



September 15, 2011

HSBC North America

Morgan Stanley Investor Presentation



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 2010 Annual Report and the HSBC Finance Corporation and HSBC USA Inc. Annual Reports on Forms 10-K for the year ended December 31, 2010, the HSBC USA Inc. and the HSBC Finance Corporation Quarterly Report on Form 10-Q for the period ended June 30, 2011, and the HSBC Holdings plc Interim Report 2011. Please further be 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.

All amounts are in US\$ unless otherwise stated.

Content

- **HSBC North America Strategy**
- **US Bank Overview**
 - **US Bank Strategy**
 - **Commercial Banking US**
 - **Global Banking and Markets Americas**
 - **Retail Banking and Wealth Management**
 - **Global Private Banking US**
- **HSBC Finance Overview**
 - **HSBC Finance Strategy**
 - **Run-Off Consumer and Mortgage Lending**



This page intentionally left blank

HSBC North America Strategy

Key trends for North America

Why we need to be in North America as discussed on Investor Day



Overview

- US and Canada account for 26% of world GDP in 2010
- International trade hubs with c.11% of global exports and c.15% of global imports
- Ranked #4 (US) and #10 (Canada) on the Global Competitiveness Index 2010-2011
- Significant FDI flows into region (ranked #2 worldwide)
- US is the largest wealth management market in the world with a wealth pool of USD29tn

Long-term trends

Economic relevance

- The region remains materially relevant: In 2050, the combined GDP forecast for US and Canada is comparable to mainland China
- By 2020, North America will account for 25% of global banking profit pools and 10% of total trade growth

International connectivity

- Asian population to increase to c.10% of total US population by 2050
- North America will continue to be a dominant player in world trade

Wealth

- Continued sizeable growth of wealth market expected
- In 2050, GDP per capita in US / Canada will be three times greater than in mainland China

HSBC Position and Competitive Advantages in North America

Contrasting performance, opportunities and challenges across North American businesses as discussed on Investor Day



HSBC Canada

- A good record of satisfactory returns with double digit ROE throughout the cycle
- Effective business model with a clear focus on key businesses with international connectivity
- Role model for the future US business

HSBC Bank USA

- A record of underperformance against Group target returns

HSBC Finance

- Cards has been profitable through the cycle, but is not fully aligned with strategic customer base
- Mortgage business is in run-off

Global business hubs

- New York as GBM hub for the Americas
- Miami as GPB hub and gateway to Latin America

North America Looking Forward

Strategic direction



- Target RoRWA of 0.8% - 1.3% (Reported 0.4%⁽¹⁾ in 1H 2011)
 - RWAs (\$335.8bn at June 30, 2011) will continue to decline in the future as the Consumer and Mortgage Lending loan portfolios and legacy GBM assets continue to run-off and the sale of the Cards business is completed. Just over half of North America RWAs are currently consumed by these assets
 - Committed to reviewing opportunities to release and re-allocate capital to internationally connected businesses, subject to regulatory approval
 - Future returns will be influenced by economic conditions including unemployment and the housing market which will impact future loss levels in the run-off Consumer and Mortgage Lending loan portfolios
- Boost our international connectivity by satisfying the international needs of US clients and the US needs of international clients
- Focus on sustainable growth across the Americas region for our global businesses
- Focus US branch network on internationally connected metro areas
- Continue to collect effectively but ethically
- HSBC to ensure resources are available as necessary to pay-off HSBC Finance Corporation debt as it matures
- Refocus and rationalize cost base to support strategic businesses

North America Looking Forward

Debt repayment and cost initiatives



HSBC Finance Corporation debt repayment

- At June 30, 2011, \$47.8bn of long-term debt was outstanding with maturities of approximately \$5bn for remainder of 2011 and with further maturities of \$11bn in 2012 and \$7bn in 2013
- We currently anticipate a substantial majority of the cash required to meet these debt obligations through 2013 will be sourced from the proceeds from the sale of the Cards business and net asset attrition, with the rest from operating cash flows and new debt issuances

Refocus and rationalize cost base. Reported cost efficiency rate of 55.8% in 1H 2011.

- Re-engineer the US business cost structure to fit its reduced size in order to improve financial performance
 - Simplify product offerings and refocus in strategic, profitable businesses and markets
 - Establish a lean and sustainable support infrastructure
- Multi-year US restructuring already underway to create a significantly more efficient and globally connected business
 - Dedicated restructuring team in place and a comprehensive program of initiatives identified
- Cost reduction initiatives achieved to date include workforce reductions which have resulted in a reduction in period end staff at June 30, 2011 of almost 4% since year-end as well as the cancellation of certain software development projects and strategic reductions in marketing. Period end staff are down 38% since December 31, 2007
- Additional cost reduction initiatives include organizational structure redesign, vendor and discretionary spending and IT
- Increased compliance related costs and pending sale of Cards business represents a significant headwind to this ratio
- Cards business incurred \$1bn of operating expenses in 1H 2011

Significant North America Entities

Ongoing areas of focus in 2011



HSBC Bank Canada

- Continue to be a leading international bank in Canada, building a sustainable business through connectivity to HSBC Group, our customers and employees
- CMB - Continue to be a leading international bank for business in Canada, leveraging Group's international connectivity, and the best bank for business banking
- RBWM - Transform our Wealth Management capability and become the leading international premium bank in Canada by deepening our existing relationships
- GBM - Leverage HSBC's international and emerging market expertise nationally and promote Canadian product abroad
 - Focus attention on energy and mining businesses

HSBC Bank USA

- Additional growth efforts in HSBC Premier, Commercial Banking and Wealth Management
- Leveraging Group relationships and unique global footprint in Global Banking and Markets, Commercial Banking and Private Banking as well as Latin America connections in Global Banking and Markets and Private Banking
- Additional focus on CMB especially trade finance
- Branch network focus on targeting ethnic groups with international connectivity
 - Execution of pending sale of branches
- Complete strategic review of our mortgage operation

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
- Focus on execution of pending sale of Cards business
- Regulation and Compliance, especially foreclosure oversight
- Focus on debt repayment
- Continue to monitor NQH positions
- Subject to market conditions, pursue opportunities to accelerate portfolio run-off

- Continued focus on expense management relative to our size and efficient use of capital across all entities
- Manage risks including regulatory and compliance risk across all entities through integrated enterprise-wide risk management
- Across North America, increase GBM focus on selling Canadian business to the world and joining up Canadian energy company opportunities with Latin America and the US

North America

Progress on strategy



Key execution elements

Capital Deployment

Achievements

- Announced disposal of 195 branches in Upstate New York; expected to be completed in early 2012
- Announced sale of US Cards business with closing expected in the first half of 2012

Cost Efficiency

- Reduced staff numbers by 4%, or 1,260 from December 2010 to June 2011
- Completed rationalization of software development projects

Growth

- Continued to expand CMB and GBM businesses into areas with strong international connectivity
 - US west coast and eastern Canada for CMB
 - Latin America for GBM
- Continued to direct resources towards the expansion of wealth services and deepening Premier relationships



This page intentionally left blank

US Bank Overview

US Bank Businesses Strategy – Summary

Boost international connectivity and satisfy the international needs of clients. Focus on sustainable growth across the Americas region for our global businesses



Opportunities

- Faster Growing Markets
- Cross-border
- Wealth

| CMB | RBWM | GBM | GPB |
|---|---|---|--|
| <ul style="list-style-type: none"> ▪ Be a leading international business bank for medium size business ▪ Continue expansion in metropolitan areas with strong international connectivity ▪ Capitalize on increasing international needs of small and mid-market US companies ▪ Provide additional focus on trade revenue including Global Transaction Banking and trade finance | <ul style="list-style-type: none"> ▪ Differentiated premium services to internationally minded customers ▪ Reposition and right-size branch network to concentrate on areas with strong international connectivity ▪ Increase value of Premier portfolio by deepening existing relationships | <ul style="list-style-type: none"> ▪ Emerging markets-led, financing-focused wholesale bank ▪ Integrated Americas platform ▪ Strengthen New York as a hub for the GBM business across the Americas ▪ Increase global revenues from US managed clients ▪ Improve alignment across customer groups including Global Transaction Banking ▪ Deliver Canadian products to global priority clients ▪ Provide Faster Growing Markets products to Canadian investors | <ul style="list-style-type: none"> ▪ Re-positioned as an internationally-led Private Bank in the US ▪ Sell Faster Growing Markets products to domestic and international clients ▪ Leverage Miami hub to support and expand Latin American business |

Continue to focus on enhanced productivity, revenue growth and regulatory compliance

US Bank Key Initiatives

Initiatives are aligned with our overall strategy



Opportunities

Key Initiatives

Take advantage of **faster growing markets** growth opportunities

- Leverage Miami to help drive growth of our international customer base in Retail Banking and Wealth Management and Private Banking
- 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
- Deepen Premier proposition

US Bank Strategy

Looking forward



- Well-positioned for the future – Continuing to grow and invest in key businesses that are strategically relevant to HSBC
- Market conditions and overall economic environment remain challenging
- Credit trends have improved but headwinds could remain
- Regulatory environment remains uncertain
 - Ever-changing environment
 - Regulatory actions and inquiries
 - Dodd-Frank Wall Street Reform and Consumer Protection Act
 - Future US capital requirements remain uncertain
- Continued focused remediation of Compliance and Foreclosure matters
- Continuing to progress key strategic business initiatives and transformational cost initiatives

Commercial Banking US

Commercial Banking US

A leading international business bank



A Leading 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 targeted brand marketing initiatives and training

Growth

- Focus on international client acquisition, increased wallet share and leveraging our Trade expertise
- Increase intra-HSBC international and product referrals
- Expand regions with strong international connectivity
- Exploit strong partnership with Global Banking and Markets

Operational Excellence

- Continue to focus on governance and risk management
- Enhance efficiency through deployment of globally consistent platforms

Commercial Banking US

Key business lines and strategy



CMB consists of three business lines - Corporate, Business Banking and Commercial Real Estate; with key product partners including Global Transaction Banking which includes Payments and Cash Management (PCM) and Trade and Supply Chain; and with key global businesses including Global Banking and Markets, RBWM and Private Banking.

| Key Lines of Business | Strategy |
|-------------------------------|--|
| Corporate | <ul style="list-style-type: none">▪ Serving corporates >\$30m in annual revenue in a range of industries and specialties▪ Lead with global capabilities, international connectivity and HSBC brand to grow market share of corporates with international needs |
| Business Banking | <ul style="list-style-type: none">▪ Serving businesses with <\$30m in annual revenue▪ Repositioning target segment towards international businesses or those with international aspirations and deposit rich businesses |
| Commercial Real Estate | <ul style="list-style-type: none">▪ Targets Group Commercial Real Estate clients, international/strategic opportunity institutional funds, international REITs and large US pension funds with international reach▪ Adopted a regional approach to underwriting, know your client and covenants |

Commercial Banking US

A growing business with substantial opportunities



Our business today

Expansion Strategy

- At 10,000 companies (\$30m-\$10b sales), US has by far the greatest international HQ opportunities
- These US-based global HQs also throw off more than 43,000 subsidiary opportunities around the world
- Since 2002, CMB has opened a number of new expansion offices: Miami, Los Angeles, San Francisco, Boston, Philadelphia, Washington, Chicago, Atlanta and Houston. These offices have focused predominantly on the Corporate international opportunities
- The current expansion initiative for Commercial Banking is focused on building to scale in 5 key markets: New York corridor, Chicago, Los Angeles/San Francisco, Houston/Dallas and Miami/Atlanta

Trade and Supply Chain

- Strategic priority to grow and diversify revenue streams
- Grow traditional trade revenue by targeting products where HSBC Bank USA (HBUS) can develop a competitive advantage
- Use our Global Connectivity to the customers' advantage by acting as the intermediary at each end of the trade transaction
- Joined up approach with Receivables Finance (RF) business with respect to infrastructure and product development

Receivables Finance

- In Q4 2011, HBUS is re-entering the RF business in order to provide factoring, invoice discounting and reverse factoring services
- Strengthen HBUS CMB's Middle Market internationally focused product offering
- Align business model with Group CMB, where RF is currently offered in 23 countries

Commercial Banking US

A growing business with substantial opportunities



Our opportunities

- Executing the US strategy provides market coverage for 48% of the US GDP, 45% of the US export opportunity (Brookings) and 52% of the international HQ opportunities
- Research has indicated, 11% of domestic only companies with revenue greater than \$30m are going international annually⁽¹⁾
- Partnership with Export-Import Bank of the US and other government agencies to support specific international trade objectives of the Obama Administration and align HSBC firmly within the international space

Our focus

- Optimization of CMB in the US is integral to the HSBC Group and our international ambitions
- Our Leading International Business (LIB) strategy allows us to be very surgical in defining and identifying our target opportunity
- Invest in new Middle Market and Large Corporate teams
- Remain cost efficient by driving for scale in a limited number of regions with the highest concentration of LIB opportunities

Our business partners

- Since 2007, GBM referral revenue has grown at a substantial rate
- Trade and PCM continue to support business growth and deliver internationally-minded customers with a full-range of global solutions
- Continued connectivity to RBWM to promote cross-business referrals

(1) Source: Dun & Bradstreet

Commercial Banking US

Building the franchise



High value business wins demonstrate market potential for HSBC:

Food Storage / Premium Beauty Care Products US\$2.3bn annual turnover

Participation in a Syndicated Revolver to one of the world's leading direct sellers of food storage containers and premium beauty and skin care products. Products provided include Cash Management, FX, Trade, Capital Markets and Private Banking in the US, Brazil, Argentina, Malaysia and Mexico

Footwear and Accessories US\$1.0bn annual turnover

Participation in a Syndicated facility to a company engaged in the design, production, marketing, and brand management of footwear and accessories. Products provided include Cash Management, FX, Asset Management, Deposits and Trade in China, HK, Bermuda, Japan, Macau and the UK.

Bio / Pharmaceutical Services US\$1.3bn annual turnover

Joint lead arranger on a Syndication for a global biopharmaceutical services company. Products provided include Cash Management, FX and Asset Management in Japan, Thailand, the Philippines, Vietnam, Malaysia, HK, Singapore, South Korea, Taiwan, Indonesia, the US, China, India, Australia and the UK.

Apparel US\$4.4bn annual turnover

Credit facility to a major privately held designer / marketer of branded jeans and related apparel. Products provided include cash management FX and Capital Markets with relationships spanning HK, Australia, the Philippines, Indonesia, New Zealand Pakistan, the USA, Mauritius Mexico, India, Malaysia and Turkey.

Leveraging our award-winning global franchise:



Best Global Risk Management House Best Bank in Bermuda (HSBC Bank Bermuda)

2011 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

International Service – Small Business Banking International Service – Middle Market

2010 Greenwich Excellence Award

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 faster growing 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

- Increase cross-selling with other HSBC Group customer segments
- Foster culture that prioritizes all business risk equally
- Re-engineer processes to improve cost efficiency

Significant contribution to HSBC Group profits

- Improve capital deployment to achieve Group's target returns
- Support build-out to be a top 3 provider for select products in Latin America
- Leading North American bank for international business

Build a business that plays to HSBC Group strengths

Note: GBM Americas consist of North America and Latin America

Global Banking and Markets Americas

Executing our strategy by joining up across the region and global businesses



Joining up and growing our business

- Integrated, co-accountable approach to client planning & coverage
- 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 GBM products into Commercial Banking
- Contribute fully to regional Wealth Management strategy

Continue integrating the Americas region

- Drive regional operating model with New York as management hub
- Redeploy balance sheet to support Latin American growth
- Encourage intra-regional and global employee mobility

Focusing on sustainable growth across the Americas region with management held accountable for delivery

Global Banking and Markets Americas

Initiatives in place to capture significant cross-selling opportunities



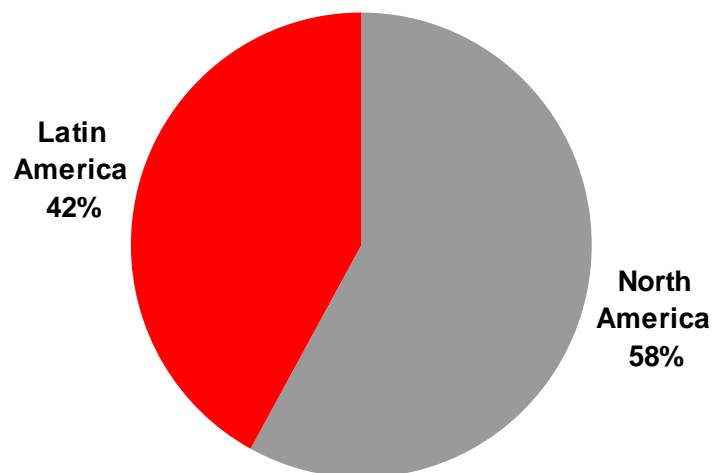
| | | | | |
|-------------------------------|---|---|---|---|
| Global Banking and Markets | <p>Increase derivatives cross-sale from Debt Capital Markets originations</p> | <p>Leverage corporate access and corporate relationships</p> | <p>Cross-sale FX solutions to Payments & Cash Management and institutional clients and continue to build out proposition across Latin America</p> | <p>Align HSBC Security Services customer base with global financial institutions and Global Markets</p> |
| Commercial Banking | <p>Selectively grow High Yield and Leveraged Acquisition Finance transactions with Commercial Banking customers</p> | <p>Grow number of Global Markets / Commercial Banking relationships</p> | <p>Drive growth of non-FX Global Markets revenues with Commercial Banking customers</p> | <p>Increase Global Banking sector / product co-calling on Commercial Banking clients</p> |
| Retail Bank Wealth Management | <p>Increase penetration of Global Banking and Markets products to Retail Bank Wealth Management client base</p> | <p>Drive Premier referrals from Global Banking and Markets clients</p> | <p>Extract value from family office relationships</p> | <p>Improve Asset Management cross-sale to Global Banking clients</p> |

Global Banking and Markets Americas results

Diversified results from Faster Growing Markets



Profit before tax 1H 2011



Total = \$1.3B

- Growing contribution from Latin America; connecting Mature and Faster Growing Markets and taking advantage of economic growth in the region
- Diversified revenue sources across business lines, leveraging HSBC's extensive global network

Global Banking and Markets Americas

Market recognition of our successful strategy



Recent awards



- Best Global Risk Management House
- Best Global Infrastructure and Project Finance House
- Best Global Sovereign Advisor
- Best Debt House in Mexico
- Best for Latin American currencies
- Best for emerging markets options
- Best for emerging market currencies trading – spot/forward



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

Best Bank for:

- FX for Corporates
- Emerging LatAm Currencies
- FX Research and Strategy
- Forward FX



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

Key transactions

Driving Cross-Customer Group Connectivity

January 2011

GRIFOLS



Spain

USD1.1bn

Acquisition Facility

Joint Bookrunner

March 2011



Luxembourg

USD2.65bn

10-year and 8-year Senior Notes

Co-Manager

July 2011



United States

USD5.0bn

Acquisition Facilities

Joint Lead Arranger & Joint Bookrunner

Driving Cross-Regional Connectivity

January 2011



\$600m acquisition of Eastman Chemical Co's PET, PTA and related businesses

Sole Financial Advisor

April 2011



USD3.1bn FO Issuer Nat: Brazil Metals & Mining

Joint Bookrunner & Co-Manager

July 2011



USD323m Acquisition of Dow Chemical's Polypropylene business

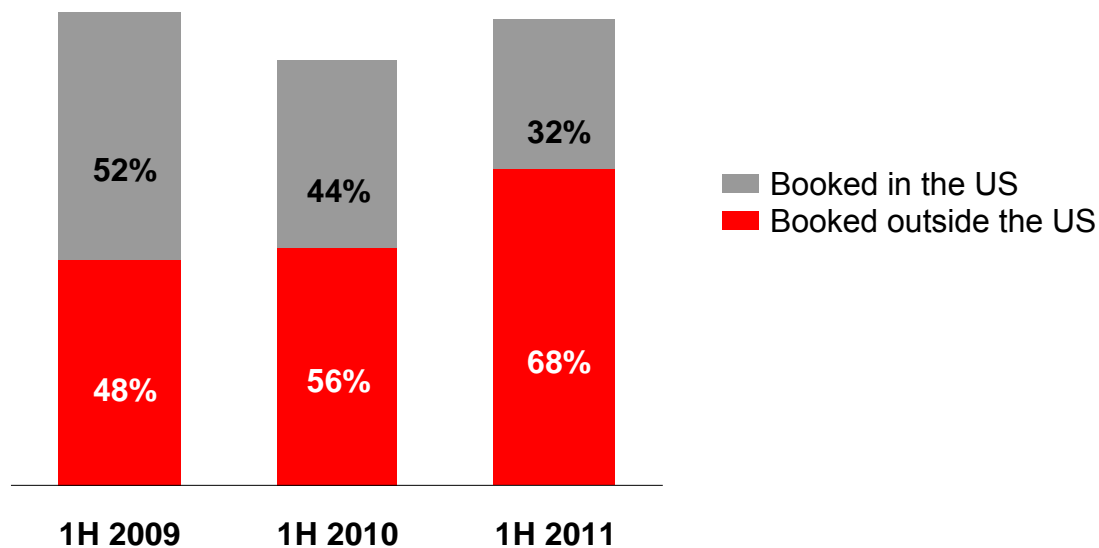
Sole Financial Advisor

Global Banking and Markets Americas

Trend of significant revenues leveraging global network



US client portfolio revenues⁽¹⁾



- 68% of US client portfolio revenues were booked outside of the US in 1H 2011
- Increasing trend of US client driven revenues for Global Banking and Markets globally

(1) Source: HSBC internal management information

Global Banking and Markets Americas

Challenges ahead



- Competition for market share and talent, particularly in Latin America
- US economic uncertainty and volatile international markets
- Dodd-Frank Act, Basel III and other impending regulatory changes

Retail Banking and Wealth Management

Retail Banking and Wealth Management US

Strategic focus and objectives



- **Focus on internationally connected markets**
 - Target internationally connected customers (e.g. Asian diaspora) in providing global wealth management and banking needs in locations where HSBC has a presence
- **World class banking and wealth solutions**
 - Deepening our relationships with Premium customers through emphasis on cross-selling of wealth management (fee-based revenue model) and mortgages (asset-driven revenue model) which will minimize RBWM's dependence on deposit margins in the current low interest rate environment
 - Differentiated in wealth management from competitors through simplification of our suite of wealth products while also offering proprietary products (e.g. World Selection mutual funds) which enables our internationally-minded customers to invest in global markets
 - Global transfer capability provides customers with consistent worldwide services (e.g. foreign exchange, account access) that few banks can offer
 - Efficient acquisition of high value customers through cross-business referrals
- **Being an agile, fit-for-purpose organization**
 - Multi-year restructuring initiative already underway to create a more efficient and globally connected business
 - Realignment of management structure to support the growth of our wealth management business
 - Keen focus on expense control to achieve HSBC Group's target cost efficiency ratio

Retail Banking and Wealth Management US

Disciplined execution with 4 areas of focus



Customer

- Pursue growth in Premier proposition. Target internationally connected customers
- Drive enhanced cross-sell and promote international wealth management capabilities
- Continue momentum on cross-referrals between lines of businesses to drive growth (RBWM to Private Bank referrals have more than doubled YoY)

Distribution

- Reposition and right-size branch network to concentrate on markets with strong international connectivity
- Continuing to pursue a multi-channel strategy. Drive migration of Retail Banking and Wealth Management customers to self serve channels where practical
- Up-skilling and licensing of all branch sales personnel to sell wealth and mortgage products

Simplification

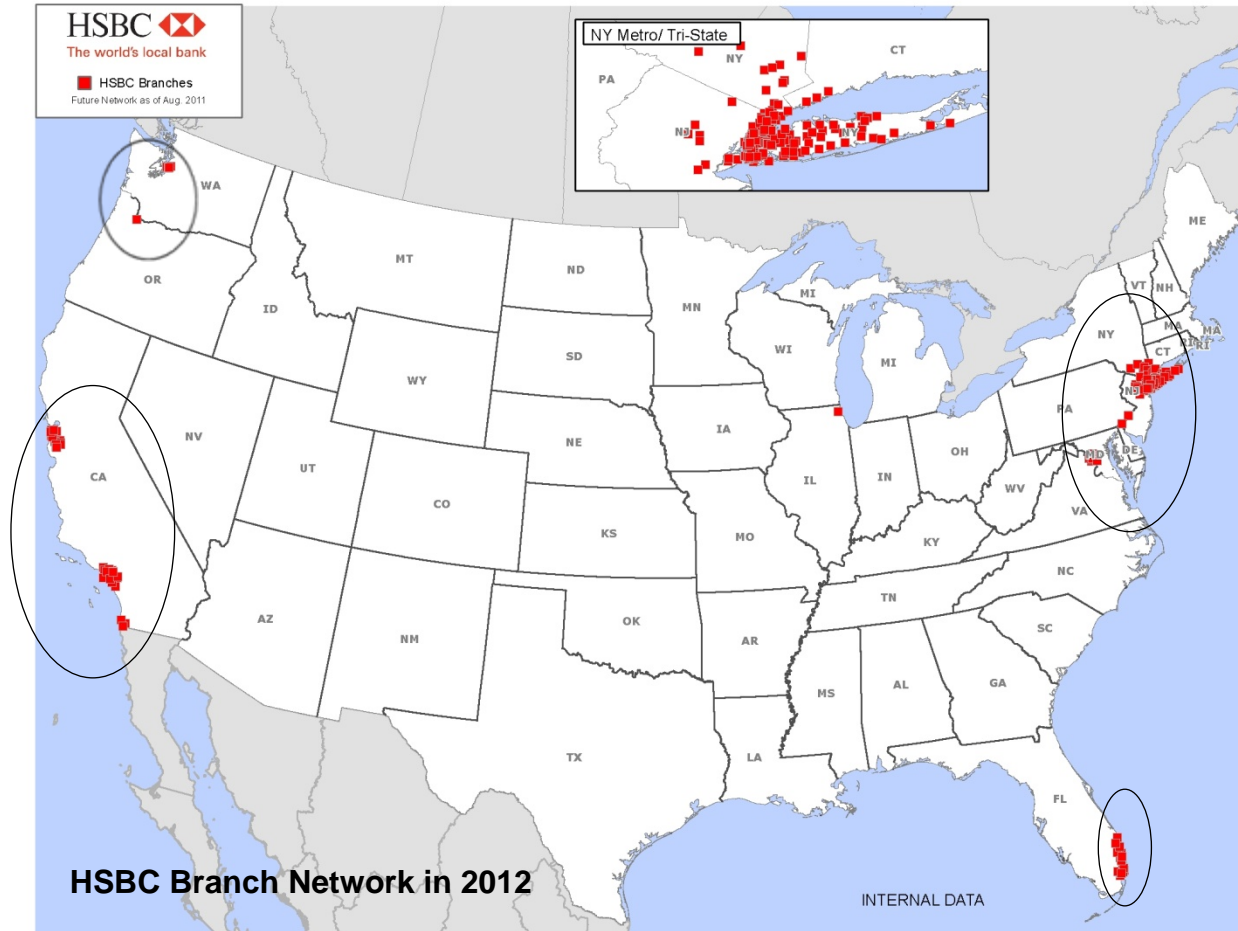
- Standardize propositions and products in line with target operating model
- Focus shifted from standalone products to products tailored for Premium proposition
- Sustainable cost savings as a result of layering and increasing spans of control and re-engineering processes

Value

- Establish a lean and sustainable support infrastructure
- Building a robust regulatory compliance culture through shared responsibility
- Enhancing service culture momentum through 'Customer Connection' (e.g., faster Financial Advisor Customer email delivery and common online and branch Premier experience)

Retail Banking and Wealth Management US

Focus US branch network on internationally connected metro areas



- HSBC's US network increasingly aligned with internationally connected metro areas
 - Reached an agreement to sell 195 branches, primarily in Upstate New York to First Niagara Bank N.A.
 - Focusing on high density prospects in internationally connected cities

Retail Banking and Wealth Management US

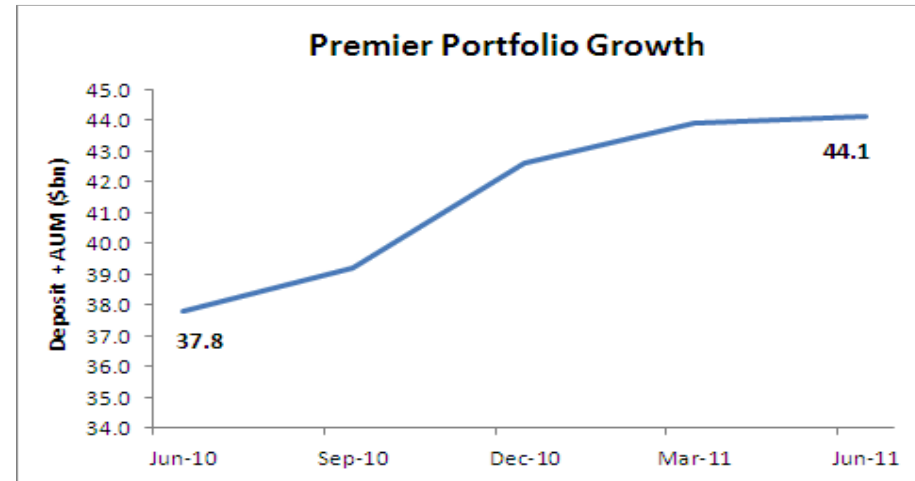
Strong momentum in enhancing Premier customer value



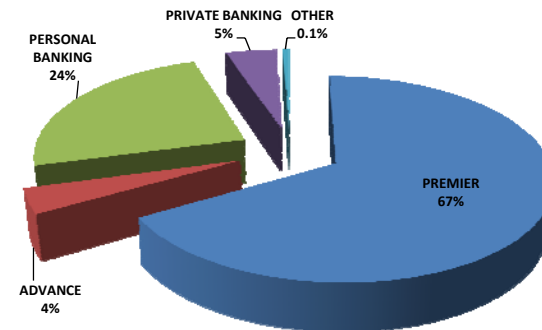
Premier

- Strong growth in Premier Total Relationship Balances (TRB = Deposits + AUM) of +\$4.46bn since year end, an increase of 12%
- Premier comprises 66% of total segmental TRB within Retail Banking & Wealth Management
- Continued growth in wealth penetration with over 25% of all Premier customers having a wealth account (increase from 68k wealth customers at YE 2009 to 118k through 2Q 2011)
- Premier customers represent 67% of the Investment AUM's for RBWM and continues to increase
- Mortgage fundings for Premier customers were \$2.49bn YTD, which is 10% higher year-over-year, despite the industry wide reduction in mortgage debt⁽¹⁾ held for single family homes

Premier Portfolio Growth



AUMs By Segment



(1) Source: Federal Reserve Board's Flow of Funds Accounts June 9, 2011

Global Private Banking US

Global Private Banking US

Business overview

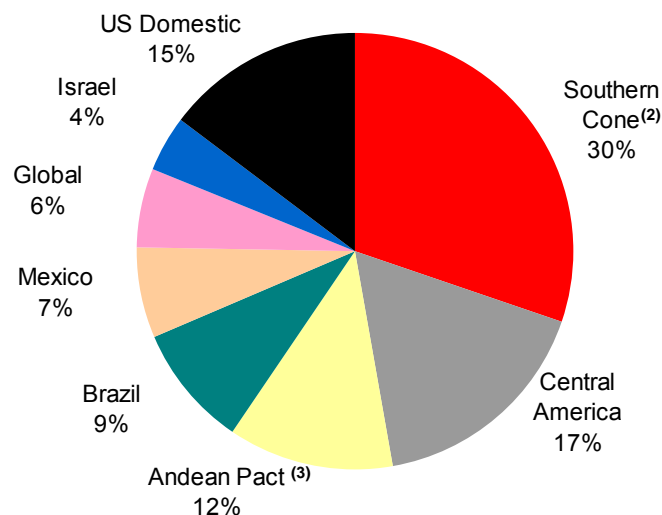


- Internationally-led private bank with a single integrated business model for both domestic and international clients in terms of product and service excellence

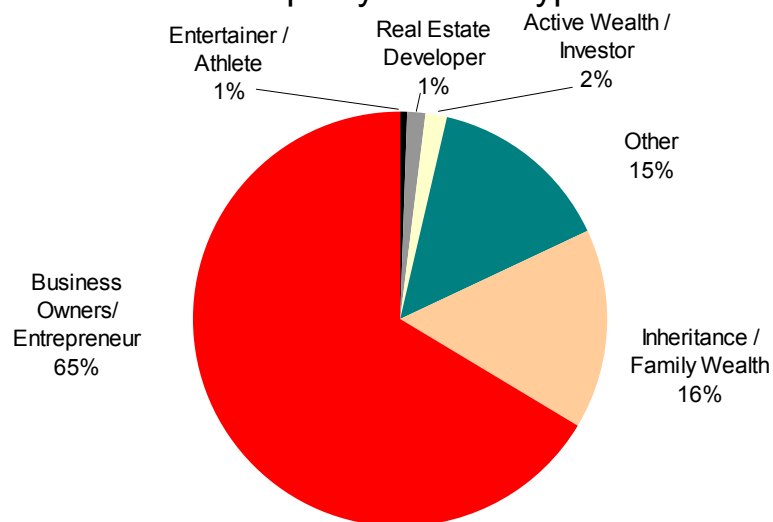
| Investments | Wealth Planning | Capital Advisory | International Services |
|---|--|--|---|
| <ul style="list-style-type: none"> Provide an international investment offering with recognized expertise in alternative investments, hedge funds and faster growing markets | <ul style="list-style-type: none"> 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 international services for the Latin American region (one of the world's fastest growing wealth markets) |

- The client base is geographically diverse and is dominated by business owners and entrepreneurs.

Relationships by Markets⁽¹⁾



Relationships by Wealth Type⁽¹⁾



(1) Source: HSBC internal management information

(2) Southern Cone comprises Argentina, Chile, Paraguay and Uruguay

(3) Andean Pact comprises Bolivia, Colombia, Ecuador and Peru

Global Private Banking US

Strategic priorities/initiatives



Sustainable Business

- Build on international strength and global capabilities – with an increased focus on the higher net worth client segments
- Continue to increase profitability in a low interest rate environment by generating net new money from existing and new clients, align resources to preferred client segments, increased structured product and brokerage activity and the launch of a new insurance product

Intra-Group Strengths

- Maximize the potential of the HSBC America's presence (over 800,000 commercial customers) for new client acquisition
- Strong communication on referral incentives
- Leverage Global Banking and Markets for the ultra high net worth Family Office segment

Annuity Revenue and Product

- Continued growth of Brokerage and Actively Managed Share products
- Focus on insurance and the capital protected product
- Realize revenue opportunity through increased focus on higher value investment products
- Controlled renewal of the lending business

Operational Cost Reduction

- Consolidation of systems and platforms such as SEI & ADP to State Street
- Demise of unnecessary legal entities
- Greater emphasis on off-shoring of staff functions

Risk and Management

- Nurture a smart risk-aware culture - with all staff acting as the first line of defense.
- Close cooperation with North America risk and compliance as well as Global Private Bank risk and compliance

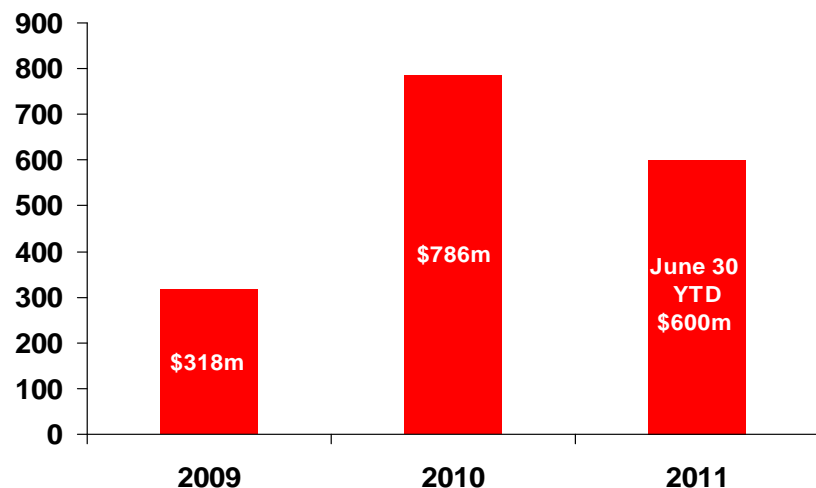
Global Private Banking US

Key strengths



- 85% of Private Banking US (PBUS) clients have international connections with regards to business, investments and/or residences
- Client assets from referrals have increased significantly since 2009
- PBUS utilizes the following North America capabilities for the majority of product offerings:

Net New Money from Intra-Group Referrals⁽¹⁾



(1) Source: HSBC internal management information

- **HSBC Bank USA (HBUS) banking platform:**
\$12bn in Private Bank deposits provides important liquidity
- **HBUS Mortgages:**
Origination and servicing \$1.6bn residential mortgage book
- **HSBC Securities (USA) Inc. (HSI) for Private Bank brokerage:**
Over 4,000 PBUS accounts and 50% of HSI trading volume
- **Global Markets:**
Use of Foreign Exchange, Structured Products, Fixed Income capabilities
- **HSBC Insurance Agency (USA):**
Over 1,200 policies
- **Asset Management:**
Use of money market funds for Private Bank client cash investments and mutual funds for long-term equity and bond investments

This page intentionally left blank

HSBC Finance Overview

HSBC Finance Strategy

Despite actions we cannot control all factors



Focus on Managing What We Can Control

Risk and Strategy Alignment

- Closure of businesses
- Pending sale of Cards business
- Keeping people in their homes where it makes economic sense to do so
- Compliance, including addressing deficiencies in foreclosure processes
- Continuing to collect effectively and ethically and in full compliance with the law

Cost management

- Continuing focus on expenses and headcount as the run-off book declines

People

- Developing talent and exporting talent across the globe
- Retaining key people while allowing the work force to shrink

Factors Which We Cannot Control

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

HSBC Finance - Focus on Reducing RWAs

Committed to reviewing opportunities to release & reallocate capital to internationally connected businesses



Cards

- Strong performance throughout the cycle, but dependent upon domestic market with limited international connectivity
- Further capital investment necessary to maintain performance: HSBC appetite is limited
- Strategic review of options to maximize value and capital allocation has resulted in the decision to sell Cards to Capital One

Consumer and Mortgage Lending

- Continue to run-off ethically and effectively
- Portfolio forecast to reduce by up to 50% over next 4-5 years
- Subject to market conditions, opportunities to accelerate portfolio run-off will be pursued

HSBC Finance - Sale of US Cards and Retail Services Business

Strategic rationale for sale of business



- **Execution on strategic direction described in May 2011 Investor Day**
 - Clear strategy and execution focus on building an internationally connected, sustainable business model aligned with overall group strategy
 - With sale of US Cards business, focus on reducing RWAs
 - Strong performance throughout the cycle, but dependent upon domestic market with limited international connectivity
 - Further capital investment necessary to maintain performance - HSBC appetite is limited
- **Maximizes value**
 - \$2.6bn premium, up to \$750m of which may be paid in Capital One stock or cash, at Capital One's election. Stock consideration would be based on a price of \$39.23 per share
 - 8.75% premium to gross receivables
- **Estimated reduction of risk-weighted assets at an HSBC consolidated level by up to \$40bn under UK regulatory rules**
- **Commitment to presence in North America**
 - Economic relevance of North America, international connectivity and wealth market make it a strategically important market
 - Leverage HSBC's competitive advantages
 - Capture internationalization opportunity for small and mid-market companies
 - Strengthen New York as GBM hub for the Americas

Run-Off Consumer and Mortgage Lending

Run-Off Consumer and Mortgage Lending

Delivering on CML's servicing priorities



Focus on Our Customer

- Continue to emphasize home preservation
- Identify customers needs early leveraging our culture around the Call Model
- Provide customers with a single point of contact when dealing with loss mitigation and exit strategies
- Ensure strict compliance

Manage Credit

- Focus on delinquency prevention, proactively targeting at risk customers
- Mitigate loss severity through Deed in Lieu and Short Sale programs
- Refine and enhance our loss mitigation program
- Focus on improving cash flow in a responsible and ethical manner

Mitigate Costs

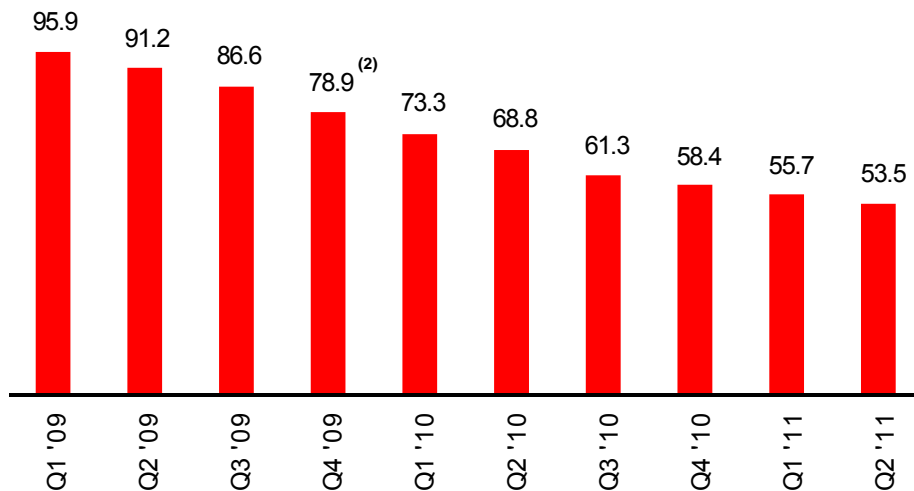
- Retain scale in critical default and servicing functions through integration
- Continue to drive operational efficiencies
- Continue to align facilities demand to business needs

Run-Off Consumer and Mortgage Lending

Driving cash flows and portfolio liquidation

CML Runoff Receivables⁽¹⁾

\$bn



(1) IFRS Management Basis

(2) In December 2009, we elected to shorten the write-off period for real estate secured and personal non-credit card receivables

- In Q1 2009, CML discontinued all new customer originations, and has since been focused on liquidating the run-off portfolio
- Since that time, we have successfully liquidated 44% of the portfolio by focusing on:
 - Keeping customers current
 - Effective collections strategies
 - Alternative exit strategies
- In addition, we will continue to explore opportunities for loan sales where economically viable

Run-Off Consumer and Mortgage Lending

An industry leader in homeownership preservation



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

| Loan Modifications | 2008 | 2009 | 2010 | 1H2011 |
|--------------------|----------|----------|---------|---------|
| Units | 92,500 | 104,300 | 42,500 | 18,700 |
| Dollars | \$13.5bn | \$14.6bn | \$6.0bn | \$2.6bn |

Note: Data from 2008 10-K, 2009 10-K, 2010 10-K and 2011 2Q 10-Q US GAAP legal entity basis

- Volume of modifications and/or re-ages may have begun to level off as over 50% of the portfolio has already been modified and/or re-aged through aggressive outreach in 2008 and 2009

| Portfolio Snapshots | 12/31/07 | 12/31/08 | 12/31/09 | 12/31/10 | 6/30/11 |
|--|----------|----------|----------|----------|---------|
| Total Real Estate Modification and/or Re-age | \$17bn | \$26bn | \$30bn | \$27bn | \$25bn |
| % of Real Estate Portfolio w/ Modification and/or Re-age | 20% | 36% | 51% | 54% | 56% |

Note: Data from 2008 10-K, 2009 10-K, 2010 10-K and 2011 2Q 10-Q US GAAP legal entity basis

- As of June 30, 2011, approximately 56% 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

Run-Off Consumer and Mortgage Lending

Prioritizing alternative 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
- Reducing loss severity and accelerating resolution of the delinquency

Foreclosure

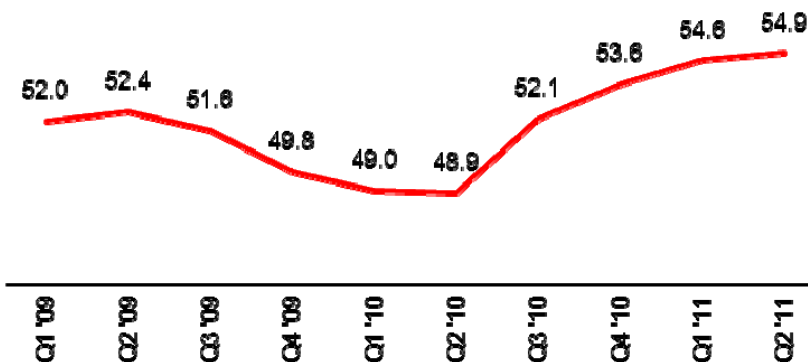
- Foreclosure viewed as a last resort, only after all other alternatives have been exhausted and when borrower is seriously delinquent

REO

- Focused on maximizing net sales proceeds, minimizing expenses and returning capital to the business as quickly as possible
- REO inventory has fallen sharply in 2011 as a result of foreclosure delays

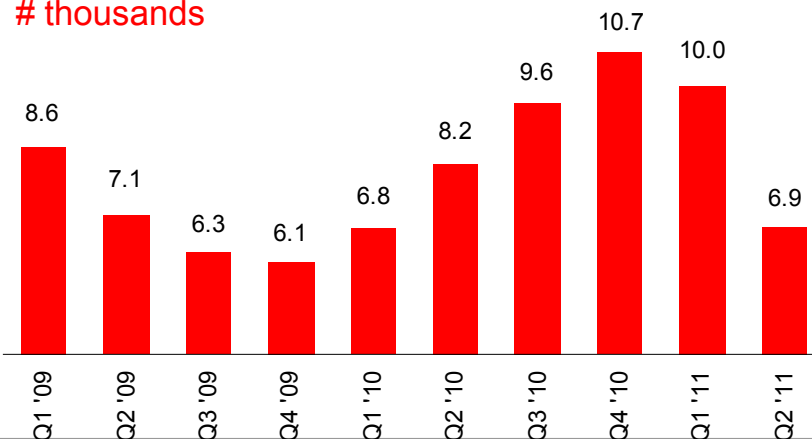
Foreclosure Severity ⁽¹⁾

% of unpaid principal balance



REO Inventory ⁽¹⁾

thousands



(1) HSBC Finance Corporation legal entity basis

Run-Off Consumer and Mortgage Lending

Key areas of focus going forward



Mitigating delinquency and maximizing cash flow

- Maximizing cash collection in a responsible and ethical manner
- Shifting volume from foreclosures to short sale and deed-in-lieu, where appropriate
- Exploring opportunities for loan sales as the economic environment improves and asset prices strengthen

Remediating consent orders and enhancing compliance and controls

- Addressing noted deficiencies and enhancing our policies and procedures
- Supporting the independent consultant review of foreclosure actions
- Performing a comprehensive assessment of risk management
- Strengthening our culture around strict compliance and control

Retaining an engaged workforce

- Identifying and retaining critical talent within the organization
- Enhancing our employee value proposition as the portfolio liquidates and staffing levels decline