

# Prospectus

Dated 10 January 2007

**Lm20,000,000 4.6% Bonds**

or

**€46,600,000 4.6% Bonds**

due

1 February 2017

of a nominal value of Lm100/€100 per Bond issued at par

by

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

Sponsor

***Rizzo, & Co.***  
***Farrugia & Co.***  
***(STOCKBROKERS) LTD***

**HSBC**   
The world's local bank

**Prospectus**

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**€46,600,000 4.6% Bonds**

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of a nominal value of Lm100/€100 per Bond issued at par  
(subject to an Over-allotment Option not exceeding in aggregate Lm5,000,000  
or €11,700,000 in value in any one or a combination of the Bonds)

by

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

(incorporated in Malta with limited liability under registration number C 3177)

**Offer Period: from 18 January 2007 to 25 January 2007**

(subject to the right of the Issuer to close the Offer early in the event of over-subscription)

ISIN MT0000031212 ML Bond  
ISIN MT0000031220 Euro Bond

**Sponsor**

Rizzo, Farrugia & Co.  
(Stockbrokers) Ltd.

**Manager and Registrar**

HSBC Bank Malta p.l.c.

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## Part 1 – Registration Document

This document is a Registration Document issued in accordance with the provisions of Chapter 6 of the Listing Rules issued by the Listing Authority and the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

This Registration Document is issued pursuant to the requirements of Listing Rule 6.4.2 of the Listing Rules and contains information about HSBC Bank Malta p.l.c. (the “Issuer”) as the issuer of securities for which application has been made for admission to listing and trading on the Malta Stock Exchange. This document should be read in conjunction with the most updated Securities Note issued by the Issuer from time to time that will provide the details of the securities to which it relates.

This document is dated 10 January 2007

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## 1. Definitions

In this Prospectus the following words and expressions shall bear the following meanings except where the context otherwise requires:

<b>Act</b>	The Companies Act, 1995, Cap. 386, Laws of Malta;
<b>Advisers</b>	The Advisers to the Issuer whose names and addresses are set out under the heading “Advisers to the Issuer” on page 6 of this Prospectus;
<b>Applicant</b>	A person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
<b>Application/s</b>	The application/s to subscribe for Bonds made by an Applicant by completing an Application Form and delivering it to the Registrar or to any of the Authorised Distributors;
<b>Application Form</b>	The form of application of subscription for the Bonds;
<b>Authorised Distributors</b>	The financial intermediaries set out on page 52 of this Prospectus;
<b>Bond/s</b>	The ML Bond and the Euro Bond;
<b>Bondholders</b>	The holders of the Bonds, each a “Bondholder”;
<b>Bond Issue</b>	The issue of Lm20,000,000 or €46,600,000 or any proportion of both such amounts subject to the Over-allotment option;
<b>Bond Issue Price</b>	At par (Lm100 for each ML Bond/€100 for each Euro Bond);
<b>Business Day</b>	Any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>Central Securities Depository</b>	The Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws;
<b>Directors or Board of Directors</b>	The Directors of the Issuer whose names and addresses are set out under the heading “Directors of the Issuer” on page 16 of this Registration Document;
<b>Euro or €</b>	The single currency recognised as legal tender by the Member Countries of the European Monetary Union;
<b>Euro Bond</b>	A maximum of €46,600,000 4.6% Bonds redeemable on 1 February 2017, or in case of the Over-allotment Option, up to an aggregate amount of €58,300,000 issued pursuant to this Prospectus;
<b>Group</b>	The Issuer and its Subsidiaries;
<b>HSBC Life Assurance</b>	HSBC Life Assurance (Malta) Ltd., a company registered in Malta with registration number C 18814;
<b>HSBC Fund Management</b>	HSBC Fund Management (Malta) Limited, a company registered in Malta with registration number C 20653;
<b>HSBC Stockbrokers</b>	HSBC Stockbrokers (Malta) Ltd., a company registered in Malta with registration number C 27430;

<b>HSBC Investment Services</b>	HSBC Investment Services (Malta) Limited, a company registered in Malta with registration number C 30282;
<b>HSBC Bank, Manager or Registrar</b>	HSBC Bank Malta p.l.c. which is authorised to conduct banking and investment services business by the Malta Financial Services Authority;
<b>Interest Payment Date</b>	1 February and 1 August of each year between 2007 and the Maturity Date (both years included);
<b>Issuer</b>	HSBC Bank Malta p.l.c., a company registered in Malta with registration number C 3177;
<b>Listing Authority</b>	The MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act, 1990, Cap. 345, Laws of Malta by virtue of L.N. 1 of 2003;
<b>Listing Rules</b>	The Listing Rules of the Listing Authority;
<b>MFSA</b>	The Malta Financial Services Authority established in terms of the Malta Financial Services Authority Act, 1988, Cap. 330, Laws of Malta;
<b>Malta Stock Exchange, Exchange or MSE</b>	The Malta Stock Exchange established by the Financial Markets Act, 1990, Cap. 345, Laws of Malta;
<b>Maltese lira, Maltese liri or Lm</b>	The lawful currency of the Republic of Malta;
<b>ML Bond</b>	A maximum of Lm20,000,000 4.6% Bonds 2017, or in case of the Over-allotment Option, up to an aggregate amount of Lm25,000,000 4.6% Bonds 2017 issued in terms of this Offer;
<b>Maturity Date</b>	1 February 2017;
<b>Offer Period</b>	The period between 18 January and 25 January 2007 (or such earlier date as may be determined by the Issuer in the event of over-subscription) during which the Bonds are on offer;
<b>Offer</b>	The invitation to subscribe for Bonds contained in this Prospectus;
<b>Official List</b>	The list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
<b>Over-allotment Option</b>	At the sole and absolute discretion of the Issuer to offer for subscription additional Bonds not exceeding Lm5,000,000 or €11,700,000 in value in any one or a combination of the ML Bond and the Euro Bond to cover any outstanding Applications in the event of over-subscription;
<b>Prospectus</b>	This document in its entirety, comprising the Registration Document, the Securities Note and the Summary;
<b>Redemption Value</b>	Lm100 for each Bond in the case of the ML Bond and €100 for each Bond in the case of the Euro Bond;
<b>Registration Document</b>	The document set out as Part 1, on pages 3 to 22 (both pages included) of this Prospectus;
<b>Rizzo, Farrugia &amp; Co. or Sponsor</b>	Rizzo, Farrugia & Co. (Stockbrokers) Ltd. which is authorised to conduct investment services business by the Malta Financial Services Authority;

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<b>Securities Note</b>	The document set out as Part 2, on pages 23 to 36 (both pages included) of this Prospectus;
<b>Subsidiaries</b>	The Issuer's subsidiaries as at 31 December 2006, HSBC Fund Management, HSBC Life Assurance and HSBC Stockbrokers;
<b>Summary</b>	The document set out as Part 3, on pages 37 to 51 (both pages included) of this Prospectus and which is also available separately from this Prospectus;

All references in this Prospectus to **Malta** are to the **Republic of Malta**;

Unless it appears otherwise from the context:

- (a) words importing the singular shall include the plural and vice-versa;
- (b) words importing the masculine gender shall include also the feminine gender and vice-versa;
- (c) the word **may** shall be construed as permissive and the word **shall** shall be construed as imperative.

## 2. Persons Responsible

This document includes information given in compliance with the Listing Rules of the Listing Authority for the purpose of giving information with regard to the Issuer. All of the Directors whose names appear on page 16, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

## 3. Statutory Auditors

The annual statutory financial statements of the Issuer for the financial years ended 31 December 2004 and 31 December 2005 have been audited by KPMG, Certified Public Accountants of Portico Building, Marina Street, Pietà, Malta. KPMG is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act, 1979 (Cap. 281, Laws of Malta).

## 4. Advisers to the Issuer

### Legal Advisers to the Issuer

HSBC Bank Malta p.l.c.  
Legal Office  
116, Archbishop Street  
Valletta  
Malta

### Manager and Registrar

HSBC Bank Malta p.l.c.  
233, Republic Street  
Valletta  
Malta

### Sponsor

Rizzo, Farrugia & Co. (Stockbrokers) Ltd.  
Airways House, Third Floor  
High Street  
Sliema  
Malta

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## 5. Risk Factors

An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in this Prospectus before deciding to make an investment in the Bonds. Some of these risks are subject to contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingencies occurring. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

This document contains forward-looking statements, relating to the Issuer's objectives and plans and other statements of expectation and belief, which can be identified by the use of forward-looking terminology such as "expect", "may", "will", "could", "intend", "estimate", or "anticipate" or the negative thereof or other variations or comparable terminology. No assurance can be given that future results or expectations covered by such forward-looking statements will be achieved. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the Issuer's control. The following factors could cause actual experience to vary materially from the matters covered in such forward-looking statements.

### Risks relating to the Issuer

#### *Market and economic conditions*

The Issuer is a company engaged primarily in the business of banking, it owns subsidiaries engaged primarily in investment, fund management, life assurance and broking activities. As a group which is involved in a wide spectrum of financial services activities, it is subject to influence by numerous unpredictable factors. The important factors (many of which are out of the Issuer's control, could affect its actual results and could cause its results to vary materially from those expressed in public statements or documents) are summarised hereunder:

- Market cycles, including volatile movements on the financial markets, in equity and bond prices, interest rates and exchange rates may reduce investment and demand for investment and life assurance products promoted or distributed by the Group.
- Changes in overall economic conditions, inflation, consumer and business spending, recession, unemployment and other such factors which are beyond the Issuer's control, may also affect in a negative way the Group's overall performance and results.

#### *Competition*

Increased competitive pressure in the financial services sector could adversely affect the Issuer's results of operations and profitability. The main sources of increased competition include:

- A noticeable increase in the number of institutional providers of financial services, both at national and international level. Since May 2004, EU service providers operating in banking, insurance and securities sectors enjoy the benefits of passporting their activities to Malta.
- The widening and deepening of the range of services such providers offer across the markets in which the Issuer operates as competitors increase the scale of their operations.
- Consumer demand, technological advances, regulatory trends, the expected Euro adoption in January 2008 and other factors may also encourage greater competition.

#### *Concentration of Ownership*

HSBC Europe B.V. has a 70.03% majority shareholding in the issued share capital of the Issuer whilst the remaining 29.97% is held by other shareholders. Concentration of ownership in the hands of the foregoing or any other shareholders may enable them, acting individually or in concert, to exercise control over the Issuer and to have a significant role in the Issuer's development. Conversely a dilution in the shareholding interest of any of the majority shareholder may in turn lead to a decrease in the influence exercised by such shareholders over the Issuer. The interests of the majority shareholder might not always coincide with the interests of the Issuer or Bondholders.



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### ***Operational Risks***

The main operational risks are the following:

- The effectiveness of models or programmes to predict loan delinquency or loss and initiatives to improve collections in all business areas and the impact of changes the Issuer may implement from time to time to these models, programmes and initiatives.
- Continued acceptance by consumers of the Issuer's distribution systems and demand for its loan, investment and insurance products.
- The costs, effects and outcomes of regulatory reviews or the business practices or policies of any of its business units, such as additional compliance requirements.
- Increased funding costs due to instability in the capital markets and risk tolerance of fixed income investors.
- The costs, effects and outcomes of any litigation that adversely affects the Issuer or its business.
- The ability to attract and retain qualified personnel to support the key business activities of the Issuer.
- Other operational risks, such as failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud. Operational risks are managed at appropriate levels through the implementation of high standard control policies and procedures, in accordance with HSBC Group standards. These control measures are aimed to mitigate operational risks as much as possible although it is impossible to eliminate risk completely.
- The inability to manage any or all of the foregoing risks as well as anticipated.

### ***Counter-party risks***

Third parties, such as debtors, financial intermediaries, reinsurers that owe the Group money, securities or other assets may not pay or perform under their obligations. Default by counterparties may be due to a variety of reasons, such as lack of liquidity, market or economic downturns, operational failure.

### ***Force Majeure***

The Group has in place contingency plans in case of events of force majeure. However, events which are beyond the control of the Issuer, such as terrorist attacks and other acts of war or hostility, industrial action and natural calamities may impact negatively on economic conditions on the Group's business and results in ways that cannot be totally anticipated.

### ***Applicable law and regulation***

- The Issuer and its Subsidiaries operate in a highly regulated environment. The laws and regulations to which the Issuer and its Subsidiaries are subject are intended, inter alia, to ensure the sound and prudential management of the business and resources of regulated entities and the maintenance of adequate solvency margins. Such laws and regulations are, however, intended principally for the benefit of customers and policy holders rather than investors in the Issuer. The Issuer is also subject to environmental, health and safety, property and planning laws and regulations.
- The timing and effects of changes in the laws and regulations to which the Issuer is subject, including changes in the interpretation thereof which cannot be predicted, are beyond the control of the Issuer, and could have an adverse affect on the business, financial condition and results of operations of the Issuer.

## 6. Selected Financial Information

The following information is extracted from the Issuer's Group Audited Financial Statements for the financial years ended 31 December 2004 and 31 December 2005 and the Group Unaudited Half-Yearly results for the six months ended 30 June 2006.

	<b>Group Income Statement for the</b>		
	<i>6 months ended 30 June 2006 (unaudited) Lm000</i>	<i>12 months ended 31 Dec 2005 (audited) Lm000</i>	<i>12 months ended 31 Dec 2004 (audited) Lm000</i>
Interest receivable and similar income	37,271	74,199	68,807
Interest payable	(14,464)	(27,327)	(27,413)
<b>Net interest income</b>	<b>22,807</b>	<b>46,872</b>	<b>41,394</b>
Net non-interest income	15,067	21,756	18,706
Operating expenses	(16,944)	(31,430)	(30,763)
Amortisation of intangible assets	(286)	(635)	(797)
Net impairment reversals	54	142	4,012
(Provisions) / reversals for liabilities and other charges	(130)	1	301
<b>Profit before tax</b>	<b>20,568</b>	<b>36,706</b>	<b>32,853</b>
Tax on profit	(7,136)	(12,642)	(10,843)
<b>Profit for the period</b>	<b>13,432</b>	<b>24,064</b>	<b>22,010</b>
<b>Profit attributable to shareholders of the bank</b>	<b>13,419</b>	<b>24,057</b>	<b>22,010</b>
<b>Profit attributable to minority interest</b>	<b>13</b>	<b>7</b>	<b>-</b>
<b>Earnings per share</b>	<b>4.6c</b>	<b>8.2c</b>	<b>7.5c</b>

	<b>Group Balance Sheet as at</b>		
	<i>30 June 2006 (unaudited) Lm000</i>	<i>31 Dec 2005 (audited) Lm000</i>	<i>31 Dec 2004 (audited) Lm000</i>
<b>Assets</b>			
Balances with Central Bank of Malta, Treasury Bills and cash	105,658	77,121	106,806
Cheques in course of collection	5,245	9,727	4,458
Financial assets held for trading	3,631	3,907	4,826
Financial assets designated at fair value through profit or loss	101,410	93,131	72,533
Investments	183,610	224,500	238,446
Loans and advances to banks	160,594	162,882	131,283
Loans and advances to customers	1,075,192	1,016,084	976,296
Intangible assets	10,240	9,433	8,782
Property, plant and equipment	29,259	29,746	30,647
Investment property	2,911	961	346
Assets held for sale	4,455	4,918	3,150
Current tax recoverable	-	1,895	1,372
Other assets	10,159	8,701	3,715
Prepayments and accrued income	13,840	12,868	16,486
<b>Total assets</b>	<b>1,706,204</b>	<b>1,655,874</b>	<b>1,599,146</b>

**Group Balance Sheet (continued)**

	<i>30 June 2006</i> <i>(unaudited)</i> Lm000	<i>31 Dec 2005</i> <i>(audited)</i> Lm000	<i>31 Dec 2004</i> <i>(audited)</i> Lm000
<b>Liabilities</b>			
Financial liabilities held for trading	4,311	4,050	9,917
Amounts owed to banks	32,082	22,667	48,336
Amounts owed to customers	1,407,231	1,367,214	1,288,618
Debt securities in issue	-	12	12
Provision for current tax	3,653	-	-
Deferred tax liability	3,589	3,843	2,251
Liabilities to customers under investment contracts	7,865	8,297	-
Liabilities under insurance contracts issued	92,625	86,275	65,996
Other liabilities	14,419	16,755	14,522
Accruals and deferred income	17,065	15,035	15,101
Provisions for liabilities and other charges	155	25	26
Subordinated liabilities	-	-	19,914
<b>Total liabilities</b>	<u>1,582,995</u>	<u>1,524,173</u>	<u>1,464,693</u>
<b>Equity</b>			
Equity attributable to shareholders	123,209	131,373	134,453
Minority interest	-	328	-
<b>Total equity</b>	<u>123,209</u>	<u>131,701</u>	<u>134,453</u>
<b>Total liabilities and equity</b>	<u>1,706,204</u>	<u>1,655,874</u>	<u>1,599,146</u>
<b>Memorandum items</b>			
Contingent liabilities	<u>52,329</u>	<u>51,513</u>	<u>44,127</u>
Commitments	<u>414,151</u>	<u>401,216</u>	<u>330,584</u>

**7. Information about the Issuer****History and development of the Issuer**

The Issuer was registered in Malta under the name Mid-Med Bank Limited, a private limited liability company under registration number C 3177. The company is domiciled in Malta. It was incorporated on the 25 September 1975 for an unlimited duration under the Commercial Partnerships Ordinance, 1962 (Cap. 168, Laws of Malta) and with effect from 31 December 1997 complied with the Companies Act, 1995 (Cap. 386, Laws of Malta) under which it is regulated.

The Issuer's ordinary shares were listed on the Official List of the Malta Stock Exchange on 4 January 1993. The status of the Issuer was changed to that of a public limited liability company (p.l.c.) on 31 December 1997. The Issuer changed its name from Mid-Med Bank Limited to Mid-Med Bank p.l.c. on 31 December 1997 and on 1 December 1999 the Issuer changed its name from Mid-Med Bank p.l.c. to the current name, HSBC Bank Malta p.l.c.

On 2 November 2002, the Issuer effectively acquired through merger HSBC Overseas Bank (Malta) Limited (OS/973/T) and HSBC Investment Holdings (Malta) Limited (C 19200) in accordance with the provisions of the Commercial Partnership Ordinance, 1962 (Cap. 168, Laws of Malta) and the Act. On 21 April 2006, the Issuer acquired one of its subsidiary companies, HSBC Home Loans (Malta) Ltd., through merger and as a result the Issuer acquired the banking business of HSBC Home Loans (Malta) Ltd. The companies acquired by the Issuer have ceased to exist without being wound up and on the effective merger date, the Issuer succeeded to all the rights, assets, obligations and liabilities of HSBC Home Loans (Malta) Ltd., HSBC Overseas Bank (Malta) Limited and HSBC Investment Holdings (Malta) Limited, including 1,999,998 Ordinary shares of Lm1 each held by HSBC Investment Holdings (Malta) Limited in HSBC Fund Management.

The Issuer is licensed by the MFSA under the Banking Act, 1994 (Cap. 371, Laws of Malta) as a credit institution and provides a wide range of banking and financial related services. It also holds Category 3 and Category 4 Investment Services Licence issued by the Malta Financial Services Authority under the Investment Services Act, 1994 (Cap. 370, Laws of Malta).

The Issuer is a licensed financial intermediary in terms of the Financial Markets Act, 1990 (Cap. 345, Laws of Malta).

In terms of the Insurance Intermediaries Act, 1996 (Cap. 487, Laws of Malta), the Issuer is also enrolled in the Tied Insurance Intermediaries List maintained by MFSA as a tied insurance intermediary in respect of the following classes of business:

1. Accident, Sickness, Unemployment Risks in respect of contract of credit insurance for the personal loans, mortgages, home loans and credit card customers or clients of the Issuer, and
2. Life Assurance.

The Issuer provides trust services in terms of the Trusts and Trustees Act, 1989 (Cap. 331, Laws of Malta) whereby it holds and manages assets or invest funds in various financial instruments at the direction of the customer.

On 14 December 1994, the Issuer authorised a first share split of its authorised and fully paid up issued share capital. The authorised share capital of the Issuer of Lm40,000,000 divided into 80,000,000 ordinary shares of 50c each was split into 160,000,000 ordinary shares of 25c each. The issued and fully paid up share capital of Lm9,120,000 and divided into 18,240,000 of 50c each was split into 36,480,000 ordinary shares of 25c each.

On 28 March 2005, the Issuer authorised a second share split of its authorised and fully paid issued share capital. The authorised share capital of the Issuer of Lm40,000,000 divided into 160,000,000 ordinary shares of 25c each was split into 320,000,000 ordinary shares of 12c5 each.

The issued and fully paid up share capital of Lm9,120,000 divided into 36,480,000 ordinary shares of 25c each was split into 72,960,000 ordinary shares of 12c5 each, which are all listed on the Malta Stock Exchange.

On 24 April 2006, the Issuer's Board of Directors approved a bonus share issue of three new shares for every one share held. The bonus share issue of Lm27,360,000 increased the issued share capital of the Issuer to 291,840,000 shares of 12c5 each, which are all listed on the Malta Stock Exchange.

The Issuer's registered office and Head Office is situated at 233, Republic Street, Valletta VLT 05. The addresses of the principal offices of the Issuer and its Subsidiaries can be found in the annual report and accounts which is filed at the Registrar of Companies in accordance with the provisions of the Act.

The Issuer may be contacted on Customer Service: 356 2380 2380, Facsimile: 356 2149 0613 and website: [hsbc.com.mt](http://hsbc.com.mt).

## 8. Business Overview

### 8.1 Principal Activities

#### *Introduction*

The Issuer is a member of the HSBC Group whose ultimate parent company is HSBC Holdings plc. Headquartered in London, HSBC Holdings plc is one of the largest banking and financial services organisations in the world. The HSBC Group's international network comprises around 9,500 offices in 76 countries and territories in Europe, the Asia Pacific Region, the Americas, the Middle East and Africa.

The Issuer and its Subsidiaries operate primarily in:

- Banking business
- Investment services
- Tied insurance intermediary activities
- Stockbroking business
- Trustee and custodian services
- Life assurance business

The Issuer has the following Subsidiaries as at 31 December 2006:

- HSBC Life Assurance (Malta) Ltd.
- HSBC Fund Management (Malta) Limited
- HSBC Stockbrokers (Malta) Ltd.

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HSBC Investment Services (Malta) Limited is a subsidiary of HSBC Fund Management.

*Principal activities of the Issuer*

The Issuer provides a comprehensive range of banking and financial related services.

The objects and business of the Issuer are to carry on the business of banking in all its aspects including but not limited to the transaction of all financial monetary and other business which may be usually or commonly carried on by banks, discount houses, merchant banks or financiers.

The Issuer's main activity comprises the acceptance of customers' funds on current, savings and term deposit accounts in Maltese liri and in all other major foreign currencies and the provision of advances by way of overdrafts and loans, mainly in the short term, to a wide spectrum of the domestic industry.

The Issuer also provides a wide range of banking services which include:

1. General banking facilities, such as discounting of bills of exchange, shipping and other guarantees, performance bonds and factoring, foreign exchange transactions including the receipt and transmission of funds, forward contracts, documentary collections, the establishment and negotiation of documentary letters of credit, negotiation of bills and the purchase and sale of foreign monies;
2. Dealing in securities and managing a Maltese liri and foreign currency investment portfolio;
3. Other services include the issue of credit cards, safe deposit boxes, night safe facilities, automated teller machines and other services designed to cater for the specific needs of particular customers.

*Principal activities of the Subsidiaries*

HSBC Life Assurance is licensed under the Insurance Business Act, 1998 (Cap. 403, Laws of Malta) and under the Investment Services Act, 1994 (Cap. 370, Laws of Malta). Its principal activities are to carry on life assurance business in Malta and to provide investment services in relation to long term insurance contracts in Malta.

HSBC Fund Management acts as a manager and administrator of collective investment schemes. The company owns 99.99 per cent of HSBC Investment Services (Malta) Limited, which is licensed under the Investment Services Act, 1994 and is registered as an authorised financial intermediary.

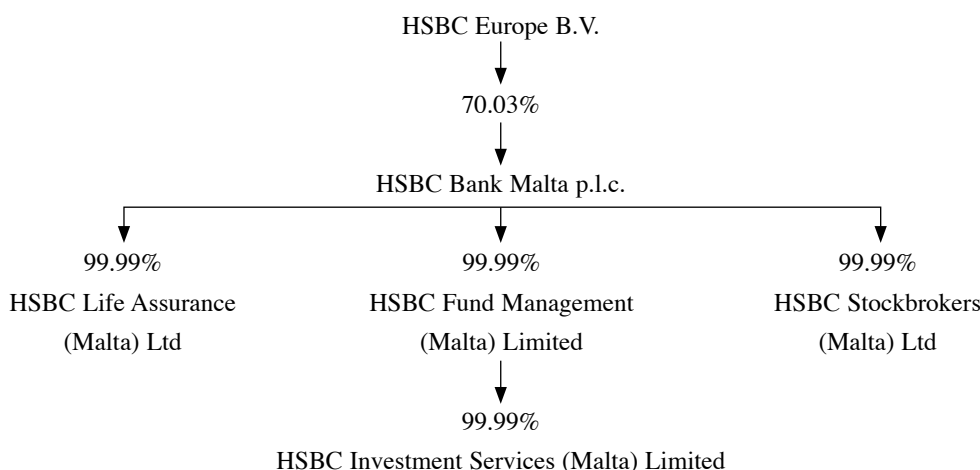
HSBC Stockbrokers is a member of the Malta Stock Exchange. The company is regulated under the Investment Services Act, 1994 by the MFSA. The company is principally engaged in stockbroking business on the Malta Stock Exchange and arranges/supports the listing of stocks and shares on the Exchange.

## **8.2 Principal Markets**

The Issuer operates principally in and from Malta.

## 9. Organisational Structure

The diagram below indicates the structure of the Group as at the date of this Registration Document.



The Issuer is not dependent upon other entities within the Group.

## 10. Trend Information

There has been no significant change in the financial or trading position of the Issuer or the Group which has occurred since the half-yearly results for the six months ended 30 June 2006.

### 10.1 Financial Performance for the Half-Year ended 30 June 2006

HSBC Bank Malta p.l.c. and its subsidiaries recorded a profit before tax of Lm20.6 million for the six months ended 30 June 2006, an increase of 11.3 per cent over the Lm18.5 million earned during the same period in 2005.

Profit after tax attributable to shareholders was Lm13.4 million, an increase of 11.0 per cent over the Lm12.1 million earned during the same period in 2005.

Net interest income increased by 7.1 per cent over prior year to Lm22.8 million.

Non-interest income increased by 24.8 per cent, contributing Lm15.1 million to net operating income.

Administrative expenses increased by 8.8 per cent, primarily due to higher performance-based compensation for all staff. However, the cost to income ratio improved from 47.5 per cent to 45.5 per cent.

Risk provisions were at low levels supported by an unchanged conservative policy in the assessment of credit risk and effective risk management. Impaired loans reduced from Lm61.7 million to Lm58.8 million.

Customer deposits increased to Lm1,407.2 million at 30 June 2006 compared with Lm1,367.2 million at 31 December 2005. Funds, life insurance contracts and amounts under custody increased by Lm53.0 million in aggregate during the period.

Loans and advances to customers increased to Lm1,075.2 million at 30 June 2006 – up Lm59.1 million or 5.8 per cent over 31 December 2005.

Total assets reached Lm1.71 billion at 30 June 2006 when compared with Lm1.66 billion at 31 December 2005.

Earnings per share for the first six months ended 30 June 2006 increased to 4.6 cents compared to 4.1 cents for the first six months of 2005. Comparative data has been adjusted for the April 2006 three-for-one bonus share issue.

Return after tax on capital employed increased to 10.9 per cent compared with 8.3 per cent for the first six months of 2005.

An interim gross dividend of 5.3 cents per share was recommended by the Board of Directors and paid in August 2006.

## 10.2 Financial Performance for the Financial Year ended 31 December 2005

### *Group profit*

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

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

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

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

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

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

Net impairment reversals contributed Lm0.1 million to profitability.

### *Shareholder ratios*

Earnings per share increased from a 2004 figure of 7.5 cents to 8.2 cents, with the pre-tax return on average equity increasing from 24.7 per cent in 2004 to 27.6 per cent.

A final ordinary dividend of 4.8 cents gross per share and a special dividend of 5.3 cents gross per share, giving a total final dividend of 10.1 cents gross per share, was recommended by the Board of Directors, and paid in April 2006. This followed on the gross interim dividend of 4.8 cents and a special dividend of 6.9 cents paid in August 2005.

*(Note: Shareholder ratios have been adjusted for the April 2006 three-for-one bonus share issue.)*

### *Net interest income*

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

Local monetary policy conditions were stable following a 25 basis points increase in the Central Intervention Rate in April 2005.

International currency retail deposits followed market interest rate trends. Sterling and Euro rates were generally flat offset by a strong increase in US dollar rates.

During the year the full Lm20.0 million tranche of 7.25% subordinated unsecured loan stock liabilities was redeemed.

Year-end group balance sheet assets increased by Lm51.5 million to Lm1,650.7 million during 2005.

There was strong growth in mortgage and commercial lending offset by lower exposures to Malta Government Treasury Bills and parastatal entities.

### *Non-interest income*

Non-interest income levels, net of insurance policyholders' liability movements and claims, grew by 16.3 per cent, contributing Lm21.8 million to net operating income.

Net fee income contributed Lm11.1 million, significantly up on the prior year's Lm8.8 million. Sales of wealth and fund management products recorded significantly higher volumes of activity than the prior year whilst customer usage of cards and transaction banking recorded stronger growth.

Trading profits increased by 9.8 per cent to Lm7.2 million supported by an active foreign exchange market and increased turnover in spite of the local currency joining ERM II in May 2005.

Balance sheet liabilities under insurance contracts increased by 22.9 per cent over prior year. This resulted in a stronger contribution of life assurance business activities to profitability levels.

Contribution is recorded through higher premium income and fair value gains offset against policyholders' liability movements and claims.

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### *Operating expenses*

Operating expense levels grew by 1.6 per cent to reach Lm32.1 million.

Employee compensation and benefits were Lm20.1 million, up on a prior year Lm19.7 million reflecting higher expenditure on performance based employee bonus and share payment schemes and lower voluntary retirement payouts.

General and administrative expenses increased to Lm9.1 million from the prior year's Lm8.6 million as a result of increased business volumes. Progress continued to be made to improve efficiency and automation.

Depreciation and amortisation charges decreased to Lm2.8 million from a prior year level of Lm3.1 million as goodwill amortisation charges were fully written off during the prior year.

### *Net impairment reversals*

There were no significant lending impairment issues during the year.

Net impairment reversals contributed Lm0.1 million to profitability. New specific allowances of Lm1.6 million were raised offset by a release of Lm0.7 million in collective allowances.

Bad debt write-offs of Lm4.1 million were effected. These were fully provided for in prior years and contributed towards the reversing of Lm5.1 million in specific allowances.

Successful debt recoveries, stability in the credit quality of the lending portfolio and aged bad debt write-offs reduced non-performing loans from Lm82.3 million to Lm61.7 million, considered as appropriately provisioned.

This amount represented 6.0 per cent of gross loans and advances to customers (2004: 8.3 per cent).

### *Taxation*

The 2005 effective rate of tax was 34.4 per cent up on a prior year 33.0 per cent. Tax on profit on ordinary activities for 2005 increased to Lm12.6 million.

### *Assets*

Total assets increased by Lm51.5 million to Lm1,650.7 million.

Net loans and advances to customers increased by Lm39.8 million supported by strong mortgage and commercial demand offset by reductions in exposure to parastatals.

Advances to deposits ratio decreased to 74.3 per cent from a prior year end level of 75.8 per cent primarily due to an increase in deposits.

Life assurance business assets are valued as financial assets at fair value through profit or loss. This portfolio grew to Lm93.1 million from a prior year end level of Lm72.5 million.

Balances with Central Bank and Treasury Bill holdings decreased from a prior year end level of Lm96.7 million to a year end level of Lm65.4 million.

This was offset by an increase in short term liquid money market placements disclosed under the loans and advances to banks category. These balances increased from Lm111.6 million to Lm138.3 million.

### *Liabilities*

Liabilities increased by Lm54.3 million to Lm1,519.0 million.

Amounts owed to customers increased by Lm78.6 million. This growth absorbed part of the Lm20.0 million subordinated loan stock which redeemed in June 2005.

Liabilities under insurance contracts issued increased by Lm15.1 million during the year to reach a year end level of Lm81.1 million.

### *Funds under management*

Funds under management by the group increased by 33.8 per cent up from a prior year end level of Lm199.7 million to Lm267.1 million.



### *Shareholders' equity*

Equity totalled Lm131.7 million at year end following the payment of Lm28.5 million in dividends paid out during 2005.

The capital solvency ratio stood at 12.93 per cent, well in excess of regulatory capital requirements.

## **11. Profit Forecast or Estimates**

The Registration Document does not contain any profit forecast or estimate.

## **12. Administrative, Management and Supervisory bodies**

The Memorandum of Association of the Issuer specifically regulates the appointment of Directors. The Board consists of not more than nine Directors who are appointed/elected by the shareholders. Every shareholder owning 11 per cent of the ordinary share capital is entitled to appoint one Director for each 11 per cent shareholding. The majority shareholder therefore has the right to appoint six Directors. Furthermore, any excess fractional shareholding not so utilised may be used to participate in the voting for the election of further Directors. Shareholders who own less than 11 per cent of the ordinary share capital participate in the election of the remaining three Directors.

The largest single shareholder (subject to a minimum 33 per cent holding of the ordinary issued share capital of the company), is entitled to appoint a chairman from amongst the Directors appointed or elected to the Board. Every poll for the election of Directors is overseen by the Issuer's external auditors.

The Board regularly reviews and evaluates corporate strategy, major operational and financial plans, risk policy, performance objectives and monitors implementation and corporate performance within the parameters of all relevant laws, regulations and codes of best business practice.

### **12.1 Directors of the Issuer**

As at the date of this Registration Document, the Board of Directors of the Issuer is composed of the following persons. Their business address is that of the Issuer.

#### **Albert Mizzi, Non-Executive Chairman**

Age 79. Non-Executive Chairman of the Issuer since June 1999. In 1946, joined family business Alf. Mizzi & Sons Ltd. and was Chairman for several years. In the 1960s he was heavily involved in private banking and appointed director of Medport. He established a number of Malta's important parastatal businesses: Air Malta, Sea Malta, Medserv, Mediterranean Insurance Brokers and Middle Sea Insurance. Following the setting up of Air Malta in 1973, he served as its Chairman for 19 years.

#### **Shaun Wallis, Director and Chief Executive Officer**

Age 51. Director of the Issuer since acquisition of Mid-Med Bank p.l.c. in June 1999. Executive of the HSBC Group since 1978. He has occupied a number of senior managerial positions within the HSBC Group in different countries. Most recent appointment was General Manager International responsible for HSBC Bank plc's overseas operations in Europe. Chief Executive Officer of the Issuer since September 2004.

#### **Sally Robson, Director and Chief Operating Officer**

Age 48. Director of the Issuer since 31 March 2006. A professional banker and a fellow of the Chartered Institute of Bankers. Joined the then Midland Bank plc in 1979. Since 1983 she has held a number of key managerial positions within the HSBC Group in the UK, with the most recent being that of Area Director for Greater Manchester.

**David Budd, Non-Executive Director**

Age 53. Director of the Issuer since September 2005. Has occupied various top managerial posts within the HSBC Group world-wide since 1975. He was an executive Director and Chief Operating Officer of HSBC Bank Brasil S.A.-Banco Múltiplo between 2000 and 2002. Subsequently he was President and Chief Executive Officer of HSBC Bank Argentina S.A. from January 2003 to May 2005. He is now an executive Director and Chief Operating Officer of HSBC Bank plc.

**Philip Farrugia Randon, Executive Director**

Age 57. Director of the Issuer since June 2004. Graduated LL.D. in 1973 and joined the Issuer in 1974 as a legal adviser. Held the post of Company Secretary of the Issuer for several years. Also holds the post of Head of Group Legal Department of the Issuer.

**Charles John Farrugia, Executive Director**

Age 49. Director of the Issuer since November 2004. Joined the Issuer in 1975. Was appointed Chief Dealer in 1995, Group Senior Treasury Manager in 1999 and Managing Director of HSBC Stockbrokers (Malta) Ltd. in 2001. Currently holds the post of Head of Corporate Investment Banking and Markets of the Issuer.

**Victor Scicluna, Non-Executive Director**

Age 68. Director of the Issuer since March 2001 and member of the Audit Committee since June of 2001. A Certified Public Accountant. Former Director / General Manager Central Cigarettes Co Ltd, former Chairman of the Board of Governors of the Malta College of Arts, Science and Technology and former President of The Malta Employers Association. Currently Chairman of The Malta Council for Economic and Social Development.

**Peter Paul Testaferrata Moroni Viani, Non-Executive Director**

Age 46. Non-Executive Director of the Issuer since March 2001. Holds various executive positions and directorships within the Testaferrata Group of companies.

**Saviour sive Sonny Portelli, Non-Executive Director**

Age 62. Appointed Director of the Issuer on 9 October 2006. Mr. Portelli is a senior Maltese businessman who is currently the Chairman of Maltacom p.l.c. Mr. Portelli had an early career in the Malta Civil Service which he left to join the Tourist Sector. Besides being a Marketing Specialist he sits as non-executive director on the boards of various Maltese companies.

**George Brancaleone, Company Secretary**

Age 45. Company Secretary of the Issuer since June 2004. Joined the Issuer in 1980 and graduated LL.D. in 1988. Company Secretary of various HSBC subsidiaries in Malta since 2001. Presently holds the post of Senior Manager at Group Legal Department of the Issuer.

**12.2 Senior Management**

As at the date of this Registration Document the senior management of the Issuer is composed of the following:

<b>Shaun Wallis</b>	<i>Chief Executive Officer</i>
<b>Sally Robson</b>	<i>Chief Operating Officer</i>
<b>Charles John Farrugia</b>	<i>Head of Corporate Investment Banking and Markets</i>
<b>Philip Farrugia Randon</b>	<i>Head of Group Legal</i>
<b>James Dunbar Cousin</b>	<i>Head of Commercial Banking</i>
<b>Godfrey Swain</b>	<i>Head of Personal Financial Services</i>
<b>Martin Peplow</b>	<i>Head of Credit</i>
<b>Philip Farrugia</b>	<i>Head of Banking Services</i>

<b>Mark Sims</b>	<i>Head of Human Resources</i>
<b>Joseph Borg</b>	<i>Head of IT</i>
<b>John Sammut</b>	<i>Head of Compliance</i>
<b>Brian Tortell</b>	<i>Head of Marketing</i>
<b>David Demarco</b>	<i>Chief Financial Officer</i>
<b>Anthony Vella Gregory</b>	<i>Senior Internal Audit Manager</i>

### Interests of Directors

Directors' interest in the share capital of the Issuer or in any related company as at 30 November 2006

	<i>No of shares</i>
Philip Farrugia Randon	6,400 shares

Mr Peter Paul Testaferrata Moroni Viani has a beneficial interest in the company of 58,800 ordinary shares through the shareholding of MacApps Limited in HSBC Bank Malta p.l.c. He also has a non-beneficial interest in the Issuer of 272,160 ordinary shares through the shareholding of Santumas Shareholdings p.l.c. in the Issuer.

Mr Albert Mizzi has a non-beneficial interest in the Issuer of 177,480 ordinary shares through the shareholding held by Finco Control Co Limited in HSBC Bank Malta p.l.c. and a non-beneficial interest in the Issuer of 366,000 ordinary shares through the shareholding of Finco Treasury Management Limited in the Issuer.

Save for the matters disclosed on page 18 and 20 under the headings "Interests of Directors", "Interests of Major Shareholders" and "Related Party Transactions" there are no potential conflicts of interests between any duties to the Issuer of the persons referred to above under the headings "Directors of the Issuer" and "Senior Management" and their private interests and/or other duties.

### 12.3 Remuneration of Directors and Senior Management

The Board of Directors determines the remuneration of non-executive Directors, including remuneration of the Chairman of the Remuneration Committee. The executive Directors of the Issuer are employed under an indefinite contract of service.

In accordance with the Issuer's Articles of Association, the total emoluments payable to all Directors, excluding remuneration paid to any Director by virtue of holding a salaried office with the company, is subject to shareholder approval at general meeting.

Directors' remuneration for the financial year ended 31 December 2005:

- Directors' fees	Lm46,000
- Directors' emoluments as full-time bank employees	Lm300,000

No Director is entitled to profit sharing, share options, pension benefits (other than performance-related bonus awards) or any other remuneration, directly from the Issuer.

Executive Directors may be entitled to HSBC Holdings plc share options and certain pension and early retirement benefits. These Directors are not paid any fees for their directorship.

The members of executive management are employed under an indefinite contract of service. Senior executives are remunerated by way of salary and are, in addition, entitled to bonuses linked to individual performance and overall performance of the Group.

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## 13. Board Practices

### 13.1 Corporate Governance

The Board of Directors is committed to sound corporate governance and to best practice in this regard guided by international codes on corporate governance. Although principles as outlined in the Code of Principles of Good Corporate Governance are not mandatory, the Board has endorsed them except where there are particular circumstances that warrant non-adherence thereto.

### 13.2 Board Committees

The Directors have established the following board committees:

- Audit Committee
- Remuneration Committee
- Asset and Liability Management Committee
- Risk Management Committee

#### *Audit Committee*

This committee meets at least five times a year. Its terms of reference are modelled mainly on the recommendations in the Cadbury Report and the Principles noted above. Additional terms of reference have been adopted by this committee to align with HSBC Group's requirements. The audit committee, having been approved by the Listing Authority in terms of Listing Rule 8.64, also considers the arms's length nature of related party transactions that the Issuer carries out. Its members are Victor Scicluna (Chairman), Peter Paul Testaferrata Moroni Viani and Saviour sive Sonny Portelli, who are independent non-executive Directors. Executives of the Issuer are available to attend any of the meetings as directed by the committee. Normally, the Chief Executive Officer, the Chief Operating Officer, the Head of Compliance and a representative of the external auditors attend the meetings. The Head of Internal Audit is always present for its meetings and has a right of direct access to the chairman of the committee at all times.

#### *Remuneration Committee*

During 2006 this committee, which is established on a similar basis to its counterparts in HSBC Group, held two meetings. It meets primarily to review compensation policy of the Issuer and to make annual recommendations which are then sent to HSBC Bank plc for concurrence on pay review, salary increases and bonuses for key management personnel. It is chaired by Albert Mizzi (independent non-executive Director) and comprises the Chief Executive Officer and the Chief Operating Officer.

#### *Asset and Liability Management Committee (ALCO)*

This committee reviews the following balance sheet risks and ensures their prudent management: interest rate risk, liquidity and funding, foreign exchange risk, and credit and counterparty risk using a portfolio approach (including market sector risk) and country risk. Furthermore, ALCO monitors the external environment and measures the impact on profitability of factors such as interest rate volatility, market liquidity, exchange rate volatility, monetary and fiscal policies and competitor bank actions.

The Chief Executive Officer has primary responsibility for ensuring efficient development of asset and liability management. Membership consists of senior executives with responsibility for the following functions: corporate banking, retail banking, treasury, financial control, marketing, and credit.

The ALCO, which is chaired by the Chief Executive Officer and deputised by the Chief Operating Officer, meets once a month.

### ***Risk Management Committee***

The primary function of this committee is for senior and executive management to review the identification, measurement, monitoring and controlling of the Issuer's principal business risks and to determine and agree strategies and policies to mitigate these risks.

This committee meets at least four times a year and is chaired by the Chief Operating Officer and is composed of the Chief Operating Officer, Chief Financial Officer, Senior Internal Audit Manager and the Heads of Credit, Banking Services, Commercial Banking, Personal Financial Services, Corporate Investment Banking and Markets and Compliance.

### **13.3 Internal Controls**

The Board is ultimately responsible for the Issuer's system of internal control and for reviewing its effectiveness. Such procedures are designed to manage rather than to eliminate the risk of failure, to achieve business objectives and can only provide reasonable and not absolute assurance against material error, losses or fraud. Systems of internal controls may comprise the following:

- Authority to operate the Issuer is delegated to the Chief Executive Officer within the limits set by the Board of the Issuer. Functional, operating and financial reporting standards are applicable within all entities of the HSBC Group. These are supplemented by operating standards set by the Issuer's management, as required.
- Systems and procedures are in place to identify, control and to report on the major risks including credit, changes in the market prices of financial instruments, liquidity, operational error and fraud. Exposure to these risks is monitored by the Asset and Liability Management Committee and by the Risk Management Committee.
- Comprehensive annual financial plans are prepared, reviewed and approved by the Board. Results are monitored and reports on progress compared with plan are prepared monthly. Financial accounting and reporting and certain management reporting standards have been established. Centralised functional control is exercised over all computer system developments and operations. Common systems are employed where possible for similar business processes.
- Responsibilities for financial performance against plans and for capital expenditure, credit exposures and market risk exposures are delegated with limits to line management. In addition, functional management in the Issuer has been given the responsibility to set policies, procedures and standards in the areas of finance, legal and regulatory compliance, internal audit, human resources, credit, market risk, operational risk, computer systems and operations, property management and for certain HSBC Group product lines.
- The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures within the Issuer and its subsidiaries. The work of the internal audit function focuses on areas of greatest risk as determined by a risk management approach.
- The Issuer's Compliance Department ensures that the Issuer's Group complies with all the local and international regulatory obligations and HSBC Group standards and regulations.

## **14. Major Shareholders and Related Party Transactions**

### **14.1 Interest of Major Shareholders**

The following shareholders hold in excess of five (5) per cent of the Issuer's ordinary shares as at 31 December 2005:

	<i>Ordinary shares</i>	<i>%</i>
HSBC Europe B.V.	204,379,640	70.03

The risks associated with the concentration of ownership in the hands of any of the Issuer's shareholders are described on page 7 of the Prospectus under the heading "Risks relating to the Issuer – Concentration of Ownership". In accordance with the Principles of Good Corporate Governance set out in Appendix 8.1 of the Listing Rules, the Audit Committee, which has been approved by the Listing Authority in terms of Listing Rule 8.64, is responsible for reviewing the Group's procedures and internal control systems, with a view to ensuring inter alia the arm's length nature of related party transactions that the Issuer and its Subsidiaries carry out.

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#### **14.2 Related Party Transactions**

Full details on related party transactions during the financial year ended 31 December 2005 may be viewed in the annual report and accounts of the Issuer, available for public inspection.

### **15. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses**

#### **15.1 Historical financial information**

Full historical financial information for the two financial years ended 31 December 2004 and 31 December 2005 are set out in the annual report and accounts of the Issuer, available for public inspection.

#### **15.2 Financial statements**

An auditors' report including the audited financial statements for the Group for the financial years ended 31 December 2004 and 31 December 2005 are set out in the annual report and accounts of the Issuer, available for public inspection.

Selected financial information for the two financial years ended 31 December 2004 and 31 December 2005 may be found in page 9 of the Registration Document.

#### **15.3 Auditing of historical annual financial information**

The annual financial statements of the Issuer for the financial years ended 31 December 2004 and 31 December 2005 have been audited by KPMG.

#### **15.4 Age of latest financial information**

The latest audited financial information available in respect of the Issuer relates to the financial year ended on 31 December 2005 and was approved for issuance by the Board of Directors on 16 February 2006.

#### **15.5 Interim and other financial information**

The unaudited half-yearly results for the six months ended 30 June 2006 have been published by the Issuer on 27 July 2006 and are available for public inspection.

Selected financial information for the unaudited half-yearly results for the six months ended 30 June 2006 may be found in page 9 of the Registration Document.

#### **15.6 Legal and arbitration proceedings**

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during a period covering twelve months prior to the date of this Registration Document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or the Group.

#### **15.7 Significant change in the Issuer's financial or trading position**

There has been no significant change in the financial or trading position of the Issuer or the Group which has occurred since the half-yearly results for the six months ended 30 June 2006.

## 16. Material Contracts

There are no material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in any Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Bondholders.

## 17. Third Party Information and Statement by Experts and Declarations of any Interest

This Registration Document does not contain any statement or report attributed to any person as an expert.

## 18. Documents on Display

For the life of the Registration Document, the following documents (or copies thereof), where applicable, may be inspected at the registered office of the Issuer at 233, Republic Street, Valletta VLT 05, Malta:

- The Memorandum and Articles of Association of the Issuer;
- The Audited Financial Statements of the Issuer for the financial years ended 31 December 2004 and 31 December 2005;
- The Audited Financial Statements of the Subsidiaries of the Issuer for the financial years ended 31 December 2004 and 31 December 2005; and
- The Unaudited Half-Yearly results of the Issuer for the six months ended 30 June 2006.

The Audited Financial Statements and the Unaudited Half-Yearly results of the Issuer may also be inspected on the Issuer's website: [hsbc.com.mt](http://hsbc.com.mt).

## 19. Additional Information

### 19.1 Share capital

The Issuer's authorised share capital as at the date of this Registration Document is Lm40,000,000 divided into 320,000,000 ordinary shares of 12c5 each. The Issuer's issued share capital as at the date of this Registration Document is Lm36,480,000 divided into 291,840,000 ordinary shares of 12c5 each which are all listed on the Malta Stock Exchange. The ordinary shares of the Issuer which have been fully paid up rank pari passu. The Issuer has no other classes of shares.

### 19.2 Memorandum and Articles of Association

The Issuer is registered under the Act with registration number C 3177.

The principal objects and purposes of the Issuer are set out in Clause 3 of the Memorandum of Association and are to carry on the business of banking in all its aspects whether in Malta or abroad, and whether related to national or international business including offshore business and including but not limited to the transaction of all financial, monetary, investment and other businesses which now or at any time during the existence of the Issuer may be usually or commonly carried on in any part of the world by banks, discount houses, merchant banks or financiers.

A copy of the Memorandum and Articles of Association of the Issuer is available for public inspection.

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## Part 2 – Securities Note

This document is a Securities Note issued in accordance with the provisions of Chapter 6 of the Listing Rules issued by the Listing Authority and the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council concerning information contained in the prospectus, its publication dissemination of advertisements.

This Securities Note is issued pursuant to the requirements of Listing Rule 6.4.3 of the Listing Rules and contains information about the Bonds being offered by HSBC Bank Malta p.l.c. (the “Issuer”). Application has been made for the admission to listing and trading of the Bonds on the Malta Stock Exchange. This Securities Note should be read in conjunction with the most updated Registration Document issued by the Issuer from time to time that provides details of the Issuer.

This document is dated 10 January 2007

The Bonds shall constitute the general, direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and, shall thus rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future.

ISIN MT0000031212 ML Bond

ISIN MT0000031220 Euro Bond

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Words and expressions used in this Securities Note shall, except where the context otherwise requires, bear the same meaning as defined under “Definitions” on page 4 forming part of this Prospectus.



## 1. Persons Responsible

All of the Directors of the Issuer whose names and functions appear on page 16, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

## 2. Risk Factors

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity. An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers (including tax, accounting, credit, legal and regulatory advice) the following risk factors and other investment considerations as well as all the other information contained in this Prospectus before deciding to make an investment in the Bonds. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

Neither this Securities Note, nor any other parts of the Prospectus or any other information supplied in connection with any Bonds: (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or the Sponsor or Authorised Distributors that any recipient of this Securities Note, any other part of the Prospectus or any other information supplied in connection with the Prospectus or any Bonds should purchase any Bonds.

### Risks relating to the Bond

#### *Trading and liquidity of the Bonds*

There is currently no trading record in respect of the Bonds as there has never been a public market for the Bonds prior to the offering contained in this Prospectus. Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List. There can be no assurance, however, that an active secondary market for the Bonds will develop or, if it develops, that it will continue nor can there be any assurance that an investor will be able to re-sell his Bonds at or above the Bond Issue Price or at all.

A public trading market having the desired characteristics of depth, liquidity and orderliness depends on a number of factors including the presence in the market place of willing buyers and sellers of the Issuer's Bonds at any given time, which presence is dependent upon the individual decisions of investors over which the Issuer has no control. Many other factors over which the Issuer has no control may affect the trading market for, and trading value of, the Bonds. These factors include the time remaining to the maturity of the Bonds, the outstanding amount of the Bonds and the level, direction and volatility of market interest rates generally.

No prediction can be made about the effect which any future public offerings of the Issuer's securities or any takeover or merger activity involving the Issuer will have on the market price of the Bonds prevailing from time to time.

#### *Foreign Exchange risk*

As purchasers of foreign currency instruments investors are exposed to the risk of changing foreign exchange rates and spot rates.

#### *Prior ranking charges*

The Bonds will rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future. The Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future, undertaking, assets or revenues (including uncalled capital).

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### 3. Key Information

#### 3.1 Offer Statistics

Issuer:	HSBC Bank Malta p.l.c., a company registered in Malta with registration number C 3177.
Amount:	Lm20,000,000 or €46,600,000 or any proportion of both such amounts, representing the ML Bonds and the Euro Bonds, which in aggregate does not exceed the sum of Lm20,000, 000 or €46,600,000, subject to the Over-allotment Option described below.
Over-allotment Option:	At the sole and absolute discretion of the Issuer, additional ML Bonds and/or Euro Bonds not exceeding in aggregate Lm5,000,000 or €11,700,000 in value may be issued at the Bond Issue Price to cover any outstanding Applications in the event of over-subscription.
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the Central Securities Depository.
Denomination:	Maltese liri (Lm) and Euro (€).
Minimum amount per subscription:	Minimum of one thousand Maltese liri (Lm1,000) or two thousand five hundred Euro (€2,500).
Subscription:	Multiples of one hundred Maltese liri (Lm100) / one hundred Euro (€100).
Maturity Date:	1 February 2017.
Bond Issue Price:	At par (Lm100/€100 per Bond).
Status of the Bonds:	The Bonds constitute the general, direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank pari passu, without any priority or preference among themselves and, shall thus rank after other present outstanding, unsubordinated and unsecured obligations of the Issuer.
Listing:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.
Offer Period:	The period between the 18 January and the 25 January 2007 (or such earlier date as may be determined by the Issuer in the event of over-subscription) during which the Bonds are on offer.

Interest: four point six per cent (4.6%) per annum.

Interest Payment Date(s): 1 February and 1 August of each year, between 2007 and the Maturity Date (both years included).

Redemption Value: At par (Lm100/€100 per Bond).

Manager and Registrar: HSBC Bank Malta p.l.c.

Sponsor: Rizzo, Farrugia & Co. (Stockbrokers) Ltd.

Governing Law and Jurisdiction: The Bonds are governed by and shall be construed in accordance with Maltese law. The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

### 3.2 Expected Time-table of Principal Events

Application Forms available	10 January 2007
Opening of subscription lists	18 January 2007
Closing of subscription lists	25 January 2007
Announcement of basis of acceptance	1 February 2007
Commencement of Interest on the Bonds	1 February 2007
Expected dispatch of allotment advice and refunds of unallocated monies	8 February 2007
Admission to trading	12 February 2007

**The Issuer reserves the right to close the Offer before the 25 January 2007 in the event of over-subscription, in which case, the remaining events set out in the “Expected Time-table of Principal Events” shall be anticipated in the same chronological order in such a way as to retain the same number of Business Days between the said principal events.**

### 3.3 Interest of natural and legal persons involved in the Offer

Potential investors should pay attention to the fact that various potential conflicts of interest may arise.

HSBC Bank Malta p.l.c. is acting as Manager, Registrar and Authorised Distributor and HSBC Stockbrokers (Malta) Ltd. (which is a wholly owned subsidiary of HSBC Bank Malta p.l.c.) is acting as Authorised Distributor in respect of the issue of the Bonds. HSBC Bank Malta p.l.c. and HSBC Stockbrokers (Malta) Ltd. will be effecting transactions for the account of customers on an “execution-only” basis without any advice being given or any discretion being exercised.

### 3.4 Reasons for the Offer and use of proceeds

The net proceeds from the issue of the Bonds will be used by the Issuer to meet part of its general financing requirements. The proceeds of the Bond will constitute Additional Own Funds (Tier II capital) of the Issuer in terms of the Own Funds Directive BD/03.

### 3.5 Estimated expenses and proceeds of the Offer

Selling commission is payable to Authorised Distributors in respect of Bonds allotted to Applicants applying through such Authorised Distributor at the rate of 0.5%.

The Offer expenses including selling commissions, professional fees, publicity, advertising, printing, listing, registration, sponsor, management and registrar fees and other miscellaneous costs incurred in connection with this Offer, are estimated not to exceed Lm200,000 and shall be borne by the Issuer. This amount will be deducted from the proceeds of the Offer, which accordingly will bring the net proceeds from the Offer to Lm24,800,000 if the Over-allotment Option is exercised in full.

## 4. Information concerning the Securities to be Offered / Admitted to Trading

### 4.1 General

- 4.1.1 Each ML Bond forms part of a duly authorised issue of 4.6% Bonds of a nominal value of Lm100 per Bond issued by the Issuer at par (the “Bonds”) up to the aggregate principal amount, including the Euro Bonds, of twenty million Maltese liri (Lm20,000,000) (except as otherwise provided under clause 4.16 “Further Issues”) subject to the exercise by the Issuer of the Over-allotment Option described in sub-clause (2) hereunder).

Each Euro Bond forms part of a duly authorised issue of 4.6% Bonds of a nominal value of €100 per Bond issued by the Issuer at par (the “Bonds”) up to the aggregate principal amount, including the ML Bonds, of forty-six million six hundred thousand Euro (€46,600,000) (except as otherwise provided under clause 4.16 “Further Issues”) subject to the exercise by the Issuer of the Over-allotment Option described in sub-clause (2) hereunder).

- 4.1.2 The Issuer may issue Bonds pursuant to the Over-allotment Option up to an aggregate principal amount of Lm5,000,000 or €11,700,000 so that in no event shall the aggregate value of the ML Bonds and Euro Bonds outstanding at any time exceed Lm25,000,000 or €58,300,000.
- 4.1.3 Subject to admission to listing of the Bonds to the Official List of the Malta Stock Exchange, the Bonds are expected to be assigned the following ISIN: MT0000031212 for the ML Bond and ISIN MT0000031220 for the Euro Bond.

### 4.2 Legislation under which the Bonds have been created

The issue of the Bonds is made in accordance with the requirements of the Listing Rules of the Listing Authority, the Companies Act, 1995 (Cap. 386, Laws of Malta) and the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council.

### 4.3 Registration, Denomination, Form and Title

- 4.3.1 Certificates will not be delivered to Bondholders in respect of the Bonds as each Bondholder’s entitlement will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the Central Securities Depository. There will be entered in such electronic register the names and addresses of the Bondholders and particulars of the Bonds held by them respectively and a copy of such register will, at all reasonable times during business hours, be open to the inspection of the Bondholders at the registered office of the Issuer.
- 4.3.2 The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of Lm100 or €100 provided that on subscription Applications will be for a minimum of Lm1,000 or €2,500.

- 4.3.3 Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under clause 4.13.

#### **4.4 Currency of the Bonds**

The currency of the Bonds is the Maltese Lira (Lm) and Euro (€).

#### **4.5 Status of the Bonds (Ranking)**

The Bonds will rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future. The Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future, undertaking, assets or revenues (including uncalled capital).

#### **4.6 Rights attached to the Bonds**

There are no special rights attached to the Bonds other than the right of the Bondholders to payment of capital and interest (vide clause 3 and this clause 4) and in accordance with the ranking as provided under clause 4.5.

#### **4.7 Interest**

- 4.7.1 The Bonds shall bear interest from and including 1 February 2007 (the “Issue Date”) at the rate of 4.6% per annum on the nominal value thereof, payable semi-annually in arrears on 1 February and 1 August of each year, (each an “Interest Payment Date”), the first Interest Payment Date being on 1 August 2007. Provided that any Interest Payment Date which falls on a day other than a Business Day, will be carried over to the next following day that is a Business Day.
- 4.7.2 When interest is required to be calculated for any period of less than a full year, such interest shall be calculated on the basis of the actual number of days in such period divided by the actual number of days (365 or 366) in the respective year.

#### **4.8 Payments**

- 4.8.1 Payment of the principal amount of a Bond will be made by the Issuer in Maltese liri or Euro, depending on the currency of the Bond subscribed or purchased, to the person in whose name such Bond is registered at the close of business on the Maturity Date, with interest accrued to the Maturity Date, by direct credit to Bondholder’s bank account as indicated by the Bondholder in the Application Form or of any person as the Bondholder may designate. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the Central Securities Depository.
- In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the Central Securities Depository shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.
- 4.8.2 Payment of any installment of interest on a Bond will be made in Maltese liri or Euro, depending on the currency of the Bond subscribed or purchased, to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date by means of a direct credit into the Bondholder’s bank account as indicated by the Bondholder in the Application Form or of any person as the Bondholder may designate, provided that if any such day is not a Business Day, such Interest Payment Date will be carried over to the next following day that is a Business Day. The Bondholder shall be required to make such designation in the Application Form. The Issuer shall not be responsible for any loss or delay in transmission.

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- 4.8.3 All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.
- 4.8.4 No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.
- 4.8.5 Unless previously purchased and cancelled as provided below, the Issuer will redeem the Bonds (together with payment of interest accrued thereon) at their nominal value on 1 February 2017 (the "Maturity Date").
- 4.8.6 The Issuer (or any of its subsidiary undertakings) may at any time purchase Bonds in the open market or otherwise and at any price. If purchases are made by tender, tenders shall be made available to all Bondholders alike.
- 4.8.7 All Bonds purchased by the Issuer on its own account will be cancelled forthwith and may not be re-issued or resold. However, such a transaction could be undertaken during the last five years before the repayment date in terms of Article 2.1.5(d) of the Banking Directive BD/03/2002. Consent from the MFSA may also be obtained by the Issuer for the early repayment of the Bonds in terms of Article 2.1.5(c) of the Banking Directive BD/03/2002.

#### **4.9 Yield**

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at maturity date is four point six per cent (4.6%).

#### **4.10 Meetings of Bondholders**

- 4.10.1 The Issuer may at any time convene a meeting of Bondholders to consider and approve by Extraordinary Resolution: (i) any matter affecting their interests, including the amendment, modification, waiver, abrogation or substitution of any of the terms or conditions of the Bonds and the rights of Bondholders, whether or not those rights arise under this Prospectus; (ii) the exchange or substitution of the Bonds by, or the conversion of the Bonds into, shares, debentures or other obligations or securities of the Issuer; and (iii) the earlier redemption or roll-over of the Bonds on their Maturity Date.
- 4.10.2 At least fourteen (14) days' prior notice of a meeting shall be given to Bondholders by the Issuer (exclusive of the day on which the notice is given and of the day for which it is given).
- 4.10.3 The instrument appointing a proxy shall be deposited at least forty eight (48) hours before the time fixed for the meeting at such place as the Issuer shall designate or approve, and in default it shall not be valid unless the chairman of the meeting decides otherwise before the meeting proceeds to business. A proxy need not be a Bondholder.
- 4.10.4 The chairman of a meeting of Bondholders shall be the chairman of the Board of Directors of the Issuer or such other person as the Issuer may nominate in writing. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.
- 4.10.5 The following may attend and speak at a meeting of Bondholders: (i) the chairman of the meeting; (ii) representatives and Directors of the Issuer; and (iii) Bondholders. No other person shall be entitled to attend or speak at a meeting.

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- 4.10.6 Bondholders holding in aggregate at least fifty (50) per cent in nominal value of the Bonds for the time being outstanding, present in person or by proxy shall constitute a quorum.
- 4.10.7 No business (except choosing a chairman if required in terms of sub-clause (4) above) shall be transacted at a meeting of Bondholders unless a quorum is present at the commencement of business. If a quorum is not present within thirty (30) minutes from the time initially fixed for the meeting, it shall stand adjourned until such date, time and place as the chairman may decide. If a quorum is not present within thirty (30) minutes from the time fixed for a meeting so adjourned the meeting shall be dissolved.
- 4.10.8 Each matter submitted to a meeting shall be decided by a show of hands unless a poll is (before, or following the result of the show of hands) demanded by the chairman. Every Bondholder shall be entitled to one vote for each Bond held whether on a show of hands or on a poll. Voting, whether on a show of hands or on a poll shall be taken in such manner as the chairman of the meeting shall direct.
- 4.10.9 An Extraordinary Resolution shall be binding on all the Bondholders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The Issuer shall give notice of the passing of an Extraordinary Resolution to Bondholders within fourteen (14) days but failure to do so shall not invalidate the resolution. No Extraordinary Resolution shall be binding or effective unless the Issuer shall have expressly agreed thereto in writing.
- 4.10.10 In this clause, unless the context otherwise requires:
- (a) "Extraordinary Resolution" means a resolution proposed by the Issuer and passed at a meeting duly convened and held in accordance with the provisions of this clause by a majority of at least 75 per cent in nominal value of the Bondholders present at that meeting in person or by proxy;
  - (b) references to a meeting is to a meeting of Bondholders and includes, any adjournment thereof;
  - (c) reference to the chairman is to the chairman of a meeting of Bondholders in accordance with the provisions of sub-clause (4) above.
- 4.10.11 The Chairman shall have the power to decide upon any other procedural issues that may arise in connection with Meetings of Bondholders.

#### **4.11 Authorisations and approvals**

The issue of the Bonds has been authorised by a resolution of the Board of Directors of the Issuer.

The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 28 December 2006

Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to this Prospectus to be listed and traded on the Official List of the Malta Stock Exchange and for dealings to commence once the Bonds are authorised as admissible to listing by the Listing Authority.

#### **4.12 Issue Date**

The Issue Date of the Bonds is 10 January 2007.

#### **4.13 Transferability of the Bonds**

- 4.13.1 The Bonds are freely transferable and once admitted to the Official List of the MSE, shall be transferable in accordance with the rules and regulations of the MSE applicable from time to time.

- 4.13.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the Central Securities Depository, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Central Securities Depository, a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.
- 4.13.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 4.13.4 The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.
- 4.13.5 The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

#### **4.14 Taxation**

##### **General**

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation in respect of the Bonds, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to holders of the Bonds in Malta. This information, which does not constitute legal or tax advice, and which does not purport to be exhaustive, refers only to holders of the Bonds who do not deal in securities in the course of their trading activity.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject-matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors; the precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

##### **Interest**

On the basis that interest is payable in respect of a bond which is the subject of a public issue, unless the Issuer is otherwise advised by a Bondholder who is resident in Malta and who falls within the definition of "recipient" in terms of article 41 of the Income Tax Act, 1948 (Cap. 123, Laws of Malta), interest shall be paid to such person net of a final withholding tax at the rate of 15% of the gross amount of the interest, pursuant to Article 33 of the Income Tax Act, 1948. Bondholders which do not fall within the definition of a "recipient" do not qualify for the said 15% rate and should seek advice on the taxation of such income. Special rules apply where the recipient is a collective investment scheme and such a recipient should obtain specific advice accordingly.

This withholding tax is considered as a final tax and a resident individual Bondholder should not declare the interest so received on his income tax return. No person shall be charged to further tax in respect of such income. However tax withheld shall in no case be available to any person for a credit against that person's tax liability or for a refund as the case may be.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of the 15% withholding tax, interest will be paid gross and such person will be obliged to declare the interest so received on his income tax return and be subject to tax on it at the standard rates applicable to that person at that time. Any such election made by a resident Bondholder at the time of the application may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act, 1948.



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*Non-resident Bondholders satisfying the applicable conditions set out in the Income Tax Act, 1948 are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite certificate being provided to the Issuer in terms of law.*

#### **Capital gains on transfer of the Bonds**

In accordance with the current legislation, no tax on capital gains should be chargeable in respect of transfer of the Bonds.

#### **Duty on documents and transfers**

On the basis that the Bonds involve securities of a company quoted on the Malta Stock Exchange, redemptions and transfers of the Bonds should be exempt from Maltese duty on documents and transfers.

#### **4.15 Events of Default**

The Bonds shall be due and repayable at their principal amount together with accrued interest, if any of the following events ('Events of Default') shall occur:

- 4.15.1 the Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for thirty (30) days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- 4.15.2 the Issuer shall fail duly to perform any other material obligation contained in the terms and conditions of the Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- 4.15.3 an order is made or a resolution passed or taken for the dissolution, termination of existence, liquidation, winding up or bankruptcy of the Issuer; or
- 4.15.4 the Issuer announces its inability to meet its financial obligations; or
- 4.15.5 there shall have been entered against the Issuer a final judgement by the court of competent jurisdiction from which no appeal may be or is taken for the payment of money in excess of Lm5,000,000 or its equivalent and ninety (90) days shall have passed since the date of entry of such judgement without its having been satisfied or stayed; or
- 4.15.6 any default occurs and continues for ninety (90) days with respect to any Financial Indebtedness (as defined below) of the Issuer under any contract or document in excess of Lm5,000,000 or its equivalent at any time.

For the purposes of this sub-clause, 'Financial Indebtedness' means any indebtedness in respect of (a) monies borrowed, (b) the principal amount of any debenture, debenture stock, bonds, notes and any other debt security, and (c) amounts raised under any other transaction and which are to be treated as Financial Indebtedness in accordance with any applicable accounting standards.

#### **4.16 Further Issues**

The Issuer may, from time to time, without the consent of the Bondholder, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue.

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## 5. Terms and Conditions of the Offer

### 5.1 Conditions

- 5.1.1 The contract created by the acceptance of an Application shall be subject to the terms and conditions set out in this Prospectus and the Memorandum and Articles of the Issuer.

It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to exchange control (including any applicable external transaction requirements) in Malta and in the countries of their nationality, residence or domicile.

If the Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have bound his principal, or the relative corporation, corporate entity, or association of persons and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such intermediary may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Registrar.

In the case of joint Applications, reference to the Applicant in these terms and conditions is a reference to each Applicant, and liability therefor is joint and several.

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis a vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner.

The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.

No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to him/her nor should he/she in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to him/her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholders at his registered address and posted.

Save where the context requires otherwise, terms defined in the Prospectus bear the same meaning when used in the Application Form and in any other document issued pursuant to the Prospectus.

- 5.1.2 The Amount of the Bond is Lm20,000,000 or €46,600,000 or any proportion of both such amounts, representing the ML Bonds and the Euro Bonds, which in aggregate does not exceed the sum of Lm20,000,000 or €46,600,000, subject to the Over-allotment Option in virtue of which the Issuer may, at its sole and absolute discretion, issue additional ML Bonds and Euro Bonds not exceeding in aggregate Lm5,000,000 or €11,700,000 in value, issued at par, to cover any outstanding Applications in the event of over-subscription.
- 5.1.3 The subscription lists will open at 08.30 hours on 18 January 2007 and will close as soon thereafter as may be determined by the Issuer but not later than 12.00 hours on 25 January 2007.

Any person, whether natural or legal, shall be eligible to submit an Application, and any one person, whether directly or indirectly, should not submit more than one Application Form. In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person authorised to sign and bind such Applicant. It shall not be incumbent on the Issuer or Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised.

Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Where the Application is signed by the legal guardian/s documentary evidence of the legal guardian/s appointment should be provided. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholders, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.

In the case of joint Applications, the joint holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first named in the register of Bondholders shall for all intents and purposes be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

- 5.1.4 Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down any Application, including multiple or suspected multiple Applications and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.

If any Application is not accepted, or if any Application is accepted for fewer Bonds than those applied for, the Application monies or the balance of the amount paid on Application will be returned by the Issuer without interest by direct credit into the Bondholder's bank account as indicated by the Bondholder on the Application Form. The Issuer shall not be responsible for any loss or delay in transmission.

- 5.1.5 The Bonds will be issued in multiples of one hundred Maltese liri (Lm100) / one hundred Euro (€100). The minimum subscription amount of Bonds that can be subscribed for is Lm1,000 or €2,500.

- 5.1.6 The completed Application Forms are to be lodged with the Issuer or any of the Authorised Distributors mentioned in this Prospectus. Unless other arrangements are concluded with the Issuer, all Application Forms must be accompanied by the full price of the Bonds applied for in Maltese liri or Euro according to the currency of the Bonds applied for. Payment may be made either in cash or by cheque payable to "The Registrar – HSBC Bond Issue". In the event that cheques accompanying Application Forms are not honoured on their first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.

- 5.1.7 Within five (5) Business Days from the closing of the subscription lists, the Issuer shall determine and announce the basis of acceptance of applications and allocation policy to be adopted.

- 5.1.8 By completing and delivering an Application Form the Applicant(s):

- (a) agree/s to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein, and in particular the conditions stipulated in conditions 5.1.1 to 5.1.8 of the Securities Note;

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- (b) confirm/s that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than those contained in this Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
  - (c) agree/s to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application(s);
  - (d) warrant/s, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your Application in any territory and that you have not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or your Application;
  - (e) warrant/s that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
  - (f) represent/s that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the “United States”) or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
  - (g) agrees that Rizzo, Farrugia & Co. (Stockbrokers) Ltd. in its capacity of Sponsor will not treat the Applicant as its customer by virtue of Applicant’s Application to subscribe for the Bonds being accepted and that Rizzo, Farrugia & Co. (Stockbrokers) Ltd. will not owe duties or responsibilities towards the Applicant concerning the price of the Bonds or their suitability for the Applicant;
  - (h) agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant’s own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the application Form;
  - (i) For the Purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations, 2003 as subsequently amended, all appointed Authorised Distributors are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the “Code of Conduct for Members of the Malta Stock Exchange” appended as Appendix IV to Chapter 3 of the Malta Stock Exchange Bye-Laws, irrespective of whether the said appointed Authorised Distributors are Malta Stock Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Cap. 440, Laws of Malta) for the purposes and within the terms of the Malta Stock Exchange Data Protection Policy as published from time to time.

## **5.2 Plan of distribution and allotment**

- 5.2.1 The Bonds are open for subscription to all categories of investors. The Issuer may enter into conditional placement agreements with investors prior to the commencement of the Offer Period whereby the Issuer binds itself to allocate to such investors, which shall bind themselves to purchase, upon closing of subscription lists, an amount not exceeding fifty (50) per cent in aggregate of the Bonds.

5.2.2 It is expected that an allotment advice to Applicants will be dispatched within 5 Business Days of the announcement of the allocation policy.

The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act, 1994 (Cap. 373, Laws of Malta) and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.

### **5.3 Adoption of the Euro**

If the Euro becomes the monetary unit of Malta, the ML Bonds will become automatically denominated in Euro and the amount of each ML Bond will be converted at the irrevocably fixed exchange rate and rounded up in accordance with the law or the relevant guidelines. In this case the distinction between ML Bonds and Euro Bonds will be eliminated and the ML Bonds will be treated in all respects as the Euro Bonds and will be consolidated in one Bond. References in the Prospectus to the ML Bond and Bonds will be interpreted to mean the Euro Bond.

## **6. Admission to Trading and Dealing Arrangements**

Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List. The Conditions contained herein shall be read in conjunction with the Bye-Laws of the MSE applicable from time to time.

## **7. Additional Information**

### **7.1 Statement by experts**

This Securities Document does not contain any statement or report attributed to any person as an expert.

### **7.2 Credit rating**

The Issuer has not sought the credit rating of an independent rating agency and there has been no assessment by an independent rating agency of the Bonds.

### **7.3 Documents on display**

For the life of the Securities Note, the following documents (or copies thereof), where applicable, may be inspected at the registered office of the Issuer at 233, Republic Street, Valletta VLT 05, Malta:

- The Memorandum and Articles of Association of the Issuer;
- The Audited Financial Statements of the Issuer for each of the financial years ended 31 December 2004 and 31 December 2005;
- The Audited Financial Statements of the Subsidiaries of the Issuer for the financial years ended 31 December 2004 and 31 December 2005; and
- The Unaudited Half-Yearly results of the Issuer for the six months ended 30 June 2006;

The Audited Financial Statements and the Unaudited Half-Yearly results of the Issuer may also be inspected on the Issuer's website: [hsbc.com.mt](http://hsbc.com.mt)

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**Part 3 – Summary of the Prospectus**

Dated 10 January 2007

**Lm20,000,000 4.6% Bonds**

or

**€46,600,000 4.6% Bonds**

due

1 February 2017

of a nominal value of Lm100/€100 per Bond issued at par  
(subject to an Over-allotment Option not exceeding in aggregate Lm5,000,000  
or €11,700,000 in value in any one or a combination of the Bonds)

by

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

(incorporated in Malta with limited liability under registration number C 3177)

**Offer Period: from 18 January 2007 to 25 January 2007**

(subject to the right of the Issuer to close the Offer early in the event of over-subscription)

ISIN MT0000031212 ML Bond  
ISIN MT0000031220 Euro Bond

**Sponsor**

Rizzo, Farrugia & Co.  
(Stockbrokers) Ltd.

**Manager and Registrar**

HSBC Bank Malta p.l.c.

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## Important Information

### Introduction

This document constitutes a summary to the Prospectus dated 10 January 2007 and contains information on the issue by HSBC Bank Malta p.l.c. (the “Issuer”) of Lm20,000,000 4.6% or €46,600,000 4.6% Bonds or any proportion of both such amounts due 1 February 2017 of a nominal value of Lm100/€100 per Bond issued at par and any additional Bonds not exceeding Lm5,000,000 or €11,700,000 in value in any one or combination of the ML Bond and the Euro Bond which the Issuer may issue at its sole and absolute discretion under the Over-allotment Option to meet any outstanding Applications in the event of over-subscription. Interest on the Bonds will become due and payable semi annually in arrears on 1 February and 1 August of each year, between 2007 and the year in which the Bonds are redeemed, both years included, the first Interest Payment Date falling on 1 August 2007. Any Interest Payment Date which falls on a day other than a Business Day, will be carried over to the next following day that is a Business Day. The nominal value of the Bonds on offer will be repayable in full at maturity on 1 February 2017, unless the Bonds are previously re-purchased and cancelled.

The Prospectus, of which this Summary forms part, also contains information about the Issuer and the Bonds in accordance with the requirements of the Listing Rules of the Listing Authority, the Companies Act, 1995 (Cap. 386, Laws of Malta) (the “Act”) and the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

The Directors, whose names appear under the heading “Directors of the Issuer” on page 16 of the Registration Document forming part of this Prospectus are the persons responsible for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

No broker, dealer, salesman or other person has been authorised by the Issuer or by its Directors to issue any advertisement or to give any information or to make any representations in connection with the Bond Issue, other than those contained in this Prospectus and in the documents referred to herein, and if given or made such information and representations must not be relied upon as having been authorised by the Issuer or its Directors.

All the Advisers to the Issuer named in the Prospectus under the heading “Advisers to the Issuer” on page 6 of the Registration Document are acting exclusively for the Issuer in relation to this offer and will not be responsible to any investor or any other person whomsoever in relation to the transactions proposed in the Prospectus.

The Prospectus, a copy of which has been registered with the Registrar of Companies in accordance with the Act, has been published with the consent of the Registrar of Companies in terms of regulation 5(2) of the Companies Act (The Prospectus) Regulations (L.N. 389 of 2005).

A copy of the Prospectus has also been submitted to the Listing Authority for its authorisation for admissibility of the Bonds to listing in satisfaction of the requirements under the Listing Rules. Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to this Prospectus to be listed and traded on the Official List of the Malta Stock Exchange once the Bonds are authorised as admissible to listing by the Listing Authority.

An Application Form, together with a guide on how to complete it may be obtained from any Authorised Distributor set out in Appendix 1 of the Prospectus.

Statements in the Prospectus are, except where otherwise stated, based on the law and practice currently in force in Malta and are subject to changes therein.

## **Selling Restrictions**

The Prospectus does not constitute, and may not be used for purposes of an offer or invitation to subscribe for Bonds by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; or (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

It is the responsibility of any persons in possession of the Prospectus and any persons wishing to apply for Bonds to inform themselves of, and to observe and comply with, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Bonds should inform themselves as to the legal requirements of so applying and of any applicable exchange control requirements and taxation in the countries of their nationality, residence or domicile.

Save for the public offering in the Republic of Malta, no action has been or will be taken by the Issuer that would permit a public offering of the Bonds or the distribution of the Prospectus (or any part thereof) or any offering material in any country or jurisdiction where action for that purpose is required.

In relation to each Member State of the European Economic Area (other than Malta) which has implemented the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the “Prospectus Directive”) or which, pending such implementation, applies article 3.2 of the Prospectus Directive, the Bonds can only be offered to “qualified investors” (as defined in the Prospectus Directive) as well as in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to article 3 of the Prospectus Directive.

The Bonds have not been nor will they be registered under the United States Securities Act, 1933 as amended (the “1933 Act”), or under any Federal or State securities law and may not be offered, sold or otherwise transferred, directly or indirectly in the United States of America, its territories or possessions, or any area subject to its jurisdiction (the “United States”) or to or for the benefit of, directly or indirectly, any United States person (as defined in Regulation “S” of the 1933 Act, as amended from time to time). Furthermore the Issuer will not be registered under the United States Investment Company Act, 1940 (the “1940 Act”) as amended and investors will not be entitled to the benefits of the 1940 Act.

## **Warnings**

This Summary has to be read as an introduction to the Prospectus dated 10 January 2007 written in English (the “Prospectus”) and composed of the following parts:

1. Registration Document
2. Securities Note
3. Summary of the Prospectus

Any decision to invest in the Bonds has to be based on an exhaustive analysis by the investor of the Prospectus as a whole.

The Directors have tabled this Summary and applied for its notification and assume responsibility for its content, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity. Prospective investors should carefully consider all the information contained in the Prospectus as a whole and should consult their own independent financial and other professional advisers before deciding to make an investment in the Bonds.



## 1. Definitions

Words and expressions used in this Summary shall, except where the context otherwise requires, bear the same meaning as defined in the Registration Document forming part of the Prospectus.

## 2. Directors, Senior Management and Auditors

### 2.1 Directors

As at the date of the Summary, the Board of Directors of the Issuer is composed of the following persons:

<b>Albert Mizzi</b>	<i>Non-Executive Chairman</i>
<b>Shaun Wallis</b>	<i>Director and Chief Executive Officer</i>
<b>Sally Robson</b>	<i>Director and Chief Operating Officer</i>
<b>David Budd</b>	<i>Non-Executive Director</i>
<b>Philip Farrugia Randon</b>	<i>Executive Director</i>
<b>Charles John Farrugia</b>	<i>Executive Director</i>
<b>Victor Scicluna</b>	<i>Non-Executive Director</i>
<b>Peter Paul Testaferrata Moroni Viani</b>	<i>Non-Executive Director</i>
<b>Saviour sive Sonny Portelli</b>	<i>Non-Executive Director</i>

### Company Secretary

<b>George Brancaleone</b>	<i>Company Secretary</i>
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### 2.2 Board Committees

The Directors have established the following board committees:

- Audit Committee
- Remuneration Committee
- Asset and Liability Management Committee
- Risk Management Committee

#### *Audit Committee*

The audit committee, which has been approved by the Listing Authority in terms of Listing Rule 8.64, is composed as at the date of this Prospectus, of Victor Scicluna (Chairman), Peter Paul Testaferrata Moroni Viani and Saviour sive Sonny Portelli, who are all independent non-executive Directors. Executives of the Issuer are available to attend any of the meetings as directed by the Committee.

#### *Remuneration Committee*

As at the date of this Prospectus, this committee is chaired by Albert Mizzi (independent non-executive Director) and comprises the Chief Executive Officer and the Chief Operating Officer.

#### *Asset and Liability Management Committee (ALCO)*

The Chief Executive Officer has primary responsibility for ensuring efficient development of asset and liability management. As at the date of this Prospectus, membership consists of senior executives with responsibility for the following functions: corporate banking, retail banking, treasury, financial control, marketing, and credit.

The ALCO is chaired by the Chief Executive Officer and deputized by the Chief Operating Officer and meets once a month.

### ***Risk Management Committee***

As at the date of this Prospectus, this committee is chaired by the Chief Operating Officer and is composed of the Chief Operating Officer, Chief Financial Officer, Senior Internal Audit Manager and the Heads of Credit, Banking Services, Commercial Banking, Personal Financial Services, Corporate Investment Banking and Markets and Compliance.

### **2.3 Senior Management**

As at the date of this Summary the senior management of the Issuer is composed of the following:

<b>Shaun Wallis</b>	<i>Chief Executive Officer</i>
<b>Sally Robson</b>	<i>Chief Operating Officer</i>
<b>Charles John Farrugia</b>	<i>Head of Corporate Investment Banking and Markets</i>
<b>Philip Farrugia Randon</b>	<i>Head of Group Legal</i>
<b>James Dunbar Cousin</b>	<i>Head of Commercial Banking</i>
<b>Godfrey Swain</b>	<i>Head of Personal Financial Services</i>
<b>Martin Peplow</b>	<i>Head of Credit</i>
<b>Philip Farrugia</b>	<i>Head of Banking Services</i>
<b>Mark Sims</b>	<i>Head of Human Resources</i>
<b>Joseph Borg</b>	<i>Head of IT</i>
<b>John Sammut</b>	<i>Head of Compliance</i>
<b>Brian Tortell</b>	<i>Head of Marketing</i>
<b>David Demarco</b>	<i>Chief Financial Officer</i>
<b>Anthony Vella Gregory</b>	<i>Senior Internal Audit Manager</i>

### **2.4 Remuneration of Directors and Senior Management**

Directors' remuneration for the financial year ended 31 December 2005:

• Directors' fees	Lm46,000
• Directors' emoluments as full-time bank employees	Lm300,000

No Director is entitled to profit sharing, share options, pension benefits (other than performance-related bonus awards) or any other remuneration, directly from the Issuer.

The members of senior management are employed under an indefinite contract of service. Senior management are remunerated by way of salary and are, in addition, entitled to bonuses linked to individual performance and overall performance of the Group.

### **2.5 Auditors**

The annual statutory financial statements of the Issuer for the financial years ended 31 December 2004 and 31 December 2005 have been audited by KPMG, Certified Public Accountants of Portico Building, Marina Street, Pieta, Malta. KPMG is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act, 1979 (Cap. 281, Laws of Malta).

### 3. Advisers to the Issuer

#### Legal Advisers to the Issuer

HSBC Bank Malta p.l.c.  
 Legal Office  
 116, Archbishop Street  
 Valletta  
 Malta

#### Manager and Registrar

HSBC Bank Malta p.l.c.  
 233, Republic Street  
 Valletta  
 Malta

#### Sponsor

Rizzo, Farrugia & Co. (Stockbrokers) Ltd.  
 Airways House, Third Floor,  
 High Street  
 Sliema  
 Malta

### 4. Offer Statistics

Issuer:	HSBC Bank Malta p.l.c., a company registered in Malta with registration number C 3177.
Amount:	Lm20,000,000 or €46,600,000 or any proportion of both such amounts, representing the ML Bonds and the Euro Bonds, which in aggregate does not exceed the sum of Lm20,000,000 or €46,600,000, subject to the Over-allotment Option described below.
Over-allotment Option:	At the sole and absolute discretion of the Issuer, additional ML Bonds and/or Euro Bonds not exceeding in aggregate Lm5,000,000 or €11,700,000 in value may be issued at the Bond Issue Price to cover any outstanding Applications in the event of over-subscription.
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the Central Securities Depository.
Denomination:	Maltese liri (Lm) and Euro (€).
Minimum amount per subscription:	Minimum of one thousand Maltese liri (Lm1,000) or two thousand five hundred Euro (€2,500).
Subscription:	Multiples of one hundred Maltese liri (Lm100) / one hundred Euro (€100).
Maturity Date:	1 February 2017
Bond Issue Price:	At par (Lm100/€100 per Bond).

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Status of the Bonds:	The Bonds constitute the general, direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank pari passu, without any priority or preference among themselves and, shall thus rank after other present outstanding, unsubordinated and unsecured obligations of the Issuer.
Listing:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.
Offer Period:	The period between the 18 January and the 25 January 2007 (or such earlier date as may be determined by the Issuer in the event of over-subscription) during which the Bonds are on offer.
Interest:	Four point six per cent (4.6%) per annum.
Interest Payment Date(s):	1 February and 1 August of each year, between 2007 and the Maturity Date (both years included).
Redemption Value:	At par (Lm100/€100 per Bond).
Manager and Registrar:	HSBC Bank Malta p.l.c.
Sponsor:	Rizzo, Farrugia & Co. (Stockbrokers) Ltd.
Governing Law and Jurisdiction:	The Bonds are governed by and shall be construed in accordance with Maltese law. The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds

## 5. Expected Time-table of Principal Events

Application Forms available	10 January 2007
Opening of subscription lists	18 January 2007
Closing of subscription lists	25 January 2007
Announcement of basis of Acceptance	1 February 2007
Commencement of Interest on the Bonds	1 February 2007
Expected dispatch of allotment advice and refunds of unallocated monies	8 February 2007
Admission to trading	12 February 2007

**The Issuer reserves the right to close the Offer before the 25 January 2007 in the event of over-subscription, in which case, the remaining events set out in the “Expected Time-table of Principal Events” shall be anticipated in the same chronological order in such a way as to retain the same number of Business Days between the said principal events.**

## 6. Key Information

The following information is extracted from the Issuer's Group Audited Financial Statements for the financial years ended 31 December 2004 and 31 December 2005, and the Group Unaudited Half-Yearly results for the six months ended 30 June 2006.

	<b>Group Income Statement for the</b>		
	<i>6 months ended 30 June 2006 (unaudited) Lm000</i>	<i>12 months ended 31 Dec 2005 (audited) Lm000</i>	<i>12 months ended 31 Dec 2004 (audited) Lm000</i>
Net interest income	22,807	46,872	41,394
Net non-interest income	15,067	21,756	18,706
Operating expenses	(16,944)	(31,430)	(30,763)
Amortisation of intangible assets	(286)	(635)	(797)
Net impairment reversals	54	142	4,012
(Provisions) / reversals for liabilities and other charges	(130)	1	301
<b>Profit before tax</b>	<u>20,568</u>	<u>36,706</u>	<u>32,853</u>
Tax on profit	(7,136)	(12,642)	(10,843)
<b>Profit for the period</b>	<u>13,432</u>	<u>24,064</u>	<u>22,010</u>
<b>Earnings per share</b>	<u>4.6c</u>	<u>8.2c</u>	<u>7.5c</u>

	<b>Group Balance Sheet as at</b>		
	<i>30 June 2006 (unaudited) Lm000</i>	<i>31 Dec 2005 (audited) Lm000</i>	<i>31 Dec 2004 (audited) Lm000</i>
<b>Total assets</b>	<u>1,706,204</u>	<u>1,655,874</u>	<u>1,599,146</u>
<b>Total liabilities</b>	<u>1,582,995</u>	<u>1,524,173</u>	<u>1,464,693</u>
<b>Total equity</b>	<u>123,209</u>	<u>131,701</u>	<u>134,453</u>

## 7. Reasons for the Offer and Use of Proceeds

The net proceeds from the issue of the Bonds will be used by the Issuer to meet part of its general financing requirements. The proceeds of the Bond will constitute Additional Own Funds (Tier II capital) of the Issuer in terms of the Own Funds Directive BD/03.

## 8. Risk Factors

An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to make an investment in the Bonds.

This document contains forward-looking statements. No assurance can be given that future results or expectations covered by such forward-looking statements will be achieved. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the Issuer's control.

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## 8.1 Risks relating to the Issuer

- The Issuer is a company engaged primarily in the business of banking and owns various subsidiaries. As a group which is involved in a wide spectrum of financial services activities, it is subject to influence by numerous unpredictable factors.
- Market cycles may reduce investment and demand for investment and life assurance products promoted or distributed by the Group.
- Changes in overall economic conditions, which are beyond the Issuer's control, may also affect in a negative way the Group's overall performance and results.
- Increased competitive pressure in the financial services sector could adversely affect the Issuer's results of operations and profitability.
- Concentration of ownership in the hands of a particular shareholder or shareholders may enable them, acting individually or in concert, to exercise control over the Issuer and to have a significant role in the Issuer's development.
- Various operational risks must also be taken into consideration, for instance, failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud, other factors over which the Issuer has no control such as catastrophic events, terrorist attacks and other acts of war and hostility, changes in the laws and regulations to which the Issuer is subject, including changes in the interpretation thereof.

## 8.2 Risks related to the Bonds

- There is currently no trading record in respect of the Bonds as there has never been a public market for the Bonds prior to the offering contained in this Prospectus.
- A public trading market having the desired characteristics of depth, liquidity and orderliness depends on a number of factors including the presence in the market place of willing buyers and sellers of the Issuer's Bonds at any given time, which presence is dependent upon the individual decisions of investors over which the Issuer has no control.
- No prediction can be made about the effect which any future public offerings of the Issuer's securities or any takeover or merger activity involving the Issuer will have on the market price of the Bonds prevailing from time to time.
- As purchasers of foreign currency instruments, investors are exposed to the risk of changing foreign exchange rates and spot rates.
- The Bonds will rank after other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future.

## 9. Information on the Issuer

### History and Development

The Issuer was registered in Malta under the name Mid-Med Bank Limited, a private limited liability company under registration number C 3177. The company is domiciled in Malta. It was incorporated on the 25 September 1975 for an unlimited duration under the Commercial Partnerships Ordinance, 1962 (Cap. 168, Laws of Malta) and with effect from 31 December 1997 complied with the Companies Act, 1995 (Cap. 386, Laws of Malta) under which it is regulated.

The Issuer's ordinary shares were listed on the Official List of the Malta Stock Exchange on 4 January 1993. The status of the Issuer was changed to that of a public limited liability company (p.l.c.) on 31 December 1997. The Issuer changed its name from Mid-Med Bank Limited to Mid-Med Bank p.l.c. on 31 December 1997 and on 1 December 1999 the Issuer changed its name from Mid-Med Bank p.l.c. to the current name, HSBC Bank Malta p.l.c.

The Issuer is licensed by the MFSA under the Banking Act, 1994 (Cap. 371, Laws of Malta) as a credit institution and provides a wide range of banking and financial related services. It also holds Category 3 and Category 4 Investment Services Licence issued by the Malta Financial Services Authority under the Investment Services Act, 1994 (Cap. 370, Laws of Malta).

The Issuer is a licensed financial intermediary in terms of the Financial Markets Act, 1990 (Cap. 345, Laws of Malta).

In terms of the Insurance Intermediaries Act, 1996 (Cap. 487, Laws of Malta), the Issuer is also enrolled in the Tied Insurance Intermediaries List maintained by MFSA as a tied insurance intermediary in respect of the following classes of business:

1. Accident, Sickness, Unemployment Risks in respect of contract of credit insurance for the personal loans, mortgages, home loans and credit card customers or clients of the Issuer, and
2. Life Assurance.

The Issuer provides trust services in terms of the Trusts and Trustees Act, 1989 (Cap. 331, Laws of Malta) whereby it holds and manages assets or invest funds in various financial instruments at the direction of the customer.

The Issuer's registered office and Head Office is situated at 233, Republic Street, Valletta VLT 05. The addresses of the principal offices of the Issuer and its subsidiary companies can be found in the annual report and accounts which is filed at the Registrar of Companies in accordance with the provisions of the Act.

The Issuer may be contacted on Customer Service: 356 2380 2380, Facsimile: 356 2149 0613 and website: [hsbc.com.mt](http://hsbc.com.mt)

## 10. Business Overview

### Principal activities

The Issuer is a member of the HSBC Group whose ultimate parent company is HSBC Holdings plc. Headquartered in London, HSBC Holdings plc is one of the largest banking and financial services organisations in the world. The HSBC Group's international network comprises around 9,500 offices in 76 countries and territories in Europe, the Asia Pacific Region, the Americas, the Middle East and Africa.

The Issuer and its Subsidiaries operate primarily in:

- Banking business
- Investment services
- Tied insurance intermediary activities
- Stockbroking business
- Trustee and custodian services
- Life assurance business

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The Issuer has the following subsidiaries as at 31 December 2006:

- HSBC Life Assurance (Malta) Ltd
- HSBC Fund Management (Malta) Limited
- HSBC Stockbrokers (Malta) Ltd

HSBC Investment Services (Malta) Limited is a subsidiary of HSBC Fund Management.

The Issuer provides a comprehensive range of banking and financial related services.

The objects and business of the Issuer are to carry on the business of banking in all its aspects including but not limited to the transaction of all financial monetary and other business which may be usually or commonly carried on by banks, discount houses, merchant banks or financiers.

The Issuer's main activity comprises the acceptance of customers' funds on current, savings and term deposit accounts in Maltese liri and in all other major foreign currencies and the provision of advances by way of overdrafts and loans, mainly in the short term, to a wide spectrum of the domestic industry.

## 11. Trend information

There has been no adverse material change in the prospects of the Issuer since 31 December 2005 which is the date of the last published audited financial statements.

### 11.1 Financial Performance for the Half-Year ended 30 June 2006

HSBC Bank Malta p.l.c. and its subsidiaries recorded a profit before tax of Lm20.6 million for the six months ended 30 June 2006, an increase of 11.3 per cent over the Lm18.5 million earned during the same period in 2005.

Profit after tax attributable to shareholders was Lm13.4 million, an increase of 11.0 per cent over the Lm12.1 million earned during the same period in 2005.

Customer deposits increased to Lm1,407.2 million at 30 June 2006 compared with Lm1,367.2 million at 31 December 2005. Funds, life insurance contracts and amounts under custody increased by Lm53.0 million in aggregate during the period.

Loans and advances to customers increased to Lm1,075.2 million at 30 June 2006 - up Lm59.1 million or 5.8 per cent over 31 December 2005.

Total assets reached Lm1.71 billion at 30 June 2006 when compared with Lm1.66 billion at 31 December 2005.

Earnings per share for the first six months ended 30 June 2006 increased to 4.6 cents compared to 4.1 cents for the first six months of 2005. Comparative data has been adjusted for the April 2006 three-for-one bonus share issue.

Return after tax on capital employed increased to 10.9 per cent compared with 8.3 per cent for the first six months of 2005.

An interim gross dividend of 5.3 cents per share was recommended by the Board of Directors and paid in August 2006.



## 11.2 Financial Performance For the Financial Year Ended 31 December 2005

### *Group profit*

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

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

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

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

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

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

Net impairment reversals contributed Lm0.1 million to profitability.

### *Shareholder ratios*

Earnings per share increased from a 2004 figure of 7.5 cents to 8.2 cents, with the pre-tax return on average equity increasing from 24.7 per cent in 2004 to 27.6 per cent.

A final ordinary dividend of 4.8 cents gross per share and a special dividend of 5.3 cents gross per share, giving a total final dividend of 10.1 cents gross per share, was recommended by the Board of Directors, and paid in April 2006. This followed on the gross interim dividend of 4.8 cents and a special dividend of 6.9 cents paid in August 2005.

*(Note: Shareholder ratios have been adjusted for the April 2006 three-for-one bonus share issue.)*

### *Taxation*

The 2005 effective rate of tax was 34.4 per cent up on a prior year 33.0 per cent. Tax on profit on ordinary activities for 2005 increased to Lm12.6 million.

### *Assets*

Total assets increased by Lm51.5 million to Lm1,650.7 million.

Net loans and advances to customers increased by Lm39.8 million supported by strong mortgage and commercial demand offset by reductions in exposure to parastatals.

Life assurance business assets are valued as financial assets at fair value through profit or loss. This portfolio grew to Lm93.1 million from a prior year end level of Lm72.5 million.

Balances with Central Bank and Treasury Bill holdings decreased from a prior year end level of Lm96.7 million to a year end level of Lm65.4 million.

### *Liabilities*

Liabilities increased by Lm54.3 million to Lm1,519.0 million.

Amounts owed to customers increased by Lm78.6 million. This growth absorbed part of the Lm20.0 million subordinated loan stock which redeemed in June 2005.

Liabilities under insurance contracts issued increased by Lm15.1 million during the year to reach a year end level of Lm81.1 million.

## 12. Prospects

The Prospectus does not contain any profit forecast or estimate.

## 13. Major Shareholders and Related Party Transactions

### 13.1 Interest of Major Shareholders

The following shareholders hold in excess of five (5) per cent of the Issuer's ordinary shares as at 31 December 2005.

	<i>Ordinary shares</i>	<i>%</i>
HSBC Europe B.V.	204,379,640	70.03

### 13.2 Related Party Transactions

Full details on related party transactions during the financial year ended 31 December 2005 may be viewed in the annual report and accounts of the Issuer, available for public inspection.

## 14. Financial Information

### 14.1 Historical financial information

Full historical financial information for the two financial years ended 31 December 2004 and 31 December 2005 are set out in the Annual Report and Accounts of the Issuer, available for public inspection.

### 14.2 Financial statements

An auditors' report including the audited statutory financial statements for the Group for the financial years ended 31 December 2004 and 31 December 2005 are set out in the Annual Report and Accounts of the Issuer, available for public inspection.

Selected financial information for the two financial years ended 31 December 2004 and 31 December 2005 may be found in page 9 of the Registration Document.

### 14.3 Auditing of historical annual financial information

The annual statutory financial statements of the Issuer for the financial years ended 31 December 2004 and 31 December 2005 have been audited by KPMG.

### 14.4 Age of latest financial information

The latest audited financial information available in respect of the Issuer relates to the financial year ended on 31 December 2005 and was approved for issuance by the Board of Directors on 16 February 2006.

### 14.5 Interim and other financial information

The unaudited half-yearly results for the six months ended 30 June 2006 have been published by the Issuer on 27 July 2006 and are available for public inspection.

Selected financial information for the unaudited Half-Yearly results for the six months ended 30 June 2006 may be found in page 9 of the Registration Document.

### 14.6 Significant Changes in the Issuer's financial or trading position

There has been no significant change in the financial or trading position of the Issuer or the Group which has occurred since the half-yearly results for the six months ended 30 June 2006.

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## 15. Details on the Offer

### 15.1 Admission to Trading

Application has been made to the Listing Authority for the admission of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and to be traded on its Official List.

### 15.2 Distribution

The Issuer may enter into conditional placement agreements with investors prior to the commencement of the Offer Period whereby the Issuer binds itself to allocate to such investors, which shall bind themselves to purchase, upon closing of subscription lists, an amount not exceeding fifty (50) per cent in aggregate of the Bonds.

During the Offer Period, Applications for subscription to the Bonds may be made through any of the Authorised Distributors whose names are set out in Appendix 1 on page 52 of the Prospectus.

### 15.3 Markets

Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List. The Conditions contained herein shall be read in conjunction with the Bye-Laws of the MSE applicable from time to time.

### 15.4 Estimated expenses of the Offer

Selling commission is payable to Authorised Distributors in respect of Bonds allotted to Applicants applying through such Authorised Distributor at the rate of 0.5%.

The Offer expenses including selling commissions, professional fees, publicity, advertising, printing, listing, registration, sponsor, management and registrar fees and other miscellaneous costs incurred in connection with this Offer, are estimated not to exceed Lm200,000 and shall be borne by the Issuer.

## 16. Additional Information

### 16.1 Share capital

The Issuer's authorised share capital as at the date of this Prospectus is Lm40,000,000 divided into 320,000,000 ordinary shares of 12c5 each. The Issuer's issued share capital as at the date of this Prospectus is Lm36,480,000 divided into 291,840,000 ordinary shares of 12c5 each which are all listed on the Malta Stock Exchange. The ordinary shares of the Issuer which have been fully paid up rank pari passu. The Issuer has no other classes of shares.

### 16.2 Memorandum and Articles of Association

The Issuer is registered under the Act with registration number C 3177.

The principal objects and purposes of the Issuer are set out in Clause 3 of the Memorandum of Association and are to carry on the business of banking in all its aspects whether in Malta or abroad, and whether related to national or international business including offshore business and including but not limited to the transaction of all financial, monetary, investment and other businesses which now or at any time during the existence of the Issuer may be usually or commonly carried on in any part of the world by banks, discount houses, merchant banks or financiers.

A copy of the Memorandum and Articles of Association of the Issuer is available for public inspection.

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### **16.3 Documents on display**

For the life of the Securities Note, the following documents (or copies thereof), where applicable, may be inspected at the registered office of the Issuer at 233, Republic Street, Valletta VLT 05, Malta:

- The Memorandum and Articles of Association of the Issuer;
- The Audited Financial Statements of the Issuer for each of the financial years ended 31 December 2004 and 31 December 2005;
- The Audited Financial Statements of the Subsidiaries of the Issuer for the financial years ended 31 December 2004 and 2005; and
- The Unaudited Half-Yearly results of the Issuer for the six months ended 30 June 2006;

The Audited Financial Statements and the Unaudited Half Yearly results of the Issuer may also be inspected on the Issuer's website: [hsbc.com.mt](http://hsbc.com.mt)

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## Appendix 1 - Authorised Distributors

### Members of the Malta Stock Exchange

<b>Atlas Investment Services Ltd</b>	Tel: 2132 2590	Fax: 2132 2584
<b>Bank of Valletta p.l.c.</b>	Tel: 2131 2020	Fax: 2275 3348
<b>Calamatta Cuschieri &amp; Co. Ltd</b>	Tel: 2568 8688	Fax: 2568 8256
<b>Charts Investment Management Services Ltd</b>	Tel: 2122 4106	Fax: 2124 1101
<b>Curmi &amp; Partners Ltd</b>	Tel: 2134 7331	Fax: 2134 7333
<b>Financial Planning Services Ltd</b>	Tel: 2134 4255	Fax: 2134 1202
<b>FINCO Treasury Management Ltd</b>	Tel: 2122 0002	Fax: 2124 3280
<b>GlobalCapital Financial Management Ltd</b>	Tel: 2131 0088	Fax: 2328 2207
<b>Hogg Capital Investments Ltd</b>	Tel: 2132 2872	Fax: 2134 2760
<b>HSBC Stockbrokers (Malta) Ltd</b>	Tel: 2597 2241	Fax: 2597 2494
<b>Rizzo, Farrugia &amp; Co (Stockbrokers) Ltd</b>	Tel: 2131 4038	Fax: 2131 0671

### Investment Services Providers

<b>APS Bank Ltd</b>	Tel: 2559 3400	Fax: 2559 3167
<b>Crystal Finance Investments Ltd</b>	Tel: 2122 6190	Fax: 2122 6188
<b>D.B.R. Investments Ltd</b>	Tel: 2164 7763	Fax: 2164 7765
<b>Growth Investments Ltd</b>	Tel: 2123 4582	Fax: 2124 9811
<b>HSBC Bank Malta p.l.c.</b>	Tel: 2597 2209	Fax: 2597 2475
<b>Island Financial Services Ltd</b>	Tel: 2385 5555	Fax: 2385 5238
<b>Jesmond Mizzi Financial Services Ltd</b>	Tel: 2122 4410	Fax: 2122 3810
<b>Joseph Scicluna Investment Services Ltd</b>	Tel: 2156 5707	Fax: 2156 5706
<b>Lombard Bank Malta p.l.c.</b>	Tel: 2124 8411	Fax: 2558 1150
<b>Michael Grech Financial Investment Services Ltd</b>	Tel: 2155 4492	Fax: 2155 9199
<b>MZ Investment Services Ltd</b>	Tel: 2145 3739	Fax: 2145 3407

Legal Advisers to the Issuer

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

Legal Office  
116, Archbishop Street  
Valletta  
Malta

Manager and Registrar

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

233, Republic Street  
Valletta  
Malta

Sponsor

**Rizzo, Farrugia & Co. (Stockbrokers) Ltd.**

Airways House, Third Floor,  
High Street  
Sliema  
Malta