



5 March 2009

## **HSBC IN AUSTRALIA REPORTS PRE-TAX PROFIT OF US\$176 MILLION FOR 2008**

HSBC in Australia has increased its year-on-year profit before tax by 42 per cent to US\$176 million in 2008 (US\$124 million in 2007).

Commenting on the results, chief executive officer Stuart Davis said, "HSBC Australia has produced an impressive result despite extreme market volatility, recessionary pressures and unprecedented challenges for our customers and counterparties.

"Our success in 2008 reflects the importance of HSBC's core strengths of sound liquidity, capital strength and cost discipline.

"Moreover, it demonstrates the viability of HSBC's relationship banking business model, which is built on harnessing the global capabilities of the HSBC Group.

"These global capabilities are HSBC's natural strengths. They are products and services that leverage our global size and on-the-ground presence and put HSBC's international connectivity to work for our customers.

"The turbulence that we've seen in global markets underscores the importance of HSBC's traditional relationship banking business model and our ability to continue delivering value to our customers as the global financial environment continues to change.

"We live in uncertain times but we are committed to growing our presence in Australia and we have a clear strategy here that we will continue to implement with discipline and focus.

"We anticipate that 2009 will be a tough year for the Australian market, with pressure on financial margins combined with a weakening credit quality environment. However, with a strong capital base, a diversified income stream and strong liquidity, we will continue to focus on serving our customers and position HSBC to benefit when economic conditions improve."

### **Personal Financial Services**

During 2008, HSBC Personal Financial Services in Australia 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.

This news release is issued by

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**News Release**

## **HSBC in Australia reports pre-tax profit of US\$176 million in 2008/2**

“HSBC Premier, the Group’s global banking and wealth management service, has grown its Australian customer base by over 76 per cent in the last year, and the appeal of its global capabilities is patent, with over one-third of HSBC Premier customers in Australia banking with HSBC in other markets as well.

“We also invested significantly in our consumer finance and credit cards operations as we continue to grow market share in direct credit cards and in-store finance. In September 2008, HSBC launched the white-label Woolworth’s Everyday Money Credit Card in Australia.”

### **Commercial Banking**

Commercial Banking revenues in 2008 grew strongly as the business continued to focus on clients with international needs, expanding its customer base and deepening relationships with its existing customers.

“Our business is built on knowing our customers, understanding their businesses, and developing long-term relationships with them and despite the tightening of credit markets, we have continued to increase business lending in Australia.”

Through 2008 HSBC continued to grow market share by matching customers’ working capital needs with HSBC’s core commercial offerings: trade and supply chain, payments and cash management, debtor finance and Global Markets.

### **Global Banking and Markets**

Global Banking and Markets achieved strong growth in 2008 as Global Markets and transactional banking businesses continued to benefit from volatility in the market.

“Global Markets continued to deliver strong revenue from foreign exchange trading, interest rates, and debt capital markets as our teams in Australia skillfully leveraged Group resources and global insights to support clients and provide them with access to less liquid markets offshore.

“HSBC was involved with both ABS deals that re-opened the Australian ABS market in 2008 and through the year continued to differentiate its capabilities by providing Australian clients with not just strategic advice but critically successful execution of transactions also.”

As well as increasing its transactional banking presence in Australia through payments and cash management, HSBC continued to build on its leadership in custody. HSBC is the largest cross border sub-custodian in Australia with 48.6 per cent<sup>i</sup> market share in assets held for cross-border clients and number one in terms of transaction volumes with 38.6 per cent<sup>ii</sup> market share of settlements for equities, fixed interest, cash trades and managed funds. In September 2008, HSBC added Alternative Fund Services to its Australian operations.

## **HSBC in Australia reports pre-tax profit of US\$176 million in 2008/3**

Earlier in the year, HSBC also established a wholesale wealth management business to distribute in Australia funds and investments manufactured by the HSBC Group, most notably HSBC Global Asset Management.

### **HSBC Australia 2008 annual results – highlights**

#### ***Profit highlights***

- HSBC in Australia's pre-tax profit up 42 per cent to US\$176 million (US\$124 million in 2007)
- Profit distribution within customer group and global businesses:
  - Personal Financial Services profit was US\$19 million (US\$41 million in 2007)
  - Commercial Banking profit before tax up 84 per cent to US\$68 million (US\$37 million in 2007)
  - Global Banking and Markets profit before tax up 143 per cent to US\$102 million (US\$42 million in 2007)

#### ***Balance sheet highlights***

*Exchange rate volatility was extraordinarily high in 2008. Underlying balance sheet growth measured at period end 2008 vs 2007 is most appropriately stated in Australian dollars:*

- Customer accounts increased to A\$13,390 million (A\$12,993 million at 31 December 2007)
- Gross loans and advances increased to A\$13,610 million (A\$12,928 million at 31 December 2007):
  - Residential mortgages (mortgages in individuals' names) increased to A\$5,236 million in 2008 (A\$4,980 million at 31 December 2007)
  - Other personal (credit cards, personal loans) increased to A\$1,139 million in 2008 (A\$1,049 million at 31 December 2007)
  - Property-related (property development, commercial real estate, and mortgages in company names) increased to A\$2,359 million in 2008 (A\$2,350 million at 31 December 2007)
  - Commercial, international trade and other increased to A\$4,875 million in 2008 (A\$4,549 million at 31 December 2007)

### **HSBC Holdings plc 2008 annual results – highlights**

#### ***Profitable business model***

- Pre-tax profit for 2008, excluding goodwill impairment, of US\$19.9 billion, down 18 per cent. On a reported basis, pre-tax profit was US\$9.3 billion, down 62 per cent.
- Diversified business model delivers profits in every region except North America and every customer group except Personal Financial Services.
- Earnings per ordinary share excluding goodwill impairment down 18 per cent to US\$1.36 (2007: US\$1.65). On a reported basis, earnings per share was US\$0.47, down 72 per cent (2007: US\$1.65).

#### ***Maintaining our traditional financial strength***

- Capital generation remains strong. Tier 1 ratio of 8.3 per cent and total capital ratio of 11.4 per cent at 31 December 2008.
- Fully underwritten Rights Issue announced to enhance our capital strength.
- Subject to shareholder approval on 19 March 2009, Rights Issue will add 150 basis points to our capital ratios.
- Enhances our ability to respond to unforeseen events as well as provide opportunities to grow through targeted acquisitions.
- Total dividends in respect of 2008 of US\$0.64 including fourth interim dividend of US\$0.10, down 29 per cent, around 15 per cent in sterling terms. Total value of dividends for 2008 of US\$7.7 billion.
- Customer advances to deposits ratio of 84 per cent at 31 December 2008.

## HSBC in Australia reports pre-tax profit of US\$176 million in 2008/4

### *Managing our business in a challenging environment*

- Supporting our customers: grew our lending to personal, commercial and corporate customers by 9 per cent on an underlying basis.
- Writing no further consumer finance business in the US through the HFC and Beneficial brands and closing the majority of the network in the US.
- Growing in emerging markets:
  - Mainland China profit before tax of US\$1.6 billion, up 25 per cent excluding 2007 dilution gains;
  - India profit before tax of US\$666 million, up 26 per cent;
  - Middle East profit before tax of US\$1.7 billion, up 34 per cent.
- Emerging markets acquisitions in banking in Indonesia (to be completed) and Taiwan and in retail brokerage in India.
- Difficult outlook for 2009.

*ends/more*

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### **Notes to editors**

#### **Footnotes**

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<sup>i</sup> Source: Australian Custodial Services Association, December 2008

<sup>ii</sup> Ibid

#### **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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