                    | Inter-segment      |                    | Group total        |                    |
|---|--------------------------------------|--------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | 6 mths to 30/06/11                   | 6 mths to 30/06/10 | 6 mths to 30/06/11 | 6 mths to 30/06/10 | 6 mths to 30/06/11         | 6 mths to 30/06/10 | 6 mths to 30/06/11 | 6 mths to 30/06/10 | 6 mths to 30/06/11 | 6 mths to 30/06/10 |
|   | €000                                 | €000               | €000               | €000               | €000                       | €000               | €000               | €000               | €000               | €000               |
| <b>Group</b>  |                                      |                    |                    |                    |                            |                    |                    |                    |                    |                    |
| <b>Net interest income</b>                                |                                      |                    |                    |                    |                            |                    |                    |                    |                    |                    |
| - external  | 22,354                               | 25,945             | 33,783             | 28,486             | 8,087                      | 6,338              | -                  | -                  | 64,224             | 60,769             |
| - inter-segment   | 7,360                                | 7,307              | (6,308)            | (5,323)            | (1,052)                    | (1,984)            | -                  | -                  | -                  | -                  |
|   | 29,714                               | 33,252             | 27,475             | 23,163             | 7,035                      | 4,354              | -                  | -                  | 64,224             | 60,769             |
| <b>Net non-interest income</b>                            |                                      |                    |                    |                    |                            |                    |                    |                    |                    |                    |
| - external  | 25,216                               | 13,082             | 8,190              | 7,728              | (796)                      | 2,832              | -                  | -                  | 32,610             | 23,642             |
| - inter-segment   | (387)                                | (266)              | 36                 | 78                 | 520                        | 313                | (169)              | (125)              | -                  | -                  |
|   | 24,829                               | 12,816             | 8,226              | 7,806              | (276)                      | 3,145              | (169)              | (125)              | 32,610             | 23,642             |
| External employee compensation and benefits               | (15,797)                             | (17,346)           | (6,157)            | (5,649)            | (1,214)                    | (1,047)            | -                  | -                  | (23,168)           | (24,042)           |
| <b>General and administrative expenses</b>                |                                      |                    |                    |                    |                            |                    |                    |                    |                    |                    |
| - external  | (11,483)                             | (9,453)            | (3,875)            | (2,861)            | (943)                      | (943)              | -                  | -                  | (16,301)           | (13,257)           |
| - inter-segment   | (169)                                | (125)              | -                  | -                  | -                          | -                  | 169                | 125                | -                  | -                  |
|   | (11,652)                             | (9,578)            | (3,875)            | (2,861)            | (943)                      | (943)              | 169                | 125                | (16,301)           | (13,257)           |
| External depreciation                                     | (1,900)                              | (2,212)            | (746)              | (791)              | (1)                        | (6)                | -                  | -                  | (2,647)            | (3,009)            |
| External amortisation                                     | (244)                                | (370)              | (113)              | (126)              | (29)                       | (31)               | -                  | -                  | (386)              | (527)              |
| External net impairment                                   | (3,290)                              | (1,124)            | (1,004)            | (284)              | 23                         | -                  | -                  | -                  | (4,271)            | (1,408)            |
| External net provisions for liabilities and other charges | -                                    | 8                  | 300                | -                  | (1)                        | 21                 | -                  | -                  | 299                | 29                 |
| <b>Profit before tax</b>                                  | <b>21,660</b>                        | <b>15,446</b>      | <b>24,106</b>      | <b>21,258</b>      | <b>4,594</b>               | <b>5,493</b>       | <b>-</b>           | <b>-</b>           | <b>50,360</b>      | <b>42,197</b>      |
|   | 30/06/11                             | 31/12/10           | 30/06/11           | 31/12/10           | 30/06/11                   | 31/12/10           | 30/06/11           | 31/12/10           | 30/06/11           | 31/12/10           |
|   | €000                                 | €000               | €000               | €000               | €000                       | €000               | €000               | €000               | €000               | €000               |
| <b>Assets</b>   |                                      |                    |                    |                    |                            |                    |                    |                    |                    |                    |
| Segment total assets                                      | 2,376,360                            | 2,283,563          | 1,655,502          | 1,704,402          | 1,660,077                  | 1,676,596          | -                  | -                  | 5,691,939          | 5,664,561          |
| Average total assets                                      | 2,335,052                            | 2,211,695          | 1,679,952          | 1,693,565          | 1,663,246                  | 1,485,920          | -                  | -                  | 5,678,250          | 5,391,180          |
| <b>Total equity</b>                                       | <b>174,966</b>                       | <b>166,727</b>     | <b>155,939</b>     | <b>144,169</b>     | <b>21,222</b>              | <b>22,934</b>      | <b>-</b>           | <b>-</b>           | <b>352,127</b>     | <b>333,830</b>     |

## Statements of Cash Flows for the period 1 January 2011 to 30 June 2011

|  | Group              |                    | Bank               |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 6 mths to 30/06/11 | 6 mths to 30/06/10 | 6 mths to 30/06/11 | 6 mths to 30/06/10 |
|  | €000               | €000               | €000               | €000               |
| <b>Cash flows used in operating activities</b>                                       |                    |                    |                    |                    |
| Interest, commission and premium receipts  | 135,398            | 124,544            | 99,411             | 92,153             |
| Interest, commission and claims payments   | (39,705)           | (31,330)           | (21,736)           | (22,767)           |
| Payments to employees and suppliers  | (35,745)           | (40,869)           | (35,726)           | (35,561)           |
| Operating profit before changes in operating assets/liabilities                      | 59,948             | 52,345             | 41,949             | 33,825             |
| Decrease/(increase) in operating assets:   |                    |                    |                    |                    |
| Financial assets designated at fair value  | (36,253)           | (16,297)           | -                  | -                  |
| Reserve deposit with Central Bank of Malta   | (3,155)            | (8,390)            | (3,155)            | (8,390)            |
| Loans and advances to customers and banks  | 5,200              | (1,202)            | 5,170              | (1,266)            |
| Treasury Bills   | 98,043             | (362,745)          | 109,607            | (362,745)          |
| Other receivables  | 5,224              | (19,074)           | (4,066)            | (2,887)            |
| (Decrease)/increase in operating liabilities:  |                    |                    |                    |                    |
| Customer accounts and deposits by banks  | (180,922)          | 55,146             | (213,572)          | 60,501             |
| Other payables   | (7,154)            | 28,086             | 2,840              | 14,620             |
| Net cash used in operating activities before tax                                     | (59,069)           | (272,131)          | (61,227)           | (266,342)          |
| Tax paid   | (3,134)            | (5,421)            | (2,180)            | (5,171)            |
| Net cash used in operating activities  | (62,203)           | (277,552)          | (63,407)           | (271,513)          |
| <b>Cash flows used in investing activities</b>                                       |                    |                    |                    |                    |
| Dividends received   | 352                | 21                 | 10,000             | 349                |
| Interest received from financial investments   | 15,629             | 7,487              | 9,998              | 5,590              |
| Purchase of financial investments  | (321,820)          | (243,473)          | (320,776)          | (243,569)          |
| Proceeds from sale and maturity of financial investments                             | 106,538            | 35,693             | 97,909             | 35,693             |
| Purchase of property, plant and equipment, investment property and intangible assets | (6,392)            | (2,804)            | (6,382)            | (2,773)            |
| Proceeds on sale of property, plant and equipment and intangible assets              | 49                 | 390                | 48                 | 349                |
| Net cash used in investing activities  | (205,644)          | (202,686)          | (209,203)          | (204,361)          |
| <b>Cash flows used in financing activities</b>                                       |                    |                    |                    |                    |
| Dividends paid   | (14,606)           | (15,176)           | (14,606)           | (15,176)           |
| Cash used in financing activities  | (14,606)           | (15,176)           | (14,606)           | (15,176)           |
| <b>Decrease in cash and cash equivalents</b>   | <b>(282,453)</b>   | <b>(495,414)</b>   | <b>(287,216)</b>   | <b>(491,050)</b>   |
| Effect of exchange rate changes on cash and cash equivalents                         | (33,097)           | 65,816             | (33,097)           | 65,816             |
| Net decrease in cash and cash equivalents  | (249,356)          | (561,230)          | (254,119)          | (556,866)          |
|  | (282,453)          | (495,414)          | (287,216)          | (491,050)          |
| Cash and cash equivalents at beginning of period                                     | 423,606            | 548,815            | 423,554            | 544,447            |
| <b>Cash and cash equivalents at end of period</b>                                    | <b>141,153</b>     | <b>53,401</b>      | <b>136,338</b>     | <b>53,397</b>      |

### Basis of Preparation

The condensed interim financial statements have been prepared in accordance with accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34, Interim Financial Reporting). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements for the year ended 31 December 2010.

The accounting policies applied in these condensed interim financial statements are the same as those applied by the group in its financial statements as at and for the year ended 31 December 2010.

As required by the EU adopted IAS 34, Interim Financial Reporting, these interim financial statements include comparative statements of financial position information at the previous financial year end and comparative income statements and statements of comprehensive income information for the comparable interim periods of the immediately preceding financial year.

Related party transactions with other members of the HSBC Group covering the period 1 January to 30 June 2011 have not materially affected the performance for the period under review.

### Commentary by Alan Richards, Director and Chief Executive Officer, HSBC Bank Malta:

HSBC Bank Malta p.l.c. delivered a strong performance in the six months ended 30 June 2011. The reported profit before tax of €50m, increased by 19%, or €8m over the comparable period in 2010. The bank's cost efficiency ratio improved to 43.9% compared to 48.4% in the first half of 2010. Return on equity improved to 18.5% from 16.9% in the comparable period in 2010.

Net interest income improved by 6% to €64m compared to €61m in the first half of 2010 attributable to effective balance sheet management and the unwinding of higher interest term deposits. Net fees and commission income of €17m for the six months ended 30 June 2011 was in line with the first half of 2010. Growth in lending and account services fees were offset by a decline in stockbroking fees largely due to the slow-down in local capital markets bond issuance activity.

The life insurance subsidiary performed well during the period under review generating a profit before tax of €13m for the first half of 2011, up €9m, compared to €4m for the same period in 2010. A refinement of the methodology to the projection assumptions used in calculating the present value of in-force long-term insurance business contributed €7m to the growth from insurance activities.

In view of significantly heightened stress in the eurozone debt markets, the bank reduced its risk exposure through the sale of holdings in higher risk eurozone countries from the available-for-sale bond portfolio at a net loss of €4m.

The bank continued to invest in expanding its business and transforming its operations. As a result, costs increased by €2m, or 4%, to €43m for the six months ended 30 June 2011. The cost efficiency ratio improved to 43.9% compared to 48.4% in the first half of 2010 as growth in operating income outpaced the increased expenditure.

Net impairment of €4m for the six months ended 30 June 2011 included an impairment of €2m relating to higher risk debt securities within the available-for-sale investment portfolio. The bank continues to focus on building a high quality asset base and it is encouraging that the level of loan impairments of €2m although slightly higher than the same period last year were lower than expected. Loan impairments remain at the modest level of 11 basis points of the overall loan book.

In the current economic environment, as borrowers looked to reduce debt levels, net loans and advances to customers reduced marginally by €8m to €3,296m. Mortgage market share remained stable. Gross new lending to customers amounted to €355m which reflects the bank's continued support to the local economy and was a modest increase on the same period last year. The quality of the lending portfolio showed a marginal deterioration with non-performing loans representing 4% of gross loans as at 30 June 2011 compared to 3% at 31 December 2010.

Customer deposits of €4,281m as at 30 June 2011 reduced by €182m compared to 31 December 2010 reflecting the levels of volatility of deposits from the institutional sector. Retail deposits were broadly stable despite continuing competitive pressure for deposits including from local government bond issuances.

The bank's available-for-sale investments portfolio remains well diversified and conservative with limited exposure to sovereign debt in the peripheral eurozone countries following the sale of holdings in the higher risk eurozone countries during the period under review.

The bank's liquidity position remains strong with advances to deposits ratio of 77%, compared with 74% at 31 December 2010. This is well within our maximum benchmark ratio of 90% and highlights further room for lending growth. The capital adequacy ratio at 10.6% is well above regulatory requirements.

Alan Richards, Director and Chief Executive Officer of HSBC Malta, said: "A strong performance from the bank in the first half of 2011 which saw pre-tax profit increase by 19% and our cost efficiency ratio drop further to 43.9%. Return on equity improved to 18.5%. The local economy continues to perform relatively well although a prolonged crisis in Libya in particular and the eurozone sovereign debt crisis may yet affect projected GDP growth rates."

"Nonetheless, HSBC has made excellent progress during these six months as we continue to transform the bank, and we continue to emphasise our competitive advantages as an international bank. The fundamentals of HSBC remain in excellent shape. We remain strongly capitalised, liquid and well placed to service the needs of our customers and to support the local economy."

"The successful financial results for the first half of 2011 are testimony to the professionalism, commitment and hard work of our staff who again performed admirably in demanding circumstances."

The Board is declaring an interim gross dividend of 8.2 cent per share (5.3 cent net of tax). This will be paid on 24 August 2011 to shareholders who are on the bank's register of shareholders at 10 August 2011.

### Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

I confirm that to the best of my knowledge:

- the condensed interim financial statements give a true and fair view of the financial position as at 30 June 2011, financial performance and cash flows for the period then ended, in accordance with accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34 'Interim Financial Reporting'); and
- the commentary includes a fair review of the information required in terms of Listing Rule 5.81 to 5.84.



Alan Richards, Chief Executive Officer

HSBC Bank Malta p.l.c. is a member of the HSBC Group, whose ultimate parent company is HSBC Holdings plc. Headquartered in London, HSBC Holdings plc is one of the largest banking and financial services organisations in the world. The HSBC Group's international network comprises around 7,500 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

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