

1 May 2001

**HSBC USA INC.  
FIRST QUARTER 2001 RESULTS - HIGHLIGHTS**

- Net income in the first quarter of 2001 increased by 20.7 per cent to US\$181 million from US\$150 million in the first quarter of 2000.
- Cash earnings<sup>†</sup> in the first quarter increased 18.1 per cent to US\$222 million from US\$188 million for the same period in 2000.
- The cost:income ratio (excluding goodwill amortization and restructuring costs) for the first quarter of 2001 was 52.7 per cent, compared to 57.6 per cent in the first quarter of 2000.
- Tier 1 capital to risk-weighted assets was 8.1 per cent at the end of the first quarter of 2001 compared to 8.8 per cent at the end of the first quarter of 2000.
- Cash earnings<sup>†</sup> as a percentage of average common equity for the first quarter of 2001 were 13.1 per cent compared to 11.4 per cent during the first quarter of 2000.
- Client assets under administration at 31 March 2001 were US\$46.3 billion, of which US\$30.9 billion were funds under management and US\$15.4 billion were custody accounts.

<sup>†</sup> *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 transferred to HSBC North America Inc. during 2001.*

HSBC USA Inc. recorded net income of US\$181 million in the first quarter of 2001, up 20.7 per cent from US\$150 million in the first quarter of 2000. Cash earnings for the quarter were US\$222 million, compared to US\$188 million for the comparable period in 2000.

Youssef Nasr, Chief Executive Officer of HSBC USA Inc., said: “We are pleased with the results that we have reported today. Our focus continues to be on cash earnings and in the first quarter we reported an 18.1 per cent increase from the first quarter of last year.

“The year 2000 was one where much of our time and effort was spent efficiently integrating Republic and HSBC. As we entered 2001, we focussed our attention on prudently investing in our core businesses to meet our objective of maximizing long term shareholder value.”

Despite a more challenging economic environment, HSBC USA Inc.’s business remained strong in the first quarter. Total assets were US\$84.5 billion compared to US\$84.0 billion at 31 March 2000. Total deposits were US\$57.7 billion at 31 March 2001, up 5.5 per cent from US\$54.7 billion at 31 March 2000 and compared to US\$56.0 billion at 31 December 2000. Total loans at 31 March 2001 were US\$41.0 billion, up 4.7 per cent from US\$39.2 billion at 31 March 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 moved lower during the first quarter. HSBC Mortgage Corporation, a subsidiary of HSBC Bank USA, with more than 300,000 customers, closed US\$1.3 billion in mortgages during March. This compares to US\$6.4 billion in mortgages closed for all of 2000. Approximately 40 per cent 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 31 March 2001 were US\$30.9 billion, an increase of US\$4.4 billion, or 16.6 per cent since 31 March 2000. Including custody balances, assets under administration totaled US\$46.3 billion at 31 March 2001. Total on and off balance sheet customer holdings in International Private Banking (New York, Florida and

California) increased by more than 15 per cent from 31 March 2000. Revenues from domestic wealth management were US\$48.7 million during the first quarter of 2001, an increase of 6.8 per cent compared to the same period in 2000. Life insurance revenues for first quarter of 2001 were US\$5.3 million, an increase of 47 per cent from US\$3.6 million for the first quarter of 2000.

As part of its strategy of providing customers with multiple choices for product delivery, HSBC Bank USA launched a comprehensive internet banking product in April 2000. As of 31 March 2001, more than 115,000 customers had registered for the service, up from approximately 80,000 at year-end and the site was receiving over 25,000 visits daily. In November 2000, HSBC Brokerage (USA) Inc. began the rollout of online discount brokerage. At 31 March 2001, over 2,000 discount brokerage customers had signed up for this service.

Revenues were up 13.2 per cent in the first quarter of 2001 compared to the first quarter of 2000. Net interest income increased, principally as a result of a higher level of loans and core deposits. Other operating income benefitted from the sale of securities as well as improvements in wealth management and mortgage business. A one-time gain of US\$19 million was recorded from the sale of shares in Canary Wharf, a retail/office development investment project in London, England.

Operating expenses were up US\$20 million or 4 per cent from the prior year due primarily to business expansion and infrastructure investment initiatives, and also slightly higher restructuring and goodwill expenses. The business initiatives are focused on growing the private banking, wealth management, and treasury businesses. During the first quarter HSBC hired several senior executives to expand the bank's foreign exchange operation in the US. Aside from these initiatives, and after adjusting for inflation and business transfers, expenses were down approximately 7 per cent year to year.

During the first quarter, the overall credit quality of the portfolio remained stable. Provisions for the first quarter were US\$48 million which more than covered the quarterly charge-off amount of US\$21 million.

Common equity was US\$6.8 billion at 31 March 2001 compared to US\$6.7 billion at 31 March 2000. The ratio of tier 1 capital to risk-weighted assets was 8.1 per cent compared to 8.8 per cent at 31 March 2000. The ratio of total capital to risk-weighted assets was 13.2 per cent compared to 14.9 per cent at 31 March 2000. The ratio of cash earnings to common equity was 13.1 per cent compared to 11.4 per cent at 31 March 2000.

On 19 March 2001, HSBC Bank USA opened a new branch in Coral Gables, Florida, bringing to eight the total number of branches in Florida. Through this new location, HSBC will be able to offer Florida residents easier access to HSBC products and services. In addition, the new branch will offer our New York-based customers, as well as international customers that travel to Florida for business or vacation, the service levels they are accustomed to receiving at HSBC locations around the world.

**Investor Inquiries: Theodore Ayvas 212-525-6191**

**Media Inquiries: Kathleen Rizzo Young 716-841-5003**  
**Tara Williams 212-525-6282**

### **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\$84.5 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 425 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 79 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](http://www.us.hsbc.com)

<i>Figures in US\$ millions</i>	<i>Quarter ended 31 March 2001</i>	<i>Quarter ended 31 March 2000<sup>††</sup></i>
<b>Net income</b>	<b>181</b>	150
<b>Cash earnings<sup>†</sup></b>	<b>222</b>	188
<b>Performance ratios (%)</b>		
Cash earnings as a percentage of Average common equity	<b>13.1</b>	11.4
Cost:income ratio (excluding goodwill amortization and restructuring costs)	<b>52.7</b>	57.6
<b>Staff numbers (full-time equivalents)</b>	<b>14,406</b>	14,283
<b>Average balances</b>		
Loans	<b>40,402</b>	38,639
Earning assets	<b>77,450</b>	73,092
Total assets	<b>85,046</b>	81,709
Deposits	<b>57,712</b>	53,974
Common equity	<b>6,867</b>	6,637
<b>Net yields on total assets (tax equivalent basis) (%)</b>	<b>2.6</b>	2.6
<b>Assets under administration</b>		
Funds under management	<b>30,945</b>	26,508
Custody accounts	<b>15,339</b>	16,505
Total assets under administration	<b><u>46,284</u></b>	<u>43,013</u>
<b>Credit information</b>		
Non-accruing loans	<b>442</b>	344
Net charge offs	<b>21</b>	28
Allowance available for credit losses		
- Balance at end of period	<b>553</b>	638
- As a percentage of non-accruing loans	<b>125.1 %</b>	185.4 %
- As a percentage of loans outstanding	<b>1.35 %</b>	1.63 %
<b>Capital (at end of period)</b>		
Common equity	<b>6,757</b>	6,670
As a percentage of total assets	<b>8.0 %</b>	7.9 %
<b>Capital ratios (%)</b>		
Leverage ratio	<b>5.6</b>	5.8
Tier 1 capital to risk-weighted assets	<b>8.1</b>	8.8
Total capital to risk-weighted assets	<b>13.2</b>	14.9

<sup>†</sup> Cash earnings are primarily net income after preferred dividends and after adding back goodwill amortization.

<sup>††</sup> Restated to exclude investments transferred to HSBC North America Inc. during 2001.

<i>Figures in US\$ thousands</i>	<i>Quarter ended 31 March 2001</i>	<i>Quarter ended 31 March 2000 <sup>††</sup></i>
<b>Interest income</b>		
Loans	785,569	738,674
Securities	375,662	384,542
Trading assets	60,920	28,343
Other short-term investments	115,423	106,475
Total interest income	<u>1,337,574</u>	<u>1,258,034</u>
<b>Interest expense</b>		
Deposits	582,840	529,112
Short-term borrowings	120,388	96,755
Long-term debt	90,568	104,183
Total interest expense	<u>793,796</u>	<u>730,050</u>
<b>Net interest income</b>	543,778	527,984
Provision for credit losses	47,550	27,993
Net interest income, after provision for credit losses	<u>496,228</u>	<u>499,991</u>
<b>Other operating income</b>		
Trust income	22,838	20,143
Service charges	43,903	43,508
Mortgage banking revenue	12,197	6,588
Other fees and commissions	76,499	79,434
Trading revenues	50,398	51,408
Security gains (losses)	69,179	(2,402)
Other income	17,433	12,272
Total other operating income	<u>292,447</u>	<u>210,951</u>
<b>Total income from operations</b>	788,675	710,942
<b>Other operating expenses</b>		
Salaries and employee benefits	243,160	248,553
Occupancy expense, net	38,064	41,722
Other expenses	165,323	137,651
Operating expenses before goodwill amortization	<u>446,547</u>	<u>427,926</u>
Goodwill amortization	45,091	43,731
Total operating expenses	<u>491,638</u>	<u>471,657</u>
Income before taxes and cumulative effect of accounting change	<u>297,037</u>	<u>239,285</u>
Applicable income tax expense	<u>115,800</u>	<u>89,447</u>
Income before cumulative effect of accounting change	<u>181,237</u>	<u>149,838</u>
Cumulative effect of accounting change-implementation of FAS 133	<u>451</u>	<u>-</u>
<b>Net income</b>	<u><u>180,786</u></u>	<u><u>149,838</u></u>

††

Restated to exclude investments transferred to HSBC North America Inc. during 2001.

<i>Figures in US\$ thousands</i>	<i>At 31 March 2001</i>	<i>At 31 December 2000</i> ††	<i>At 31 March 2000</i> ††
<b>Assets</b>			
Cash and due from banks	1,987,039	1,860,713	1,825,184
Interest bearing deposits with banks	4,693,344	5,129,490	4,751,321
Federal funds sold and securities purchased under resale agreements	1,115,439	1,895,492	4,197,256
Trading assets	7,783,525	5,770,972	4,355,631
Securities available for sale	16,360,299	17,336,832	18,085,687
Securities held to maturity	5,170,467	4,260,492	4,645,274
Loans	41,042,167	40,417,847	39,184,059
Less – allowance for credit losses	552,664	524,984	637,953
Loans, net	<u>40,489,503</u>	<u>39,892,863</u>	<u>38,546,106</u>
Premises and equipment	794,579	777,610	748,693
Accrued interest receivable	575,546	785,286	734,394
Equity investments	56,835	55,596	49,420
Goodwill and other acquisition intangibles	3,183,334	3,229,479	3,262,362
Other assets	<u>2,276,175</u>	<u>2,040,325</u>	<u>2,813,403</u>
<b>Total assets</b>	<u><b>84,486,085</b></u>	<u><b>83,035,150</b></u>	<u><b>84,014,731</b></u>
<b>Liabilities</b>			
Deposits in domestic offices			
- Non-interest bearing	4,882,753	5,114,668	6,425,345
- Interest bearing	31,587,010	30,631,511	29,458,990
Deposits in foreign offices			
- Non-interest bearing	654,060	282,737	267,747
- Interest bearing	20,618,917	20,013,588	18,556,610
<b>Total deposits</b>	<u>57,742,740</u>	<u>56,042,504</u>	<u>54,708,692</u>
Trading account liabilities	3,501,281	2,766,825	2,696,379
Short-term borrowings	7,832,579	8,562,363	10,205,206
Interest, taxes and other liabilities	3,225,862	3,232,918	3,347,120
Subordinated long-term debt and perpetual capital notes	2,958,969	3,027,014	3,426,094
Guaranteed mandatorily redeemable securities	729,907	711,737	710,629
Other long-term debt	1,237,512	1,357,904	1,750,788
<b>Total liabilities</b>	<u>77,228,850</u>	<u>75,701,265</u>	<u>76,844,908</u>
<b>Shareholders' equity</b>			
Preferred stock	500,000	500,000	500,000
Common shareholders' equity			
- Common stock	4	4	4
- Capital surplus	6,022,018	6,104,264	6,097,631
- Retained earnings	611,886	612,798	614,531
- Accumulated other comprehensive income (loss)	123,327	116,819	(42,343)
Total common shareholders' equity	<u>6,757,235</u>	<u>6,833,885</u>	<u>6,669,823</u>
<b>Total shareholders' equity</b>	<u>7,257,235</u>	<u>7,333,885</u>	<u>7,169,823</u>
<b>Total liabilities and shareholders' equity</b>	<u><b>84,486,085</b></u>	<u><b>83,035,150</b></u>	<u><b>84,014,731</b></u>

†† Restated to exclude investments transferred to HSBC North America Inc. during 2001.