



COMPANY ANNOUNCEMENT

The following is a Company Announcement by HSBC Bank Malta p.l.c. pursuant to Malta Financial Services Authority Listing Rules:

Quote:

HSBC BANK MALTA p.l.c. INTERIM DIRECTORS' STATEMENT

During the period from 1 July to 15 November 2017, HSBC Malta reported a decline in profit before tax compared with the same period in 2016. Although profitability was lower during the period, it remained broadly in line with management expectations consistent with the bank's prioritisation of risk management actions in 2017.

Revenue for the period under review was lower than in the prior period as a result of the prevailing low interest rate environment, reduction in the corporate loan book and the risk management actions which impacted non-interest income.

Loan impairment charges increased primarily due to a tightening in the impairment assessment of non-performing home loan exposures that have been delinquent for more than six years, consistent with the bank's conservative approach. Notwithstanding, these exposures remain well collateralised and the bank is taking the necessary measures to recover the amounts due. Excluding the impact of this change of policy, impairments were lower than the prior period.

The bank continued to see cost savings from the early voluntary retirement programme implemented during 2016. However, during the period, these savings were offset by additional investment in the financial crime compliance function and ongoing enhancement of customer due diligence.

HSBC Bank Malta p.l.c.

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*Registered in Malta number C3177. Registered Office: 116, Archbishop Street, Valletta VLT 1444, Malta
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Loans and advances to customers decreased slightly during the period due to a reduction in the corporate loan book. At the same time, the retail business continued to grow its lending driven by mortgages. Customer deposits decreased slightly during the period largely as a result of risk management actions. The bank's liquidity position remained strong.

Regulatory capital ratios further strengthened as risk-weighted assets decreased in line with the reduction in loans and advances. The bank continued to exceed the fully loaded regulatory capital requirements and has commenced a review to assess how best to deploy this capital moving forward.

Andrew Beane, the Chief Executive Officer of HSBC Malta, said: "2017 is a year where we have consciously focused on the acceleration of risk management actions which we believe is the right short-term strategic priority to protect long-term value for shareholders. Accordingly, our profitability is lower than 2016 but broadly in line with expectations. We have also seen increased usage of the bond market which reflects a continued high level of liquidity within the financial system. The bank believes it is important that development of the bond market is managed prudently in order to avoid the creation of longer-term risks to the economy.

"Looking forward, risk management will remain a key priority, however HSBC's recent launch of our new small business service is an example of the actions we are beginning to take to increase focus on revenue growth and business development.

"We are pleased to have reached an agreement to divest a non-core portfolio from our insurance business that will enable the company to increase its focus on the domestic insurance market."

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Notes to editors:

1. Basis of preparation

This statement is based on the unaudited management accounts of HSBC Bank Malta p.l.c. up to 30 September 2017 and other financial information.

2. HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 3,900 offices in 67 countries and territories in Asia, Europe, North and Latin America, and the Middle East and North Africa. With assets of US\$2,526bn at 30 September 2017, HSBC is one of the world's largest banking and financial services organisations.

Unquote

A handwritten signature in black ink, appearing to read 'G Brancalone', with a stylized flourish at the end.

**Dr George Brancalone LL.D.
Company Secretary
20 November 2017**