



2009 BARCLAYS CAPITAL CONFERENCE

# HSBC in North America (USA & Canada)

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HSBC 

The world's local bank

## **Forward-looking 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, HSBC Finance Corporation, HSBC USA Inc., HSBC Bank Canada and HSBC North America Holdings Inc. This forward-looking information represents expectations or beliefs concerning future events and involves known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in the HSBC Holdings plc Annual Report and the HSBC Finance Corporation and HSBC USA Inc. Annual Reports on Forms 10-K for the year ended December 31, 2008, the HSBC USA Inc. and the HSBC Finance Corporation Quarterly Report on Form 10-Q for the period ended June 30, 2009, and the HSBC Holdings plc 2009 Interim Report. Please further be advised that Regulation FD prohibits HSBC representatives from answering certain, specific questions during the Q&A session.**

# Agenda

*HSBC in North America (USA & Canada)*

- **Overview**
- **Financial Performance**
- **US Businesses:**
  - **Consumer Finance**
  - **Personal Financial Services**
  - **Commercial Banking**
  - **Global Banking and Markets**
  - **Private Banking**
- **Canada Business**
- **North America Summary**

# Overview

*(USA & Canada)*

- **A top 10 US bank holding company**
- **Assets in the US and Canada of almost US\$500bn<sup>(1)</sup> at June 30, 2009**
- **Approximately 37,000 employees**
- **Branches in 12 states plus the District of Columbia and across Canadian provinces**
- **1H09 pre-tax loss of US\$(3.8)bn<sup>(1)</sup>**
- **Comprised 20% of Group's assets in 1H09**

Notes:

(1) International Financial Reporting Standards (IFRS) basis, excluding Bermuda.

# Financial Performance

(USA & Canada)

<b>Profit (loss) before tax (US\$m, IFRS basis)</b>	<b>1H08</b>	<b>2H08</b>	<b>1H09</b>
<b>United States</b>			
Personal Financial Services (PFS) <sup>(1)(2)</sup>	\$(2,194)	\$(15,170)	\$(2,858)
Commercial Banking (CMB)	167	59	52
Global Banking and Markets	(1,779)	(1,120)	384
Private Banking (PB)	48	19	23
Others <sup>(3)</sup>	277	3,150	(1,519)
<b>Total US</b>	<b>\$(3,481)</b>	<b>\$(13,062)</b>	<b>\$(3,918)</b>
Canada	494	345	144
<b>Total US &amp; Canada</b>	<b>\$(2,987)</b>	<b>\$(12,717)</b>	<b>\$(3,774)</b>
Memo: US PFS excluding goodwill impairment	\$(1,667)	\$(5,133)	\$(2,858)

Source: US & Canada combined country figures from Group Interim Reports

Notes:

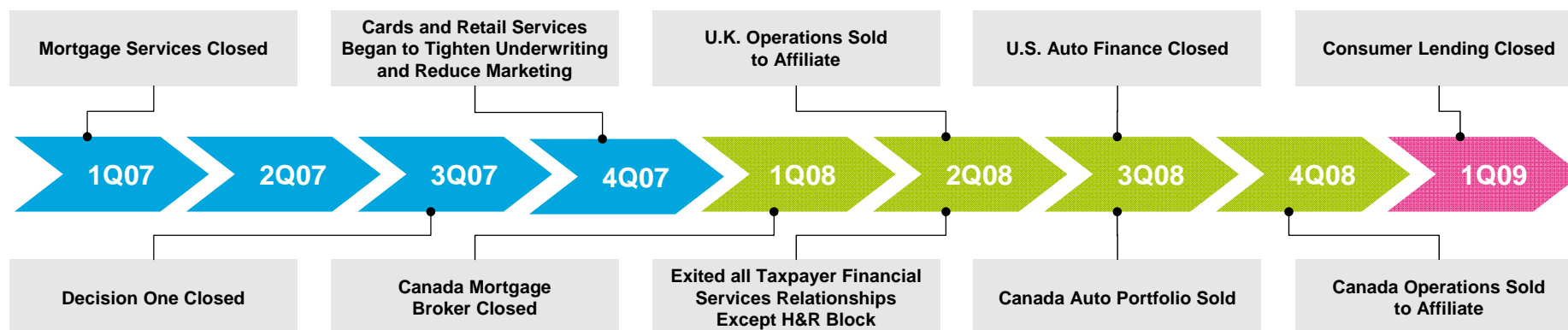
(1) PFS segment includes Consumer Finance (CF)

(2) At a Group level, \$0.5bn and \$10.0bn of goodwill impairment was recognized in 1H08 and 2H08, respectively, and was included in Group results

(3) Primarily represents movements in the fair value of own debt designated at fair value

# HSBC Finance Corporation – Strategy

*Disposals and business realignment 2007-2009*



## Early and Aggressive Action to Mitigate Risk

**Consumer & Mortgage Lending**

- **Exited** Correspondent (Q1 2007), Wholesale Broker (Q3 2007) and ultimately Consumer Lending Branch (Q1 2009) origination channels. Related portfolios put into run off
- **Tightened Underwriting** standards progressively in Consumer Lending from 2007 to 2009
- **Decreased Originations** in 2007 even as other major originators were building volume
- **Active Risk Reduction** through portfolio sales and loan modification programs
- **Comprehensive Upgrade to Default Management and Loss Mitigation** throughout 2007-2009

**Cards & Retail Services**

- **Reduced Originations:** Marketing spend progressively decreased. Total HSBC Finance marketing spend decreased from \$727M in 2007 to \$354M in 2008, much of which was cards related
- **Tightened Underwriting:** Prescreening and line assignment tightened across all portfolios
- **Active Risk Management:** HSBC reduced Open to Buy lines by 24% (\$39B) in 2008.
- **Renegotiated** Private Label contracts at 14 of 15 largest merchants to improve risk-adjusted profitability; exited 44 retail partnerships
- **Enhanced Collections:** Excess collection capacity maintained to handle anticipated delinquency increases

# HSBC Finance Corporation – Consumer Finance

*Continuing focus on home 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, leveraging disposable income is a key driver
- Time tested data driven analytics, solidifying relationship between payment relief and modification performance

**Beginning in 2008 and through the first half of 2009, we completed more than 162,000 loan modifications totaling approximately \$23bn**

<b>Portfolio snapshots</b>	<b>12/31/06</b>	<b>12/31/07</b>	<b>12/31/08</b>	<b>3/31/09</b>	<b>6/30/09</b>
Total Real Estate Modifications and/or Reages	\$10bn	\$17bn	\$26bn	\$29bn	\$31bn
% of Portfolio with Modification and/or Reages	11%	20%	36%	41%	46%

Notes: Data from 2008 10-K and 2Q09 10-Q, legal entity basis

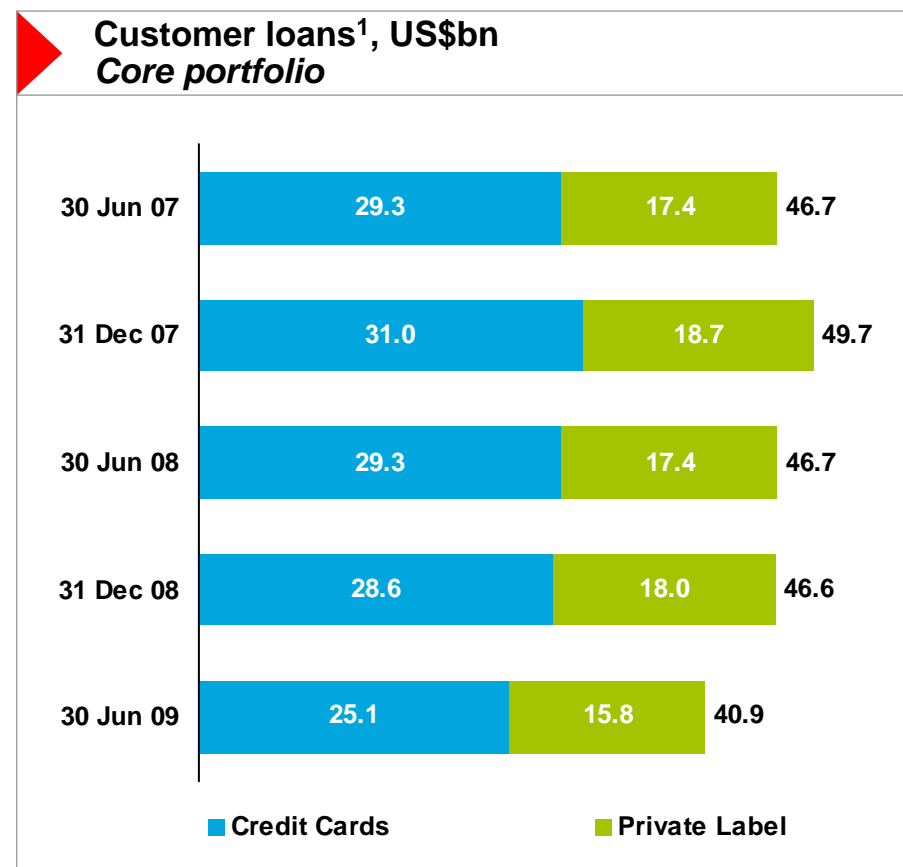
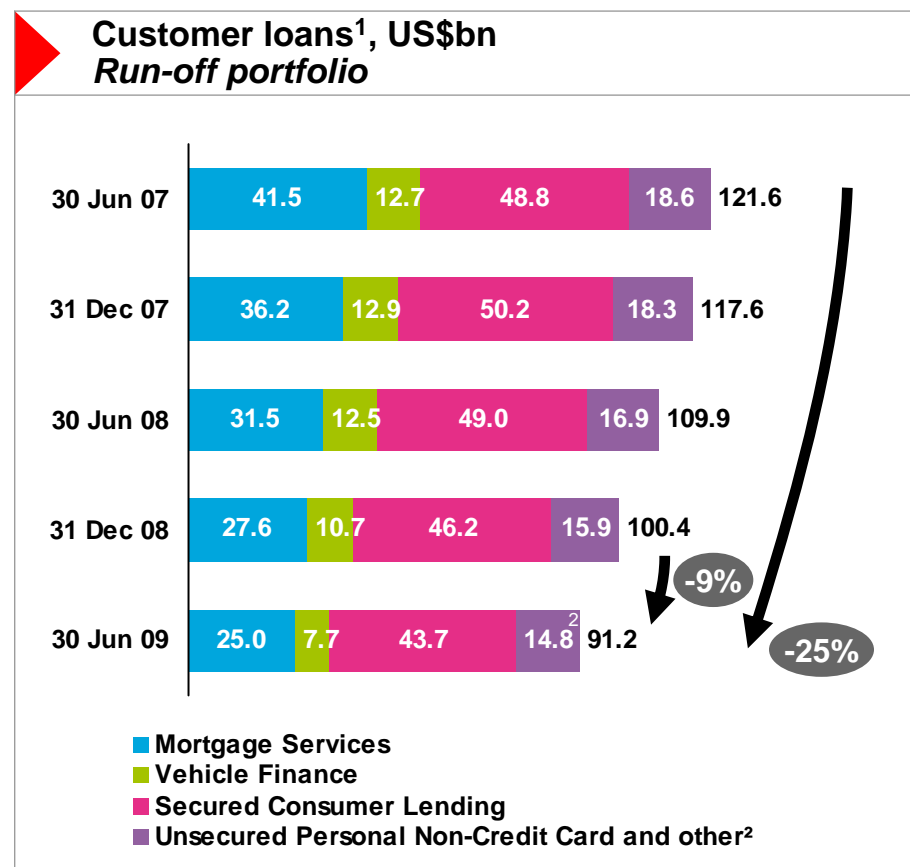
**As of June 30, 2009, approximately 66 percent of all real estate secured loans modified and/or re-aged since January 2007 are less than 60 days delinquent or have paid in full**

- Some level of recidivism on such loans is to be expected
- Our recidivism rates compare favorably to market experience in general
- Recidivism considered in establishing credit loss reserve levels
- Modification when used appropriately maximizes cash flow and results in a positive NPV benefit

# HSBC Finance Corporation – Consumer Finance

Restructuring of HSBC Finance Corporation on track

Run-off portfolio: down 9% from December 2008



Note:

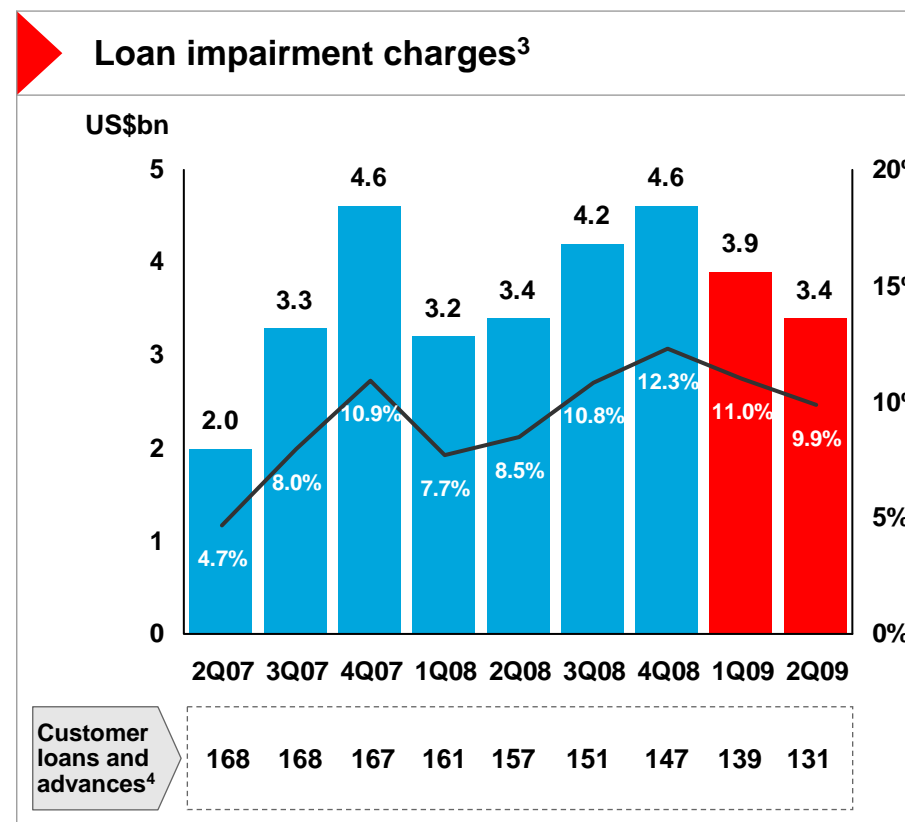
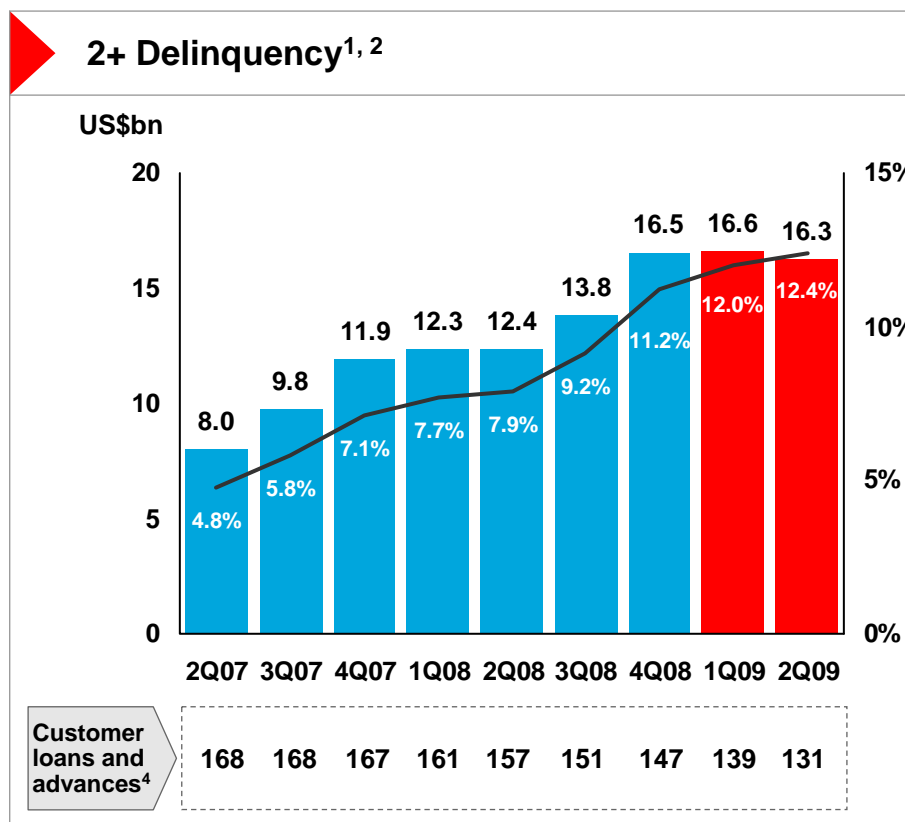
(1) IFRS management basis for US; excludes operations in UK and Canada

(2) Includes Vehicle Finance loans held for sale (US\$0.8bn)



# HSBC Finance Corporation – Consumer Finance

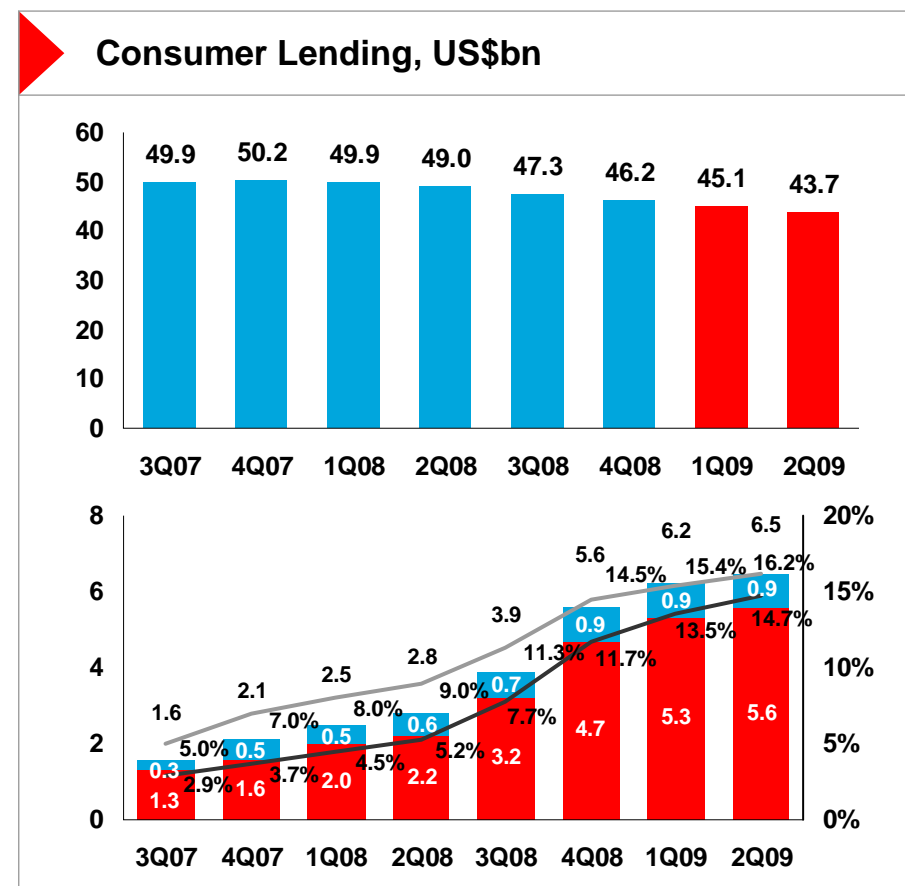
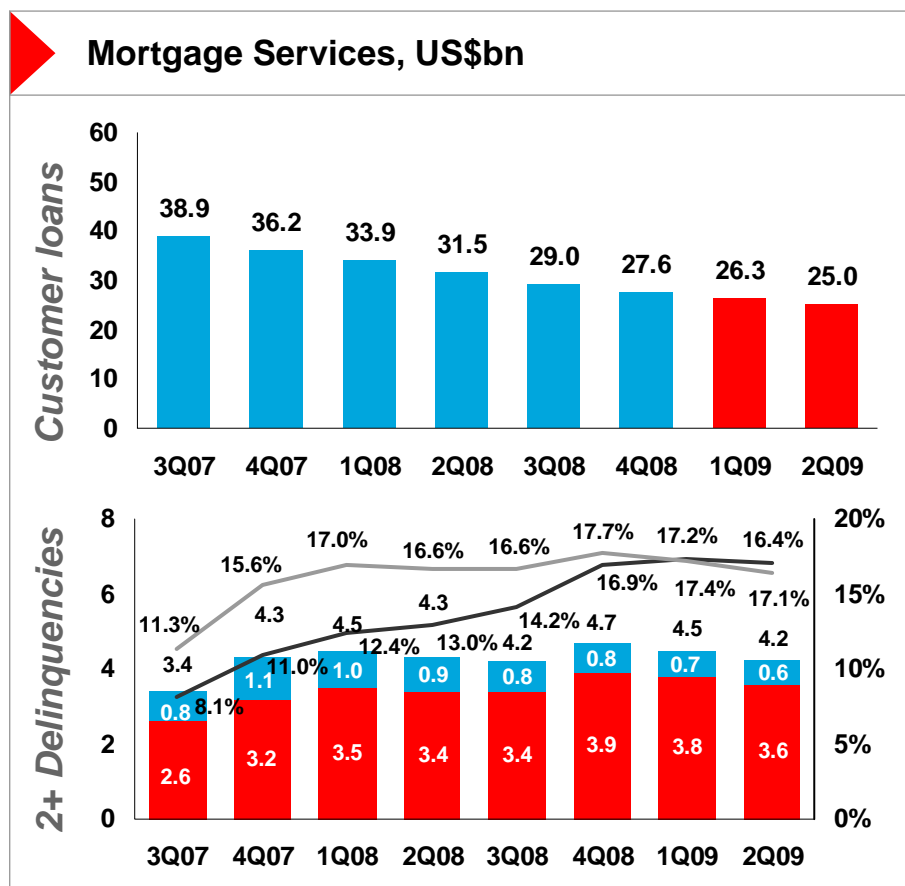
Managing risk at HSBC Finance Corporation  
Consecutive quarters down in loan impairment charges



Note:  
 (1) IFRS management basis for US, excludes operations in UK and Canada  
 (2) 2+ Delinquency ratio as a % of end period customer loans, excluding Vehicle Loans held for sale  
 (3) Loan impairment charges ratio as a % of average total customer loans (annualised)  
 (4) Excludes reverse repo and Vehicle Finance loans held for sale (US\$0.8bn)

# HSBC Finance Corporation – Consumer Finance

US Mortgages – continuing to shrink the mortgage portfolio

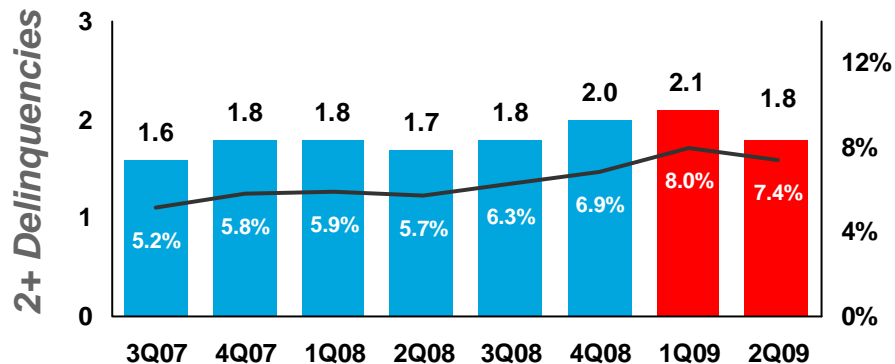
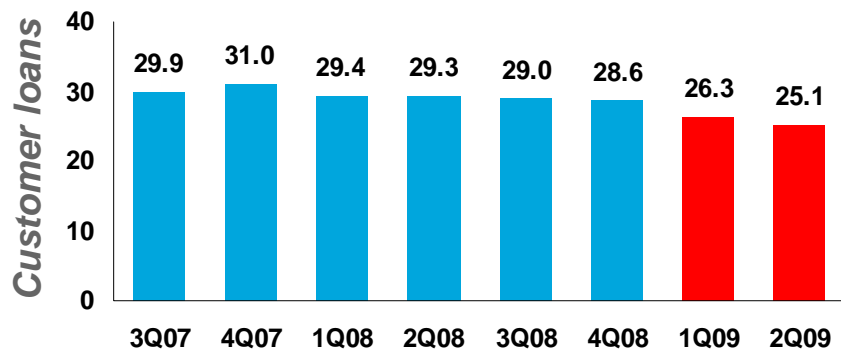


■ 2+ First Lien \$   ■ 2+ Second Lien \$   — 2+ 1st Lien (%)   — 2+ 2nd Lien (%)

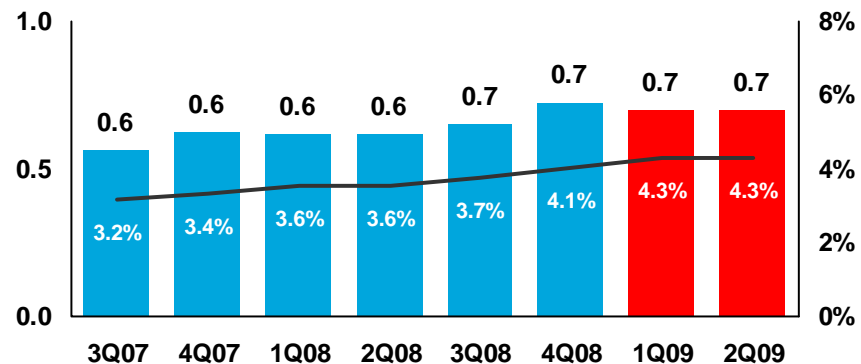
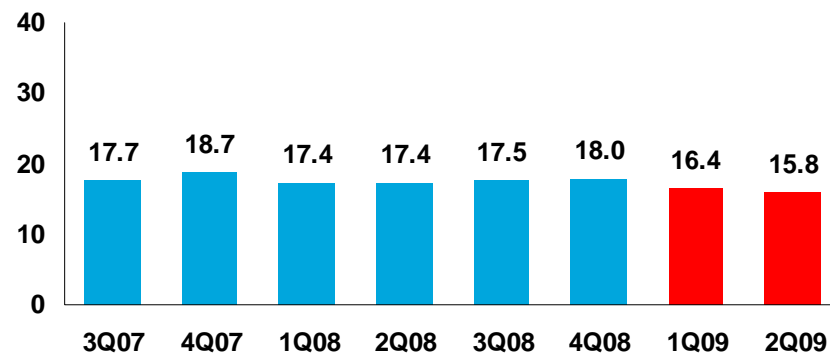
# HSBC Finance Corporation – Consumer Finance

Managing risk in Card and Retail Services

**Credit Card, US\$bn**

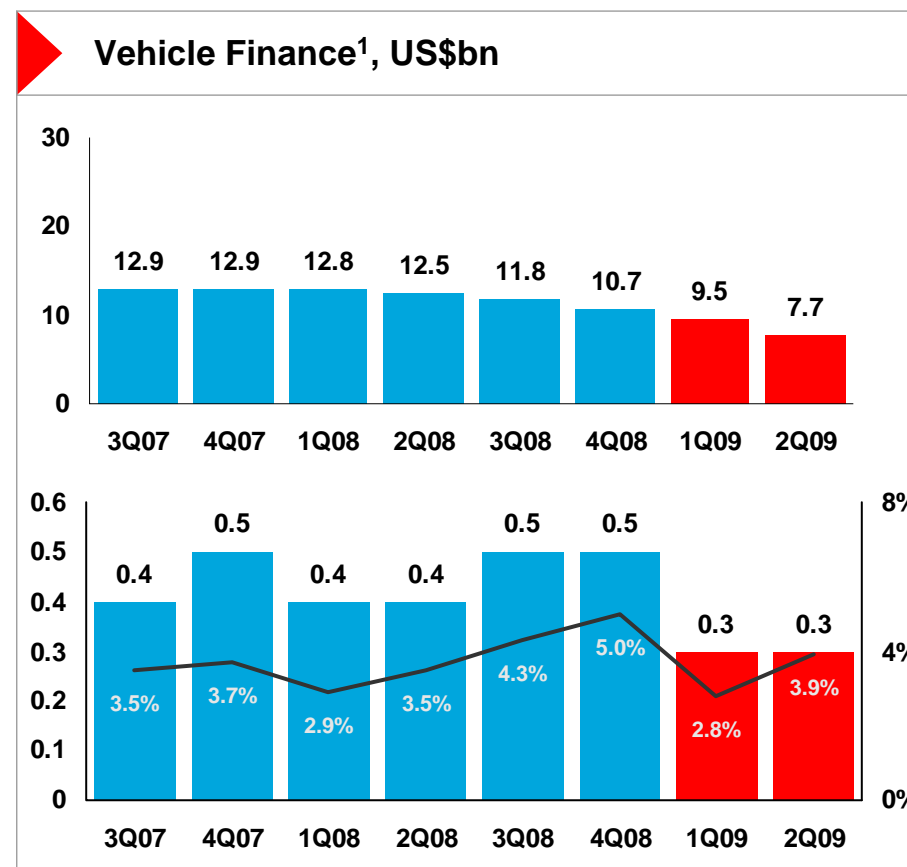
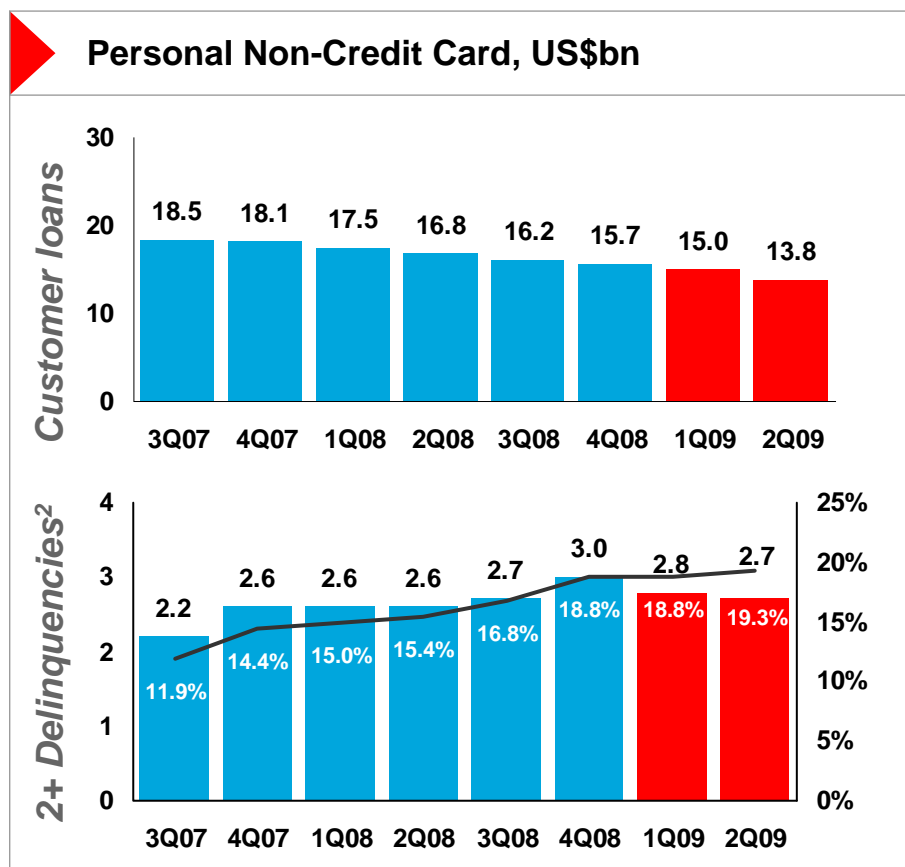


**Private Label, US\$bn**



# HSBC Finance Corporation – Consumer Finance

Manage personal non-credit card risk and Vehicle Finance run-off



Notes:

- (1) Vehicle Finance excludes loans held for sale (US\$0.8bn)
- (2) 2+ Delinquency ratio as a % of period end consumer loans

# HSBC US Banking Strategy

*Joined up to Group and across businesses*

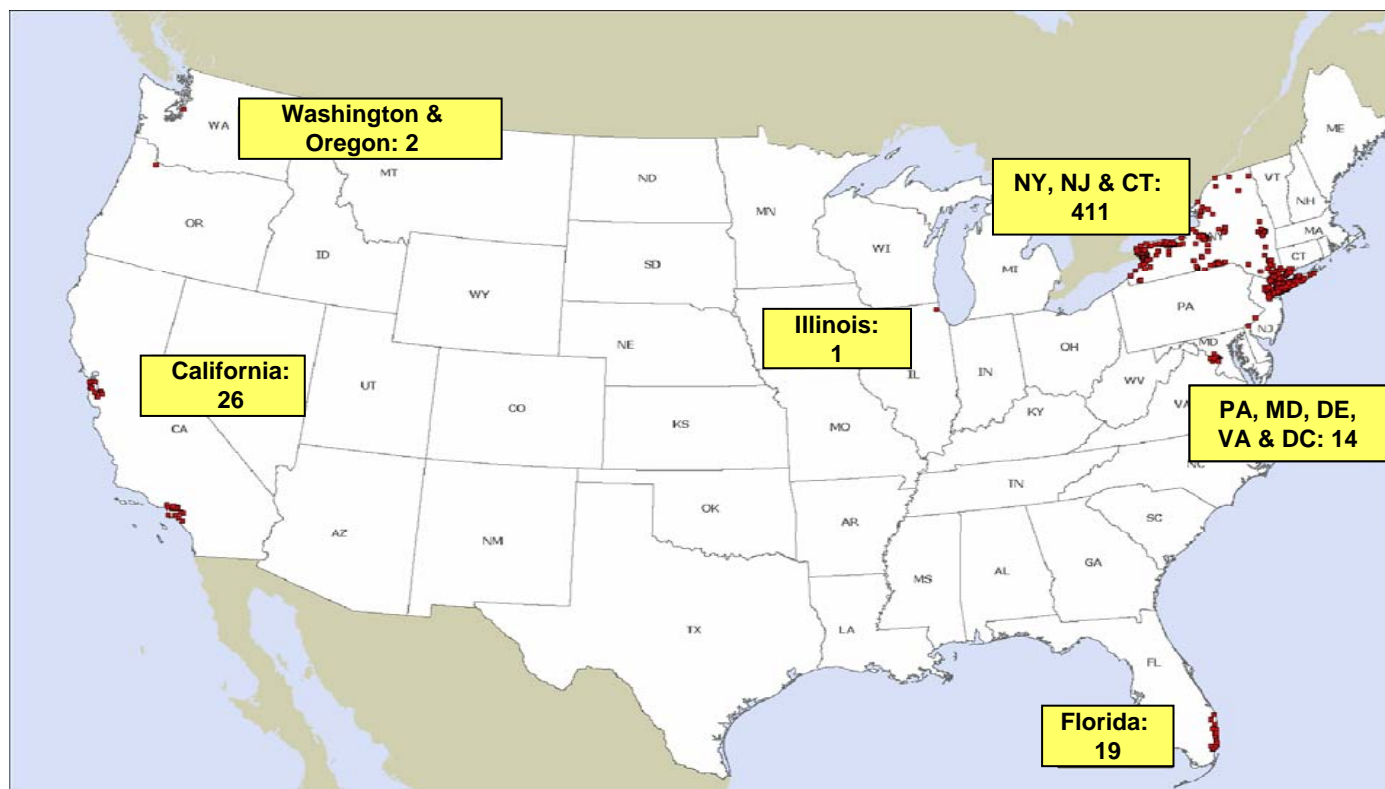
- **US strategy dovetails into global strategy – Group remains firmly committed to having a strategic and relevant presence in the US**
- **Continuing to focus on our core strengths and competencies, and servicing internationally-oriented Group customers**

Personal Financial Services	Commercial Banking	Global Banking and Markets	Global Private Banking
<ul style="list-style-type: none"><li>• Premium participation strategy in the US via Premier proposition</li><li>• Providing differentiated premium services to the internationally minded mass affluent and upwardly mobile customer segments</li></ul>	<ul style="list-style-type: none"><li>• Aim to be the leader in international business banking in selected markets nationally and the best small business bank in target markets</li><li>• Target pool of internationalizing US customers</li></ul>	<ul style="list-style-type: none"><li>• Supporting global strategy of being the leading emerging markets-led, financing-focused wholesale bank</li><li>• Hub and spoke Americas platform</li><li>• Back to basics</li><li>• Core products for core clients</li></ul>	<ul style="list-style-type: none"><li>• Support global strategy of being “The World’s Private Bank”</li><li>• Re-positioned as an internationally-led Private Bank in the US for both offshore and onshore clients</li></ul>

- **Increasing alignment between customer groups and businesses in the US**

# US Personal Financial Services

*Selective expansion and leveraging of branch network*



HSBC Branch Network	
Legacy pre-2005	379
Additions from 2005 through Aug 2009	94
<b>Total</b>	<b>473</b>

- **Aligning retail branch network size and geographic distribution with our internationally-led strategy**
- **Focusing on high density, segment specific prospects in internationally connected cities, optimizing our US resources and providing the greatest customer reach in support of our global proposition**
- **Multi-channel Premium banking, based on Premier and leveraging Direct Channel to further advance into upwardly mobile, emerging affluent and internationally minded niche segments**

Sources: SNL; HSBC

# US Personal Financial Services

## Growth in Premier and Direct Channel

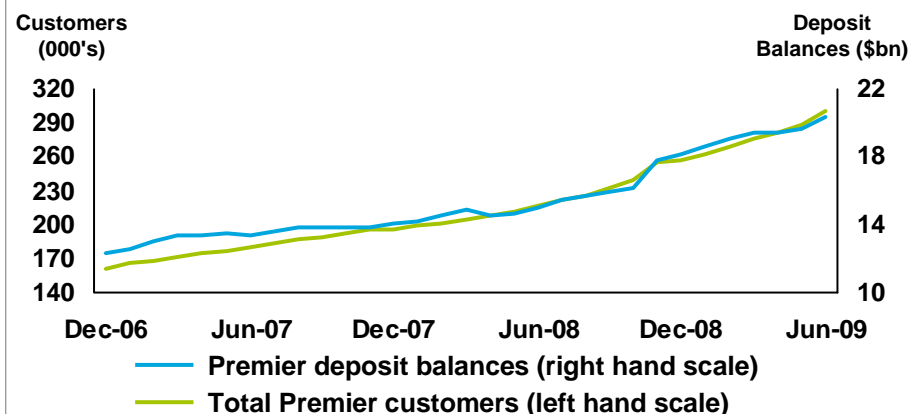
### Premier

- Target internationally minded mass affluent and upwardly mobile segment
- Strong account and balance growth. 53% Customer growth since December 2007
- 27% of new Premier customers from outside our NYS franchise

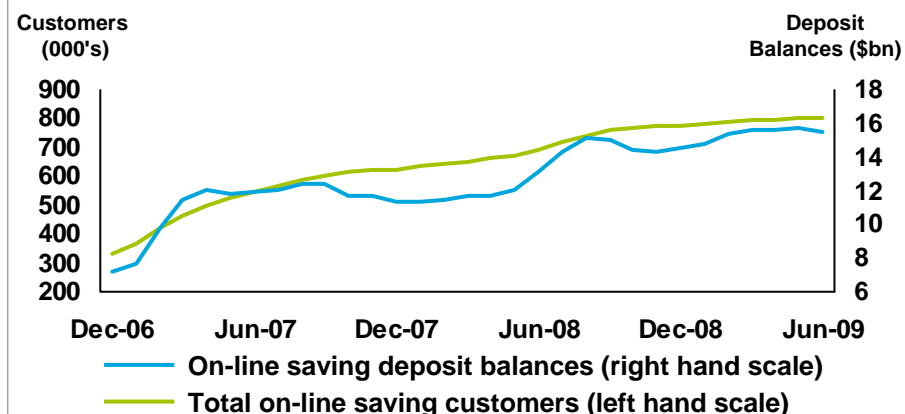
### Direct Channel

- Target “confident saver” segment. Provide straight through products designed for self-directed consumer
- Strong balance growth. On-line savings balances grew to \$15.5B in June 2009, a 41% increase since December 2007
- Complementary products include on-line CD’s and checking accounts which totaled \$0.6bn at June 2009

### Growth in Premier customers<sup>1</sup> and deposits<sup>2</sup>



### Growth in On-line saving customers and deposits<sup>2</sup>



Notes:

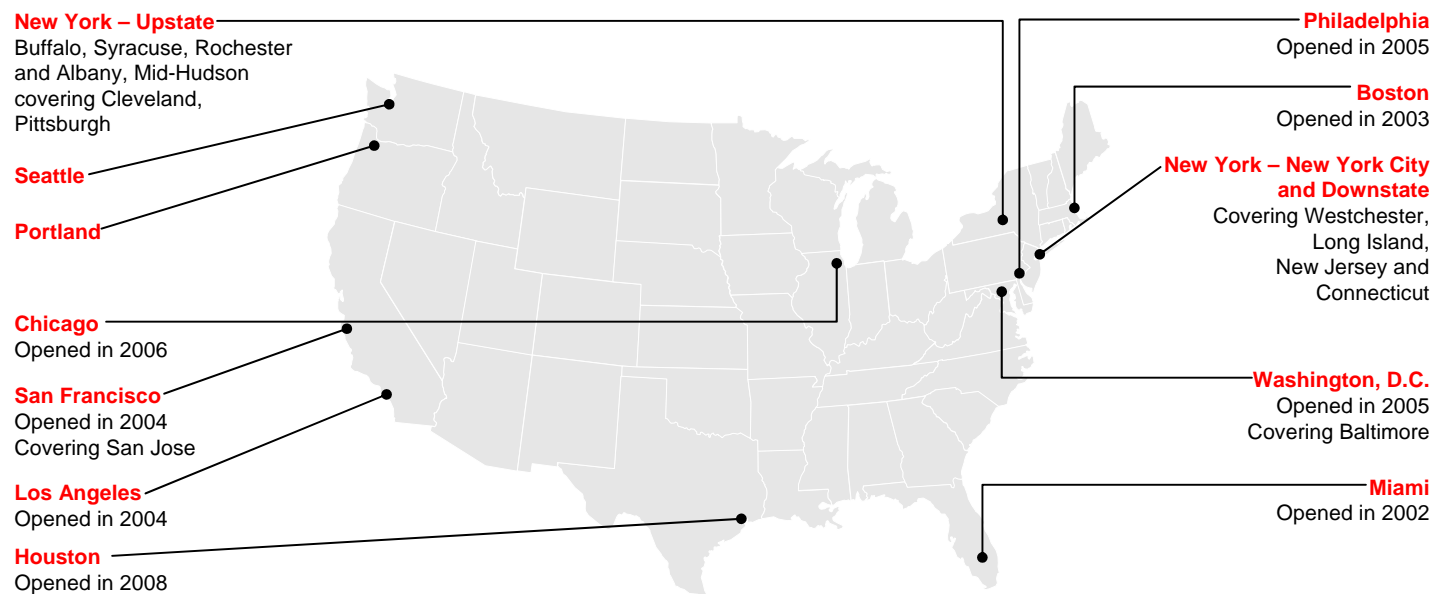
(1) Excludes Premier accounts in Global Private Banking

(2) IFRS basis

# US Commercial Banking

*Grow where we have a differentiated proposition*

- Diversification from core geographies to major financial centers nationwide via organic office expansion
- Since 2008, MME coverage provided by dedicated offices in 18 of the top 25 business centers ranked by CMB prospects<sup>1</sup>. 2004: MME coverage provided in 7 of the same top 25 business centers



- Business Banking products and services are delivered based on customer preference via Phone, Online, Remote Deposit capture, ATM, our network of over 470 branches or through our dedicated team of 330 Business Relationship Managers and Business Banking Specialists located throughout our footprint

Notes:

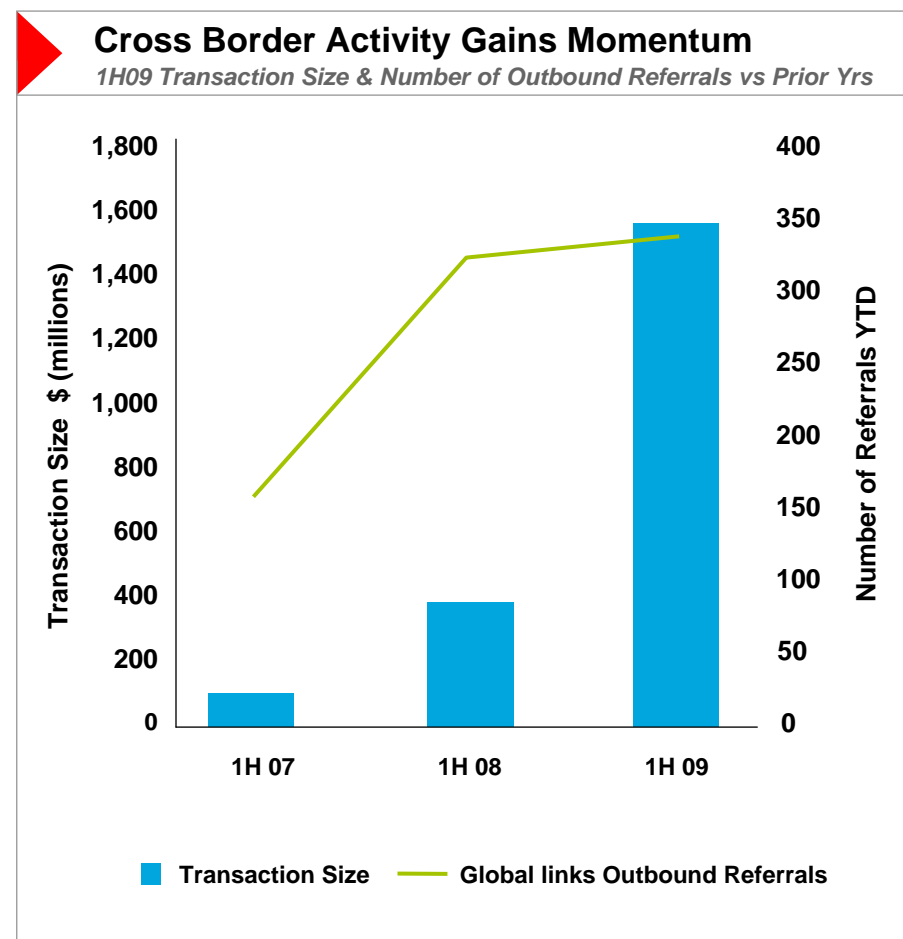
(1) Source: Dun & Bradstreet 2007



# US Commercial Banking

*Leading international business and increasing momentum*

- **Cross border business:**
  - Successful business referrals for US customers with international needs have grown significantly along with transaction size
- In Commercial Real Estate, high concentration of HSBC Group client business adds resilience in a difficult market. For credits greater than \$25 million, 50 percent are either Global Banking and Markets or other international clients
- Focused relationship management and HSBC reputation has helped Business Banking grow deposits by almost 20 percent in the first half year-over-year



# US Commercial Banking

*International banking and building the franchise*

- **Serial high value business wins in 2008/2009 demonstrate market potential for HSBC:**

## **Equipment Company** **US\$10bn annual turnover**

Payments and cash management in 9 countries, 100 new accounts, 40 existing accounts. Company is centralizing business from over 300 key relationships to 30 and HSBC is largest benefactor of the 30. Ancillary business: Lending, Trade and Global Markets.

## **One of the World's Largest Apparel Manufacturers** **US\$4bn annual turnover**

Treasury Management Services in 20 countries throughout AsiaPac and LatAm.

## **Diversified Entertainment Co.** **US\$2bn annual turnover**

All payments and cash management business in North America, managing 180+ accounts nationwide with ancillary business including lending and FX.

## **Global Sportswear Company** **US\$1.5bn annual turnover**

Domestic treasury management business part of an HSBC mandate in 24 countries. Consolidated seven existing banks to one, reduced accounts from 83 to 23. Ancillary business: FX spot and hedging and Trade products.

# US Global Banking and Markets

## *Key themes and priorities*

- **Strong performances by many core businesses amidst challenging market conditions**
- **Client-driven franchise has seen benefits from persisting market volatility and flight to quality**
- **Continuing to support global strategy of being the leading Emerging Markets-led and financing-focused wholesale bank by:**
  - **Continuing to integrate Americas platform with New York serving as the hub**
  - **Focusing on core strengths and competencies (core products for core clients)**
  - **Returning back to basics, with focus on flow products, plain vanilla derivatives and lightly structured products**
  - **Leveraging Group advantages and scale, strength in emerging markets and global markets products expertise**
  - **Emphasizing cross-selling: Delivering international products to US clients and local products to international clients**
- **Continued focus on strategic customer relationships**
- **Maintaining focus on risk reduction and mitigation**

# Global Banking and Markets

2009 transaction and award highlights - Americas

## Awards



- Latin American Bond House of the Year in 2008
- Latin American Deal of the Year: Federative Republic of Brazil
- Americas Equity Issue of the Year: Visa



- Best Bank Overall for Corporates in 2008
- Best Bank for Research and Strategy in 2008
- Best Bank for Forward FX in 2008



- Best Bond House of the Year in 2008
- Best Debt Corporate Issuer of the Year in 2008: Gerdau



- Financial Adviser of the Year in 2008
- Power Deal of the Year in 2008: Angamos



- Best Debt House Globally 2009
- Best Debt House in Latin America 2009

## 1H09 Rankings

**#1 in LatAm Local and International Bonds**

**#3 in US Bonds by Foreign Issuer**

**#1 in All International EM Bonds (LatAm)**

**#4 in Brazil Domestic Bonds (up from #5 in 2008)**

**#7 in US Corporates (up from #13 in 2008)**

**#7 in US Investment Grade (up from #13 in 2008)**

Source: Bloomberg, IFR, Thomson Financial

# US and Americas Private Banking

*Strategic focus*

- **Strategic Focus**

- Positioning HSBC as an internationally-led private bank with a single integrated business model for both onshore and offshore clients in terms of product and service excellence

- **Strategic Execution and Accomplishments**

*Why was HSBC named the best foreign private bank in the U.S. by Euromoney magazine?*

- Capability to serve clients globally with over 90 locations in 42 countries and territories in the Americas, Europe, Asia-Pacific, Middle East and Africa
- International investment offerings with recognized expertise in alternative investments, hedge funds, and emerging markets
- Global trust and fiduciary services with 22 locations worldwide
- Almost 90% of U.S. onshore and offshore clients have international connectivity through multi-national residences and business activity

## Awards



**EUROMONEY**

**2009 Best Foreign  
Private Bank in the US**



**EUROMONEY**

**2009 #2 Globally  
Best Overall Private Bank**

# US and Americas Private Banking

## *Strategic focus*

- **Strategic Execution and Accomplishments (continued)**

*Why has HSBC become one of the top 5 private banks in the Latin America region?*

- **Development of Miami office as the hub of offshore services for the Latin American region, which has one of the world's fastest growing wealth markets**
  - Relationship manager teams based in Miami that serve five regions: Brazil, Mexico, Andes, Southern Cone, and Central America/Caribbean
  - The largest offshore private banking operation in Miami
  - Miami hub supported by 15 offices in the region
- **Capability to coordinate offshore services with onshore services in Brazil, Mexico, and Panama**
- **Referrals from other HSBC units enhance business for the Private Bank**
- **Leveraging the HSBC Group commercial banking and capital markets resources on behalf of Private Bank clients**

# Canada

## Overview

### HSBC Bank Canada (including HSBC Financial)

- Largest international and seventh-largest bank in Canada
- Assets of US\$67bn<sup>(1)</sup> at 1H09 (US\$10bn reduction from 1H08 largely due to impact of falling value of Cdn\$ assets compared to US\$ and reductions in HSBC Financial assets)
- Over 140 bank branches and over 75 finance branch offices in 10 provinces
- Over 7,000 full-time equivalent employees
- HSBC Financial in Canada became subsidiary of Canadian Bank effective November 30, 2008, with assets of US\$3bn<sup>(1)</sup> at 1H09 and over 1,000 full-time equivalent employees which are reflected in amounts above

### Consolidated Results

- ROA<sup>(2)</sup>, ROE<sup>(2)</sup>, credit quality, cost efficiency and capital strength compare well to major Canadian banks






Notes:

(1) IFRS basis

(2) Canadian GAAP

# Canada

## Performance – business highlights

 <b>Our Customers</b>	<ul style="list-style-type: none"><li>• Increased Premier customers end of Q2 2009 by 31 percent over Q2 2008</li></ul>
 <b>Our Brand</b>	<ul style="list-style-type: none"><li>• Airport branding in Toronto and Vancouver</li></ul>
 <b>Our Culture</b>	<ul style="list-style-type: none"><li>• Named one of Canada's top 25 Diversity employers for second year running</li></ul>
 <b>Our Global Distribution</b>	<ul style="list-style-type: none"><li>• Strong market share in Asian banking</li></ul>
 <b>Our Businesses</b>	<ul style="list-style-type: none"><li>• Canadian market leader in trade finance</li><li>• Voted Best Bank for Small Business by Canadian Federation of Independent Business</li></ul>



# North America Summary

*Positioning for the future*

## Strength, Diversity and Resilience

**Continue to take decisive actions to reposition our businesses for long-term success and sustainable profitability**

**Remain focused on things we can control**

**Optimize business priorities in core areas and run-off non-core portfolios**

**Continue to focus on home preservation efforts and collect effectively and ethically**

**Build on local presence coupled with global connectivity to selectively grow our business**

# Question and Answer

## Appendix-

### *Basis of reporting*

- **IFRS** HSBC Holdings plc (HSBC) prepares its consolidated financial statements in accordance with IFRSs as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU). IFRSs comprise accounting standards issued by the IASB and its predecessor body, as well as interpretations issued by the International Financial Reporting Interpretations Committee and its predecessor body
- **IFRS Management Basis** (a non-GAAP financial measure) results are IFRSs adjusted to assume that the GM and UP credit card, auto finance, private label and real estate secured loans transferred to HSBC Bank USA have not been sold and remain on the balance sheet of HSBC Finance Corporation. IFRS management basis also assumes that the purchase accounting fair value adjustments relating to the acquisition of HSBC Finance Corporation by HSBC have been 'pushed down' to HSBC Finance Corporation. Operations are monitored and trends are evaluated on an IFRS management basis because the loans sold to HSBC Bank USA were conducted primarily to fund prime customer loans more efficiently through bank deposits and such customer loans continue to be managed and serviced by HSBC Finance corporation without regard to ownership