

## **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, 8.6.19 and 9.39.2:

***Quote:***

The Board of Directors of HSBC Bank Malta p.l.c. has approved the attached Preliminary Statement of annual results for the financial year ended 31 December 2005 as agreed to with the auditors KPMG.

The Board of Directors further resolved to recommend that the Annual General Meeting approves :

- i) the payment of a final ordinary dividend of 19.1 cents gross per share (12.4 cents net of tax) and a special dividend of 21.1 cents gross per share (13.7 cents net of tax), giving a total final dividend of 40.2 cents gross per share (26.1 cents net of tax). This will be paid on 7 April 2006 to shareholders who are on the company's register of shareholders as at 21 February 2006.
- ii) a Bonus Share issue of 3 new shares for every share presently held to registered members on the register of members as at close of trading on the Malta Stock Exchange on the 18 April 2006. The bonus shares will be available for trading by the shareholders at the opening of business on 19 April 2006;
- iii) to issue in respect of (ii) above, 218,880,000 fully paid ordinary shares of a nominal value of Lm0.125 per share against the debit of an equivalent amount of Lm 23,118,000 to the Bank's retained earnings account and Lm 4,242,000 to the debit of the Bank's devaluation gain account.

***Unquote***



**Dr George Brancalone LL.D.**  
**Company Secretary**

**16 February 2006**

**HSBC Bank Malta p.l.c.**  
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# HSBC Bank Malta p.l.c. Preliminary Profit Statement for the year ended 31 December 2005

The preliminary profit statement is published pursuant to Listing Rule 9.39 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.

## Review of Performance

During the year ended 31 December 2005, HSBC Bank Malta p.l.c. and its subsidiaries generated a profit before tax on ordinary activities of Lm36.7 million, an increase of Lm3.9 million or 11.7 per cent compared with the year ended 31 December 2004.

Profit attributable to shareholders was Lm24.1 million, an increase of Lm2.1 million on the previous year.

Earnings per share increased from a 2004 figure of 30.2 cents to 33.0 cents, with the pre-tax return on average shareholders' funds increasing from 24.7 per cent in 2004 to 27.6 per cent.

Tax on profit on ordinary activities for 2005 increased to Lm12.6 million from Lm10.8 million in 2004.

Net interest income grew by 13.2 per cent over prior year and contributed Lm46.9 million to total operating income.

Non-interest income levels grew by 16.3 per cent, contributing Lm21.8 million to net operating income.

Operating expenses were Lm32.1 million, an increase of Lm0.5 million over prior year figures.

As a result, the group's cost:income ratio improved to 46.7 per cent from 52.5 per cent in 2004.

Net impairments reduced and recoveries contributed Lm0.1 million to profitability.

The Board is recommending a final ordinary dividend of 19.1 cents gross per share and a special dividend of 21.1 cents gross per share, giving a total final dividend of 40.2 cents gross per share. The dividends will be payable to shareholders who are on the register of shareholders as at 21 February 2006. A gross interim dividend of 19.1 cents and a special dividend of 27.4 cents were paid in August 2005.

The Board is also recommending a three-for-one bonus share issue. The bonus shares will be allotted to shareholders on the register of members as at close of trading on the Malta Stock Exchange on 18 April 2006. These bonus shares will be available for trading by the shareholders at the opening of business on 19 April 2006.

Shaun Wallis, Director and Chief Executive Officer of HSBC Bank Malta p.l.c. said: "2005 has been another successful year for HSBC Bank Malta p.l.c. with strong sales growth across all our key lines of business, reflecting of the increased economic activity of our customers.

"These results were achieved by building the market leading bank in Malta with a strong customer-driven culture and a strong sense of community spirit and social responsibility."

## Income Statement for the year 1 January 2005 to 31 December 2005

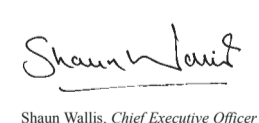
	Group		Bank	
	2005 Lm000	2004 Lm000	2005 Lm000	2004 Lm000
Interest receivable and similar income				
- on loans and advances, balances with Central Bank of Malta and Treasury Bills	60,994	56,531	58,048	53,088
- on debt and other fixed income instruments	13,205	12,276	12,196	11,817
Interest payable	(27,327)	(27,413)	(27,648)	(27,717)
<b>Net interest income</b>	<b>46,872</b>	<b>41,394</b>	<b>42,596</b>	<b>37,188</b>
Fees and commissions receivable	11,866	9,567	9,342	7,685
Fees and commissions payable	(814)	(765)	(686)	(646)
<b>Net fee and commission income</b>	<b>11,052</b>	<b>8,802</b>	<b>8,656</b>	<b>7,039</b>
Dividend income	473	363	22,604	5,709
Trading profits	7,206	6,562	7,215	6,552
Net income from insurance financial instruments designated at fair value through profit or loss	8,523	3,496	-	-
Net gains on disposal of non-trading financial instruments	1,204	1,716	1,266	1,019
Net earned insurance premium	16,236	14,198	-	-
Other operating income	723	737	24	50
<b>Total operating income</b>	<b>92,289</b>	<b>77,268</b>	<b>82,361</b>	<b>57,557</b>
Net insurance claims incurred and movement in policyholders' liabilities	(23,661)	(17,168)	-	-
<b>Net operating income</b>	<b>68,628</b>	<b>60,100</b>	<b>82,361</b>	<b>57,557</b>
Employee compensation and benefits	(20,132)	(19,656)	(19,203)	(18,698)
General and administrative expenses	(9,075)	(8,590)	(8,527)	(8,026)
Depreciation	(2,197)	(2,311)	(2,157)	(2,253)
Amortisation of intangible assets	(635)	(797)	(556)	(616)
Other operating charges	(26)	(206)	(6)	(206)
<b>Net operating income before impairment reversals and provisions</b>	<b>36,563</b>	<b>28,540</b>	<b>51,912</b>	<b>27,758</b>
Net impairment reversals	142	4,012	121	3,649
Reversals of provisions for liabilities and other charges	1	301	1	301
<b>Profit before tax</b>	<b>36,706</b>	<b>32,853</b>	<b>52,034</b>	<b>31,708</b>
Tax on profit	(12,642)	(10,843)	(17,854)	(10,627)
<b>Profit for the year</b>	<b>24,064</b>	<b>22,010</b>	<b>34,180</b>	<b>21,081</b>
<b>Profit attributable to shareholders of the bank</b>	<b>24,057</b>	<b>22,010</b>	<b>34,180</b>	<b>21,081</b>
<b>Profit attributable to minority interest</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Earnings per share</b>	<b>33.0c</b>	<b>30.2c</b>	<b>46.8c</b>	<b>28.9c</b>

## Balance Sheet at 31 December 2005

	Group		Bank	
	2005 Lm000	2004 Lm000	2005 Lm000	2004 Lm000
<b>Assets</b>				
Balances with Central Bank of Malta, Treasury Bills and cash	77,121	106,806	77,118	106,781
Cheques in course of collection	9,727	4,458	9,727	4,458
Financial assets held for trading	3,907	4,826	3,907	4,826
Financial assets designated at fair value through profit or loss	93,131	72,533	-	-
Investments	224,500	238,446	254,468	268,226
Loans and advances to banks	162,882	131,283	202,332	172,363
Loans and advances to customers	1,016,084	976,296	937,813	884,868
Shares in subsidiary companies	-	-	20,350	19,850
Intangible assets	9,433	8,782	829	964
Property, plant and equipment	29,746	30,647	29,755	30,620
Investment property	961	346	-	-
Assets held for sale	4,918	3,150	5,864	3,150
Current tax recoverable	1,895	1,372	1,607	1,310
Other assets	3,522	3,715	2,699	2,856
Prepayments and accrued income	12,868	16,486	12,945	15,716
<b>Total assets</b>	<b>1,650,695</b>	<b>1,599,146</b>	<b>1,559,414</b>	<b>1,515,988</b>
<b>Liabilities</b>				
Financial liabilities held for trading	4,050	9,917	4,050	9,917
Amounts owed to banks	22,667	48,336	22,667	48,336
Amounts owed to customers	1,367,214	1,288,618	1,381,683	1,296,687
Debt securities in issue	12	12	-	-
Deferred tax liability	3,843	2,251	349	564
Liabilities to customers under investment contracts	8,297	-	-	-
Liabilities under insurance contracts issued	81,096	65,996	-	-
Other liabilities	16,755	14,522	16,192	13,306
Accruals and deferred income	15,035	15,101	14,942	14,818
Provisions for liabilities and other charges	25	26	25	26
Subordinated liabilities	-	19,914	-	20,000
<b>Total liabilities</b>	<b>1,518,994</b>	<b>1,464,693</b>	<b>1,439,908</b>	<b>1,403,654</b>
<b>Equity</b>				
Called up share capital	9,120	9,120	9,120	9,120
Revaluation reserves	13,105	11,473	13,041	11,479
Other reserve	4,242	4,242	4,242	4,242
Retained earnings	104,906	109,618	93,103	87,493
Equity attributable to shareholders	131,373	134,453	119,506	112,334
Minority interest	328	-	-	-
<b>Total equity</b>	<b>131,701</b>	<b>134,453</b>	<b>119,506</b>	<b>112,334</b>
<b>Total liabilities and equity</b>	<b>1,650,695</b>	<b>1,599,146</b>	<b>1,559,414</b>	<b>1,515,988</b>
<b>Memorandum items</b>				
Contingent liabilities	51,513	44,127	51,523	44,537
Commitments	419,573	330,584	430,401	346,758

The financial statements were approved by the Board of Directors on 16 February 2006 and signed on its behalf by:

  
Albert Mizzi, Chairman

  
Shaun Wallis, Chief Executive Officer

**Statement of Changes in Equity for the year 1 January 2005 to 31 December 2005**

Group	Attributable to shareholders of the bank					Minority interest	Total equity
	Called up share capital	Revaluation reserves	Other reserve	Retained earnings	Total		
	Lm000	Lm000	Lm000	Lm000	Lm000		
At 1 January 2004	9,120	11,365	4,242	106,435	131,162	-	131,162
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(1,357)	-	-	(1,357)	-	(1,357)
Net fair value adjustments on investments	-	615	-	-	615	-	615
Surplus on revaluation of freehold and long leasehold properties	-	850	-	-	850	-	850
Net gains not recognised in the income statement	-	108	-	-	108	-	108
Profit for the year	-	-	-	22,010	22,010	-	22,010
Dividends	-	-	-	(18,827)	(18,827)	-	(18,827)
At 31 December 2004	9,120	11,473	4,242	109,618	134,453	-	134,453
At 1 January 2005 as previously stated	9,120	11,473	4,242	109,618	134,453	-	134,453
Impact of adoption of IFRS 4	-	-	-	(199)	(199)	-	(199)
At 1 January 2005 as restated	9,120	11,473	4,242	109,419	134,254	-	134,254
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(783)	-	-	(783)	-	(783)
Net fair value adjustments on investments	-	757	-	-	757	-	757
Release of revaluation reserve on disposal of property	-	30	-	(45)	(15)	-	(15)
Movement in deferred tax on revaluation of property	-	1,628	-	-	1,628	-	1,628
Net gains not recognised in the income statement	-	1,632	-	(45)	1,587	-	1,587
Share capital of subsidiary	-	-	-	-	-	321	321
Profit for the year	-	-	-	24,057	24,057	7	24,064
Dividends	-	-	-	(28,525)	(28,525)	-	(28,525)
At 31 December 2005	9,120	13,105	4,242	104,906	131,373	328	131,701
Bank							
At 31 December 2003 as previously stated	9,120	32,456	4,242	85,239	131,057	-	131,057
Effect of change in accounting policy for valuation of investment in subsidiary companies	-	(21,752)	-	-	(21,752)	-	(21,752)
At 31 December 2003 as restated	9,120	10,704	4,242	85,239	109,305	-	109,305
At 1 January 2004	9,120	10,704	4,242	85,239	109,305	-	109,305
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(660)	-	-	(660)	-	(660)
Net fair value adjustments on investments	-	585	-	-	585	-	585
Surplus on revaluation of freehold and long leasehold properties	-	850	-	-	850	-	850
Net gains not recognised in the income statement	-	775	-	-	775	-	775
Profit for the year	-	-	-	21,081	21,081	-	21,081
Dividends	-	-	-	(18,827)	(18,827)	-	(18,827)
At 31 December 2004	9,120	11,479	4,242	87,493	112,334	-	112,334
At 1 January 2005	9,120	11,479	4,242	87,493	112,334	-	112,334
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(823)	-	-	(823)	-	(823)
Net fair value adjustments on investments	-	727	-	-	727	-	727
Release of revaluation reserve on disposal of properties	-	30	-	(45)	(15)	-	(15)
Movement in deferred tax on revaluation of property	-	1,628	-	-	1,628	-	1,628
Net gains not recognised in the income statement	-	1,562	-	(45)	1,517	-	1,517
Profit for the year	-	-	-	34,180	34,180	-	34,180
Dividends	-	-	-	(28,525)	(28,525)	-	(28,525)
At 31 December 2005	9,120	13,041	4,242	93,103	119,506	-	119,506

**Cash Flow Statement for the year 1 January 2005 to 31 December 2005**

	Group		Bank	
	2005	2004	2005	2004
	Lm000	Lm000	Lm000	Lm000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	101,511	84,933	77,419	63,919
Interest and commission payments	(30,381)	(31,843)	(28,359)	(30,256)
Payments to employees and suppliers	(29,547)	(25,841)	(27,938)	(25,133)
Operating profit before changes in operating assets/liabilities	41,583	27,249	21,122	8,530
(Increase)/decrease in operating assets:				
Trading instruments	419	(1,742)	419	(1,742)
Reserve deposit with Central Bank of Malta	(1,823)	(4,827)	(1,823)	(4,841)
Loans and advances to banks with contractual maturity of over three months	(4,952)	(7,079)	(4,952)	(7,080)
Loans and advances to customers	(41,414)	(52,911)	(54,538)	(71,273)
Treasury Bills with contractual maturity of over three months	42,144	30,701	42,144	30,700
Cheques in course of collection	(5,269)	1,179	(5,269)	1,179
Other receivables	(206)	(1,261)	(242)	(1,610)
Increase/(decrease) in operating liabilities:				
Amounts owed to banks with contractual maturity of over three months	(22,999)	14,561	(22,999)	14,560
Amounts owed to customers	67,563	25,735	73,962	27,297
Other payables	2,444	4,670	3,002	1,865
Net cash from/(used in) operating activities before tax	77,490	36,275	50,826	(2,415)
Tax paid	(9,784)	(10,412)	(8,953)	(9,504)
Net cash flows from/(used in) operating activities	67,706	25,863	41,873	(11,919)
<b>Cash flows from investing activities</b>				
Dividends received	397	323	14,798	3,887
Interest received from financial instruments designated at fair value through profit or loss and other fixed income instruments	2,399	1,605	-	-
Interest received from held-to-maturity debt and other fixed income instruments	6,821	5,083	6,821	5,083
Proceeds on disposal of financial instruments designated at fair value through profit or loss	4,978	7,429	6,328	8,802
Proceeds on disposal of available-for-sale instruments	9,454	4,031	-	-
Proceeds on maturity of held-to-maturity debt and other fixed income instruments	15,498	10,814	15,354	5,224
Proceeds on disposal of property, plant and equipment	41,707	70,488	41,707	70,488
Purchase of financial instruments designated at fair value through profit or loss	264	57	255	47
Purchase of available-for-sale instruments	(21,506)	(23,319)	-	-
Purchase of held-to-maturity debt and other fixed income instruments	(37,330)	(35,332)	(37,330)	(30,764)
Purchase of property, plant and equipment and investment property	-	(57,805)	-	(57,805)
Purchase of intangible assets	(2,143)	(1,290)	(1,553)	(1,244)
Purchase of shares in subsidiary companies	(712)	(86)	(421)	(81)
Net cash flows from/(used in) investing activities	19,827	(18,002)	44,459	3,637
<b>Cash flows from financing activities</b>				
Dividends paid	(28,525)	(18,827)	(28,525)	(18,827)
Maturity of subordinated loan stock	(19,914)	-	(20,000)	-
Issue of units to minority interest	321	-	-	-
Cash used in financing activities	(48,118)	(18,827)	(48,525)	(18,827)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>39,415</b>	<b>(10,966)</b>	<b>37,807</b>	<b>(27,109)</b>
Effect of exchange rate changes on cash and cash equivalents	2,558	(1,139)	2,558	(1,139)
Net increase/(decrease) in cash and cash equivalents	36,857	(9,827)	35,249	(25,970)
Cash and cash equivalents at beginning of year	39,415	(10,966)	37,807	(27,109)
<b>Cash and cash equivalents at end of year</b>	<b>136,468</b>	<b>97,053</b>	<b>175,915</b>	<b>138,108</b>

**Segmental information**
**a Class of business**

	Personal Financial Services		Commercial Banking		Corporate, Investment Banking and Markets		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000
<b>Group</b>								
<b>Profit before tax</b>								
Segment operating income	33,732	29,606	23,517	22,136	11,379	8,358	68,628	60,100
Segment impairment allowances	(507)	107	649	3,905	-	-	142	4,012
Common costs	-	-	-	-	-	-	(32,064)	(31,259)
<b>Profit before tax</b>							<b>36,706</b>	<b>32,853</b>
<b>Assets</b>								
Segment total assets	577,333	476,124	610,844	653,122	462,518	469,900	1,650,695	1,599,146
Average total assets	526,728	444,835	631,983	648,577	466,209	475,653	1,624,920	1,569,065
Total equity	38,261	39,451	79,806	82,069	13,634	12,933	131,701	134,453

**b Geographical segments**

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

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 over 9,700 offices in 77 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

**HSBC**   
The world's local bank