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HSBC REPUBLIC BANK (SUISSE) SA

NINE MONTHS RESULTS TO 31 DECEMBER 2001 AFTER CORPORATE RESTRUCTURING

HSBC Republic Bank (Suisse) SA is the principal subsidiary of HSBC Private Banking Holdings (Suisse) SA. HSBC Private Banking Holdings (Suisse) SA was created in September 2000 to integrate the HSBC Group's international private banking businesses and improve client focus, while acknowledging the importance of the Swiss market as a centre of international wealth management.

HSBC Republic Bank (Suisse) SA integrated HSBC's Hong Kong, Singapore and Nassau private banking operations in the second quarter of 2001. Following this reorganisation, HSBC Republic Bank (Suisse) SA confirms its position as the largest foreign-owned bank in Switzerland, with shareholders equity of CHF1.8 billion.

As HSBC Republic Bank (Suisse) SA commenced operations in its new legal form on 1 April 2001, the following information reflects the financial results from that date until 31 December 2001, a period of nine months. Financial information for the previous HSBC Republic Bank (Suisse) SA for the nine-month period ended 31 December 2000 has been included for information purposes. It should be noted that the private banking operations of the former Geneva branches of HSBC Bank Middle East and HSBC Investment Bank were acquired on 1 July 2000 and were included in the 2000 financial information from date of acquisition.

2001 Final results (nine months from 1 April 2001 to 31 December 2001) – financial highlights

HSBC Republic Bank (Suisse) SA (new legal entity)

	2001	2000
• Net income	CHF180.8 million	CHF82.2 million
• Return on average equity	13.9%	10.8%
• Total client assets	CHF75.1 billion	CHF53.6 billion
• Total shareholders' equity	CHF1.8 billion	CHF1.0 billion

Eliminating the effects of the new Hong Kong, Singapore and Nassau branches, and the operations of the former Geneva branches of HSBC Bank Middle East and HSBC Investment Bank, the financial highlights would be as follows:

	2001	2000
• Net income	CHF102.8 million	CHF87.2 million
• Return on average equity	11.1%	11.5%
• Total client assets	CHF47.8 billion	CHF40.8 billion

Balance sheet and client assets at 31 December 2001

Total assets were CHF35.7 billion (31 December 2000: CHF21.2 billion). The primary increase was due to the acquisition of the HSBC Group's private banking operations in Hong Kong, Singapore and Nassau.

Amounts due from banks were CHF18.7 billion (31 December 2000: CHF12.0 billion) and reflected the increase in client deposits.

Financial fixed assets were CHF9.7 billion (31 December 2000: CHF4.4 billion). This growth was driven by the increase in client deposits.

Amounts due from customers were CHF4.9 billion, of which 98 per cent were collateralised by deposits, funds and securities (31 December 2000: CHF3.7 billion).

On balance sheet client deposits were CHF24.5 billion (31 December 2000: CHF16.9 billion). Client portfolio assets were CHF50.6 billion (31 December 2000: CHF36.7 billion), making total client assets under management at 31 December 2001, both on and off-balance sheet, CHF75.1 billion (31 December 2000: CHF53.6 billion). This 40 per cent increase was due to the merger mentioned above and the growth in client relationships.

Total shareholders' equity at 31 December 2001 was CHF1.8 billion (31 December 2000: CHF1.0 billion). This capital increase of approximately CHF800 million reflects the decision by the HSBC Group to centre its international private banking operations in Geneva. In addition to the above, HSBC Republic Bank (Suisse) SA benefited from subordinated debt of CHF502.5 million from HSBC Holdings plc during this period.

Statement of income for the nine-month period ended 31 December 2001

The income results given for 2000 were for the nine-month period from 1 April 2000 to 31 December 2000 (information purposes only).

Net interest income was CHF172.0 million for the nine-month period from the 1 April 2001 to 31 December 2001 (31 December 2000: CHF116.6 million). This reflects the increased capital of HSBC Republic Bank (Suisse) SA and the overall growth in interest earning assets.

Net commission income for the nine months ended 31 December 2001 was CHF192.6 million (31 December 2000: CHF163.0 million), an 18 per cent increase. After deduction of the additional commissions generated as a result of the acquisitions and mergers in the two periods, the 2001 commissions for the nine-month period ended 31 December 2001 were CHF156.6 million, a 7 per cent increase over the CHF146.5 million earned in the same period in 2000.

Trading income, primarily foreign exchange, resulted in profits of CHF49.9 million (31 December 2000: CHF25.2 million).

Other ordinary results were CHF185.4 million (31 December 2000: CHF9.7 million) and included CHF183.3 million of revenues acquired from the existing Hong Kong, Singapore and Nassau private banking entities.

Total operating expenses were CHF354.3 million (31 December 2000: CHF179.7 million) and included CHF124.0 million in operating expenses from the Hong Kong, Singapore and Nassau entities.

Total depreciation, amortisation, losses and value adjustments amounted to CHF53.4 million (31 December 2000: CHF57.6 million). Net other extraordinary income was CHF22.8 million (31 December 2000: CHF29.4 million) which included a gain on the sale of a building and a partial release of the general reserve for banking risks.

Executive summary

“We are pleased with the expansion of our business from a Swiss platform, which now includes our Asian operations and a recently opened branch in Nassau, Bahamas. Results for 2001 have been steady, in spite of subdued markets, and commission income has shown a 7 per cent increase over the same period in 2000. Our costs have increased in line with our expansion and are on target at CHF354.3 million.

“Product development continues to be an area of emphasis, with structured products being offered to clients to reduce, where possible, risk premiums and maximise returns in an uncertain financial environment. Our funds offering continues to grow in line with market and client demand, including strong growth in the alternative and hedge fund sector.

“Drawing upon a long and consistently conservative background from both HSBC and Republic, senior management’s major emphasis will be to continue to safeguard our clients’ capital entrusted to us, while at the same time offering service and investment performance levels consistent with their risk appetites and good market practices.

“As this will be my last opportunity to comment on the results of HSBC Republic (Suisse) in my present capacity, I would like to salute the contribution of my colleagues over recent years and to state my satisfaction with the excellent position of the bank in handing the reins of this business to Mr Peter Braunwalder, who will succeed me today as President of the bank.”

Sem Almaleh
President, Chief Executive Officer

HSBC Republic Bank (Suisse) SA
Balance sheet at 31 December 2001

<i>(CHF 000)</i>	<i>At 31 December 2001</i>	<i>At 31 December 2000[†]</i>
Assets		
Liquid assets	95,928	45,061
Receivables arising from money-market	1,027,504	241,868
Amounts due from banks	18,668,757	11,974,349
Amounts due from customers	4,903,525	3,697,123
Loans secured by mortgages	35,549	26,131
Securities and precious metals held for trading	1,956	1,523
Financial fixed assets	9,749,471	4,352,565
Participations	15,312	15,312
Fixed assets	150,373	132,891
Goodwill	84,757	101,636
Accrued income and prepaid	305,310	231,765
Other assets	670,814	405,289
Total assets	<u>35,709,256</u>	<u>21,225,513</u>
Liabilities		
Amounts due arising from money-market paper	43,335	37,512
Amounts due to banks	7,765,144	2,276,516
Other amounts due to customers	24,482,826	16,891,534
Subordinated debt	502,500	161,800
Accrued expenses and deferred income	209,954	195,541
Other liabilities	652,353	383,121
Value adjustments and provisions	127,411	153,161
Reserve for general banking risks	106,783	77,506
Total amounts due	<u>33,890,306</u>	<u>20,176,691</u>
Share capital	680,000	437,060
General legal reserve	958,124	26,000
Retained earnings at beginning of the period	-	460,416
Net income for the period	180,826	125,346
Total shareholders' equity	<u>1,818,950</u>	<u>1,048,822</u>
Total liabilities	<u>35,709,256</u>	<u>21,225,513</u>

[†] *The information presented for comparative purposes is that of the preceding legal entity.*

HSBC Republic Bank (Suisse) SA
Statement of income
for the nine-month period ended 31 December 2001

<i>(CHF 000)</i>	<i>31 December 2001 (9 months)</i>	<i>31 December 2000[†] (9 months)</i>
Interest income		
Interest and discount income	660,308	600,568
Interest and dividend income from investment portfolio	260,801	202,194
Interest expense	(749,124)	(686,164)
Net interest income	<u>171,985</u>	<u>116,598</u>
Income from commissions, products and services		
Commission income from credit-granting business	5,149	4,712
Commission income from securities and investment activities	194,640	168,578
Commission income from other services rendered	10,282	9,952
Commission expense	(17,437)	(20,280)
Net income from commissions, products and services	<u>192,634</u>	<u>162,962</u>
Trading income	49,933	25,176
Other ordinary results	185,438	9,659
Operating expenses		
Personnel expenses	(247,657)	(116,799)
Other operating expenses	(106,659)	(62,881)
Total operating expenses	(354,316)	(179,680)
Gross profit	<u>245,674</u>	<u>134,715</u>
Depreciation of fixed assets	(13,851)	(20,077)
Depreciation of goodwill	(12,660)	(12,660)
Value adjustments, provisions and losses	(26,886)	(24,911)
Sub-total	<u>192,277</u>	<u>77,067</u>
Extraordinary income/(expenses), net	22,774	29,355
Taxes	(34,225)	(24,230)
Net profit	<u>180,826</u>	<u>82,192</u>

[†]The information presented for comparative purposes is that of the preceding legal entity.

1. HSBC Republic

HSBC Republic Bank (Suisse) SA is part of HSBC Republic, the principal international private banking division of the HSBC Group. Headquartered in Geneva, HSBC Republic provides private banking and trustee services for high net worth individuals and their families through 37 locations in the Americas, Asia, Europe and the Middle East, employing some 3,700 professionals worldwide. At 31 December 2001 HSBC Republic had client assets under management in excess of US\$150 billion.

2. HSBC Holdings plc

HSBC Holdings plc is headquartered in London and quoted on the London, Hong Kong, New York and Paris stock exchanges. The HSBC Group has some 7,000 offices in 81 countries and territories, in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa and, with total assets of US\$696 billion at 31 December 2001, is one of the world's largest banking and financial services organisations.

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