Investor Presentation

HSBC Finance Corporation
March 18, 2009

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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, 2008. 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 issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU"). EU-endorsed IFRSs may differ from IFRSs, as issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At December 31, 2008, there were no unendorsed standards effective for the year ended December 31, 2008, affecting this document and there was no difference between IFRSs endorsed by the EU and IFRSs 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.

Certain reclassifications have been made to prior period amounts to conform to the current year presentation.

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Update on HSBC North America Strategy

Brendan McDonagh
Chief Executive Officer
HSBC North America Holdings Inc.

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Positioning for the Future

Taking Decisive Action

- Managing and Leveraging balance sheet (i.e. asset transfers to HSBC Bank USA)
- Rigorous cost management
- Leading home preservation efforts
- Reducing risk across all entities

Right-sizing and focus on core operations

- Continuing to run-off Mortgage Services portfolio
- Discontinued Auto loan originations in Finance Company and wholesale/correspondent originations in Bank
- Sale of Canada Auto business to Scotia bank
- Announced in March 2009 the immediate discontinuation of CL originations and substantially all branch offices
- Emphasis on area where we have a “right to win” (e.g. HSBC Premier, HSBC Direct, CMB, and Cards)

Centralizing and joining up

- Implementing One HSBC to improve operational efficiency
- Continuing to Leverage U.S. Cards expertise Internationally
- Consolidated regional risk factors to a central team under Chief Risk Officer
- Implementing shared services utilities across North America

Ongoing areas of Focus – 2009

HSBC Bank USA

- Continue to provide vital banking and financial services to our personal and commercial customers
- Strategic expansion of US branch network based on niche strategy
- Additional growth efforts in HSBC Direct, HSBC Premier and Commercial Banking
- Leveraging Group relationships and unique global footprint in Global Banking and Markets and Private Banking

HSBC Bank Canada

- Ensure effective implementation of a realignment of personal and commercial business lines
- Leveraging our strength in Commercial Banking and maximizing opportunities in PFS, Wealth Management, Private Banking and Global Banking and Markets
- Leveraging the global strength of HSBC locally to offer market leading products and increase efficiency

HSBC Finance

- Achieve balance sheet size that optimizes own risk profile and our liquidity and capital requests
- Leading home preservation efforts
- Further leveraging US Cards expertise globally
- Enhance collection analytics and platform
- Evaluating impact of UDAP regulations and other proposed legislation which will impact our businesses

Update on HSBC Finance Strategy

Niall Booker
Chief Executive Officer
HSBC Finance Corporation

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HSBC has focused on managing what we can control and have split our run-off businesses from our continuing businesses… 2 parts of HSBC business, today

Core Businesses

Card and Retail Services

- Continue to pursue integration of Cards into global business line, leveraging US analytic expertise. Systems platform already Global
- Continue to exit unprofitable relationships in Retail Services and / or increase the value of those relationships
- Continue to review risk issues – geography, mortgage holders, unemployment, and watch mix between sub-prime and prime

Businesses under Run-off

Consumer Lending

Auto, Taxpayer Financial Services, Mortgage Services

Consumer Lending

- Announced in March 2009 we would discontinue all originations
- Focus on collection and default management strategies
- Continue to assist customers utilizing appropriate modification and other account management programs to maximize collection and home preservation
- Enhance RE loan modifications analytics
- Collect effectively but ethically
- Run-off and managed disposition of CL portfolio

Other businesses

- Run-off and managed disposition of MS portfolio
- Run-off and managed disposition of Auto Finance portfolio
- TFS business - exited all independent relationships, only HR Block remaining

Why the Cards businesses are different from our Subprime mortgage businesses

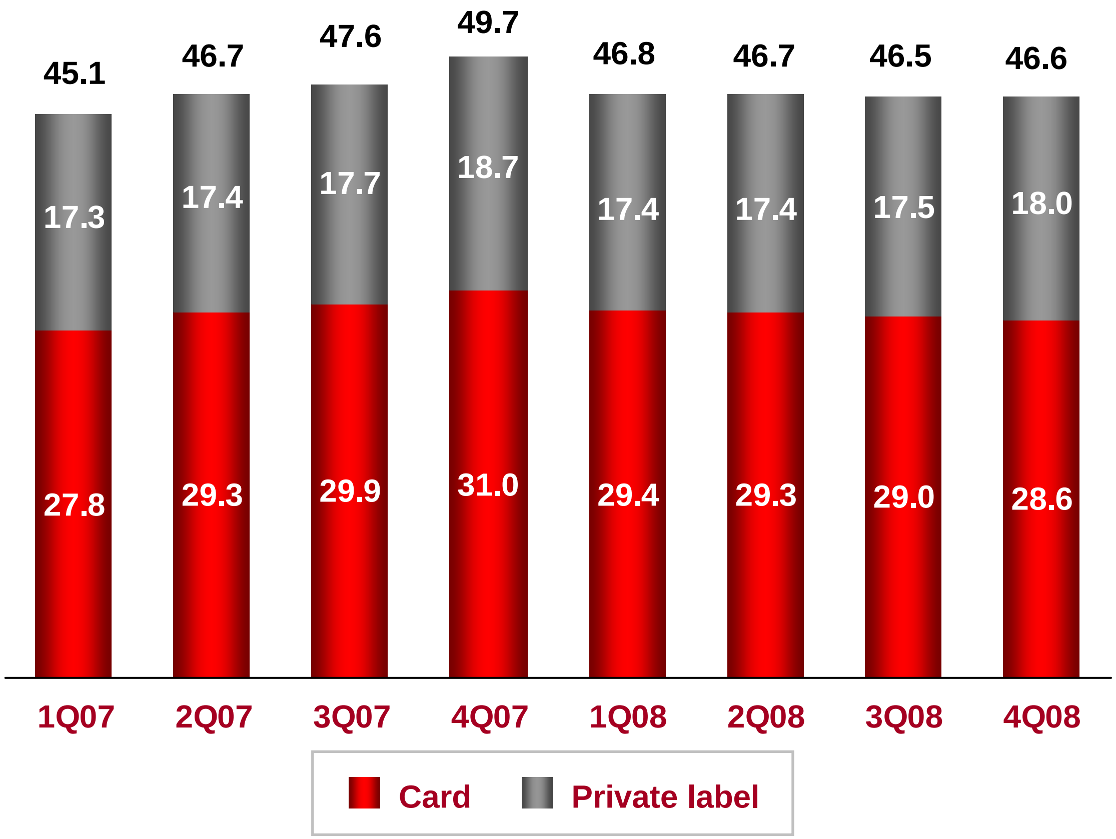
- Cards model is a transaction based model
- Borrowers are more compelled to maintain a card. Without it, their ability to spend decreases
- Cards model does not rely on house price appreciation
- Funding model for Cards is fundamentally different as it utilizes affiliate bank deposit funding
- Product has better features such as interest rate floors
- Delinquency impacts are mitigated to some degree by higher margins
- Cards model benefits from smaller lines of credit and shorter repayment cycle than mortgages
- Although recent regulatory actions pose some threat to income, we are already in compliance with some of its provisions and will look to offset some of the additional impact through cost control

Continue to enhance collection analytics and risk strategies, continued effort to reach out and assist mortgage customers, focus on cost management, deliver high brand value and focus on talent management and career development

HSBC US Card and Private Label

A core business

Customer loans, US$bn



Note: Results reported on an IFRS Management Basis.

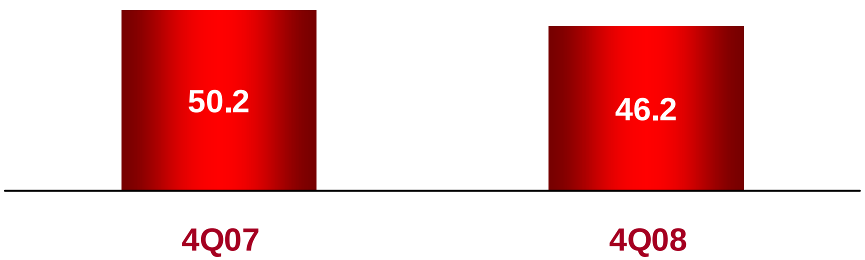
- Card and Private Label loan balances decreased 8% and 4% respectively in 2008 as we tightened underwriting and reduced mailings
  - HSBC has been an early leader in reducing mail volumes
  - Cards stopped growing receivables in Q1 2008 and declines are larger than other card issuers in 2008
  - Cards significantly reduced outstanding credit lines in 2008 while many others did not or moved slower
- Reviewed merchant relationships for renegotiation or termination
  - Strategy executed before other competitors
- Delinquencies increased modestly in both portfolios
- Some two-thirds of the Card and Private Label portfolio is now funded by HSBC Bank USA Inc. leveraging core deposits

Consumer Lending

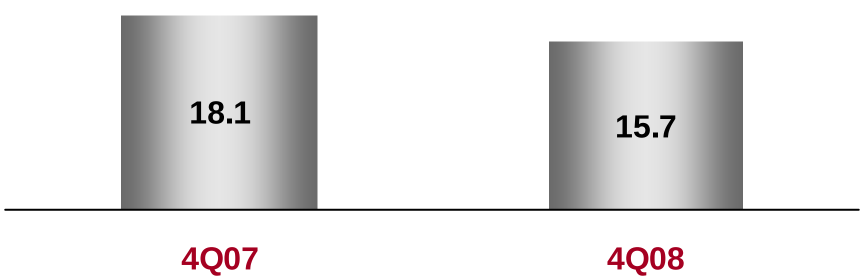
Ceasing to write new business

Customer loans[1]

Real estate secured consumer lending, US$bn



Unsecured personal non-credit card, US$bn



Note:
(1) IFRS Management Basis for US; excludes operations in UK and Canada

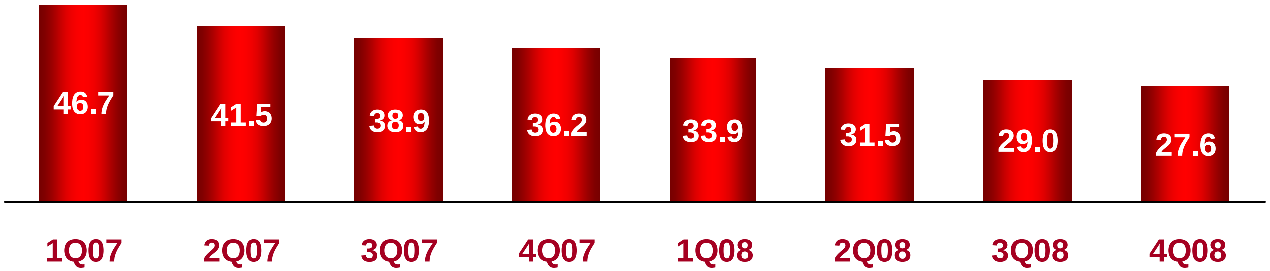
- Sub-prime mortgage refinance model has no connectivity to the rest of HSBC and no longer operates effectively
  - lack of home equity
  - deteriorating outlook for house price appreciation
  - very limited refinancing opportunity
- As a result, in 2008, we began to reposition our Consumer Lending business in order to maximize future value
  - Lower loan-to-value lending
  - Expanding lending scope for both government sponsored entity and conforming loan products
  - Greater emphasis on unsecured loan products while decreasing secured loan production
- Results of repositioning efforts did not meet our expectations
  - Economic factors
  - Volume necessary to achieve profitability
  - Reasonable expectations for near and medium term origination volume reduced
- Decision made in February 2009 to cease to write new Consumer Lending business
- Run-off the outstanding portfolio
  - real estate secured loans of US$46bn
  - unsecured portfolio of US$16bn
- Close substantially all of HFC and Beneficial branch network with loss of 6,100 jobs at HSBC
- United States closure costs of US$265m in 1H09 and annualized cost savings of circa US$700m in North America

Other Run-off portfolios

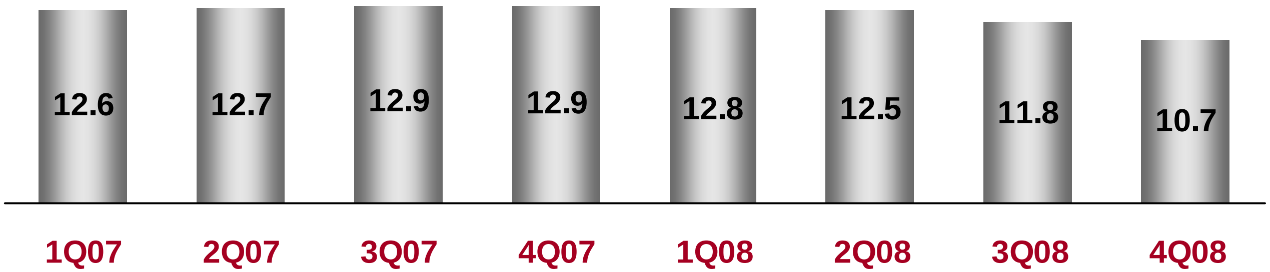
Mortgage Services and Auto Finance

Customer loans[1]

Mortgage Services, US$bn



Auto Finance, US$bn



Continued progress

- Mortgage Services portfolio reduced from US$36.2bn to US$27.6bn in 2008
  - Losses higher than originally expected but due mainly to economic deterioration
  - Run-off slower
  - Default Management best practices and people transferred to CL
- Primarily 2006 and prior vintages remaining to run-off

- Auto Finance portfolio reduced from US$12.9bn to US$10.7bn in 2008
- Our analysis indicates the decision we made in July 2008 to discontinue dealer and direct auto finance originations was correct

Note:
(1) IFRS Management Basis for US; excludes operations in UK and Canada

Funding HSBC Finance Corporation

2008

- Term funding was not cost effective given market conditions
- Strong credit ratings ensured consistent access to Commercial Paper funding at reasonable interest rates
  - Became eligible to participate in the Federal Reserve Board's Commercial Paper Funding Facility ("CPFF")
    - Participation limit is $12.0 billion
    - $520 million outstanding at December 31, 2008

Ongoing

- Transfers of certain credit card and auto finance receivables to HSBC Bank USA in January 2009 provided a key source of funding
- Continued reliance and Focus on short end/Commercial Paper funding
- Maturing secured and unsecured term debt will be funded through
  - additional attrition
  - cash collections
  - asset sales
  - Group support
- Continued focus on funding and meeting regulatory and legislative requirements

Strategy Summary

Focus on Managing What We Can Control

- Risk
  - Underwriting changes
  - Reduction in product offerings
  - Closure of businesses
- Cost management
  - Continuing focus on expenses. Normalized cost efficiency ratio from continuing operations improved 340 bps in 2008 on an IFRS Management Basis
  - Strengthening our operations for greater operational efficiencies
  - Joining up support functions to optimize shared services across North America
- Balance sheet management
  - Leveraging bank funding
- People
  - Developing talent and exporting talent across the globe

Taking Decisive Action

- Run-off certain portfolios and exiting businesses
  - Mortgage Services
  - Auto Finance
  - Consumer Lending
- Reducing the scope of the Taxpayer Financial Services business
- Leading Home Preservation Efforts

Environmental Factors Affecting our Business Which We Cannot Control

- Home price depreciation
- Unemployment
- Legislation/Regulatory Landscape
  - UDAP
  - Bankruptcy “Cram Down”

Liquidity and Funding

William Kesler
EVP – Treasurer

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Liquidity and Funding

State of the Market – 3/31/07

- Liquidity was plentiful / significant investor demand
- Spreads at historical lows
- Little differentiation between alternative investment structures
- Corporate defaults at historical lows
- HSBC affiliates had access to a variety of markets and currencies

State of the Market – 3/1/09

- Valuations
- Flight to quality continues
- Selected investor classes have been eliminated
- Public securitization activity limited to “prime” collateral
- No demand for financial institution debt issuance unless FDIC insured
- >30 countries have implemented financial rescue packages
- >20 government programs introduced in U.S.

Market Overview

- Our “all in” cost of funds has gone up
- Indicies used to price assets have declined

HSBC North America Cost of Credit

- HSBC Bank USA enjoys a significant funding advantage

			3/31/07	3/1/09
5 Year Unsecured Debt				
HSBC Finance		Treasuries	+ 80 bp	+ 700 bp
		Libor	+ 33 bp	+ 628 bp
HSBC Bank USA (sub debt)		Treasuries	+ 58 bp	+ 425 bp
		Libor	+ 11 bp	+ 353 bp
Securitizations (subprime collateral)				
Credit Card AAA		Libor	-	+1000 bp
Real Estate AAA		Libor	+ 20 bp	+1250 bp
Government Support Program				
HSBC Finance / CPFF	90 Days	Libor	-	+100 bp
HSBC Bank USA / TLGP	3 Year	Libor	-	+ 4 bp

Source: Daily public pricing as provided by HSBC Global Banking and Markets

Funding / Liquidity Environment

- Cost of liquidity will be both elevated and volatile
- Funding will remain tight for all financial institutions
  - Rating agencies have lost credibility
  - Investors remain cautious
  - Deposit funding versus capital markets funding
  - Government insured programs versus unsecured debt
- In the near and intermediate term, HSBC Finance is not projected to have access to term funding at cost effective levels
- This funding environment is one of the factors driving the decision to discontinue consumer lending originations and close our branch network

2009 Funding Plan

- HSBC Finance will continue to originate credit card receivables for its balance sheet and sale to HSBC Bank USA
- An active commercial paper program will provide the liquidity required to meet the day-to-day cash management requirements of the finance company
- Maturing secured and unsecured term debt will be funded through:
  - Balance sheet attrition
  - Cash generated from continuing operations
  - Internal and external asset sales
  - Support provided by Group

Consumer and Mortgage Lending – Default Management/Collections

Kathy Madison
Executive Vice President of Servicing
HSBC Finance Corporation

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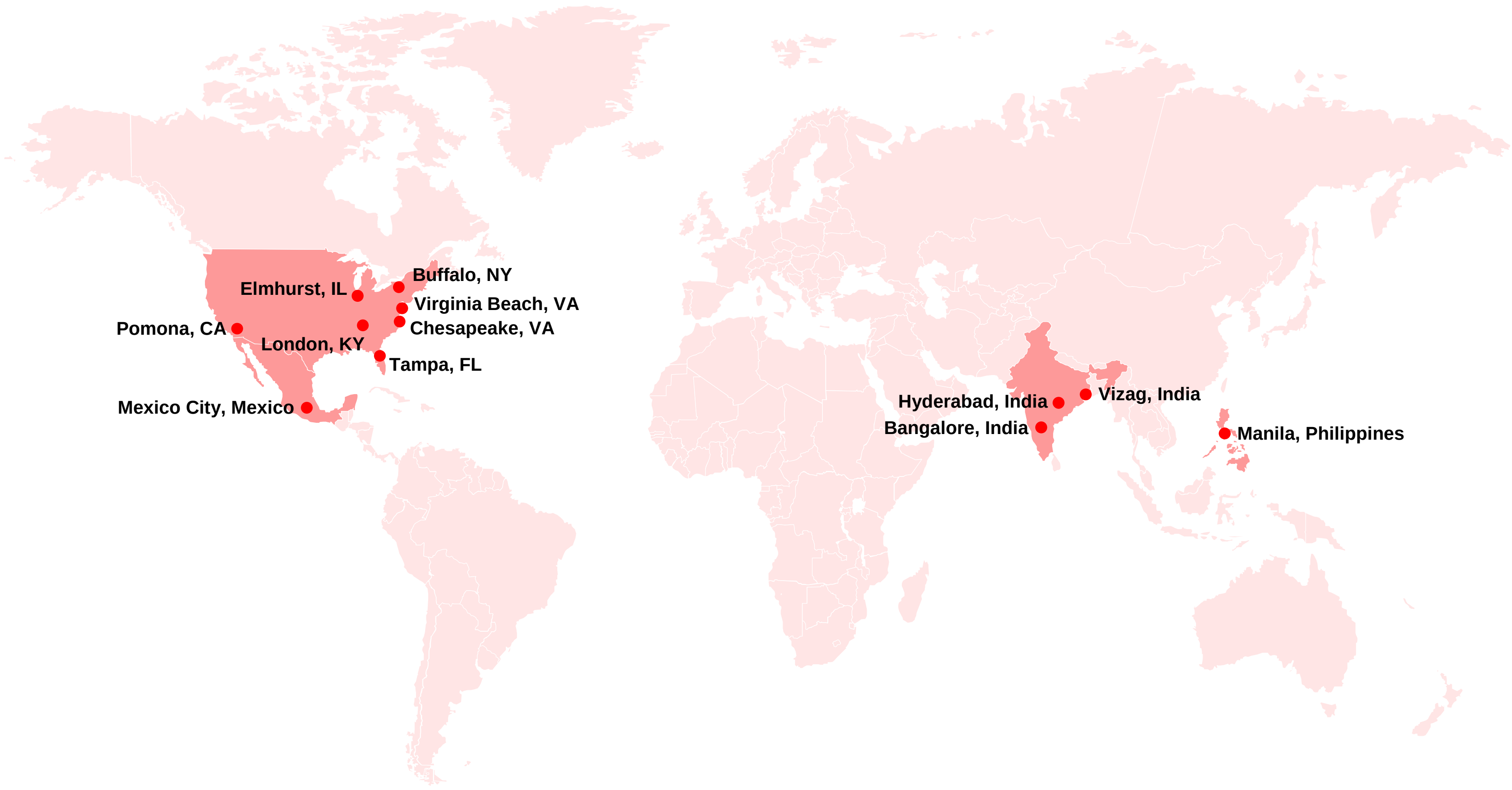
Servicing Overview

- HSBC Consumer & Mortgage Lending (CML) Servicing is one of the largest servicers of sub-prime mortgages in the U.S.
  - 4,500+ employees
  - 13 global servicing locations in the U.S. and India
  - $70+ billion real estate portfolio and 700+ thousand accounts
- Portfolio primary held on own balance sheet (portfolio servicer)
- This organization services subprime real estate loans with a strategic and operational focus on optimizing loan performance while maximizing the value of customer relationships
  - Deliver superior customer service, measured through customer feedback and peer benchmarks
  - Effectively leverage organization capacity and flexibility while maximizing the consistency of service
  - Reduce portfolio risks with deep customer insight and sound and flexible default management tools and techniques
- Consumer & Mortgage Lending Servicing is a results-oriented servicing operation and a key driver for business performance
  - Robust analytics and active campaign management deliver positive front-end collections results
  - Consistent and reliable customer service practices result in strong customer satisfaction scores
  - Significant scale and history in back-end practices effectively manages default experience
- The organization, processes and controls enable a robust, consistent and high-performing organization
  - The management team exemplifies strong industry experience, company tenure and professional accomplishment
  - The organization is designed to promote best practice sharing throughout servicing while instilling strong governance and oversight with external partners
  - HSBC is an employer of choice, leading to a deep bench of experienced talent and a low turnover rate
- CML Servicing continues to rely on its deep operational experience while embarking on new strategies to drive improved performance and transparent results

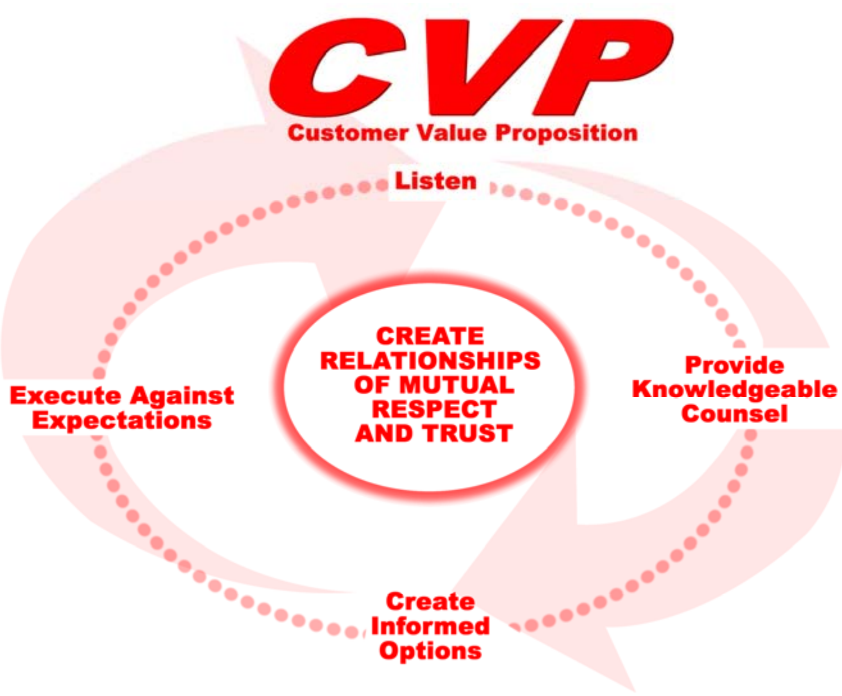
CML Servicing Locations



Our Approach to Our Customers

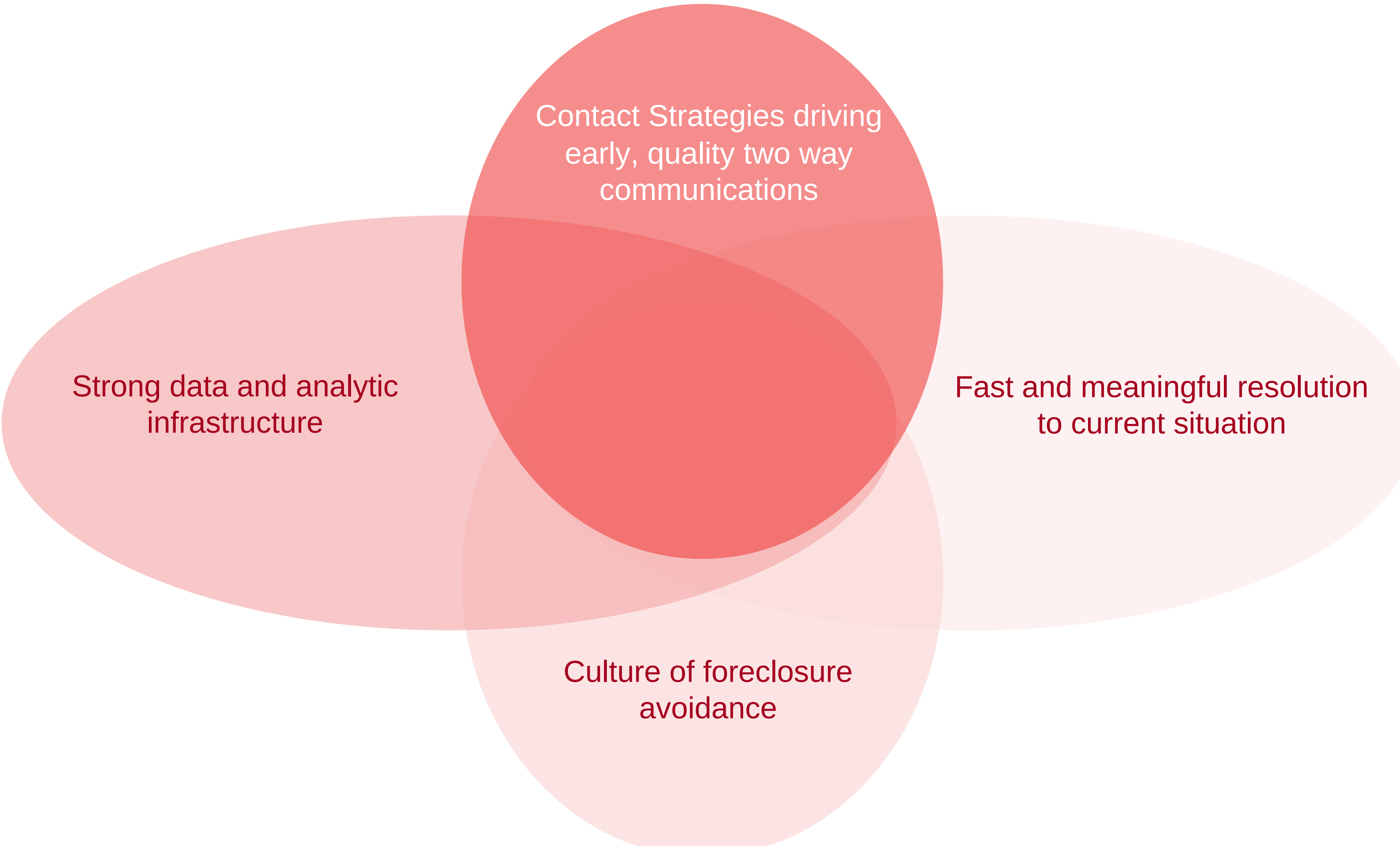
In this environment, we are leveraging all touch points: Collections, Customer Care and our Local Offices to understand our customers' situations and needs.

Internet	**On-line Hardship Applications**	**"Click To Chat" Option**
Phone	**Outbound Call Campaigns**	**Inbound Customer Care Center**
Letters	**Structure Contact Letter Campaigns**	**Pre-approved Loan Modifications**
In Person	**Local Outreach Activities**	



- Employ a strategy to contact high risk borrowers very early in the process through advanced scoring, segmentation and dialer – calling could start as early as one day delinquent
- Maintain a high volume outbound calling campaign environment - driven by segmentation strategies which are implemented in the early stages of delinquency
- Focus contacts on assessing the borrower situation and determining the appropriate solution (cure, payment plan, or loan modification)
- Offer solutions that are tailored to each customer situation - including pay schedules, automatic debit, restructures, counseling discussions, and leading up to a complete review for a hardship program - - with a focus on speed and customer responsiveness
- Leverage referral processes to more advanced loss mitigation treatments as needed (Short Sale / Deed in Lieu)
- Manage employee performance via a scorecard with focus on multiple performance metrics that are focused on resolution of the customer situation via dollars collected whether straight arrangement or through a loss mitigation alternative

Loss Mitigation Equation at CML



Customer Intent / Ability

Keeping Home

Reinstatement

- Full payment of collection fees (e.g., Broker Price Opinions, legal expenses, taxes) and delinquent amount

Payment arrangement

- Partial payment of collection fees and/or delinquent amount (requires stipulation/ forbearance agreement to pay remaining fees and/or delinquent amount)

Restructure

- Partial payment of delinquent amount followed by internal adjustment whereby remaining past due balance is moved to the end of the loan

Modification

- Partial payment of delinquent amount followed by internal adjustment whereby standard payments and interest rate are reduced for a set period of time

Not Keeping Home

Deed in lieu of foreclosure

- Accountholder surrenders property in order to avoid foreclosure. Customer signs document providing legal ownership to lender

Short sale

- Similar to Deed in Lieu of foreclosure
- Deficiency balance is paid through rewrite loan, instead of charging it off. Rewrite loan is an unsecured loan designed to cover deficiency balance

CML is an Industry Leader in Homeownership Preservation

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

- Owned (as opposed to serviced) portfolio
- Mature Foreclosure Avoidance program in place since 2003
- Focus on borrower affordability – disposable income is a key driver
- Data driven analytics and history of performance – solidifying relationship between payment relief and modification performance

In 2008, we completed more than 95,000 loan modifications approximately totaling $14B

- In 2008 we increased use of our foreclosure avoidance/account modification programs to qualify more customers with longer term assistance due to the weak housing market and U.S. economy, for payment relief modifications (generally either two or five years) with potentially lower interest rates
- This increase in assistance includes our streamlined pre-approved fixed rate modification program launched in Q1 2008
- Relief in the form of modifications and/or reages has increased steadily over the last year. It is helpful to consider statistics about the percentage of portfolio with modification and/or reages within HSBC Finance Consumer Lending and Mortgage Services, at various points in time

	12/31/06	12/31/07	12/31/08
Total Real Estate Modifications and/or Reages	$10B	$17B	$26B
% of Portfolio with modification and/or reages	11%	20%	36%

Note: Data from 2008 10-K, legal entity basis

FAP

- Foreclosure Avoidance Program
- Decisions to modify are dependant on customer's situation
- Customers can be current
- Customers initiate request by filling our online application
- Requires documentation from customers
- Modifications can become permanent with continued validation of situation along with consistent payments
- Rate and payments can be adjusted

Expanded Modification Program (COMET)

- Decisions to modify are based on risk segmentation and housing projections (proactive/reactive modifications)
- Loan are typically delinquent
- No/light documentation required
- Rates and payments can be adjusted

Foreclosure Avoidance Program (FAP) Overview

Program Facts:

- Program launched 2003
- FAP program solves for customer affordability and disposable income
- Customers do not have to be delinquent to participate in the program
- Customers that qualify are provided with a rate and payment reduction consistent with their target disposable income (TDI) – which is established at regional levels
- Many customers are given a “fresh start” via an account reage
- Temporary relief becomes permanent provided that the customer makes their modification payments and validates an ongoing need for assistance at months 6 and 24

Step 1	Step 2	Step 3
• High quality, early contact with customer (2-way) via various communication channels	• Fully understand customer’s financial circumstances, including his/her intention of keeping the property and ability to pay (disposable income)	• Quickly work out an appropriate NPV positive resolution that is in the best interest of both parties – meeting and delivering against expectations

Illustrative Eligibility Requirements

Reduction in wages or loss of employment	Temporary or permanent medical condition
Increase in rate/payment (unable to afford)	Fixed income
Loss of income (e.g, divorce)	Death of spouse/contributing partner

COMET Overview

- Performance data from HSBC's legacy "Foreclosure Avoidance Program (FAP)" affirms that the likelihood of a loss event can be influenced by providing monthly payment relief to customers requiring assistance
  - Probability of Default by delinquency bucket
  - Impact of payment relief as a % standard monthly payment
- COMET embeds the findings from the FAP program and future housing projections to evaluate accounts at varying levels of payment relief and durations to suggest modified terms for each individual account
  - Forward looking loss given default market risk, product risk
  - Probability of Default: customer risk
  - NPV positive outcomes (based on multiple permutations)
- Proactive campaigns are designed to provide a "win-win" scenario where the customer is able to both keep the home with reduced monthly payment obligations while HSBC effectively improves the overall NPV through the elimination of imminent default
  - Accounts modified in advance of contact
  - Drives customer contact
- COMET launched in February 2008 for reactive modifications with subsequent phases in July and August 2008 for proactive modifications
- With the implementation of COMET, the approval rate for customer's seeking relief has risen from ~40% to ~50% while also providing approximately 85% of our customers relief durations in excess of 1 year

Loss Mitigation

Offering Solutions

Proactive Modifications	**Principle Write Downs**
Reactive Modifications	**Deed in Lieu of Foreclosures**
Payment Plans	**Short Sales**

CML's Default Management philosophy is to balance customers' and HSBC's best interests to identify the appropriate workout resolution

- Highly seasoned and experienced servicing team with significant depth
- Well-controlled, effective operation with strong risk management practices
- Focus on high quality, low cost operation with capacity for growth
- Sound and flexible default management tools and techniques
- Solid data integrity and system security controls
- Ability to leverage relationships with HSBC affiliates
- Poised for full-spectrum servicing growth opportunities by joining up with affiliates

Business overview: Card and Retail Services HSBC Group Cards

Patrick Burke
Senior Executive Vice President
HSBC Finance Corporation

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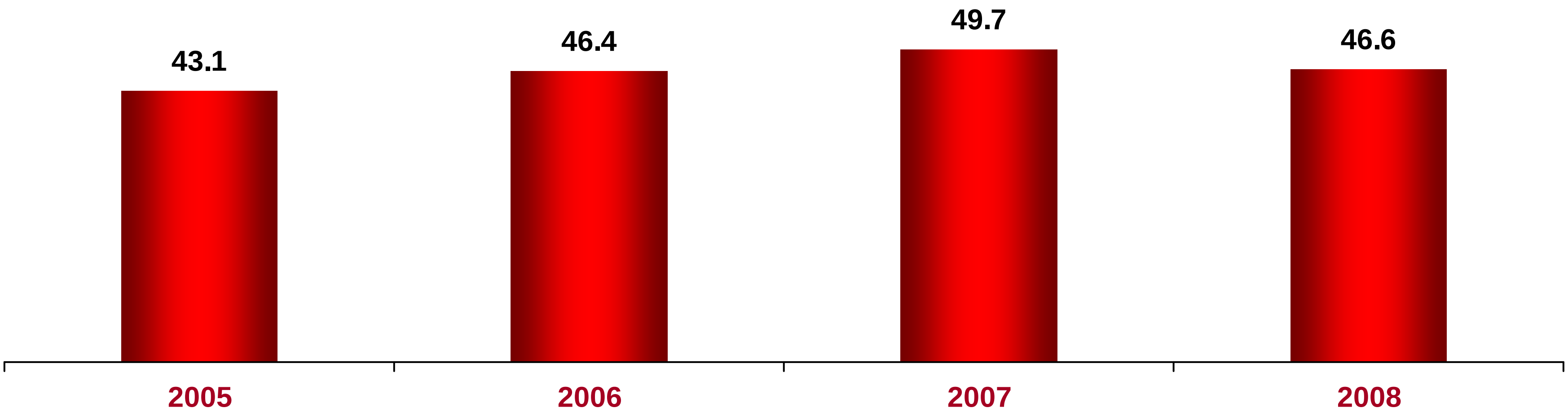
Credit Card Services overview

- Fifth-largest US MasterCard/Visa issuer
- $28.6 billion in managed receivables, over 21 million active accounts

Retail Services overview

- Third-largest private label issuer
- $18.0 billion in managed receivables, 15 million active accounts
- More than 45 active merchant relationships

Card & Retail Services Receivables ($ billions)

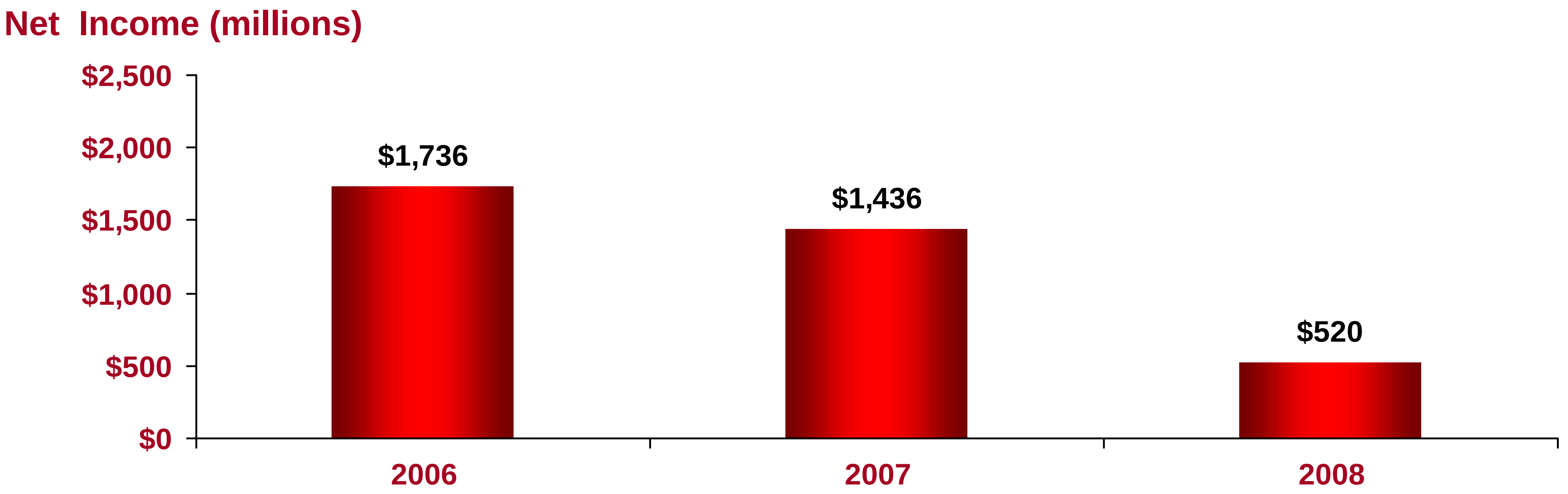


Note: Results reported on an IFRS Management Basis. Card and Retail Services represents a business unit of HSBC Finance Corporation

Profitability and returns have been strong

In 2008:

- Net interest margin has expanded
- Lower fees from practice changes partially offset by strong enhancement services growth
- Continued efficient, low-cost operations
- Loan impairment charges have deteriorated due to economic conditions

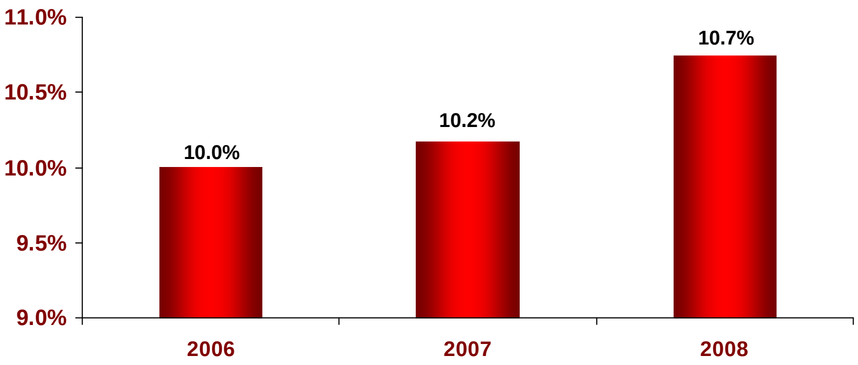


	2006	2007	2008
Return on Assets	3.96%	3.09%	1.15%

Results are reported on an IFRS Management Basis.

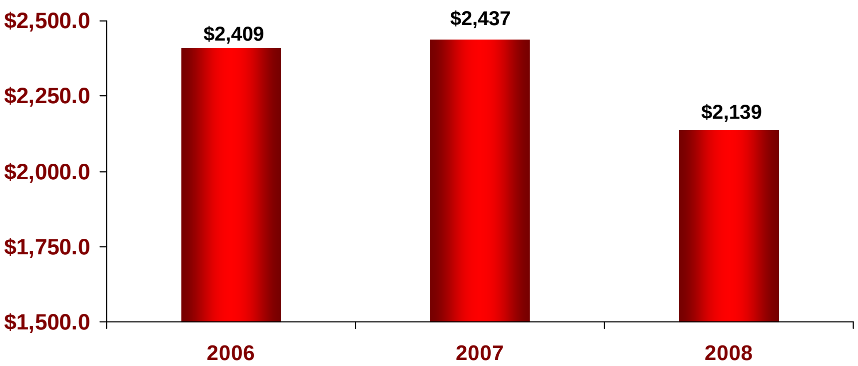
Strong net interest margin and lower operating expenses have partially mitigated rising loan impairment charges

Net Interest Margin



- NIM expansion due to the following:
  - Merchant/Partner contract renegotiations
  - Termination of underperforming merchants
  - Lower funding rates and account floor benefits
  - Lower promotional balances
- In 2009 funding benefit will be recognized from transfer of $12.5 billion of GM & UP receivables to HSBC Bank (USA) to leverage deposit funding

Total Operating Expenses



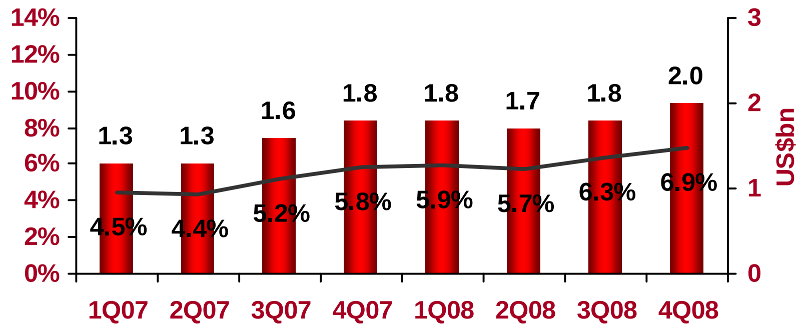
- Operating expenses are lower primarily due to marketing & expense reduction initiatives
- Efficiency ratio has improved from 33% in 2006, to 28% in 2007, to 26% in 2008

Results are reported on an IFRS Management Basis.

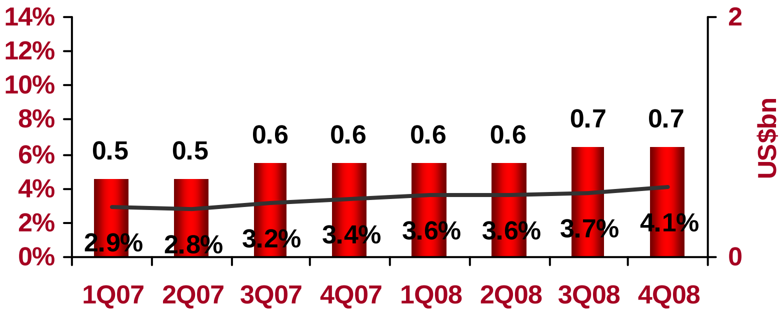
Delinquencies and charge-offs are trending higher

2+ Delinquencies

Credit Card



Private Label



- Accelerated pressure in states which have experienced significant home depreciation (AZ,NV,CA,FL)
- Our exposure in states experiencing significant home depreciation is not over-weighted (21% of population, 21% of receivables)
- Unemployment is also a driver increasing from 4.4% in the first quarter of 2007 to 7.2% in the fourth quarter of 2008
- Future delinquency and charge-off levels will likely be strongly impacted by the unemployment and housing environment
- Increased collections capacity and intensity

Note: IFRS Management Basis for U.S., excludes operations in U.K. and Canada

We have aggressively implemented actions to mitigate credit risk from the deteriorating economic conditions

Reduced Marketing

- Initiated reduction in marketing spending in 2007
- Significantly reduced account originations
- Balancing prime/non-prime mix

Underwriting

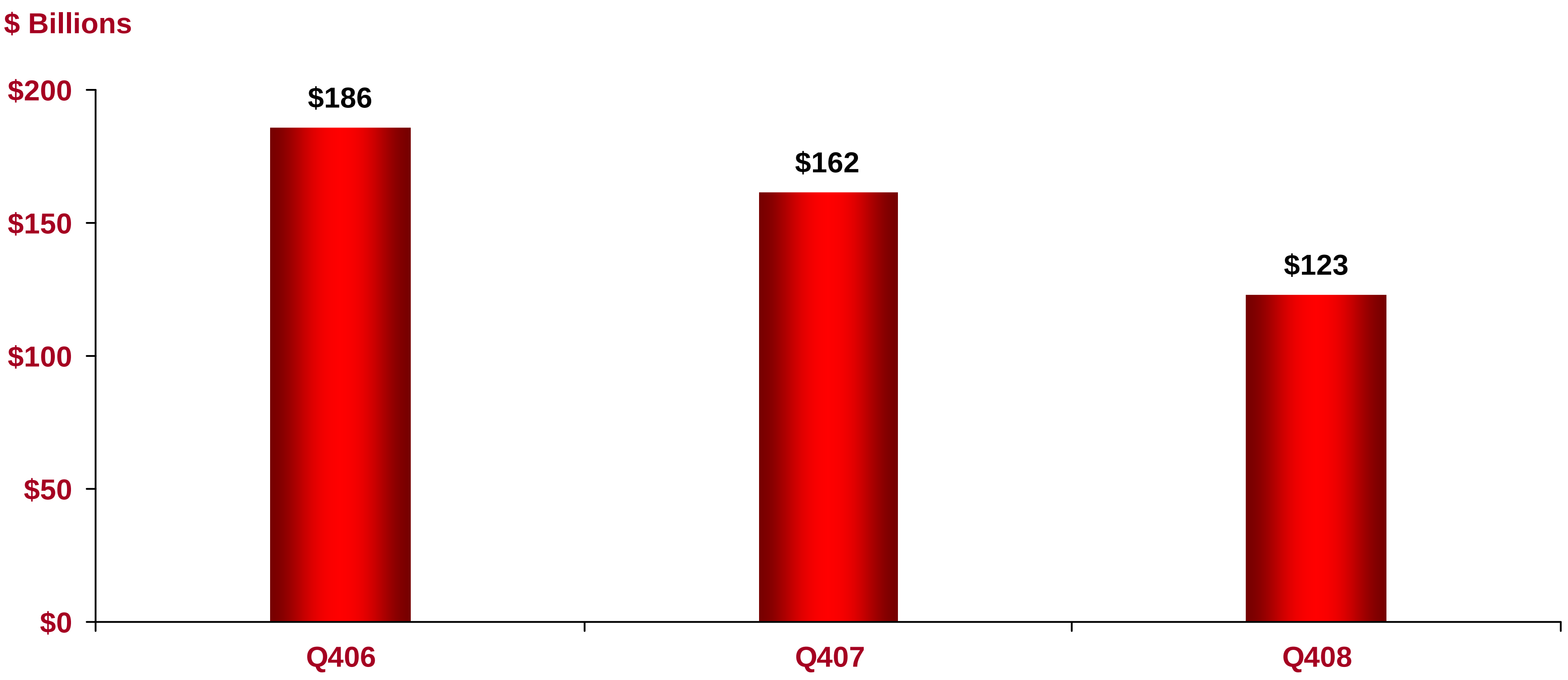
- Conservative economic stress applied to investment decision models
- Tightened underwriting policy for account approvals
- Front-end score cuts in retail card approvals
- State and mortgage attributes used in selection
- Tightened initial credit line assignment criteria

Portfolio Actions

- Aggressive removal of open-to-buy via targeted credit line decreases and inactive account closures
- Significant reduction in credit line increases and balance transfer volumes
- Cash advances tightened
- Tightened authorization strategies

Open lines of credit have been reduced substantially

- Reduction has occurred as a result of decreasing credit lines, tightening of credit line increase criteria, tightening of authorizations, closing inactive accounts, lower balance transfer activity
- Additional outstanding credit line reductions are in process



Note: Data from 2008, 2007 and 2006 10-K

Broad Range of Loss Mitigation Actions Taken – Originations

- Prescreen selection criteria, underwriting and line assignment parameters tightened for all portfolios
  - Suppression of high risk states for mailings, incorporation of straight 'roller' models, reduction in lines to home owners
- All retail merchant programs have gone through at least three rounds of credit tightening
  - Incorporation of mortgage attributes, geographic score cut-offs
- Continuously updated prospective economic stress overlays due to housing depreciation and unemployment incorporated into the decision criteria

Broad Range of Loss Mitigation Actions Taken – Account Management

- CLI’s (credit line increases) and balance transfers have been reduced by approximately 70% and 90% respectively in 2008 vs. 2006/07 levels
- Cash advance credit limits reduced
- Over limit authorization volumes down by over 50% due to incorporation of stricter authorization pad parameters
- Significant expansion of CLD (credit line decrease) programs across all portfolios
  - Majority of 6+ month inactive accounts either closed or line reduced to nominal amount
  - Sizable increase of CLD to high risk active accounts incorporating credit bureau attributes, mortgage attributes and ARM data
  - Using customer centric multiple account information to close high risk active accounts

Broad Range of Loss Mitigation Actions Taken – Collections

- Significantly more aggressive collection treatment for 1-29 and 30-day accounts
  - In 2008 more aggressive challenger strategies were placed on 60% of accounts, this has been successful and increased to 80%
  - Recently began sending more 30-day accounts to be worked in 60-day queues
- Over 5% excess collector capacity maintained throughout 2008. Capacity planning for 2009 indicates that collections is positioned to handle volume increases associated with potential growth in unemployment
- Collections is engaged in an extensive operations effectiveness project. Examples of topics included are warm transfers to credit counseling agencies, alternative contact methods and improved usage of incentives to pay
- High risk state segmentation and treatment capability introduced into collections in 2008

Pending regulatory changes will impact the business

- Changes are related to Unfair and Deceptive Acts and Practices (UDAP)
- Regulation AA passed on December 18, 2008 with July 1, 2010 Implementation deadline
- Regulation AA overview:
  - Limits on repricing existing balances
  - Payment allocation
  - Reasonable time to pay
  - No double-cycle billing
  - Limits on upfront fees
  - Constraints on deferred interest plans
- Pending legislation
  - CCBRA: Credit Card Bill of Rights Act
  - CARD: Credit Card Accountability, Responsibility and Disclosure Act
  - Credit Card Fair Fee Act (Interchange Fee legislation)

Group Cards Presence

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

Global Cards Strategy

- Drive emerging market growth
  - Significantly increase the acquisition of profitable new customers for the group in emerging markets
  - Increase emerging market share
- Deepen relationships
  - Maintain profitability in developed markets by deepening our relationship with existing customers
  - Assist in acquiring and/or converting new HSBC Premier card relationships
- Become a low-cost processor
  - Gain global scale benefits by leveraging common technology, process and infrastructure (One HSBC)
  - Lower operating cost per active account
  - Reduce charge-offs by leveraging best-in-class underwriting, account management and collections capabilities
- Richard Harvey – new head of Group Cards joined in February 2009

Global Cards 2008 Highlights

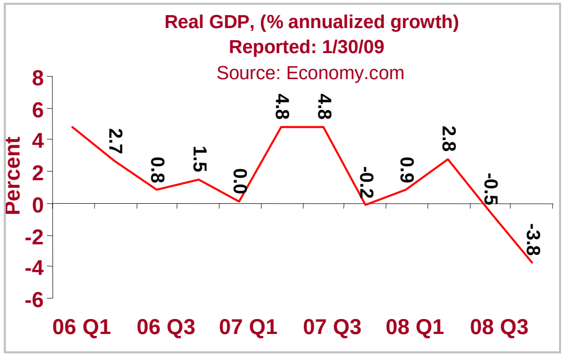
- Continued focus on exporting best practices globally from US as part of the One HSBC initiative
  - Risk Management focus on credit-line strategy and behaviors model development
  - Global Analytics-Project initiated to standardize and organize customer, risk and collection analytics on a regional basis under a common infrastructure
  - Business process management - Group wide best practice process of verification and telephone self service has been established
- Environmental Initiatives
  - Launch of environmental focused credit card products in USA (Ecosmart) and Hong Kong
  - Paperless initiatives in Hong Kong and USA with over 20 million paper statement switched off
- Cross sell task force formed to maximize the cross-sell of insurance products throughout different regions leveraging US expertise in sales effectiveness and product optimization
- Awards received:
  - A national satisfaction survey in Brazil voted HSBC the ‘Brazilian preferred card’ scoring high marks in a numbers of categories including satisfaction with lost and stolen protection insurance
  - Hong Kong received 19 awards from card schemes including ‘Bank of the Year’ from both Visa and MasterCard. Also voted by customers as the ‘best credit card’ offering the ‘best reward programme’

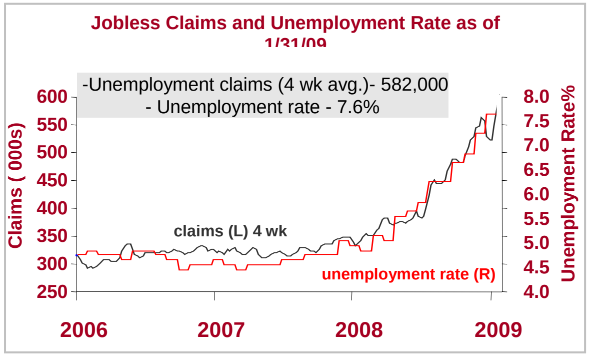
Retail Credit Risk

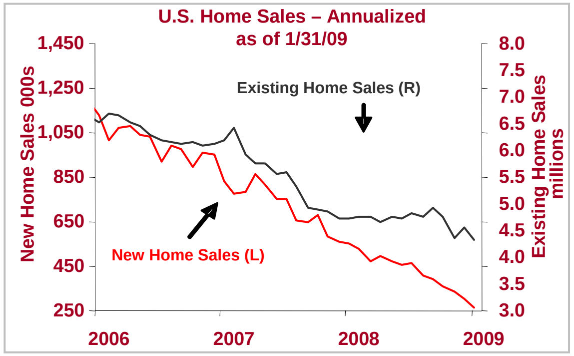
Mark Gunton
SEVP – Chief Risk Officer

HSBC
The world's local bank

- Negative economic news continues to dominate as the U.S. economy is in the middle of what may end up being the worst downturn since the Great Depression. Households and businesses remain exceedingly nervous, weighing on consumer spending and investment. There are no indications that homebuilding is set to stabilize. Trade will no longer be a positive, as the global economy has also moved into recession
- The labor market situation continued to deteriorate in January. Payrolls declined on net by 598,000, the largest loss since December 1974. Nearly 1.8 million jobs were lost on net during the last three months, the worst three-month loss since 1945. Since the labor market began to shed jobs a year ago, 3.6 million payroll jobs have been lost. Losses were broad-based across industries, with only education and healthcare expanding. The unemployment rate increased to 7.6% in January from 7.2% in December, the highest rate since 1992
- January new home sales fell 10.2% m/m, and are as low as they have been since tracking began in the early 1960's. Existing home sales fell 5.3% in January. Foreclosures have accounted for a large portion of existing home sales for the last year, and recent foreclosure moratoriums may have reduced sales. Prices are pressured by ample supplies of foreclosed properties which sell at reduced prices



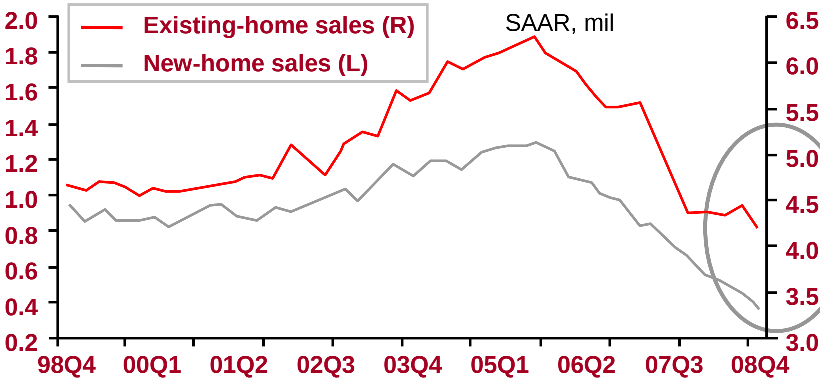




Source: Moody's Economy.com.

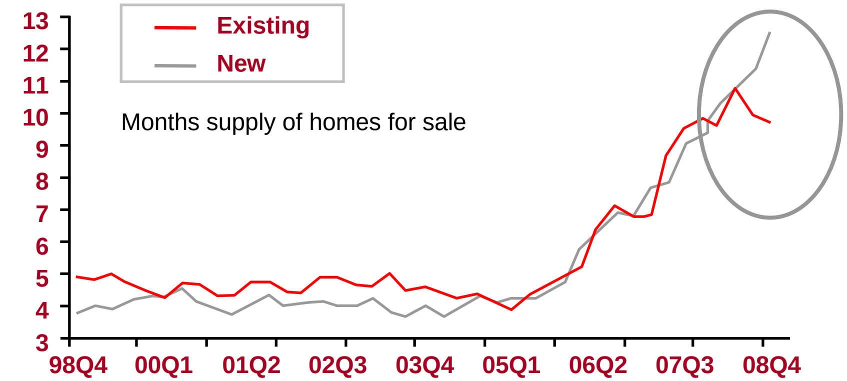
- Correction in the housing market continued. Home sales declined, inventories remain elevated, and home prices continued to decline. The number of overpriced areas and the extent of pricing imbalance continued to moderate.

Home sales are at their lowest levels ….



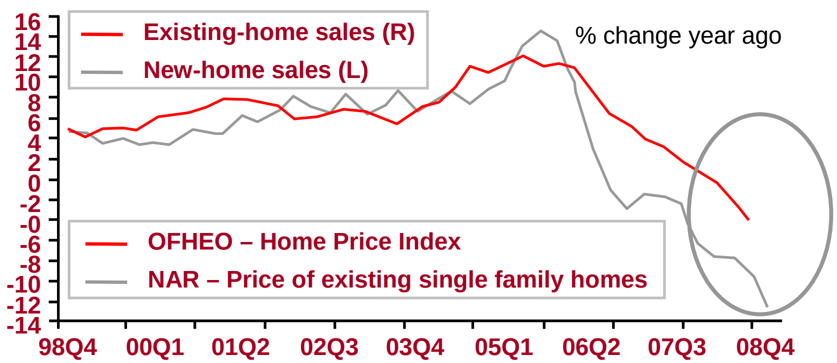
Sources: Bureau of Census, NAR

… while inventories of homes remain elevated.



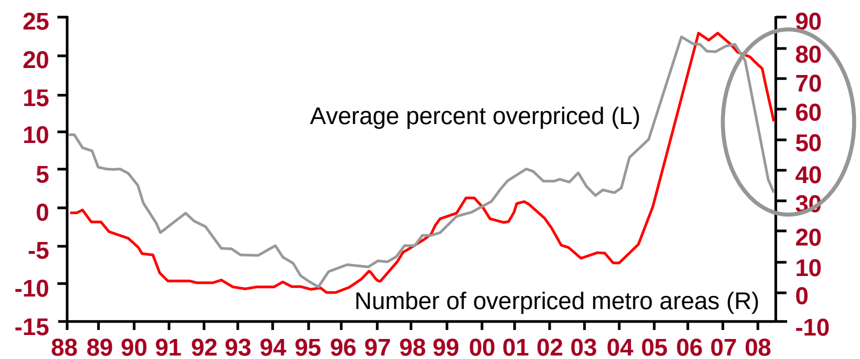
Sources: BOC, NAR

Home prices continue to decline ….



Source: NAR, FHFA

… resulting in pricing balance in many metro areas



Source: Moody's Economy.com

Based on:
Moody's Economy.com latest Single-Family Housing Market Monitor, Update as of Jan-09.

Credit Update – US Economic Outlook: Moody’s Economy.com

- Moody’s Economy.com’s (MEDC) baseline economic forecasts (50% probability that the economy will perform better, broadly speaking, and a 50% probability that it will perform worse) are usually not far away from the consensus average.

Highest GDP ◄────────────────► **Lowest GDP**

2009 Full Year Forecast	Naroff Economic Advisos	UBS	Wells Capital Management	Consensus	Moody's Economy.com	Wachovia	Georgia State University
Real GDP Growth	-0.8	-1.2	-1.7	-1.9	-2.3	-2.5	-3.1
CPI (Inflation)	1.0	0.1	-1.4	-0.8	-0.5	-1.1	-1.6
Industrial Production	-0.2	-7.3	-4.9	-6.3	-4.6	-9.3	-7.2
Personal Income	1.9	1.7	0.7	1.3	2.1	1.4	2.5
Personal Consumption	-0.5	-1.6	-1.6	-1.4	-2.5	-1.8	-2.3
Corporate Profits	-9.5	Na	-8.5	-10.4	-9.6	-21.0	-5.6
Unemployment Rate	7.9	8.0	7.6	8.3	8.4	-8.5	8.6

2010 Full Year Forecast	DeKaser & Associates	Barclays Capital	General Motors Corporation	Consensus	Moody's Economy.com	Fannie Mae	Georgia State University
Real GDP Growth	3.9	2.8	2.4	2.1	1.7	1.3	-0.4
CPI (Inflation)	1.7	2.0	0.3	1.8	2.2	1.7	1.0
Industrial Production	2.5	3.1	3.5	2.1	1.7	2.5	-2.4
Personal Income	2.9	2.2	2.1	2.0	1.4	1.1	-1.7
Personal Consumption	3.5	2.3	2.3	1.9	1.0	1.3	-0.1
Corporate Profits	7.2	8.0	4.8	5.9	0.1	8.0	6.8
Unemployment Rate	7.9	8.3	9.1	8.7	8.9	9.6	10.2

Blue Chip Consensus Forecast is an average of 52 economic forecasting groups as of February 10, 2009.

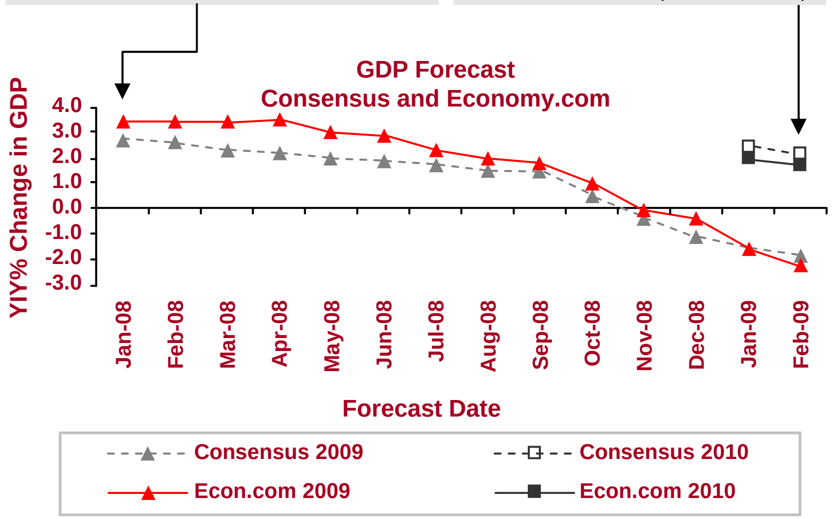
Credit Update – US Economic Outlook: Moody's Economy.com

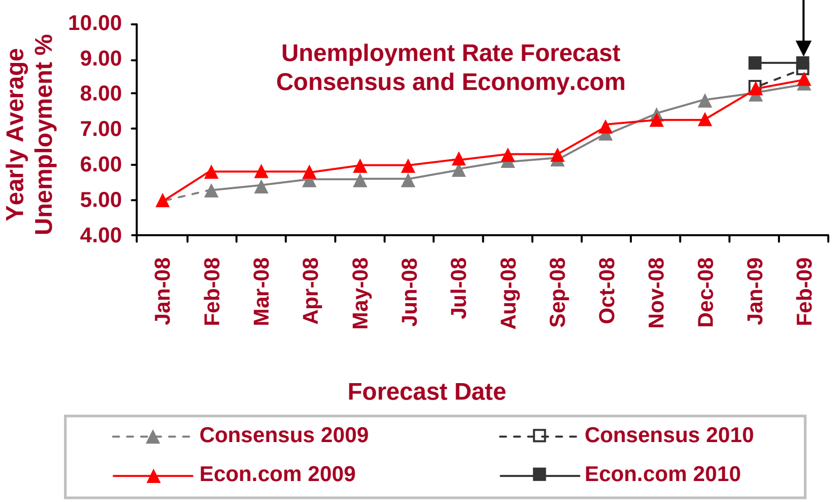
- The charts below compare the historical MEDC and consensus forecasts provided in each month since Jan-08, for 2009 and 2010 GDP growth and the unemployment rate
- Both MEDC and the consensus forecasts were adjusted lower for GDP and higher for unemployment, as the economic situation worsened throughout 2008

In Jan-08, MEDC GDP forecast for 2009 was slightly higher than the consensus (3.4% vs. 2.7%). The forecasts have converged over time and in Feb-09, the MEDC forecast for 2009 GDP became lower than the consensus (-2.3% vs. -1.9%).

In Jan and Feb-09, the MEDC 2010 GDP forecast has been slightly lower than the consensus (1.7% vs. 2.1%).

The Jan-09 forecast for avg. unemployment rate in 2009 and 2010 are in line with the consensus (~8.3% in 2009 and ~8.7% in 2010).





Blue Chip Consensus Forecast is an average of 52 economic forecasting groups as of February 10, 2009.

Credit Update – Macroeconomic View & Impact on Impairment

Unemployment Rate

- Loan impairment allowances are sensitive to changes in the level of unemployment, particularly at the current time, which affects customers' future ability to repay their loans. For example, had there been an additional 1 percent increase in unemployment, loan impairment allowances could have been higher by between US$0.7 billion and US$1.5 billion as at December 31, 2008. The relationship between changes in unemployment and loan impairment charges cannot be predicted with any degree of certainty. For example, sharp increases in unemployment may not have a linear impact on the level of increase in loan impairment charges

- Key Impacts:
  - As unemployment rate increases, the impact on prime borrowers becomes more significant
  - Due to difficulty in finding new employment, people stay unemployed for longer durations and/or become re-employed at a lower salary
  - People who are too discouraged to look for work are excluded from unemployment rate calculations - published rates may be even more understated in a high unemployment rate scenario
  - Prime borrowers tend to have higher credit lines, so resulting loss severities are amplified

Housing Price Index

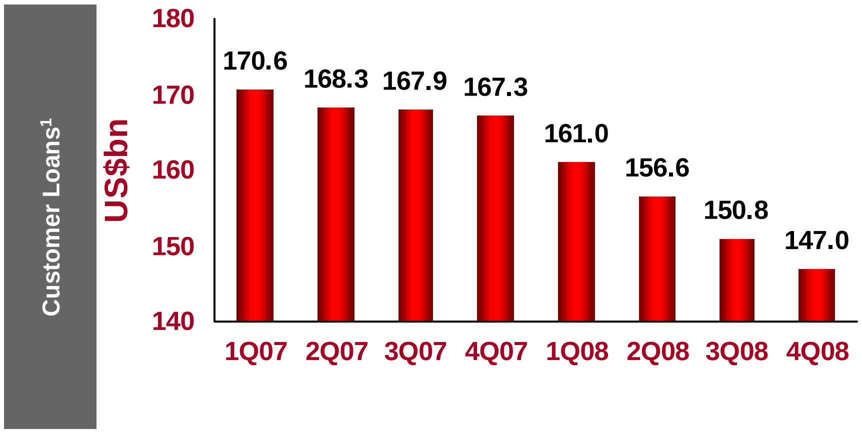
- The relationship of changes in the housing price index and LIC has been linear so far, with increases in the index resulting in both higher frequency of loss and higher severity of loss
- With more pronounced drops in the housing price index, this will likely also become non- linear, as it will likely incrementally drive more and more customers to loss

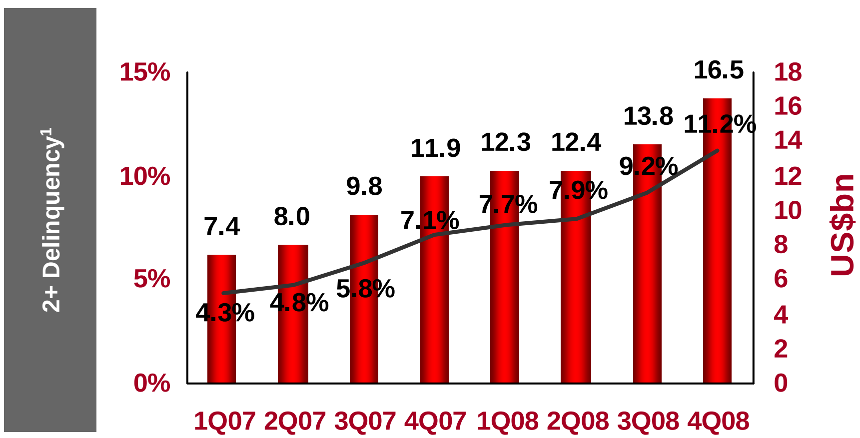
January 2009 Senior Loan Officer Opinion Survey on Bank Lending Practices:

- Residential Real Estate Lending
  - About 45 percent of domestic respondents indicated that they had tightened their lending standards on prime mortgages over the past three months
  - Almost 50 percent of the 25 banks that originated nontraditional residential mortgage loans over the survey period reported having tightened their lending standards on such loans
  - Only four banks reported making subprime mortgage loans over the past three months.
  - On net, about 60 percent of domestic respondents, down from 75 percent in the October survey, noted that they had tightened their lending standards for approving applications for revolving home equity lines of credit (HELOCs) over the past three months
- Consumer Lending
  - Nearly 60 percent of respondents indicated that they had tightened lending standards on credit card and other consumer loans, about the same fractions as in the October survey.
  - Close to 55 percent of respondents reported having reduced the extent to which both credit card accounts and other consumer loans were granted to customers who did not meet credit-scoring thresholds.
  - Roughly 45 percent of the respondents also reported having raised minimum required credit scores on credit card accounts and other consumer loans, a proportion slightly lower than posted in the October survey
- Changes to credit lines for existing customers
  - On net, domestic banks reported that they had reduced the size of existing credit lines for all major types of business and household accounts
  - About 40 percent of domestic banks reported having reduced the sizes of existing home equity lines of credit, on net
  - Approximately 35 percent reported having trimmed existing consumer credit card account limits

Source: Federal Reserve.

Continued reduction of balance sheet in the U.S.





- Customer loans decreased 12 percent from December 2007 reflecting actions implemented to reduce risk and slow growth
  - Real estate secured loans decreased 15 percent from Q4 2007 (13 percent in first lien and 24 percent in 2nd lien) as a result of the decision in March 2007 to close our correspondent channel and actions taken since mid-2007 to reduce risk in the CL business. Real estate secured loans will continue to run-off following the recent decision to discontinue originations in the CL business
  - Auto loans decreased 17 percent following the cessation of new originations in our dealer and direct-to-consumer channels in August 2008
  - Personal non-credit card loans decreased 13 percent from risk initiatives and will continue to decline as a result of the decision to stop all originations in the CL business

- Delinquencies continued to rise across all portfolios particularly in the first lien real estate secured loans in our CL and MS portfolios and to a lesser extent in our credit card and private label portfolios. We expect this trend to continue in 2009 as portfolios decline and loans season. Current recessionary pressures will continue to impact performance across all portfolios

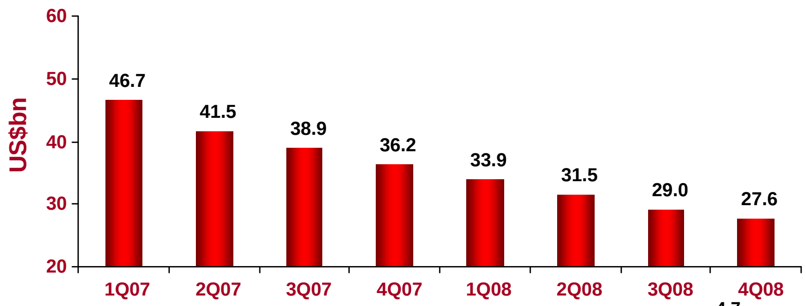
- Loan impairment allowances are sensitive to changes in the level of unemployment, which affects customers' ability to repay their loans. For example, had there been an additional 1 per cent increase in unemployment impacting customer behavior, loan impairment charges could have been higher by between $0.7 billion and $1.5 billion as at December 31, 2008. This relationship is not linear when the increase is severe

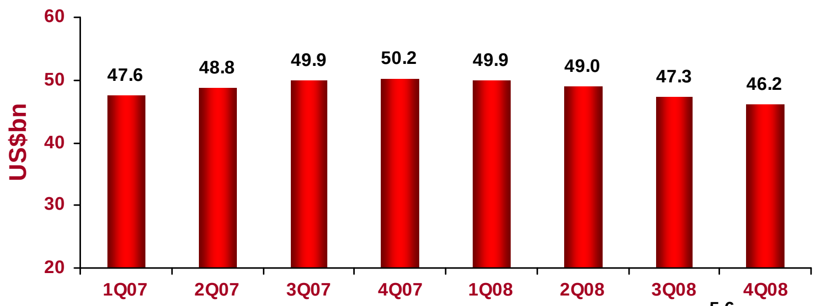
Note:
(1) IFRS Management Basis for U.S., excludes operations in U.K. and Canada

U.S. Mortgages – continuing to shrink the mortgage portfolio

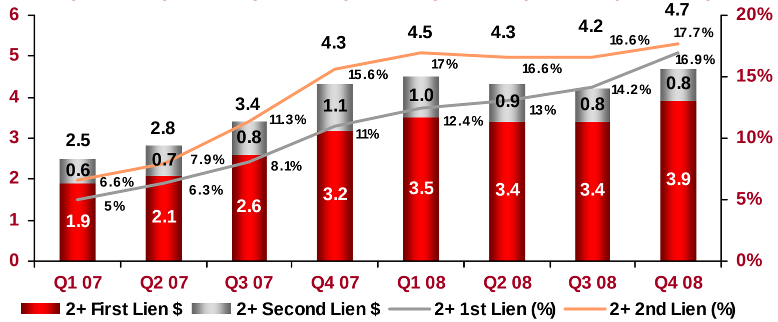
Mortgage Services	Customer Lending

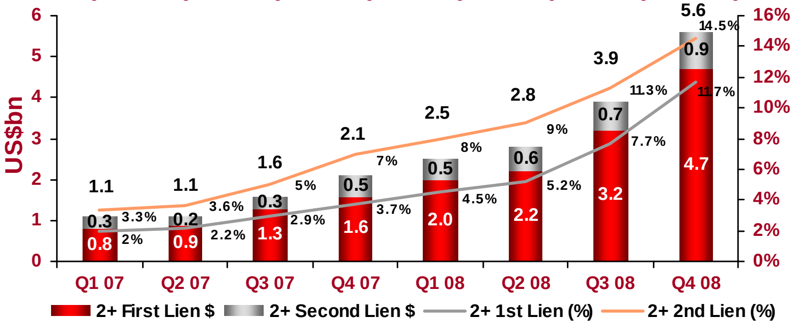
Customer Loans





2+ Delinquencies





Trends and Initiatives

Portfolio Trends

- Portfolio balances in decline
- Delinquency on increasing trend

Key Initiatives

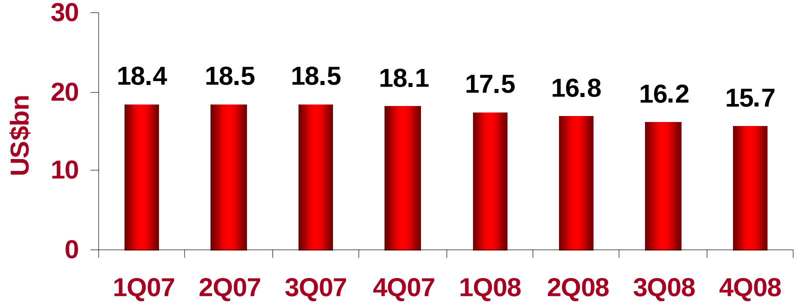
- Discontinued Consumer Lending business in March 2009
- Enhanced modification programs
- Enhance risk and collection strategies

Note: IFRS Management Basis for U.S., excludes operations in U.K. and Canada

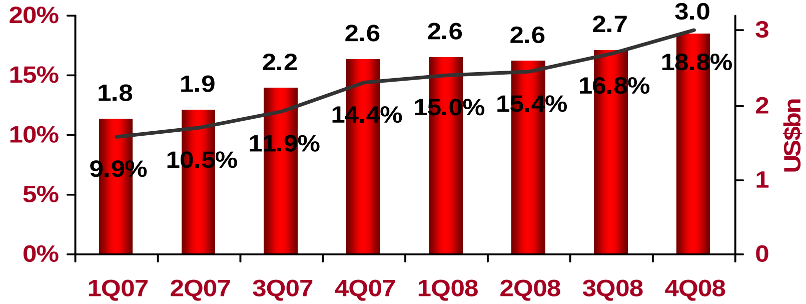
Manage personal non-credit card risk

Personal Non-Credit Card

Customer Loans



2+ Delinquencies



Trends and Initiatives

Portfolio Trends
- Portfolio balances in decline
- Delinquency on increasing trend

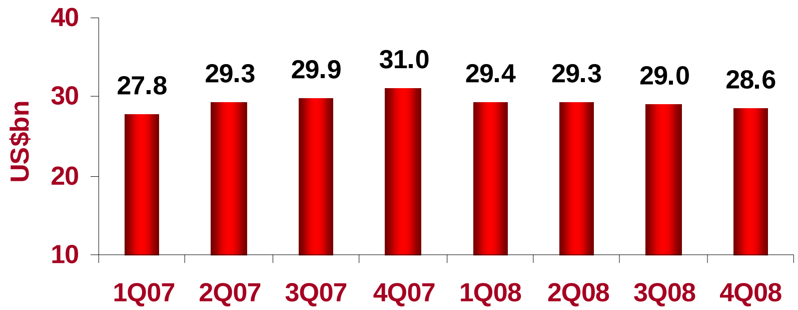
Key Initiatives
- Cut pre-approved mailings
- Enhance risk and collection strategies

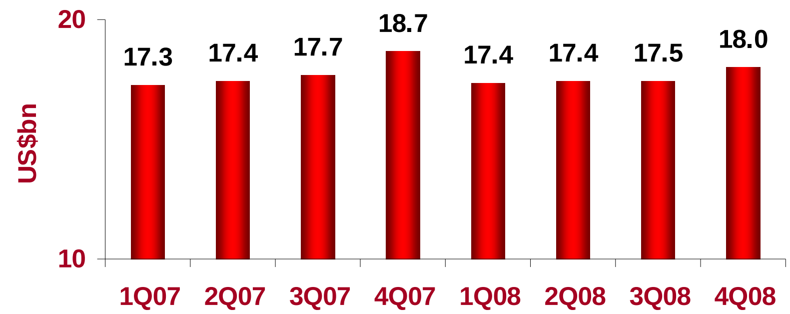
Note: IFRS Management Basis for U.S., excludes operations in U.K. and Canada

Managing risk in CRS

	Credit Card	Private Label

Customer Loans





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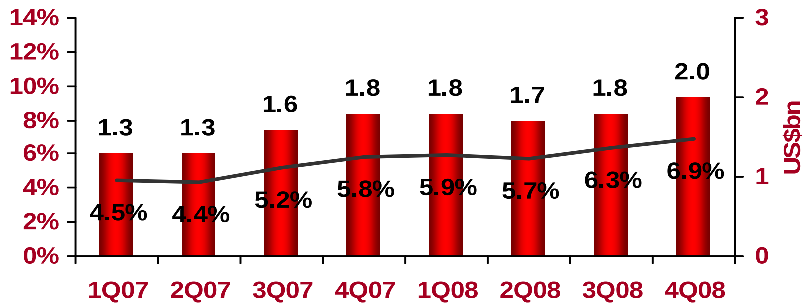
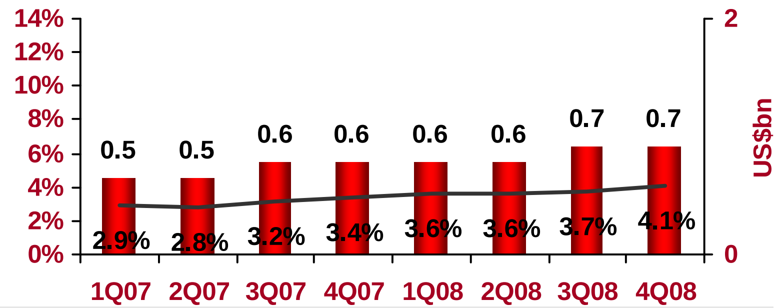




Trends and Initiatives

Portfolio Trends

- Portfolio declining as a result of actions taken to slow growth
- Delinquencies increasing at higher levels largely due to deterioration in U.S. economy and rising unemployment

Key Initiatives

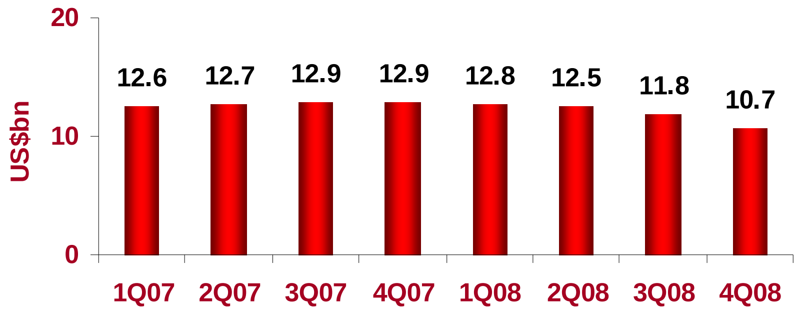
- GM and UP transferred to HSBC Bank USA in January 2009
- Cut pre-approved mailings
- Enhanced risk and collection strategies

Note: IFRS Management Basis for U.S., excludes operations in U.K. and Canada

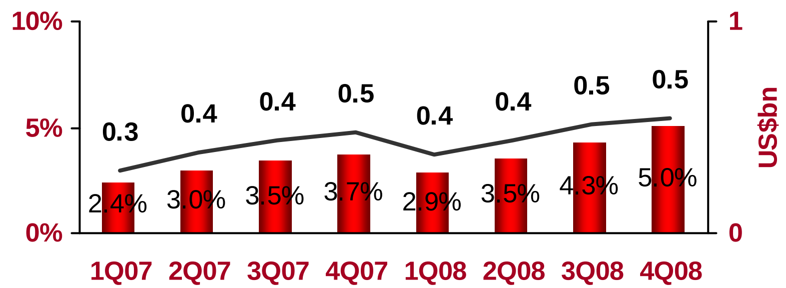
Portfolio Runoff

Auto Finance

Customer Loans



2+ Delinquencies



Trends and Initiatives

Portfolio Trends

- Receivables are declining as originations have been discontinued

Key Initiatives

- Discontinued Autos-In-Branches lending
- Enhance risk mitigation and collection strategies

Note: IFRS Management basis for U.S., excludes operations in U.K. and Canada

Credit Update – Charge-Off

- The higher dollars of net charge-offs are primarily in our real estate secured, credit card and personal non-credit card portfolios as a result of the following:
  - Higher levels of bankruptcy filings
  - Higher loss severities for secured receivables
  - Lower recovery rates on credit card receivables

	Actuals		
Receivables End of Period ($millions)	**Dec 2006**	**Dec 2007**	**Dec 2008**
Real Estate	92,592	84,381	71,666
Auto Finance	12,194	12,899	7,621
Credit Card	27,499	30,091	13,231
Private Label	289	147	65
Personal Non-credit card	18,244	18,045	15,568
Total Consumer	**150,818**	**145,563**	**108,151**

	Actuals		
Net Charge-offs to Average Receivables Continuing Operations	**Dec 2006**	**Dec 2007**	**Dec 2008**
Real Estate Secured	1.0%	2.4%	5.5%
Auto Finance	3.7%	4.1%	5.9%
Credit Card	5.6%	7.3%	12.0%
Private Label	8.7%	16.6%	29.6%
Personal Non-credit card	7.2%	8.3%	13.5%
Total Consumer	**2.8%**	**4.2%**	**7.7%**

Note: Data from 2008 10-K, legal entity basis

Credit Update – Consumer Lending Credit Initiatives & Impacts

RE Loss Mitigations:

- Tightened collateral policies
- Raised minimum loan size
- Tightened internal credit guide scores (CGS) cut-offs multiple times
- Lowered maximum loan-to-value ratios (LTV) to 90% (including points & fees)
- Eliminated stated income program
- Eliminated adjustable rate mortgage product
- Added minimum FICO requirement for LTV > 80%
- Capped maximum LTV based on Home Price Index (HPI) 1 yr forecast
- Eliminated rental/ vacation properties
- Raised disposable income requirements
- Tightened CGS/ LTV limits on debt-to-income ratios (DIR) 40%+
- Eliminated all prior foreclosures
- Raised CGS requirement and capped DIR in high-risk states
- Raised CGS requirement for self-employed non-conforming income

Non-RE Loss Mitigations:

- Discontinued acquisition live check campaigns
- Discontinued personal homeowner loan (PHL) product
- Increased CGS minimum for non-real estate secured loans (NRE)
- Decreased NRE line amounts at origination

- HSBC has ceased all consumer finance branch originations as of March 2009
- Credit tightening actions during 2008 have curtailed origination volumes to <20% of peak levels. Origination credit quality has improved steadily since Q107 and the average booked LTV has declined since Q307
- LTV ratios at origination have recently dropped below 80%
- FICO scores at origination have increased steadily since 4Q 2007

Note: Consumer Lending encompasses branch originated real estate and unsecured loans.

Credit Update – Card Services Credit Initiatives and Impacts

Card Services Loss Mitigations:

- Eliminated the highest loss segments and products in the Non-Prime business
- Reduced initial line assignments on the Metris portfolio
- Eliminated the higher risk segments and introduced down sell strategies for the Prime portfolios
- Tightened underwriting criteria for the Prime portfolios
- Reduced the marketing budget for Non-Prime business
- Suspended all core origination programs until September 2009
- Tightened line increase criteria
- Reduced contingent liability through more aggressive credit line decrease criteria, inactive account closures and tightened credit line increase policy

- Credit tightening actions have dramatically reduced origination volumes. Origination credit quality has improved steadily since Q107 with significant increases in average FICO starting in Q108

Credit Update – Foreclosure and Real Estate Owned

- The steep decline in December's foreclosure and REO volumes is driven by the foreclosure moratorium
- Total Loss on REO sale has been on an increasing trend
- Deteriorating housing market conditions negatively impact sales prices on REO properties

	Three Months Ended				
	Full Year 2008	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008	Mar. 31, 2008
Number of REO properties at end of period	9,350	9,350	10,887	10,596	9,955
Number of properties added to REO inventory in the year/quarter	19,532	3,313	5,416	5,606	5,197
Average loss on sale of REO properties (1)	13.0%	13.3%	11.0%	11.0%	16.0%
Average total loss on foreclosed properties (2)	42.2%	46.8%	42.2%	40.0%	39.5%
Average time to sell REO properties (in days)	177	180	174	171	181

(1) Average loss on sale of REO properties is calculated as cash proceeds after deducting selling costs and commissions, minus the book value of the property when it was moved to real estate owned, divided by the book value of the property when it was moved to real estate owned.

(2) Average total loss on foreclosed properties includes both the loss on sale and the write-down upon classification as real estate owned, expressed as a percentage of the book value of the property prior to its transfer to real estate owned.

Note: Data from 2008 10-K, legal entity basis

Credit Update – Conclusion

- Expect a weak and challenging economic environment throughout the year
- Progressively tightened origination volume and quality during 2007 and 2008
- Significantly reduced volumes and recent higher quality originations will have limited impact on the performance of the overall portfolio
- Review risk mitigation strategies to align with government programs and reduce charge-off and LIC

Additional Q & A

HSBC

The world's local bank

Appendix-
HSBC Finance
2008 Year end results

HSBC
The world's local bank

HSBC Finance Corporation – YTD Financial Results

US$m	2007 YTD	2008 YTD	% Better (Worse) vs 2007 YTD
Net operating income before loan impairment charges excluding FVO	14,997	13,738	(8.4%)
FVO	1,564	2,924	87.0%
Loan impairment and other related charges	(11,570)	(15,347)	(32.6%)
Net operating income	4,991	1,315	(73.7%)
Total operating expenses excluding goodwill impairment	(5,443)	(4,526)	16.8%
Goodwill impairment	(5,549)	(900)	83.8%
Profit (Loss) from continuing operations before tax (1)	(6,001)	(4,111)	31.5%
Profit (Loss) from discontinued operations before tax (2)	(591)	(531)	10.2%
Profit (Loss) before tax	(6,592)	(4,642)	29.6%
Cost efficiency ratio from continuing operations (3)	32.9%	27.2%	570 bps
Cost efficiency ratio – normalized (4)	36.3%	32.9%	340 bps
Customer loans and advances (as at period end)	177,732	147,010	(17.3 %)
Profit (Loss) before tax from continuing operations excluding FVO	**(7,565)**	**(7,035)**	**7.0 %**

Note: The figures above are presented on an IFRS Management Basis. See Note 23 'Business Segments' of Form 10-K for the period ended December 31, 2008 for a reconciliation of IFRS to U.S. GAAP.

(1) 2007 year-to-date loss before tax from continuing operations excluding the goodwill impairment impact ($1,343 million relating to MS, including the Decision One business, $3,730 million relating to the CL business and $476 million relating to the MVF business) was ($452) million. 2008 year-to-date loss before tax from continuing operations excluding the goodwill impact ($900 million relating to the card business) was ($3,211) million.

(2) Discontinued operations includes results from our U.K. Operations which was sold to an affiliate in Q2 2008 and results from our Canadian Operations sold to an affiliate in Q4 2008. 2007 year-to-date loss before tax from discontinued operations excluding goodwill impairment impact ($410 million relating to the U.K. Operations) was ($181) million. 2008 year-to-date profit before tax from discontinued operations excluding loss on sales of the U.K and Canadian Operations to affiliates of $375 million and $251 million, respectively, was $95 million.

(3) Cost efficiency ratio from continuing operations before tax excluding the impact of the goodwill impairment charge of $5,549 million in 2007 and $900 million in 2008.

(4) Cost efficiency ratio from continuing operations before tax excluding the impact of the goodwill impairment charge of $5,549 million in 2007 and $900 million in 2008, also normalized to exclude the impact of fair value option income of $1,564 million and $2,924 million for 2007 (YTD) and 2008 (YTD), respectively.

HSBC Finance Corporation

Reported results summary

Loss before tax	• Loss before tax from continuing operations, excluding goodwill impairment was $3.2 billion in 2008 compared to $0.5 billion in the prior year primarily due to increased loan impairment charges as U.S. economic conditions continued to deteriorate, partially offset by higher fair value option income on debt market valuation ($1.4 billion higher than the prior year period) due to widening of credit spreads
Operating income before loan impairment charges (“LIC”)	• Operating income from continuing operations before loan impairment charges and FVO decreased 8.4 percent compared with 2007 primarily due to lower fee income following fee practice changes in CRS in late 2007 and lower net interest income as benefits from lower cost of funds were more than offset by lower yields and average balances. Decreased yields were due to increased levels of loan modifications, the impact of deterioration in credit quality, including growth in non-performing loans, lower amortization of deferred fees due to lower prepayments and lower origination volumes as well as decreases in rates on variable rate products which reflect market rate movements, partially offset by a shift in mix to higher yielding credit card receivables resulting from run-off in the lower yielding real estate secured loans
Loan impairment charges	• Loan impairment charges increased 32.6 percent or $3.8 billion in 2008 compared with 2007. Losses increased across all portfolios due to continued deterioration in the U.S. economy, rising unemployment rates, portfolio seasoning and increased levels of personal bankruptcies
Operating expenses	• Operating expenses, excluding goodwill impairment improved 16.8 percent in 2008 compared with the prior year primarily due to lower staff costs following decisions to right-size the businesses and lower marketing costs reflecting the strategic decision in the second half of 2007 to reduce risk and slow receivable growth primarily in the credit card and personal non-credit card portfolios
Delinquency	• Our delinquency ratio and dollars increased to 11.2 percent and $16.5 billion, respectively, at December 31, 2008 primarily due to impacts from the continued marketplace deterioration and broader economic conditions, including significantly higher levels of unemployment. In 2008, the deterioration has been most pronounced in CL first lien real estate secured loans originated in 2006, 2007 and to a lesser extent, origination in the first half of 2008
Customer loans	• Customer loans decreased to $147.0 billion at December 31, 2008, a 17.3 percent decrease as a result of our strategic actions taken beginning in the second half of 2007 and continuing into 2008 to reduce the size of the balance sheet and lower our risk profile. Excluding the sales of the UK and Canadian Operations customer loans decreased 12 percent from December 31, 2007

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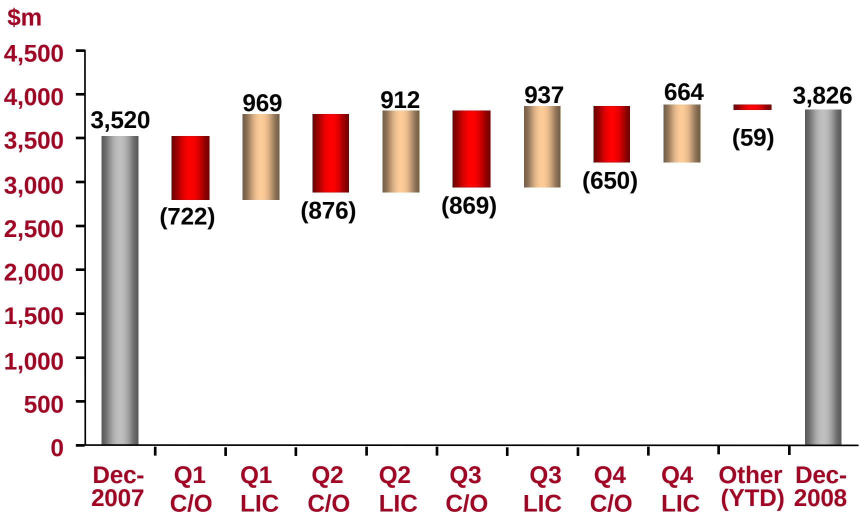
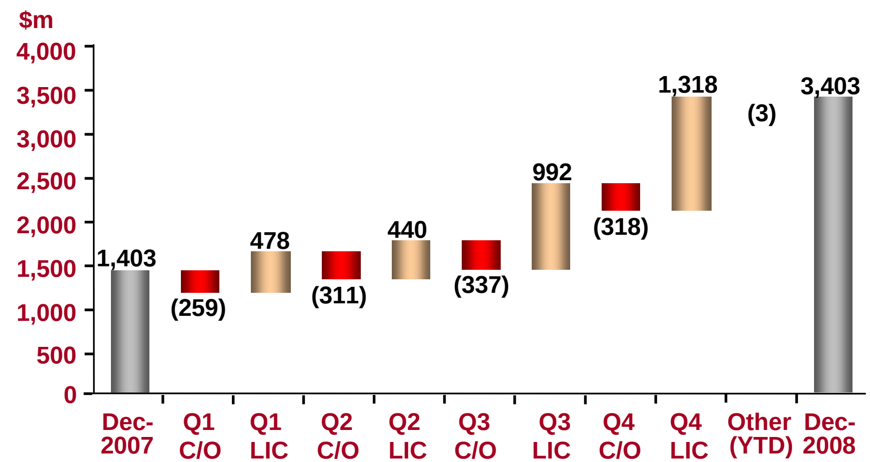
Impairment allowance – MS and CL real estate secured

Mortgage Services



- MS charge-off dollars have stabilized, however risk remains due to the continued decline in home values, rising unemployment and the overall weakening of the U.S. economy
- The voluntary one-month suspension of foreclosure proceedings had minimal impact on total LIC for MS and CL as impairment allowances for loans remaining in delinquency longer had previously been established
- Reserves as a percentage of 2+ delinquency for first lien loans were 68.0% and 46.9% at December 31, 2008 and 2007, respectively and for second lien loans were 148.4% and 190.2% at December 31, 2008 and 2007, respectively. The decrease in the ratio for second lien loans reflects more accelerated run-off

Consumer Lending



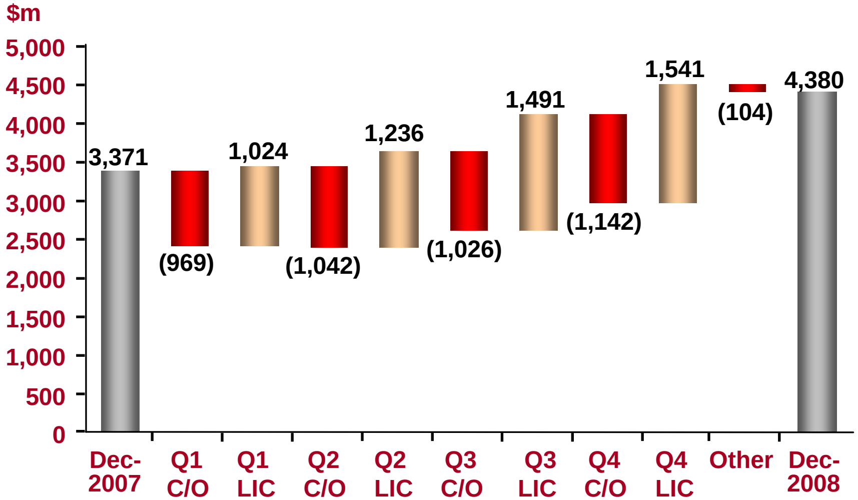
- Loan impairment charges increased markedly in the second half of 2008 in the CL real estate secured portfolio due to higher levels of charge-off and delinquency as deterioration in portions of the portfolio accelerated and more loans progressed to later stages of delinquency due to continuing U.S. economic deterioration, notably increasing unemployment and decreasing property values
- Reserves as a percentage of 2+ delinquency for first lien loans were 48.8% and 48.1% at December 31, 2008 and 2007, respectively and for second lien loans 128.5% and 130.0% at December 31, 2008 and 2007, respectively

Note: C/O = Net Charge-offs (amounts written off)
LIC = Loan Impairment Charge
Results on an IFRS Management Basis

HSBC Finance Corporation

Impairment allowance – CRS

Card and Retail Services



- Reserves at Card and Retail Services increased from the prior year as a result of higher loss estimates from portfolio seasoning, higher levels of personal bankruptcy filings and continued weakening in the U.S. economy particularly in the geographic regions most impacted by the housing market downturn and rising unemployment. Higher early stage delinquency and lower recovery rates on defaulted loans also contributed to the increase in reserves

Additional slides from the HSBC Finance Corporation Year-end 8-K can be found in the Retail Credit Risk section of this presentation.

Note: C/O = Net charge-offs (amounts written off)
LIC = Loan impairment charge
Results on an IFRS Management Basis