



## COMPANY ANNOUNCEMENT

The following is a Company Announcement by HSBC Bank Malta p.l.c. pursuant to Malta Financial Services Authority Listing Rules 5.16.4, 5.16.20 and 5.54:

*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 2010 as agreed to, with the auditors KPMG.

The Board of Directors resolved to recommend that the Annual General Meeting to be held on 7 April 2011 approves the payment of a final ordinary dividend of €0.07,7 gross per share (€0.05 net per share). This will be paid on 21 April 2011 to shareholders who are on the company's register of shareholders as at 8 March 2011.

*Unquote*

A handwritten signature in black ink, appearing to read "G Brancaleone".

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

**18 February 2011**

**HSBC Bank Malta p.l.c.**

Company Secretary, Head Office, 116, Archbishop Street, Valletta VLT1444  
Tel: (+356) 25972404 25972405

*Registered in Malta number C3177. Registered Office: 116, Archbishop Street, Valletta VLT 1444, Malta  
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.*

18 February 2011

**HSBC BANK MALTA p.l.c.**  
**2010 ANNUAL RESULTS**

**Review of Performance**

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- Profit before tax of €3.1 million for the year ended 31 December 2010 – up €1.9 million, or 16.7 per cent, compared with €1.2 million in 2009.
- Profit attributable to shareholders of €3.8 million for the year ended 31 December 2010 – up €7.9 million, or 17.2 per cent, compared with €5.9 million in 2009.
- Earnings per share for the year ended 31 December 2010 at 18.4 euro cent, compared with 15.7 euro cent for 2009.
- Total assets of €5,664.6 million at 31 December 2010, up €46.8 million, or 10.7 per cent, compared with 31 December 2009.
- Loans and advances to customers of €3,303.8 million at 31 December 2010, up €77.4 million, or 2.4 per cent, compared with 31 December 2009.
- Customer deposits of €4,462.9 million at 31 December 2010, up €376.2 million, or 9.2 per cent, compared with 31 December 2009.
- Return on equity of 16.1 per cent for the year ended 31 December 2010, compared with 15.0 per cent in 2009.
- Capital adequacy ratio of 10.2 per cent at 31 December 2010, compared with 9.3 per cent at 31 December 2009.

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## Commentary

HSBC Bank Malta p.l.c. delivered a strong performance in the year ended 31 December 2010. The reported profit before tax of €3.1 million, an increase of 16.7 per cent, or €1.9 million, compared to 2009, was primarily driven by improved levels of revenues reflecting stronger net interest income as margin compression eased.

Net interest income improved by 17.0 per cent to €22.8 million in the year ended 31 December 2010 compared to €105.0 million in 2009 attributable to balance sheet growth and the unwinding of term deposits. Net fees and commission income of €34.3 million increased by 5.9 per cent, or €1.9 million, compared to the €32.4 million recorded in 2009. Strong growth was recorded in card issuance and usage fees and from trust and retail brokerage trading activities.

Insurance performance was robust in a challenging economic environment. Life insurance activities generated a profit before tax of €12.6 million in 2010, up €0.8 million, or 7.2 per cent, compared to €11.7 million in 2009. A gain of €9.7 million in net income from insurance financial instruments designated at fair value was reported compared to €6.7 million recorded in prior year reflecting the volatility in the European financial markets. Gains or losses recorded on this line are offset by corresponding movements in net other operating income and in policyholders' liabilities disclosed separately in the income statement.

HSBC Bank Malta continues to take a disciplined approach to cost management while continuing to invest in the business and IT systems. As a result, operating expenses increased by €3.8 million, or 4.6 per cent, to €77.6 million in 2010. This was driven mainly by a high level of investment in branch refurbishments, customer segmentation, channel and process migration and system improvements as well as rewarding performance in line with revenue growth. The investments made will deliver better value and an improved customer experience in the medium term. The cost efficiency ratio improved to 49.7 per cent compared to 52.5 per cent in 2009 as growth in operating income outpaced the increased expenditure.

In a challenging economic environment and from a low historic base, there was a modest €1.0 million increase in loan impairments to €5.3 million in 2010 from €4.2 million in 2009. This remains at the modest level of 16 basis points of the overall loan book.

Total assets grew by €46.8 million to €5,664.6 million at 31 December 2010 compared to €5,117.8 million in 2009. This liability driven growth was invested in treasury bills and debt securities as deposit growth exceeded loan demand and as part of the bank's liquidity management strategy.

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Loans and advances to customers grew by €77.4 million in 2010 to €3,303.8 million, from €3,226.5 million in 2009, with growth seen in both the personal and commercial sectors. Mortgage market share remained stable. Following muted demand for corporate lending in the first nine months of 2010 stronger growth was registered in the last quarter. Gross new lending to customers amounted to €82.0 million which reflects the bank's continued support to the local economy and was a modest increase on prior year. The quality of the overall loan book remains good with non-performing loans at the 2010 year end representing 3.0 per cent of gross loans compared to 2.9 per cent in 2009.

Customer deposits grew by €376.2 million in 2010 to €4,462.9 million, testimony to the trust customers continue to place in HSBC during a period characterised by a number of bond issues and growing competitive pressures.

The available-for-sale investments portfolio remains well diversified and conservative. A fair value gain of €1.2 million on this portfolio was credited to revaluation reserves, net of tax.

The bank's liquidity position remains strong with an improved advances to deposits ratio of 74.0 per cent, compared with 79.0 per cent at 31 December 2009. The capital adequacy ratio at 10.2 per cent is well above regulatory requirements.

Alan Richards, Director and Chief Executive Officer of HSBC Bank Malta p.l.c., commented: "2010 was a difficult year but we are pleased both with the headline results and the progress we have made in transforming the bank for sustainable long-term growth. Our goal remains that of being the leading local and international bank in Malta.

"The local economy is performing relatively well and we anticipate continued growth for the foreseeable future. However, challenges within the global economy remain. Growth across Europe remains mixed, unemployment is still high, we have seen renewed stress in the Eurozone area and the impact of a number of government-led austerity measures are contributing to downside risks. We will continue to monitor the current situation closely as any slowdown in growth in Europe will inevitably impact Malta's open economy.

"There is still a lot to be done and 2011 will be another challenging year. However we continue to emphasise our competitive advantages as an international bank. We remain strongly capitalised, liquid and well placed to service the needs of our customers and support the local economy.

"The successful financial results for 2010 are testimony to the professionalism, commitment and hard work of our staff who performed admirably in demanding circumstances."

The Board is declaring a final gross dividend of 7.7 euro cent per share (5.0 euro cent net of tax). This will be paid on 21 April 2011 to shareholders who are on the bank's register of shareholders at 8 March 2011. This, together with the gross interim ordinary dividend of 7.9 euro cent per share, results in a total gross dividend for the year of 15.6 euro cent.

## Income statements for the year 1 January 2010 to 31 December 2010

	<i>Group</i>		<i>Bank</i>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>€000</b>	€000	<b>€000</b>	€000
Interest receivable and similar income				
– on loans and advances, balances with Central Bank of Malta, treasury bills and other instruments	<b>151,585</b>	155,408	<b>151,583</b>	155,401
– on debt and other fixed income instruments	<b>17,427</b>	13,630	<b>13,607</b>	11,535
Interest payable	<b>(46,170)</b>	(64,068)	<b>(46,813)</b>	(65,319)
<b>Net interest income</b>	<b>122,842</b>	104,970	<b>118,377</b>	101,617
Fees and commissions receivable	<b>36,993</b>	34,259	<b>32,702</b>	31,148
Fees and commissions payable	<b>(2,713)</b>	(1,895)	<b>(2,448)</b>	(1,637)
<b>Net fee and commission income</b>	<b>34,280</b>	32,364	<b>30,254</b>	29,511
Dividend income	-	43	<b>7,538</b>	10,581
Trading profits	<b>6,816</b>	7,221	<b>6,816</b>	7,221
Net income from insurance financial instruments designated at fair value through profit or loss	<b>19,707</b>	26,717	-	-
Net (losses)/gains on sale of available-for-sale financial investments	<b>(369)</b>	1,268	<b>(370)</b>	1,184
Net earned insurance premiums	<b>58,738</b>	52,878	-	-
Net other operating income	<b>5,162</b>	(2,232)	<b>1,061</b>	892
<b>Total operating income</b>	<b>247,176</b>	223,229	<b>163,676</b>	151,006
Net insurance claims incurred and movement in policyholders' liabilities	<b>(70,988)</b>	(63,570)	-	-
<b>Net operating income</b>	<b>176,188</b>	159,659	<b>163,676</b>	151,006
Employee compensation and benefits	<b>(50,723)</b>	(49,252)	<b>(48,380)</b>	(46,680)
General and administrative expenses	<b>(30,081)</b>	(27,047)	<b>(28,357)</b>	(25,599)
Depreciation	<b>(5,821)</b>	(6,322)	<b>(5,802)</b>	(6,301)
Amortisation	<b>(980)</b>	(1,148)	<b>(896)</b>	(1,041)
<b>Net operating income before impairment charges and provisions</b>	<b>88,583</b>	75,890	<b>80,241</b>	71,385
Net impairment	<b>(5,496)</b>	(4,429)	<b>(5,266)</b>	(4,232)
Net provisions for liabilities and other charges	<b>1</b>	(265)	<b>20</b>	(237)
<b>Profit before tax</b>	<b>83,088</b>	71,196	<b>74,995</b>	66,916
Tax expense	<b>(29,327)</b>	(25,329)	<b>(24,696)</b>	(22,261)
<b>Profit for the year</b>	<b>53,761</b>	45,867	<b>50,299</b>	44,655
<b>Profit attributable to shareholders</b>	<b>53,761</b>	45,867	<b>50,299</b>	44,655
<b>Earnings per share</b>	<b>18.4c</b>	15.7c	<b>17.2c</b>	15.3c

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**Statements of comprehensive income for the year 1 January 2010 to 31 December 2010**

	<i>Group</i>		<i>Bank</i>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>€000</b>	€000	<b>€000</b>	€000
<b>Profit attributable to shareholders</b>	<b>53,761</b>	45,867	<b>50,299</b>	44,655
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- change in fair value	<b>1,178</b>	17,496	<b>1,997</b>	16,132
- change in fair value transferred to profit or loss	<b>567</b>	(1,071)	<b>370</b>	(1,184)
- income taxes	<b>(610)</b>	(5,749)	<b>(828)</b>	(5,232)
Properties:				
- revaluation	<b>2,117</b>	-	<b>2,117</b>	-
- income taxes	<b>(89)</b>	-	<b>(89)</b>	-
<b>Other comprehensive income for the year, net of tax</b>	<b>3,163</b>	10,676	<b>3,567</b>	9,716
<b>Total comprehensive income for the year, net of tax</b>	<b>56,924</b>	56,543	<b>53,866</b>	54,371

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## Statements of financial position at 31 December 2010

	<i>Group</i>		<i>Bank</i>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>€000</b>	€000	<b>€000</b>	€000
<b>Assets</b>				
Balances with Central Bank of Malta, treasury bills and cash	<b>379,985</b>	172,671	<b>379,984</b>	172,670
Cheques in course of collection	<b>9,011</b>	10,764	<b>9,011</b>	10,764
Derivatives	<b>11,489</b>	11,746	<b>11,686</b>	11,964
Financial assets designated at fair value through profit or loss	<b>306,299</b>	248,553	-	-
Financial investments	<b>690,606</b>	478,975	<b>593,107</b>	380,275
Loans and advances to banks	<b>714,901</b>	747,657	<b>714,850</b>	747,582
Loans and advances to customers	<b>3,303,835</b>	3,226,477	<b>3,303,835</b>	3,226,477
Shares in subsidiary companies	-	-	<b>35,707</b>	35,707
Intangible assets	<b>70,655</b>	60,691	<b>7,583</b>	1,741
Property and equipment	<b>65,487</b>	65,397	<b>65,580</b>	65,470
Investment property	<b>14,591</b>	14,588	<b>11,668</b>	11,665
Assets held for sale	<b>9,674</b>	10,604	<b>9,674</b>	10,604
Current tax assets	<b>4,712</b>	6,164	<b>4,516</b>	4,516
Deferred tax assets	<b>10,181</b>	9,053	<b>9,902</b>	8,766
Other assets	<b>34,425</b>	20,712	<b>9,439</b>	7,931
Prepayments and accrued income	<b>38,710</b>	33,748	<b>34,256</b>	30,006
<b>Total assets</b>	<b>5,664,561</b>	5,117,800	<b>5,200,798</b>	4,726,138
<b>Liabilities</b>				
Derivatives	<b>12,311</b>	11,044	<b>12,313</b>	11,046
Amounts owed to banks	<b>232,790</b>	168,771	<b>232,790</b>	168,771
Amounts owed to customers	<b>4,462,861</b>	4,086,669	<b>4,517,763</b>	4,146,295
Provision for current tax	<b>2,603</b>	207	<b>953</b>	-
Deferred tax liabilities	<b>19,604</b>	18,851	-	-
Liabilities to customers under investment contracts	<b>18,962</b>	16,853	-	-
Liabilities under insurance contracts issued	<b>410,461</b>	351,513	-	-
Other liabilities	<b>46,424</b>	35,479	<b>42,721</b>	32,221
Accruals and deferred income	<b>36,304</b>	33,422	<b>35,327</b>	33,068
Provisions for liabilities and other charges	<b>531</b>	577	<b>494</b>	514
Subordinated liabilities	<b>87,880</b>	87,827	<b>87,880</b>	87,827
<b>Total liabilities</b>	<b>5,330,731</b>	4,811,213	<b>4,930,241</b>	4,479,742
<b>Equity</b>				
Share capital	<b>87,552</b>	87,552	<b>87,552</b>	87,552
Revaluation reserve	<b>28,674</b>	25,825	<b>28,283</b>	25,030
Retained earnings	<b>217,604</b>	193,210	<b>154,722</b>	133,814
<b>Total equity</b>	<b>333,830</b>	306,587	<b>270,557</b>	246,396
<b>Total liabilities and equity</b>	<b>5,664,561</b>	5,117,800	<b>5,200,798</b>	4,726,138
<b>Memorandum items</b>				
Contingent liabilities	<b>128,947</b>	119,917	<b>128,970</b>	119,940
Commitments	<b>977,718</b>	923,900	<b>977,718</b>	923,900

The financial statements were approved and authorised for issue by the Board of Directors on 18 February 2011 and signed on its behalf by:

Albert Mizzi, Chairman

Alan Richards, Chief Executive Officer

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## Statements of changes in equity for the year 1 January 2010 to 31 December 2010

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<i>Group</i>				
At 1 January 2010	<b>87,552</b>	<b>25,825</b>	<b>193,210</b>	<b>306,587</b>
Profit for the year	-	-	<b>53,761</b>	<b>53,761</b>
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- change in fair value, net of tax	-	<b>766</b>	-	<b>766</b>
- change in fair value transferred to profit or loss, net of tax	-	<b>369</b>	-	<b>369</b>
Properties:				
- release of revaluation reserve upon disposal, net of tax	-	<b>(314)</b>	<b>314</b>	-
- revaluation of properties, net of tax	-	<b>2,028</b>	-	<b>2,028</b>
<b>Total other comprehensive income</b>	-	<b>2,849</b>	<b>314</b>	<b>3,163</b>
<b>Total comprehensive income for the year</b>	-	<b>2,849</b>	<b>54,075</b>	<b>56,924</b>
<b>Transactions with owners, recorded directly in equity</b>				
Contributions by and distribution to owners:				
- share-based payments	-	-	<b>481</b>	<b>481</b>
- dividends	-	-	<b>(30,162)</b>	<b>(30,162)</b>
<b>Total contributions by and distributions to owners</b>	-	-	<b>(29,681)</b>	<b>(29,681)</b>
<b>At 31 December 2010</b>	<b>87,552</b>	<b>28,674</b>	<b>217,604</b>	<b>333,830</b>
At 1 January 2009	87,552	15,149	179,776	282,477
Profit for the year	-	-	45,867	45,867
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- change in fair value, net of tax	-	11,500	-	11,500
- change in fair value transferred to profit or loss, net of tax	-	(824)	-	(824)
<b>Total other comprehensive income</b>	-	10,676	-	10,676
<b>Total comprehensive income for the year</b>	-	10,676	45,867	56,543
<b>Transactions with owners, recorded directly in equity</b>				
Contributions by and distribution to owners:				
- share-based payments	-	-	384	384
- dividends	-	-	(32,817)	(32,817)
<b>Total contributions by and distributions to owners</b>	-	-	(32,433)	(32,433)
At 31 December 2009	87,552	25,825	193,210	306,587

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**Statements of changes in equity for the year 1 January 2010 to 31 December 2010**

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<i>Bank</i>				
At 1 January 2010	<b>87,552</b>	<b>25,030</b>	<b>133,814</b>	<b>246,396</b>
Profit for the year	-	-	<b>50,299</b>	<b>50,299</b>
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- change in fair value, net of tax	-	<b>1,298</b>	-	<b>1,298</b>
- change in fair value transferred to profit or loss, net of tax	-	<b>241</b>	-	<b>241</b>
Properties:				
- release of revaluation reserve upon disposal, net of tax	-	<b>(314)</b>	<b>314</b>	-
- revaluation of properties, net of tax	-	<b>2,028</b>	-	<b>2,028</b>
<b>Total other comprehensive income</b>	-	<b>3,253</b>	<b>314</b>	<b>3,567</b>
<b>Total comprehensive income for the year</b>	-	<b>3,253</b>	<b>50,613</b>	<b>53,866</b>
<b>Transactions with owners, recorded directly in equity</b>				
Contributions by and distributions to owners:				
- share-based payments	-	-	<b>457</b>	<b>457</b>
- dividends	-	-	<b>(30,162)</b>	<b>(30,162)</b>
<b>Total contributions by and distributions to owners</b>	-	-	<b>(29,705)</b>	<b>(29,705)</b>
<b>At 31 December 2010</b>	<b>87,552</b>	<b>28,283</b>	<b>154,722</b>	<b>270,557</b>
At 1 January 2009	87,552	15,314	121,606	224,472
Profit for the year	-	-	44,655	44,655
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- change in fair value, net of tax	-	10,485	-	10,485
- change in fair value transferred to profit or loss, net of tax	-	(769)	-	(769)
<b>Total other comprehensive income</b>	-	9,716	-	9,716
<b>Total comprehensive income for the year</b>	-	9,716	44,655	54,371
<b>Transactions with owners, recorded directly in equity</b>				
Contributions by and distributions to owners:				
- share-based payments	-	-	370	370
- dividends	-	-	(32,817)	(32,817)
<b>Total contributions by and distributions to owners</b>	-	-	(32,447)	(32,447)
At 31 December 2009	87,552	25,030	133,814	246,396

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**Statements of cash flows for the year 1 January 2010 to 31 December 2010**

	<i>Group</i>		<i>Bank</i>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>€000</b>	€000	<b>€000</b>	€000
<b>Cash flows from operating activities</b>				
Interest, commission and premium receipts	<b>254,711</b>	265,609	<b>187,992</b>	206,526
Interest, commission and claims payments	<b>(70,799)</b>	(103,916)	<b>(48,109)</b>	(83,838)
Payments to employees and suppliers	<b>(81,139)</b>	(80,017)	<b>(75,101)</b>	(75,910)
Operating profit before changes in operating assets/liabilities	<b>102,773</b>	81,676	<b>64,782</b>	46,778
(Increase)/decrease in operating assets:				
Trading instruments	<b>(43,064)</b>	36,917	-	391
Reserve deposit with Central Bank of Malta	<b>(8,335)</b>	4,575	<b>(8,335)</b>	4,575
Loans and advances to customers and banks	<b>(104,527)</b>	174,561	<b>(104,591)</b>	174,774
Treasury bills	<b>(202,915)</b>	(32,931)	<b>(197,099)</b>	(48,690)
Other receivables	<b>(21,249)</b>	(3,814)	<b>3,173</b>	(2,983)
Increase in operating liabilities:				
Amounts owed to customers and banks	<b>374,995</b>	51,665	<b>370,291</b>	53,076
Other payables	<b>32,313</b>	7,728	<b>7,573</b>	359
Net cash from operating activities before tax	<b>129,991</b>	320,377	<b>135,794</b>	228,280
Tax paid	<b>(26,840)</b>	(26,879)	<b>(25,183)</b>	(21,167)
Net cash from operating activities	<b>103,151</b>	293,498	<b>110,611</b>	207,113
<b>Cash flows (used in)/from investing activities</b>				
Dividends received	<b>281</b>	387	<b>6,650</b>	8,628
Interest received from financial investments	<b>25,575</b>	16,115	<b>16,036</b>	15,444
Purchase of financial investments	<b>(307,715)</b>	(218,285)	<b>(307,688)</b>	(132,135)
Proceeds from sale and maturity of financial investments	<b>94,246</b>	187,399	<b>94,246</b>	180,805
Purchase of property and equipment, investment property and intangible assets	<b>(11,038)</b>	(4,174)	<b>(10,998)</b>	(4,112)
Proceeds on sale of property and equipment and intangible assets	<b>453</b>	2,097	<b>412</b>	1,949
Net cash (used in)/from investing activities	<b>(198,198)</b>	(16,461)	<b>(201,342)</b>	70,579
<b>Cash flows used in financing activities</b>				
Dividends paid	<b>(30,162)</b>	(32,817)	<b>(30,162)</b>	(32,817)
Cash used in financing activities	<b>(30,162)</b>	(32,817)	<b>(30,162)</b>	(32,817)
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(125,209)</b>	244,220	<b>(120,893)</b>	244,875
Effect of exchange rate changes on cash and cash equivalents	<b>31,624</b>	6,911	<b>31,624</b>	6,911
Net (decrease)/increase in cash and cash equivalents	<b>(156,833)</b>	237,309	<b>(152,517)</b>	237,964
Cash and cash equivalents at beginning of year	<b>548,815</b>	304,595	<b>544,447</b>	299,572
<b>Cash and cash equivalents at end of year</b>	<b>423,606</b>	548,815	<b>423,554</b>	544,447

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**Basis of preparation**

*The preliminary statement of annual results is published pursuant to Listing Rule 5.54 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 International Financial Reporting Standards as adopted by the EU.*

*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 8,000 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.*

*ends/all*