HSBC Finance Corporation

IFRS Management Basis

5 November 2012

HSBC

Disclosure Statement

This presentation, including the accompanying slides and subsequent discussion, may contain certain forward-looking information with respect to the financial condition, results of operations and business of HSBC Finance Corporation. Any forward-looking information represents expectations or beliefs concerning future events and involves known and unknown risks and uncertainties 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 the HSBC Finance Corporation Annual Report on Form 10-K for the period ended 31 December 2011. Please be further advised that Regulation FD prohibits HSBC representatives from answering specific questions.

HSBC Holdings plc reports financial results in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU"). EU-endorsed IFRSs may differ from IFRSs, as issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 30 September 2012, there were no unendorsed standards affecting this document and there was no difference between IFRSs endorsed by the EU and IFRSs as issued by the IASB in terms of their application to HSBC.

IFRSs comprise accounting standards issued by the International Accounting Standards Board and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee and its predecessor body.

This presentation contains certain information regarding HSBC Finance Corporation, including Card and Retail Services through the date of sale 1 May 2012, a wholly owned, indirect subsidiary of HSBC Holdings plc, and is presented on an IFRS Management Basis which assumes that the mortgages, credit card loans and private label customer loans transferred to HSBC Bank USA, National Association ('HSBC Bank USA') have not been sold and remain on HSBC Finance Corporation's balance sheet. IFRS Management Basis also assumes that all purchase accounting fair value adjustments relating to the acquisition of HSBC Finance Corporation by HSBC Holdings plc have been 'pushed down' to HSBC Finance Corporation. The loans were sold to HSBC Bank USA to fund prime customer loans more efficiently through bank deposits.

All amounts are in US$ unless otherwise stated.

HSBC Finance Corporation
3Q 2012 Financial Results

US$m	3Q 2011			2Q 2012			3Q 2012		
	Card and Retail Svcs	Consumer and Other[1][2]	Total	Card and Retail Svcs[3]	Consumer and Other[1][2]	Total	Card and Retail Svcs[3]	Consumer and Other[1][2]	Total
Net operating income before loan impairment charges excluding changes in Fair Value of Own Debt due to credit spreads (FVOD)	1,389	(105)	1,284	3,537	215	3,752	(14)	590	576
Loan impairment charges and other credit risk provisions	451	1,830	2,281	113	724	837	-	498	498
Total operating expenses	428	188	616	198	250	448	136	268	404
Profit/(Loss) before tax excluding FVOD[4]	**510**	**(2,123)**	**(1,613)**	**3,226**	**(759)**	**2,467**	**(150)**	**(176)**	**(326)**

Net operating income before loan impairment charges for Consumer and Other above includes the effect of non-qualifying hedges ("NQHs") of a $927m loss in 3Q 2011, $424m loss in 2Q 2012, and a $48m loss in 3Q 2012.

Notes:
(1) Represents the run-off businesses of Consumer and Mortgage Lending, as well as our Insurance, Commercial, Corporate and Treasury activities.
(2) Included are PBT loss of ($2,120m) in 3Q 2011, ($750m) in 2Q 2012, and ($149m) in 3Q 2012 related to RBWM run-off portfolio which excludes disposal businesses included in Consumer and Other above.
(3) The Card and Retail Services business was sold 1 May 2012 and resulted in a $3.1 billion gain. The 3Q 2012 net operating income of ($14m) reflects primarily enhancement programs, while operating expenses of $136m reflect a litigation accrual and restructuring charges.
(4) Profit/(loss) before tax excluding FVOD can be reconciled to reported IFRS segment results as follows:

	3Q 2011		3Q 2012	
	Card and Retail Svcs	Consumer and Other	Card and Retail Svcs	Consumer and Other
Profit/(Loss) before tax excluding FVOD as reported above	510	(2,123)	(150)	(176)
Adjustments:				
Changes in FVOD	–	626	–	(119)
Discontinued operations	(510)	58	150	13
Management basis adjustments	–	(4)	–	(1)
Profit/(Loss) from continuing operations before tax as reported	–	**(1,443)**	–	**(283)**

See Note 13 'Business Segments' of the HSBC Finance Corporation U.S. SEC filings on Form 10-Q for the period ended 30 September 2012 for further information related to business segment results.

HSBC Finance Corporation
3Q 2012 YTD Financial Results

US$m	3Q 2011 YTD			3Q 2012 YTD		
	Card and Retail Svcs	Consumer and Other[1][2]	Total	Card and Retail Svcs[3]	Consumer and Other[1][2]	Total
Net operating income before loan impairment charges excluding changes in Fair Value of Own Debt due to credit spreads (FVOD)	4,104	1,353	5,457	4,796	1,619	6,415
Loan impairment charges and other credit risk provisions	1,154	3,997	5,151	322	2,075	2,397
Total operating expenses	1,458	840	2,298	729	724	1,453
Profit/(Loss) before tax excluding FVOD[4]	**1,492**	**(3,484)**	**(1,992)**	**3,745**	**(1,180)**	**2,565**

Net operating income before loan impairment charges for Consumer and Other above includes the effect of non-qualifying hedges ("NQHs") of a $1,050m loss in 3Q 2011 YTD and a $265m loss in 3Q 2012 YTD.

Notes:
(1) Represents the run-off businesses of Consumer and Mortgage Lending, as well as our Insurance, Commercial, Corporate and Treasury activities.
(2) Included are PBT loss of ($3,483m) in 3Q 2011 YTD and ($1,110m) in 3Q 2012 YTD related to RBWM run-off portfolio which excludes disposal businesses included in Consumer and Other above.
(3) The Card and Retail Services business was sold 1 May 2012 and resulted in a $3.1 billion gain.
(4) Profit/(loss) before tax excluding FVOD can be reconciled to reported IFRS segment results as follows:

	3Q 2011 YTD		3Q 2012 YTD	
	Card and Retail Svcs	Consumer and Other	Card and Retail Svcs	Consumer and Other
Profit/(Loss) before tax excluding FVOD as reported above	1,492	(3,484)	3,745	(1,180)
Adjustments:				
Changes in FVOD	–	560	–	(569)
Discontinued operations	(1,492)	36	(3,745)	9
Management basis adjustments	–	7	–	(9)
Profit/(Loss) from continuing operations before tax as reported	–	**(2,881)**	–	**(1,749)**

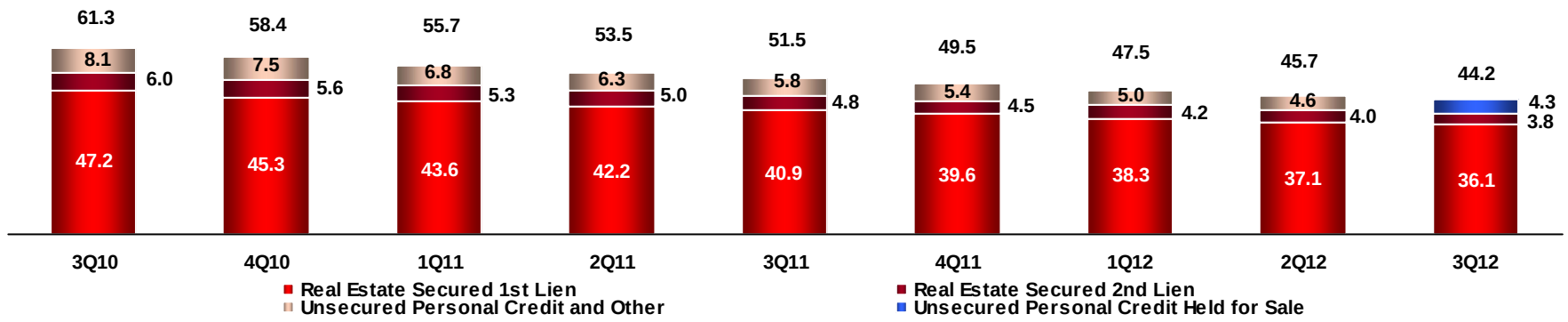
See Note 13 'Business Segments' of the HSBC Finance Corporation U.S. SEC filings on Form 10-Q for the period ended 30 September 2012 for further information related to business segment results.

HSBC Finance Corporation (1)

Consumer and Mortgage Lending run-off portfolio continues to decline

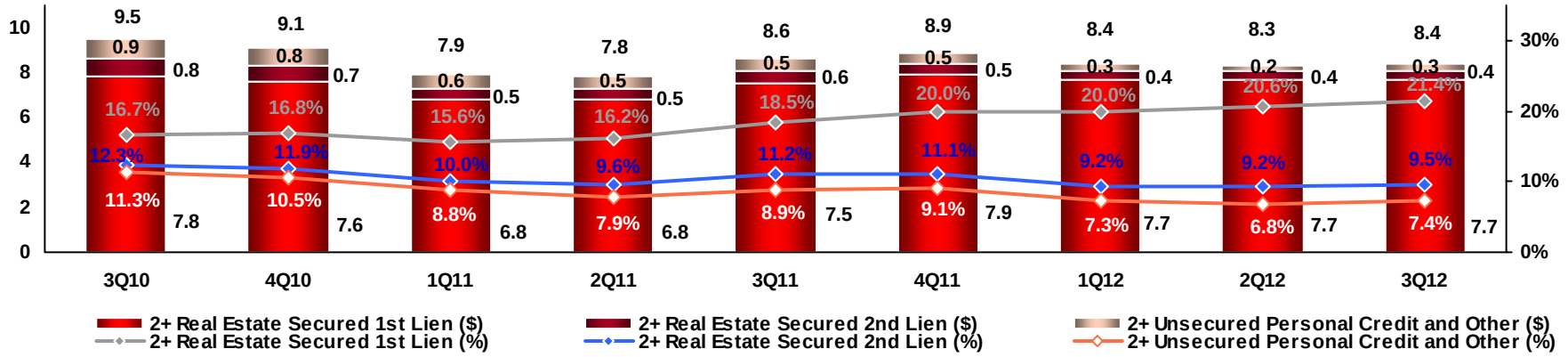
Customer loans

Run-off portfolio, US$bn



Run-Off Portfolio

2+ Delinquency(2), US$bn



Notes:

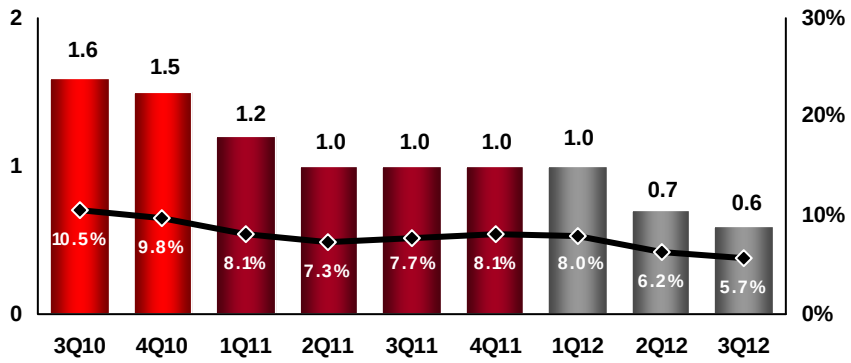
(1) Excludes businesses that have been disposed of by HSBC Finance Corporation.

(2) 2+ Delinquency ratio as a percentage of end-of-period customer loans, including unsecured personal credit balances moved to held for sale during 3Q12.

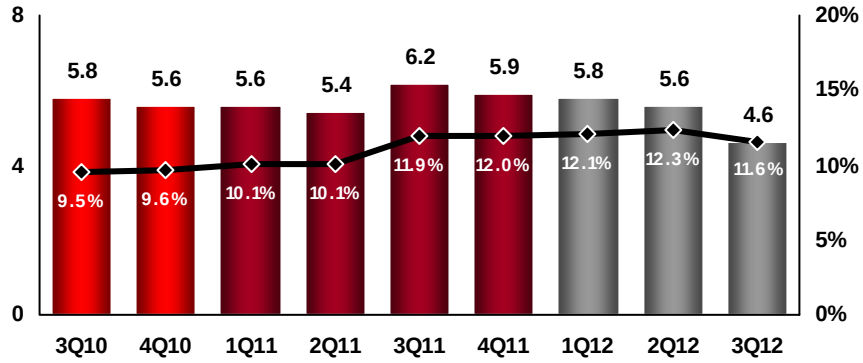
HSBC Finance Corporation (1)

Consumer and Mortgage Lending run-off portfolio (2)(3)

Amount Written-Off, US$bn

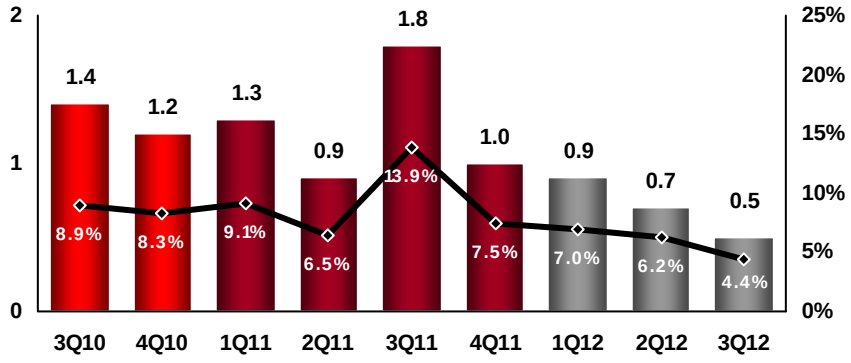


Impairment Allowance, US$bn

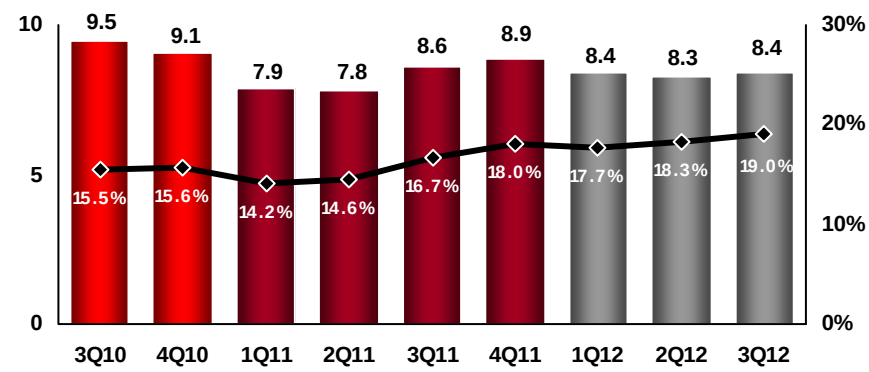


In 3Q12, $706m of impairment allowances associated with the unsecured personal credit portfolio was reclassified to assets held for sale.

Loan Impairment Charges, US$bn



2+ Delinquency, US$bn



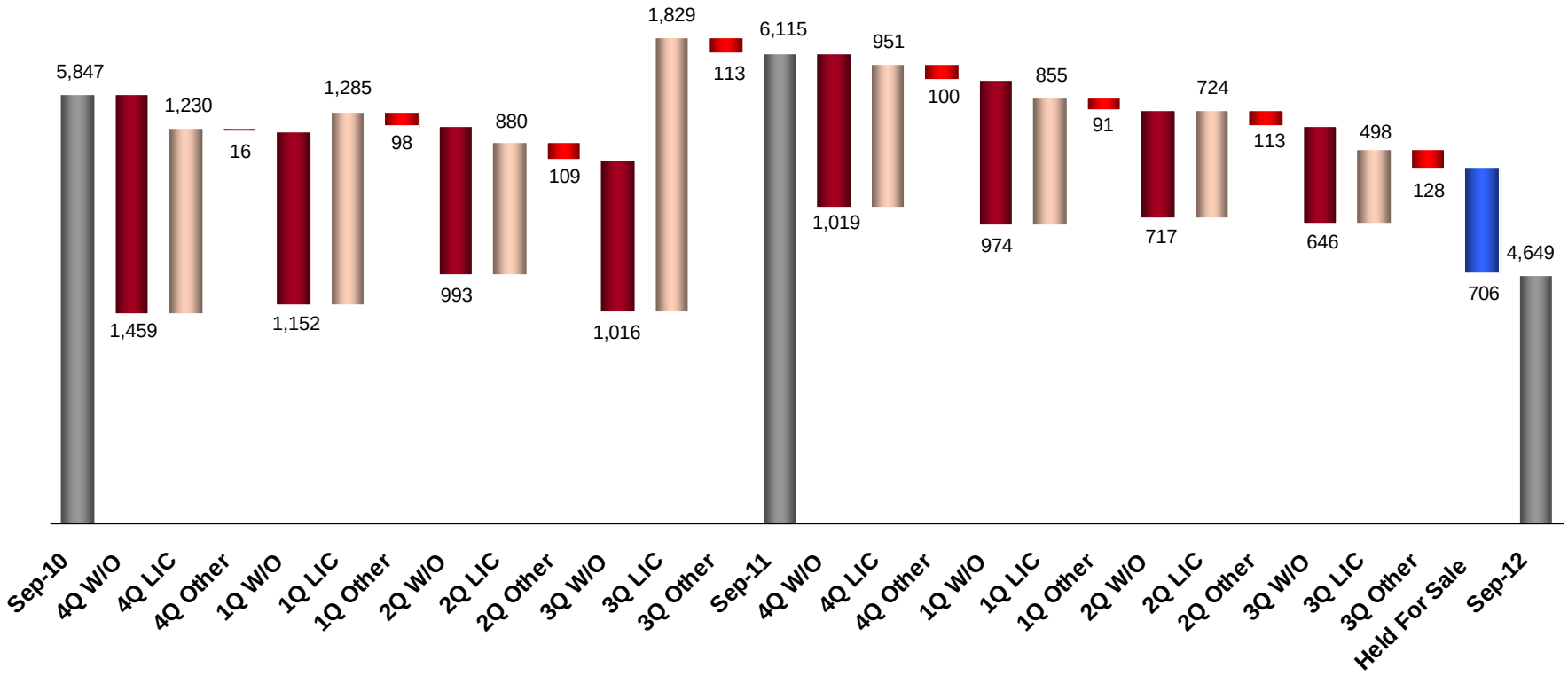
Notes:
(1) Excludes businesses that have been disposed of by HSBC Finance Corporation.
(2) Excludes reverse repurchase balances.
(3) Amount written-off and loan impairment charge ratios are a percentage of average total loans (quarter annualised), while impairment allowance and 2+ delinquency ratios are a percentage of end-of-period total loans, including unsecured personal credit balances moved to held for sale during 3Q12.

HSBC Finance Corporation [1]

Impairment allowance

Consumer & Mortgage Lending Run-off Portfolio [2][3]

US$m



Notes:
(1) Excludes businesses that have been disposed of by HSBC Finance Corporation.
(2) Other is related to the unwind of discounted impairment allowances.
(3) Includes unsecured personal credit balances moved to held for sale during 3Q12.