

6 August 2001

**HSBC USA INC.
2001 INTERIM RESULTS - HIGHLIGHTS**

- Net income in the first half of 2001 increased by 27 percent to US\$369 million from US\$290 million in the first half of 2000.
- Cash earnings[†] in the first half increased 23 percent to US\$450 million from US\$367 million for the same period in 2000.
- The cost: income ratio (excluding goodwill amortization and restructuring costs) for the first half of 2001 was 52.1 percent, compared to 57.1 percent in the first half of 2000.
- Tier 1 capital to risk-weighted assets was 8.5 percent at 30 June 2001, compared to 8.7 percent at 30 June 2000.
- Cash earnings[†] as a percentage of average common equity for the first half of 2001 were 13.3 percent compared to 11.2 percent during the first half of 2000.
- Client assets under administration at 30 June 2001 were US\$46.9 billion, of which US\$31.2 billion were funds under management and US\$15.7 billion were custody accounts.

[†] *Cash earnings are primarily net income after preferred dividends and after adding back goodwill amortization.*

Note: figures for 2000 have been restated to exclude investments in entities transferred to HSBC North America Inc. during 2001 and 2000.

HSBC USA Inc. recorded net income of US\$369 million for the six months ended 30 June 2001, an increase of 27 percent from US\$290 million in the first half of 2000. Cash earnings for the first half of 2001 were US\$450 million, up from US\$367 million for the comparable period in 2000.

For the quarter ended 30 June 2001, net income totaled US\$188 million, an increase of 34 percent from US\$140 million for the quarter ended 30 June 2000. Cash earnings for the quarter totaled US\$229 million compared to US\$179 million for the 2000 second quarter.

Youssef Nasr, Chief Executive Officer of HSBC USA Inc., said: “We are gratified with the results that we have reported today, especially in light of the challenging economic environment we have been faced with in the first half of 2001. Our focus continues to be on cash earnings and for the first half we reported a 23 percent increase from the comparable period last year.”

Despite a slowing US economy and difficult market conditions in the first half of 2001, HSBC USA Inc. exhibited broad growth. Total assets were US\$85.4 billion compared to US\$82.4 billion at 30 June 2000. Total deposits were US\$58.0 billion at 30 June 2001, up 5 percent from US\$55.1 billion at 30 June 2000 and compared to US\$56.0 billion at 31 December 2000. Total loans at 30 June 2001 were US\$42.0 billion, up 8 percent from US\$38.8 billion at 30 June 2000 and compared to US\$40.4 billion at 31 December 2000. Residential mortgage lending saw a significant increase in volume as a result of the high level of refinancing activity as interest rates steadily moved lower during the first six months of 2001. HSBC Mortgage Corporation, a subsidiary of HSBC Bank USA, with more than 300,000 customers, originated US\$6.6 billion in mortgages through the first six months of 2001, an increase of 128 percent from US\$2.9 billion in mortgages funded during the first half of 2000. Approximately 40 percent of this volume will be held in the bank’s loan portfolio, with the remaining volume sold while retaining the servicing.

HSBC Bank USA continues to emphasize the growth of its wealth management business. Total funds under management at 30 June 2001 were US\$31.2 billion, an increase of US\$2.8 billion, or 10 percent, since 30 June 2000. Including custody balances, assets under administration totaled US\$46.9 billion at 30 June 2001.

Total on and off-balance sheet customer holdings in International Private Banking (New York, Florida and California) increased by more than 16 percent from 30 June 2000. Fee income from domestic wealth management was US\$102.7 million during the first half of 2001, an increase of 13 percent compared to the same period in 2000. Life insurance revenues for the first six months of 2001 were US\$13.4 million, an increase of 72 percent from US\$7.8 million for the first half of 2000.

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 30 June 2001, more than 142,000 customers had registered for the service, up from approximately 80,000 at year-end 2000. The HSBC Bank USA web site, **us.hsbc.com**, where customers can apply for accounts, conduct financial planning and link to online services, receives over 20,000 visits daily. The recent successful launch of an account aggregation service expands HSBC Bank USA's online offerings and gives customers increased convenience and flexibility in managing online accounts.

For the six months ended 30 June 2001, net interest income showed growth of US\$60 million, or 6 percent, to US\$1.1 billion. In addition to the benefit of loan and core deposit growth, recent short-term rate cuts have led to wider interest margins in certain commercial businesses, the residential mortgage business and treasury investment operations.

For the first half of 2001, other operating income was US\$560 million, an increase of US\$152 million, or 37 percent from US\$408 million for the 2000 first half. Securities gains of US\$126 million were realized from securities sales to adjust to interest rate changes and to reconfigure exposure to residential mortgages. A one-time gain of US\$19 million was recorded in the first quarter from the sale of shares of Canary Wharf, a retail/office development in London, England. Mortgage banking, commercial lending and bankcard non-interest income were strong during the first half of 2001. Trading revenues picked up during the period.

Operating expenses for the first six months of 2001 increased to US\$975 million from US\$945 million in the comparable period of last year due primarily to business expansion and infrastructure investment initiatives. All restructuring relating to the acquisition of Republic New York Corporation from a customer perspective is complete. Certain back office systems conversions are in the final stages.

Over 90 percent of originally targeted domestic cost savings related to the acquisition have been realized to date, and the remaining cost saves have been identified. New business initiatives are focused on developing e-commerce delivery capability and on growing the private banking, wealth management, and treasury businesses. Aside from these initiatives, and after adjusting for inflation and business transfers, expenses were down approximately 7 percent year to year.

Mr. Nasr added: “In treasury we have bolstered operations, hiring several professionals in foreign exchange and derivatives as well as other specialists that will provide further support to our corporate and commercial client base.”

During the first half of 2001, credit quality remained relatively stable, notwithstanding a more volatile business and credit environment. Provisions for the first half of 2001 were US\$96 million which exceeded charge-offs of US\$63 million for the same period. The ratio of allowance available for credit losses to non-accruing loans strengthened from 124.1 percent at 31 December 2000 to 137.9 percent at 30 June 2001.

Common equity was US\$6.8 billion at 30 June 2001 compared to US\$6.5 billion at 30 June 2000. The ratio of tier 1 capital to risk-weighted assets was 8.5 percent compared to 8.7 percent at 30 June 2000. The ratio of total capital to risk-weighted assets was 13.4 percent compared to 14.6 percent at 30 June 2000. The ratio of cash earnings to common equity was 13.3 percent compared to 11.2 percent at 30 June 2000.

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About HSBC Bank USA

HSBC Bank USA is a leading financial services organization with combined assets of the bank and its US holding company, HSBC USA Inc., of US\$85.4 billion. The organization is the third largest depository institution and has the most extensive branch network in New York State. In addition to having more than 420 branches throughout New York, the institution has eight branches in Florida, two in Pennsylvania, three in California and 17 in Panama. HSBC USA Inc. is the eleventh largest US holding company in total assets and is an indirectly-held, wholly-owned subsidiary of HSBC Holdings plc (NYSE: HBC), which is headquartered in London. The HSBC Group has some 6,500 offices in 78 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. 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>30 June 2001</i>	<i>30 June 2000^{††}</i>	<i>30 June 2001</i>	<i>30 June 2000^{††}</i>
Net income	188	140	369	290
Cash earnings[†]	229	179	450	367
Performance ratios (%)				
Cash earnings as a percentage of average common equity	13.5	11.0	13.3	11.2
Cost:income ratio (excluding goodwill amortization and restructuring costs)	51.5	56.7	52.1	57.1
Staff numbers (full-time equivalents)			14,536	14,216
Average balances				
Loans	41,191	38,193	40,799	38,416
Earning assets	77,322	75,341	77,386	74,216
Total assets	85,677	83,783	85,363	82,746
Deposits	58,227	54,976	57,971	54,475
Common equity	6,807	6,506	6,837	6,571
Net yields on total assets (tax equivalent basis) (%)	2.7	2.6	2.7	2.6
Assets under administration				
Funds under management			31,182	28,336
Custody accounts			15,723	16,114
Total assets under administration			46,905	44,450
Credit information				
Non-accruing loans			390	352
Net charge offs			63	75
Allowance available for credit losses				
- Balance at end of period			538	615
- As a percentage of non-accruing loans			137.9%	174.7%
- As a percentage of loans outstanding			1.28%	1.59%
Capital (at end of period)				
Common equity			6,857	6,546
As a percentage of total assets			8.0%	7.9%
Capital ratios (%)				
Leverage ratio			5.9	5.6
Tier 1 capital to risk-weighted assets			8.5	8.7
Total capital to risk-weighted assets			13.4	14.6

[†] Cash earnings are net income after preferred dividends, after adding back goodwill amortization and expense associated with HSBC Group share option plans.

^{††} Restated to exclude investments in entities transferred to HSBC North America Inc. during 2001 and 2000

<i>Figures in US\$ thousands</i>	<i>Quarter ended 30 June 2001</i>	<i>Quarter ended 30 June 2000</i> ††
Interest income		
Loans	752,231	750,239
Securities	340,222	401,591
Trading assets	62,207	23,796
Other short-term investments	99,610	165,131
Total interest income	<u>1,254,270</u>	<u>1,340,757</u>
Interest expense		
Deposits	509,388	577,779
Short-term borrowings	88,485	123,448
Long-term debt	84,607	112,085
Total interest expense	<u>682,480</u>	<u>813,312</u>
Net interest income	571,790	527,445
Provision for credit losses	48,000	28,007
Net interest income, after provision for credit losses	<u>523,790</u>	<u>499,438</u>
Other operating income		
Trust income	22,004	22,400
Service charges	47,536	43,173
Mortgage banking revenue	7,417	8,577
Other fees and commissions	82,511	74,240
Trading revenues	51,846	33,122
Security gains	56,601	3,763
Other income	269	12,251
Total other operating income	<u>268,184</u>	<u>197,526</u>
Total income from operations	791,974	696,964
Other operating expenses		
Salaries and employee benefits	241,429	248,625
Occupancy expense, net	38,136	43,870
Other expenses	159,796	137,353
Operating expenses before goodwill amortization	<u>439,361</u>	<u>429,848</u>
Goodwill amortization	44,168	43,731
Total other operating expenses	<u>483,529</u>	<u>473,579</u>
Income before taxes and cumulative effect of accounting change	<u>308,445</u>	<u>223,385</u>
Applicable income tax expense	<u>120,400</u>	<u>83,152</u>
Income before cumulative effect of accounting change	<u>188,045</u>	<u>140,233</u>
Cumulative effect of accounting change-implementation of FAS 133	<u>-</u>	<u>-</u>
Net income	<u>188,045</u>	<u>140,233</u>

††

Restated to exclude investments in entities transferred to HSBC North America Inc. during 2001 and 2000.

<i>Figures in US\$ thousands</i>	<i>Six months ended 30 June 2001</i>	<i>Six months ended 30 June 2000</i> ††
Interest income		
Loans	1,537,801	1,488,913
Securities	715,884	786,133
Trading assets	123,126	52,138
Other short-term investments	215,033	271,606
Total interest income	<u>2,591,844</u>	<u>2,598,790</u>
Interest expense		
Deposits	1,092,228	1,106,890
Short-term borrowings	208,873	220,203
Long-term debt	175,175	216,268
Total interest expense	<u>1,476,276</u>	<u>1,543,361</u>
Net interest income	1,115,568	1,055,429
Provision for credit losses	95,550	56,000
Net interest income, after provision for credit losses	<u>1,020,018</u>	<u>999,429</u>
Other operating income		
Trust income	44,843	42,544
Service charges	91,440	86,681
Mortgage banking revenue	19,614	15,164
Other fees and commissions	159,010	153,674
Trading revenues	102,243	84,529
Security gains	125,780	1,362
Other income	17,702	24,523
Total other operating income	<u>560,632</u>	<u>408,477</u>
Total income from operations	1,580,650	1,407,906
Other operating expenses		
Salaries and employee benefits	484,589	497,179
Occupancy expense, net	76,200	85,593
Other expenses	325,120	275,003
Operating expenses before goodwill amortization	<u>885,909</u>	<u>857,775</u>
Goodwill amortization	89,259	87,461
Total other operating expenses	<u>975,168</u>	<u>945,236</u>
Income before taxes and cumulative effect of accounting change	<u>605,482</u>	<u>462,670</u>
Applicable income tax expense	<u>236,200</u>	<u>172,599</u>
Income before cumulative effect of accounting change	<u>369,282</u>	<u>290,071</u>
Cumulative effect of accounting change- implementation of FAS 133	<u>(451)</u>	<u>-</u>
Net income	<u><u>368,831</u></u>	<u><u>290,071</u></u>

††

Restated to exclude investments in entities transferred to HSBC North America Inc. during 2001 and 2000

<i>Figures in US\$ thousands</i>	<i>At 30 June 2001</i>	<i>At 31 December 2000 ††</i>	<i>At 30 June 2000 ††</i>
Assets			
Cash and due from banks	1,799,801	1,860,713	2,072,589
Interest bearing deposits with banks	4,464,175	5,129,490	5,303,088
Federal funds sold and securities purchased under resale agreements	3,338,625	1,895,492	2,438,516
Trading assets	8,829,729	5,770,972	4,356,965
Securities available for sale	13,943,034	17,336,832	18,007,717
Securities held to maturity	4,867,068	4,260,492	4,506,385
Loans	41,988,236	40,417,847	38,755,764
Less - allowance for credit losses	537,877	524,984	614,559
Loans, net	<u>41,450,359</u>	<u>39,892,863</u>	<u>38,141,205</u>
Premises and equipment	792,537	777,610	764,038
Accrued interest receivable	481,808	785,286	759,075
Equity investments	265,484	55,596	51,073
Goodwill and other acquisition intangibles	3,045,296	3,229,479	3,217,577
Other assets	<u>2,145,374</u>	<u>2,040,325</u>	<u>2,760,514</u>
Total assets	<u>85,423,290</u>	<u>83,035,150</u>	<u>82,378,742</u>
Liabilities			
Deposits in domestic offices			
- Non-interest bearing	5,188,876	5,114,668	6,748,808
- Interest bearing	32,584,323	30,631,511	29,054,325
Deposits in foreign offices			
- Non-interest bearing	361,092	282,737	247,248
- Interest bearing	<u>19,903,807</u>	<u>20,013,588</u>	<u>19,004,411</u>
Total deposits	<u>58,038,098</u>	<u>56,042,504</u>	<u>55,054,792</u>
Trading account liabilities	3,568,295	2,766,825	2,403,242
Short-term borrowings	8,574,749	8,562,363	9,289,758
Interest, taxes and other liabilities	3,067,265	3,232,918	2,688,780
Subordinated long-term debt and perpetual capital notes	2,945,832	3,027,014	3,424,539
Guaranteed mandatorily redeemable securities	723,218	711,737	710,998
Other long-term debt	<u>1,148,915</u>	<u>1,357,904</u>	<u>1,761,072</u>
Total liabilities	<u>78,066,372</u>	<u>75,701,265</u>	<u>75,333,181</u>
Shareholders' equity			
Preferred stock	500,000	500,000	500,000
Common shareholders' equity			
- Common stock	4	4	4
- Capital surplus	6,025,013	6,104,264	6,099,264
- Retained earnings	793,642	612,798	497,781
- Accumulated other comprehensive income (loss)	<u>38,259</u>	<u>116,819</u>	<u>(51,488)</u>
Total common shareholders' equity	<u>6,856,918</u>	<u>6,833,885</u>	<u>6,545,561</u>
Total shareholders' equity	<u>7,356,918</u>	<u>7,333,885</u>	<u>7,045,561</u>
Total liabilities and shareholders' equity	<u>85,423,290</u>	<u>83,035,150</u>	<u>82,378,742</u>

†† Restated to exclude investments in entities transferred to HSBC North America Inc. during 2001 and 2000