

Press Release

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UKSA Supports Call for HSBC to Respond to Criticism

The UK Shareholders' Association (UKSA) has called upon HSBC Holdings Plc to respond openly to all shareholders, both institutional and private, to concerns raised by Knight Vinke (KV) about HSBC's recent performance and strategy. HSBC's share price has languished for the last few years, reaching over £10 in 2001 but, 6 years on, only stands at about £9.50.

UKSA say that many of KV's concerns, when comparing HSBC's performance with similar banking groups, raise serious questions which require detailed scrutiny. The bank's strategy has failed according to KV and a new independent review is required. In March 2007, HSBC wrote off \$11bn (nearly 50% of operating profit before tax) to cover loan impairment (up 35% on 2005), of which sub-prime losses in the US accounted for around \$2bn. Further sub prime losses appear likely in 2007.

KV point out that strategy at HSBC is the responsibility of the Chairman, which was an internal promotion and so is not independent as defined by the Combined Code. His strategy can therefore go unchallenged by executives below him. There is also a question mark over how effectively the bank's non executive Directors have performed. Although HSBC has traditionally been strong in emerging markets, especially Hong Kong & China, it now derives less than 50% of its revenue from non - OECD countries. KV say that the bank's attempts to compete both globally & locally in all areas of banking, including retail & consumer finance, private banking, investment & corporate banking are unfocussed and fail to reap the benefits of synergy. Allocation of the bank's capital between these different areas needs to be rationalised in the light of results to date. These have been unsatisfactory in too many of the numerous areas in which the bank is trying to operate, which now appear to reflect diversification for its own sake.

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KV describe HSBC as “a federation of banks, rather than a unified whole.” Returns on equity against a peer group have fallen between 1993 – 2006 according to KV` s calculations. HSBC’s position in China, a traditional market since the founding of the bank in 1865 in Hong-Kong, is said to be weak and in India its growth lags that of Standard Chartered amongst others.

UKSA have studied KV’s report carefully and consider HSBC have some legitimate questions to answer. UKSA therefore supports KV’s campaign to bring these concerns to the attention of shareholders and management.

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The letter f[rom Knight Vinke and Calpers to the Chairman of HSBC concerning these issues can be seen at:

www.uksa.org.uk/Knight_Vinke_letter_to_HSBC_%20Sept_2007.pdf

About the UK Shareholders Association (UKSA)

UKSA is the leading independent organisation which represents the interests of private shareholders in the United Kingdom. We campaign to protect the rights of shareholders in public companies, and to promote improved standards of corporate governance. Our educational activities, regular regional meetings, company “analyst” meetings and the resources of our web site, help to inform the public on investment management. UKSA is a “not for profit” organisation which is financially supported primarily by its individual members.