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HSBC IN AUSTRALIA INCREASES PRE-TAX PROFIT TO A\$251 MILLION FOR 2009

HSBC in Australia has increased its year-on-year profit before tax by 25 per cent to A\$251 million in 2009 (A\$201 million in 2008).

Commenting on the results, HSBC Bank Australia chief executive officer, Paulo Maia said: "These strong results can be attributed to three key elements: HSBC's strategic focus on international connectivity, our relationship banking business model and importantly, our financial strength. Because of these, HSBC has emerged from the global financial crisis in a position of strength.

"HSBC has harnessed its emerging markets presence and the shift in economic power from West to East to take advantage of Australia's enviable position as a mature market in an emerging markets region. We are helping our clients capitalise on Australia's unique geo-political position in relation to Asia and in particular, China.

"This Asian focus, coupled with our ability to provide international relationship banking across all sectors – retail, business and corporate and institutional banking – positions HSBC as the leading international bank in Australia.

"Our success in 2009 was also a result of HSBC's commitment to prudent banking fundamentals. Maintaining one of the strongest liquidity positions in the Australian market, our diversified earning streams and a solid capital position, we have been able to support our customers through all market conditions.

"Moreover, we are backed by the global financial strength of the HSBC Group, which throughout the crisis has not taken any taxpayer money, has been profitable, generated capital, paid dividends and very much remained open for business.

"In 2010, we will continue to build on these strengths – investing in our Australian business, expanding our branch network here and continuing to bring the best of HSBC's global products and services to the Australian market," he said.

Personal Financial Services

Personal Financial Services profit before tax increased 81 per cent in 2009 to A\$38 million (A\$21 million in 2008) as HSBC focused on mass affluent customers and core banking relationships.

By marketing products linked to HSBC Premier, the Bank increased its mortgage portfolio by over 25 per cent in 2009, simultaneously growing HSBC Premier customer numbers by almost 60 per cent.

This news release is issued by

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News Release

HSBC in Australia increases pre-tax profit to A\$251 million for 2009/2

HSBC's credit card business, including the Woolworths Everyday Money Credit Card, also grew in 2009, increasing market share of credit card receivables¹ and outpacing market growth.

In 2010, HSBC will continue to focus on growth in these areas while also targeting Australia-bound customers of HSBC internationally, and expanding its branch network in Australia.

Commercial Banking

Commercial Banking profit before tax was A\$41 million in 2009 (A\$81 million in 2008).

Despite challenging market conditions for its clients (the middle-market business sector as a whole was impacted by increasing loan impairment charges), Commercial Banking expanded its customer base and deepened relationships with existing customers as international competitors refocused the use of their balance sheets in Australia.

Commercial Banking continued to focus on companies with international needs, providing them with core products and services in payments and cash management, debtor finance, foreign exchange and trade and supply chain. HSBC is now the third largest trade supplier to the corporate sector overall².

In 2010, HSBC's Commercial Banking business aims to increase penetration in SME and middle market sectors, continuing to focus on products and services tailored to the needs of internationally active customers.

Global Banking and Markets

Global Banking and Markets profit before tax increased 45 per cent to A\$177 million (A\$122 million in 2008).

In a record year, Global Banking and Markets continued to grow its multinational franchise in corporate as well as institutional sectors, delivering global products with seamless client coverage across geographies and backed by the HSBC Group's signature financial strength.

Global Markets delivered strong revenue from foreign exchange trading, interest rates, debt finance and advisory and fixed income, supporting customers in uncertain markets and providing access to new ones. The Bank also positioned its balance sheet effectively for the changes in Australia's interest rate environment.

Global Investments established three funds in 2009: HSBC Global Emerging Markets Equity; HSBC Asia Select Equity; and HSBC GH Diversified Strategy, meeting demand for international and emerging market products by bringing the best of HSBC Global Asset Management and HSBC Alternative Investments to the Australian market.

HSBC in Australia increases pre-tax profit to A\$251 million for 2009/3

Within Global Banking, HSBC continues to build on its position as number one in the sub-custody market in 2009, increasing market share to almost 60 per cent³ for assets held for cross-border clients.

Project and export finance also grew revenue, participating in one of the largest project financing transactions in the Asia Pacific region (the Melbourne desalination plant) as mandate lead arranger, working across the full funding capital structure.

In 2010, Global Banking and Markets will continue to grow these businesses, putting the HSBC Group in its entirety to work for clients and markets with international dimensions.

HSBC Australia 2009 annual results – highlights

Profit highlights

HSBC in Australia's pre-tax profit up 25 per cent to A\$251 million (A\$201 million in 2008)

Profit distribution within customer group and global businesses

- Personal Financial Services profit before tax up 81 per cent to A\$38 million (A\$21 million in 2008)
- Commercial Banking profit before tax was A\$41 million (A\$81 million in 2008)
- Global Banking and Markets profit before tax up 45 per cent to A\$177 million (A\$122 million in 2008)

Balance sheet highlights

- Customer accounts were A\$13,438 million (A\$13,389 million at 31 December 2008)
- Gross loans and advances were A\$13,549 million (A\$13,610 million at 31 December 2008):
 - Residential mortgages (mortgages in individuals' names) increased to A\$6,577 million in 2009 (A\$5,236 million at 31 December 2008)
 - Other personal (credit cards, personal loans) were A\$1,103 million in 2009 (A\$1,139 million at 31 December 2008)
 - Property-related (property development, commercial real estate, and mortgages in company names) were A\$1,984 million in 2009 (A\$2,359 million at 31 December 2008)
 - Commercial, international trade and other were A\$3,885 million in 2009 (A\$4,875 million at 31 December 2008)

HSBC Holdings plc 2009 annual results – highlights

Underlying performance significantly ahead

- Underlying pre-tax profit up US\$4.7 billion or 56 per cent to US\$13.3 billion, after excluding the goodwill impairment in North America in 2008.
- On a reported basis, pre-tax profit down 24 per cent to US\$7.1 billion.
- Reported profit attributable to shareholders up 2 per cent to US\$5.8 billion.
- Positive jaws, with revenues up 8 per cent, costs down 4 per cent, and cost efficiency ratio 47.5 per cent on an underlying basis, after excluding the goodwill impairment in North America in 2008.
- Dividends in respect of 2009 totalled US\$5.9 billion, or US\$0.34 per ordinary share, with a fourth interim dividend for 2009 declared of US\$0.10 per ordinary share.
- One of leading dividend payers in financial services. HSBC has declared dividends in respect of last three years totalling more than US\$24 billion.
- Earnings per share down 17 per cent to US\$0.34 (2008: US\$0.41).

HSBC in Australia increases pre-tax profit to A\$251 million for 2009/4

Capital advantage and strong liquidity position maintained

- Generated capital in every quarter. US\$10.2 billion added to capital base through underlying profit generation.
- Successful rights issue. US\$17.8 billion added to shareholders' equity.
- Enhanced capital position. Tier 1 ratio improved to 10.8 per cent, ahead of target range.
- Distinctive liquidity position maintained. Held over US\$1 trillion in deposits and ratio of customer advances-to-deposits was 77.3 per cent at 31 December 2009.

Diversified business model delivering profits through the cycle

- Profitable in all regions excluding North America, but performance constrained by lower demand and deposit spread compression.
- Loan impairment charges improved in US. In run-off consumer finance business, loan impairment charges fell by US\$1.6 billion, offset by a rise in other regions.
- Achieved very strong results in Global Banking and Markets.
- Commercial Banking delivered profits in every region despite economic challenges.
- Built on position as leading international bank in mainland China. Market value of strategic investments increased to US\$25.4 billion and expanded our own network to 98 outlets.
- Supported our customers through downturn. In the UK we made available £15 billion of new mortgage lending.

Well positioned for economic recovery

- Two-speed economy. Expect emerging markets to grow three times faster than developed ones in 2010.
- CEO's principal office relocated to Hong Kong, at heart of our most strategically important region.
- Regulatory environment remains uncertain, but HSBC's strong capital and liquidity position and transparent structure position us strongly.
- World's most valuable banking brand and Euromoney's 'Best Global Bank'.

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Notes to editors

Footnotes

¹ MWE Consulting: HSBC receivables growth 8.3% year on year to Dec09 (market growth 3.5%).

² East & Partners: HSBC trade (import/export) market share among corporates 13.8% at Feb10.

³ ACSA: HSBC share of sub-custody assets held for cross-border clients 59.58% and share of Australian settlement transaction volumes (equity, debt, cash and unlisted unit trusts) 31.65% at Jun09.

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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