Chicago
Investor Roadshow

3 December 2007

The world's local bank

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Please further be advised that Regulation FD prohibits HSBC representatives from answering certain, specific questions during the Q&A session. You may get copies of the HSBC Finance Corporation document referred to above free by visiting EDGAR on the SEC Web site at www.sec.gov.

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HSBC Holdings plc reports financial results in accordance with International Financial Reporting Standards ("IFRSs") as endorsed by the EU. EU endorsed IFRSs may differ temporarily from IFRSs, as published by the IASB, if a new or amended IFRS has not been endorsed by the EU by the period end. There were no unendorsed standards affecting this document. As at September 30, 2007, there is no difference between IFRSs as 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.

All amounts, unless otherwise stated, represents IFRS Management Basis of accounting.

IFRS Management Basis assumes that the mortgages and private label customer loans transferred to HSBC's US banking subsidiary, HSBC Bank USA, N.A. ("HSBC Bank USA"), have not been sold and remain on our balance sheet. Such customer loans continue to be managed and serviced by HSBC Finance Corporation without regard to ownership.

Presentations

• HSBC – North America (USA and Canada)	Brendan McDonagh and Iain Mackay
• Operations and Credit	Niall Booker and Bruce Fletcher
• Consumer Lending and Mortgage Services	Tom Detelich
• Bank Card, Retail Cards and Group Card	Walter Menezes
• HSBC Global Technology	Ken Harvey

HSBC NORTH AMERICA

HSBC North America

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3 December 2007

HSBC
The world's local bank

Agenda

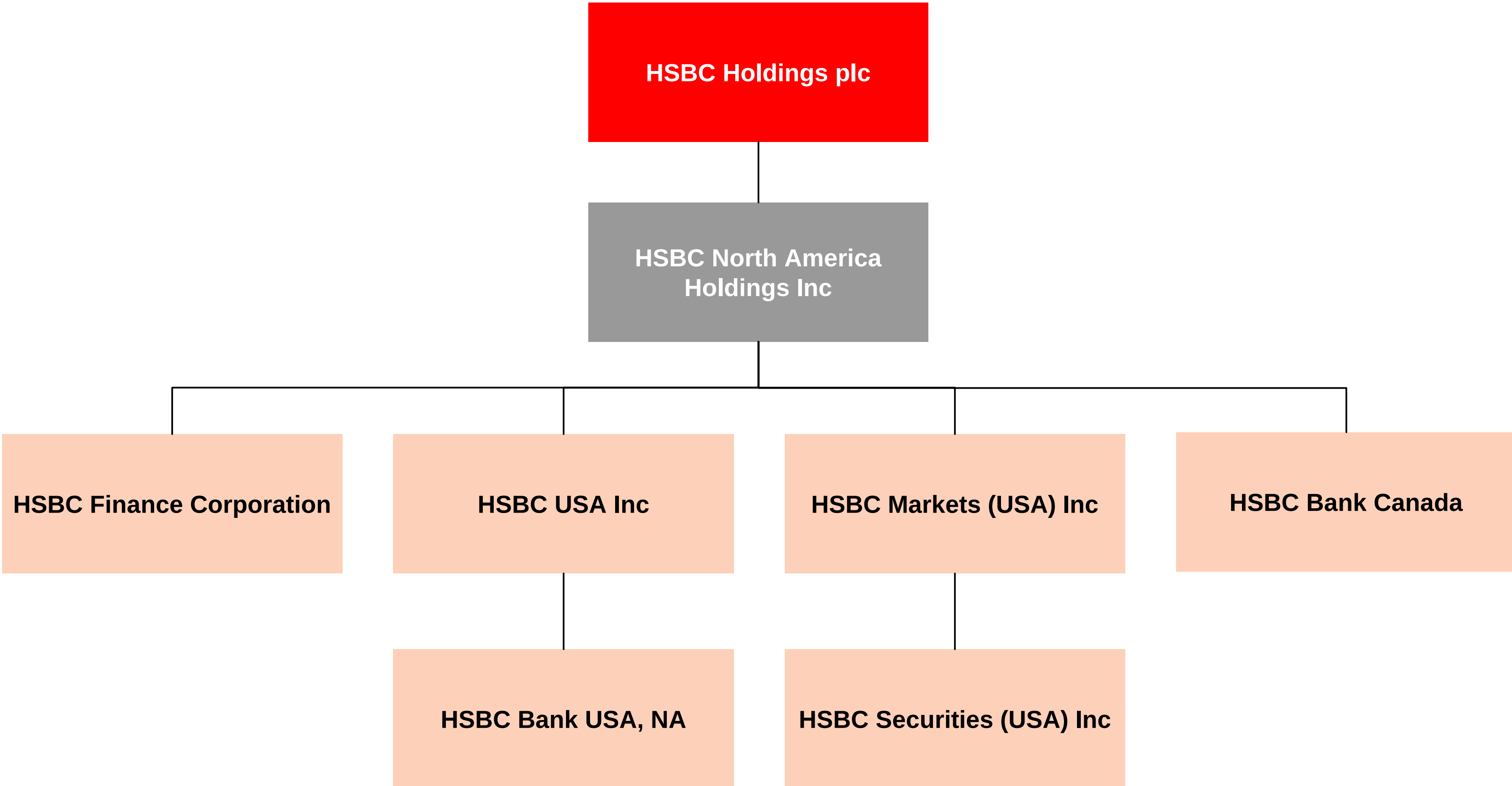
- HSBC – North America (USA and Canada)
- HSBC Finance Corporation
- Global Consumer Finance

HSBC – North America (USA and Canada) profile

- A top 10 US bank holding company, with assets exceeding USD500 billion[1] at 30 June 2007
- Over 56,000 employees
- Operating in over 46 states and across Canadian provinces
- Comprised 17 per cent of Group's profit before tax in 1H 2007
  - HSBC Holdings plc publishes geographic results on a semi-annual basis. North American subsidiaries HSBC Finance Corporation and HSBC USA Inc have published 3Q results indicating a significant decline in profit before tax in 3Q 2007

[1] International Financial Reporting Standards (IFRS) basis

HSBC North America Holdings Inc
Legal entity structure



HSBC

HSBC – North America financial performance

(USD millions, IFRS)

Pre-tax profits	1H 2006	2H 2006	1H 2007
United States Personal Financial Services (PFS)[1]	$2,886	$242	$1,336
Commercial Banking (CB)	206	236	215
Corporate, Investment Banking and Markets (CIBM)	273	(74)	292
Private Banking (PB)	37	70	50
Other	(145)	(119)	(44)
Total US	$3,257	$355	$1,849
Canada	393	503	493
Total US and Canada	$3,650	$858	$2,342

U.S. and Canada combined country figures

[1] PFS segment includes Consumer Finance (CF)

Agenda

- HSBC – North America (USA and Canada)
- HSBC Finance Corporation
- Global Consumer Finance

HSBC Finance Corporation businesses

Consumer and Mortgage Lending

- **One of the largest consumer lending companies, in 46 states**
- **Real estate secured and unsecured loans to non-prime customers**
- **HFC and Beneficial brand names**
- **Over three million active customer accounts**

Auto Finance

- **Provider of financing for new and used vehicles**
- **Purchases consumer contracts from approximately 9,300 active dealers in 47 states**
- **Approximately 820,000 active customer accounts**

HSBC Finance Corporation businesses… continued

Card and Retail Services

- Fifth largest MasterCard[1] or VISA[1] issuer in the US (based on receivables)
- Programs include the GM Card® (GM), the AFL-CIO Union Plus® card, HSBC-branded and Direct Merchants Bank cards
- Offers credit cards to consumers underserved by traditional providers in the US
- One of the leading issuers of private label (merchant-branded) credit cards in the US

United Kingdom

- Mid-market consumer lender
- 148 Beneficial Finance branches
- Approximately 1.5 million customer accounts

[1] MasterCard is a registered trademark of MasterCard International, Inc; Visa is a registered trademark of Visa USA, Inc

HSBC Finance Corporation businesses… continued

HSBC Financial Corporation (Canada)

- Secured and unsecured loans and lines of credit, credit cards, and real estate secured loans
- Branches in 10 provinces with merchant and auto dealer relationships

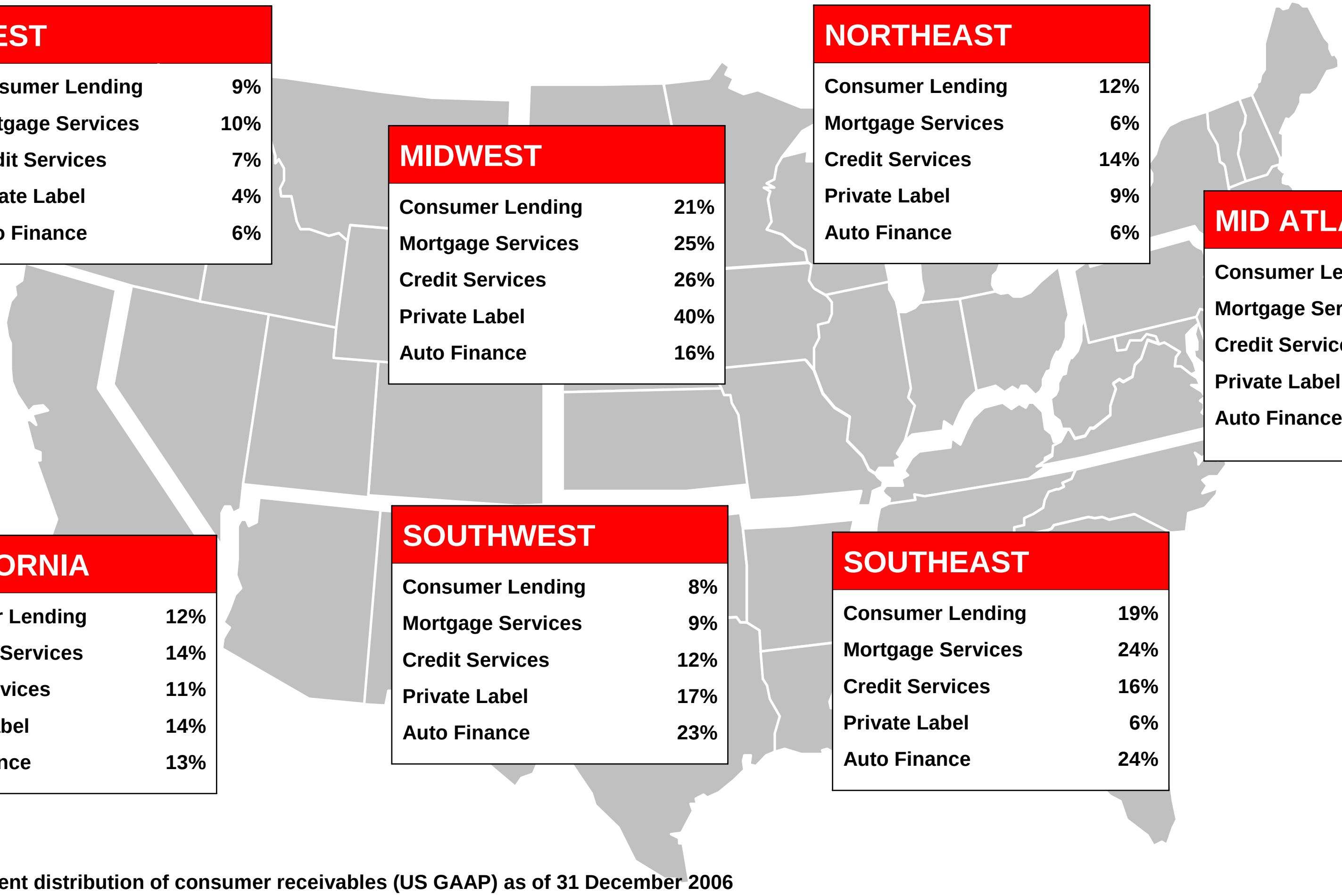
Taxpayer Financial Services

- Provider of tax-related financial products marketed through unaffiliated professional tax preparer locations and tax preparation software providers
- Has serviced nearly 11 million customers annually

Insurance Services

- Offers a variety of insurance products (credit life, disability, unemployment, accidental death, term/whole life, etc) to customers in the US and Canada

HSBC Finance Corporation
Nationwide coverage and well diversified



WEST	
Consumer Lending	9%
Mortgage Services	10%
Credit Services	7%
Private Label	4%
Auto Finance	6%

MIDWEST	
Consumer Lending	21%
Mortgage Services	25%
Credit Services	26%
Private Label	40%
Auto Finance	16%

NORTHEAST	
Consumer Lending	12%
Mortgage Services	6%
Credit Services	14%
Private Label	9%
Auto Finance	6%

MID ATLANTIC	
Consumer Lending	19%
Mortgage Services	12%
Credit Services	14%
Private Label	10%
Auto Finance	12%

CALIFORNIA	
Consumer Lending	12%
Mortgage Services	14%
Credit Services	11%
Private Label	14%
Auto Finance	13%

SOUTHWEST	
Consumer Lending	8%
Mortgage Services	9%
Credit Services	12%
Private Label	17%
Auto Finance	23%

SOUTHEAST	
Consumer Lending	19%
Mortgage Services	24%
Credit Services	16%
Private Label	6%
Auto Finance	24%

Represents per cent distribution of consumer receivables (US GAAP) as of 31 December 2006

HSBC

HSBC Finance Corporation – quarterly

Financial results

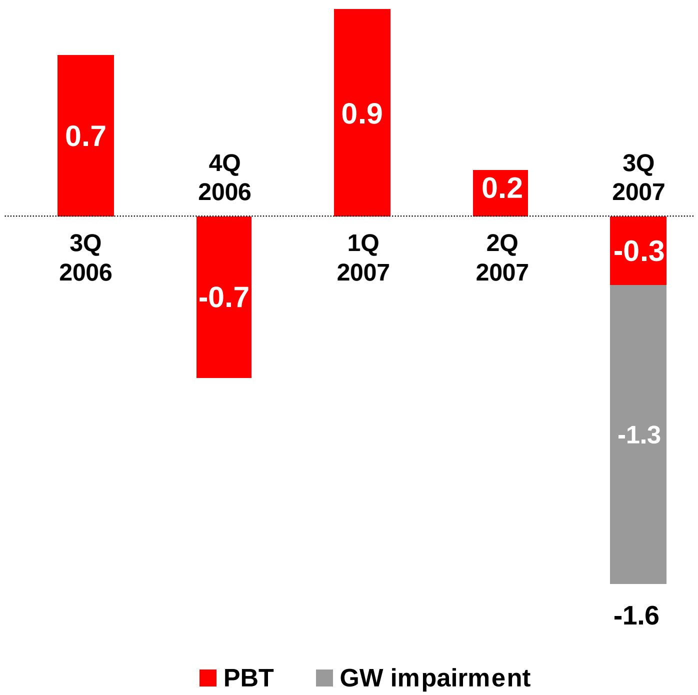
USDm	3Q 2006	2Q 2007	3Q 2007	% Better/(Worse) versus 3Q 2006	% Better/(Worse) versus 2Q 2007
Net operating income before loan impairment charges [1]	USD3,758	USD3,914	USD4,672	24.3%	19.4%
Loan impairment and other related charges	(1,564)	(2,185)	(3,478)	(122.4%)	(59.2%)
Net operating income	2,194	1,729	1,194	(45.6%)	(30.9%)
Total operating expenses excluding goodwill impairment	(1,488)	(1,515)	(1,431)	3.8%	5.5%
Goodwill impairment	–	–	(1,343)	n/a	n/a
Profit (Loss) before tax [2]	USD706	USD214	USD(1,580)	(323.8%)	(838.3%)
Cost efficiency ratio [3]	39.6%	38.7%	30.6%	900bps	810bps
Cost efficiency ratio – normalised [4]	39.0%	38.3%	35.2%	380bps	310bps
Customer loans and advances (as at period end)	USD177,610	USD178,222	USD178,339	0.4%	0.1%

Note: The figures above are presented on an International Financial Reporting Standards (IFRS) Management Basis.
See Note 11 Business Segments of Form 10-Q for the period ended 30 September 2007 for a reconciliation of IFRS to US GAAP.

[1] Includes fair value option income/(loss) of USD(53) million, USD(44) million, and USD606 million for 3Q 2006, 2Q 2007, and 3Q 2007, respectively.
[2] 3Q 2007 loss before tax excluding goodwill impairment impact (USD1,343 million relating to Mortgage Services, including Decision One business) is USD(237) million.
[3] Cost efficiency ratio excluding the impact of the goodwill impairment charge of $1,343 million in 3Q 2007.
[4] Cost efficiency ratio excluding the impact of the goodwill impairment charge of $1,343 million in 3Q 2007, also normalised to exclude the impact of fair value option income/(loss) of USD(53) million, USD(44) million, and USD606 million for 3Q 2006, 2Q 2007, and 3Q 2007, respectively.

HSBC Finance Corporation
Financial summary

Profit before tax



(USD billions, IFRS Management basis)

3Q 2007 results highlights

- 3Q 2007 loss before tax of USD1.6 billion was USD1.8 billion below prior quarter due to goodwill impairment of USD1.3 billion and higher loan impairment charges
- Higher net operating income before loan impairment charges primarily driven by income from fair value option of debt issued as the third quarter was impacted by widening of credit spreads (USD606 million) and higher revenues from Credit Card business (USD232 million), partly offset by lower Mortgage Services revenues
- 3Q 2007 loan impairment charges increased USD1.3 billion (or 59 per cent) from prior quarter largely driven by our US Retail Branch business (USD0.8 billion) and Mortgage Services portfolio (USD0.3 billion)
- Operating expenses, excluding the impact of goodwill impairment, decreased USD84 million (or 5.5 per cent) compared with prior quarter primarily as a result of lower marketing expenses, lower compensation expense and the impact of entity-wide initiatives to reduce costs

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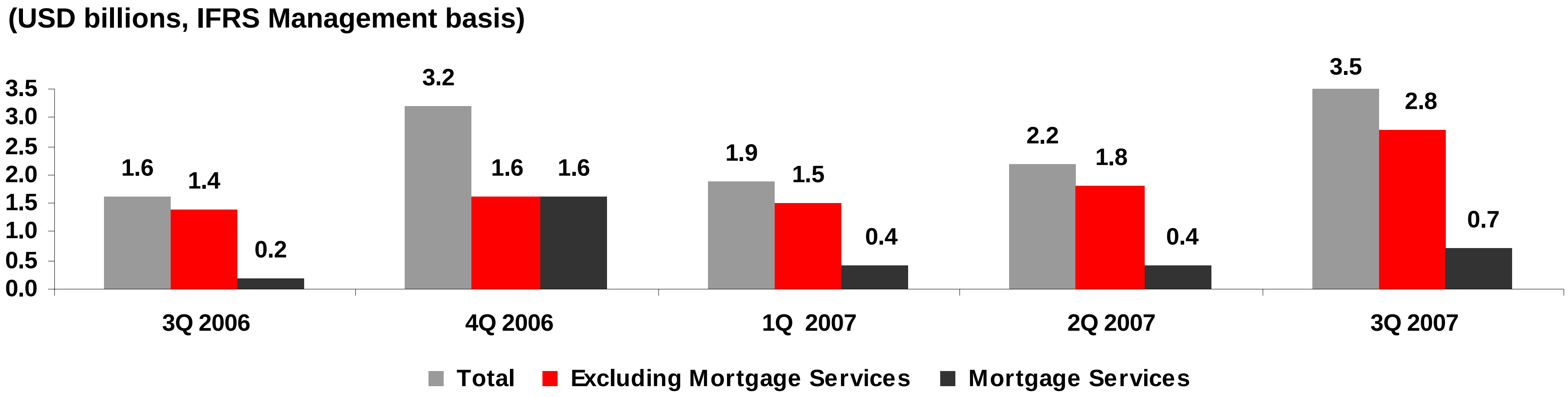
HSBC Finance Corporation

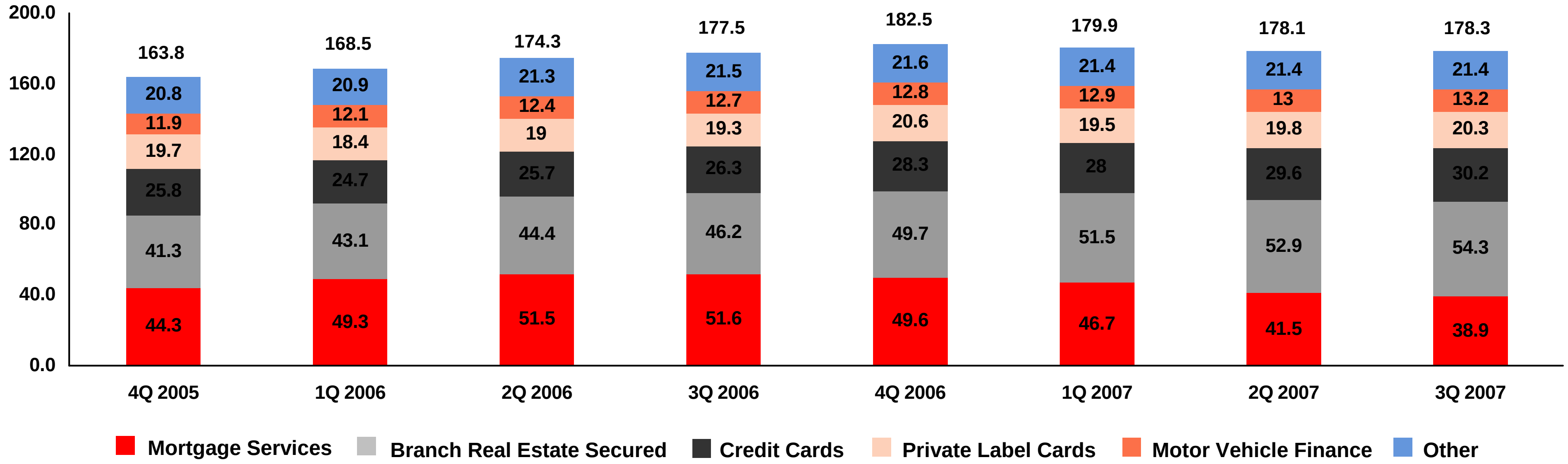
Loan impairment charges



- **3Q 2007 loan impairment charges excluding Mortgage Services increased 56 per cent (USD1 billion) over 2Q 2007 to USD2.8 billion**
  - **3Q 2007 market driven deterioration impacted US Retail Branch real estate secured portfolios (USD0.5 billion)**
  - **Increase in loan impairment charges related to US Retail Branch unsecured portfolios (USD0.4 billion) due to seasoning, deterioration of 2006 direct mail vintages in certain geographic regions and increased bankruptcy filings as compared to exceptionally low filings in 2006 following bankruptcy legislation change in October 2005**
  - **Increase in loan impairment charges in Cards and Other portfolios (USD0.1 billion) as a result of growth, mix changes, seasoning and increased bankruptcy filings**
- **Loan impairment charges in the Mortgage Services portfolio included expected portfolio seasoning and the impact of worsening mortgage industry trends**

HSBC Finance Corporation
Customer loans and advances

(USD billions, IFRS Management basis)



- **Strategic reduction in Mortgage Services loan portfolios has slowed in 3Q 2007 due to market led factors**
- **Although growth experienced in all other portfolios during 3Q 2007, changes in product offerings and business strategies, including reduction in branch offices and tightening in underwriting standards will result in reduced volumes in the Branch Real Estate Secured and Other loan portfolios in future periods**

HSBC Finance Corporation
2007 Strategic actions and initiatives

- Strategic repositioning of the Mortgage Services business
  - Closed wholesale broker mortgage origination business (3Q 2007)
  - Ceased correspondent originations (1H 2007)
- Strengthened structure with Chief Operating Officer role extended to cover credit
  risk organisation
- Discontinuation of pre-season tax products by Taxpayer Financial Services
- Sale of UK Insurance operations
- Outreach and assistance to our mortgage customers
- Right-sizing and recalibrating our businesses
  - Proactively reducing risk through refined products in Retail Branch business
  - Reducing branch network to align with demand and reduced credit risk appetite
- Enhance customer value, service and experience
  - Cards changes related to fee and finance charges
- Actions highlight HSBC's commitment to our stakeholders and businesses
- Strengthening businesses for the future

HSBC Finance Corporation
Ongoing areas of focus

In unpredictable, turbulent markets, focused on what we can control:

- **Continued Mortgage Services portfolio reductions**
- **Tightening of underwriting and intensified risk management**
- **Reducing Retail Branch network**
- **Cost reductions across the organisation**
- **High brand values and strong customer value**
- **Risk management programs – increased within Retail Branch, Cards and Retail Services**
- **Review of businesses not meeting optimal returns**
- **US Credit Card business development of global cards business**

Agenda

- **HSBC – North America (USA and Canada)**
- **HSBC Finance Corporation**
- **Global Consumer Finance**

Group Consumer Finance

Core consumer lending platforms	Leveraging global expertise across	Leveraging global expertise across
US (HSBC Finance Corp)	Credit bureau environments	Argentina
Brazil (Losango)	Product offerings	Australia
Mexico	Distribution channels	Central Eastern Europe
	Regulatory environments	China
	Underwriting processors	India
		Indonesia
		Middle East

Global Consumer Finance – update

The Global Consumer Finance (CF) expansion is a benefit of Household acquisition – leveraging expertise by exporting management throughout the Global Network.

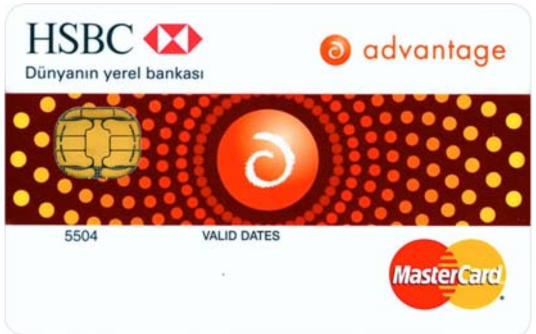
- **Globally, Consumer Finance continues to be a large, growing and profitable market**
- **Acquisition of Banistmo in November 2006 provides access to the Central American region's 83 million under-banked population**
- **Four strong PoS retail partnerships have been launched in China with Wal-Mart, Best Buy, Suning and New World department stores**
- **India operating out of 29 CF branches in 22 cities**
- **Indonesia has opened 52 CF branches in the past 15 months**
- **Preparing existing CF businesses for growth in Czech Republic, Hungary, Poland and Slovakia**

Credit cards: A leading global proposition in cards building on our global presence and scale economies

Global scale

Global distribution

- 75 per cent cards on a global platform
- Top five global issuer over 120 million cards in force
- Issuing in 40 countries, with cutting-edge analytics and strong marketing
- 10 countries with more than one million cards, up from six in 2003
- Key partnerships including:
  - Marks & Spencer (UK) | General Motors (USA) | Dixons (CEE)
  - Best Buy (US, Canada, China, Mexico) | Wal-Mart through the BoCom JV (China)
  - Accor Hotels, Ricardo Eletro and DMA (Brazil), Delta Airlines



HSBC FINANCE CORPORATION

Operations and credit

NIALL BOOKER
CHIEF OPERATING OFFICER
HSBC FINANCE CORPORATION

3 December 2007

BRUCE FLETCHER
CHIEF RETAIL CREDIT OFFICER
HSBC NORTH AMERICA HOLDINGS INC

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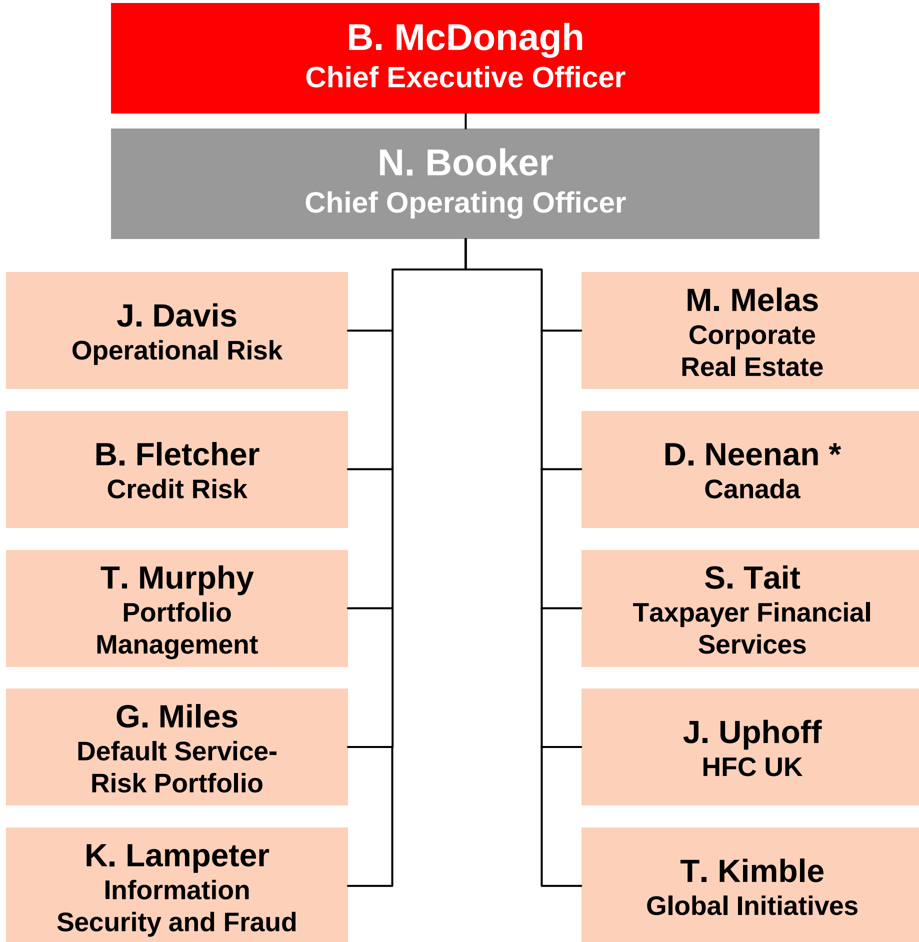
Who are we?

New COO Role

- Encompasses risk and business line responsibilities
- Tighten and enhance risk control environment
- Portfolio management



HSBC Finance Corporation

*Functional reporting line to L. Gordon

Who is the typical HSBC Finance customer?

Lifestyle

- Financially unsophisticated
- Payment sensitive versus pricing sensitive
- Limited discretionary income
- Living the 'American Dream' of homeownership
- Have tapped equity in the house to improve monthly cash flow or meet need for credit
- Some seasonal workers and some with second jobs
- Average age ranges ~ 40 - 50
- Average annual income ranges ~ USD65-78K

Credit behavior

- Leveraged
- Inconsistent payers
- Minimal savings
- Some with irregular cash flow
- Sensitive to payment shock
- Limited disposable income
- Willing to tolerate payment reminders when late

What has changed for the customer?

Event	Reaction
• Declining or stagnant home prices	• Inability to use home equity as income
• Reduced credit availability	• Inability to refinance into a lower payment
• Expiration of teaser rate ARM products	• Significant payment shock without a way to refinance elsewhere
• Employment challenges – Unemployment rate has started to rise in selected MSAs	• Difficult to earn extra income to handle extra expenses; need to change lifestyle
• Increase in gasoline and heating costs	• Increased expenses for other necessities compete for already limited income

HSBC

What are we hearing from customers?

HSBC conducted focus groups with both current and delinquent customers to gain insight into the customer mindset

A typical HSBC Finance customer:

- **Is aware of the ‘mortgage meltdown’**
- **In most areas, sees mortgage payments as a high priority**
- **If they have the money to pay the mortgage, declining home prices in themselves are not a factor driving higher defaults**
- **Is working hard to make ends meet, eg second job, cutting entertainment expenses**
- **Is willing to work with lenders, but feels that lenders do not care to help, and therefore avoids collection calls**
- **Also uses other types of debt**

Some HSBC Finance customers are:

- **Recent homeowners who are less attached to the property and thus are more likely not to pay**
- **Already delinquent and are more likely to roll forward**
- **Multiple homeowners by circumstances and in some cases de-facto novice investors**
- **Not able to use their home as a ‘piggy bank’ anymore**
- **Facing mortgage debt in excess of their home’s value, especially in areas with significant declines in housing prices**

How should we manage our business?

Factors that we can control include the following:

- **Reduce the risk profile to deal with the tougher environment and portfolio performance**
- **Enhance default management and focus on loss mitigation**
  - **Proactive account management**
    - **Concentrate on keeping people in their homes where reasonable payments can be made**
    - **Find pragmatic solutions when reasonable amounts can not be paid**
  - **Strengthen collection strategy and capacity**
    - **Create and implement new customer treatments**
- **Control expenses**

What is driving our performance?

Market

- The unprecedented credit tightening and worsening housing market (both unknown depth and duration) is affecting both performance and liquidation, as well as the outlook for next year, and is also affecting employment

Vintage

- While performance of all vintages deteriorated recently, it is greater in the 2006 vintage

Customer risk profile

- Higher risk customers are driving higher delinquency and loss, including low score, some product types (second lien, stated income, etc) and low disposable income

ARMs

- Delinquency rates are rising faster for ARMs

Geography

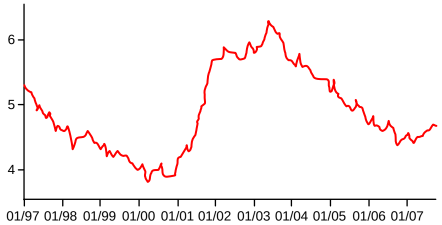
- The markets with higher home price depreciation rates are seeing higher unemployment rates and higher delinquency

Which geographies are impacted most?

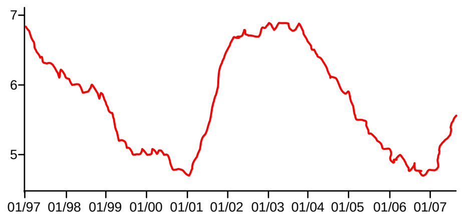
- **Some metropolitan areas, notably in California and Florida, have rising unemployment as well as falling housing prices and may already be in recession**

S&P/case-Shiller Monthly Home Price Indices September 2007	
	Y/Y % change
Miami	-10.0%
San Diego	-9.6%
Los Angeles	-7.0%
San Francisco	-4.6%
Las Vegas	-9.0%
New York	-3.6%
Washington	-6.6%

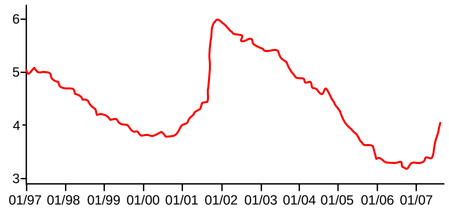
- **States that saw large increase in property values are now seeing large increase in unemployment rates [1]**



Unemployment rate
US



Unemployment rate
CA



Unemployment rate
FL

- **HSBC Finance exposure in California is approximately 13 per cent[2], well under the industry's 22 per cent[1]**

[1] **Market Data sourced from www.creditforecast.com (based on 5 per cent sample of Equifax Credit Bureau)**
[2] **HSBC Finance data is from 31 December 2006 Form 10-K**

HSBC

What can we do?

Reduce risk profile

- Discontinue operations of Mortgage Services, Decision One, and the sub-prime mortgage broker based business in HSBC Financial (Canada)
- Tighten product and underwriting
  - Loan-to-value, credit score, debt-to-income
  - Retail Services and Canada originations
- Credit Card Services has slowed credit line increases and balance transfers
- Discontinue ARMs, PHL and direct marketing products
- Elimination of some Taxpayer Financial Services products
- Introduced new card fee practices

Strengthen risk management and controls

- Reporting lines
- Credit authorities
- Minimum standards
- Better articulation of risk appetite
- Strategic portfolio management

How do we mitigate losses through default management?

Main goal

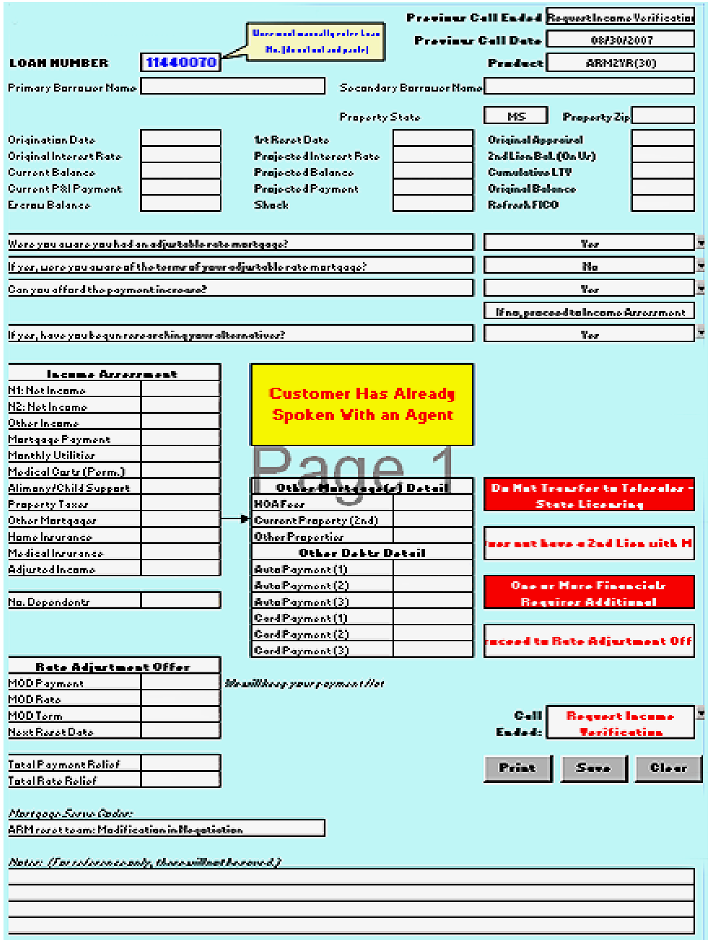
- To identify customer needs and match them with the right treatment option to prevent foreclosure and build sustainable customer relationships

What are we doing today?

- Increased collection capacity
- Proactive ARM contacts
  - Write and call customers who have adjustable rate mortgage loans nearing the first reset that we expect will be the most impacted by a rate adjustment
  - Assess their ability to make adjusted payments, and modify as appropriate and in accordance with defined policies
  - Allow time for the customer to seek alternative financing or improve their individual situation
  - Usually provide a 12-month temporary interest rate relief
  - Made more than 31,000 outbound contacts and modified more than 8,000 loans (USD1.2 billion) since the start of the programme in October 2006
- Continue to manage Foreclosure Avoidance Program for delinquent customers, programme designed to provide relief to qualifying homeowners through either loan restructuring or modifications
- Loan Sales in 2Q 2007
  - Due to adverse market conditions, additional sales have been difficult
- In Mortgage Services, changed and improved risk segmentation to facilitate strategy
  - Market: market risk varies by location
  - Product: risk varies by loan product, lien position, and doc type
  - Customer: risk determined by originating credit score, loan performance, bureau data, economic factors

Here’s how we deal with an ARM Reset customer

Screenshot of MS ARM Reset Modification tool



Process

- Customer receives an ‘ARM Awareness Letter’ advising of pending ARM rate increase, and inviting them to call us to discuss
- Letter is followed up with an outbound callout campaign
- Customers that we speak to (either inbound or outbound), are ‘assessed’ on their ability to handle the increased payment
- Customers that cannot handle it are offered a 12-month temporary modification; payment relief varies from ‘leave flat’ up to a percentage just below their reset amount (based on their financials)
- Customers that appear to qualify for a refinance are also transferred to a branch or internal sales group

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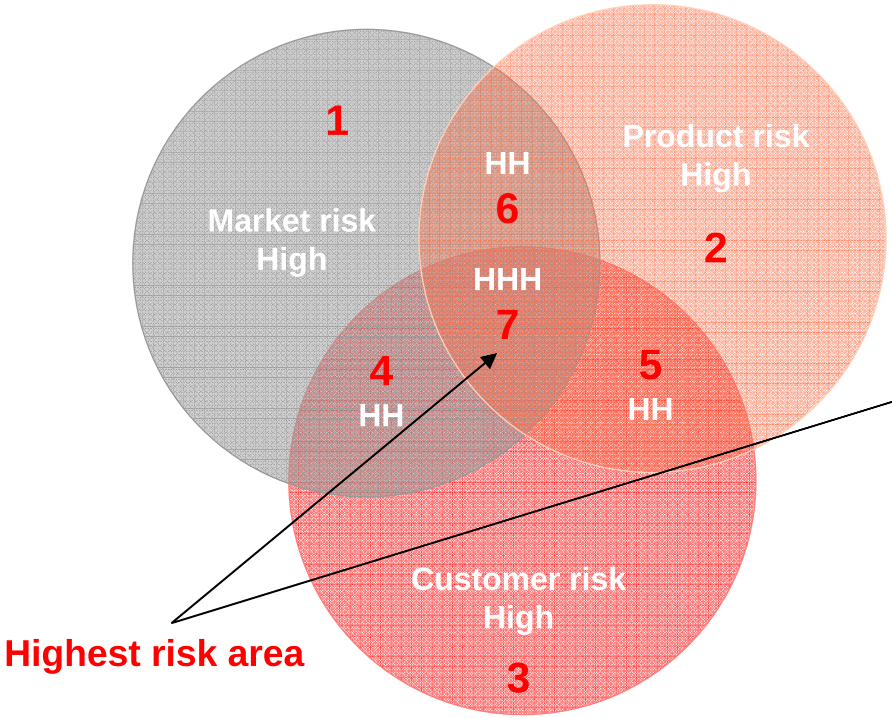
Treatment enhancements

Illustration of risk segmentation and possible treatment



1. Low value of home limits options
2. Loan type creates difficulty for customer
3. Behavior of customer defines risk
4. Customer and market risk
5. Product and customer risk
6. Market and product risk
7. Market, product and customer risk

Treatments vary based on risk

Examples include:

- Restructure
- Refinance
- Modify terms of the loan
- Negotiate short sale
- Foreclosure/Liquidate

Specialise treatments for first liens, second liens and dual liens (piggy)

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What else are we working on in Default Management?

Current practices are under evaluation to determine level of success and impact to P&L.

As of now, we plan to:

- **Do more long-term modifications, rewrites, and extensions**
- **Determine the profitability of foreclosure versus modification**
- **Enhance the bid price on foreclosure versus walk process**
- **Improve treatment tools**
- **Implement improved segmentation across customer risk, product risk, and market risk in Consumer Lending**

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What are we doing to reduce costs?

Right sizing the business to drive lower costs, higher efficiencies and effectiveness.

Consolidation/Integration/Cost-related initiatives

- **Operations consolidation**
  - **Expanded use of operational support provided by GSCs**
  - **Consolidate similar functions**
  - **Global best practices (Importer/Exporter)**
- **Infrastructure integration**
  - **HR, Finance, Credit Risk, Analytics, Systems and Collections**
- **Strategic cost initiatives**
  - **Multiple corporate and business unit cost reduction initiatives**

FTE considerations

Domestic FTE

- **Branch FTE**
  - Tied to number of branches = Will decrease pro rata as number of branches declines
- **Non-branch FTE**
  - Slight decline over last five years while shift to offshore resources occurred over same time period to support business growth

Offshore FTE

- **Leverage HSBC Global Servicing Centres (GSC) benefiting from lower costs while keeping internal operational control**
- **Includes both operational and analytical resources**

Operating expenses

Operating Expense

- **Savings generated through efficiencies and lower offshore costs allowed for re-investment in marketing and system spend**
- **Even with the above investments, cost-to-income ratio is 36.8 per cent [1] currently**

[1] From HFC 3Q 2007 Form 8-K, page 5 normalised to exclude goodwill impairment charge and fair value option income

Appendix

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The world's local bank

TFS update and 2007 accomplishments

Strategic review – reducing risk, complexity and volumes

- **Elimination of high risk products (eg pre-season loans)**
- **Reduction of business partners through non-renewal or early release of contracts**
- **Product availability period shortened**

Canada update and 2007 accomplishments

Credit quality

- Canadian economy is experiencing, strong growth, low unemployment and low levels of delinquency. Non-prime mortgage business is more conservative (eg no reset arms etc) relative to the US. Delinquency at historical lows and likely to be impacted from US in certain sectors and geographies, eg automotive and Windsor. Seeing higher funding costs that have impacted monoline players
- Overall performance is meeting corporate objectives

Continued focus on costs and efficiency

- Largest private label player in Canada, after signing up Best Buy, the largest electronics retailer in Canada Relaunched Premier MasterCard in line with global launch
- Improvements in infrastructure and capabilities
  - Risk management, marketing analytics, pricing and product profitability, and vendor management
- Despite benign credit environment have proactively moved to offset future risk and impact of higher funding cost
  - Implemented credit risk changes to exit the highest risk segments
  - Exited the broker originated mortgage business
  - Rationalised Consumer Lending branch network – branch rationalisation and region consolidation
  - Rationalised Private Label business – focused on larger relationships
  - Strategic review of other businesses in progress
- Developed and now executing a plan to gain and sustain a competitive advantage by leveraging global synergy
  - Offshored some operations to Asia and more initiatives planned
  - Implementing major project to generate further synergy with the US

UK update and 2007 accomplishments

Volume growth key in driving improved results:

- **Branch network: Focus on secured loan growth to decrease credit exposure and build scale**
- **Retail Partnerships: Focused on major retailers**
  - **Launched new B&Q program in February, UK's largest home improvement retailer**
  - **Extended the existing Dixon Store Group contract**
  - **Exited relationships with smaller retailers to control costs and improve efficiency**

Improvement in credit quality

- **2+ delinquency has improved since the start of the year. This is as a result of improved collections performance, collection strategies and lower than expected bankruptcy/IVA new entrants, which are lower versus the same period last year**
- **Significant tightening of process in the areas of credit policy and underwriting criteria**

Continued focus on costs and efficiency

- **Completed the sale of the Hamilton insurance companies to Aviva. This outsourced the manufacture of insurance and removes a key level of complexity while maintaining revenue streams**
- **Continued focus on right sizing of expense base. Actions to date include:**
  - **Consolidating operations processes into the Birmingham operations centre**
  - **Streamlining head office departments**
  - **Leveraging offshore resource**
  - **Implementing building consolidation plan**
  - **Continuing branch rationalisation program**

HSBC FINANCE CORPORATION

Consumer Lending and Mortgage Services

TOM DETELICH
GROUP EXECUTIVE

3 December 2007

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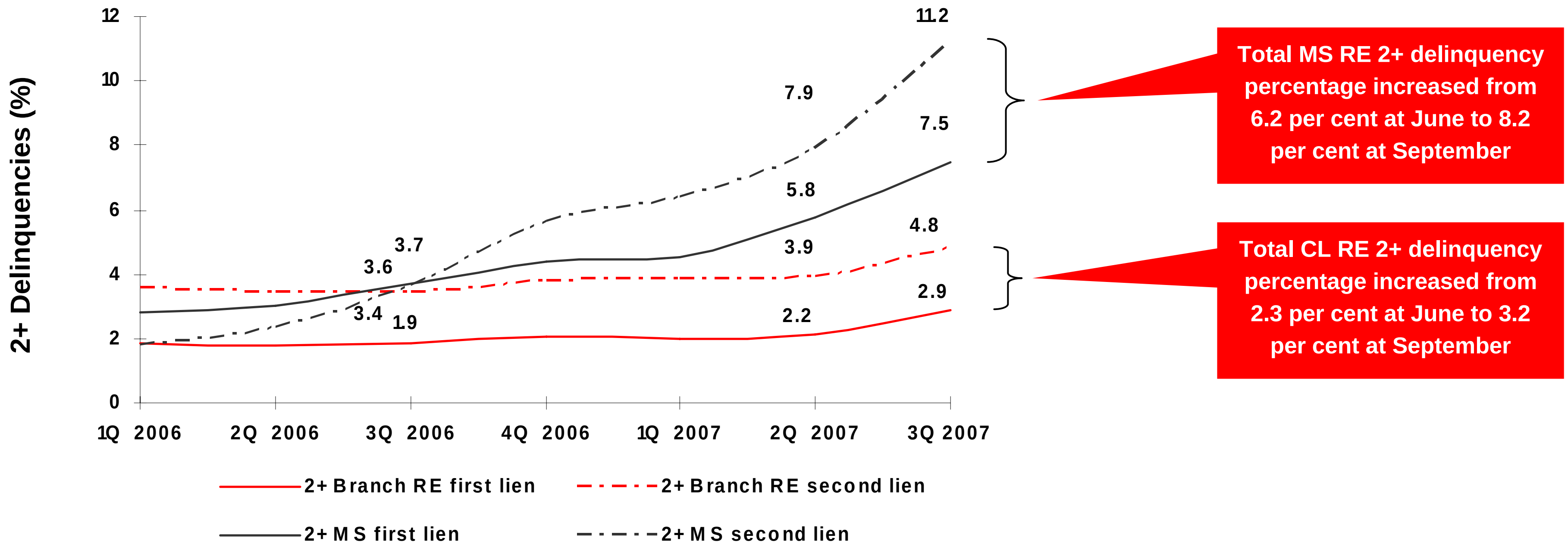
Real estate secured 2+ delinquency



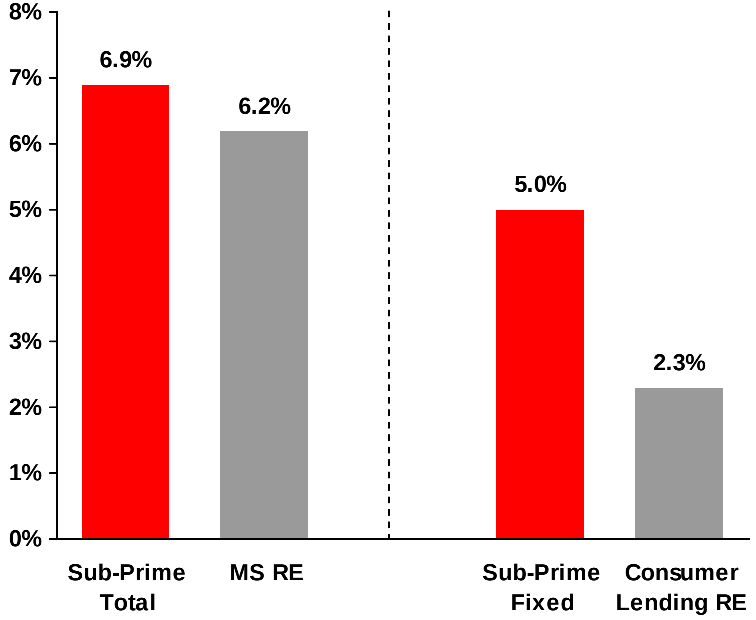
- 2005 and 2006 vintages in Mortgage Services continue to season. Portfolio sales and the cessation of correspondent acquisitions have a marked impact on the delinquency ratio. As the portfolio declines, the delinquency ratio will continue to increase
- Increase in 2+ delinquencies for Retail Branch real estate secured due to industry-wide worsening of credit environment and broad based deterioration of the US residential property market during 3Q 2007

This increase is driven by delinquency deterioration in states that were previously rapidly appreciating in home prices and are now depreciating

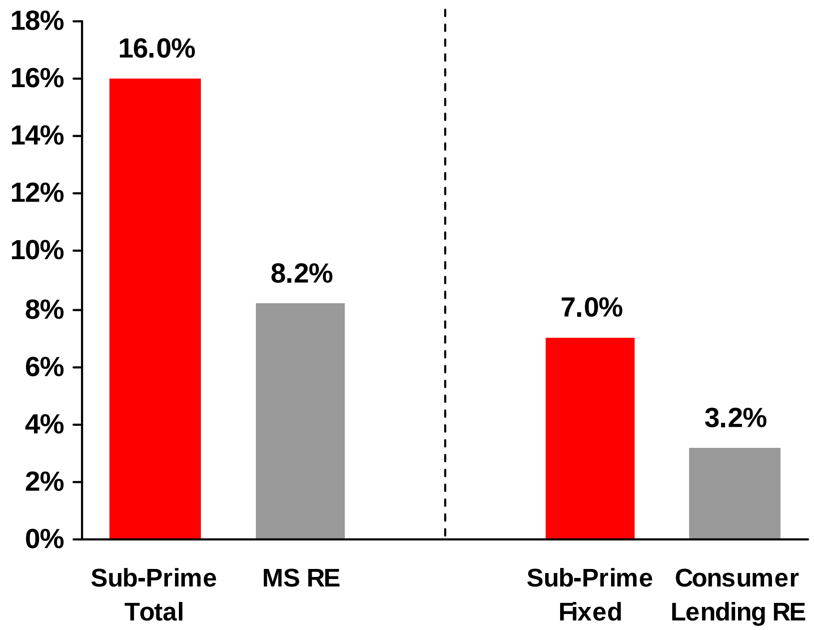
- **Factors such as LTV, FICO, and CGS (proprietary credit score) are not strongly correlated with deterioration in delinquency performance. However, CGS score continues to rank order risk**
- **Nine formerly high-appreciation states (CA, FL, AZ, VA, WA, MD, NJ, MA, MN) have seen 2+% grow by over 120 per cent from December 2006 to September 2007 versus less than 20 per cent for rest of the country**
- **Aggregate 2+ performance in these states is now comparable to the rest of the country. Previously, these states outperformed the national average by a considerable margin**

CL 2+ delinquency levels are below industry fixed-rate sub-prime. MS compares favorably to total sub-prime because of higher proportion of fixed-rate loans

CML RE portfolios 2+ versus MBA Industry Benchmark (June 2007)



CML RE portfolios 2+ versus Credit Suisse Industry Data (September 2007)



Source: MBA National Delinquency Survey, Credit Suisse Heat Report October 2007

Note: MBA measures % of accounts overdue. Credit-Suisse is US dollar based. Consumer Lending and HMS 2+ is US dollar based unless otherwise indicated and includes both first and second lien RE
MBA 3Q results are expected in the second week of December

CML has implemented several measures to manage risk

Limit sub-prime originations to retail

- Closed correspondent originations (MS)
- Exited Decision One wholesale business

Tighten credit policy

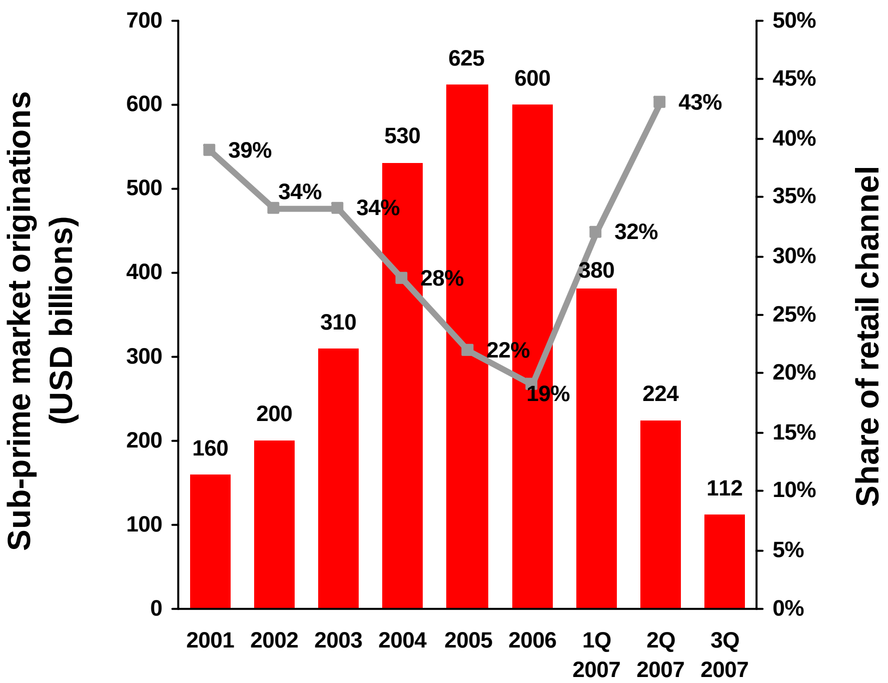
- Eliminate higher risk products such as high LTV home equity (PHL) loans, pre-approved prospect mailings
- Significantly tighten credit policy on lower risk scores, higher LTVs, etc

Reduce origination capacity

- Reduce the number of branches in the network from 1,359 to 1,000
- Reduced centralised retail originations capacity

The collapse of higher risk products and pricing in the market may be an opportunity to greater share and profitability for the surviving retailers

Industry sub-prime originations and share of retail channel



Source: Inside Mortgage Finance, Inside B&C Lending

Note: Quarterly originations are annualised in the chart

Market projection

- **CL and some other retail players did not participate in the rapid market growth from 2002-05**
  - Cheap money in the secondary market was best tapped by the broker channel and other for-sale originators
  - CL did not participate in product driven growth (stated income, IO, option ARM, ARM). Some other retail players also had lower exposure to these products
- **In 2007, retail has been gaining share from wholesale as market has undergone severe contraction**
  - Mix shift to retail and GSE as secondary sub-prime market disappears
  - Many retail players had less exposure to products that have contracted the most, eg Stated Income, ARM, IO products which have contracted more.
- **Longer-term, surviving retail players may have an opportunity to hold greater share than in the boom years**
  - Return to more normal HPA
  - Exotic products do not come back
  - Market prices risk more appropriately

This market view and HSBC objectives for the Finance Company are shaping our business model

Sub-prime market view

- Shrinking market near-term
- HPA returning to long-term average driving a recovery in originations
- Greater retail share: Potential to expand CL share
- Risk priced more appropriately (improved price premiums)

Finance Company objectives

- Lower cost/ improve efficiency
- Reduce balance sheet/ decrease capital intensity
- Lower volatility (credit risk) and impact on HSBC
- Deliver acceptable ROE over the business cycle

New business model elements

- Build future around long-term viable retail origination model
- Shrink portfolio and increase origination for sale through GSE, securitisation and dynamic portfolio management
- Migrate business towards lower credit risk products/cells to limit volatility
- Shrink network size to better manage near-term challenges. Achieve future growth through higher productivity, large-branches and central (call centre) channel growth

Execution of our strategic initiatives is critical to successfully migrate the business model

Lower cost

- Shrink the branch network to 1,000 branches from 1,359
- Reduce support costs in line with the smaller network
- Rationalise servicing systems across CML and potentially CCS
- Closer integration with Mortgage Corp

Expand product and sourcing

- Launch GSE (Fannie/Freddie) originate-for-sale product
- Reinvent the unsecured product as a lower risk product
- Shift and expand sourcing in response to lower risk appetite, eg alternatives to pre-approved mailings

Improve collections

- Fully leverage scale in HMS and CL operations through consolidation
- Implement planned enhancements in contact management, borrower eligibility, loan modifications, call quality, staffing and incentives

Improve risk adjusted margins

- Improve pricing in segments where competitive intensity has decreased
- Expand Fee income

Several required elements already exist today

- Focus on sub-prime and near-prime customers
- Belief in our Customer Value proposition
- Face-to-face relationship selling as our primary branch sales approach
- Expanded customer relationships through multiple lending and ancillary products
- Competitive advantage through proprietary risk scoring to predict and manage risk
- Quality as a foundation for our business

Managing the
Mortgage Services Portfolio

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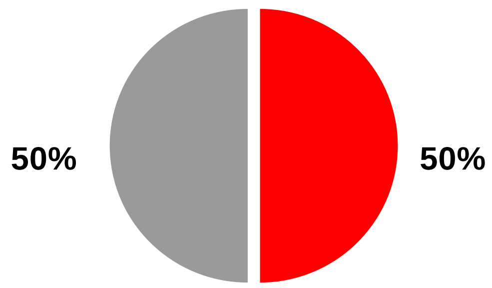
Mortgage services –
Real estate secured portfolio overview

(IFRS management basis)

30 September 2007 (USD93 billion)

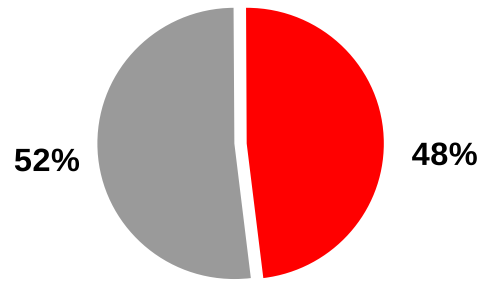
- Consumer Lending and all other (USD54.3 bn)
- Mortgage Services (USD38.9 bn)

31 December 2006 (USD99 billion)



- Consumer Lending and all other (USD49.7 bn)
- Mortgage Services (USD49.6 bn)

31 December 2005 (USD86 billion)

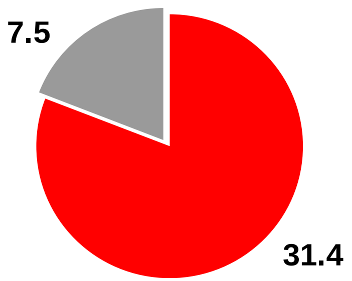


- Consumer Lending and all other (USD41.3 bn)
- Mortgage Services (USD44.3 bn)

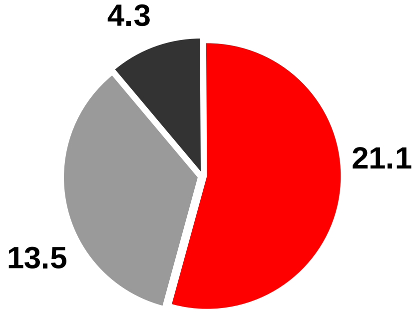
Mortgage services –
Real estate secured portfolio overview

(IFRS management basis)

30 September 2007 (USD38.9 billion)

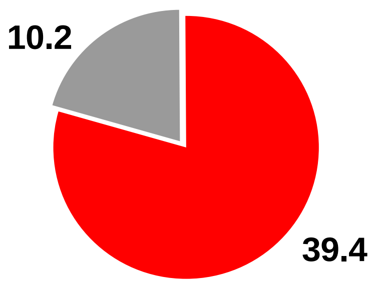


- First Lien (81%)
- Second Lien (19%)

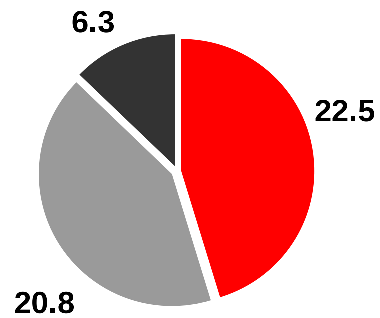


- Fixed rate (54%)
- Adjustable Rate, excluding I/O (35%)
- I/O (11%)

31 December 2006 (USD49.6 billion)

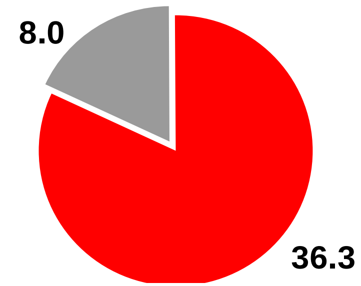


- First Lein (80%)
- Second Lien (20%)

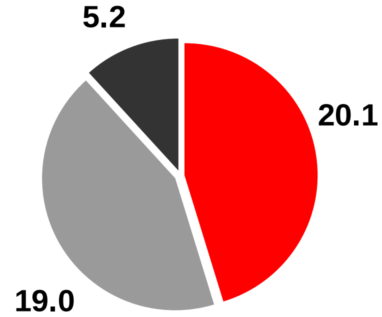


- Fixed rate (45%)
- Adjustable Rate, excluding I/O (42%)
- I/O (13%)

31 December 2005 (USD44.3 billion)



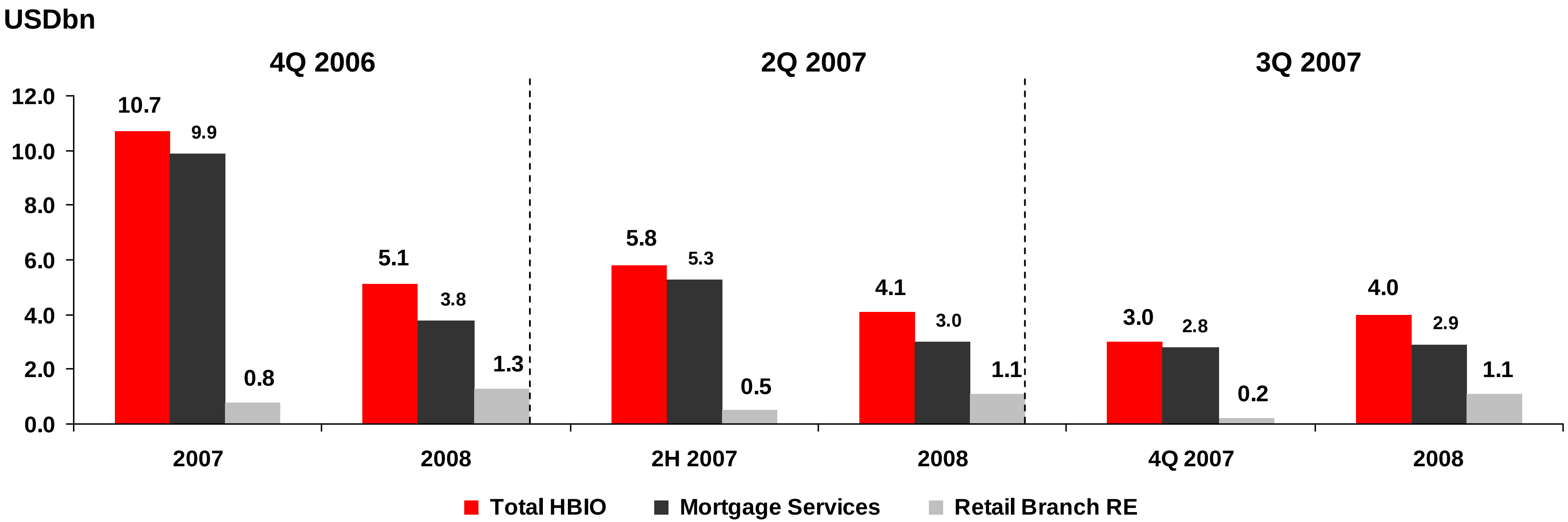
- First Lien (82%)
- Second Lien (18%)



- Fixed rate (45%)
- Adjustable Rate, excluding I/O (43%)
- I/O (12%)

HSBC

HSBC Finance Corporation
Adjustable Rate Mortgages – ARM Resets



- **Proactively contacting Mortgage Services customers nearing the first interest rate reset that will be most impacted by a rate adjustment**
  - **As appropriate and in accordance with defined policy, loans are modified**
  - **8,000 loans totaling USD1.2 billion have been modified to date**

Note: The reset volumes above do not reflect modifications. Unless customers who have benefited from a loan modification are able to obtain other financings, these loans will also be subject to an interest rate reset at the end of the modification period.

HSBC Finance Corporation
Mortgage Services loans – Vintages

Vintages (USDbn)

	December 2006	March 2007	June 2007	September 2007
2007		0.6	1.4	1.5
2006	15.2	15.0	13.5	12.9
2005	19.9	18.0	15.6	14.2
2004	9.3	8.3	6.7	6.3
Pre 2004	5.2	4.8	4.3	4.0
	49.6	46.7	41.5	38.9

- **Continued progress in reduction of 2005 and 2006 vintage balances**
- **Decreased market demand for sub-prime mortgages due to unprecedented turmoil in the industry resulted in a significant reduction in secondary market demand in 3Q 2007, which contributed to slower portfolio attrition**

Significant changes are in place for the Mortgage Services servicing operation

People

- The senior management team has been significantly upgraded (80 per cent in role less than 12 months)
- Dedicated Managing Director for Ring Fence in place

Analytics

- Director of analytics from CL installed over MS
- CL analytics best practices installed for MS (ie segmentation and dialer strategies)

Strategies

- Segmented highest risk accounts
- Implemented modification programs for upcoming reset and delinquent customers
- Categorise accounts based on market, product and customer risk
- Developed customised cure/liquidation programs

Process

- Optimised schedules to increase prime contact hour penetration
- Installed new call model for collections
- Changed incentive plan to focus cash collections
- Created governance team and process

HSBC FINANCE CORPORATION

Bankcard, Retail Cards and Group Card

WALTER MENEZES
GROUP EXECUTIVE

3 December 2007

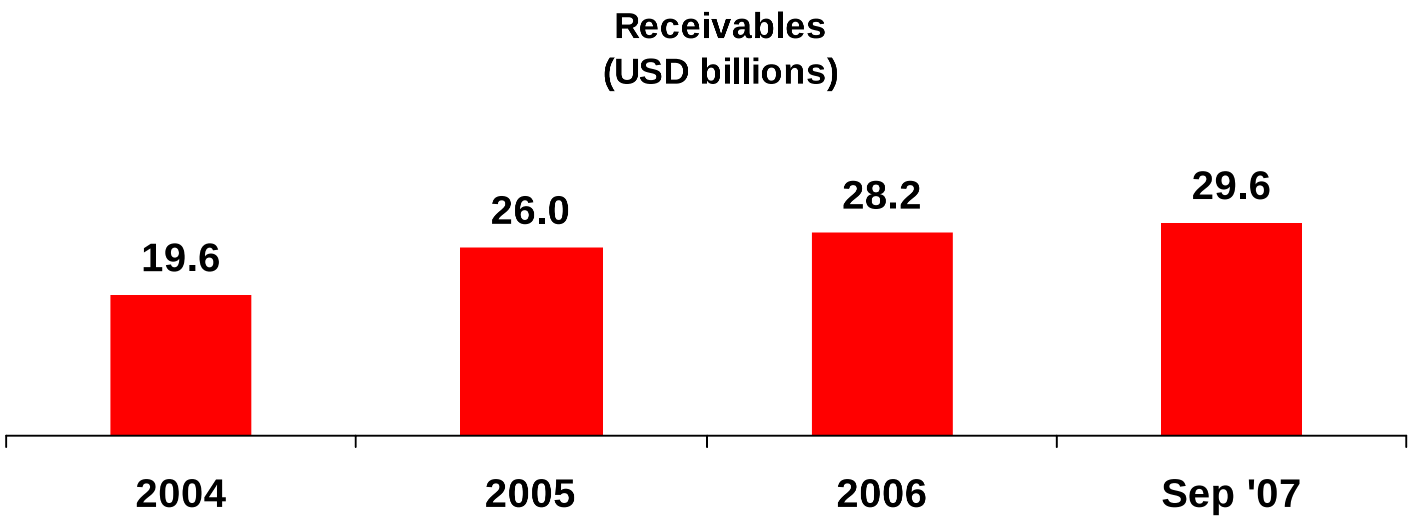
HSBC
The world's local bank

Agenda

- US Bankcard
- US Retail Cards
- Group Cards

US Bankcard overview

- Fifth-largest US MasterCard/Visa issuer
- USD29.6 billion in managed receivables
- 21 million active accounts
- Unique capability to issue all four brands: MasterCard, VISA, American Express and Discover



Note: results reported on an IFRS Management Basis

GM Program overview

- **Fifteen-year relationship with General Motors**
- **Largest automobile credit card rewards program**
- **Stable receivable base**
- **Primarily prime and super-prime customers**
- **Strong value proposition of three per cent and five per cent of spend drives customer loyalty and volume**
- **Continued innovation of risk and marketing analytics for both acquisitions and portfolio management**
- **Card program is very efficient marketing resource for GM**

UP Program overview

- Eleven-year relationship with AFL-CIO
- Largest affinity card portfolio in the USA
- Relationships with 14 million union members
- Strong endorsement from union leadership and internationals
- Each union marketed under its own brand
- Above industry average portfolio metrics
- Consistent profitability

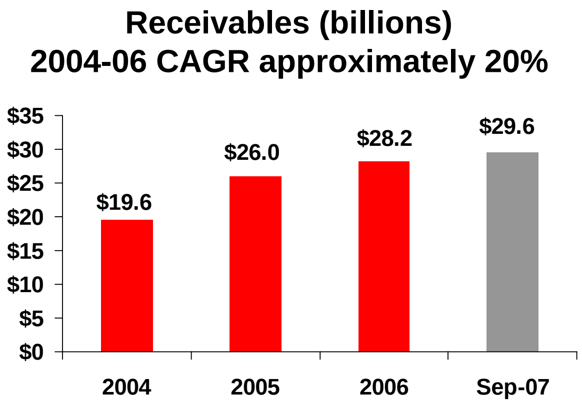
Metris Portfolio update

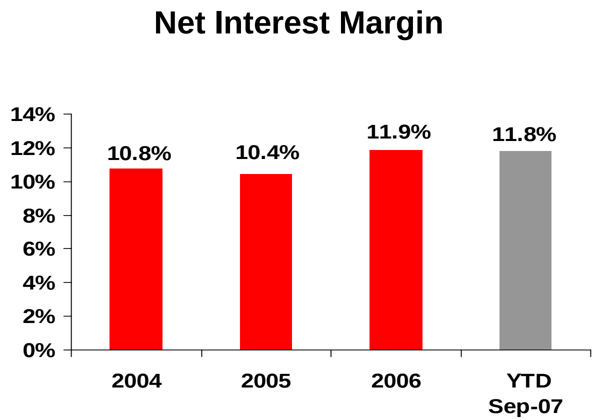
- Acquired December 2005 (USD5.3 billion in receivables)
- Primarily serves near-prime segment
- Continues to perform above expectations
- Leverages all four networks (MasterCard, VISA, American Express and Discover)
- Fully integrated into HSBC business; leveraging best practices from both organisations

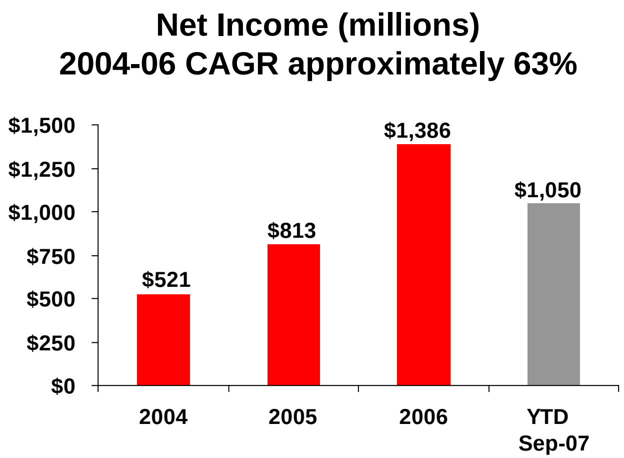
Competitive advantages of Card Business

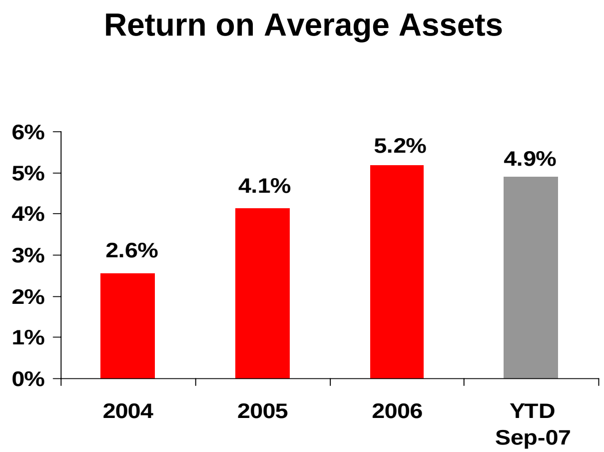
- **Full-spectrum lender**
- **Large customised partnership programs**
- **Analytically driven decision-making (sales and marketing, risk management, operations and collections)**
- **Efficient, low-cost operations**
- **Global strengths of HSBC franchise**
- **Low cost of funds and capital**

Bankcard performance





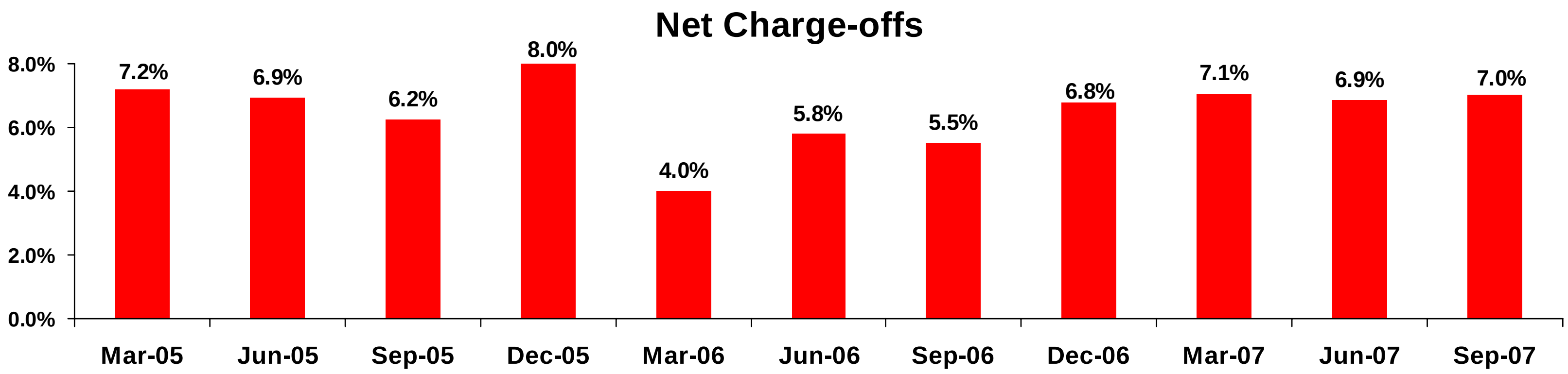


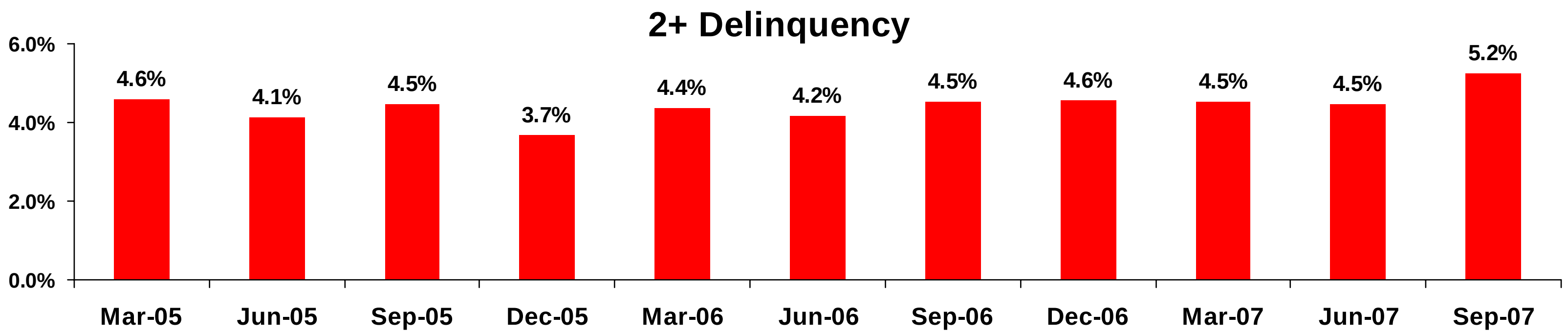


(1) Results are reported on an IFRS Management Basis
(2) Excludes HSBC Bank USA portfolio
(3) September 2007 Net Interest Margin and Return on Average Assets are annualised

HSBC

Card Credit trends





Net Charge-offs are as a percent of average receivables; Delinquency is two-months-and-over contractual delinquency as a percent of consumer receivables. Figures include UK and Canadian credit card operations.

(1) Results are reported on a U.S. GAAP basis

HSBC

Actions to mitigate credit risk – Bankcard

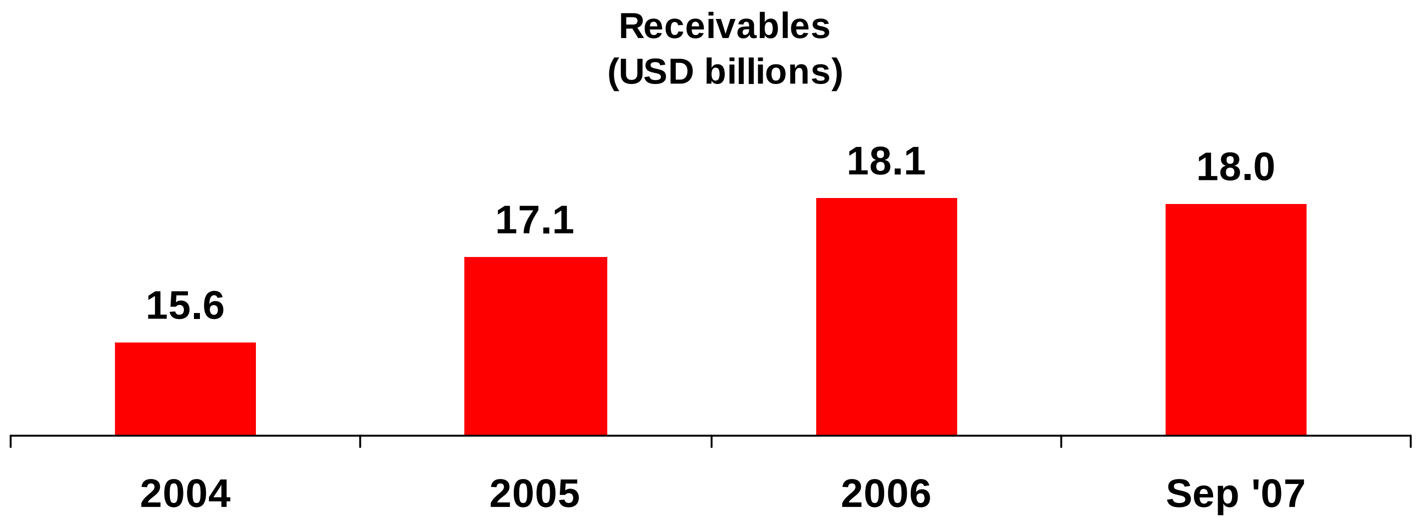
- Slowing receivable and account growth, and tightening initial credit line assignment criteria
- Closing inactive accounts
- Decreasing credit lines and tightening credit line increase criteria
- Holding prime/non-prime mix flat
- Reducing balance transfer volume and tightening cash access
- Increasing collections capacity and intensity
  - Increasing outbound calling
  - Hiring ahead of forecasted needs
  - Accelerating calling on holdout population

Agenda

- US Bankcard
- US Retail Cards
- Group Cards

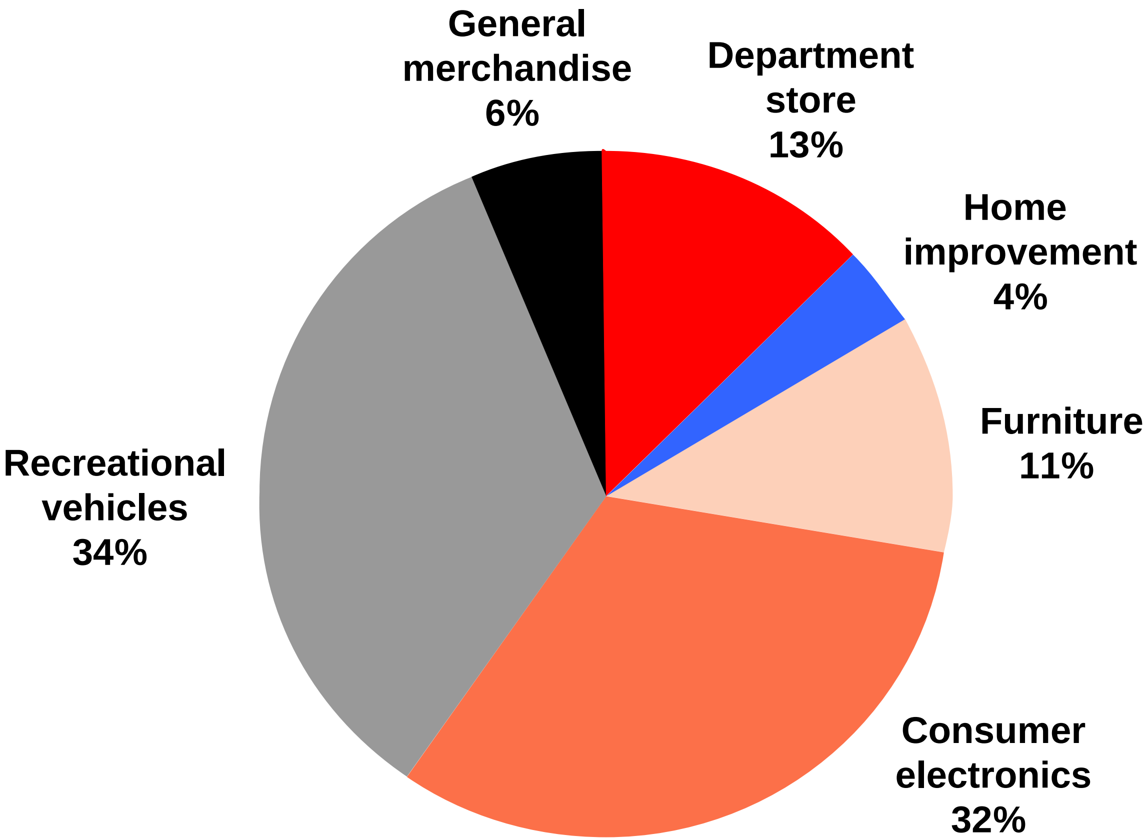
Retail Cards overview

- Third-largest private label issuer
- USD18 billion in managed receivables
- Almost 16 million active accounts
- More than 60 active merchant relationships



Note: results reported on an IFRS Management Basis

Diversified portfolio



As of September 2007

HSBC

Partnerships with some of the nation's largest retailers

Sears
SAKS INCORPORATED
BEST BUY
MENARDS
COSTCO WHOLESALE
Guitar Center The Musician's Choice

DAVID'S BRIDAL
YAMAHA
BEST BUY For Business
Kawasaki
MITSUBISHI ELECTRIC DIGITAL TELEVISIONS

BOSE
Gottschalks
SUZUKI
Furniture Row outlet
BON-TON
Elder-Beerman
Advance Auto Parts

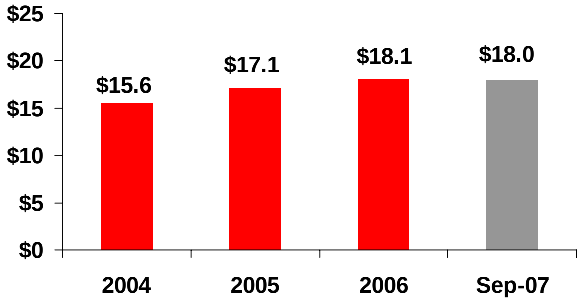
SONY
OfficeMax What's your thing?
Neiman Marcus
HELZBERG DIAMONDS
COMPUSA WHERE AMERICA BUYS TECHNOLOGY

Competitive advantages

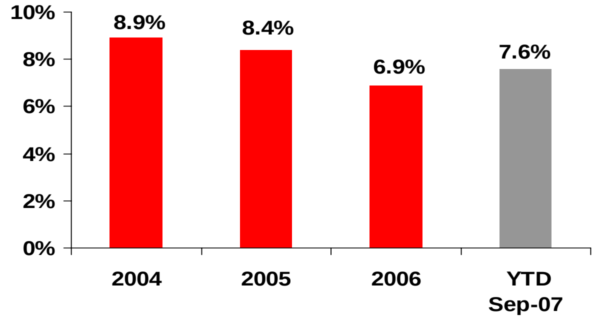
- Strong partnership culture
- Flexible program structure
- Ability to serve multiple origination channels
- Efficient, low-cost operations
- Global strengths of HSBC franchise
- Low cost of funds and capital

Retail Cards performance

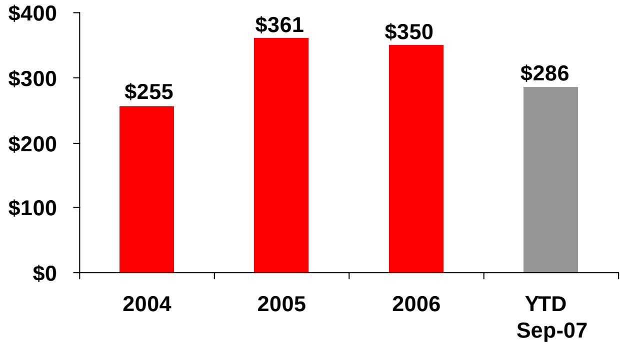
Receivables (billions)
2004-06 CAGR approximately 8%



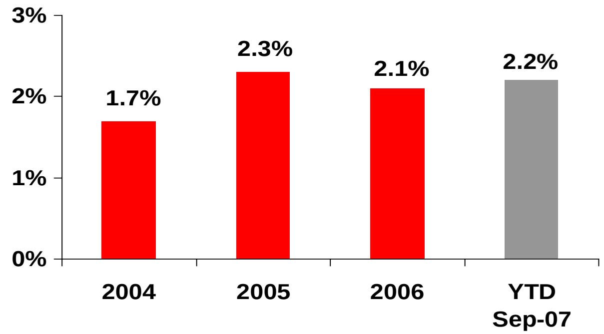
Net Interest Margin



Net Income (millions)
2004-06 CAGR approximately 17%



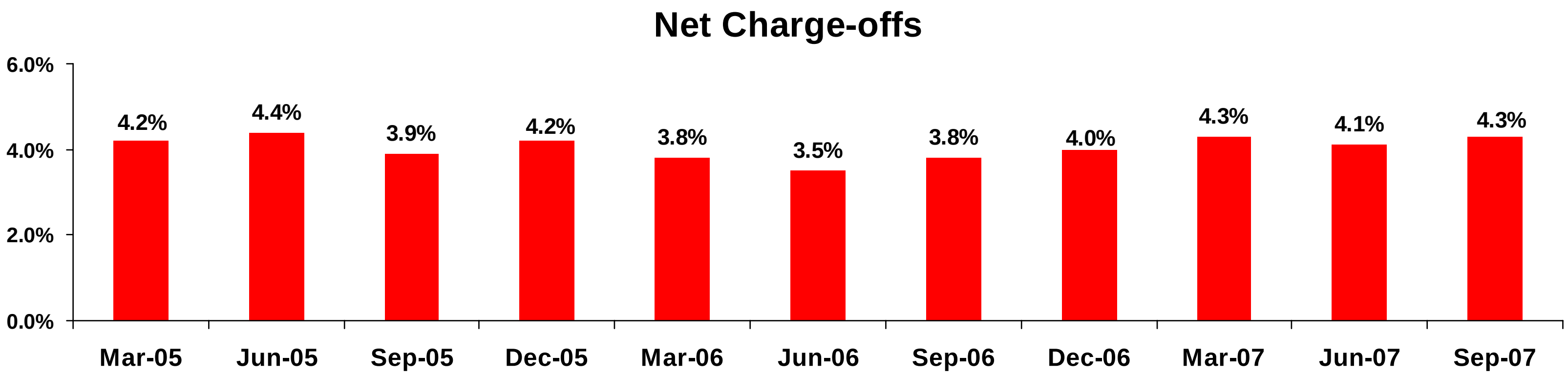
Return on Average Assets

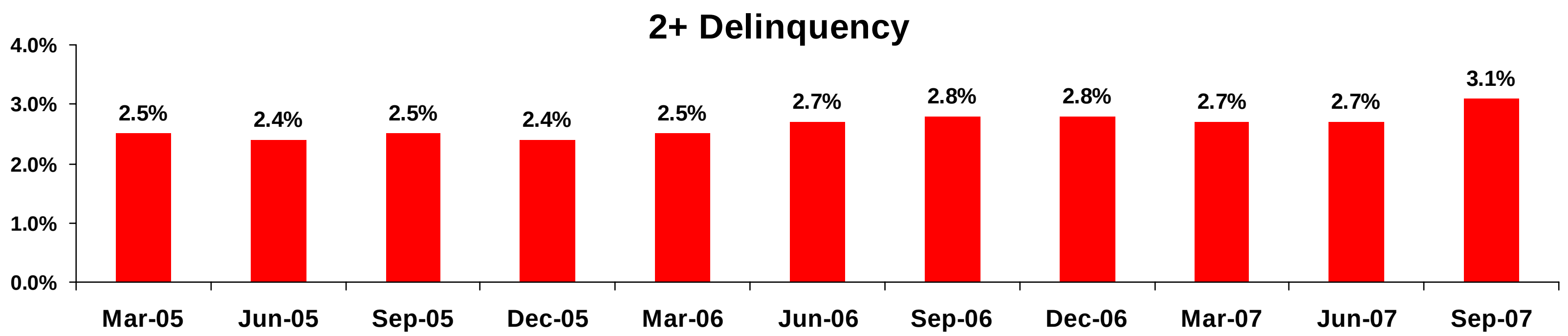


(1) Results for U.S. Retail Cards are reported on an IFRS Management Basis
(2) September 2007 Net Interest Margin and Return on Average Assets are annualised

HSBC

Retail Cards Credit trends





Net Charge-offs are as a percent of average receivables; Delinquency is two-months-and-over contractual delinquency as a percent of consumer receivables.

(1) Results for U.S. Retail Cards are reported on an IFRS Management Basis

HSBC

Actions to mitigate risk – Retail Cards

- Implementing numerous credit-tightening efforts across retail merchant base, including power sports industry
- Reducing contingent lines within inactive accounts
- Increasing collections capacity and intensity
  - Increasing outbound calling
  - Hiring ahead of forecasted needs
  - Accelerating calling on holdout population

Card and Retail practice change summary

Deliver high brand values and strong customer value proposition in our products and service. Key changes to our practices include:

- **Eliminating over-limit fees when occurrence is due to finance charges or fee assessment**
- **Extending time customers have to come back within credit limit before assessing another over-limit fee**
- **Customers now have 30 days to accept new APR terms (under certain situations) or they may close account and pay down balance**
- **General purpose cards retain original terms for at least one year**
- **Assessing finance charges on one average billing cycle rather than two in private label business**

Agenda

- **US Bankcard**
- **US Retail Cards**
- **Group Cards**

Group Cards presence

- **HSBC issues cards in approximately 40 countries across five continents, making it one of the few truly global players in the industry**
- **Over 100 million cards in force**

Exporting best practices globally

- **HSBC has established global cards centres of excellence to implement best practices and deliver low cost in customer care and collections**
- **In Asia and Latin America, we leveraged underwriting, modelling and consulting expertise from HBIO to enhance capabilities in regional centres of excellence**
- **We have rolled out our enhancement services model across 10 countries and eight new markets since 2003**
- **Knowledge transfer and analytic focus have yielded significant results**

Exporting best practices globally (continued)

- **Leveraging our experience in North America, we have formed major relationships globally:**
  - **Marks & Spencer and John Lewis Partnership in the UK**
  - **Dixons in Central and Eastern European countries**
  - **Best Buy in Canada, Mexico and China**
  - **BR Petrobras, Accor Hotels, Ricardo Eletro and DMA in Brazil**
  - **Wal-Mart in China**

Building global scale

- WHIRL, our global card system, now services 86 million cards (comprising 75 per cent of our business) across 16 countries
- Since 2003, new cards businesses have launched in Australia, Canada, China, the Czech Republic, Iraq, Poland and Uruguay
- Plans are underway to enter Pakistan and Vietnam in 2007
- Ten countries now have more than one million cards, up from six in 2003

Update – developing countries

- **China**
  - **Launched Wal-Mart co-branded card in August 2006 (joint venture with the Bank of Communications)**
- **Mexico**
  - **Leveraging the branch network through bundled products like Tu Cuenta**
- **India**
  - **Growth has been achieved through multiple sales channels including partnership with key retailers, including Star Bazaar**

Our aspirations

- **Leverage our expertise from developed markets to substantially grow our business in developing markets**
- **We will achieve this by:**
  - **Providing successful acquisition tools to gain new customers**
  - **Being the first choice for our relationship-banked customers**
  - **Growing our share of borrowing customers**
  - **Cross-selling to each customer at least one other HSBC service**
  - **Reinforcing HSBC's brand and global positioning**

HSBC is well-positioned for global growth

- **Size and scale, complemented by strong local presence**
- **Strong balance sheet, funding and capital market access**
- **Full-spectrum lending capabilities**
- **Global Resourcing and low-cost structure**
- **Strong position across card spectrum (MasterCard/VISA, private label, debit etc)**
- **Common platforms and processes**
- **Robust, analytically driven decision-making**
- **Global brand**

HSBC Global Technology

KEN HARVEY
CHIEF INFORMATION OFFICER

3 December 2007

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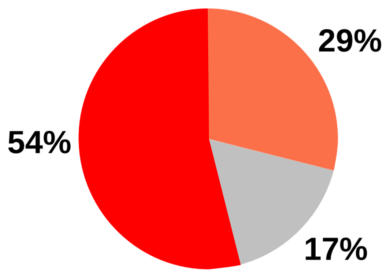
HSBC Technology and Services
Global systems update

- **Converged on a single computing infrastructure that allows global leverage of applications**
- **Global platform upgrade is ahead of plan and early business success warrants acceleration**
- **Refined and improved the method of converting countries to the Group platforms, allowing us to accelerate our plans**

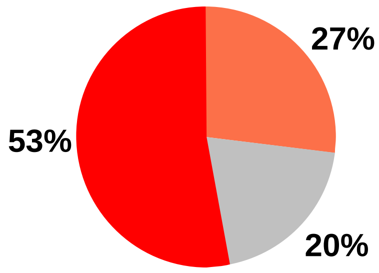
IT spend trends
Run-the-Bank (RTB) versus Change-the-Bank (CTB)

2005



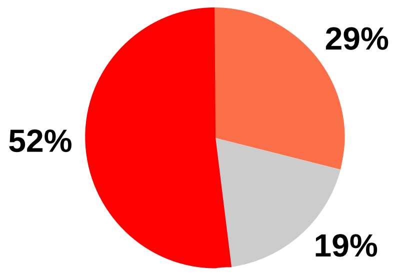
RTB total = 71%

2006



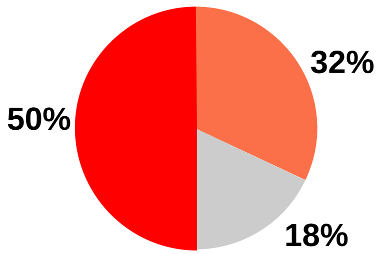
RTB total = 73%

2007



RTB total = 71%

2008 guideline



RTB total = 68%

- RTB – Infrastructure (including Gold Library ITO)
- RTB – Application maintenance
- CTB – Application development

Technology and services

HSBC IT continues to provide strong economies of scale

The world's largest privately operated integrated corporate network

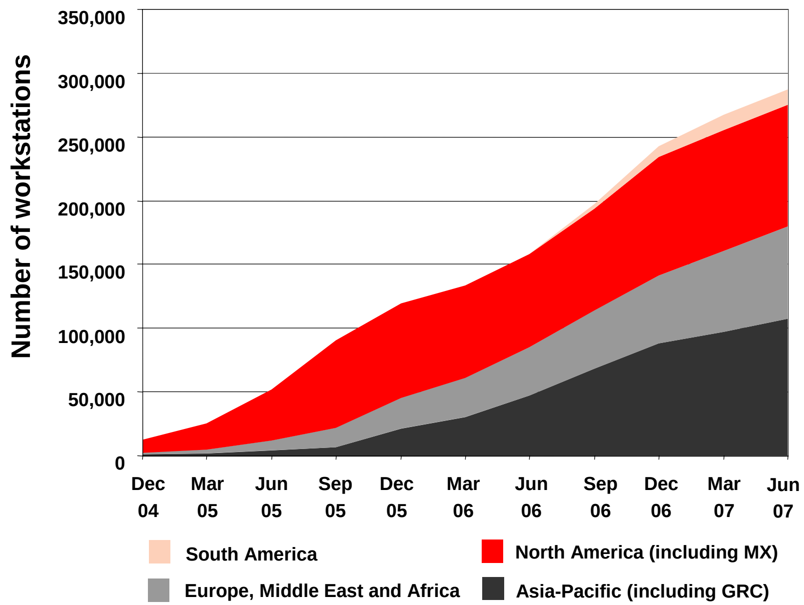
- **Four global data centre pairs**
- **80 global 'Group' platforms**
- **Over 40 per cent of development in low-cost centres**

Reducing unit cost of production 10 per cent per annum

Completed the migration to a single desktop

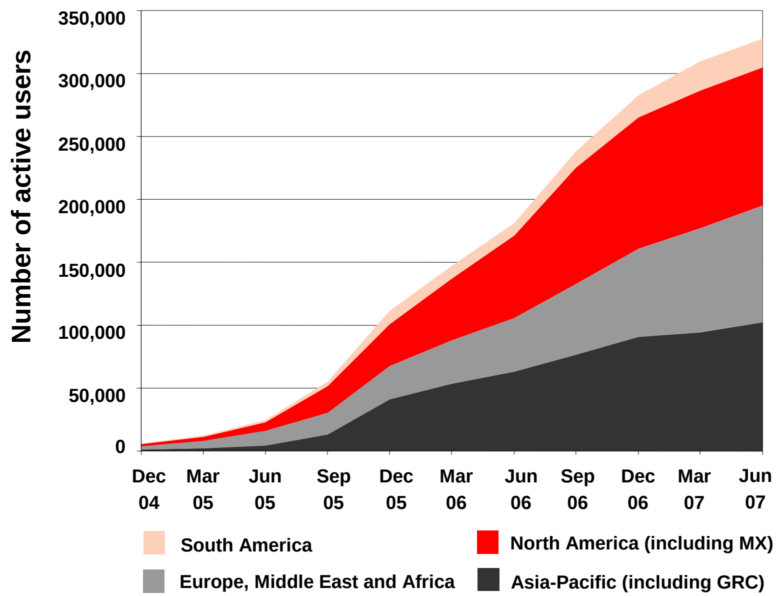
Common Windows Desktop (CWD)

Migration to Group CWD



Active directory (AD)

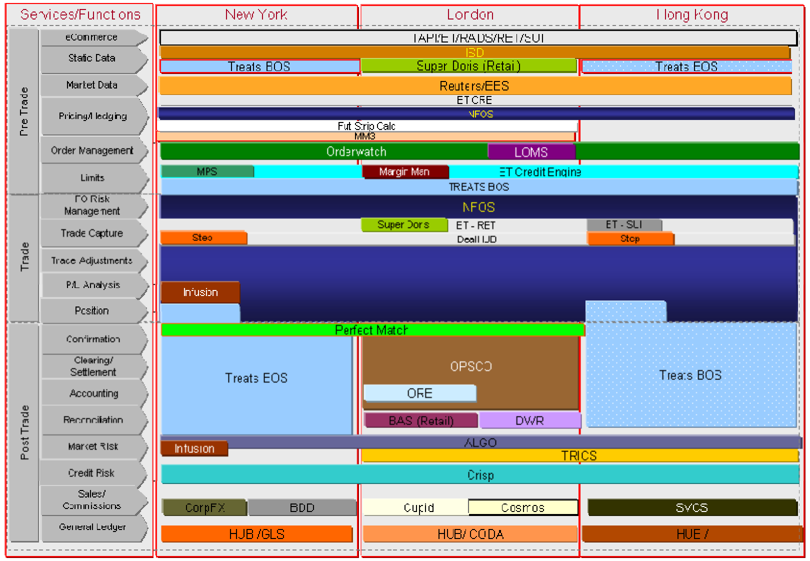
Migration to Group AD



HSBC

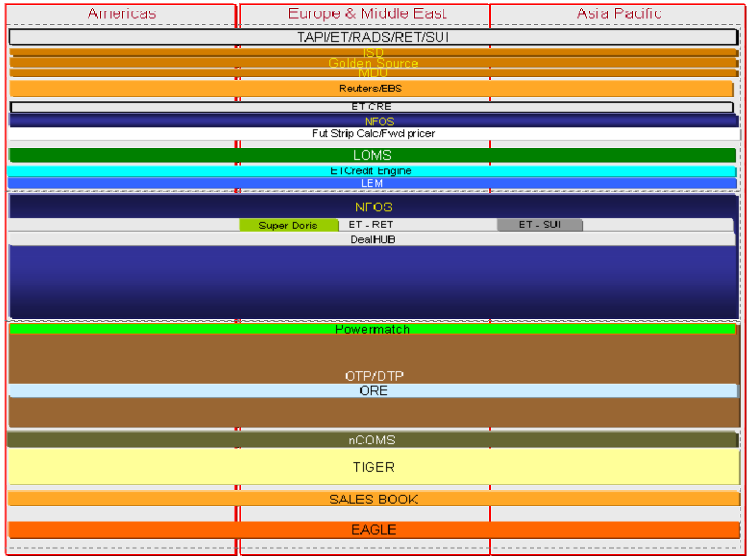
CIBM’s global platform

From 43 systems…



…to 26

(including 12 core global trading systems)



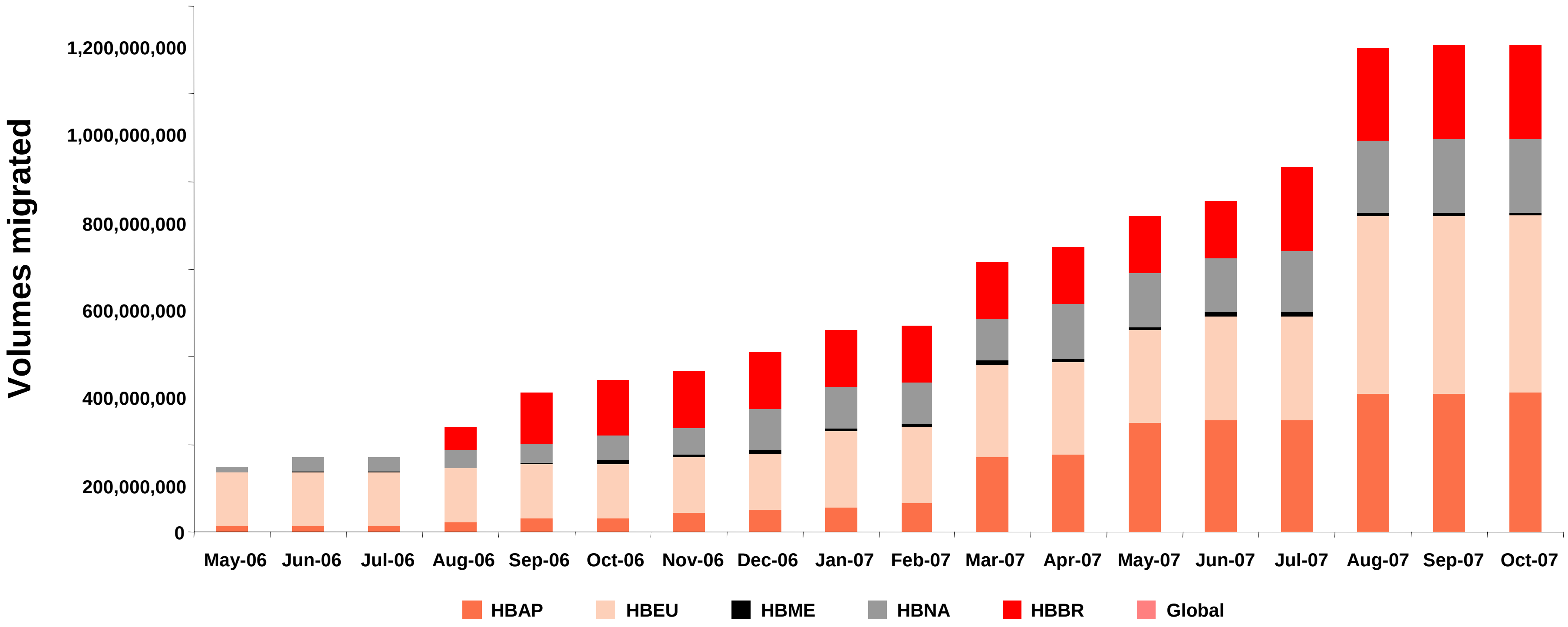
Recognition from the 2007 European Banking Technology Awards:

- **Treats in Europe (TiE), our treasury trading system won Best Treasury/Cash Management Achievement for its Satellite Site Strategy**
- **The Trade Routing Straight Through Processing (STP) project was recognised as Best Trading System Achievement**

R2 Enterprise Application Integration (EAI)
Allows any service, in any channel, anywhere

65 per cent of all transactions

Total monthly volume as of October 2007 – 1,111,490,140



HSBC

HSBC's multi-channel development

'Build once, deploy many' is the foundation of new global offerings

Deploy many


Common functions

- Balance enquiry
- Order card
- Customer locate
- Bill payment

Build once

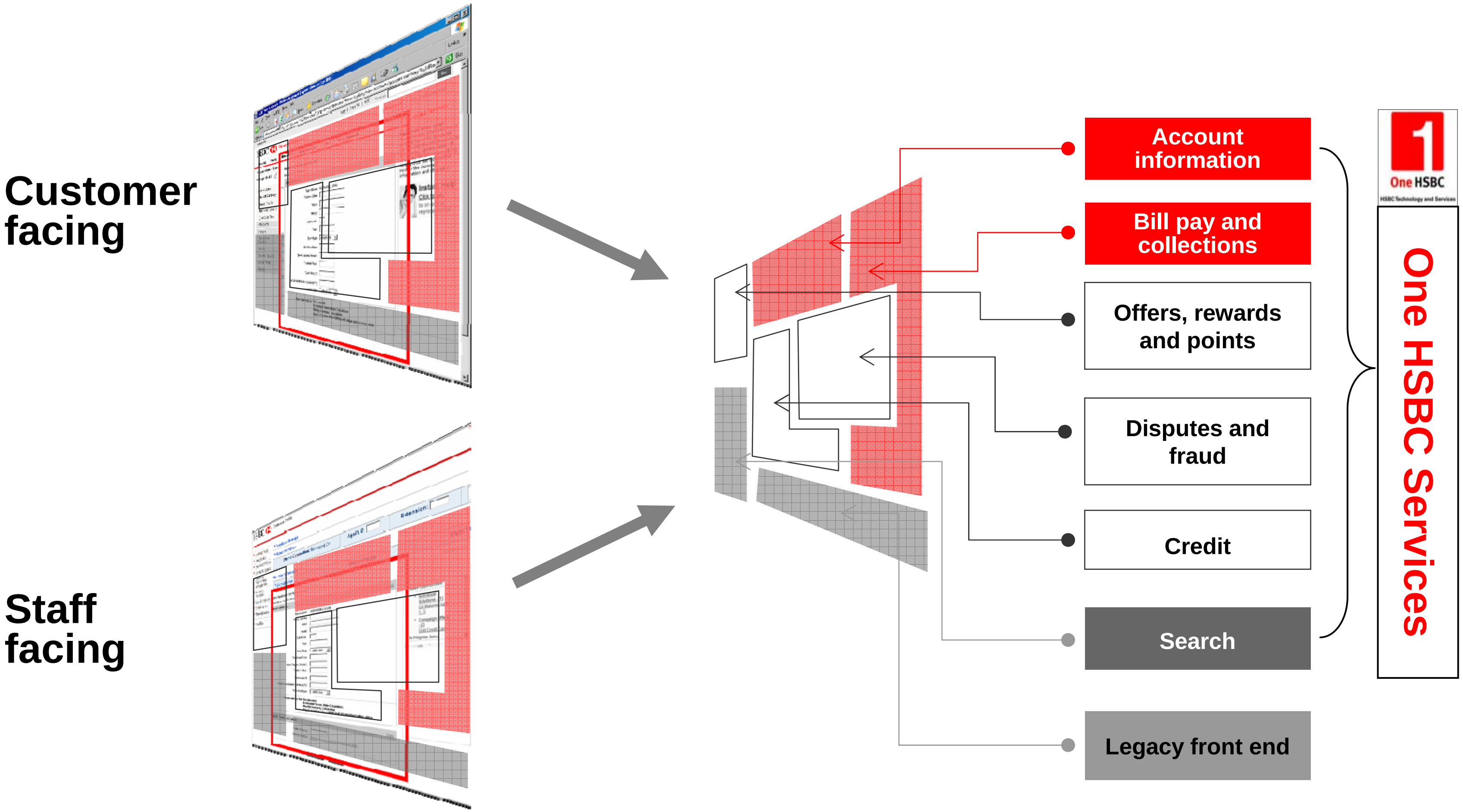
- Messaging and transformation layer (EAI)

Global applications

- Global Customer Database
- One HSBC Core Banking
- One HSBC Cards
- Global Payments
- Global Messaging

HSBC

One HSBC distribution
Implementation/Transition model



The benefits of ‘build once, deploy many’

- **Transaction volumes will grow exponentially**
- **Process jobs will continue to decline**
- **Information management will rule**
- **Regions run the ‘back office’ for each other**

Technology and services

One HSBC – ‘build once, deploy many’

World-class credit cards system

75 per cent of cards in force on a global platform

2G Global internet

Deployed to 64 per cent registered and 74 per cent public customers

HSBC*net*

In 68 countries with 37,000 customers

HSBC Universal Banking

Used by 72 countries (R2 Core Banking)

One HSBC 24/7 delivery

Internet | Branch | Call centre

Assets | Liabilities | Insurance