

23 July 2004

*The following is the text of an advertisement which is to be published in the press in Malta on 24 July 2004 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.  
Half-Yearly Results for 2004**

**Review of Performance**

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*The published figures, which are in compliance with International Accounting Standard 34 Interim Financial Reporting, have been extracted from HSBC Bank Malta p.l.c.'s unaudited group management accounts for the six months ended 30 June 2004. These figures, which have been drawn up according to the accounting policies used in the preparation of the annual audited accounts, are being published in terms of chapters 8 and 9 of the Listing Rules of the Listing Authority – Malta Financial Services Authority.*

HSBC Bank Malta p.l.c. and its subsidiaries recorded a profit before tax of Lm19.9 million for the six months ended 30 June 2004. This represents an increase of 56.5 per cent over the Lm12.7 million earned during the same period in 2003. Earnings per share for the six months ended 30 June 2004 increased to 36.2 cents compared to 23.2 cents for the first six months of 2003.

- Profit attributable to shareholders is Lm13.2 million, an increase of 56.3 per cent over the Lm8.5 million earned during the same period in 2003.
- Net interest income, up by 10.4 per cent over prior year to Lm19.0 million.
- Non-interest income levels grew by 15.5 per cent, contributing Lm10.8 million to total operating income.
- Administrative expenses increased by 5.0 per cent, influenced by higher indirect taxes, new local regulatory fees, early voluntary retirement benefits and increased use of Group systems and processes. The cost to income ratio improved from 50.8 per cent to 47.8 per cent.
- The net release in impairment provisions totalled Lm4.4 million. New specific provisions of Lm1.9 million were raised and bad debt write-offs of Lm2.1 million were effected. An overall improvement in the credit quality of the lending book reduced non-performing loans from Lm107.8 million to Lm90.5 million. This contributed towards the release of Lm8.6 million in specific provisions.
- Customer deposits of Lm1,303.6 million at 30 June 2004 compared with Lm1,267.4 million at 31 December 2003. Collective investment schemes managed by the group grew by Lm11.6 million during the period.
- Loans and advances to customers were Lm948.7 million at 30 June 2004 - up Lm26.2 million or 2.8 per cent over 31 December 2003.
- Total assets of Lm1.59 billion at 30 June 2004 compared with Lm1.54 billion at 31 December 2003.

Martin Wilkins, Director and Chief Operating Officer of HSBC Bank Malta p.l.c., said: “Our results for the first six months are very encouraging. We are pleased to see solid growth in operating income lines and further improvement in our commercial loan book.

“We hope to see continued economic recovery, both locally and in the wider international markets which drive our business and income growth.

“Our focus for the second half of 2004 is to continue to improve the high quality of service we provide to our customers and to grow our core lines of business. This means allocating resources to those areas that offer the greatest opportunities for growth while developing our expense discipline and risk management.

“The Board has recommended a gross interim dividend of 19.4 cents per share and additionally a special dividend of 35.4 cents per share, giving a total gross interim dividend of 54.8 cents per share. This will be payable to shareholders who are on the Company’s register of shareholders as at 31 July 2004. The special dividend to shareholders marks the fifth anniversary of HSBC Bank Malta p.l.c. and the payment of Lm8.4 million that this represents is covered from current year earnings.

“We would like to thank our customers for their support during the first six months of this year and our staff for their continued high level of commitment to customer service, which is reflected in these results.”

HSBC Bank Malta, a member of the HSBC Group, has more than 1,550 staff and 60 offices. With over 9,500 offices in 79 countries and territories and assets of US\$1,034 billion at 31 December 2003, the HSBC Group is one of the world’s largest banking and financial services organisations. More information about HSBC Bank Malta and its products and services can be found on our website at [hsbc.com.mt](http://hsbc.com.mt).

**Profit and Loss Account for the period 1 January 2004 to 30 June 2004**

	<i>Group</i>		<i>Bank</i>	
	<b>6 mths to 30/6/04</b>	6 mths to 30/6/03	<b>6 mths to 30/6/04</b>	6 mths to 30/6/03
	<b>Lm000</b>	Lm000	<b>Lm000</b>	Lm000
Interest receivable and similar income				
– on loans and advances, balances with Central Bank of Malta and Treasury Bills	<b>27,770</b>	30,403	<b>26,004</b>	28,350
– on debt and other fixed income instruments	<b>5,081</b>	5,689	<b>5,785</b>	6,284
Interest payable	<b>(13,857)</b>	(18,892)	<b>(13,952)</b>	(18,840)
<b>Net interest income</b>	<b>18,994</b>	17,200	<b>17,837</b>	15,794
Fees and commissions receivable	<b>5,491</b>	5,233	<b>4,306</b>	4,388
Fees and commissions payable	<b>(319)</b>	(291)	<b>(279)</b>	(273)
Dividend income	<b>42</b>	68	<b>2,042</b>	68
Trading profits	<b>2,968</b>	2,861	<b>2,974</b>	2,847
Net gains/(losses) on disposal of non-trading financial instruments	<b>1,749</b>	(4)	<b>1,018</b>	8
Other operating income	<b>907</b>	1,516	<b>56</b>	8
<b>Operating income</b>	<b>29,832</b>	26,583	<b>27,954</b>	22,840
Administrative expenses	<b>(12,873)</b>	(12,256)	<b>(12,518)</b>	(11,915)
Depreciation	<b>(1,377)</b>	(1,251)	<b>(1,345)</b>	(1,217)
Amortisation of goodwill	<b>(145)</b>	(145)	<b>(103)</b>	(103)
<b>Operating profit before provisions for impairments, contingent liabilities and other charges</b>	<b>15,437</b>	12,931	<b>13,988</b>	9,605
Net release/(charge) for impairment provisions	<b>4,432</b>	(163)	<b>4,431</b>	(402)
Net release/(charge) for contingent liabilities and other charges	<b>36</b>	(50)	<b>36</b>	(50)
<b>Profit on ordinary activities before tax</b>	<b>19,905</b>	12,718	<b>18,455</b>	9,153
Tax on profit on ordinary activities	<b>(6,694)</b>	(4,264)	<b>(6,484)</b>	(3,074)
<b>Profit for the financial period attributable to shareholders</b>	<b>13,211</b>	8,454	<b>11,971</b>	6,079
<b>Earnings per share</b>	<b>36.2c</b>	23.2c	<b>32.8c</b>	16.7c

**Balance Sheet at 30 June 2004**

	<i>Group</i>		<i>Bank</i>	
	<b>30/6/04</b>	31/12/03	<b>30/6/04</b>	31/12/03
	<b>Lm000</b>	Lm000	<b>Lm000</b>	Lm000
<b>Assets</b>				
Balances with Central Bank of Malta,				
Treasury Bills and cash	<b>144,114</b>	133,574	<b>144,047</b>	133,512
Cheques in course of collection	<b>5,958</b>	5,637	<b>5,958</b>	5,637
Financial assets held for trading	<b>1,849</b>	2,444	<b>1,849</b>	2,444
Investments	<b>246,745</b>	235,059	<b>270,895</b>	256,191
Loans and advances to banks	<b>126,206</b>	130,700	<b>175,028</b>	187,945
Loans and advances to customers	<b>948,685</b>	922,526	<b>848,719</b>	813,101
Shares in subsidiary companies	-	-	<b>41,817</b>	41,602
Intangible fixed assets	<b>194</b>	339	<b>86</b>	189
Tangible fixed assets	<b>30,955</b>	31,934	<b>30,839</b>	31,797
Net deferred tax	-	1,607	-	2,195
Other assets	<b>67,961</b>	59,102	<b>1,231</b>	1,246
Prepayments and accrued income	<b>16,905</b>	16,062	<b>15,384</b>	15,432
<b>Total assets</b>	<b>1,589,572</b>	1,538,984	<b>1,535,853</b>	1,491,291
<b>Liabilities</b>				
Financial liabilities held for trading	<b>4,965</b>	8,611	<b>4,965</b>	8,611
Amounts owed to banks	<b>34,814</b>	32,367	<b>34,814</b>	32,368
Amounts owed to customers	<b>1,303,640</b>	1,267,378	<b>1,311,295</b>	1,271,058
Debt securities in issue	<b>12</b>	12	-	-
Net deferred tax	<b>1,341</b>	-	<b>288</b>	-
Other liabilities	<b>69,478</b>	62,080	<b>10,099</b>	11,032
Accruals and deferred income	<b>13,738</b>	15,676	<b>13,420</b>	15,419
Provisions for liabilities and other charges	<b>4,147</b>	1,698	<b>3,977</b>	1,746
Subordinated liabilities	<b>20,000</b>	20,000	<b>20,000</b>	20,000
	<b>1,452,135</b>	1,407,822	<b>1,398,858</b>	1,360,234
<b>Shareholders' funds</b>				
Called up share capital	<b>9,120</b>	9,120	<b>9,120</b>	9,120
Revaluation reserves	<b>9,875</b>	10,978	<b>31,869</b>	32,069
Other reserve	<b>4,242</b>	4,242	<b>4,242</b>	4,242
Profit and loss account	<b>101,206</b>	100,989	<b>78,770</b>	79,793
Dividend reserve	<b>12,994</b>	5,833	<b>12,994</b>	5,833
	<b>137,437</b>	131,162	<b>136,995</b>	131,057
<b>Total liabilities</b>	<b>1,589,572</b>	1,538,984	<b>1,535,853</b>	1,491,291
<b>Memorandum items</b>				
Contingent liabilities	<b>46,806</b>	38,818	<b>47,226</b>	39,238
Commitments	<b>320,159</b>	297,631	<b>328,104</b>	315,397

The financial statements were approved by the Board of Directors on 22 July 2004 and signed on its behalf by:



Albert Mizzi, *Chairman*



Martin Wilkins, *Director and Chief Operating Officer*

**Statement of Changes in Equity for the period 1 January 2004 to 30 June 2004**

	<i>Group</i>					<i>Total</i>
	<i>Share capital</i>	<i>Revaluation reserves</i>	<i>Other reserve</i>	<i>Profit and loss account</i>	<i>Dividend reserve</i>	
	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>	
At 1 January 2003	9,120	7,933	4,242	92,572	3,130	116,997
Net fair value adjustments on investments not recognised in the profit and loss account	-	1,869	-	-	-	1,869
Profit attributable to shareholders	-	-	-	8,454	-	8,454
Dividend paid	-	-	-	-	(3,130)	(3,130)
Interim dividend	-	-	-	(2,561)	2,561	-
<b>At 30 June 2003</b>	<b>9,120</b>	<b>9,802</b>	<b>4,242</b>	<b>98,465</b>	<b>2,561</b>	<b>124,190</b>
<b>At 1 January 2004</b>	<b>9,120</b>	<b>10,978</b>	<b>4,242</b>	<b>100,989</b>	<b>5,833</b>	<b>131,162</b>
Net fair value adjustments on investments not recognised in the profit and loss account	-	453	-	-	-	453
Release of net gains on available-for-sale assets transferred to the profit and loss account on disposal	-	(1,556)	-	-	-	(1,556)
Profit attributable to shareholders	-	-	-	13,211	-	13,211
Dividend paid	-	-	-	-	(5,833)	(5,833)
Interim dividends	-	-	-	(12,994)	12,994	-
<b>At 30 June 2004</b>	<b>9,120</b>	<b>9,875</b>	<b>4,242</b>	<b>101,206</b>	<b>12,994</b>	<b>137,437</b>

**Statement of Changes in Equity for the period 1 January 2004 to 30 June 2004 (continued)**

	<i>Bank</i>					<i>Total</i>
	<i>Share capital</i>	<i>Revaluation reserves</i>	<i>Other reserve</i>	<i>Profit and loss account</i>	<i>Dividend reserve</i>	
	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>
At 1 January 2003	9,120	24,939	4,242	75,392	3,130	116,823
Net fair value adjustments on investments not recognised in the profit and loss account	-	3,585	-	-	-	3,585
Profit attributable to shareholders	-	-	-	6,079	-	6,079
Dividend paid	-	-	-	-	(3,130)	(3,130)
Interim dividend	-	-	-	(2,561)	2,561	-
<b>At 30 June 2003</b>	<b>9,120</b>	<b>28,524</b>	<b>4,242</b>	<b>78,910</b>	<b>2,561</b>	<b>123,357</b>
<b>At 1 January 2004</b>	<b>9,120</b>	<b>32,069</b>	<b>4,242</b>	<b>79,793</b>	<b>5,833</b>	<b>131,057</b>
Net fair value adjustments on investments not recognised in the profit and loss account	-	662	-	-	-	662
Release of net gains on available-for-sale assets transferred to the profit and loss account on disposal	-	(862)	-	-	-	(862)
Profit attributable to shareholders	-	-	-	11,971	-	11,971
Dividend paid	-	-	-	-	(5,833)	(5,833)
Interim dividends	-	-	-	(12,994)	12,994	-
<b>At 30 June 2004</b>	<b>9,120</b>	<b>31,869</b>	<b>4,242</b>	<b>78,770</b>	<b>12,994</b>	<b>136,995</b>

## Cash Flow Statement for the period 1 January 2004 to 30 June 2004

	<i>Group</i>		<i>Bank</i>	
	<b>6 mths to 30/6/04 Lm000</b>	6 mths to 30/6/03 Lm000	<b>6 mths to 30/6/04 Lm000</b>	6 mths to 30/6/03 Lm000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	<b>35,024</b>	38,908	<b>31,331</b>	35,936
Interest and commission payments	<b>(15,160)</b>	(19,557)	<b>(15,148)</b>	(19,467)
Payments to employees and suppliers	<b>(13,924)</b>	(12,719)	<b>(13,696)</b>	(12,364)
Operating profit before changes in operating assets/liabilities	<b>5,940</b>	6,632	<b>2,487</b>	4,105
(Increase)/decrease in operating assets:				
Trading instruments	<b>(181)</b>	91	<b>(181)</b>	91
Reserve deposits with Central Bank of Malta	<b>(964)</b>	9,425	<b>(968)</b>	9,414
Loans and advances to banks	<b>2,128</b>	12,140	<b>3,405</b>	8,991
Loans and advances to customers	<b>(21,728)</b>	(10,494)	<b>(31,187)</b>	(19,384)
Treasury Bills with contractual maturity of over three months	<b>(7,951)</b>	43,028	<b>(7,952)</b>	43,028
Cheques in course of collection	<b>(321)</b>	(656)	<b>(321)</b>	(656)
Other receivables	<b>(8,641)</b>	(10,397)	<b>15</b>	(423)
Increase/(decrease) in operating liabilities:				
Amounts owed to banks	<b>5,769</b>	(22,594)	<b>5,768</b>	(23,147)
Amounts owed to customers	<b>29,264</b>	(930)	<b>33,239</b>	4,614
Other payables	<b>7,398</b>	9,996	<b>(933)</b>	910
Net cash from operating activities before income tax	<b>10,713</b>	36,241	<b>3,372</b>	27,543
Tax paid	<b>(1,298)</b>	(353)	<b>(1,072)</b>	(152)
Net cash from operating activities	<b>9,415</b>	35,888	<b>2,300</b>	27,391
<b>Cash flows from investing activities</b>				
Dividends received	<b>28</b>	68	<b>1,328</b>	68
Interest received from available-for-sale debt and other fixed income instruments	<b>2,625</b>	2,415	<b>2,625</b>	2,415
Interest received from held-to-maturity debt and other fixed income instruments	<b>3,344</b>	2,519	<b>4,703</b>	3,697
Proceeds on disposal of available-for-sale instruments	<b>10,640</b>	324	<b>5,126</b>	324
Proceeds on maturity/disposal of held-to-maturity debt and other fixed income instruments	<b>35,630</b>	40,553	<b>35,630</b>	38,679
Proceeds on disposal of tangible fixed assets	<b>17</b>	3	<b>17</b>	3
Purchase of available-for-sale instruments	<b>(2,793)</b>	(519)	<b>-</b>	(10)

**Cash Flow Statement for the Period 1 January 2004 to 30 June 2004 (continued)**

Purchase of held-to-maturity debt and other fixed income instruments	(51,298)	(29,895)	(51,298)	(29,895)
Purchase of tangible fixed assets	(429)	(1,878)	(407)	(1,846)
Net cash (used in)/from investing activities	(2,236)	13,590	(2,276)	13,435
<b>Cash flows from financing activities</b>				
Dividends paid	(5,833)	(3,130)	(5,833)	(3,130)
Cash used in financing activities	(5,833)	(3,130)	(5,833)	(3,130)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,346</b>	46,348	<b>(5,809)</b>	37,696
Effect of exchange rate changes on cash and cash equivalents	758	(2,790)	541	(2,738)
Net increase/(decrease) in cash and cash equivalents	588	49,138	(6,350)	40,434
	1,346	46,348	(5,809)	37,696
Cash and cash equivalents at beginning of period	108,019	127,156	165,217	203,965
<b>Cash and cash equivalents at end of period</b>	<b>109,365</b>	173,504	<b>159,408</b>	241,661

## Segmental Information

### a Class of business

	<i>Commercial banking</i>		<i>Investment banking</i>		<i>Other companies</i>		<i>Group total</i>	
	<b>6 months to 30/6/04</b> Lm000	6 months to 30/6/03 Lm000	<b>6 months to 30/6/04</b> Lm000	6 months to 30/6/03 Lm000	<b>6 months to 30/6/04</b> Lm000	6 months to 30/6/03 Lm000	<b>6 months to 30/6/04</b> Lm000	6 months to 30/6/03 Lm000
<b>Profit before tax</b>								
Segment operating income	<b>27,117</b>	24,291	<b>1,869</b>	813	<b>846</b>	1,479	<b>29,832</b>	26,583
Common costs							<b>(9,927)</b>	(13,865)
<b>Profit on ordinary activities before tax</b>							<b>19,905</b>	12,718
	<b>30/6/04</b> Lm000	30/6/03 Lm000	<b>30/6/04</b> Lm000	30/6/03 Lm000	<b>30/6/04</b> Lm000	30/6/03 Lm000	<b>30/6/04</b> Lm000	30/6/03 Lm000
<b>Assets</b>								
Segment total assets	<b>1,515,169</b>	1,488,448	<b>1,498</b>	7,069	<b>72,905</b>	51,851	<b>1,589,572</b>	1,547,368
Average total assets	<b>1,492,843</b>	1,505,889	<b>4,280</b>	6,988	<b>67,155</b>	45,974	<b>1,564,278</b>	1,558,851
Net assets	<b>125,931</b>	114,612	<b>6,596</b>	5,486	<b>4,910</b>	4,092	<b>137,437</b>	124,190

### b Geographical segments

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

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HSBC Bank Malta p.l.c. is licensed as a credit institution and provider of investment services by the Malta Financial Services Authority.  
Registered Office: 233, Republic Street, Valletta VLT 05, Malta. Telephone: (00356) 2597 0000  
Company Registration Number: C3177