

3 November 2009

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED RATINGS AFFIRMED

Capital Intelligence (CI), the international credit rating agency, today announced that it has affirmed the credit ratings of The Hongkong and Shanghai Banking Corporation Limited (HSBC). The long-term foreign currency rating of “aa”, the short-term foreign currency rating of “a1+” and the financial strength rating of “aa” are all unchanged, as is HSBC’s support rating of “2”. All credit ratings carry a “Stable” outlook.

In the context of the global economic slowdown, HSBC achieved moderate loan portfolio expansion in 2008 and 1H 2009, but the Bank benefitted from a wider interest differential in large part due to achieving a lower funding cost. The Bank’s non-interest income declined sharply due to turbulence in the global equity markets and a difficult investment trading environment. HSBC has demonstrated a consistent profitability record, but its financial performance in 2008 and 1H 2009 was affected by higher loan and securities-related provisions. Still, HSBC’s ROAA remained above the peer group average. The Bank’s impaired loans rose, but they were adequately covered by loan impairment allowances and overall asset quality remained very good. HSBC has sound capital base as illustrated by its solid capital adequacy ratio, which far exceeds the minimum domestic regulatory requirement. The Bank’s excellent funding profile is reflected in its highly diversified customer deposit base. The outlook for HSBC’s 2009 full-year financial performance appears, on balance, to be favourable as the Bank benefits from a very strong domestic and regional commercial franchise.

Incorporated in 1865 in Hong Kong, HSBC is the founding member of the HSBC Group and operates as the Group’s flagship bank in the Asia/Pacific region. HSBC, together with its 62.14%-owned Hang Seng Bank Limited, form the largest retail and commercial banking group in Hong Kong. HSBC offers a comprehensive range of retail and commercial banking services and products and has established a strong niche in credit cards and wealth management services in the domestic market. The Bank also has established extensive corporate/commercial banking operations throughout the Asia/Pacific region. HSBC and its subsidiaries operate over 910 branches and offices in 19 countries and territories in Asia/Pacific as well as 20 branches in five other countries around the world. In Hong Kong, HSBC operates some 220 branches. Including the workforce of its subsidiaries, HSBC employs some 65,500 staff.

HSBC Holdings plc, HSBC’s 100%-owned ultimate shareholder, will relocate the office of its chief executive from London to Hong Kong in 2010, reflecting the group’s stated business strategy to increase its focus on emerging markets; especially those in the Asia/Pacific region. The HSBC Group is also preparing an initial public offering (IPO) on the Shanghai stock exchange in 2010.

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