



31 July 2017

**HSBC BANK MALTA P.L.C.  
HALF-YEARLY RESULTS FOR 2017**

- Reported profit before tax of €25.9m for the six months ended 30 June 2017. The reported performance was €15.4m or 37% lower when compared with the same period last year.
- On an adjusted basis (as explained under “Financial performance” on page 2), profit before tax was down 15% compared with the same period in 2016 due to the continuing adverse impact of negative interest rates, lower non-interest income as a result of risk management actions and higher compliance costs.
- Profit attributable to shareholders of €16.9m for the six months ended 30 June 2017 resulting in earnings per share of 4.7 cents compared with 7.5 cents in the same period in 2016.
- Common equity tier 1 capital ratio of 13.9% as at 30 June 2017, up from 13.2% at the end of 2016.
- Recommended gross interim dividend of 4.7 cents per share (3.0 cents per share net of tax).
- Cost efficiency ratio of 63% for the six months ended 30 June 2017, compared with an adjusted ratio for the significant item of 60% for the same period in 2016. The ratio was primarily impacted by lower revenue.
- Adjusted return on equity of 7.1% for the six months ended 30 June 2017, compared with 8.5% for the same period in 2016.
- Total assets of €7,068m at 30 June 2017, down €238m compared with 31 December 2016 due to lower loans and advances to banks and customers.
- Customer accounts of €4,870m at 30 June 2017, down €131m compared with 31 December 2016.

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

**Dr George Brancaleone LL.D.**  
**Company Secretary**  
**31 July 2017**

## Commentary

### Financial performance

HSBC Bank Malta p.l.c. reported a profit before tax of €25.9m for the six months ended 30 June 2017 compared with €41.3m for the same period in 2016. This represents a decrease of €15.4m or 37% on the previous period.

The reported results for the first six months of 2016 included the gain on disposal of €10.8m arising on the sale of our membership interest in Visa Europe. This was a significant event and therefore the income related to this transaction is excluded from the adjusted results to analyse the underlying business performance.

	<b>H1 2017</b>	H1 2016
	<b>€000</b>	€000
Reported profit before tax	<b>25,925</b>	41,314
Net gain on sale of investment in Visa Europe	-	(10,787)
Adjusted profit before tax	<b>25,925</b>	30,527

The performance during the first six months of 2017 was adversely impacted by persistent low interest rates, risk management actions and increased compliance costs but was in line with the management's expectations.

Profit attributable to shareholders amounted to €16.9m resulting in earnings per share of 4.7 cents compared with 7.5 cents in the first half of 2016. The Board proposes to maintain the current dividend pay-out ratio of 65% and recommends an interim gross dividend of 4.7 cents per share (3.0 cents per share net of tax). The interim dividend will be paid on 11 September 2017 to shareholders who are on the bank's register as at 10 August 2017.

All three main business lines, Retail Banking and Wealth Management, Commercial Banking and Global Markets, continued to be profitable during the six month period under review.

Net interest income decreased to €60.3m or 6% compared with €63.9m in the same period in 2016. The persisting low interest rate environment continued to impact the bank's performance – the yields on all interest earning assets continued to decline resulting in a lower interest income which was partly offset by lower funding costs. In addition, a number of corporates attracted funding through bond issuance in the local market which had an adverse effect on the bank's interest income. As the ECB deposit rate remained unchanged at negative 40 basis points, which is not recharged to customers, the bank continued to absorb the cost of the excess liquidity.

Non-interest income (fees and commissions and trading income) was down 15.3% compared with the same period in 2016 as a result of the risk management actions taken by the bank to align its portfolio with the established risk appetite and high compliance standards.

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Operating expenses of €52.2m remained broadly in line with the prior period. The bank continued to see the results of the early voluntary retirement programme implemented in 2016 as staff costs further decreased by 5% despite the annual pay increase. At the same time, continuous investment in regulatory and financial crime compliance offset the positive impact of savings in employee costs. The bank continues to exercise a rigorous cost control and to implement streamlining initiatives.

Following further discussion with the Malta Financial Services Authority, the bank intends to commence shortly the remediation process for the MiFID complex instruments issue disclosed in the 2016 year-end results. The bank's guidance on the costs of this programme remains unchanged. The expected costs are fully covered by a provision raised in the 2016 accounts.

Net impairment charges of €4.3m were slightly higher than in the first half of 2016. The bank maintains a conservative provisioning approach and raised impairments in relation to a number of long-outstanding mortgage exposures. At the same time, the bank holds adequate collateral against these exposures and expects to have recoveries in future. Overall asset quality remained satisfactory and total non-performing loans further declined from €216m to €191m during the first six months of 2017.

HSBC Life Assurance (Malta) Limited reported a profit before tax of €4.4m compared with €2m in the first half of 2016. The insurance subsidiary registered a growth in premium income, largely as a result of new single premium policies written. The company profit also benefited from a net positive impact of movement in the markets.

### **Financial position and capital**

The total assets of the Group decreased to €7,068m as at 30 June 2017. This was attributable to the reduction in the loans and advances to customers and the decrease in interbank placements.

Net loans and advances to customers stood at €3,222m, €98m or 3% lower than at 31 December 2016. The decline was in the corporate loan book driven primarily by early repayments by several clients who secured alternative funding through bond issuance. At the same time, the mortgage book continued to demonstrate healthy growth. Lending margins remained under pressure due to sustained competition and low interest rates.

The bank's available-for-sale investment portfolio increased by 5% to €1,105m. It is composed of highly rated securities and is conservatively positioned with the lowest investment grade of A-.

Customer accounts were €4,870m as at 30 June 2017, €131m or 2.6% lower than at 31 December 2016. The decrease was primarily attributable to the withdrawal of a limited number of large corporate deposits which were temporarily placed with the bank. Core funding in the form of retail deposits increased further by €75m during the first six months of 2017.

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The bank's liquidity position remained broadly unchanged with the conservative advances-to-deposits ratio standing at 66%.

The bank's common equity tier 1 capital strengthened further and reached 13.9% from 13.2% at 31 December 2016 driven principally by lower risk-weighted assets. CET1 capital ratio continues to be well above the transitional and fully-loaded regulatory requirements. On 1 February 2017, one of the two subordinated bonds that the bank had in issue, forming part of the tier 2 capital matured and was not replaced. Notwithstanding, total capital ratio also increased to 14.3% compared to 14.2% at 31 December 2016.

Andrew Beane, Director and Chief Executive Officer of HSBC Malta, commented on the business performance and strategy execution:

“Performance during the first half of the year was in line with management expectations. After adjusting for the significant item gain from the sale of our interest in Visa Europe, profits were lower due to the ongoing impact of negative interest rates and the bank's prioritisation of compliance actions.

“The bank made further notable progress with the implementation of our strategy, particularly with regards to our commitment to run HSBC to the highest global standards of financial crime compliance. While these actions can reduce profitability in the short term, they are fundamental to protect long-term value for shareholders and to fulfil HSBC's obligation to protect the integrity of the financial system, and its connections to international markets, on which the country's economy depends.

“I am acutely conscious that achieving our high standards of compliance can, in the short term, cause some inconvenience to customers, particularly where we require updated and additional information from them. However I believe that being part of an institution with HSBC's high standards will increasingly give our customers confidence about the protection that our standards offer to them as users of the financial system. And for business customers, ensuring full compliance with the requirements of the international financial system will become a consideration of growing strategic importance for Boards and Management Teams to support and protect their own growth.

“Looking forward, HSBC is making good progress to enhance our customer propositions for both business and personal customers. A number of notable announcements of new and enhanced HSBC services will be made in the second half of this year. These build on the good progress made within our insurance company, which is already benefiting from recent improvements to our product range.

“HSBC's capital and liquidity position remains extremely robust in line with our conservative risk culture which enabled us to continue to distribute dividends to our shareholders, sustaining a 65% payout ratio.

“I am grateful to our customers, our hard working and dedicated employees and our shareholders for their support during this period of change.”

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**Income Statements for the period ended 30 June 2017**

	<i>Group</i>		<i>Bank</i>	
	<b>6 mths to 30/06/17</b>	6 mths to 30/06/16	<b>6 mths to 30/06/17</b>	6 mths to 30/06/16
	<b>€000</b>	€000	<b>€000</b>	€000
Interest and similar income				
- on loans and advances, balances				
with Central Bank of Malta and Treasury Bills	<b>59,779</b>	64,383	<b>59,780</b>	64,507
- on debt and other fixed income instruments	<b>6,583</b>	7,764	<b>6,484</b>	7,666
Interest expense	<b>(6,064)</b>	(8,270)	<b>(6,064)</b>	(8,312)
<b>Net interest income</b>	<b>60,298</b>	63,877	<b>60,200</b>	63,861
Fee and commission income	<b>12,592</b>	14,185	<b>10,199</b>	11,854
Fee and commission expense	<b>(829)</b>	(960)	<b>(589)</b>	(627)
<b>Net fee and commission income</b>	<b>11,763</b>	13,225	<b>9,610</b>	11,227
Net trading income	<b>2,754</b>	3,922	<b>2,754</b>	3,922
Net income from financial instruments designated at fair value attributable to insurance operations	<b>5,237</b>	9,139	-	-
Net gains on sale of available-for-sale financial investments	-	10,787	-	10,787
Net insurance premium income	<b>37,249</b>	28,373	-	-
Movement in present value of in-force long-term insurance business	<b>(462)</b>	(1,035)	-	-
Net other operating income	<b>1,024</b>	952	<b>1,045</b>	925
<b>Total operating income</b>	<b>117,863</b>	129,240	<b>73,609</b>	90,722
Net insurance claims, benefits paid and movement in liabilities to policyholders	<b>(35,356)</b>	(32,212)	-	-
<b>Net operating income before loan impairment charges</b>	<b>82,507</b>	97,028	<b>73,609</b>	90,722
Loan impairment charges	<b>(4,349)</b>	(3,915)	<b>(4,349)</b>	(3,915)
<b>Net operating income</b>	<b>78,158</b>	93,113	<b>69,260</b>	86,807
Employee compensation and benefits	<b>(23,985)</b>	(25,141)	<b>(22,573)</b>	(23,743)
General and administrative expenses	<b>(25,453)</b>	(23,319)	<b>(23,197)</b>	(21,243)
Depreciation of property, plant and equipment	<b>(1,826)</b>	(1,762)	<b>(1,825)</b>	(1,760)
Amortisation of intangible assets	<b>(969)</b>	(1,577)	<b>(939)</b>	(1,550)
<b>Profit before tax</b>	<b>25,925</b>	41,314	<b>20,726</b>	38,511
Tax expense	<b>(9,071)</b>	(14,460)	<b>(7,251)</b>	(13,479)
<b>Profit for the period</b>	<b>16,854</b>	26,854	<b>13,475</b>	25,032
<b>Earnings per share</b>	<b>4.7c</b>	7.5c		

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**Statements of Comprehensive Income for the period ended 30 June 2017**

	<i>Group</i>		<i>Bank</i>	
	<b>6 mths to 30/06/17</b>	6 mths to 30/06/16	<b>6 mths to 30/06/17</b>	6 mths to 30/06/16
	<b>€000</b>	€000	<b>€000</b>	€000
<b>Profit for the period</b>	<b>16,854</b>	26,854	<b>13,475</b>	25,032
<b>Other comprehensive income</b>				
<b>Items that will be reclassified subsequently to profit or loss when specified conditions are met:</b>				
Available-for-sale investments:				
- fair value gains / (losses)	<b>(4,364)</b>	2,650	<b>(4,268)</b>	2,719
- fair value gains reclassified to profit or loss on disposal	-	(10,787)	-	(10,787)
- income taxes	<b>1,527</b>	2,845	<b>1,494</b>	2,821
	<b>(2,837)</b>	(5,292)	<b>(2,774)</b>	(5,247)
Other comprehensive income for the period, net of tax	<b>(2,837)</b>	(5,292)	<b>(2,774)</b>	(5,247)
<b>Total comprehensive income for the period</b>	<b>14,017</b>	21,562	<b>10,701</b>	19,785

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**Statements of Financial Position at 30 June 2017**

	<i>Group</i>		<i>Bank</i>	
	<b>30/06/17</b>	31/12/16	<b>30/06/17</b>	31/12/16
	<b>€000</b>	€000	<b>€000</b>	€000
<b>Assets</b>				
Balances with Central Bank of Malta,				
Treasury Bills and cash	<b>142,519</b>	122,418	<b>142,519</b>	122,418
Items in course of collection from other banks	<b>13,870</b>	16,796	<b>13,870</b>	16,796
Financial assets designated at fair value				
attributable to insurance operations	<b>1,303,808</b>	1,383,606	-	-
Held for trading derivatives	<b>7,623</b>	11,440	<b>7,436</b>	11,335
Loans and advances to banks	<b>958,164</b>	1,077,859	<b>858,778</b>	996,091
Loans and advances to customers	<b>3,221,867</b>	3,320,332	<b>3,221,867</b>	3,320,363
Available-for-sale financial investments	<b>1,105,301</b>	1,053,200	<b>1,100,766</b>	1,048,549
Prepayments and accrued income	<b>29,695</b>	31,178	<b>20,223</b>	20,373
Current tax assets	<b>12,777</b>	12,963	<b>6,512</b>	7,235
Reinsurance assets	<b>81,389</b>	85,228	-	-
Non-current assets held for sale	<b>8,988</b>	9,750	<b>8,988</b>	9,750
Investment in subsidiaries	-	-	<b>30,859</b>	30,859
Investment property	<b>13,046</b>	13,026	<b>10,180</b>	10,180
Property, plant and equipment	<b>57,284</b>	59,147	<b>57,390</b>	59,252
Intangible assets	<b>64,810</b>	65,765	<b>4,924</b>	5,424
Deferred tax assets	<b>23,756</b>	22,163	<b>23,756</b>	22,163
Other assets	<b>22,820</b>	21,093	<b>20,522</b>	16,610
<b>Total assets</b>	<b>7,067,717</b>	7,305,964	<b>5,528,590</b>	5,697,398
<b>Liabilities</b>				
Deposits by banks	<b>29,450</b>	10,770	<b>29,450</b>	10,770
Customer accounts	<b>4,870,163</b>	5,000,836	<b>4,946,153</b>	5,060,845
Held for trading derivatives	<b>7,740</b>	12,600	<b>7,625</b>	11,731
Accruals and deferred income	<b>18,063</b>	17,171	<b>15,643</b>	14,864
Current tax liabilities	<b>3,838</b>	177	<b>3,504</b>	-
Liabilities under investment contracts	<b>869,531</b>	930,937	-	-
Liabilities under insurance contracts	<b>649,027</b>	645,561	-	-
Provisions for liabilities and other charges	<b>16,523</b>	17,631	<b>16,123</b>	17,231
Deferred tax liabilities	<b>36,068</b>	34,586	<b>5,248</b>	5,262
Subordinated liabilities	<b>29,263</b>	87,418	<b>30,000</b>	88,172
Other liabilities	<b>60,106</b>	74,753	<b>53,345</b>	68,129
<b>Total liabilities</b>	<b>6,589,772</b>	6,832,440	<b>5,107,091</b>	5,277,004
<b>Equity</b>				
Called up share capital	<b>108,092</b>	108,092	<b>108,092</b>	108,092
Revaluation reserve	<b>38,366</b>	41,333	<b>38,320</b>	41,224
Retained earnings	<b>331,487</b>	324,099	<b>275,087</b>	271,078
<b>Total equity</b>	<b>477,945</b>	473,524	<b>421,499</b>	420,394
<b>Total liabilities and equity</b>	<b>7,067,717</b>	7,305,964	<b>5,528,590</b>	5,697,398
<b>Memorandum items</b>				
Contingent liabilities	<b>114,191</b>	118,469	<b>114,191</b>	118,469
Commitments	<b>1,173,619</b>	1,225,232	<b>1,173,727</b>	1,225,263

The financial statements were approved and authorised for issue by the Board of Directors on 31 July 2017 and signed on its behalf by:

Sonny Portelli, *Chairman*

Andrew Beane, *Chief Executive Officer*  
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**Statements of Changes in Equity for the period ended 30 June 2017**

	<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 2017	<b>108,092</b>	<b>41,333</b>	<b>324,099</b>	<b>473,524</b>
Profit for the period	-	-	<b>16,854</b>	<b>16,854</b>
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- fair value losses, net of tax	-	<b>(2,837)</b>	-	<b>(2,837)</b>
- fair value gains reclassified to profit or loss on disposal, net of tax	-	<b>(130)</b>	<b>130</b>	-
<b>Total other comprehensive income</b>	-	<b>(2,967)</b>	<b>130</b>	<b>(2,837)</b>
<b>Total comprehensive income for the period</b>	-	<b>(2,967)</b>	<b>16,984</b>	<b>14,017</b>
<b>Transactions with owners, recognised directly in equity</b>				
Contributions by and distributions to owners				
- share-based payments	-	-	<b>6</b>	<b>6</b>
- dividends	-	-	<b>(9,602)</b>	<b>(9,602)</b>
<b>Total contributions by and distributions to owners</b>	-	-	<b>(9,596)</b>	<b>(9,596)</b>
<b>At 30 June 2017</b>	<b>108,092</b>	<b>38,366</b>	<b>331,487</b>	<b>477,945</b>
At 1 January 2016	108,092	46,476	306,548	461,116
Profit for the period	-	-	26,854	26,854
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- fair value gains, net of tax	-	1,720	-	1,720
- fair value gains reclassified to profit or loss on disposal, net of tax	-	<b>(7,012)</b>	-	<b>(7,012)</b>
<b>Total other comprehensive income</b>	-	<b>(5,292)</b>	-	<b>(5,292)</b>
<b>Total comprehensive income for the period</b>	-	<b>(5,292)</b>	26,854	21,562
<b>Transactions with owners, recognised directly in equity</b>				
Contributions by and distributions to owners				
- share-based payments	-	-	17	17
- dividends	-	-	<b>(6,089)</b>	<b>(6,089)</b>
<b>Total contributions by and distributions to owners</b>	-	-	<b>(6,072)</b>	<b>(6,072)</b>
At 30 June 2016	108,092	41,184	327,330	476,606

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## Statements of Changes in Equity for the ended 30 June 2017 (continued)

	<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 2017	<b>108,092</b>	<b>41,224</b>	<b>271,078</b>	<b>420,394</b>
Profit for the period	-	-	<b>13,475</b>	<b>13,475</b>
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- fair value losses, net of tax	-	<b>(2,774)</b>	-	<b>(2,774)</b>
- fair value gains reclassified to profit or loss on disposal, net of tax	-	<b>(130)</b>	<b>130</b>	<b>-</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>(2,904)</b>	<b>130</b>	<b>(2,774)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(2,904)</b>	<b>13,605</b>	<b>10,701</b>
<b>Transactions with owners, recognised directly in equity</b>				
Contributions by and distributions to owners				
- share-based payments	-	-	<b>6</b>	<b>6</b>
- dividends	-	-	<b>(9,602)</b>	<b>(9,602)</b>
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>(9,596)</b>	<b>(9,596)</b>
<b>At 30 June 2017</b>	<b>108,092</b>	<b>38,320</b>	<b>275,087</b>	<b>421,499</b>
At 1 January 2016	108,092	46,268	251,047	405,407
Profit for the period	-	-	25,032	25,032
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- fair value gains, net of tax	-	1,765	-	1,765
- fair value gains reclassified to profit or loss on disposal, net of tax	-	<b>(7,012)</b>	-	<b>(7,012)</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>(5,247)</b>	<b>-</b>	<b>(5,247)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(5,247)</b>	<b>25,032</b>	<b>19,785</b>
<b>Transactions with owners, recognised directly in equity</b>				
Contributions by and distributions to owners				
- share-based payments	-	-	<b>6</b>	<b>6</b>
- dividends	-	-	<b>(6,089)</b>	<b>(6,089)</b>
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>(6,083)</b>	<b>(6,083)</b>
At 30 June 2016	108,092	41,021	269,996	419,109

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## Statements of Cash Flows for the period ended 30 June 2017

	<i>Group</i>		<i>Bank</i>	
	<b>6 mths to 30/06/17 €000</b>	6 mths to 30/06/16 €000	<b>6 mths to 30/06/17 €000</b>	6 mths to 30/06/16 €000
<b>Cash flows from operating activities</b>				
Interest, commission and premium receipts	<b>116,370</b>	124,722	<b>74,061</b>	89,651
Interest, commission and claims payments	<b>(99,147)</b>	(87,407)	<b>(7,215)</b>	(9,821)
Payments to employees and suppliers	<b>(47,969)</b>	(51,542)	<b>(44,437)</b>	(50,077)
Cash flows (used in)/from operating activities before changes in operating assets/liabilities	<b>(30,746)</b>	(14,227)	<b>22,409</b>	29,753
Decrease/(increase) in operating assets:				
Financial assets designated at fair value	<b>80,614</b>	96,294	-	-
Reserve deposit with Central Bank of Malta	<b>(453)</b>	(1,183)	<b>(453)</b>	(1,183)
Loans and advances to customers and banks	<b>71,338</b>	(45,253)	<b>71,338</b>	(43,752)
Treasury Bills	<b>6,933</b>	35,999	<b>6,933</b>	35,999
Other receivables	<b>7,238</b>	(13,581)	<b>1,215</b>	(1,876)
(Decrease)/increase in operating liabilities:				
Customer accounts and deposits by banks	<b>(118,670)</b>	53,692	<b>(101,853)</b>	66,587
Other payables	<b>(7,710)</b>	(61,015)	<b>(3,404)</b>	(5,354)
Net cash from operating activities before tax	<b>8,544</b>	50,726	<b>(3,815)</b>	80,174
Tax (paid)/recovered	<b>(3,693)</b>	6,590	<b>(3,024)</b>	3,402
Net cash from / (used in) operating activities	<b>4,851</b>	57,316	<b>(6,839)</b>	83,576
<b>Cash flows from investing activities</b>				
Dividends Received	<b>11</b>	-	<b>11</b>	-
Interest received from financial investments	<b>16,280</b>	26,701	<b>10,291</b>	12,126
Purchase of other available-for-sale financial investments	<b>(122,286)</b>	(79,078)	<b>(122,286)</b>	(79,078)
Proceeds from sale and maturity of financial investments	<b>48,296</b>	78,906	<b>48,296</b>	78,906
Purchase of property, plant and equipment and intangible assets	<b>(600)</b>	(2,495)	<b>(439)</b>	(1,373)
Proceeds on sale of property, plant and equipment and intangible assets	<b>261</b>	1	<b>156</b>	1
Net cash flows (used in) / from investing activities	<b>(58,038)</b>	24,035	<b>(63,971)</b>	10,582
<b>Cash flows from financing activities</b>				
Dividends paid	<b>(9,602)</b>	(6,089)	<b>(9,602)</b>	(6,089)
Subordinated loan stock	<b>(58,172)</b>	-	<b>(58,172)</b>	-
Net cash flows used in financing activities	<b>(67,774)</b>	(6,089)	<b>(67,774)</b>	(6,089)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(120,961)</b>	75,262	<b>(138,584)</b>	88,069
Cash and cash equivalents at beginning of period	<b>938,856</b>	793,668	<b>857,088</b>	681,175
Effect of exchange rate changes on cash and cash equivalents	<b>7,631</b>	5,856	<b>7,631</b>	5,856
<b>Cash and cash equivalents at end of period</b>	<b>825,526</b>	874,786	<b>726,135</b>	775,100

more

**Net operating income**

Net operating income includes net income from Life insurance business analysed as follows:

	<i>Group</i>	
	<b>6 mths to 30/06/17</b>	6 mths to 30/06/16
	€000	€000
Net Interest Income	99	104
Net fee and commission income	1,279	1,225
Net income from insurance financial instruments designated at fair value	5,237	9,139
Net earned insurance premiums	37,249	28,373
Net other operating expense including movement in present value of in-force long-term insurance business	(459)	(983)
	<b>43,405</b>	37,858
Net insurance claims incurred and movement in policyholders' liabilities	(35,356)	(32,212)
	<b>8,049</b>	5,646

**Loan impairment charges**

	<i>Group/Bank</i>	
	<b>6 mths to 30/06/17</b>	6 mths to 30/06/16
	€000	€000
<b>Write-downs</b>		
Loans and advances to customers		
- specific allowances	(8,841)	(6,016)
- collective allowances	(750)	(1,390)
- bad debts written off	(3,439)	(1,756)
	<b>(13,030)</b>	(9,162)
<b>Reversals of write-downs</b>		
Loans and advances to customers		
- specific allowances	6,051	3,046
- collective allowances	1,235	1,507
- bad debts recovered	1,384	651
	<b>8,670</b>	5,204
Other assets		
- individual allowances	11	43
	<b>(4,349)</b>	(3,915)

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## Segmental analysis

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a) *Class of business*

The local group provides a comprehensive range of banking and related financial services to its customers. The products and services offered to customers are organised by global business.

– Retail Banking and Wealth Management (“RBWM”) offers a broad range of products and services to meet the personal banking and wealth management needs of individual customers. Typically, customer offerings include personal banking products (current and savings accounts, mortgages and personal loans, credit cards, debit cards and local and international payment services) and wealth management services (insurance and investment products, global asset management services and financial planning services).

– Commercial Banking (“CMB”) offers a broad range of products and services to serve the needs of our commercial customers, including small and medium sized enterprises, mid-market enterprises and corporates. These include credit and lending and international trade and receivables finance. CMB also offers its customers access to products and services offered by other global businesses, for example Global Markets (‘GM’).

– GM provides tailored financial solutions to corporate and institutional clients. The client-focused business line delivers a full range of banking capabilities including assistance with managing risk via interest rate derivatives, the provision of foreign exchange spot and derivative products, and payment services.

The local group’s internal reporting to the Board of Directors and Senior Management is analysed according to these business lines. For each of the businesses, the senior management, in particular the Chief Executive Officer, as chief operating decision-maker, reviews internal management reports in order to make decisions about allocating resources and assessing performance.

The Board considers that global businesses represent the most appropriate information for the users of the financial statements to best evaluate the nature and financial effects of the business activities in which the local group engages, and the economic environments in which it operates. As a result, the local group’s operating segments are considered to be the global businesses.

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## HSBC Bank Malta p.l.c. Half-Yearly Results for 2017

	<i>Retail Banking and Wealth Management</i>		<i>Commercial Banking</i>		<i>Global Markets</i>		<i>Group Total</i>	
	<b>6 mths to 30/06/17</b>	6 mths to 30/06/16	<b>6 mths to 30/06/17</b>	6 mths to 30/06/16	<b>6 mths to 30/06/17</b>	6 mths to 30/06/16	<b>6 mths to 30/06/17</b>	6 mths to 30/06/16
	<b>€000</b>	€000	<b>€000</b>	€000	<b>€000</b>	€000	<b>€000</b>	€000
<i>Group</i>								
Net interest income	<b>32,428</b>	32,396	<b>21,363</b>	24,431	<b>6,507</b>	7,050	<b>60,298</b>	63,877
Net non-interest income	<b>15,057</b>	20,859	<b>5,675</b>	10,103	<b>1,477</b>	2,189	<b>22,209</b>	33,151
External employee compensation and benefits	<b>(17,598)</b>	(17,483)	<b>(5,766)</b>	(6,409)	<b>(621)</b>	(1,249)	<b>(23,985)</b>	(25,141)
General and administrative expenses	<b>(17,448)</b>	(16,394)	<b>(7,120)</b>	(5,999)	<b>(885)</b>	(926)	<b>(25,453)</b>	(23,319)
External depreciation	<b>(1,242)</b>	(1,152)	<b>(511)</b>	(534)	<b>(73)</b>	(76)	<b>(1,826)</b>	(1,762)
External amortisation	<b>(669)</b>	(1,054)	<b>(263)</b>	(476)	<b>(38)</b>	(47)	<b>(969)</b>	(1,577)
External net impairment	<b>(3,039)</b>	(187)	<b>(1,310)</b>	(3,810)	-	82	<b>(4,349)</b>	(3,915)
<b>Profit before tax</b>	<b>7,489</b>	16,985	<b>12,068</b>	17,306	<b>6,367</b>	7,023	<b>25,925</b>	41,314

	<i>Retail Banking and Wealth Management</i>		<i>Commercial Banking</i>		<i>Global Markets</i>		<i>Group Total</i>	
	<b>30/06/17</b>	31/12/16	<b>30/06/17</b>	31/12/16	<b>30/06/17</b>	31/12/16	<b>30/06/17</b>	31/12/16
	<b>€000</b>	€000	<b>€000</b>	€000	<b>€000</b>	€000	<b>€000</b>	€000
Total assets	<b>3,736,701</b>	3,782,206	<b>1,249,909</b>	1,375,745	<b>2,081,107</b>	2,148,013	<b>7,067,717</b>	7,305,964
Total equity	<b>238,622</b>	229,582	<b>172,455</b>	173,062	<b>66,868</b>	70,880	<b>477,945</b>	473,524

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### Fair values of financial assets and liabilities

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table sets out the fair values of financial assets and liabilities as at the reporting date.

Fair values are determined according to the following hierarchy:

- a) *Level 1 – valuation technique using quoted market price:* financial instruments with quoted prices for identical instruments in active markets.
- b) *Level 2 - valuation technique using observable inputs:* financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- c) *Level 3 - valuation technique with significant unobservable inputs:* financial instruments valued using models where one or more significant inputs are unobservable.

The valuation techniques utilised in preparing these condensed interim financial statements are consistent with those applied in the preparation of financial statements for the year ended 31 December 2016. There were no transfers between levels of the fair value hierarchy during the period under review.

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## HSBC Bank Malta p.l.c. Half-Yearly Results for 2017

Fair values of financial assets and liabilities carried at fair value and basis of valuation:

### Valuation Techniques

	<i>Quoted market price</i>	<i>Using observable inputs</i>	<i>With significant unobservable inputs</i>	<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
<i>Group</i>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>At 30 June 2017</b>				
<b>Assets</b>				
Treasury bills	-	61,007	-	61,007
Held for trading derivatives	-	7,623	-	7,623
Financial assets designated at fair value attributable to insurance operations	1,223,151	74,493	6,164	1,303,808
Available-for-sale financial investments	1,104,350	2	949	1,105,301
	<b>2,327,501</b>	<b>143,125</b>	<b>7,113</b>	<b>2,477,739</b>
<b>Liabilities</b>				
Held for trading derivatives	-	7,740	-	7,740
Liabilities under investment contracts	793,164	75,302	1,065	869,531
	<b>793,164</b>	<b>83,042</b>	<b>1,065</b>	<b>877,271</b>
<b>At 31 December 2016</b>				
<b>Assets</b>				
Treasury bills	-	39,998	-	39,998
Held for trading derivatives	-	11,440	-	11,440
Financial assets designated at fair value attributable to insurance operations	1,277,490	100,276	5,840	1,383,606
Available-for-sale financial investments	1,052,451	2	747	1,053,200
	<b>2,329,941</b>	<b>151,716</b>	<b>6,587</b>	<b>2,488,244</b>
<b>Liabilities</b>				
Held for trading derivatives	-	12,600	-	12,600
Liabilities under investment contracts	840,578	89,074	1,285	930,937
	<b>840,578</b>	<b>101,674</b>	<b>1,285</b>	<b>943,537</b>

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## HSBC Bank Malta p.l.c. Half-Yearly Results for 2017

	<i>Quoted market price</i>	<i>Using observable inputs</i>	<i>With significant unobservable inputs</i>	
	Level 1	Level 2	Level 3	Total
<i>Bank</i>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>At 30 June 2017</b>				
<b>Assets</b>				
Treasury bills	-	<b>61,007</b>	-	<b>61,007</b>
Held for trading derivatives	-	<b>7,436</b>	-	<b>7,436</b>
Available-for-sale financial investments	<b>1,099,817</b>	-	<b>949</b>	<b>1,100,766</b>
	<b>1,099,817</b>	<b>68,443</b>	<b>949</b>	<b>1,169,209</b>
<b>Liabilities</b>				
Held for trading derivatives	-	<b>7,625</b>	-	<b>7,625</b>
<b>At 31 December 2016</b>				
<b>Assets</b>				
Treasury bills	-	39,998	-	39,998
Held for trading derivatives	-	11,335	-	11,335
Available-for-sale financial investments	1,047,802	-	747	1,048,549
	1,047,802	51,333	747	1,099,882
<b>Liabilities</b>				
Held for trading derivatives	-	11,731	-	11,731

### Level 3

#### a) Financial assets designated at fair value attributable to insurance operations

	<b>€000</b>
At 1 January 2017	5,840
Purchase during the period	486
Disposals during the period	(64)
Losses recognised in profit or loss	(98)
At 30 June 2017	<u>6,164</u>

The financial assets designated at fair value attributable to insurance operations categorised within Level 3 comprise holding of units in collective investment schemes which were acquired by HSBC Life Assurance (Malta) Limited as part of the portfolio transfer of unit linked investment contracts from HSBC Life (Europe) Limited, effective on 30 November 2014. These holdings consist of shares in alternative funds which are unlisted and have illiquid price sources. In view of the absence of quoted market prices or observable inputs for modelling value, the fair value of the shares held is derived using the net asset value as sourced from the respective custodians, which is not supported by audited financial statements.

The units in collective investment schemes categorised as Level 3 are held to cover linked liabilities and accordingly, corresponding liabilities to customers under investment contracts are also categorised as Level 3. Investment risk attributable to these Level 3 assets is borne by the policyholder in view of the policyholder's decision to invest in such assets. Accordingly, the disclosure of key unobservable inputs to Level 3 financial instruments and the sensitivity of Level 3 fair value to reasonably possible alternatives in respect of significant unobservable assumptions was not deemed necessary and relevant.

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**b) Available-for-sale financial investments**

These investments consist of shares in unlisted companies, which have illiquid prices sources. In view of no quoted market or observable inputs for modelling their value, the fair value of the shares held is derived using the net asset value of the respective companies as reported in the latest available financial statements.

Any changes in the unobservable inputs of both classes of financial assets categorised in Level 3 are not considered to result in significantly higher or lower fair value measurement, given that the amounts invested are considered to be immaterial.

*VISA valuation*

As disclosed in the bank's Annual Report and Accounts of 2015 and 2016, Visa Inc. had announced its proposed acquisition of Visa Europe Limited, subject to regulatory approval. HSBC Bank Malta p.l.c. was a Principal member and shareholder of Visa Europe Limited.

On 21 June 2016, this acquisition was completed, and the bank received a cash consideration and preferred stock in VISA Inc. convertible into ordinary shares. The bank has also been informed that a further cash payment will be made in 2019.

The pre-tax value of the convertible preference shares together with the deferred cash payment, expected in 2019, has been estimated at €1,360,288.

**c) Non-financial investments at fair value**

The local group's land and buildings, within property, plant and equipment, comprised, commercial branches, bank offices and other operational premises. Investment property comprises commercial property leased out as offices to third parties including the local group's intermediate parent. All the recurring property fair value measurements use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

	<b>Group</b>		<b>Bank</b>	
	<b>30/06/17</b>	31/12/16	<b>30/06/17</b>	31/12/16
	<b>€000</b>	€000	<b>€000</b>	€000
<b>Assets</b>				
Property	<b>43,630</b>	43,898	<b>43,738</b>	44,006
Investment property	<b>13,046</b>	13,026	<b>10,180</b>	10,180
	<b>56,676</b>	56,924	<b>53,918</b>	54,186

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## HSBC Bank Malta p.l.c. Half-Yearly Results for 2017

The local group's land and buildings within property, plant and equipment and investment property are fair valued annually by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. Fair values are determined on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its development potential, the availability of similar properties in the area and, whenever possible, having regard to recent market transactions for similar properties in the same location.

Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. The Directors have reviewed the carrying amounts of the properties as at 30 June 2017, on the basis of the valuations carried out by the independent property valuers. Adjustments to the carrying amounts of the local group's land and buildings within property, plant and equipment, and investment property, as at 30 June 2017 were not deemed necessary.

The valuation processes and techniques utilised in preparing these condensed interim financial statements were consistent with those applied in the preparation of financial statements for the year ended 31 December 2016.

### *Fair values of financial assets and liabilities not carried at fair value*

Certain financial assets and liabilities are either carried at amortised cost or cost less impairment. The fair values of these financial assets and liabilities are not disclosed given that the carrying amount is a reasonable approximation of the fair value because these are either re-priced to current market rates frequently or are short-term in nature.

The following table sets out the carrying amounts and fair values of financial assets and liabilities not carried at fair value:

	Group		Bank	
	30/06/17	31/12/16	30/06/17	31/12/16
	€000	€000	€000	€000
<b>Assets</b>				
Balances with Central Bank of Malta and cash	81,512	82,420	81,512	82,420
Items in the course of collection from other banks	13,870	16,796	13,870	16,796
Loans and advance to banks	958,164	1,077,859	858,778	996,091
Loans and advance to customers	3,221,867	3,320,332	3,221,867	3,320,363
Accrued interest	27,355	28,767	18,183	18,541
Other assets	12,800	8,698	12,800	8,698
	<b>4,315,568</b>	<b>4,534,872</b>	<b>4,207,010</b>	<b>4,442,909</b>
<b>Liabilities</b>				
Deposits by banks	29,450	10,770	29,450	10,770
Customer accounts	4,870,163	5,000,836	4,946,153	5,060,845
Subordinated liabilities	29,263	87,418	30,000	88,172
Accrued interest	5,010	5,538	4,703	5,265
Other Liabilities	59,841	74,456	53,081	67,832
	<b>4,993,727</b>	<b>5,179,018</b>	<b>5,063,387</b>	<b>5,232,884</b>

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*Asset encumbrance*

The disclosure on asset encumbrance is a requirement in terms of Banking Rule 07 transposing the provisions of the EBA Guidelines on Disclosure of Encumbered and Unencumbered Assets (EBA/GL/2014/03).

The objective of this disclosure is to facilitate an understanding of available and unrestricted assets that could be used to support potential future funding and collateral needs. An asset is defined as encumbered if it has been pledged as collateral against an existing liability, and as a result is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

The disclosure is not designed to identify assets which would be available to meet the claims of creditors or to predict assets that would be available to creditors in the event of a resolution or bankruptcy.

*Encumbered and unencumbered assets*

	<i>Carrying amount of encumbered gross assets</i>	<i>Fair value of encumbered gross assets</i>	<i>Carrying amount of unencumbered gross assets</i>	<i>Fair value of unencumbered gross assets</i>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<i>Group</i>				
<b>At 30 June 2017</b>				
Equity instruments	-	-	<b>951</b>	<b>951</b>
Debt securities	<b>91,310</b>	<b>91,310</b>	<b>1,013,040</b>	<b>1,013,040</b>
Loans and advances to customers	-	-	<b>3,221,867</b>	<b>3,221,867</b>
Other assets	-	-	<b>2,740,549</b>	<b>2,740,549</b>
	<b>91,310</b>	<b>91,310</b>	<b>6,976,407</b>	<b>6,976,407</b>
At 31 December 2016				
Equity instruments	-	-	749	749
Debt securities	92,483	92,483	959,968	959,968
Loans and advances to customers	11,637	11,637	3,308,695	3,308,695
Other assets	-	-	2,932,432	2,932,432
	104,120	104,120	7,201,844	7,201,844
<i>Bank</i>				
<b>At 30 June 2017</b>				
Equity instruments	-	-	<b>949</b>	<b>949</b>
Debt securities	<b>91,310</b>	<b>91,310</b>	<b>1,088,507</b>	<b>1,088,507</b>
Loans and advances to customers	-	-	<b>3,221,867</b>	<b>3,221,867</b>
Other assets	-	-	<b>1,205,957</b>	<b>1,205,957</b>
	<b>91,310</b>	<b>91,310</b>	<b>5,437,280</b>	<b>5,437,280</b>
At 31 December 2016				
Equity instruments	-	-	747	747
Debt securities	92,483	92,483	955,319	955,319
Loans and advances to customers	11,637	11,637	3,308,726	3,308,726
Other assets	-	-	1,328,486	1,328,486
	104,120	104,120	5,593,278	5,593,278

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## HSBC Bank Malta p.l.c. Half-Yearly Results for 2017

The local group does not encumber any of the collateral received or any of its own debt securities issued.

As at 30 June 2017, the local group did not have any outstanding liabilities associated with encumbered assets and collateral received.

The bank undertakes the following types of encumbrance:

- i. Pledging of debt securities against the provision of credit lines by the Central Bank of Malta.
- ii. Pledging of debt securities in favour of the Depositor Compensation Scheme.

### Dividends

	<b>Bank</b>			
	<b>6 mths to 30/06/17</b>	6 mths to 30/06/16	<b>6 mths to 30/06/17</b>	6 mths to 30/06/16
	<b>cent per share</b>	cent per share	<b>€000</b>	€000
<b>Gross of income tax</b>				
per 30 cent share				
- Prior year's final	<b>4.1</b>	2.6	<b>14,773</b>	9,585
- Proposed interim	<b>4.7</b>	7.1	<b>16,934</b>	25,617
	<b>8.8</b>	9.7	<b>31,707</b>	35,202
<b>Net of income tax</b>				
per 30 cent share				
- Prior year's final	<b>2.7</b>	1.7	<b>9,602</b>	6,089
- Proposed interim	<b>3.0</b>	4.6	<b>10,809</b>	16,651
	<b>5.7</b>	6.3	<b>20,411</b>	22,740

### Basis of preparation

*The condensed interim financial statements have been extracted from HSBC Bank Malta p.l.c.'s (the "bank") and its subsidiary undertakings (collectively referred to as the "group") unaudited management accounts for the six month period ended 30 June 2017. These condensed interim financial statements are being published in accordance with Chapter 5 of the Listing Rules issued by the Listing Authority and the Prevention of Financial Markets Abuse Act, 2005.*

*The condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, adopted by the EU. They do not include all the information required for a complete set of annual financial statements, and should be read in conjunction with the financial statements for the year ended 31 December 2016.*

*There were no new standards adopted during the period ended 30 June 2017. However, the group adopted interpretations and amendments to standards which had an insignificant effect on the interim consolidated financial statements.*

*The accounting policies applied in these condensed interim financial statements are the same as those applied by the group in its financial statements as at and for the year ended 31 December 2016.*

*As required by IAS 34, Interim Financial Reporting, adopted by the EU, these interim financial statements include comparative statements of financial position information at the previous financial year end and comparative profit or loss statements and statements of profit or loss and comprehensive income information for the comparable interim periods of the immediately preceding financial year.*

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## HSBC Bank Malta p.l.c. Half-Yearly Results for 2017

*Related party transactions with other members of the HSBC Group covering the period 1 January to 30 June 2017 did not materially affect the performance of the period under review and financial position at the end of the reporting date.*

*Certain comparative amounts have been reclassified to comply with the current period's presentation.*

*HSBC Bank Malta p.l.c. is a member of the HSBC Group, whose ultimate parent company is HSBC Holdings plc. HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 3,900 offices in 67 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,492bn at 30 June 2017, HSBC is one of the world's largest banking and financial services organisations.*

### **Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority**

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I confirm that to the best of my knowledge:

- the condensed interim financial statements give a true and fair view of the financial position of the group and the bank as at 30 June 2017, as well as of their financial performance and cash flows for the period then ended, in accordance with IAS 34 Interim Financial Reporting, adopted by the EU; and
- the commentary includes a fair review of the information required under Listing Rule 5.81 to 5.84.

Andrew Beane, *Chief Executive Officer*

*ends/all*