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HSBC BANK AUSTRALIA REPORTS PRE-TAX PROFIT OF US\$124 MILLION

HSBC Bank Australia achieved a profit before tax of US\$124 million for the year ending 31 December 2007. Loans and advances to customers (net) in Australia increased 29.2 per cent to US\$11,339 million in 2007 (US\$8,775 million in 2006). Customer accounts were up 34.5 per cent to US\$11,418 million in 2007 (US\$8,491 million in 2006).

Commenting on the results, Chief Executive Officer Stuart Davis said, "Our performance in 2007 demonstrates the benefits we have achieved as a result of changes we made to our business in 2006.

"In 2006 we transformed our strategy in Australia to focus on our areas of natural strength – areas where the HSBC Group's size and global presence provide us with a competitive advantage locally.

"We sold HSBC Stockbroking as well as our margin lending and broker originated mortgage portfolio at an optimal point in the economic cycle – inflating our profits in 2006. Excluding these non-recurring gains, our underlying profits for HSBC in Australia have increased strongly, reflecting the strategic focus on our areas of comparative advantage in Australia."

"We continue to invest to grow our retail banking presence and the benefits are increasingly patent. We have the fastest organically growing credit card portfolio in the country and continue to increase distribution through consumer finance. In 2007, card balances rose with the increased use of point-of-sale financing. We have invested considerably in online banking and have also launched the new global Premier – the world's first truly global wealth management service for mass affluent consumers. In Commercial Banking and Global Banking and Markets we continue to increase market share in payments and cash management, trade services, global markets and custody.

"In 2007, we have invested considerably in these areas to increase our presence. These are areas we intend to dominate and I believe we are well positioned to achieve this.

"We are also looking for new opportunities to bring the best of HSBC's international products, services and technology to Australia. In doing so, we are building considerable momentum for our growth in years to come," Mr Davis said.

"The deleveraging of the financial system both globally and in Australia clearly plays to HSBC's strengths, given our conservative balance sheet in Australia and our tight focus on asset quality. There can be few banks better positioned than HSBC to withstand market turbulence and grasp strategic opportunities," he said.

HSBC Bank Australia reports pre-tax profit of US\$124 million/2

Personal Financial Services

During 2007 HSBC launched the new global Premier – providing mass affluent consumers with a financial proposition that follows them across borders.

Davis said the impact of the global Premier proposition on HSBC's business in Australia has been overwhelming. "We exceeded year-end plan for new Premier accounts, contributing to increases in our retail customer accounts as well as loans and advances," he said.

To support the growth of Premier, HSBC aims to open at least two additional branches in Australia in 2008.

During 2007, the Bank increased its credit card book to some 240,000 cards in force in Australia – growth that has seen receivables increase 49.1 per cent (*Source: MWE Consulting*).

HSBC is a top five issuer of credit cards globally with more than 120 million cards and three quarters of those are on the same platform. "This means we can operate as a low cost provider directly or on behalf of our partners. By leveraging this global advantage, our consumer finance strategy in Australia continues to increase our credit card distribution."

According to Davis, HSBC's scale as well as its experience issuing credit cards with retailers around the globe were important assets to bring to its new relationship with Woolworths Limited. In February 2008, the two organisations announced the signing of an exclusive Heads of Agreement for the issuance of a Woolworths General Purpose Credit Card in Australia by the end of the year.

In 2007, HSBC also invested considerably in its online banking service to migrate its retail and business online banking systems to its second generation online banking platform. HSBC's online banking capability is another product where HSBC achieves significant economies of scale through its common global infrastructure, while providing sophisticated tools and capabilities to enable HSBC to tailor its local online experience.

Commercial Banking

In Commercial Banking, HSBC expanded its business in 2007 by focusing on middle market and corporate clients with international needs – Australian businesses importing, exporting and expanding their business offshore.

"By focusing on internationally-oriented clients, HSBC Commercial Banking grew profitability and market share across its strategic product set – particularly payments and cash management and trade and debtor finance," Davis said.

HSBC Bank Australia reports pre-tax profit of US\$124 million/3

HSBC is now the third largest trade supplier to the commercial market with trade market share of 12.5 per cent. HSBC ranks fifth in terms of Primary share of International transaction banking with 9.9 per cent share (*Source: East & Partners research, reports*).

In 2008, Davis sees further potential growth as clients increase their business with international and emerging markets. “Emerging markets are growing faster than rich ones and world trade is growing faster than world GDP,” he said.

“With the rise of Asia and the Middle East, we are well positioned to take advantage of the next wave of growth given HSBC’s unique global footprint and our emerging markets presence.

“We aim to capture both ends of the commercial banking deal, increasing our international linkages and putting our network of international banking centres and our cross-border referral system to work for our clients here in Australia.”

Global Banking and Markets

HSBC’s Global Banking and Markets business continues to leverage HSBC’s global products and presence, putting them to work for its corporate and institutional clients who want international reach and complex global financial solutions.

In 2007, HSBC led the market in the issuance of offshore bonds for Australasian entities, moving to top position in Bloomberg’s 2007 international bond league table.

HSBC’s global connectivity is also a critical component of its award-winning payments and cash management offering. HSBC provides entire supply chain solutions tailored to clients’ industries and individual needs, leveraging HSBCnet’s single global internet-based platform to allow them access and control over their global accounts from any geographic location they choose.

Davis said, “Transactional banking goes to the core of our heritage of servicing trade and our ability to leverage our international network to provide customers with payments and cash management, trade services as well as securities services.”

During 2007, HSBC completed the transition of the custody business purchased from Westpac in 2006. Continued organic growth since the acquisition has given HSBC more than 50 per cent cross-border market share (*Australian assets held by offshore clients. Source: ACSA June 2007*) in Australia.

Davis said HSBC is also working to identify additional opportunities to leverage the HSBC Group strengths in Australia’s wealth management value chain – looking at other opportunities in securities services, as well as wholesale and retail investment products.

HSBC Bank Australia reports pre-tax profit of US\$124 million/4

In 2007 HSBC announced the establishment of HSBC Alternative Investments in Australia, offering funds of hedge funds across a wide range of investment and investor profiles: multi-manager and multi-strategy, geography-specific and strategy-specific.

“The launch of HSBC Alternative Investments in Australia is strategically important to the HSBC Group as we see Australia as arguably the most significant opportunity for alternative investment funds in Asia over the next five to 10 years,” said Davis.

HSBC is also identifying other wealth management areas that HSBC dominates overseas to provide local investors access to international investment opportunities.

“We plan to bring the best of HSBC’s expertise to this market to address local needs for globally competitive products and services, putting more of the HSBC Group’s global strength to work in Australia,” said Davis

Financial highlights

- HSBC Bank Australia profit before tax was US\$124 million for the year ending 31 December 2007 (US\$154 million¹ in 2006).
- Profit distribution by customer group:
 - Personal Financial Services profit was US\$41 million in 2007 (US\$76 million¹ in 2006).
 - Commercial Banking profit was US\$37 million in 2007 (US\$32 million in 2006).
 - Global Banking and Markets profit was US\$42 million in 2007 (US\$46 million in 2006).
- Loans and advances to customers (net) in Australia increased 29.2 per cent to US\$11,339 million in 2007 (US\$8,775m in 2006).
- Customer accounts increased 34.5 per cent to US\$11,418 million in 2007 (US\$8,491 million in 2006).
- Gross loans and advances in Australia increased 29.3 per cent to US\$11,361 million (US\$8,789m in 2006):
 - Residential mortgages (mortgages in individuals’ names) totaled US\$4,376 million (US\$3,637 million in 2006).
 - Other personal (credit cards, personal loans) totaled US\$922 million (US\$586 million in 2006).
 - Property related (property development, commercial real estate, mortgages in company names) totaled US\$2,065 million (US\$1,615 million in 2006).
 - Commercial, international trade and other totaled US\$3,998 million (US\$2,951 million in 2006).

¹2006 profit before tax included extraordinary gains from the sale of HSBC Stockbroking as well as HSBC’s margin lending and broker originated mortgages.

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Notes to editors

HSBC Bank Australia

In Australia, the HSBC Group offers an extensive range of financial services through a network of 35 branches and offices. These services include personal and commercial financial services, financial planning, trade finance, treasury and financial markets, payments and cash management and securities custody.

Principal HSBC Group members operating in Australia include HSBC Bank Australia Limited (ABN 48 006 434 162) and The Hongkong and Shanghai Banking Corporation (ABN 65 117 925 970). HSBC is marketed worldwide as 'the world's local bank'.

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