HSBC Finance Corporation

Investor Roadshow
12 March 2008

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Disclosure statements

This presentation, including the accompanying slides and subsequent discussion, contains certain forward-looking information with respect to the financial condition, results of operations and business of HSBC Holdings plc and HSBC Finance Corporation. This information represents expectations or beliefs concerning future events and is subject to unknown risks and uncertainties. This information speaks only as of the date on which it is provided. Additional detailed information concerning important factors that could cause actual results to differ materially is available in the HSBC Holdings plc Annual Report, and the HSBC Finance Corporation Annual Report on Form 10-K, each for the year ended December 31, 2007. Please be further 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 website at www.sec.gov.

These materials do not constitute an offer to sell, or the solicitation of an offer to buy, any security of HSBC Finance Corporation or any other issuer.

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 December 31, 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, NA ('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. IFRS Management Basis also assumes that all purchase accounting fair value adjustments relating to the acquisition of HSBC Finance Corporation by HSBC Holdings plc has been 'pushed down' to HSBC Finance Corporation.

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Financial overview
Year end results and communications

Brendan McDonagh
Niall Booker & Iain Mackay

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Key developments

- Increased delinquencies at December 2007 compared with June 2007 and December 2006 across all domestic portfolios as a result of the weak housing and mortgage industry, rising unemployment rates in certain markets and the impact of a weakening US economy
  - Balance sheet loan impairment allowances for domestic real estate secured receivables increased $2.6 billion at December 31, 2007 compared with December 31, 2006
  - Increased balance sheet loan impairment allowances of $0.8 billion at December 31, 2007 for unsecured loans within US Retail Branch business, $0.8 billion for MasterCard/Visa cards and $0.3 billion for private label credit cards compared with December 31, 2006
- Continued decisive actions to right-size and recalibrate our businesses
  - Proactively reducing risk through refined product offerings in the Retail Branch business
  - Reduced branch network to approximately 1,000 branches at 31 December 2007 from 1,382 at December 31, 2006 to align with forecasted demand and reduced credit risk appetite
  - Closed wholesale broker mortgage origination business in Q3 2007
  - Ceased correspondent mortgage originations during H1 2007
  - Reducing Mortgage Services (MS) portfolio ($5.3 billion reduction since June 30, 2007 and $13.4 billion from December 31, 2006)
  - Continued focus on strengthening businesses for the future
- Continued outreach and assistance to our mortgage customers
  - Contacted over 41,000 customers and modified more than 10,300 loans ahead of adjustable rate mortgages (ARM) resets (since October 2006)
  - Refinanced more than 4,000 ARM customers of our Mortgage Services business with adjustable rate mortgages to fixed rate mortgages
  - Restructured loan volume up significantly as we continue to work with our customers who, in our judgment, evidence continued payment probability
- Continued effort to enhance customer value, service and experience
  - Credit Card business implemented certain changes related to fee and finance charge billings as a result of continuing reviews to ensure our practices reflect our brand principles
- Actions taken highlight HSBC's commitment to our stakeholders and businesses
  - Maintained strong liquidity during recent credit market conditions
  - Capital infusions from HSBC Holdings plc totaled $950 million in 2007
  - Additional capital infusion of $1.6 billion from HSBC Holdings plc in Q1 2008
- As a result of business climate and strategic changes to product offerings and business strategies, we determined that goodwill balances of approximately $5.9 billion were impaired related to our Mortgage Services, Retail Branch, Motor Vehicle Finance and UK businesses during 2007. This charge is not applicable at the HSBC Holdings plc level

HSBC Finance Corporation – financial results

$m	H2 2006	H1 2007	H2 2007	% Better/(Worse) versus H2 2006	% Better/(Worse) versus H1 2007
Net operating income before loan impairment charges (1)	7,793	8,227	9,311	19.5%	13.2%
Loan impairment and other related charges	(4,772)	(4,073)	(8,107)	(69.9%)	(99.0%)
Net operating income	3,021	4,154	1,204	(60.1%)	(71.0%)
Total operating expenses excluding goodwill impairment	(3,003)	(3,040)	(2,951)	1.7%	2.9%
Goodwill impairment	-	-	(5,959)	n/a	n/a
Profit (Loss) before tax (2)	18	1,114	(7,706)	n/a	(791.7%)
Cost efficiency ratio (3)	38.5%	37.0%	31.7%	680 bps	530 bps
Cost efficiency ratio – normalized (4)	38.4%	37.7%	37.4%	100 bps	30 bps
Customer Loans & Advances (as at period end)	182,644	178, 222	177,732	(2.7%)	(0.2%)

Notes:

The figures above are presented on an IFRS Management Basis.
See Note 21 'Business Segments' of Form 10-K for the period ended December 31, 2007 for a reconciliation of IFRS to US GAAP.

(1) Includes fair value option income/(loss) of $(32) million, $161 million, and $1,422 million for H2 2006, H1 2007 and H2 2007, respectively

(2) H2 2007 loss before tax excluding goodwill impairment impact ($1,343 million relating to Mortgage Services, including Decision One business, $3,730 million relating to Retail Branch business, $476 million related to Motor Vehicle Finance business and $410 million relating to the UK business) is $(1,747) million

(3) Cost efficiency ratio excluding the impact of the goodwill impairment charge of $5,959 million in H2 2007

(4) Cost efficiency ratio excluding the impact of the goodwill impairment charge of $5,959 million in H2 2007, also normalized to exclude the impact of fair value option income/(loss) of $(32) million, $161 million, and $1,422 million for H2 2006, H1 2007 and H2 2007, respectively

HSBC Finance Corporation – YTD financial results

$m	2006 YTD	2007 YTD	% Better/(Worse) versus 2006 YTD
Net operating income before loan impairment charges (1)	**15,763**	**17,538**	**11.3%**
Loan impairment and other related charges	**(7,022)**	**(12,180)**	**(73.5%)**
Net operating income	**8,741**	**5,358**	**(38.7%)**
Total operating expenses, excluding goodwill impairment	**(5,922)**	**(5,991)**	**(1.2%)**
Goodwill impairment	**-**	**(5,959)**	**n/a**
Profit (Loss) before tax (2)	**2,819**	**(6,592)**	**(333.8%)**
Cost efficiency ratio (3)	**37.6%**	**34.2%**	**340 bps**
Cost efficiency ratio – normalized (4)	**37.6%**	**37.5%**	**10 bps**
Customer loans and advances (as at period end)	**182,644**	**177,732**	**(2.7%)**

(1) Includes fair value option income/(loss) of $(4) million and $1,583 million for 2006 (YTD) and 2007 (YTD), respectively

(2) 2007 YTD profit before tax excluding the goodwill impairment impact ($1,343 million relating to Mortgage Services, including Decision One business, $3,730 million relating to Retail Branch business, $476 million related to the Motor Vehicle Finance business and $410 million relating to the UK business) is $(633) million

(3) Cost efficiency ratio excluding the impact of the goodwill impairment charges of $5,959 million in 2007

(4) Cost efficiency ratio excluding the impact of the goodwill impairment charges of $5,959 million in 2007, also normalized to exclude the impact of fair value option income/(loss) of $(4) million and $1,583 million for 2006 (YTD) and 2007 (YTD), respectively

HSBC Finance Corporation – YTD financial results

- 2007 loss before tax of $6.6 billion was $9.4 billion below prior year due to higher loan impairment charges of $5.2 billion and goodwill impairment of approximately $5.9 billion ($1.3 billion in Q3 2007 at the Mortgages Services business and Q4 2007 charges of $3.7 billion at the Retail Branch business, $0.5 billion at Motor Vehicle Finance business and $0.4 billion at the UK business), partially offset by fair value option income on debt market valuation. Excluding the impact of the goodwill impairment, the 2007 loss before tax of $633 million was $3.5 billion below the prior year
- Higher net operating income before loan impairment charges primarily driven by income from fair value option of debt issued as 2007 was impacted by widening of credit spreads ($1.6 billion) and higher revenues from the Credit Card business ($1.0 billion), partly offset by lower Mortgage Services revenues from a declining portfolio
- 2007 loan impairment charges increased $5.2 billion (or 73.5%) from prior year largely driven by increases in our domestic real estate loan portfolio ($2.2 billion), personal Non-Credit Card Loan portfolio ($1.1 billion) and Card and Retail Loan portfolios ($1.7 billion)
  - A marked increase in delinquency within the Retail Branch business as the US residential market further deteriorated, credit conditions continued to tighten for a broad segment of customers, removing refinancing alternatives and slowing portfolio run-off
  - Mortgage Services continued to experience higher loan impairment charges and delinquencies as portions of this portfolio purchased in 2005 and 2006 continued to season. In addition, this portfolio has also been impacted by worsening industry trends and slower receivable run-off, particularly in the second lien portfolio
  - It is now generally believed that the deterioration in the housing market will be deeper in terms of its impact on housing prices and the duration will extend at least through 2008
  - Credit Card business experienced higher loan impairment charges ($1.2 billion) from higher delinquencies due to receivable growth, mix changes, portfolio seasoning and an increase in bankruptcy filings. Also, in the fourth quarter of 2007, Credit Card began to experience increases in delinquency in all vintages, particularly in the markets experiencing the greatest home value depreciation and rising unemployment rates
  - Retail Services experienced higher loan impairment charges ($0.5 billion) from higher delinquencies, particularly in the power sports portfolio, an increase in bankruptcy filings and the effect from a weakening US economy

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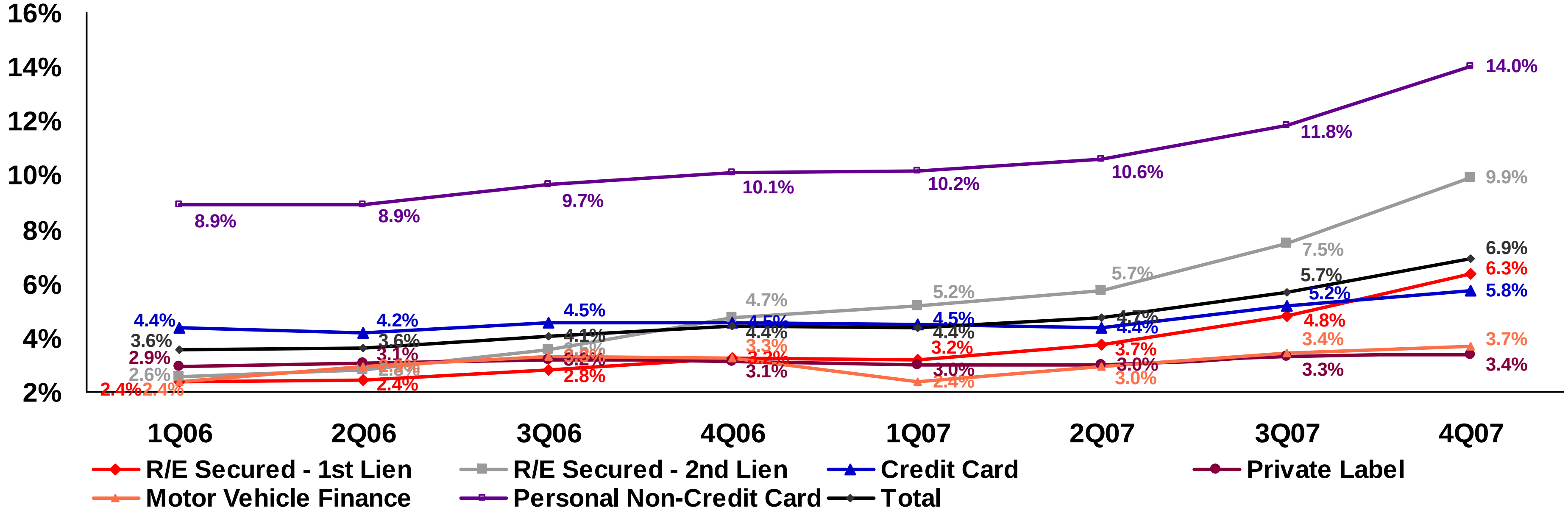
2+ delinquency ratio



- Magnitude of the total 2+ delinquency ratio increase (57 % over Q4 2006) reflects the weak housing and mortgage industry and rising unemployment rates in certain markets as well as the impact of a weakening US economy
- First and second lien real estate secured 2+ delinquencies were also negatively impacted by the discontinuation of new correspondent channel acquisitions as well as product changes in the US Retail Branch business, which reduced the outstanding principal balance of the portfolios
- Delinquencies in the Credit Card portfolio were also impacted by seasoning and a higher mix of near prime and non-prime balances
- Personal Non-Credit Card 2+ delinquencies increased due to seasoning of portfolio and a deterioration of 2006 and 2007 vintages in certain geographic regions

Note: See 'Credit Quality' in the MD&A of Form 10-K for the period ended December 31, 2007 for delinquency information reported on a US GAAP basis.

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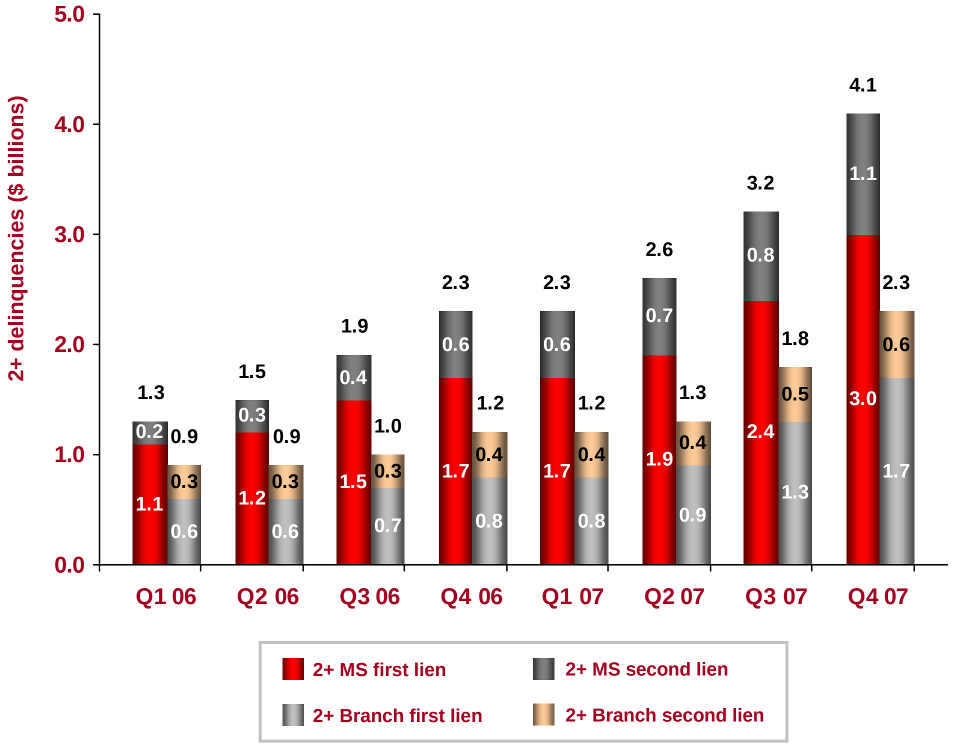
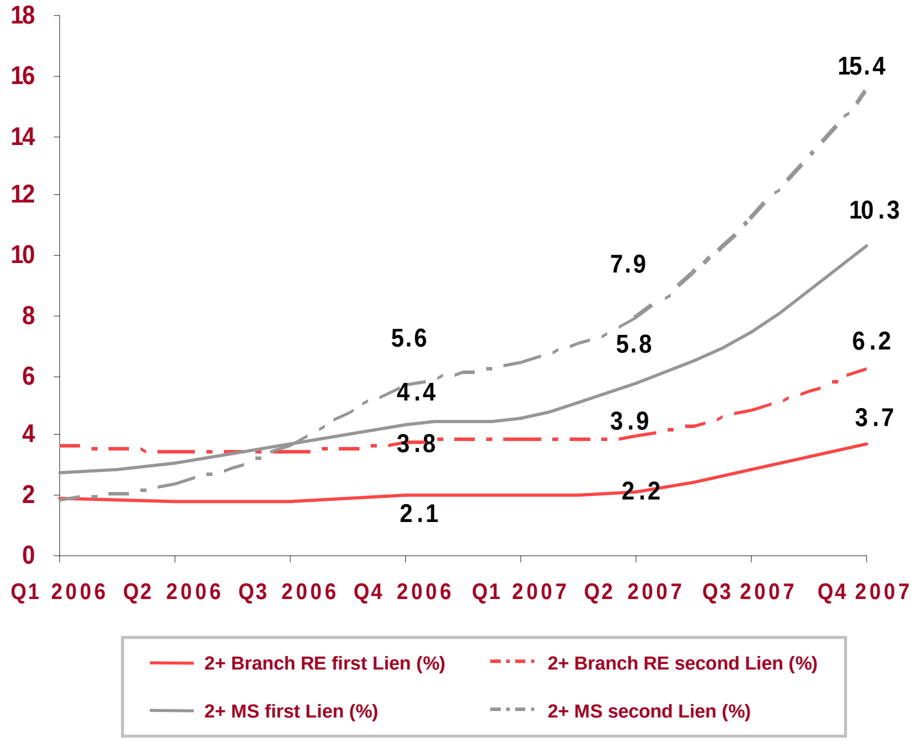
Real estate secured 2+ delinquency





- 2005 and 2006 vintages in Mortgage Services continue to season. As the portfolio continues to decline, 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 2007

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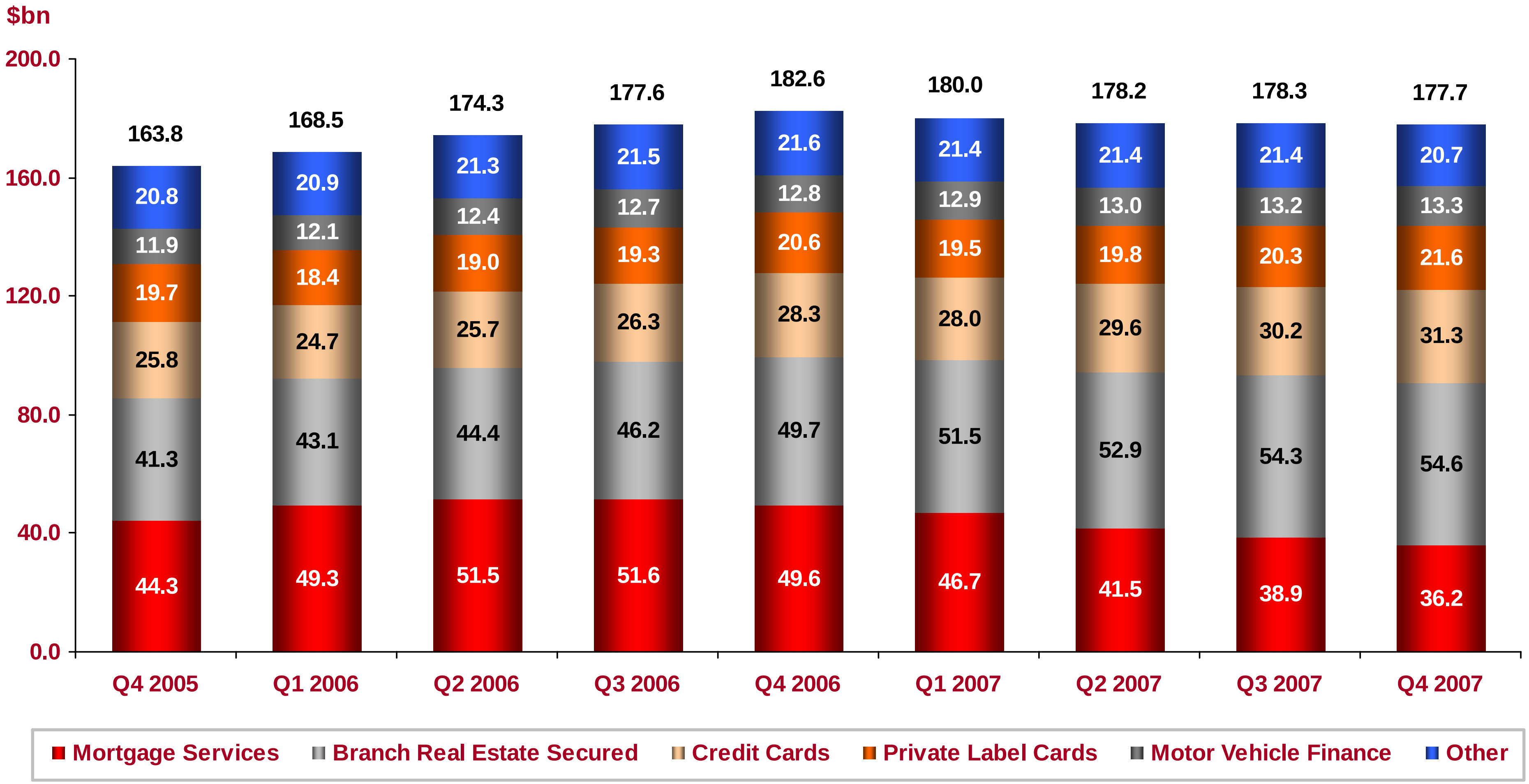
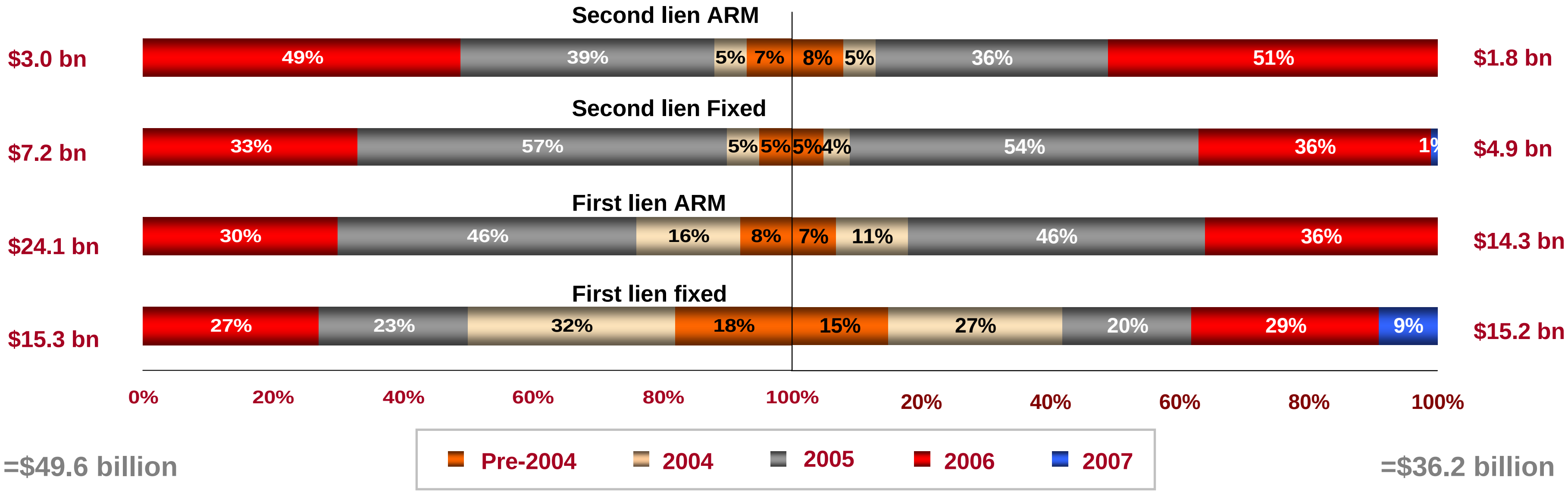
Customer loans and advances



Mortgage Services
Loans by vintage and type

December 2006

December 2007



=$49.6 billion

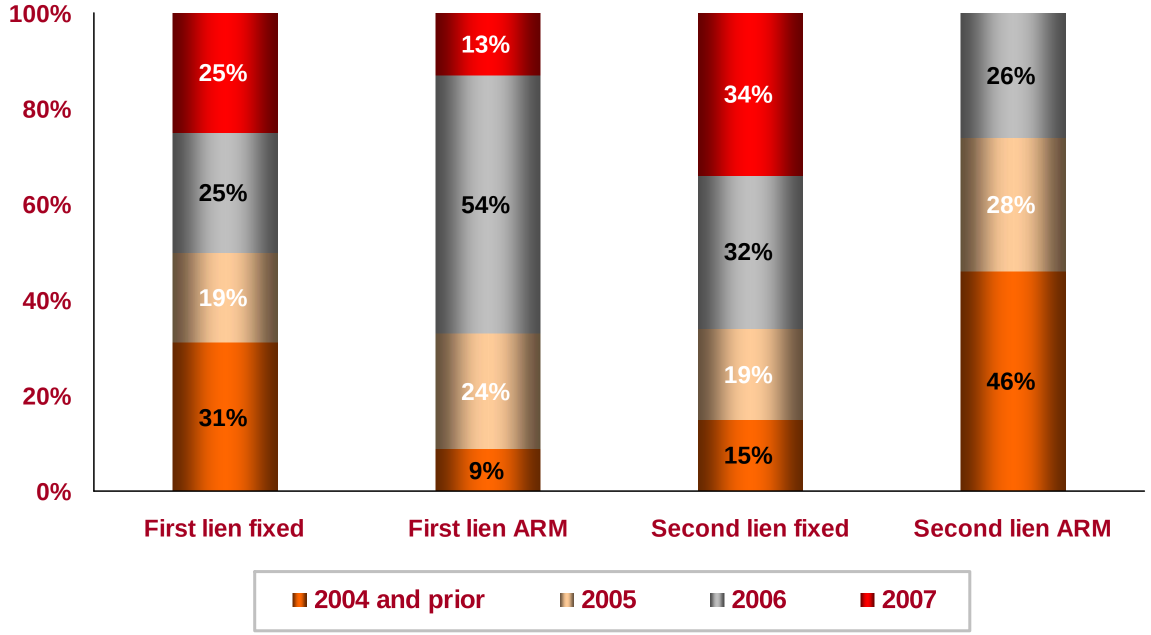
=$36.2 billion

Vintages ($bn)

	December 2006	December 2007
2007		1.5
2006	15.2	12.2
2005	19.9	12.9
2004	9.3	5.9
Pre-2004	5.2	3.7
	49.6	**36.2**

US Retail Branch
Loans by vintage and type

December 2007



Vintages ($ bn)

	December 2007
2007	12.9
2006	13.6
2005	9.9
2004 and prior	13.8
	50.2

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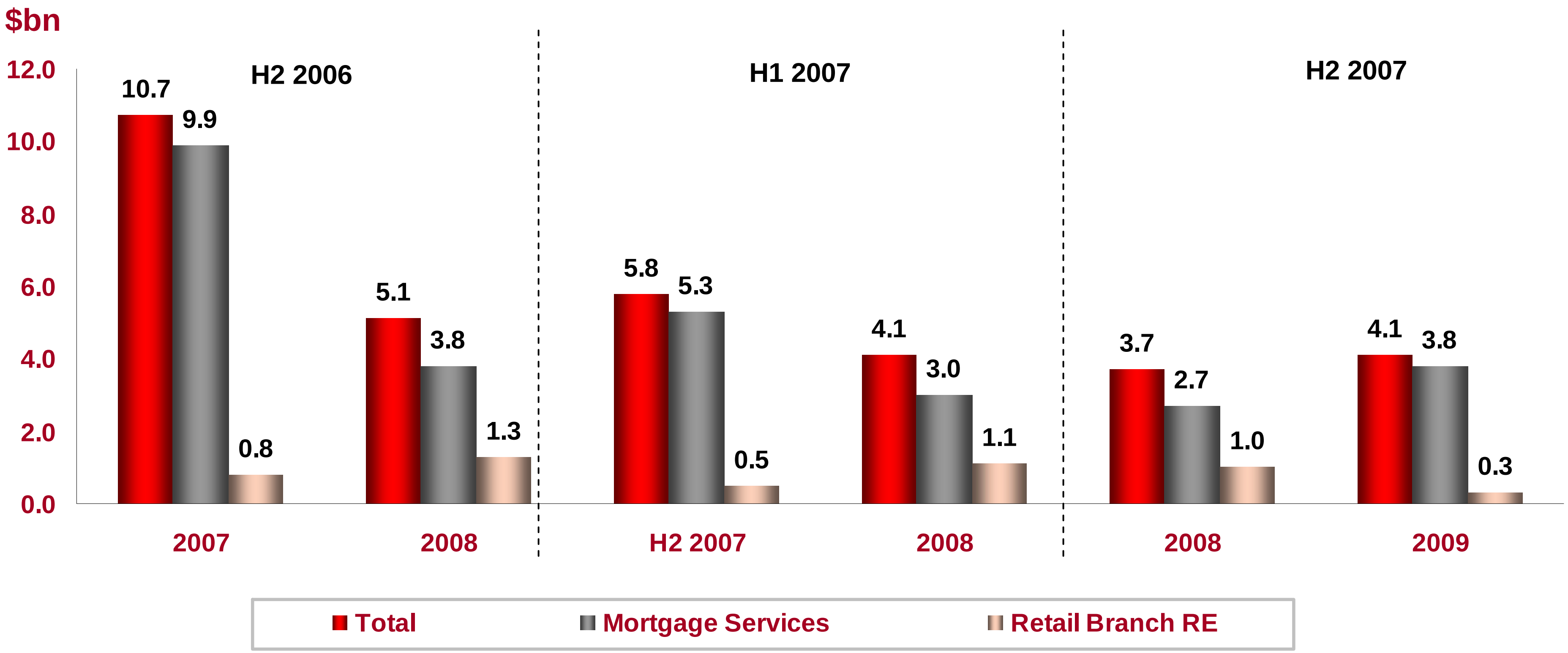
Adjustable rate mortgages – ARM resets



Note: The reset volumes above do not reflect loans that were previously modified, that will reset in the specified period. Unless customers who have benefited from a loan modification are able to obtain other financings, those loans will also be subject to an interest rate reset at the end of the modification period. In 2008, we anticipate approximately $1.3 billion of these modified loans will experience their first rate reset.

HSBC Finance Corporation

Ongoing areas of focus

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

- Continued liquidation of Mortgage Services portfolio
- Continued tightening of underwriting standards and intensified risk management
- Right-size Retail Branch network to align with level of forecast demand and reduced credit risk appetite
- Continued cost reduction across the organization, right-sizing in markets experiencing fundamental change
- Delivering high brand values and strong customer value proposition in our products and service
- Continued focus on risk management programs – increased within Retail Branch, Cards and Retail Services businesses
- Continued review of all businesses not meeting optimal returns over the economic cycle
- Progression of the role of the US Credit Card business in developing the global cards business

Group Insurance

- Insurance contributed $3.1bn[1], 13% of Group profit before tax

PBT by region, 2007

- Established HSBC Insurance brand – with high quality 'brand experience'

North America

- 1,000-day strategy for HSBC Insurance rolled out globally. North American initiatives as a part of the 1,000 day strategy included formation of a product development team and new product launches
- #2 [1] provider of Debt Protection Products in the US
- #3 [2] provider nationally of direct to consumer term life insurance with straight through processing. Direct Sales launched in Canada
- Operational excellence: Claims and fulfillment automation advanced resulting in accelerated turnaround and lower costs. Launched online claim functionality – 52% of all claims processed online
- HSBC's US life and P&C insurance companies had their ratings affirmed at A+ (Superior), the highest rating classification, by A.M. Best

Note:
(1) Excludes the effect of the US$485m Ping An Insurance dilution gain
The results of Insurance are reported within customer groups, primarily PFS

(1) 2007 data from A.M. Best

(2) 2007 data from Life Insurance Marketing Research Assoc (LIMRA)

Business overview
Consumer and Mortgage Lending

Tom Detelich

Group Executive

HSBC Finance Corporation

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CML has implemented several significant measures to react to the market and 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 PHL loans, pre-approved prospect mailings
- Significantly tighten credit policy on lower risk scores, higher LTVs etc

Reduce Origination capacity

- Reduced centralized retail originations capacity
- Reduce the number of branches in the network from 1,382 to approximately 1,000

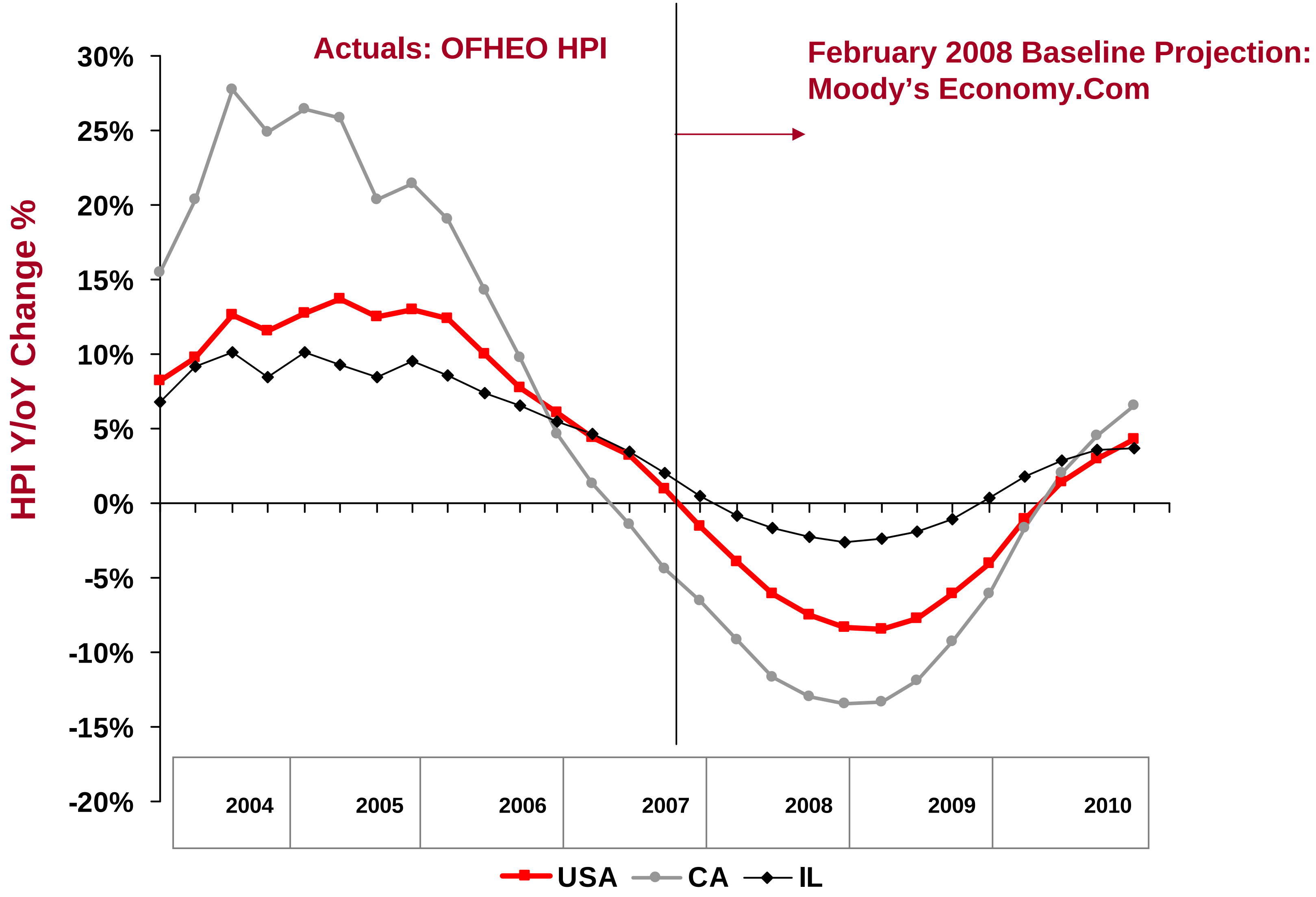
However, the Consumer Lending branch business faces some challenges to its economics

Revenue	• Origination NIM has been under pressure during competitive environment in 2003-2006. Higher default rate dilutes NIM • Lower origination due to tightened underwriting and lack of home equity
Provision	• Industry-wide deterioration driven by home price depreciation and lack of refinance options is now impacting even full-doc, fixed rate loans • Credit deterioration is especially severe in states with home value depreciation • Economic slowdown and rising unemployment could cause the situation to worsen
Operating expense	• Falling originations put pressure on origination economics • Difficult to reduce network and support functions in line with volume

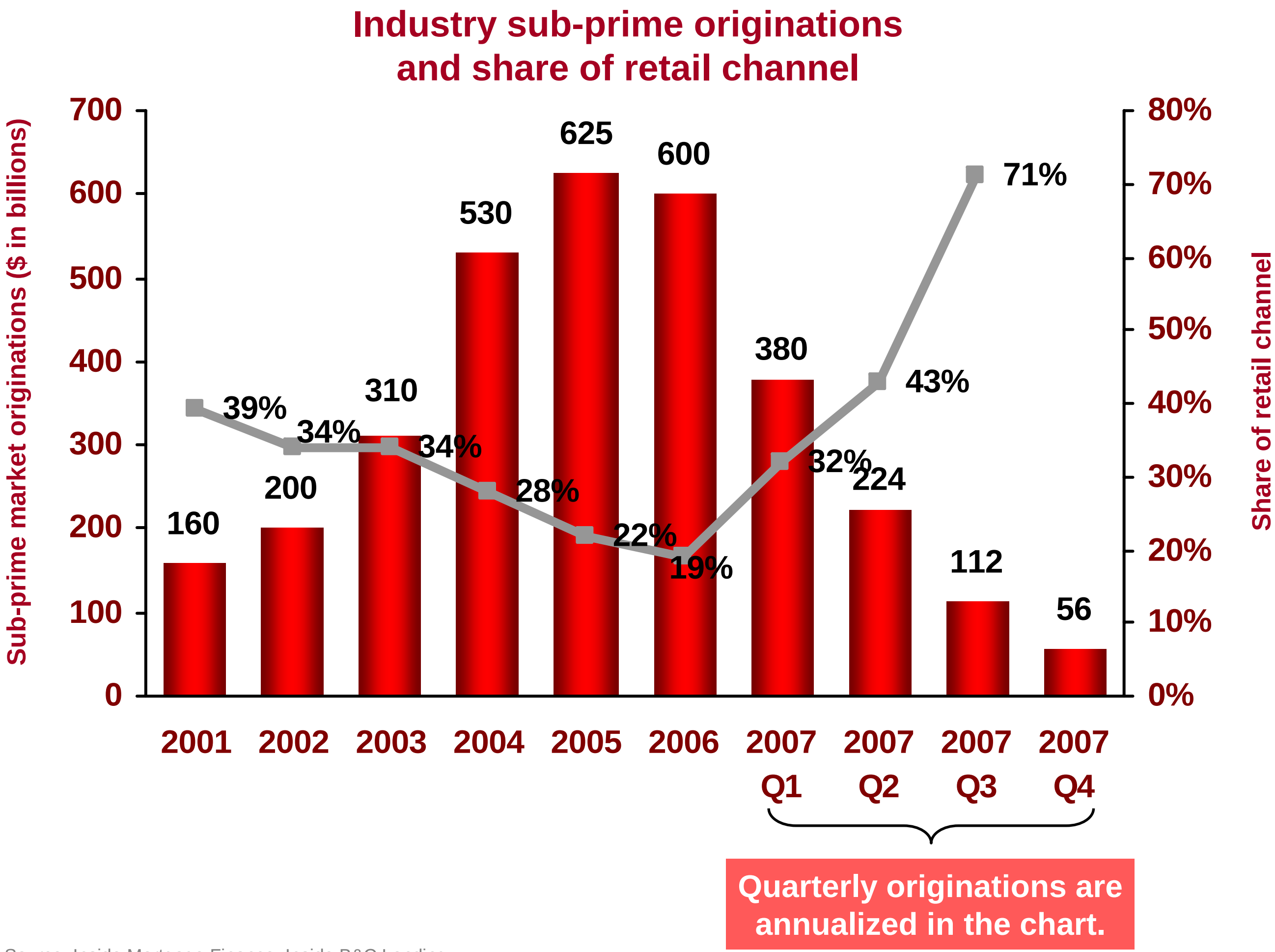
Our view of the sub-prime market

- Home Price appreciation will return to long-term average
- Shrinking market near-term, small market long-term
- Fewer players, greater retail share
- Risk priced more appropriately

Home price appreciation will dictate timing of recovery… Moody's projection



We are projecting a smaller origination market with greater share for surviving retailers



Source: Inside Mortgage Finance, Inside B&C Lending

These market view and HSBC Finance objectives…

Sub-prime market view

- Home price appreciation will return to long-term average
- Shrinking market near-term, smaller market long-term
- Fewer players, greater retail share
- Risk priced more appropriately (improved price premiums)

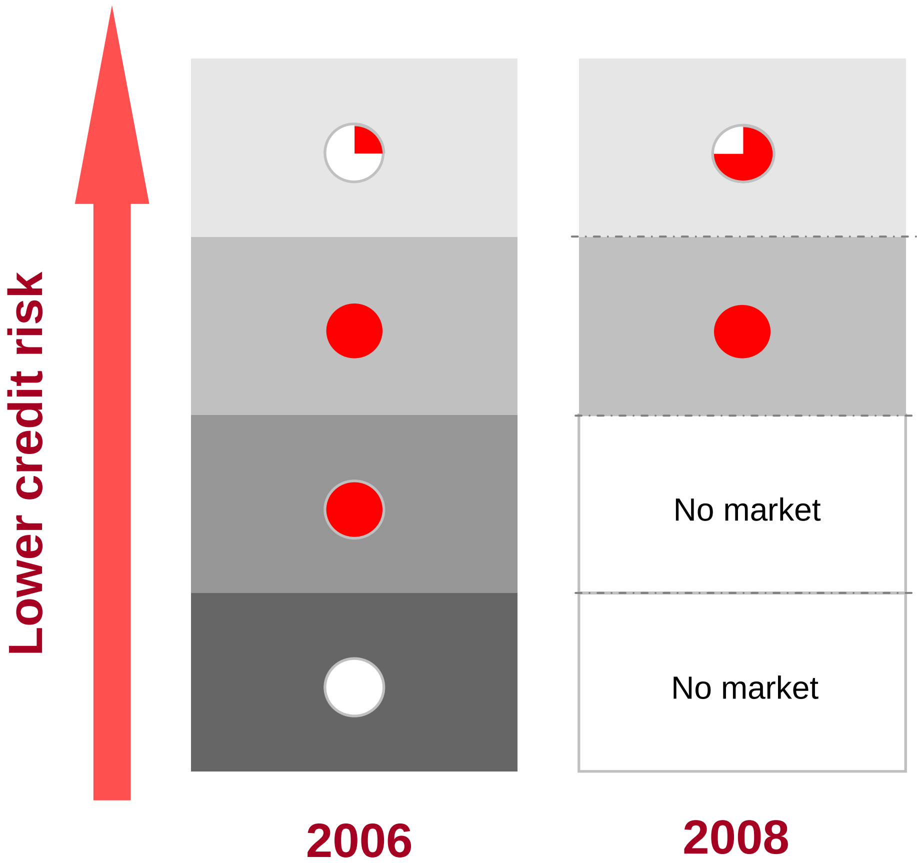
HSBC Finance objectives

- 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

…are shaping our business model

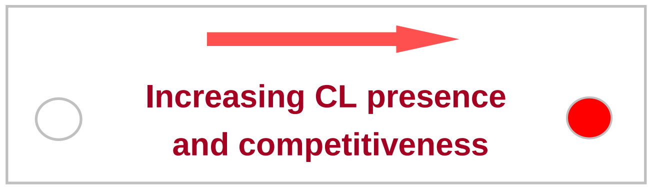
	Business model elements	Rationale
Revenue	• Build future around long-term viable retail origination model • Expand product set to increase diversification and better leverage the branch network	• Improved price premiums/ROE over the cycle • Reduce volatility/ROE over the cycle
Provision	• Smaller portfolio and increase origination for sale through GSE, securitization and dynamic portfolio management • Migrate mix toward lower credit risk products/cells • Continue to build a best in class default management & servicing function for servicing own and other portfolios	• Reduce balance sheet/ lower volatility • Reduce volatility • ROE over the cycle
Operating cost	• Smaller network size to manage near-term challenges and longer-term cost • More functional integration	• Smaller market/ lower cost • Lower cost

A key element is to migrate our mix toward lower credit risk without giving up our core sub prime market



Representative customers

- Near-prime and non-prime conforming
- Sub-prime
  - (FICO>600, CGS [(1)] >90)
- Sub-prime
  - (FICO<600, CGS [(1)] <90)
- Stated, IO ARM



(1) Consumer Lending proprietary credit score

Another is the rationalization of the branch network given near-term expectations and long-term strategy

- We have resized the network from 1,382 branches down to approximately 1,000 branches which is larger than the very short-term opportunity would suggest
- Biased location toward long-term attractive markets: Retained some excess capacity in markets which are going to be difficult near-term (CA, FL) instead of over-capacitizing markets such as MI and OH
- Branches have been selected, largely to remove local overlaps. There is very little loss of market coverage
- We expect this network to be more than sufficient to accommodate future growth. Going forward, we will grow by staffing-up existing locations vs. adding branches

The post-rationalization network is a valuable asset

- Strong face-to-face and relationship-based selling skills and ability to sell multiple products
- Systems, process and culture for high-quality originations in place
- Primary face to a customer base with high customer satisfaction and increasing likelihood to recommend
- Demonstrated ability to command price premiums
- Retains 1,000 best locations and continues to provide national coverage
- Employee engagement remaining at a high level through network and other reductions

We are focused on improving the utilization of the network by rebuilding our revenue engine

GSE product

- GSE (Freddie) product pilot is on track for a March 17 launch
- FHA product is targeted for later in the year after GSE national rollout

Revitalize NRE Product and sourcing

- Vouchers were launched in January to replace the pre-approved mailers
- Several additional risk-splitters have been identified and will be used along with enhanced verification to lower credit risk

Expand and diversify product line

- We are getting more focus beyond the core RE and unsecured branch product. Auto Loan sales and insurance product penetration are up significantly over the past six months
- We are looking actively at several options for expanding our branch product suite to better serve our customers

Business overview
Card and Retail Services
HSBC Group Cards

Walter Menezes
Group Executive
HSBC Finance Corporation

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Agenda

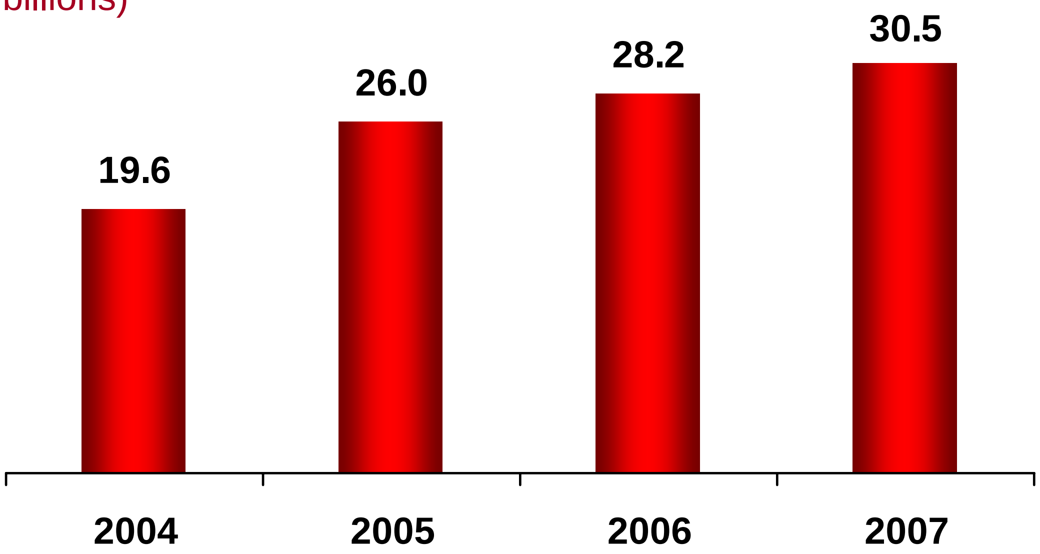
- **Credit Card Services**
- Retail Services
- Group Cards

Credit Card Services overview

- Fifth-largest US MasterCard/Visa issuer
- $30.5 billion in gross receivables
- Over 21 million active accounts
- Capability to issue all four brands: MasterCard, VISA, American Express and Discover

Credit Card Services receivables

($ billions)



Note: Results reported on an IFRS basis. Credit Card Services represents a business unit of HSBC Finance Corporation

GM Card Program overview

- Fifteen-year relationship with General Motors
- Largest automobile credit card rewards program
- Primarily prime and super-prime customers
- Strong value proposition of 3% and 5% 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

Note: The GM Card®, a co-branded credit card issued as part of our alliance with General Motors Corporation (‘GM’), enables customers to earn discounts on the purchase or lease of a new GM vehicle.

UP Card Program overview

- Eleven-year relationship with AFL-CIO
- Largest affinity card portfolio in the US
- 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

Note: The UP card program with the AFL-CIO provides benefits and services to members of various national and international labor unions

Metris Card Portfolio update

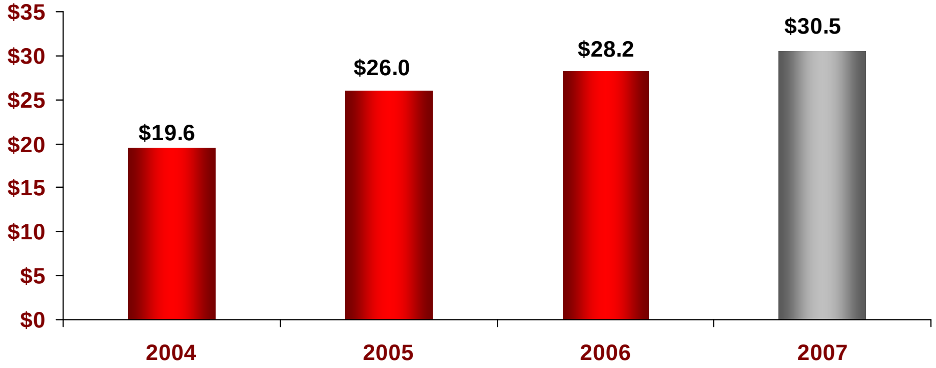
- Acquired December 2005 ($5.3 billion in receivables at acquisition)
- Primarily serves near-prime segment
- Leverages all four networks (MasterCard, VISA, American Express and Discover)
- Fully integrated into HSBC business; leveraging best practices from both organizations

Competitive advantages of Card Business

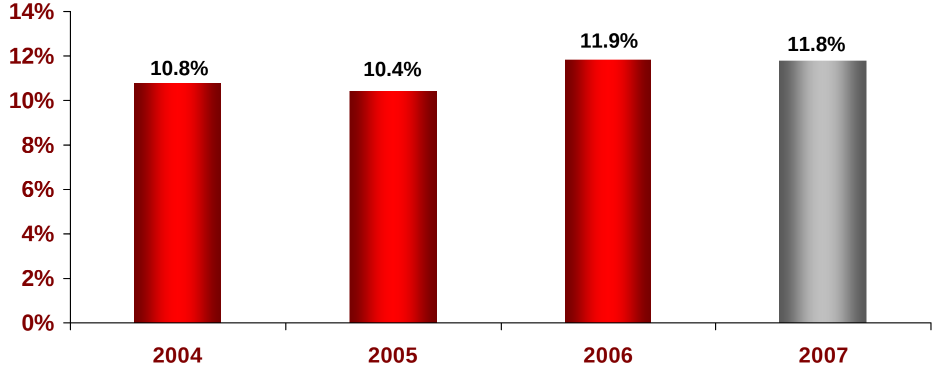
- Full-spectrum lender
- Large customized partnership programs
- Analytically-driven decision making (sales and marketing, risk management, operations and collections)
- Efficient, low-cost operations
- Global strengths of HSBC franchise
- Low cost of funds and capital

Credit Card Services performance

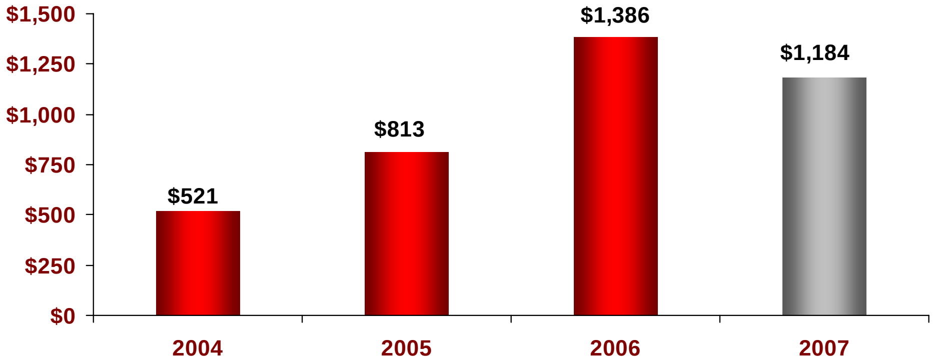
Receivables (billions)
2004-2007 CAGR approximately 16%



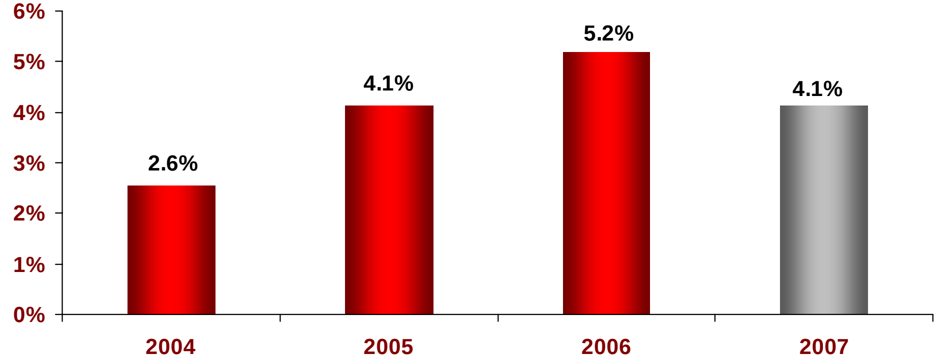
Net interest margin



Net income (millions)
2004-2007 CAGR approximately 31%



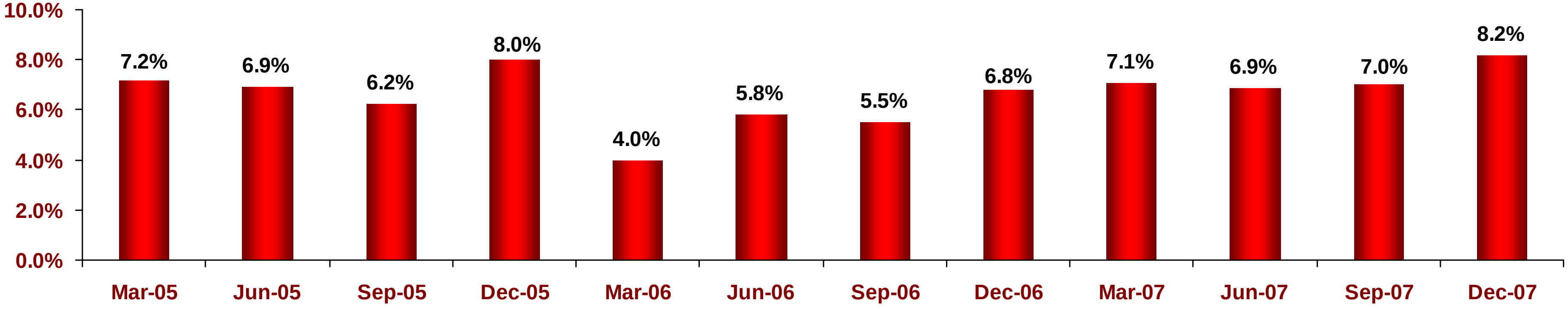
Return on average assets



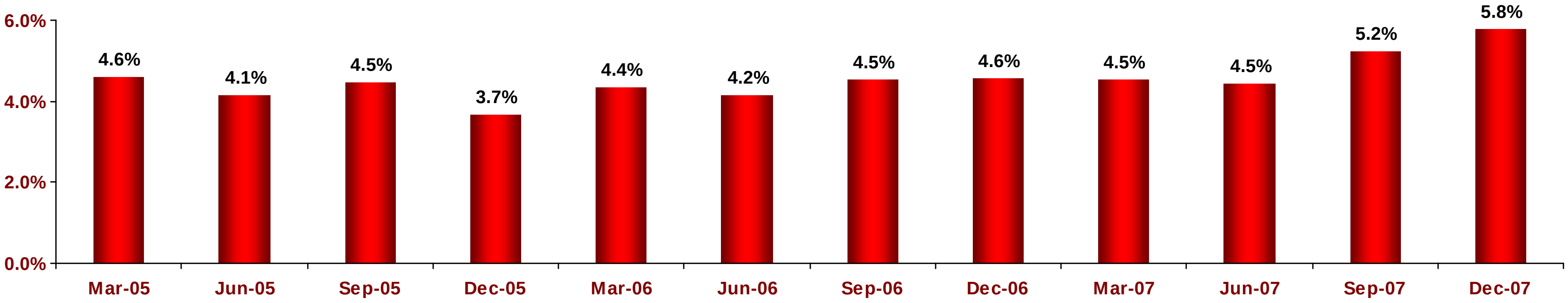
Results are reported on an IFRS basis.

HSBC Finance Credit Cards - Credit trends

Net charge-offs



2+ delinquency



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

(1) Results are reported on a US GAAP-owned basis.

Actions to mitigate Credit Risk

- Slowing receivable and account growth, and tightening initial credit line assignment criteria
- Closing inactive accounts
- Decreasing credit lines and tightening credit line increase criteria
- Balancing prime/non-prime mix
- 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

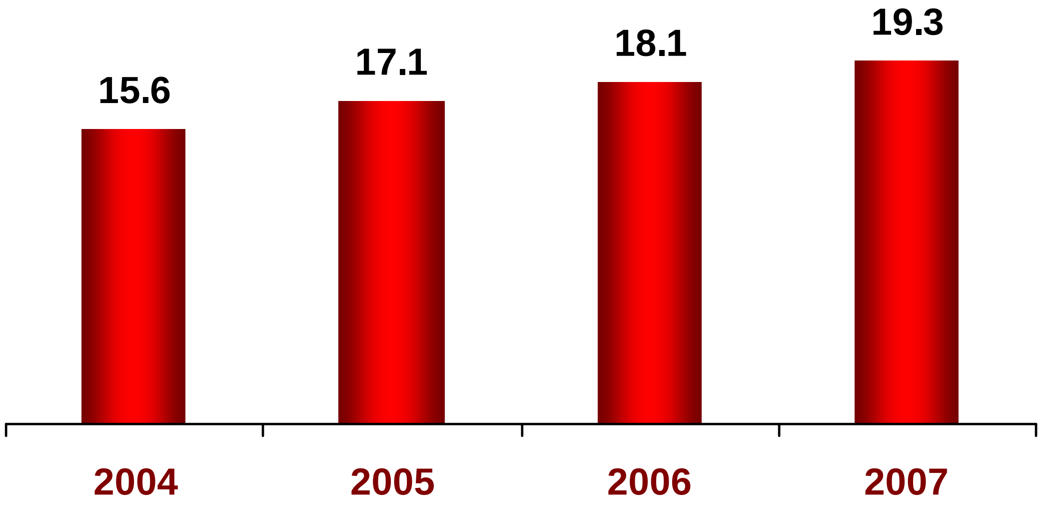
- Credit Card Services
- **Retail Services**
- Group Cards

Retail Services overview

- Third-largest private label issuer
- $19.3 billion in managed receivables
- 16 million active accounts
- More than 60 active merchant relationships

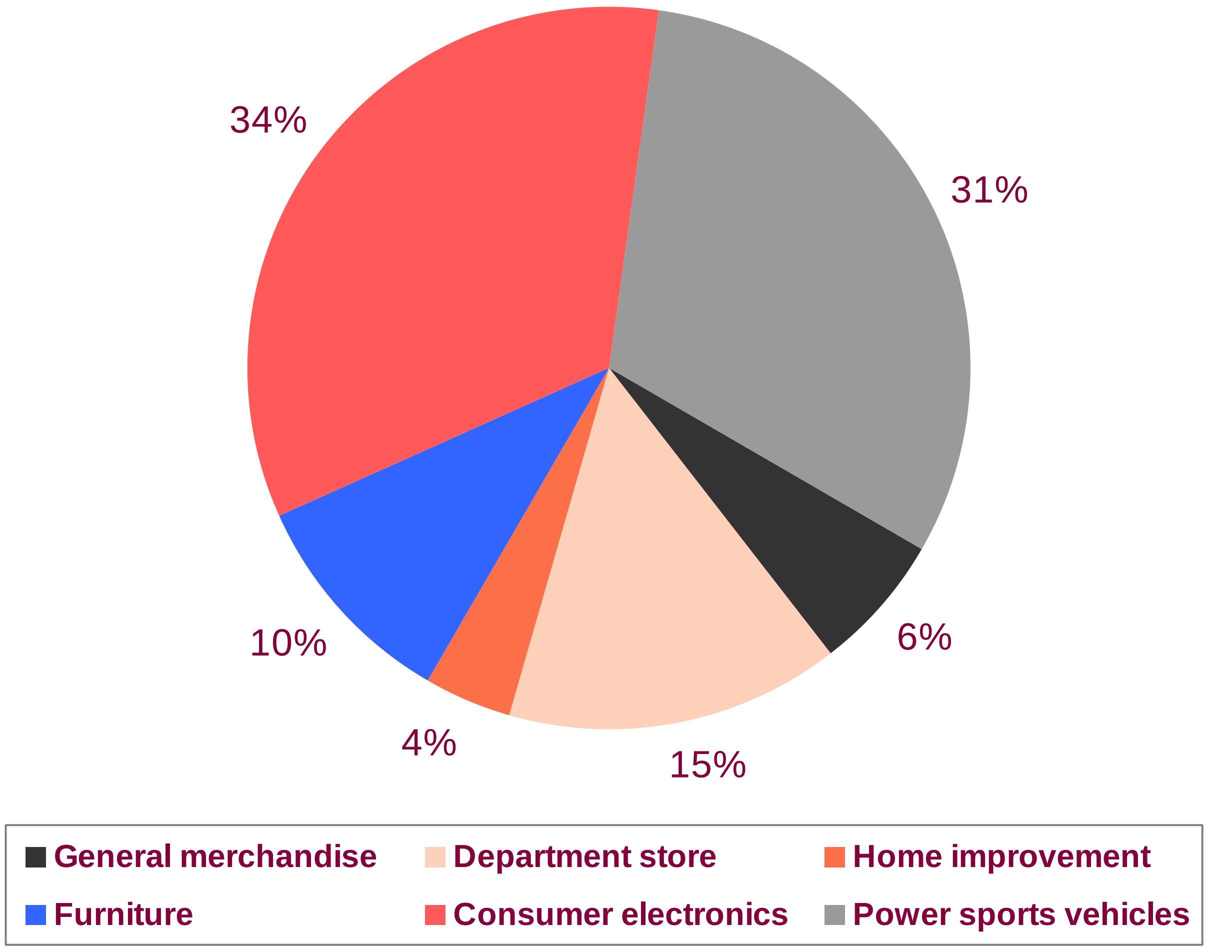
Retail Services receivables

($ billions)



Note: Results reported on an IFRS management basis.
Receivables held at HSBC Bank USA; account relationship and servicing held at HSBC Finance Corporation

Diversified Portfolio



IFRS Receivables as of December 2007

Partnerships with some of the nation's largest retailers

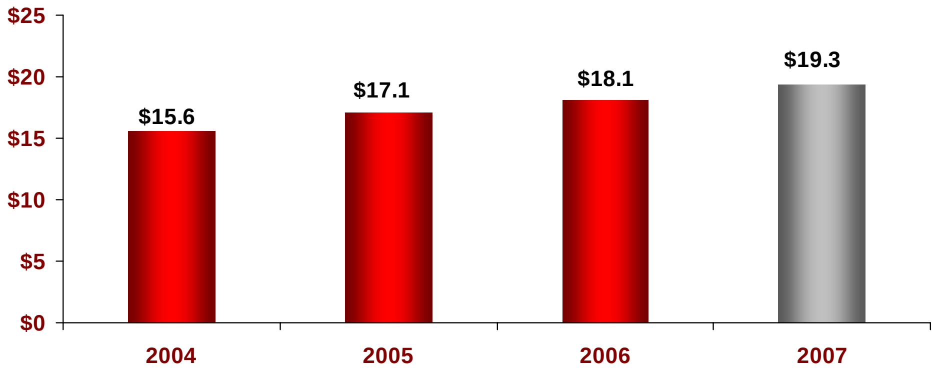
SAKS INCORPORATED
BEST BUY
MENARDS
COSTCO WHOLESALE
Guitar Center The Musician's Choice
DAVID'S BRIDAL
YAMAHA
BEST BUY For Business
Kawasaki
MITSUBISHI ELECTRIC DIGITAL TELEVISIONS
BOSE
Gottschalks
SUZUKI
Furniture Row outlet
BON-TON
Elder-Beerman
Advance Auto Parts
SONY
OfficeMax What's your thing?
Neiman Marcus
HELZBERG DIAMONDS

Retail Services overview

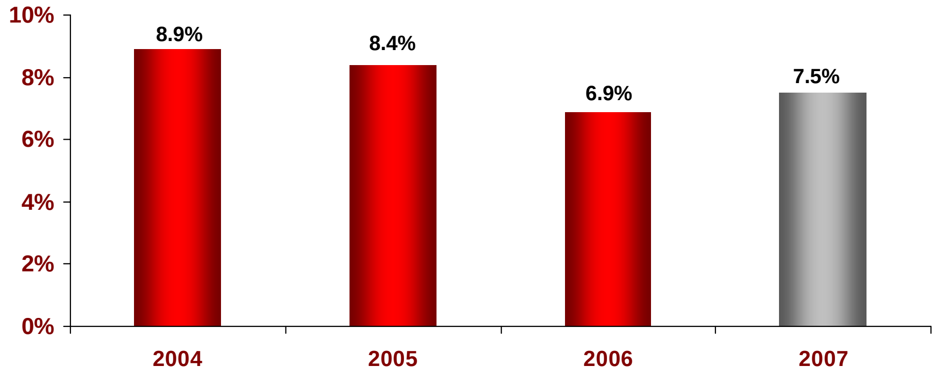
- Strong partnership culture
- Flexible program structure
- Ability to serve multiple origination channels
- Efficient, low-cost operations
- Global strengths of HSBC franchise
- Low cost of funds and capital

Retail Services performance

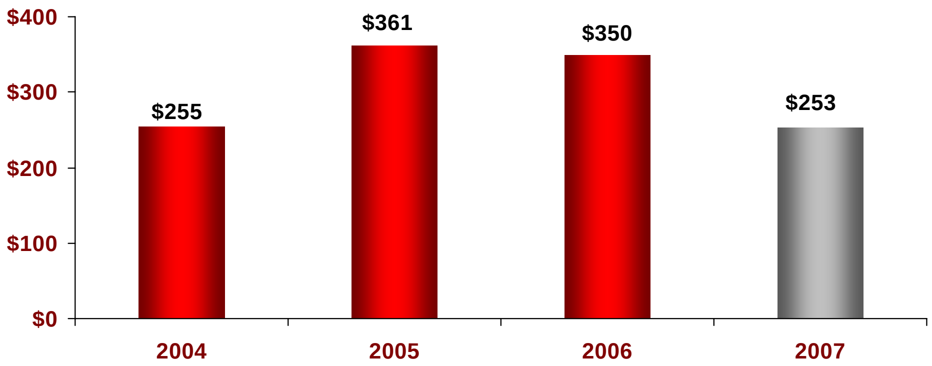
Receivables (billions)
2004-2007 CAGR approximately 7%



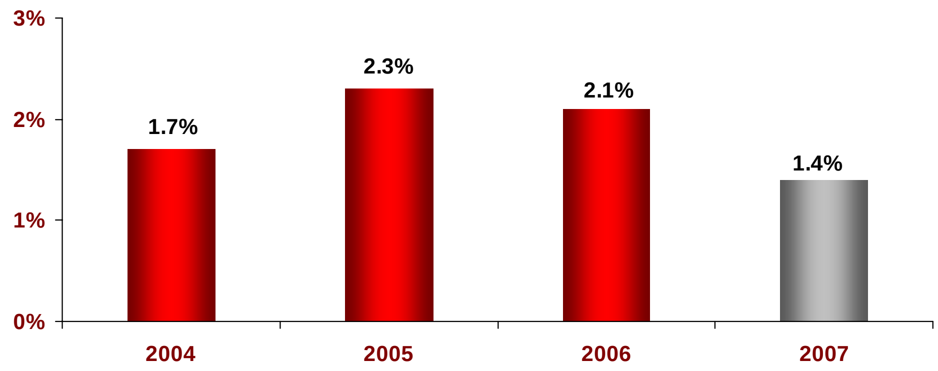
Net interest margin



Net income (millions)
2004-2007 CAGR approximately 0%



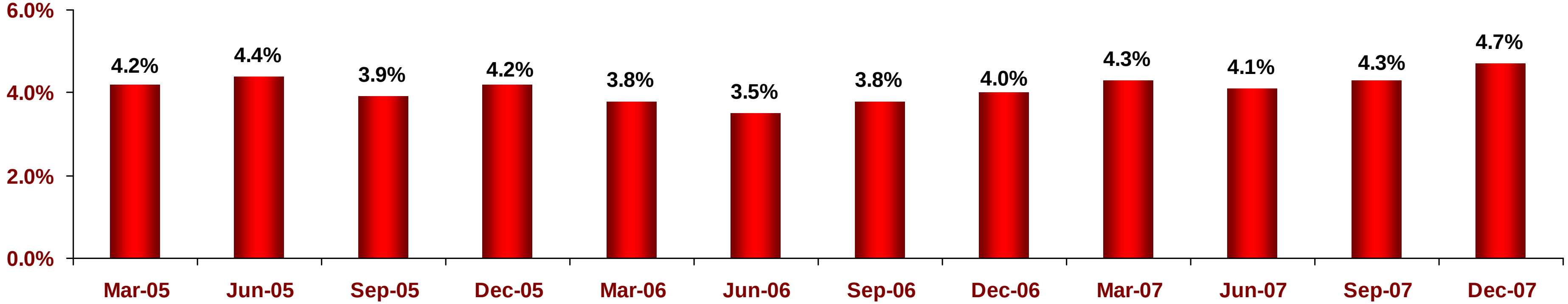
Return on average assets



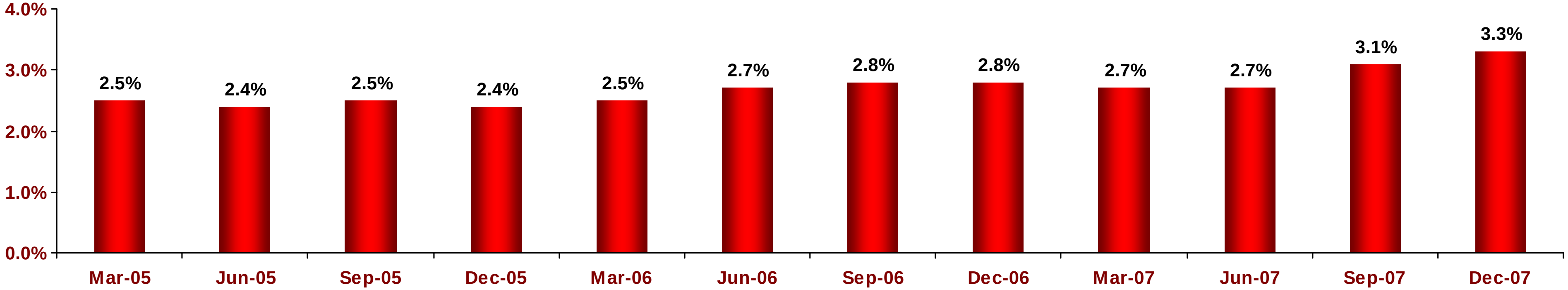
Results are reported on an IFRS Management basis.

Retail Services Credit trends

Amounts written-off (Net charge-offs)



2+ delinquency



Net charge-offs are as a per cent of average receivables; delinquency is two-months-and-over contractual delinquency as a per cent of consumer receivables.

Results are reported on an IFRS Management basis.

Actions to mitigate Risk – Retail Services

- 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 Retail Services

Agenda

- Credit Card Services
- Retail Services
- **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 centers of excellence to implement best practices and deliver low cost in customer care and collections
- In Asia and Latin America, we leveraged underwriting, modeling and consulting expertise from HSBC Finance Corporation to enhance capabilities in regional centers of excellence
- Rolled out our enhancement services[1] model across 10 countries and eight new markets since 2003
- Knowledge transfer, including IT, and analytic focus have yielded significant results
- 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
  - Woolworths in Australia

[1] Enhancement Services consists of ancillary credit products such as account Secure Plus (debt protection) and Identity Protection plan.

Building global scale

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

Update – developing countries

China

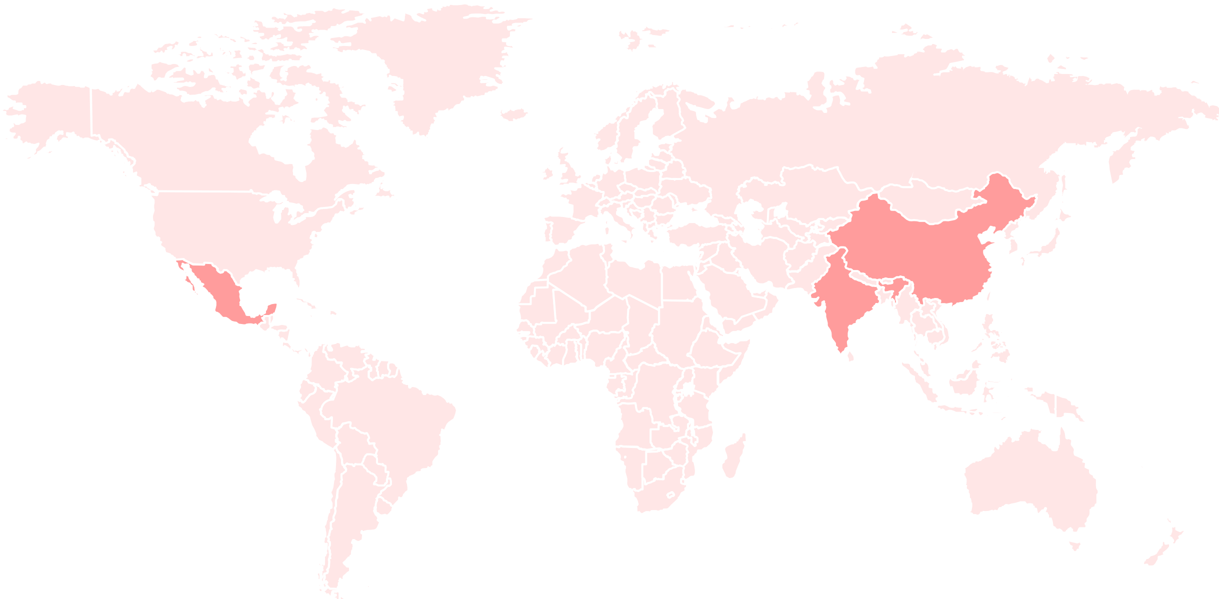
- Launched Wal-Mart co-branded card in August 2006 (joint venture with the Bank of Communications)

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

Retail Credit Risk

Bruce Fletcher
Chief Retail Credit Officer
HSBC North America Holdings Inc.

HSBC
The world's local bank

Who is the typical HSBC Finance customer?

Lifestyle

- Financially unsophisticated
- Payment sensitive versus pricing sensitive
- Limited discretionary income
- Living the 'American Dream' of home ownership
- 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 ~ $65K – 78K

Credit Behaviour

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

HSBC Finance represents HSBC Finance Corporation

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

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 ‘industry turmoil’
- 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, e.g. 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

HSBC Finance Mortgage Services customers include:

- Recent homeowners who are less emotionally 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 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 will 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 cannot be paid
  - Strengthen collection strategy and capacity
    - Create and implement new customer treatments
- Control expenses
  - Rightsizing portfolio/business
- Refining product offerings

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 this 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 and second liens

- Delinquency rates are rising faster for ARMs and second liens

Geography

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

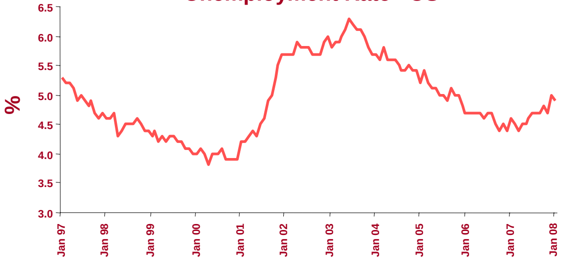
Which geographies are impacted most?

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

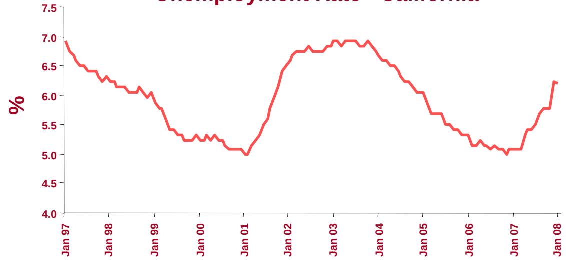
S&P/Case-Shiller Monthly Home Price indices – December 2007	
	Y/Y% change
Miami	-17.5
Las Vegas	-15.3
San Diego	-15.0
Los Angeles	-13.7
San Francisco	-10.8
Washington	-9.4
New York	-5.6

- States that saw large increases in property values are now seeing large increases in unemployment rates(1)

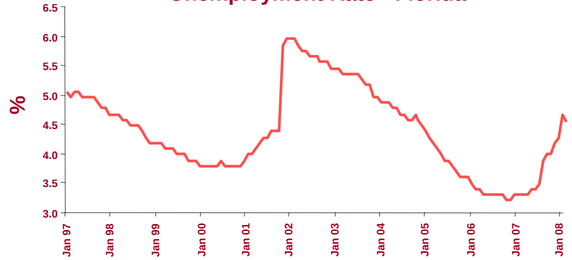
Unemployment Rate - US



Unemployment Rate - California



Unemployment Rate - Florida



- HSBC Finance exposure in California is approximately 12%(2), well under the industry's 20%(3)

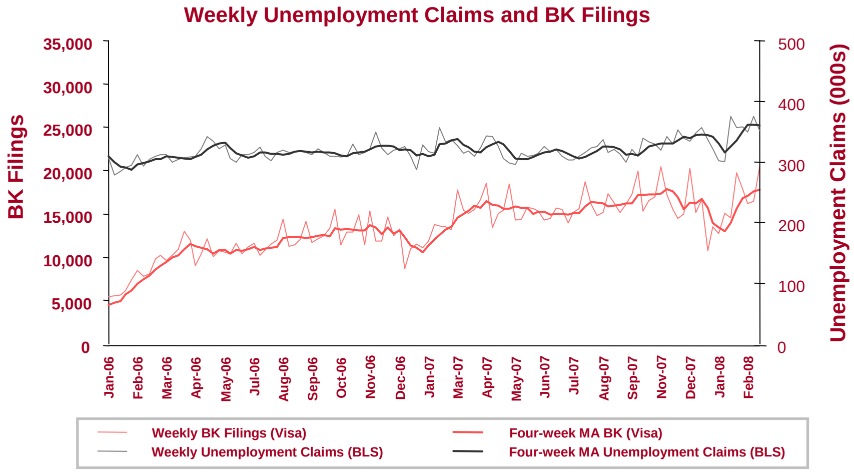
(1) Unemployment data is reported by the Bureau of Labor Statistics and is sourced from Economy.com.
(2) HSBC Finance data is from December 31, 2007 Form 10-K.
(3) Market Data sourced from www.creditforecast.com (based on 5% sample of Equifax Credit Bureau).

Life events

• Historical life events contributing to delinquency, such as divorce, mortality, and sickness are relatively stable, where as unemployment and bankruptcy are on the rise

Unemployment and bankruptcy

- As of March 1, 2008, the four-week moving average of weekly new bankruptcy filings(1) was 17,741, up 14% from three months ago
- For the week ending March 1st, the four-week moving average of unemployment claims(2) was 360,000, up 6% from three months ago



(1) Bankruptcy filings are sourced from VISA's weekly publication.

(2) Unemployment data is reported by the Bureau of Labor Statistics and is sourced from Economy.com.

What have we done?

Reduce risk profile

- Discontinued operations of Mortgage Services, Decision One, and the sub-prime mortgage broker-based business in HSBC Financial (Canada)
- Tighten originations underwriting
  - Across all products in all business units
  - Loan to value, credit score, debt to income, etc
- Credit Card Services continues to improve originations credit quality
  - Average credit scores are increasing
  - Less credit line increases and balance transfers
  - More credit line decreases and tighter overlimit pads
  - Introduced new card fee practices
- In Consumer Lending, discontinued ARMs, PHL and certain direct marketing products
- Elimination of some Taxpayer Financial Services products

Strengthen risk management and controls

- Better articulation of risk appetite
- Strategic portfolio management

How do we mitigate losses through default management?

Main goal

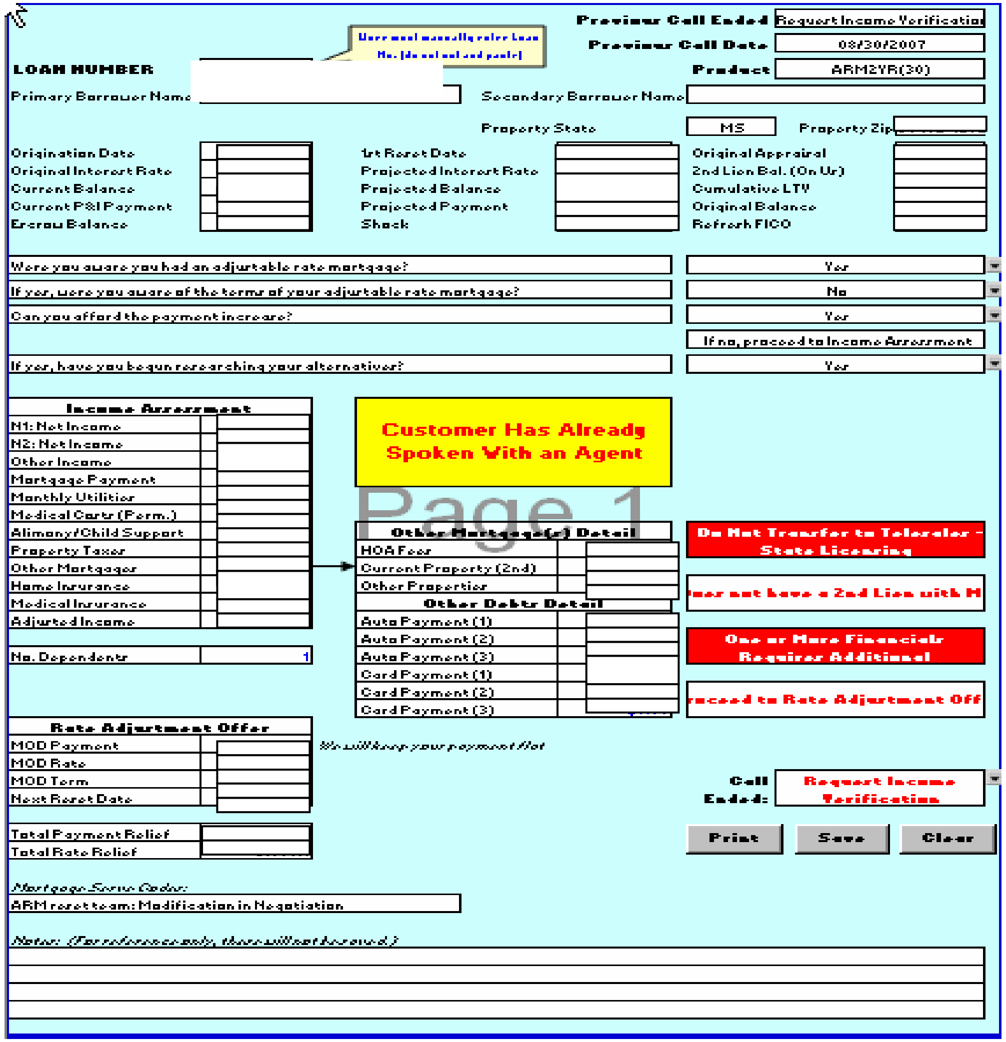
- To identify customer needs and match them with the right treatment option to prevent foreclosure and build sustainable customer relationships

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 41,000 outbound contacts and modified more than 10,300 loans ahead of ARM resets since the start of the program in October 2006
- Continue to manage Foreclosure Avoidance Program for delinquent customers, program designed to provide relief to qualifying homeowners through either loan restructuring or modifications
- 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

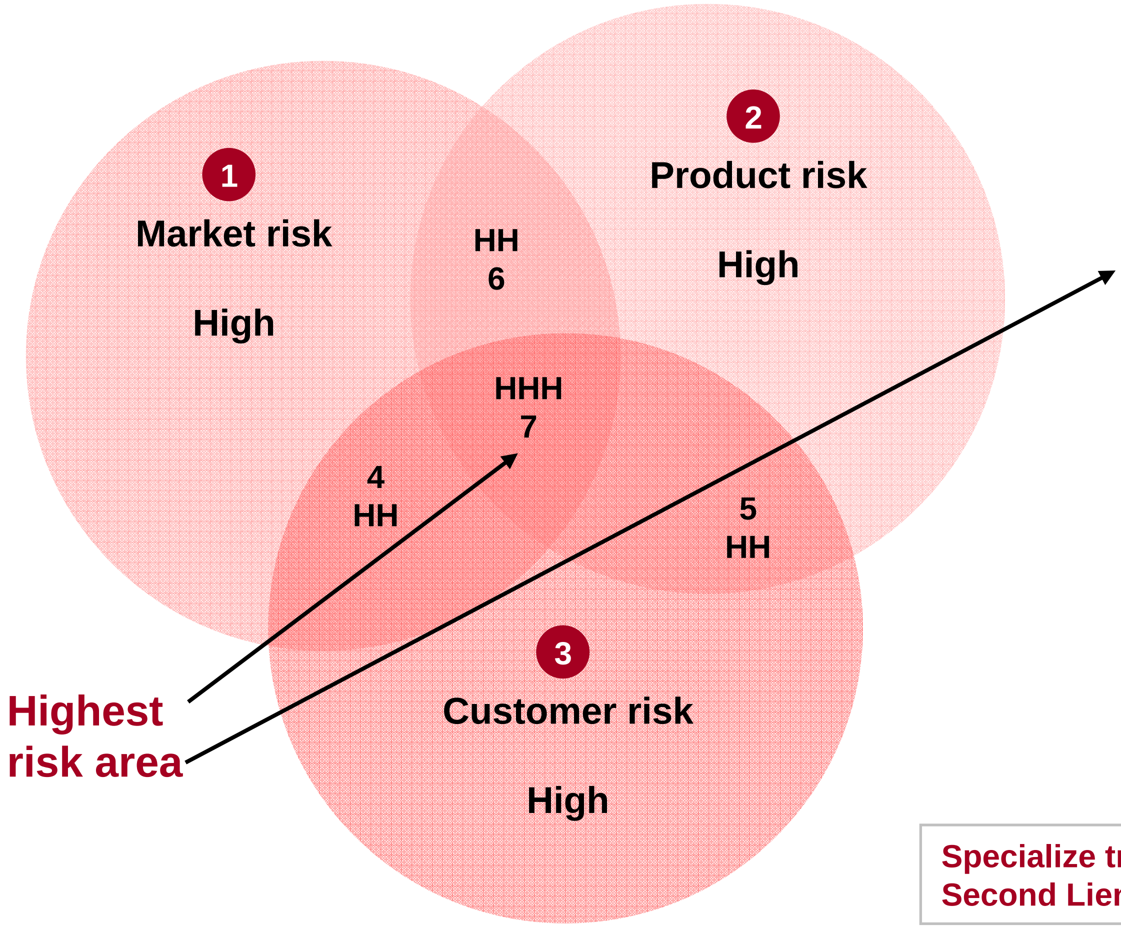


Process

- 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

Treatment enhancements

Illustration of risk segmentation and possible treatments



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

Treatment vary based on risk.

Examples include:

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

Specialize treatments for First Liens, Second Liens, and Dual Liens

What else are we working on in Default Management?

Areas of particular focus include the following:

- Do more long-term modifications
- Examine 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
- Enhance our ability to contact customers
  - Better identification of high risk customers
  - More collectors staffed at prime time calling hours
  - Outbound innovative brochures
  - Door knockers
  - Participation in community organized borrower/lender forums

Q & A

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