



HSBC in the United States

Presentation to Investors

September 13, 2012



Forward-looking statements



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All amounts are in US\$ unless otherwise stated.

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HSBC in the United States

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US Strategy



HSBC 

Why HSBC needs to be in the US

The US is strategically relevant



- US is the largest economy by GDP
- Five largest trade hubs in 2010 were US, China, Germany, France and UK ⁽¹⁾
- US is an international trade hub:
 - Approximately 8 percent global exports ⁽²⁾
 - Approximately 13 percent global imports ⁽²⁾
- China, US, Brazil and India expected to comprise approximately 75 percent of the CMB opportunity in key markets by 2020 ⁽³⁾
- North America with approximately \$38 trillion in assets under management comprises nearly one-third of global wealth, highlighting the strong wealth opportunity that exists in the US ⁽⁴⁾
- There are 39,686 Global Headquartered businesses in the US ⁽⁵⁾
 - Approximately 10,000 have franchises in multiple countries or demonstrate import/export activity and most are not HSBC clients ⁽⁵⁾

Source: (1) HSBC Analysis

(2) WTO press release – Merchandise trade: leading exporters and importers 2010

(3) McKinsey Global Banking Profit pool study performed for HSBC for the Top 20 + 2 markets, September 2011

(4) Boston Consulting Group press release dated May 31, 2011

(5) 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

- Cross-border
- Faster Growing Markets
- Wealth

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

HSBC in the US

Summary of progress on strategy



Key Execution Elements **Progress to Date**

Capital Deployment

- Completed the disposal of 195 branches in Upstate New York in the second and third quarters of 2012
- Completed the sale of US Card and Retail Services business in the second quarter of 2012
- Entered into a strategic relationship with PHH Mortgage to manage our mortgage origination and servicing operations with conversion expected to be completed in the first quarter of 2013
- Identified certain CML loan pools that we intend to sell as market conditions permit

Cost Efficiency

- Reduced FTEs 20% at HSBC USA Inc. since June 30, 2011
- US was a significant contributor to Group sustainable cost saves achieved in both 2011 and 2012

Growth

- Continued to expand CMB and GBM businesses in areas with strong international connectivity
 - US West Coast, Texas and Florida for CMB
 - Latin America for GBM
- Loans and advances (net) to customers in CMB in the US increased over 19% since June 30, 2011
- Continued to direct resources towards the expansion of wealth services and deepening Premier relationships

US Strategy

Looking forward



- Continued focus on remediation of regulatory matters
- 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 anticipated post completion of strategic initiatives
 - Right-sizing centralized costs and other cost initiatives will bring 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 banking industry capital requirements remain uncertain
- Continue to collect effectively and ethically in full compliance with the law and, subject to market conditions, accelerate run-off of certain portfolios



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Commercial Banking



HSBC 

Commercial Banking

Be the leading international trade and business bank in the US



Strategy	<ul style="list-style-type: none"> • Strengthen CMB's position as a leading international trade and business bank in the US 		
Key Initiatives	<ul style="list-style-type: none"> • Expand HSBC's coverage in geographies with high concentrations of international activity across Corporate and Upper Business banking • Reposition Mass Business Banking to profitably drive international customer growth with a digitally enabled, branch-lite proposition • Selectively grow Commercial Real Estate book, focusing on internationally connected customers and highly selective domestic opportunities • Drive focused, profit accretive and controlled strategies across major product lines specifically Payments & Cash Management (PCM) and Trade & Receivables Finance (TRF) • Maximize collaboration with GPB and GBM to drive increased referrals • Strengthen existing systems infrastructure/capabilities to serve increased business volumes, deliver a digitally led proposition and maintain competitive customer propositions • Know Your Customer Anti-Money Laundry Remediation Instill a robust compliance culture for the future 		
Top 3 Priorities for 2012	Remediation	Grow Revenues	Improve Cost Efficiency

Commercial Banking

Key business lines and strategy



CMB serves three business groups – Corporate, Business Banking, and Commercial Real Estate; with key product partners including Payments and Cash Management (PCM) and Trade and Receivables Finance (TRF); and partnership with our key global businesses: Global Banking and Markets, Retail Banking and Wealth Management and Global Private Banking.

The Leading International Trade and Business Bank

Key Lines of Business	Strategy
Corporate <i>(\$50m and up to GBM client segment)⁽¹⁾</i>	<ul style="list-style-type: none">• Sub-segments: Large Corporate (\$500m and up) and Middle Market (\$50m-\$500m)• Very large companies with complex international banking needs• Customers acquired through relationship managers and overseas connectivity• Lead with international proposition, cross-sell international capabilities, GBM & GPB connectivity, TRF and PCM capabilities
Business Banking <i>(\$0.5m to \$50m)⁽¹⁾</i>	<ul style="list-style-type: none">• Sub-segments: Upper Business Banking (\$3-\$50m) and Mass Business Banking (\$0.5-\$3m)• Upper segment serviced by a designated relationship manager, mass segment serviced via automated channels, call centers, and branch based staff if required• Upper Business Banking has continued to reposition its focus towards international businesses, or those owned by internationally-minded individuals to take advantage of this emerging trend in smaller businesses
Commercial Real Estate	<ul style="list-style-type: none">• Target client segment includes international strategic/opportunity funds, international REITs, large US pension funds with international reach and highly selective US domestic clients• Drive to increase balance sheet efficiency and returns• Capitalize on cross-sell opportunities with GPB

(1) Based on annual customer turnover (revenues)

Commercial Banking

Focus on growth opportunities to achieve targets



Focus on Growth Opportunities

Progress to Date

Expand HSBC's Coverage

- Reposition the US towards international businesses. CMB focused on 5 hubs concentrating over 50% of US corporate imports/exports ⁽¹⁾ – California, Florida, Illinois, New York, Texas
 - Increased the number of relationship managers in areas with strong international connectivity including the West Coast, Texas and Florida.
 - Average loans increased 17%⁽²⁾ as compared to the first half of 2011

Expand HSBC's Coverage and Selectively Grow Commercial Real Estate Book

- Commercial Real Estate group is focusing on selective business opportunities and portfolio management

Drive Focused, Profit Accretive and Controlled Strategies Across Major Product Lines

- CMB/GBM collaboration producing higher revenue with enhanced coverage of CMB clients and cross sell opportunities
- CMB and GPB increased referrals in 2012
- Continued focus on growth in TRF and PCM revenues and fees through sales coordination. Integrated Supply Chain pilot launched in US

(1) International business opportunities were plotted by Metropolitan Statistical Areas (MSAs) and grouped into 5 key regions. These MSAs account for 52% of the international opportunity (Brookings report)

(2) Source: HSBC USA Inc, Form 10-Q, June 30, 2012, page 134

Global Banking and Markets



HSBC 

Global Banking and Markets

Aim to be strategic, sustainable and significant



GBM Strategic Vision

- Become the leading bank in North America for international, cross-border business
- Drive connectivity between emerging and developed markets
- Re-engineer processes to improve efficiency and create a sustainable business model and culture
- Maintain disciplined approach to addressing regulatory concerns and mandates

Growing our Business

- Upgrade core relationships through enhanced coverage and selective balance sheet usage
- Improve penetration of US multinationals revenue
- Grow core revenues including Debt Capital Markets, Payment Cash Management, Global Foreign Exchange and Rates

Cross-customer Group, Global Connectivity

- Enhance Global Banking and Markets product delivery to Commercial Banking, Retail Banking and Wealth Management and Private Banking customers
- Support Group clients with US dollar funding needs

Global Banking and Markets

Continuing to execute against strategic priorities



Continue Integrating
the Americas Region

- Further integrate our businesses in the Americas, with New York as the regional hub
- Focus on the core countries that meet strategic Five Filter requirements

Global Banking
Priorities

- Optimize client coverage via alignment of Global sector coverage model
- Increase “Flow” business from Corporate and FIG⁽¹⁾ multinational clients
- Drive “Event” revenues as part of enhanced senior executive coverage of core clients

Global Markets
Priorities

- Adapt our Global Markets business to the new regulatory framework under Dodd-Frank
- Enhance core product strengths and selectively develop new capabilities (High Yield, Client Clearing, Prime Services)
- Dedicate sales coverage to deliver additional RoRWA's from CMB customers through GBM product delivery

(1) Financial Institutions Group

Global Banking and Markets

Delivering on our strategy



Recent Awards



- Best Global Emerging Markets Bank
- Best Global Emerging Market Debt House
- Best Global Sovereign Advisor
- Best Project Finance House in Latin America
- Best Debt House in Latin America
- Best Flow House in Latin America



- Best Loan House
- Best Quasi-Sovereign Bond - Petrobras 2016/21/41
- Best Syndicated Loan - Nemark's \$1.2 billion loan
- Best Financing Innovation - ICA 7.1 billion peso ABS
- Best Project Financing - Odebrecht Drilling 2021
- Best Corporate High Yield Bond - OGX 2018 NC4



- Republic of Chile \$1 billion 10 year bond
- OGX USD2.563 billion 8.500% 7nc4-year notes due June 2018



- Best coverage team
- Best deal execution
- Best for non-core currencies



- Best Structured Retail Products Awards
- Best Overall Provider in the Americas
 - Best Overall Provider in USA
 - Best After-Sales Service in the Americas
 - Best Product Performance in Brazil (for HSBC AMG's structured funds)



- HSBC rose from #8 to #10 in the FX Euromoney survey in the Americas, as volumes grew 68% year on year
- HSBC received a #2 ranking (up from #3) in 2011 for best client service in the Americas



- Capital Raising: FIG - Banco do Brasil USD1bn 9.25% Tier 1 Perpetual Notes
- Equities - Mosaic's \$7.5bn follow-on equity offering

Driving Cross-Customer Group Connectivity

<p>April 2012</p> <p>USD3.1 billion</p> <p>Acquisition Finance</p> <p>Mandated Lead Arranger / Joint Bookrunner</p>	<p>August/March 2012</p> <p>Homes Inspired by You</p> <p>USD550 million</p> <p>7.750% due 2020</p> <p>USD125 million</p> <p>Add-on issuance</p> <p>7.75% due 2020</p> <p>Joint Bookrunner</p>	<p>March 2012</p> <p>USD225 million</p> <p>Refinancing Facilities</p> <p>Joint Bookrunner / Joint Lead Arranger</p>	<p>January 2012</p> <p>USD 2.1 billion</p> <p>Acquisition Facilities</p> <p>Joint Bookrunner / Joint Lead Arranger</p>
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Driving Cross-Regional Connectivity

<p>June 2012</p> <p>IB - M&A-Private Disposal</p> <p>Adviser</p>	<p>May 2012</p> <p>MXN10,444,451,050</p> <p>Initial Public Offering</p> <p>Joint Bookrunner</p>	<p>May 2012</p> <p>RMB1 billion</p> <p>Syndicated Finance</p> <p>Joint Mandated Lead Arranger / Sole Coordinator</p>	<p>March 2012</p> <p>Go Further</p> <p>CNY1 billion</p> <p>Issue of fixed-rate notes</p> <p>Joint Bookrunner / Billing and Delivery Agent</p>
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Executed with New York team involvement

Global Private Banking



HSBC 

Global Private Banking

Business overview

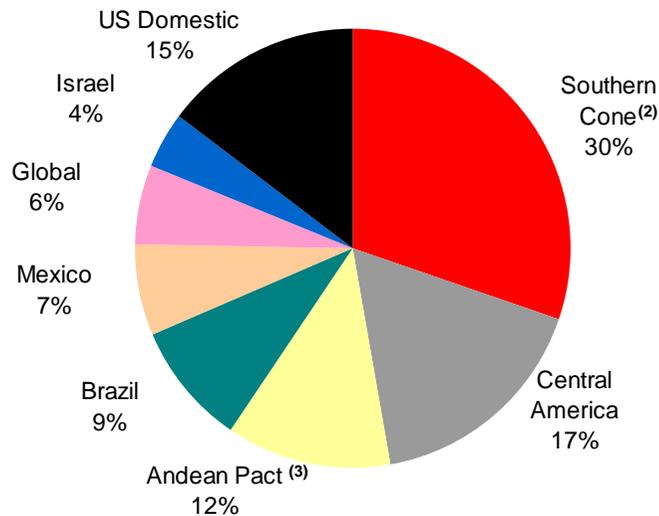


- Internationally-led private bank with a single, integrated business model for domestic and international clients, focused on product and service excellence

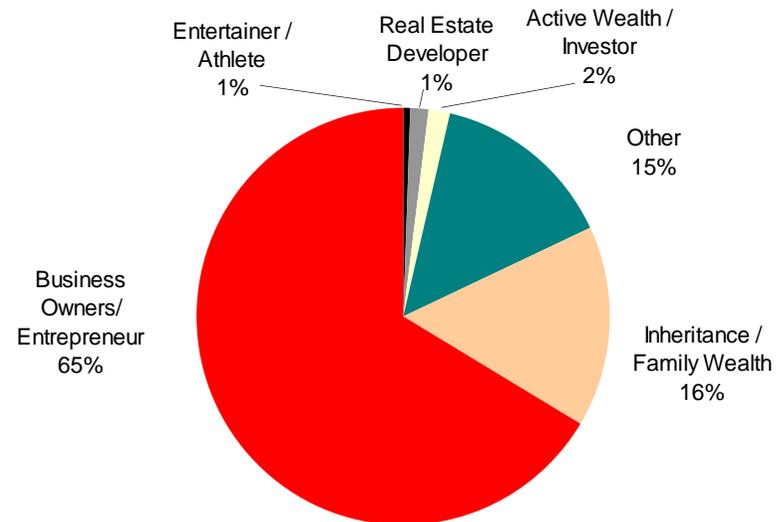
Investments	Wealth Planning	Capital Advisory	International Services
<ul style="list-style-type: none"> • International investment offering with recognized expertise in alternative investments, hedge funds and faster growing markets 	<ul style="list-style-type: none"> • Global wealth planning, trust and insurance solutions provided from 18 locations worldwide 	<ul style="list-style-type: none"> • HSBC's CMB and Global Markets resources complement the services we provide to our clients 	<ul style="list-style-type: none"> • Miami office is the hub for international services to Latin America, one of the world's fastest-growing wealth markets ⁽⁴⁾

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

Relationships by Markets⁽¹⁾



Relationships by Wealth Type⁽¹⁾



(1) Source: HSBC internal management information as of June 30, 2012

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

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

(4) 2012 Cap Gemini World Wealth Report

Global Private Banking

Strategic priorities/initiatives



Sustainable Business

- Build on international strength and global capabilities – with an increased focus on the higher net worth client segments
- Place greater focus on investment offerings and annuity revenue streams

The Client Experience

- Well resourced client service teams using the “troika” model: Relationship Manager, Investment Counselor, Wealth Planner
- Stronger investment advisory and wealth solutions support

Cross-business Collaboration

- Intensify collaboration with CMB to tap HSBC’s substantial commercial customer base (over 800,000 customers) for new client acquisition
- Leverage Global Banking and Markets’ capabilities to serve ultra high net worth and institutional clients

People Engagement

- Hire and retain top talent
- Develop internal talent – graduate programme, learning and development programs, global/regional job rotations

Systems

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

Risk and Management

- Adhere to the highest standards in the industry
- Strengthened procedures to enforce anti-money laundering in the US Private Bank have been approved and are currently being implemented

Global Private Banking

Alignment with Group strategy and competitive advantages



Alignment with HSBC Group Strategy

- 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, while higher than Group targets, is comparable to most of our private bank competitors

Competitive Advantages

- US Private Bank competitors do not offer HSBC's depth of international access and global thinking
- We do not compete with wealth management firms that utilize product-driven or brokerage models
- HSBC Private Bank's client model is advice- and solutions-driven (open architecture), consistent with the future of wealth management for high net worth individuals
- HSBC Private Bank's "troika" client coverage model retains clients, drives cross-selling, and delivers integrated, open architecture client solutions
- For Latin American clients, US is an attractive booking center due to its convenience (time zone) as a frequent travel destination

Retail Banking and Wealth Management



HSBC 

Retail Banking and Wealth Management

Strategic focus and objectives



- **Focus on Internationally Connected Markets**

- Target internationally connected customers in providing needs-based, relationship-led 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 customers concentrating on providing 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**

- Completion of announced branch sale and outsourcing of mortgage processing and servicing is underway to create a more efficient and globally connected business
- Realignment of management structure and sales team 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

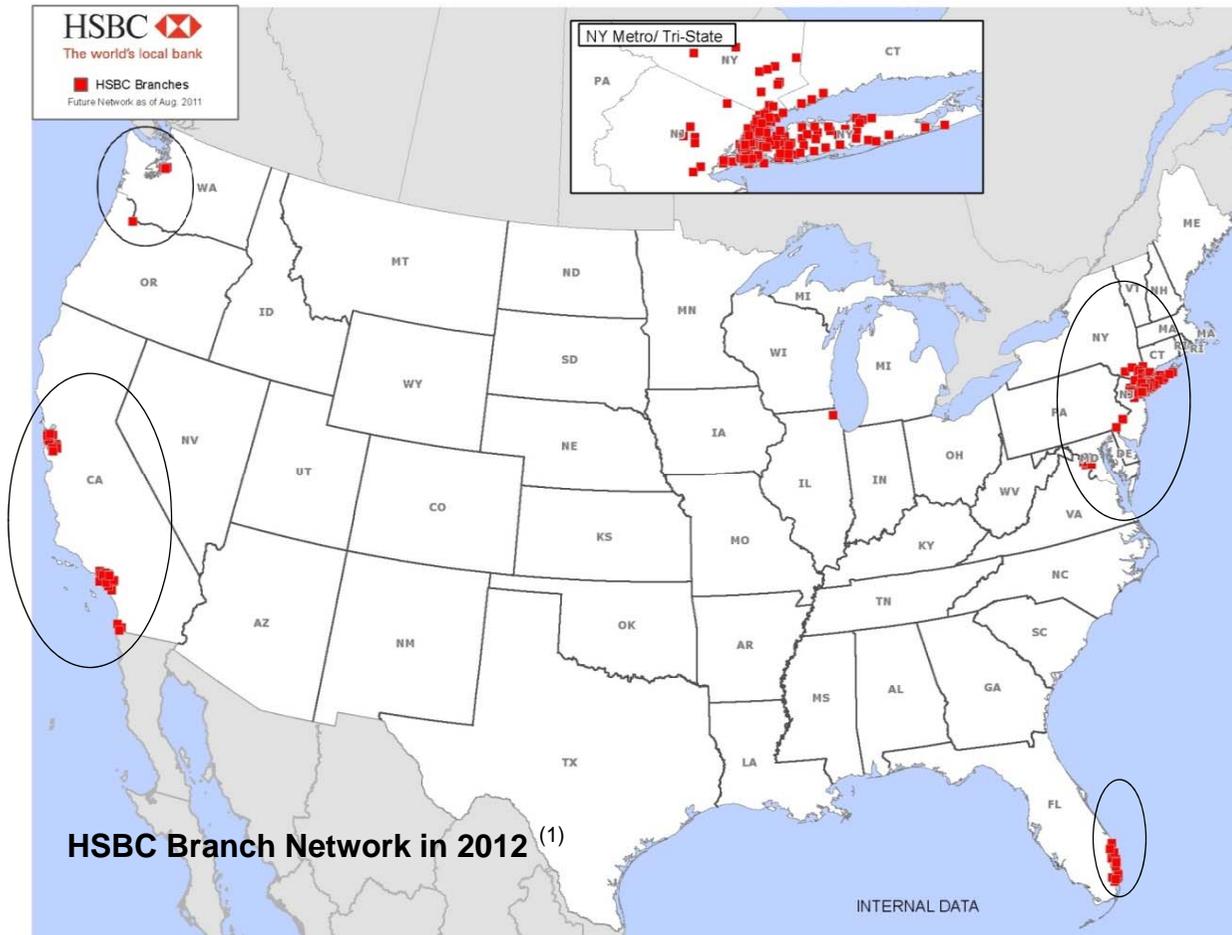
Disciplined execution with 4 areas of focus



Customer	<ul style="list-style-type: none">• Pursue growth in Premier customer segment. Target internationally connected customers in key US urban centers• Drive a relationship-based proposition through consultative needs-based selling of wealth and banking products• Focused on strategic objective of providing a consistently superior customer experience
Distribution	<ul style="list-style-type: none">• Completion of announced branch sale enables concentration on markets with strong international connectivity• Continuing to pursue a multi-channel strategy. Deliver digitally enabled real time channel capabilities to our customers• License and accredit branch sales personnel to sell wealth and mortgage products
Simplification	<ul style="list-style-type: none">• Reduce and simplify the product set in line with target operating model• Offering quality account opening process for new and existing customers enabling provision of uniformly excellent service with strong compliance and operational controls• Sustainable cost savings as a result of layering and increasing spans of control and re-engineering processes (i.e. agreement with PHH Mortgage for mortgage processing and servicing)
Value	<ul style="list-style-type: none">• Transforming our business to achieve a strong and sustainable performance over the long term• Building a Globally aligned robust regulatory compliance culture• Implemented new Know Your Customer policies and procedures. These policies incorporate a new Customer Risk Rating process

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
 - Completed sale of 138 branches to First Niagara in May
 - Sale of remaining 57 branches completed in Q3 2012
 - Focusing on key urban internationally connected centers
 - Strong alignment with CMB targeted growth markets

(1) Post First Niagara Sale

RBWM - Run-off Consumer and Mortgage Lending



HSBC 

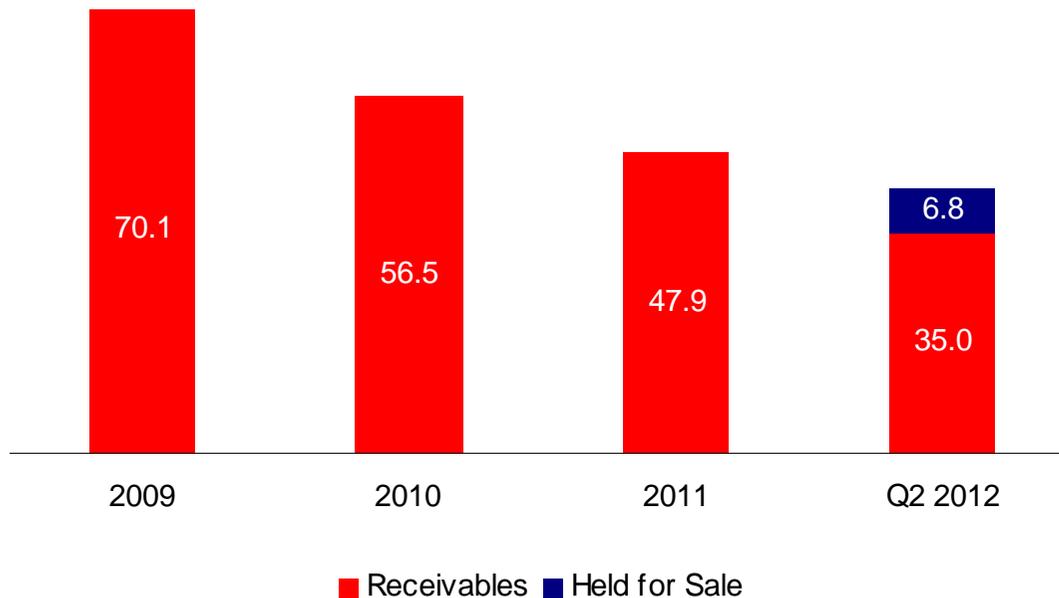
Run-off Consumer and Mortgage Lending

Driving cash flows and portfolio liquidation



CML Run-off Receivables^{(1) (2)}

\$ billions



- We continue to run off the CML consumer portfolio by focusing on:
 - Keeping customers current
 - Effective collections strategies
 - Alternative exit strategies
- We are exploring options to accelerate the liquidation of this portfolio and have identified certain loan pools that we intend to sell as market conditions permit
 - A substantial majority of our real estate receivables which have been written down to the lower of amortized cost or fair value of the collateral less cost to sell as of June 30, 2012; and
 - The entire non-real estate consumer loan portfolio

(1) US GAAP Legal Basis

(2) Source: HSBC Finance Corporation 2011 Form 10-K and Q2 2012 Form 10-Q

Run-off Consumer and Mortgage Lending

Prioritizing alternative exit strategies



Culturally, homeownership preservation has been embedded in our operating philosophy for years, with over 50% of the portfolio being modified and/or reaged

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

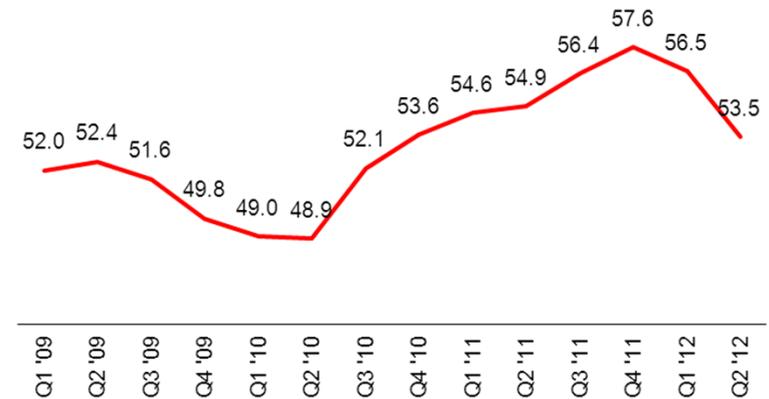
- Foreclosure viewed as a last resort, only after all other alternatives have been exhausted and when borrower is seriously delinquent

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

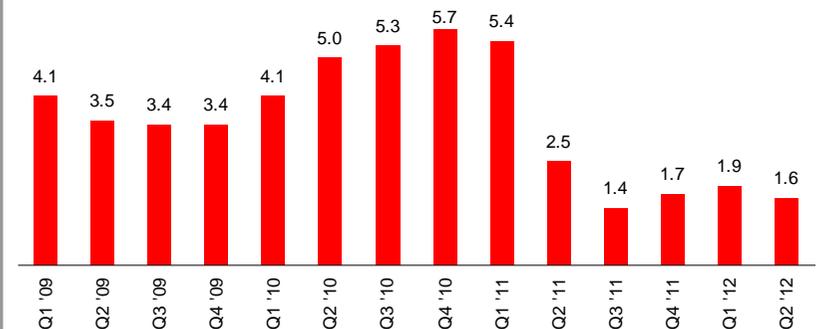
Foreclosure Severity (1)

% of unpaid principal balance



Number of Properties Added to REO (1)

thousands



(1) Source: HSBC Finance Corporation 2009, 2010, 2011 Form 10-K and Q2 2012 Form 10-Q

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
- Pursuing opportunities for loan sales in certain segments of the portfolio

Remediating Consent Orders and Enhancing Compliance and Controls

- Supporting the independent consultant review of foreclosure actions and borrower outreach process
- Supporting the independent consultant validation of the Federal Reserve Board Action Plans
- Continuing to manage and monitor third party vendors that support Residential Mortgage Services
- Strengthening our culture around strict compliance and control

Retaining an Engaged Workforce

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

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