

HSBC USA Inc

Investor Roadshow
11 March 2008



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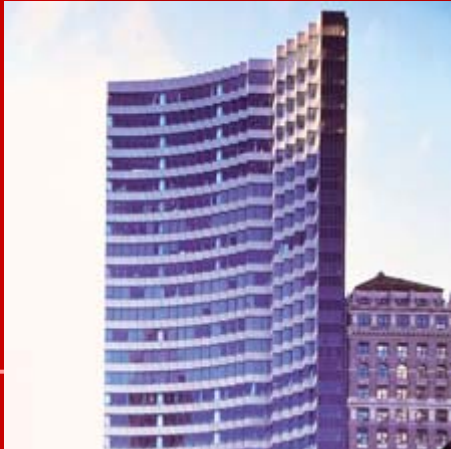
HSBC Holdings plc reports financial results in accordance with International Financial Reporting Standards (“IFRSs”) as endorsed by the EU. EU endorsed IFRSs may differ temporarily from IFRSs, as published by the IASB, if a new or amended IFRS has not been endorsed by the EU by the period end. There were no unendorsed standards affecting this document. As at December 31, 2007, there is no difference between IFRSs as endorsed by the EU and IFRSs as issued by the IASB in terms of their application to HSBC.

IFRSs comprise accounting standards issued by the International Accounting Standards Board and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee and its predecessor body.



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Strategic Overview

Paul Lawrence
President and CEO
HSBC Bank USA NA

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HSBC Group – Record results

Revenue

US\$79bn

(up 21%)

Profit before tax

US\$24.2bn

(up 10%)

Strong capital

9.3%

(Tier 1)

Revenue growth

Double-digit

(fifth year running)

Cost efficiency

49.4%

(improved ratio)

Earnings per share

US\$1.65

(up 18%)

Dividend growth

Double-digit

(15th year running)

Dividends

US\$0.90

(per share, up 11% over 2006)

Total assets

US\$2,354bn

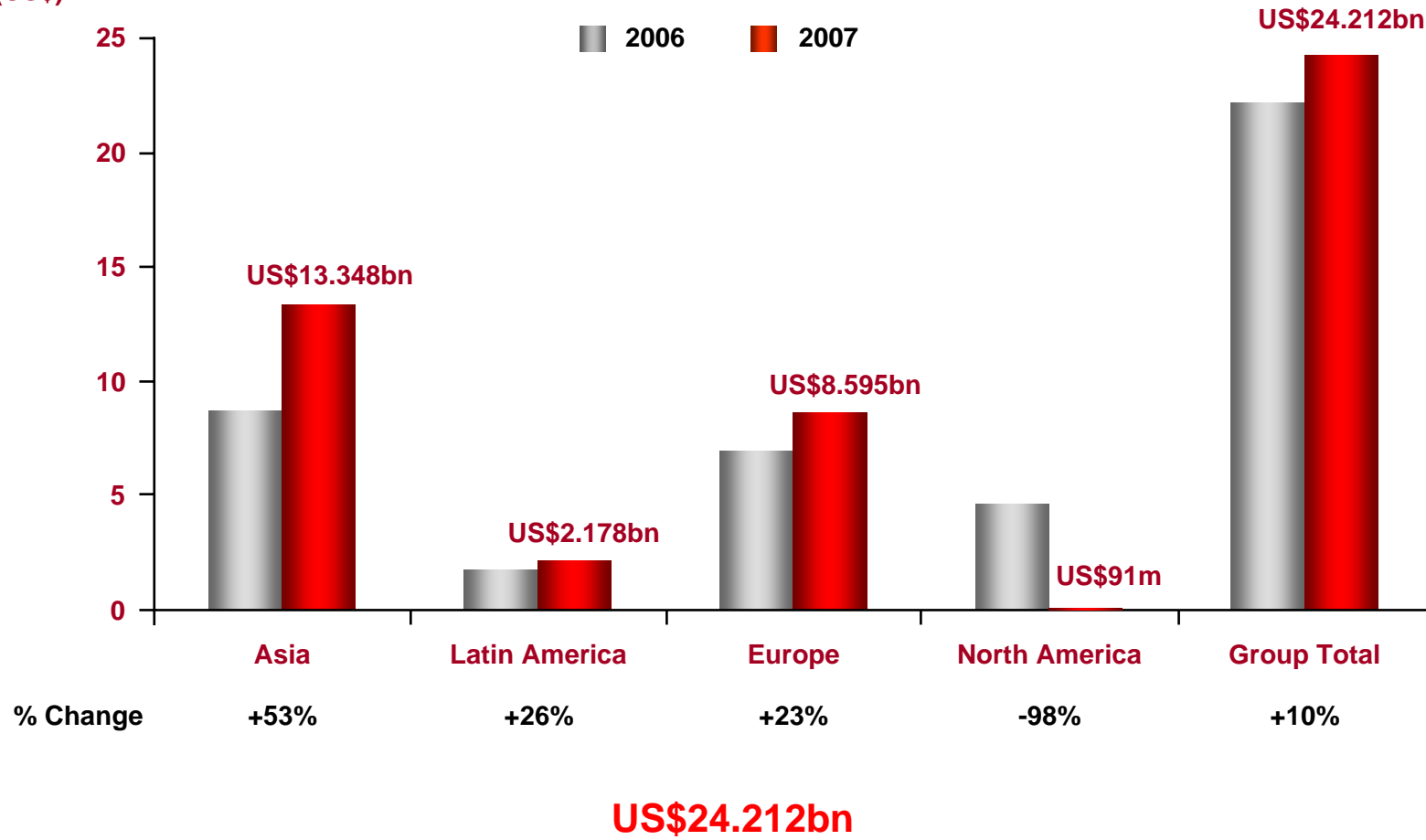
(up 27%)

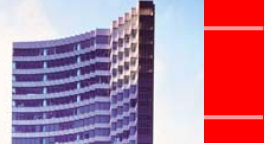


HSBC Group – Results by Geography

2007 Pre-tax Profit by Geography

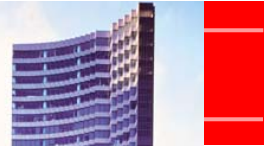
IFRS (US\$)





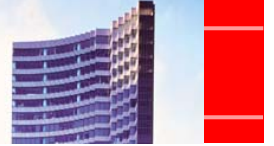
HSBC Group Strategy

- An emphasis on fast-growing emerging markets – Asia, Middle East and Latin America
- In mature markets, focus on areas where we can build on our unique global franchise and benefit from long-term global interconnectivity
- Build businesses that support our customers' long-term savings needs such as insurance and wealth management
- Use our scale and technology to deliver better, more efficient services to customers



HSBC USA Inc. – Strategic Objectives

- Right-sized and joined up
- Establish legitimate and credible competitive positioning
- Leverage Group advantages with focus on international requirements of customers
- Define clear business propositions and strategies
- Align business initiatives to our Global Pillars
- Improve profitability

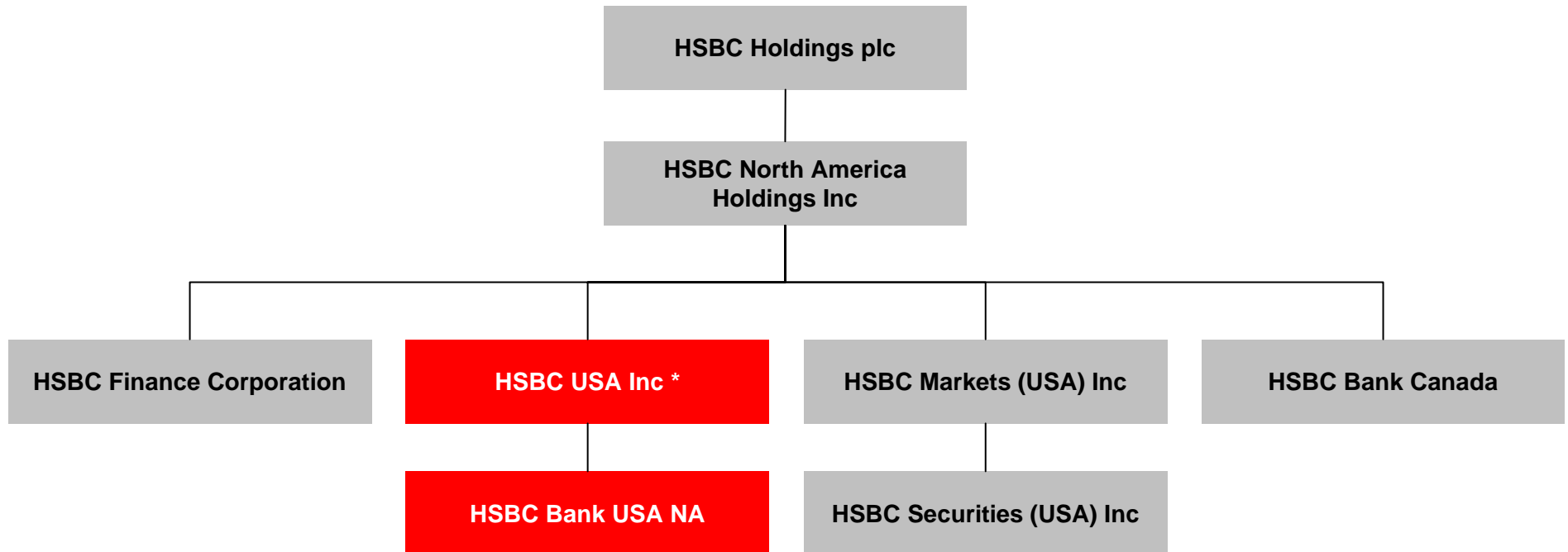


Looking Forward

- US economy may well get worse before it gets better
- In order to accomplish the strategic objectives we must...
 - Maintain a disciplined approach to financial and resource management
 - Simplify our organizational structures and processes
 - Leverage Group international connectivity
 - Focus on delivering results



Legal Entity Structure



*HSBC USA Inc will be referred to as 'HUSI' throughout this presentation.
This is the principal bank subsidiary for the HSBC Group in the United States.



Financial Overview

Michael Doherty
Executive Vice President
Asset & Liability Management



HSBC USA Inc – Key Performance Metrics

	Full year		Variance on 2006	
	2007	2006	\$	%
Profit Before Tax (IFRS) (US\$m)	497	1,511	(1,014)	(67.1)
Net Income (IFRS Profit After Tax) (US\$m)	386	982	(596)	(60.7)
Cost Efficiency Ratio (IFRS) (%)	60.4	54.7		(5.7)
Return on Average Assets (US GAAP) (%)	0.1	0.6		(0.5)
Return on common shareholders equity (US GAAP) (%)	0.4	9.0		(8.6)
Total Assets (US GAAP) (US\$bn)	188	165	23	13.9
Tier 1 capital/RWA (US GAAP) (%)	7.1	8.6		(1.5)
Total capital/RWA (US GAAP) (%)	11.3	12.6		(1.3)



HSBC USA Inc – Income Statement

IFRS, US\$m	Full year		Variance on 2006	
	2007	2006	\$	%
Net interest income	2,722	2,453	269	11.0
Other revenues	2,317	2,681	(364)	(13.6)
Total revenues	5,039	5,134	(95)	(1.9)
Loan impairment charges	(1,497)	(815)	(682)	(83.7)
Net operating income	3,542	4,319	(777)	(18.0)
Operating expenses	(3,045)	(2,808)	(237)	(8.4)
Profit before tax	497	1,511	(1,014)	(67.1)
Tax Expense	(111)	(529)	418	79.0
Profit for the year	386	982	(596)	(60.7)



HSBC USA Inc – Profit Before Tax by Customer Group

IFRS, US\$m	Full year		Variance on 2006	
	2007	2006	\$	%
Personal Financial Services*	245	567	(322)	(56.8)
Commercial Banking	389	446	(57)	(12.8)
Global Banking and Markets	(471)	398	(869)	(218.3)
Private Banking	134	158	(24)	(15.2)
Other	200	(58)	258	n/a
Total profit before tax	497	1,511	(1,014)	(67.1)

* Includes Consumer Finance



HSBC USA Inc – Period End Balance Sheet

US GAAP, US\$bn	Current	Prior	Variance on 2006	
	31 Dec 07 Actual	31 Dec 06 Actual	Inc/(Dec)	%
Cash and due from banks	3.6	3.4	0.2	5.9
Interest bearing deposits with banks	5.6	1.9	3.7	194.7
Fed funds	13.7	13.8	(0.1)	(0.7)
Trading assets	37.0	23.6	13.4	56.8
Securities AFS	20.0	19.8	0.2	1.0
Securities HTM	2.9	3.0	(0.1)	(3.3)
Loans (net of reserves)	93.5	89.3	4.2	4.7
Goodwill	2.7	2.7	0.0	0.0
Other assets	9.4	7.3	2.1	28.8
Total Assets	188.4	164.8	23.6	14.3
Domestic deposits	82.1	74.3	7.8	10.5
Foreign deposits	34.1	27.8	6.3	22.7
Total deposits	116.2	102.1	14.1	13.8
Trading Liabilities	16.3	12.3	4.0	32.5
Short-term borrowings	11.8	5.0	6.8	136.0
Interest, taxes and other liabilities	4.6	3.8	0.8	21.1
Long-term debt	28.3	29.3	(1.0)	(3.4)
Total Equity	11.2	12.3	(1.1)	(8.9)
Total Liabilities and Equity	188.4	164.8	23.6	14.3



HSBC USA Inc – Loans Outstanding

US GAAP, US\$bn	Full year		Variance on 2006	
	2007	2006	\$	%
Total commercial loans	37.9	29.5	8.4	28.5
Consumer loans:				
Residential mortgages	35.4	39.8	(4.4)	(11.1)
Credit card receivables:				
Private label	17.4	16.9	0.5	3.0
MasterCard/Visa	2.0	1.3	0.7	53.8
Other consumer	2.2	2.7	(0.5)	(18.5)
Total consumer loans	57.0	60.7	(3.7)	(6.1)
Total loans	94.9	90.2	4.7	5.2
Allowance for credit losses	(1.4)	(0.9)	(0.5)	(55.6)
Loans, net	93.5	89.3	4.2	4.7



HSBC USA Inc – Deposits

IFRS, US\$bn	Full year		Variance on 2006	
	2007	2006	\$	%
Personal Financial Services*	42.7	37.5	5.2	13.8
Commercial Banking	18.2	15.7	2.5	15.9
Global Banking and Markets	42.0	31.9	10.1	31.7
Private Banking	12.2	10.7	1.5	14.0
Total deposits	115.1	95.8	19.3	20.1

* Includes Consumer Finance

US GAAP, US\$bn	Full year		Variance on 2006	
	2007	2006	\$	%
Total deposits	116.2	102.1	14.1	13.8
Core deposits	65.1	57.5	7.6	13.2



HSBC USA Inc – Credit Quality

US GAAP, US\$m	Full year		Variance on 2006	
	2007	2006	\$	%
Provision for Credit Losses				
Commercial	205	136	69	50.7
Consumer:				
Residential mortgages	126	32	94	293.8
Credit card receivables	1,108	592	516	87.2
Other consumer	83	63	20	31.7
Total consumer	1,317	687	630	91.7
Total provision for Credit Losses	1,522	823	699	84.9
As a percentage of Total Loans (%)	1.60	0.91		0.7
Non-accruing Loans				
Commercials:				
Construction and other real estate	34	33	1	3.0
Other commercial	89	69	20	29.0
Total commercial	123	102	21	20.6
Consumer:				
Residential mortgages	640	265	375	141.5
Credit receivables	1	1	0	0.0
Total consumer	641	266	375	141.0
Total Non-accruing Loans	746	368	396	107.6
As a percentage of Total Loans (%)	0.80	0.41		0.4



Business Overview

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Personal Financial Services

Kevin Newman

Head of PFS, North America
Group General Manager and
Senior Executive Vice President

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Personal Financial Services

Clear Client Propositions Based on Our 'Right to Win'

Fully leveraging the HSBC global footprint, platforms and brand.

Client propositions

HSBC  PREMIER

- Internationally oriented mass affluent
- Global solutions
- Globally connected platforms
- Integrated 'independent' Wealth Management

BusinessSmartSM
from HSBC

- Internationally-oriented small businesses
- Professionals
- Relationship managed
- Multichannel, eg Remote Deposit capture

HSBC  Direct.

- Self-directed confident savers
- Tailored, simple, customer driven, online banking experience targeting needs, attitudes and motivations
- High yield, savings-centric proposition



Personal Financial Services

HSBC  PREMIER

**To deliver unrivalled global offer
for affluent international people**

- Leveraging our global presence across 35 countries and territories with a network of over 280 international flagship Premier centers
- Aiming to have six million HSBC Premier customers globally by 2011
 - Growth in the USA to date is in line with expectations
- Building HSBC Premier to be a Wealth Management Business
 - Promoting a holistic needs-based Wealth Management culture
 - Recruiting best-in-class PRMs and FAs
 - Providing financial plans and products to suit customers' needs and life goals
 - Recognizing Premier status globally
 - Leveraging our global platform to enable single view of all accounts globally



Personal Financial Services

Tailored Approach to Serving our Four Markets

Traditional

- 'Upstate NY'
- 204 branches
- US\$13.2bn deposits
- Leading market share

Premium and Business

- 'Metro NY'
- 185 branches
- US\$26.5bn deposits
- Successful Premier and SME proposition

Expansion and Niche

- NJ CT CA FL DC
- 68 new branches since inception (December 2004)
- US\$3.4bn deposits
- Focus on Asians, NRI and cosmocrats

Direct

- No demographic boundaries
- Over 620,000 Customers
- US\$11.5bn deposits
- 90% new money
- 70% out of footprint
- Complementary products (OPA and CDs) launched
- Effective and cost efficient channel



Commercial Banking

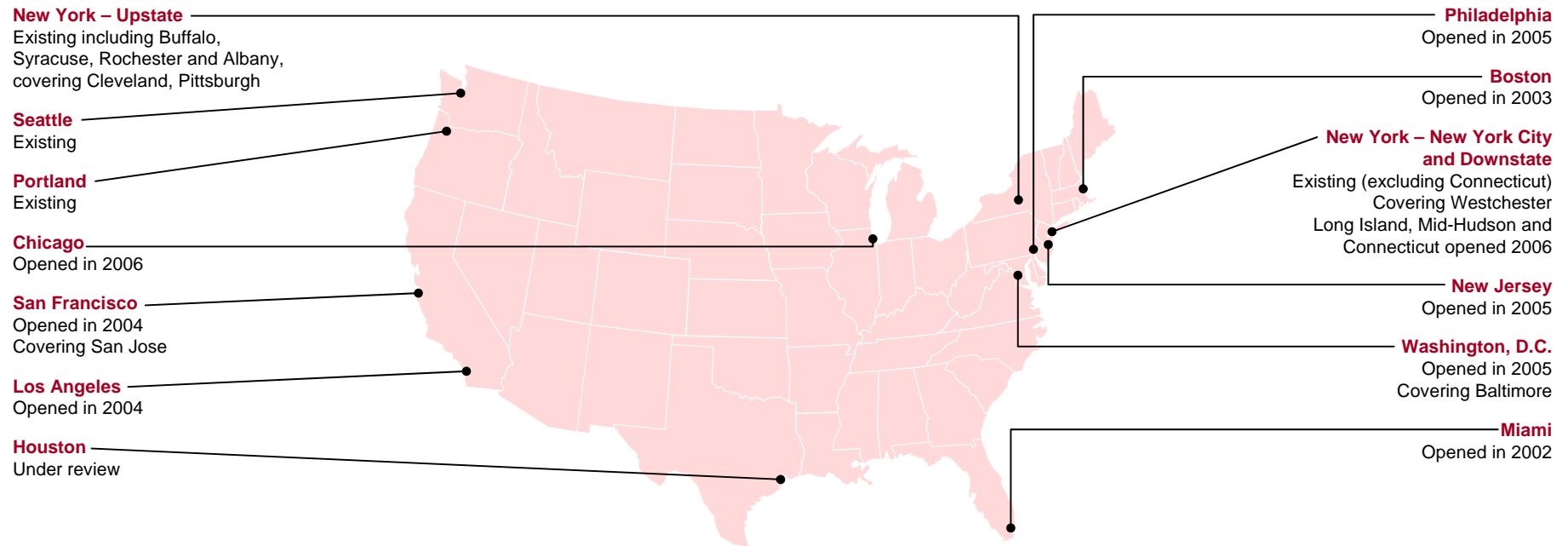
Chris Davies

Head of CMB, North America
Senior Executive Vice President



Commercial Banking

- Diversification from core geographies to major financial centers nationwide via organic office expansion
- 2007: MME coverage provided by dedicated offices in 18 of the top 25 business centers ranked by CMB prospects (Source: Dun & Bradstreet), 2004: MME coverage provided in seven of the same top 25 business centers
- SME sales and service team comprised of 350 Business Segment Leaders, Business RMs and Business Specialists covering a network of over 450 branches





Commercial Banking **Financial Performance**

- Consistent revenue growth via organic growth and network expansion
- Focus on further development of sector specialisms
- Balance sheet growth from US geographic expansion and more effective deposit-raising drove revenues
- Impairment charges rose, reflecting asset growth
- Operating expenses reflect the US expansion program, substantially completed in 2006



Commercial Banking

Strategic Focus

- To be the leading international business bank
 - Focus on pool of internationalising US MME companies nationwide
 - Grow customer base selectively
 - Sector specialisms to be spread across national footprint
 - Joining up with the rest of the Group – bilateral agreements with HSBC Mexico, HSBC Canada and HSBC China
- To be the best small business bank in target markets
 - Leverage expanded geographic 'footprint'
 - Up-skill RMs to position HSBC as a premium service provider for the SME market
 - In late 2008, offer Business Direct banking
- Grow our cross-border referral system
- Leverage strengths in payments and cash management, trade finance and links to Global Banking and Markets



Global Banking and Markets

Jose-Luis Guerrero

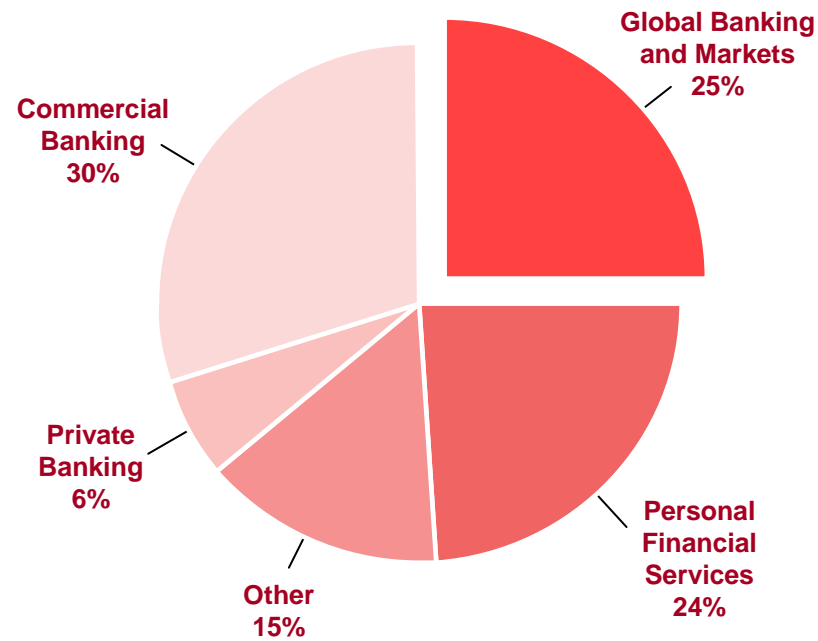
Co-Head of Global Markets, Americas



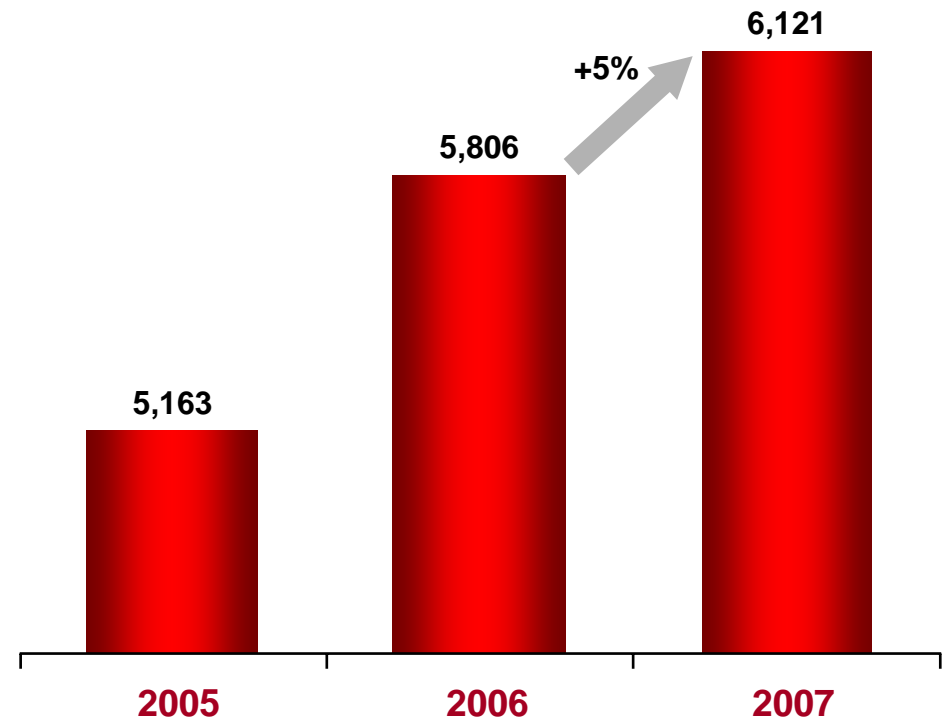
Global Banking and Markets

Strong performance against difficult market conditions

Contribution to Group PBT 2007



PBT US\$m



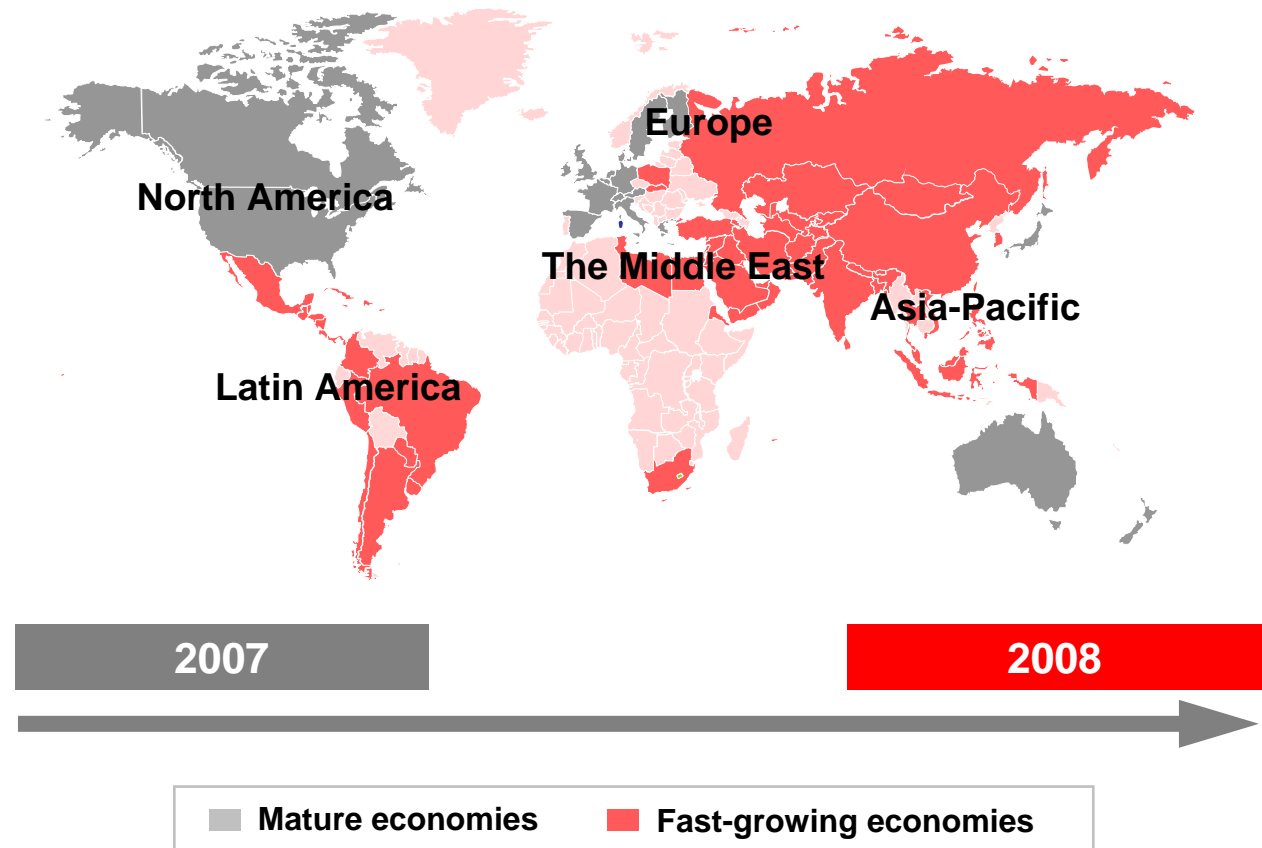
The information reflects Global customer group results



Global Banking and Markets

Emerging Markets-Led/Financing Focused

- Positioned for next wave of global growth
- Achieve global product scale
- Leverage strength of group balance sheet





Global Banking and Markets US – Strategic Focus

Local Presence/Global Reach

- Global Banking and Markets is a client driven business that seeks to leverage Group relationships and footprint
- US platform positioned to market US capabilities to non-US Clients and international capabilities to US clients across all products with focus on joining up with Latin America
 - Global Markets: The USA serves as a hub for emerging markets and Latin America activities
 - Targeted business referral schemes supported by management objective
- Higher client penetration:
 - Directing our best sales people towards higher value-added business
 - Better e-commerce platforms and generally smarter technology



Global Banking and Markets US

HSBC's Strategic Investment in Latin America



Mexico Market Highlights

- HSBC ranks 7th in domestic FX league tables¹
- HSBC ranks 6th in domestic Rates league tables²
- HSBC ranks 2nd in debt underwriting league tables³

Brazilian Market Highlights

- HSBC ranks 3rd in domestic FX league tables⁴
- HSBC ranks 7th in domestic Rates league tables⁴
- HSBC ranks 11th in debt underwriting league tables³

1. Mexico's Central Bank
 2. Mexican Ministry of Finance
 3. Bloomberg
 4. Brazil's Central Bank



Private Banking



Private Banking

- US Strategic Focus
 - Leverage HSBC Group's competitive advantage and footprint with a focus on Latin America with the USA as a natural hub for the Americas
 - Establish a targeted platform with focus on international requirements of customers
- Accomplishments
 - *Euromoney* ranking of #5 amongst the top US private banks
 - Exited Wealth and Tax Advisory Services (WTAS) business
 - Conducted customer profitability and segmentation analysis
 - Consolidated international and domestic Private Banking platforms



Q & A

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