



***COMPANY ANNOUNCEMENT***

The following is a Company Announcement by HSBC Bank Malta p.l.c. pursuant to Malta Financial Services Authority Listing Rules 8.6.2 and 8.6.19:

***Quote:***

The Board of Directors of HSBC Bank Malta p.l.c. has approved the attached Preliminary Profit Statement for the financial year ended 31 December 2003.

***Unquote***

A handwritten signature in black ink, appearing to read "Philip Farrugia Randon".

**Dr Philip Farrugia Randon LL.D.KM**  
**Company Secretary**

13 February 2004

**HSBC Bank Malta p.l.c.**  
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Registered in Malta number C3177. Registered Office: 233 Republic Street, Valletta VLT 05

Regulated by the Malta Financial Services Authority and listed on the Malta Stock Exchange.

Licensed to conduct Investment Services business by the Malta Financial Services Authority.

# HSBC Bank Malta p.l.c. Preliminary Profit Statement for the year ended 31 December 2003

(Published in terms of Section 6.05.06 (iii) of the Bye-Laws of the Malta Stock Exchange)

	<i>Group</i>		<i>Bank</i>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>Lm000</b>	Lm000	<b>Lm000</b>	Lm000
Interest receivable and similar income	<b>69,360</b>	76,105	<b>66,696</b>	71,807
Interest payable	<b>(34,660)</b>	(42,778)	<b>(34,637)</b>	(44,612)
<b>Net interest income</b>	<b>34,700</b>	33,327	<b>32,059</b>	27,195
Other net operating income	<b>18,668</b>	18,282	<b>14,859</b>	14,004
<b>Total operating income</b>	<b>53,368</b>	51,609	<b>46,918</b>	41,199
Operating expenses	<b>(30,290)</b>	(28,588)	<b>(29,524)</b>	(27,265)
Amortisation of goodwill	<b>(291)</b>	(291)	<b>(205)</b>	(205)
<b>Operating profit before impairment releases/(losses) and provisions</b>	<b>22,787</b>	22,730	<b>17,189</b>	13,729
Net impairment releases/(losses)	<b>3,386</b>	(1,515)	<b>2,937</b>	(1,960)
Provisions for liabilities and other charges	<b>(9)</b>	(89)	<b>(9)</b>	(89)
<b>Profit on ordinary activities before tax</b>	<b>26,164</b>	21,126	<b>20,117</b>	11,680
Tax on profit on ordinary activities	<b>(9,383)</b>	(5,762)	<b>(7,352)</b>	(3,944)
<b>Profit for the financial year attributable to shareholders</b>	<b>16,781</b>	15,364	<b>12,765</b>	7,736
<b>Earnings per share</b>	<b>46.0c</b>	42.1c	<b>35.0c</b>	21.2c
<b>Dividends per share, net of income tax</b>			<b>23.0c</b>	13.8c

## Balance sheet extracts as at

	<i>Group</i>		<i>Bank</i>	
	<b>31/12/03</b>	31/12/02	<b>31/12/03</b>	31/12/02
<i>(Figures in Lm millions)</i>				
<b>Total assets</b>	<b>1,539</b>	1,570	<b>1,491</b>	1,535
<b>Loans and advances to customers</b>	<b>923</b>	891	<b>813</b>	763
<b>Amounts owed to customers</b>	<b>1,267</b>	1,303	<b>1,271</b>	1,299
<b>Shareholders' funds</b>	<b>131</b>	117	<b>131</b>	117

## Review of group performance

HSBC Bank Malta p.l.c. and its subsidiaries recorded a profit before tax of Lm26.2 million for the year ended 31 December 2003. This represents an increase of 23.8 per cent over the Lm21.1 million earned in 2002. Profit after tax of Lm16.8 million for the year ended 31 December 2003 represents an increase of 9.2 per cent over the Lm15.4 million earned in 2002. Earnings per share for the year ended 31 December 2003 increased to 46.0 cents compared to 42.1 cents for 2002.

- Net interest income of Lm34.7 million at 31 December 2003, up 4.1 per cent over prior year levels, in an environment characterised by low interest rates.
- Non-interest income grew by 2.1 per cent, contributing Lm18.7 million to total operating income.
- Operating expenses, up by 5.9 per cent influenced by a Lm1.9 million increase in termination benefits payable under the bank's voluntary early retirement scheme. The charge for retirement benefits is inclusive of Lm1.3 million representing the net present value of benefits established in prior financial years. These amounts are not considered significant in respect of each respective year and accordingly comparative information has not been restated.
- Net impairment losses. The reduction in net impairment losses totalled Lm3.4 million. An overall improvement in the credit quality of the lending book reduced non-performing loans from Lm120.3 million to Lm107.8 million. This contributed towards the reversing of Lm4.6 million in specific allowances together with a Lm2.6 million reduction in the level of general allowances held. Investment disposals contributed towards the reversing of a further Lm0.8 million in impairment allowances. New specific allowances of Lm3.3 million were raised and bad debt write-offs of Lm1.3 million were effected.
- Customer deposits of Lm1.27 billion at 31 December 2003 compared with Lm1.30 billion at 31 December 2002. Collective investment schemes managed by the group and life assurance products grew by Lm82 million during the year.
- Loans and advances to customers of Lm923 million at 31 December 2003 - up by Lm32 million or 3.6 per cent over 31 December 2002.
- Total assets of Lm1.54 billion at 31 December 2003 compared with Lm1.57 billion at 31 December 2002.

Chris Hothersall, Chief Executive Officer of HSBC Bank Malta p.l.c., said: "2003 was another challenging year for the bank operating within a local economy gearing itself for EU membership. Despite this, the bank's financial results display good progress. Capital and liquidity positions remain strong. The credit quality of our loan portfolio remains sound.

"All our banking services continue to show good growth as we diversify into new channels of distribution with the launch of our Personal Internet Banking service and call centre initiatives. Demand for our wealth management investment products has been strong and we have successfully expanded the product range.

"The Board has recommended a final gross dividend of 24.6 cents per share. The total gross dividend for 2003 will amount to 35.4 cents per share, including the interim gross dividend of 10.8 cents per share paid in August 2003 and represents an increase of 14.2 cents over the previous year's level. The net dividend is covered 2.0 times by attributable profits (2002: 3.1 times).

"In 2003, the bank was named 'Best Bank' in Malta by *The Banker* magazine. We would like to thank our customers and shareholders for their support during the year as well as our staff for their continued commitment to customer service, which is reflected in these results."

**The dividend, if approved at the next Annual General Meeting, will be paid to shareholders who are on the Register of Members of the company on 18 February 2004.**

**HSBC**   
The world's local bank