



4 August 2009

## **HSBC BANK AUSTRALIA INCREASES PRE-TAX PROFIT TO A\$119 MILLION IN FIRST HALF OF 2009**

HSBC Bank Australia has increased its profit before tax by nine per cent to A\$119 million in the first half of 2009 (from A\$109 million in the first half of 2008).

Paulo Maia, chief executive officer of HSBC Bank Australia said, "HSBC Bank Australia has produced an impressive result in the first half of 2009 given the subdued economic environment.

"Economic uncertainty in the first half of 2009 saw more customers drawn to HSBC as a result of our global financial strength, our relationship banking and the seamless access we provide to global products and services across multiple markets. These factors set HSBC apart from other foreign banks in this market and are critical in determining its position as the leading international bank in Australia.

"In the first half of 2009, HSBC in Australia achieved revenue growth of 22 per cent. We also increased market share in core product areas despite an increase in loan impairment charges, the trend for deleveraging and slowing demand for credit seen in the market.

"Our resilience is a result of our clear strategy. Based on the fundamental global advantages of being part of the HSBC Group, our relationship banking business model focuses on sectors where HSBC's signature financial strength, global scale and international connectivity give us a competitive edge.

"These are sectors and businesses where we have a fundamental competitive advantage and where we expect sustainable long-term growth. We will continue to explore additional sectors where we can bring the best of HSBC's global banking products and services to the Australian market.

"We are committed to growing our presence in Australia and these areas provide huge opportunities for HSBC and our customers here."

## **HSBC Australia increases pre-tax profit to A\$119 million in first half of 2009/2**

### **Personal Financial Services**

During the first half of 2009, HSBC continued to leverage its international banking services for mass affluent customers, increasing its HSBC Premier customer base by 63 per cent year-on-year.

The Bank's first half home loans campaign ('lowest home loan interest rate since the 1950s') saw its residential mortgage portfolio increase almost nine per cent in the first half of 2009. HSBC also grew its credit cards market share<sup>1</sup>, directly and through retail alliance partnerships.

### **Commercial Banking**

Commercial Banking continued to focus its business on clients with international needs, acquiring new customers and deepening its relationships with existing customers.

During the first half of 2009, Trade and Supply Chain revenue increased 31 per cent as HSBC continued to support Australian importers and exporters managing their international risk. With market share now at 13.4 per cent<sup>2</sup>, HSBC is the third largest trade supplier to the corporate market in Australia with the ability to support importers and exporters with on-the-ground trade support in 86 markets around the world.

Payments and Cash Management grew its business organically by acquiring customers attracted to the Bank's signature financial strength and its ability to keep investing in its global transactional platforms. With 10.2 per cent<sup>3</sup> market share (more than double its nearest international competitor), HSBC continues to be the leading international bank servicing the corporate cash management market in Australia.

Commercial Banking experienced increased loan impairment charges in the small to medium enterprise sector in the first half of 2009 but this was more than offset by revenue growth in Global Banking and Markets.

### **Global Banking and Markets**

Global Banking and Markets delivered record results in the first half of 2009, as the business built on its multinational franchise and provided clients with seamless financial coverage across multiple geographies.

## **HSBC Australia increases pre-tax profit to A\$119 million in first half of 2009/3**

Global Markets sales and trading leveraged HSBC's counterparty strength to increase market penetration among corporates and institutions, providing them with foreign exchange, rates, credit and structured derivatives. Balance sheet management produced a strong performance as a result of positioning for lower interest rates.

HSBC's debt capital market business leveraged HSBC's balance sheet strength and market access to become the number one issuer of public domestic bonds (excluding self-led) with 17.6 per cent<sup>4</sup> market share and a leading issuer of Australian international bonds with 9.7 per cent<sup>5</sup> market share in the first half of 2009.

HSBC Global Investments continues to explore retail and institutional wealth management opportunities and established its first fund in Australia during the first half of 2009 – the HSBC Global Emerging Market Equities Fund.

As well as increasing its transactional banking presence in Australia through payments and cash management, HSBC built on its leadership in custody through customer acquisitions and remains the largest cross-border sub-custodian in Australia with A\$338 billion<sup>6</sup> in assets under custody.

### **Bank-wide developments**

Additional developments at HSBC during the first half of 2009 included the Bank's commitment to another ten-year lease at its head office at the HSBC Centre in Sydney, the launch of HSBC's largest-ever commitment to the environment as Principal Conservation Partner of the Botanic Gardens Trust and the launch of the Bank's employee engagement initiative to promote work-life balance, Equilibrium.

### **HSBC Australia 2009 interim results**

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

- HSBC in Australia's pre-tax profit up nine per cent to A\$119 million (A\$109 million in the first half of 2008)
- Profit distribution within customer group and global businesses:
  - Personal Financial Services profit before tax was A\$17 million (A\$16 million for the first half of 2008)
  - Commercial Banking profit before tax was A\$13 million (A\$37 million for the first half of 2008)
  - Global Banking and Markets profit before tax was A\$85 million (A\$52 million for the first half of 2008)
  - Other profit before tax was A\$4 million (A\$4 million for the first half of 2008)

## **HSBC Australia increases pre-tax profit to A\$119 million in first half of 2009/4**

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

- Loans and advances to customers (net) in Australia were A\$13,063 million in the first half of 2009 (A\$13,176 million in the first half of 2008, A\$13,564 million for full year 2008)
- Customer accounts were A\$11,864 million (A\$14,424 million in the first half of 2008, A\$13,390 million for full year 2008)
- Gross loans and advances in Australia were A\$13,136 million (A\$13,212 million in the first half of 2008, A\$13,610 million as at 31 December 2008):
  - Residential mortgages (mortgages in individuals' names) were A\$5,694 million in the first half of 2009 (A\$5,069 million in the first half of 2008, A\$5,236 million as at 31 December 2008)
  - Other personal (credit cards, personal loans) were A\$1,089 million in the first half of 2009 (A\$1,146 million in the first half of 2008, A\$1,139 million as at 31 December 2008)
  - Property-related (property development, commercial real estate, and mortgages in company names) were A\$2,120 million in the first half of 2009 (A\$2,387 million in the first half of 2008, A\$2,359 million as at 31 December 2008)
  - Commercial, international trade and other were A\$4,233 million in the first half of 2009 (A\$4,611 million in the first half of 2008, A\$4,875 million as at 31 December 2008)

## **HSBC Holdings plc 2009 interim results – highlights**

### ***Consistently delivering results in challenging times***

- Pre-tax profit was US\$7.5 billion, broadly in line with the first half of 2008, on an underlying basis and excluding movements in fair value on our own debt related to credit spreads.
- On a reported basis, pre-tax profit was US\$5 billion, down 51 per cent on the first half of 2008 but significantly better than the second half of 2008.
- Diversified business model delivered strong revenues 10 per cent higher than in the first half of 2008, on an underlying basis and excluding movements in fair value on our own debt related to credit spreads. On a reported basis, revenues were down 12 per cent.
- On a reported basis, earnings per share down 63 per cent to US\$0.21 (first half 2008: US\$0.57, after adjusting for the rights issue).
- Total dividends in respect of the first half of 2009 are US\$0.16 per ordinary share, with a value of US\$2.8 billion.

### ***Generating capital and further enhancing liquidity***

- Tier 1 ratio further improved to 10.1 per cent. At 31 December 2008, the tier 1 ratio was 8.3 per cent, or 9.8 per cent on a pro forma basis (including the proceeds of the rights issue).
- Strengthened liquidity position. Ratio of customer advances-to-deposits was 79.5 per cent at 30 June 2009.
- Conservatively positioned balance sheet. Risk-weighted assets in line with end of 2008.

## HSBC Australia increases pre-tax profit to A\$119 million in first half of 2009/5

### *Managing the business through the downturn and positioning for the upturn*

- Achieved record profits in Global Banking and Markets.
- Delivered solid profitability in Commercial Banking.
- Maintained profitable Personal Financial Services business, outside North America.
- Improved our position as leading international bank in mainland China. Value of three largest strategic investments grew by US\$8.2 billion, and on track to have 100 outlets by year-end.
- Strengthened our position in other faster-growing markets. For example, doubled presence in Indonesia, and first foreign bank to incorporate locally in Vietnam.
- Made progress in US run-off portfolio.
- Cut costs by 3 per cent on an underlying basis and excluding the goodwill impairment incurred in 2008. On a reported basis our cost efficiency ratio improved by 3.1 percentage points to 47.9 per cent.
- Further enhanced our brand. HSBC was ranked the world's no.1 banking brand, and named *Euromoney's* Global Bank of the Year.
- HSBC strongly positioned for the upturn, but economic outlook remains uncertain.

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### **Media enquiries to:**

**Kate Epworth on +61 2 9006 5682 /  
+61 418 700 172 /**

**[kateepworth@hsbc.com.au](mailto:kateepworth@hsbc.com.au)**

**Daniel Pigott on +61 2 9006 5396 /  
+61 422 908 994 /**

**[danielpigott@hsbc.com.au](mailto:danielpigott@hsbc.com.au)**

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### **Notes to editors**

#### **Footnotes**

<sup>1</sup> Source: MWE Consulting accounts market share 1.84% as at May09.

<sup>2</sup> Source: East & Partners market share 13.4% of trade for businesses turning over A\$20-340 million p.a. as at Feb09

<sup>3</sup> Source: East & Partners market share 10.2% (combined primary and secondary banker) of cash management market for corporates as at Feb09

<sup>4</sup> Source: Kanga News 3Jul09

<sup>5</sup> Source: Bloomberg 8Jul09

<sup>6</sup> Source: Australian Custodial Services Association as at Jun09