



5 August 2008

HSBC IN AUSTRALIA REPORTS PRE-TAX PROFIT OF US\$100 MILLION IN FIRST HALF OF 2008

HSBC Bank Australia has increased its year-on-year profit before tax by 96 per cent to US\$100 million in the first half of 2008 (from US\$51 million in the first half of 2007).

Stuart Davis, chief executive officer of HSBC in Australia said, "We have achieved excellent results in the first half of 2008 despite the turbulence in global financial markets.

"We started the year in a net deposit position as a result of the disposal of our broker mortgage and margin lending portfolios in 2006. We also responded early to global market circumstances by reviewing our loan portfolio when the credit markets first turned and reporting no meaningful provisioning requirements in our corporate book."

During the first half of 2008, HSBC in Australia grew customer loans and advances and customer deposits to US\$12,664 million and US\$13,864 million, respectively, year-on-year. Deposits grew by 34 per cent over the same period last year, faster than loans which grew by 29 per cent.

"As the uncertainty in global markets continues, HSBC Australia is well positioned to withstand market conditions because our strategy is based on the fundamental global advantages of being part of the HSBC Group – using common products, common systems and a common brand," said Davis.

"We are also fortunate to benefit from the resilience of the HSBC Group in a difficult financial climate. Our global distribution, diversified earning streams and strong capital position continue to help us support customers in today's challenging market conditions.

"As the outlook for 2008 remains uncertain we remain alert to the risks but we also see opportunity ahead. HSBC in Australia will continue to position itself in those sectors and businesses where we have a fundamental competitive advantage and where we expect sustainable long-term growth."

News Release

HSBC Australia reports pre-tax profit of US\$100 million in first half of 2008/2

Personal Financial Services

During the first half of 2008, HSBC Personal Financial Services continued to focus on serving high net worth customers through HSBC Premier while investing in its mass market proposition through consumer finance and credit cards.

“HSBC Premier, the Group’s global wealth management service, more than doubled its customer base since its launch in May 2007,” said Davis.

“We continue to invest in our consumer finance and credit cards operations following our agreement with Woolworths early this year to issue a Woolworths general purpose credit card by the end of 2008.”

Commercial Banking

HSBC continues to expand its Commercial Banking business 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 revenue and market share across its strategic product set – particularly payments and cash management and trade and supply chain finance,” Davis said.

Global Banking and Markets

“Our Global Banking and Markets business achieved strong growth in foreign exchange and interest rate trading, securities services and payments and cash management as we benefited from volatility in the market. Our relative capital strength helped attract new customer-driven business” said Davis.

HSBC is Australia’s top bond house for international issuance by Australian borrowers, leading transactions for Australian issuers in the sterling, euro, US dollar, Hong Kong dollar, yen and Australian dollar markets. The bank was ranked #1 bookrunner by Bloomberg for Australian issuers borrowing from the offshore debt capital markets in the first half of 2008ⁱ.

During the first half of 2008, HSBC established a wholesale wealth management business to distribute HSBC Global Asset Management and HSBC Alternative Investments products. The BRIC Investment was the first product launched as part of the HSBC 100+ series of capital protected products.

HSBC Australia reports pre-tax profit of US\$100 million in first half of 2008/3

HSBC Australia 2008 interim results - financial highlights

- HSBC in Australia's pre-tax profit up 96 per cent to US\$100 million (US\$51 million in the first half of 2007)
- Profit distribution within customer group and global businesses:
 - Personal Financial Services profit before tax down 21 per cent to US\$15 million (US\$19 million for the first half of 2007)
 - Commercial Banking profit before tax up 112 per cent to US\$34 million (US\$16 million for the first half of 2007)
 - Global Banking and Markets profit before tax up 194 per cent to US\$47 million (US\$16 million for the first half of 2007)
 - Other profit before tax was US\$4 million (nil for the first half of 2007)
- Loans and advances to customers (net) in Australia up 29 per cent to US\$12,664 million in the first half of 2008 (US\$9,845 million in the first half of 2007, US\$11,339 million for full year 2007)
- Customer accounts up 34 per cent to US\$13,864 million (US\$10,345 million in the first half of 2007, US\$11,418 million for full year 2007)
- Gross loans and advances in Australia up 29 per cent to US\$12,699 million (US\$9,865 million in the first half of 2007, US\$11,361 million as at 31 December 2007):
 - Residential mortgages (mortgages in individuals' names) were US\$4,872 million in the first half of 2008 (US\$4,114 million in the first half of 2007, US\$4,376 million as at 31 December 2007)
 - Other personal (credit cards, personal loans) were US\$1,101 million in the first half of 2008 (US\$846 million in the first half of 2007, US\$922 million as at 31 December 2007)
 - Property-related (property development, commercial real estate, and mortgages in company names) were US\$2,294 million in the first half of 2008 (US\$1,896 million in the first half of 2007, US\$2,065 million as at 31 December 2007)
 - Commercial, international trade and other were US\$4,432 million in the first half of 2008 (US\$3,009 million in the first half of 2007, US\$3,998 million as at 31 December 2007)

HSBC Holdings plc 2008 interim results – highlights

- Total operating income up 2 per cent to US\$42,912 million (US\$42,092 million in the first half of 2007)

HSBC Australia reports pre-tax profit of US\$100 million in first half of 2008/4

For the half-year:

- Net operating income before loan impairment charges up by US\$982 million, or 3 per cent, to US\$39,475 million (US\$38,493 million in the first half of 2007)
- Net operating income down by US\$2,730 million, or 8 per cent, to US\$29,417 million (US\$32,147 million)
- Group pre-tax profit down by US\$3,912 million, or 28 per cent, to US\$10,247 million (US\$14,159 million in the first half of 2007)
- Profit attributable to shareholders of the parent company down by US\$3,173 million, or 29 per cent, to US\$7,722 million in the first half of 2008 (US\$10,895 million in the first half of 2007)
- Return on average shareholders' equity of 12.1 per cent (19.1 per cent in the first quarter of 2007)
- Earnings per share down 32 per cent to US\$0.65 (US\$0.95 in the first half 2007)

Dividend and capital position:

- Second interim dividend for 2008 of US\$0.18 per ordinary share which, together with the first interim dividend for 2008 of US\$0.18 per ordinary share already paid, represents an increase of 6 per cent over the first and second interim dividends for 2007
- Tier 1 capital ratio of 8.8 per cent and total capital ratio of 11.9 per cent

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Notes to editors

Footnotes

ⁱ Bloomberg at 30 June 2008

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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