

August 4, 2003

**HSBC USA INC.
2003 INTERIM RESULTS - HIGHLIGHTS**

- Net income for the first half of 2003 increased by 28.5 percent to US\$527 million compared to US\$410 million in the first half of 2002.
- Return on average common equity for the first half of 2003 was 15.0 percent compared to 12.1 percent during the first half of 2002.
- The cost:income ratio for the first half of 2003 was 50.8 percent compared to 54.2 percent for the same period in 2002.
- Tier 1 capital to risk-weighted assets was 9.2 percent at June 30, 2003 compared to 8.6 percent at June 30, 2002.
- Client assets under administration at June 30, 2003 were US\$52.4 billion, of which US\$35.6 billion were funds under management and US\$16.8 billion were custody accounts.

HSBC USA Inc. reported net income of US\$527 million for the six months ended June 30, 2003, an increase of 28.5 percent from US\$410 million for the first six months of 2002. The strong growth in net income was largely the result of a better yielding mix of loans, securities and deposits on the balance sheet and lower funding costs, improved trading revenues in Treasury, and lower credit loss provisions. In addition, most categories of fee-based income showed improvement.

Commenting on the results, Youssef A Nasr, Chief Executive Officer of HSBC USA Inc., said: “We are pleased with the results that we have reported today for the first half of 2003. These results demonstrate growth in our core fee-generating businesses, as well as growth in our retail loan and deposit business. First half results were bolstered by improved results in our Treasury business.

“Despite the protracted weakness in the U.S. economy and a continuing rise in unemployment, credit quality has shown improvement which is reflected in lower levels of provisioning.

“As we look to the second half of 2003, we continue to get mixed signals from the various economic indicators and as a result, we remain cautious about the general economic outlook ahead.”

Net interest income

For the six months ended June 30, 2003 net interest income increased by US\$99 million, or more than 8 percent, to US\$1.26 billion. A higher level of interest earning assets, a better yielding mix of loans, securities and deposits, and lower funding costs contributed to the result. The steeper yield curve has led to lower funding costs and increased interest income from funding longer term investment securities and residential mortgages with short term liabilities.

Other operating income

For the six months ended June 30, 2003 other operating income increased over 23 percent to US\$668 million from US\$543 million for the comparable period in 2002. This increase was driven by solid growth in trading revenues and most categories of fee-based income. Fees and commissions, including commercial loan fees, fees on deposit and cash management products and bankcard fees, grew almost 19 percent from US\$191 million for the six months ended June 30, 2002 to US\$227 million for the six months ended June 30, 2003. This increase includes US\$23 million in revenues from Wealth & Tax Advisory Services, a business which was acquired in July 2002. However, in wealth management, there was some slowdown in sales of annuities and mutual funds associated with the uncertainties affecting the stock market and lower levels of interest rates. Insurance revenues increased by 57.1 percent to US\$33 million for the six months ended June 30, 2003 up from US\$21 million for the comparable period in 2002. Over 1,600 professionals are now licensed to sell insurance and certain annuity products through the bank's retail network. In addition, other income in the first half of 2003 included US\$21 million received from the Internal Revenue Service for settlement of interest compensation on a corporate tax refund for prior years.

Treasury trading revenues for the six months ended June 30, 2003 were US\$161 million, an increase of US\$114 million compared to the first six months of 2002, including strong improvements in the foreign exchange and derivatives businesses. Mortgage-related other operating income, including servicing fees net of amortization and impairment, gains on sales of originated mortgages, and the fair value adjustments associated with certain hedge instruments, and gains on the sale of securities, was US\$17 million lower in the first half of 2003 compared to the first half of 2002. This decrease was primarily due to declining interest rates causing impairment to the value of the mortgage servicing rights. Total gains from the sales of securities for the six months ended June 30, 2003 were US\$65 million, a decrease of US\$39 million from US\$104 million in the comparable period in 2002.

Operating expenses

Operating expenses increased by 6.1 percent to US\$977 million for the six months ended June 30, 2003 compared to US\$921 million in the 2002 comparable period. This increase was primarily attributable to an increase in salary and employee benefits of US\$60 million, which includes certain volume driven (mortgage) and revenue driven (Treasury) incentive compensation programs, an increase in pension costs and the costs associated with the Wealth & Tax Advisory Services business. Offsetting these increases, other expenses are lower in 2003 as 2002 charges included reserves for letters of credit and for a leveraged lease. The cost:income ratio for the first six months of 2003 was 50.8 percent compared to 54.2 percent for the six months ended June 30, 2002, reflecting faster growth in net interest and other operating income, as well as reductions in other expenses.

Credit quality and provisions for credit losses

We continue to see improvement in credit quality. The provision for credit losses for the first six months of 2003 of US\$88 million was US\$42 million lower than in 2002. Net charge-offs of US\$97 million for the first six months of 2003 were relatively flat to 2002. The reserve to non-accrual ratio decreased to 120.9 percent at June 30, 2003 from 129.7 percent at June 30, 2002, primarily due to a lower level of required reserves.

Provision for income taxes

The provision for income taxes was US\$331 million for the first half of 2003 compared to US\$238 million in the comparable period for 2002. The effective tax rate was 38.6 percent in 2003 and 36.7 percent in the 2002 period, driven by the growth in pre tax income.

Balance sheet

Total assets of HSBC USA Inc. grew more than 6 percent to US\$93.0 billion at June 30, 2003 compared to US\$87.2 billion at June 30, 2002. Total deposits grew more than 7 percent to US\$60.4 billion at June 30, 2003 compared to US\$56.4 billion at June 30, 2002. Total loans grew almost 4 percent to US\$43.2 billion at June 30, 2003, up from US\$41.7 billion at June 30, 2002.

Compared to June 30, 2002, residential mortgage loans outstanding increased while the level of lower margin large corporate loans declined. The mix of personal deposits shifted positively toward lower yielding demand and savings deposits and fewer certificates of deposit. During the same period, commercial deposits also increased.

HSBC Bank USA's residential mortgage business, with approximately 339,000 customers, originated US\$13.4 billion in mortgages in the first half of 2003, an increase of approximately 37 percent over the US\$9.8 billion originated in the first half of 2002.

Total assets under administration

Total funds under management at June 30, 2003 were US\$35.6 billion, up US\$3.1 billion, or more than 9 percent from June 30, 2002, largely due to improvements in the equities markets. Including custody balances, assets under administration at June 30, 2003 totalled US\$52.4 billion.

Capital ratios

HSBC USA Inc.'s tier 1 capital to risk-weighted assets ratio was 9.2 percent at June 30, 2003 compared to 8.6 percent at June 30, 2002. Total capital to risk-weighted assets were 13.7 percent at both June 30, 2003 and June 30, 2002.

As part of its strategy of providing customers with multiple choices for product and service delivery, HSBC Bank USA offers a comprehensive internet banking service. At June 30, 2003 more than 455,000 customers had registered for the service, up from approximately 410,000 at year-end 2002. The HSBC Bank USA web site, us.hsbc.com, where customers can apply for accounts, conduct financial planning and link to online services, receives approximately 53,000 visits daily. In addition, debit card usage has increased approximately 22 percent to more than 18 million transactions in the first half of 2003.

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About HSBC Bank USA

HSBC Bank USA has more than 400 branches in New York State, giving it the most extensive branch network in New York State. The bank also has nine branches in Florida, two in Pennsylvania, four in California, one in Oregon, one in Washington and 15 in Panama.

HSBC Bank USA is the tenth largest US commercial bank ranked by assets and is a wholly-owned subsidiary of HSBC USA Inc., an indirectly-held, wholly-owned subsidiary of HSBC Holdings plc (NYSE: HBC). Headquartered in London, and with over 9,500 offices in 79 countries and territories, the HSBC Group is one of the world's largest banking and financial services organizations.

For more information about HSBC Bank USA and its products and services visit www.us.hsbc.com.

<i>Figures in US\$ millions</i>	<i>Quarter ended</i>		<i>Six Months ended</i>	
	<i>June 30</i>	<i>June 30</i>	<i>June 30</i>	<i>June 30</i>
	2003	2002	2003	2002
Earnings				
Net income †	273	199	527	410
Performance ratios (%)				
Return on average common equity	15.3	11.6	15.0	12.1
Net interest margin	2.8	2.7	2.8	2.7
Cost:income ratio	50.8	56.1	50.8	54.2
Other operating income to total income	37.0	31.7	34.8	32.0
Credit information				
Non-accruing loans at end of period			394	417
Net charge-offs	48	32	97	94
Allowance available for credit losses				
- Balance at end of period			476	540
- As a percentage of non-accruing loans			120.9%	129.7%
- As a percentage of loans outstanding			1.1%	1.3%
Average balances				
Assets	89,807	87,296	90,377	87,753
Loans	43,542	41,684	43,372	41,893
Deposits	60,085	58,962	60,012	59,222
Common equity	7,023	6,652	6,926	6,652
Capital ratios (%) at end of period				
Leverage ratio			6.3	5.7
Tier 1 capital to risk-weighted assets			9.2	8.6
Total capital to risk-weighted assets			13.7	13.7
Assets under administration at end of period				
Funds under management			35,612	32,547
Custody accounts			16,772	15,535
Total assets under administration			52,384	48,082

† During the fourth quarter of 2002, HSBC USA Inc. adopted SFAS 147, *Acquisitions of Certain Financial Institutions*, and as a result US\$65 million of intangible assets that had been previously reported as identifiable intangible assets were reclassified to goodwill effective 1 January 2002. Therefore, the amortization expense previously recorded during the second quarter of 2002 and the first half of 2002 was reversed, resulting in an increase in net income of US\$1 million and US\$2 million, respectively.

<i>Figures in US\$ millions</i>	<i>Quarter ended</i>		<i>Six Months ended</i>	
	<i>June 30</i>	<i>June 30</i>	<i>June 30</i>	<i>June 30</i>
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
Interest income				
Loans	585	631	1,196	1,266
Securities	212	235	452	483
Trading assets	34	41	74	74
Short-term investments	22	42	43	87
Other	7	6	14	12
Total interest income	860	955	1,779	1,922
Interest expense				
Deposits	173	257	361	529
Short-term borrowings	21	66	58	119
Long-term debt	57	58	105	118
Total interest expense	251	381	524	766
Net interest income	609	574	1,255	1,156
Provision for credit losses	31	56	88	130
Net interest income, after provision for credit losses	578	518	1,167	1,026
Other operating income				
Trust income	23	23	46	48
Service charges	52	51	103	99
Mortgage banking revenue †	(18)	32	1	49
Other fees and commissions	118	99	227	191
Other income	58	25	95	50
Trading revenues				
- Treasury businesses and other	91	4	161	47
- Residential mortgage business related ††	(4)	(34)	(30)	(45)
Total trading revenues	87	(30)	131	2
Security gains, net ††	39	66	65	104
Total other operating income	359	266	668	543
Total income from operations	937	784	1,835	1,569
Operating expenses				
Salaries and employee benefits	278	243	556	496
Occupancy expense, net	37	38	75	74
Other expenses	177	190	346	351
Total operating expenses	492	471	977	921
Income before taxes	445	313	858	648
Applicable income tax expense	172	114	331	238
Net income	273	199	527	410

† Mortgage banking revenue includes mortgage servicing fees, net of amortization and impairment, gains on sale of mortgages and fair value adjustments related to qualifying hedges (under FAS 133) of residential mortgages originated for sale.

†† Trading revenues include the mark-to-market on non-qualifying financial instruments (under FAS 133) providing economic protection on mortgage servicing rights values and interest rate and forward sales commitments in the residential mortgage business. Some security gains in the quarter ended and in the six months ended June 30, 2003 were also related to providing economic protection on mortgage servicing rights values.

<i>Figures in US\$ millions</i>	<i>At June 30 2003</i>	<i>At December 31 2002</i>	<i>At June 30 2002</i>
Assets			
Cash and due from banks	2,286	2,081	1,817
Interest bearing deposits with banks	1,309	1,048	1,792
Federal funds sold and securities purchased Under resale agreements	5,083	2,743	5,979
Trading assets	12,601	13,408	11,517
Securities available for sale	14,912	14,694	13,738
Securities held to maturity	4,628	4,629	3,966
Loans	43,247	43,636	41,694
Less – allowance for credit losses	476	493	540
Loans, net	42,771	43,143	41,154
Premises and equipment	685	726	739
Accrued interest receivable	290	329	364
Equity investments	284	278	276
Goodwill	2,816	2,829	2,831
Other assets	5,325	3,518	2,978
Total assets	92,990	89,426	87,151
Liabilities			
Deposits in domestic offices			
- Non-interest bearing	5,844	5,731	5,043
- Interest bearing	35,613	34,902	34,258
Deposits in foreign offices			
- Non-interest bearing	433	398	427
- Interest bearing	18,491	18,799	16,652
Total deposits	60,381	59,830	56,380
Trading account liabilities	7,233	7,710	6,320
Short-term borrowings	7,172	7,392	10,782
Interest, taxes and other liabilities	6,766	3,422	2,597
Subordinated long-term debt and perpetual capital notes	2,118	2,109	2,569
Guaranteed mandatorily redeemable securities	1,053	1,051	735
Other long-term debt	601	515	565
Total liabilities	85,324	82,029	79,948
Shareholders' equity			
Preferred stock	500	500	500
Common shareholders' equity			
- Common stock [†]	-	-	-
- Capital surplus	6,021	6,057	6,042
- Retained earnings	838	578	554
- Accumulated other comprehensive income	307	262	107
Total common shareholders' equity	7,166	6,897	6,703
Total shareholders' equity	7,666	7,397	7,203
Total liabilities and shareholders' equity	92,990	89,426	87,151

[†] Less than \$500,000.