

HSBC BANK AUSTRALIA 2010 INTERIM RESULTS HIGHLIGHTS

Profit strong across all business lines in Australia

- HSBC Bank Australia pre-tax profit was A\$152 million, up 28 per cent in the first half of 2010 (from A\$119 million in first half 2009).
- Personal Financial Services pre-tax profit was A\$26 million, up 53 per cent (from A\$17 million in first half 2009).
- Commercial Banking pre-tax profit was A\$47 million, up substantially from A\$13 million in first half 2009.
- Global Banking and Markets pre-tax profit was A\$76 million (from A\$85 million in first half 2009).

Deposits increased, fully funding strong growth in lending

- Customer accounts were A\$14,926 million, up 26 per cent in the first half of 2010 (from A\$11,864 million in first half 2009)
- Gross loans and advances in Australia were A\$15,136 million, up 15 per cent (from A\$13,136 million in first half 2009):
 - Residential mortgages (mortgages in individuals' names) were \$7,293 million, up 28 per cent (from A\$5,694 million in first half 2009).
 - Other personal (credit cards, personal loans) were A\$1,140 million, up 5 per cent (from A\$1,089 million in first half 2009).
 - Property-related (property development, commercial real estate, and mortgages in company names) were A\$2,293 million in the first half of 2010, up 8 per cent (from A\$2,120 million in first half 2009).
 - Commercial, international trade and other were A\$4,410 million in the first half of 2010, up 4 per cent (from A\$4,233 million in first half 2009).

Statement by Paulo Maia, Chief Executive Officer

Strong performance building momentum for growth in Australia

This result reflects strong performance across all business lines, underpinned by three key elements.

First, our strategic focus on international connectivity, especially with Asia, puts HSBC in an unparalleled position to support Australia's increasingly international population and its growing trade and investment links with the emerging markets of Asia.

Second, HSBC's diversified business model focuses on relationship banking across retail, commercial and corporate and institutional sectors, supporting revenue generation through all stages of the economic cycle.

And finally, HSBC has an exceptionally strong funding and liquidity position, reinforced further in Australia in 2010 as we grew customer deposits by 26 per cent, fully funding our loan growth of over 15 per cent.

We are committed to growing our presence in Australia and cementing our position as the country's leading international bank.

We are investing in our branch network in Australia and increasing headcount in 2010 by 15 per cent. And HSBC will continue to look at new business areas, bringing international products and services to the Australian market and providing a gateway for Australians and their businesses to international markets. There are significant opportunities for HSBC and our customers here.

HSBC Bank Australia increased profit before tax by 28 per cent to A\$152 million in the first half of 2010 /2

Personal Financial Services

Personal Financial Services profit before tax increased 53 per cent in the first half of 2010 to A\$26 million (from A\$17 million in first half 2009). Revenue was driven by mortgage lending growth of more than 28 per cent and an increase in the HSBC Premier customer base by 54 per cent year-on-year. HSBC's credit card receivables grew at more than twice the pace of the overall credit card market, at 18.5 per cent. HSBC also embarked on its branch network expansion.

Commercial Banking

Commercial Banking profit before tax increased substantially to A\$47 million in the first half of 2010 (A\$13 million in first half 2009) as credit quality improved and HSBC continued its focus on companies with international needs.

Commercial Banking expanded its customer base and deepened relationships with existing customers, increasing both lending and customer deposits. HSBC also continued to focus on providing customers with working capital solutions, including trade and payments and cash management, sectors where HSBC continues to grow its market share – already the largest among Australia's international banks.

Global Banking and Markets

Global Banking and Markets profit before tax was strong at A\$76 million (A\$85 million in first half 2009).

Global Markets performed well in challenging market circumstances. Balance sheet revenue declined in the rising interest rate environment however, the business continued to drive revenue through foreign exchange trading, interest rates and fixed income, growing market share. HSBC increased its focus on the institutional sector, pushing the proportion of revenue from sales/trading for institutions to 34 per cent (up from 22 per cent in first half 2009).

HSBC also consolidated its leadership in debt capital markets, taking Australian issuers to offshore markets and bringing international issuers to Australia. HSBC ranks in the top three for international bonds and 6th in the Kangaroo bond market.

Global Banking client management performed strongly in the first half of 2010 achieving double digit revenue growth as HSBC increased credit and lending to the corporate and institutional sector and continued to be largest sub-custodian in Australia with more than A\$500 billion in assets under custody².

Areas of focus in the second half of 2010

HSBC will increase its presence in Australia with growth initiatives in the coming months across retail, commercial and corporate and institutional sectors.

Growth in Personal Financial Services in Australia will be driven by HSBC expanding its retail footprint across Australia to capture a greater proportion of its international, mass affluent customers.

Commercial Banking will target the increasing number of SME and MME businesses trading and doing business offshore, complementing its existing customer base of internationally-oriented companies.

Global Banking will build out its multinationals client base, taking advantage of HSBC's credit rating as a preferred international counterparty and strengthen its leadership position in custody. Global Markets will increase its penetration of Australia's institutional market.

¹ Source: APRA statistics as at Jun10.

² Source: Australian Custodial Services Association as at Dec09

HSBC Bank Australia increased profit before tax by 28 per cent to A\$152 million in the first half of 2010 /3

HSBC HOLDINGS PLC 2010 INTERIM RESULTS – HIGHLIGHTS

Strong increase in profitability

- Pre-tax profit more than doubled to US\$11.1 billion on a reported basis – US\$10 billion¹ excluding fair value on own debt, up 34 per cent.
- Underlying pre-tax profit up by US\$2.2 billion or 30 per cent to US\$9.6 billion.
- Profit attributable to shareholders more than doubled to US\$6.8 billion on a reported basis.
- Loan impairment charges and other credit risk provisions down US\$6.4 billion to US\$7.5 billion, the lowest since the start of the financial crisis.
- Earnings per share up 81 per cent to US\$0.38 (first half 2009: US\$0.21).
- Declared dividends of US\$2.8 billion or 16 cents per ordinary share in respect of the period.

Universal banking model delivering profits through the cycle

- Profitable in every customer group and in all regions outside North America².
- Diversified Global Banking and Markets business delivered another very strong performance.
- Commercial Banking exceptionally well placed to support rebounding international trade.
- Strategic repositioning of Personal Financial Services driving improved profitability.
- Strong Asia profits reflect investment in building presence across the region.

Financial strength core to our philosophy and key to future growth

- Profits added US\$6.0 billion to tier 1 capital. Tier 1 ratio 11.5 per cent, well above target range; core tier 1 ratio 9.9 per cent.
- Funding strength underpinned by customer deposits of US\$1.15 trillion and customer advances-to-deposits ratio below 80 per cent.
- Lending up in all regions since 31 December 2009².

Building our customer base and investing for the long term

- Customer acquisition focused on international financial needs:
 - Premier customers up to 3.9 million; on target for six million by the end of 2011.
 - Commercial Banking customers up to 3.5 million, 85 per cent of new customers in emerging markets.
- Leadership in emerging markets extended by additional investments in India, China, Vietnam and Kazakhstan.
- Strengthened position as leading international bank in China: opened 100th mainland outlet; supported Bank of Communications rights issue; grew leadership in renminbi services.
- World's most valuable banking brand for third year running³; *Euromoney*'s 'Best Global Emerging Markets Bank'.

¹ Reported profit before tax excluding changes in fair value of own debt due to credit spread.

² Underlying basis.

³ Brand Finance Banking 500 2010 League Table.

HSBC Bank Australia increased profit before tax by 28 per cent to A\$152 million in the first half of 2010 /4

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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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