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HSBC SELLS BROKER ORIGINATED RESIDENTIAL MORTGAGE BOOK IN AUSTRALIA TO FIRSTMAC

HSBC Bank Australia has entered into an agreement to sell its broker originated residential mortgage book to FirstMac. The portfolio consists of over 10,000 customer accounts with a total book value of A\$2.26 billion (approximately US\$1.75 billion) at 22 November 2006.

HSBC retains the majority of its Australian residential mortgage portfolio - a loan book of A\$4.5 billion, representing HSBC's direct customer relationships. HSBC Bank Australia will not be accepting residential mortgage applications from brokers beyond 16 February 2007.

Stuart Davis, chief executive officer of HSBC Bank Australia, said: "To deliver the best value to our customers here, we need to invest in business areas where our natural strengths lie. While distributing through brokers has given our portfolio scale, it precludes two of our greatest strengths - our service proposition and the ability to cross-sell our products.

"FirstMac, a leading residential mortgage provider, is well placed to support the broker relationships that we have developed in recent years. We are confident it will provide our brokered loan customers with the quality of products and support they are accustomed to.

"After a strategic review of our local operations earlier this year, we have now disposed of non-core businesses and assets, and are focused on investing in areas where we have a comparative advantage. That advantage is HSBC's global network and the scale and insight it provides, both in retail and corporate banking.

"In retail banking, our international presence and global scale give us a natural advantage in areas such as consumer finance, online direct banking and HSBC's Premier banking channel. For our corporate customers the same strengths mean we can provide value in ways the local banks cannot in trade finance, debt capital markets, sub-custody and payments and cash management."

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News Release

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Notes to editors

1. 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'.

2. HSBC Holdings plc

HSBC Holdings plc serves over 125 million customers worldwide through some 9,500 offices in 81 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$1,738 billion at 30 June 2006, HSBC is one of the world's largest banking and financial services organisations.

3. FirstMac

FirstMac Limited (ABN 59 094 145 963, AFSL 290600) is a 100 per cent Australian-owned company and one of Australia's largest non-institutional lenders of home mortgages, self-funding its business by issuing AAA-rated bonds on global capital markets. FirstMac originally entered the home loan market in 1988 as a mortgage manager and originator to various third party funding programmes. Since 2002, with the advent of the FirstMac residential securitisation programme, FirstMac has increasingly self-funded its own mortgage origination business while growing its presence through the provision of wholesale funding to the Australian and US markets via a distribution network of other originators. FirstMac has an Above Average S&P servicer rating.

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