



# HSBC in the United States

## Presentation to Investors

March 2012

HSBC 

# Forward-looking statements



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**All amounts are in US\$ unless otherwise stated.**



# Content



## HSBC in the United States

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  - **Sale of US Card and Retail Services Business**



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# US Strategy



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# Why HSBC needs to be in the US

The US is strategically relevant



- US is the largest economy by GDP
- Five largest trade hubs are US, China, Germany, France and UK <sup>(1)</sup>
- North America is an international trade hub:
  - 11 percent global exports <sup>(2)</sup>
  - 15 percent global imports <sup>(2)</sup>
- China, US, Brazil and India expected to comprise approximately 75 percent of the CMB opportunity in key markets by 2020 <sup>(2)</sup>
- North America with approximately \$38 trillion in AUM comprises nearly one-third of global wealth, highlighting the strong wealth opportunity that exists in the US <sup>(3)</sup>
- There are 39,686 Global Headquartered businesses in the US <sup>(4)</sup>
  - Approximately 10,000 have franchises in multiple countries or demonstrate import/export activity and are not HSBC clients <sup>(4)</sup>

Source: (1) HSBC Analysis

(2) McKinsey

(3) Boston Consulting Group

(4) Dun and Bradstreet

# US Businesses Strategy – Summary

Boost international connectivity and satisfy the international needs of US clients.

Focus on sustainable growth for our global businesses consistent with HSBC's global strategy



## Opportunities

- Faster Growing Markets
- Cross-border
- Wealth

CMB	RBWM	GBM	GPB
<ul style="list-style-type: none"> <li>• Be a leading international business bank in the US</li> <li>• Continue expansion in metropolitan areas with strong international connectivity</li> <li>• Capitalize on increasing international needs for commercial banking customers</li> <li>• Provide additional focus on developing trade and supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• Differentiated premium services to internationally minded customers</li> <li>• Reposition and right-size branch network to concentrate on areas with strong international connectivity</li> <li>• Increase value of Premier portfolio by deepening existing relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Emerging markets-led, financing-focused wholesale bank</li> <li>• Integrated Americas platform</li> <li>• New York as a hub for the GBM business across the Americas</li> <li>• Increase global revenues from US managed clients</li> <li>• Improve alignment across global businesses</li> <li>• Improve penetration of US multinationals' revenue in rest of Asia beyond China</li> <li>• Continue to leverage cross selling opportunities between segments and regions</li> </ul>	<ul style="list-style-type: none"> <li>• Re-positioned as an internationally-led Private Bank in the US</li> <li>• Sell Faster Growing Markets products to domestic and international clients</li> <li>• Leverage Miami hub to support and expand Latin American business</li> </ul>
	<p><b>Run-off CML Portfolio</b></p> <ul style="list-style-type: none"> <li>• Segregated from ongoing business to focus on RWA reduction and cost infrastructure</li> <li>• Subject to market conditions, opportunities to accelerate portfolio run-off will be pursued</li> </ul>		
<ul style="list-style-type: none"> <li>• Leverage Group relationships and unique global footprint in GBM, CMB and GPB</li> <li>• Continued focus on expense management and effective use of capital across our businesses</li> <li>• Continued focus on enhanced productivity, revenue growth and regulatory compliance</li> </ul>			

# US Key Initiatives

Initiatives are aligned with our overall strategy



## Opportunities

Take advantage of **faster growing markets** growth opportunities

Capitalize on expected increase in **international and cross-border** activities

Capitalize on increasing demand for **wealth** products

## Key Initiatives

- Leverage Miami hub to help drive growth of our international customer base in Retail Banking and Wealth Management and Private Banking
- Focus on cross-regional sales with the United States as the Global Banking and Markets hub for North America and Latin America
- Align retail branch distribution with internationally led strategy

- Engage in more targeted marketing and business development efforts to source new international business
- Continue CMB expansion in metropolitan areas with strong international connectivity
- Pursue opportunities in Trade & Supply Chain business

- Increase market share for Wealth and Insurance products
- Deepen Premier proposition

# HSBC in the US

Summary of progress on strategy



## Key Execution Elements    Progress in 2011

### Capital Deployment

- Announced disposal of 195 branches in Upstate New York; expected to be completed in stages beginning in Q2 2012
- Announced sale of US Card and Retail Services business with closing expected in the second quarter of 2012

### Cost Efficiency

- Reduced FTEs 14% at HSBC Finance and 9% at HSBC USA Inc.
- Completed rationalization of software development projects
- US was a significant contributor to Group sustainable cost saves achieved in 2011

### Growth

- Continued to expand CMB and GBM businesses into areas with strong international connectivity
  - US West Coast, Texas and Florida for CMB
  - Latin America for GBM
- Loans and advances to customers (net) in CMB in the US increased over 15% in 2011
- Continued to direct resources towards the expansion of wealth services and deepening Premier relationships

# US Strategy

Looking forward



- Well-positioned for the future – Continuing to grow and invest in key businesses that are strategically relevant to HSBC
- Continue to progress key strategic business initiatives and transformational cost initiatives
  - Significant reductions in centralized costs needed post completion of strategic initiatives
  - Right-sizing centralized costs and other cost initiatives will significantly reduce our cost efficiency ratio closer to Group targets
- Market conditions and overall economic environment remain challenging
- Credit quality trends have improved but headwinds could remain
- Regulatory environment remains uncertain
  - Ever-changing environment
  - Regulatory actions and inquiries
  - Dodd-Frank Wall Street Reform and Consumer Protection Act
  - Future US capital requirements remain uncertain
- Continued focused remediation of Compliance and Foreclosure matters
- Continue to collect effectively and ethically in full compliance with the law

# Commercial Banking



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# Commercial Banking

## Key business lines and strategy



CMB serves three business groups – Corporate or Middle Market Enterprises, Business Banking, and Commercial Real Estate; with key product partners including Payments and Cash Management (PCM) and Trade and Supply Chain; and partnership with our key global businesses: Global Banking and Markets, RBWM and Private Banking.

**International Banking is not a product, it is a way of life for all of CMB**

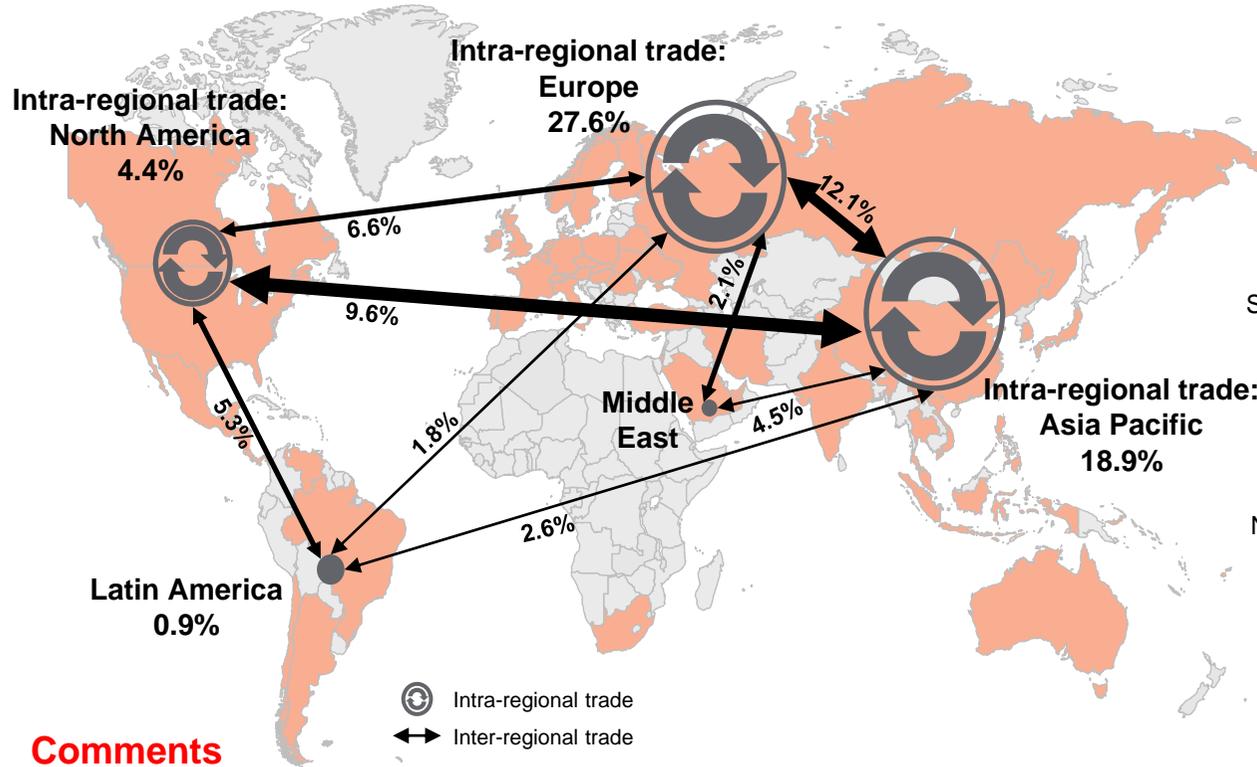
Key Lines of Business	Strategy
<b>Corporate</b> <i>(\$50m and up to GBM client segment)</i>	<ul style="list-style-type: none"><li>• Very large companies with complex international banking needs</li><li>• Customers acquired through relationship managers and overseas connectivity</li><li>• Lead with international proposition, cross-sell international capabilities, GBM &amp; GPB connectivity, Trade and PCM capabilities</li></ul>
<b>Business Banking (BB)</b> <i>(\$0.5m to \$50m)</i>	<ul style="list-style-type: none"><li>• Sub-segments: Upper BB (\$3-\$50m) and Mass BB (\$0.5-\$3m)</li><li>• Upper segment serviced by a designated RM, mass segment serviced via automated channels, call centers, and branch based staff if required</li><li>• Over the past several years, Upper BB repositioned its focus towards international businesses, or those owned by internationally-minded individuals to take advantage of this emerging trend in smaller businesses</li><li>• Liquidity provider to CMB</li></ul>
<b>Commercial Real Estate (CRE)</b>	<ul style="list-style-type: none"><li>• Target client segment includes commercial real estate clients, international strategic/opportunity funds, international REITs, large US pension funds with international reach and highly selective US domestic clients</li><li>• Drive to increase balance sheet efficiency and returns</li><li>• Capitalize on cross-sell opportunities with GPB</li></ul>

# Context and Market Opportunities – Trade Concentration

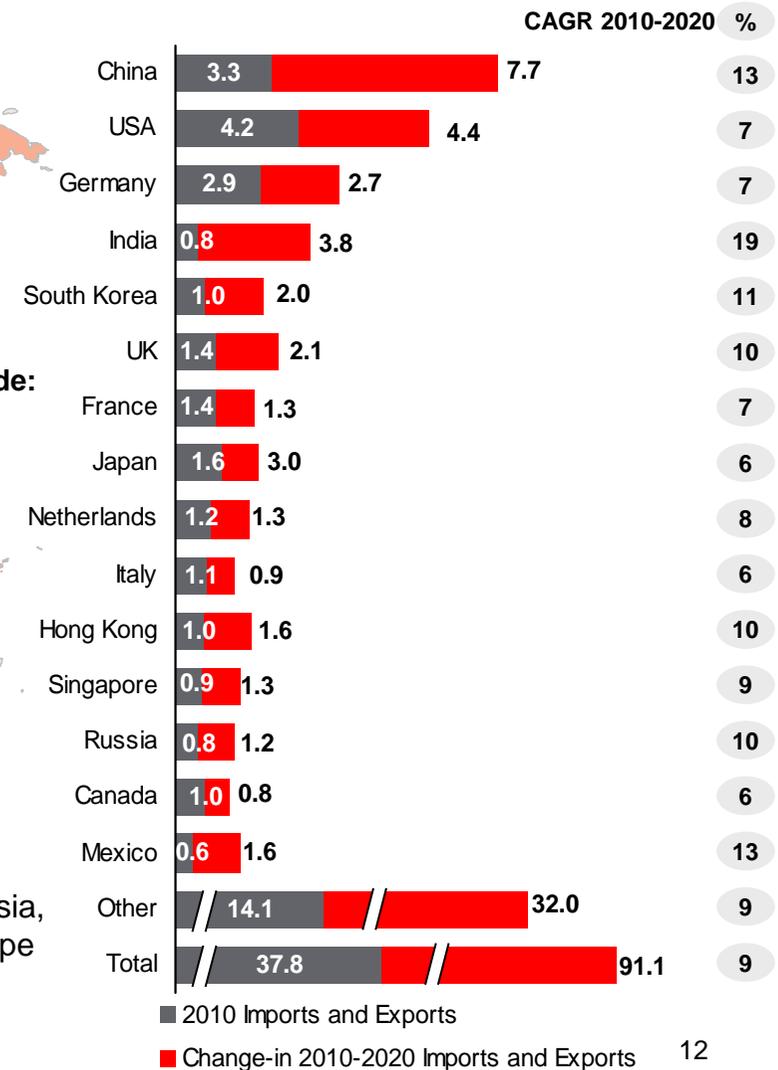
15 markets will comprise 64% of world trade by 2020<sup>(2)</sup>



## Major trade flows<sup>(1)</sup> 2010



## Top 15 trade countries<sup>(2)</sup> Imports and Exports, \$trn



## Comments

- Developed markets still play a vital role in Global Trade:
  - 5 largest trade hubs in 2010 are US, China, Germany, France and UK
  - 5 most important trade flows in 2010 are intra-regional Europe, intra-regional Asia, between Asia and Europe, between Asia and North America and between Europe and North America

(1) Delta Economics based on Top 10 trade partners for focus set of 33 countries

(2) Source: Global Insights. Note: Brazil represents USD0.5tn in 2010 expected to grow to USD0.9tn in 2020

# Commercial Banking

Focus on growth opportunities to achieve targets



## Focus on Growth Opportunities

### Opportunity

- The Corporate regional coverage markets include the top 20 International MSAs<sup>(1)</sup> in the US which hold 52% of the international HQ opportunity and nearly 50% of the GDP<sup>(2)</sup>
- 11% of domestic only companies with revenue greater than \$30m are going international annually<sup>(3)</sup>

### Expansion

- Since 2002, CMB has opened new expansion offices focusing on Corporate international clients
- In 2011, expansion continued in Los Angeles, San Francisco, Houston, Miami and Atlanta
- During 2012, continued focus on regions with the highest concentration of LIB opportunities

### Drives Results

- Strong growth in the loan book and deposit balances, continued growth in trade service, PCM and GB&M revenue and fees, and connectivity with global CMB teams drives revenue growth

## Achieve Targets

### Generate Shareholder Return

- Improve RoRWA, PBT Growth, and reduction in CER
- Manage LICs

### Enhance Revenues from Collaboration with GBM & GPB

- Leverage scale and connectivity to bring the best solutions to CMB clients

### Be the Leading International Bank in our Top 20 Markets

- Aggressively pursue trade revenues
- Growth rate in international customers greater than domestic customers
- Increase revenue from international customers and from cross border business

<sup>1</sup> Metropolitan Statistical Area (MSA)

<sup>2</sup> Source: D&B information of Companies with sales of \$30m to \$10b

<sup>3</sup> HSBC Survey on International Business, May 2010

# Commercial Banking

## Key initiatives for growth



### **Corporate**

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- Build scale in strategic geographies focusing on companies that need our international expertise and Group connectivity, building upon expansion in 2011 in the West Coast, Texas and Florida
- Maximize cross-sell opportunities and utilize balance sheet where appropriate to achieve top tier banker status
- Deliver market leading capital and debt advisory services to Large Corporate clients

### **Business Banking**

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- Expand Upper Business Banking proposition in high opportunity international markets
- Focus on customers with international needs
- Expand digital capabilities – increase the number of active online banking users; reduce cost to serve
- Enhance direct functionality to drive up customer satisfaction, channel utilization, revenue, and decrease costs

### **Commercial Real Estate**

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- Leverage a market leading CRE team and growing trend of international real estate investment companies
- Selective growth strategy targeting high quality, high yield returns
- Larger underwrites for core clients, larger hold positions, increasing agency and syndication revenue

### **Connectivity with Product Partners**

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- Partner with Trade and PCM team to ensure appropriate market coverage and increase product penetration
- Receivables Finance launched 3Q 2011 to align business model with Group CMB
- Grow introductions to GPB for wealth and cross-sell opportunities
- Partner with GBM to drive revenue growth around CMB's Leading International Bank proposition

# Commercial Banking

## Future outlook



- **Opportunity** is significant; US the second largest trading country in 2020
- **Execute** our plan to grow while improving the cost efficiency ratio
- Maximize the **scope** of our international network through collaboration between businesses (especially GBM and GPB) and across geographies
- **Focus** intensely on our international strategy to deliver superior growth and returns
- **Disciplined** growth with risk awareness and insight to build sustained long-term success within a robust compliance environment

# Global Banking and Markets



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# Global Banking and Markets

Aim to be strategic, sustainable and significant



GBM Strategic Vision	<ul style="list-style-type: none"><li>• Strategic alignment to HSBC Group strategy</li><li>• Re-engineer processes to improve efficiency and create a sustainable business model and culture</li><li>• Maintain disciplined approach to addressing regulatory concerns and mandates</li></ul>
Global Banking Priorities	<ul style="list-style-type: none"><li>• Optimize client coverage via alignment of Global sector coverage model</li><li>• Increase “Flow” business from Corporate and FIG<sup>(1)</sup> multinational clients</li><li>• Drive “Event” revenues as part of enhanced senior executive coverage of core clients</li></ul>
Global Markets Priorities	<ul style="list-style-type: none"><li>• Grow revenues and maintain focus on major international and institutional clients</li><li>• Improve connectivity and coordination with Global Banking and other Global Businesses</li><li>• Support select new product initiatives (i.e. High Yield)</li></ul>

(1) Financial Institutions Group

# Global Banking and Markets

Continuing to execute against strategic priorities



Joining up and  
Growing our Business

- Foster joint accountability approach to client planning and coverage
- Develop and selectively invest in talent and new products
- Continue reduction in legacy assets through attrition and sales

Continue Integrating  
the Americas Region

- Improve penetration of US multinationals revenue
- Deepen relationships with Commercial Banking customer base
- Integrate GBM products into regional Wealth Management offerings

Cross-customer  
Group, Cross-  
regional Connectivity

- Drive regional operating model with New York as management hub
- Selectively redeploy RWAs to support Group clients with USD funding needs
- Establishment of country desks in key South-South regions

# Global Banking and Markets

Initiatives in place to capture significant cross-selling opportunities



Global Banking and Markets	Increase derivatives cross-sale from Debt Capital Markets originations	Increase intra and inter-regional flows to drive the South-South initiative	Cross-sale FX solutions to Payments & Cash Management and institutional clients and continue to build out proposition across Latin America	Improve penetration of US multinational revenues in rest of Asia beyond China and Hong Kong
Commercial Banking	Selectively grow High Yield and Leveraged Acquisition Finance transactions with Commercial Banking customers	Grow number of Global Markets / Commercial Banking relationships	Drive growth of non-FX Global Markets revenues with Commercial Banking customers	Increase Global Banking sector / product co-calling on Commercial Banking clients
Retail Banking and Wealth Management	Increase penetration of Global Banking and Markets products to Retail Bank Wealth Management client base	Drive Premier referrals from Global Banking and Markets clients	Deliver value from family office relationships	Improve Asset Management cross-sale to Global Banking clients

# GBM - Delivering on Our Strategy

## Awards & key transactions



### Recent Awards



- Best Global Risk Management House
- Best Global Infrastructure and Project Finance House
- Best Global Sovereign Advisor



- Best for Latin American currencies
- Best for emerging markets options
- Best for emerging market currencies trading – spot/forward



- Share Leader: U.S. Fixed-Income Market Share – Emerging Markets
- US Retail Structured Products:
  - #1 in Overall Market Penetration
  - #1 Best Brand and Reputation in Structured Products
  - #1 in Greenwich Quality Index (overall sales relationship)



- Most Innovative Investment Bank for Infrastructure & Project Finance
- Most Innovative Team of the Year – Sovereign Advisory
- Most Innovative for Sovereign Advisory



- Best Bank for corporate clients
- Best Bank for FX forwards
- Best Bank for FX structured products
- Best Bank for FX in Emerging EMEA

### Key Transactions

April 2011



USD3.1B FO

Issuer Nat: Brazil  
Metals & Mining  
Advisor /

Co-Manager

July 2011



US\$730M

Acquisition Facilities

Joint Lead Arranger  
& Joint Bookrunner

July 2011



US\$5.0B

Acquisition Facilities

Joint Lead Arranger  
& Joint Bookrunner

September 2011



US\$323M

Acquisition of  
Dow Chemical's  
Polypropylene  
business

Sole Financial  
Advisor

September 2011



US\$450M

Acquisition Finance

Joint Lead Arranger  
& Joint Bookrunner

### 2011 Rankings

#4 in International Bonds Globally

#1 in Emerging Markets Bonds Globally

#1 in Latin American Local & International Bonds

#2 in Brazilian Local and International Bonds

#1 in Mexican Local and International Bonds

Source: Bloomberg



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# Global Private Banking US



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# Global Private Banking US

## Business overview

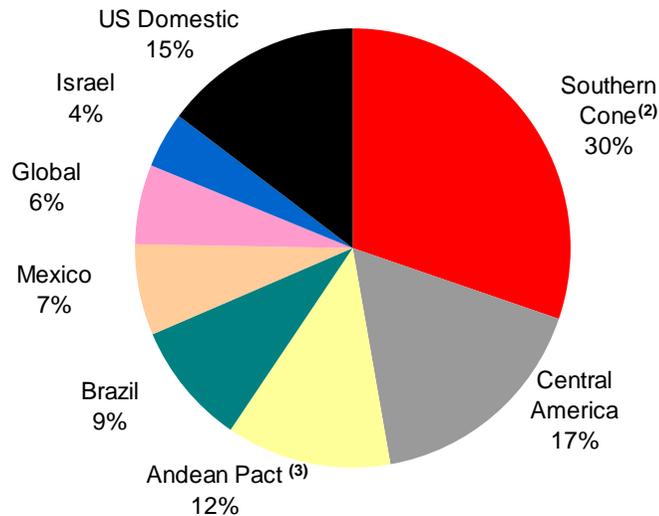


- Internationally-led private bank with a single integrated business model for both domestic and international clients in terms of product and service excellence

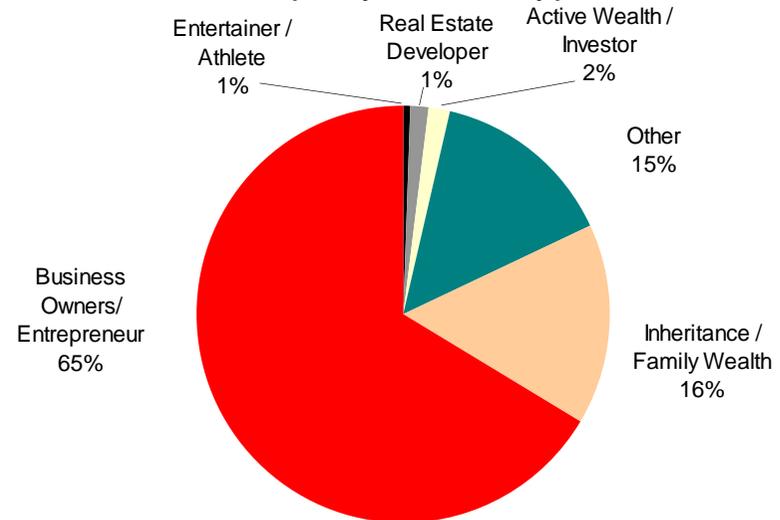
Investments	Wealth Planning	Capital Advisory	International Services
<ul style="list-style-type: none"> <li>• Provide an international investment offering with recognized expertise in alternative investments, hedge funds and faster growing markets</li> </ul>	<ul style="list-style-type: none"> <li>• Offer global wealth planning, trust and insurance solutions delivered through 22 service locations worldwide</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage the HSBC Group Commercial Banking and Global Markets resources on behalf of our clients</li> </ul>	<ul style="list-style-type: none"> <li>• Develop the Miami office as the hub of international services for the Latin American region (one of the world's fastest growing wealth markets)</li> </ul>

- The client base is geographically diverse and dominated by business owners and entrepreneurs.

Relationships by Markets<sup>(1)</sup>



Relationships by Wealth Type<sup>(1)</sup>



(1) Source: HSBC internal management information as of December 31, 2011

(2) Southern Cone comprises Argentina, Chile, Paraguay and Uruguay

(3) Andean Pact comprises Bolivia, Colombia, Ecuador and Peru

# Global Private Banking US

## Strategic priorities/initiatives



### Sustainable Business

- Build on international strength and global capabilities – with an increased focus on the higher net worth client segments
- Align resources to preferred client segments

### The Client Experience

- Well resourced client service teams using the “troika” model: relationship manager, investment advisor, wealth planner
- Stronger investment advisory and wealth solutions support
- Improve client reporting

### Intra-Group Strengths

- Maximize the potential of the HSBC America’s presence (over 800,000 commercial customers) for new client acquisition
- Strong communication on incentives and improved tracking and reporting
- Leverage Global Banking and Markets for the ultra high net worth and institutional segments

### People Engagement

- Hire and retain top talent
- Develop internal talent
- Improved alignment of compensation to performance

### Systems

- Realize benefits from enhanced Client Relationship Management capabilities to build share of wallet
- Enhance online capabilities for reporting and transactions
- Leverage international strength of the State Street platform

### Risk and Management

- Nurture a smart risk-awareness culture - with all staff acting as the first line of defense.
- Close cooperation with HSBC Bank USA (HBUS) risk and compliance as well as Global Private Bank risk and compliance

# Global Private Banking US

Alignment with Group strategy and competitive advantages



## Alignment with HSBC Group Strategy

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- Attract and serve clients who are internationally connected in terms of business, residence, and investments
- The US is a country that will remain a central force in the global economy
- Return on equity is well above Group averages
- Loan to deposit ratio is highly favorable by Group standards – and provides liquidity to the Group
- Cost efficiency ratio is comparable to most of our private bank competitors

## Competitive Advantages

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- US Private Bank competitors do not offer international access and global thinking deeper than HSBC
- We do not compete directly with the US distribution or product driven (brokerage) models like UBS, Credit Suisse, Morgan Stanley Smith Barney
- Private Banking US (PBUS) has an advice and solution driven client model (open architecture), consistent with the future of wealth management for high net worth individuals
- The PBUS “troika” client coverage model institutionalizes the client, drives cross-sell, and delivers integrated, open architecture client solutions

# Retail Banking and Wealth Management



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# Retail Banking and Wealth Management

## Strategic focus and objectives



- **Focus on Internationally Connected Markets**

- Target internationally connected customers (e.g. Asian diaspora) in providing relationship based wealth management and banking services
- RBWM will focus on growing its wealth and banking business in key urban centers with strong international connectivity across the US including NYC, Los Angeles, San Francisco, Miami and Washington DC

- **World Class Banking and Wealth Solutions**

- Deepening our relationships with Premier and Advance customers concentrating on provision of needs based wealth management services (fee-based revenue model) and mortgages. This will minimize RBWM's ongoing dependence on deposit margins in the current low interest rate environment
- Differentiated in wealth management from competitors through a relationship based sales model delivering a suite of open architecture wealth services incorporating proprietary products (e.g. World Selection mutual funds) which enables our internationally-minded customers to invest in global markets
- Global transfer and account view capability providing customers with access to global banking services
- Efficient acquisition of higher value customers through targeted marketing and cross-business referrals

- **Being an Agile, Fit-for-purpose Organization**

- Multi-year restructuring initiative already underway to create a more efficient and globally connected business
- Realignment of management structure to support the growth of our wealth management business
- Keen focus on expense control to achieve HSBC Group's target cost efficiency ratio

# Retail Banking and Wealth Management

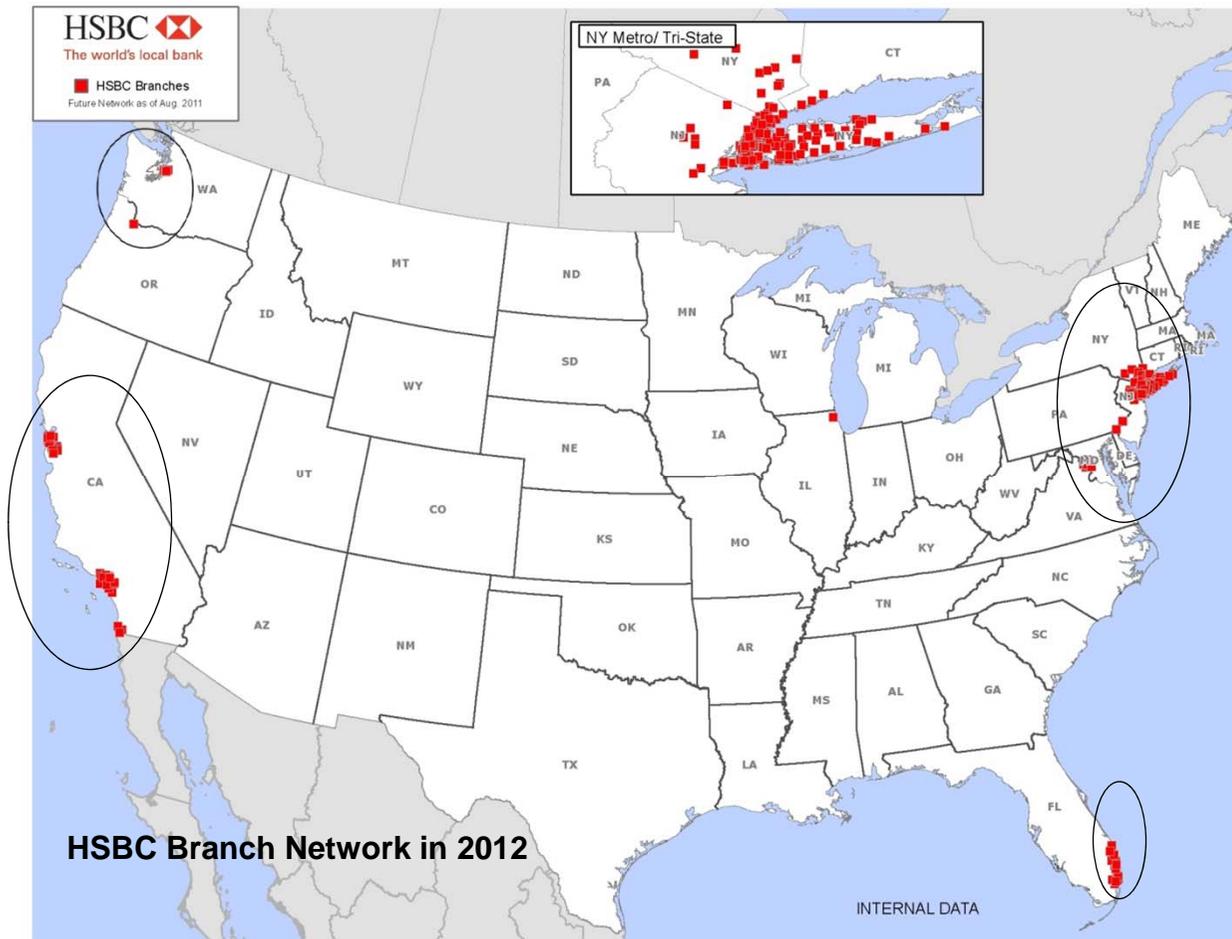
Disciplined execution with 4 areas of focus



Customer	<ul style="list-style-type: none"><li>• Pursue growth in Premier customer segment. Target internationally connected customers in key US cities</li><li>• Drive needs based cross-sell promoting wealth and banking services</li><li>• Focused on strategic objective of providing a consistently superior customer experience</li></ul>
Distribution	<ul style="list-style-type: none"><li>• Reposition and right-size branch network to concentrate on markets with strong international connectivity</li><li>• Continuing to pursue a multi-channel strategy. Deliver digitally enabled real time channel capabilities to our customers</li><li>• License and accredit branch sales personnel to sell wealth and mortgage products</li></ul>
Simplification	<ul style="list-style-type: none"><li>• Standardize propositions and products in line with target operating model</li><li>• Offering quality account opening process for new and existing customers enabling provision of uniformly excellent service with strong compliance and operational controls</li><li>• Sustainable cost savings as a result of delayering and increasing spans of control and re-engineering processes</li></ul>
Value	<ul style="list-style-type: none"><li>• Transforming our business to achieve a strong and sustainable performance over the long term</li><li>• Building a robust regulatory compliance culture</li><li>• Implemented new Know Your Customer (KYC) policies and procedures. These policies incorporate a new Customer Risk Rating process</li></ul>

# Retail Banking and Wealth Management

Focus US branch network on internationally connected metro areas



- HSBC's US network increasingly aligned with internationally connected metro areas
  - Reached an agreement to sell 195 branches, primarily in Upstate New York to First Niagara Bank N.A.
  - On track for the sale to First Niagara to be completed in stages beginning in the second quarter of 2012
  - Focusing on urban internationally connected cities

# RBWM - Run-off Consumer and Mortgage Lending



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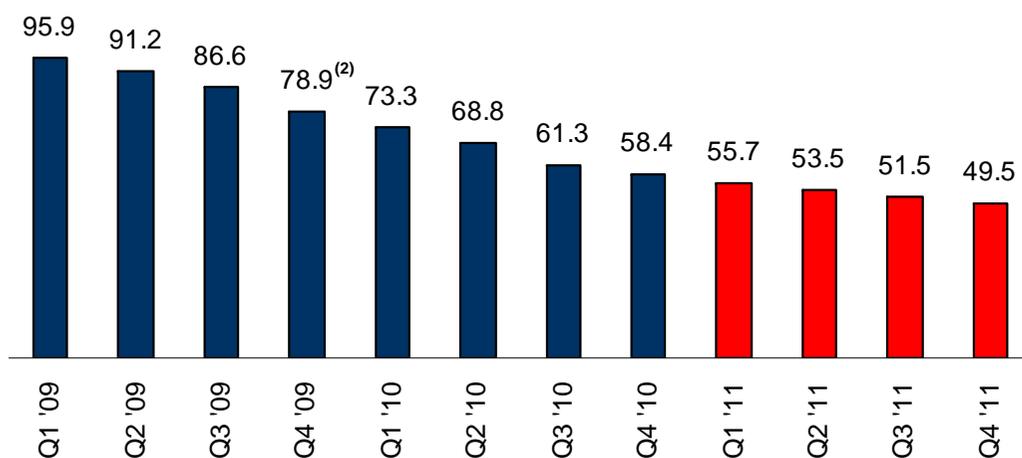
# Run-Off Consumer and Mortgage Lending

Driving cash flows and portfolio liquidation



## CML Run-off Receivables<sup>(1)</sup>

\$bn



- In Q1 2009, CML discontinued all new customer originations, and has since been focused on liquidating the run-off portfolio
- Since that time, we have successfully liquidated 48% of the portfolio while focusing on effective collection strategies
- In addition, we will continue to explore opportunities for loan sales where economically viable

(1) IFRS Management Basis

(2) In December 2009, we elected to shorten the write-off period for real estate secured and personal non-credit card receivables

# Run-Off Consumer and Mortgage Lending

An industry leader in homeownership preservation



- Culturally, homeownership preservation has been embedded in our operating philosophy for years

Loan Modifications	2008	2009	2010	2011
Units	92,500	104,300	42,500	28,900
Dollars	\$13.5bn	\$14.6bn	\$6.0bn	\$3.9bn

Note: Data from 2008 10-K, 2009 10-K, 2010 10-K and 2011 10-K US GAAP legal entity basis

- Volume of modifications and/or re-ages may have begun to level off as over 50% of the portfolio has already been modified and/or re-aged through active outreach in 2008 and 2009

Portfolio Snapshots	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Total Real Estate Modification and/or Re-age	\$17bn	\$26bn	\$30bn	\$27bn	\$24bn
% of Real Estate Portfolio w/ Modification and/or Re-age	20%	36%	51%	54%	57%

Note: Data from 2008 10-K, 2009 10-K, 2010 10-K and 2011 10-K US GAAP legal entity basis

- As of December 31, 2011, approximately 50%<sup>(1)</sup> of all loans modified and/or re-aged since January 2007 are less than 60 days delinquent or have paid in full
  - Our recidivism rates compare favorably to market experience in general
  - Modification when used appropriately improves cash collections and avoids foreclosure where determined to be appropriate

(1) Source: HSBC Finance Corporation 2011 Form 10-K

# Run-Off Consumer and Mortgage Lending

Prioritizing alternative exit strategies



## But When Home Preservation Efforts Fail...

### Short Sale / Deed in Lieu

- Proactive exit strategies since Jan 2009, targeting customers who can no longer afford the home
- Providing cash relocation assistance and waiving deficiency balances
- Reducing loss severity and accelerating resolution of the delinquency

### Foreclosure

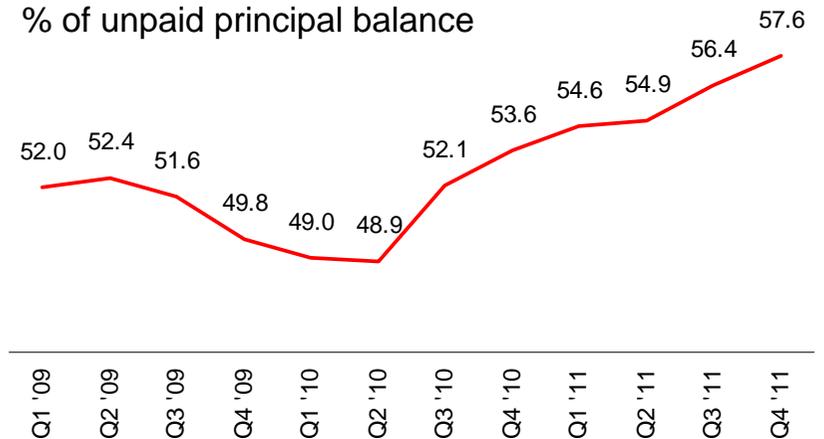
- Foreclosure viewed as a last resort, only after all other alternatives have been exhausted and when borrower is seriously delinquent

### REO

- Focused on maximizing net sales proceeds, minimizing expenses and returning capital to the business as quickly as possible
- REO inventory has fallen sharply in 2011 as a result of foreclosure delays

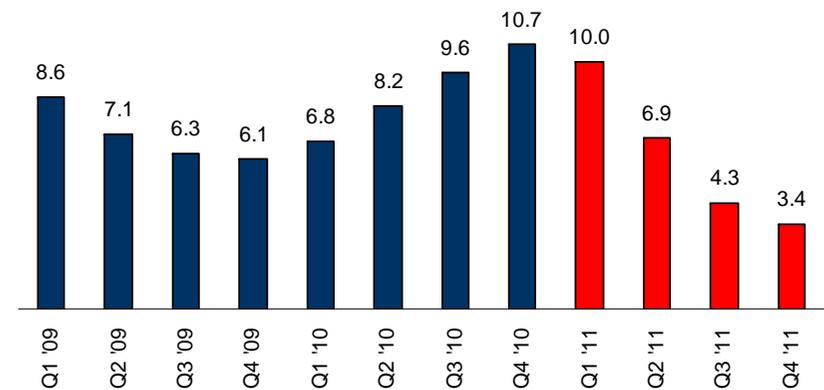
## Foreclosure Severity (1)

% of unpaid principal balance



## REO Inventory (1)

# thousands



(1) Source: HSBC Finance Corporation 2009, 2010 and 2011 Form 10-K

# Run-Off Consumer and Mortgage Lending

Key areas of focus going forward



## **Mitigating Delinquency and Maximizing Cash Flow**

- Maximizing cash collection in a responsible and ethical manner
- Shifting volume from foreclosures to short sale and deed-in-lieu, where appropriate
- Continuing to explore opportunities for loan sales as the economic environment improves and asset prices strengthen

## **Remediating Consent Orders and Enhancing Compliance and Controls**

- Addressing noted deficiencies and enhancing our policies and procedures
- Foreclosure actions and other regulatory developments
- Performing a comprehensive assessment of risk management
- Strengthening our culture around strict compliance and control

## **Retaining an Engaged Workforce**

- Identifying and retaining critical talent within the organization
- Enhancing our employee value proposition as the portfolio liquidates and staffing levels decline



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# RBWM - Sale of US Card and Retail Services Business



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# Sale of US Card and Retail Services Business

Strategic rationale for sale of business



- **Execution on Strategic Direction Described in May 2011 Investor Day**
  - Clear strategy and execution focus on building an internationally connected, sustainable business model aligned with overall group strategy
  - With sale of US Card and Retail Services business, focus on reducing RWAs
    - Strong performance throughout the cycle, but dependent upon domestic market with limited international connectivity
    - Further capital investment necessary to maintain performance – HSBC appetite is limited
- **Maximizes Value**
  - 8.75% premium to gross receivables
  - Up to \$750m of which may be paid in Capital One stock or cash, at Capital One's election. Stock consideration would be based on a price of \$39.23 per share
- **Estimated Reduction of Risk-weighted Assets at a HSBC Consolidated Level of Approximately \$40bn under UK Regulatory Rules**
- **Commitment to Presence in North America**
  - Economic relevance of North America, international connectivity and wealth market make it a strategically important market