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**Statement by Knight Vinke Asset Management  
concerning HSBC and its decision to write off its investment in Household International**

New York, NY, 2nd March 2009. The Board of HSBC has finally accepted that its catastrophic investment in Household International, not long ago described by the Chief Executive as a “dream portfolio”, is worthless. The investment has now been fully written off and the business is being shut down. Despite this, HSBC continues to carry its U.S. sub-prime loan assets at \$ 34 billion more than their reported fair value. If HSBC were ever to write these assets down to their fair value, there are a further \$ 34 billion of losses to be taken. We believe that this is increasingly likely given that Household is effectively no longer a going concern and that market conditions in the United States continue to deteriorate. The Board is now asking shareholders to invest a massive \$ 18 billion in HSBC. What assurances can it give to the market that this \$ 18 billion of additional capital will not go to Household’s lenders – who, from a contractual point of view, have no legal recourse to HSBC?

Knight Vinke, an institutional asset manager, has for two years been calling on HSBC to exit from the U.S. sub-prime market, which is taking up huge amounts of management time and financial resources, and to focus more on markets where it has true comparative advantage. It has also called for greater board independence and for a compensation structure that better aligns shareholder and management interests. Today’s announcement vindicates its campaign.

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