

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, 2010. 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 December 31, 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. 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.

Content

- ▶ **Update on HSBC North America Strategy**
- ▶ **US Bank Overview**
 - ▶ **US Bank Strategy**
 - ▶ **Commercial Banking US**
 - ▶ **Personal Finance Services US**
 - ▶ **Global Banking and Markets Americas**
 - ▶ **Private Banking US**
- ▶ **HSBC Finance Overview**
 - ▶ **Strategy Summary**
 - ▶ **Cards and Retail Services**
 - ▶ **Non-Core Consumer and Mortgage Lending**
- ▶ **Appendix: HSBC USA Inc. and HSBC Finance Financial Overview**

This page intentionally left blank

Update on HSBC North America Strategy

North America Strategy - Overall Summary

Strategy remains consistent but under continued review

- ▶ **Reposition Core businesses in the US to leverage off of international connectivity**
 - ▶ Compete using international network
 - ▶ Maintain appropriate balance between opportunity and risk
- ▶ **In 2010, US Core operations contributed PBT excluding FVOD of \$3.5bn⁽¹⁾**
 - ▶ PBT in 2010 includes reductions in loan impairment charges and non-recurring revenues in GBM
- ▶ **Remain focused on managing down the run-off assets in our Non-Core businesses ethically and effectively while maintaining home preservation efforts**
 - ▶ While run-off of revenue presents a cost base challenge, staff numbers have declined 36 percent in North America since end of 2007
- ▶ **Manage regulatory challenges**
 - ▶ Implementing Dodd-Frank Wall Street Reform and Consumer Protection Act
 - ▶ On-going regulatory and governmental inquiries focused on Bank Secrecy Act, Anti-Money Laundering and Foreclosure
 - ▶ 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**
- ▶ **US Strategy remains under review given new Group management team**

(1) IFRS basis

North America Strategy - Continuing to Execute

Focusing on growing Core and winding down Non-Core

In 2011, HSBC will continue 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 five branches opened in 2010 and 108 since early 2005
- ▶ Premier customer base has grown to over 700,000 at December 31, 2010, up 37 percent since year-end 2009. In the US, we have added 55 Premier relationship managers in 2010
- ▶ PBT of Core operations in 2010 reflects benefit of reductions in loan impairment charges and GBM non-recurring revenues
- ▶ Commercial Banking reported solid PBT of \$939m in 2010 while maintaining focus on connectivity to other HSBC Group businesses and cross-border business referrals which have continued to increase
 - ▶ Global revenues from Corporate and MME clients managed in US of approximately \$800m in 2010, with 18 percent booked outside of US
- ▶ Global Banking and Markets reported strong PBT of \$1.6bn in 2010, including the impact of certain non-recurring items, while continuing to focus on global connectivity among emerging and developed markets
 - ▶ Global revenues from clients managed in the US of approximately \$2.0bn in 2010, with 61 percent booked outside of US
- ▶ Cards business continued its strong contribution in 2010, reporting PBT of \$2.0bn 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 in 2010
- ▶ Completed exit of the Taxpayer Financial Services business in late 2010
- ▶ Although not a significant “run-off” business, the wholesale banknotes business did not fit with our Core strategy in the US, and we substantially completed the exit of this business in 2010
- ▶ Continue to reduce the run-off portfolio:
 - ▶ \$58.4bn at December 31, 2010, a 26 percent decline compared to year-end 2009
 - ▶ Fair value as a percentage of book value improved to 68 percent at December 31, 2010 from 59 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 42,500 accounts representing \$6.0bn of receivables in 2010
 - ▶ Since January 2007, we modified and/or re-aged approximately 353,600 accounts representing \$41.6bn of receivables at the time of modification/reage
- ▶ For customers who are unable to pay, we have increased the use of deed-in-lieu and short sales
- ▶ Ensure appropriate work force and operating cost reduction as the run-off book declines

Significant North America Entities

Ongoing areas of focus in 2011

HSBC Bank USA

- ▶ Additional growth efforts in HSBC Premier, Commercial Banking, insurance and wealth management
- ▶ Leveraging Group relationships and unique global footprint in Global Banking and Markets, Commercial Banking and Private Banking as well as LatAm connections in Global Banking and Markets and Private Banking
- ▶ Additional focus on CMB especially trade finance
- ▶ Build on branch expansion efforts by targeting ethnic groups with international connectivity
- ▶ Regulation and Compliance
- ▶ Manage cost base

HSBC Finance

- ▶ Continue to effectively manage our run-off portfolios to maximize cash collection and capital preservation in an ethical manner
- ▶ Leading home preservation efforts
- ▶ Address increase in capital requirements through RWA management and inflow of additional capital
- ▶ Regulation and Compliance, especially foreclosure oversight
- ▶ Manage cost base

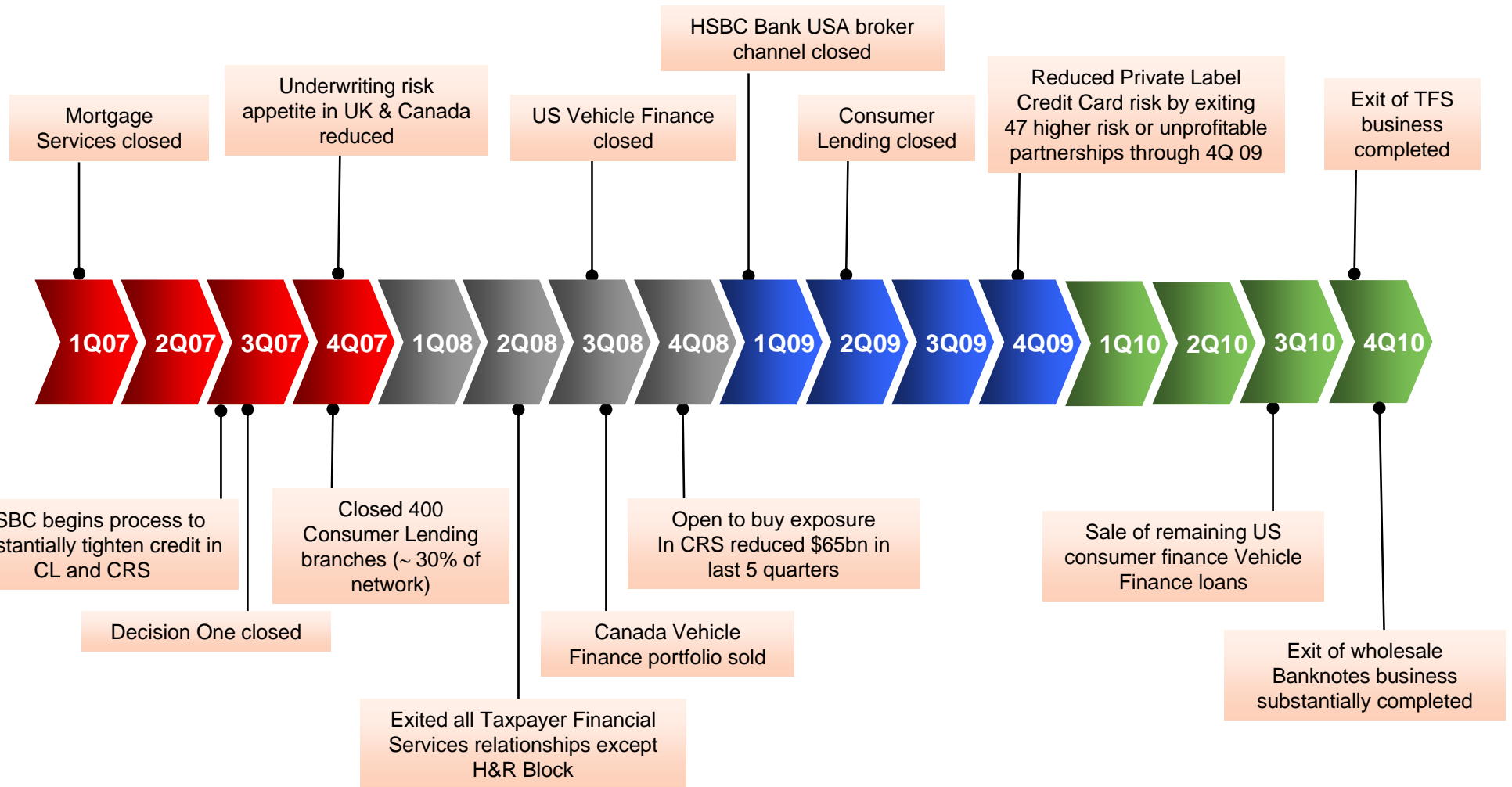
HSBC Bank Canada

- ▶ Continue to be the leading international bank in Canada
- ▶ Leverage HSBC's international capability to continue to be the leading international bank for business in Canada and the best bank for business banking in Canada
- ▶ Enhance our Premium PFS and Wealth Management proposition
- ▶ Deliver international markets to Global Banking & Markets clients, enhancing capabilities in the Energy and Mining sector
- ▶ Manage risk through integrated enterprise-wide risk management
- ▶ Improve efficiency

- 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

Managing Consumer Finance Risk 2007-2010

Continued progress in managing risk



HSBC North America Summary

Positioning for the future

Reposition our Core businesses in the US to leverage off international connectivity and compete using our international network

Reposition brand to be like rest of HSBC post Household

Re-establish reputation with regulators

Remain focused on managing down the run-off assets in our Non-Core business ethically and effectively

Manage regulatory challenges and capital requirements

Build American talent to run businesses in the future

Achieve appropriate cost base

US Bank Overview

US Bank Strategy

US Bank Businesses Strategy – Summary

Focusing on opportunities where we believe we can win

Opportunities

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

Commercial Banking

- ▶ Be the leading international business bank for medium size businesses
- ▶ Target internationalizing US customers
- ▶ Continue to focus on building our Core proposition to mid-size international companies based on the West Coast and in Texas and Florida

Personal Financial Services

- ▶ Differentiated premium services to internationally minded customers
- ▶ Expand cross sell opportunities to our Premier customer base
- ▶ Cards and Retail Services
 - ▶ Continue to be profitable
 - ▶ Continue to pursue integration of Cards into global business line, leveraging US analytic expertise
 - ▶ Exited unprofitable relationships in Retail Services or increased the value of those relationships
 - ▶ Continue to review risk issues

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

- ▶ Re-positioned as an internationally-led Private Bank in the US
- ▶ De-emphasize expansion of client base through lending

US Bank Key Initiatives

Initiatives are aligned with our overall strategy

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

US Bank Recent Successes

Successes highlight signs of 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

August 2010



c. \$6bn acquisition of Pactiv
Joint Lead Arranger, Joint Bookrunner and Financial Advisor

September 2010



\$66.9bn equity follow-on offering
Joint Bookrunner

2010 Rankings

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

Source: Bloomberg



- Best Sovereign Advisory House
- Best Debt House in Brazil



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

Global Professional Services Firm US\$750m annual turnover

Tier 1 and co-arranger role on Secured Credit Facility, in addition to being primary bank for global PCM in a relationship that includes 13 of the 17 countries where the company operates (US, China, HK, UK, Brazil, Russia, the Netherlands, UAE, Egypt, Colombia, India, Poland and Mexico.) Underscores solid reputation in professional services.

Retail US\$7+bn annual turnover

Credit facility and offshore LC issuance in Hong Kong to support the company's suppliers in Asia Pacific and the US, managing both sides of the transactions. In addition, serving as primary Asia Pacific bank in China and Hong Kong in support of the company's global sourcing.



- Growth in Premier of 135,000 in 2010 of which 41% were new to Bank

Insurance

- Life Insurance application up 14% YoY and commission revenues up 24% YoY

US Bank Strategy

Looking forward into 2011

- ▶ **Performance during 2010 reflects signs of increased traction of our strategy**
- ▶ **Results in 2010 include reductions to loan impairment charges and non-recurring revenues in GBM**
- ▶ **Well-positioned for the future – Continuing to grow and invest in Core businesses that are strategically relevant to HSBC**
- ▶ **Market conditions are continuing to improve although overall economic environment remains challenged**
- ▶ **Regulatory environment remains uncertain**
 - ▶ **Ever-changing environment**
 - ▶ **Regulatory actions and inquiries**
 - ▶ **Dodd-Frank Wall Street Reform and Consumer Protection Act**
- ▶ **Cost management, capital preservation and risk reduction / mitigation efforts will continue**

Commercial Banking US

Commercial Banking US

Best International Business Bank

Best International Business Bank

- ▶ Key differentiator and competitive advantage
- ▶ Capitalize on increasing international trends in US business
- ▶ Leverage HSBC's global scale and connectivity
- ▶ Invest in brand marketing initiatives and training

Growth

- ▶ Focus on international client acquisition and increased wallet share
- ▶ Increase intra-HSBC international and product referrals
- ▶ Expand regions with strong international connectivity

Operational Excellence

- ▶ Address and resolve Compliance issues with a focus on AML, the Bank Secrecy Act and improved execution across the business
- ▶ Enhance efficiency through deployment of globally consistent platforms

Commercial Banking US

Key business lines and related strategies

CMB consists of three business lines – Middle Market Enterprises (MME), Business Banking and Commercial Real Estate (CRE); and “joins up” with key product partners including Global Transaction Banking (Payments and Cash Management, Trade and Supply Chain), Global Banking and Markets, Premier/PFS, Private Banking and Insurance.

Key Lines of Business

Strategy

Middle Market Enterprises (MME)

- Serving corporates in “Upper MME” (\$250m+ annual revenue) and “Core MME” (\$30-\$250m annual revenue) in a range of industries and specialties.
- Leveraging global connectivity to grow market share in footprint with US corporates with international needs.

Business Banking

- Serving businesses with <\$30m in annual revenue.
- Repositioning target segment towards international businesses or those owned by internationally-minded individuals, and deposit-rich businesses.

Commercial Real Estate (CRE)

- Targets institutional and large owners/developers of investment properties. Leverages expertise to increase share of international clients.
- Relationships are long-term with proven track records and liquidity in stable markets with high barriers to entry.
- Deals are conservatively structured around qualities such as low LTV, strong debt coverage ratio based on net operating income, personal/institutional guarantees and special purpose entities for institutional ownership.

Commercial Banking US

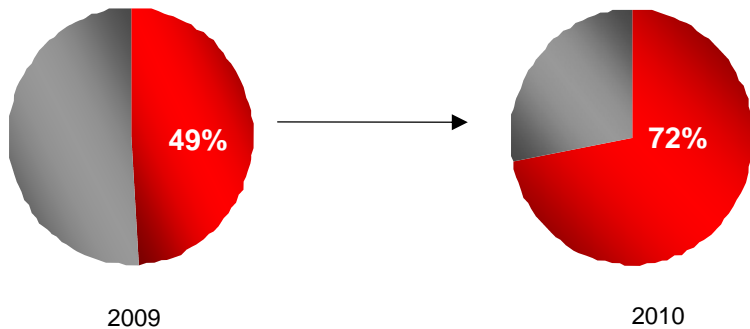
MME market opportunity

- ▶ c. 8,000 international companies (revenues > \$30m) in US CMB footprint out of which we bank c. 600
- ▶ Significant scope for growth in expansion markets

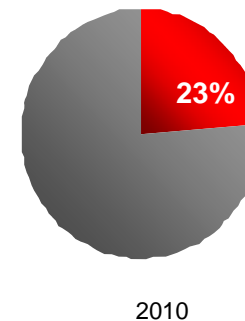
	HSBC MARKET SHARE* International Companies	
	NY State	Outside NY State
Corporate \$250m+	18%	10%
Core \$30 - \$250m	8%	2%

- ▶ Research demonstrates more companies will need international services in the coming years

US executives planning to increase their overseas sales targets**



Domestic US businesses planning to engage in cross-border trading for the first time**



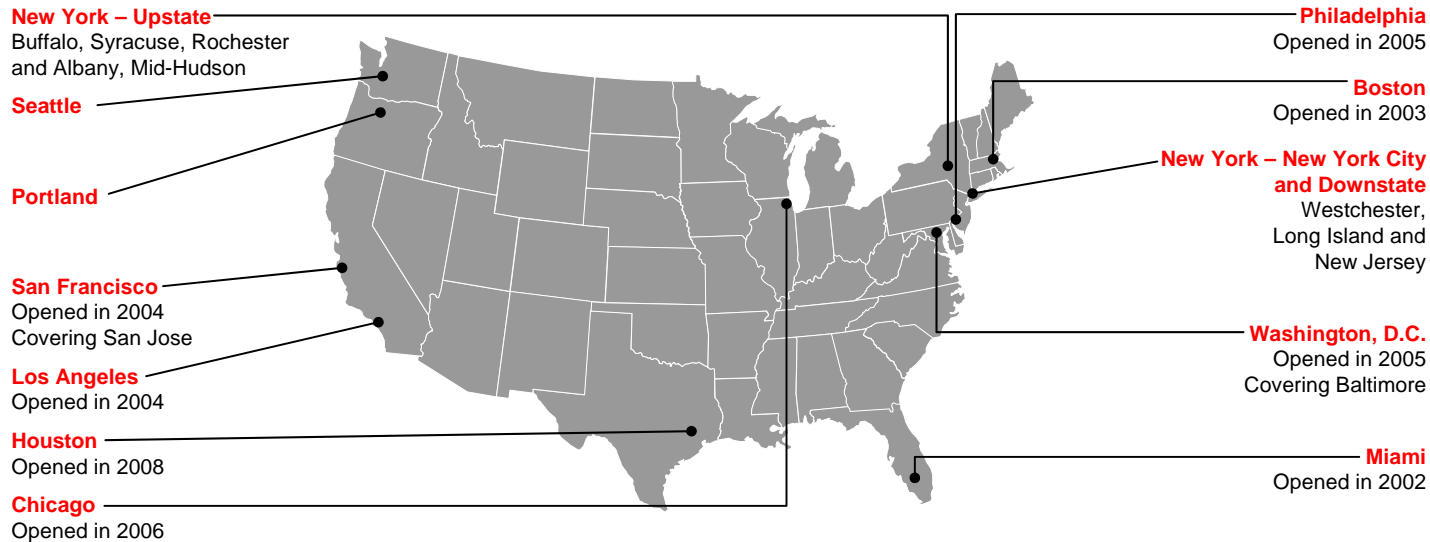
* The source of the CMB market data is Dun & Bradstreet

** 2010 HSBC International Business Survey, an annual survey of senior financial decision-makers from mid-sized companies (US\$20m - US\$5bn annual turnover) focusing on the opportunities and challenges when operating in multiple markets worldwide.

Commercial Banking US

Grow through differentiated propositions

- ▶ Diversification from New York State to major financial centers and US export hubs nationwide via ongoing organic expansion.
- ▶ Increased sales staff 12% YoY.* Training complete for 100% of RMs via suite of international training modules.



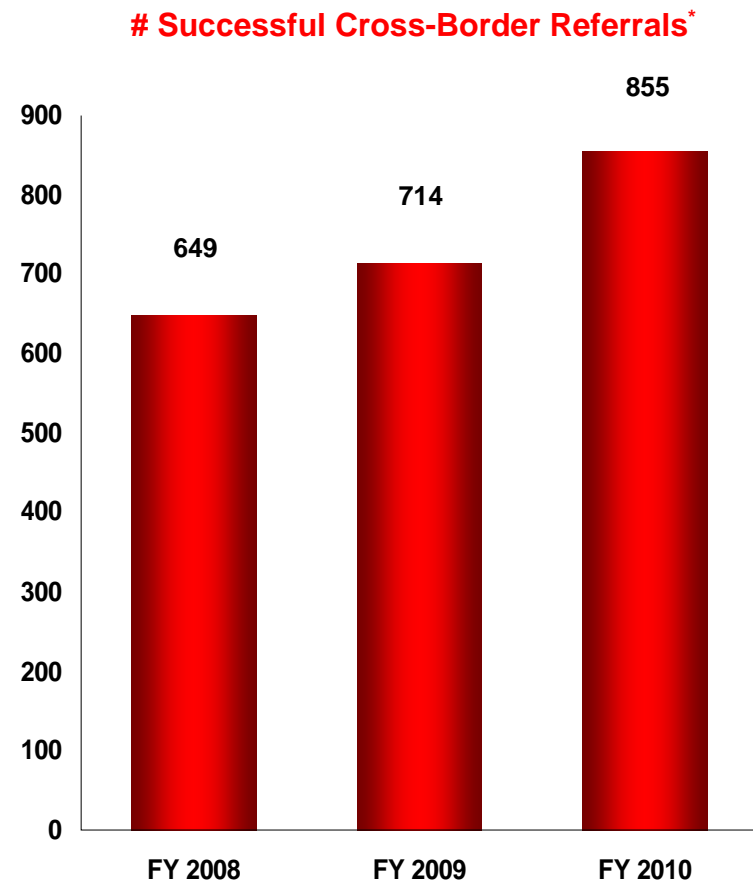
- ▶ 2011 expansion in Western US: CMB delivers a full range of international services to MME clients outside the greater New York area.
- ▶ Business Banking proposition delivered primarily through branch network, supplemented by alternative channels.

Notes:
* Covers period March 2010 - February 2011

Commercial Banking US

Increasing momentum and continuing to lead international business

- ▶ Cross-border business:
 - ▶ Successful cross-border referrals to other HSBC Group offices grew by c. 20% YoY in 2010



* Source: HSBC management information

Commercial Banking US

International banking and building the franchise

High value business wins demonstrate market potential for HSBC:

Global Professional Services Firm US\$750m annual turnover

Tier 1 and co-arranger role on Secured Credit Facility, in addition to being primary bank for global PCM in a relationship that includes 13 of the 17 countries where the company operates (US, China, HK, UK, Brazil, Russia, the Netherlands, UAE, Egypt, Colombia, India, Poland and Mexico.) Underscores solid reputation in professional services.

Education Services US\$2.5+bn annual turnover

Payments and cash management in Asia Pacific (Australia, New Zealand, China, Hong Kong, Singapore, Korea, India and South Africa) including liquidity services, transactional account services, payables, receivables, client access via HSBCnet and Connect, and 75+ accounts worldwide.

Lifestyle Company US\$5bn annual turnover

Agent role in RCF, bank guarantees, credit and FX lines to support the company's international expansion in Asia, building on existing payments and cash management business and HSBCnet services for the company in all of their Asia Pacific countries, including China, Hong Kong, Taiwan, South Korea, Singapore and Malaysia.

Retail US\$7+bn annual turnover

Credit facility and offshore LC issuance in Hong Kong to support the company's suppliers in Asia Pacific and the US, managing both sides of the transactions. In addition, serving as primary Asia Pacific bank in China and Hong Kong in support of the company's global sourcing.

Leveraging our award-winning global franchise:



Best Global Emerging Markets Bank
Best Cash Management House - Middle East
Best Bank - Hong Kong and Bermuda

2010 Awards for Excellence



Empire Award - #1 504 Lender in New York

2010

5th Consecutive Year



**HSBCnet Best of Breed Leading Online
Corporate Banking Platform**
– Global Study

2010 Online Services
Benchmarking Study

Personal Financial Services US

Personal Financial Services US

Strategic focus and objectives

- ▶ **Leverage global scale, local distribution and capabilities to grow profitably in selected markets**
- ▶ **Competing where we believe we can 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
 - ▶ Cross-selling Wealth Management to new and existing premium customer segments who are familiar with HSBC
- ▶ **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 believe we can win
- ▶ Emphasis on cross-selling Wealth Management products (e.g., insurance, investments) to new and existing premium customers

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

Simplification

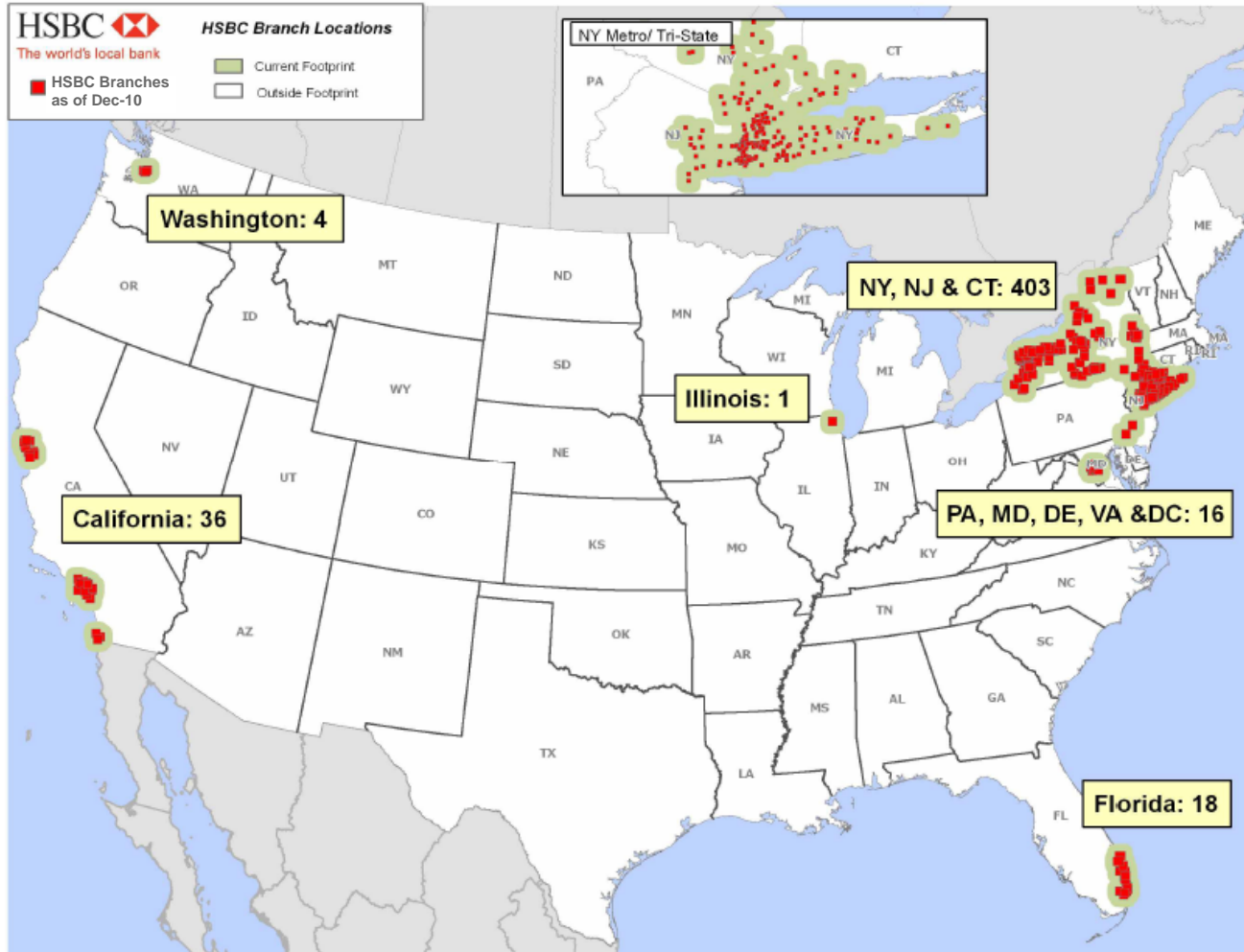
- ▶ Ongoing efforts to optimize and simplify the business
- ▶ Mortgage business integrated with PFS to leverage resources
- ▶ Focus shifted from standalone products to products tailored for Premier proposition
- ▶ Focus on expense reduction to make a material change in cost efficiency ratio for the business

One HSBC

- ▶ Business transformation enabled by technology – represents a fundamental change in the way we do business (as of December 2010 78% of branches were upgraded to Deposit Automation)
- ▶ 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 December 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 approximately 52% of all New-to-HSBC Premier customers**
- ▶ **5 new branches opened in 2010. Additional new branches will be opened as the opportunity arises**

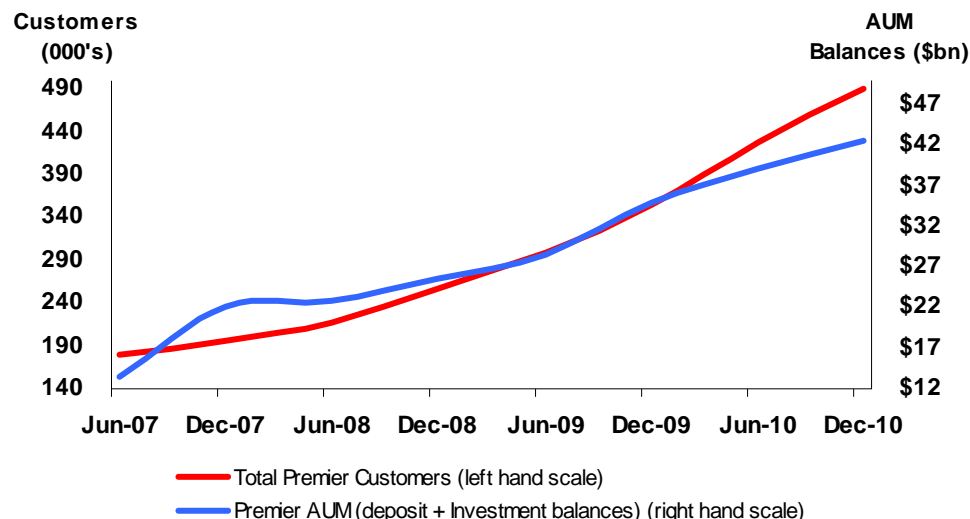
Personal Financial Services US

Strong momentum in Premier and Insurance

Premier

- ▶ Target internationally minded mass affluent segment
- ▶ Strong account and balance growth through Dec-10
- ▶ Premier Customer base has grown to ~490k as of Dec-10, which represents a 6% QoQ increase. US is now #3 globally in total Premier customers⁽¹⁾
- ▶ In 2010, there was a net change of 135k in Premier customers, of which 41% (or 55k) were New-to-Bank customers⁽¹⁾

Growth in Premier customers⁽²⁾ and deposits⁽³⁾



Wealth Management

- ▶ AUM (deposits & investment balances) have more than tripled since 2007 and was over \$42bn as of Dec-10
- ▶ HSBC World Selection Funds are distributed in 26 countries and AUM for US was over \$1.4bn as of Dec-10
- ▶ Through Dec-10, mortgage loan originations were 90.9% multi-product relationship or CRA credit, including 6,090 new to Premier relationships acquired
- ▶ For full year 2010, life insurance applications were up 14% YoY and commission revenues were up 24% YoY⁽¹⁾

Notes:

(1) Source: Internal management information

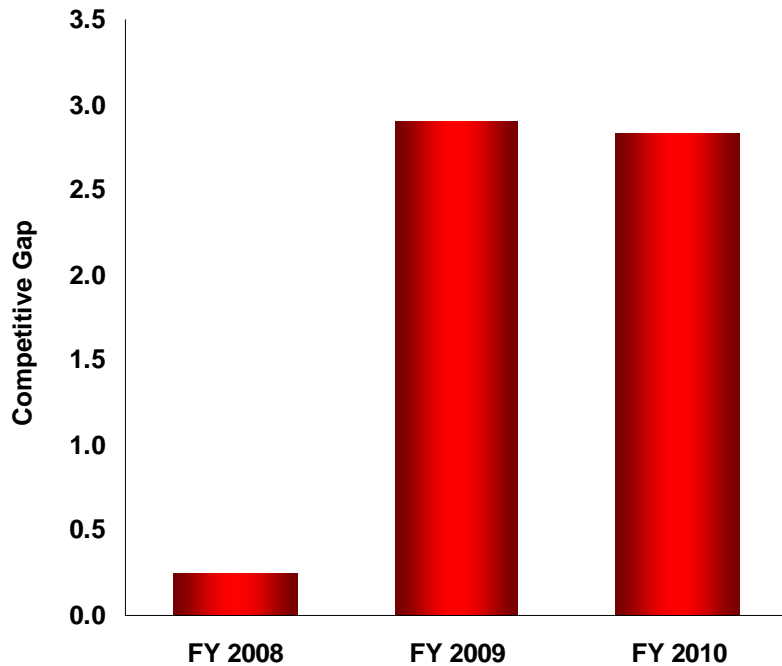
(2) Excludes Premier accounts in Global Private Banking

(3) IFRS basis

Personal Financial Services US

Positive trend in customer recommendation and brand health

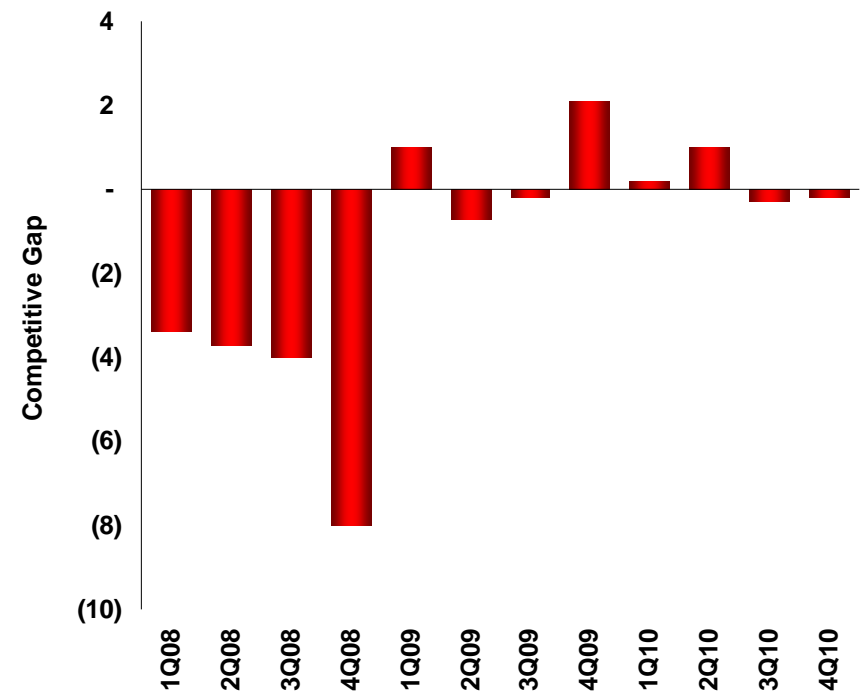
**Customer Recommendation
Competitive Gap**



- ▶ Customer Recommendation scores increasingly better than peer group
- ▶ US achieved a #1 market rank in 1Q10, and #2 for FY 2010

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

Global Banking and Markets Americas

Aim to be strategic, sustainable and significant

Strategic alignment to HSBC Group strategy

- ▶ Drive connectivity between emerging and developed markets
- ▶ Focus on delivery of Core HSBC products to core GBM Clients
- ▶ Continue to manage and run off legacy positions

Sustainable business model and culture

- ▶ Leverage HSBC connectivity to develop lower volatility revenue streams
- ▶ Increase penetration of other HSBC Group customer segments
- ▶ Foster culture that prioritizes all business risk equally

Significant contribution to HSBC Group profits

- ▶ Achieve returns within HSBC Group's target range
- ▶ Support build-out of top 3 Latin American franchise
- ▶ Leading North American bank for international business

Global Banking and Markets Americas

Executing our strategy by joining up across the region and customer groups

Joining up and growing our business

- ▶ Integrated approach to client planning & coverage; co-accountability for delivery
- ▶ Selective investment in talent and new products
- ▶ Address sub-optimal return, exit Non-Core business lines

Cross-customer group, cross-regional connectivity

- ▶ Increase inbound and outbound Multinationals business
- ▶ Deliver Global Banking and Markets as a “product” into Commercial Banking
- ▶ Contribute fully to regional Wealth Management strategy

Continue integrating the Americas region

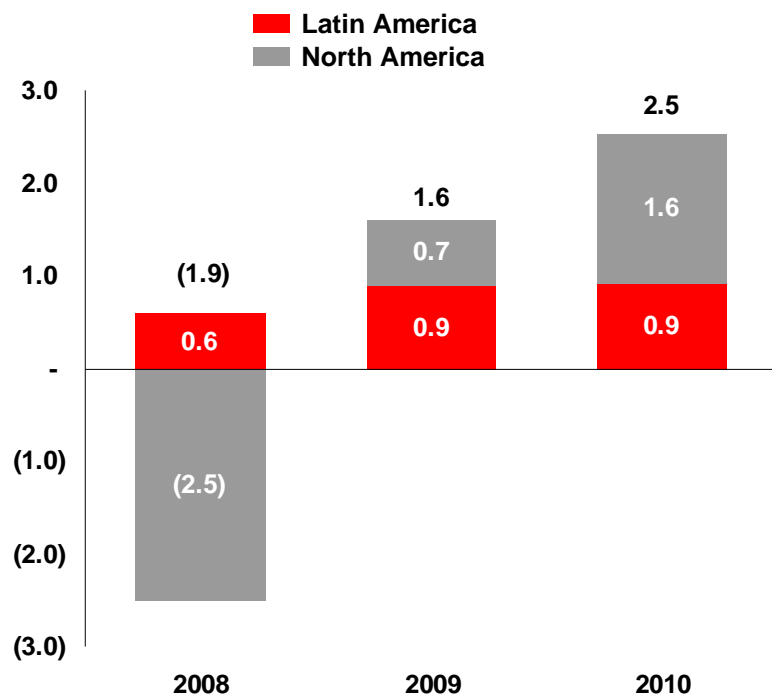
- ▶ Progress regional operating model with New York as management hub
- ▶ Recycle balance sheet to support Latin American clients
- ▶ Encourage intra-regional and global employee mobility

Focusing on sustainable growth across the Americas region

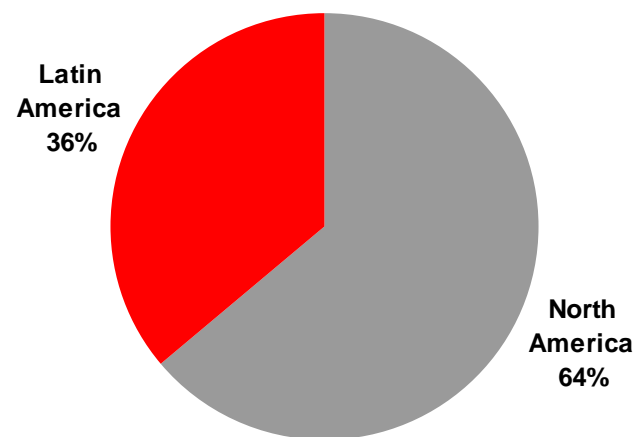
Global Banking and Markets Americas results

Recovery in results, aligned to global strategy

**Global Banking and Markets Americas
Profit before tax, US\$bn**



**Global Banking and Markets Americas
Profit before tax, 2010 % share**



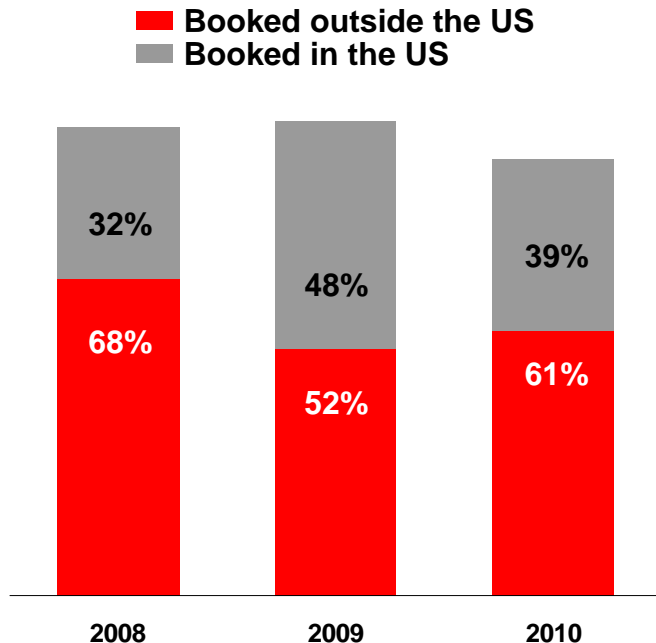
Global Banking and Markets Americas

Trend of significant revenues leveraging global network

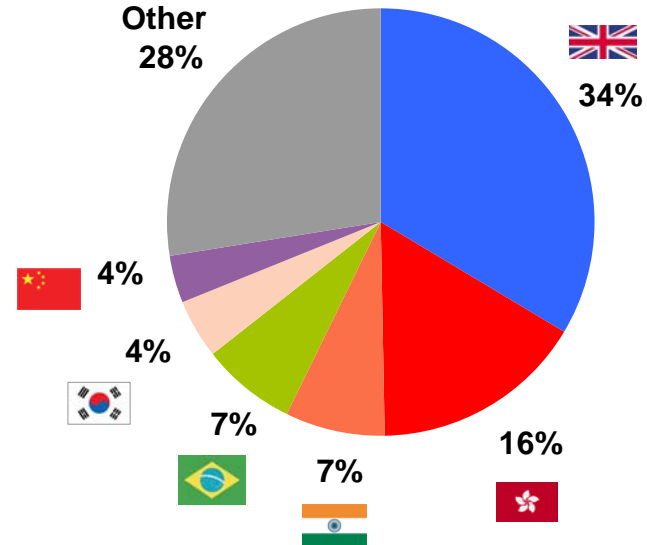
▶ **61% of US client portfolio revenues were booked outside of the US in 2010**

▶ **US clients drive revenues for Global Banking and Markets in many locations globally**

US client portfolio revenues, 2008 - 2010



US client portfolio revenues booked overseas, 2010 % share



Global Banking and Markets Americas

Market recognition of our successful strategy

Recent awards



- Best Emerging Markets Bank
- Best Emerging Markets Debt House
- Best Sovereign Advisory House
- Best Wealth Management House
- Best Debt House in Brazil



- Emerging Markets Bond House of the Year
- Financial Bond House of the Year
- US Loan of the Year: Kraft
- Leveraged Loan of the Year: Reynolds Group
- LatAm Loan of the Year: Americas Mining Corp
- LatAm Bond of the Year: Odebrecht



- Best Bank for FX for Corporates
- Best Bank for Emerging Latin American Currencies
- Best Bank for FX Research and Strategy
- Best Bank for Forward FX



- Most innovative Investment Bank for Bonds
- Most innovative Investment Bank for Corporates

FY 2010 rankings

#4 in International Bonds Globally

#1 in Emerging Markets Bonds Globally

#3 in Latin American Local and International Bonds

#3 in Brazilian Local and International Bonds

#3 in Mexican Local and International Bonds

Key transactions

Driving Cross-Customer Group Connectivity

October 2010



\$350m 10-year senior unsecured notes

Joint Bookrunner

August 2010



c. \$6bn acquisition of Pactiv

Joint Lead Arranger,
Joint Bookrunner and
Financial Advisor

May 2010



Acquisition of Farmacias Ahumada (FASA)

Lead Advisor

Driving Cross-Regional Connectivity

October 2010



\$600m acquisition of Eastman's North American PET, PTA and related businesses

Exclusive Financial Advisor

September 2010



\$66.9bn equity follow-on offering

Joint Bookrunner

March 2010



Acquisition of a 31.2% stake in Cimpor

Financial Advisor

Global Banking and Markets Americas

Challenges ahead for 2011

- ▶ **Competition for market share and talent – possible negative impact of European bonus legislation**
- ▶ **Subdued economic activity with expectation of continued high unemployment and low interest rates**
- ▶ **Business and client mix in light of proposed regulatory changes**
- ▶ **Impact of Dodd-Frank legislation**
- ▶ **Critical requirement to increase focus on Audit and Compliance**

Private Banking US

Private Banking US

Strategic focus and objectives

- ▶ Internationally-led private bank with a single integrated business model for both domestic and international 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 Global 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 American 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
- ▶ Enhance the “One Private Bank” in which the organization structure serves both domestic and international clients
- ▶ De-emphasize expansion of client base through lending

Private Banking US

Key strengths

▶ 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

This page intentionally left blank

HSBC Finance Overview

HSBC Finance Strategy Summary

Managing what we can control

**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
- ▶ Compliance
 - ▶ Addressing deficiencies in foreclosure processes

▶ Balance sheet management

- ▶ Leveraging bank funding
- ▶ Reducing balance sheet to manage capital needed from Group
- ▶ Managing 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
- ▶ Retaining key people while allowing the work force to shrink as the run-off book declines

HSBC Finance Strategy Summary

Despite actions we cannot control all factors

Taking Decisive Action

- ▶ **Run-off certain Non-Core portfolios and exiting businesses**
 - ▶ Consumer Lending
 - ▶ Mortgage Services
 - ▶ Vehicle Finance
 - ▶ Sold our vehicle finance loan servicing operations in March 2010
 - ▶ Remaining US consumer finance vehicle loan portfolio sold in Q3 2010
- ▶ **Reduced the scope of the Taxpayer Financial Services business and completed the exit of this business in December 2010**
- ▶ **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 to 180 days**

Environmental Factors Affecting our Business Which We Cannot Control

- ▶ **Home price depreciation**
- ▶ **Unemployment**
- ▶ **Legislation/Regulatory Landscape**
 - ▶ CARD Act
 - ▶ Dodd-Frank Wall Street Reform and Consumer Protection Act
- ▶ **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

Strategy split between Core business and Run-off businesses

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

Core Businesses	Card and Retail Services	<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 monitor mix between sub-prime and prime▶ Restarted mailings in sub-prime
Businesses Exited or in Run-off	Consumer Lending Mortgage Services Vehicle Finance Taxpayer Financial Services	<ul style="list-style-type: none">▶ 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 – previously exited all independent relationships, H&R Block exited in December 2010

- 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
- Continued focus and emphasis on compliance risk

Cards and Retail Services

Cards & Retail Services (“CRS”) – Overview

Maintained profitability during downturn, expanded profitability in 2010

Credit Card overview

- ▶ Seventh-largest US MasterCard/Visa issuer⁽¹⁾
- ▶ US\$19.3bn in managed receivables, approximately 15 million active accounts

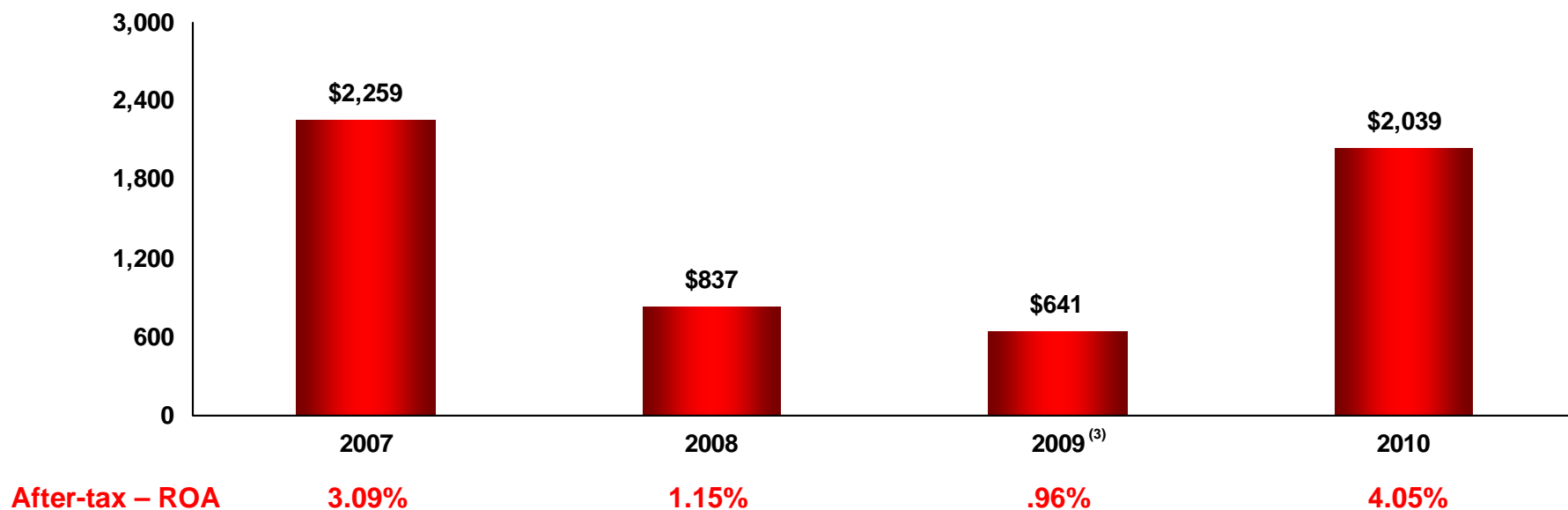
Retail Services overview

- ▶ Third-largest private label issuer⁽¹⁾
- ▶ US\$13.6bn in managed receivables, approximately 14 million active accounts
- ▶ More than 20⁽²⁾ active merchant relationships

2010 vs. 2009:

- ▶ Pre-tax profit higher than prior year
- ▶ Net interest margin has increased 138bps
- ▶ Lower loan impairment charges on lower loan levels, actions taken by customers to reduce debt levels, actions we have taken to reduce risk, 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

Pre-tax Profit (US\$m)



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

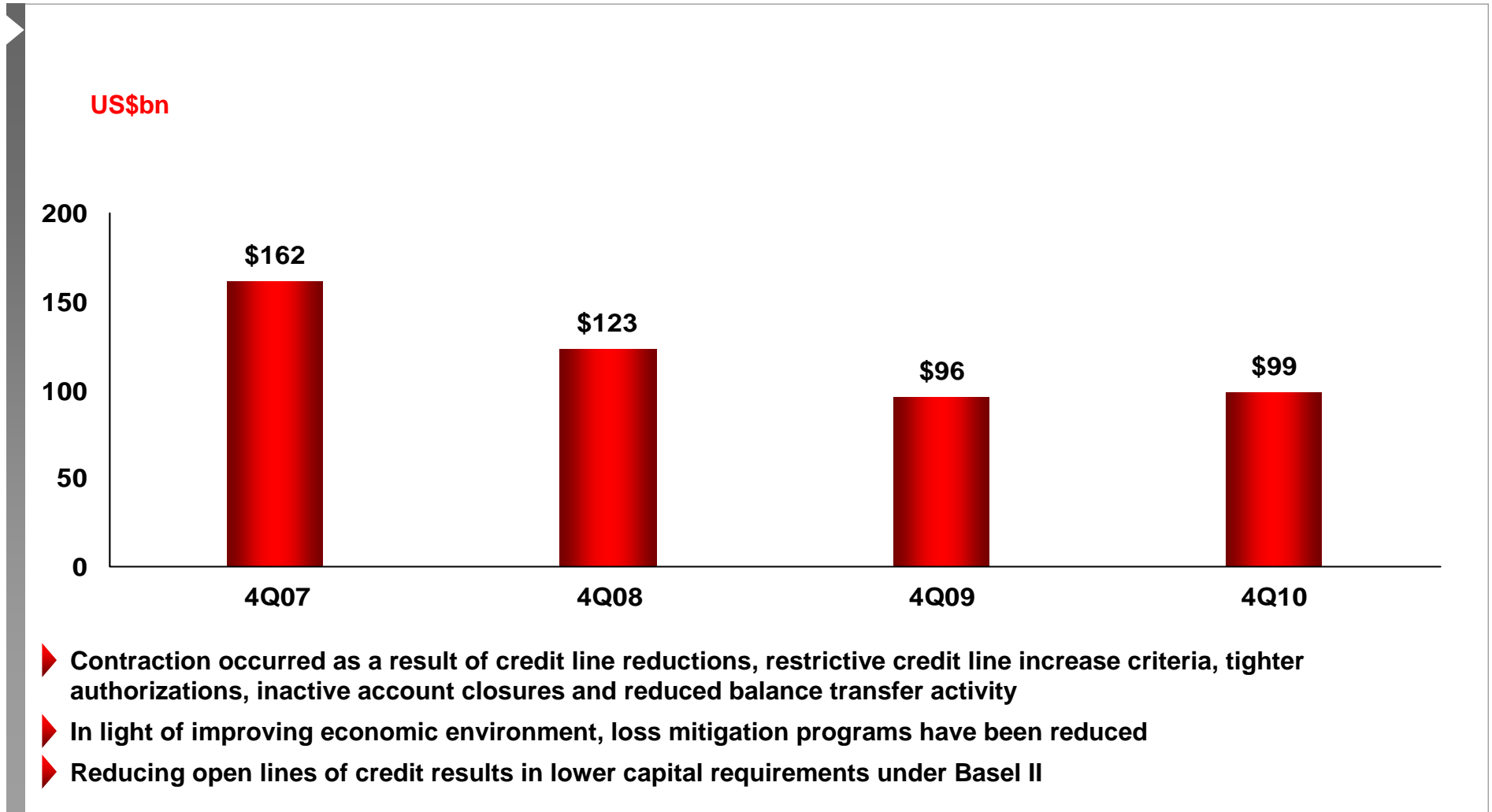
(1) Source: The Nilson Report

(2) At December 31, 2010

(3) 2009 excludes goodwill write-off of \$530m

CRS Open Lines of Credit Were Stable in 2010

After significant reductions in previous years



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

As the Outlook Improves, CRS will Evaluate Growth Opportunities

Ensuring a solid foundation for future growth

Marketing

- ▶ Increasing marketing spend to grow new account bookings where expected to exceed return on risk-adjusted capital and profitability hurdles
- ▶ Incorporated impact of CARD Act – continued testing and roll-out of new price points and product constructs and initiating new product development. Estimated reduction of revenue net of loan impairment charges of approximately \$200m during 2010
- ▶ There is the potential for further regulation/legislation in 2011, with impacts including, but not limited to, credit insurance/protection products
- ▶ Considering new retail partnerships and card acquisitions as appropriate to preserve/enhance value

Underwriting

- ▶ Economic stress continues to be applied to investment decision models
- ▶ Implemented a series of new underwriting models and policies developed with downturn experience
- ▶ Selectively relaxing underwriting criteria where historic performance and prospective views support profitable outlook

Portfolio Actions

- ▶ Selectively increasing credit line, spend programs and balance transfer activities where prospective views support profitable outlook
- ▶ Ongoing efforts to improve customer satisfaction in service operations

Group Cards Presence and Global Cards Strategy

CRS is a critical component of Group Cards presence and strategy

Group Cards Presence

- ▶ HSBC has credit cards in 53 countries and territories across six 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 PFS Premier strategy
- ▶ Improve card capabilities by knowledge transfer and establishment of regional centers of excellence
- ▶ Develop and deploy the Global cards target operating model

Contribution to Group

- ▶ Contributed to the development of a globally common system infrastructure (over 80% 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
- ▶ 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
- ▶ Implementation of One HSBC Cards conversion to create a global platform providing scale and improved customer experience is a key goal for 2011

Non-Core Consumer and Mortgage Lending

Non-Core Consumer and Mortgage Lending (“CML”) Servicing Priorities

Results-oriented servicing operations focused on key drivers for business performance

Focus On Our Customer

- ▶ Identify customer 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 and enhance our loss mitigation program

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

- ▶ Strategic and operational focus on mitigating delinquency performance while improving cash flow in a responsible and ethical manner
- ▶ CML Servicing continues to rely on its deep operational experience while embarking on new strategies to drive improved performance and transparent results

CML is an Industry Leader in Homeownership Preservation

Loan modification is a critical component of our strategy

- ▶ Culturally, homeownership preservation has been embedded in our operating philosophy for years
- ▶ In 2009, we completed 104,300 loan modifications totaling approximately US\$14.6bn
- ▶ In 2010, we completed 42,500 loan modifications totaling approximately US\$6bn
 - ▶ 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
 - ▶ Account modifications in 4Q 2010 provided an average payment relief of 25.4%

Portfolio Snapshots	12/31/07	12/31/08	12/31/09	12/31/10
Total Real Estate Modifications and/or Reages	US\$17bn	US\$26bn	US\$30bn	US\$27bn
% of Real Estate Portfolio with modification and/or reages	20%	36%	51%	54%

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

- ▶ As of December 31, 2010, approximately 56 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 improves cash collections and avoids foreclosure where determined to be appropriate
 - ▶ As a result of the higher modification levels, we are also seeing an increase in TDRs

CML Exit Strategies

Foreclosure viewed as a last resort

But when home preservation efforts fail...

Short Sale / Deed in Lieu

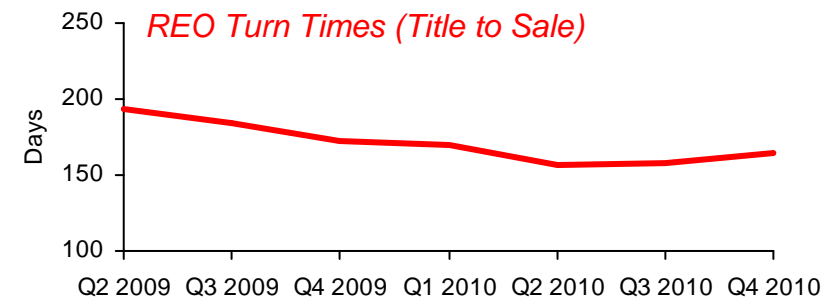
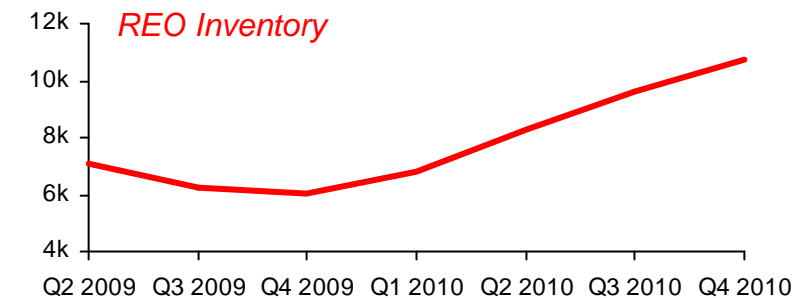
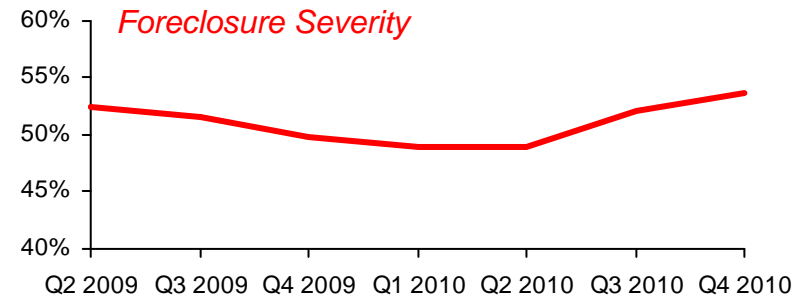
- ▶ Proactive exit strategies since Jan 2009, targeting customers who can no longer afford the home
- ▶ Providing cash relocation assistance and waiving deficiency balances
- ▶ Reduces loss severity and accelerates resolution of the delinquency

Foreclosure

- ▶ Foreclosure viewed as a last resort, only after all other alternatives have been exhausted and when borrower is seriously delinquent
- ▶ Several key procedural improvements had been taken as a result of our own internal reviews and we will continue to work very closely with our regulators to improve our procedures

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, indicating some stabilization of the housing market



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

CML Going Forward

Continue to focus on our strategic initiatives

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
- ▶ Capital generation through risk weighted asset reductions

Additionally, we will continue to ensure we maintain adequate credit loss reserves and focus on improving our foreclosure oversight

Appendix – HSBC USA Inc. and HSBC Finance Financial Overview

HSBC USA Inc. – 2010 Financial Results

IFRS, US\$m

Year Ended December 31	2010	2009	% Better/(Worse) 2010 vs 2009
Net Operating Income before loan impairment charges, excluding changes in FV of own debt	6,357	6,410	(1)
Fair Value Option on own debt	162	(565)	100+
Loan impairment charges and other credit risk provisions	(919)	(3,687)	75
Total operating expenses	(3,192)	(3,057)	(4)
Profit (loss) before tax from continuing operations	2,408	(899)	100+
Customer loans and advances (as at the period end) ⁽¹⁾	84,194	82,527	2

⁽¹⁾ Customer loans and advances include reverse repo balances

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

IFRS, US\$m

Year Ended December 31,	2010	2009	%Better/(Worse) 2010 vs 2009
Personal Financial Services (excluding Consumer Finance)	(187)	(693)	73
Consumer Finance	902	293	100+
Commercial Banking	363	135	100+
Global Banking and Markets	1,106	3	100+
Private Banking	112	(52)	100+
Other	112	(585)	100+
Total profit (loss) before tax from continuing operations	2,408	(899)	100+

HSBC USA Inc. – Loans Outstanding

US GAAP, US\$bn

At December 31	2010	2009	% Better/(Worse) 2010 vs 2009
Total commercial loans	30.3	30.3	-
Consumer loans:			
Residential mortgages	17.5	17.9	(2)
Private label cards	13.3	15.1	(12)
Credit cards	10.8	13.0	(17)
Other consumer	1.2	3.2	(63)
Total consumer loans	42.8	49.2	(13)
Total loans	73.1	79.5	(8)
Allowance for credit losses	(2.2)	(3.9)	44
Loans, net	70.9	75.6	(6)
Loans held for sale			
Commercial loans held for sale	.9	1.4	(36)
Consumer loans held for sale	.1	.4	(75)
Total loans held for sale	1.0	1.8	(44)

HSBC Finance Corporation

2010 Financial Results

US\$m	2009 YTD			2010 YTD		
	Core ⁽¹⁾	Non-Core ⁽¹⁾	Total	Core ⁽¹⁾	Non-Core ⁽¹⁾	Total
Net operating income before loan impairment charges excluding changes in Fair Value of Own Debt due to credit spreads (FVOD) ⁽²⁾	7,568	4,623	12,191	6,131	2,681	8,812
Loan impairment charges and other credit risk provisions	5,064	8,017	13,081	2,180	5,709	7,889
Total operating expenses excluding goodwill impairment	1,863	1,498	3,361	1,912	1,083	2,995
Profit/(Loss) from continuing operations before tax excluding goodwill impairment and FVOD⁽³⁾	641	(4,892)	(4,251)	2,039	(4,111)	(2,072)
Profit before tax from discontinued operations ⁽⁴⁾	-	171	171	-	(175)	(175)
Profit/(Loss) before tax excluding goodwill impairment and FVOD	641	(4,721)	(4,080)	2,039	(4,286)	(2,247)

Notes:

- (1) Card and Retail Services segment represents our Core operations and our Consumer and All Other business segments represents our Non-Core operations. The Consumer segment represents the run-off businesses of Consumer Lending, Mortgage Services, and through August 2010, our Vehicle Finance business.
- (2) Net operating income before loan impairment charges includes the effect of non-qualifying hedges ("NQHS") of \$197m income in 2009 and (\$394m) loss in 2010.
- (3) Profit/(loss) from continuing operations before tax excluding goodwill impairment and FVOD can be reconciled to reported IFRS Management Basis results as follows:

	2009 YTD		2010 YTD	
	Core	Non-Core	Core	Non-Core
Profit/(Loss) from continuing operations before tax excluding goodwill impairment and FVOD as reported above	641	(4,892)	2,039	(4,111)
Adjustments:				
Goodwill Impairment	(530)	(2,385)	-	-
Changes in FVOD	-	(3,334)	-	120
Profit/(Loss) before tax as reported	111	(10,611)	2,039	(3,991)

- See Note 24 'Business Segments' of the HSBC Finance Corporation U.S. SEC filings on Form 10-K for the period ended 31 December 2010 for further information related to business segment results.
- (4) In August 2010, we sold the remainder of our Vehicle Finance loan portfolio to Santander Consumer, USA Inc. and as a result of this transaction, our Vehicle Finance business is now reported as discontinued operations within our U.S. SEC filings for HSBC Finance Corporation. In December 2010, we decided to exit the Taxpayer Financial Services (TFS) business and we will not offer any tax refund anticipation loans or related products for the 2011 tax season. As a result of this decision, our TFS business is also reported as discontinued operations within our U.S. SEC filings for HSBC Finance Corporation.

US Core Operations – HSBC Finance Corporation and HSBC USA Inc. 2010 Financial Results

US\$m	2009 YTD			2010 YTD		
	Card and Retail Services	HUSI excl Consumer Finance	Total	Card and Retail Services	HUSI excl Consumer Finance	Total
Net operating income before loan impairment charges excluding changes in Fair Value of Own Debt due to credit spreads (FVOD)	7,568	3,719	11,287	6,131	4,421	10,552
Loan impairment charges and other credit risk provisions	5,064	1,614	6,678	2,180	(53)	2,127
Total operating expenses excluding goodwill impairment	1,863	2,969	4,832	1,912	3,030	4,942
Profit/(Loss) from continuing operations before tax excluding goodwill impairment and FVOD⁽¹⁾	641	(864)	(223)	2,039	1,444	3,483
Profit before tax from discontinued operations ⁽²⁾	-	73	73	-	28	28
Profit/(Loss) before tax excluding goodwill impairment and FVOD	641	(791)	(150)	2,039	1,472	3,511

Notes:

(1) US Core Operations is comprised of the US Bank holding company, HSBC USA Inc. and the Card and Retail Services Segment of HSBC Finance Corporation. Card and Retail Services is presented on an IFRS management basis, which includes assets from both HSBC Finance Corporation and HSBC USA Inc. Profit (Loss) before tax excluding FVO can be reconciled to IFRS results as follows:

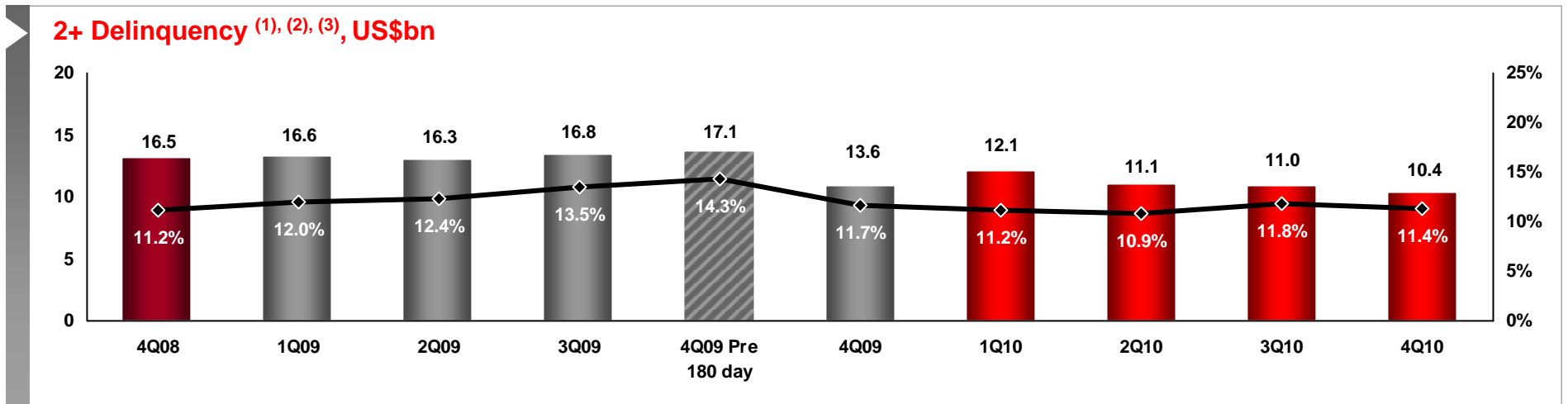
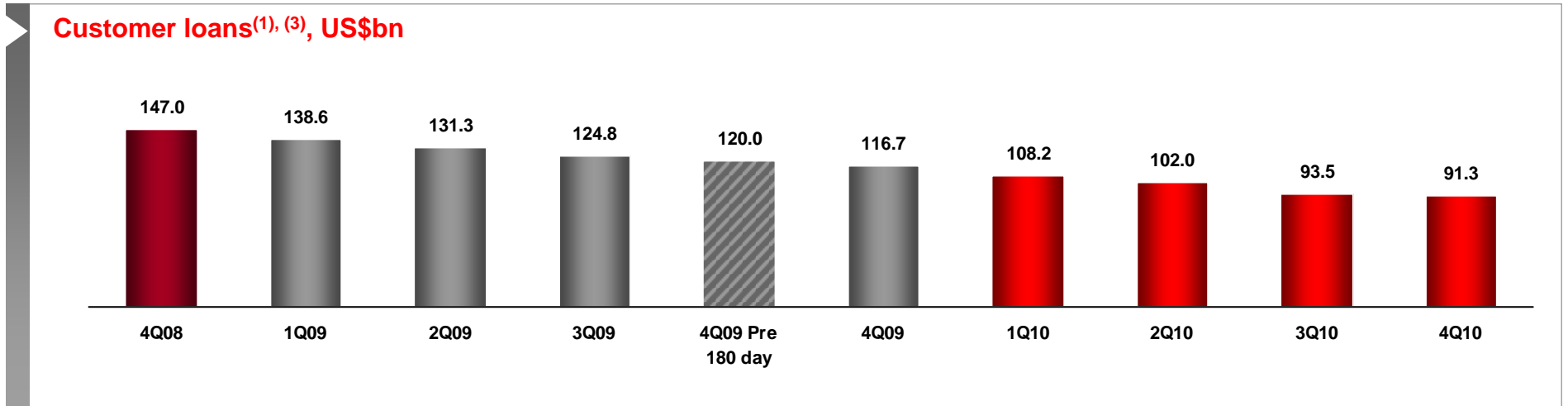
	2009 YTD		2010 YTD	
	Card and Retail Services	HUSI	Card and Retail Services	HUSI
Profit/(Loss) from continuing operations before tax excluding goodwill impairment and FVOD as reported above	641	(864)	2,039	1,444
Adjustments:				
Goodwill Impairment	(530)	-	-	-
Changes in FVOD	-	(328)	-	62
HUSI Consumer Finance profit	-	293	-	902
Profit/(Loss) before tax as reported	111	(899)	2,039	2,408

See Note 24 'Business Segments' of the HSBC Finance Corporation and the HSBC USA Inc. Form 10-K within our US SEC filings for the period ended 31 December 2010 for further information related to business segment results.

(2) In June 2010 we decided to exit our wholesale Banknotes business. As a result of this decision, our Banknotes business is reported as discontinued operations in our Form 10-K within our US SEC filings.

HSBC Finance Corporation

Continued reduction of balance sheet in the US



Notes:

(1) Excludes reverse repo balances for all periods presented and vehicle finance loans held for sale in 2Q09 through 1Q10.

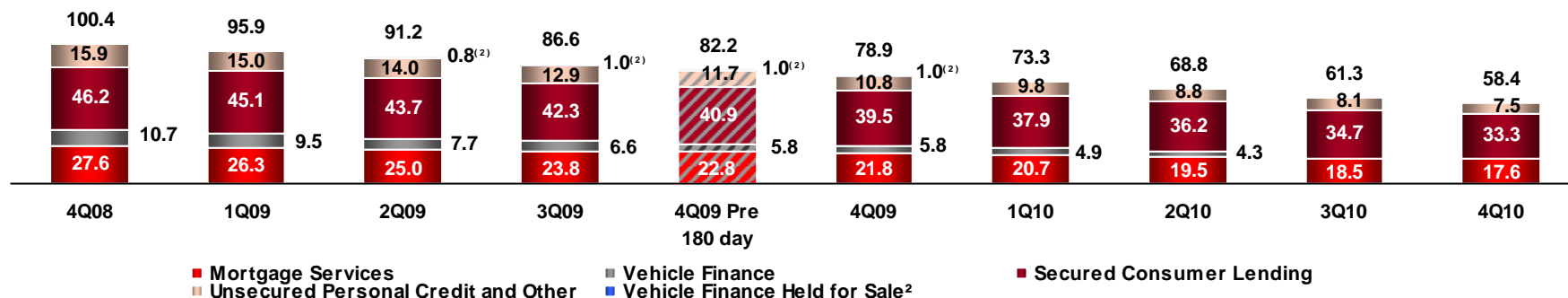
(2) 2+ Delinquency ratio as a percentage of end-of-period customer loans.

(3) During 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to a third party.

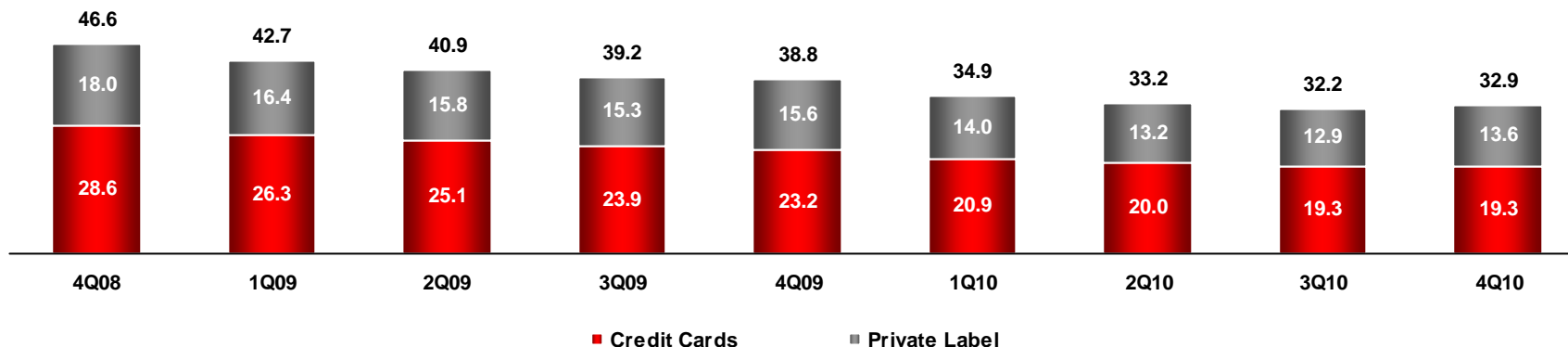
HSBC Finance Corporation

US customer loans – Run-off portfolio and Core portfolio

Customer loans^{(1), (3)}
Run-off portfolio, US\$bn



Customer loans⁽¹⁾
Core portfolio, US\$bn



Notes:

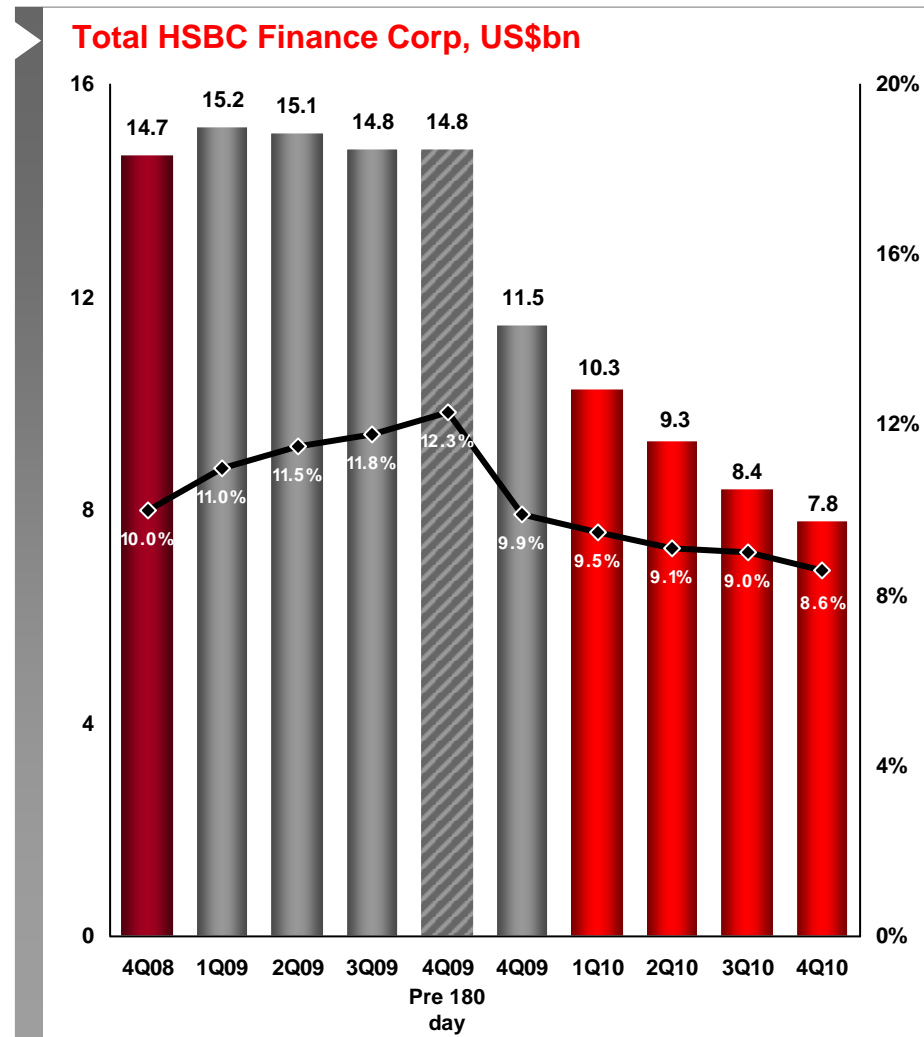
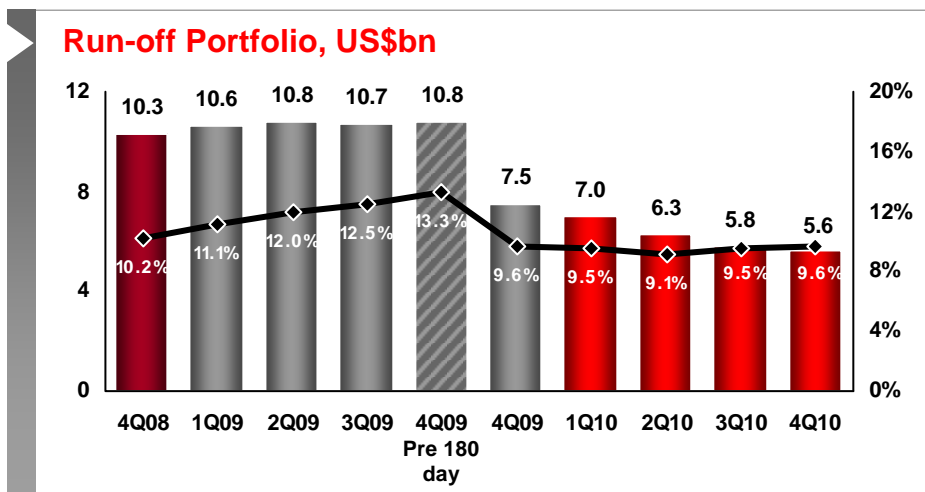
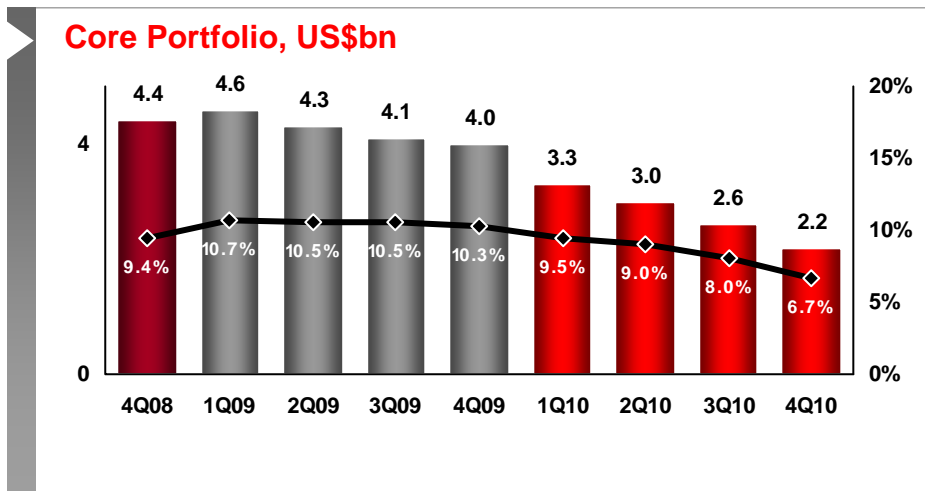
(1) Excludes reverse repo balances.

(2) Vehicle finance loans held for sale.

(3) During 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to a third party.

HSBC Finance Corporation

Impairment allowance^{(1), (2), (3)}



- 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 in 2Q09 through 1Q10.
 - (3) During 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to Santander Consumer, USA Inc.