



***COMPANY ANNOUNCEMENT***

The following is a Company Announcement by HSBC Bank Malta p.l.c. pursuant to Malta Financial Services Authority Listing Rules 8.5.5, 8.5.20 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 2006 as agreed to with the auditors KPMG.

The Board of Directors further resolved to recommend that the Annual General Meeting to be held on 19 April 2007 approves the payment of a final ordinary dividend of 5.3 cents gross per share (3.45 cents net of tax) and a special dividend of 5.3 cents gross per share (3.45 cents net of tax), giving a total final dividend of 10.6 cents gross per share (6.9 cents net of tax). This will be paid on 21 April 2007 to shareholders who are on the company's register of shareholders as at 2 March 2007.

***Unquote***

A handwritten signature in black ink, appearing to be "G. Brancalone".

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

**16 February 2007**

**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.

16 February 2007

## **HSBC Bank Malta p.l.c. Preliminary Profit Statement for the year ended 31 December 2006**

*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.*

*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. The euro exchange rate ruling on 31 December 2006 was €1 = Lm0.4293. The US dollar and sterling exchange rates ruling on the same day were US\$1 = Lm0.3258 and £1 = Lm0.6397. Average exchange rates for 2006 for euro, US dollar and sterling were €1 = Lm0.4293, US\$1 = Lm0.3418 and £1 = Lm0.6296.*

### **Review of Performance**

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During the year ended 31 December 2006, HSBC Bank Malta p.l.c. and its subsidiaries generated a profit before tax on ordinary activities of Lm41.4 million, an increase of Lm4.7 million, or 12.8 per cent compared with 2005.

Profit attributable to shareholders was Lm26.8 million, an increase of Lm2.8 million, or 11.4 per cent, over prior year figures.

Earnings per share increased to 9.2 cents from a 2005 figure of 8.2 cents, with the pre-tax return on average shareholders' funds increasing to 32.1 per cent from 27.6 per cent in 2005.

Net interest income grew by 5.4 per cent over the prior year and contributed Lm47.0 million to total operating income driven by growth in lending volumes of 10 per cent. Principal areas of growth in the lending portfolios were in the higher yielding personal and non-public sector customer segments and with a reduction in lower yielding public sector debt. This was partly offset by a higher interest rate environment for new customer deposits which pushed up interest payable costs.

Non-interest income levels grew by 18.8 per cent, contributing Lm28.6 million to total operating income. Net fees and commissions grew by 14.7 per cent as transactional activity on credit card payments and debit card EPOS machine usage grew substantially; funds under management, stockbroking sales and life assurance business also grew significantly.

Against a background of stronger income flows, operating expenses were Lm34.3 million, an increase of Lm2.3 million over prior year figures. Employee compensation grew by 5.5 per cent, driven largely by performance-related pay benefits due to the higher sales and profits of the bank. Whilst general expenses increased by Lm1.0 million, there were significant investments in infrastructure and branch network, which substantially improved automation and operational efficiencies. This has enabled the bank to absorb larger volumes of business and positioned it for future growth.

As a result, the group's cost to income ratio improved to 45.5 per cent from 46.7 per cent in 2005.

Total assets increased by Lm231.4 million to Lm1,887.3 million.

Loans and advances to customers increased by Lm110.0 million, supported by growth in both the personal and commercial sectors. New product lines were introduced with a diversification in mortgage product choice as well as new financing proposals for the SME and larger corporate markets. Credit quality remained sound.

Advances to deposits ratio increased to 76.3 per cent from a prior year end level of 74.3 per cent.

Amounts owed to customers increased by Lm108.2 million to Lm1,475.5 million driven by competitive pricing and the investment in automated bank channels which strengthened the growth in deposit volumes and contributed to significantly higher transaction activity.

The capital solvency ratio was at 10.9 per cent.

Shaun Wallis, Director and Chief Executive Officer of HSBC Bank Malta p.l.c. said: "2006 has been a record year for HSBC Bank Malta p.l.c. with record sales volumes across all product groups, record customer service satisfaction levels and strong staff engagement levels, all contributing to improved financial results.

"We achieved this by having a clear customer focus, by investing in our staff and upgrading our systems. We have also benefited from being able to leverage the HSBC brand.

"With good customer relationships, strong recurrent business streams, excellent resources and the backing of the HSBC Group, we are confident we will continue to grow our business successfully and in a sustainable manner and remain Malta's leading provider of financial services."

The Board is recommending to the Annual General Meeting to be held on 19 April 2007 a final ordinary dividend of 5.3 cents gross per share and a special dividend of 5.3 cents gross per share, giving a total final dividend of 10.6 cents gross per share scheduled to be paid on 21 April 2007. The total final dividend will be payable to shareholders on the bank's register as at 2 March 2007. This, together with the interim dividend of 5.3 cents gross, produces a total dividend for the year of 15.9 cents gross.

*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 9,500 offices in 81 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.*

**Income Statement for the year 1 January 2006 to 31 December 2006**

	<i>Group</i>		<i>Bank</i>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<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>72,103</b>	60,994	<b>71,285</b>	58,048
– on debt and other fixed income instruments	<b>8,772</b>	10,890	<b>9,209</b>	12,196
Interest payable	<b>(33,913)</b>	(27,327)	<b>(34,378)</b>	(27,648)
<b>Net interest income</b>	<b>46,962</b>	44,557	<b>46,116</b>	42,596
Fees and commissions receivable	<b>13,848</b>	11,866	<b>10,831</b>	9,342
Fees and commissions payable	<b>(1,175)</b>	(814)	<b>(987)</b>	(686)
<b>Net fee and commission income</b>	<b>12,673</b>	11,052	<b>9,844</b>	8,656
Dividend income	<b>113</b>	142	<b>2,169</b>	22,604
Trading profits	<b>7,335</b>	7,206	<b>7,335</b>	7,215
Net income from insurance financial instruments designated at fair value through profit or loss	<b>4,768</b>	11,169	-	-
Net gains on sale of financial investments	<b>2,719</b>	1,204	<b>2,719</b>	1,266
Net earned insurance premium	<b>16,536</b>	16,236	-	-
Other operating income	<b>2,308</b>	723	<b>715</b>	24
<b>Total operating income</b>	<b>93,414</b>	92,289	<b>68,898</b>	82,361
Net insurance claims incurred and movement in policyholders' liabilities	<b>(17,846)</b>	(23,661)	-	-
<b>Net operating income</b>	<b>75,568</b>	68,628	<b>68,898</b>	82,361
Employee compensation and benefits	<b>(21,249)</b>	(20,132)	<b>(20,357)</b>	(19,203)
General and administrative expenses	<b>(10,036)</b>	(9,075)	<b>(9,543)</b>	(8,527)
Depreciation	<b>(2,406)</b>	(2,197)	<b>(2,388)</b>	(2,157)
Amortisation of intangible assets	<b>(547)</b>	(635)	<b>(464)</b>	(556)
Other operating charges	<b>(109)</b>	(26)	<b>(9)</b>	(6)
<b>Net operating income before impairment reversals and provisions</b>	<b>41,221</b>	36,563	<b>36,137</b>	51,912
Net impairment reversals	<b>181</b>	142	<b>141</b>	121
(Provisions)/reversals of provisions for liabilities and other charges	<b>(7)</b>	1	<b>(7)</b>	1
<b>Profit before tax</b>	<b>41,395</b>	36,706	<b>36,271</b>	52,034
Tax expense	<b>(14,572)</b>	(12,642)	<b>(12,366)</b>	(17,854)
<b>Profit for the year</b>	<b>26,823</b>	24,064	<b>23,905</b>	34,180
<b>Profit attributable to shareholders of the bank</b>	<b>26,810</b>	24,057	<b>23,905</b>	34,180
<b>Profit attributable to minority interest</b>	<b>13</b>	7	-	-
<b>Earnings per share</b>	<b>9.2c</b>	8.2c	<b>8.2c</b>	11.7c

## Balance Sheet at 31 December 2006

	<i>Group</i>		<i>Bank</i>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>Lm000</b>	Lm000	<b>Lm000</b>	Lm000
<b>Assets</b>				
Balances with Central Bank of Malta,				
Treasury Bills and cash	<b>130,569</b>	77,121	<b>130,569</b>	77,118
Cheques in course of collection	<b>10,535</b>	9,727	<b>10,535</b>	9,727
Financial assets held for trading	<b>10,396</b>	3,907	<b>10,399</b>	3,907
Financial assets designated at fair value				
through profit or loss	<b>112,476</b>	93,131	-	-
Financial investments	<b>168,138</b>	224,500	<b>168,123</b>	254,468
Loans and advances to banks	<b>256,060</b>	162,882	<b>256,042</b>	202,332
Loans and advances to customers	<b>1,126,126</b>	1,016,084	<b>1,126,126</b>	937,813
Shares in subsidiary companies	-	-	<b>9,682</b>	20,350
Intangible assets	<b>10,899</b>	9,433	<b>794</b>	829
Property, plant and equipment	<b>28,612</b>	29,746	<b>28,632</b>	29,755
Investment property	<b>3,417</b>	961	<b>2,456</b>	-
Assets held for sale	<b>3,978</b>	4,918	<b>4,042</b>	5,864
Current tax recoverable	<b>806</b>	1,895	<b>780</b>	1,607
Deferred tax assets	-	-	<b>724</b>	-
Other assets	<b>10,713</b>	8,701	<b>2,984</b>	2,699
Prepayments and accrued income	<b>14,589</b>	12,868	<b>13,630</b>	12,945
<b>Total assets</b>	<b>1,887,314</b>	1,655,874	<b>1,765,518</b>	1,559,414
<b>Liabilities</b>				
Financial liabilities held for trading	<b>10,643</b>	4,050	<b>10,693</b>	4,050
Amounts owed to banks	<b>126,328</b>	22,667	<b>126,328</b>	22,667
Amounts owed to customers	<b>1,475,450</b>	1,367,214	<b>1,487,906</b>	1,381,683
Debt securities in issue	-	12	-	-
Deferred tax liabilities	<b>4,606</b>	3,843	-	349
Liabilities to customers under investment				
contracts	<b>9,153</b>	8,297	-	-
Liabilities under insurance contracts issued	<b>102,770</b>	86,275	-	-
Other liabilities	<b>13,816</b>	16,755	<b>13,003</b>	16,192
Accruals and deferred income	<b>18,147</b>	15,035	<b>17,936</b>	14,942
Provisions for liabilities and other charges	<b>32</b>	25	<b>32</b>	25
<b>Total liabilities</b>	<b>1,760,945</b>	1,524,173	<b>1,655,898</b>	1,439,908
<b>Equity</b>				
Called up share capital	<b>36,480</b>	9,120	<b>36,480</b>	9,120
Revaluation reserves	<b>10,629</b>	13,105	<b>10,629</b>	13,041
Other reserve	<b>242</b>	4,242	<b>227</b>	4,242
Retained earnings	<b>79,018</b>	104,906	<b>62,284</b>	93,103
Equity attributable to shareholders	<b>126,369</b>	131,373	<b>109,620</b>	119,506
Minority interest	-	328	-	-
<b>Total equity</b>	<b>126,369</b>	131,701	<b>109,620</b>	119,506
<b>Total liabilities and equity</b>	<b>1,887,314</b>	1,655,874	<b>1,765,518</b>	1,559,414
<b>Memorandum items</b>				
Contingent liabilities	<b>59,578</b>	51,513	<b>59,588</b>	51,523
Commitments	<b>456,899</b>	401,216	<b>456,899</b>	412,044

**Statement of Changes in Equity for the year 1 January 2006 to 31 December 2006**

<i>Group</i>	<i>Attributable to shareholders of the bank</i>						
	<i>Called up share capital</i>	<i>Reval- uation reserves</i>	<i>Other reserve</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Minority interest</i>	<i>Total equity</i>
	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>
At 1 January 2005	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
Income and expenses recognised directly in equity	-	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	<b>9,120</b>	<b>13,105</b>	<b>4,242</b>	<b>104,906</b>	<b>131,373</b>	<b>328</b>	<b>131,701</b>
At 1 January 2006	<b>9,120</b>	<b>13,105</b>	<b>4,242</b>	<b>104,906</b>	<b>131,373</b>	<b>328</b>	<b>131,701</b>
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 investments	-	(1,668)	-	-	(1,668)	-	(1,668)
Release of revaluation reserve on disposal of property	-	(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	<b>36,480</b>	<b>10,629</b>	<b>242</b>	<b>79,018</b>	<b>126,369</b>	<b>-</b>	<b>126,369</b>

**Statement of Changes in Equity for the year 1 January 2006 to 31 December 2006 (continued)**

	<i>Called up share capital</i>	<i>Revaluation reserves</i>	<i>Other reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>	<b>Lm000</b>
<i>Bank</i>					
At 1 January 2005	9,120	11,479	4,242	87,493	112,334
Release of net gains on available-for-sale assets transferred to the income statement on disposal	-	(823)	-	-	(823)
Net fair value adjustments on investments	-	727	-	-	727
Release of revaluation reserve on disposal of properties	-	30	-	(45)	(15)
Movement in deferred tax on revaluation of property	-	1,628	-	-	1,628
Income and expenses recognised directly in equity	-	1,562	-	(45)	1,517
Profit for the year	-	-	-	34,180	34,180
Dividends	-	-	-	(28,525)	(28,525)
At 31 December 2005	<b>9,120</b>	<b>13,041</b>	<b>4,242</b>	<b>93,103</b>	<b>119,506</b>
At 1 January 2006	<b>9,120</b>	<b>13,041</b>	<b>4,242</b>	<b>93,103</b>	<b>119,506</b>
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 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	<b>27,360</b>	-	(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	<b>36,480</b>	<b>10,629</b>	<b>227</b>	<b>62,284</b>	<b>109,620</b>

**Cash Flow Statement for the year 1 January 2006 to 31 December 2006**

	<i>Group</i>		<i>Bank</i>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>Lm000</b>	Lm000	<b>Lm000</b>	Lm000
<b>Cash flows from operating activities</b>				
Interest and commission receipts	<b>112,416</b>	103,910	<b>87,824</b>	77,419
Interest and commission payments	<b>(36,601)</b>	(30,381)	<b>(33,491)</b>	(28,359)
Payments to employees and suppliers	<b>(31,952)</b>	(29,547)	<b>(28,770)</b>	(27,938)
Operating profit before changes in operating assets/liabilities	<b>43,863</b>	43,982	<b>25,563</b>	21,122
(Increase)/decrease in operating assets:				
Trading instruments	<b>(19,451)</b>	(11,329)	<b>(724)</b>	419
Reserve deposit with Central Bank of Malta	<b>(6,618)</b>	(1,823)	<b>(6,618)</b>	(1,823)
Loans and advances to customers and banks	<b>(198,898)</b>	(46,366)	<b>(203,229)</b>	(59,490)
Treasury Bills with contractual maturity of over three months	<b>(12,089)</b>	42,144	<b>(12,089)</b>	42,144
Other receivables	<b>(1,035)</b>	(5,475)	<b>(1,070)</b>	(5,511)
Increase/(decrease) in operating liabilities:				
Customer accounts and amounts owed to banks	<b>198,053</b>	44,564	<b>196,360</b>	50,963
Other payables	<b>(2,397)</b>	2,444	<b>(2,674)</b>	3,002
Net cash from/(used in) operating activities before tax	<b>1,428</b>	68,141	<b>(4,481)</b>	50,826
Tax paid	<b>(10,976)</b>	(9,784)	<b>(10,840)</b>	(8,953)
Net cash (used in)/from operating activities	<b>(9,548)</b>	58,357	<b>(15,321)</b>	41,873
<b>Cash flows from investing activities</b>				
Dividends received	<b>74</b>	93	<b>1,874</b>	14,798
Interest received from financial investments	<b>11,333</b>	11,799	<b>11,752</b>	13,149
Proceeds from sale and maturity of financial investments	<b>88,891</b>	57,205	<b>118,877</b>	57,061
Proceeds on sale of property, plant and equipment and intangible assets	<b>80</b>	264	<b>80</b>	255
Purchase of financial investments	<b>(37,851)</b>	(37,330)	<b>(37,851)</b>	(37,330)
Purchase of property, plant and equipment, investment property and intangible assets	<b>(2,311)</b>	(2,855)	<b>(2,289)</b>	(1,974)
Proceeds on sale of shares in subsidiary company	<b>450</b>	-	<b>450</b>	-
Purchase of shares in subsidiary companies	-	-	-	(1,500)
Net cash from investing activities	<b>60,666</b>	29,176	<b>92,893</b>	44,459



**Cash Flow Statement for the year 1 January 2006 to 31 December 2006 (continued)**

<b>Cash flows from financing activities</b>				
Dividends paid	<b>(29,118)</b>	(28,525)	<b>(29,118)</b>	(28,525)
Maturity of debt securities in issue	<b>(12)</b>	-	-	-
Maturity of subordinated loan stock	-	(19,914)	-	(20,000)
Issue of units to minority interest	<b>91</b>	321	-	-
Cash used in financing activities	<b>(29,039)</b>	(48,118)	<b>(29,118)</b>	(48,525)
Effect of amalgamation of subsidiary company on cash and cash equivalents	-	-	<b>(65,840)</b>	-
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>22,079</b>	39,415	<b>(17,386)</b>	37,807
Effect of exchange rate changes on cash and cash equivalents	<b>(7,014)</b>	2,558	<b>(7,014)</b>	2,558
Net increase/(decrease) in cash and cash equivalents	<b>29,093</b>	36,857	<b>(10,372)</b>	35,249
	<b>22,079</b>	39,415	<b>(17,386)</b>	37,807
Cash and cash equivalents at beginning of year	<b>136,468</b>	97,053	<b>175,915</b>	138,108
<b>Cash and cash equivalents at end of year</b>	<b>158,547</b>	136,468	<b>158,529</b>	175,915

## Segmental Information

### a Class of business

	<i>Personal Financial Services</i>		<i>Commercial Banking</i>		<i>Corporate, Investment Banking and Markets</i>		<i>Total</i>	
	<b>2006</b> Lm000	2005 Lm000	<b>2006</b> Lm000	2005 Lm000	<b>2006</b> Lm000	2005 Lm000	<b>2006</b> Lm000	2005 Lm000
<i>Group</i>								
<b>Profit before tax for the year ended 31 December</b>								
Segment operating income	<b>38,552</b>	33,732	<b>26,592</b>	23,517	<b>10,424</b>	11,379	<b>75,568</b>	68,628
Segment impairment allowances	<b>(144)</b>	(507)	<b>325</b>	649	-	-	<b>181</b>	142
Common costs							<b>(34,354)</b>	(32,064)
<b>Profit before tax</b>							<b>41,395</b>	36,706
<b>Assets at 31 December</b>								
Segment total assets	<b>679,457</b>	582,512	<b>651,948</b>	610,844	<b>555,909</b>	462,518	<b>1,887,314</b>	1,655,874
Average total assets	<b>630,984</b>	526,728	<b>631,396</b>	631,983	<b>509,214</b>	466,209	<b>1,771,594</b>	1,624,920
<b>Total equity at 31 December</b>	<b>37,191</b>	38,261	<b>77,605</b>	79,806	<b>11,573</b>	13,634	<b>126,369</b>	131,701

### b Geographical segments

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