

## COMPANY ANNOUNCEMENT

### HSBC BANK MALTA P.L.C. HALF-YEARLY RESULTS FOR 2016

#### *Quote*

- Reported profit before tax of €41.3m for the six months ended 30 June 2016. The reported performance was €5m or 13.8% higher than for the same period last year.
- Adjusted profit before tax of €30.5m, which excludes the effect of the significant non-recurring item (explained under 'Financial Performance' on page 2), down 15.9% compared with the same period in 2015, primarily due to adverse impact of negative interest rates, lower non-interest income due to risk management actions and temporary effect of higher regulatory costs.
- Profit attributable to shareholders of €26.9m for the six months ended 30 June 2016 resulting in earnings per share of 7.5 cents compared with 6.6 cents in the same period in 2015.
- Common equity tier 1 capital ratio of 12.5% as at 30 June 2016, up from 12.3% at the end of 2015.
- Recommended gross interim dividend of 7.1 cents per share (4.6 cents per share net of tax), 40% higher than the 2015 interim dividend.
- Cost efficiency ratio adjusted for the non-recurring significant item of 59.6% for the six months ended 30 June 2016, compared with 55.6% for the same period in 2015. The ratio was impacted by lower adjusted revenue, whereas the underlying costs remained flat reflecting solid cost discipline.
- Return on equity adjusted for the non-recurring significant item of 8.5% for the six months ended 30 June 2016, compared with 10.5% for the same period in 2015.
- Total assets of €7,284m at 30 June 2016, up €48m compared with 31 December 2015.
- Customer accounts of €5,002m at 30 June 2016, up €52m compared with 31 December 2015.



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

*Unquote*

**3 August 2016**

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

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## Commentary

### Financial performance

HSBC Bank Malta p.l.c. reported a profit before tax of €41.3m for the six months ended 30 June 2016 compared with €36.3m for the same period in 2015. This represents an increase of €5m or 13.8% on the previous period.

Included within the reported results is the gain on disposal of our membership interest in Visa Europe. During the first half of 2016 Visa Inc. completed the acquisition of Visa Europe. As a result of this transaction, the bank received upfront cash consideration and preference shares. The total amount of income recognised in the reported results in relation to this transaction is €10.8m. This is a significant non-recurring event and therefore the income related to this transaction is excluded from the adjusted results to show the underlying business performance.

	<b>H1 2016</b>	H1 2015
	<b>€000</b>	€000
Reported profit before tax	<b>41,314</b>	36,309
Net gain on sale of investment in Visa Europe	<b>(10,787)</b>	-
Adjusted profit before tax	<b>30,527</b>	<b>36,309</b>

Adjusted performance was in line with the management's forecasts.

Profit attributable to shareholders amounted to €26.9m resulting in earnings per share of 7.5 cents compared with 6.6 cents in the first half of 2015. Based on the higher dividend payout ratio of 65% approved earlier this year, the Board recommends an interim gross dividend of 7.1 cents per share (4.6 cents per share net of tax). This represents an increase of 40% compared with the interim dividends paid in 2015. The interim dividend will be paid on 9 September 2016 to shareholders who are on the bank's register as at 12 August 2016.

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

Net interest income increased to €63.9m or 6.4% compared with €60m in the same period in 2015. The 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 offset by the positive volume effect in retail banking and decreasing funding costs.

Net fee income was down 12% compared with the same period in 2015 primarily as a result of discontinuing trust and stockbroking activities. In addition, the bank saw a decrease in card fees as the new regulation which introduced the reductions in interchange fees came into effect from the end of 2015.

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## HSBC Bank Malta p.l.c. Half-Yearly Results for 2016

HSBC Life Assurance (Malta) Limited reported a profit before tax of €2m compared with €6.7m in the first half of 2015. This result was largely affected by the adverse market movements in yield curve.

Trading profits reduced by €1m compared to the first half of 2015 reflecting lower trading volumes and thinner foreign exchange margins.

Net other operating income increased by €0.4m compared to the first half of 2015 as a result of gains on sale of properties repossessed from non-performing customers.

Operating expenses of €51.8m were €1.8m, or 3.7%, higher than the first half of 2015 largely due to the recognition of the full year contributions to the Depositor Compensation Scheme and the Single Resolution Fund, whereas in the first six months of 2015 only half of the annual contribution was accrued. Excluding this temporary impact, operating expenses would have been flat on the previous year. Despite the annual pay rise of 2% in accordance with the newly signed Collective Agreement, staff costs started to decrease as a result of implementation of the early voluntary retirement programme announced at the end of last year.

Net impairment charges of €3.9m were €0.3m higher than in the first half of 2015. This increase is mainly attributable to the revised historic loss rates used in the collective impairment process. Overall asset quality remains satisfactory with a high percentage of tangible security held against the overall loan portfolio.

### **Financial position and capital**

The total assets of the Group increased to €7,284m as at 30 June 2015. This was driven by the continuous inflow of customer deposits, which further increased by €52m in the first half of 2016.

Net loans and advances to customers stood at €3,307m, €22m higher than at 31 December 2015. This growth was primarily registered in mortgage balances with increasing demand of first-time buyers. The bank continued to experience the elevated level of early repayments as a result of the persistent low interest rate environment.

The bank's available-for-sale investment portfolio is composed of highly-rated paper and is conservatively positioned.

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

The bank further strengthened its common equity tier 1 capital which increased to 12.5% from 12.3% at 31 December 2015. CET1 capital ratio continues to be well above the regulatory requirements. Total capital ratio stood at 13.5% compared to 14.2% at 31 December 2015 as a result of regulatory amortisation of the subordinated debt maturing in the next two years.

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## HSBC Bank Malta p.l.c. Half-Yearly Results for 2016

Andrew Beane, Director and Chief Executive Officer of HSBC Malta, commented on the business performance and strategy execution: “Performance in the first half of 2016 was in line with expectations. While adjusted profitability continued to be impacted by negative interest rates and volatility in the earnings of the Insurance Company, we made good progress with the implementation of our new strategy that the Board approved in February. Important achievements included the signing of the Collective Agreement with our unions and the appointment of a new leadership team. Despite pay increases arising from union negotiations and further increases in regulatory related costs, the strong expense discipline we have established enabled us to keep adjusted costs flat to 2015 which was a good performance.

I hope that shareholders will welcome the 40% increase in dividends which demonstrates the investment case to own HSBC Malta shares. In line with our strategy to be 'the Bank of Choice' for customers we remain confident in our ability to increase underlying profitability over time without increasing risk appetite.

Looking forward, the operating environment will remain challenging and in particular the UK's decision to leave the European Union has created an increased level of uncertainty. The immediate impact has been a significant devaluation of sterling though the longer term implications, positive or negative, are not yet clear. HSBC remains confident in the Maltese economy and is committed to support our customers.

Finally, I would like to express sincere thanks to all my HSBC colleagues for their continuous hard work and dedication in supporting our customers and shareholders in the first half of the year.”

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**Income Statements for the period ended 30 June 2016**

	<i>Group</i>		<i>Bank</i>	
	<b>6 mths to 30/06/16</b>	6 mths to 30/06/15	<b>6 mths to 30/06/16</b>	6 mths to 30/06/15
	<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>64,383</b>	64,713	<b>64,507</b>	64,888
- on debt and other fixed income instruments	<b>7,764</b>	8,058	<b>7,666</b>	7,866
Interest expense	<b>(8,276)</b>	(12,739)	<b>(8,312)</b>	(12,775)
<b>Net interest income</b>	<b>63,871</b>	60,032	<b>63,861</b>	59,979
Fee and commission income	<b>14,185</b>	16,217	<b>11,854</b>	13,436
Fee and commission expense	<b>(960)</b>	(1,190)	<b>(627)</b>	(855)
<b>Net fee and commission income</b>	<b>13,225</b>	15,027	<b>11,227</b>	12,581
Net trading income	<b>3,922</b>	4,895	<b>3,922</b>	4,895
Net income from financial instruments designated at fair value attributable to insurance operations	<b>68,206</b>	17,131	-	-
Net gains on sale of available-for-sale financial investments	<b>10,787</b>	383	<b>10,787</b>	383
Net insurance premium income	<b>28,373</b>	28,952	-	-
Movement in present value of in-force long-term insurance business	<b>(1,035)</b>	2,262	-	-
Net other operating income	<b>952</b>	555	<b>925</b>	522
<b>Total operating income</b>	<b>188,301</b>	129,237	<b>90,722</b>	78,360
Net insurance claims, benefits paid and movement in liabilities to policyholders	<b>(91,273)</b>	(39,392)	-	-
<b>Net operating income before loan impairment charges</b>	<b>97,028</b>	89,845	<b>90,722</b>	78,360
Loan impairment charges	<b>(3,915)</b>	(3,566)	<b>(3,915)</b>	(3,566)
<b>Net operating income</b>	<b>93,113</b>	86,279	<b>86,807</b>	74,794
Employee compensation and benefits	<b>(25,141)</b>	(25,348)	<b>(23,743)</b>	(23,941)
General and administrative expenses	<b>(23,319)</b>	(21,248)	<b>(21,243)</b>	(18,892)
Depreciation of property, plant and equipment	<b>(1,762)</b>	(1,808)	<b>(1,760)</b>	(1,803)
Amortisation of intangible assets	<b>(1,577)</b>	(1,566)	<b>(1,550)</b>	(1,538)
<b>Profit before tax</b>	<b>41,314</b>	36,309	<b>38,511</b>	28,620
Tax expense	<b>(14,460)</b>	(12,384)	<b>(13,479)</b>	(9,692)
<b>Profit for the period</b>	<b>26,854</b>	23,925	<b>25,032</b>	18,928
<b>Earnings per share</b>	<b>7.5c</b>	6.6c		

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**Statements of Comprehensive Income for the period ended 30 June 2016**

	<i>Group</i>		<i>Bank</i>	
	<b>6 mths to 30/06/16</b>	6 mths to 30/06/15	<b>6 mths to 30/06/16</b>	6 mths to 30/06/15
	€000	€000	€000	€000
<b>Profit for the period</b>	<b>26,854</b>	23,925	<b>25,032</b>	18,928
<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>2,650</b>	(5,357)	<b>2,719</b>	(5,225)
- fair value gains reclassified to profit or loss on disposal	<b>(10,787)</b>	(383)	<b>(10,787)</b>	(383)
- income taxes	<b>2,845</b>	2,009	<b>2,821</b>	1,963
	<b>(5,292)</b>	(3,731)	<b>(5,247)</b>	(3,645)
<b>Items that will not be reclassified subsequently to Profit or Loss:</b>				
Properties:				
- income taxes determined on the basis applicable to disposals	-	1,529	-	1,529
	-	1,529	-	1,529
Other comprehensive income for the period, net of tax	<b>(5,292)</b>	(2,202)	<b>(5,247)</b>	(2,116)
<b>Total comprehensive income for the period</b>	<b>21,562</b>	21,723	<b>19,785</b>	16,812

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**Statements of Financial Position at 30 June 2016**

	<i>Group</i>		<i>Bank</i>	
	<b>30/06/16</b>	31/12/15	<b>30/06/16</b>	31/12/15
	<b>€000</b>	€000	<b>€000</b>	€000
<b>Assets</b>				
Balances with Central Bank of Malta, Treasury Bills and cash	<b>127,699</b>	187,563	<b>127,699</b>	187,563
Items in course of collection from other banks	<b>9,976</b>	12,559	<b>9,976</b>	12,559
Financial assets designated at fair value attributable to insurance operations	<b>1,330,839</b>	1,372,484	-	-
Held for trading derivatives	<b>13,163</b>	11,492	<b>12,969</b>	10,897
Loans and advances to banks	<b>981,307</b>	841,411	<b>881,623</b>	728,918
Loans and advances to customers	<b>3,306,937</b>	3,284,615	<b>3,315,137</b>	3,292,815
Available-for-sale financial investments	<b>1,189,186</b>	1,203,638	<b>1,184,430</b>	1,198,792
Prepayments and accrued income	<b>31,152</b>	40,863	<b>22,748</b>	31,305
Current tax assets	<b>6,171</b>	11,792	-	2,356
Reinsurance assets	<b>95,762</b>	83,088	-	-
Non-current assets held for sale	<b>10,796</b>	11,347	<b>10,796</b>	11,347
Investment in subsidiaries	-	-	<b>34,541</b>	34,541
Investment property	<b>15,475</b>	15,458	<b>10,892</b>	10,876
Property, plant and equipment	<b>57,628</b>	58,559	<b>57,730</b>	58,659
Intangible assets	<b>67,607</b>	69,653	<b>6,579</b>	7,610
Deferred tax assets	<b>21,079</b>	18,343	<b>21,027</b>	18,291
Other assets	<b>19,652</b>	13,959	<b>14,785</b>	8,124
<b>Total assets</b>	<b>7,284,429</b>	7,236,824	<b>5,710,932</b>	5,614,653
<b>Liabilities</b>				
Deposits by banks	<b>27,533</b>	14,286	<b>27,533</b>	14,286
Customer accounts	<b>5,001,972</b>	4,950,257	<b>5,085,729</b>	5,028,318
Held for trading derivatives	<b>13,610</b>	11,732	<b>13,459</b>	11,630
Accruals and deferred income	<b>21,503</b>	30,073	<b>18,941</b>	23,898
Current tax liabilities	<b>8,894</b>	3,508	<b>8,484</b>	-
Liabilities under investment contracts	<b>906,751</b>	987,008	-	-
Liabilities under insurance contracts	<b>657,111</b>	616,657	-	-
Provisions for liabilities and other charges	<b>13,430</b>	17,133	<b>13,320</b>	16,609
Deferred tax liabilities	<b>28,612</b>	27,950	-	-
Subordinated liabilities	<b>87,399</b>	87,363	<b>88,172</b>	88,146
Other liabilities	<b>41,008</b>	29,741	<b>36,185</b>	26,359
<b>Total liabilities</b>	<b>6,807,823</b>	6,775,708	<b>5,291,823</b>	5,209,246
<b>Equity</b>				
Called up share capital	<b>108,092</b>	108,092	<b>108,092</b>	108,092
Revaluation reserve	<b>41,184</b>	46,476	<b>41,021</b>	46,268
Retained earnings	<b>327,330</b>	306,548	<b>269,996</b>	251,047
<b>Total equity</b>	<b>476,606</b>	461,116	<b>419,109</b>	405,407
<b>Total liabilities and equity</b>	<b>7,284,429</b>	7,236,824	<b>5,710,932</b>	5,614,653
<b>Memorandum items</b>				
Contingent liabilities	<b>127,752</b>	133,771	<b>127,752</b>	133,771
Commitments	<b>1,345,698</b>	1,292,605	<b>1,345,782</b>	1,292,802

The financial statements were approved and authorised for issue by the Board of Directors on 3 August 2016 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 2016**

	<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 2016	<b>108,092</b>	<b>46,476</b>	<b>306,548</b>	<b>461,116</b>
Profit for the period	-	-	<b>26,854</b>	<b>26,854</b>
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- fair value gains, net of tax	-	<b>1,720</b>	-	<b>1,720</b>
- 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>	<b>26,854</b>	<b>21,562</b>
<b>Transactions with owners, recognised directly in equity</b>				
Contributions by and distributions to owners				
- share-based payments	-	-	<b>17</b>	<b>17</b>
- 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>
<b>At 30 June 2016</b>	<b>108,092</b>	<b>41,184</b>	<b>327,330</b>	<b>476,606</b>
At 1 January 2015	97,281	42,510	305,314	445,105
Profit for the period	-	-	23,925	23,925
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- fair value losses, net of tax	-	(3,482)	-	(3,482)
- fair value gains reclassified to profit or loss on disposal, net of tax	-	(249)	-	(249)
Properties:				
- effect of changes in tax rate	-	1,529	-	1,529
<b>Total other comprehensive income</b>	-	(2,202)	-	(2,202)
<b>Total comprehensive income for the period</b>	-	(2,202)	23,925	21,723
<b>Transactions with owners, recognised directly in equity</b>				
Contributions by and distributions to owners				
- share-based payments	-	-	6	6
- dividends	-	-	(5,511)	(5,511)
- bonus issue	10,811	-	(10,811)	-
<b>Total contributions by and distributions to owners</b>	10,811	-	(16,316)	(5,505)
At 30 June 2015	108,092	40,308	312,923	461,323

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## Statements of Changes in Equity for the ended 30 June 2016 (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 2016	<b>108,092</b>	<b>46,268</b>	<b>251,047</b>	<b>405,407</b>
Profit for the period	-	-	<b>25,032</b>	<b>25,032</b>
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- fair value gains, net of tax	-	<b>1,765</b>	-	<b>1,765</b>
- 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>(5,247)</b>	-	<b>(5,247)</b>
<b>Total comprehensive income for the period</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>(6,083)</b>	<b>(6,083)</b>
<b>At 30 June 2016</b>	<b>108,092</b>	<b>41,021</b>	<b>269,996</b>	<b>419,109</b>
At 1 January 2015	97,281	42,139	255,837	395,257
Profit for the period	-	-	18,928	18,928
<b>Other comprehensive income</b>				
Available-for-sale investments:				
- fair value losses, net of tax	-	(3,396)	-	(3,396)
- fair value gains reclassified to profit or loss on disposal, net of tax	-	(249)	-	(249)
Properties:				
- effect of changes in tax rate	-	1,529	-	1,529
<b>Total other comprehensive income</b>	-	(2,116)	-	(2,116)
<b>Total comprehensive income for the period</b>	-	(2,116)	18,928	16,812
<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>(5,511)</b>	<b>(5,511)</b>
- bonus issue	10,811	-	<b>(10,811)</b>	-
<b>Total contributions by and distributions to owners</b>	10,811	-	<b>(16,316)</b>	<b>(5,505)</b>
At 30 June 2015	108,092	40,023	258,449	406,564

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Statements of Cash Flows for the period ended 30 June 2016

	<i>Group</i>		<i>Bank</i>	
	<b>6 mths to 30/06/16 €000</b>	6 mths to 30/06/15 €000	<b>6 mths to 30/06/16 €000</b>	6 mths to 30/06/15 €000
<b>Cash flows from operating activities</b>				
Interest, commission and premium receipts	<b>124,722</b>	118,158	<b>89,651</b>	84,300
Interest, commission and claims payments	<b>(87,407)</b>	(73,781)	<b>(9,821)</b>	(13,989)
Payments to employees and suppliers	<b>(51,542)</b>	(45,890)	<b>(50,077)</b>	(42,747)
Cash flows (used in)/from operating activities before changes in operating assets/liabilities	<b>(14,227)</b>	(1,513)	<b>29,753</b>	27,564
Decrease/(increase) in operating assets:				
Financial assets designated at fair value	<b>96,294</b>	(32,173)	-	-
Reserve deposit with Central Bank of Malta	<b>(1,183)</b>	(1,729)	<b>(1,183)</b>	(1,729)
Loans and advances to customers and banks	<b>(45,253)</b>	37,755	<b>(43,752)</b>	37,928
Treasury Bills	<b>35,999</b>	(10,745)	<b>35,999</b>	(10,745)
Other receivables	<b>(13,581)</b>	(4,565)	<b>(1,876)</b>	(6,471)
Increase/(decrease) in operating liabilities:				
Customer accounts and deposits by banks	<b>53,692</b>	320,330	<b>66,587</b>	330,542
Other payables	<b>(61,015)</b>	137,491	<b>(5,354)</b>	8,148
Net cash from operating activities before tax	<b>50,726</b>	444,851	<b>80,174</b>	385,237
Tax recovered/(paid)	<b>6,590</b>	(4,563)	<b>3,402</b>	(3,621)
Net cash from operating activities	<b>57,316</b>	440,288	<b>83,576</b>	381,616
<b>Cash flows from investing activities</b>				
Interest received from financial investments	<b>26,701</b>	27,726	<b>12,126</b>	12,087
Purchase of other available-for-sale financial investments	<b>(79,078)</b>	(191,555)	<b>(79,078)</b>	(191,583)
Proceeds from sale and maturity of financial investments	<b>78,906</b>	181,453	<b>78,906</b>	181,453
Purchase of property, plant and equipment and intangible assets	<b>(2,495)</b>	(2,423)	<b>(1,373)</b>	(2,284)
Proceeds on sale of property, plant and equipment and intangible assets	<b>1</b>	341	<b>1</b>	340
Net cash flows from investing activities	<b>24,035</b>	15,542	<b>10,582</b>	13
<b>Cash flows from financing activities</b>				
Dividends paid	<b>(6,089)</b>	(5,511)	<b>(6,089)</b>	(5,511)
Net increase in cash and cash equivalents	<b>75,262</b>	450,319	<b>88,069</b>	376,118
Cash and cash equivalents at beginning of period	<b>793,668</b>	827,685	<b>681,175</b>	748,847
Effect of exchange rate changes on cash and cash equivalents	<b>5,856</b>	(40,864)	<b>5,856</b>	(40,864)
<b>Cash and cash equivalents at end of period</b>	<b>874,786</b>	1,237,140	<b>775,100</b>	1,084,101

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**Net operating income**

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

	<i>Group</i>	
	<b>6 mths to 30/06/16</b>	6 mths to 30/06/15
	€000	€000
Net Interest Income	<b>98</b>	192
Net fee and commission income	<b>1,225</b>	1,536
Net income from insurance financial instruments designated at fair value	<b>68,206</b>	17,131
Net earned insurance premiums	<b>28,373</b>	28,952
Net other operating (expense)/income	<b>(983)</b>	2,316
	<b>96,919</b>	50,127
Net insurance claims incurred and movement in policyholders' liabilities	<b>(91,273)</b>	(39,392)
	<b>5,646</b>	10,735

**Net impairment**

	<i>Group/Bank</i>	
	<b>6 mths to 30/06/16</b>	6 mths to 30/06/15
	€000	€000
<b>Write-downs</b>		
Loans and advances to customers		
- specific allowances	<b>(6,016)</b>	(8,892)
- collective allowances	<b>(1,390)</b>	(1,778)
- bad debts written off	<b>(1,756)</b>	(7,038)
	<b>(9,162)</b>	(17,708)
Other assets		
- individual allowances	<b>43</b>	-
<b>Reversals of write-downs</b>		
Loans and advances to customers		
- specific allowances	<b>3,046</b>	10,575
- collective allowances	<b>1,507</b>	3,100
- bad debts recovered	<b>651</b>	467
	<b>5,204</b>	14,142
	<b>(3,915)</b>	(3,566)

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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 Banking & Markets ('GB&M').

– GB&M 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 2016

	<i>Retail Banking and Wealth Management</i>		<i>Commercial Banking</i>		<i>Global Banking and Markets</i>		<i>Group Total</i>	
	<b>6 mths to 30/06/16</b>	6 mths to 30/06/15	<b>6 mths to 30/06/16</b>	6 mths to 30/06/15	<b>6 mths to 30/06/16</b>	6 mths to 30/06/15	<b>6 mths to 30/06/16</b>	6 mths to 30/06/15
	<b>€000</b>	€000	<b>€000</b>	€000	<b>€000</b>	€000	<b>€000</b>	€000
<i>Group</i>								
Net interest income	<b>32,390</b>	29,082	<b>24,431</b>	21,972	<b>7,050</b>	8,978	<b>63,871</b>	60,032
Net non-interest income	<b>20,865</b>	19,206	<b>10,103</b>	7,247	<b>2,189</b>	3,360	<b>33,157</b>	29,813
External employee compensation and benefits	<b>(17,483)</b>	(17,627)	<b>(6,409)</b>	(6,462)	<b>(1,249)</b>	(1,259)	<b>(25,141)</b>	(25,348)
General and administrative expenses	<b>(16,394)</b>	(14,938)	<b>(5,999)</b>	(5,467)	<b>(926)</b>	(843)	<b>(23,319)</b>	(21,248)
External depreciation	<b>(1,152)</b>	(1,182)	<b>(534)</b>	(548)	<b>(76)</b>	(78)	<b>(1,762)</b>	(1,808)
External amortisation	<b>(1,054)</b>	(1,047)	<b>(476)</b>	(473)	<b>(47)</b>	(46)	<b>(1,577)</b>	(1,566)
External net impairment	<b>(187)</b>	(943)	<b>(3,810)</b>	(2,575)	<b>82</b>	(48)	<b>(3,915)</b>	(3,566)
<b>Profit before tax</b>	<b>16,985</b>	12,551	<b>17,306</b>	13,694	<b>7,023</b>	10,064	<b>41,314</b>	36,309

	<i>Retail Banking and Wealth Management</i>		<i>Commercial Banking</i>		<i>Global Banking and Markets</i>		<i>Group Total</i>	
	<b>30/06/16</b>	31/12/15	<b>30/06/16</b>	31/12/15	<b>30/06/16</b>	31/12/15	<b>30/06/16</b>	31/12/15
	<b>€000</b>	€000	<b>€000</b>	€000	<b>€000</b>	€000	<b>€000</b>	€000
Total assets	<b>3,716,103</b>	3,691,818	<b>1,449,436</b>	1,439,963	<b>2,118,890</b>	2,105,043	<b>7,284,429</b>	7,236,824
Total equity	<b>225,393</b>	218,068	<b>170,667</b>	165,120	<b>80,546</b>	77,928	<b>476,606</b>	461,116

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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 - 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 2015. 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 2016

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

<i>Group</i>	<b>Valuation Techniques</b>			<i>Total</i>
	<i>Quoted market price</i>	<i>Using observable inputs</i>	<i>With significant unobservable inputs</i>	
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>At 30 June 2016</b>				
<b>Assets</b>				
Treasury bills	-	<b>47,999</b>	-	<b>47,999</b>
Held for trading derivatives	-	<b>13,163</b>	-	<b>13,163</b>
Financial assets designated at fair value attributable to insurance operations	<b>1,209,148</b>	<b>120,249</b>	<b>1,442</b>	<b>1,330,839</b>
Available-for-sale financial investments	<b>1,188,436</b>	<b>3</b>	<b>747</b>	<b>1,189,186</b>
<b>Liabilities</b>				
Held for trading derivatives	<b>57</b>	<b>13,553</b>	-	<b>13,610</b>
Liabilities under investment contracts	<b>782,810</b>	<b>122,499</b>	<b>1,442</b>	<b>906,751</b>
<b>At 31 December 2015</b>				
<b>Assets</b>				
Treasury bills	-	103,998	-	103,998
Held for trading derivatives	-	11,492	-	11,492
Financial assets designated at fair value attributable to insurance operations	1,206,807	163,276	2,401	1,372,484
Available-for-sale financial investments	1,196,538	7,078	22	1,203,638
<b>Liabilities</b>				
Held for trading derivatives	-	11,732	-	11,732
Liabilities under investment contracts	819,918	164,689	2,401	987,008

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## HSBC Bank Malta p.l.c. Half-Yearly Results for 2016

	<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 2016</b>				
<b>Assets</b>				
Treasury bills	-	<b>47,999</b>	-	<b>47,999</b>
Held for trading derivatives	-	<b>12,969</b>	-	<b>12,969</b>
Available-for-sale financial investments	<b>1,183,683</b>	-	<b>747</b>	<b>1,184,430</b>
<b>Liabilities</b>				
Held for trading derivatives	-	<b>13,459</b>	-	<b>13,459</b>
<b>At 31 December 2015</b>				
<b>Assets</b>				
Treasury bills	-	103,998	-	103,998
Held for trading derivatives	-	10,897	-	10,897
Available-for-sale financial investments	1,191,695	7,075	22	1,198,792
<b>Liabilities</b>				
Held for trading derivatives	-	11,630	-	11,630

### Level 3

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

	<b>€000</b>
At 1 January 2016	2,401
Disposals during the period	(940)
Losses recognised in profit or loss	(19)
At 30 June 2016	<u>1,442</u>

The assets 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, 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>30/06/16</b>	31/12/15	<b>30/06/16</b>	31/12/15
	<b>€000</b>	€000	<b>€000</b>	€000
<b>Assets</b>				
Property	<b>41,588</b>	41,743	<b>41,686</b>	41,841
Investment property	<b>15,475</b>	15,458	<b>10,892</b>	10,876
	<b>57,063</b>	57,201	<b>52,578</b>	52,717

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## HSBC Bank Malta p.l.c. Half-Yearly Results for 2016

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 2016, 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 2016 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 2015.

### *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	
	30/06/16	31/12/15	30/06/16	31/12/15
	€000	€000	€000	€000
<b>Assets</b>				
Balances with Central Bank of Malta and cash	<b>79,700</b>	83,565	<b>79,700</b>	83,565
Items in the course of collection from other banks	<b>9,976</b>	12,559	<b>9,976</b>	12,559
Loans and advance to banks	<b>981,307</b>	841,411	<b>881,623</b>	728,918
Loans and advance to customers	<b>3,306,937</b>	3,284,615	<b>3,315,137</b>	3,292,815
Accrued interest	<b>28,940</b>	37,852	<b>20,332</b>	28,475
Other assets	<b>19,016</b>	13,959	<b>14,149</b>	8,124
	<b>4,425,876</b>	4,273,961	<b>4,320,917</b>	4,154,456
<b>Liabilities</b>				
Deposits by banks	<b>27,533</b>	14,286	<b>27,533</b>	14,286
Customer accounts	<b>5,001,972</b>	4,950,257	<b>5,085,729</b>	5,028,318
Subordinated liabilities	<b>87,399</b>	87,363	<b>88,172</b>	88,146
Accrued interest	<b>6,808</b>	7,718	<b>6,793</b>	7,701
Other Liabilities	<b>41,008</b>	29,741	<b>36,185</b>	26,359
	<b>5,164,720</b>	5,089,365	<b>5,244,412</b>	5,164,810

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## HSBC Bank Malta p.l.c. Half-Yearly Results for 2016

### *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 2016</b>				
Equity instruments	-	-	<b>1,386</b>	<b>1,386</b>
Debt securities	<b>95,667</b>	<b>95,667</b>	<b>1,092,769</b>	<b>1,092,769</b>
Loans and advances to customers	<b>32,647</b>	<b>32,647</b>	<b>3,357,242</b>	<b>3,357,242</b>
Other assets	-	-	<b>2,789,640</b>	<b>2,789,640</b>
	<b>128,314</b>	<b>128,314</b>	<b>7,241,037</b>	<b>7,241,037</b>
At 31 December 2015				
Equity instruments	7,075	7,075	25	-
Debt securities	97,432	97,432	1,099,106	1,099,106
Loans and advances to customers	90,496	90,496	3,278,695	3,278,695
Other assets	-	-	2,748,571	2,748,571
	195,003	195,003	7,126,397	7,126,372
<i>Bank</i>				
<b>At 30 June 2016</b>				
Equity instruments	-	-	<b>1,383</b>	-
Debt securities	<b>95,667</b>	<b>95,667</b>	<b>1,088,016</b>	<b>1,088,016</b>
Loans and advances to customers	<b>32,647</b>	<b>32,647</b>	<b>3,365,442</b>	<b>3,365,442</b>
Other assets	-	-	<b>1,212,591</b>	<b>1,212,591</b>
	<b>128,314</b>	<b>128,314</b>	<b>5,667,432</b>	<b>5,666,049</b>
At 31 December 2015				
Equity instruments	7,075	7,075	22	-
Debt securities	97,432	97,432	1,094,263	1,094,263
Loans and advances to customers	90,496	90,496	3,286,895	3,286,895
Other assets	-	-	1,123,045	1,123,045
	195,003	195,003	5,504,225	5,504,203

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## HSBC Bank Malta p.l.c. Half-Yearly Results for 2016

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

As at 30 June 2016, 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 30/06/16</b>	6 mths to 30/06/15	<b>6 mths to 30/06/16</b>	6 mths to 30/06/15
	<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>2.6</b>	2.6	<b>9,585</b>	8,431
- Proposed interim	<u><b>7.1</b></u>	<u>5.1</u>	<u><b>25,617</b></u>	<u>18,375</u>
	<u><b>9.7</b></u>	<u>7.7</u>	<u><b>35,202</b></u>	<u>26,806</u>
<b>Net of income tax</b>				
% per 30 cent share				
- Prior year's final	<b>1.7</b>	1.7	<b>6,089</b>	5,511
- Proposed interim	<u><b>4.6</b></u>	<u>3.3</u>	<u><b>16,651</b></u>	<u>11,944</u>
	<u><b>6.3</b></u>	<u>5.0</u>	<u><b>22,740</b></u>	<u>17,455</u>

### 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 months period ended 30 June 2016. 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 2015.*

*There were no new standards adopted during the period ended 30 June 2016. 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 2015.*

*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 2016

*Related party transactions with other members of the HSBC Group covering the period 1 January to 30 June 2016 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 4,400 offices in 71 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,608bn at 30 June 2016, 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 2016, 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*