



The following is the text of an announcement made today by HSBC Bank Malta plc, a 70.03 per cent indirectly held subsidiary of HSBC Holdings plc.

4 August 2014

**HSBC BANK MALTA P.L.C.
HALF-YEARLY RESULTS FOR 2014**

- Core capital (CRDIV common equity tier 1) of 10.4% as at 30 June 2014, up from 9.9% at the end of 2013.
- Total assets of €5,859m at 30 June 2014, up €138m, or 2%, compared with 31 December 2013.
- Customer accounts of €4,549m at 30 June 2014, up €31m, or 1%, compared with 31 December 2013.
- Profit before tax of €40m for the six months ended 30 June 2014. The performance was €3m lower than the same period last year but was higher than the second half of 2013. The decline in first half profits was the result of reduced interest earnings and lower non-recurring gains.
- Profit attributable to shareholders of €26m for the six months ended 30 June 2014 resulting in earnings per share of 7.9 cents compared with 10.6 cents in the same period in 2013.
- Cost efficiency ratio of 53.0% for the period ended 30 June 2014, compared with 45.4% for the same period in 2013. Cost control was maintained and expenses excluding compliance investment and regulatory fees were below the same period in 2013.
- Return on equity of 11.6% for the six months ended 30 June 2014, compared with 16.3% for the same period in 2013.

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Commentary

HSBC Bank Malta p.l.c. reported a profit before tax of €40m for the six months ended 30 June 2014 compared with €3m for the same period in 2013. This performance, which was an improvement on the performance in the second half of 2013, was principally impacted by lower interest earnings as a result of record low European Central Bank rates and muted loan growth, as well as an increase in costs as a result of compliance investment and increased regulatory fees. In addition, the 2013 performance benefited from a one-off insurance gain, which was not repeated in the first half of 2014.

Net interest income declined to €8m compared with €64m in the same period in 2013. The fall in net interest income reflected a decline in interest earned on investments as proceeds of higher yielding maturing bonds were re-invested at the lower prevailing rates and the lower interest earned on reduced average lending balances. The decline in net interest income was partially offset by lower cost of funds as customers migrated to lower yielding short-dated deposits.

HSBC Life Assurance (Malta) Ltd. reported a profit before tax of €6m compared with €8m in the first half of 2013. The results in 2013 benefited from a one-off with-profits modelling reserves release not repeated in the first half of 2014.

A net gain on disposals of available-for-sale securities of €2m was reported for the six months ended 30 June 2014, compared with €4m for the same period in 2013.

Operating expenses of €46m were €2m, or 4%, higher than the first half of 2013 largely as a result of compliance investment and regulatory fees. Excluding these items expenses have been well controlled and marginally below the comparable period in 2013 as significant work continues around streamlining the business for greater efficiencies.

Net impairment provisions of €1m were marginally higher than 2013, as the prior year benefited from a number of recoveries. Overall asset quality remains acceptable with a high percentage of tangible security held against the overall loan portfolio.

Net loans and advances to customers were €3,287m, €14m lower than at 31 December 2013. The lending pipeline remains encouraging and gross new lending to customers amounted to €18m compared to €74m in 2013, reflecting the bank's continued support of new economic activity.

Customer deposits increased by €31m to €4,549m, reflecting normal fluctuations in corporate and institutional deposits.

The bank's available-for-sale investment portfolio remains well diversified and conservatively positioned.

The bank's liquidity position remains strong with an advances-to-deposits ratio of 72% compared with 73% at 31 December 2013.

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HSBC Bank Malta p.l.c. Half-Yearly Results for 2014/3

The bank continued to strengthen its total capital ratio to 13.6% on a CRDIV basis as at June 2014 and improve its common equity tier 1 capital ratio to 10.4%.

Throughout the year the bank furthered its investment in its business and its people. Two more branches, Valletta and Victoria Gozo, were extensively refurbished and the bank launched its innovative, free mobile banking application for personal customers.

The Malta Trade for Growth initiative, focused on helping Maltese companies internationalise their business, broke new ground. A key part of the initiative is the Malta Trade for Growth fund of €50m, which is now 90% committed.

The bank reiterated its support of the SME sector and launched Maxicredit loans for small businesses and partnered with Malta Enterprise to assist smaller businesses explore export opportunities.

While commercial growth in the first half has been muted, the business pipeline is encouraging and retail loans, particularly mortgages, are beginning to perform strongly.

Mark Watkinson, Director and Chief Executive Officer of HSBC Malta, said: “We continue to invest in our franchise, and the growth pipeline in both our commercial and retail businesses is looking more encouraging than it has done for some time, although the current record low rates of interest present their own set of issues. We remain confident in the growth opportunities ahead and, as part of one of the world’s largest banking groups, HSBC Malta is well positioned to assist our customers in accessing some of the most promising markets around the world.

“I would like to take this opportunity to thank our staff, Directors and shareholders for their commitment, hard work and support during the first half of 2014.”

The Board has declared an interim gross dividend of 4.5cents per share (2.9 cents net of tax). This will be paid on 4 September 2014 to shareholders who are on the bank’s register of shareholders at 14 August 2014.

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HSBC Bank Malta p.l.c. Half-Yearly Results for 2014/4

Statements of Profit or Loss for the period 1 January 2014 to 30 June 2014

| | <i>Group</i> | | <i>Bank</i> | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 6 mths to 30/06/14 | 6 mths to 30/06/13 | 6 mths to 30/06/14 | 6 mths to 30/06/13 |
| | €000 | €000 | €000 | €000 |
| Interest and similar income | | | | |
| - on loans and advances, balances with Central Bank of Malta, Treasury Bills and other instruments | 67,493 | 72,757 | 67,499 | 72,745 |
| - on debt and other fixed income instruments | 8,613 | 9,516 | 8,312 | 9,152 |
| Interest expense | (17,796) | (18,766) | (17,848) | (18,826) |
| Net interest income | 58,310 | 63,507 | 57,963 | 63,071 |
| Fee and commission income | 15,933 | 16,491 | 14,525 | 14,730 |
| Fee and commission expense | (1,222) | (861) | (776) | (732) |
| Net fee and commission income | 14,711 | 15,630 | 13,749 | 13,998 |
| Dividend income | - | - | - | 7,692 |
| Trading profits | 4,314 | 4,885 | 4,314 | 4,885 |
| Net income from insurance financial instruments designated at fair value | 27,349 | 12,687 | - | - |
| Net gains on sale of available-for-sale financial investments | 1,497 | 3,595 | 1,497 | 3,568 |
| Net earned insurance premiums | 31,221 | 34,493 | - | - |
| Net other operating (expense)/income | (10,410) | (619) | 616 | 397 |
| Total operating income | 126,992 | 134,178 | 78,139 | 93,611 |
| Net insurance claims incurred and movement in policyholders' liabilities | (39,558) | (35,596) | - | - |
| Net operating income | 87,434 | 98,582 | 78,139 | 93,611 |
| Employee compensation and benefits | (24,877) | (24,035) | (23,579) | (22,326) |
| General and administrative expenses | (18,114) | (18,051) | (16,800) | (16,791) |
| Depreciation | (1,713) | (1,734) | (1,708) | (1,730) |
| Amortisation | (1,633) | (926) | (1,606) | (911) |
| Net operating income before impairment charges and provisions | 41,097 | 53,836 | 34,446 | 51,853 |
| Net impairment on financial assets | (1,434) | (853) | (1,434) | (853) |
| Net provisions for liabilities and other charges | (85) | 52 | (85) | 52 |
| Profit before tax | 39,578 | 53,035 | 32,927 | 51,052 |
| Tax expense | (13,922) | (18,689) | (11,575) | (17,995) |
| Profit for the period | 25,656 | 34,346 | 21,352 | 33,057 |
| Profit attributable to shareholders | 25,656 | 34,346 | 21,352 | 33,057 |
| Earnings per share | 7.9c | 10.6c | 6.6c | 10.2c |

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HSBC Bank Malta p.l.c. Half-Yearly Results for 2014/5

Statements of Profit or Loss and Other Comprehensive Income for the period 1 January 2014 to 30 June 2014

| | <i>Group</i> | | <i>Bank</i> | |
|--|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | 6 mths to 30/06/14 | 6 mths to 30/06/13 | 6 mths to 30/06/14 | 6 mths to 30/06/13 |
| | €000 | €000 | €000 | €000 |
| Profit for the period | 25,656 | 34,346 | 21,352 | 33,057 |
| Other comprehensive income | | | | |
| Items that may be reclassified to Profit or Loss: | | | | |
| Available-for-sale investments: | | | | |
| - fair value gains | 8,968 | 6,089 | 8,988 | 6,186 |
| - fair value gains transferred to profit or loss on disposal | (1,497) | (3,595) | (1,497) | (3,568) |
| - income taxes | (2,615) | (873) | (2,622) | (916) |
| | 4,856 | 1,621 | 4,869 | 1,702 |
| Items that will not be reclassified to Profit or Loss: | | | | |
| Properties: | | | | |
| - revaluation | 62 | - | 62 | - |
| - income taxes | (22) | - | (22) | - |
| | 40 | - | 40 | - |
| Other comprehensive income for the period, net of tax | 4,896 | 1,621 | 4,909 | 1,702 |
| Total comprehensive income | 30,552 | 35,967 | 26,261 | 34,759 |

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HSBC Bank Malta p.l.c. Half-Yearly Results for 2014/6

Statements of Financial Position at 30 June 2014

| | <i>Group</i> | | <i>Bank</i> | |
|--|------------------|-----------|------------------|-----------|
| | 30/06/14 | 31/12/13 | 30/06/14 | 31/12/13 |
| | €000 | €000 | €000 | €000 |
| Assets | | | | |
| Balances with Central Bank of Malta, | | | | |
| Treasury Bills and cash | 168,766 | 151,458 | 168,765 | 151,457 |
| Cheques in course of collection | 9,364 | 9,703 | 9,364 | 9,703 |
| Derivatives | 9,398 | 12,666 | 9,398 | 12,666 |
| Financial assets designated at fair value | 499,590 | 477,345 | - | - |
| Financial investments | 1,089,577 | 918,292 | 1,069,113 | 897,794 |
| Loans and advances to banks | 505,619 | 564,790 | 505,376 | 564,675 |
| Loans and advances to customers | 3,286,813 | 3,300,982 | 3,286,813 | 3,300,982 |
| Shares in subsidiary companies | - | - | 35,707 | 35,707 |
| Intangible assets | 74,885 | 86,618 | 9,666 | 10,093 |
| Property and equipment | 60,616 | 61,491 | 60,703 | 61,575 |
| Investment property | 16,204 | 14,529 | 11,657 | 11,660 |
| Non-current assets held for sale | 9,577 | 11,783 | 9,577 | 11,783 |
| Current tax assets | 7,939 | 7,939 | 2,720 | 2,720 |
| Deferred tax assets | 10,394 | 12,522 | 10,387 | 12,504 |
| Other assets | 71,245 | 52,735 | 12,748 | 9,432 |
| Prepayments and accrued income | 39,128 | 38,677 | 35,558 | 33,673 |
| Total assets | 5,859,115 | 5,721,530 | 5,237,552 | 5,126,424 |
| Liabilities | | | | |
| Derivatives | 9,635 | 12,929 | 9,635 | 12,929 |
| Deposits by banks | 37,951 | 41,794 | 37,951 | 41,794 |
| Customer accounts | 4,549,160 | 4,517,862 | 4,592,241 | 4,554,104 |
| Current tax liabilities | 6,352 | 16 | 6,176 | - |
| Deferred tax liabilities | 27,234 | 25,195 | - | - |
| Liabilities under investment contracts | 19,962 | 16,763 | - | - |
| Liabilities under insurance contracts | 551,068 | 524,999 | - | - |
| Other liabilities | 93,692 | 38,274 | 88,863 | 30,707 |
| Accruals and deferred income | 31,126 | 30,230 | 29,959 | 29,419 |
| Provisions for liabilities and other charges | 1,967 | 3,211 | 1,936 | 3,149 |
| Subordinated liabilities | 87,250 | 87,273 | 88,066 | 88,040 |
| Total liabilities | 5,415,397 | 5,298,546 | 4,854,827 | 4,760,142 |
| Equity | | | | |
| Called up share capital | 97,281 | 87,552 | 97,281 | 87,552 |
| Revaluation reserve | 39,666 | 35,107 | 39,208 | 34,636 |
| Retained earnings | 306,771 | 300,325 | 246,236 | 244,094 |
| Total equity | 443,718 | 422,984 | 382,725 | 366,282 |
| Total liabilities and equity | 5,859,115 | 5,721,530 | 5,237,552 | 5,126,424 |
| Memorandum items | | | | |
| Contingent liabilities | 123,009 | 111,852 | 128,662 | 113,555 |
| Commitments | 1,173,745 | 1,269,222 | 1,177,695 | 1,273,196 |

The financial statements were approved and authorised for issue by the Board of Directors on 4 August 2014 and signed on its behalf by:

Sonny Portelli *Chairman*

Mark Watkinson, *Chief Executive Officer*

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HSBC Bank Malta p.l.c. Half-Yearly Results for 2014/7

Statements of Changes in Equity for the period 1 January 2014 to 30 June 2014

| | <i>Share capital</i> | <i>Revaluation reserve</i> | <i>Retained earnings</i> | <i>Total equity</i> |
|--|--------------------------|--------------------------------|------------------------------|-------------------------|
| | €000 | €000 | €000 | €000 |
| <i>Group</i> | | | | |
| At 1 January 2014 | 87,552 | 35,107 | 300,325 | 422,984 |
| Profit for the period | - | - | 25,656 | 25,656 |
| Other comprehensive income | | | | |
| Available-for-sale investments: | | | | |
| - fair value gains, net of tax | - | 5,829 | - | 5,829 |
| - fair value gains transferred to profit or loss on disposal, net of tax | - | (973) | - | (973) |
| Properties: | | | | |
| - release of revaluation reserve on disposal, net of tax | - | (337) | 337 | - |
| - revaluation of properties, net of tax | - | 40 | - | 40 |
| Total other comprehensive income | - | 4,559 | 337 | 4,896 |
| Total comprehensive income for the period | - | 4,559 | 25,993 | 30,552 |
| Transactions with owners of the bank | | | | |
| Contributions and distributions: | | | | |
| - share-based payments | - | - | 46 | 46 |
| - dividends | - | - | (9,864) | (9,864) |
| - bonus issue | 9,729 | - | (9,729) | - |
| Total contributions and distributions | 9,729 | - | (19,547) | (9,818) |
| At 30 June 2014 | 97,281 | 39,666 | 306,771 | 443,718 |
| At 1 January 2013 | 87,552 | 37,637 | 275,409 | 400,598 |
| Profit for the period | - | - | 34,346 | 34,346 |
| Other comprehensive income | | | | |
| Available-for-sale investments: | | | | |
| - fair value gains, net of tax | - | 3,958 | - | 3,958 |
| - fair value gains transferred to profit or loss on disposal, net of tax | - | (2,337) | - | (2,337) |
| Total other comprehensive income | - | 1,621 | - | 1,621 |
| Total comprehensive income for the period | - | 1,621 | 34,346 | 35,967 |
| Transactions with owners of the bank | | | | |
| Contributions and distributions: | | | | |
| - share-based payments | - | - | 61 | 61 |
| - dividends | - | - | (14,986) | (14,986) |
| Total contributions and distributions | - | - | (14,925) | (14,925) |
| At 30 June 2013 | 87,552 | 39,258 | 294,830 | 421,640 |

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HSBC Bank Malta p.l.c. Half-Yearly Results for 2014/8

Statements of Changes in Equity for the period 1 January 2014 to 30 June 2014 (continued)

| <i>Bank</i> | <i>Share capital</i> | <i>Revaluation reserve</i> | <i>Retained earnings</i> | <i>Total equity</i> |
|--|----------------------|----------------------------|--------------------------|---------------------|
| | €000 | €000 | €000 | €000 |
| At 1 January 2014 | 87,552 | 34,636 | 244,094 | 366,282 |
| Profit for the period | | - | 21,352 | 21,352 |
| Other comprehensive income | | | | |
| Available-for-sale investments: | | | | |
| - fair value gains, net of tax | - | 5,842 | - | 5,842 |
| - fair value gains transferred to profit or loss on disposal, net of tax | - | (973) | - | (973) |
| Properties: | | | | |
| - release of revaluation reserve on disposal, net of tax | - | (337) | 337 | - |
| - revaluation of properties, net of tax | - | 40 | - | 40 |
| Total other comprehensive income | - | 4,572 | 337 | 4,909 |
| Total comprehensive income for the period | - | 4,572 | 21,689 | 26,261 |
| Transactions with owners of the bank | | | | |
| Contributions and distributions: | | | | |
| - share-based payments | - | - | 46 | 46 |
| - dividends | - | - | (9,864) | (9,864) |
| - bonus issue | 9,729 | - | (9,729) | - |
| Total contributions and distributions | 9,729 | - | (19,547) | (9,818) |
| At 30 June 2014 | 97,281 | 39,208 | 246,236 | 382,725 |
| At 1 January 2013 | 87,552 | 36,975 | 221,494 | 346,021 |
| Profit for the period | - | - | 33,057 | 33,057 |
| Other comprehensive income | | | | |
| Available-for-sale investments: | | | | |
| - fair value gains, net of tax | - | 4,021 | - | 4,021 |
| - fair value gains transferred to profit or loss on disposal, net of tax | - | (2,319) | - | (2,319) |
| Total other comprehensive income | - | 1,702 | - | 1,702 |
| Total comprehensive income for the period | - | 1,702 | 33,057 | 34,759 |
| Transactions with owners of the bank | | | | |
| Contributions and distributions: | | | | |
| - share-based payments | - | - | 56 | 56 |
| - dividends | - | - | (14,986) | (14,986) |
| Total contributions and distributions | - | - | (14,930) | (14,930) |
| At 30 June 2013 | 87,552 | 38,677 | 239,621 | 365,850 |

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Statements of Cash Flows for the period 1 January 2014 to 30 June 2014

| | <i>Group</i> | | <i>Bank</i> | |
|---|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | 6 mths to 30/06/14 | 6 mths to 30/06/13 | 6 mths to 30/06/14 | 6 mths to 30/06/13 |
| | €000 | €000 | €000 | €000 |
| Cash flows from operating activities | | | | |
| Interest, commission and premium receipts | 121,126 | 130,984 | 85,831 | 92,030 |
| Interest, commission and claims payments | (39,395) | (45,098) | (16,938) | (18,729) |
| Payments to employees and suppliers | (43,751) | (43,099) | (41,706) | (40,941) |
| Operating profit before changes in operating assets/liabilities | 37,980 | 42,787 | 27,187 | 32,360 |
| (Increase)/decrease in operating assets: | | | | |
| Financial assets designated at fair value | 3,898 | (1,385) | - | - |
| Reserve deposit with Central Bank of Malta | (2,032) | 637 | (2,032) | 637 |
| Loans and advances to customers and banks | 36,288 | 14,484 | 36,288 | 14,484 |
| Treasury Bills | (38,838) | (5,380) | (38,838) | (989) |
| Other receivables | (17,185) | (8,643) | (1,992) | (4,614) |
| Increase/(decrease) in operating liabilities: | | | | |
| Customer accounts and deposits by banks | 22,947 | (66,317) | 29,824 | (61,242) |
| Other payables | 62,180 | 3,473 | 55,411 | (253) |
| Net cash from/(used in) operating activities before tax | 105,238 | (20,344) | 105,848 | (19,617) |
| Tax paid | (6,006) | (5,901) | (5,887) | (4,369) |
| Net cash from/(used in) operating activities | 99,232 | (26,245) | 99,961 | (23,986) |
| Cash flows from investing activities | | | | |
| Dividends received | 486 | 367 | - | 5,000 |
| Interest received from financial investments | 13,509 | 15,685 | 11,514 | 13,509 |
| Purchase of financial investments | (281,431) | (375,666) | (281,431) | (373,631) |
| Proceeds from sale and maturity of financial investments | 122,642 | 365,251 | 122,642 | 361,442 |
| Purchase of property, equipment and intangible assets | (3,701) | (616) | (2,080) | (576) |
| Proceeds on sale of property, equipment and intangible assets | 68 | - | 68 | - |
| Net cash (used in)/from investing activities | (148,427) | 5,021 | (149,287) | 5,744 |
| Cash flows from financing activities | | | | |
| Dividends paid | (9,864) | (14,986) | (9,864) | (14,986) |
| Cash used in financing activities | (9,864) | (14,986) | (9,864) | (14,986) |
| Decrease in cash and cash equivalents | (59,059) | (36,210) | (59,190) | (33,228) |
| Effect of exchange rate changes on cash and cash equivalents | 5,457 | (7,282) | 5,457 | (7,281) |
| Net decrease in cash and cash equivalents | (64,516) | (28,928) | (64,647) | (25,947) |
| | (59,059) | (36,210) | (59,190) | (33,228) |
| Cash and cash equivalents at beginning of period | 521,411 | 428,661 | 521,295 | 426,073 |
| Cash and cash equivalents at end of period | 462,352 | 392,451 | 462,105 | 392,845 |

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Net operating income

Net operating income includes net income from Life insurance business analysed as follows:

| | <i>Group</i> | |
|--|-------------------------------|-----------------------|
| | 6 mths to 30/06/14 | 6 mths to 30/06/13 |
| | €000 | €000 |
| Net interest income | 301 | 361 |
| Net fee and commission income | 371 | 233 |
| Net income from insurance financial instruments designated at fair value | 27,349 | 12,687 |
| Net gain on sale of available-for-sale financial investments | - | 27 |
| Net earned insurance premiums | 31,221 | 34,493 |
| Net other operating expense | (11,219) | (1,106) |
| | 48,023 | 46,695 |
| Net insurance claims incurred and movement in policyholders' liabilities | (39,558) | (35,596) |
| | 8,465 | 11,099 |

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HSBC Bank Malta p.l.c. Half-Yearly Results for 2014/11

Segmental analysis

a) Class of business

The group's segments are organised into three global businesses: Retail Banking and Wealth Management, Commercial Banking and Global Banking and Markets. The group comprises of HSBC Bank Malta p.l.c. and its subsidiaries. The segments presented reflect the way the Chief Executive Officer, as chief operating decision-maker, reviews financial information in order to make decisions about allocating resources and assessing performance. Information provided to the chief operating decision-maker is measured in accordance with IFRSs as adopted by the EU.

| | <i>Retail Banking and Wealth Management</i> | | <i>Commercial Banking</i> | | <i>Global Banking and Markets</i> | | <i>Inter-segment</i> | | <i>Group Total</i> | |
|---|---|--------------------------|-------------------------------|--------------------------|---------------------------------------|--------------------------|-----------------------------------|--------------------------|-----------------------------------|--------------------------|
| | 6 mths to 30/06/14 | 6 mths to 30/06/13 | 6 mths to 30/06/14 | 6 mths to 30/06/13 | 6 mths to 30/06/14 | 6 mths to 30/06/13 | 6 mths to 30/06/14 | 6 mths to 30/06/13 | 6 mths to 30/06/14 | 6 mths to 30/06/13 |
| | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 |
| <i>Group</i> | | | | | | | | | | |
| Net interest income | | | | | | | | | | |
| - External | 21,333 | 21,512 | 29,979 | 33,940 | 6,998 | 8,055 | - | - | 58,310 | 63,507 |
| - Inter-segment | 6,399 | 8,358 | (8,472) | (9,291) | 2,073 | 933 | - | - | - | - |
| | 27,732 | 29,870 | 21,507 | 24,649 | 9,071 | 8,988 | - | - | 58,310 | 63,507 |
| Net non-interest income | | | | | | | | | | |
| - External | 17,898 | 19,621 | 6,922 | 7,392 | 4,304 | 8,062 | - | - | 29,124 | 35,075 |
| - Inter-segment | (401) | (548) | 584 | 453 | 102 | 423 | (285) | (328) | - | - |
| | 17,497 | 19,073 | 7,506 | 7,845 | 4,406 | 8,485 | (285) | (328) | 29,124 | 35,075 |
| External employee compensation and benefits | (16,268) | (15,971) | (7,210) | (6,164) | (1,399) | (1,900) | - | - | (24,877) | (24,035) |
| General and administrative expenses | | | | | | | | | | |
| - External | (13,042) | (13,078) | (4,316) | (3,993) | (756) | (980) | - | - | (18,114) | (18,051) |
| - Inter-segment | (285) | (328) | - | - | - | - | 285 | 328 | - | - |
| | (13,327) | (13,406) | (4,316) | (3,993) | (756) | (980) | 285 | 328 | (18,114) | (18,051) |
| External depreciation | (1,291) | (1,369) | (384) | (312) | (38) | (53) | - | - | (1,713) | (1,734) |
| External amortisation | (1,145) | (854) | (425) | (128) | (63) | 56 | - | - | (1,633) | (926) |
| External net impairment | (735) | (523) | (699) | (330) | - | - | - | - | (1,434) | (853) |
| External net provisions for liabilities and other charges | (58) | - | (27) | 52 | - | - | - | - | (85) | 52 |
| Profit before tax | 12,405 | 16,821 | 15,952 | 21,619 | 11,221 | 14,595 | - | - | 39,578 | 53,035 |

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HSBC Bank Malta p.l.c. Half-Yearly Results for 2014/12

Segmental analysis (continued)

| <i>Retail Banking and Wealth Management</i> | | <i>Commercial Banking</i> | | <i>Global Banking and Markets</i> | | <i>Inter-segment</i> | | <i>Group Total</i> | |
|---|-----------|-------------------------------|-----------|---------------------------------------|-----------|----------------------|----------|--------------------|-----------|
| 30/06/14 | 31/12/13 | 30/06/14 | 31/12/13 | 30/06/14 | 31/12/13 | 30/06/14 | 31/12/13 | 30/06/14 | 31/12/13 |
| €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 |
| Assets | | | | | | | | | |
| Segment total assets | | | | | | | | | |
| 2,614,101 | 2,573,803 | 1,511,873 | 1,541,198 | 1,733,022 | 1,606,529 | - | - | 5,858,996 | 5,721,530 |

b) *Geographical segments*

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

c) *Products and services*

HSBC Bank Malta p.l.c. provides a comprehensive range of banking and related financial services to its customers. The products and services offered to customers are organised by global business.

– Retail Banking and Wealth Management ('RBWM') offers a broad range of products and services to meet the personal banking and wealth management needs of individual customers. Typically, customer offerings include personal banking products (current and savings accounts, mortgages and personal loans, credit cards, debit cards and local and international payment services) and wealth management services (insurance and investment products, global asset management services and financial planning services).

– Commercial Banking ('CMB') offers a broad range of products and services to serve the needs of our commercial customers, including small and medium sized enterprises, mid-market enterprises and corporates. These include credit and lending, international trade and receivables finance, treasury management and liquidity solutions (payments and cash management and commercial cards) and commercial insurance. We also offer our customers access to products and services offered by other global businesses, for example Global Banking and Markets, which include foreign exchange products, raising capital on debt and equity markets and advisory services.

– Global Banking and Markets ('GB&M') provides tailored financial solutions to corporate and institutional clients. The client-focused business lines deliver a full range of banking capabilities including financing, advisory and transaction services, a markets business that provides services in rates, foreign exchange, money markets and securities services; and principal investment activities.

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HSBC Bank Malta p.l.c. Half-Yearly Results for 2014/13

Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table sets out the fair values of financial assets and liabilities as at the reporting date.

Fair values of financial assets and liabilities carried at fair value and basis of valuation:

| Group | Valuation techniques | | | Total |
|---|----------------------|-------------------------|--------------------------------------|------------------|
| | Quoted market price | Using observable inputs | With significant unobservable inputs | |
| | Level 1 | Level 2 | Level 3 | |
| | €000 | €000 | €000 | €000 |
| Assets at 30 June 2014 | | | | |
| Treasury Bills: available-for-sale | - | 85,939 | - | 85,939 |
| Derivatives | - | 9,398 | - | 9,398 |
| Financial assets designated at fair value | | | | |
| - debt and other fixed income instruments | 256,026 | - | - | 256,026 |
| - equity and other non-fixed income instruments | 243,564 | - | - | 243,564 |
| Financial investments: available-for-sale | | | | |
| - debt and other fixed income instruments | 1,089,555 | - | - | 1,089,555 |
| - equity and other non-fixed income instruments | - | 22 | - | 22 |
| Property | - | - | 37,699 | 37,699 |
| Investment property | - | - | 16,204 | 16,204 |
| | 1,589,145 | 95,359 | 53,903 | 1,738,407 |
| Liabilities at 30 June 2014 | | | | |
| Derivatives | - | 9,635 | - | 9,635 |
| Assets at 31 December 2013 | | | | |
| Treasury Bills: available-for-sale | - | 48,937 | - | 48,937 |
| Derivatives | - | 12,168 | - | 12,168 |
| Financial assets designated at fair value | | | | |
| - debt and other fixed income instruments | 251,305 | - | - | 251,305 |
| - equity and other non-fixed income instruments | 226,040 | - | - | 226,040 |
| Financial investments: available-for-sale | | | | |
| - debt and other fixed income instruments | 918,219 | - | - | 918,219 |
| - equity and other non-fixed income instruments | - | 73 | - | 73 |
| Property | - | - | 37,597 | 37,597 |
| Investment property | - | - | 14,529 | 14,529 |
| | 1,395,564 | 61,178 | 52,126 | 1,508,868 |
| Liabilities at 31 December 2013 | | | | |
| Derivatives | - | 12,431 | - | 12,431 |

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Fair values of financial assets and liabilities (continued)

Fair values are determined according to the following hierarchy:

- a) *Level 1 - quoted market price*: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
- b) *Level 2 - valuation technique using observable inputs*: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- c) *Level 3 - valuation technique with significant unobservable inputs*: financial instruments valued using models where one or more significant inputs are unobservable.

The valuation techniques utilised in preparing these condensed interim financial statements are consistent with those applied in the preparation of financial statements for the year ended 31 December 2013. There were no transfers between levels of the fair value hierarchy during the period under review.

Fair values of financial assets and liabilities not carried at fair value

The following table sets out the carrying amounts and fair values of financial assets and liabilities not carried at fair value:

| <i>Group</i> | <i>Valuation techniques</i> | <i>Carrying amount</i> €000 | <i>Fair value</i> €000 |
|--|-----------------------------|--------------------------------|---------------------------|
| Assets at 30 June 2014 | | | |
| Loans and advances to banks | Level 3 | 505,619 | 505,619 |
| Loans and advances to customers | Level 3 | 3,286,813 | 3,286,813 |
| | | 3,792,432 | 3,792,432 |
| Liabilities at 30 June 2014 | | | |
| Deposits by banks | Level 3 | 37,951 | 37,951 |
| Customer accounts | Level 3 | 4,549,160 | 4,549,160 |
| Subordinated liabilities | Level 1 | 87,250 | 92,381 |
| | | 4,674,361 | 4,679,492 |
| Assets at 31 December 2013 | | | |
| Loans and advances to banks | Level 3 | 564,790 | 564,790 |
| Loans and advances to customers | Level 3 | 3,300,982 | 3,300,982 |
| | | 3,865,772 | 3,865,772 |
| Liabilities at 31 December 2013 | | | |
| Deposits by banks | Level 3 | 41,794 | 41,794 |
| Customer accounts | Level 3 | 4,517,862 | 4,517,862 |
| Subordinated liabilities | Level 1 | 87,273 | 94,095 |
| | | 4,646,929 | 4,653,751 |

The carrying value of loans and advances to customers, loans and advances to banks and amounts owed to banks and customers is a reasonable approximation of fair value because these are either re-priced to current market rates frequently or are short-term in nature.

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HSBC Bank Malta p.l.c. Half-Yearly Results for 2014/15

Basis of preparation

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 months period ended 30 June 2014. These condensed interim financial statements are being published in accordance with Chapter 5 of the Listing Rules issued by the Listing Authority and the Prevention of Financial Markets Abuse Act, 2005.

The condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', adopted by the EU. They do not include all the information required for a complete set of annual financial statements, and should be read in conjunction with the financial statements for the year ended 31 December 2013.

On 1 January 2014, the group adopted amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' which clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The adoption did not have a material effect on the group's financial statements and as a result comparative information was not restated.

During the period ended 30 June 2014, the group also adopted interpretations and amendments to standards which had an insignificant effect on the interim consolidated financial statements.

There are no new standards adopted during the period ended 30 June 2014.

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 2013.

As required by IAS 34 'Interim Financial Reporting', adopted by the EU, these interim financial statements include comparative statements of financial position information at the previous financial year end and comparative profit or loss statements and statements of profit or loss and 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 2014 have not materially affected the performance of the period under review.

Certain comparative amounts have been reclassified to comply with the current period's presentation.

HSBC Bank Malta p.l.c. is a member of the HSBC Group, whose ultimate parent company is HSBC Holdings plc. HSBC Holdings plc, is headquartered in London. The Group serves customers worldwide from around 6,200 offices in 74 countries and territories in Europe, Hong Kong, Rest of Asia-Pacific, North and Latin America, and the Middle East and North Africa. With assets of US\$2,754bn at 30 June 2014, the HSBC Group is one of the world's largest banking and financial services organisations.

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 of the group and the bank as at 30 June 2014, as well as of their financial performance and cash flows for the period then ended, in accordance with IAS 34 'Interim Financial Reporting', adopted by the EU; and
- the commentary includes a fair review of the information required under Listing Rule 5.81 to 5.84.

Mark Watkinson, *Chief Executive Officer*

ends/all