

18 February 2008

The following is the text of an announcement which is to be published in the press in Malta on 19 February 2008 by HSBC Bank Malta p.l.c., a 70.03 per cent indirectly held subsidiary of HSBC Holdings plc.

HSBC BANK MALTA p.l.c.
PRELIMINARY PROFITS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

The preliminary profit statement is published pursuant to Listing Rule 9.35 of the MFSA Listing Authority and Article 4 (2) (b) of the Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005. Figures have been extracted from HSBC Bank Malta p.l.c.'s Annual Report and Accounts which have been audited by KPMG.

These financial statements have been prepared and presented in accordance with the provisions of the Banking Act, 1994 and the Companies Act, 1995 which requires adherence to International Financial Reporting Standards.

All figures are stated in Maltese lira, the functional currency of HSBC Bank Malta p.l.c. during the year under review. The euro exchange rate ruling on 31 December 2007 was €1 = Lm0.4293. The US dollar and sterling exchange rates ruling on the same day were US\$1 = Lm0.2912 and £1 = Lm0.5817. Average exchange rates for 2007 for euro, US dollar and sterling were €1 = Lm0.4293, US\$1 = Lm0.3132 and £1 = Lm0.6274.

Overview

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 Lm49.2 million (€14.7 million), an increase of Lm7.8 million (€8.3 million) or 19.0 per cent, compared to 2006.

Profit attributable to shareholders was Lm32.8 million (€6.4 million), an increase of Lm6.0 million (€3.9 million) or 22.2 per cent over prior year figures.

Earnings per share increased to 11.2 cents (€0.262) from a 2006 figure of 9.2 cents (€0.214).

Commentary by Shaun Wallis, Director and Chief Executive Officer, HSBC Bank Malta

“2007 has been a transformational year for HSBC Bank Malta p.l.c. Record volumes of business activity across all customer groups and businesses led to excellent results, and at the same time, the successful implementation of major projects and structural changes mean that the bank is well-positioned for the future.

“We continued to invest in our brand. As part of our Corporate Responsibility programme we donated Lm0.45 million (€1.0 million) towards our Children, Environment and Malta’s Heritage initiatives.

“2008 will be another challenging year, given the backdrop of current global market conditions, Malta's fuller membership of the EU and Eurozone, and the resulting increase in competition. In facing these challenges, we have an excellent position. We have a superb customer base, unparalleled local and global distribution network, a strong brand and the global advantages of the HSBC Group. We are confident that we are well-positioned to grow our business further in the future.”

Performance Review

Net interest income grew by Lm7.2 million (€6.8 million) or 15.4 per cent over prior year to Lm54.2 million (€26.2 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 Lm258.7 million (€602.6 million) to Lm1,734.2 million (€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 levels grew by Lm2.5 million (€5.8 million) or 8.7 per cent to Lm31.1 million (€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 Lm5.6 million (€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 Lm3.3 million (€7.6 million).

During the year, revaluation gains on the group's investment properties generated Lm1.3 million (€3.0 million) and are included in other operating income.

Operating expenses grew by 4.5 per cent to Lm35.9 million (€83.6 million) from Lm34.3 million (€80.0 million) in 2006. Employee compensation and benefits was unchanged at Lm21.4 million (€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 Lm1.7 million (€4.0 million) to Lm11.5 million (€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.

Overall the group's cost income ratio improved to 42.1 per cent in 2007 from 45.5 per cent in 2006.

The tax charge for the year increased by 13.0 per cent to Lm16.5 million and the effective tax rate fell marginally to 33.4 per cent.

Loans and advances to customers increased by Lm85.5 million (€199.1 million) to Lm1,211.6 million (€2,822.3 million) with growth spread across both personal and commercial sectors. The advances to deposits ratio improved to 69.9 per cent from 76.3 per cent in 2006 as a result of strong growth in deposits.

An overall improvement in the credit quality of the lending book resulted from good credit management and bad debt recovery against favourable economic conditions. This led to a reduction in non-performing loans from Lm43.7 million (€101.9 million) to Lm35.0 million (€81.6 million). As a result, 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.

Performance Review – cont.

The solvency ratio stands at 11.3 per cent.

The Board is recommending to the Annual General Meeting to be held on 4 April 2008 a final ordinary dividend of €0.148 (Lm0.064) gross per share (€0.096 (Lm0.041) net per share) scheduled to be paid on 29 April 2008. The final dividend will be payable to shareholders on the bank's register as at 29 February 2008. This, together with the gross interim ordinary dividend of €0.154 (Lm0.066) and gross interim special dividend of €0.093 (Lm0.040), paid on 22 August 2007, produces a total gross dividend for the year of €0.395 (Lm0.170).

Income Statement for the year 1 January 2007 to 31 December 2007

	<i>Group</i>		<i>Bank</i>	
	2007	2006	2007	2006
	Lm000	Lm000	Lm000	Lm000
Interest receivable and similar income				
– on loans and advances, balances with Central Bank of Malta, Treasury Bills and derivatives	93,410	72,103	93,446	71,285
– on debt and other fixed income instruments	8,583	8,772	8,583	9,209
Interest payable	(47,799)	(33,913)	(48,557)	(34,378)
Net interest income	54,194	46,962	53,472	46,116
Fees and commissions receivable	14,291	13,848	11,579	10,831
Fees and commissions payable	(985)	(1,175)	(776)	(987)
Net fee and commission income	13,306	12,673	10,803	9,844
Dividend income	141	113	4,145	2,169
Trading profits	7,206	7,335	7,206	7,335
Net income from financial instruments designated at fair value through profit or loss	15	4,768	-	-
Net gains on sale of available-for-sale financial assets	1,519	2,719	1,519	2,719
Net earned insurance premiums	31,446	16,536	-	-
Other operating income	6,802	2,308	1,837	715
Total operating income	114,629	93,414	78,982	68,898
Net insurance claims incurred and movement in policyholders' liabilities	(29,330)	(17,846)	-	-
Net operating income	85,299	75,568	78,982	68,898
Employee compensation and benefits	(21,371)	(21,511)	(20,381)	(20,619)
General and administrative expenses	(11,476)	(9,774)	(10,701)	(9,281)
Depreciation	(2,587)	(2,406)	(2,572)	(2,388)
Amortisation of intangible assets	(448)	(547)	(335)	(464)
Other operating charges	(13)	(109)	(13)	(9)
Net operating income before impairment and Provisions	49,404	41,221	44,980	36,137
Net impairment	(18)	181	(18)	141
Provisions for liabilities and other charges	(146)	(7)	(131)	(7)
Profit before tax	49,240	41,395	44,831	36,271
Tax expense	(16,461)	(14,572)	(14,372)	(12,366)
Profit for the year	32,779	26,823	30,459	23,905
Profit attributable to shareholders of the bank	32,779	26,810	30,459	23,905
Profit attributable to minority interest	-	13	-	-
Earnings per share	11.2c	9.2c	10.4c	8.2c

Balance Sheet at 31 December 2007

	<i>Group</i>		<i>Bank</i>	
	2007	2006	2007	2006
	Lm000	Lm000	Lm000	Lm000
Assets				
Balances with Central Bank of Malta, Treasury bills and cash	202,688	130,569	202,688	130,569
Cheques in course of collection	1,332	10,535	1,332	10,535
Financial assets held for trading	6,860	10,396	6,860	10,399
Financial assets designated at fair value through profit or loss	118,356	112,476	-	-
Financial investments	196,305	168,138	194,345	168,123
Loans and advances to banks	270,896	256,060	270,861	256,042
Loans and advances to customers	1,211,620	1,126,126	1,211,620	1,126,126
Shares in subsidiary companies	-	-	12,682	9,682
Intangible assets	15,502	10,899	585	794
Property and equipment	33,408	28,612	33,424	28,632
Investment property	5,532	3,417	4,500	2,456
Assets held for sale	5,118	3,978	5,182	4,042
Current tax recoverable	-	806	-	780
Deferred tax assets	-	-	5,033	724
Other assets	11,099	10,713	3,837	2,984
Prepayments and accrued income	16,990	14,589	15,700	13,630
Total assets	2,095,706	1,887,314	1,968,649	1,765,518
Liabilities				
Financial liabilities held for trading	6,458	10,643	6,542	10,693
Amounts owed to banks	37,410	126,328	37,410	126,328
Amounts owed to customers	1,734,154	1,475,450	1,763,562	1,487,906
Provision for current tax	3,626	-	1,034	-
Deferred tax liabilities	266	4,606	-	-
Liabilities to customers under investment contracts	8,134	9,153	-	-
Liabilities under insurance contracts issued	124,902	102,770	-	-
Other liabilities	14,078	13,816	12,775	13,003
Accruals and deferred income	22,816	18,147	22,484	17,936
Provisions for liabilities and other charges	178	32	163	32
Subordinated liabilities	24,883	-	24,883	-
Total liabilities	1,976,905	1,760,945	1,868,853	1,655,898
Equity				
Called up share capital	36,480	36,480	36,480	36,480
Revaluation reserves	10,554	10,629	10,620	10,629
Other reserves	339	242	315	227
Retained earnings	71,428	79,018	52,381	62,284
Total equity	118,801	126,369	99,796	109,620
Total liabilities and equity	2,095,706	1,887,314	1,968,649	1,765,518
Memorandum items				
Contingent liabilities	55,797	59,578	55,807	59,588
Commitments	492,851	456,899	492,851	456,899

The financial statements were approved by the Board of Directors on 18 February 2008 and signed on its behalf by:

Albert Mizzi, *Chairman*

Shaun Wallis, *Chief Executive Officer*

Statement of Changes in Equity for the year 1 January 2007 to 31 December 2007

	<i>Attributable to shareholders of the bank</i>						
	<i>Called up share capital</i>	<i>Reval- uation reserves</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Minority interest</i>	<i>Total equity</i>
	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000
<i>Group</i>							
At 1 January 2006	9,120	13,105	4,242	104,906	131,373	328	131,701
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(796)	-	(973)	(1,769)	-	(1,769)
Net fair value adjustments on financial investments	-	(1,668)	-	-	(1,668)	-	(1,668)
Release of revaluation reserve on disposal of properties	-	(12)	-	18	6	-	6
Income and expenses recognised directly in equity	-	(2,476)	-	(955)	(3,431)	-	(3,431)
Share capital of subsidiary	-	-	-	-	-	91	91
Disposal of subsidiary company	-	-	-	-	-	(432)	(432)
Bonus share issue	27,360	-	(4,242)	(23,118)	-	-	-
Profit for the year	-	-	-	26,810	26,810	13	26,823
Share based payments	-	-	242	493	735	-	735
Dividends	-	-	-	(29,118)	(29,118)	-	(29,118)
At 31 December 2006	36,480	10,629	242	79,018	126,369	-	126,369
At 1 January 2007	36,480	10,629	242	79,018	126,369	-	126,369
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(776)	-	(211)	(987)	-	(987)
Net fair value adjustments on financial investments	-	(2,997)	-	-	(2,997)	-	(2,997)
Net surplus on revaluation of freehold and long leasehold properties	-	3,698	-	-	3,698	-	3,698
Income and expenses recognised directly in equity	-	(75)	-	(211)	(286)	-	(286)
Profit for the year	-	-	-	32,779	32,779	-	32,779
Share based payments	-	-	97	57	154	-	154
Dividends	-	-	-	(40,215)	(40,215)	-	(40,215)
At 31 December 2007	36,480	10,554	339	71,428	118,801	-	118,801

Statement of Changes in Equity for the year 1 January 2007 to 31 December 2007 (continued)

	<i>Called up share capital</i>	<i>Revaluation reserves</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total equity</i>
	Lm000	Lm000	Lm000	Lm000	Lm000
<i>Bank</i>					
At 1 January 2006	9,120	13,041	4,242	93,103	119,506
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(796)	-	(973)	(1,769)
Net fair value adjustments on financial investments	-	(1,604)	-	-	(1,604)
Release of revaluation reserve on disposal of properties	-	(12)	-	18	6
Income and expenses recognised directly in equity	-	(2,412)	-	(955)	(3,367)
Bonus share issue	27,360	-	(4,242)	(23,118)	-
Effect of amalgamation of subsidiary	-	-	-	(1,995)	(1,995)
Profit for the year	-	-	-	23,905	23,905
Share based payments	-	-	227	462	689
Dividends	-	-	-	(29,118)	(29,118)
At 31 December 2006	36,480	10,629	227	62,284	109,620
At 1 January 2007	36,480	10,629	227	62,284	109,620
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(776)	-	(211)	(987)
Net fair value adjustments on financial investments	-	(2,931)	-	-	(2,931)
Net surplus on revaluation of freehold and long leasehold properties	-	3,698	-	-	3,698
Income and expenses recognised directly in equity	-	(9)	-	(211)	(220)
Profit for the year	-	-	-	30,459	30,459
Share based payments	-	-	88	64	152
Dividends	-	-	-	(40,215)	(40,215)
At 31 December 2007	36,480	10,620	315	52,381	99,796

Cash Flow Statement for the year 1 January 2007 to 31 December 2007

	<i>Group</i>		<i>Bank</i>	
	2007	2006	2007	2006
	Lm000	Lm000	Lm000	Lm000
Cash flows from operating activities				
Interest and commission receipts	144,854	109,797	109,992	87,824
Interest and commission payments	(52,604)	(36,601)	(45,162)	(33,491)
Payments to employees and suppliers	(32,815)	(31,952)	(31,168)	(28,770)
Operating profit before changes in operating assets/liabilities	59,435	41,244	33,662	25,563
(Increase)/decrease in operating assets:				
Trading instruments	(6,675)	(16,832)	(579)	(724)
Reserve deposit with Central Bank of Malta	(350)	(6,618)	(350)	(6,618)
Loans and advances to customers and banks	(48,370)	(198,898)	(48,370)	(203,229)
Treasury bills with contractual maturity of over three months	(23,567)	(12,089)	(23,567)	(12,089)
Other receivables	7,894	(844)	8,040	(1,070)
Increase/(decrease) in operating liabilities:				
Customer accounts and amounts owed to banks	173,919	198,053	190,955	196,360
Other payables	(516)	(2,588)	(500)	(2,674)
Net cash from/(used in) operating activities before tax	161,770	1,428	159,291	(4,481)
Tax paid	(14,518)	(10,976)	(14,319)	(10,840)
Net cash from/(used in) operating activities	147,252	(9,548)	144,972	(15,321)
Cash flows from investing activities				
Dividends received	98	74	3,248	1,874
Interest received from financial investments	9,020	11,333	9,020	11,752
Proceeds from sale and maturity of financial investments	83,747	88,891	83,747	118,877
Proceeds on sale of property and equipment	26	80	26	80
Purchase of financial investments	(119,675)	(37,851)	(117,673)	(37,851)
Purchase of property and equipment, investment property and intangible assets	(4,285)	(2,311)	(4,174)	(2,289)
Proceeds on sale/(purchase) of shares in subsidiary company	-	450	(3,000)	450
Net cash (used in)/from investing activities	(31,069)	60,666	(28,806)	92,893

Cash Flow Statement for the year 1 January 2007 to 31 December 2007 (continued)**Cash flows from financing activities**

Dividends paid	(40,215)	(29,118)	(40,215)	(29,118)
Decrease in debt securities in issue	-	(12)	-	-
Issue of subordinated loan stock	25,000	-	25,000	-
Issue of units to minority interest	-	91	-	-
Subordinated loan stock issue costs	(130)	-	(130)	-
Net cash used in financing activities	(15,345)	(29,039)	(15,345)	(29,118)
Effect of amalgamation of subsidiary company on cash and cash equivalents	-	-	-	(65,840)
Increase/(Decrease) in cash and cash equivalents	100,838	22,079	100,821	(17,386)
Effect of exchange rate changes on cash and cash equivalents	(11,702)	(7,014)	(11,702)	(7,014)
Net increase/(decrease) in cash and cash equivalents	112,540	29,093	112,523	(10,372)
Cash and cash equivalents at beginning of year	158,547	136,468	158,529	175,915
Cash and cash equivalents at end of year	259,385	158,547	259,350	158,529

Segmental Information

a Class of business

	<i>Personal Financial Services</i>		<i>Commercial Banking</i>		<i>Global Banking and Markets</i>		<i>Total</i>	
	2007 Lm000	2006 Lm000	2007 Lm000	2006 Lm000	2007 Lm000	2006 Lm000	2007 Lm000	2006 Lm000
<i>Group</i>								
Profit before tax								
Segment operating income	40,149	38,552	30,012	26,592	15,138	10,424	85,299	75,568
Segment impairment allowances	(633)	(144)	615	325	-	-	(18)	181
Common costs							(36,041)	(34,354)
Profit before tax							49,240	41,395
Assets								
Segment total assets	767,424	679,457	659,961	651,948	668,321	555,909	2,095,706	1,887,314
Average total assets	723,440	630,984	655,955	631,396	612,115	509,214	1,991,510	1,771,594
Total equity	44,774	47,051	63,308	66,506	10,719	12,812	118,801	126,369

b Geographical segments

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

Key Financials in Euros

	<i>Group</i>		<i>Bank</i>	
	2007 €000	2006 €000	2007 €000	2006 €000
Profit before tax	114,698	96,425	104,428	84,489
Profit attributable to shareholders of the bank	76,355	62,481	70,950	55,684
Earnings per share	26.2c	21.4c	24.3c	19.1c
Total assets	4,881,682	4,396,259	4,585,719	4,112,551
Total equity	276,732	294,361	232,462	255,346

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 10,000 offices in 83 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.