

Presentation to Investors



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, HSBC USA Inc. and HSBC Finance Corporation. This forward-looking information represents expectations or beliefs concerning future events and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in the HSBC Holdings plc Annual Report as well as the HSBC USA Inc. and HSBC Finance Corporation Annual Report on Form 10-K, each for the year ended December 31, 2009, as well as the HSBC USA Inc. and HSBC Finance Corporation Quarterly Reports on Form 10-Q, each for the period ended June 30, 2010, and the HSBC Holding plc 2010 Interim Report. Please be further advised that Regulation FD prohibits HSBC representatives from answering certain, specific questions during the Q&A session.

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 June 30, 2010, there were no unendorsed standards affecting this document and there was no difference between IFRSs endorsed by the EU and IFRSs as issued by the IASB in terms of their application to HSBC.

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

IFRS Management Basis assumes that the mortgages, credit card loans, motor vehicle finance loans and private label customer loans transferred to HSBC's US banking subsidiary, HSBC Bank USA, National Association ('HSBC Bank USA'), have not been sold and remain on HSBC Finance Corporation's 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 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.

All amounts are in US\$ unless otherwise stated.

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Update on HSBC North America Strategy

North America Strategy - Overall Summary

- ▶ **Leadership has changed but overall strategy has not**
- ▶ **Continue to take decisive actions to reposition our Core businesses to ensure a solid foundation for future growth, long-term success and sustainable profitability**
- ▶ **Continue to grow our Core businesses with a focus on global connectivity and maintain appropriate balance between opportunity and risk**
- ▶ **Remain focused on managing down the run-off assets in our Non-core businesses ethically and effectively while maintaining home preservation efforts**
- ▶ **Manage regulatory challenges**
 - ▶ **Implementing Dodd-Frank Wall Street Reform and Consumer Protection Act**
 - ▶ **On-going regulatory and governmental inquiries focused on Bank Secrecy Act and Anti-Money Laundering**
 - ▶ **Continue to adapt to ever changing regulatory environment**
- ▶ **Manage capital requirements as we move toward US adoption of Basel II**
- ▶ **Build American talent to run business in the future**

North America Strategy- Continuing to Execute

In 2010, HSBC continues to focus on growing its Core businesses through Global connectivity with strategic market/customers and winding down its Non-core businesses

Core Businesses

PFS
CMB
GBM
Cards
PB and Insurance

- ▶ Continued strategic expansion of bank branch network consistent with our internationally-led strategy with an additional four branches opened in 2010 and 107 since early 2005
- ▶ Premier customer base has grown to over 600,000 at June 30, 2010, up 20 percent since year-end 2009. In the US, we have added 60 Premier relationship managers since June 2009
- ▶ Commercial Banking reported solid PBT of \$572 million in 1H 2010 while maintaining focus on connectivity to other HSBC Group businesses and cross-border business referrals which have continued to increase
- ▶ Global Banking and Markets reported strong PBT of \$998 million in 1H 2010 while continuing to focus on global connectivity among emerging and developed markets
- ▶ Cards business continued its strong contribution in 1H 2010, reporting PBT of \$940 million while successfully implementing the business practices and systems changes required by the Card Act
- ▶ Continue to invest in Core businesses to preserve/increase value and ensure solid foundation for future growth

Non-core Run-off Business

Consumer Lending
Mortgage Services
Vehicle Finance
Taxpayer Financial Services

- ▶ Sold vehicle finance servicing platform and remaining US consumer finance vehicle finance loan portfolio to be sold in Q3 2010
- ▶ Continue to reduce the run-off portfolio:
 - ▶ \$68.8 billion at June 30, 2010, a 13 percent decline compared to year-end 2009; down 25 percent year over year
 - ▶ Fair value as a percentage of book value improved to 68 percent at June 30, 2010 from 61 percent at year-end 2009
- ▶ Continue to work with our customers who are willing to pay but are having difficulties through the use of modification
 - ▶ Modified 26,500 accounts representing \$3.9 billion of receivables in 1H 2010
- ▶ For customers who are unable to pay, we have increased the use of short sales
- ▶ Ensure appropriate work force reduction as the run-off book declines
- ▶ Although not a significant "run-off" business, as the wholesale banknotes business did not fit with our core strategy in the US, we decided to exit this business in Q2 2010

North America Ongoing Areas of Focus – 2010

HSBC Bank USA

- ▶ Additional growth efforts in HSBC Premier, Commercial Banking and cross-selling insurance to build bank awareness
- ▶ Leveraging Group relationships and unique global footprint in Global Banking and Markets, Commercial Banking and Private Banking and LatAm connections in Global Banking and Markets and Private Banking
- ▶ Continue to provide vital banking and financial services to our personal and commercial customers
- ▶ Build on branch expansion efforts by targeting ethnic groups with international connectivity
- ▶ Regulation

HSBC Finance

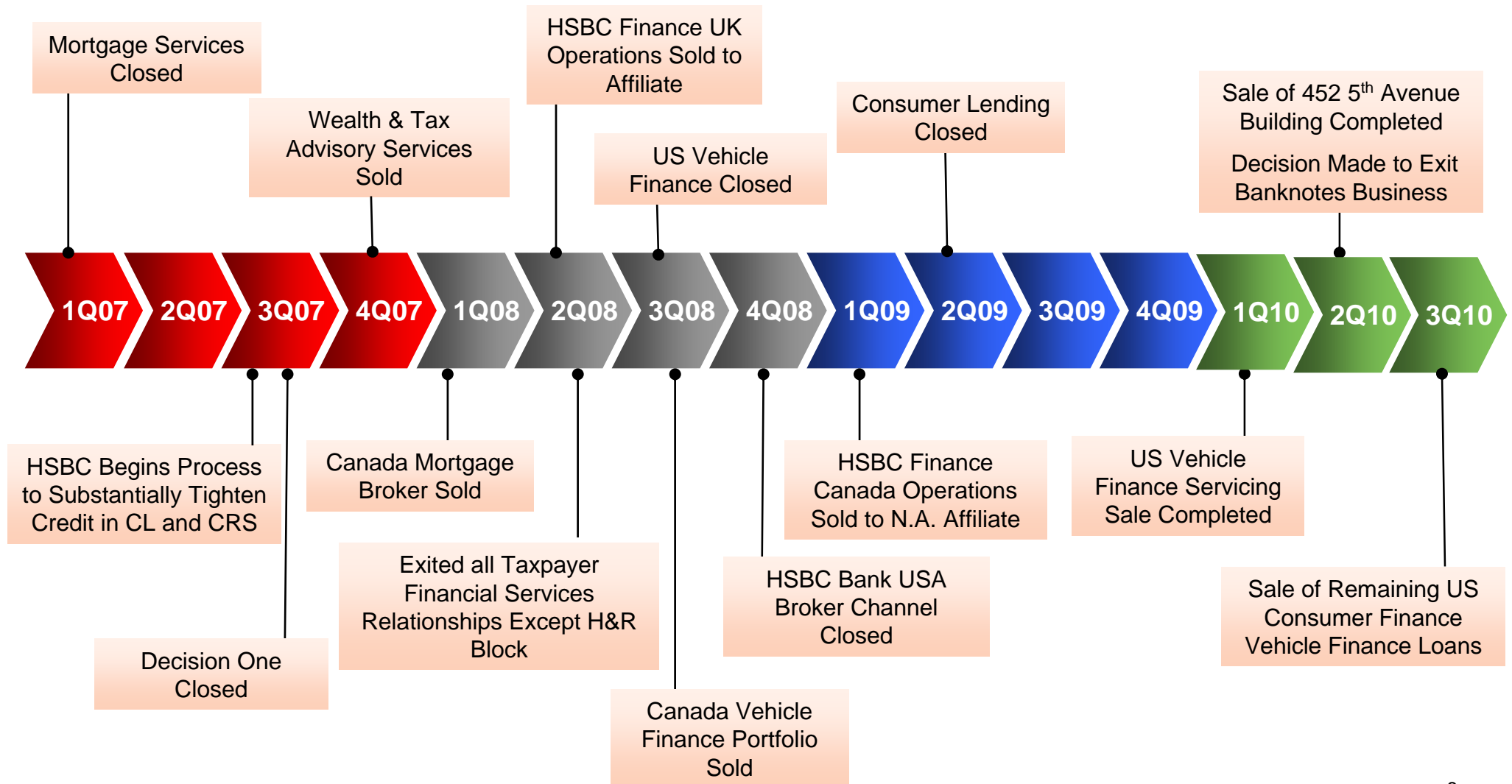
- ▶ Continue to effectively manage our run-off portfolios to maximize cash collection in an ethical manner
- ▶ Leading home preservation efforts
- ▶ Preserve or increase the value of the Cards franchise. Continue to leverage US Cards expertise globally and migrate US Cards platform into a Global Cards platform
- ▶ As capital supporting run-off assets in our Non-core businesses is released, it will be re-deployed elsewhere where asset risk weighting may be lower

HSBC Bank Canada

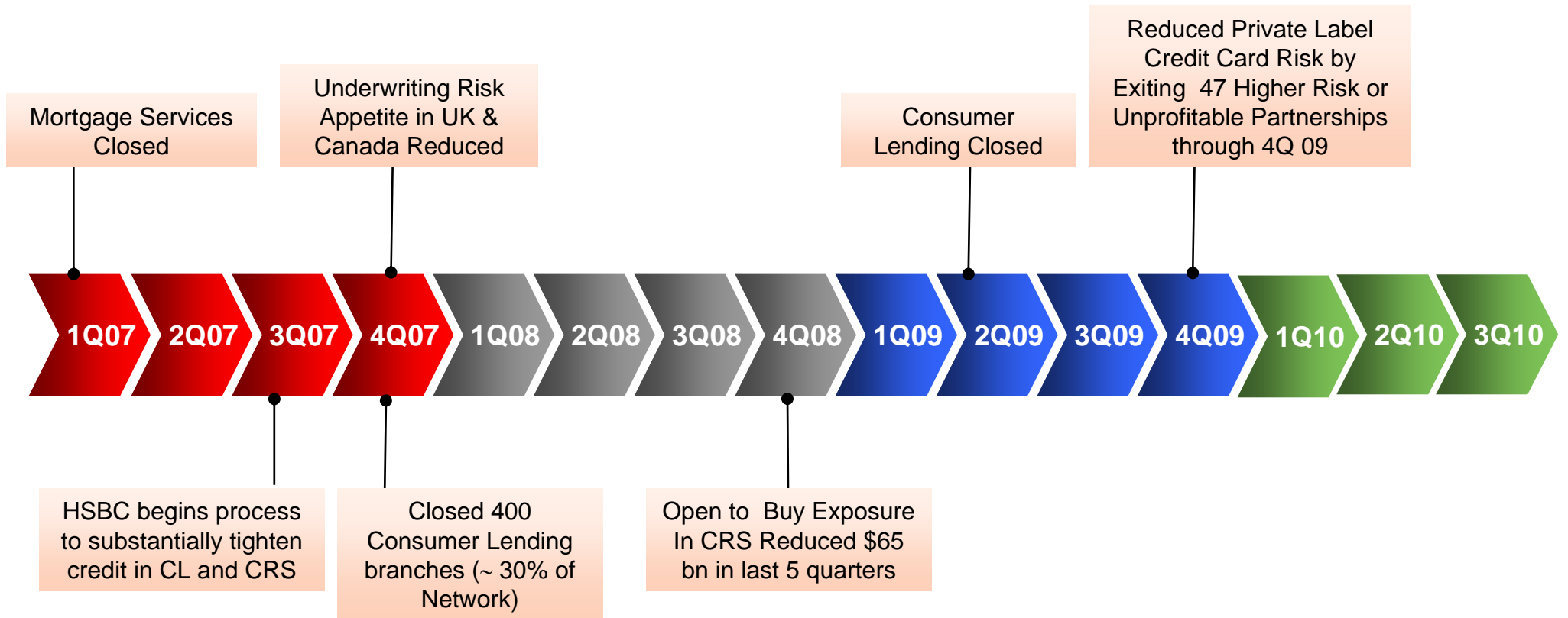
- ▶ Leverage international capability to enhance Premium PFS and Wealth Management proposition
- ▶ Continue as leading international bank for business in Canada
- ▶ Focus on cross border Debt Capital Markets leveraging our Middle Eastern and LatAm connections in Global Banking and Markets
- ▶ Expand Business Banking, including Business Direct

- Continued focus on expense management and efficient use of capital across all entities
- Compliance risk is one of the most significant areas of focus across all entities

North America Disposals and Business Realignment 2007-2010



Managing Consumer Finance Risk 2007-2010



US Bank Overview

US Bank Strategy Joined Up across Businesses

Opportunities

- ▶ Emerging markets
- ▶ Cross-border
- ▶ Wealth

Commercial Banking

- ▶ Be the leading international business bank
- ▶ Be the best small business bank in target markets
- ▶ Target internationalizing US customers

Personal Financial Services

- ▶ Premium participation via Premier and Advance
- ▶ Differentiated premium services to internationally minded customers

Global Banking and Markets

- ▶ Emerging markets-led, financing-focused wholesale bank
- ▶ Integrated Americas platform
- ▶ Core products for core clients
- ▶ Be strategic, significant and sustainable

Global Private Banking

- ▶ “The World’s Private Bank”
- ▶ Re-positioned as an internationally-led Private Bank in the US

US Bank 2010 Key Initiatives

Opportunities

Key Initiatives

Take advantage of **emerging markets** growth opportunities

- ▶ Leverage Miami to help drive growth of our international customer base in Personal Financial Services and Private Bank
- ▶ United States is the Global Banking and Markets hub for Latin America with focus on cross-regional sales
- ▶ Align retail branch distribution with internationally led strategy

Capitalize on expected increase in **international and cross-border** activities

- ▶ Engage in more targeted marketing and business development efforts to source new international business with Middle Market clients
- ▶ Pursue opportunities in Trade & Supply Chain business post-sale of Wells Fargo-HSBC Trade Bank

Capitalize on increasing demand for **wealth** products

- ▶ Increase market share for Wealth and Insurance products
- ▶ Grow Premier proposition

Recent Successes Highlight Increased Traction


Opportunities

Take advantage of **emerging markets** growth opportunities

Capitalize on expected increase in **international and cross-border** activities

Capitalize on increasing demand for **wealth** products

Recent Successes



- Best Emerging Markets Bank
- Best Emerging Markets Debt House


March 2010



Acquisition of a 31.2% stake in Cimpor

Financial Advisor

October 2009




USD4 billion Dual-Tranche 10yr -30yr

Bookrunner

1H 2010 Rankings

- #1 in Emerging Markets Bonds Globally
- #1 in Latin American Local and International Bonds

Source: Bloomberg



- Best Global Transaction Banking House
- #2 Global Cash Management Bank

FX-Week Best Banks Awards 2009

- Best Bank for FX for Corporates
- Best Bank for Emerging LatAm Currencies

Commercial Real Estate Services

US\$4+Bn annual turnover

Trade receivables securitization program, in addition to a wide array of banking services in 22+ countries including credit lines, 200+ cash mgmt accounts, FX, investments, ECM and DCM

Global REIT

US\$700M annual turnover


80+ accounts in Mexico, local currency clearing, payroll services and investments, in addition to credit participation in the US and Singapore, payments and cash mgmt in Singapore and Brazil, FX, interest rate derivatives in the US and Japan, and co-manager roles on bond and equity offerings



- 137% growth in Premier customers since re-launch of Premier

Insurance

- Life Insurance 1H 2010 policy sales up 28% YOY and commission revenues up 52% YOY



Selected for Ward's 50 Benchmark Group of Life-Health Insurance Companies



- 2010 Best Global Wealth Manager
- 2010 #4 Best Private Bank in the US
- 2010 #4 Best Private Bank in LatAm

Commercial Banking US

Strategic focus and objectives

Leading International Business

HSBC's competitive advantage

Capitalize on expected increase in overseas business by US mid-sized companies

Best Bank for Business

Where we have relevant scale and opportunity

Continue to focus on client acquisition and attracting deposits

Leveraging HSBC's Global Scale

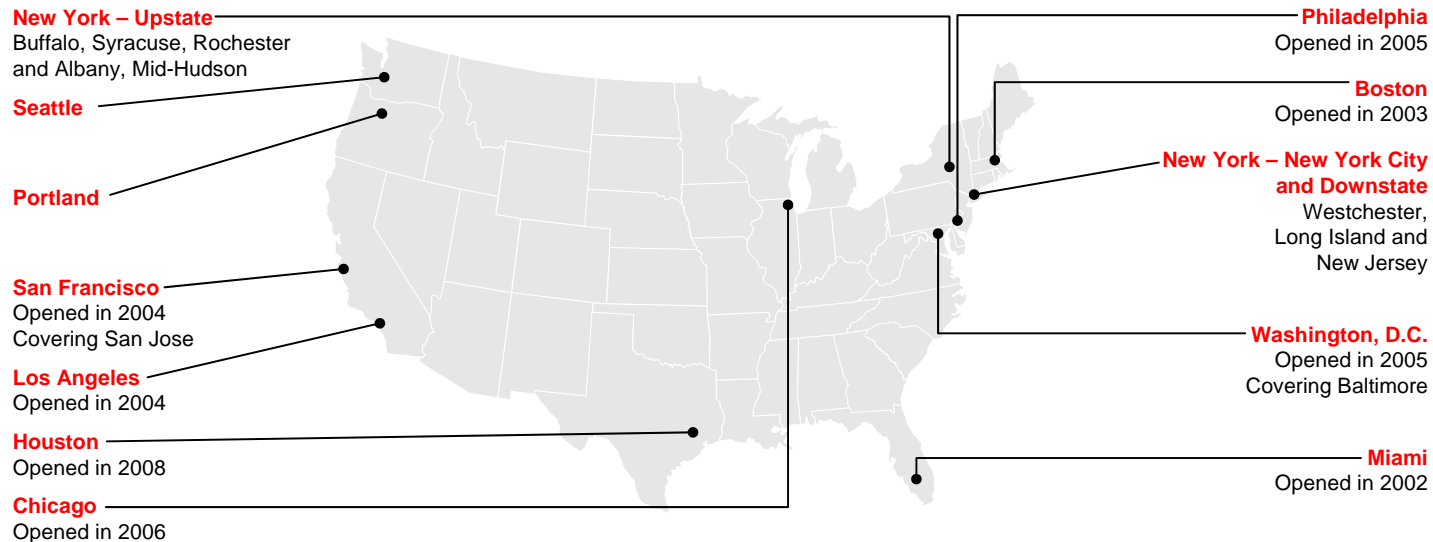
Increasing Global consistency across the business

Leverage connectivity to other HSBC Group businesses

Commercial Banking US

Grow through differentiated propositions

▶ Diversification from New York State to major financial centers nationwide via organic office expansion



- ▶ **CMB now able to deliver a full range of Trade & Supply Chain services to internationally-connected, Middle Market clients in 18 western states**
- ▶ **Business Banking segment delivered primarily through branch network and supplemented by alternative channels**
- ▶ **Developing cross-border Energy sector business based in Houston to leverage demand from Canadian energy clients and optimal geographic location**

Commercial Banking US

Market opportunity for HSBC US Middle Market Enterprise

- ▶ c. 8,000 international companies with revenues greater than \$30M in US CMB footprint
- ▶ Research demonstrates more companies will need international services in the coming years
- ▶ Competition is primarily focused on the domestic market. None has HSBC's unrivalled global capabilities at the CMB level

		HSBC MARKET SHARE International Companies	
		NY State	Outside NY State
Corporate \$250MM+	18%	10%	
Core \$30 - \$250MM	8%	2%	

Significant scope for growth in expansion markets

Note: The source of the CMB market data is Dun & Bradstreet

Commercial Banking US

Increasing momentum and continuing to lead international business

▶ Continued focus on cross-border business:

- ▶ Successful referrals to other HSBC Group offices grew by c. 24% YOY during 1H 2010

▶ Growing International revenues from HSBC US customers

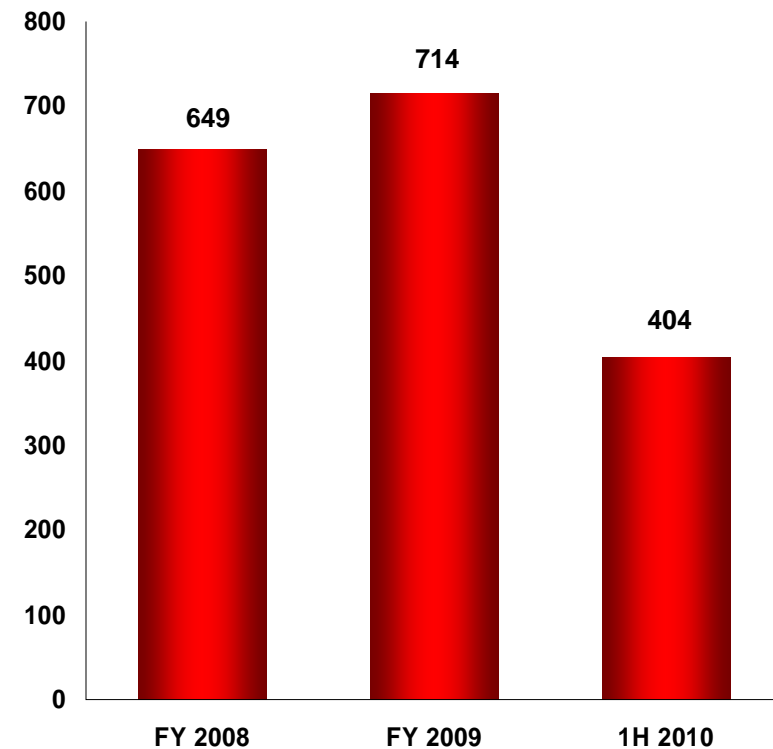
- ▶ CMB Revenues from International Customers grew c. 10% YOY during 1H 2010

▶ Joint sales and marketing efforts towards expanding international wallet share with key trading partners

▶ Increasing knowledge and understanding of international capabilities among Commercial Banking teams

- ▶ Combination of training programs, virtual and live roadshows

Successful Referrals



Commercial Banking US

International banking and building the franchise

Several high value business wins in 2010 demonstrated market potential for HSBC:

Healthcare Company US\$100+Bn annual turnover

Trade receivables securitization program, in addition to existing payments and cash management business in five countries, Bermuda time deposits, global liquidity, FX, trade finance and credit participation.

Global REIT US\$700M annual turnover

80+ accounts in Mexico, local currency clearing, payroll services and investments, in addition to credit participation in the US and Singapore, payments and cash management in Singapore and Brazil, FX, interest rate derivatives in the US and Japan, and co-manager roles on bond and equity offerings.

Commercial Real Estate Services US\$4+Bn annual turnover

Trade receivables securitization program, in addition to a wide array of banking services in 22+ countries including credit lines, 200+ cash management accounts, FX, investments, ECM and DCM.

Branded Apparel Company US\$2+bn annual turnover

Senior Managing Agent for a USD950M senior secured credit facility, Co-Manager on debt and Equity offerings, in addition to banking relationships in Canada for 10+ years.

Awards:



Best Global Bank
Best Global Transaction
Banking House

2009 Awards for Excellence



#2 Global Cash Management Bank
Regional Cash Management:
#2 in North America

Domestic Cash Management:
#2 in the United States

2009 Cash Management Poll



#1 Online Platform, HSBCnet
– US Large Corporate Study
#2 Globally & US Middle Market

2008 Online Services
Benchmarking Study



#1 SBA 504 Lender 2009

State of New York

Personal Financial Services US

Strategic focus and objectives

- ▶ **Leverage global scale and local distribution and capabilities to grow profitably in selected markets**
- ▶ **Competing where we have a “right to win”**
 - ▶ **Premium customer segments that have strong international connectivity**
 - ▶ **Product families where global scale is critical and we have it**
 - ▶ **Network transformation continues with focus on Premium Bank strategy**
- ▶ **Implementation in the US:**
 - ▶ **Premium participation strategy**
 - ▶ **Wealth Management led banking targeted to internationally-oriented mass affluent, emerging affluent and niche segments**
 - ▶ **Self-directed banking**

Personal Financial Services US

Disciplined execution with 4 areas of focus

Customer

- ▶ Drive a relationship banking strategy underpinned by superior service
- ▶ Customer acquisition focus remains on the fast-growing internationally minded “cosmocrat” customer segments where we have a proven right to win

Distribution

- ▶ Continuing to pursue a multi-channel strategy
- ▶ Selective growth – c. 100 net new branches added since early 2005
- ▶ Shift towards network footprint consistent with our premium strategy
- ▶ HSBC Direct launched in 2005 and has more than 1 million customers (re-branded to HSBC Advance as of January 31, 2010)

Simplification

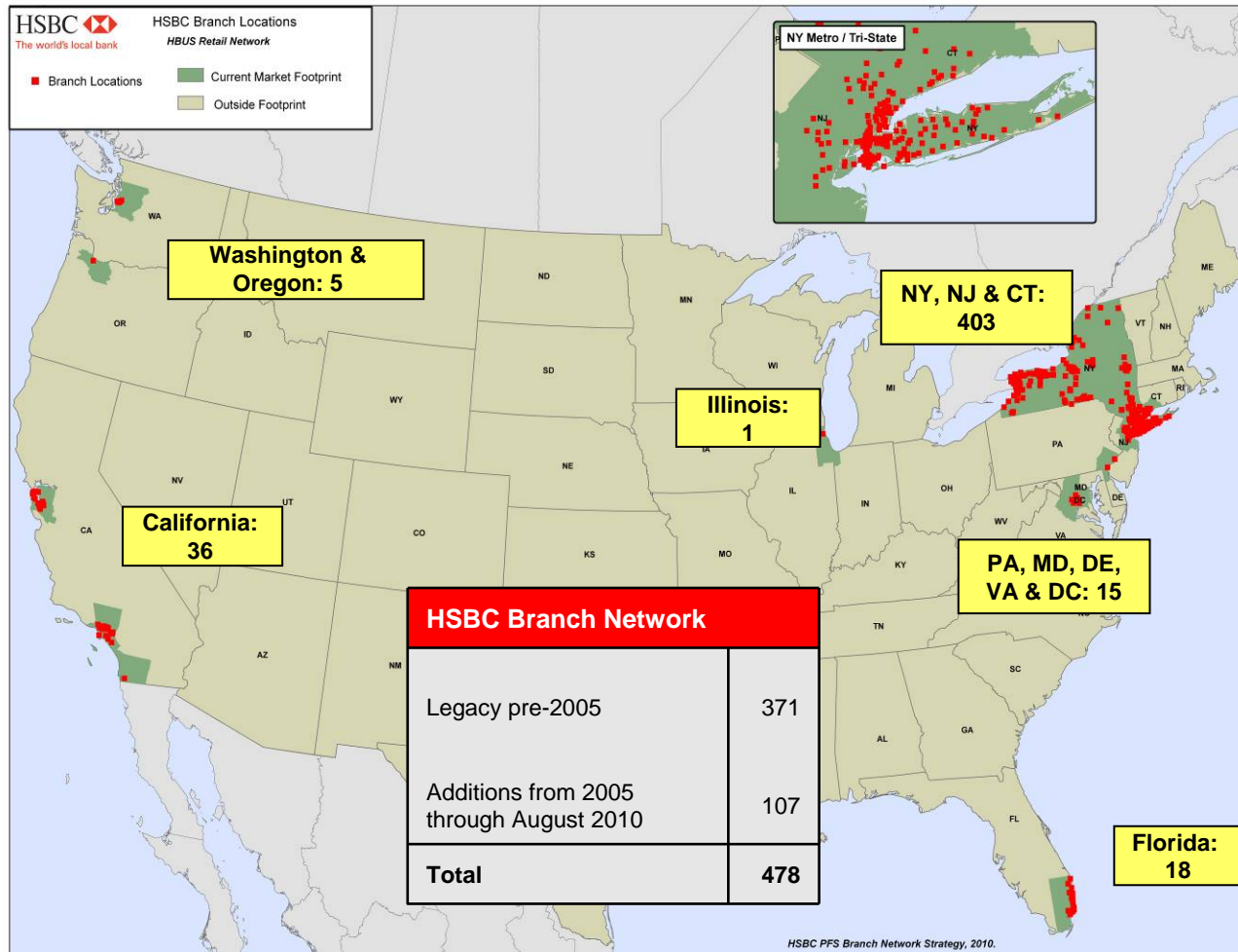
- ▶ Ongoing efforts to optimize and simplify the business
- ▶ Mortgage business integrated with PFS to leverage resources
- ▶ Focus shifted from standalone products to products tailored for Premier proposition

One HSBC

- ▶ Business transformation enabled by technology – Represents a fundamental change in the way we do business
- ▶ Driven by the business to drive a superior and consistent customer experience at a lower cost of delivery

Personal Financial Services US

Branch network transformation consistent with our premium bank strategy



Note: As of August 2010

- ▶ **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**
- ▶ **Network in CA has grown from 8 to 36 since early 2005**
- ▶ **22% of the network now resides outside New York State, driving 52% of all New-to-HSBC Premier customers**
- ▶ **Plans to expand with 5 new branches in 2010, of which 4 were added in 1Q 2010 and 1 planned for 4Q 2010**

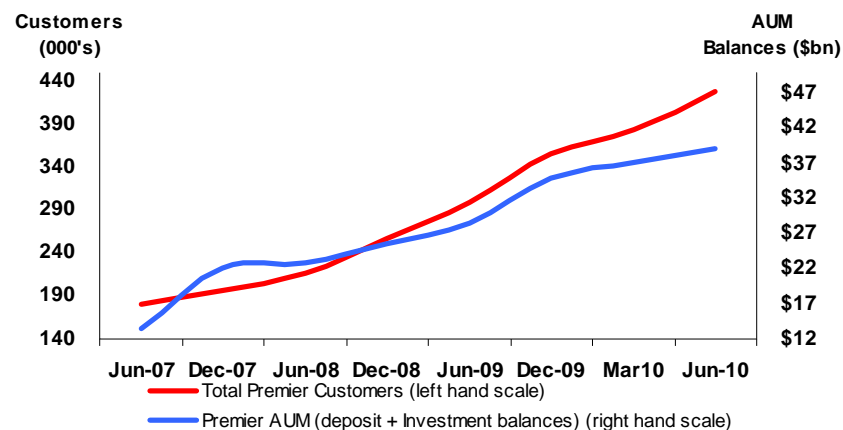
Personal Financial Services US

Strong momentum in Premier and Insurance

Premier

- ▶ Target internationally minded mass affluent segment
- ▶ Strong account and balance growth. 137% growth in customers since re-launch of Premier
- ▶ Since re-launch of Premier, 46% of New-to-Premier customers are New-to-HSBC

Growth in Premier customers¹ and deposits²



Insurance

- ▶ Life Insurance 1H 2010 policy sales up 28% YOY and commission revenues up 52% YOY
- ▶ Selected for Ward's 50 Benchmark Group of life-health insurance companies for outstanding achievement

Notes:

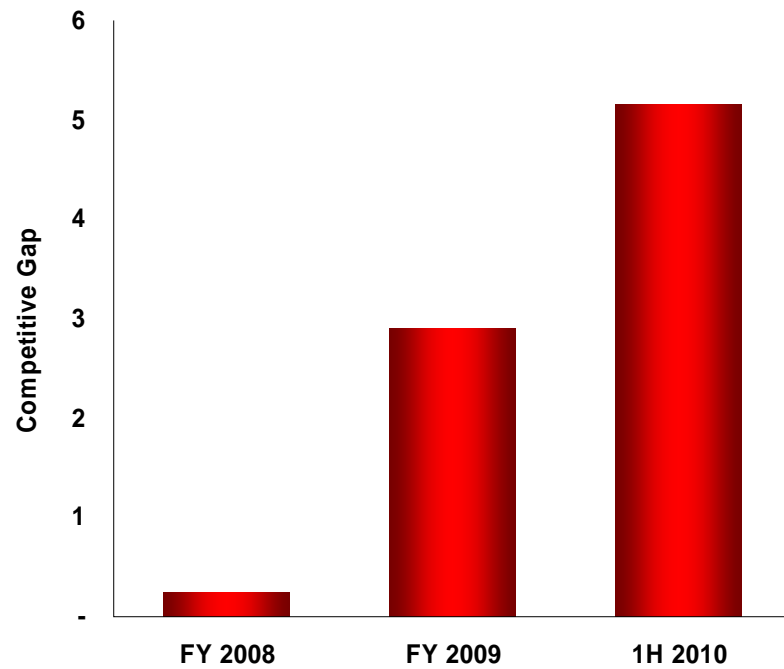
(1) Excludes Premier accounts in Global Private Banking

(2) IFRS basis

Personal Financial Services US

Positive trend in customer recommendation and brand health

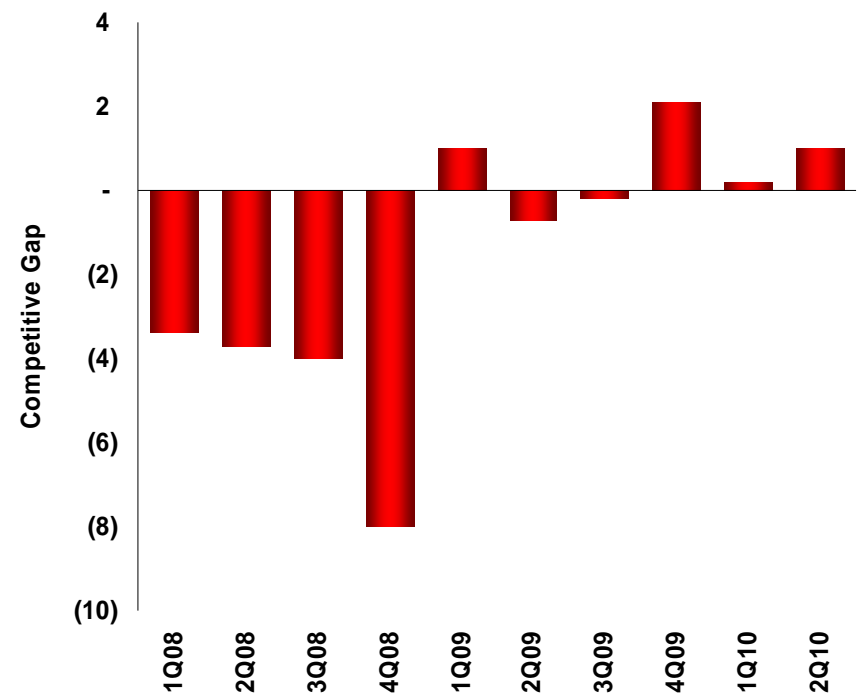
**Customer Recommendation
Competitive Gap**



▶ Customer Recommendation scores increasingly better than peer group

Source: Synovate

**Brand Health Index
Competitive Gap**



▶ Since 2008, Brand Health Index scores have improved significantly relative to peer group

Source: Synovate

Global Banking and Markets Americas

Strategic focus and objectives

Strategic

- ▶ Strategically aligned with Group's focus on connectivity between emerging and developed markets
- ▶ Concentrate on core businesses with global scale, serving core customers

Significant

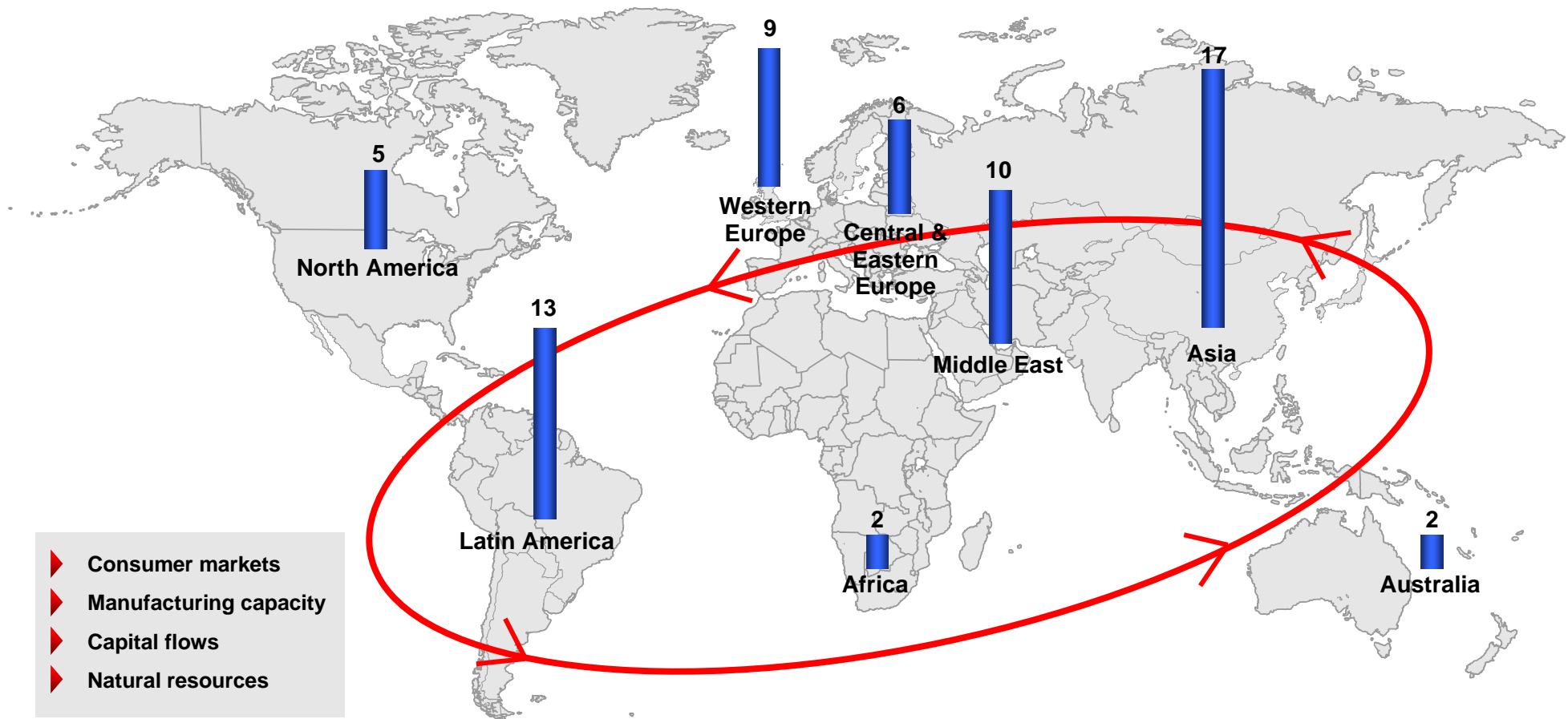
- ▶ Significant contribution to HSBC Group profits
- ▶ Achieve returns within HSBC Group's target range
- ▶ Top 3 Latin American franchise and leading North American house for international business

Sustainable

- ▶ Sustainable business model and culture
- ▶ Leverage HSBC Group connectivity to develop lower volatility revenue streams
- ▶ Leverage HSBC Group strengths and global distribution capabilities to cross-sell Americas products
- ▶ Increase alignment with other HSBC Group customer segments

Global Banking and Markets

Comprehensive coverage in a connected world



Note: Size of each bar denotes # of dealing rooms in each region

Global Banking and Markets Americas

Market recognizes success of our strategy

Recent Awards and Key Transactions



- Best Emerging Markets Bank
- Best Emerging Markets Debt House
- Best Sovereign Advisory House
- Best Wealth Management House
- Best Debt House in Brazil
- #2 Cash Management Bank Globally
- #2 in North America for Regional Cash Management
- #2 in the US for Domestic Cash Management



- Best Bank for FX for Corporates
- Best Bank for Emerging LatAm Currencies
- Best Bank for Forward FX



- Latin American Loan of the Year: Grupo Bimbo
- Latin American Bond of the Year: Petrobras

October 2009



USD4 billion
Dual-Tranche 10yr -30yr

Bookrunner

December 2009



GBP7.1 billion
Bridge Financing

Joint Lead Arranger

March 2010



Acquisition of a 31.2% stake
in Cimpor

Financial Advisor

1H 2010 Rankings

#4 in International Bonds Globally

#1 in Emerging Markets Bonds Globally

#1 in Latin American Investment Grade Bonds

#1 in Latin American Local and International Bonds

#1 in Brazilian Local and International Bonds

#3 in Mexican Local and International Bonds

Source: Bloomberg

Global Banking and Markets Americas

2010 priorities

- ▶ **Build on successful Americas integration of Global Markets with 2010 focus on Global Banking and Asset Management**
- ▶ **Strengthen core platforms, particularly in Equities, Capital Markets and Infrastructure Financing**
- ▶ **Increase sales of markets, financing and investment products to Commercial Banking, Personal Financial Services and Private Banking clients**
- ▶ **Promote Latin American capabilities to Global Banking and Markets clients globally, with specific emphasis on Latin America-Asia cross-sale**
- ▶ **Actively manage capital resources to ensure target returns are met**
- ▶ **Manage and run off non-strategic assets as market conditions permit. Selectively redeploy assets to core HSBC Group clients, with a specific focus on Latin America**
- ▶ **Maintain discipline around cost management while driving top line growth**

Private Banking US

Strategic focus and objectives

- ▶ Internationally-led private bank with a single integrated business model for both onshore and offshore clients in terms of product and service excellence

Investments	Wealth Planning	Capital Advisory	Offshore Services
<ul style="list-style-type: none">• Provide an international investment offering with recognized expertise in alternative investments, hedge funds and emerging markets	<ul style="list-style-type: none">• Offer global wealth planning, trust and insurance solutions delivered through 22 service locations worldwide	<ul style="list-style-type: none">• Leverage the HSBC Group commercial banking and capital markets resources on behalf of our clients	<ul style="list-style-type: none">• Develop the Miami office as the hub of offshore services for the Latin America region (one of the world's fastest growing wealth markets)

- ▶ Focus on emerging markets – Continue to drive global Latin American strategy out of the US
- ▶ Capitalize on improved market conditions, economic recovery and client willingness to increase risk profile
- ▶ Strengthen our relationship management model
- ▶ Emphasize HSBC's record of success and stability during difficult economic times, and our long-standing tradition of trust, transparency and performance

Private Banking US

Key strengths and awards

Key Strengths

- ▶ **International connectivity:**
 - ▶ Almost 90% of onshore and offshore clients in the Americas have international connectivity through multi-national residences and business activities
 - ▶ Capability to service clients globally with 90+ locations in 42 countries and territories in the Americas, Europe, Asia-Pacific, Middle East and Africa
- ▶ **Strength in Latin America:**
 - ▶ Relationship manager teams in Miami serve five regions: Brazil, Mexico, Andes, Southern Cone and Central America/Caribbean
 - ▶ Largest offshore private banking operation in Miami
 - ▶ Miami hub supported by 14 offices in the region
 - ▶ Capability to coordinate offshore services with onshore services in Brazil, Mexico and Panama
- ▶ **Joined up to HSBC Group:**
 - ▶ Strong momentum in cross-referrals with other HSBC businesses
 - ▶ Particular focus on cooperation with Commercial Banking and capital markets

Key Awards

EUROMONEY

**2010 #4 in the US
Best Overall Private Bank
(Up from #9 in 2009)**

EUROMONEY

**2010 #1 in Latin America
Best Offshore Services**

**2010 #4 in Latin America
Best Overall Private Bank**

EUROMONEY

**2010 #2 Globally
Best Overall Private Bank**

EUROMONEY

**2010
Best Global Wealth Manager**

US Bank Strategy – Looking Forward

- ▶ **More optimistic outlook given resilient performance during 2009 and 1H 2010, reflecting increased traction of our strategy**
- ▶ **Well-positioned for the future – Continuing to grow and invest in Core businesses that are strategically relevant to HSBC**
- ▶ **Market conditions are continuing to stabilize although overall economic environment remains relatively weak**
- ▶ **Regulatory environment remains uncertain**
- ▶ **Cost management, capital preservation and risk reduction / mitigation efforts will continue**



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HSBC Finance Overview

HSBC Finance Strategy Summary

**Focus on
Managing
What We Can
Control**

- ▶ **Risk**
 - ▶ Underwriting changes and reduction in product offerings
 - ▶ Closure of businesses
 - ▶ Keeping people in their homes where it makes economic sense to do so
- ▶ **Balance sheet management**
 - ▶ Leveraging bank funding
 - ▶ Reducing balance sheet to manage capital needed from Group
 - ▶ Managing for cash to repay debt
- ▶ **Cost management**
 - ▶ Continuing focus on expenses
 - ▶ Strengthening our operations for greater operational efficiencies
 - ▶ Joining up support functions to optimize shared services across North America
 - ▶ Using Cards skill set to develop Cards businesses in other parts of the Group
- ▶ **People**
 - ▶ Developing talent and exporting talent across the globe (some 600 North America employees on overseas secondments)
 - ▶ Retaining key people while allowing the work force to shrink as the run-off book declines

HSBC Finance Strategy Summary

Taking Decisive Action

- ▶ **Run-off certain Non-core portfolios and exiting businesses**
 - ▶ Mortgage Services
 - ▶ Vehicle Finance
 - ▶ Sold our vehicle finance loan servicing operations in March 2010
 - ▶ Remaining US consumer finance vehicle loan portfolio to be sold in Q3 2010
 - ▶ Consumer Lending
- ▶ **Reduced the scope of the Taxpayer Financial Services business**
- ▶ **Leading Home Preservation Efforts**
- ▶ **Responded to changes in customer behavior caused by the recent economic turmoil and shortened the write-off period for real estate secured and personal non-credit card receivables in 2009 to 180 days**

Environmental Factors Affecting our Business Which We Cannot Control

- ▶ **Home price depreciation**
- ▶ **Unemployment**
- ▶ **Legislation/Regulatory Landscape**
 - ▶ CARD Act and recent Reform Acts
 - ▶ Mortgage related initiatives
- ▶ **Recent results while encouraging include the benefit associated with the actions we have taken, future performance is partly dependent upon economic factors we cannot control**

HSBC Finance Strategy Summary

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

<p>Core Businesses</p>	<p>Card and Retail Services</p>	<ul style="list-style-type: none"> ▶ Continues to be profitable ▶ Continue to pursue integration of Cards into global business line, leveraging US analytic expertise. Systems platform already Global ▶ Exited unprofitable relationships in Retail Services or increased the value of those relationships ▶ Continue to review risk issues – geography, mortgage holders, unemployment, and watch mix between sub-prime and prime ▶ Change in terms completed in 2009 ▶ Restarted mailings in sub-prime
<p>Businesses in Run-off</p>	<p>Consumer Lending</p> <p>Mortgage Services</p> <p>Vehicle Finance</p> <p>Taxpayer Financial Services</p>	<ul style="list-style-type: none"> ▶ 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 ▶ Run-off and managed disposition of MS portfolio ▶ Run-off and managed disposition of VF portfolio ▶ TFS business - exited all independent relationships, only H&R Block remaining

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 Finance Consumer and Mortgage Lending (CML) Servicing Overview

- ▶ **HSBC Consumer & Mortgage Lending (CML) Servicing is one of the largest servicers of sub-prime mortgages in the US**
 - ▶ 12 global servicing locations in the U.S. and India ⁽¹⁾
 - ▶ ~US\$56 billion real estate portfolio and approximately 580,000 accounts ⁽¹⁾
- ▶ **Strategic and operational focus on optimizing delinquency performance while maximizing the value of customer relationships**
- ▶ **Results-oriented servicing operation focused on key drivers for business performance**
- ▶ **CML Servicing continues to rely on its deep operational experience while embarking on new strategies to drive improved performance and transparent results**

Note:

⁽¹⁾ At June 30, 2010

CML Servicing Priorities

Focus On Our Customer

- ▶ Identify customers needs early by developing our culture around the Call Model
- ▶ Win the battle on the front end through effective contact strategies
- ▶ Continue to offer home preservation tools
- ▶ Improve our processes from the customer's perspective

Manage Credit

- ▶ Leverage customer service interactions to improve cash collected / FTE
- ▶ Expand focus on delinquency prevention, proactively targeting at risk customers early
- ▶ Mitigate losses through Deed in Lieu and Short Sale programs
- ▶ Refine loss mitigation program
- ▶ Refine our reinstatement strategies to reduce foreclosure recidivism

Mitigate Costs

- ▶ Further pursue integration efforts for critical default and servicing functions
- ▶ Develop and leverage 'Centers of Excellence' to maintain scale, consistency, and expertise
- ▶ Identify opportunities for broader integration across North America

CML is an Industry Leader in Homeownership Preservation

- ▶ Culturally, homeownership preservation has been embedded in our operating philosophy for years
- ▶ In 2009, we completed more than 104,000 loan modifications totaling approximately US\$15bn
- ▶ In the first 6 months of 2010, we completed 26,500 loan modifications totaling approximately US\$3.9bn
 - ▶ Volume of modifications and/or reages may have begun to level off as over 50% of the portfolio has already been modified and/or reaged through aggressive outreach in 2008 and 2009

Portfolio Snapshots	12/31/07	12/31/08	12/31/09	6/30/10
Total Real Estate Modifications and/or Reages	US\$17bn	US\$26bn	US\$30bn	US\$28bn
% of Real Estate Portfolio with modification and/or reages	20%	36%	51%	52%

Note: Data from 2008 10-K, 2009 10-K and 2010 10-Q, US GAAP legal entity basis

- ▶ As of June 30, 2010, approximately 60 percent of all loans modified and/or re-aged since January 2007 are less than 60 days delinquent or have paid in full
 - ▶ Our recidivism rates compare favorably to market experience in general
 - ▶ Modification when used appropriately maximizes cash flow and results in a positive NPV benefit
 - ▶ As a result of the higher modification levels, we are also seeing an increase in TDRs

CML Exit Strategies

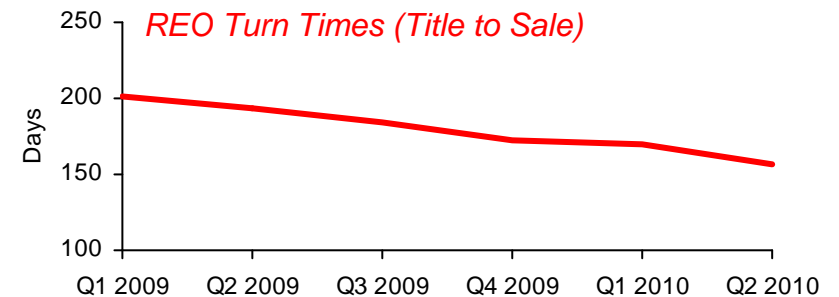
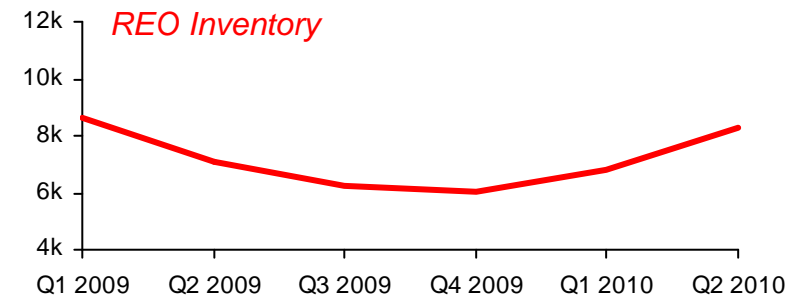
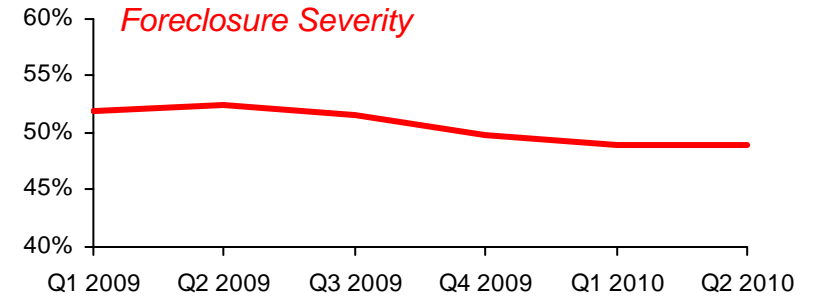
But when home preservation efforts fail...

Short Sale / Deed in Lieu

- ▶ Proactive exit strategies since Jan 2009, targeting customers who can no longer afford the home
- ▶ Providing cash relocation assistance and waiving deficiency balances
- ▶ Reduces loss severity and accelerates resolution of the delinquency

Foreclosure / REO

- ▶ Focused on maximizing net sales proceeds, minimizing expenses and returning capital to the business as quickly as possible
- ▶ REO inventory is rising, despite efforts to manage through alternative exit options
- ▶ REO turn times (Title to Sale) have reduced and sales prices have strengthened, indicating some stabilization of the housing market



Note: Data from HSBC Finance Corporation 2Q and 1Q 2010 Form 10-Q, and 2009 Form 10-K

CML Going Forward

Going forward we will continue to focus on our strategic initiatives

Home Preservation

- ▶ Continuing to offer home preservation tools, enhancing our programs to maximize the economic benefit for HSBC and our customers, aligning processes across business units to obtain benefits of scale and efficiency

Improving Cash Flows

- ▶ Where appropriate, focusing on shifting volume from foreclosures to short sale and deed-in-lieu, taking advantage of lower loss severities, and exploring opportunities for loan sales as the economic environment improves and asset prices strengthen

Driving Efficiency

- ▶ Refine and enhance our customer contact strategies, leveraging all touch points with the customer to launch collections discussions regarding delinquent debt, with the goal of increasing cash collected per FTE and reducing customer handoffs

Reducing Costs / Integration

- ▶ Continue to focus on integration across the business to maintain scale, consistency, and expertise through consolidation where feasible while ensuring flexibility to adapt to future demands

HSBC Finance Cards & Retail Services (CRS) - Overview

Credit Card overview

- ▶ Sixth-largest US MasterCard/Visa issuer
- ▶ US\$20.0 billion in managed receivables, 15 million⁽¹⁾ active accounts

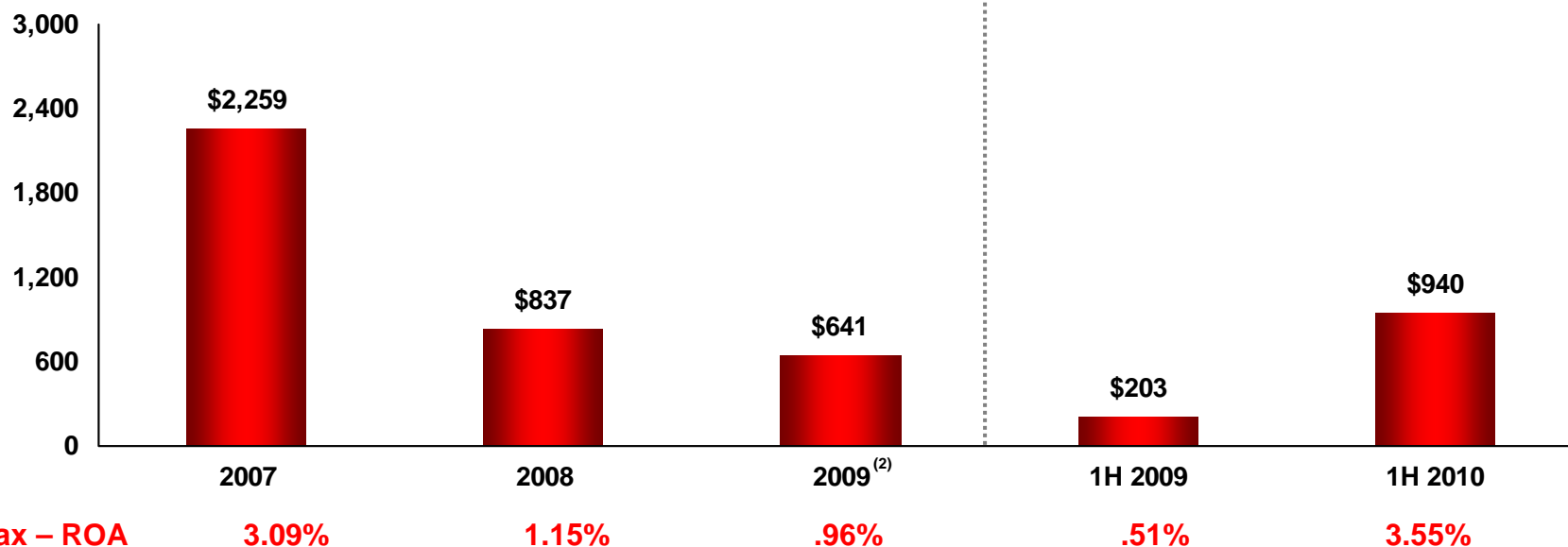
Retail Services overview

- ▶ Third-largest private label issuer
- ▶ US\$13.2 billion in managed receivables, 13 million⁽¹⁾ active accounts
- ▶ More than 30⁽¹⁾ active merchant relationships

1H 2010 vs. 1H 2009:

- ▶ Pretax profit higher than 1H 2009
- ▶ Net interest margin has increased 169bps
- ▶ Lower loan impairment charges on lower loan levels, actions taken by customers to reduce debt levels and improvement in the underlying credit quality of portfolio
- ▶ Lower fees from reduced receivables, lower delinquency levels, shift in customer behavior and impacts from the CARD Act

Pretax Profit (US\$m)

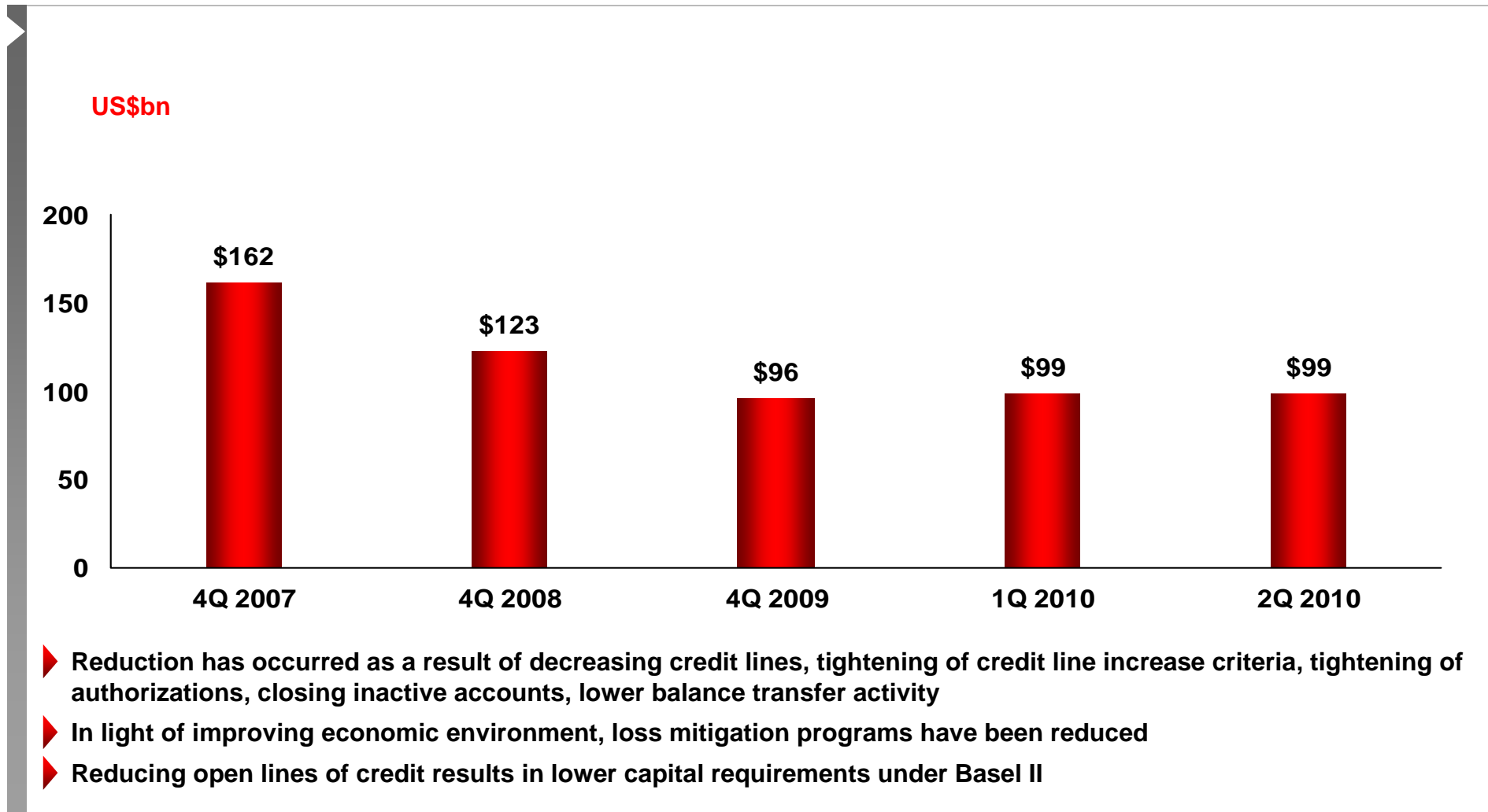


Note: Card and Retail Services represents a business segment of HSBC Finance Corporation

(1) At December 31, 2009

(2) 2009 excludes goodwill writeoff of \$530 million

CRS Open Lines of Credit Have Been Reduced Substantially



Note: Data from HSBC Finance Corporation 2Q and 1Q 2010 Form 10-Q, and 2009, 2008 and 2007 Form 10-K

Broad Range of Loss Mitigation Actions Taken at CRS

Originations:

- ▶ **Prescreen, approval & credit line parameters tightened across all programs through 3Q 2009**
- ▶ **Most merchant programs experienced several rounds of credit tightening to improve returns**
- ▶ **Continuously updated view of economic stress due to unemployment and home price depreciation incorporated into loss forecast, underwriting and pricing**
- ▶ **Significant increase in approved FICO scores due to a reduction in mail volumes as well as credit tightening in underwriting**

Account Management:

- ▶ **Credit line increases and balance transfers have each been reduced by approximately 90% vs. peak volumes in 2006/07**
- ▶ **Cash advance credit limits reduced**
- ▶ **Overlimit authorization volumes down by over 75% due to incorporation of stricter authorization pad parameters**
- ▶ **Significant expansion of credit line decrease programs across all portfolios**
- ▶ **Initiatives related to improving economic outlook are being implemented**

Regulatory Changes are Impacting CRS Business and the Competitive Environment

- ▶ **The CARD Act passed May 22, 2009 with effective dates from August 2009 through August 2010 (most elements effective February 2010)**
- ▶ **The CARD Act imposes new requirements and limits on**
 - ▶ **Underwriting according to ability to repay**
 - ▶ **Repricing strategies**
 - ▶ **Payment allocation**
 - ▶ **Time to pay**
 - ▶ **Fees for payments**
 - ▶ **Double-cycle billing**
 - ▶ **Upfront or 1st year fees**
 - ▶ **Acquisition piece disclosures**
 - ▶ **Statements**
- ▶ **On June 15, 2010 the Federal Reserve Board issued its final rule implementing late fee limitations and remaining provisions which took effect August 22, 2010**
 - ▶ **Business has prepared for these changes and operational requirements have been met**
 - ▶ **Business remains viable after all impacts. Estimated reduction of revenue net of loan impairment charges of approximately \$200 million to \$300 million during 2010**

As the Outlook Improves, CRS will Evaluate Growth Opportunities

Marketing

- ▶ Increasing marketing spend to grow new account bookings where expected to exceed profitability hurdles in 2010
- ▶ Incorporated impact of CARD Act – conducting extensive testing of new price points and product constructs. Initiating new product development
- ▶ Considering new retail partnerships and card acquisitions as appropriate to preserve/enhance value

Underwriting

- ▶ Economic stress continues to be applied to investment decision models
- ▶ Tightened underwriting policy from recent years remain
- ▶ State and mortgage attributes used in selection
- ▶ Tightened initial credit line assignment criteria
- ▶ Underwriting may selectively be relaxed where historic data supports profitable outlook

Portfolio Actions

- ▶ Expect to strategically increase credit line, cash advance, balance transfer activities and spend programs in 2010 selectively where expected profitability exceeds hurdles
- ▶ Ongoing efforts to improve customer satisfaction in service operations

Group Cards Presence and Global Cards Strategy

Group Cards Presence

- ▶ HSBC issues credit cards in over 50 countries and territories across five continents, making it one of the few truly global players in the industry
- ▶ Over 100 million credit cards in force

Global Cards Strategy

- ▶ Support for the PFS participation strategy (e.g. Premier)
- ▶ Improve card capabilities by knowledge transfer and establishment of regional centers of excellence
- ▶ Develop and deploy the Global cards target business model

Contribution to Group

- ▶ Contributed to the development of a globally common system infrastructure (approximately 75% of Global Cards on US platform that can be used in other geographies)
- ▶ Global Analytics – Project to standardize and organize customer, risk and collection analytics on a regional basis under a common infrastructure
- ▶ Cross sell task force to maximize the cross-sell of insurance products throughout different regions leveraging US expertise in sales effectiveness and product optimization
- ▶ CRS supports the Global Center of Excellence for Contact Management, a utility for optimizing dialing, staffing and alternative contacts for Collections, which is core to One HSBC Collections



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Appendix – HSBC USA Inc. and HSBC Finance Financial Overview

HSBC USA Inc. – 1H 2010 Financial Results

IFRS, US\$m

	1H 2009	2H 2009	1H 2010	% Better/(Worse)	
				1H 10 vs 1H 09	1H 10 vs 2H 09
Net Operating Income before loan impairment charges, excluding changes in FV of own debt	3,439	3,077	3,426	-	11
Fair Value Option on own debt	(426)	(139)	197	100+	100+
Loan impairment charges and other credit risk provisions	(2,004)	(1,683)	(480)	76	71
Total operating expenses	(1,602)	(1,488)	(1,517)	5	(2)
Profit (loss) before tax	(593)	(233)	1,626	100+	100+
Customer loans and advances (as at the period end) ⁽¹⁾	94,406	82,527	92,678	(2)	12

⁽¹⁾ Customer loans and advances include reverse repo balances

HSBC USA Inc. – Profit (Loss) Before Tax by Customer Group

IFRS, US\$m

	1H 2009	2H 2009	1H 2010	%Better/(Worse)	
				1H 10 vs 1H 09	1H 10 vs 2H 09
Personal Financial Services (excluding Consumer Finance)	(492)	(201)	(71)	86	65
Consumer Finance	132	161	440	100+	100+
Commercial Banking	36	99	244	100+	100+
Global Banking and Markets	102	(26)	767	100+	100+
Private Banking	24	(76)	54	100+	100+
Other	(395)	(190)	192	100+	100+
Total profit (loss) before tax	(593)	(233)	1,626	100+	100+

HSBC USA Inc. – Loans Outstanding

US GAAP, US\$bn

	4Q 2009	2Q 2010	% Better/(Worse) 2010 vs 2009
Total commercial loans	30.3	29.5	(3)
Consumer loans:			
Residential mortgages	17.9	17.6	(2)
Private label cards	15.1	12.7	(16)
Credit cards	13.0	11.3	(13)
Other consumer	3.2	2.6	(19)
Total consumer loans	49.2	44.2	(10)
Total loans	79.5	73.7	(7)
Allowance for credit losses	(3.9)	(3.0)	(23)
Loans, net	75.6	70.7	(6)
Loans held for sale			
Commercial loans held for sale	1.1	1.6	45
Consumer loans held for sale	1.8	1.0	(44)
Total loans held for sale	2.9	2.6	(10)

HSBC Finance Corporation

1H 2010 Financial Results¹

US\$m	1H 2009	2H 2009	1H 2010	% Better/(Worse)	
				1H 10 vs 1H 09	1H 10 vs 2H 09
Net operating income before loan impairment charges ex changes in net income from financial instruments at Fair Value (FVO)	6,734	5,750	4,569	(32)	(21)
Loan impairment charges and other credit risk provisions	(7,308)	(6,237)	(4,514)	38	28
Total operating expenses, ex goodwill impairment	(1,879)	(1,695)	(1,541)	18	9
Loss before tax ex goodwill and FVO	(2,453)	(2,182)	(1,486)	39	32
Gross Customer loans and advances (as of the period end) ²	132,262	117,951	104,844	(21)	(11)

Notes:

(1) The figures above are presented on an IFRS management basis as reported in the HSBC Finance Corporation Form 10-Q. Loss before tax ex goodwill impairment and FVO can be reconciled to IFRS results as follows:

	1H 2009	2H 2009	1H 2010
Loss before tax ex goodwill and FVO	(2,453)	(2,182)	(1,486)
Adjustments			
Net income from financial instruments at FV	(928)	(1,851)	186
Goodwill	(2,915)	–	–
Loss before tax as reported	(6,296)	(4,033)	(1,300)

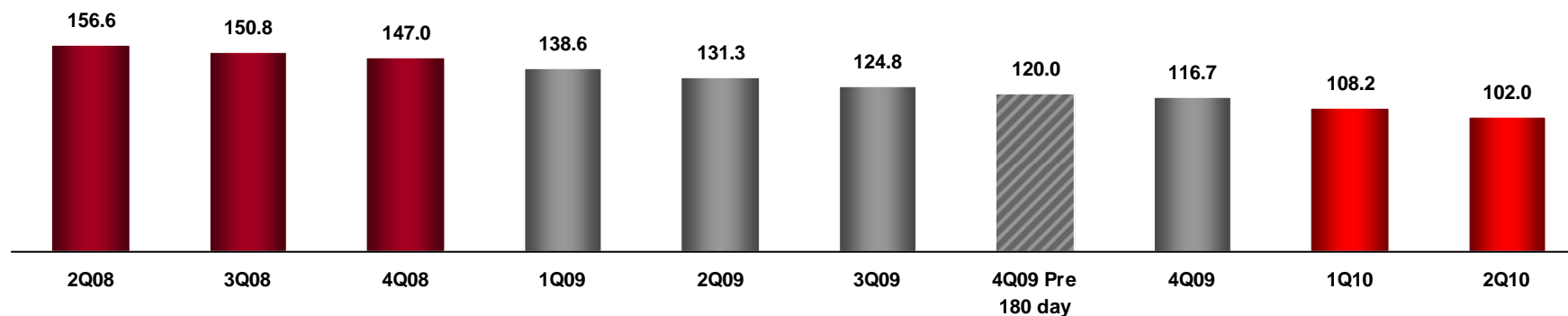
See note 15 'Business Segments' of Form 10-Q for the period ended 30 Jun 2010 for a reconciliation of IFRS to US GAAP

(2) Customer loans and advances included reverse repo balances of US\$2,800m at 30 Jun 2010, US\$1,300m at 31 Dec 2009, and US\$1,000m at 30 Jun 2009.

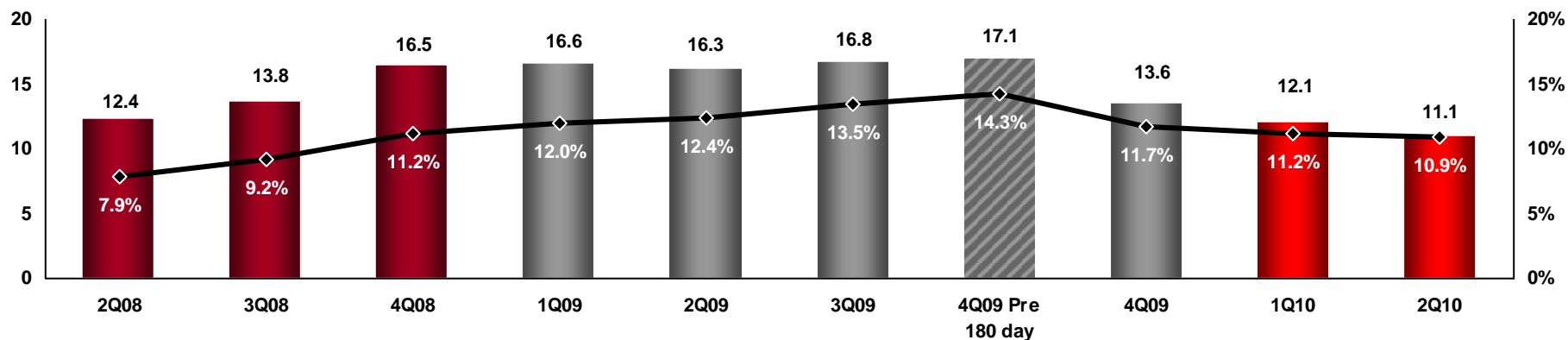
HSBC Finance Corporation

Continued reduction of balance sheet in the US

Customer loans¹, US\$bn



2+ Delinquency^{1, 2}, US\$bn



Notes:

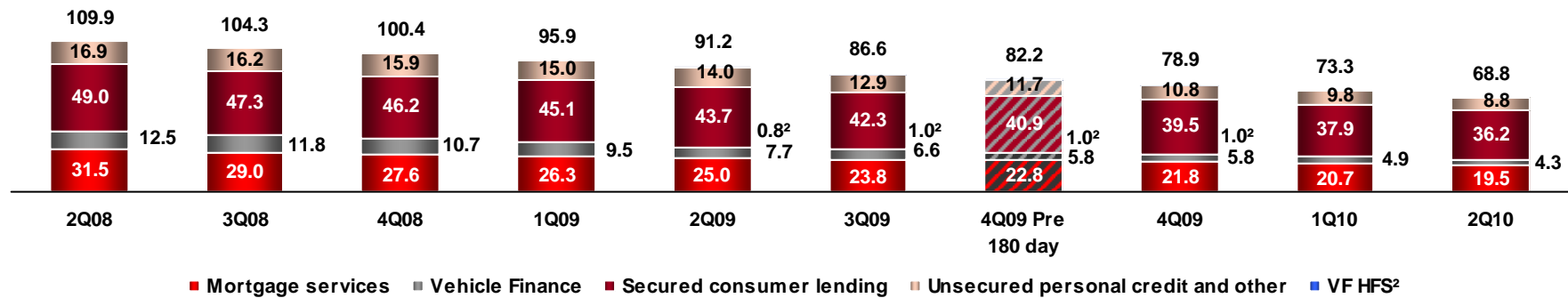
(1) Excludes reverse repo balances and vehicle finance loans held for sale

(2) 2+ Delinquency ratio as a percentage of end-of-period customer loans

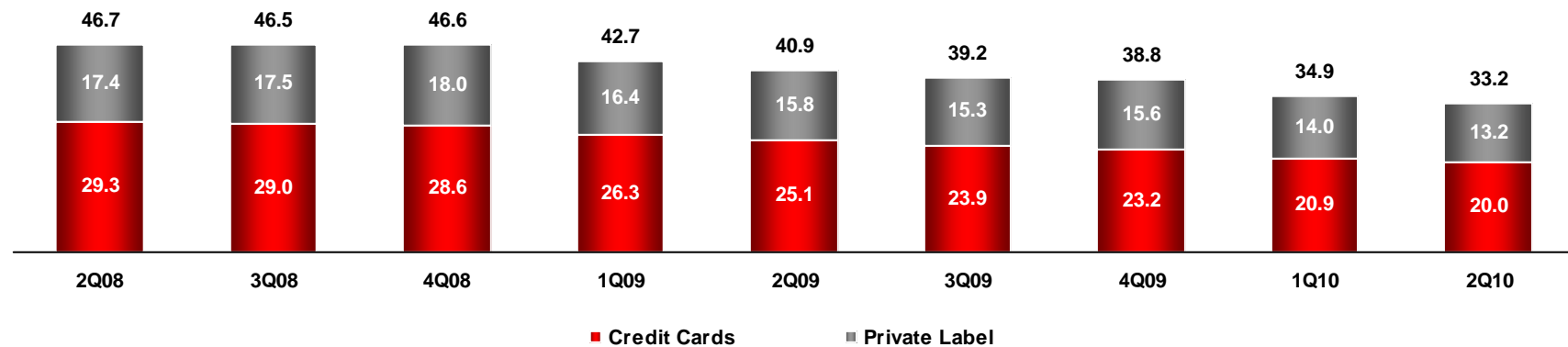
HSBC Finance Corporation

US customer loans – Run-off portfolio: Down 6% from March 2010

Customer loans¹
Run-off portfolio, US\$bn



Customer loans¹
Core portfolio, US\$bn



Notes:

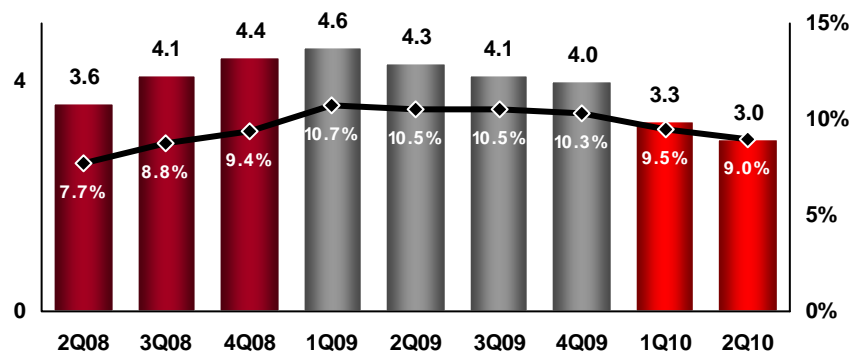
(1) Excludes reverse repo balances

(2) Vehicle finance loans held for sale

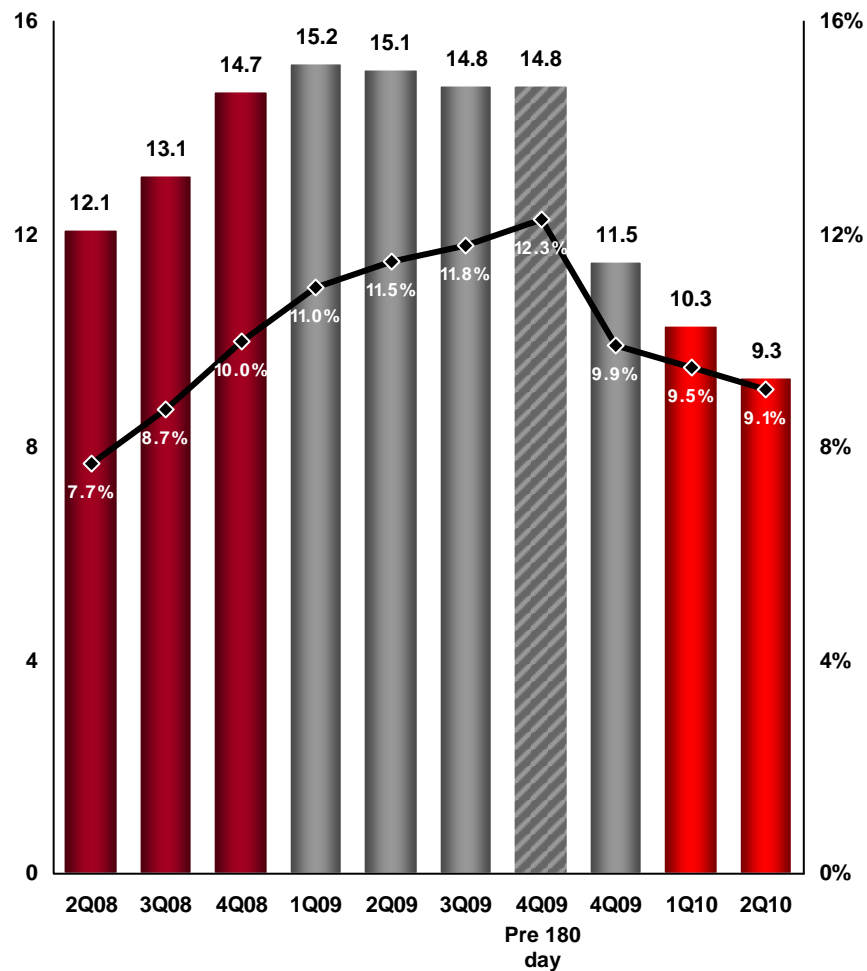
HSBC Finance Corporation

Impairment allowance^{1,2}

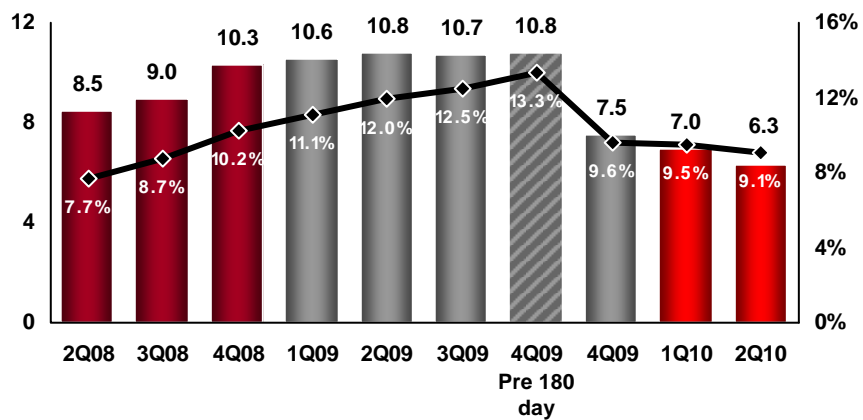
Core Portfolio, US\$bn



Total HSBC Finance Corp, US\$bn



Run-off Portfolio, US\$bn



Notes:

(1) Excludes reverse repo balances

(2) Impairment allowance ratio as a percentage of end-of-period total loans, excluding vehicle finance loans classified as held for sale