SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

HSBC AMERICAS INC CIK:**62348**| IRS No.: **221093160** | State of Incorp.:**DE** | Fiscal Year End: **1231** Type: **10-K** | Act: **34** | File No.: **001-02940** | Film No.: **99573468** SIC: **6022** State commercial banks	Mailing Address *ONE MARINE MIDLAND* *CENTER 22ND FL* *BUFFALO NY 14203*	Business Address *ONE MARINE MIDLAND CTR* *MARINE MIDLAND BANK* *22ND FL* *BUFFALO NY 14203* *7168412424*

Securities and Exchange Commission
Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the fiscal year ended December 31, 1998 Commission file number 1-2940

HSBC Americas, Inc.
(Exact name of registrant as specified in its charter)
One Marine Midland Center
Buffalo, New York 14203
(Address of principal executive offices)
Telephone (716) 841-2424

IRS Employer Identification No. 22-1093160. State of Incorporation: Delaware

Securities registered on the New York Stock Exchange pursuant to Section 12(b) of the Act:

7% Subordinated Notes due 2006

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) had filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes   X   No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. [X]

All voting stock (1,001 shares of Common Stock $5 par value) is owned by HSBC Holdings B.V., an indirect wholly owned subsidiary of HSBC Holdings plc.

Documents incorporated by reference: None

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TABLE OF CONTENTS

		Page
Part I		
1.	Business	4
2.	Properties	5
3.	Legal Proceedings	6

4.	Submission of Matters to a Vote of Security Holders	6

Part II

5.	Market for the Registrant's Common Equity and Related Stockholder Matters	6
6.	Selected Financial Data	7
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
7A.	Quantitative and Qualitative Disclosures About Market Risk	30
8.	Financial Statements and Supplementary Data	32
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	72

Part III

10.	Directors and Executive Officers of the Registrant	72
11.	Executive Compensation	73
12.	Security Ownership of Certain Beneficial Owners and Management	75
13.	Certain Relationships and Related Transactions	75

Part IV

14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	76

PART I

Item 1. Business

HSBC Americas, Inc. (the Company) is a New York State based bank holding company registered under the Bank Holding Company Act of 1956, as amended. At December 31, 1998, the Company, together with its subsidiaries, had assets of $33.9 billion and employed approximately 9,400 full and part time employees.

All of the Company's common stock is owned by HSBC Holdings B.V., an indirect wholly owned subsidiary of HSBC Holdings plc (HSBC). HSBC, the ultimate parent company of The Hongkong and Shanghai Banking Corporation Limited (HongkongBank) and Midland Bank plc, is an international banking and financial services organization with major commercial and investment banking franchises operating in the Asia-Pacific region, Europe, the Americas, the Middle East and Africa. The principal executive offices of HSBC are located in London, England. HSBC, with assets of $483 billion at December 31, 1998, is one of the world's largest banking groups.

The Company's principal subsidiary Marine Midland Bank (the Bank), which had assets of $33.8 billion and deposits of $27.3 billion at December 31, 1998, is supervised and routinely examined by the State of New York Banking Department and the Board of Governors of the Federal Reserve System (the Federal Reserve). The Bank will change its name to HSBC Bank USA, pending regulatory approval. This change is part of a global branding initiative by the Company's parent, HSBC. The Company also is a participant in a joint venture, Wells Fargo HSBC Trade Bank.

The Bank is a regional bank with a distinctive geographic franchise encompassing the entire State of New York. Selected commercial and consumer banking products are offered on a national basis. The Bank is engaged in a general commercial banking business, offering a full range of banking products and services to individuals, corporations, institutions and governments.

Through its affiliation with HSBC, the Bank offers its customers access to global markets and services. In turn, the Bank plays a role in the delivery and processing of other HSBC products.

The Bank is subject to banking laws and regulations which place various restrictions on and requirements regarding its operations and administration, including the establishment and maintenance of branch offices, capital and reserve requirements, deposits and borrowings, investment and lending activities, payment of dividends and numerous other matters. The deposits of the Bank are insured by the Federal Deposit Insurance Corporation (FDIC) and subject to relevant FDIC regulations. The Company is also prohibited, with certain exceptions, from engaging, directly or indirectly, in activities which are not closely related to banking. In addition, the Federal Reserve Act restricts certain transactions between banks and their nonbank affiliates.

The Company and the Bank are subject to risk-based capital and leverage guidelines issued by the Federal Reserve. The Federal Reserve is required by law to take specific prompt actions with respect to financial institutions that do not meet minimum capital standards. Five capital standards have been

identified, the highest of which is well-capitalized. A well-capitalized bank must have a Tier 1 risk-based capital ratio of at least 6%, a total risk-based capital ratio of at least 10% and a leverage ratio of at least 5% and not be subject to a capital directive order. The leverage ratio measures Tier 1 capital against total non-risk weighted assets. The Bank's ratios at December 31, 1998 exceeded all ratios required for the well-capitalized category. Revisions to the risk-based capital guidelines regarding market risk were effective January 1, 1998. These guidelines have not had a significant effect on the Bank's risk-based capital ratios.

As further assurance for the safety and soundness of financial institutions, the Federal Reserve has guidelines on operations, management, and compensation, as well as standards for asset quality and earnings. The guidelines have not had a significant effect on the Company's operations.

The Company and its subsidiaries face competition in all the markets they serve, competing with other major financial institutions, including commercial banks, investment banks, savings and loan associations, credit unions, consumer finance companies, money market funds and other non-banking institutions such as insurance companies, major retailers, brokerage firms and investment companies. Many of these institutions are not subject to the same laws and regulations imposed on the Company and its subsidiaries.

Item 2. Properties

The principal executive offices of the Company and the Bank are located in Buffalo, New York, in a building under a long-term lease. The Bank has more than 370 other banking offices in New York State located in 49 counties. Approximately 60% of these offices are located in buildings owned by the Bank and the remaining are located in leased quarters. In addition, there are branch offices and locations for other activities occupied under various types of ownership and leaseholds in 12 states other than New York, none of which is materially important to the respective activities. For information relating to lease commitments, see Note 23 to the Financial Statements.

Item 3. Legal Proceedings

The Company and its subsidiaries are defendants in a number of legal proceedings arising out of, and incidental to, their businesses. Management of the Company, based on its review with counsel of the development of these matters to date, is of the opinion that the ultimate resolution of these pending proceedings will not have a material adverse effect on the business or financial position of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

Reference is made to Item 5.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Since all common stock of the Company is owned by HSBC Holdings B.V., shares of the Company's common stock are not listed or traded on a securities exchange.

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Item 6. Selected Financial Data

Year Ended December 31,	1998	1997	1996	1995	1994
			in millions		
<S>	<C>	<C>	<C>	<C>	<C>
Net interest income	$1,165.3	$1,173.4	$ 961.8	$ 892.2	$ 782.1
Securities transactions	13.8	17.4	7.9	12.3	7.9
Interest on Brazilian tax settlement	32.7	-	-	-	-
Other operating income	413.6	342.0	303.0	302.5	288.1
Other operating expenses	780.2	781.4	656.8	695.8	820.8
Provision for credit losses	80.0	87.4	64.7	175.3	168.7
Income before taxes	765.2	664.0	551.2	335.9	88.6
Applicable income tax expense	238.1	193.0	171.0	52.3	125.6
Net income (loss)	$ 527.1	$ 471.0	$ 380.2	$ 283.6	$ (37.0)
Balances at year end					
Total assets	$ 33,944	$ 31,518	$23,630	$20,553	$19,120
Long-term debt	1,748	1,708	1,080	710	713
Common shareholder's equity	2,228	2,039	1,875	1,599	1,559
Total shareholders' equity	2,228	2,039	1,973	1,697	1,657
Ratio of shareholders' equity to total assets	6.56 %	6.47 %	8.35 %	8.26 %	8.67 %
Selected financial data (1)					
Rate of return on					
Total assets	1.60 %	1.62 %	1.83 %	1.50 %	(0.20)%
Total common shareholder's equity	24.93	22.93	21.33	16.53	(2.72)
Total shareholders' equity to total assets	6.44	7.14	8.90	9.37	9.00

</TABLE>

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Quarterly Results of Operations

	1998				1997			
	4th Q	3rd Q	2nd Q	1st Q	4th Q	3rd Q	2nd Q	1stQ
					in millions			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest income	$ 295.3	$287.8	$ 293.8	$ 288.4	$ 290.1	$ 298.6	$ 299.7	$285.0
Securities transactions	3.3	4.4	1.5	4.6	3.3	4.9	4.8	4.4
Interest on Brazilian tax settlement	32.7	-	-	-	-	-	-	-

Other operating income	94.0	97.7	113.2	108.7	94.1	88.2	84.1	75.6
Other operating expenses	200.2	192.7	194.6	192.7	200.4	201.9	196.3	182.8
Provision for credit losses	21.0	20.0	19.5	19.5	24.0	24.0	21.0	18.4
Income before taxes	204.1	177.2	194.4	189.5	163.1	165.8	171.3	163.8
Applicable income tax expense	45.5	58.1	68.2	66.3	42.7	45.8	55.2	49.3
Net income	$ 158.6	$119.1	$ 126.2	$ 123.2	$ 120.4	$ 120.0	$ 116.1	$114.5

(1) Based on average daily balances.

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CONSOLIDATED AVERAGE BALANCES AND INTEREST RATES - THREE YEARS

The following table shows the average balances of the principal components of assets, liabilities and shareholders' equity, together with their respective interest amounts and rates earned or paid on a taxable equivalent basis.

	1998		
	Balance	Interest	Rate
<S>	<C>	<C>	<C>
Assets			
Interest bearing deposits with banks	$ 2,377	$ 136.6	5.75 %
Federal funds sold and securities purchased under resale agreements	2,299	128.0	5.57
Trading assets	851	51.0	5.99
Securities	3,930	232.6	5.92
Loans			
Domestic			
Commercial	8,569	738.3	8.62
Consumer			
Residential mortgages	9,527	684.5	7.18
Other consumer	2,656	320.0	12.05
Total domestic	20,752	1,742.8	8.40
International	640	44.6	6.96
Total loans	21,392	1,787.4	8.36
Total earning assets	30,849	$ 2,335.6	7.57 %
Allowance for credit losses	(404)		
Cash and due from banks	1,128		
Other assets	1,274		
Total assets	$ 32,847		
Liabilities and Shareholders' Equity			
Interest bearing demand deposits	$ 2,097	$ 22.9	1.09 %
Consumer savings deposits	5,527	148.3	2.68
Other consumer time deposits	6,452	352.2	5.46
Commercial, public savings and other time deposits	3,132	133.0	4.25
Deposits in foreign offices, primarily banks	4,074	211.0	5.18
Total interest bearing deposits	21,282	867.4	4.08
Federal funds purchased and securities sold under repurchase agreements	917	48.1	5.24
Other short-term borrowings	2,715	156.1	5.75
Long-term debt	1,469	96.1	6.54
Total interest bearing liabilities	26,383	$ 1,167.7	4.43 %
Interest rate spread			3.14 %
Noninterest bearing deposits	3,665		
Other liabilities	685		
Total shareholders' equity	2,114		
Total liabilities and shareholders' equity	$ 32,847		
Net yield on average earning assets			3.79 %

Net yield on average total assets 3.56

Total weighted average rate earned on earning assets is interest and fee earnings divided by daily average amounts of total interest earning assets, including the daily average amount on nonaccruing loans. Loan fees included were $28 million for 1998, $20 million for 1997 and $17 million for 1996.

</TABLE>

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1997			1996		
Balance	Interest	Rate	Balance	Interest	Rate
	in millions				
<C>	<C>	<C>	<C>	<C>	<C>
$ 1,698	$ 98.7	5.82 %	$ 1,173	$ 65.4	5.58 %
977	51.8	5.30	540	28.8	5.34
980	58.9	6.01	845	51.3	6.07
3,567	219.2	6.14	3,082	188.3	6.11
7,457	666.9	8.94	6,661	578.5	8.68
8,829	652.8	7.39	3,357	270.5	8.06
3,083	369.8	12.00	3,375	398.0	11.79
19,369	1,689.5	8.72	13,393	1,247.0	9.31
680	45.9	6.76	512	35.0	6.84
20,049	1,735.4	8.66	13,905	1,282.0	9.22
27,271	$ 2,164.0	7.94 %	19,545	$ 1,615.8	8.27 %
(426)			(454)		
1,010			939		
1,171			782		
$ 29,026			$ 20,812		
$ 1,974	$ 22.7	1.15 %	$ 1,666	$ 22.3	1.34 %
5,369	155.7	2.90	4,051	125.0	3.09
5,971	318.6	5.34	3,595	191.1	5.32
2,105	86.9	4.13	1,853	74.2	4.01
1,846	95.2	5.15	1,343	68.8	5.12
17,265	679.1	3.93	12,508	481.4	3.85
1,977	108.3	5.48	1,085	55.7	5.13
1,585	88.4	5.58	1,289	65.2	5.06
1,755	111.8	6.37	733	47.6	6.50
22,582	$ 987.6	4.37 %	15,615	$ 649.9	4.16 %
		3.57 %			4.11 %
3,891			3,040		
481			304		
2,072			1,853		
$ 29,026			$ 20,812		
		4.31 %			4.94 %
		4.05			4.64

</TABLE>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company reported net income for 1998 of $527.1 million compared with $471.0 million in 1997, or an increase of 11.9%. Return on average common shareholder's equity increased to 24.93% in 1998 from 22.93% in 1997.

Business growth and expense discipline helped spur growth in income in 1998 as well as did certain one-time items. Results for 1998 included the settlement with the U.S. Internal Revenue Service on Brazilian tax credits disallowed in the 1980's. The settlement contributed $32.7 million to pretax income and reduced taxes by a net amount of $10.2 million. Results also included pretax gains on the sales of credit card portfolios of $28.1 million.

This report includes forward-looking statements. Statements that are not historical facts, including statements about management's beliefs and expectations, are forward-looking statements and involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statements. Such factors include, but are not limited to: sharp and/or rapid changes in interest rates; significant changes in the economic conditions which could materially change anticipated credit quality trends and the ability to generate loans; technology changes and challenges such as Year 2000 systems remediation as well as uncertainties relating to the ability of third parties with whom the Company does business to address the Year 2000 issue in a timely and adequate manner; significant changes in accounting, tax or regulatory requirements; and competition in the geographic and business areas in which the Company conducts its operations.

A detailed review comparing 1998 operations with 1997 and 1996 follows. It should be read in conjunction with the consolidated financial statements of the Company which begin on page 35.

EARNINGS PERFORMANCE REVIEW

Net Interest Income

Net interest income is the total interest income on earning assets less the interest expense on deposits and borrowed funds. In the discussion that follows, interest income and rates are presented and analyzed on a taxable equivalent basis, in order to permit comparisons of yields on tax-exempt and taxable assets.

<TABLE>
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		Increase(Decrease)			Increase(Decrease)		
	1998	Amount	%	1997	Amount	%	1996
				in millions			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income	$2,335.6	$171.6	7.9	$2,164.0	$548.2	33.9	$1,615.8
Interest expense	1,167.7	180.1	18.2	987.6	337.7	52.0	649.9
Net interest income - taxable equivalent basis	1,167.9	(8.5)	(.7)	1,176.4	210.5	21.8	965.9
Taxable equivalent adjustment	2.6	(.4)	(15.1)	3.0	(1.1)	(25.7)	4.1
Net interest income	$1,165.3	$ (8.1)	(.7)	$1,173.4	$211.6	22.0	$ 961.8
Average earning assets	$ 30,849	$3,578	13.1	$ 27,271	$7,726	39.5	$ 19,545
Average nonearning assets	1,998	243	13.8	1,755	488	38.5	1,267
Average total assets	$ 32,847	$3,821	13.2	$ 29,026	$8,214	39.5	$ 20,812
Net yield on:							
Average earning assets	3.79%	(.52)%	(12.1)	4.31%	(.63)%	(12.8)	4.94%
Average total assets	3.56	(.49)	(12.1)	4.05	(.59)	(12.7)	4.64

</TABLE>

Net interest income was $1,167.9 million in 1998 compared with $1,176.4 million in 1997. The decrease in net yield from 1997 to 1998 was the result of the placement of increased deposits in short-term investments, a flatter yield curve and competitive pricing pressures.

The following table presents net interest income components on a taxable equivalent basis, using marginal tax rates of 35%, and quantifies the changes in the components according to "volume and rate".

<TABLE>
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Net Interest Income Components Including Volume/Rate Analysis

		1998 Compared to 1997 Increase(Decrease)			1997 Compared to 1996 Increase(Decrease)		
	1998	Volume	Rate	1997	Volume	Rate	1996
				in millions			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income:							
Interest bearing deposits with banks	$ 136.6	$ 39.1	$ (1.2)	$ 98.7	$ 30.4	$ 2.9	$ 65.4
Federal funds sold and securities purchased under resale agreements	128.0	73.4	2.8	51.8	23.2	(.2)	28.8
Trading assets	51.0	(7.7)	(.2)	58.9	8.1	(.5)	51.3
Securities	232.6	21.6	(8.2)	219.2	29.8	1.1	188.3
Loans:							
Domestic:							
Commercial	738.3	96.5	(25.1)	666.9	70.7	17.7	578.5
Consumer							
Residential mortgages	684.5	50.6	(18.9)	652.8	406.3	(24.0)	270.5
Credit card receivables	212.0	(52.9)	10.7	254.2	(17.6)	6.4	265.4
Other consumer	108.0	(6.4)	(1.2)	115.6	(14.8)	(2.2)	132.6
International	44.6	(2.7)	1.4	45.9	11.3	(.4)	35.0
Total interest income	2,335.6	211.5	(39.9)	2,164.0	547.4	.8	1,615.8
Interest expense:							
Interest bearing demand deposits	22.9	1.4	(1.2)	22.7	3.8	(3.4)	22.3
Consumer savings and other time deposits	500.5	26.7	(.5)	474.3	154.5	3.7	316.1
Commercial and public savings and other time deposits	133.0	43.5	2.6	86.9	10.4	2.3	74.2
Deposits in foreign offices	211.0	115.4	.4	95.2	26.0	.4	68.8
Short-term borrowings	204.2	3.9	3.6	196.7	64.9	10.9	120.9
Long-term debt	96.1	(18.6)	2.9	111.8	65.1	(.9)	47.6
Total interest expense	1,167.7	172.3	7.8	987.6	324.7	13.0	649.9
Net interest income - taxable equivalent basis	$1,167.9	$ 39.2	$(47.7)	$1,176.4	$222.7	$(12.2)	$ 965.9

</TABLE>

The changes in interest income and interest expense due to both rate and volume have been allocated in proportion to the absolute amounts of the change in each.

Average Balances and Interest Rates

Average balances and interest rates earned or paid for the past three years are reported on pages 8 and 9. Average earning assets increased to $30,849 million in 1998 from $27,271 million in 1997 resulting in increased interest income even though rates earned declined to 7.57% in 1998 from 7.94% in 1997. The decline in net interest income is primarily attributable to the flattened yield curve and the lower collection of interest on nonaccruing loans.

Average commercial loans were $8,569 million in 1998, compared with $7,457 million in 1997. Growth in commercial loans occurred in most commercial lending units. Yields on commercial loans were 8.62% in 1998 compared with 8.94% in 1997. Average residential mortgages were $9,527 million in 1998 compared with $8,829 million in 1997. The full year impact of the First Federal Savings and Loans Association (First Federal) acquisition in March 1997 contributed to the increased level of residential mortgage loans in 1998 compared with 1997. The yield on residential mortgages was 7.18% in 1998 compared with 7.39% in 1997.

Average credit card receivables decreased to $1,406 million in 1998 from $1,760 million in 1997. Certain credit card portfolios totalling approximately $370 million were sold during the first four months of 1998.

Average short-term investments and trading assets increased to $5,527 million in 1998 from $3,655 million in 1997. Interest bearing deposits averaged $21,282 million during 1998 compared with $17,265 million in 1997. A significant part of this increase was attributable to higher levels of deposits placed by institutional customers and other members of the HSBC Group. These increases provided the funding for the increased holdings.

<TABLE>
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Other Operating Income

Other operating income was $460.1 million in 1998 compared with $359.4 million in 1997 and $310.9 million in 1996.

		Increase(Decrease)			Increase(Decrease)		
	1998	Amount	%	1997	Amount	%	1996
			in millions				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Trust income	$ 47.3	$ 4.3	10.0	$ 43.0	$ 1.8	4.4	$ 41.2
Service charges	115.4	11.4	11.0	104.0	14.1	15.7	89.9
Mortgage servicing income	18.9	(2.7)	(12.0)	21.6	6.8	45.8	14.8
Letter of credit fees	25.9	4.4	20.4	21.5	1.9	9.7	19.6
Credit card fees	41.5	(9.4)	(18.6)	50.9	(2.1)	(3.9)	53.0
Other fee-based income	78.1	15.8	25.3	62.3	18.6	42.5	43.7
Investment product fees	26.7	6.5	32.6	20.2	9.6	90.1	10.6
Interest on Brazilian tax settlement	32.7	32.7	-	-	-	-	-
Other income	56.1	43.7	352.6	12.4	(14.1)	(53.2)	26.5
Nontrading income	442.6	106.7	31.8	335.9	36.6	12.2	299.3
Trading asset revenue (loss)	(1.7)	(3.4)	(200.9)	1.7	1.9	989.0	(.2)
Foreign exchange revenue	5.4	1.0	21.2	4.4	.5	11.4	3.9
Trading revenues	3.7	(2.4)	(39.2)	6.1	2.4	63.1	3.7
Securities transactions	13.8	(3.6)	(20.6)	17.4	9.5	119.9	7.9
Total other operating income	$460.1	$100.7	28.0	$359.4	$48.5	15.6	$310.9

</TABLE>

Nontrading Income

Nontrading income was $442.6 million in 1998 compared with $335.9 million in 1997. The Company received interest of $32.7 million in 1998 as a result of the settlement of previously disallowed income tax credits on Brazilian debt. Other income in 1998 included gains of $28.1 million on the sales of selected credit card portfolios and gains of $24.2 million on the sale of residential mortgages.

Trading Asset Revenues

Trading revenues include securities trading gains and losses, commissions earned from distributing municipal obligations, and foreign exchange revenue from transactions with corporate clients and correspondent banks. It does not include interest income from these activities (included as a component of net interest income), which is usually substantial. The following is an analysis of the average balance outstanding, interest income (on a taxable equivalent basis) and trading revenue related to trading assets. This analysis excludes foreign exchange revenue which is separately disclosed in the table of other operating income.

<TABLE>
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	U.S. Government	Mortgage and Other Asset-Backed Securities	Other Securities	Derivatives	Total
			in millions		
<S>	<C>	<C>	<C>	<C>	<C>
1998					
Average balance	$ 9	$ 834	$ 6	$ 2	$ 851
Interest income	.5	50.0	.5	-	51.0
Trading asset revenue (loss)	.7	(2.6)	1.5	(1.3)	(1.7)
1997					
Average balance	2	972	5	1	980
Interest income	.2	58.3	.4	-	58.9
Trading asset revenue (loss)	.3	.4	1.3	(.3)	1.7
1996					
Average balance	32	808	4	1	845
Interest income	1.8	49.2	.3	-	51.3
Trading asset revenue (loss)	1.8	(2.6)	1.4	(.8)	(.2)

</TABLE>

Securities Transactions

Securities transactions during 1998 resulted in net gains of $13.8 million compared with net gains of $17.4 million in 1997. These gains result from the sale of investments classified as available for sale, primarily highly leveraged partnership interests.

<TABLE>
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Other Operating Expenses

	1998	Increase(Decrease) Amount	%	1997	Increase(Decrease) Amount	%	1996
				in millions			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Salaries and employee benefits	$410.3	$ 12.3	3.1	$398.0	$ 45.9	13.0	$352.1
Net occupancy	89.4	(1.6)	(1.7)	91.0	12.5	15.8	78.5
Equipment	51.4	6.3	13.9	45.1	14.0	45.0	31.1
Amortization of intangibles	37.7	3.3	9.7	34.4	20.0	139.6	14.4
FDIC assessment	4.5	.3	6.6	4.2	3.6	646.2	.6
Marketing	21.4	(5.6)	(20.6)	27.0	1.0	3.9	26.0
Outside services	40.3	1.4	3.7	38.9	12.1	45.0	26.8
Professional fees	19.7	(3.1)	(13.9)	22.8	(.5)	(1.9)	23.3
Other real estate and owned asset expense	(17.1)	(19.6)	(775.3)	2.5	(4.6)	(64.2)	7.1
Other	122.6	5.1	4.3	117.5	20.6	21.3	96.9
Total other operating expenses	$780.2	$ (1.2)	(.2)	$781.4	$124.6	19.0	$656.8
Personnel - average number	8,938	(72)	(.8)	9,010	973	12.1	8,037

</TABLE>

Other operating expenses were $780.2 million in 1998 compared with $781.4 million in 1997. As a result of the Company's efforts to leverage existing infrastructure, the cost:income ratio for 1998 was 48.0% compared with 51.0% in 1997. Personnel expense was $410.3 million in 1998 compared with $398.0 million in 1997. Average staffing levels (full time equivalents) were 8,938 in 1998 compared with 9,010 in 1997. Other real estate and owned asset expense in 1998 benefited from gains on disposals of properties.

Year 2000 Readiness Disclosure

The Company recognizes that with the approach of the new millennium the inability of systems around the world to recognize the date change from December 31, 1999 to January 1, 2000 could pose significant issues. The Company has assessed the impact of Year 2000 and does not expect either its operations or service to customers to be significantly disrupted as a result of its systems not being Year 2000 compliant. Steering committees have been formed in all the key business units and progress on the Year 2000 compliance program is reported to the Board of Directors at each meeting.

The Year 2000 Program involves testing all the Company's relevant systems to ensure that they are Year 2000 compliant and seeking confirmation from suppliers and service providers that their products and services are Year 2000 compliant. The Company is also assessing its customers' commitment to achieving compliance and is providing information and assistance to help customers understand the risks and issues. Relevant credit and investment policies have been revised and relationship managers trained to ensure that Year 2000 risks are taken account of in credit and investment evaluations.

Substantially all lines of program code in the Company's computer systems have already been reviewed for Year 2000 compliance and amended or replaced where necessary. The great majority of these systems have been tested and are in use. In addition, the small number of computer systems which remain non-compliant are planned to be replaced by mid-1999 and are of a non critical nature. In other areas of information technology (IT), the Company is reviewing its end-user computing applications, networks, centralized data systems, and the desktop environment for Year 2000 compliance. Substantially all of the end-user computing applications and inventory items related to the Company's networks have already been made compliant. The program to ensure the hardware and software elements of the data center systems have been made Year 2000 compliant is on schedule and substantially complete.

The Company has evaluated the potential effect of the Year 2000 on its non-IT systems, including its facilities and other business processes. Substantially all of the Company's facilities and related systems have been investigated and, where not already compliant, are in the process of being made so compliant.

Revisions to Company-wide business contingency plans are being finalized to address the perceived risks associated with the arrival of the Year 2000. These plans include mitigating the effects of any failure to complete remedial work on critical business systems, business resumption contingency plans to address the possibility of systems failure, and market resumption contingency

plans to address the possibility of the failure of systems or processes outside the Company's control. The Company is, however, unable to predict the effect, if any of the efforts to address the Year 2000 problem fail.

Lack of readiness on the part of third parties would expose the Company to the potential for loss, impairment of business processes and activities, and disruption of financial markets. The Company has been actively communicating with third parties concerning the status of their Year 2000 readiness. An inventory of the status of all vendors and suppliers has been completed and their products and services are being tested for Year 2000 compliance. Information received from third parties is being analyzed as part of the process of evaluating options and mitigating third-party risk.

The Company estimates that the total cost of the project will range between $50 million and $60 million, including $10 million relating to non-IT projects. Approximately $44 million has been incurred to date for the total project, including $36 million in 1998. These costs include estimated capitalizable costs of $15 million for upgrading personal computers and replacing software, of which approximately $9 million has been incurred through December 31, 1998. Management does not anticipate any material incremental costs to be incurred in any single period as generally the costs represent the redeployment of existing IT resources. Although the redeployment has resulted in deferral of some IT projects and the acceleration of others, the Company does not expect the deferrals to have a material effect on its financial position or results of operations.

Provision for Credit Losses

Provision for credit losses was $80.0 million in 1998 compared with $87.4

million in 1997 and $64.7 million in 1996. Net charge offs in the credit card portfolio were $90.1 million and $123.1 million in 1998 and 1997, respectively. The Company sold a $325 million credit card portfolio in 1998 which maintained significantly lower delinquency rates than the remaining credit card portfolio. Although still high by historical standards, credit card delinquencies have declined in the 1998 period. The delinquency rate for the credit card portfolio, excluding this sold portfolio was 3.91% at December 31, 1998 compared with 4.57% at December 31, 1997. Commercial loan credit quality resulted in net charge offs of $5.0 million in 1998 compared with net recoveries of $3.0 million in 1997.

An analysis of the allowance for credit loss and the provision for credit losses begins on page 26.

Income Taxes

The Company recognized income tax expense of $238.1 million and $193.0 million in 1998 and 1997, respectively. The 1998 amount includes the credit of $10.2 million relating to the income tax refund received from the U.S. Internal Revenue Service on the Brazilian tax credits, net of additional taxes due on the interest income received on the tax settlement. Without this credit the effective tax rates were 34.2% and 29.1% in 1998 and 1997, respectively.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement

carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. The Company has a valuation allowance for the portion of the Company's net deductible temporary differences which are not expected to be realized. Income tax expense was reduced in 1998 and 1997 through reductions in the valuation allowance of $45.0 million and $81.2 million, respectively. The reduction in 1997 is recognition of the Company's three consecutive years of earnings. At December 31, 1998, the Company had a net deferred tax asset of $59.3 million, as compared with a net deferred tax asset of $39.6 million at December 31, 1997.

<TABLE>
<CAPTION>

Business Segments

The Company has four distinct business segments for purposes of management reporting: commercial banking, mortgage banking, personal banking and treasury. A description of each segment and the methodologies used to measure financial performance are included in Note 22. Business Segments. The following summarizes the results for each segment.

	Average Assets			Average Liabilities/ Equity			Pretax Income		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
					in millions				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Segments:									
Commercial Banking	$ 9,215	$ 7,683	$ 6,498	$ 5,873	$ 5,272	$ 4,121	$240	$259	$209
Mortgage Banking	8,489	7,792	2,522	327	296	153	87	55	42
Personal Banking	4,333	4,691	4,518	14,731	14,037	9,915	256	178	133
Treasury	5,279	3,677	2,580	6,720	3,683	2,550	11	8	5
Corporate and Other	5,531	5,183	4,694	5,196	5,738	4,073	171	164	162
Total	$32,847	$29,026	$20,812	$32,847	$29,026	$20,812	$765	$664	$551

</TABLE>

<TABLE>
<CAPTION>

The following summarizes the results for the commercial banking segment.

	Average Assets	Average Liabilities	Pretax Income

	1998	1997	1996	1998	1997	1996	1998	1997	1996
					in millions				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Loans	$7,667	$6,258	$5,567	$ 4	$ 4	$ 5	$ 93	$116	$ 99
Deposits	649	567	539	4,817	3,960	3,682	88	83	69
Payment processing	444	499	186	928	1,193	344	36	40	23
Other	455	359	206	124	115	90	23	20	18
Total	$9,215	$7,683	$6,498	$5,873	$5,272	$4,121	$240	$259	$209

</TABLE>

Commercial banking segment's pretax income decreased in 1998 from 1997. Average loan balances increased from 1997 in the major lending products of corporate and specialized lending, such as equipment, highly leveraged and real estate financing, as a result of improvement in the business environment. However, declining interest rates in particular tightened net interest income. Increased credit loss provisions for corporate regional market and equipment lending loans were partially offset by improved credit quality in real estate lending. Deposits' pretax income increased in 1998 from 1997 due to growth in outstanding balances partially offset by the general tightening of spreads resulting from declining interest rates. Payment processing pretax income decreased in 1998 from 1997 as 1997 benefited from balances and revenues attributable to clients acquired in a late 1996 acquisition, some of whom did not continue their relationship with the Company. Other pretax income, which includes trade services, standby credit facilities and corporate trust activities, increased as a result of the Company's efforts to grow fee-based businesses.

<TABLE>
<CAPTION>

The following summarizes the results for the mortgage banking segment.

	Average Assets			Average Liabilities			Pretax Income		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
					in millions				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Mortgages held	$7,994	$7,535	$2,367	$ -	$ -	$ -	$53	$36	$28
Mortgages serviced *	495	257	155	327	296	153	34	19	14
Total	$8,489	$7,792	$2,522	$327	$296	$153	$87	$55	$42

* Represents on-balance sheet assets. The notional amount of mortgage loans held by others and serviced on their behalf was $12.1 billion, $11.8 billion and $6.2 billion at year ends 1998, 1997 and 1996, respectively.

</TABLE>

The mortgage banking segment's pretax income increased in 1998 because of a significant increase in residential mortgage production and a general improvement in credit quality. The increased production is a result of the declining interest rate environment for long-term residential mortgages. The increased production resulted in greater gains on mortgages sold and serviced for others. While the size of the held portfolio increased in 1997 because of the acquisition of First Federal, the earnings improvement in 1998 primarily reflects an improvement in credit quality.

<TABLE>
<CAPTION>

The following summarizes the results for the personal banking segment.

	Average Assets			Average Liabilities			Pretax Income		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
					in millions				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revolving credit	$1,410	$1,738	$1,867	$ 3	$ 4	$ 4	$ 41	$(18)	$ 8
Installment loans	2,500	2,543	2,385	5	4	3	44	36	34
Deposits	152	151	201	14,507	13,826	9,755	169	164	89
Other	271	259	65	216	203	153	2	(4)	2

Total	$4,333	$4,691	$4,518	$14,731	$14,037	$9,915	$256	$178	$133

</TABLE>

During 1998, pretax income for the personal banking segment increased as a result of a combination of gains on certain transactions, improved credit quality and increased fees on the sale of investment products. Specifically, pretax income on revolving credit products increased as a result of $28.1 million of gains from the sale of certain credit card portfolios and improved credit quality as evidenced by a decline in credit card delinquencies, offset by the reduction in the size of the revolving credit portfolio to $1.4 billion due to the credit card portfolio sales. Pretax income on installment loans increased as a result of improved credit quality on these loans. Pretax income on personal deposits increased as a result of an increase in deposit balances, partially offset by a general tightening of deposit spreads. The increase in pretax income on other results from wealth management activities where the overall volume of transactions increased as the customer base continued to expand.

During 1998, pretax income in the treasury segment increased as a result of increased short-term assets and liabilities, including higher levels of deposits placed by HSBC Group members, and better net interest margins which were partially offset by trading losses resulting from unfavorable market conditions. The treasury segment results do not significantly impact the financial results of the Company. See Note 22 for further discussion.

Corporate and other pretax income reflects reduced corporate provision credits, offset by the favorable one-time Brazilian tax settlement.

BALANCE SHEET REVIEW

Risk Management

The Company's organizational structure includes a Risk Management Committee comprised of senior officers to oversee the risk management process. This committee is charged with the review of the internal control framework which identifies, measures, monitors and controls the risks undertaken by the various business and support units and the Company as a whole. It is responsible for the review of all risks associated with significant new products and activities and their primary internal controls prior to implementation. The spectrum of risks includes, but is not limited to, liquidity, market, credit, operational, legal and reputational risk. The Asset and Liability Policy Committee manages the details of liquidity and interest rate risk. The management of credit risk is further discussed on page 22.

Asset-Liability Management

The principal objectives of asset-liability management are to ensure adequate liquidity and to manage exposure to interest rate risk. Liquidity management requires maintaining funds to meet customers' borrowing and deposit withdrawal requirements as well as funding anticipated growth. Interest rate exposure management seeks to control both near term and longer term interest rate risk in order to provide a more stable base of net interest income and other income correlated to interest rate movements.

The Bank has a variety of available techniques for implementing asset-liability management decisions. Overall balance sheet strategy is centralized under the Asset and Liability Policy Committee, comprised of senior officers. Authority and responsibility for implementation of the Committee's broad strategy is controlled under a framework of defined balance sheet position limits.

The Company maintains a strong liquidity position. The size and stability of its deposit base are complemented by its maintenance of a surplus borrowing capacity in the money markets, including the ability to issue additional commercial paper and access unused lines of credit of $500 million at December 31, 1998. Wholesale liabilities increased to $7,960 million at December 31, 1998 from $7,133 million a year ago primarily to fund increased money market assets. The Company also has strong liquidity as a result of a high level of immediately saleable or pledgeable assets including its securities available for sale portfolio, mortgages and other assets.

The Company is subject to interest rate risk associated with the repricing characteristics of its balance sheet assets and liabilities. Specifically, as interest rates change, interest earning assets reprice at intervals that do not correspond to the maturities or repricing patterns of interest bearing liabilities. This mismatch between assets and liabilities in repricing sensitivity results in shifts in net interest income as interest rates move.

To help manage the risks associated with the effects of changes in interest rates, and to optimize net interest income within the ranges of interest rate risk that the Company's management considers acceptable, the Company maintains a portfolio of off-balance sheet derivative financial instruments. Consisting

principally of interest rate swaps and futures contracts, these derivative financial instruments mitigate interest rate risk by altering the repricing characteristics of certain on-balance sheet assets and liabilities.

The Company employs a combination of interest rate risk assessment techniques, principally dynamic simulation modeling, capital at risk analysis and gap analysis to analyze the sensitivity of its earnings and capital positions to changes in interest rates. These techniques are comprehensive, in that they include all on-balance sheet and off-balance sheet items. In dynamic simulation modeling, our primary technique, reaction to a range of positive and negative interest rate movements is projected with consideration given to known activities and to the behavioral patterns of specific pools of assets and liabilities in the corresponding rate environments. Patterns of certain asset and liability movements can be reasonably estimated based upon available historical data.

<TABLE>
<CAPTION>

Interest Rate Sensitivity

The following table shows the repricing structure of assets and liabilities as of December 31, 1998. For assets and liabilities whose cash flows are subject to change due to movements in interest rates, such as the sensitivity of mortgage loans to prepayments, data is reported based on the earlier of expected repricing or maturity. The resulting "gaps" are reviewed to assess the potential sensitivity to earnings with respect to the direction, magnitude and timing of changes in market interest rates. Data shown is as of one day, and one day figures can be distorted by temporary swings in assets or liabilities.

		Interest Bearing Funds				
December 31, 1998	Noninterest Bearing Funds	0-90 Days	91-180 Days	181-365 Days	Over 1 Year	Total
			in millions			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Assets	$ 2,370	$15,195	$2,750	$2,514	$11,115	$33,944
Liabilities and shareholders' equity	6,522	14,812	2,565	3,441	6,604	33,944
	(4,152)	383	185	(927)	4,511	
Effect of derivative contracts	-	(3,731)	980	530	2,221	
Gap position	$(4,152)	$(3,348)	$1,165	$ (397)	$ 6,732	

</TABLE>

Liabilities and shareholders' equity at year-end 1998 include time deposits of $100,000 or more with maturity dates as follows: $2,139 million, 0-90 days; $454 million, 91-180 days; $298 million, 181-365 days, and $97 million over 1 year.

The Company does not use the static "gap" measurement of interest rate risk reflected in the table above as a primary management tool. See pages 30 and 31 for further description of earnings at risk measurements and dynamic simulation modeling employed by the Company to manage interest rate risk.

<TABLE>
<CAPTION>

Commercial Loan Maturities and Sensitivity to Changes in Interest Rates

December 31, 1998	One Year or Less	Over One Through Five Years	Over Five Years
		in millions	
<S>	<C>	<C>	<C>
Domestic:			
Construction loans	$ 96	$ 66	$ 14
Mortgage loans	862	1,495	563
Other business and financial	5,751	1,924	128
International	739	45	289
Total	$7,448	$3,530	$994
Loans with fixed interest rates	$1,891	$1,491	$697
Loans having variable interest rates	5,557	2,039	297
Total	$7,448	$3,530	$994

</TABLE>

The table presents the contractual maturity and interest sensitivity of domestic commercial and international loans at year-end 1998.

Securities Portfolios

Debt securities that the Company has the ability and intent to hold to maturity are reported at amortized cost. Securities acquired principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings. All other securities are classified as available for sale and carried at fair value, with unrealized gains and losses included in other comprehensive income and reported as a separate component of shareholders' equity.

<TABLE>
<CAPTION>

The following table is an analysis of available for sale securities at the end of each of the last three years.

December 31,	1998	1997	1996
		in millions	
<S>	<C>	<C>	<C>
Available for sale:			
U.S. Treasury	$1,580	$2,433	$2,275
U.S. Government agency obligations	1,921	1,109	374
Other debt securities	561	285	151
Equity securities	176	172	70
Total	$4,238	$3,999	$2,870

</TABLE>

The following table reflects the distribution of maturities of debt securities held in the available for sale portfolio at year-end 1998 together with the approximate taxable equivalent yield of the portfolio. The yields shown are calculated by dividing annual interest income, including the accretion of discounts and the amortization of premiums, by the fair value of securities outstanding at December 31, 1998. Yields on tax-exempt obligations have been computed on a taxable equivalent basis using applicable statutory tax rates. Equity securities include Federal Reserve Bank and Federal Home Loan Bank stock totaling $156 million at December 31, 1998.

<TABLE>
<CAPTION>

Securities - Contractual Final Maturities and Yield

	Within		After One		After Five		After	
Taxable	One		but Within		but Within		Ten	
equivalent	Year		Five Years		Ten Years		Years	
basis	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
					in millions			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Available for sale:								
U.S. Treasury	$121	5.90%	$1,396	5.91%	$ 63	5.29%	$ -	-%
U.S. Gov't agency	311	5.50	230	6.23	113	5.67	1,267	6.38
Other debt securities	-	-	100	5.68	370	5.26	91	6.24
Total fair value	$432	5.61%	$1,726	5.94%	$546	5.35%	$1,358	6.37%
Total amortized cost	$431		$1,684		$544		$1,340	

</TABLE>

The maturity distribution of U.S. Government agency obligations and other securities which include asset-backed securities, primarily mortgages, are based on the contractual due date of the final payment. These securities have an anticipated cash flow that includes contractual principal payments and estimated prepayments. Based on the anticipated cash flows, the total maturity distributions for the portfolio would be $723 million, $2,423 million, $640 million and $276 million for within one year, after one but within five years, after five but within ten years and after ten years, respectively.

Credit Risk Management

The credit policy function is centralized under the control of the Chief Credit Officer. The structure is designed to emphasize credit decision accountability, optimize credit quality, facilitate control of credit policies and procedures and encourage consistency in the approach to, and management of, the credit process throughout the Company.

The Risk Management Committee is responsible for oversight of credit policy and the credit risk profile of the loan portfolio. The Chief Credit Officer is responsible for the design and management of the credit function including monitoring and making changes, where appropriate, to written credit policies.

In addition to active supervision and evaluation by lending officers, periodic reviews of the loan portfolio are made by internal auditors, independent auditors, the Board of Directors and regulatory agency examiners. These reviews cover selected borrowers' current financial position, past and prospective earnings and cash flow, and realizable value of collateral and guarantees. These reviews also serve as an early identification of problem credits.

Loans Outstanding

In the fourth quarter of 1998 the Company acquired $1 billion of commercial mortgage loans and $700 million of other business and financial loans from the U.S. corporate banking unit of The Hongkong and Shanghai Banking Corporation Limited. This completed the consolidation of HSBC's commercial banking activities in the U.S. Credit card portfolios of approximately $370 million were sold in 1998. International loans to banks and other financial institutions included $609 million and $37 million at year ends 1998 and 1997, respectively, to the HSBC Group.

Acquisitions in 1997 included a commercial mortgage portfolio of approximately $400 million and a residential mortgage portfolio of $5.1 billion, and 1996 included a commercial mortgage portfolio of $600 million and a residential mortgage portfolio of $300 million. With respect to other business and financial commercial loans, no single industry group's aggregate borrowings from the Company exceeded 10% of the total loan portfolio at December 31, 1998.

<TABLE>
<CAPTION>

The following table provides a breakdown of major loan categories as of year end for the past five years.

	1998	1997	1996	1995	1994
			in millions		
<S>	<C>	<C>	<C>	<C>	<C>
Domestic:					
Commercial:					
Construction loans	$ 176	$ 359	$ 396	$ 428	$ 480
Mortgage loans	2,920	1,876	1,689	999	931
Other business and financial	7,803	5,811	5,094	5,208	5,295
Consumer:					
Residential mortgages	9,467	10,008	3,632	3,080	2,738
Credit card receivables	1,291	1,780	1,939	1,844	1,656
Other consumer loans	1,319	1,179	1,433	1,472	1,406
	22,976	21,013	14,183	13,031	12,506
International:					
Government and official institutions	331	345	359	373	383
Banks and other financial institutions	622	65	95	284	191
Commercial and industrial	120	199	55	84	54
	1,073	609	509	741	628
Total loans	$24,049	$21,622	$14,692	$13,772	$13,134

</TABLE>

Problem Loan Management

Borrowers who experience difficulties in meeting the contractual payment terms of their loans receive special attention. Depending on circumstances, decisions may be made to cease accruing interest on such loans or to record interest at a reduced rate.

The Company complies with regulatory requirements which mandate that interest not be accrued on commercial loans with principal or interest past due for a period of ninety days unless the loan is both adequately secured and in process of collection. In addition, commercial loans are designated as nonaccruing when, in the opinion of management, reasonable doubt exists with respect to collectibility of all interest and principal based on certain factors, including adequacy of collateral.

Interest that has been recorded but unpaid on loans placed on nonaccruing status generally is reversed and reduces current income at the time loans are so categorized. Interest income on these loans may be recognized to the extent of cash payments received. In those instances where there is doubt as to collectibility of principal, any cash interest payments received are applied as principal reductions. Loans are not reclassified as accruing until interest and principal payments are brought current and future payments are reasonably assured.

<TABLE>
<CAPTION>

Risk Elements in the Loan Portfolio at Year End

	1998	1997	1996	1995	1994
			in millions		
<S>	<C>	<C>	<C>	<C>	<C>
Nonaccruing loans:					
Domestic:					
Construction and other commercial real estate	$ 104	$ 129	$ 176	$ 170	$ 365
Other domestic loans	233	181	181	298	696

Subtotal	337	310	357	468	1,061
International	-	1	-	-	-
Total nonaccruing loans	337	311	357	468	1,061
Restructured accruing loans	-	6	25	13	10
Total nonaccruing and restructured loans	337	317	382	481	1,071
Other real estate and owned assets	9	12	14	110	152
Total nonaccruing and restructured loans, other real estate and owned assets	$ 346	$ 329	$ 396	$ 591	$1,223
Ratios:					
Nonaccruing and restructured loans to total loans	1.40%	1.47%	2.60%	3.50%	8.16%
Nonaccruing loans, restructured loans, other real estate and owned assets to total assets	1.02	1.04	1.68	2.88	6.40
Accruing loans contractually past due 90 days or more as to principal or interest (all domestic):					
Residential real estate mortgages	$ 2	$ 1	$ 12	$ 15	$ 18
Credit card receivables	5	33	35	22	9
Other consumer loans	10	10	12	14	11
All other	13	13	16	9	17
Total accruing loans contractually past due 90 days or more	$ 30	$ 57	$ 75	$ 60	$ 55

</TABLE>

In certain situations where the borrower is experiencing temporary cash flow problems, and after careful examination by management, the interest rate and payment terms may be adjusted from the original contractual agreement. When this occurs and the revised terms at the time of renegotiation are less than the Company would be willing to accept for a new loan with comparable risk, the loan is separately identified as restructured.

Nonaccruing loans at December 31, 1998 totaled $337 million compared with $311 million a year ago. Nonaccruing loans that have been restructured but remain in nonaccruing status amounted to $21 million, $34 million and $76 million at December 31, 1998, 1997 and 1996, respectively. Cash payments received on loans on nonaccruing status during 1998, or since loans were placed on nonaccruing status, whichever was later, totaled $60 million, $35 million of which was recorded as interest income and $25 million as reduction of loan principal.

Residential mortgages are generally designated as nonaccruing when delinquent for more than ninety days. Loans to credit card customers that are past due more than ninety days are designated as nonaccruing if the customer has agreed to credit counseling. The Company adopted a more aggressive procedure for the handling of credit card delinquencies including acceleration of the timing of collection efforts and increased emphasis on credit counseling.

Other consumer loans are generally not designated as nonaccruing and are charged off against the allowance for credit losses according to an established delinquency schedule.

The Company identified impaired loans totaling $183 million at December 31, 1998 of which $81 million had an allocation from the allowance of $32 million. At December 31, 1997, identified impaired loans were $153 million, of which $54 million had an allocation from the allowance of $21 million.

Other Problem Assets

Where loans are secured by real estate or other assets and the borrower cannot continue to meet its obligations, the property can be acquired through foreclosure. When property is so acquired, the lower of cost or fair value (including cost to dispose) is reported on the balance sheet in other assets. Any part of the loan exceeding the value of the property at the time of transfer is charged against the allowance for credit losses. Subsequent decreases in fair value are included in other real estate and owned asset (income) expense.

<TABLE>
<CAPTION>

Foreign Country Outstandings Which Exceed .75% of Total Assets

	Banks and Other Financial Institutions	Commercial and Industrial	Total
		in millions	
<S>	<C>	<C>	<C>
December 31, 1998:			
France	$345	$ -	$345
United Kingdom	52	641	693
December 31, 1997:			
Canada	170	82	252
France	267	-	267
Japan	268	-	268
Netherlands	231	28	259
United Kingdom	56	185	241

</TABLE>

Outstandings shown by category of borrower in the table include loans, interest bearing deposits and other assets. Loans are distributed on the basis of the location of the head office or residence of the borrower or, in the case of certain guaranteed loans, the guarantor. Interest bearing deposits with banks and their branches are grouped by the location of the head office of the foreign bank. Investments and acceptances are distributed on the basis of the location of the borrower.

The table excludes bonds issued by the United Mexican States and the Republic of Venezuela whose outstanding principal amounts are collateralized by zero-coupon U.S. Treasury securities that will accrete to a face value at maturity equal to that of the underlying bonds. They are known as "Brady bonds." The fair value of such collateral for $190 million of 6.25% Mexican bonds due 2019 and for $166 million book value ($177 million face value) of 6.75% Venezuelan bonds due 2020 was approximately $39 million and $32 million, respectively, at year end 1998. These bonds with an aggregate carrying value of $356 million had an aggregate fair value of $272 million at December 31, 1998 and are classified as loans in the accompanying financial statements.

<TABLE>
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Allowance for Credit Loss and Charge Offs

At year-end 1998, the allowance was $379.7 million, or 1.58% of total loans, compared with $409.4 million, or 1.89% of total loans, a year ago. The ratio of the allowance to nonaccruing loans was 112.74% at December 31, 1998 compared with 131.62% a year earlier. The Company's nonaccruing loans were $336.8 million at December 31, 1998 compared with $311.1 million at December 31, 1997.

	1998	1997	1996	1995	1994
			in millions		
<S>	<C>	<C>	<C>	<C>	<C>
Total loans at year end	$24,049	$21,622	$14,692	$13,772	$13,134
Average total loans	21,392	20,049	13,905	13,200	12,714
Allowance for credit losses:					
Balance at beginning of year	$ 409.4	$ 418.2	$ 477.5	$ 531.5	$ 524.3
Allowance related to acquired businesses	-	40.3	3.4	.4	1.2
Charge offs:					
Commercial:					
Construction loans	-	-	-	44.4	68.8
Mortgage loans	-	-	-	.5	14.8

Other business and financial	27.9	28.3	69.8	174.8	92.2
Consumer:					
Credit card receivables	105.0	137.2	97.9	57.8	54.8
Residential mortgages	10.2	7.7	2.6	2.0	7.3
Other consumer loans	9.5	13.5	11.2	6.3	5.9
Total charge offs	152.6	186.7	181.5	285.8	243.8
Recoveries on loans charged off:					
Commercial:					
Construction loans	-	-	1.1	11.9	10.7
Other business and financial	22.9	31.3	38.3	29.8	53.6
Consumer:					
Credit card receivables	14.9	14.1	10.2	9.2	9.3
Residential mortgages	.8	1.0	.5	-	.2
Other consumer loans	4.3	3.8	4.0	5.2	7.3
Total recoveries	42.9	50.2	54.1	56.1	81.1
Total net charge offs	109.7	136.5	127.4	229.7	162.7
Provision charged to income	80.0	87.4	64.7	175.3	168.7
Balance at end of year	$ 379.7	$ 409.4	$ 418.2	$ 477.5	$ 531.5
Allowance ratios:					
Total net charge offs to average loans	.51%	.68%	.92%	1.74%	1.28%
Year-end allowance to:					
Year-end total loans	1.58	1.89	2.85	3.47	4.05
Year-end total nonaccruing loans	112.74	131.62	116.98	101.95	50.08

</TABLE>

Charge offs of individual commercial loans and residential mortgages reflect management's judgment with respect to the ultimate collectibility of all or part of the specific loan. Charge offs of consumer loans, excluding residential mortgages, occur according to an established delinquency schedule.

The allowance for credit losses is evaluated based on an assessment of the losses inherent in the loan portfolio. This assessment results in an allowance consisting of allocated and unallocated components.

The allocated component of the allowance includes specific reserves resulting from the analysis of individual loans and formula-based reserves assigned to pools of similar loans based on historical loss experience for each loan category. The specific reserves are based on a regular analysis of all significant commercial credits where the internal credit rating is at or below a predetermined classification. All other commercial loans are grouped into pools by credit facility grade. Formula reserves are established based on historical one year default rates for each pool using data from the last eight quarters, adjusted for known changes in the economic environment and management judgment. The allocated portion of the allowance also includes management's determination of the amounts necessary for loan concentrations.

Residential mortgage loans which are more than 90 days past due are individually analyzed and appropriate specific reserves are assigned. Other residential mortgages are grouped into pools based on delinquency status and formula reserves are established to cover twelve months of historical net charge offs using data from the past twelve months' pool loss rates.

Other consumer loans, including credit card receivables are grouped into pools based on product and delinquency status. Formula reserves are established to cover six months of historical charge offs using data from the past twelve months' pool loss rates.

The unallocated portion of the allowance is determined based on management's assessment of general economic conditions as well as specific economic factors in the individual markets in which the Company operates. This determination inherently involves a higher degree of uncertainty and considers current risk factors that may not have yet manifested themselves in the Company's historical loss factors used to determine the allocated component of the allowance, and it recognizes that knowledge of the portfolio may be incomplete.

<TABLE>
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An allocation of the allowance by major loan categories follows.

Allocation of Allowance for Credit Loss

	1998		1997		1996		1995		1994	
	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans
					in millions					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Domestic:										
Commercial:										
Construction loans	$ 3	.7	$ 5	1.7	$ 2	2.7	$ 3	3.1	$ 40	3.7
Mortgage loans	20	12.1	26	8.7	19	11.5	10	7.3	12	7.1
Other business	62	32.4	53	26.9	75	34.7	149	37.8	221	40.3
Consumer:										
Credit card receivables	45	5.4	60	8.2	55	13.2	40	13.4	42	12.6
Residential mortgages	12	39.4	30	46.3	7	24.7	6	22.3	5	20.8
Other consumer	12	5.5	17	5.4	9	9.8	8	10.7	7	10.7
International	31	4.5	26	2.8	26	3.4	28	5.4	2	4.8
Unallocated	195	-	192	-	225	-	234	-	202	-
Total	$380	100.0	$409	100.0	$418	100.0	$478	100.0	$531	100.0

</TABLE>

Changes in the allocated reserves are due principally to the decreasing delinquency in consumer loans and sale of the credit card portfolios.

The allocations in the table are based on management's current allocation methodologies. The use of other methods to allocate the allowance would change the assigned allocation. Specifically, increasing the loss coverage of consumer loans from six months of historical charge offs to twelve months, would increase the allocated allowance by $52 million at year-end 1998. In addition, revising the method used for allocation of the allowance for unclassified commercial loans from one year default rate to remaining term to maturity default rate would increase the allocated allowance by $32 million at year-end 1998.

Management concludes that the allowance for credit losses, including the unallocated component, is appropriately stated at December 31, 1998. The U.S. banking industry continues to carefully assess credit risk considering, among other things, (1) credit issues still remaining in U.S. consumer banking businesses, (2) the ultimate effect that current Pacific Rim and South American economic problems may have on domestic commercial loan portfolios, and (3) uncertainties regarding the impact that Year 2000 compliance may have on bank customers.

Capital Resources

Total shareholders' equity at year-end 1998 was $2,228 million, compared with $2,039 million at year-end 1997. The equity base was increased by $527.1 million from net income and $15.2 million from the change in net unrealized gains on securities available for sale, and reduced by $355 million for common shareholder dividends paid to HSBC Holdings B.V. The capital contribution from the parent of $2.0 million relates to an HSBC stock option plan in which almost all of the Company's employees are eligible to participate.

The ratio of shareholders' equity to total year-end assets was 6.56% at December 31, 1998 compared with 6.47% at December 31, 1997.

Capital Adequacy

The Federal Reserve Board has Risk-Based Capital Guidelines for assessing the capital adequacy of U.S. banking organizations. The guidelines place balance sheet assets into four categories of risk weights, primarily based on the relative credit risk of the counterparty. Some off-balance sheet items such as letters of credit and loan commitments are taken into account by applying different categories of "credit conversion factors" to arrive at credit-equivalent amounts, which are then weighted in the same manner as balance sheet assets involving similar counterparties. For off-balance sheet items relating to interest rate and foreign exchange rate contracts, the credit-equivalent amounts are arrived at by estimating both the current exposure, mark to market value and the potential exposure over the remaining life of each contract. The credit-equivalent amount is similarly assigned to the risk weight category appropriate to the counterparty.

<TABLE>
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The guidelines include the concept of Tier 1 capital and total capital. The guidelines establish a minimum standard risk-based target ratio of 8%, of which at least 4% must be in the form of Tier 1 capital. The following table shows the components of the Company's risk-based capital.

December 31,	1998	1997
	in millions	
<S>	<C>	<C>
Common shareholder's equity	$2,228	$2,039
Guaranteed mandatorily redeemable preferred securities of subsidiaries	400	400
Less: goodwill and other deductions*	(380)	(400)
Tier 1 capital	2,248	2,039
Long-term debt qualifying as risk-based capital	562	602
Qualifying aggregate allowance for credit losses	327	274
45% of unrealized gain on available for sale equity securities	3	-
Tier 2 capital	892	876
Total capital	$3,140	$2,915

* Other deductions include the unrealized net gain on available for sale securities carried at fair value.

</TABLE>

The capital adequacy guidelines establish a limit on the amount of certain deferred tax assets that may be included in (that is, not deducted from) Tier 1 capital for risk-based and leverage capital purposes. The deferred tax asset recognized by the Company meets the criteria for capital recognition and has been included in the calculation of the Company's capital ratios.

The Company's total risk adjusted assets and off-balance sheet items were approximately $26.1 billion and $21.8 billion at year ends 1998 and 1997, respectively. Risk adjusted capital ratios were 8.62% at the Tier 1 level and 12.04% at the total capital level. These ratios compared with 9.36% at the Tier 1 level and 13.38% at the total capital level at December 31, 1997.

Banking industry regulators also have guidelines that set forth the leverage ratios to be applied to banking organizations in conjunction with the risk-based capital framework. Under these guidelines, strong bank holding companies must maintain a minimum leverage ratio of Tier 1 capital to quarterly average total assets of 3%. At December 31, 1998, the Company had a 6.76% leverage ratio compared with 6.68% at December 31, 1997.

The bank regulators amended their risk-based capital guidelines to incorporate a measure for market risk inherent in the trading portfolio. Under the market risk requirements, capital is allocated to support the amount of market risk that relates to the Company's trading activities including off-balance sheet derivative contracts associated with trading activities. The market risk rules apply to institutions with significant trading activities. The new amended rules did not significantly affect the risk-based capital ratios of the Company.

From time to time, the bank regulators propose amendments to or issue interpretations of risk-based capital guidelines. Such proposals or interpretations could, upon implementation, affect reported capital ratios and net risk adjusted assets.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

In consideration of the degree of interest rate risk inherent in the banking industry, the Company has interest rate risk management policies designed to meet performance objectives within defined risk/safety parameters. In the course of managing interest rate risk, a combination of risk assessment techniques, including dynamic simulation modeling, gap analysis, and capital at risk analysis are employed. The combination of these tools enables management to identify and assess the potential impact of interest rate movements and take appropriate action.

Certain limits and benchmarks that serve as guidelines in determining the appropriate levels of interest rate risk for the institution have been established. The overall institutional interest rate risk limit is expressed in terms of the Present Value of a Basis Point (PVBP), which reflects the change in value of the balance sheet for a one basis point movement in all interest rates. The institutional limit is plus or minus $.6 million, which includes distinct limits associated with trading portfolio activities and off balance sheet instruments. Thus, for a one basis point change in rates, the policy dictates that the value of the balance sheet shall not change by more than $.6 million. As of December 31, 1998, the Company had a position of $(.5) million PVBP. Mortgage servicing rights are excluded from the PVBP determination as their interest rate risk is significantly different from other balance sheet items. The mortgage servicing rights risk is to lower interest rates, which is managed through the purchase of interest rate caps and floors.

In addition to the above mentioned limits, the Company's Asset and Liability Policy Committee monitors, on a monthly basis, the impact of a number of interest rate scenarios on net interest income. These scenarios include both rate shock scenarios which assume immediate market rate movements of +/- 100 and 200 basis points, as well as rate change scenarios in which rates rise or fall by 200 basis points over a twelve month period. Simulations are also performed for other relevant interest rate scenarios including changes in the shape of the yield curve or in competitive pricing policies. Net interest income under the various scenarios is reviewed over a twelve month period, as well as over a three year period. The simulations capture the effects of the timing of the repricing of all on-balance sheet assets and liabilities, as well as all off-balance sheet positions such as interest rate swaps, futures and option contracts. Additionally, the simulations incorporate any behavioral aspects such as prepayment sensitivity under various scenarios.

For purposes of simulation modeling, base case earnings reflect the existing balance sheet composition, with balances generally maintained at current levels by the anticipated reinvestment of expected runoff. These balance sheet levels will however, factor in specific known or likely changes including material increases, decreases or anticipated shifts in balances due to management actions. Current rates and spreads are then applied to produce base case earnings estimates on both a twelve month and three year time horizon. Rate shocks are then modeled and compared to base earnings (earnings at risk), and include behavioral assumptions as dictated by specific scenarios relating to such factors as prepayment sensitivity and the tendency of balances to shift among various products in different rate environments.

Utilizing these modeling techniques, an immediate hypothetical 100 basis point parallel rise and fall in the yield curve on January 1, 1999, would cause projected 1999 net interest income to decrease by $4.0 million and decrease by $9.0 million, respectively. A 200 basis point parallel rise and fall would decrease projected net interest income by $19.0 million and $33.0 million, respectively. Note that these projections include all assets and liabilities, including those that have an insignificant impact.

The projections noted above do not take into consideration possible complicating factors such as the effect of changes in interest rates on the credit quality, size and composition of the balance sheet. Therefore, although this provides a reasonable estimate of interest rate sensitivity, actual results will vary from these estimates, possibly by significant amounts.

Management of Primary Market Risk Exposures

The primary market risk exposure to the Company's earnings lies in sudden and drastic shifts in interest rates, with exposure to other market factors such as exchange rates being minimal. The management of this interest rate risk is undertaken with the overall objective of meeting the Company's performance objective within defined risk/safety parameters. The strategies developed reflect the goal of minimizing exposure to sudden and drastic upward and downward movements in rates. These strategies entail the use of both on- and off-balance sheet instruments to effectively mitigate the risk inherent in the Company's balance sheet.

The acquisition of First Federal in 1997 had the effect of increasing residential mortgage outstandings and mortgage servicing rights as a percentage of the overall balance sheet. As a result, one of the predominant risks facing the Company has been the increased exposure to accelerated prepayment speeds in residential mortgages that may result from significant declines in the level of interest rates. In anticipation of this increased exposure to falling rates, a program using a combination of both on- and off balance sheet instruments designed to increase levels of fixed rate assets that will gain in value as rates decline was instituted in 1997. The overall result of this program has been to increase base earnings and to decrease potential benefits from higher rates in return for less exposure to falling rates. The Company's interest rate risk position continues to be actively monitored.

Material changes to the overall risks and strategies of the institution are not anticipated, but may occur as a result of changes in the marketplace.

Trading Activities

The Company's trading portfolio has distinct limits pertaining to permissible investments, interest rate risk exposure, stop loss, foreign exchange, options, balance sheet size and product concentrations. The stop loss limits are $1 million daily, $2 million monthly, and $4 million annually. "Stop loss" refers to the maximum amount of loss that may be incurred before sale of the items causing the loss is required.

Item 8. Financial Statements and Supplementary Data

	Page
Report of Management	33
Report of Independent Auditors	34
HSBC Americas, Inc.:	
Consolidated Balance Sheet	35
Consolidated Statement of Income	36
Consolidated Statement of Changes in Shareholders' Equity	37
Consolidated Statement of Cash Flows	38
Marine Midland Bank:	
Consolidated Balance Sheet	39
Summary of Significant Accounting Policies	40
Notes to Financial Statements	44

REPORT OF MANAGEMENT

Management of HSBC Americas, Inc. is responsible for the integrity of the financial information presented in this annual report. Management has prepared the financial statements in conformity with generally accepted accounting principles. In preparing the financial statements, management makes judgments and estimates of the expected effect of unsettled transactions and events that are accounted for or disclosed.

The Company's systems of internal accounting control are designed to provide reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized acquisition, use or disposition and that the financial records are reliable for preparing financial statements. The selection and training of qualified personnel and the establishment and communication of accounting and administrative policies and procedures are elements of these control systems. Management believes that the system of internal control, which is subject to close scrutiny by management and by internal auditors, supports the integrity and reliability of the financial statements.

The Board of Directors meets regularly with management, internal auditors and the independent auditors to discuss internal control, internal auditing and financial reporting matters, and also the scope of the annual audit and interim reviews. Both the internal auditors and the independent auditors have direct access to the Board of Directors.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders of
HSBC Americas, Inc.

We have audited the accompanying consolidated balance sheets of HSBC Americas, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the three year period ended December 31, 1998, and the accompanying consolidated balance sheets of Marine Midland Bank and subsidiaries as of December 31, 1998 and 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HSBC Americas, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 1998, and the financial position of Marine Midland Bank and subsidiaries as of December 31, 1998 and 1997, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Buffalo, New York
January 21, 1999

<TABLE>
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CONSOLIDATED BALANCE SHEET

December 31,	1998	1997
	in thousands	
<S>	<C>	<C>
Assets		
Cash and due from banks	$ 1,262,423	$ 928,691
Interest bearing deposits with banks	2,373,550	2,643,010
Federal funds sold and securities purchased under resale agreements	86,919	497,992
Trading assets	826,019	979,454
Securities available for sale	4,237,679	3,998,773
Loans	24,049,499	21,622,232
Less - allowance for credit losses	379,652	409,409
Loans, net	23,669,847	21,212,823
Premises and equipment	207,685	225,753
Accrued interest receivable	238,790	233,849
Intangible assets	469,194	481,953
Other assets	571,980	315,275
Total assets	$ 33,944,086	$ 31,517,573
Liabilities		
Deposits in domestic offices		
Noninterest bearing	$ 3,552,303	$ 4,195,248
Interest bearing	18,168,438	15,981,866
Interest bearing deposits in foreign offices	4,545,069	2,640,050
Total deposits	26,265,810	22,817,164
Short-term borrowings	2,961,063	4,202,175
Interest, taxes and other liabilities	741,269	751,217
Long-term debt	1,747,691	1,708,064
Total liabilities	31,715,833	29,478,620
Commitments and contingent liabilities (Notes 23 and 24)		
Shareholders' equity		
Preferred stock (Note 13)	-	-
Common shareholder's equity		
Common stock, $5 par; Authorized - 1,100 shares Issued - 1,001 shares	5	5
Capital surplus	1,806,563	1,804,527
Retained earnings	377,179	205,112
Accumulated other comprehensive income	44,506	29,309
Total common shareholder's equity	2,228,253	2,038,953
Total shareholders' equity	2,228,253	2,038,953
Total liabilities and shareholders' equity	$ 33,944,086	$ 31,517,573

The accompanying notes are an integral part of the consolidated financial statements.

</TABLE>

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HSBC Americas, Inc. 1998

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31,	1998	1997	1996
		in thousands	
<S>	<C>	<C>	<C>
Interest income			
Loans	$ 1,785,122	$ 1,732,705	$ 1,278,681
Securities	232,440	218,977	187,539
Trading assets	50,843	58,796	51,231
Deposits with banks	136,594	98,750	65,439
Federal funds sold and securities purchased under resale agreements	127,982	51,786	28,831

Total interest income	2,332,981	2,161,014	1,611,721
Interest expense			
Deposits			
In domestic offices	656,361	583,904	412,679
In foreign offices	211,030	95,150	68,773
Short-term borrowings	204,171	196,727	120,873
Long-term debt	96,079	111,848	47,628
Total interest expense	1,167,641	987,629	649,953
Net interest income	1,165,340	1,173,385	961,768
Provision for credit losses	80,000	87,400	64,750
Net interest income, after provision for credit losses	1,085,340	1,085,985	897,018
Other operating income			
Trust income	47,290	42,995	41,175
Service charges	115,382	103,975	89,856
Mortgage servicing income	18,949	21,529	14,762
Other fees and commissions	145,505	134,828	116,427
Trading revenues	3,700	6,089	3,735
Interest on Brazilian tax settlement	32,700	-	-
Other income	96,571	50,009	44,988
Total other operating income	460,097	359,425	310,943
	1,545,437	1,445,410	1,207,961
Other operating expenses			
Salaries and employee benefits	410,323	397,966	352,134
Net occupancy expense	89,423	90,989	78,541
Other expenses	280,524	292,505	226,098
Total other operating expenses	780,270	781,460	656,773
Income before taxes	765,167	663,950	551,188
Applicable income tax expense	238,100	193,000	171,000
Net income	$ 527,067	$ 470,950	$ 380,188

The accompanying notes are an integral part of the consolidated financial statements.

</TABLE>

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	1998		1997		1996	
	Share-holders' Equity	Compre-hensive Income	Share-holders' Equity	Compre-hensive Income	Share-holders' Equity	Compre-hensive Income
			in thousands			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Preferred stock						
Balance, January 1,	$ - *		$ 98,063		$ 98,063	
Redemption of stock	-		(98,063)		-	
Balance, December 31,	-		-		98,063	
Common stock						
Balance, January 1,	5		5		5	
Balance, December 31,	5		5		5	
Capital surplus						
Balance, January 1,	1,804,527		1,803,427		1,803,094	
Capital contribution from parent	2,036		1,100		333	

Balance, December 31,	1,806,563		1,804,527		1,803,427	
Retained earnings						
Balance, January 1,	205,112		60,630		(233,686)	
Net income	527,067	$ 527,067	470,950	$ 470,950	380,188	$ 380,188
Cash dividends declared:						
Preferred stock	-		(1,468)		(5,872)	
Common stock	(355,000)		(325,000)		(80,000)	
Balance, December 31,	377,179		205,112		60,630	
Accumulated other comprehensive income						
Net unrealized gains on securities available for sale, net of taxes						
Balance, January 1,	29,309		10,852		29,390	
Net unrealized gains (losses) arising during the period, less taxes of $13,275, $16,289, and $(7,721) in 1998, 1997 and 1996, respectively	24,203		29,799		(13,380)	
Reclassification adjustment for net gains included in net income, less taxes of $4,849, $6,107 and $2,777 in 1998, 1997 and 1996, respectively	(9,006)		(11,342)		(5,158)	
Change in net unrealized gains on securities available for sale, net of taxes		15,197		18,457		(18,538)
Comprehensive income		$ 542,264		$ 489,407		$ 361,650
Balance, December 31,	44,506		29,309		10,852	
Total shareholders' equity, December 31,	$2,228,253		$2,038,953		$1,972,977	

The accompanying notes are an integral part of the consolidated financial statements.
* $100 aggregate par value.

</TABLE>

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<CAPTION>

HSBC Americas, Inc. 1998

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31,	1998	1997	1996
		in thousands	
<S>	<C>	<C>	<C>
Cash flows from operating activities			
Net income	$ 527,067	$ 470,950	$ 380,188
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Depreciation, amortization and deferred taxes	85,752	109,988	103,055
Provision for credit losses	80,000	87,400	64,750
Net change in other accrual accounts	(61,530)	124,141	73,698
Net change in loans originated for sale	(789,258)	(16,797)	325,109
Net change in trading assets	149,643	(93,542)	(270,047)
Other, net	(109,811)	(45,028)	(49,107)
Net cash provided (used) by operating activities	(118,137)	637,112	627,646
Cash flows from investing activities			
Net change in interest bearing deposits with banks	269,460	(709,974)	(218,875)
Net change in short-term investments	411,073	1,371,872	(378,485)
Purchases of securities	(2,423,032)	(2,193,729)	(956,647)
Sales of securities	1,421,318	1,364,331	89,780
Maturities of securities	803,463	579,710	650,584
Sales of credit card portfolios	395,148	-	-
Other net change in credit card receivables	37,422	(101,372)	(181,915)
Net change in other short-term loans	(212,732)	(51,067)	43,540
Net originations and maturities of long-term loans	(253,219)	(952,442)	(172,860)
Expenditures for premises and equipment	(21,255)	(40,400)	(32,605)
Net cash used in acquisitions, net of cash acquired	(1,619,278)	(607,388)	(40,094)

Other, net	(35,359)	54,569	85,803
Net cash used by investing activities	(1,226,991)	(1,285,890)	(1,111,774)
Cash flows from financing activities			
Net change in deposits	3,357,242	680,151	(21,173)
Net change in short-term borrowings	(1,241,112)	557,011	(56,768)
Issuance of long-term debt	500,000	200,000	497,522
Repayment of long-term debt	(459,306)	(527,043)	(125,000)
Capital contributions	2,036	1,101	333
Redemption of preferred stock	-	(98,063)	-
Dividends paid	(480,000)	(202,937)	(85,872)
Net cash provided by financing activities	1,678,860	610,220	209,042
Net change in cash and due from banks	333,732	(38,558)	(275,086)
Cash and due from banks at beginning of year	928,691	967,249	1,242,335
Cash and due from banks at end of year	$ 1,262,423	$ 928,691	$ 967,249
Cash paid for: Interest	$ 1,136,748	$ 941,851	$ 638,997
Income taxes	208,191	173,930	76,788
Non-cash activities			
Dividends declared but unpaid	-	125,000	1,468
Fair value of liabilities assumed in acquisitions	91,949	6,665,279	2,413,110

The accompanying notes are an integral part of the consolidated financial statements.

</TABLE>

<TABLE>
<CAPTION>

Marine Midland Bank 1998

CONSOLIDATED BALANCE SHEET

December 31,	1998	1997
		in thousands
<S>	<C>	<C>
Assets		
Cash and due from banks	$ 1,262,346	$ 928,754
Interest bearing deposits with banks	2,301,100	2,571,410
Federal funds sold and securities purchased under resale agreements	86,919	497,992
Trading assets	826,019	979,454
Securities available for sale	4,213,348	3,968,838
Loans	24,009,332	21,550,115
Less - allowance for credit losses	377,667	407,355
Loans, net	23,631,665	21,142,760
Premises and equipment	207,597	225,646
Accrued interest receivable	237,527	232,874
Intangible assets	469,194	479,712
Other assets	540,230	288,181
Total assets	$ 33,775,945	$ 31,315,621
Liabilities		
Deposits in domestic offices:		
Noninterest bearing	$ 3,398,751	$ 4,091,216
Interest bearing	18,168,438	15,981,866
Interest bearing deposits in foreign offices	5,724,057	3,834,827
Total deposits	27,291,246	23,907,909
Short-term borrowings	2,051,801	3,354,745
Interest, taxes and other liabilities	736,004	746,501
Long-term debt	1,323,238	1,083,561
Total liabilities	31,402,289	29,092,716

Commitments and contingent liabilities (Notes 23 and 24)		
Shareholder's equity		
Common shareholder's equity		
Common stock, $100 par; Authorized - 2,250,000 shares Issued - 2,050,000 shares	205,000	205,000
Capital surplus	1,986,361	1,984,326
Retained earnings	141,699	8,678
Accumulated other comprehensive income	40,596	24,901
Total shareholder's equity	2,373,656	2,222,905
Total liabilities and shareholder's equity	$ 33,775,945	$ 31,315,621

The accompanying notes are an integral part of the consolidated financial statements.

</TABLE>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

HSBC Americas, Inc. (the Company) is a New York State based bank holding company. All of the common stock of the Company is owned by HSBC Holdings B.V., an indirect wholly owned subsidiary of HSBC Holdings plc (HSBC).

The accounting and reporting policies of the Company and its subsidiaries, including its principal subsidiary, Marine Midland Bank (the Bank), conform to generally accepted accounting principles and to predominant practice within the banking industry. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions relating principally to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Prior years' financial statements have been reclassified to conform with the current financial statement presentation.

The following is a description of the significant policies and practices.

Principles of Consolidation

The financial statements of the Company and the Bank are consolidated with those of their respective wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated. Investments in companies in which the percentage of ownership is at least 20%, but not more than 50%, are accounted for under the equity method and are included in other assets in the consolidated balance sheets.

Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

Effective January 1, 1997, the Company adopted the provisions of Statement of Financial Accounting Standards No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (FAS 125), that were required to be adopted on that date, on a prospective basis, and adopted the remaining provisions on January 1, 1998. FAS 125 established criteria primarily based on legal control to determine whether a transfer of a financial asset is a sale or a secured borrowing. The adoption of the provisions of FAS 125 did not have a material effect on the financial position or results of operations of the Company.

Securities

Debt securities that the Company has the ability and intent to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts. Securities acquired principally for the purpose of selling them in the near term are classified as trading assets and reported at fair value, with unrealized gains and losses included in earnings. All other securities are classified as available for sale and carried at fair value, with unrealized gains and losses, net of related income taxes, included in other comprehensive income and reported as a separate component of shareholders' equity.

Realized gains and losses on sales of securities are computed on a specific identified cost basis and are reported within other income in the consolidated statement of income. Adjustments of trading assets to fair value and gains and losses on the sale of such securities are recorded in trading revenues.

Loans

Loans are stated at their principal amount outstanding, net of unearned income, purchase premium, unamortized nonrefundable fees and related direct loan origination costs. Loans held for sale are carried at the lower of aggregate cost or market value. Interest income is recorded based on methods that result in level rates of return over the terms of the loans.

Commercial loans are categorized as nonaccruing when, in the opinion of management, reasonable doubt exists with respect to collectibility of interest or principal based on certain factors including period of time past due (principally ninety days) and adequacy of collateral. At the time a loan is classified as nonaccruing, any accrued interest recorded on the loan is generally reversed and charged against income. Interest income on these loans is recognized only to the extent of cash received. In those instances where there is doubt as to collectibility of principal, any interest payments received are applied to principal. Loans are not reclassified as accruing until interest and principal payments are brought current and future payments are reasonably assured.

Residential mortgages are generally designated as nonaccruing when delinquent for more than ninety days. Loans to credit card customers that are past due more than ninety days are designated as nonaccruing if the customer has agreed to credit counseling. Other consumer loans are generally not designated as nonaccruing and are charged off against the allowance for credit losses according to an established delinquency schedule.

A loan is considered impaired when, based on current information it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are valued at the present value of expected future cash flows, discounted at the loan's original effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

Restructured loans are loans for which the original contractual terms have been modified to provide for terms that are less than the Company would be willing to accept for new loans with comparable risk because of a deterioration in the borrowers' financial condition. Interest on these loans is accrued at the renegotiated rates.

Loan Fees

Nonrefundable fees and related direct costs associated with the origination or purchase of loans are deferred and netted against outstanding loan balances. The amortization of net deferred fees and costs are recognized in interest income, generally by the interest method, based on the estimated lives of the loans. Nonrefundable fees related to lending activities other than direct loan origination are recognized as other income over the period the related

service is provided. This includes fees associated with the issuance of loan commitments where the likelihood of the commitment being exercised is considered remote. In the event of the exercise of the commitment, the remaining unamortized fee is recognized in interest income over the loan term using the interest method. Other credit-related fees, such as standby letter of credit fees, loan syndication and agency fees and annual credit card fees are recognized as other operating income over the period the related service is performed.

Allowance for Credit Losses

The allowance for credit losses is that amount believed adequate to absorb estimated credit losses in the loan portfolios based on management's evaluation of various factors including overall growth in the portfolios, an analysis of individual credits, adverse situations that could affect a borrower's ability to repay (including the timing of future payments), prior and current loss experience, and current economic conditions. A provision for credit losses is charged to operations based on management's periodic evaluation of these and other pertinent factors.

Mortgage Servicing Rights

Mortgage servicing rights (MSRs) represent the right to service loans for others, whether acquired directly or in conjunction with the acquisition of mortgage loan assets. As originated or purchased loans are sold or securitized, their total cost is allocated between MSRs and the loans, based on relative fair values.

MSRs are amortized over the expected life of the loans serviced, including expected prepayments, using a method that approximates the level yield method. The carrying value of the MSRs is periodically evaluated for impairment based on the difference between the carrying value of such rights and their current fair value. For purposes of measuring impairment, which is recorded through the use of a valuation reserve, MSRs are stratified based upon interest rates and whether such rates are fixed or variable and other loan characteristics. The evaluation of future net servicing income is based on a discounted and disaggregated (individual portfolio) methodology.

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as the estimated future tax consequences attributable to net operating loss and tax credit carryforwards. A valuation allowance is established to reduce deferred tax assets to the amounts expected to be realized.

The Company and its subsidiaries file a consolidated federal income tax return. Taxes of each subsidiary of the Company are generally determined on the basis of filing separate returns.

Derivative Financial Instruments

The Company uses a variety of derivative instruments to manage interest rate risk. These derivative instruments follow either the synthetic alteration or hedge model of accounting. Interest rate risk is managed by achieving a mix of derivative instruments and balance sheet assets and liabilities deemed consistent and desirable given expectations of interest rate movements, balance sheet changes and risk management strategies.

Under the synthetic alteration accounting model, the related derivative contract must be linked to specific individual assets or liabilities or pools of similar balance sheet assets or liabilities by the notional and interest rate risk characteristics of the associated instruments.

Under the hedge accounting model, the related derivative must likewise be linked to specific individual or pools of similar balance sheet assets or liabilities by the notional and interest rate risk characteristics of the associated instruments. In addition, it must be demonstrated that the asset, liability or event that the derivative is associated with exposes the enterprise to price or interest rate risk and that the related derivative contract effectively reduces that risk. Accordingly, there must be high correlation between the changes in market value of the derivative and the fair value or cash flows associated with the hedged item so that it is probable that the results of the derivative will substantially offset the effects of price or interest rate movement on the hedged item. To the extent these criteria are satisfied, the derivative contract is accounted for on a basis consistent with that of the underlying hedged item. For a derivative financial instrument synthetically altering an asset or liability accounted for on an historical cost basis, accrual based accounting is applied. Specifically, income or expense is recognized and accrued to the next settlement date in accordance with the contractual terms of the agreement as an adjustment to the income or expense associated with the underlying balance sheet position. The derivative position would not be marked to market.

Derivative instruments that are entered into for the purpose of generating trading revenues are accounted for on a mark to market basis. Associated income and expense is recognized as trading revenue. For derivatives linked to securities classified as available for sale, the mark to market is considered a component of the market value of the related securities and is recorded through shareholders' equity consistent with the valuation of the assets. Derivatives used to limit the potential for loss associated with the valuation of mortgage servicing rights are also considered in the valuation of the related asset.

Derivatives that do not qualify as synthetic alterations or hedges at inception are marked to market through earnings. Derivatives that cease to qualify as synthetic alterations or hedges are marked to market prospectively with any gains or losses at that time being deferred and amortized to earnings over the remaining life of the derivative or the altered or hedged item provided the hedged balance sheet position has not been liquidated. When the altered or hedged position is liquidated the gain or loss, including any deferred amount is recognized in earnings.

NOTES TO FINANCIAL STATEMENTS

Note 1. Acquisitions

In the fourth quarter of 1998, the Company purchased the $1.7 billion commercial loan portfolio and assumed $91 million of deposit liabilities of the U.S. corporate banking unit of The Hongkong and Shanghai Banking Corporation Limited (HongkongBank). Both the Company and HongkongBank are wholly owned subsidiaries of HSBC Holdings plc (HSBC). Funding for the transaction was mainly provided by the sale of short-term investments. The assets and liabilities acquired were recorded at the HongkongBank's carrying values, which approximated fair value.

The Company acquired CTUS Inc. (CTUS), a unitary thrift holding company on March 1, 1997. CTUS owned First Federal Savings and Loan Association of Rochester (First Federal), a thrift institution which had $7.0 billion in assets and deposits of $4.3 billion. The transaction was accounted for as a purchase and the results of CTUS operations are included in the Company's financial statements from the date of acquisition. The excess fair value of net assets acquired was $238 million and is being amortized against income over fifteen years. See Note 13 for preferred stock issued in connection with the acquisition.

<TABLE>
<CAPTION>

The following pro forma financial information presents the combined results of the Company and CTUS as if the acquisition had occurred as of the beginning of 1996, after giving effect to certain adjustments, including accounting adjustments relating to fair value adjustments, amortization of goodwill and related income tax effect. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company and CTUS constituted a single entity during such periods.

Year Ended December 31,	1997	1996
	(unaudited) in millions	
<S>	<C>	<C>
Net interest income after provision for credit losses	$1,112	$1,040
Net income	468	426

</TABLE>

The Company acquired the institutional dollar clearing activity of Morgan Guaranty Trust Company of New York on December 31, 1996. The Company assumed $945 million in deposit liabilities and acquired a like amount of Federal funds sold. The transaction was accounted for as a purchase. The excess of fair value of net assets acquired is being amortized against income over ten years.

The Company acquired $1.1 billion in selected assets and assumed $1.2 billion in deposits of East River Savings Bank for a purchase price of $93 million in 1996. The acquisition was accounted for as a purchase. The excess fair value of net assets acquired is being amortized against income over fifteen years.

Note 2. Cash and Due from Banks

The Bank is required to maintain noninterest bearing balances at Federal Reserve Banks as part of its membership requirements in the Federal Reserve System. These balances averaged $182.8 million in 1998 and $211.8 million in 1997.

<TABLE>
<CAPTION>

Note 3. Trading Assets

An analysis of trading assets, which are valued at market, follows.

December 31,	1998	1997
	in thousand	
<S>	<C>	<C>
U.S. Government	$ 5,996	$ -
Mortgage and other asset backed securities	813,234	970,782
Other securities	5,072	7,231
Derivatives	1,717	1,441
	$826,019	$979,454

</TABLE>

<TABLE>
<CAPTION>

The net gains (losses) resulting from trading activities are summarized by categories of financial instruments in the following table.

Year Ended December 31,	1998	1997	1996
		in thousands	
<S>	<C>	<C>	<C>
U.S. Government	$ 720	$ 342	$ 1,830
Mortgage and other asset backed securities	(2,627)	451	(2,621)
Other securities	1,430	1,272	1,430
Derivatives	(1,278)	(327)	(835)
Trading asset revenues (loss)	(1,755)	1,738	(196)
Foreign exchange revenue	5,455	4,351	3,931
Trading revenues	$ 3,700	$6,089	$ 3,735

</TABLE>

<TABLE>
<CAPTION>

Note 4. Securities

The amortized cost and fair value of securities available for sale follows.

	1998				1997	
December 31,	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Fair Value
				in thousands		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Treasury	$1,539,471	$40,923	$ -	$1,580,394	$2,415,835	$2,432,546
U.S. Government agency	1,902,243	20,899	2,115	1,921,027	1,088,798	1,108,506
Other debt securities	557,848	6,059	3,398	560,509	284,135	285,245
Equity securities	169,733	6,016	-	175,749	165,695	172,476

	$4,169,295	$73,897	$5,513	$4,237,679	$3,954,463	$3,998,773

</TABLE>

At December 31, 1997, with regard to securities available for sale, the Company had gross unrealized gains of $18.6 million, $24.4 million and $8.8 million and gross unrealized losses of $1.9 million, $4.7 million and $.9 million related to U.S. Treasury, U.S. Government agency and other securities, respectively.

The Company sold securities available for sale resulting in gross realized gains of $15.9 million, $19.7 million and $12.9 million, and gross realized losses of $1.7 million, $.4 million and $5.0 million in the years 1998, 1997 and 1996, respectively. Substantially all interest income on securities is taxable.

The amortized cost and fair values of debt securities available for sale at December 31, 1998, by contractual maturity are shown in the following table. Expected maturities differ from contractual maturities because borrowers have the right to prepay obligations without prepayment penalties in certain cases.

<TABLE>
<CAPTION>

The amounts reflected in the table exclude $169.7 million amortized cost, ($175.7 million fair value) of equity securities available for sale that do not have fixed maturities.

December 31, 1998	Amortized Cost	Fair Value
	in thousands	
<S>	<C>	<C>
Within one year	$ 430,714	$ 432,043
After one but within five years	1,684,504	1,725,641
After five but within ten years	544,068	546,144
After ten years	1,340,276	1,358,102
	$3,999,562	$4,061,930

</TABLE>

<TABLE>
<CAPTION>

Note 5. Loans

Loans are presented net of unearned income, unamortized nonrefundable fees and related direct loan origination costs of $164.5 million and $129.3 million at December 31, 1998 and 1997, respectively. A distribution of the loan portfolio follows.

December 31,	1998	1997
	in thousands	
<S>	<C>	<C>
Domestic:		
Commercial:		
Construction loans	$ 175,927	$ 359,021
Mortgage loans	2,919,899	1,876,243
Other business and financial	7,802,733	5,811,432
Consumer:		
Residential mortgages	9,466,912	10,007,694
Credit card receivables	1,291,071	1,780,055
Other consumer loans	1,319,519	1,178,337
International	1,073,438	609,450
	$24,049,499	$21,622,232

</TABLE>

Residential mortgages include $1,082.2 million and $329.6 million of mortgages held for sale at December 31, 1998 and 1997, respectively. Other consumer loans include $432.4 million and $366.0 million of higher education loans also held for sale at December 31, 1998 and 1997, respectively.

International loans include "Brady bonds" issued by the United Mexican States and the Republic of Venezuela in the refinancing of their debt obligations. These bonds had an aggregate carrying value of $356.1 million (face value $368.3 million) and an aggregate fair value of $271.8 million at year end 1998. The Company's intent is to hold these instruments until maturity. The bonds are fully secured as to principal by zero-coupon U.S. Treasury securities with face value equal to that of the underlying bonds. Aggregate carrying value, face value and fair value was $353.3 million, $365.6 million and $311.2 million, respectively, at year end 1997.

At December 31, 1998 and 1997, the Company's nonaccruing loans were $336.8 million and $311.1 million, respectively. At December 31, 1998 and 1997, the Company had commitments to lend additional funds of $24.9 million and $.9 million, respectively, to borrowers whose loans are classified as

nonaccruing. A significant portion of these commitments include clauses that provide for cancellation in the event of a material adverse change in the financial position of the borrower.

<TABLE>
<CAPTION>

Year Ended December 31,	1998	1997	1996
	in thousands		
<S>	<C>	<C>	<C>
Interest revenue on nonaccruing loans which would have been recorded had they been current in accordance with their original terms	$19,802	$23,922	$39,597
Interest revenue recorded on nonaccruing loans	34,824	42,287	35,858

</TABLE>

Other real estate and owned assets included in other assets amounted to $8.8 million and $11.7 million net of allowances for losses of $13.4 million and $21.6 million at December 31, 1998 and 1997, respectively.

The Company identified impaired loans totaling $182.6 million at December 31, 1998, of which $81.3 million had an allocation from the allowance of $32.2 million. At December 31, 1997, the Company had identified impaired loans of $152.6 million of which $54.1 million had an allocation from the allowance of $20.7 million. The average recorded investment in such impaired loans was $169.9 million, $183.5 million and $278.0 million in 1998, 1997 and 1996, respectively.

The Company has loans outstanding to certain executive officers and directors. The loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons and do not involve more than normal risk of collectibility. The aggregate amount of such loans did not exceed 5% of shareholders' equity at December 31, 1998 and 1997.

<TABLE>
<CAPTION>

Note 6. Allowance for Credit Losses

An analysis of the allowance for credit losses follows.

	1998	1997	1996
	in thousands		
<S>	<C>	<C>	<C>
Balance at beginning of year	$ 409,409	$ 418,159	$ 477,502
Allowance related to acquired businesses	-	40,294	3,415
Provision charged to income	80,000	87,400	64,750
Recoveries on loans charged off	42,908	50,261	54,006
Loans charged off	(152,665)	(186,705)	(181,514)
Balance at end of year	$ 379,652	$ 409,409	$ 418,159

</TABLE>

Note 5 provides information on impaired loans and the related specific credit loss allowance.

Note 7. Mortgage Servicing Rights

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans were $12.06 billion and $11.83 billion at December 31, 1998 and 1997, respectively. Custodial balances maintained in connection with the foregoing loan servicing, and included in noninterest bearing deposits in domestic offices were $232.8 million and $223.2 million at December 31, 1998 and 1997, respectively.

<TABLE>
<CAPTION>

An analysis of MSRs, reported in intangible assets, follows.

	1998	1997	1996
		in thousands	
<S>	<C>	<C>	<C>
Balance at beginning of year	$111,501	$ 33,897	$ 36,822
Additions	48,765	102,312	11,385
Amortization	(26,462)	(24,708)	(14,310)
Balance at end of year	$133,804	$111,501	$ 33,897

</TABLE>

Additions reported for 1997 include $83.2 million in MSRs obtained in the acquisition of First Federal. No valuation reserve has been established against MSRs. The fair value of MSRs as of December 31, 1998 and 1997 was approximately $198.5 million and $179.4 million, respectively.

Note 8. Goodwill and Other Acquisition Intangibles

Goodwill and other acquisition intangibles included in intangible assets totaled $335.4 million and $370.5 million at December 31, 1998 and 1997, respectively. These amounts are amortized over the estimated periods to be benefited, not exceeding 15 years. Amortization totaled $37.7 million, $34.4 million and $14.4 million during the years 1998, 1997, and 1996, respectively.

<TABLE>
<CAPTION>

Note 9. Deposits

The aggregate amount of time deposit accounts (primarily certificates of deposits) each with a minimum of $100,000 included in domestic office deposits were $2.99 billion and $1.91 billion at December 31, 1998 and 1997, respectively. Substantially all deposits in foreign offices exceed $100,000. The scheduled maturities of time deposits at December 31, 1998 follows.

	in thousands
<S>	<C>
1999	$7,563,501
2000	727,062
2001	125,616
2002	72,420
2003	26,447
Later years	21,140
	$8,536,186

</TABLE>

<TABLE>
<CAPTION>

Note 10. Short-Term Borrowings

The following table shows detail relating to short-term borrowings in 1998, 1997 and 1996. Average interest rates during each year are computed by dividing total interest expense by the average amount borrowed.

	1998		1997		1996	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
			in thousands			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Federal funds purchased (day to day):						
At December 31	$ 607,124	4.59%	$1,389,854	5.19%	$1,225,738	5.36%
Average during year	617,542	5.20	1,266,663	5.50	619,775	5.26
Maximum month-end balance	908,542		2,164,329		1,225,738	
Securities sold under repurchase agreements:						
At December 31	206,048	4.41	617,628	4.34	58,491	4.98
Average during year	299,588	5.34	710,716	5.44	465,147	4.95
Maximum month-end balance	832,312		2,680,576		809,703	
Commercial paper:						
At December 31	909,261	5.05	847,431	5.61	473,633	5.30
Average during year	826,650	5.49	721,995	5.53	338,505	5.32
Maximum month-end balance	1,002,479		896,574		590,358	
All other short-term borrowings:						
At December 31	1,238,630	4.57	1,347,262	5.70	723,480	5.68
Average during year	1,888,166	5.86	862,856	5.62	950,020	4.97
Maximum month-end balance	2,972,341		1,670,339		1,231,399	

</TABLE>

All other short-term borrowings at year ends 1998 and 1997 included $1,025 million and $850 million, respectively, from the Federal Home Loan Bank. At December 31, 1998, the Company had unused lines of credit with HSBC aggregating $500 million. These lines of credit do not require compensating balance arrangements and commitment fees are not significant.

<TABLE>
<CAPTION>

Note 11. Income Taxes

Total income taxes (benefit) were allocated as follows.

Year Ended December 31,	1998	1997	1996
		in thousands	
<S>	<C>	<C>	<C>
To income before income taxes	$238,100	$193,000	$171,000
To shareholders' equity unrealized gain (loss) on securities available for sale, net of taxes	8,426	10,182	(10,498)
	$246,526	$203,182	$160,502

</TABLE>

<TABLE>
<CAPTION>

The components of income tax expense follow.

Year Ended December 31,	1998	1997	1996
		in thousands	
<S>	<C>	<C>	<C>
Current:			
Federal	$209,729	$109,570	$ 57,220
State and local	56,487	67,117	70,280
Total current	266,216	176,687	127,500

Deferred, primarily federal	(28,116)	16,313	43,500
Total income taxes	$238,100	$193,000	$171,000

</TABLE>

<TABLE>
<CAPTION>

The following table is an analysis of the difference between effective rates based on the total income tax provision attributable to pretax income and the statutory U.S. Federal income tax rate.

Year Ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Statutory rate	35.0%	35.0%	35.0%
Increase (decrease) due to:			
State and local income taxes	4.8	6.5	8.3
Valuation allowance	(5.9)	(12.2)	(9.8)
Tax exempt interest income	(.2)	(.3)	(.4)
Brazilian tax credit settlement	(3.1)	-	-
Other items	.5	.1	(2.1)
Effective income tax rate	31.1%	29.1%	31.0%

</TABLE>

<TABLE>
<CAPTION>

The components of the net deferred tax asset are summarized below.

December 31,	1998	1997
	in thousands	
<S>	<C>	<C>
Deferred tax assets:		
Allowance for credit losses	$123,395	$141,131
Deferred charge offs	11,305	20,472
Depreciation and amortization	16,346	17,011
Accrued expenses not currently deductible	55,559	53,561
Other	82,699	70,473
	289,304	302,648
Less valuation allowance	28,329	130,702
Total deferred tax assets	260,975	171,946
Less deferred tax liabilities:		
Lease financing income accrued	30,881	32,136
Accrued pension cost	11,294	2,948
Accrued income on foreign bonds	20,909	21,270
Deferred net operating loss recognition	90,018	38,018
Securities available for sale	23,934	15,509
Other	24,670	22,486
Total deferred tax liabilities	201,706	132,367
Net deferred tax asset	$ 59,269	$ 39,579

</TABLE>

Realization of deferred tax assets is contingent upon the generation of future taxable income or the existence of sufficient taxable income within the carryback period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and projected future taxable income over the periods in which the temporary differences comprising the deferred tax assets will be deductible. Based upon the level of historical taxable income and the scheduled reversal of the deferred tax liabilities over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowance.

<TABLE>
<CAPTION>

Note 12. Long-Term Debt

The following is a summary of long-term debt, net of unamortized original issue debt discount, where applicable.

December 31,	1998	1997
	in thousands	
<S>	<C>	<C>
Issued by the Company or subsidiaries other than the Bank:		
Floating rate subordinated notes due 2000 (5.3750%)	$ 200,000	$ 200,000
Floating rate subordinated notes due 2009 (5.4375%)	124,320	124,320
Floating rate subordinated capital notes due 1999 (5.5000%)	100,000	100,000
7% subordinated notes due 2006	298,026	297,774
Guaranteed mandatorily redeemable preferred securities		
7.808% Capital Securities due 2026	200,000	200,000
8.38% Capital Securities due 2027	200,000	200,000
Other notes payable	134	183
	1,122,480	1,122,277
Issued or acquired by the Bank or its subsidiaries:		
Fixed rate Federal Home Loan Bank of New York advances	590,877	498,741
Floating rate Federal Home Loan Bank of New York advances	-	50,000
Collateralized mortgage obligations	4,562	5,942
Obligations under capital leases	29,772	31,104
	$1,747,691	$1,708,064

</TABLE>

Debt issued by Marine Midland Bank or its subsidiaries excludes the following notes payable to the Company: a floating rate note of $100 million due 2000; a 7.234% note of $298 million due 2006; a floating rate note of $100 million due 2012; and a floating rate note of $200 million due 2013.

Interest rates on floating rate notes are determined periodically by formulas based on certain money market rates or, in certain instances, by minimum interest rates as specified in the agreements governing the respective issues. Interest rates on the floating rate notes in effect at December 31, 1998 are shown in parentheses.

At maturity, the floating rate subordinated capital notes due 1999 were to be exchanged by the Company for capital securities of the Company, or at the Company's option, the principal amount may be paid from funds designated by the Board of Governors of the Federal Reserve System as available for the retirement or redemption of the notes. In 1998, the Federal Reserve Board approved a waiver for issuing new capital securities at the maturity of the notes.

The guaranteed mandatorily redeemable preferred securities (Capital Securities) are issued by trusts all of whose outstanding common securities are owned by the Company. The Capital Securities represent preferred beneficial interests in the assets of the trusts and are guaranteed by the Company. The sole assets of the trusts consist of junior subordinated debentures of the Company. The Capital Securities qualify as Tier 1 capital under the risk-based capital guidelines of the Federal Reserve Board.

The Capital Securities are redeemable at the option of the Company in the case of a tax event or regulatory capital event at the prepayment price equal to the greater of (i) 100% of the principal amount of the Capital Securities or (ii) the sum of the present values of a stated percentage of the principal amount of the Capital Securities plus the remaining scheduled payments of interest thereon from the prepayment date. Tax event refers to notice that the interest payable on the Capital Securities would not be deductible. Regulatory capital event refers to notice that the Capital Securities would not qualify as Tier 1 capital.

In the absence of a tax or regulatory capital event, the 7.808% Capital Securities are redeemable at the option of the Company on December 15, 2006 at a premium of 3.904% in the first twelve months after December 15, 2006 and varying lesser amounts thereafter and without premium if redeemed after December 15, 2016. Similarly, the 8.38% Capital Securities are redeemable at the option of the Company on May 15, 2007 at a premium of 4.19% in the first twelve months after May 15, 2007 and varying lesser amounts thereafter and without premium if redeemed after May 15, 2017.

The fixed rate Federal Home Loan Bank of New York advances have interest rates ranging from 2.67% to 8.61%. The mortgage bonds are collateralized by a pledge of FHLMC mortgage-backed securities. All payments received on the pledged mortgage-backed securities, net of certain costs, must be applied to repay the bonds. The stated maturity and stated rate for the three bonds are: January, 2000 at 7.33%; September, 2002 at 7.89%; and October, 2006 at 7.27%. It is expected that the actual life of the bonds will be less than their stated maturity.

Contractual scheduled maturities for the debt, excluding obligations under capital leases, over the next five years are as follows: 1999, $409.8 million; 2000, $451.1 million; 2001, $21.3 million; 2002, $1.3 million; and $.5 million in 2003. Maturities for obligations under capital leases are reported in Note 23, Commitments and Contingent Liabilities.

Note 13. Preferred Stock

The CTUS Inc. acquisition agreement (see Note 1) provided that the Company issue preferred shares to CT Financial Services Inc. (the Seller). The preferred shares provide for, and only for, a contingent dividend or redemption equal to the amount of recovery, net of taxes and costs, if any, by First Federal resulting from the pending action against the United States government alleging breaches by the government of contractual obligations to First Federal following passage of the Financial Institutions Reform, Recovery and Enforcement Act of 1989. The Company issued 100 preferred shares at a par value of $1.00 per share in connection with the acquisition.

On March 31, 1997 the Company redeemed its outstanding shares of $5.50 cumulative and adjustable rate cumulative preferred stock. The outstanding 22,154 shares of $5.50 cumulative preferred stock were redeemed at $100 plus accrued and unpaid dividends of $1.375 per share. The outstanding 1,916,950 shares of adjustable rate cumulative preferred stock were redeemed at $50 plus accrued and unpaid dividends of $.75 per share.

Note 14. Common Stock

All of the common stock of the Company is owned by HSBC Holdings B.V. Common shares authorized and issued are 1,100 and 1,001, respectively, with a par value of $5.00.

Note 15. Retained Earnings

Bank dividends are a major source of funds for payment by the Company of shareholder dividends and along with interest earned on investments, cover the Company's operating expenses which consist primarily of interest on outstanding debt. The approval of the Federal Reserve Board is required if the total of all dividends declared by the Bank in any year would exceed the net profits for that year, combined with the retained profits for the two preceding years. Under a separate restriction, payment of dividends is prohibited in amounts greater than undivided profits then on hand, after deducting actual losses and bad debts. Bad debts are debts due and unpaid for a period of six months unless well secured and in the process of collection.

Under these rules the Bank can pay dividends to the Company as of December 31, 1998 of approximately $141.7 million, adjusted by the effect of its net income (loss) for 1999 up to the date of such dividend declaration.

Note 16. Comprehensive Income

Effective January 1, 1998, the Company adopted the provisions of Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (FAS 130). FAS 130 establishes standards for reporting the components of comprehensive income and requires that all such components be included in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income includes net income as well as certain items that are reported directly within a separate component of shareholders' equity. The Company has reported comprehensive income in the consolidated statement of changes in shareholders' equity. The disclosure requirements of FAS 130 have no impact on the financial position or results of operation of the Company.

Note 17. Impact of Recently Issued Accounting Standards

In March 1998, the AICPA issued Statement of Position 98-1, Accounting for the Cost of Computer Software Developed or Obtained for Internal Use (SOP 98-1). The provisions of SOP 98-1 require the capitalization of eligible costs of specified activities related to computer software developed or obtained for internal use and becomes effective for fiscal year 1999. Historically these costs were generally expensed. The statement, when implemented, is not expected to materially impact the financial position or results of operation of the Company.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (FAS 133). FAS 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivatives be recognized as either assets or liabilities in the balance sheet and that those instruments be measured at fair value. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation as described below.

- For a derivative designated as hedging the exposures to changes in the fair value of a recognized asset or liability or a firm commitment, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged.

- For a derivative designated as hedging the exposure to variable cash flows, the derivatives gain or loss associated with the effective portion of the hedge is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion is reported in earnings immediately.

- For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change in fair value.

FAS 133 is effective beginning January 1, 2000. The Company is in the process of evaluating the potential impact of FAS 133 including reconsidering the Company's risk management strategies.

Note 18. Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, specific capital guidelines must be met that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) of 8% and 4%, respectively. Also required are ratios of Tier 1 capital (as defined) to average assets (as defined) of 4% at the Bank level and 3% at the Company level as long as the Company has a strong supervisory rating.

As of December 31, 1998, the most recent notification from the Federal Reserve Board categorized the Company and the Bank as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, a banking institution must have minimum total risk-based ratio of at least 10%, Tier 1 risk-based ratio of at least 6%, and Tier 1 leverage ratio of at least 5%. There are no conditions or events since that notification that management believes have changed the categories.

<TABLE>
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The capital amounts and ratios are presented in the table.

	1998			1997		
	Actual			Actual		
December 31,	Amount	Ratio	Minimum Amount	Amount	Ratio	Minimum Amount
			in millions			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total capital						
(to risk weighted assets)						
Company	$3,140	12.04%	$2,087	$2,915	13.38%	$1,744
Bank	2,941	11.33	2,077	2,540	11.75	1,730
Tier 1 capital						
(to risk weighted assets)						
Company	2,248	8.62	1,043	2,039	9.36	872
Bank	1,998	7.70	1,038	1,830	8.46	865
Tier 1 capital						
(to average assets)						
Company	2,248	6.76	998	2,039	6.68	915
Bank	1,998	6.04	1,324	1,830	6.04	1,212

</TABLE>

Under the framework, the Bank's capital levels allow the Bank to accept brokered deposits without prior regulatory approval. As of December 31, 1998, the Bank had no brokered deposits.

Note 19. Transactions with Principal Shareholder and Related Parties

The Company's common stock is owned by HSBC Holdings B.V., an indirect wholly owned subsidiary of HSBC. In the normal course of business, the Company conducts transactions with HSBC, including its 25% or more owned subsidiaries (HSBC Group). These transactions occur at prevailing market rates and terms and include deposits taken and placed, short-term borrowings and interest rate contracts.

At December 31, 1998 and 1997 assets of $631.2 million and $47.1 million, respectively, and liabilities of $3,066.8 million and $1,496.7 million, respectively, related to such transactions with the HSBC Group were included in the Company's balance sheet. Income and expense associated with such transactions was not material to the Company's financial results of operation.

Interest rate forward and futures contracts and interest rate swap contracts entered into with the HSBC Group are used primarily as an asset and liability management tool to manage interest rate risk. At December 31, 1998 and 1997, the notional amounts of these contracts with members of the HSBC Group were $9.85 billion and $9.04 billion, respectively.

Legal restrictions on extensions of credit by the Bank to the HSBC Group require that such extensions be secured by eligible collateral. At December 31, 1998 and 1997, outstanding extensions of credit secured by eligible collateral were $852.3 million and $204.7 million, respectively.

See Note 1 for loans purchased and deposits assumed from HongkongBank during 1998. During 1997 the Company purchased commercial loans having aggregate book values of $178.7 million from another wholly owned subsidiary of HSBC for fair value which approximated book value.

Note 20. Stock Option Plans

Options have been granted to employees of the Company under the HSBC Holdings Executive Share Option Scheme (the Executive Plan) and under the HSBC Savings Related Share Option Contribution Program (the Savings Plan). Compensation expense associated with such options is recognized over the vesting period based on the estimated fair value of such options at grant date.

Under the Executive Plan, options have been awarded to certain officers of the Company to acquire shares of HSBC. The exercise price of each option is equal to the market price of the stock of HSBC on the date of grant. The maximum term of the options is ten years and they vest at the end of three years. Additionally, the Company adopted the Savings Plan effective July 1, 1996 whereby eligible employees can elect to participate in the Savings Plan through the Company's 401(k) plan and acquire contributions based on HSBC stock at 85% of market on date of grant. An employee's agreement to participate is a five year commitment. At the end of each five year period employees receive the appreciation of the HSBC stock over the initial exercise price in the form of stock of HSBC.

Since the shares and contribution commitment have been granted directly by HSBC, the offset to compensation cost was a credit to capital surplus representing a contribution of capital from HSBC. The options granted and their related compensation cost are insignificant to the financial results of the Company.

Note 21. Postretirement Benefits

The Company, the Bank and certain other subsidiaries maintain a noncontributory pension plan covering substantially all of their employees hired prior to January 1, 1997 and those who joined the Company through acquisitions. Certain other HSBC subsidiaries participate in this plan.

The Company also maintains unfunded noncontributory health and life insurance coverage for all employees who retired from the Company and were eligible for immediate pension benefits from the Company's retirement plan. Employees retiring after January 1, 1993 will absorb a portion of the cost of these benefits. Employees hired after that same date are not eligible for these benefits. A premium cap has been established for the Company's share of retiree medical cost.

<TABLE>
<CAPTION>

The Company adopted the provisions of Statement of Financial Accounting Standards No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits (FAS 132). FAS 132 revised disclosure requirements; it did not change measurement recognition. The following table provides data concerning the Company's benefit plans.

	Pension Benefits		Other Postretirement Benefits	
	1998	1997	1998	1997
		in thousands		
<S>	<C>	<C>	<C>	<C>
Change in benefit obligation				
Benefit obligation, January 1	$420,600	$333,115	$ 75,217	$ 70,180
Service cost	17,512	17,220	1,959	1,890
Interest cost	29,014	27,751	5,064	4,871
Participant contributions	-	-	279	334
Actuarial (gain) loss	(482)	24,418	1,629	(2,595)
Acquisitions/plan merger	-	31,847	-	4,957
Benefits paid	(14,539)	(13,751)	(6,178)	(4,420)
Benefit obligation, December 31	$452,105	$420,600	$ 77,970	$ 75,217
Change in plan assets				
Fair value of plan assets, January 1	$424,530	$328,900	$ -	$ -

Actual return on plan assets	80,398	69,357	-	-
Company contribution	30,000	-	5,899	4,086
Participant contributions	-	-	279	334
Acquisition	-	40,024	-	-
Benefits paid	(14,539)	(13,751)	(6,178)	(4,420)
Fair value of plan assets, December 31	$520,389	$424,530	$ -	$ -
Funded status of plan				
Funded status, December 31	$ 68,284	$ 3,930	$(77,970)	$(75,217)
Unrecognized actuarial gain	(42,519)	(2,182)	(5,967)	(7,596)
Unrecognized prior service cost	6,906	7,779	-	-
Unrecognized net transition obligation	-	(1,340)	45,459	48,706
Recognized amount	$ 32,671	$ 8,187	$(38,478)	$(34,107)
Amount recognized in the consolidated balance sheet				
Prepaid benefit cost	$ 32,671	$ 8,187	$ -	$ -
Accrued benefit liability	-	-	(38,478)	(34,107)
Recognized amount	$ 32,671	$ 8,187	$(38,478)	$(34,107)

</TABLE>

<TABLE>
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Operating expenses for 1998, 1997 and 1996 included the following components.

	Pension Benefits			Other Postretirement Benefits		
	1998	1997	1996	1998	1997	1996
			in thousands			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net periodic benefit cost						
Service cost	$ 17,512	$ 17,220	$ 14,696	$ 1,959	$1,890	$ 2,024
Interest cost	29,014	27,751	20,789	5,064	4,871	4,794
Expected return on plan assets	(40,631)	(34,395)	(25,080)	-	-	-
Prior service cost amortization	961	954	632	-	-	-
Actuarial (gain) loss	-	-	1,335	-	(486)	-
Transition amount amortization	(1,340)	(1,341)	(1,341)	3,247	3,247	3,247
Net periodic benefit cost	$ 5,516	$ 10,189	$ 11,031	$10,270	$9,522	$10,065
Weighted-average assumptions as of December 31						
Discount rate	7.00%	7.25%	7.75%	6.25%	6.75%	7.50%
Expected return on plan assets	9.50	9.50	9.50	-	-	-
Rate of compensation increase	4.65	4.90	5.40	4.65 (1)	4.90 (1)	5.40 (1)

(1) Applicable to life insurance only.

</TABLE>

Net periodic pension cost includes $1.9 million, $2.0 million and $1.2 million for 1998, 1997 and 1996, respectively, recognized in the financial statements of other HSBC subsidiaries participating in the Company's pension plan.

The Company has assumed a health care cost trend rate of 12% for 1999, decreasing 1% per year to an ultimate rate of 7% in the year 2004.

The assumed health care cost trend rate has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend by 1% would increase the aggregate service and interest cost component by $.1 million and the accumulated postretirement benefit obligation by $.9 million. Decreasing the health care cost trend rate by 1% would decrease the aggregate service and interest cost components by $.1 million and the accumulated post retirement benefit obligation by $1.0 million.

Employees hired after January 1, 1997, after one year of service, become participants in a defined contribution plan. The Company also maintains a 401(k) plan covering substantially all employees. Contributions to these defined contribution plans are based on a percentage of employees' compensation or their own contributions in the case of the 401(k) plan. Pension expenses recognized for defined contribution plans totaled $8.9 million in 1998, $8.3 million in 1997 and $6.9 million in 1996.

<TABLE>
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Note 22. Business Segments

	Segments				Corporate	
	Commercial Banking	Mortgage Banking	Personal Banking	Treasury	and Other	Total
			in millions			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1998						
Net interest income (1)	$ 369	$ 75	$ 567	$ 22	$ 132	$ 1,165
Other operating income	138	53	211	(4)	62	460
Total income	507	128	778	18	194	1,625
Provision for credit losses (2)	34	(11)	79	-	(22)	80
Other expenses (3)	233	52	443	7	45	780
Pretax income	240	87	256	11	171	765
Average assets	9,215	8,489	4,333	5,279	5,531	32,847
Average liabilities/equity (4)	5,873	327	14,731	6,720	5,196	32,847
1997						
Net interest income (1)	$ 365	$ 83	$ 578	$ 14	$ 134	$ 1,174
Other operating income	117	37	168	1	36	359
Total income	482	120	746	15	170	1,533
Provision for credit losses (2)	8	6	144	-	(70)	88
Other expenses (3)	215	59	424	7	76	781
Pretax income	259	55	178	8	164	664
Average assets	7,683	7,792	4,691	3,677	5,183	29,026
Average liabilities/equity (4)	5,272	296	14,037	3,683	5,738	29,026
1996						
Net interest income (1)	$ 309	$ 50	$ 466	$ 11	$ 126	$ 962
Other operating income	106	24	143	-	38	311
Total income	415	74	609	11	164	1,273
Provision for credit losses (2)	8	1	113	-	(57)	65
Other expenses (3)	198	31	363	6	59	657
Pretax income	209	42	133	5	162	551
Average assets	6,498	2,522	4,518	2,580	4,694	20,812
Average liabilities/equity (4)	4,121	153	9,915	2,550	4,073	20,812

(1) Net interest income of each segment represents the difference between actual interest earned on assets and interest paid on liabilities of the segment adjusted for a funding charge or credit. Segments are charged a cost to fund assets (e.g. customer loans) and receive a funding credit for funds provided (e.g. customer deposits) based on equivalent market rates.

(2) The provision apportioned to the segments is based on the segments net charge offs and the change in allowance for credit losses. Credit loss reserves are established at a level sufficient to absorb the losses considered to be inherent in the portfolio. The difference between segment provisions and the Company provision is included in corporate and other.

(3) Expenses for the segments include fully apportioned corporate overhead expenses with the exception of non-recurring corporate expenses.

(4) Equity is not allocated to segments; it is included in corporate and other.

</TABLE>

The Company has four distinct segments that it utilizes for management reporting and analysis purposes. These segments are based upon products and services offered and are identified in a manner consistent with the requirements outlined in Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information. The segment results show the financial performance of the major business units. These results are determined based on the Company's management accounting process, which assigns balance sheet, revenue and expense items to each reportable business unit on a systematic basis. Management does not analyze depreciation and amortization expense or expenditures for additions to long-lived assets which are not considered significant. As such, these amounts are included in other expenses and average assets, respectively, in the table. The following describes the four reportable segments.

The Commercial Banking Segment provides a diversified range of wholesale financial products and services. This segment provides loan and deposit products to small, middle market and large corporations including specialized products such as highly leveraged financings, equipment financing and real estate financing. These products and services are offered through multiple delivery systems, including the branch banking network. In addition various credit and trade related products are offered such as standby facilities, performance guarantees, acceptances and document handling. U.S. dollar clearings services are offered for domestic and international wire transfer transactions. Corporate trust provides various trustee, agency and custody products and services for both corporate and municipal customers.

The Mortgage Banking Segment provides residential mortgage loan financing through direct retail and wholesale origination channels. This segment originates loans through a network of brokers, wholesale agents and retail origination offices. It also manages the held portfolio, consisting of investments in various mortgage loan products originated by the Bank. Originations provides services ranging from application taking to loan closing. Servicing provides loan servicing functions on a contractual basis for mortgage loans owned by third parties.

The Personal Banking Segment provides an extensive variety of products and services including various loans, deposits, mutual funds, sales, investment management services and estate planning in addition to a wide array of branch services. This segment provides revolving cards and installment loan products marketed to individuals through the branch banking network.

The Treasury Segment maintains overall responsibility for the investment and borrowing of funds to ensure liquidity, maximize return and manage interest rate risk exposure. This segment is primarily responsible for trading activities for the purpose of generating profits by selling securities in the near term and for various wholesale funding of assets and liabilities.

Corporate and Other consists primarily of available for sale securities, held for investment purposes and earnings on capital which are not allocated to the business segments. Other also includes certain non-recurring expenses and the provision for credit losses not assigned to business units.

Note 23. Commitments and Contingent Liabilities

At December 31, 1998 securities, loans and other assets carried in the consolidated balance sheet at $3.91 billion were pledged as collateral for borrowings, to secure governmental and trust deposits and for other purposes.

<TABLE>
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The Company and its subsidiaries are obligated under a number of noncancellable leases for premises and equipment. Certain leases contain renewal options and escalation clauses. Minimum future rental commitments on leases in effect at December 31, 1998 were:

	Capital Leases	Operating Leases
	in thousands	
<S>	<C>	<C>
1999	$ 6,504	$ 34,765
2000	6,408	30,984
2001	6,377	27,164
2002	6,309	19,189

2003	6,090	24,749
Thereafter	53,998	45,383
Total minimum lease payments	85,686	$182,234
Less: executory costs	32,309	
Net minimum obligation	53,377	
Less: amount representing interest	23,605	
Present value of net minimum lease payments at December 31, 1998	$29,772	

</TABLE>

Operating expenses include rental expense, net of sublease rentals, of $43.2 million, $42.1 million and $36.7 million in 1998, 1997 and 1996, respectively.

The Company and its subsidiaries are defendants in a number of legal proceedings arising out of, and incidental to, their businesses. Management of the Company, based on its review with counsel of the development of these matters to date, is of the opinion that the ultimate resolution of these pending proceedings will not have a material adverse effect on the business or financial position of the Company.

Note 24. Financial Instruments With Off-Balance Sheet Risk

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers, to reduce its own exposure to fluctuations in interest rates and to realize profits. These financial instruments involve, to varying degrees, elements of credit and market risk in excess of the amount recognized in the consolidated balance sheet. Credit risk represents the possibility of loss resulting from the failure of another party to perform in accordance with the terms of a contract. The Company uses the same credit policies in making commitments and conditional obligations as it does for balance sheet instruments.

Market risk represents the exposure to future loss resulting from the decrease in value of an on- or off-balance sheet financial instrument caused by changes in interest rates. Market risk is a function of the type of financial instrument involved, transaction volume, tenor and terms of the agreement and the overall interest rate environment. The Company controls market risk by managing the mix of the aggregate financial instrument portfolio and by entering into offsetting positions.

<TABLE>
<CAPTION>

A summary of financial instruments with off-balance sheet risk follows.

December 31,	1998	1997
	in millions	
<S>	<C>	<C>
Financial instruments whose contractual amounts represent the associated risk:		
Standby letters of credit and financial guarantees		
Guarantees for certain debt obligations of borrowers		
State and municipal	$ 125	$ 147
Industrial revenue	310	287
Other, primarily corporate	25	10
Other	1,227	601
Other letters of credit	490	295
Commitments to extend credit	15,460	10,588
Financial instruments whose notional or contractual amounts do not represent the associated risk:		
Interest rate swaps	5,943	6,908
Forward rate agreements	1,600	600
Futures contracts	2,815	3,786
Interest rate caps and floors	2,323	1,671
Options on futures contracts	-	600
Foreign exchange contracts	159	134
Commitments to deliver mortgaged-backed securities	850	275

</TABLE>

For commitments to extend credit, standby letters of credit and guarantees, the Company's exposure to credit loss in the event of non-performance by the counterparty to the financial instrument, is represented by the contractual amount of those instruments. Although management does not anticipate any significant loss as a result of these transactions, an allowance for credit loss related to these instruments of $10 million is included in interest, taxes and other liabilities on the consolidated balance sheet at December 31, 1998.

For those financial instruments whose contractual or notional amount does not represent the amount exposed to credit loss, risk at any point in time represents the cost, on a present value basis, of replacing these existing instruments at considering interest and exchange rates. Based on this measurement, $182.8 million was at risk at December 31, 1998. See Note 25 for further discussion of activities in derivative financial instruments. The Company controls the credit risk associated with off-balance sheet derivative financial instruments established for each counterparty through the normal credit approval process. See Note 19 for contracts entered into with the HSBC Group. Collateral is maintained on these positions, the amount of which is consistent with the measurement of exposure used in the risk-based capital ratio calculations under the banking regulators' guidelines.

Standby letters of credit and guarantees have been reduced by $76.6 million and $15.8 million at December 31, 1998 and 1997, respectively, which represent the amounts participated to other institutions. Maturities of guarantees for certain debt obligations of borrowers range from 1999 to 2019. Fees received are generally recognized as revenue over the life of the guarantee.

Foreign exchange contracts represent the gross amount of contracts to purchase and sell foreign currencies. The extent to which offsets may exist are not considered.

Note 25. Derivative Financial Instruments

As principally an end user of off-balance sheet financial instruments, the Company uses various derivative products to manage its overall interest rate risk within the context of a comprehensive asset and liability strategy. The Company also uses derivatives to offset risk associated with changes in the market value in its trading and available for sale securities portfolios, to protect against the impairment in value of mortgage servicing rights and to satisfy the foreign currency requirements of customers.

The derivative instrument portfolios are actively managed in response to changes in overall and specific balance sheet positions, cash requirements, expectations of future interest rates, market environments and business strategies. Associated credit risk is controlled through the establishment and monitoring of approved limits in derivative positions. Credit risk is also mitigated by executing almost all derivative contracts with members of the HSBC Group, and such contracts are subject to enforceable master netting agreements.

<TABLE>
<CAPTION>

The following summarizes the outstanding positions of derivative contracts.

	Notional		Fair Value	
December 31,	1998	1997	1998	1997
		in millions		
<S>	<C>	<C>	<C>	<C>
Asset/liability management positions				
Interest rate swaps	$5,468	$6,323	$136	$56
Forward rate agreements	1,600	600	-	-
Futures contracts	2,320	2,650	-	(1)
Interest rate caps and floors	-	10	-	-
Options on futures contracts	-	600	-	-
Available for sale portfolio positions				
Interest rate swaps	475	445	(3)	(4)
Futures contracts	195	225	1	1
Interest rate caps and floors	300	300	2	-
Mortgage servicing rights portfolio positions				

Interest rate caps and floors	2,023	1,361	29	12
Trading positions				
Interest rate swaps	-	140	-	-
Futures contracts	300	911	-	-
Foreign exchange contracts	159	134	-	-

</TABLE>

<TABLE>
<CAPTION>

A maturity analysis of notional values of the outstanding positions of derivative contracts (excluding trading positions) follows.

December 31,	1999	2000	2001	2002	2003	2004- 2026	Total
				in millions			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Asset/liability management positions							
Interest rate swaps	$2,512	$628	$1,525	$ 6	$ 270	$527	$5,468
Forward rate agreements	1,600	-	-	-	-	-	1,600
Futures contracts	2,320	-	-	-	-	-	2,320
Available for sale portfolio positions							
Interest rate swaps	-	-	-	120	75	280	475
Futures contracts	30	60	60	45	-	-	195
Interest rate caps and floors	-	-	-	200	-	100	300
Mortgage servicing rights portfolio positions							
Interest rate caps and floors	-	-	16	690	1,317	-	2,023

</TABLE>

Asset/liability management positions - Through the normal course of operations, the Company is subject to risk associated with changes in interest rates to the extent that interest earning assets and interest bearing liabilities mature or reprice at different times or by differing amounts. Pursuant to an overall balance sheet risk management strategy, derivative financial instruments are used to alter the cash flows and maturity characteristics of certain of these assets and liabilities and hedge anticipated repricing in order to maintain net interest margin within a range that management considers acceptable given various assumptions as to changes in interest rates.

Currently, the Company manages risk within the context of an asset sensitive balance sheet position. That is, interest earning assets tend to respond to changes in interest rates by repricing in advance of interest bearing liabilities. While increasing net interest margin in upward rate environments, net interest margin decreases when rates fall. As such, interest rate swaps, along with futures contracts and forward rate agreements are used to synthetically alter the cash flow associated with certain long-term floating rate assets and fixed rate liabilities. Swaps, put and call options are utilized to extend the maturities and financial futures are used to hedge the anticipated re-pricing of certain short-term assets and liabilities in order to limit exposure to changes in interest rates.

<TABLE>
<CAPTION>

The following table summarizes the linkage of notional value derivative financial instruments utilized for asset/liability management positions to balance sheet assets and liabilities at December 31, 1998.

December 31, 1998	Interest Rate Swaps	Forward Rate Agreements	Futures Contracts
		in millions	
<S>	<C>	<C>	<C>
Loans	$2,256	$600	$ 185
Federal funds sold/deposits placed	1,955	400	1,800
Federal funds/purchased deposits	100	-	335
Deposits	467	600	-

Debt	690	-	-

</TABLE>

Available for sale portfolio positions - In addition, the Company uses derivative contracts to synthetically convert fixed rate investment securities held in the available for sale portfolio to variable in order to mitigate the effects of changes in interest rates on the market valuation of these assets.

Mortgage servicing rights portfolio positions - Interest rate caps and floor contracts are used to limit the potential for loss on the valuation of mortgage servicing rights. As interest rates decline, mortgage prepayments generally accelerate, thereby eroding the value of the rights and requiring the Company to increase amortization. As interest rates decline below a specified level, the value of the derivative increases. The increased value of the derivative effectively offsets the decline in value of the rights.

Trading activities - The Company deploys excess liquidity by maintaining active trading positions in a variety of highly-liquid debt instruments including U.S. Government obligations, non-high risk mortgages, asset-backed and other securities. The trading portfolio is managed to realize profits from short-term price movements associated with holding high credit quality securities and associated off-balance sheet derivative instruments.

The majority of derivative instruments held in the trading portfolio are used to hedge market and interest rate risk associated with the on-balance sheet cash instruments to which they are linked. That is, changes in value of cash instruments are effectively offset by changes in value of the related derivative to the extent the on-balance sheet positions are hedged. The Company had no speculative derivative positions at December 31, 1998 outside the trading portfolio.

The Company's derivative trading positions are subject to interest rate risk, maturity and credit exposure limits. Stop loss limits have been imposed on all trading positions, including derivatives, to mitigate exposure to price movements.

Derivative trading positions are marked to market with gains and losses recorded as a component of net trading revenues. Generally, as individual trading assets are sold, the corresponding derivative positions are liquidated and gains and losses realized. See Note 3 for net revenues associated with trading activities during 1998, 1997 and 1996.

<TABLE>
<CAPTION>

The following summarizes by instrument type, the year-end and average fair values of derivative trading positions.

	Fair Value	
December 31, 1998	Year-end	Average
	in millions	
<S>	<C>	<C>
Interest rate swaps		
Assets	$ -	$ .9
Liabilities	-	(1.1)
Futures contracts		
Assets	-	.1
Liabilities	-	(.3)
Foreign exchange contracts		
Assets	1.7	1.5
Liabilities	(1.6)	(1.3)

</TABLE>

Foreign exchange trading activities - The Company maintains open positions in various foreign exchange contracts, principally to accommodate customer demands for specific currencies. Foreign currencies are purchased and sold on a spot basis, with settlement occurring within a two day period. Also, certain forward purchase and sale agreements are entered into in order to match customer requests with settlement requirements associated with foreign markets. Additionally a limited number of open positions are maintained. Net revenues from foreign exchange trading were $5.4 million, $4.4 million and $4.0 million in 1998, 1997 and 1996, respectively.

<TABLE>
<CAPTION>

The following summarizes the foreign currency trading contracts outstanding.

December 31, 1998	Notional Amount	Fair Value
	in millions	
<S>	<C>	<C>
Spot contracts	$ 17.0	$ -
Forward contracts	142.0	-

</TABLE>

Approximately 60% of the foreign currency contracts outstanding are denominated in major currencies. All open foreign exchange contracts are marked to market on a daily basis with gains and losses recorded as a component of net trading revenues.

Relating to certain contracts, the Company records unrealized gains as assets and unrealized losses as liabilities on the balance sheet. Offsetting of unrealized gains and losses is recognized for multiple contracts executed with the same counterparty if a valid right and intent to set off exists. The majority of the Company's arrangements are subject to legally enforceable master netting agreements with affiliated companies which provide for the right of set off.

Note 26. Concentrations of Credit Risk

The Company enters into a variety of transactions in the normal course of business that involve both on- and off-balance sheet credit risk. Principal among these activities is lending to various commercial, institutional, governmental and individual customers. Although the Company actively participates in lending activity throughout the United States and on a limited basis abroad, credit risk is concentrated in the Northeastern United States. The ability of individual borrowers to repay is generally linked to the economic stability of the regions from where the loans originate, as well as the creditworthiness of the borrower. With emphasis on the Western, Central and Metropolitan regions of New York State, the Company maintains a diversified portfolio of loan assets.

<TABLE>
<CAPTION>

Significant concentrations of credit risk are summarized below.

December 31, 1998	On-Balance Sheet	Off-Balance Sheet Commitments
	in millions	
<S>	<C>	<C>
Consumer:		
Credit card receivables	$1,291	$5,614
Residential mortgages	9,467	763
Real estate - commercial construction and mortgage loans	3,096	186

</TABLE>

At December 31, 1998 59% of credit card receivables, 63% of residential mortgages and 61% of commercial construction and mortgage loans were located within the Northeastern United States.

In general, the Company controls the varying degrees of credit risk involved in on- and off-balance sheet transactions through specific credit policies. These policies and procedures provide for a strict approval, monitoring and reporting process. It is the Company's policy to require collateral when it is deemed appropriate. Varying degrees and types of collateral are secured depending upon management's credit evaluation.

<TABLE>
<CAPTION>

Note 27. Geographic Distribution of Revenues and Assets

The following table summarizes the Company's activities by geographic areas.

	Period End Assets		Total Revenue (1)		
	1998	1997	1998	1997	1996
	in millions				
<S>	<C>	<C>	<C>	<C>	<C>
United States	$32,207	$29,230	$1,553	$1,438	$1,213
Europe/Middle East/Africa	1,367	1,499	8	38	7
Asia/Pacific	278	564	46	36	37
Other Western Hemisphere	472	634	18	21	16
Less allowance for credit losses	(380)	(409)	-	-	-
Total	$33,944	$31,518	$1,625	$1,533	$1,273

(1) Includes net interest income and other operating income.

</TABLE>

Loans are distributed geographically primarily on the basis of the location of the head office or residence of the borrowers or, in the case of certain guaranteed loans, the guarantors. Interest bearing deposits with banks are grouped by the location of the head office of the bank. Investments and acceptances are distributed on the basis of the location of the issuers or borrowers.

Interest and fee related income is distributed geographically on the same basis as the related asset. A charge or credit is made at market rates for use of funds after consideration has been given for the use of capital. Other operating income is distributed to the geographic area where the service or operation is performed.

Note 28. Fair Value of Financial Instruments

The following disclosures represent the Company's best estimate of the fair value of on- and off-balance sheet financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument for which it is practicable to do so.

Financial instruments with carrying value equal to fair value - The carrying value of certain financial assets including cash and due from banks, interest bearing deposits with banks, federal funds sold and securities purchased under resale agreements, accrued interest receivable, and customers' acceptance liability and certain financial liabilities including short-term borrowings, interest, taxes and other liabilities and acceptances outstanding, as a result of their short-term nature, are considered to be equal to fair value.

Securities and trading assets - Fair value has been based upon current market quotations, where available. If quoted market prices are not available, fair value has been estimated based upon the quoted price of similar instruments.

Loans - The fair value of the performing loan portfolio has been determined principally based upon a discounted analysis of the anticipated cash flows, adjusted for expected credit losses. The loans have been grouped to the extent possible, into homogeneous pools, segregated by maturity and the weighted average maturity and average coupon rate of the loans within each pool. Depending upon the type of loan involved, maturity assumptions have been based on either contractual or expected maturity.

Credit risk has been factored into the present value analysis of cash flows associated with each loan type, by allocating the allowance for credit losses. The allocated portion of the allowance, adjusted by a present value factor based upon the timing of expected losses, has been deducted from the gross cash flows prior to calculating the present value.

As a result of the allocation of the allowance to adjust the anticipated cash flows for credit risk, a published interest rate that equates as closely as possible to a "risk-free" or "low-risk" loan has been selected for the purpose of discounting the commercial loan portfolio, adjusted for a liquidity factor where appropriate.

Consumer loans have been discounted at the estimated rate of return an investor would demand for the product, without regard to credit risk. This rate has been formulated based upon reference to current market rates. The fair value of the residential mortgage portfolio has been determined by reference to quoted market prices for loans with similar characteristics and maturities.

The portion of the allowance attributable to nonperforming loans has been deducted from carrying value to arrive at an estimate of fair value for nonperforming loans.

Intangible assets - The Company has elected not to specifically disclose the fair value of certain intangible assets. In addition, the Company has not estimated the fair value of unrecorded intangible assets associated with its own portfolio such as core deposits. The fair value of the Company's intangibles is believed to be significant.

Deposits - The fair value of demand, savings and certain money market deposits is equal to the amount payable on demand at the reporting date. For deposits with fixed maturities, fair value has been estimated based upon interest rates currently being offered on deposits with similar characteristics and maturities.

Long-term debt - Fair value has been estimated based upon interest rates currently available to the Company for borrowings with similar characteristics and maturities.

<TABLE>
<CAPTION>

The following, which is provided for disclosure purposes only, provides a comparison of the carrying value and fair value of the Company's financial instruments. Fair values have been determined based on applicable requirements and do not necessarily represent the amount that would be realized upon their liquidation. The fair value of derivative financial instruments is disclosed in Note 25, Derivative Financial Instruments.

	1998		1997	
December 31,	Carrying Value	Fair Value	Carrying Value	Fair Value
		in millions		
<S>	<C>	<C>	<C>	<C>
Financial assets:				
Instruments with carrying value equal to fair value	$ 4,223	$ 4,169	$ 4,328	$ 4,328
Related derivatives	55	1	-	-
Trading assets	826	826	979	979
Securities available for sale	4,238	4,238	4,002	4,002
Related derivatives	-	-	(3)	(3)
Loans, net of allowance for credit losses	23,716	23,787	21,219	21,461
Related derivatives	46	66	6	29
Financial liabilities:				
Instruments with carrying value equal to fair value	3,702	3,702	4,953	4,955
Related derivatives	-	-	-	2
Deposits:				
Without fixed maturities	18,211	18,211	15,636	15,636
Fixed maturities	8,046	8,076	7,157	7,194
Related derivatives	(8)	(1)	(24)	2
Long-term debt	1,744	1,814	1,704	1,731
Related derivatives	(4)	(68)	(4)	(30)

</TABLE>

The above table excludes $2,023 million of notional value interest rate caps and floors with a fair value of $29 million associated with mortgage servicing rights and $18 million of notional value customer facilitation interest rate swaps with a nominal fair value which are outside of the scope required in this footnote.

The fair value of commitments to extend credit, standby letters of credit and financial guarantees, is not included in the previous table. These instruments generate fees which approximate those currently charged to originate similar commitments. Further detail with respect to off-balance sheet financial instruments is provided in Note 24, Financial Instruments With Off-Balance Sheet Risk.

<TABLE>
<CAPTION>

Note 29. Financial Statements of HSBC Americas, Inc. (parent)

Condensed parent company financial statements follow.

Balance Sheet December 31,	1998	1997
	in thousands	
<S>	<C>	<C>
Assets:		
Interest bearing deposits with banks (including $1,012,800 and $1,070,400 in banking subsidiary)	$1,077,800	$1,135,400
Securities available for sale	24,330	29,935
Loans (net of allowance for credit losses of $1,284)	37,694	57,628
Receivable from subsidiaries	702,759	627,461
Investment in subsidiaries at amount of their net assets		
Banking	2,373,656	2,222,905
Other	23,892	43,668
Other assets	47,324	42,180
Total assets	$4,287,455	$4,159,177
Liabilities:		
Interest, taxes and other liabilities	$ 14,027	$ 138,327
Short-term borrowings	910,457	847,431
Long-term debt	722,346	722,094
Long-term debt due to subsidiary	412,372	412,372
Total liabilities	2,059,202	2,120,224
Shareholders' equity	2,228,253	2,038,953
Total liabilities and shareholders' equity	$4,287,455	$4,159,177

</TABLE>

<TABLE>
<CAPTION>

Statement of Income Year Ended December 31,	1998	1997	1996
		in thousands	
<S>	<C>	<C>	<C>
Income:			
Dividends from banking subsidiaries	$405,000	$275,000	$130,000
Dividends from other subsidiaries	7,001	804	7,465
Interest from banking subsidiaries	91,405	84,599	65,963
Interest from other subsidiaries	241	-	27
Other interest income	7,641	12,290	5,429
Securities transactions	7,529	12,650	7,915
Other income	2,226	2,492	2,369
Total income	521,043	387,835	219,168

Expenses:			
Interest (including $33,382, $26,813, and $852 paid to subsidiaries)	123,053	114,294	81,554
Other expenses	6,504	7,535	6,302
Total expenses	129,557	121,829	87,856
Income before taxes and equity in undistributed income of subsidiaries	391,486	266,006	131,312
Income tax benefit	(5,962)	(2,527)	(3,312)
Income before equity in undistributed income of subsidiaries	397,448	268,533	134,624
Equity in undistributed income of subsidiaries	129,619	202,417	245,564
Net income	$527,067	$470,950	$380,188

</TABLE>

<TABLE>
<CAPTION>

Statement of Cash Flows Year Ended December 31,	1998	1997	1996
		in thousands	
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 527,067	$ 470,950	$ 380,188
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization	3,128	3,693	3,278
Net change in other accrued accounts	(4,294)	49,380	(15,155)
Undistributed income of subsidiaries	(129,619)	(202,417)	(245,564)
Other, net	116,636	(149,056)	(8,190)
Net cash provided by operating activities	512,918	172,550	114,557
Cash flows from investing activities:			
Net change in interest bearing deposits with banks	57,600	81,700	61,300
Purchases of securities	-	(5,000)	(125)
Sales of securities	12,366	20,785	12,829
Net change in other short-term loans	-	-	78,000
Principal collected on long-term loans	19,934	55,658	5,592
Long-term loans advanced	(200,000)	(100,000)	(414,333)
Investment in banking subsidiary	-	(95,298)	-
Other, net	14,156	229	219
Net cash used by investing activities	(95,944)	(41,926)	(256,518)
Cash flows from financing activities:			
Net change in short-term borrowings	63,026	90,798	(265,458)
Issuance of long-term debt	-	200,000	497,480
Repayment of long-term debt	-	(125,000)	-
Redemption of preferred stock	-	(98,063)	-
Dividends paid	(480,000)	(202,937)	(85,872)
Net cash provided (used) by financing activities	(416,974)	(135,202)	146,150
Net change in cash and due from banks	-	(4,578)	4,189
Cash and due from banks at beginning of year	-	4,578	389
Cash and due from banks at end of year	$ -	$ -	$ 4,578
Supplementary data			
Interest paid	$ 121,889	$ 120,840	$ 72,662
Income taxes paid	-	-	5,155

</TABLE>

The Bank is subject to legal restrictions on certain transactions with its nonbank affiliates in addition to the restrictions on the payment of dividends to the Company (see Note 15).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no disagreements on accounting and financial disclosure matters between the Company and its independent accountants during 1998.

PART III

Item 10. Directors and Executive Officers of the Registrant

Directors
Set forth below is certain biographical information relating to the members of the Company's Board of Directors. Each director is elected annually. There are no family relationships among the directors.

John R. H. Bond, age 57, Chairman of the Company and the Bank since January 1, 1997 and Group Chairman of HSBC since May 29, 1998. Formerly President and Chief Executive Officer of the Company and the Bank from 1991 through 1992. Previously Executive Director Banking, HongkongBank from 1990 to 1991 and Executive Director Americas from 1988 to 1990. Mr. Bond is director and Chairman of HSBC Finance (Netherlands) Limited, Chairman of Midland Bank plc, Chairman of The British Bank of the Middle East and a director of HongkongBank, the London Stock Exchange, Saudi British Bank and Orange plc. Elected in 1987.

I. Malcolm Burnett, age 51, President and Chief Executive Officer of the Company and the Bank from January 1998 and director of the Bank since 1996. Formerly Chief Operating Officer of the Bank since 1992. He joined the HSBC Group in 1966 and has served in various positions in the United Kingdom, Hong Kong, India, Indonesia and the Solomon Islands. Prior to joining the Bank he was Chief Operating Officer of HongkongBank Singapore, a position held since 1989. Mr. Burnett is also a director of HSBC Holdings B.V., HSBC Markets Holdings (USA), Inc., Hongkong Bank of Canada, and Wells Fargo HSBC Trade Bank, N.A. Elected in 1997.

James H. Cleave, age 56, formerly President and Chief Executive Officer of the Company and the Bank from 1993 through 1997 and formerly Executive Director from June 1992 through December 1992. Previously Director, President and Chief Executive Officer of Hongkong Bank of Canada since 1987. Mr. Cleave is also Chairman of Hongkong Bank of Canada and a director of that Bank. Elected in 1991.

Youssef A. Nasr, age 44, Director, President and Chief Executive Officer of Hongkong Bank of Canada since January 1998. Mr. Nasr is also a director of the Bank. Previously he was Deputy Chief Executive and he has held various executive positions with Hongkong Bank of Canada since 1990. He has been a member of the HSBC Group since 1976 and was appointed a Group General Manager in 1998. Elected in 1998.

Keith R. Whitson, age 55, Group Chief Executive Officer of HSBC since May 29, 1998 and a director of HSBC since 1994. Formerly Chief Executive Officer of Midland Bank plc from 1992 through 1998. Prior to that he was Executive Director of the Company from 1990 through 1992. He has been with HSBC since 1961. Elected in 1998.

Directors' Compensation

Directors who are employees of the Company, HSBC or other group affiliates do not receive compensation for their services as Company directors.

Executive Officers

<TABLE>
<CAPTION>

The table below shows the names and ages of all executive officers of the Company and the positions held by them as of March 1, 1999 and the dates when elected an executive officer of the Company or the Bank.

Name	Age	Year Elected	Present Position with the Company
<S>	<C>	<C>	<C>
I. Malcolm Burnett	51	1998	President and Chief Executive Officer
Robert B. Engel	45	1994	Chief Banking Officer
Robert H. Muth	46	1993	Chief Administrative Officer
Robert M. Butcher	55	1988	Executive Vice President and Chief Financial Officer
Vincent J. Mancuso	52	1996	Executive Vice President and Group Audit Executive, USA
Paul E. Martin	46	1998	Executive Vice President and Chief Credit Officer
Gerald A. Ronning	51	1991	Executive Vice President and Controller
Philip S. Toohey	55	1990	Legal Advisor, Americas and Secretary

</TABLE>

All executive officers have served the Company or the Bank in executive capacities for more than five years. There are no family relationships among the above officers.

Item 11. Executive Compensation

The following table sets forth information as to the compensation earned through December 31, 1998 by I. Malcolm Burnett, President and Chief Executive Officer and by the four most highly compensated officers of the Company and the Bank.

<TABLE>
<CAPTION>

Summary Compensation Table

		Annual Compensation			All
Name and Principal Position	Year	Salary	Bonus	Other	Other Compensation
<S>	<C>	<C>	<C>	<C>	<C>
I. Malcolm Burnett	1998	$618,736	$ 55,500	$386,737	$ -
President and	1997	474,793	44,938	258,851	-
Chief Executive Officer	1996	499,592	21,814	256,753	-
John A. D. Hamilton	1998	527,256	48,622	230,586	-
Executive Vice President	1997	452,932	41,312	275,198	-
Information Technology	1996	425,241	27,069	215,877	-
Robert B. Engel	1998	300,565	211,825	7,475	12,223
Chief Banking Officer	1997	204,385	122,875	5,783	7,440
	1996	197,308	95,900	5,633	7,892
Robert H. Muth	1998	299,593	211,825	5,093	10,400
Chief Administrative Officer	1997	231,985	135,025	4,588	9,194
	1996	202,573	104,600	3,561	7,595
Robert M. Butcher	1998	313,358	173,000	12,721	6,400
Executive Vice President and	1997	307,015	184,250	9,315	6,844
Chief Financial Officer	1996	300,554	144,775	9,165	5,960

</TABLE>

Mr. Burnett and Mr. Hamilton have been seconded to the Bank by HSBC which pays their salary and other benefits pursuant to arrangements applicable to international HSBC officers. Other Annual Compensation for Mr. Burnett includes $274,164, $147,093, and $143,046 for 1998, 1997 and 1996, respectively, received for housing allowance. Mr. Hamilton's Other Annual

Compensation includes a housing allowance of $70,561, $69,767 and $81,161 for 1998, 1997 and 1996, respectively. It also includes an education allowance of $105,860, $81,987 and $74,925 for 1998, 1997 and 1996, respectively. Other Annual Compensation for the other named executives includes health and insurance benefits.

Amounts reported as All Other Compensation include the Company's contributions to its 401(k) plan and a four percent credit on salary deferred under the Company's deferred salary plan. Since deferred salary is not eligible for the company matching contributions under the 401(k) plan, salary deferrals are increased by four percent, which is the maximum matching contribution available under the 401(k) plan. HSBC secondees to the Company do not participate in these benefit plans.

HSBC has granted options on HSBC common stock to the named executives. Options were granted on March 16, 1998, exercisable beginning March 16, 2001 conditional upon the growth in earnings per share of HSBC over the three year period and expiring March 16, 2008.

<TABLE>
<CAPTION>

The following table shows the estimated annual retirement benefit payable upon normal retirement on a straight life annuity basis to participating employees, including officers, in the compensation and years of service classifications indicated under the Company's retirement plans which cover most officers and employees on a non-contributory basis. The amounts shown are before application of social security reductions. Years of service credited for benefit purposes is limited to 30 years in the aggregate.

	Estimated Annual Retirement Benefits for Representative Years of Credited Service				
Five Year Average Compensation	15	20	25	30	35
<C>	<C>	<C>	<C>	<C>	<C>
$125,000	$ 36,875	$ 49,375	$ 61,875	$ 74,375	$ 74,688
150,000	44,250	59,250	74,250	89,250	89,265
175,000	51,625	69,125	86,625	104,125	104,563
200,000	59,000	79,000	99,000	119,000	119,500
225,000	66,375	88,875	111,375	133,875	134,438
250,000	73,750	98,750	123,750	148,750	149,375
300,000	88,500	118,500	148,500	178,500	179,250
350,000	103,250	138,250	173,250	208,250	209,125
400,000	118,000	158,000	198,000	238,000	239,000
450,000	132,750	177,750	222,750	267,750	268,875

</TABLE>

The Pension Plan is a non-contributory defined benefit pension plan under which the Bank and other participating subsidiaries of the Company make contributions in actuarially determined amounts. Compensation covered by the Pension Plan includes regular basic earnings (including salary reduction contributions to the 401(k) plan), but not incentive awards, bonuses, special payments or deferred salary. The Company maintains supplemental benefit plans which provide for the difference between the benefits actually payable under the Pension Plan and those that would have been payable if certain other awards, special payments and deferred salaries were taken into account and if

compensation in excess of the limitations set by the Internal Revenue Code could be counted. Payments under these plans are unfunded and will be made out of the general funds of the Bank or other participating subsidiaries. The calculation of retirement benefits is based on the highest five-consecutive year compensation.

Members of the Senior Management Committee of the Bank receive two times their normal credited service for each year and fraction thereof served as a committee member in determining pension and severance benefits to a maximum of 30 years of credited service in total. This additional service accrual is unfunded and payments will be made from the general funds of the Bank or other subsidiaries. As of December 31, 1998, the individuals listed in the Summary Compensation Table, have total years of credited service in determining benefits payable under the plans as follows: Mr. Engel, 17.4; Mr. Muth, 11.5; and Mr. Butcher, 19.7. HSBC secondees to the Company do not participate in the retirement plans.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Principal Holder of Securities
The Company is 100 percent owned by HSBC Holdings B.V. HSBC Holdings B.V. is an indirect wholly owned subsidiary of HSBC Holdings plc.

Messrs. Bond and Whitson are officers and directors of HSBC.

None of the directors or executive officers owned any of the Company's common stock at December 31, 1998.

Item 13. Certain Relationships and Related Transactions

Directors and officers of the Company, members of their immediate families and HSBC and its affiliates were customers of, and had transactions with, the Company, the Bank and other subsidiaries of the Company in the ordinary course of business during 1998. Similar transactions in the ordinary course of business may be expected to take place in the future.

All loans to executive officers and directors and members of their immediate families and to HSBC and its affiliates were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than normal risk of collectibility or present other unfavorable features.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

A

1. and 2. Financial Statements and Schedules
   The following financial statements and schedules of the Company and its subsidiaries are included in Item 8:
     Report of Independent Auditors
     HSBC Americas, Inc.:
       Consolidated Balance Sheet
       Consolidated Statement of Income
       Consolidated Statement of Changes in Shareholders' Equity
       Consolidated Statement of Cash Flows
     Marine Midland Bank:
       Consolidated Balance Sheet
     Summary of Significant Accounting Policies
     Notes to Financial Statements

3. Exhibits
    3   a Registrant's Restated Certificate of Incorporation and Amendments Thereto
        b Registrant's By-Laws, as Amended to Date
    4   Instruments Defining the Rights of Security Holders, Including Indentures

        Registrant has previously filed with the Commission as Exhibits to various registration statements and periodic reports the Restated Certificate of Incorporation, as amended, By-Laws and all Indentures and other Instruments Defining the Rights of Security Holders

    12.01 Computation of Ratio of Earnings to Fixed Charges (filed herewith)
    12.02 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends (filed herewith)

    22 Subsidiaries of the Registrant
        The Company's only significant subsidiary, as defined, is Marine Midland Bank, a state bank organized under the laws of New York State.
    23 Consent of independent accountants

B

Reports on Form 8-K

Report on Form 8-K dated January 27, 1999 was filed which reported the issuance of a press release reporting the Company's earnings for the three and twelve month periods ended December 31, 1998.

Report on Form 8-K dated January 27, 1999 was filed which provided the computation of the ratio of earnings to fixed charges and the computation of the ratio of earnings to combined fixed charges and preferred dividends for the nine months ended September 30, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Americas, Inc.
Registrant

/s/ Philip S. Toohey

Philip S. Toohey
Legal Advisor, Americas
and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 1, 1999 by the following persons on behalf of the Registrant and in the capacities indicated:

/s/ Robert M. Butcher

Robert M. Butcher
Executive Vice President &
Chief Financial Officer
(Principal Financial Officer)

/s/ Gerald A. Ronning

Gerald A. Ronning
Executive Vice President &
Controller
(Principal Accounting Officer)

John R. H. Bond*
Chairman of the Board
I. Malcolm Burnett*
Director, President & Chief Executive Officer
James H. Cleave* Director
Youssef A. Nasr* Director
Keith R. Whitson* Director

* /s/ Philip S. Toohey

Philip S. Toohey
Attorney-in-fact

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Exhibit 12.01

HSBC Americas, Inc.
Computation of Ratio of Earnings to Fixed Charges
(in millions, except ratios)

	Years Ended December 31,				
	1998	1997	1996	1995	1994
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Excluding interest on deposits					
Net income (loss)	$ 527	$ 471	$ 380	$ 284	$ (37)

Applicable income tax expense	238	193	171	52	126
Less undistributed equity earnings	2	2	2	-	4
Fixed charges:					
Interest on:					
Borrowed funds	204	197	121	81	81
Long-term debt	96	112	48	50	86
One third of rents, net of income from subleases	14	14	12	12	11
Total fixed charges	314	323	181	143	178
Earnings before taxes based on income and fixed charges	$1,077	$ 985	$ 730	$ 479	$ 263
Ratio of earnings to fixed charges	3.43	3.05	4.03	3.35	1.48
Including interest on deposits					
Total fixed charges (as above)	$ 314	$ 323	$ 181	$ 143	$ 178
Add: Interest on deposits	867	679	481	465	308
Total fixed charges and interest on deposits	$1,181	$1,002	$ 662	$ 608	$ 486
Earnings before taxes based on income and fixed charges (as above)	$1,077	$ 985	$ 730	$ 479	$ 263
Add: Interest on deposits	867	679	481	465	308
Total	$1,944	$1,664	$1,211	$ 944	$ 571
Ratio of earnings to fixed charges	1.65	1.66	1.83	1.55	1.17

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Exhibit 12.02

HSBC Americas, Inc.
Computation of Ratio of Earnings to Combined Fixed Charges
and Preferred Dividends
(in millions, except ratios)

	Years Ended December 31,				
	1998	1997	1996	1995	1994
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Excluding interest on deposits					
Net income (loss)	$ 527	$ 471	$ 380	$ 284	$ (37)
Applicable income tax expense	238	193	171	52	126
Less undistributed equity earnings	2	2	2	-	4
Fixed charges:					
Interest on:					
Borrowed funds	204	197	121	81	81
Long-term debt	96	112	48	50	86
One third of rents, net of income from subleases	14	14	12	12	11
Total fixed charges	314	323	181	143	178
Earnings before taxes based on income and fixed charges	$1,077	$ 985	$ 730	$ 479	$ 263
Total fixed charges	$ 314	$ 323	$ 181	$ 143	$ 178
Preferred dividends	-	1	6	6	6
Ratio of pretax income to income (loss) after applicable income tax expense	1.45	1.41	1.45	1.18	*
Total preferred stock dividend factor	-	2	9	7	6
Fixed charges, including preferred stock					

dividend factor	$ 314	$ 325	$ 190	$ 150	$ 184
Ratio of earnings to combined fixed charges and preferred dividends	3.43	3.03	3.84	3.19	1.43
Including interest on deposits					
Total fixed charges, including preferred dividend factor (as above)	$ 314	$ 325	$ 190	$ 150	$ 184
Add: Interest on deposits	867	679	481	465	308
Fixed charges, including preferred stock dividend factor and interest on deposits	$1,181	$1,004	$ 671	$ 615	$ 492
Earnings before taxes based on income and fixed charges (as above)	$1,077	$ 985	$ 730	$ 479	$ 263
Add: Interest on deposits	867	679	481	465	308
Total	$1,944	$1,664	$1,211	$ 944	$ 571
Ratio of earnings to combined fixed charges and preferred dividends	1.65	1.66	1.80	1.53	1.16

* Ratio is less than one, therefore actual preferred stock dividend amount used.

</TABLE>

Exhibit 23

The Board of Directors
HSBC Americas, Inc.:

We consent to incorporation by reference in the registration statement (No. 333-53647) on Form S-3 of HSBC Americas, Inc. of our report dated January 21, 1999, relating to the consolidated balance sheets of HSBC Americas, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998, and the consolidated balance sheets of Marine Midland Bank and subsidiaries as of December 31, 1998 and 1997, which report appears in the December 31, 1998 annual report on Form 10-K of HSBC Americas, Inc.

/s/ KPMG LLP

March 25, 1999
Buffalo, New York

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