



New York City Investor Roadshow

4 December 2007

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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.

Presentations

- **HSBC USA Inc – Strategic Overview** **Paul Lawrence**
- **Financial Overview** **Gerard Mattia**
- **Corporate, Investment Banking and Markets** **Paul Lawrence, Jose-Luis Guerrero**
- **Personal Financial Services** **Kevin Newman**
- **Commercial Banking** **Chris Davies**

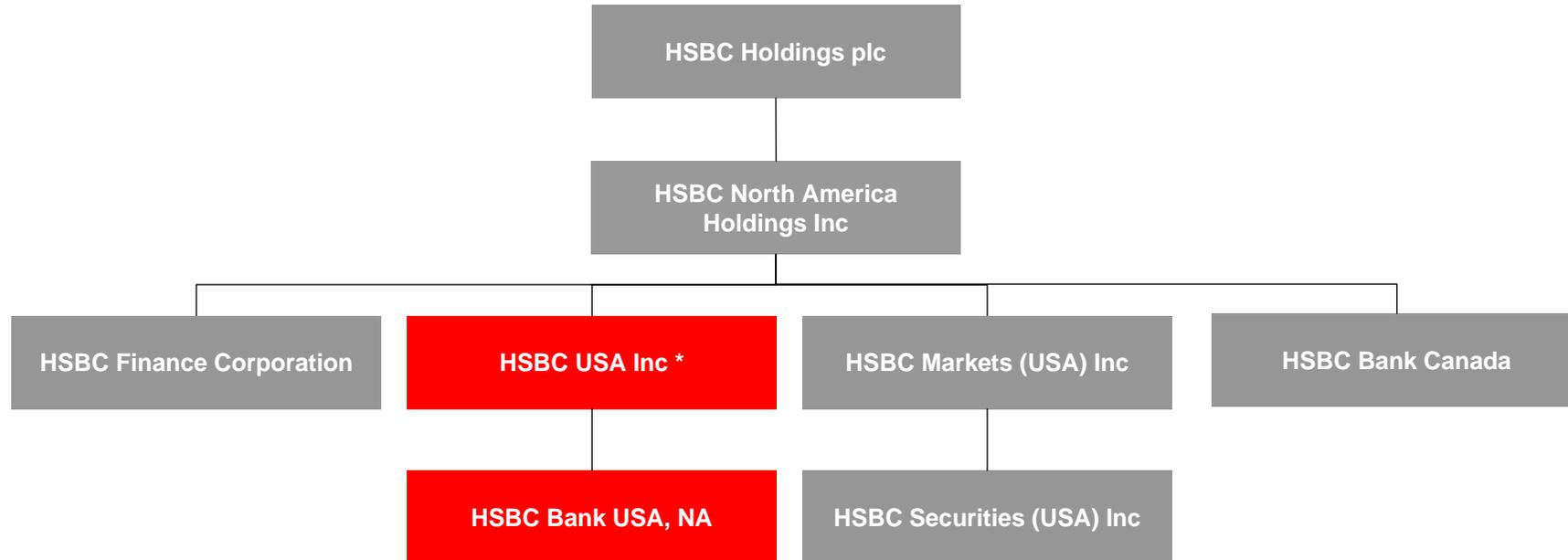
HSBC USA INC

Strategic Overview

PAUL LAWRENCE, PRESIDENT AND CEO
HSBC BANK USA INC

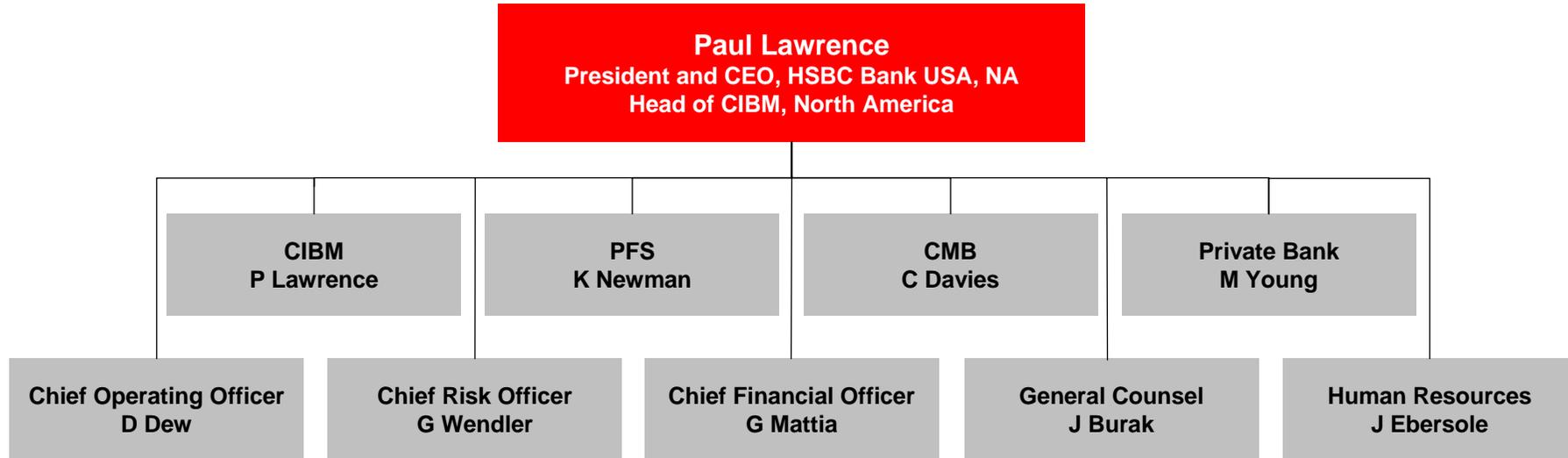
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Legal entity structure



* 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.

Management team



HSBC Bank USA, NA EXCO	
P Lawrence	G Mattia
J Burak	K Newman
C Davies	M Young
D Dew	G Wendler
J Ebersole	

Joining up for profitable growth – our Global Pillars

- **Our customers – Service excellence**
- **Our brand – The world's local bank**
- **Our culture – the best place to work**
- **Our global distribution – Our global advantage**
- **Our business – Building for sustained growth**
- **Our technology and process – Joining up the company**
- **Our organization – Guidance with wisdom and delegation with confidence**

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**

Tactical initiatives

- **Targeted business initiatives**
 - Premier re-launch
 - HSBCDirect (online savings account)
 - Branch optimization
- **Balance sheet and capital management**
 - Finance conducting balance sheet optimization study
 - Leverage ratio constraint unique to US
 - Current balance sheet has been liability driven given strong deposit gathering efforts
- **Role of Buffalo**
 - Lower cost utility center
- **Targeted cost management**
 - People
 - Property
 - Automation, IT and infrastructure

In summary

- **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**

HSBC USA INC

Financial Overview

GERARD MATTIA, CHIEF FINANCIAL OFFICER AND
SENIOR EXECUTIVE VICE PRESIDENT
HSBC BANK USA INC.

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HSBC USA Inc – key performance metrics

Third quarter		Variance on	
Actual	Prior yr	Prior yr	%
138	342	(204)	(59.6)
99	231	(132)	(57.1)
30.4%	36.3%		(20.1)
58.5%	55.2%		(3.3)
0.1%	0.6%		(0.5)
-0.2%	8.3%		(8.5)
185	165	20	12.1

Profit Before Tax (IAS)

Net Income (IAS Profit After Tax)

Other Revenues/ Total Revenue (IAS)

Cost Efficiency Ratio (IAS)

Return on Average Assets (US GAAP)

Return on Common Shareholders Equity (US GAAP)

Total Assets (US GAAP)

Year-to-date		Variance on	
Actual	Prior yr	Prior yr	%
972	1,221	(249)	(20.4)
668	811	(143)	(17.6)
38.3%	40.5%		(3.1)
54.9%	52.8%		(2.1)
0.5%	0.7%		(0.2)
6.5%	9.9%		(3.4)
185	165	20	12.1

HSBC USA Inc – income statement

IFRS, US\$ millions

Third quarter		Variance on	
Actual	Prior yr	Prior yr	%
888	790	98	12.4
387	451	(64)	(14.2)
1,275	1,241	34	2.7
(391)	(214)	(177)	82.7
884	1,027	(143)	(13.9)
(746)	(685)	(61)	8.9
138	342	(204)	(59.6)
(39)	(111)	72	(64.9)
99	231	(132)	(57.1)

Net interest income

Other revenues

Total revenues

Provision for credit losses

Net operating income

Operating expenses

Income before income tax expenses

Income Tax Expense

Net Income

Year-to-date		Variance on	
Actual	Prior yr	Prior yr	%
2,489	2,277	212	9.3
1,543	1,550	(7)	(0.5)
4,032	3,827	205	5.4
(847)	(586)	(261)	44.5
3,185	3,241	(56)	(1.7)
(2,213)	(2,020)	(193)	9.6
972	1,221	(249)	(20.4)
(304)	(410)	105	(25.7)
668	811	(143)	(17.6)

HSBC USA Inc – profit before tax by customer group

IFRS, US\$ millions

Third quarter		Variance on	
Actual	Prior yr	Prior yr	%
154	173	(19)	(11.0)
103	116	(13)	(11.2)
(291)	2	(293)	nm
30	81	(51)	(63.0)
142	(30)	172	nm
138	342	(204)	(59.6)

Personal Financial Services*

Commercial Banking

Corporate, Investment Banking
and Markets

Private Banking

Other

Total Profit Before Tax

Year-to-date		Variance on	
Actual	Prior yr	Prior yr	%
448	454	(6)	(1.3)
310	324	(14)	(4.3)
45	354	(309)	(87.3)
94	135	(41)	(30.4)
75	(46)	121	nm
972	1,221	(249)	(20.4)

* Includes Consumer Finance

HSBC USA Inc – period end balance sheet

US GAAP, US\$ billions	Prior 31-Dec-06 Actual	Current 30-Sep-07 Actual	31-Dec-06	
			Inc/(Dec)	%
Cash and due from banks	3.4	2.6	(0.8)	(23.0)
Interest bearing deposits with banks	1.9	8.1	6.2	326.3
Fed funds	13.8	11.0	(2.8)	(20.3)
Trading assets	23.6	31.6	8.0	33.9
Securities AFS	19.8	21.6	1.8	9.1
Securities HTM	3.0	2.9	(0.1)	(3.3)
Loans	90.2	92.7	2.5	2.8
Provision for Loans	(0.9)	(1.1)	(0.2)	22.2
Loans (Net of reserves)	89.3	91.6	2.3	2.6
Goodwill	2.7	2.7	0.0	0.0
Other assets	7.3	13.3	6.0	81.7
Total Assets	164.8	185.4	20.6	12.5
Domestic deposits	74.3	79.6	5.3	7.2
Foreign deposits	<u>27.8</u>	<u>31.2</u>	<u>3.4</u>	12.2
Total deposits	102.1	110.8	8.7	8.5
Trading liabilities	12.3	16.8	4.5	36.6
Short-term borrowings	5.0	9.4	4.4	88.0
Interest, taxes and other liabilities	3.8	8.3	4.5	118.4
Long term debt	29.3	28.1	(1.2)	(4.1)
Total Equity	12.3	12.0	(0.3)	(2.4)
Total Liabilities and Equity	164.8	185.4	20.6	12.5

HSBC USA INC

Corporate, Investment Banking and Markets

PAUL LAWRENCE, PRESIDENT AND CEO
HSBC USA INC

4 December 2007

JOSE-LUIS GUERRERO, CO-HEAD OF GLOBAL MARKETS
NORTH AMERICA

CIBM – global strategic objective

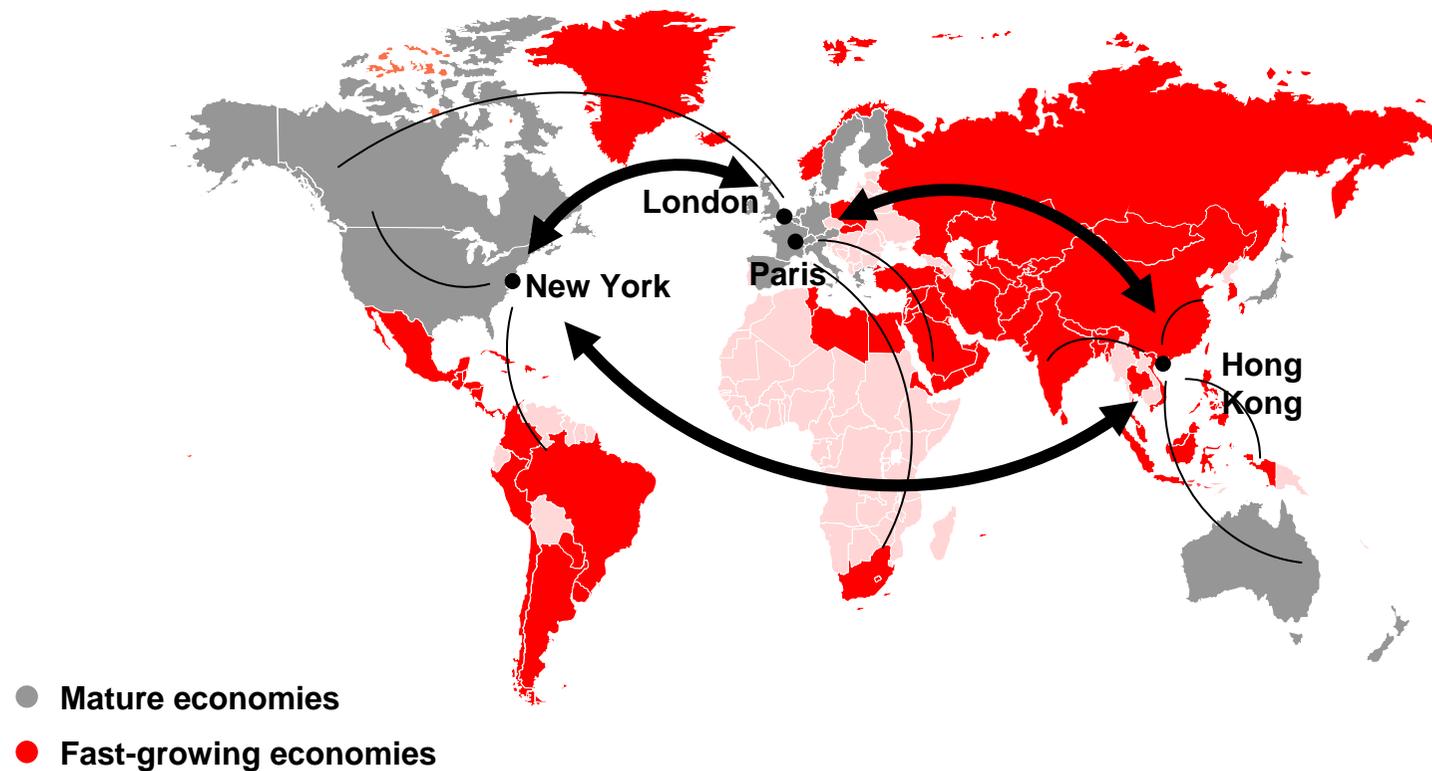
- **To be the leading emerging markets-led financing-focused wholesale bank by leveraging HSBC Group's:**
 - **Unique heritage and footprint in the emerging markets globally, coupled with major product hubs**
 - **Presence in 83 countries and territories***
 - **Scale with access to more than 125 million financial service customers***
 - **Balance sheet size: total assets of US\$2,150 billion***
 - **Ratings: HSBC Holdings plc ratings**: Aa2 (Moody's) , AA- (S&P), AA (Fitch)**

* HSBC Holdings plc 2007 Interim Accounts

** HSBC Holding plc Long Term Ratings from HSBC's Investor Relations Web site

CIBM US – local presence/global reach

- Market our US capabilities to non-US Clients and our international capabilities to US Clients across all products



CIBM US – 2007 business initiatives

- **Build a ‘fit for purpose’ platform to meet the international cross-marketing objectives**
 - **Grow: Emerging Markets, Structured Derivatives, Payments & Cash Management**
 - **Maintain: Capital Markets, Equities, FX, Metals**
 - **Reposition to meet Group needs: Credit, Governments/Agencies**
 - **Alignment of Investment Banking**
- **Continue active portfolio management**
- **Introduce IT Flow Efficiency Program with aim to reduce total cost per trade through straight-through processing and standardized platforms**

Resultant CIBM business model

Create a 'fit for purpose' platform to:

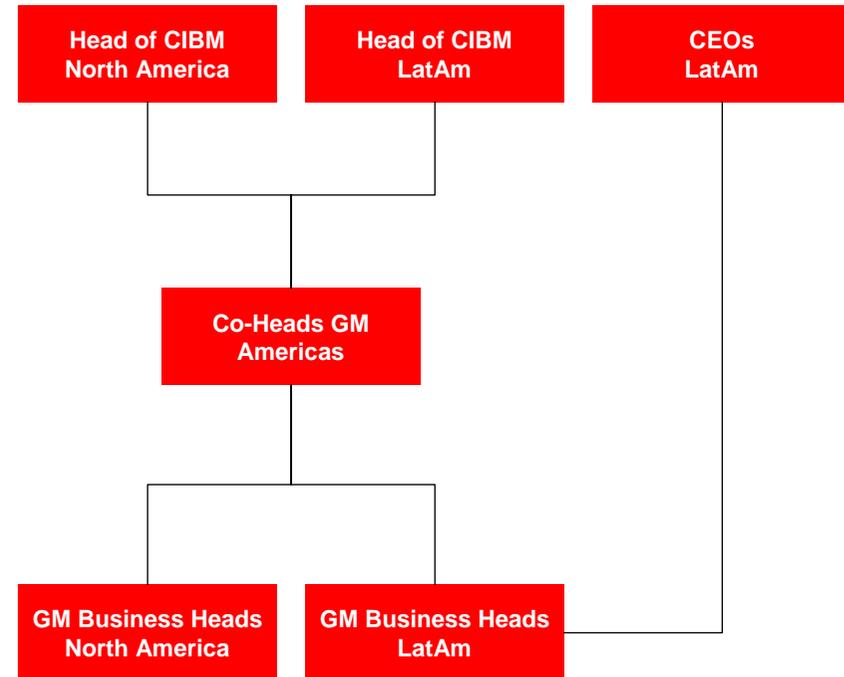
- **Service core CIBM clients and to support Group connectivity**
- **Focus on cross-border activities and distribution of international products to US clients and US products to international clients**
- **Focused use of balance sheet for LATAM (emerging markets-led), LAF (financing-focused), and core client base (with two-thirds of global client revenues generated outside the US)**
- **Serve as hub for LATAM emerging markets activities**

US Clients – a significant contributor to global revenues

- **US is the second leading contributor to global revenues by client domicile**
- **US clients remain a critical component to the successful implementation of our global strategy**
- **We continue to join up our international capabilities:**
 - **US product platforms serving non-US clients**
 - **US clients leveraging HSBC's global platform**
- **We will continue to maximize opportunities to cross-sell**

Emerging markets led Global Markets structure and strategy

- Management structure of a joined up emerging markets has been implemented in 2007
- Co-Heads of Global Markets Americas are responsible for delivering Emerging Markets Americas plan (combined EM/LATAM plan) to heads of CIBM in North America and LatAm
- Align compensation with top level plan achievement



Financing-focused Leveraged and acquisition finance

- **Key component of CIBM strategy and central to CIBM client proposition**
- **Hub for integrating CIBM businesses into a single client service offering**
- **Strongly positions HSBC as a partner of choice for acquisition financing, M&A advisory and associated risk management services**
- **Financing proposition will drive incremental income opportunities across various products, including Derivatives, ECM, Corporate Banking and Advisory**
- **Opportunistic entry into emerging markets where HSBC is clearly differentiated**

CIBM US – progress to date

- **Business executed and pipeline reflective of emerging markets-led and financing-focused strategy**
- **Emerging markets success highlighted by leading benchmark transactions**
- **Infrastructure and platform right-sized and aligned to strategy**
- **Successfully delivering multi-product solutions**

HSBC USA INC

Personal Financial Services

KEVIN NEWMAN, HEAD OF PFS NORTH AMERICA
GROUP GENERAL MANAGER AND SENIOR EVP
HSBC USA INC

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PFS – building a growth business in a mature market

A multi-channel approach to balance sheet growth and value creation leveraging Group to reduce costs and grow revenue

Grow

- Continue strong customer and deposit growth from Online Savings and Branch Expansion
- Focus on Premier and SME improving cross-sell with an overriding focus on Insurance and Investments/Wealth Management

Transform

- Move from a volume-based strategy to a value-based strategy
- Focus on four distinct markets leveraging common propositions and infrastructure
- Build clear differentiation in a homogeneous market

Leverage

- Fully leverage the brick and mortar network, alternative channels, adjacent business segments and Group franchise
- Create efficiencies through Group technology and GSCs
- Leverage low cost funding to grow profitable assets

Snapshot 3Q2007

Business units

Core PFS	<ul style="list-style-type: none">• 463 branches• US\$39 billion deposits• 4.2 million customers
Core SME	<ul style="list-style-type: none">• Delivered through the branch network• US\$13 billion deposits• 159,000 customers
Investments and insurance	<ul style="list-style-type: none">• HMUS legal entity, but integral part of PFS• US\$17 billion AUM• 220 financial advisors
Mortgage Corp	<ul style="list-style-type: none">• Prime mortgages and servicing• US\$33 billion assets
HSBC Finance Corp assets	<ul style="list-style-type: none">• Includes private label cards, co-brand cards, and mortgages• US\$21 billion assets

Clear client propositions based on our 'right to win'

Fully leveraging the HSBC global footprint, platforms and brand

Client Propositions



- Internationally oriented mass affluent/cosmocrat
- Global solutions
- Globally connected platforms
- Integrated 'independent' wealth management

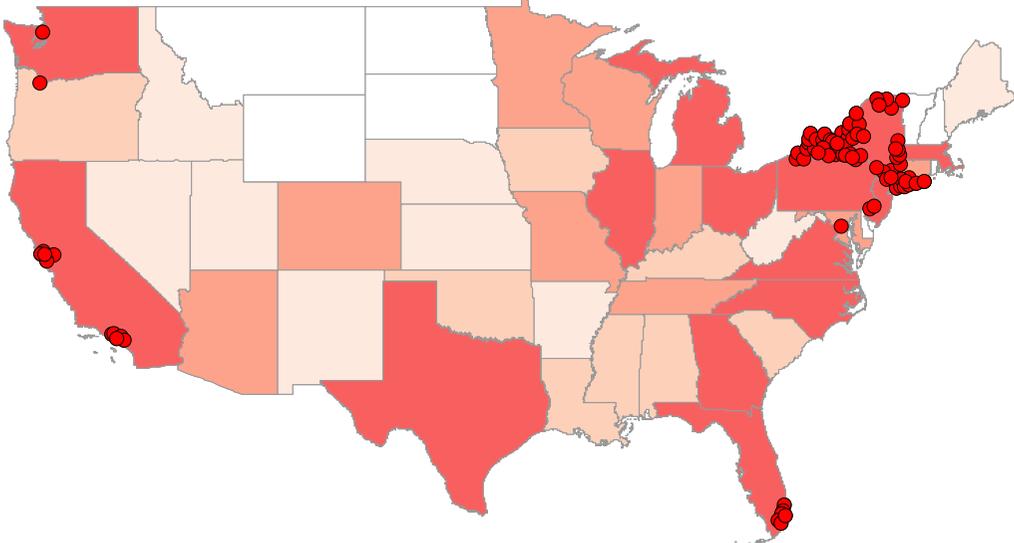


- Internationally oriented small businesses
- Professionals
- Relationship managed
- Multi-channel, eg Remote Deposit capture



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

Tailored approach to serving our four markets



● HSBC branch network

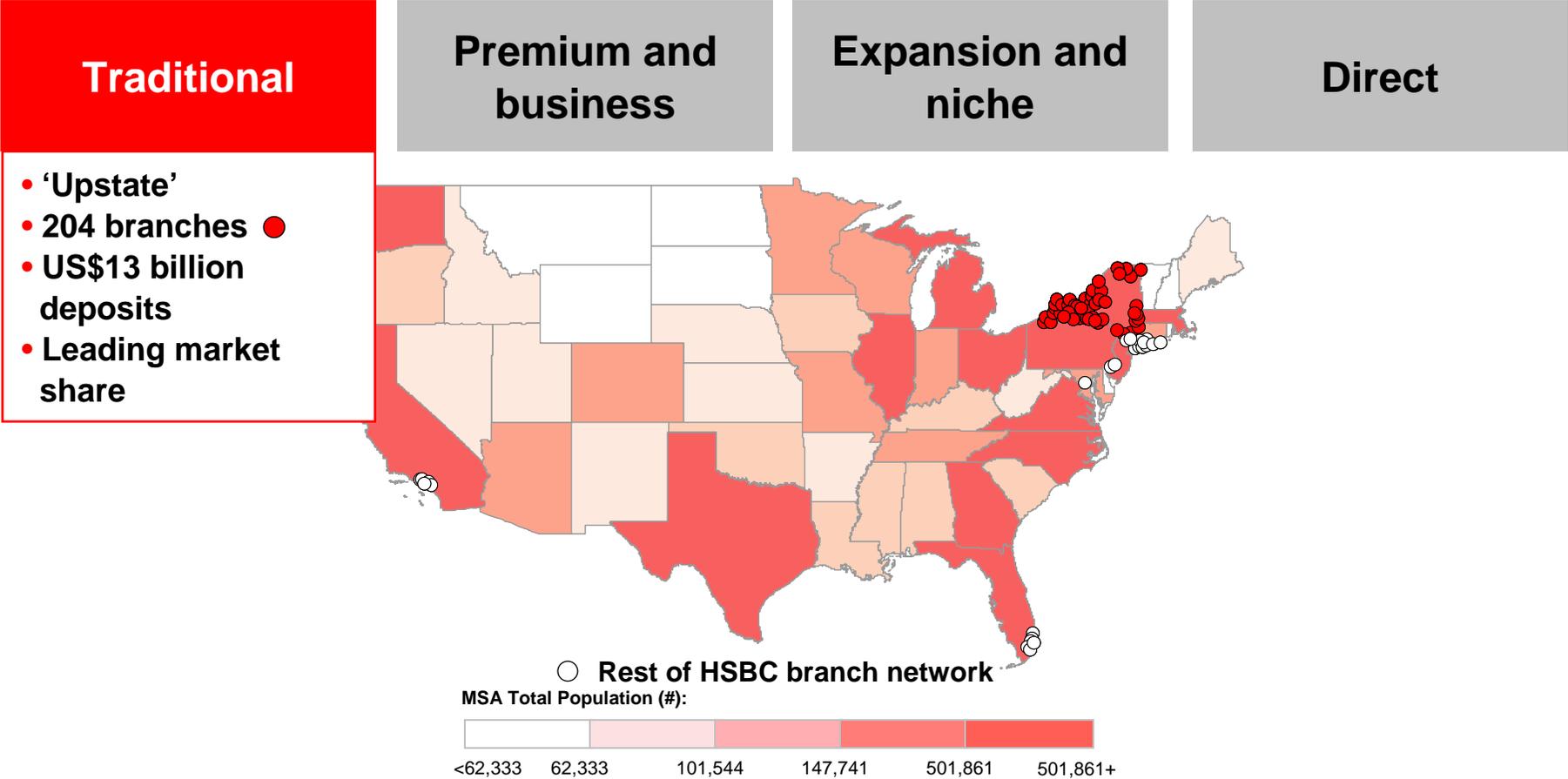
MSA Total Population (#):



Source: SNL Financial and HSBC



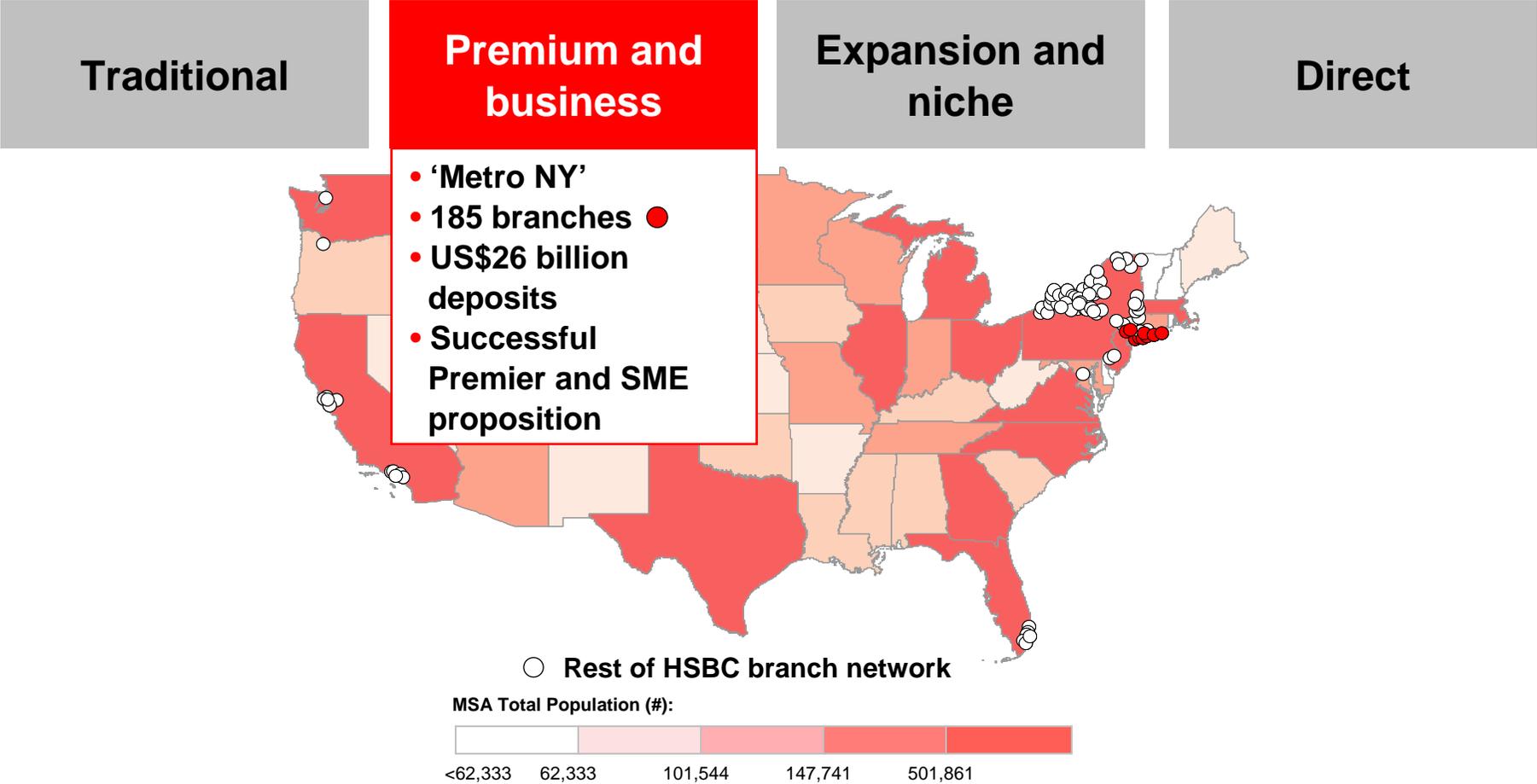
Tailored approach to serving our four markets



Source: SNL Financial & HSBC



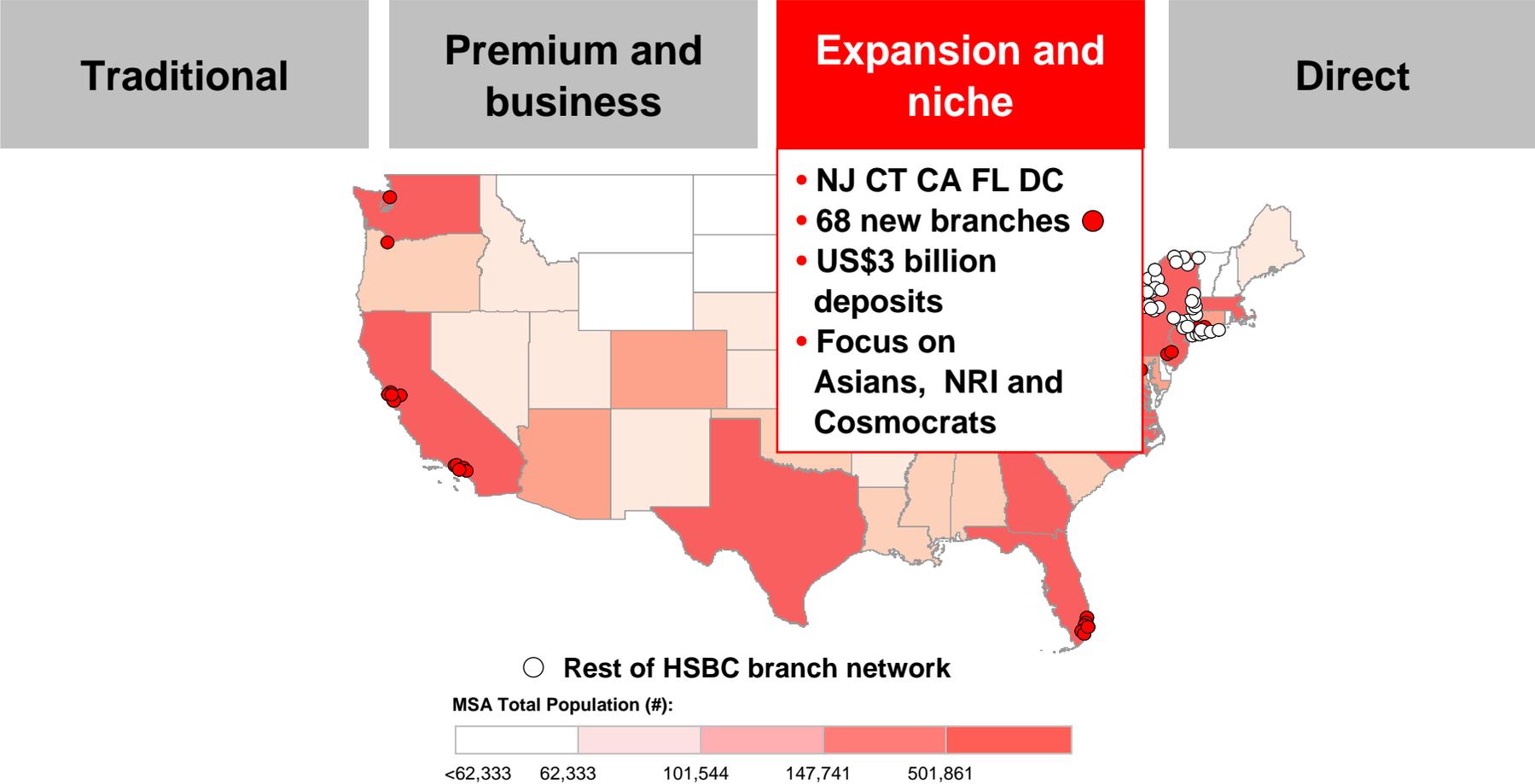
Tailored approach to serving our four markets



Source: SNL Financial & HSBC



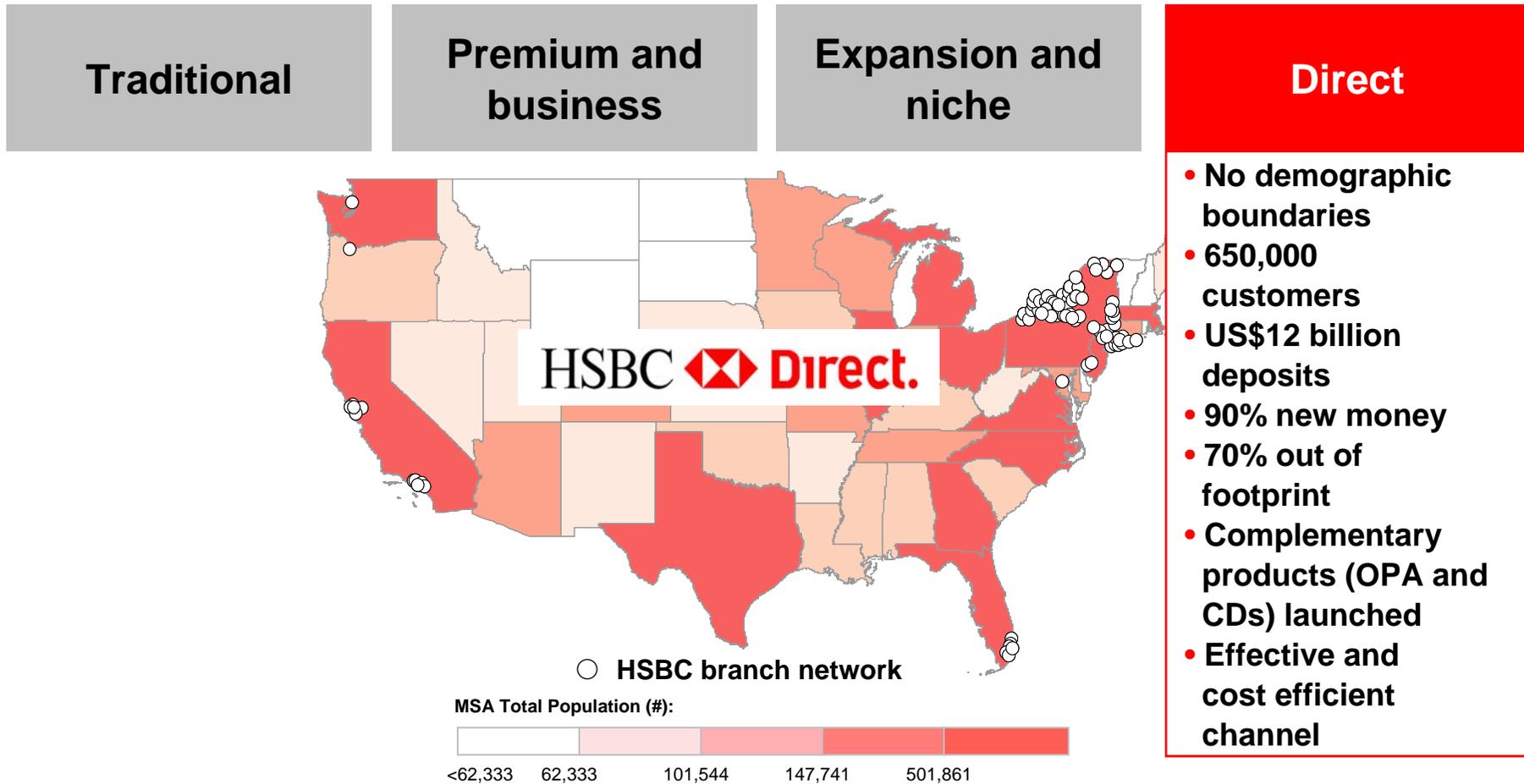
Tailored approach to serving our four markets



Source: SNL Financial & HSBC



Tailored approach to serving our four markets



Source: SNL Financial & HSBC



Strategic initiatives

- **Customer development**
 - Fully integrated Customer Relationship Management (RM) engine
 - New customer on-boarding efforts
- **People**
 - High-performance culture
 - Upgrade RMs through training and replacement
- **Business growth through branding**
 - Premier embodies our brand values
 - Airport branding campaigns
- **Branch network optimization**
 - Continued investment in business intelligence
 - Drive savings through branch right-sizing
- **Information technology**
 - Transformation of retail banking
 - Building of best-in-class analytics capabilities
 - Increased efficiencies

To deliver unrivalled global offer for affluent international people



- **Leveraging our global presence across 35 countries and territories with a network of over 250 international flagships**
- **Aiming to attract four million HSBC Premier customers globally by 2011**
 - Strong growth in the US to date
- **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

HSBC USA INC

Commercial Banking

CHRIS DAVIES, HEAD OF CMB NORTH AMERICA AND
SENIOR EXECUTIVE VICE PRESIDENT
HSBC USA INC

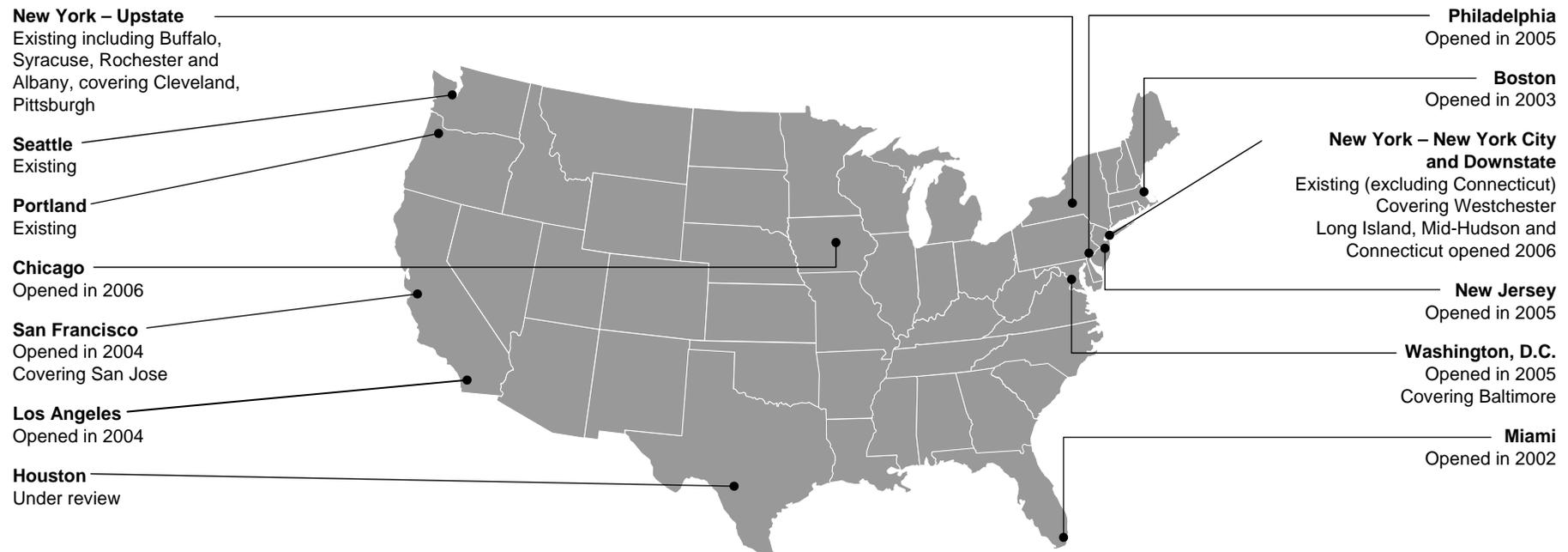
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CMB financial performance – North America

- **Consistent revenue and profit growth via organic growth and network expansion**
- **Expansion strategy to result in coverage in 16 of the top 25 business centers in the USA by the end of 2007**
- **Focus on further development of sector specialisms in Canada and USA**
- **Balance sheet growth from US geographic expansion and more effective deposit-raising drove revenues**
- **Impairment charges rose, reflecting asset growth and a partial reversion to historic credit norms**
- **Operating expenses reflect the US expansion program, substantially completed in 2006**

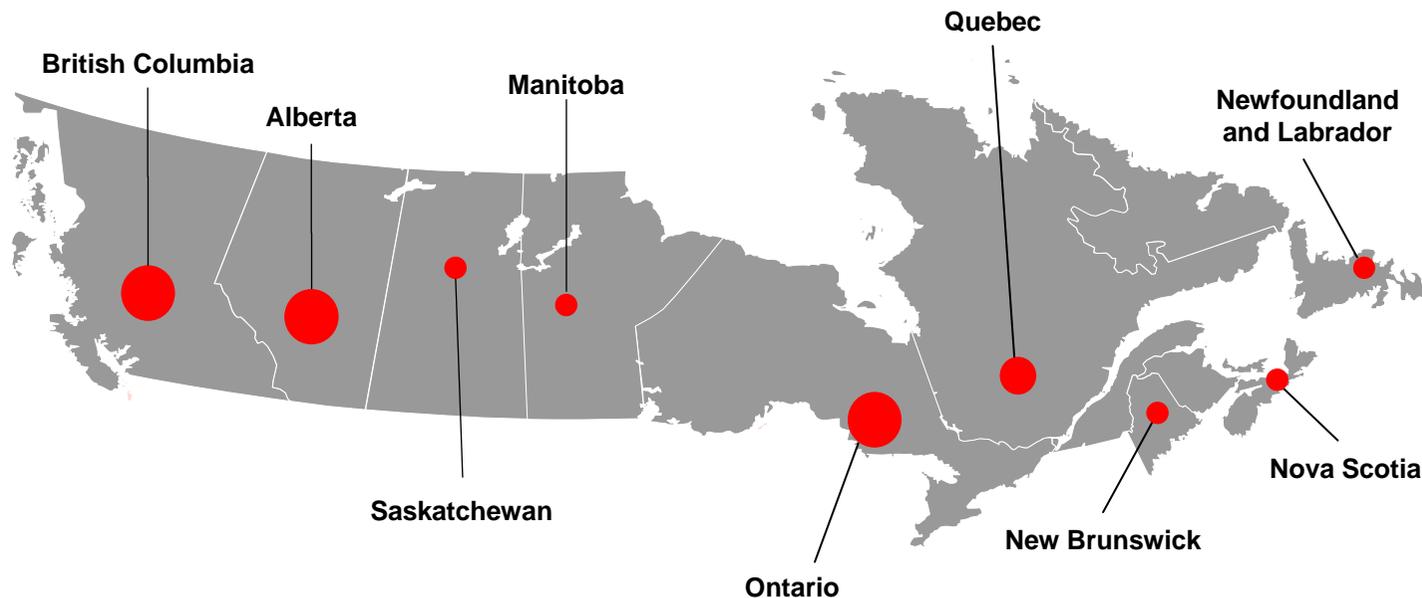
CMB in North America – United States

- Diversification from core geographies to major financial centers nationwide via organic office expansion
- 2007: MME coverage provided by dedicated offices in 16 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



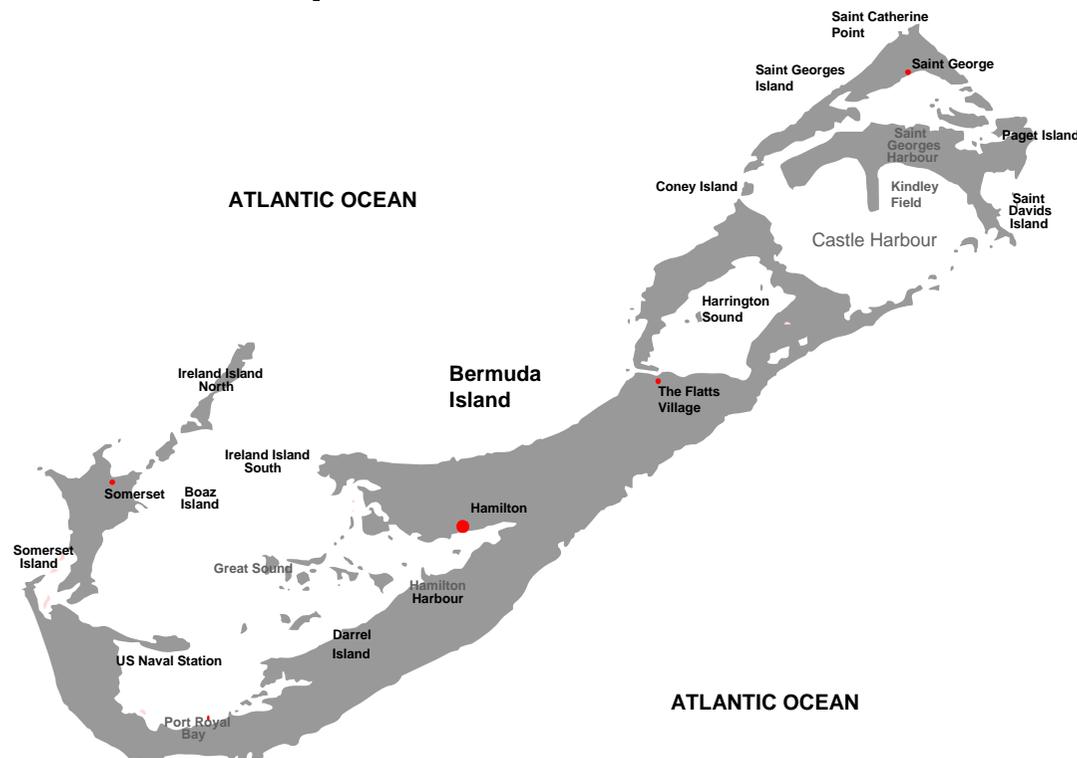
CMB in North America – Canada

- Canada's seventh-largest bank and leading foreign bank, with a well-established nationwide franchise made up of 127 branches
- Key markets include British Columbia, Alberta and the Greater Toronto Area



CMB in North America – Bermuda

- Bermuda's largest bank with a well-established position in Commercial/Corporate Banking
- Key market sectors are Captive Insurance, General Insurance, CRE and SMEs



CMB strategic focus – North America

- **Strategic focus – leading international business**

Region	<ul style="list-style-type: none">• International banking centers – USA established 2005, Canada in 2007• Organic investment in the award-winning Payments and Cash Management platform• Leveraging the CMB franchise to deliver CIBM products
USA	<ul style="list-style-type: none">• 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
Canada	<ul style="list-style-type: none">• Develop closer ties between RMs and largest trading partner countries: USA, Japan, UK, France and Mexico• Expand on recent success in PCM
Bermuda	<ul style="list-style-type: none">• Develop closer ties with North American partners• Leverage leading position with captive and general insurance companies as well as domestic companies

CMB strategic focus – North America

- **Strategic focus – to be the best small business bank**

USA

Re-launch SME strategy

- 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

Canada

SME strategy approved in 2006

- 2006 SME strategy now being implemented
- Business Direct – customer research initiated, targeted for late 2008
- Segmentation – transfer of MME accounts to 'full-service' centers (by end 2007); 50 branches to refocus on SMEs

Bermuda

Business segmentation/realignment

- Segmentation of key markets to bring increased focus to customer groups
- Deliver 'joined-up' strategy to international companies to leverage global franchise
- Roll out Group systems and best practice to improve customer service

CMB in North America

In summary

- **To be the leading international business bank**
- **To be the best bank for small businesses in target markets**
- **Grow our cross-border referral system**
- **Leverage strengths in payments and cash management, trade finance and links to CIBM**