

HSBC Holdings plc Interim Results 2008

Presentation to Investors and Analysts

Emerging market
leadership
Growth opportunities
Tier 1 capital ratio 8.8%
Dividend up 6%
Cost growth less than world inflation
Over **\$10bn** profit before tax
Earnings per share down 32%

Financial strength
in difficult markets

HSBC 

The world's local bank

Forward-looking statements

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Interim Report

Reported results

Profit before tax

US\$10.2bn, down 28%
(down 22% excl. dilution gains in 1H07)

Attributable profit

US\$7.7bn, down 29%
(down 22%, excl. dilution gains in 1H07)

Earnings per share

US\$0.65, down 32%
(down 24% excl. dilution gains in 1H07)

Return on total shareholders' equity

12.1% compared to 19.1%

Dividends per share¹

Up 6% to US\$0.36

Tier 1 capital

8.8% against 8.7% at end 2007
Core Equity Tier 1, 7.5%

Note:

(1) In respect of 1H08, as disclosed in the 2007 Annual Report and Accounts

Performance in 1H08

- Resilient performance in most difficult market for several decades
- Balance of earnings between markets and businesses helped cushion market turmoil
- Profitable in all our Customer Groups, including Global Banking and Markets
- Profitable across all our Geographies, with the continued exception of North America
- Unwavering commitment to financial strength
- Continued our dividend policy and commitment to make capital available for future investment
- Costs well controlled
- TSR performance top five in peer group

Douglas Flint
Financial performance in first half 2008

Summary of results

(US\$m)	1H07	1H08	% Change vs 1H07
Net operating income before loan impairment charges	38,493	39,475	+3
Loan impairment charges	(6,346)	(10,058)	+58
Net operating income	32,147	29,417	-8
Total operating expenses	(18,611)	(20,140)	+8
Profit before tax	14,159	10,247	-28
Profit attributable to shareholders	10,895	7,722	-29
Cost efficiency ratio (%)	48.3	51.0	
Earnings per share (US\$)	0.95	0.65	-32
Dividends per share (US\$), in respect of 1H07, 1H08	0.34	0.36	+6
Tier 1 ratio (%)	9.3¹	8.8²	

Notes:

(1) Basel I

(2) Basel II

Underlying growth, 1H08 vs 1H07

US\$m	1H07 restated ¹	Dilution gains ² and disposals	1H07 restated, excl dilution gains	1H08	Acquisitions	Rest of HSBC	% Change
Net operating income before loan impairment charges	39,824	1,114	38,710	39,475	68	39,407	+2
Loan impairment charges	(6,470)	-	(6,470)	(10,058)	-	(10,058)	+55
Net operating income	33,354	1,114	32,240	29,417	68	29,349	-9
Total operating expenses	(19,349)	(55)	(19,294)	(20,140)	(28)	(20,112)	+4
Profit before tax	14,676	1,059	13,617	10,247	28	10,219	-25

Notes:

(1) Restated for constant currency

(2) Gains arising from dilution of interests in Chinese associates

Underlying growth, 1H08 vs 2H07

US\$m	2H07 restated ¹	Dilution gains ² and disposals	2H07 restated, excl dilution gains	1H08	Acquisitions	Rest of HSBC	% Change
Net operating income before loan impairment charges	40,827	72	40,755	39,475	13	39,462	-3
Loan impairment charges	(10,918)	-	(10,918)	(10,058)	-	(10,058)	-8
Net operating income	29,909	72	29,837	29,417	13	29,404	-1
Total operating expenses	(20,658)	(50)	(20,608)	(20,140)	(11)	(20,129)	-2
Profit before tax	10,168	22	10,146	10,247	2	10,245	+1

Notes:

(1) Restated for constant currency

(2) Gains arising from dilution of interests in associates

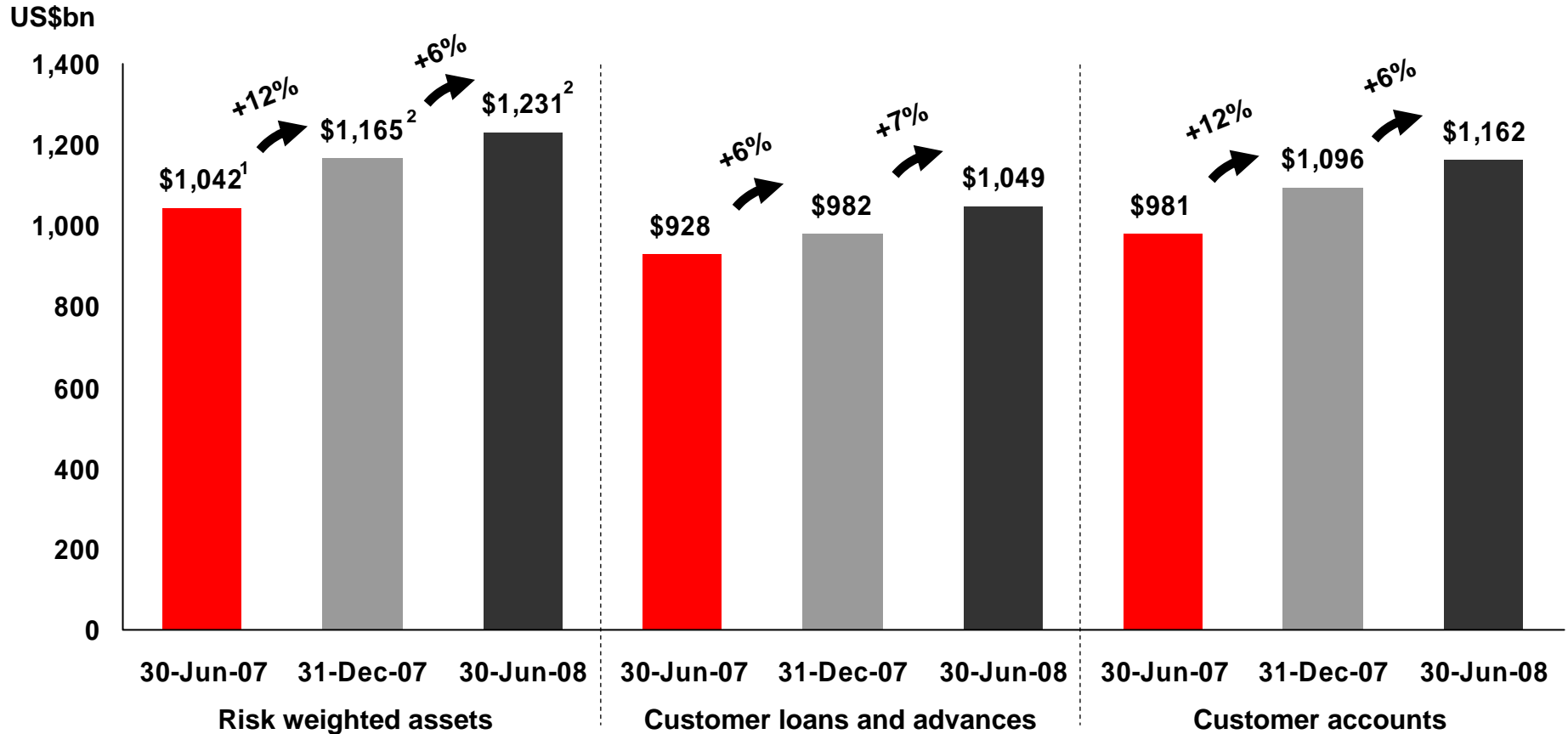
Special factors

US\$m	1H07	2H07	1H08
Profit before tax	14,159	10,053	10,247
Dilution gains ¹	1,076	16	-
Fair value of own debt – change in credit spread	172	2,883	824
Goodwill impairment (North America PFS)	-	-	(527)
Global Banking and Markets write-downs	-	(2,135)	(3,931)
Profit before tax, adjusting for special factors	12,911	9,279	13,881
Effective tax rate (%)	18.7	11.1	18.9

Note:

(1) Gains arising from dilution of interests in associates

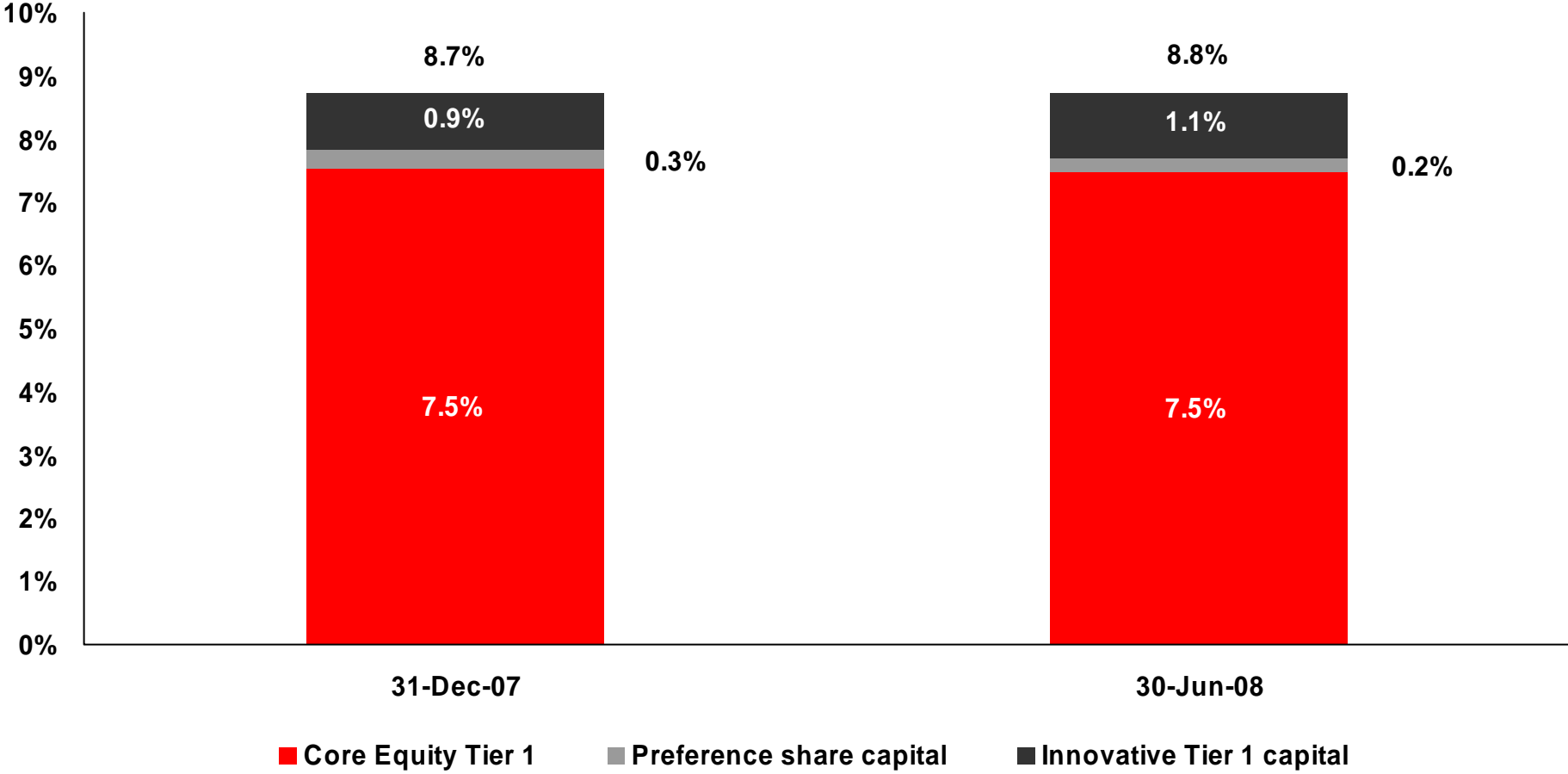
Balance sheet growth



Notes:
 (1) Basel I
 (2) Basel II

Capital strength continues

Tier 1 capital ratios (%), Basel II



Credit quality

Loan impairment charges	US\$m			% of avg advances annualised		
	1H07	2H07	1H08	1H07	2H07	1H08
Personal Financial Services						
Europe	1,127	917	963	1.53	1.21	1.28
Hong Kong	74	101	34	0.40	0.51	0.17
Rest of Asia-Pacific	252	300	375	1.68	1.80	2.09
North America	3,774	8,135	6,952	3.46	7.35	6.68
Latin America	701	791	1,060	8.01	7.56	9.34
Total	5,928	10,244	9,384	2.63	4.38	4.12

Credit quality

Loan impairment charges	US\$m			% of avg advances annualised		
	1H07	2H07	1H08	1H07	2H07	1H08
Commercial Banking						
Europe	256	259	285	0.61	0.53	0.53
Hong Kong	1	27	28	0.01	0.21	0.20
Rest of Asia-Pacific	54	7	(16)	0.46	0.05	(0.09)
North America	46	145	156	0.27	0.77	0.81
Latin America	74	138	110	1.25	1.92	1.27
Total	431	576	563	0.49	0.56	0.50

Loan impairment charges	US\$m			% of avg advances annualised		
	1H07	2H07	1H08	1H07	2H07	1H08
Global Banking and Markets	(24)	62	115	(0.02)	0.05	0.08
Private Banking	9	5	(4)	0.05	0.02	(0.02)

Write-downs in Global Banking and Markets

A. Trading

US\$bn	1H08 write-downs	Net exposure at 30 June 08	2H07 write-downs	Net exposure at 31 Dec 07
Sub-prime mortgage-related assets	1.0	2.9	1.0	3.7
Non-sub-prime credit trading assets	1.4	8.9	0.6	9.8
Leveraged loans	0.3	8.3	0.2	8.7
Fair value of derivative transactions with monolines	1.2	1.3	0.3	1.2
Total	3.9		2.1	

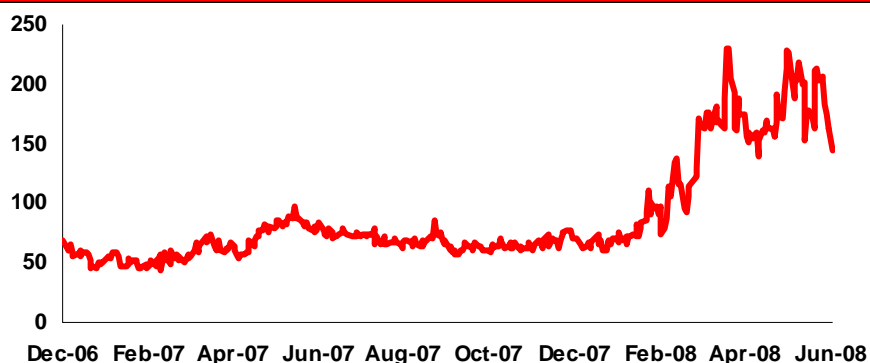
Write-downs in Global Banking and Markets

B. Available for sale 'Asset Backed Securities' exposure

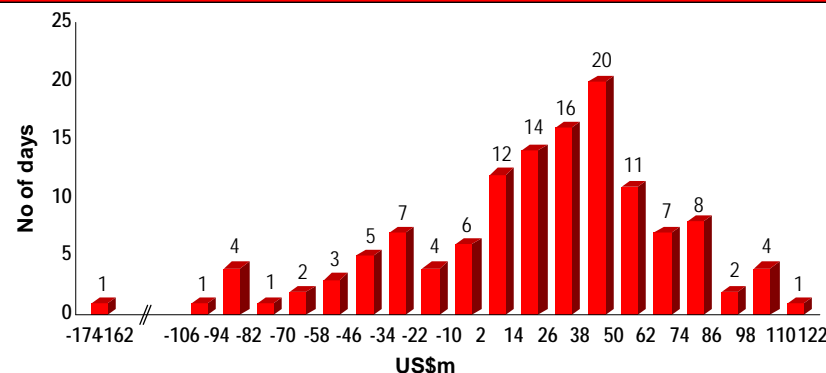
US\$bn	Balance sheet exposure 30 June 2008	Subprime HELOC Alt-A exposure 30 June 2008	Available for sale reserve relating to subprime HELOC Alt-A exposure 30 June 2008	Impairment to subprime HELOC Alt-A exposure 1H08	Comments
Securities Investment Conduits and Structured Investment Vehicles	21.3	7.7	(2.9)	(0.134)	US\$1.3bn first loss protection to be absorbed by capital note holders
Directly held	48.4	9.4	(3.6)	(0.055)	Charge to P&L
Total	69.7	17.1	(6.5)		

Market risk management

Daily Group VAR (trading and non-trading) (US\$m)



Daily distribution of Global Markets' revenues (US\$m)



Value at risk for the Group¹ (US\$m)

	1H07	2H07	1H08
At period end	84.2	70.1	144.2
Average	62.5	67.9	135.5
Minimum	43.8	57.3	59.8
Maximum	98.1	85.9	230.5

Bases for valuing trading assets

	2H07	1H08
	US\$446.0bn	US\$473.5bn
Quoted marked price	47%	47%
Valuation techniques		
- Using observable inputs	50%	50%
- With significant non-observable inputs	3%	3%

Note:
(1) Trading and non-trading

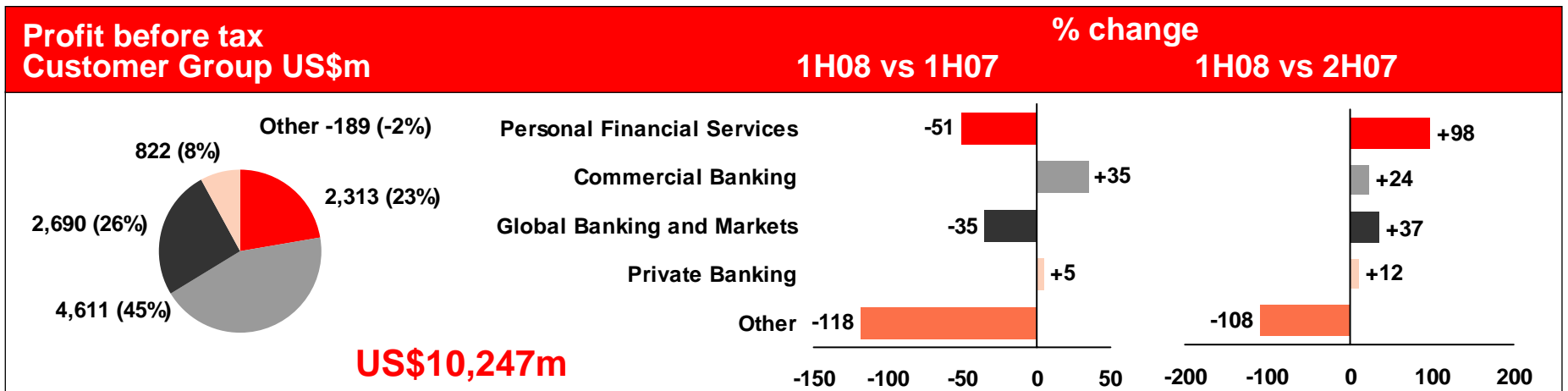
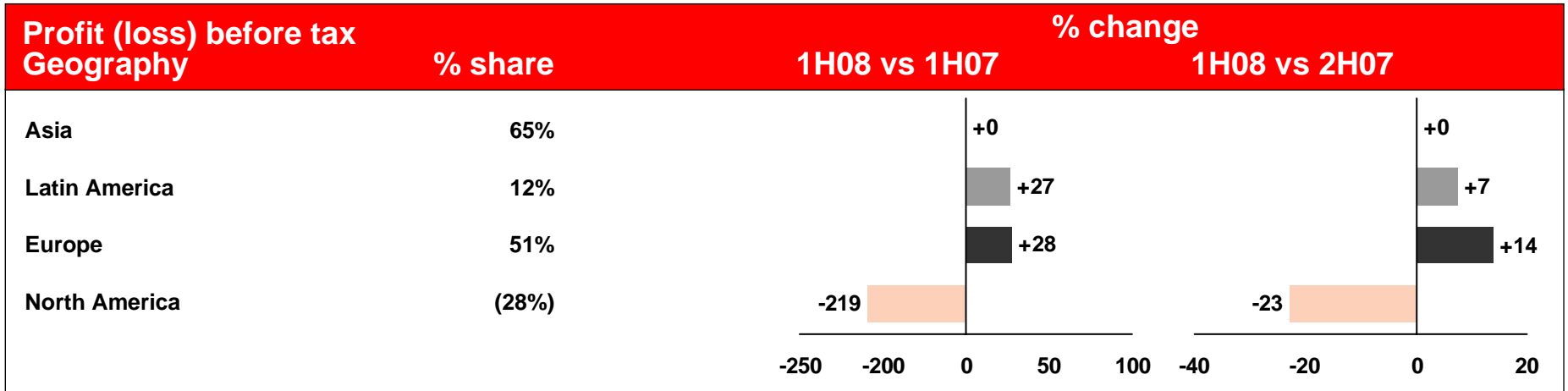
Michael Geoghegan
Business performance in first half 2008

Measuring our success

Good progress on key metrics

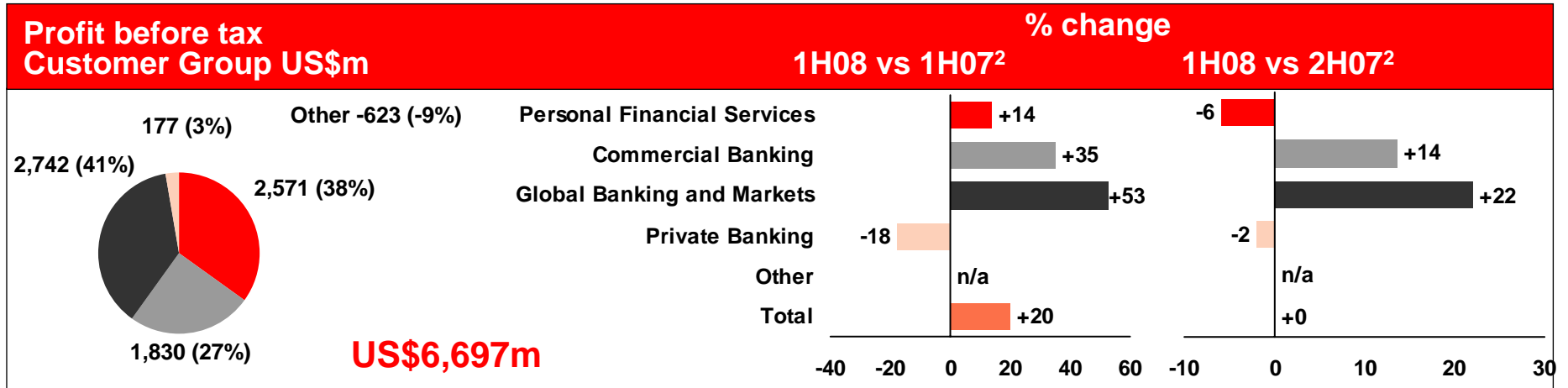
Financial measures	Target range	1H08
Return on total shareholders' equity	15-19% through the cycle	12.1%
Cost efficiency ratio	48-52%	51.0%
Tier 1 capital (Basel II)	7.5-9.0%	8.8%
Total shareholder return	Above peer group average	Top 5

Profitable in all Geographies – with the continuing exception of the US



Strong growth across Asia¹

Profit before tax of US\$6.7bn



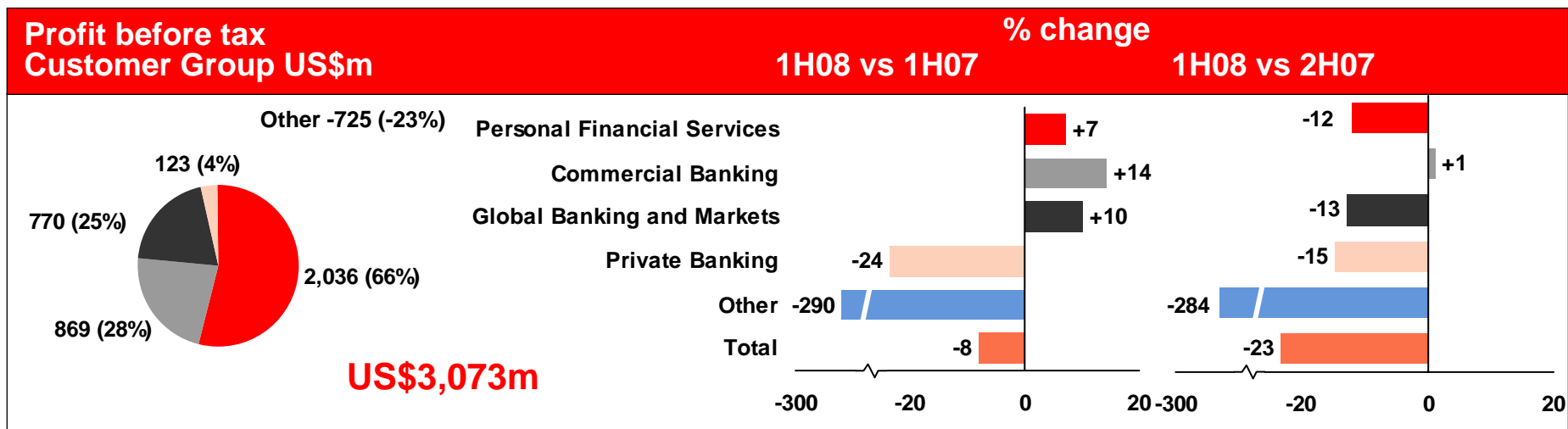
- PBT up by 20% vs 1H07, excluding dilution gains

Notes:

- (1) Asia includes Hong Kong and Rest of Asia-Pacific including Middle East
- (2) Excludes gains arising from dilution of interests in Chinese and other associates

Solid results in Hong Kong against exceptional 2007

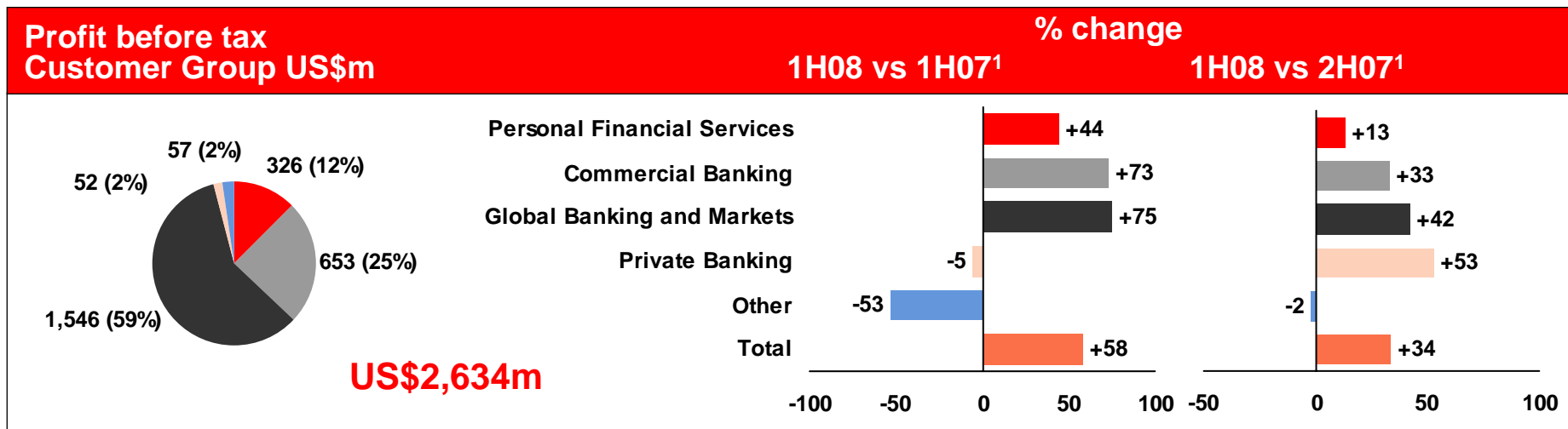
Profit before tax of US\$3.1bn



- PBT down by 8%, but flat excluding impairments in value of regional strategic investments
- Fall in PBT for Personal Financial Services 1H08 vs 2H07 reflects impact of decline in global equity markets on fee income and investment returns for insurance
- Decline in PBT for Global Banking and Markets 1H08 vs 2H07 due to weaker credit trading markets

Record performance in Rest of Asia-Pacific, excluding Middle East

Profit before tax of US\$2.6bn



- Exceptional growth in PBT, up 58% to US\$2.6bn
- Global Banking and Markets is the major contributor generating 59% of the region's profit, and grew profits by 75% to US\$1.5bn, based on strong revenue growth from Balance Sheet Management, foreign exchange and securities services
- Commercial Banking increased PBT by 73% to US\$0.7bn which was largely volume-driven following customer acquisition

Note:

(1) Excludes gains arising from dilution of interests in Chinese and other associates

Rest of Asia-Pacific footprint delivers strong growth¹

Profit before tax 1H08 by country

Profit before tax ² , US\$m	1H07	2H07	1H08	% change	
				1H08 vs 1H07	1H08 vs 2H07
Rest of Asia-Pacific, excluding Middle East	1,662	1,959	2,634	+58	+34
Australia	51	73	100	+96	+37
India	299	230	371	+24	+61
Indonesia	58	46	66	+14	+43
Japan	18	25	4	-78	-84
Total Mainland China ²	473	812	907	+92	+12
<i>Associates²</i>	387	717	748	+93	+4
<i>Other mainland China</i>	86	95	159	+85	+67
Malaysia	145	185	209	+44	+13
Singapore	267	283	340	+27	+20
South Korea	58	65	177	+205	+172
Taiwan	43	80	115	+167	+44
Other Rest of Asia-Pacific, excluding Middle East	250	160	345	+38	+116

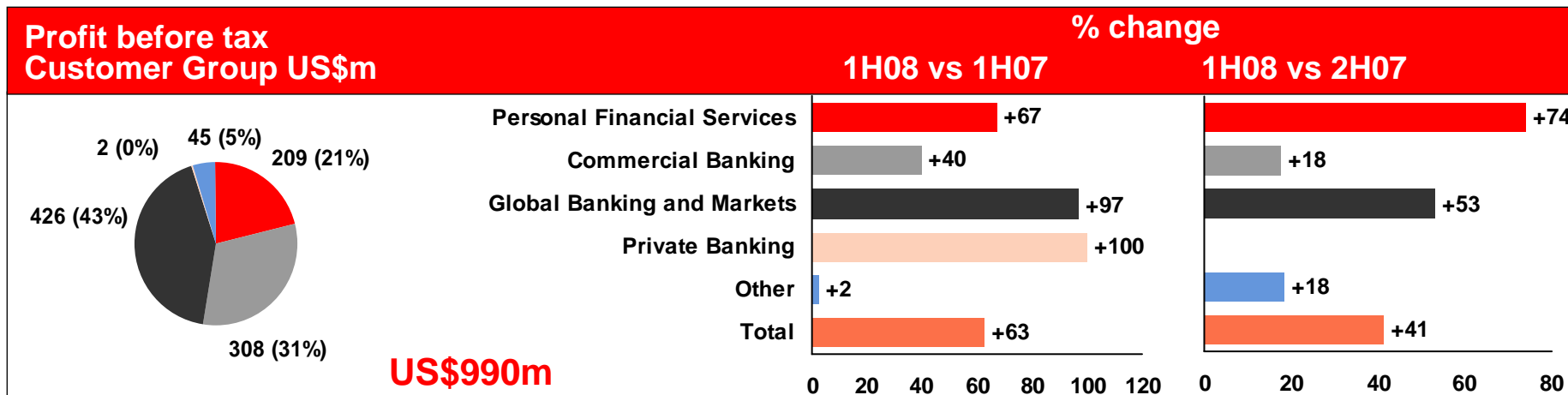
Notes:

(1) Excluding Middle East

(2) Excludes gains arising from dilution of interests in associates

Exceptional growth in the Middle East

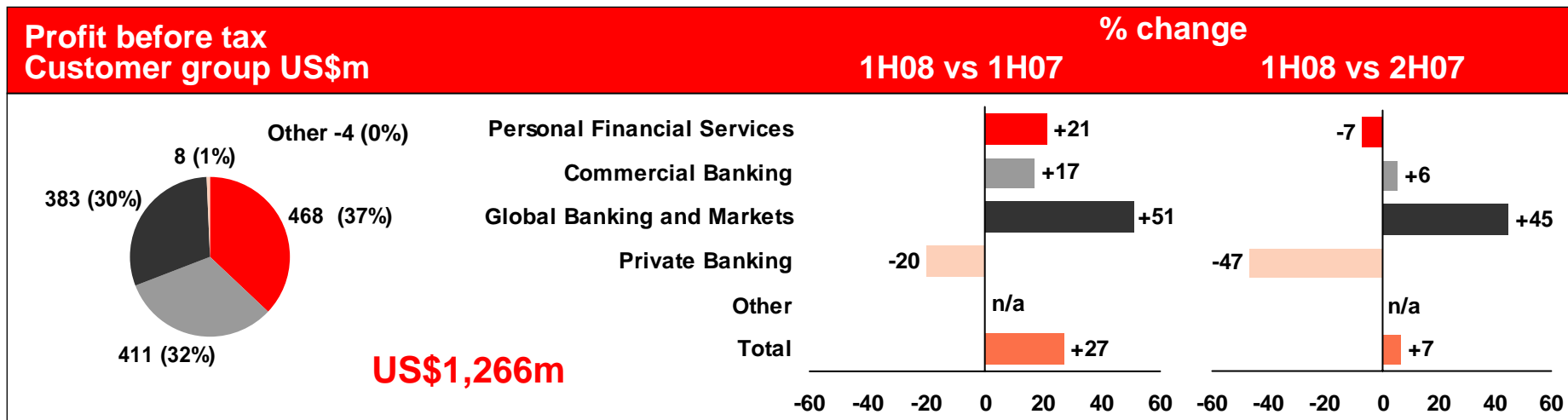
Profit before tax of US\$990m



Profit before tax, US\$m				% change	
	1H07	2H07	1H08	1H08 vs 1H07	1H08 vs 2H07
Middle East	606	701	990	+63	+41
Egypt	72	81	115	+60	+42
United Arab Emirates	295	322	522	+77	+62
Other Middle East	128	172	178	+39	+3
Total Middle East (excl. Saudi Arabia)	495	575	815	+65	+42
Total Saudi Arabia	111	126	175	+58	+39

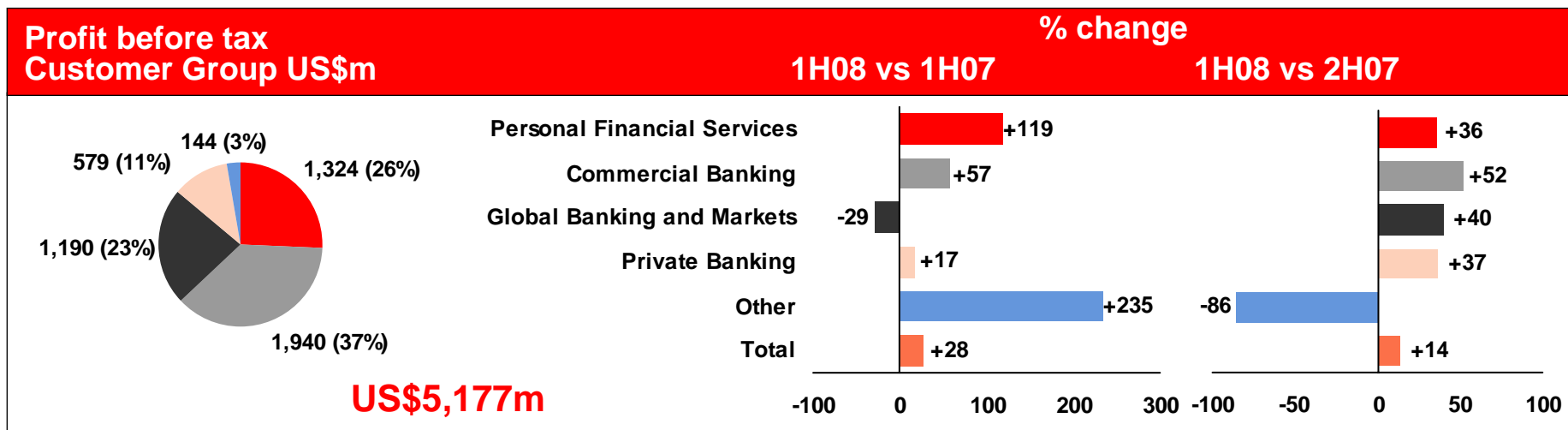
Balance sheet driven growth in Latin America

Profit before tax of US\$1.3bn



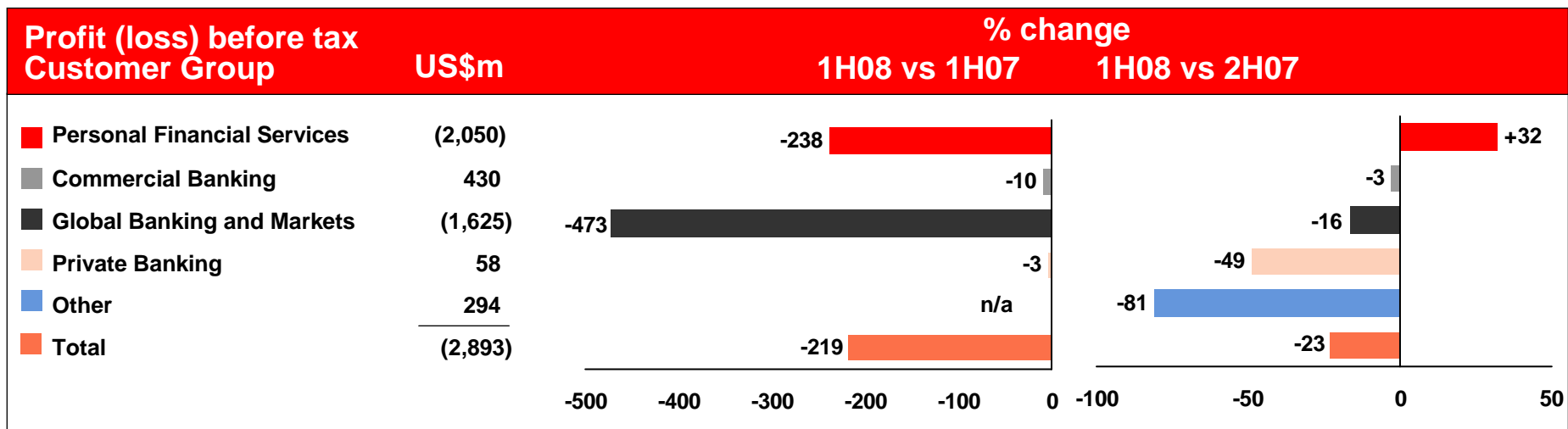
- PBT growth of 27% reflected strong growth in customer advances, particularly in Brazil for Personal Financial Service and Commercial Banking
- Benefit of business expansion partially offset by increase in loan impairment charge in Mexico
- Strong growth in Global Banking and Markets from higher net interest income and foreign exchange

Tight cost control and brand strength help grow profit in Europe – Profit before tax of US\$5.2bn



- **45% growth in PBT for UK to US\$3.5bn with strong performance from Personal Financial Services and Commercial Banking**
 - Called the top of the real estate market in 2006
 - Reduced unsecured lending
 - Strong cost discipline
 - Growth in customer deposits and mortgage balances
- **Global Banking and Markets remained profitable despite write-downs**
- **Disposal of French regional banks will be reflected in 2H08 with a gain on sale of US\$2.1bn**

North America continues to suffer from weak economy and market turmoil – Loss before tax of US\$2.9bn



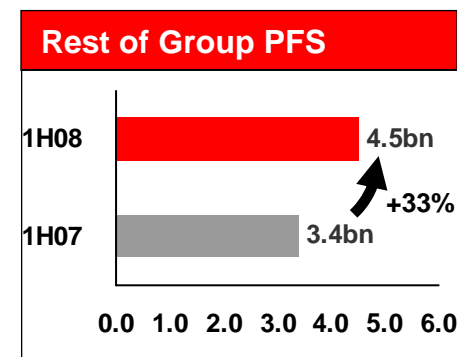
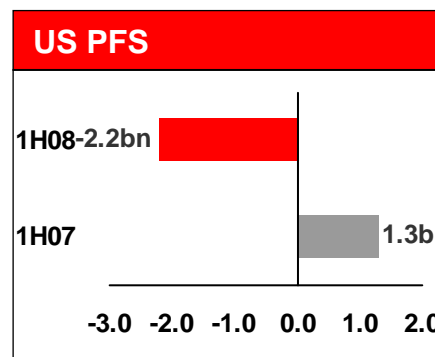
- **Personal Financial Services** recorded a pre-tax loss of US\$2.1bn (vs PBT US\$1.5bn in 1H07) following 84% increase in loan impairment charge. The loss was less than in 2H07 with a 15% reduction in the loan impairment charge
- **Global Banking and Markets** incurred further write-downs of US\$2.3bn as a consequence of the market turmoil and produced a loss of US\$1.6bn
- **Commercial Banking** profits declined by 10% due to the increase in loan impairment charge from the low levels in 1H07

Personal Financial Services

Weak US performance offsets good growth in other Geographies

US\$m	% chg		
	1H08	vs 1H07	vs 2H07
Net operating income before loan impairment charges	22,422	+7	-
Loan impairment charges	(9,384)	+58	-8
Net operating income	13,038	-13	+8
Total operating expenses	(11,099)	+6	-2
Operating profit	1,939	-57	+144
Associates and JVs	374	+76	-1
Profit before tax	2,313	-51	+98

Customer loans and advances (US\$bn)	458.3	-	-1
Customer accounts (US\$bn)	474.3	+14	+5

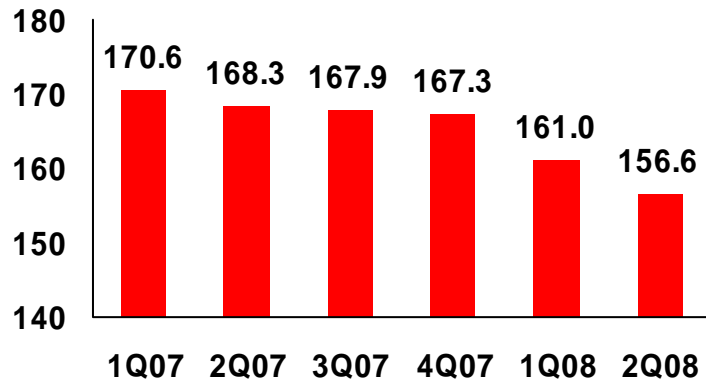


- Flight to quality continued with strong customer accounts growth at 14%
- Global initiatives making strong headway
 - HSBC Premier: 2.4m customers, up 10% v 2H07
 - Direct banking: gross balances US\$16.1bn, up 19% v 2H07
 - Cards: growth in emerging markets up 5% v 2H07
- In the UK, Group has strengthened its position in the mortgage market (from 3% in March to 12% in May of gross lending)
- Revenue momentum maintained in Hong Kong and Rest of Asia-Pacific

HSBC Finance Corporation

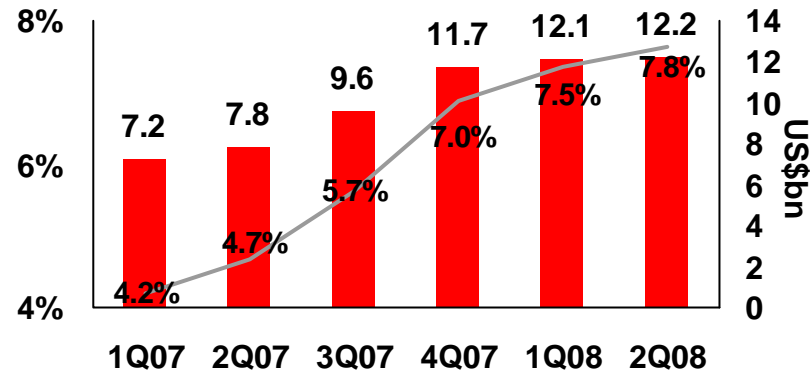
Continued reduction of exposure in the US

Customer loans¹



- Delinquencies continued to rise broadly in line with expectations
- Continued to tighten underwriting standards in all businesses
- Reduced size of loan portfolio
- Focus on cost reduction measures

2+ delinquency¹



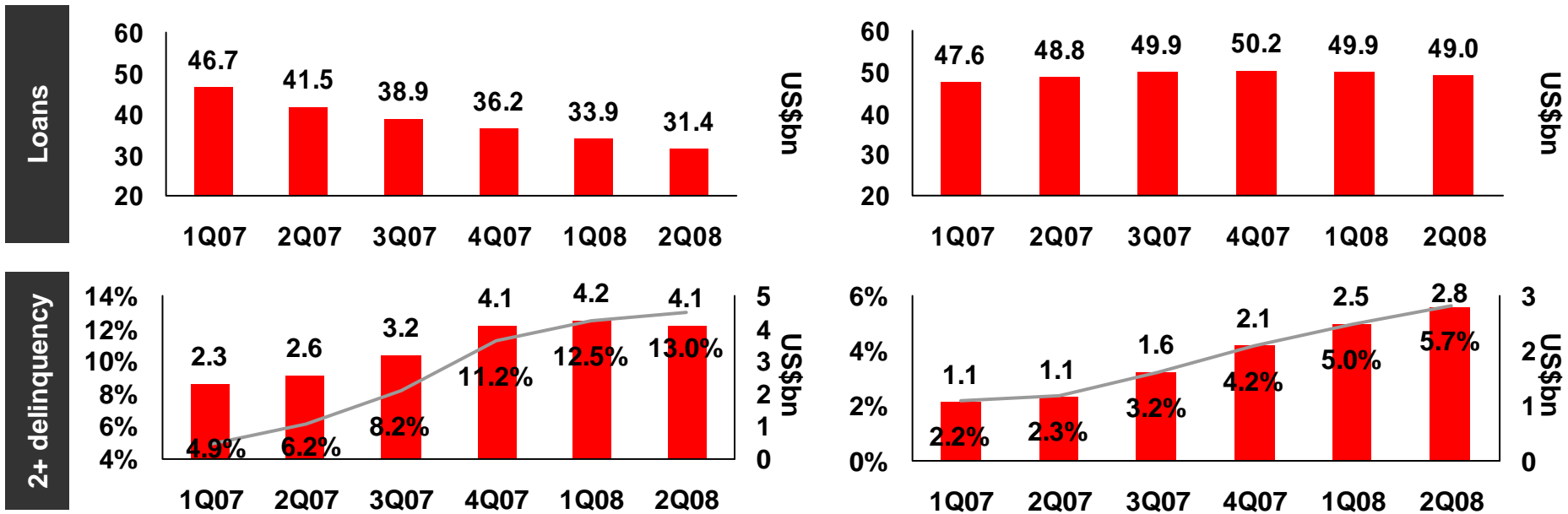
Note:
 (1) IFRS management basis for US, excludes operations in UK and Canada

HSBC Finance Corporation

US Mortgages – continuing to shrink the Mortgages Services portfolio

Mortgage Services

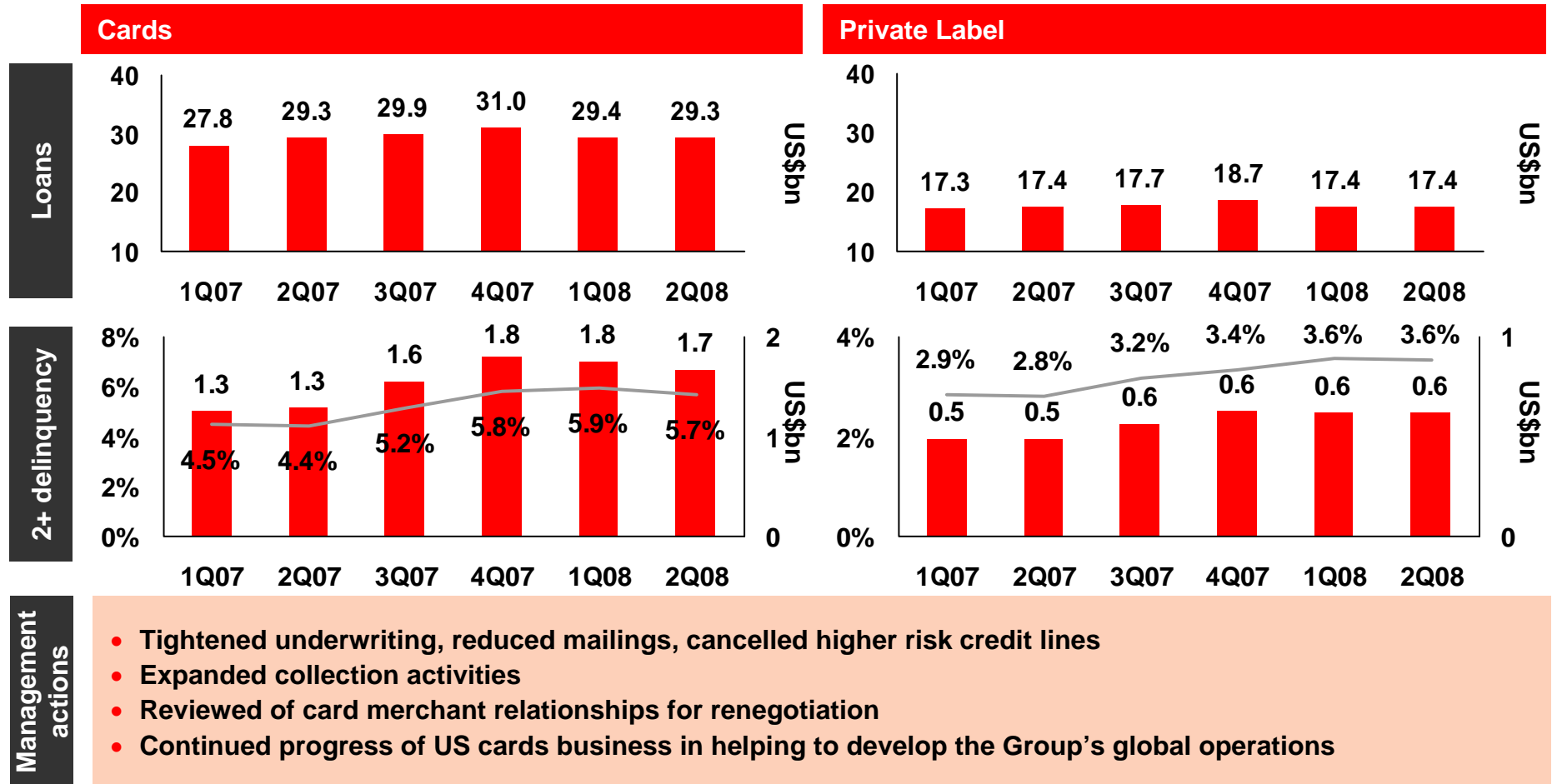
Consumer Lending



- Management actions**
- Continue to make progress on mortgage strategy, reduced Mortgage Services portfolio from US\$36.2bn to US\$31.4bn (run-off mostly by repayment)
 - Expanded loan modification and foreclosure avoidance programme
 - Reduced Consumer Lending branch network
 - Tightened underwriting in Consumer Lending

HSBC Finance Corporation

Management action helps trends in cards

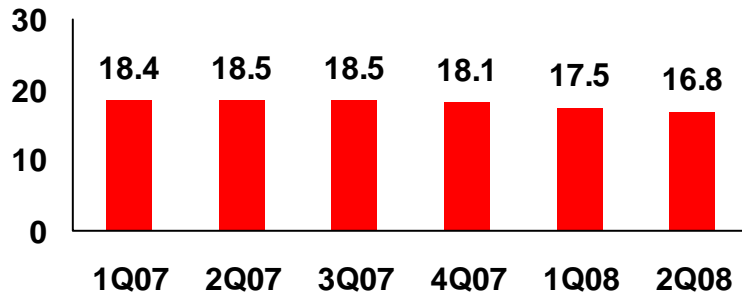


HSBC US Finance Corporation

Vehicle Finance will be run off

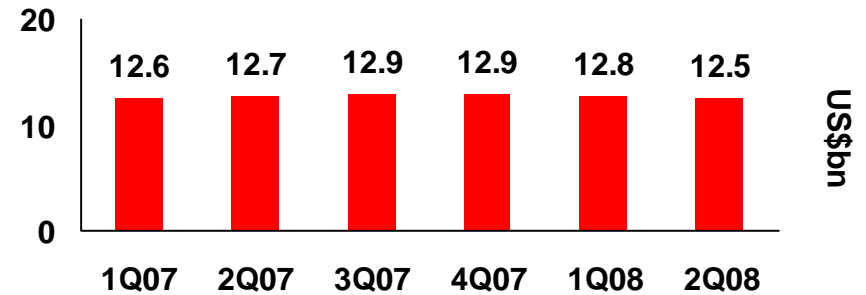
Unsecured Personal Credit

Loans

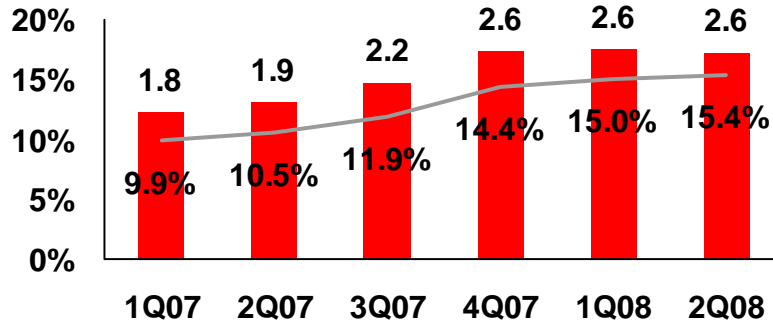


Vehicle Finance

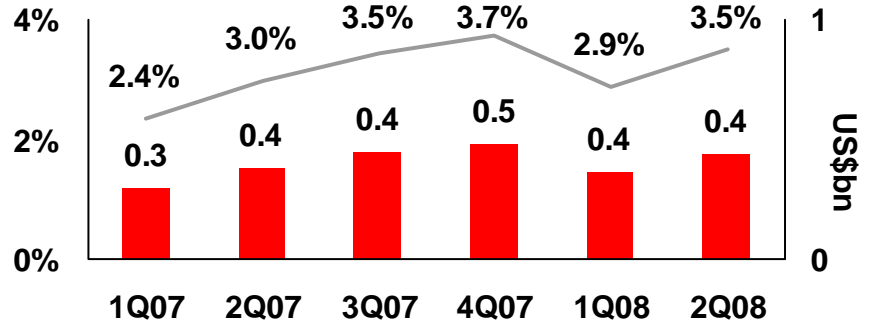
Loans



2+ delinquency



2+ delinquency



Management Actions

- Continued to tighten underwriting criteria and increase collections

- In July, it was decided to cease originations of new business and we will manage an orderly run-off of the portfolio

Commercial Banking

Another strong performance from a core business

US\$m	% chg		
	1H08	vs 1H07	vs 2H07
Net operating income before loan impairment charges	8,156	+24	+11
Loan impairment charges	(563)	+31	-2
Net operating income	7,593	+23	+12
Total operating expenses	(3,280)	+13	-2
Operating profit	4,313	+33	+25
Associates and JVs	298	+66	+9
Profit before tax	4,611	+35	+24
Customer loans (US\$bn)	238.1	+28	+8
Customer accounts (US\$bn)	247.7	+21	+4

- Strong profit growth (+35%), even excluding card acquiring gain (+22%)
- Growth strong in the Middle East, Asia-Pacific and Brazil. Share of profits from emerging markets increased from 52% to 54%¹
- Rapid revenue growth (+29%) from trade and supply chain and (+44%) foreign exchange reflected the Group's "Leading International Business" strategy
- Value of cross-border deals up 83% through Global Links
- Success for the "Best Bank for Small Business" strategy evident in 8% growth in customers and contributed strongly to income growth
- Continued expansion of physical and online distribution capabilities

Note: (1) Excluding the card acquiring gain

Global Banking and Markets

Emerging markets strength helped business remain profitable in difficult market conditions

US\$m	% chg		
	1H08	vs 1H 07	vs 2H07
Net operating income before loan impairment charges	7,379	-13	+10
Loan impairment charges	(115)	n/a	+85
Net operating income	7,264	-15	+9
Total operating expenses	(4,827)	+8	-1
Operating profit	2,437	-40	+38
Associates and JVs	253	+122	+31
Profit before tax	2,690	-35	+37

- 35% decline in PBT after write-downs of US\$3.9bn. Improved performance since 2H07
- ‘Emerging markets-led and financing-focused’ strategy enabled Group to support clients in cross-border transactions into and out of emerging markets. PBT up 51% in emerging markets
- In Global Markets
 - Record revenue from foreign exchange
 - Strong results in rates
 - Growth in securities services
 - Challenging markets in credit trading and Principal Investments
- Global Banking: greater transaction volumes led to growth in income for payments and cash management
- Balance Sheet Management income significantly higher

Global Banking and Markets

Strength in emerging markets, improvement in profit from 2H07 and resilient revenues across our businesses

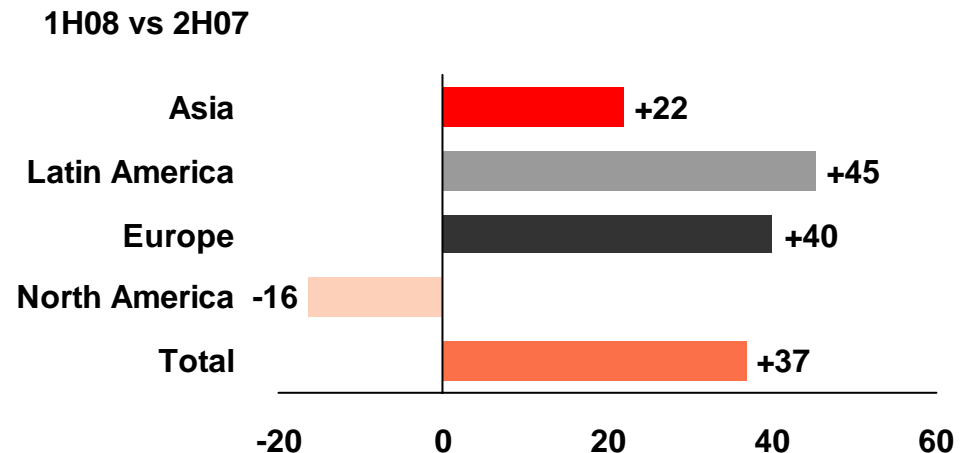
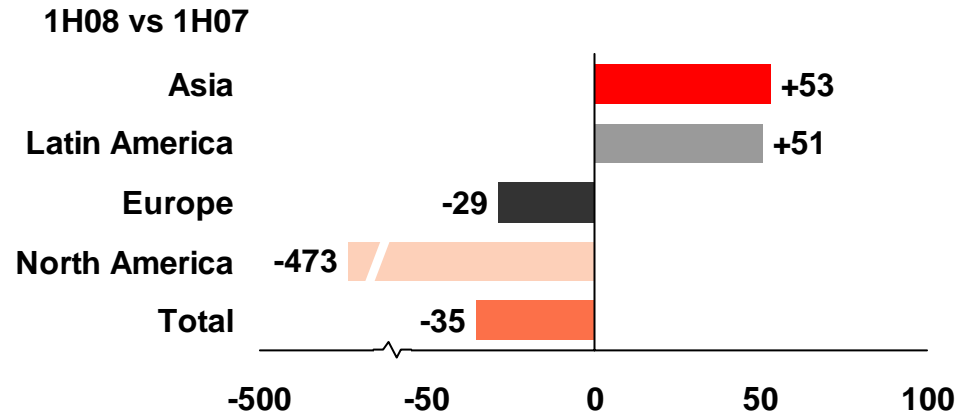
Regional mix

Profit (loss) before tax 1H08	US\$m	%
Asia	2,742	102
Latin America	383	14
Europe	1,190	44
North America	(1,625)	(60)
Total	2,690	100

Management view of total operating income

	US\$m		% chg	
	1H08	vs 1H07	vs 2H07	
Global Markets	1,688	-56	-11	
Global Banking	2,432	+23	+10	
Balance Sheet Management	1,630	+213	+131	
Global Asset Management	669	+5	-4	
Principal Investments	167	-78	-66	
Other	833	+1	+14	
Total operating income	7,419	-13	+10	

Growth in profit before tax (%)



Private Banking

Continued profit growth

US\$m	% chg		
	1H08	vs 1H07	vs 2H07
Net operating income before loan impairment charges	1,916	+12	+5
Loan impairment recovery	4	n/a	n/a
Net operating income	1,920	+12	+5
Total operating expenses	(1,098)	+18	-
Operating profit	822	+5	+13
Associates and JVs	-	-	-
Profit before tax	822	+5	+12

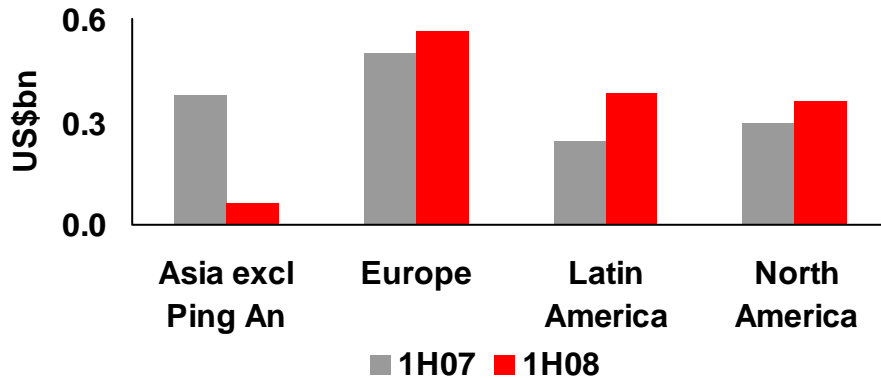
Client assets (US\$bn)			
At 1 January	421	+26	+14
Net new money	15	-12	-21
Value change	(20)	n/a	n/a
Exchange and other	5	-38	-80
At 30 June	421	+14	-

- PBT up 5% with strong performances in Switzerland and Monaco
- Success with inward referrals from other Customer Groups resulted in US\$3.4bn of net new money (US\$2.0bn in 1H07)
- Client assets increased by 14% to US\$421bn against June 2007 and stable against December 2007
- Total client assets, which include some non-financial assets held in client trusts, amounted to US\$499bn and included US\$19bn of net new money

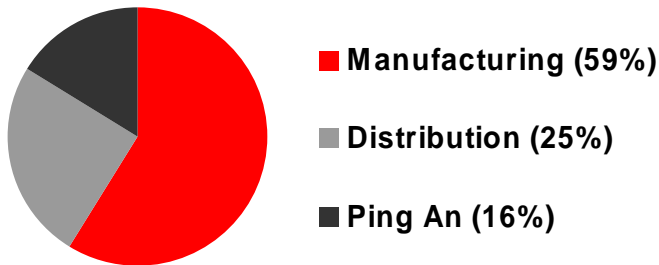
Insurance

Continued success in difficult market conditions

PBT by region



PBT by insurance business, 1H08



Notes:

(1) Based on market share: Association of British Insurers results for 1Q08

(2) Awarded by Gazetta Mercantil in 2007

(3) "Labels d'Excellence 2008" awarded by Les Dossiers de l'Epargne

- Insurance contributed US\$1.6bn, 16% of Group profit before tax, up 4% on 1H07
- Strong bancassurance performance:
 - Net earned premiums up 30% to US\$5.2bn
 - Europe up 54% (excl. acquisition & disposals up 21%)
 - Asia up 15%
 - Latin America up 23%
 - North America insurance fee income up 34%
- In Asia profit was 83% below 1H07 due to lower investment returns in difficult equity market conditions
- Indian and South Korean joint ventures launched
- Number 1 for Income Protection in the UK¹
- "Best Life Insurance Provider" in Brazil²
- Product excellence awards in France³
- Preferred Strategic Partner relationships now in 23 countries with 82 product launches or migrations agreed during 1H08

Growing revenue and improving efficiency through Joining Up the Company

Revenue

- HSBC Premier: 2.4m customers each generating more than US\$2,000 annualised revenues. 208,000 new customers in 1H08
- Global Links: Cross border referrals increased by 126% in number and 83% in value to US\$5.6bn
- Global Transaction Banking: revenues increased by 17% to US\$4.6bn

Costs

- One HSBC cards
- One HSBC call centre
- One HSBC*net*
- One HSBC collection
- One HSBC internet
- One HSBC customer data management
- Core Banking
- Core HSBC payments

Cost growth lower than world inflation

Key highlights of first half performance

Geographic performance

- Europe benefited from good cost control (PBT +28%)
- Exceptional growth in Middle East (PBT +63%)
- Latin America was strong (PBT +27%)
- Good growth in Asia (+20%, excl. dilution gains)
- Solid results in Hong Kong against exceptional 2007 (PBT flat, excl. impairments in regional strategic investments)
- Record performance in Rest of Asia-Pacific, excl Middle East (PBT + 58%, excl. dilution gains)
- North America suffers weak economy and market turmoil

Customer Group performance

- Good growth in Personal Finance Services, excl. US (PBT +33%)
- Commercial Banking, strong performance (PBT +35%)
- Global Banking and Markets – emerging markets strength profitable (PBT -35%, +37% v 2H07)
- Private Banking continued growth (PBT +5%)
- US Personal Financial Services loss making but reduced from level in 2H07

Operating performance

- Strong cost control
- Brand strength evident in flight to quality
- Benefits of 'Joining Up the Company' being realised

Stephen Green Outlook

Outlook

The World

- **Near-term outlook remains negative with significant uncertainty**
- **Pressure from inflation on growth in some fast-growing economies**
- **Decline in credit availability as financial markets deleverage increases risk of delinquency and default**
- **Emerging market growth expected to hold up reasonably well, albeit with less momentum**

HSBC

- **Our strategy continues to be aligned with global trends**
- **Advantages:**
 - Strong brand
 - Capital and liquidity strength
 - Broad-based business with international connectivity
- **World's leading international bank in emerging markets**

Appendix

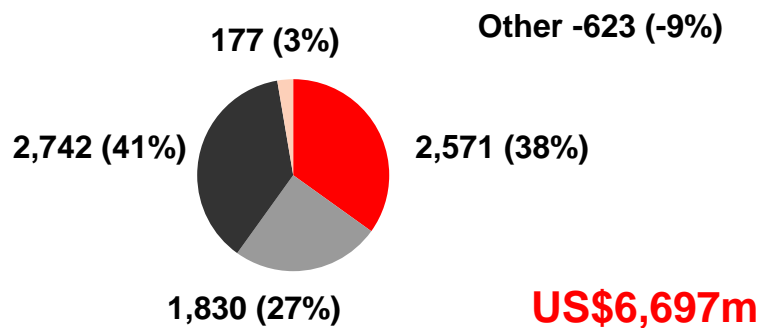
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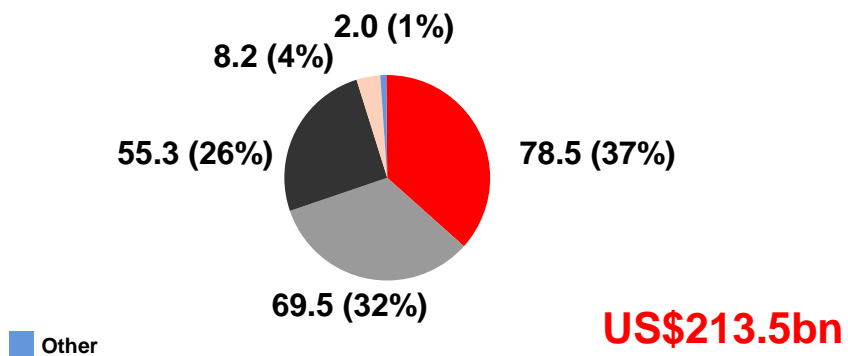
Asia

Business mix

Profit before tax, 1H08, US\$m



Customer lending, 30 June 2008, US\$bn

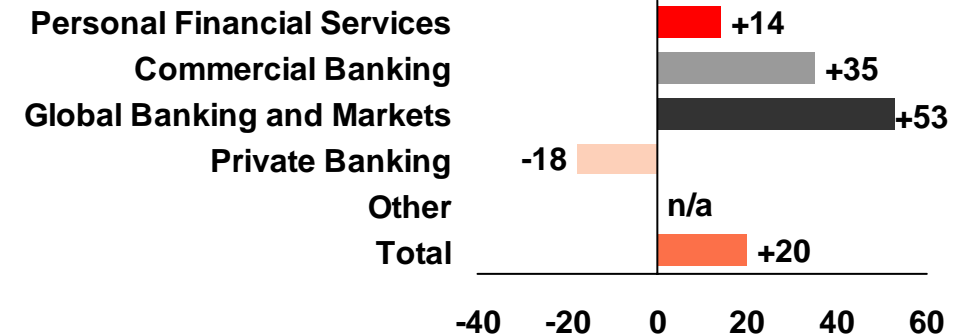


Note:

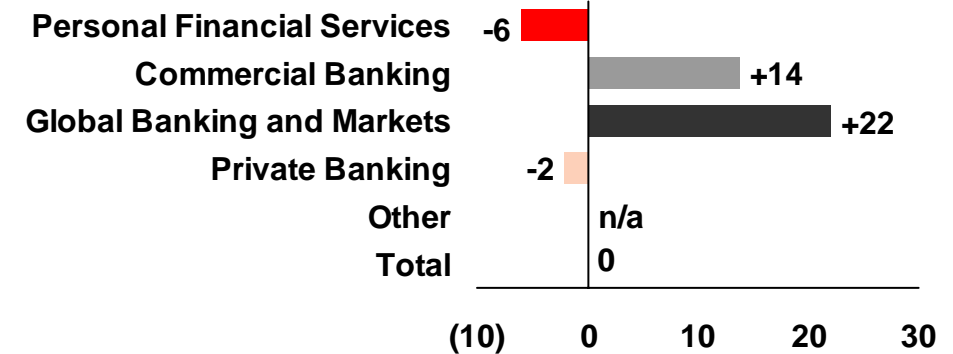
(1) Excludes gains arising from dilution of interests in Chinese and other associates

Growth in profit before tax (%)¹

1H08 vs 1H07



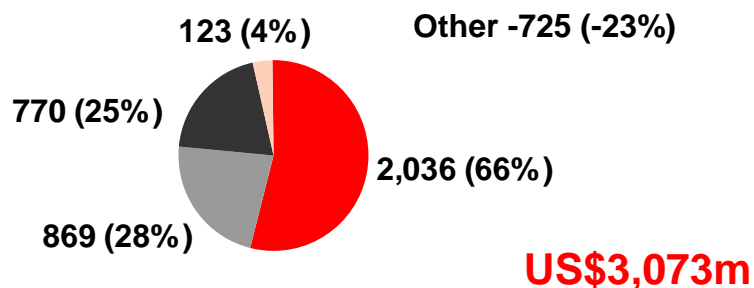
1H08 vs 2H07



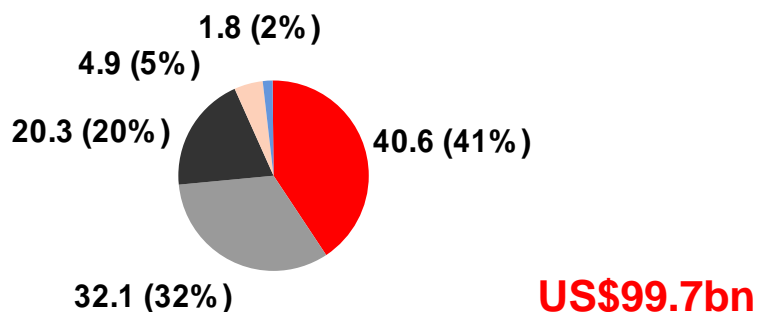
Hong Kong

Business mix

Profit before tax, 1H08¹, US\$m

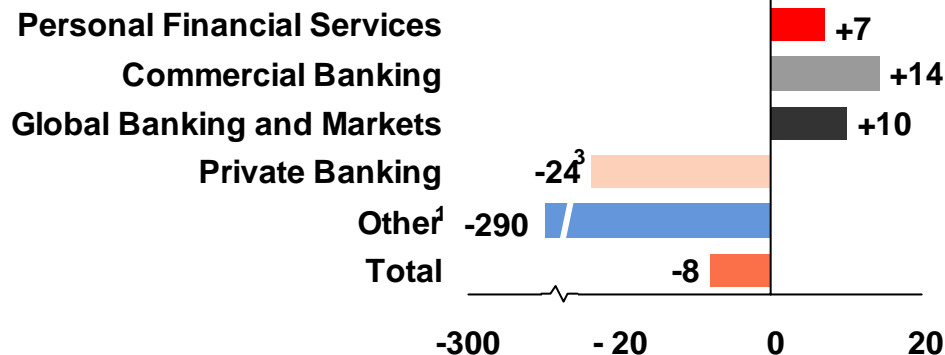


Customer lending, 30 June 2008, US\$bn

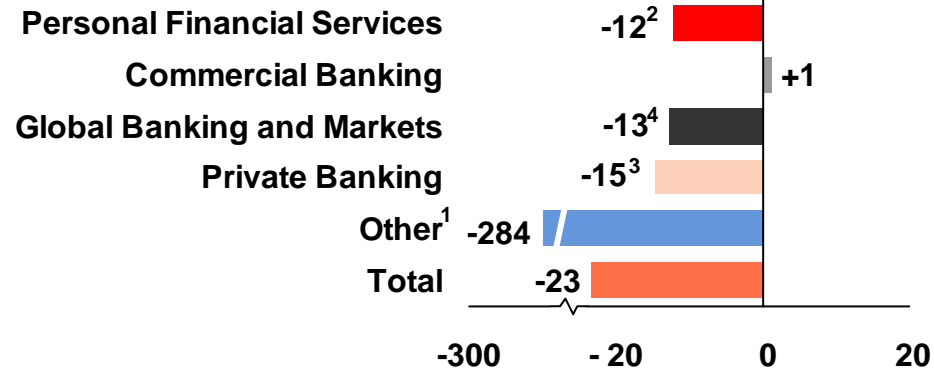


Growth in profit before tax (%)

1H08 vs 1H07



1H08 vs 2H07



Notes:

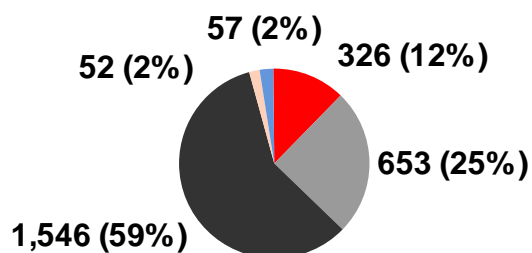
- (1) Decrease reflects impairment of US\$296m in the value of several of HSBC's strategic investments in the region
- (2) Fall in PBT for PFS 1H08 vs 2H07 reflects impact of decline in global equity markets on fee income and investor return on securities held by insurance

- (3) Reduced PBT resulted from diminished demand for equity-related structured products
- (4) Decline in PBT due to write-downs in monoline exposures and weaker trading markets

Rest of Asia-Pacific (excl. Middle East)

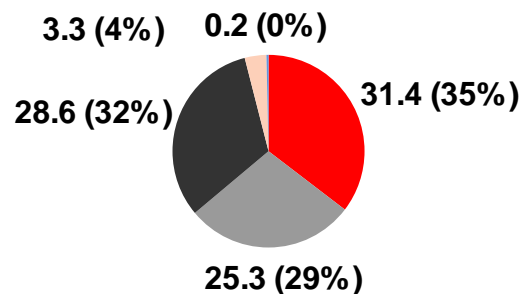
Business mix

Profit before tax, 1H08, US\$m



US\$2,634m

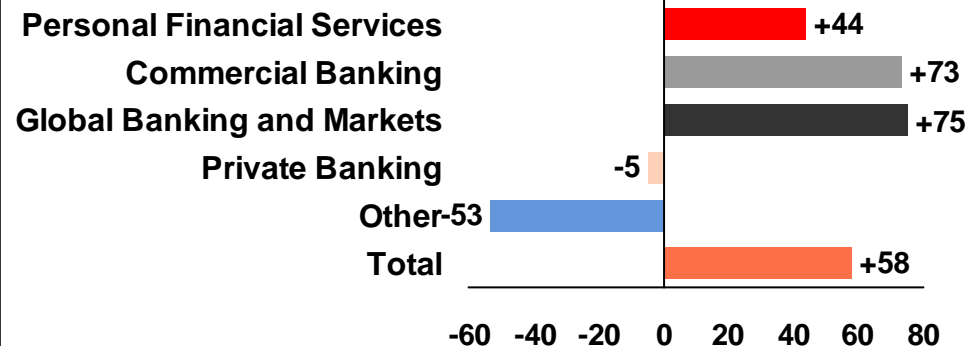
Customer lending, 30 June 2008, US\$bn



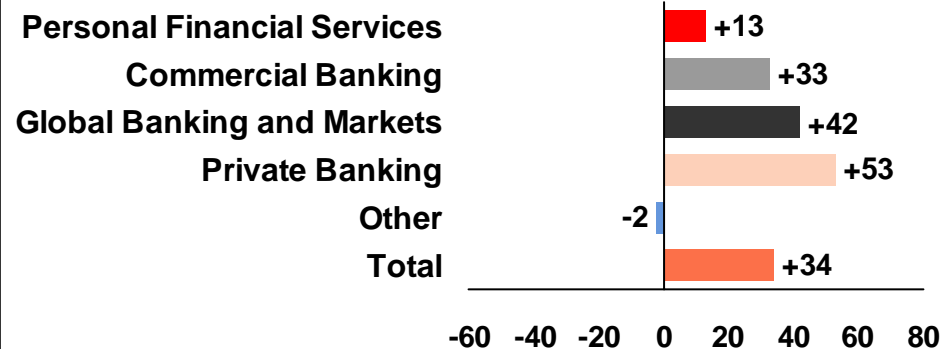
US\$88.8bn

Growth in profit before tax (%)¹

1H08 vs 1H07



1H08 vs 2H07¹



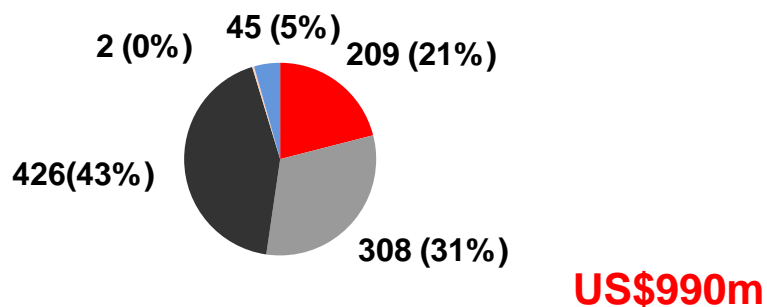
Note:

(1) Excludes gains arising from dilution of interests in Chinese and other associates

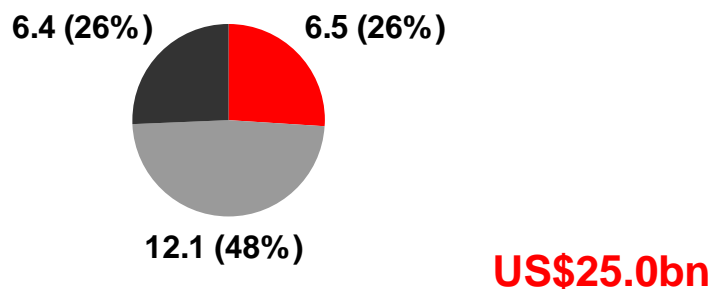
Middle East

Business mix

Profit before tax, 1H08, US\$m

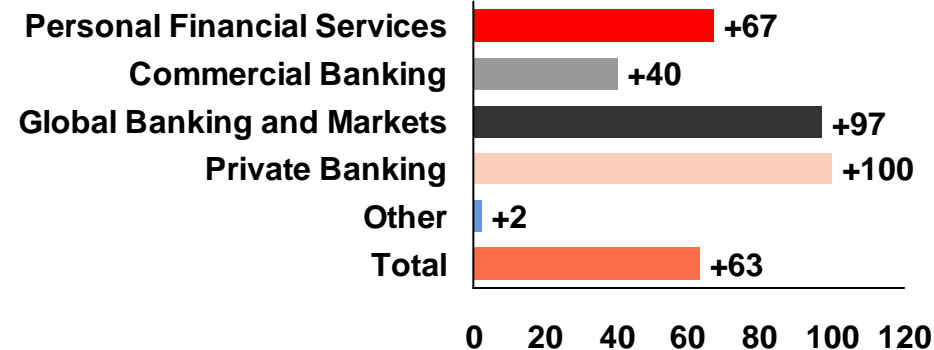


Customer lending, 30 June 2008, US\$bn

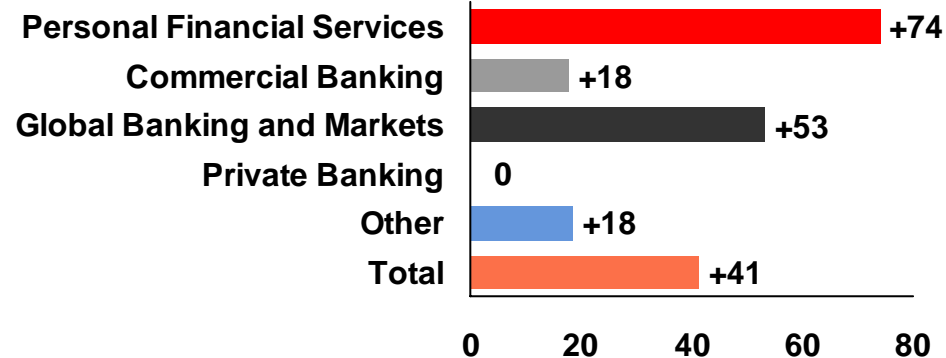


Growth in profit before tax (%)

1H08 vs 1H07



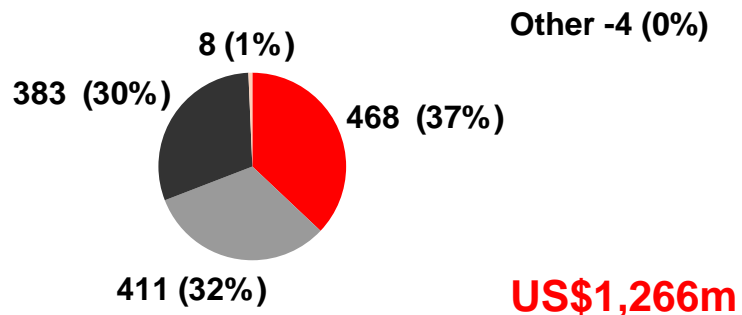
1H08 vs 2H07



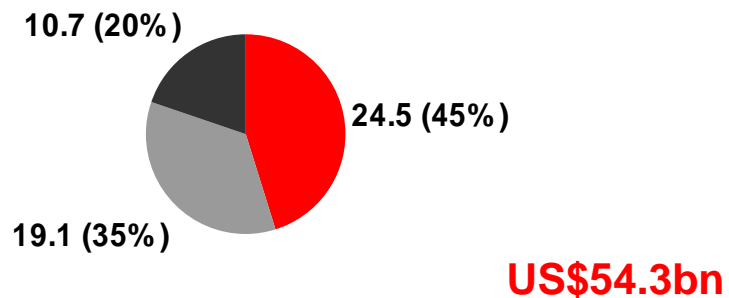
Latin America

Business mix

Profit before tax, 1H08, US\$m



Customer lending, 30 June 2008, US\$bn

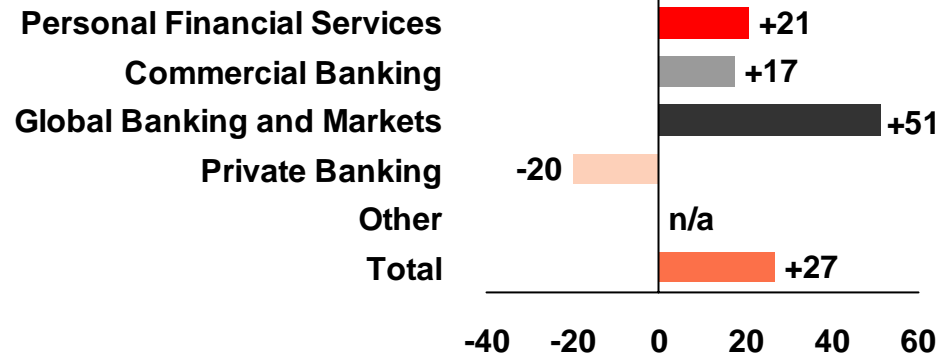


Note:

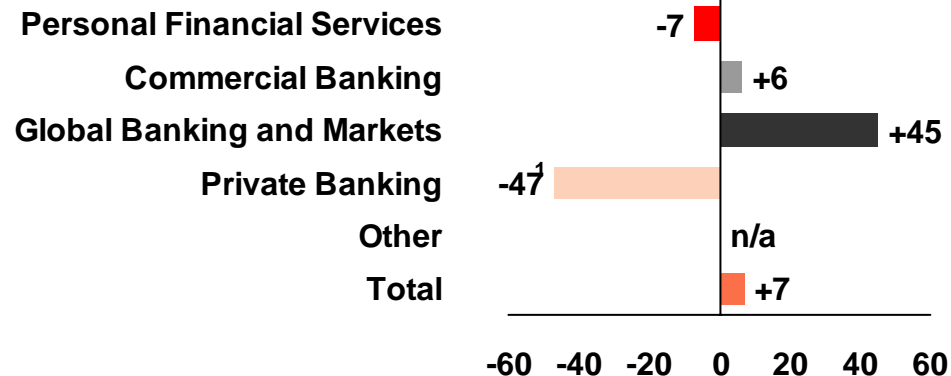
(1) Improved performance in Brazil was offset by expenditure in Mexico

Growth in profit before tax (%)

1H08 vs 1H07



1H08 vs 2H07



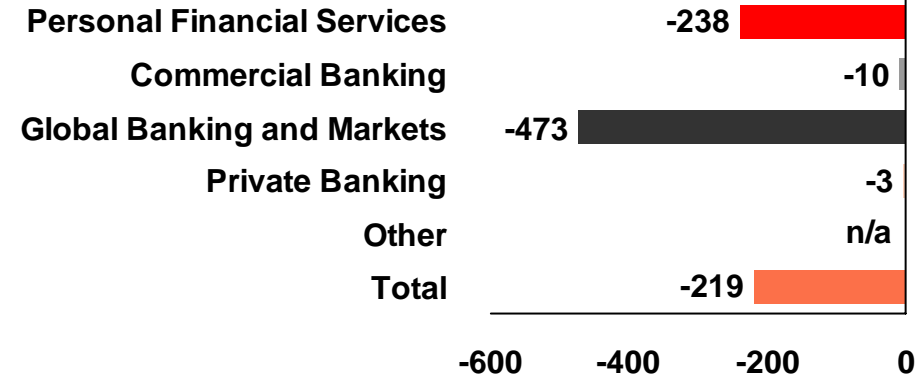
North America

Business mix

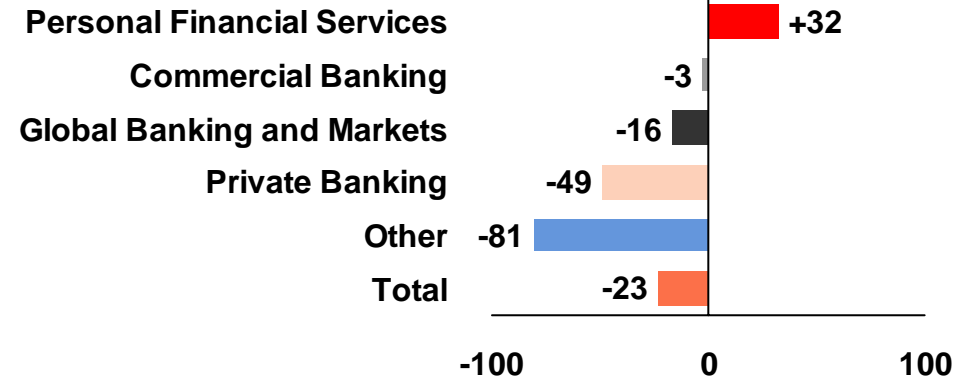
Profit (loss) before tax, US\$m	1H07	1H08
Personal Financial Services	1,488	(2,050)
Commercial Banking	477	430
Global Banking and Markets	436	(1,625)
Private Banking	60	58
Other	(26)	294
Total	2,435	(2,893)

Growth in profit before tax (%)

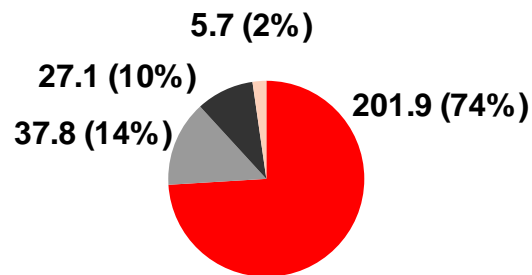
1H08 vs 1H07



1H08 vs 2H07



Customer lending, 30 June 2008, US\$bn

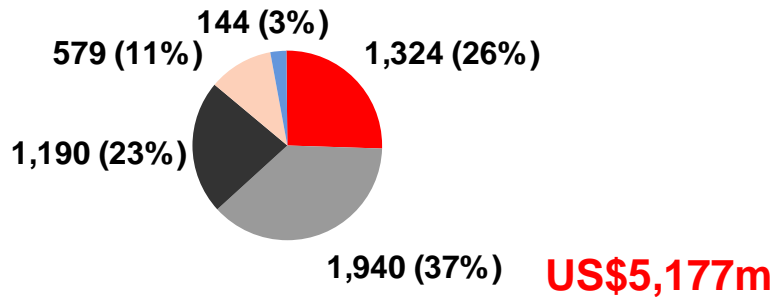


US\$272.5bn

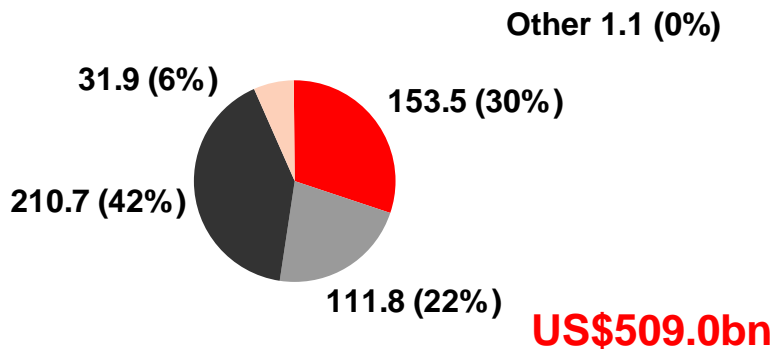
Europe

Business mix

Profit before tax, 1H08, US\$m

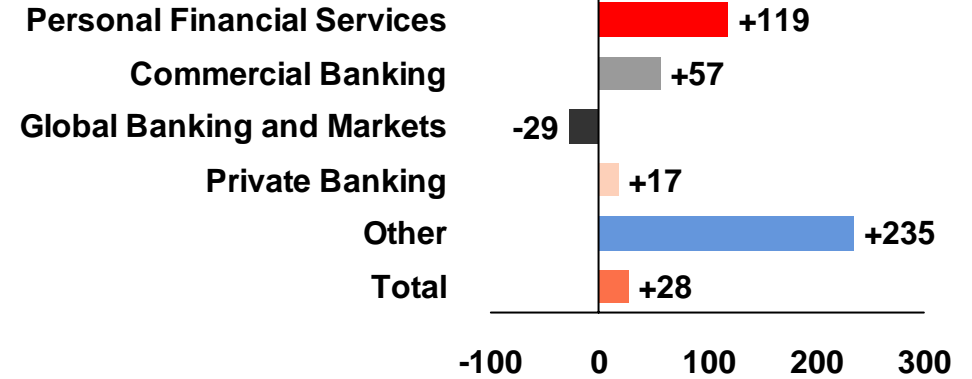


Customer lending, 30 June 2008, US\$bn

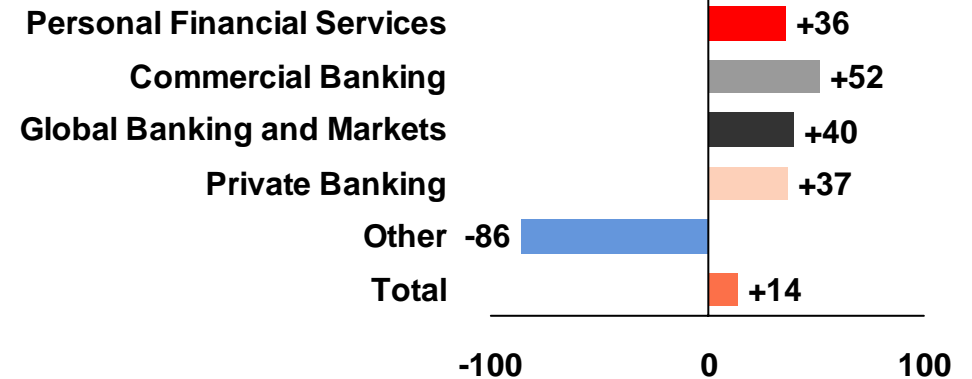


Growth in profit before tax (%)

1H08 vs 1H07



1H08 vs 2H07



Profit (loss) before tax by country

US\$m	% change				
	1H07	2H07	1H08	1H08 vs 1H07	1H08 vs 2H07
Hong Kong	3,330	4,009	3,073	-8	-23
Rest of Asia-Pacific	3,344	2,665	3,624	+8	+36
Australia	51	73	100	+96	+37
India	299	230	371	+24	+61
Indonesia	58	46	66	+14	+43
Japan	18	25	4	-78	-84
Mainland China	1,549	812	907	-41	+12
<i>Associates</i>	1,463	717	748	-49	+4
<i>Associates, excluding dilution gains</i>	387	717	748	+93	+4
<i>Other mainland China</i>	86	95	159	+85	+67
Malaysia	145	185	209	+44	+13
Middle East	606	701	990	+63	+41
<i>Egypt</i>	72	81	115	+60	+42
<i>United Arab Emirates</i>	295	322	522	+77	+62
<i>Other Middle East</i>	128	172	178	+39	+3
<i>Total Middle East (excl. Saudi Arabia)</i>	495	575	815	+65	+42
<i>Total Saudi Arabia</i>	111	126	175	+58	+39
Singapore	267	283	340	+27	+20
South Korea	58	65	177	+205	+172
Taiwan	43	80	115	+167	+44
Other Rest of Asia-Pacific	250	165	345	+38	+109

Profit (loss) before tax by country

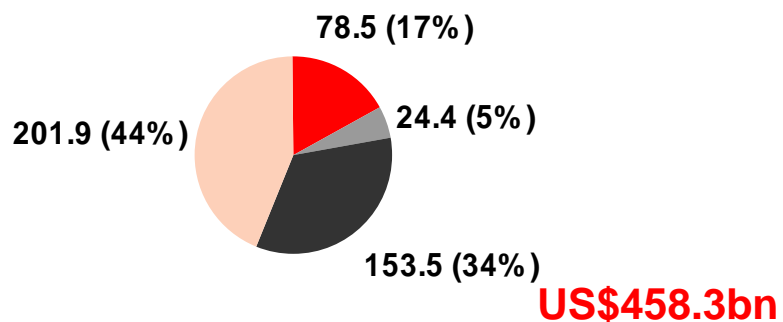
US\$m	% change				
	1H07	2H07	1H08	1H08 vs 1H07	1H08 vs 2H07
Latin America	1,000	1,178	1,266	+27	+7
Mexico	475	505	385	-19	-24
Brazil	360	519	660	+83	+27
Argentina	95	106	119	+25	+12
Panama	39	47	63	+62	+34
Other Latin America	31	1	39	+26	n/a
North America	2,435	(2,344)	(2,893)	-219	-23
United States	1,849	(2,915)	(3,481)	-288	-19
Canada	493	490	494	-	+1
Bermuda	93	80	94	+1	+18
Other North America	-	1	-	-	n/a
Europe	4,050	4,545	5,177	+28	+14
United Kingdom	2,406	3,386	3,479	+45	+3
France	712	321	709	-	+121
Germany	169	126	155	-8	+23
Malta	79	78	71	-10	-9
Switzerland	260	215	335	+29	+56
Turkey	161	175	126	-22	-28
Other Europe	263	244	302	+15	+24

Personal Financial Services

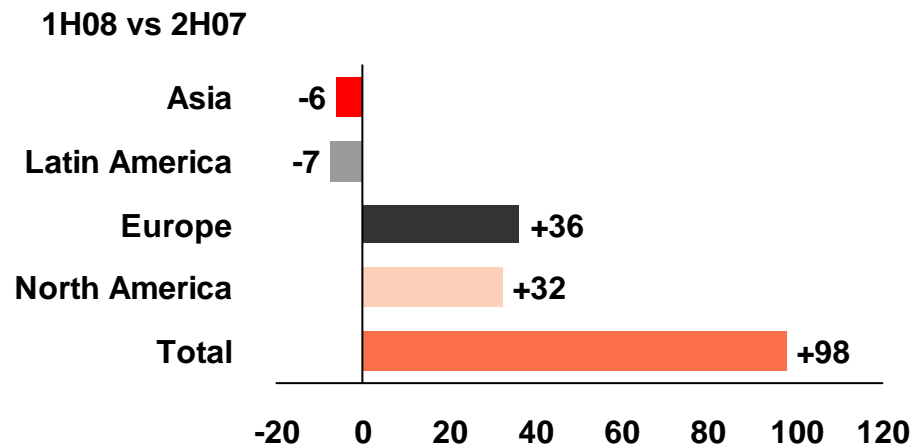
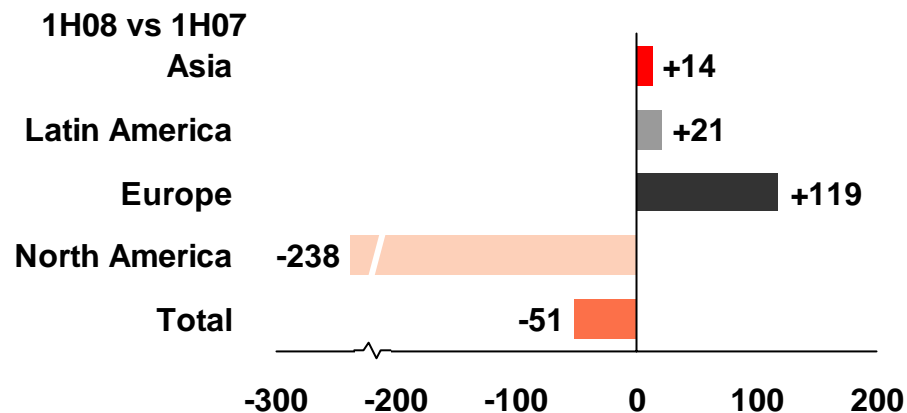
Regional mix

Profit (loss) before tax, 1H08 US\$m		%
Asia	2,571	111
Latin America	468	20
Europe	1,324	57
North America	(2,050)	(88)
Total	2,313	100

Customer lending, 30 June 2008, US\$bn



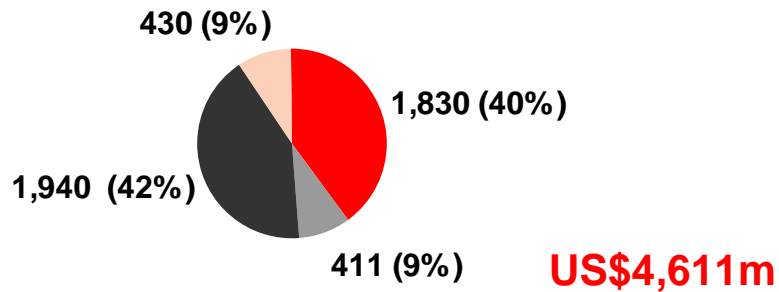
Growth in profit before tax (%)



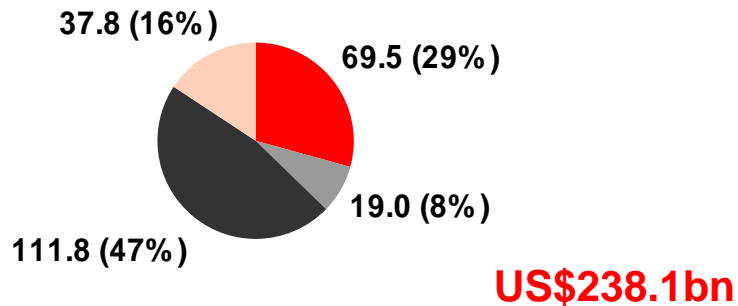
Commercial Banking

Regional mix

Profit before tax, 1H08, US\$m

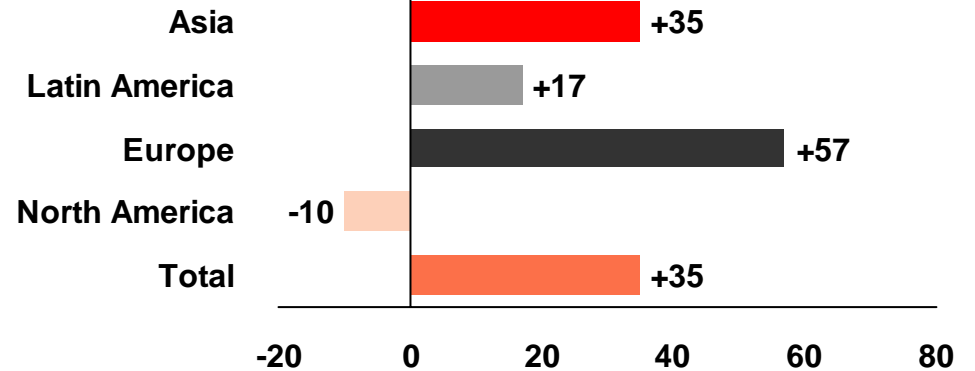


Customer lending, 30 June 2008, US\$bn

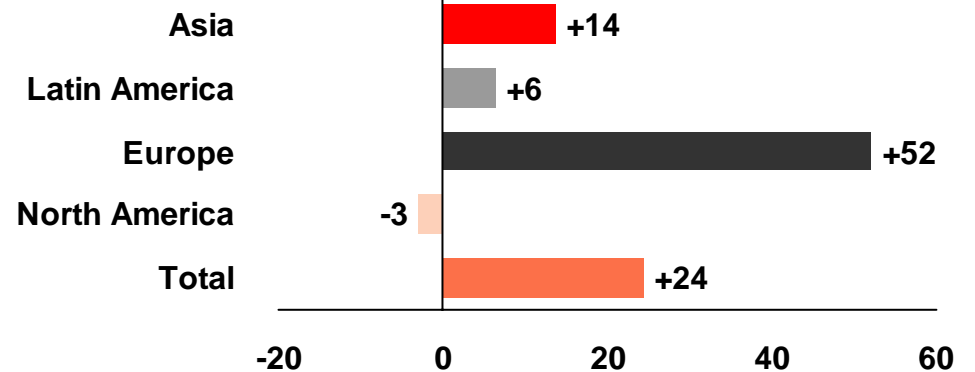


Growth in profit before tax (%)

1H08 vs 1H07



1H08 vs 2H07



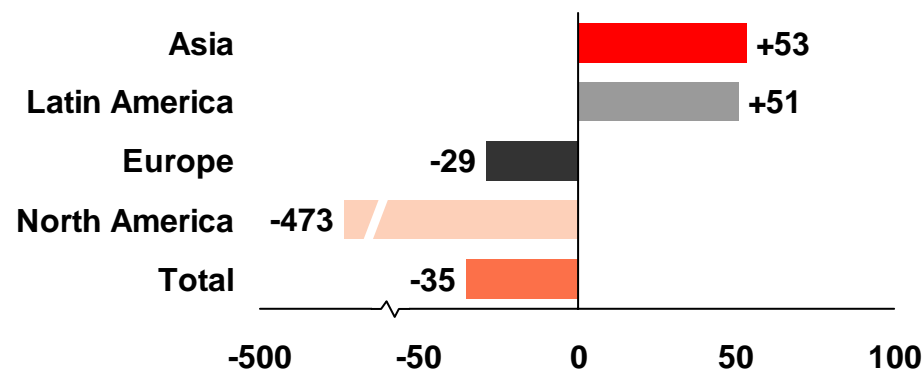
Global Banking and Markets

Regional mix

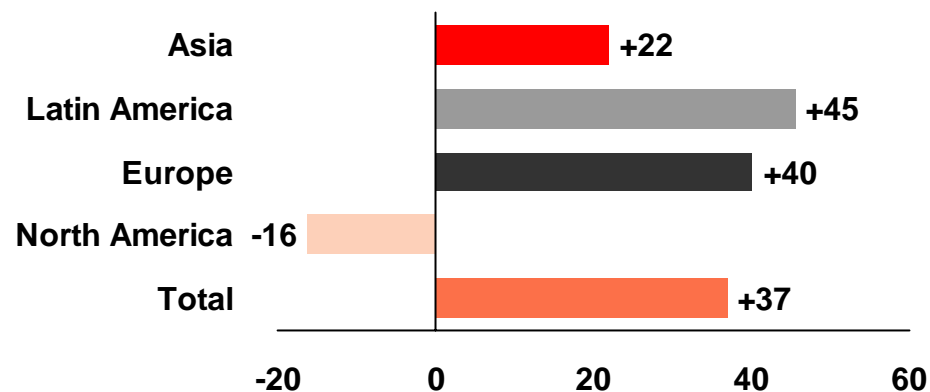
Profit (loss) before tax, 1H08	US\$m	%
Asia	2,742	102
Latin America	383	14
Europe	1,190	44
North America	(1,625)	(60)
Total	2,690	100

Growth in profit before tax (%)

1H08 vs 1H07



1H08 vs 2H07



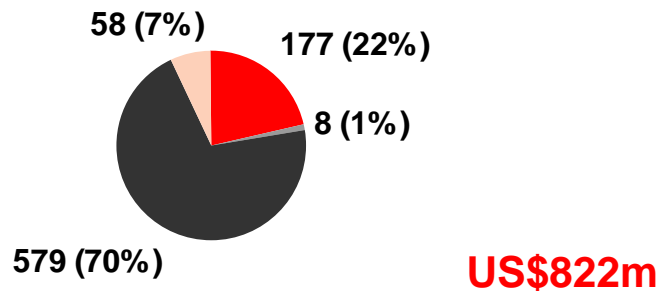
Management view of total operating income, US\$m

	1H07	1H08
Global Markets	3,825	1,688
Global Banking	1,974	2,432
Balance Sheet Management	521	1,630
Global Asset Management	636	669
Principal Investments	755	167
Other	826	833
Total operating income	8,537	7,419

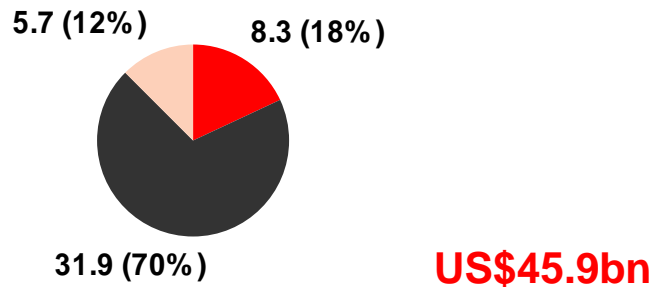
Private Banking

Regional mix

Profit before tax, 1H08, US\$m

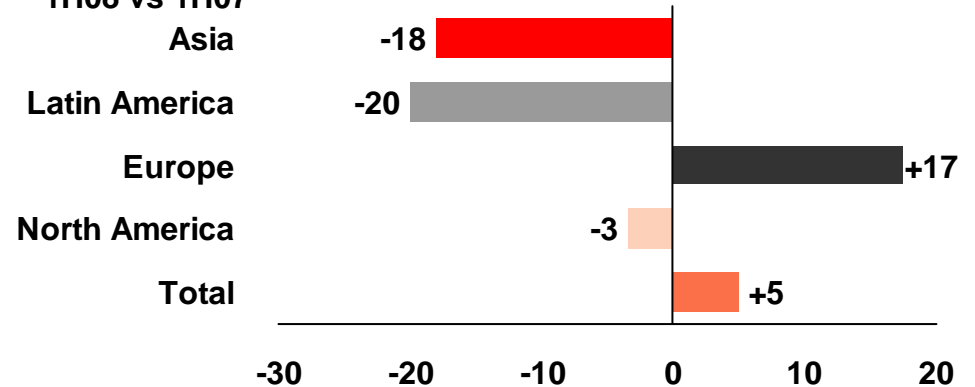


Customer lending, 30 June 2008, US\$bn

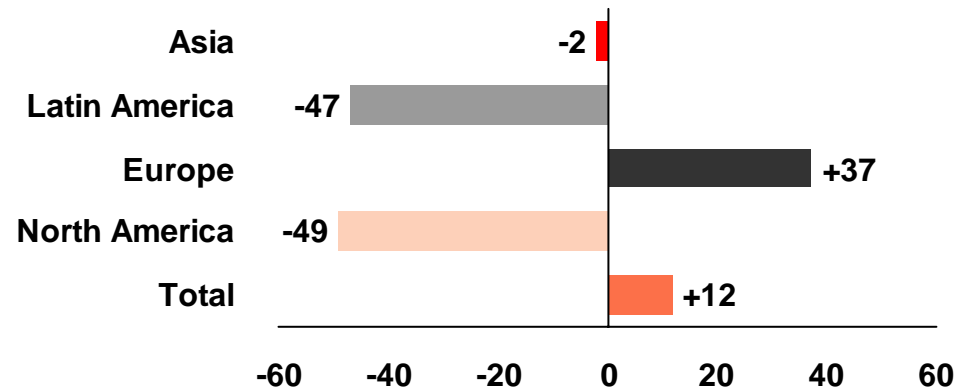


Growth in profit before tax (%)

1H08 vs 1H07



1H08 vs 2H07



HSBC Finance Corporation

Key developments

- **Continued focus on positioning businesses for the future**
 - Launched a new program through our Consumer Lending (CL) business along with an affiliate, HSBC Bank USA, to sell real estate secured receivables to the Federal Home Loan Mortgage Corporation (“Freddie Mac”). Program has been launched in six states and we anticipate a nation-wide rollout of the program during the third quarter of 2008
 - Sold our U.K. business to HSBC Overseas Holdings (U.K.) Limited, a subsidiary of HSBC Holdings plc in 1H08 to focus our operations on North America. As a result, the U.K. business results have been presented as discontinued operations
 - As of June 30, 2008, the sold U.K. business held US\$5.0 billion of customer loans and advances with a 2+ delinquency ratio of 7.8%
 - Exited all Taxpayer Financial Services independent relationships except H&R Block
 - In July 2008, decision was made to discontinue new motor vehicle loan originations from the dealer and direct-to-consumer channels. However, we intend to continue offering motor vehicle loans in our Consumer Lending branch offices supported by the direct-to-consumer channel until a third party provider is arranged. We will honor all outstanding loan commitments to our customers
 - In July 2008, decided to sell the common stock of HSBC Financial Corporation Limited, the holding company for our Canadian business to an HSBC affiliate. Subject to regulatory approval, it is anticipated that ultimate ownership of the Canadian operations will reside with HSBC Bank Canada. Projected aggregate sales price will be established based upon a third party valuation but is expected to be between US\$325 million and US\$365 million. Sale is expected to close in the fourth quarter of 2008, subject to certain approvals
- **Delinquency dollars and ratios continued to increase on a continuing operations basis in most products as home prices continued to decline in certain markets during the first half of 2008, unemployment rates continued to rise in those same areas and gasoline and home energy cost increases had an impact on the ability of some borrowers to make payments on their loans**
 - While delinquencies have increased, the rate of delinquency increase has declined in part due to increased collection efforts and favorable customer payment experience coinciding with the federal economic stimulus package
 - Gross delinquency dollars for the Mortgage Services portfolio have stabilized over the last three quarters

HSBC Finance Corporation

Key developments, continued

- **Continued focus on managing risks, delinquencies and right sizing strategies of our businesses and product offerings to enhance value to our customers and reduce risk for our stakeholders**
 - Decreased the size of overall customer loans and advances portfolio
 - Reduced Consumer Lending branch network to about 900 branches from approximately 1,000
 - Continued to tighten underwriting standards in all businesses
 - Reduced available credit lines in our credit card portfolio
 - Canadian operations sold a small mortgage brokerage firm
 - Focus on cost containment measures and improving our cost efficiency ratio
- **Expanded outreach and assistance to our mortgage customers**
 - Modified 1,837 loans ahead of ARM resets with an aggregate balance of US\$328 million in the first half of 2008
 - Modified approximately 12,200 loans ahead of ARM resets with an aggregate balance of US\$2.0 billion since October 2006. Approximately US\$692m of ARM loans modified under this program will experience the first rate reset in H208. 76 percent of outstanding loans and advances granted a modification under this program are less than 60-days delinquent and 9 percent of these loan balances modified have paid in full
 - Expanded our foreclosure avoidance/account modification programs to qualify more customers for payment relief with longer term modifications (generally either two or five years) with potentially lower interest rates. Modified 32,288 accounts year to date through these programs
 - Supported a variety of national and local efforts in homeownership preservation and foreclosure avoidance
- **Actions taken highlight HSBC's commitment to our stakeholders and businesses**
 - Capital infusion of US\$2.2 billion from HSBC Holdings plc in the first half of 2008
 - In February 2008, appointed Brendan McDonagh as CEO of HSBC North America Holdings Inc and Niall Booker as CEO of HSBC Finance Corporation

HSBC Finance Corporation – financial results

US\$m	1H07	2H07	1H08	% Better/(Worse) vs.1H07	vs.2H07
Net operating income before loan impairment charges	\$8,001	\$9,508	\$7,970	-0.40%	-16.20%
Loan impairment and other related charges	(3,734)	(7,996)	(6,686)	(79.10%)	16.40%
Net operating income	4,267	1,512	1,284	(69.90%)	(15.10%)
Total operating expenses, excluding goodwill impairment	(2,871)	(2,802)	(2,458)	14.40%	12.30%
Goodwill impairment		(5,549)		0.00%	100.00%
Profit (Loss) from continuing operations before tax ⁽¹⁾	1,396	(6,839)	(1,174)	(184.10%)	82.80%
Profit (Loss) from discontinued U.K. operations before tax ⁽²⁾	(282)	(867)	(388)	(37.60%)	55.20%
Profit (Loss) before tax	1,114	(7,706)	(1,562)	(240.20%)	79.70%
Cost efficiency ratio from continuing operations ⁽³⁾	35.90%	29.50%	30.80%	510 bps	(130) bps
Cost efficiency ratio from continuing operations - normalized ⁽⁴⁾	36.60%	34.70%	31.90%	470 bps	280 bps
Customer Loans & Advances (as at period end)	178,222	177,732	160,933	(9.70%)	(9.50%)
Fair value option (FVO) income included above	161	1,422	270	67.70%	(81.00%)
Profit/(Loss) before tax excluding FVO	953	(9,128)	(1,832)	(292.20%)	79.90%

Note: The figures above are presented on an IFRS Management Basis. See Note 11 'Business Segments' of Form 10-Q for the period ended 30 June 2008 for a reconciliation of IFRS to US GAAP

(1) 2H07 loss before tax from continuing operations excluding goodwill impairment impact of US\$5,549 million (US\$3,730 million relating to Consumer Lending business, US\$1,343 million related to Mortgage Services and US\$476 million related to Motor Vehicle Finance business) is (US\$1,290) million

(2) 2H07 loss from discontinued U.K. operations before tax excluding goodwill impairment impact of US\$410 million is (US\$458) million. 1H08 loss from discontinued U.K. operations before tax excluding loss on sale of U.K. operations to an affiliate of US\$375 million is (US\$13) million

(3) Cost efficiency ratio from continuing operations before tax excluding the impact of the goodwill impairment charge of US\$5,549 million in 2H07

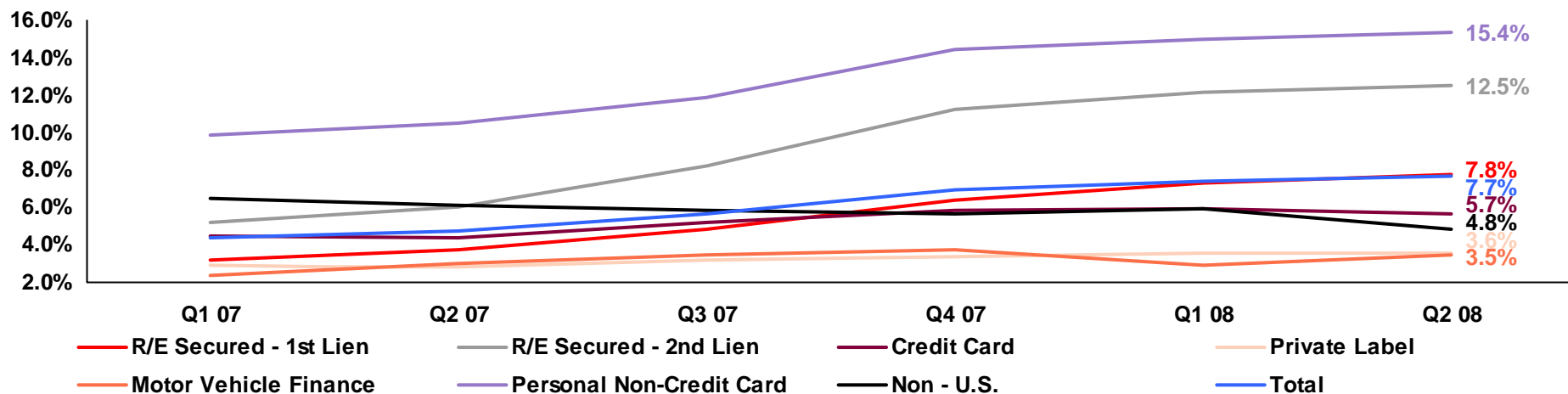
(4) Cost efficiency ratio from continuing operations before tax excluding the impact of the goodwill impairment charge of US\$5,549 million in 2H07, also normalized to exclude the impact of fair value option income of US\$161 million, US\$1,422 million and US\$270 million for 1H07, 2H07 and 1H08, respectively

HSBC Finance Corporation – H108 Highlights

- 1H08 loss before tax from continuing operations of US\$1,174 million was US\$2,570 million below prior year, primarily due to higher loan impairment charges of US\$3.0 billion partially offset by lower operating expenses (US\$0.4 billion)
- Net operating income before loan impairment charges from continuing operations was broadly flat with 1H07 as overall lower borrowing costs along with higher revenues from the Card and Retail Services (CRS) business were offset by lower revenues from the Mortgage Services (MS) and Consumer Lending businesses
 - Card and Retail Services revenues increased due to higher net interest income and other income from higher average loan balances along with lower interest expense. This benefit was partially offset by lower other income following changes in billing practices implemented in the fourth quarter of 2007 and higher delinquencies
 - Mortgage Services and Consumer Lending revenues decreased as a result of lower yields from higher delinquencies and product mix shift along with increased losses on REO portfolio partially offset by the closure of the Decision One operations in 2007. Mortgage Services results were also impacted by lower average loan balances
- 1H08 loan impairment charges from continuing operations increased US\$3.0 billion (or 79%) from 1H07 largely driven by impairment increases in our real estate secured (US\$1.6 billion), credit card (US\$0.5 billion), private label (US\$0.4 billion), personal non-credit card (US\$0.3 billion) and motor vehicle finance (US\$0.1 billion) portfolios
 - Loan impairment charges increased within the Consumer Lending business as the U.S. residential market further deteriorated and credit conditions continued to tighten for a broad segment of customers, removing refinancing alternatives. In addition, lower loans and advances run-off, portfolio seasoning, rising unemployment rates in certain markets and continued weakening of the U.S. economy have had an impact
 - Mortgage Services continued to experience higher loan impairment charges and delinquencies as portions of this portfolio purchased in 2005 and 2006 continued to season. In addition, this portfolio has also been impacted by worsening industry trends and slower loans and advances run-off
 - Card and Retail Services business experienced higher loan impairment charges from higher average loan balances, product mix changes, portfolio seasoning, an increase in bankruptcy filings and the effect of a weakening U.S. economy
 - Motor Vehicle Finance business was impacted by higher severity due to falling values of SUVs and trucks
- 1H08 operating expenses from continuing operations decreased US\$413 million (or 14%) from 1H07
 - Staff costs decreased as a result of strategic actions in 2007 to discontinue new correspondent channel acquisitions, cease Decision One operations and right-size the branch network. Further consolidation was done in 2008
 - Marketing expenses decreased primarily due to strategic decision to slow loan growth in our credit card portfolio
 - Efforts resulted in improved normalized cost efficiency ratio from continuing operations year over year of 470bps

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2+ delinquency ratio

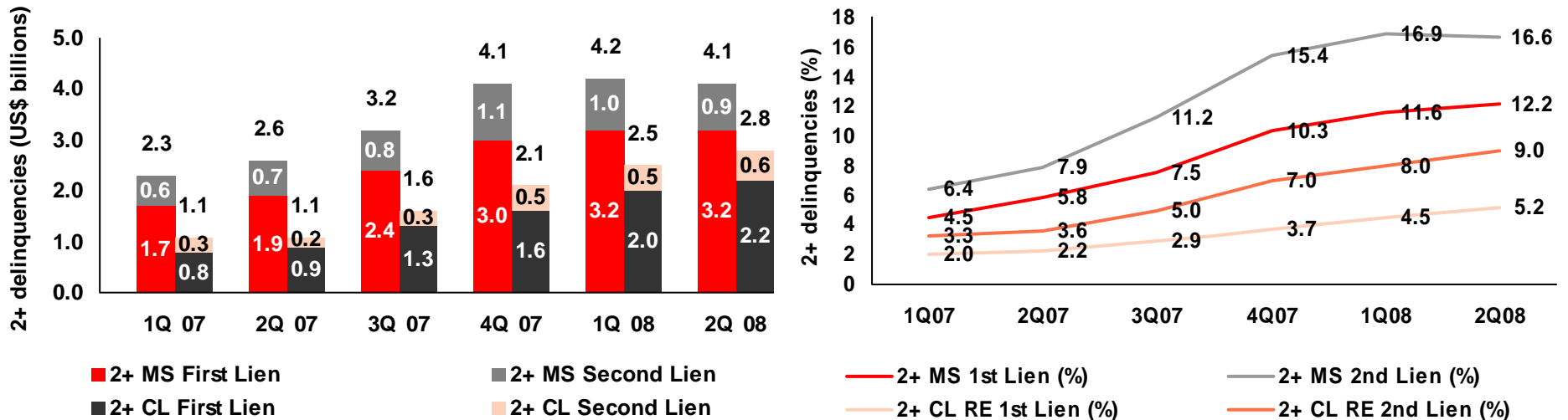


- Increase in total 2+ delinquency (27 basis points over 1Q08) reflects the continuing weakening of the housing and mortgage industry and rising unemployment rates in certain markets as well as the impact of broader weakening in the U.S. economy, partially offset by extended seasonal factors due to the federal economic stimulus package and improvements in collection activities during the first half of the year
- First and second lien real estate secured 2+ delinquency ratios were also negatively impacted by decreased principal balances from the continued liquidation of our Mortgage Services portfolio and lower outstanding balances from product offering changes in our Consumer Lending business
- 2+ delinquency in our credit card portfolios decreased as extended seasonal factors due to the federal economic stimulus package and improvements in collections were partially offset by continued deterioration in the marketplace and weakened economic conditions, portfolio seasoning, a higher mix of non-prime credit card loans, and lower loan balances following actions implemented since the fourth quarter of 2007 to slow loan and account growth
- The increase in the 2+ delinquency ratio in our motor vehicle finance portfolio reflects deterioration of marketplace and broader economic conditions and to a lesser extent, the impact of lower receivable levels due to lower origination volumes, partially offset by improvements in collection activities
- Personal non-credit card 2+ delinquency ratio increased as a result of portfolio seasoning, deterioration due to marketplace and broader economic conditions partially offset by improvements in collection activities. Lower receivable levels due to our risk mitigation efforts also contributed to the increase
- Decline in Non-U.S. portfolio reflects the sale of the U.K. operations

Note: See 'Credit Quality' in the MD&A of Form 10-Q for the period ended 30 June 2008 for delinquency information reported on a US GAAP basis.

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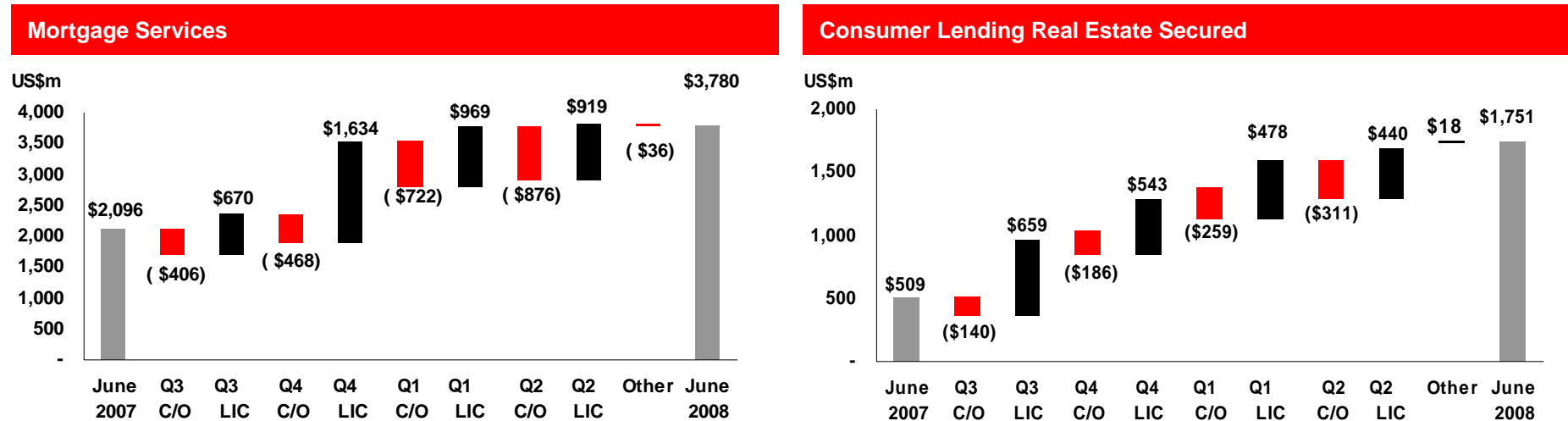
U.S. Real estate secured 2+ delinquency



- **2005 and 2006 vintages in Mortgage Services continue to season and progress as expected into later stages of delinquency as run-off slows as customers have fewer refinancing options. Gross delinquency dollars have stabilized within Mortgage Services. As the portfolio continues to decline, the delinquency ratio may continue to increase although dollar amount of delinquencies may fall depending on underlying economic circumstances**
- **Consumer Lending real estate secured delinquencies increased as credit performance continued to deteriorate from continued weakening in the housing and mortgage industry, rising unemployment rates and continued weakening in the U.S. economy. The rise in the delinquency ratio is also a result of lower loans and advances levels**

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Impairment allowance – MS and CL real estate secured



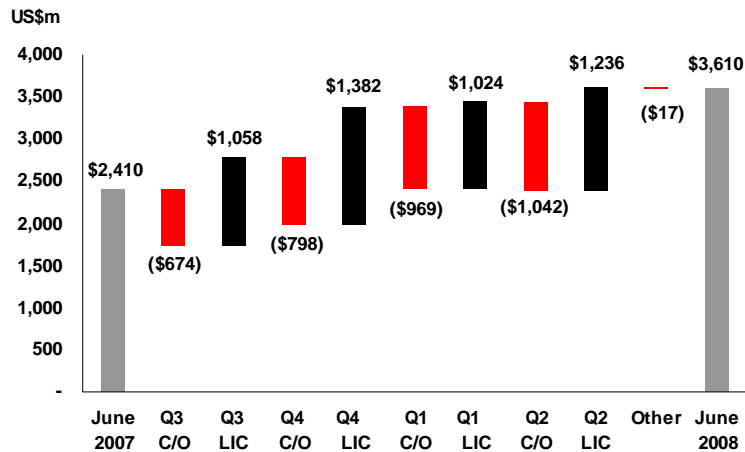
- Mortgage Services loan impairment charges relatively stable quarter over quarter in 2008
- Consumer Lending real estate secured reserves markedly increased from 2Q07 as a result of higher delinquency and loss estimates from current housing market trends and reduced secondary market liquidity limiting home buyer financing options. However, loan impairment charges have decreased over last 3 quarters
- The increasing net charge-offs in the loan portfolios reflected higher severity especially in 2nd liens

Note: C/O = Net Charge-offs (amounts written off)
LIC = Loan Impairment Charge

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Impairment allowance – Card and Retail Services

Card and Retail Services

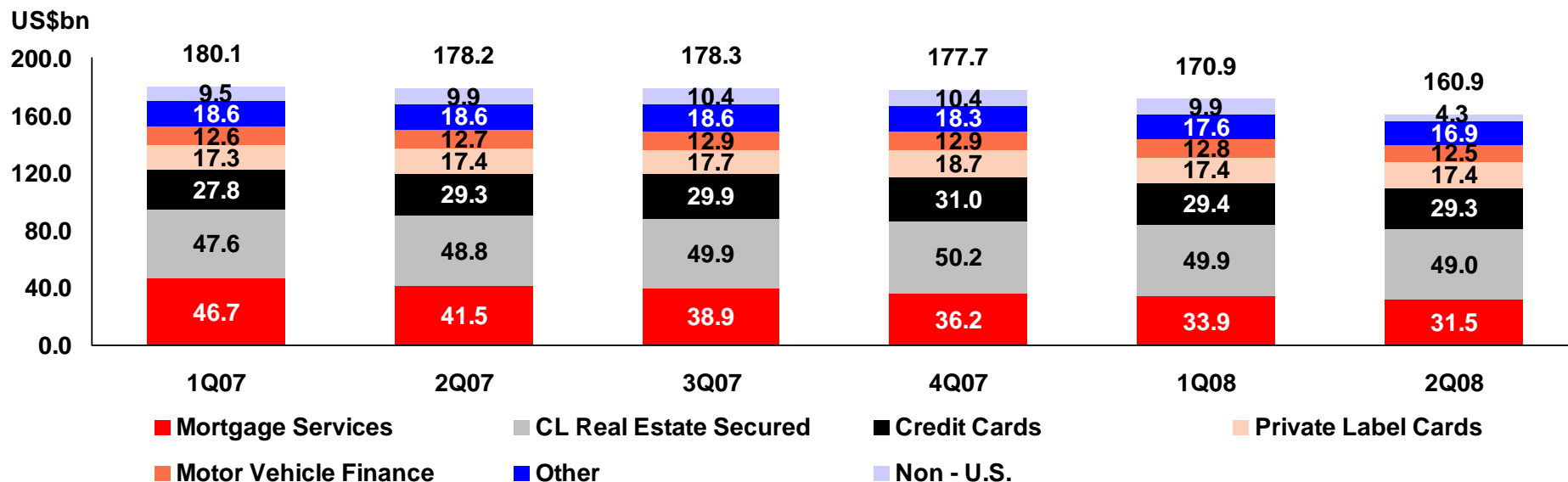


- CRS reserves increased from prior year as a result of higher delinquency and loss estimates from higher levels of non-prime receivables, portfolio seasoning, higher levels of bankruptcy filings, lower recovery estimates and the continuing deterioration in the marketplace and broader economic conditions

Note: C/O = Net Charge-offs (amounts written off)
LIC = Loan Impairment Charge

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Customer loans and advances

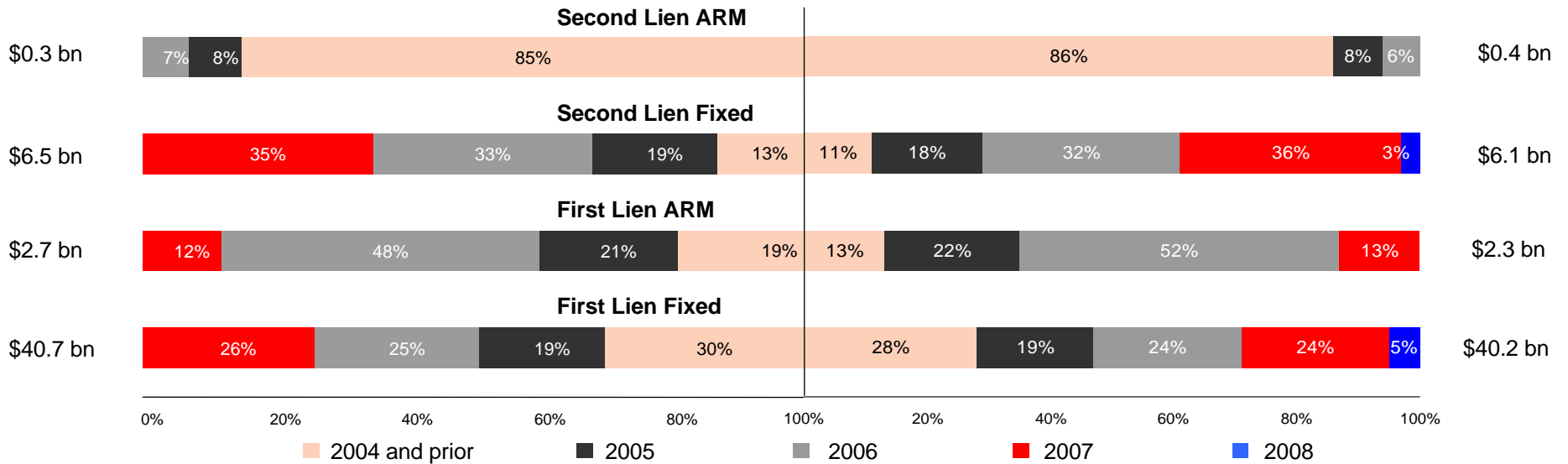


- Decreases in customer loans and advances compared to 1Q08 reflects the sale of the U.K business to an affiliate, changes in product offerings, risk appetite and business strategy actions, including reductions in branch offices, tightening in underwriting standards and a portfolio reclassification to loans held for sale designation
- Reductions in the Mortgage Services and CL real estate secured portfolios were partially offset by a decline in loan prepayments which has continued during 2Q08
- Decrease in credit card loans and advances compared to 1Q08 was due to strategic initiatives to slow receivable growth
- Canada motor vehicle finance portfolio (US\$0.3 billion) was reclassified to loans held for sale, a component of other assets, in 2Q08. On a US GAAP basis, a total of US\$9.4 billion was classified as loans held for sale in Q2 08 including a planned transfer of the GM credit card portfolio to HSBC USA Inc. of US\$6.3 billion. We will maintain reporting of GM credit card portfolio on management basis as HSBC Finance Corporation will continue to manage and service the portfolio after the transfer

Consumer Lending Real Estate Loans by vintage and type

December 2007

June 2008



Vintages (US\$bn)

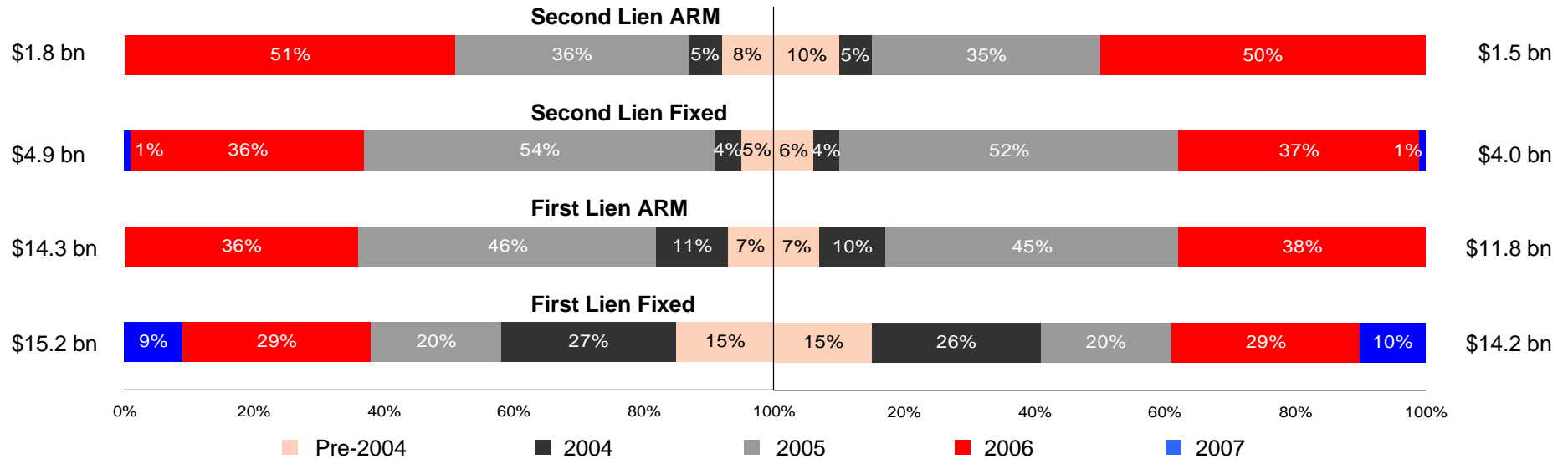
	December 2007	June 2008
2008	-	2.3
2007	13.1	12.3
2006	13.6	12.7
2005	9.8	9
2004 and prior	13.7	12.7
Total	50.2	49.0

Mortgage Services

Real Estate Loans by vintage and type

December 2007

June 2008



Vintages (US\$bn)

	December 2007	June 2008
2007	1.5	1.5
2006	12.2	10.8
2005	12.9	10.7
2004	5.9	5.2
Pre-2004	3.7	3.3
Total	36.2	31.5

HSBC Finance Corporation

Ongoing areas of focus

- **Recreate the value of our core Consumer Lending business and reposition for long-term success**
- **Deliver high brand values and strong customer value proposition in our products and services**
- **Manage collection resources and evolve collection strategies, including wider range of modification programs to help our customers**
- **Achieve a balance sheet size consistent with our desired risk profile and the current funding environment**
 - **Maintain desired capital ratios and liquidity**
- **Continue liquidation of Mortgage Services portfolio**
- **Continue cost reduction and streamline operations across the organization, right-sizing in markets experiencing fundamental change**
- **Continue progress of the US Card business role in developing the global cards business**