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Conference Call Transcript

HBC - HSBC Holdings plc Interim Management Statement & HSBC Finance Corporation / HSBC USA Inc Q3 Release

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PRESENTATION

Operator

Welcome to HSBC Holdings plc's Interim Management Statement and HSBC Finance Corporation and HSBC USA Incorporated's third quarter 2008 results. Today's presentation is being chaired by Michael Geoghegan, Group Chief Executive, HSBC Holdings plc, and Douglas Flint, Group Finance Director, HSBC Holdings plc.

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our annual and interim report.

Thank you. I would now like to turn the call over to your host today, Mr. Michael Geoghegan. Please go ahead.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Thank you and good afternoon to those of you who've joined the call in London, good morning to those of you joining us from the States and good evening to those of you joining us from Asia. You'll have seen the interim management statement we issued earlier this morning, and Douglas and I will be happy to take your questions.

But first, I'd like to run through some of the key points. Against a backdrop of turbulent markets and a slowing global economy, we've produced pre-tax profits in the third quarter 2008 that were ahead of third quarter 2007. Pre-tax profits for the nine months to September 30 was lower than the equivalent period in 2007, but by less in percentage terms than the position at the half-year.

Our businesses in Asia have driven our performance, supported by solid results in Europe and Latin America. These have been helped to offset the increased weakness in the US business. Our diversity has been a strength and a protection.

Global Banking & Markets was profitable in the quarter, driven by strong emerging markets performance, reflecting the success of our emerging markets-led and financing focused strategy. We've continued to generate capital during third quarter 2008 from our operating activities. This helped us improve our Tier 1 capital ratio to 8.9% at September 30, towards the top of our current target range.

Our financial strength has also allowed us to invest further in emerging markets with strong growth prospects, as set our in our strategy. Specifically, we have made further investments in China, India, Indonesia, Taiwan and Vietnam.

We believe these results highlight the importance of HSBC's core strength, sound liquidity, capital strength, cost discipline, relationship banking and our global distribution capabilities.

Now, Douglas and Stuart Gulliver and I will be very happy to take your questions. First question.

QUESTION AND ANSWER

Operator

Thank you. (Operator Instructions) We will now take our first question from Sunil Garg from JP Morgan. Please go ahead.

Sunil Garg - ***JP Morgan - Analyst***

Good afternoon, Mike and Douglas. A couple of quick questions. Just to confirm, when you say your third quarter '08 was higher than third quarter '07, that is including the benefit from the fair value on own debt and the one-offs on the French businesses? So, if you could confirm that.

And the second question relates to your participation in the UK Treasury plan. Is there any imposition of payout ratio or dividend restrictions on HSBC? Thank you.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Douglas will take the first question. I'll take the second.

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Just to confirm what you said is right, the bare numbers, Q3 against Q3, include the special items that we've highlighted in the trading statement.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

The second point, we are not part of any agreement with the government in regard to the guarantees that they have given to other banks, so we are not restricted in any movements in regard to capital payout.

Sunil Garg - ***JP Morgan - Analyst***

Okay. Thank you.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Next question.

Operator

We will now take our next question from Ian Smillie from RBS. Please go ahead.

Ian Smillie - ***RBS - Analyst***

Good afternoon, gents. Three questions, please, all on the balance sheet. The first one is, behind the assets being broadly stable in Q3, could you give us some sense as to what the moving parts are between loans and non-loans?

The second question is on deposit flows and if you could give us some sense as to how big that number has been in absolute terms in Q3, please?

And the third question is on risk-weighted assets and how they have performed during the quarter, in order to allow us to build up the picture behind the Tier 1 comment which you make.

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

The balance sheet, in terms of loans and advances in dollar terms, is fair -- for loans and advances, it's marginally lower. For customer accounts, it's broadly stable. But remember, we've got currency impacts. So, in currency terms, both have probably grown, one a little bit, one a bit more than that. Our risk-weighted assets are broadly stable, marginally lower.

Ian Smillie - ***RBS - Analyst***

Thanks, Douglas

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Next question, please.

Operator

Our next question comes from Leigh Goodwin from Fox-Pitt, Kelton. Please go ahead.

Leigh Goodwin - ***Fox-Pitt, Kelton - Analyst***

Good morning, good afternoon, gentlemen. A couple of questions, please, one on the 8 Canada Square. I wondered if you could just provide us with an update, perhaps, on progress in terms of being able to book that gain, or indeed whether we should now be expecting that to come through for this year.

And my second question relates to there's a reference to within Europe, a single European property company or an impairment on that. I wondered if you could give us some sort of sense of magnitude for that, please.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Well, for both of those, I am somewhat restricted. I can't talk about customer advances, etc. But we envisage there will be developments in regard to the Canary Wharf building in the fourth quarter. And I can't comment in regard to the third quarter. I'll leave it at that.

Leigh Goodwin - ***Fox-Pitt, Kelton - Analyst***

Okay. Thank you, anyway. Thank you.

Operator

Our next question comes from Tom Rayner from Citigroup. Please go ahead.

Tom Rayner - ***Citigroup - Analyst***

Yes, good morning, everyone. It's Tom Rayner from Citigroup here. Just got a few questions. The first one, just a clarification on the comments about the underlying pre-tax growth in Asia, LatAm and Europe, the nine months on nine months. Just to clarify, when you say underlying, does that include the fair value gain within that guidance or not?

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Yes.

Tom Rayner - ***Citigroup - Analyst***

That's in there, okay. Thanks.

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

But it is -- sorry, just to be clear, we don't, remember, allocate the fair value gain to any of the customer groups. So, when we are talking about PFS or Commercial or Global Banking & Markets, it doesn't include any of the fair value gain because the fair value gain, and indeed the gain on the sale of the French banks, is separated. Yes?

Tom Rayner - ***Citigroup - Analyst***

Okay. Yes, sure, sure. Could I also -- just on your targets for the capital ratios, could you comment on how you're viewing Tier 1 versus core now, also how -- the impact of countries where the local regulations might force you to hold more than your target? Could you comment on how you see those factors?

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Clearly, across the world, we are seeing regulators seek to protect the capital positions of domestic banking operations. We've always run, and always will run, in accordance with local regulation. And we keep a modest cushion beyond that in local markets and we keep the Group surplus at the top, and nothing has changed on that. Yes, there is some pressure around the world for slightly higher ratios and we are dealing with that. But thus far, it's not been particularly significant.

And I think that the structure of the Group, where we demonstrably hold the surplus capital at the top, is well understood by all our regulators. So, perhaps we are in a somewhat different position than purely domestic banks that don't have a parent sitting above them.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

But I think it's fair to say, Douglas, we also had surplus capital at the subsidiary level well above the minimum capital (multiple speakers).

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Yes, certainly. Yes, we keep --

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Well before any of this (multiple speakers).

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Yes, we've always run with a cushion above local regulatory minimum.

Tom Rayner - ***Citigroup - Analyst***

Sure, okay. And just finally, could you just comment on the AFS reserve hit, how much of that you think may become an impairment going forward? And also, could you quantify the scale of deposit inflows you've enjoyed in Q3 and any impact that may have had on profits at this stage? Thanks.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Well, Stuart Gulliver will take the first question and then Douglas will take the second.

Stuart Gulliver - ***HSBC Holdings plc - Head of Global Banking & Markets***

If you look at page seven of the announcement, we talk about $4.8b additional to AFS reserves. But we also point out at the bottom of the first paragraph, on page eight, the fact the actual impairment so far has only been $37m. But actually, the way the accounting treatment works, on $542m of face value we are required to write down $246m. So, therefore, the $246m taken on that to P&L in the quarter. We also had a write-down on some equity positions that we had in Fanny and Freddie of about $210m in the quarter. So, you have a total of about $476m.

So, therefore, the impairment is dramatically lower than the actual write-downs because the actual write-downs continue to reflect illiquidity and uncertainty, rather than impairment. And if you remember, in the first half the totality was $55m.

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

As I said, we've had good inflows in deposits, in dollar terms broadly similar. We've had particularly good flows in the Premier segment for all the reasons you can imagine, particularly during August, September and into October. And then, in some of our professional businesses, in Global Banking & Markets and in Commercial Banking, we've seen customers get more liquid and place cash with us.

So, splitting out all the reasons for deposit inflows is fairly difficult. But across all our segments, we've seen more liquidity and more liquidity placed with us. It's difficult, I think, at this stage, to put a dollar number on it, but we'll try and break it out more meaningfully at the end of the year. But across all segments, we've seen good inflow.

Tom Rayner - ***Citigroup - Analyst***

Sorry to hog. Just, though, has there been any material earnings impact of those inflows, or is that all just going into very risk-free liquid instruments which may therefore not have boosted NII, for instance?

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

You've answered your own question. The deployment has been fairly low yielding in terms of being cautious about where we put the money, because the challenge is to deploy that liquidity when it comes in unexpectedly for a very short notice, anywhere where we can make much of a --

But we've been taking deposit rates down. So we do make money, but we don't make significant spreads on the deposit inflows. But we do make money. But it's deployed safely.

Tom Rayner - ***Citigroup - Analyst***

Thanks a lot.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Next question.

Operator

Our next question comes from Simon Samuels from Equities. Please go ahead.

Simon Samuels - ***Citigroup - Analyst***

Hi. It's Simon Samuels from Citigroup.

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

We know who you are.

Simon Samuels - ***Citigroup - Analyst***

Yes. I was trying to come in disguise there. Two or three things, actually. First of all, just -- I was wondering on the issue of the pace of deterioration in credit quality that you are seeing in Household -- sorry, HSBC Finance. You've obviously made the comment in the statement that essentially HSBC Finance was broadly in line with your expectations, but the current trends point to further deterioration in the near to medium term. So, I was wondering if you can just talk around that issue, and in particular, I guess, really what's happened since the end of September, when these comments apply.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Well, firstly, I think if we just break it down into the three parts of HSBC Finance. Our mortgage brokerage business, that's the business we sourced though brokers, that has very much stabilized. We said it was around $29b. You will recall it was $49b at the end of 2006. And the impairment of that has somewhat been stable across the period.

In regard to consumer lending through our branch networks, we have seen some deterioration in the 2006 and 2007 vintages.

Cards itself, as you know yourself, Simon, is a reflection on the underlying economy and particularly the unemployment rates. But we have seen a tick-up in both of those and I suspect you will find them tick up more as the unemployment figures increase in the coming months, and that's why we've laid out that notice to you. But do bear in mind that 50% of the book is prime and 50% of sub-prime. So, I am not going to give you a forward projection of where we see it, but we do expect it to go in line with unemployment rates.

Simon Samuels - ***Citigroup - Analyst***

Okay. And would you -- if I leave that one, do you think the past is a guide to the future, in terms of the pace of deterioration that Household -- sorry, HSBC Finance has previously experienced in previous periods of unemployment in the US going up? Do you think that's a good proxy or is your expectation that actually it's going to be more pronounced?

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Frankly, I can't tell, because a lot of it is to do with the stimulus package that you are seeing being debated at the current time. Is it going to be one, two or three? I can't say. Clearly, the new administration is keen to avoid unemployment rates going higher. But if there is nothing, then there will be a tick-up, but we can't -- I can't give you a projection of what that will be.

Simon Samuels - ***Citigroup - Analyst***

Okay. Thank you. The second question is just on the slightly sort of -- it feels a bit old-fashioned to ask about cost/income ratios, but given all the else that's going on. But it looks -- you basically post about $20b a quarter of revenues. And in the third quarter you've taken this substantial fair value gain through the revenue line, and obviously way in excess of the mark-to-market loss. There is no sense that there is an offset there.

Is there a kind of -- should we be thinking about the cost/income ratio excluding that fair value gain? Because otherwise it looks like, if you like, the underlying cost/income ratio will have deteriorated sharply in the third quarter and therefore maybe the second half. How do you -- when you talk about, in the statement, costs being marginally higher year on year and similar to the first half, is that against the backdrop of an ex-fair value gain revenue base that's flat or up or down?

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

It's totally independent to the revenues. It's basically saying, if you take the costs for the first half of the year and divide them by two and add a little bit, you won't be very far away. That's what it (multiple speakers).

Simon Samuels - ***Citigroup - Analyst***

Yes, I don't suppose -- sorry, (inaudible), Douglas. I suppose what I'm really getting at is shouldn't we expect the cost/income ratio to improve a lot, just because of this fair value gain, which is clearly one-off and it's got no associated cost to it? It's a very significant part of your revenues, so it's boosted your revenues with no offsetting increase in the cost base.

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

On a pro forma basis, that must be a statement of the truth. The $3.4b in the third quarter of fair value gains, there is no cost against it. So whatever the cost/income ratio would otherwise have been, simply by taking one number over the other, it's better than it would have been.

We don't regard that as part of managed performance. It doesn't, as we say, go into any of the customer groups. It's not in Global Banking & Markets. It's not allocated to PFS or CMB. It arises predominantly in the United States and the UK. And yes, it does affect the published numbers. But you could -- we would adjust it, if we were you.

Simon Samuels - ***Citigroup - Analyst***

Okay. Thank you. And then, very lastly, I just wanted to go back to Tom's question on capital. So, basically, you said you've always run with this big cushion against either what the Regulator demands or also what other banks have run with. That cushion is obviously getting a lot smaller, as the regulatory demands go up around the world, and other banks recap as well. So, my simple question is, are you comfortable with that cushion getting a lot smaller or would you like to reestablish that cushion?

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

I think we've said in our statement that we are happy with our capital position at the current time. Do bear in mind that people who are quoting ratios higher than us, I suspect, are not creating capital. We are creating capital from our ongoing business every month. So I would have thought others who may currently have higher ones will drop down below us. But 8.9% is the top of our range and I think it's a comfortable position to be at.

Simon Samuels - ***Citigroup - Analyst***

And you are comfortable with that cushion? Forget about the competitors but versus the Regulator, because obviously the regulatory requirements are going up everywhere, so your cushion mathematically has got smaller versus whatever the Regulator first thought of. You are comfortable with that cushion narrowing?

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

We are comfortable with the position that we have. We are not saying it's narrowing or anything else to that point.

Simon Samuels - ***Citigroup - Analyst***

Thank you.

Michael Geoghegan - *HSBC Holdings plc - Group Chief Executive*

Next question.

Operator

We now take a question from Ross Curran from UBS. Please go ahead.

John-Paul Crutchley - *UBS - Analyst*

Yes. Hi, chaps. It's actually JP here from UBS. Can you hear me okay?

Michael Geoghegan - *HSBC Holdings plc - Group Chief Executive*

Yes.

Douglas Flint - *HSBC Holdings plc - Group Finance Director*

Yes.

John-Paul Crutchley - *UBS - Analyst*

Yes. I have three questions quickly, if I can. Firstly, on capital, I hear what you said in terms of buffer, etc. I am just trying to work out a bit of maths backwards here, because it looks as if the total Tier 1 ratio is up about 10 basis points or so from where we were at the halfway stage. Clearly, the own value gains on own debt don't have a wash in terms of capital, so we can ignore that. The gain on the French disposal, no tax there, so that drops straight to the bottom line. So that looks like it's pretty much accounted for the increase in the Tier 1 ratio. So, it looks as if the business is pretty much absorbing the capital it's generating, whereas that's not what you seem to allude to, Mike.

So, am I missing something there in terms of either FX on risk assets or something, which suggests it's consuming capital elsewhere, because I can't quite seem to see how the business, at this stage, is generating capital on its own? And I've got two other quick questions, if I can.

Douglas Flint - *HSBC Holdings plc - Group Finance Director*

Well, what we are saying is if you take out all the funnies which we set out and you -- then the business excluding the French gain made money and we had the French gain on top of that. So we generated capital in the quarter. How we deploy that capital is how we deploy the capital, but we generated capital in the quarter so we added to the source of capital. Yes, there's foreign exchange movements, clearly, with both risk-weighted assets and the actual capital position. You are right that the fair value gains on our own debt are ignored for capital purposes, so they don't have an impact. So, all we are saying is we are generating capital.

John-Paul Crutchley - *UBS - Analyst*

Okay. Okay. The other two questions, quickly, were firstly on the goodwill on the US business, where you flag in the statement you might be reviewing that come the year-end. I think, from memory, in the past the goodwill's been written off in the US but you were very happy with it at the Group level, because of the cash flows being generated by the US business in aggregate. So it sounds like that's a change there and I just wondered if you can comment on that.

And then the final one was for Stuart. I just wonder if you can give us a bit more granularity on the $0.6b of credit write-offs and what's driven that, or what that relates to.

Douglas Flint - *HSBC Holdings plc - Group Finance Director*

The goodwill point, you're absolutely right. We are simply flagging that this is going to be an issue we are going to think carefully about at the end of the year. And it's a simply discounting model with three factors - the quantum of cash flows, the timing of cash flows and the appropriate discount rates. And to the extent that the US economy has weakened and to the extent that it weakens further, that will have impacts on possibly all three of those elements.

So, you are right. What we are doing is saying this is going to be an area we are going to spend some careful consideration at the end of the year. We are giving you a heads up that the factors are probably on the weak side. So, we are alerting you.

But again, on the capital point, if we were to have a further write-down of goodwill, it does not impact our capital.

John-Paul Crutchley *- UBS - Analyst*

Understood.

Stuart Gulliver *- HSBC Holdings plc - CEO Global Banking and Markets*

And on the $600m, it's the same type of assets that we've been writing down since June/July of 2007. So, it's more on monolines, ABS, structured credit. And it's existing positions, so it's not new positions and new risk. It's the same set of assets that have been illiquid and therefore have substantial write-downs, which I think we believe are in excess of their likely cash pay at the end of -- at maturity. But it's not fresh positions and it's the usual suspects.

John-Paul Crutchley *- UBS - Analyst*

Thank you.

Michael Geoghegan *- HSBC Holdings plc - Group Chief Executive*

Next question.

Operator

Our next question comes from Manus Costello from Merrill Lynch. Please go ahead.

Manus Costello *- Merrill Lynch - Analyst*

Hi. I had a question, please, on the branch-based US mortgages, the consumer lending real estate secured portfolio. I noticed that there was obviously a big increase in delinquencies and also you took a big impairment provision in the second half. But looking -- in the third quarter, rather. But looking at coverage levels, i.e. impairment allowances over NPLs, it looks like they've fallen a touch. And in fact, they are below the levels that you have in the mortgage services book. So I wondered, if we see delinquencies continue to increase in this book, should we expect a double whammy of both an increase in coverage levels and an increase in the NPLs going forwards, or are you comfortable with this kind of coverage level you have at the moment?

Douglas Flint *- HSBC Holdings plc - Group Finance Director*

Well, the coverage level is entirely related to the security packages that we have, so the mix of the States and the types of exposures that are causing impairment will affect that. So, if it's different it's because the mix of business is different.

So, yes, we are happy with where it is, where the coverage ratios are. If the mix of business changes, then the coverage ratios will change. But essentially, in every case, what we are doing is setting up impairment reserves for the impairment that are indicated by the roll-rate methodology and the judgmental factors we have in regard to deterioration. So, it's entirely driven by where the exposures are rising. It's not a question of getting to a particular coverage ratio.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

And the second thing is that most of the consumer lending through the branch was first mortgage and the ones you saw through the brokers was -- had seconds in them and various other bits. So, you'd expect that portfolio to have a higher provisioning figure against it.

Manus Costello - ***Merrill Lynch - Analyst***

But going forwards, we should assume that increases in delinquencies in the branch base will be similar to increases in the impairment taken through the P&L?

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Well, I think for the last, gosh, nine quarters we've been taking provisions that have been in excess of charge-offs because we've been building reserves. That will continue until the point in time where the future looks better than the past. But the fact that we are building reserves says that the forward outlook is higher than the statistical roll-rate based on history and that will continue until the outlook improves, at which point it will stabilize. And you can see that happening now in mortgage services, because of the maturity of the portfolio. And then obviously, as things improve, you'll be providing less than you're charging off.

Manus Costello - ***Merrill Lynch - Analyst***

Okay. Thank you.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Next question.

Operator

Michael Rogers, [Management] has our next question.

Michael Rogers - ***Conning Asset Management - analyst***

Yes, good day. I just wanted to get a better sense for the ongoing commitment to the HSBC Finance business and talk a little bit, if you could, about the capital injection during the quarter. And what is your target tangible equity to tangible managed assets ratio in that business, presently?

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Well, I'll start and then Douglas will come in with some of the numbers. Firstly, our commitment to our US operations is continuous. We have, as we've demonstrated, put more capital in. We'll put in whatever capital is required to be put in. And we keep it well above the minimum ratios for the business. And we've had no problems funding ourselves. And in fact, we retired over $20b worth of funding this year in regard to funding that we have taken for this business, and that came from cash flow from receivables paid back.

To the second point, Douglas, do you want to talk?

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Yes. The rating agencies dictate or set the tangible common equity to tangible managed assets that we operate to, which tends to be in the mid 7s, and we work to that. And our commitment is to continue to work to the tangible common equity to tangible managed asset ratio that the market or the rating agencies, on behalf of the market, regard as appropriate. And we meet those requirements and we will continue to meet those.

Michael Rogers – *Conning Asset Management Analyst*

Thank you very much. Appreciate that.

Michael Geoghegan - *HSBC Holdings plc - Group Chief Executive*

Next question, please.

Operator

Next question, Michael Trippitt from Oriel Securities. Please go ahead.

Michael Trippitt - *Oriel Securities - Analyst*

Hello?

Operator

Mr. Trippitt, your line is open to ask a question.

Michael Trippitt - *Oriel Securities - Analyst*

Hello, sorry. Didn't hear you at first. Good afternoon. Just two quick questions. The transfer of -- or the planned transfer of card and retail services balances and the motor vehicle balances over to the HSBC Bank, could you just confirm that that is effectively, I suppose, using the liquidity in HSBC Bank, using the -- effectively sort of soaking up the stronger retail deposit base? Is that effectively the advantage or are there other advantages?

Michael Geoghegan - *HSBC Holdings plc - Group Chief Executive*

No, that is the effective advantage. But it's nothing new to us. We've taken the private label business through the Bank for some period of time and it's just a logical sense. As we attract deposits, we have excess deposits, and rather than lend them into the market we are moving assets across into our own banking business.

Michael Trippitt - *Oriel Securities - Analyst*

And that just presumably just carries on, then?

Michael Geoghegan - *HSBC Holdings plc - Group Chief Executive*

It's just a regulatory approval each time we make the transfer. But provided those approvals come through, yes. But it's a natural thing. I wouldn't expect the balance sheet of the US Bank ever to be more than, say, 30% of sub-prime assets, but you're not at anything like that level yet.

Michael Trippitt - *Oriel Securities - Analyst*

Okay. The second question was just on asset quality in Europe. I just wondered if you could just maybe just enlarge, particularly on the UK. I know you are saying mortgage exposure well secured and you've given the reasons why, but perhaps just your observations, really, on asset quality, more as we go into next year, I guess, what you are seeing in terms of early indicators.

Michael Geoghegan *- HSBC Holdings plc - Group Chief Executive*

Well, firstly, you will recall in 2006, late 2006, we called the top of the UK market. We did throughout 2007 pull back, particularly into mortgage lending, and actually lost market share on purpose. We went back into the market in 2008 with much lower LTVs. And the quality of loans that we attracted from others who were in difficulty were at significant lower LTVs than the market was expecting. Those mortgages are performing well and the overall mortgage book is performing well.

We have indicated, when we did give that warning to the market, that we wouldn't be that energetic in taking commercial real estate loans and we've continued not to do that. But the market generally is beginning to slow and pricing is beginning to continue because there are a large number of banks that are unable to fund themselves and they do need to refinance their lending and their customers equally. And that's where we are.

For the outlook, it's very hard to tell. We are only a reflection of the underlying economy, and I think the economy is going to deteriorate to some extent and we will watch it carefully on your behalf.

Michael Trippitt *- Oriel Securities - Analyst*

Thank you.

Michael Geoghegan *- HSBC Holdings plc - Group Chief Executive*

Next question.

Operator

The next question comes from Simon Maughan from MF Global Securities. Please go ahead.

Simon Maughan *- MF Global Securities - Analyst*

Yes, good afternoon. A couple of questions, if I may. First off, is there any Group level impact on equity from the sale of the Canadian businesses to a separate entity? I note that you did mention there was some goodwill impact at the local level. I just wondered if that had a Group impact.

Douglas Flint *- HSBC Holdings plc - Group Finance Director*

No, not at all.

Simon Maughan *- MF Global Securities - Analyst*

Okay. The second question was do you envisage the PFS division being profitable before associate contribution in the second half of the year?

Douglas Flint *- HSBC Holdings plc - Group Finance Director*

You know we are not going to answer that question. We can't -- we are not going to put a profit forecast in respect of one of the divisions, so you'll have to estimate. But no, we can't answer that question.

Simon Maughan - ***MF Global Securities - Analyst***

Okay. Fine. Thanks.

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Thank you.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Next question, please.

Operator

Next question comes from Michael Helsby from Morgan Stanley. Please go ahead.

Michael Helsby - ***Morgan Stanley - Analyst***

Yes. Good afternoon, gentlemen. I've got a few questions, firstly on the -- just on your overall comments at the start, when you are trying to size the performance in profit terms. I think at the half-year you talked about profits before special factors of being about $13.9b. And reading between the lines and taking into account your guidance, it feels like in the quarter you're only generating profit before special factors of between $2.5b and $3.5b. I was wondering if you could comment on whether that's in the right ballpark, because it feels like there has been quite a material shift down in profitability in the third quarter.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

And your second question?

Michael Helsby - ***Morgan Stanley - Analyst***

Second question is in regard to Asia. And that's effectively -- clearly, you've referred in your commentary that Asia is starting to slow. You particularly comment on Hong Kong from a fee income point of view. I was wondering if you could ground that to some sort of base level, maybe back to 2005 levels or something like that.

But also, I am very conscious of the fact that the slowdown in Asia from trade seems to be more of a Q4 event rather than necessarily a Q3, certainly backend Q3 loaded. So, without asking you to give me a forecast, I was wondering if you could give some color on current trends in Asia, notably in GBM and in commercial.

And also, on currency, there has clearly been a big shift in dollar exchange rates around the world. I was wondering if you could quantify the impact on your book value as at the Q3 stage and, if spot rates remained at this level, just mathematically, what impact that would have on your earnings for next year. And if you feel generous, I've got another one on the US.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Right. Then, give it to us.

Michael Helsby - ***Morgan Stanley - Analyst***

Oh, okay. Well, I think, unsurprisingly, bad debts in HSBC Finance are still going up. And clearly you've referred to unemployment going up and that's going to cause a further tick-up. It's quite interesting in the US Bank that bad debt is now at $1.7b for the first nine months, which is up more than double on where it was last year. So I think that the finance company gets a hell of a lot of focus, but clearly it's a lot broader than that. So I was wondering if you could comment on the outlook for the Bank bad debt as well. Thank you.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

All right. Well, I'm going to ask Douglas to take the trend in profits. I'll take Asia. Douglas, you take currency and I'll do the USA. So, you're on first.

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Okay. I think that the sort of analysis you've done is exactly what we'd expect analysts to do. But I'm afraid we're not going to comment on it because we're making -- we're basically putting out numbers or putting ranges around numbers that we haven't disclosed. So, you must do your own calculations.

In relation to currency and FX, I think we get a -- you can see the mix of our earnings from our half-year statements. And effectively, that shows you really on a pro forma basis what the impact of future earnings expressed in dollars would be. The European segment effectively comprises the majority of the non-dollar earnings and you can assess what that has done in relation to the strengthening of the dollar.

Similarly, there's a table in the interim results and indeed a more detailed one in the year-end accounts that shows you the deployment of our capital around the world, which shows where our net assets are. So, again, you can look at what the impact on shareholders' funds might be from currency, strengthening dollar against euro, sterling.

What is important to note, that our practice is not to hedge our dollar -- our capital in dollar terms, but to broadly keep our net assets by currency in sync with our risk-weighted assets by currency, so that the capital and the risk-weighted assets move up broadly together or go down together, so that the capital ratios are broadly immunized from currency movement. And that's what we think is most important.

But you're absolutely right. In dollar terms, with a stronger dollar, the expression of our European earnings will be lower. On the other hand, the expression of our Asian, Latin American and Canadian and American earnings in sterling terms, which impacts a lot of our shareholders, will be higher.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Turning to Asia, you mentioned Global Banking & Markets and Commercial Banking. But in fact, the downturn in interest income and fee income basically came from PFS, because obviously the spot markets have weakened considerably throughout the period and throughout the year and the period, hence that has had an impact on the type of volumes going through our PFS. And obviously, the insurance business had some challenging times in regard to its investment income as well.

But overall, for Global Banking & Markets, we continue to do well in Asia. Clearly, many other banks aren't in the same strong position to us, to either underwrite debt or to do trades. Generally, in our business, it has held up very well, be it in FX rates or whatever you want.

I'm not as negative on Asia for the fourth quarter as some of you may be. I think it's certainly going to slow, but the reality is the whole region is well structured with this. There's been a lot of preparation. The governments of Asia have watched for the last year. And the likelihood of slowing in Asia, they've got strong current accounts and surpluses, they've got good reserves. And as China announced yesterday, it intends to use those reserves to stimulate its economy. And hence Hong Kong, as a gateway to China, is also stimulated by it. So I think you're going to see growth, 8%, 9% in China, maybe 7% in the rest of Asia, pretty powerful stuff still.

Turning to the USA and the Bank in the USA, clearly a number of the write-downs in Global Banking and Markets went through our USA Bank. And obviously, that's where you're seeing those. Those are the ones you were seeing in the announcement we made today. There is also a prime real estate book, which has also got a HELOC portion to it. That showed deterioration in the third quarter, as it did in the second quarter and potentially will in the fourth.

But again, the Bank in the USA is focused -- now focused on being joined up with the rest of the Group, particularly looking at international trade. So you're seeing a lot of restructuring going in there. The headcount number was reduced in Global Banking & Markets earlier on in the quarter. A significant number of those people are based in New York. So that's all working through and the cost ramifications of taking those restructuring actions.

Michael Helsby - ***Morgan Stanley - Analyst***

Thank you. Do you mind if I just come back very briefly on that? Firstly, Douglas, I appreciate that you'd like us to estimate, but I think there's such a wide cone of outcomes from the comments that you've made about profits -- underlying profits being down but less than down 25%. So could you help by maybe narrowing that range from 0% to 25% to a narrower range, please?

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

No, I'm sorry. You've got it absolutely right. We've said that at the third quarter stage we're less down than we were at the half-year, which is, I guess, tautologous with the fact that the third quarter is ahead of the third quarter in the prior year. What we've tried to do, to be helpful, is split down the report on business performance by customer segment. So, Asia is good across all businesses. Europe is robust in the retail businesses. We've given quite a lot of information about where the Global Banking and Markets write-downs have come. We've given a lot -- we've told you that Global Banking and Markets in Asia was strong. The French gains aren't in the segment results. The write-downs -- sorry, the gains on a fair value of our own debt aren't in segment results.

So I think that's as much as we can give. We can't give you a sighting shot within the range you've got. I'm afraid you're going to have to estimate it.

Michael Helsby - ***Morgan Stanley - Analyst***

Okay. Thank you.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Thanks very much for those questions. Next person, please.

Operator

Robert Law from Nomura has our next question. Please go ahead.

Robert Law - ***Nomura - Analyst***

Good afternoon, everybody. I've got a couple of questions. Some of the others have already been asked, I'm afraid. Firstly, could I ask about the delinquency trends in HSBC Finance in the branch network? Could you just give us some guidance as to what you think the drivers of any further deterioration in that will be? And also, in the reserve build that you've made, how much reflection have you taken of expectations of future delinquency? That's the first area I want to explore.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Douglas, do you want to take that or shall I?

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Yes. Shall I start and you finish?

Michael Geoghegan - *HSBC Holdings plc - Group Chief Executive*

Yes.

Douglas Flint - *HSBC Holdings plc - Group Finance Director*

In terms of taking -- what we've done is taken the most current trends that we see and we've overlaid economic factors in relation to the impairment that we can see. What we can't do, and you know we can't do, in relation to accounting is take an estimate of where we think unemployment might be in six, 12 months' time and factor that in today.

But what we can do is look at the most current trends and the most cogent causes of impairment, which continue to be much more now underemployment and unemployment, as opposed to the purging of what was bad underwriting in the broker business over the last couple of years. And really, the deterioration we're seeing now is linked very much to unemployment and underemployment, where the concentration in the States is at the highest housing market appreciation because that's where the economies have declined more. And that's what's driving it. It's continued illiquidity in terms of being able to refinance and it's lower wage brackets who have lost their jobs.

Robert Law - *Nomura - Analyst*

Okay. And the second area I wanted to explore was, again, this area of guidance. Perhaps I can explore it this way. You've commented that Asia, LatAm and Europe for the nine months are ahead. Does that apply to Europe if you back out the own debt gain? And in Asia, could you comment on the trends in Hong Kong and other Asia separately, please?

Douglas Flint - *HSBC Holdings plc - Group Finance Director*

I think Hong Kong's relatively easy. Hong Kong -- Asia continues to do well, really driven by the Global Banking & Markets business. Hong Kong also continues to do well. But by comparison to 3Q '07, there was not the buoyancy in the equity markets that drove a lot of retail brokers' flows and there was not the buoyancy in stock market levels that supported and enhanced our insurance business. So those were weaker factors. And also, going into the third quarter of 2008, our deposit spreads began to get smaller because of declining US dollar interest rates. So there are some headwinds.

However, if you compare our Asian business against -- 2007 I think will turn out to be a very special year. If you look at '05, '06, 2000 -- where we are in 2008 remains a very, very solid, very profitable business. What we're not seeing in Hong Kong is any meaningful pickup in bad debts at this stage. We said that. Albeit that clearly there are risks to the downside and we're coming off a very low level.

Europe is difficult to comment. Yes, it's got a big chunk of the fair value debts and it's got a big chunk of the Global Banking & Market write-downs. So we've commented really on the retail businesses, saying that they're fairly robust. And the rest, I think, are implied by what we say about Global Banking & Markets being broadly split in these write-downs between Europe and the US.

Robert Law - *Nomura - Analyst*

Okay. Thanks.

Michael Geoghegan - *HSBC Holdings plc - Group Chief Executive*

Next question.

Operator

Tim Sykes from Execution has our next question. Go ahead.

Tim Sykes - ***Execution - Analyst***

Hi, guys. I've got a really bad line. I'm stuck in an airport, so apologies for that. A question, if I can, on -- a lot of what I had has been asked, so I'm left with a slightly [nargly] one. You've retired about $18b of debt from Household and I just want to just see if I can follow that through a little bit. There was about $10b of sales for the GM portfolio and the UK portfolio back to different parts of Group, so that's cash in. And then we have a decrease in receivables of about $8.1b. That was from repayments. I suppose there's two questions. Is any of the capital that's gone into Household in the third quarter, the $1.3b, has any of that been used to retire debt?

And secondly, we have a reduction in assets of $8.1b and we have obviously bad debts of close to $4b. Was there any acceleration of asset repayment that led to a reassessment of fair value there?

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Gosh, a number of questions. To be honest, pages six and seven of HSBC Finance 10-Q is the cash flow statement. And the $18.8b net of long-term debt retired, repaid is effectively -- the figures are on the cash flow statement. And the source and application of funds says where the money came from. It came largely from a reduction in the balance sheet, both from net repayments and from charge-offs in the sense that charge off isn't a cash flow, so the revenues that were coming in and the loan book generated the cash.

You can see cash from operating activities and cash from investment activity. That portion of the money that was used to (technical difficulty). It's nothing to do with transfers. We haven't made the transfers [of that] portfolio yet. So there's no cash flows at all in that, where you have purely operational activities for the nine months and really the cash from repayments in the Finance company (technical difficulty) pretty clearly, actually.

Tim Sykes - ***Execution - Analyst***

Okay.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Thanks very much. Next question.

Operator

Our next question comes from Sandy Chen from Panmure Gordon. Please go ahead.

Sandy Chen - ***Panmure Gordon - Analyst***

Afternoon, gentlemen. I've just got two follow-up questions. One was actually on net interest margin guidance. I think you were saying that Q3 net interest income was up in line with the first half of the year. I was just wondering, in terms of -- obviously, central banks have cut rates quite aggressively. LIBOR is beginning to come down. But obviously, a very strong customer deposit franchise but the rates on those are already relatively low. So would there be a negative endowment effect that would lead to some net interest spread pressure?

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Well, if you take it from the liabilities side, clearly there is going to be less there. But then, on the asset side, there's the pricing power to re-price as well and we're able to move some of that on already, and that will continue. But there's no -- we don't give a projection of what it's going to be for the fourth quarter. But you can read it through yourself. We are a liability-driven business.

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

And on top of that, one other factor is that the Global Banking and Markets business positions for rate movements. And therefore, to the extent that it would have anticipated rate reductions, positioning the book to be over lent would give benefits in net interest margin coming through prospectively. So, as you say, deposit margin is getting squeezed as rates are coming down. A lagged effect is as asset prices -- asset yields you price up as facilities priced at today's levels. And then, there's the ongoing management of our treasury position, our position for interest rate movements. And that's a complicated equation. And (technical difficulty) effectively what happened in the third quarter.

Sandy Chen - ***Panmure Gordon - Analyst***

Right, okay. And my second question is, just drilling down a bit on, I think, Tom and Ian's questions on RWA guidance. Other banks have -- I think RBS in particular were talking about increase in risk-weighted assets due to difficulties with some counterparty hedging. This seems to imply that you haven't seen this. Is that correct? And what's your outlook for RWA growth, obviously in light of the kind of deteriorating credit conditions that we're looking at?

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Well, I think on a simple statement of how it works, there's no question in the current marketplace the volumes of activities are lower. And therefore, the rates of growth we've seen in past years won't be experienced. There's also the pro-cyclicality or the risk sensitivity of Basel 2, which means that even for the same balance sheet size you can have a variable amount of risk-weighted assets, depending on the probability of default [-- exposure] default loss, given default characteristics of the assets.

But of course, in some respects, we're winding down some of our most capital-intensive assets. The Finance company is taking its balance sheet down quite quickly. We're doing a lot of work to mitigate the impacts of increased risk. And as we said, the risk-weighted asset position at the end of the quarter was modestly down. So, there's a lot of drivers to it.

Sandy Chen - ***Panmure Gordon - Analyst***

Okay. Thank you.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Next question.

Operator

Our next question comes from Thomas Mitchell from Miller Tabak.

Thomas Mitchell - ***Miller Tabak - Analyst***

I was wondering, you've had good results in India and China in the third quarter, you've just bought almost all of an Indian broker at what may be the low of the Indian market, who knows, but the key question here is are you seeing strong opportunities to make attractive purchases in the Asian markets, given your stronger balance sheet than some of your potential competitors might have?

And part two of that is how does the proposed stimulus program in China affect your opportunities to make new investments there?

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Well, firstly, pricing of investments in Asia is still on to the levels we'd like to see. Our acquisition in Indonesia was a one-off opportunity to buy a very strong bank with a large Chinese customer base that we were happy to take at the price we paid. But overall, I'm not yet convinced pricing is right for the Asian market to make further acquisitions. I'm sure it will come about in time, but it's not there yet.

In regards to the stimulus package, frankly it's too early to say. It was only announced yesterday. But you would expect that stimulus package to feed through to middle-market customers, international customers, all the types of customers that make up the largest international bank in China. So we will benefit from that and clearly Hong Kong will benefit as well. But a lot of the projects that seemed to be announced yesterday were very long-term infrastructure projects, etc. But that will play into our strengths in Global Banking & Markets, etc. But other than that, I can't really give you a forecast. It's just too early to tell.

Thomas Mitchell - ***Miller Tabak - Analyst***

Thank you.

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

India and China were good in relation to our own businesses. Clearly, in relation to China, as we said in the statement, we had lower associate income from Ping An for reasons that you all know about. But our underlying businesses had good quarters.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Thanks. Next question.

Operator

Our next question comes from John Kirk from Redburn. Please go ahead.

Jon Kirk - ***Redburn - Analyst***

Afternoon, everyone. Very easy question, I hope. I'm just interested in your tolerance on the dividend payout ratio because I guess we're currently running about 6% up on the dividend for this year, but as you've highlighted profits are down. And I suppose if you were to take into account the $4b plus of fair value gains on own debt, if you take that out, being as it's not capital accretive, then the underlying picture is slightly worse than that. So, on my numbers, you end up with something north of 70% on the payout ratio and I just wondered if you could comment on your tolerance there, as I said.

And also, if you have any particular -- anything particular to add on the take-up of scrip, for example, in that context, that would be helpful too.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Well, I'll take the first part and Douglas might want to add. Obviously, we can't give you a forecast on where the dividend payout is going to be. We've paid out on the third element, obviously, and clearly we will look at the fourth element, on our underlying results for the fourth quarter. But this is a company that is focused on paying a dividend, had a compound growth in dividend for the last 15 years, and we're aware of that.

Douglas, do you want to add anything on that?

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

No, I think that we'll look at it in the round. The other element, obviously, is the rate at which risk-weighted assets are growing. And as we've said, the capital consumption from balance sheet growth will clearly be not as strong as it has been over the last couple of years, when the balance sheet risk-weighted assets were growing strongly, subject to the Basel 2 impacts on risk sensitivity. But we'll look at it in the round when we get to February, March next year.

Jon Kirk - ***Redburn - Analyst***

Just one thing. On the scrip take-up, could you remind us what the historic level of scrip take-up is, and also whether you're seeing anything changing?

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

It's entirely related to the price reforms over the period. This year it's averaged around 30% for the dividends that we've paid. We model a take-up of around 20%. It tends to be as -- it rarely ever goes below 8% and it can be up in the 40s. I think this year it's averaged 30%.

Jon Kirk - ***Redburn - Analyst***

That's great. Thank you.

Douglas Flint - ***HSBC Holdings plc - Group Finance Director***

Okay.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Next question. Maybe we'll just do two more questions, so second last.

Operator

I have a follow-up question from Leigh Goodwin. Please go ahead.

Leigh Goodwin - ***Fox-Pitt, Kelton - Analyst***

Thanks. Thanks very much. Leigh Goodwin again, Fox-Pitt Kelton. Just three quick ones, actually. Firstly, there was no mention on -- sorry, yes, three. Last two questions. Sorry about that. But just on bank counterparties and losses to -- we know the names of the counterparties that have -- where losses have been incurred in the third quarter by other banks. And you're not mentioning any here and I'm just wondering whether we should therefore conclude that there haven't been any.

My second question was on we know deposit margins in Hong Kong are going to be compressed by low interest rates, probably for a while. What is the extent to which that is offset by asset liability management income within GBM?

And third question, really just on Europe. I know, Mike, you made a comment at the interims about the extent to which you're seeing credit withdrawn from some of your clients on the commercial corporate side. I wonder whether there's any update on the trends we're seeing there, i.e. the credit crunch as it spreads into the company sectors, particularly in the UK.

Michael Geoghegan - ***HSBC Holdings plc - Group Chief Executive***

Well, let's do the counterparties. Clearly, there have been some counterparty failures and they're not of such a substantial nature that we need to mention them, but some of the names you've known or some of the names that we're aware of. But it is a work in progress in regard to some of these and we'll watch this space.

On deposit margins, yes, you're right. Hong Kong in particular, the margin has gone to virtually nothing in this regard. And there has been an inflow of money, not so much now when the guarantees have come to the banking system, generally. And clearly, as Douglas said earlier on, balance sheet management through Global Banking and Markets does give us opportunities in these situations.

On your question on Europe, yes, there's no question, banks are pulling back the amount of credit they're granting. And this has always been my concern, that good companies may be starved of credit, not -- for no reason, but banks don't want to lend or can't lend because of the balance sheet size. We're endeavoring to assist as many customers as we can, but we can't be lender of last resort for the whole corporate world and I think the corporates have realized that. Some have already taken sensible steps to have committed lines to them. Others are doing that. And obviously, we benefit from that through the higher pricing. But other than that, there's nothing really changed in the last 90 days in regard to credit crunch, per se. It continues.

Leigh Goodwin *- Fox-Pitt, Kelton - Analyst*

Okay. Thanks very much.

Michael Geoghegan *- HSBC Holdings plc - Group Chief Executive*

Thank you. Last question.

Operator

Our last question today comes from Tom Rayner from Citi.

Tom Rayner *- Citigroup - Analyst*

Hello there. It's me again. Just one follow-up question for me. Michael, I think you're quoted on the newswires today saying that you will consider acquisitions in both developing and developed markets. So I just wondered, with your other comments about acquisitions in Asia still looking too expensive on the whole, whether this was sort of indicating any shift in strategy away from emerging markets as being the sole focus, really, for acquisitions going forward.

Michael Geoghegan *- HSBC Holdings plc - Group Chief Executive*

No. On the wires, probably to add to what was said on the wires, we were discussing between developed and developing markets. I said in developing markets we haven't seen prices reduced to any great extent yet and obviously that was of interest to us when they did reduce.

In regard to the developed markets, I just said I'm not sure that what people have been buying is that cheap. But I'm not opposed to buying anything but I'd like to know what I'm buying. These acquisitions that were done on Saturdays and Sundays, there didn't seem to be an awful lot of due diligence there, and we'd rather understand more about the assets that are there. And I suspect there will be opportunities. We've never said that we wouldn't look at the developed markets. All we've said is it's got to have some connectivity with what we're doing in the developing markets. And we're watching this space in this regard.

Tom Rayner *- Citigroup - Analyst*

Okay. Thanks very much.

Michael Geoghegan *- HSBC Holdings plc - Group Chief Executive*

Okay. I think that ties up all the questions today. So thank you for joining us today. As you know, 2008 has been an unprecedented year for financial markets, but I believe HSBC is one of the best-positioned banks in these difficult times. And we look forward to updating you again. I think it's on March 2, at the end, for our 2008 results. Thank you very much indeed for participating today.

Operator

Thank you, ladies and gentlemen. That concludes HSBC Holdings PLC Interim Management Statement and HSBC Finance Corporation and HSBC USA Incorporated third quarter 2008 results. Thank you for your participation.