

HSBC Finance Corporation and HSBC USA Inc.

Card and Retail Services and US Bank Operations

IFRS Management Basis

1 August, 2011



# Disclosure Statement

This presentation, including the accompanying slides and subsequent discussion, may contain 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. Any 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 and Accounts for the period ended December 31, 2010. Please be further advised that Regulation FD prohibits HSBC representatives from answering specific questions.

HSBC Holdings plc reports financial results in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU"). EU-endorsed IFRSs may differ from IFRSs, as issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At June 30, 2011, 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.

This presentation contains certain information regarding HSBC Finance Corporation, including Card and Retail Services, and HSBC USA Inc., ("US Bank Operations"), wholly owned, indirect subsidiaries of HSBC Holdings plc, and is presented on an IFRS Management Basis, which assumes that the mortgages, credit card loans, private label customer loans, and through August 2010, motor vehicle finance loans transferred to HSBC Bank USA, National Association ("HSBC Bank USA"), a subsidiary of US Bank Operations, have not been sold and remain on HSBC Finance Corporation's balance sheet and are therefore, excluded from the balance sheet of US Bank Operations. 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. Trends are monitored 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.

# Card and Retail Services and US Bank Operations

## 1H 2011 Financial Results

US\$m	1H 2010			2H 2010			1H 2011		
	Card and Retail Svcs	US Bank Operations	Total	Card and Retail Svcs	US Bank Operations	Total	Card and Retail Svcs	US Bank Operations	Total
Net operating income before loan impairment charges excluding changes in Fair Value of Own Debt due to credit spreads (FVOD)	3,201	2,382	5,583	2,930	2,039	4,969	2,721	2,231	4,952
Loan impairment charges and other credit risk provisions	1,321	(86)	1,235	859	33	892	705	47	752
Total operating expenses	940	1,444	2,384	972	1,586	2,558	1,005	1,800	2,805
<b>Profit from continuing operations before tax excluding FVOD<sup>(1)</sup></b>	<b>940</b>	<b>1,024</b>	<b>1,964</b>	<b>1,099</b>	<b>420</b>	<b>1,519</b>	<b>1,011</b>	<b>384</b>	<b>1,395</b>
Profit before tax from discontinued operations <sup>(2)</sup>	-	27	27	-	1	1	-	(1)	(1)
<b>Profit before tax excluding FVOD</b>	<b>940</b>	<b>1,051</b>	<b>1,991</b>	<b>1,099</b>	<b>421</b>	<b>1,520</b>	<b>1,011</b>	<b>383</b>	<b>1,394</b>

Notes:

(1) Card and Retail Services and US Bank Operations profit before tax excluding FVOD can be reconciled to reported IFRS segment results as follows:

	1H 2010		2H 2010		1H 2011	
	Card and Retail Svcs	US Bank Operations	Card and Retail Svcs	US Bank Operations	Card and Retail Svcs	US Bank Operations
Profit from continuing operations before tax excluding FVOD as reported above	940	1,024	1,099	420	1,011	384
Adjustments:						
Changes in FVOD	-	134	-	(72)	-	7
Management Basis adjustments	(434)	454	(546)	448	(518)	419
<b>Profit from continuing operations before tax as reported</b>	<b>506</b>	<b>1,612</b>	<b>553</b>	<b>796</b>	<b>493</b>	<b>810</b>

See Note 13 'Business Segments' of the HSBC Finance Corporation and Note 16 'Business Segments' of the HSBC USA Inc. U.S. SEC filings on Form 10-Q for the period ended 30 June 2011 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 U.S. SEC filings on Form 10-Q for HSBC USA Inc.

# HSBC Finance Corporation

IFRS Management Basis

1 August, 2011

# HSBC Finance Corporation

## 1H 2011 Financial Results

US\$m	1H 2010			2H 2010			1H 2011		
	Card and Retail Svcs	Consumer and Other <sup>(1)</sup>	Total	Card and Retail Svcs	Consumer and Other <sup>(1)</sup>	Total	Card and Retail Svcs	Consumer and Other <sup>(1)</sup>	Total
Net operating income before loan impairment charges excluding changes in Fair Value of Own Debt due to credit spreads (FVOD) <sup>(2)</sup>	3,201	915	4,116	2,930	1,766	4,696	2,721	1,451	4,172
Loan impairment charges and other credit risk provisions	1,321	3,081	4,402	859	2,628	3,487	705	2,165	2,870
Total operating expenses	940	490	1,430	972	593	1,565	1,005	668	1,673
<b>Profit/(Loss) from continuing operations before tax excluding FVOD<sup>(3)</sup></b>	<b>940</b>	<b>(2,656)</b>	<b>(1,716)</b>	<b>1,099</b>	<b>(1,455)</b>	<b>(356)</b>	<b>1,011</b>	<b>(1,382)</b>	<b>(371)</b>
Profit/(Loss) before tax from discontinued operations <sup>(4)</sup>	-	27	27	-	(202)	(202)	-	(8)	(8)
<b>Profit/(Loss) before tax excluding FVOD</b>	<b>940</b>	<b>(2,629)</b>	<b>(1,689)</b>	<b>1,099</b>	<b>(1,657)</b>	<b>(558)</b>	<b>1,011</b>	<b>(1,390)</b>	<b>(379)</b>

Notes:

(1) Consumer represents the run-off businesses of Consumer Lending, Mortgage Services, and through August 2010, our Vehicle Finance business as well as our Insurance, Commercial, Corporate and Treasury activities.

(2) Net operating income before loan impairment charges includes the effect of non-qualifying hedges ("NQHs") of (\$589m) loss in 1H 2010, \$195m income in 2H 2010, and (\$124m) loss in 1H 2011.

(3) Profit/(loss) from continuing operations before tax excluding goodwill impairment and FVOD can be reconciled to reported IFRS segment results as follows:

	1H 2010		2H 2010		1H 2011	
	Card and Retail Svcs	Consumer and Other	Card and Retail Svcs	Consumer and Other	Card and Retail Svcs	Consumer and Other
Profit/(Loss) from continuing operations before tax excluding FVOD as reported above	940	(2,656)	1,099	(1,455)	1,011	(1,382)
Adjustments:						
Changes in FVOD	-	390	-	(270)	-	(66)
Management Basis adjustments	(434)	(3)	(546)	18	(518)	13
<b>Profit/(Loss) from continuing operations before tax as reported</b>	<b>506</b>	<b>(2,269)</b>	<b>553</b>	<b>(1,707)</b>	<b>493</b>	<b>(1,435)</b>

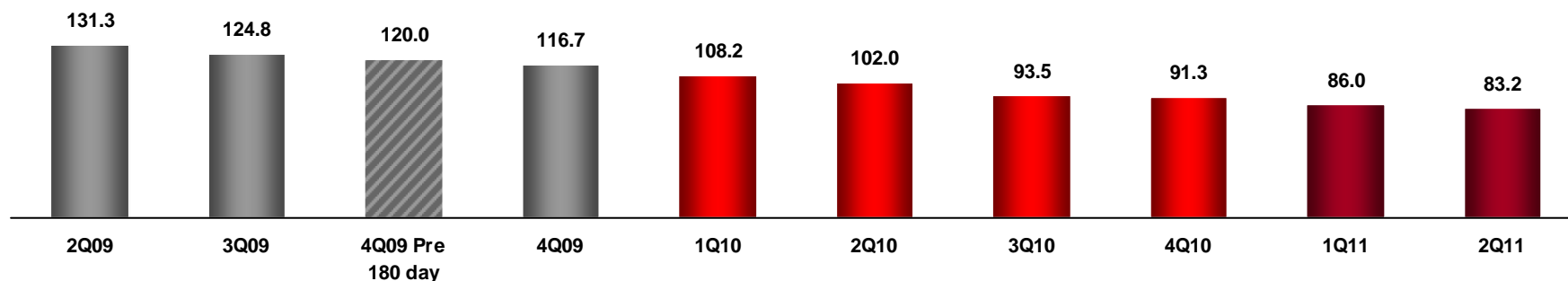
See Note 13 'Business Segments' of the HSBC Finance Corporation U.S. SEC filings on Form 10-Q for the period ended 30 June 2011 for further information related to business segment results.

(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. In December 2010, we decided to exit the Taxpayer Financial Services (TFS) business and we did 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.

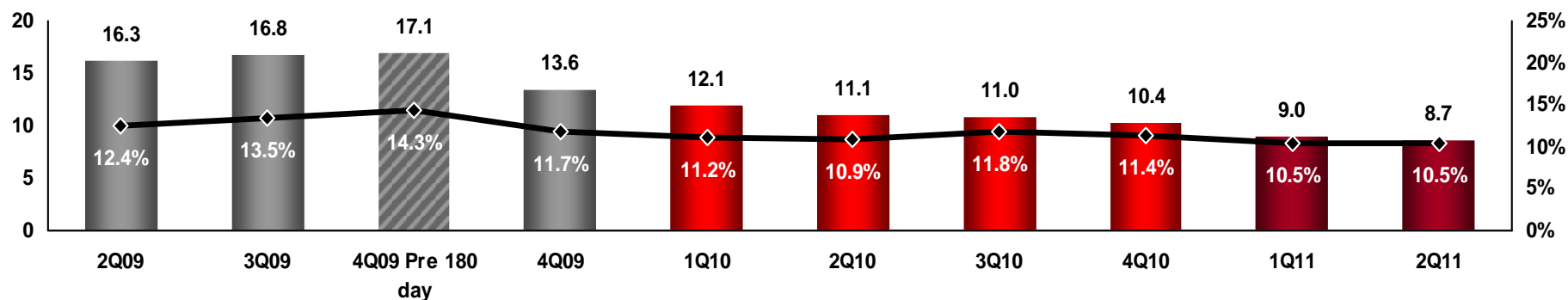
# HSBC Finance Corporation

## Continued reduction of balance sheet in the US

Customer loans<sup>(1), (3)</sup>, US\$bn



2+ Delinquency<sup>(1), (2), (3)</sup>, US\$bn



Notes:

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

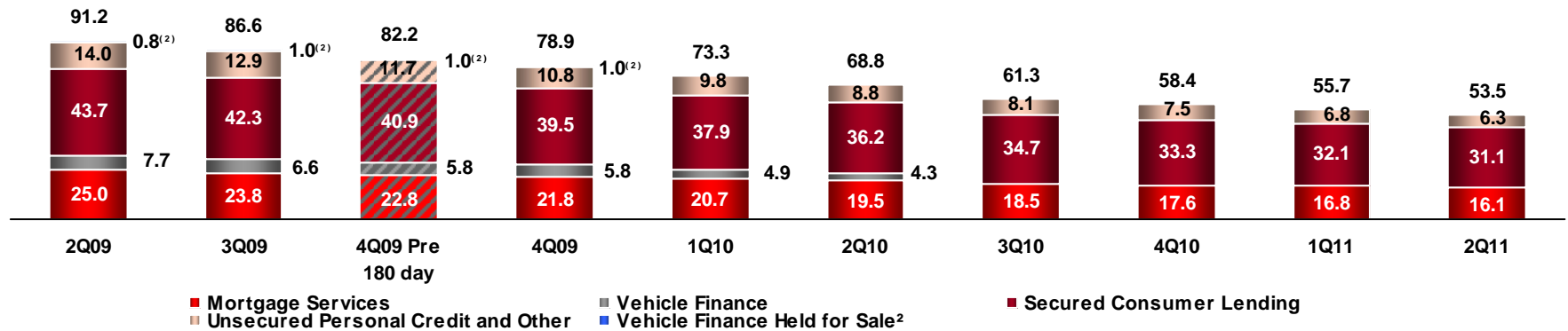
(2) 2+ Delinquency ratio as a percentage of end-of-period customer loans.

(3) During 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to Santander Consumer, USA Inc.

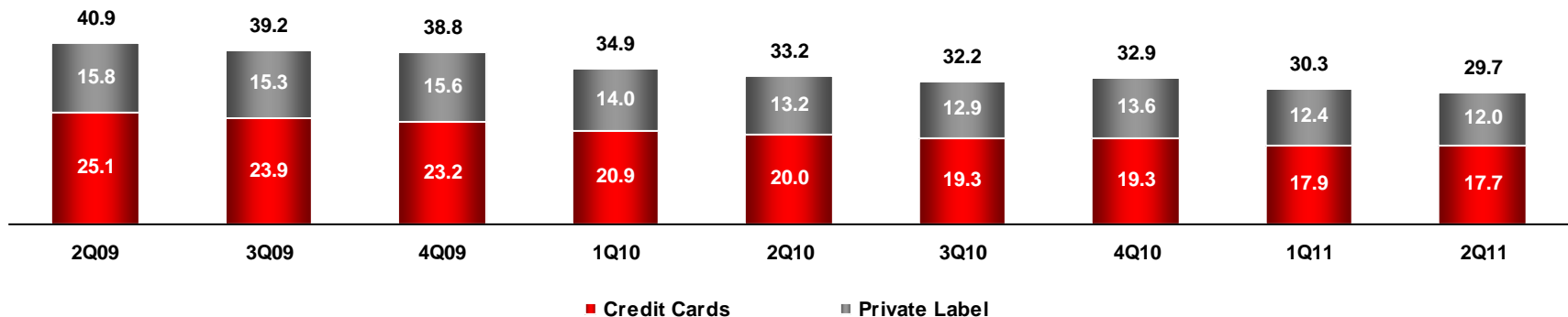
# HSBC Finance Corporation

## US customer loans – Run-off portfolio and Credit Card and Private Label

**Customer loans<sup>(1), (3)</sup>**  
Run-off portfolio, US\$bn



**Customer loans<sup>(1)</sup>**  
Credit Card and Private Label, US\$bn



Notes:

(1) Excludes reverse repo balances.

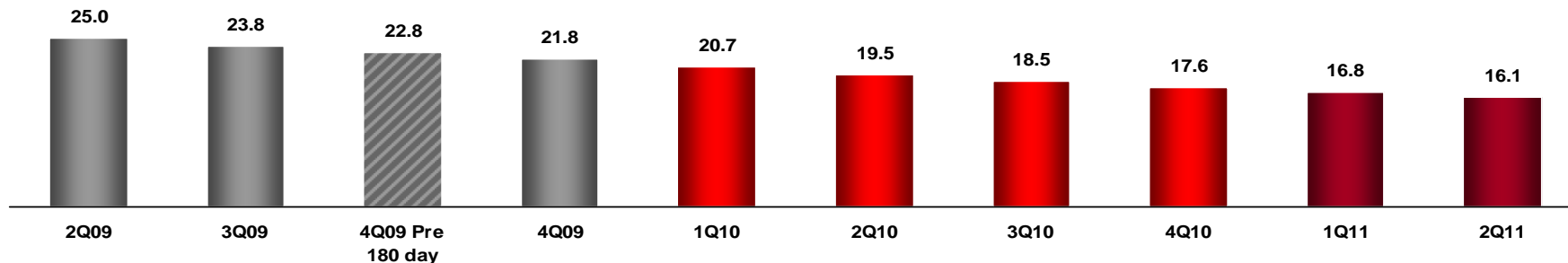
(2) Vehicle finance loans held for sale.

(3) During 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to Santander Consumer, USA Inc.

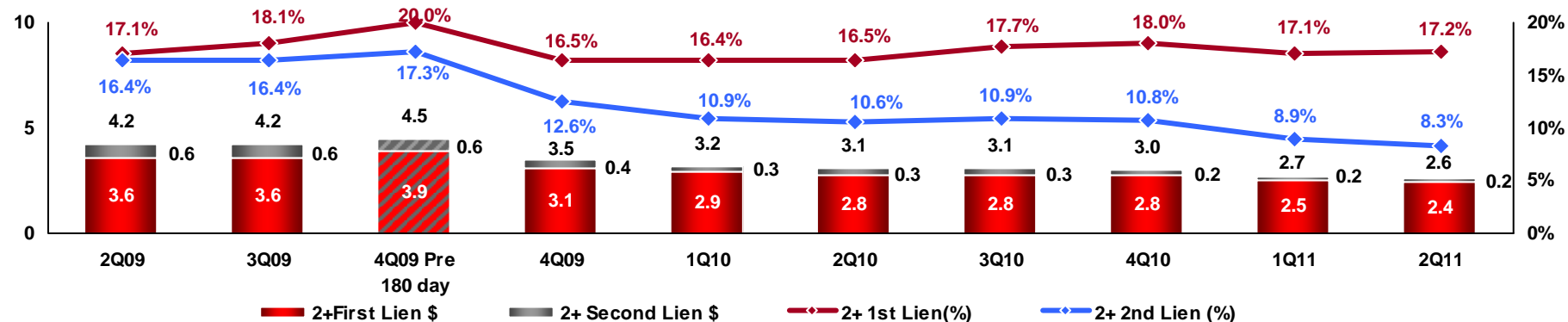
# HSBC Finance Corporation

## US Mortgages: Continuing to shrink the Mortgage Services portfolio

**Mortgage Services**  
Customer loans, US\$bn



**Mortgage Services**  
2+ Delinquency<sup>(1)</sup>, US\$bn



Notes:

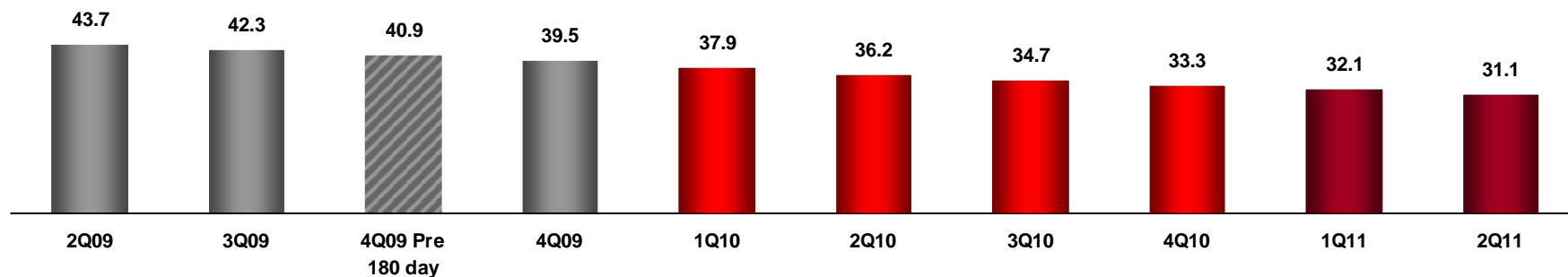
(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans.



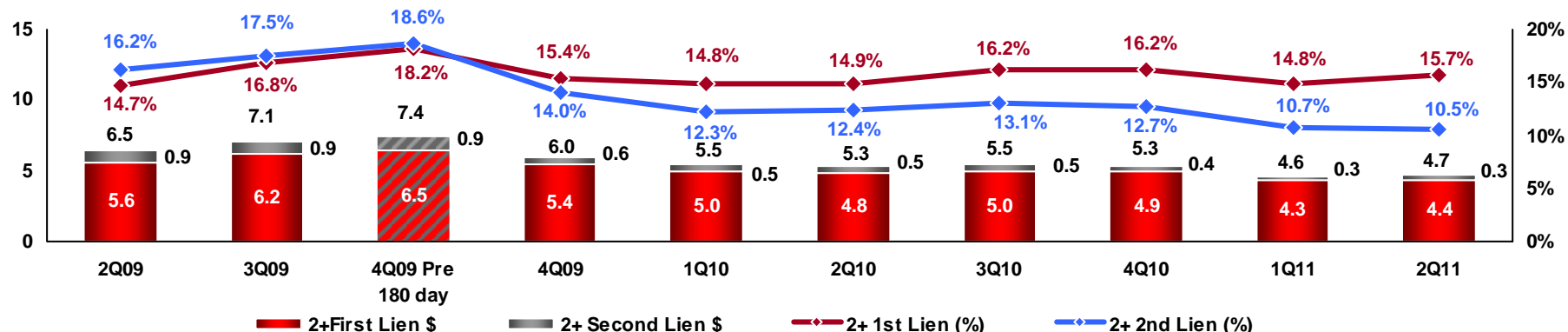
# HSBC Finance Corporation

## US Mortgages: Continuing to shrink the Secured Consumer Lending mortgage portfolio

**Secured Consumer Lending**  
Customer loans, US\$bn



**Secured Consumer Lending**  
2+ Delinquency<sup>(1)</sup>, US\$bn



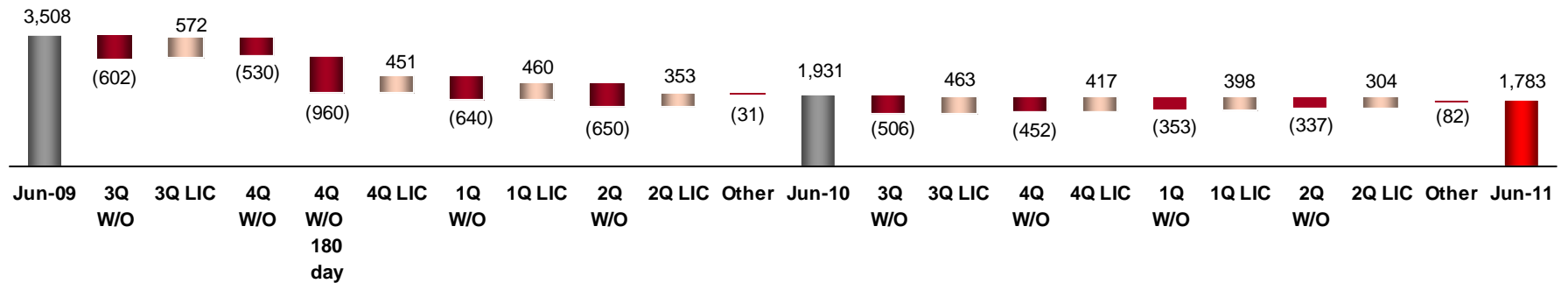
Notes:

(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans.

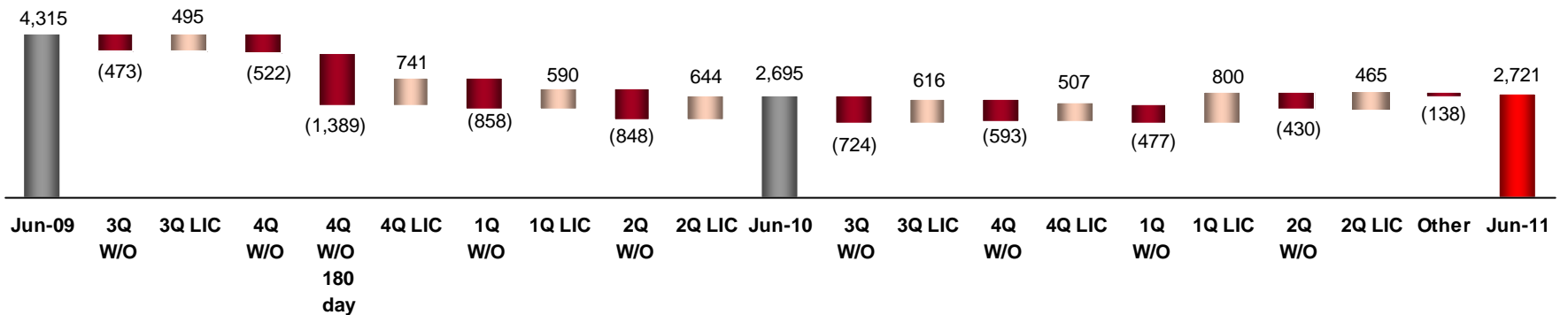
# HSBC Finance Corporation

## Impairment allowance

### Mortgage Services Real Estate Secured, US\$m



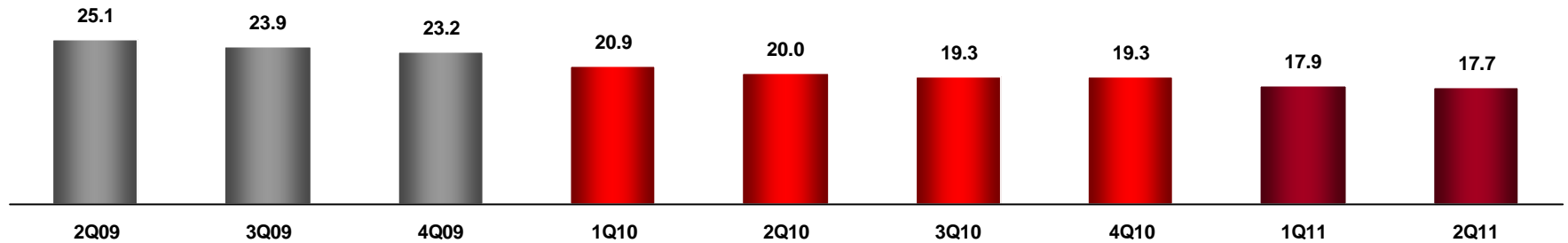
### Secured Consumer Lending Real Estate Secured, US\$m



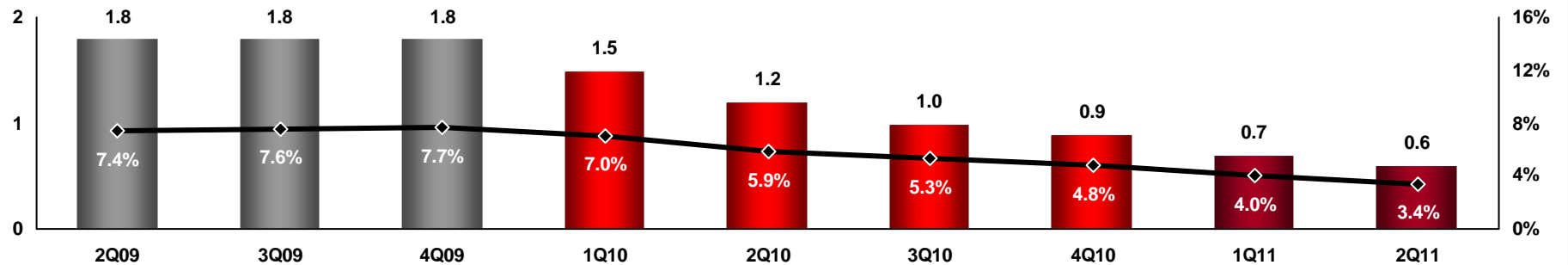
# HSBC Finance Corporation

## Managing risk: Credit Card

**Credit Card**  
Customer Loans, US\$bn



**Credit Card**  
2+ Delinquencies<sup>(1)</sup>, US\$bn



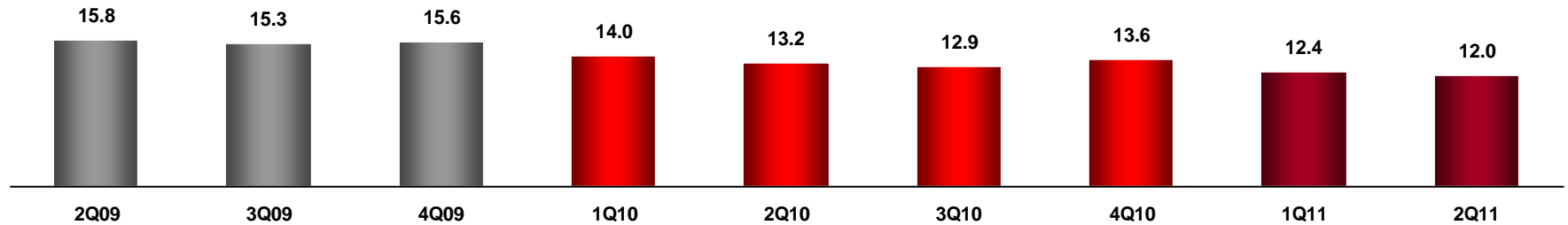
Notes:

(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans.

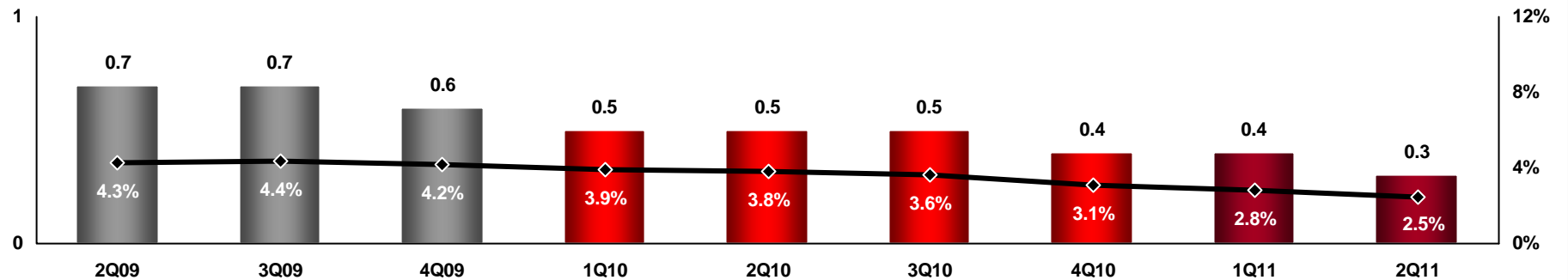
# HSBC Finance Corporation

## Managing risk: Private Label

**Private Label**  
Customer Loans, US\$bn



**Private Label**  
2+ Delinquencies<sup>(1)</sup>, US\$bn



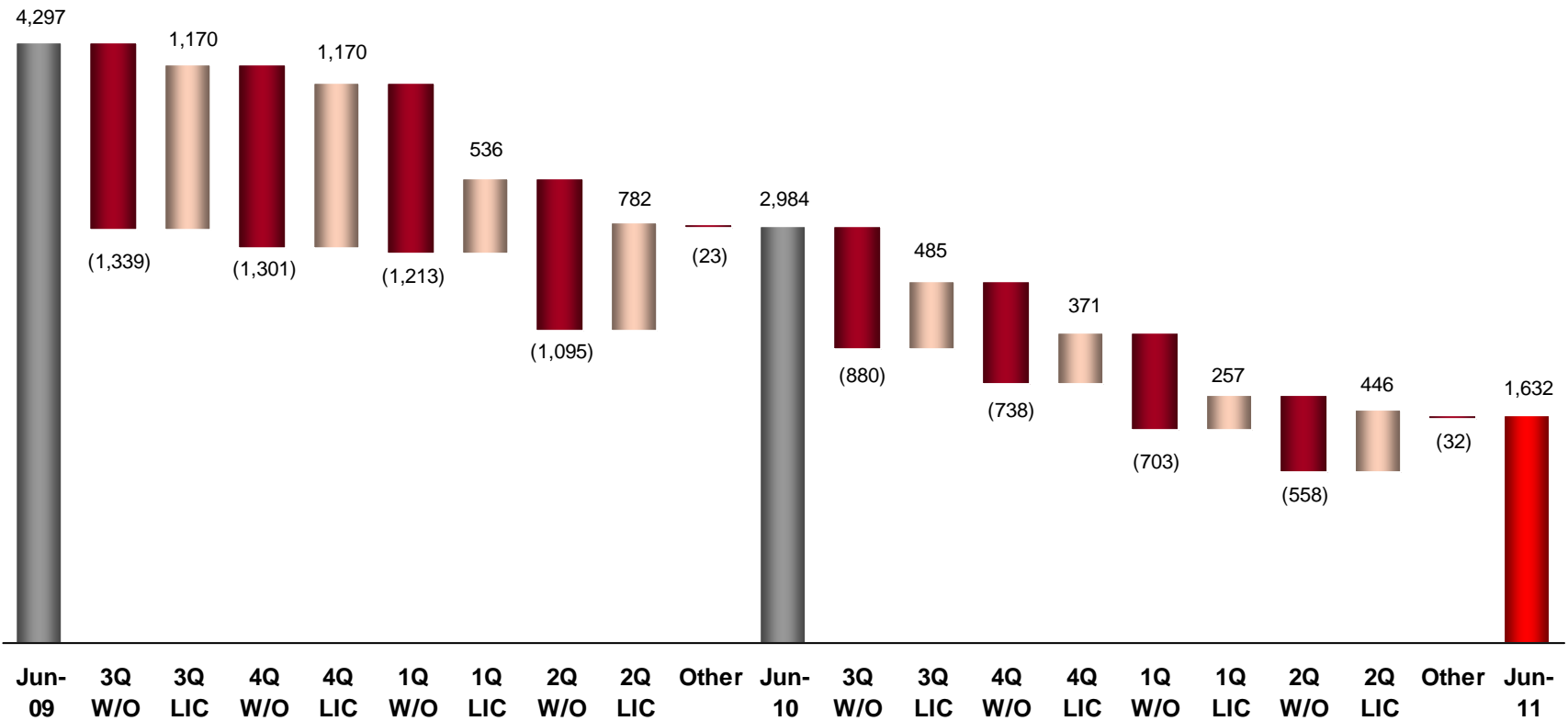
Notes:

(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans.

# HSBC Finance Corporation

## Impairment allowance

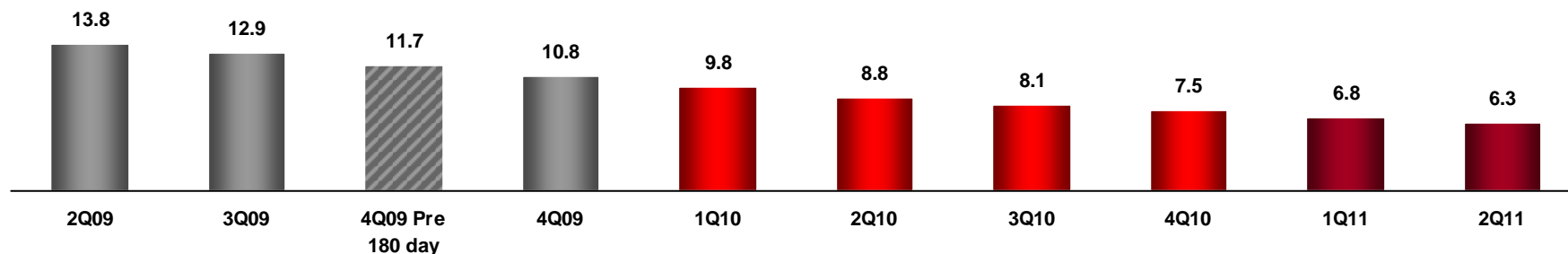
### Credit Card and Private Label, US\$m



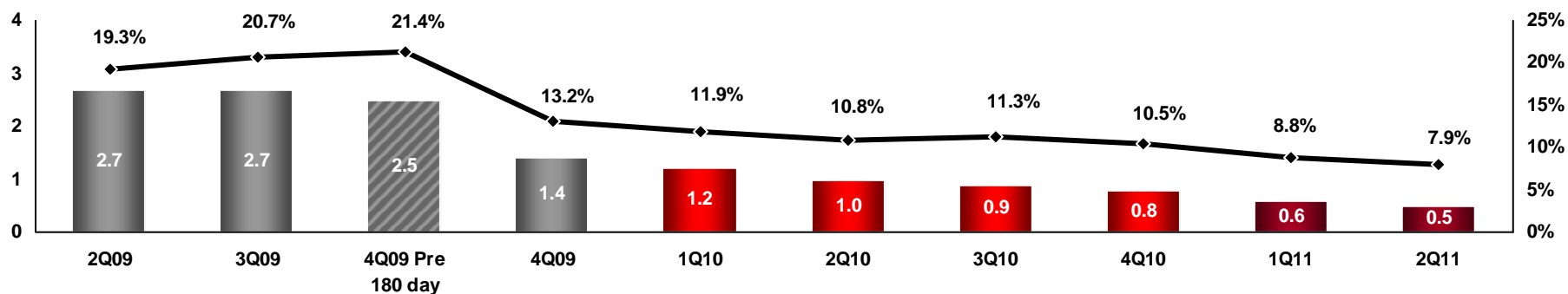
# HSBC Finance Corporation

## Managing personal non-credit card run-off

**Personal Non-Credit Card and Other Unsecured Customer Loans, US\$bn**



**Personal Non-Credit Card and Other Unsecured 2+ Delinquencies<sup>(1)</sup>, US\$bn**



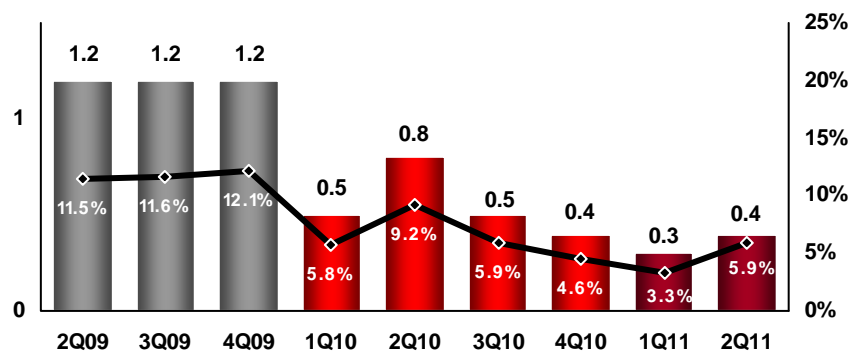
Notes:

(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans.

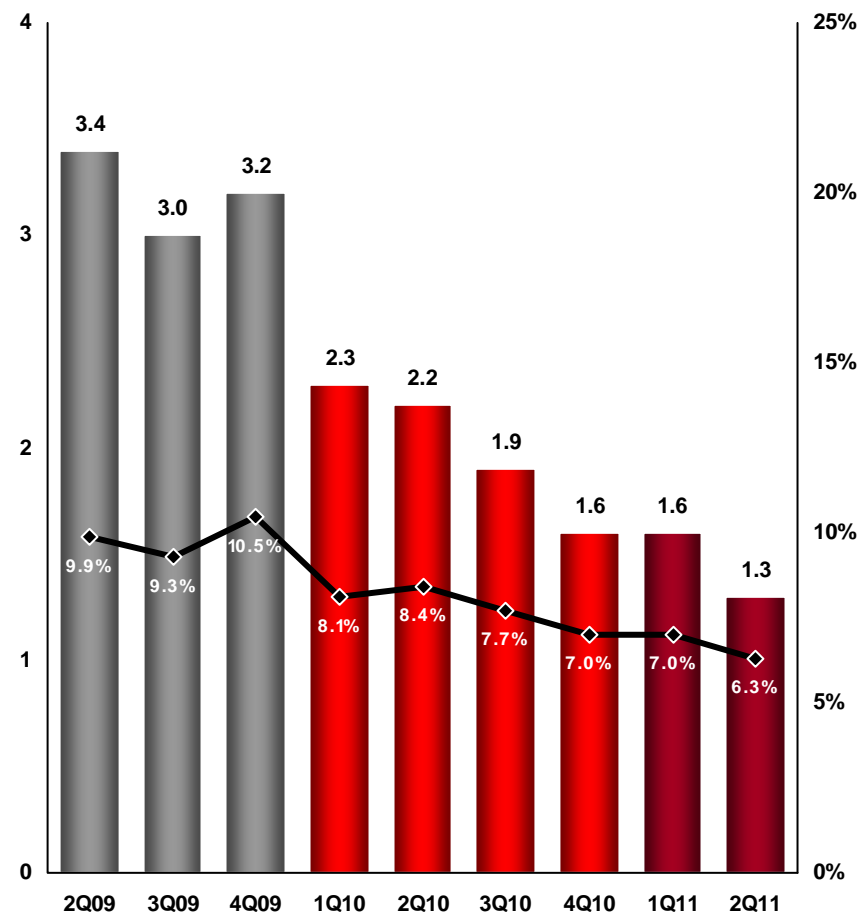
# HSBC Finance Corporation

## Loan impairment charges<sup>(1), (2), (3)</sup>

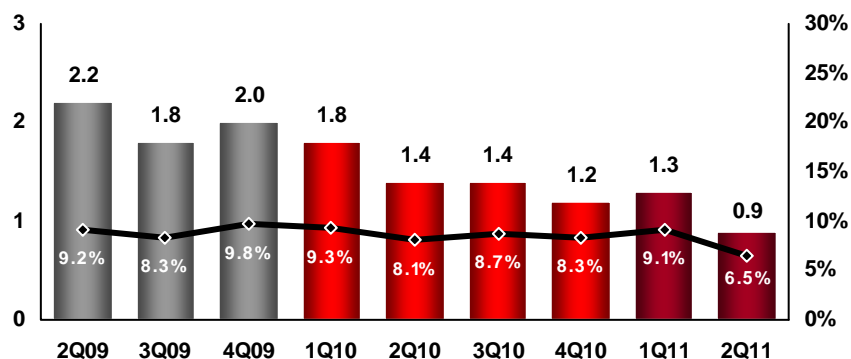
### Credit Card and Private Label, US\$bn



### Total HSBC Finance Corp, US\$bn



### Run-off Portfolio, US\$bn



Notes:

(1) Excludes reverse repo balances.

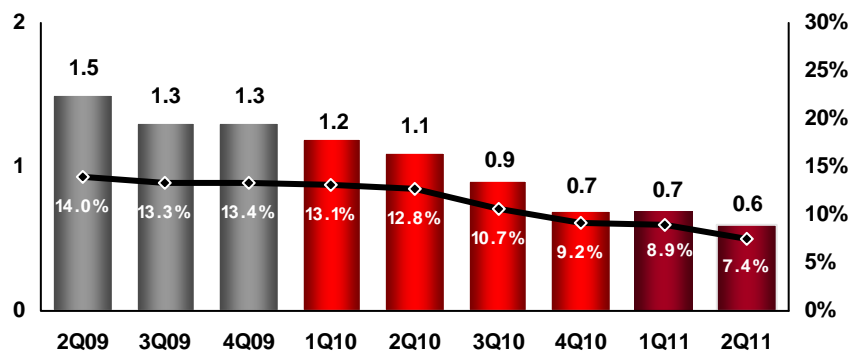
(2) Loan impairment charge ratio as a percentage of average total loans (quarter annualised).

(3) During 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to Santander Consumer, USA Inc.

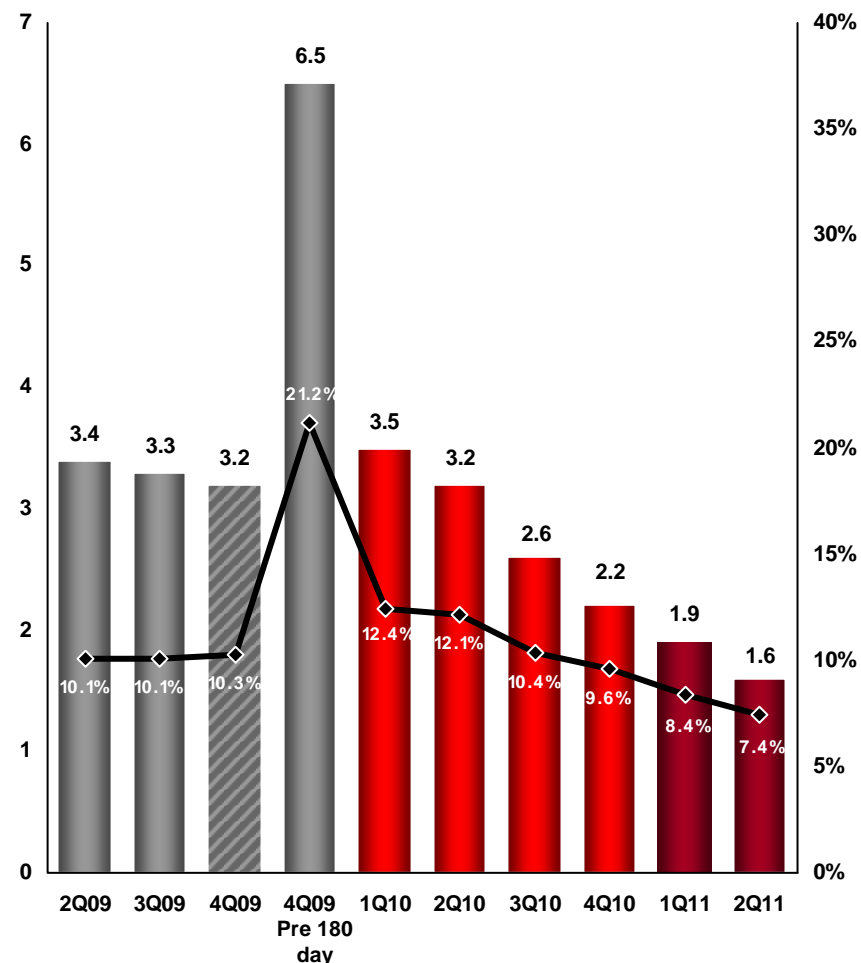
# HSBC Finance Corporation

Amount written-off (1), (2), (3)

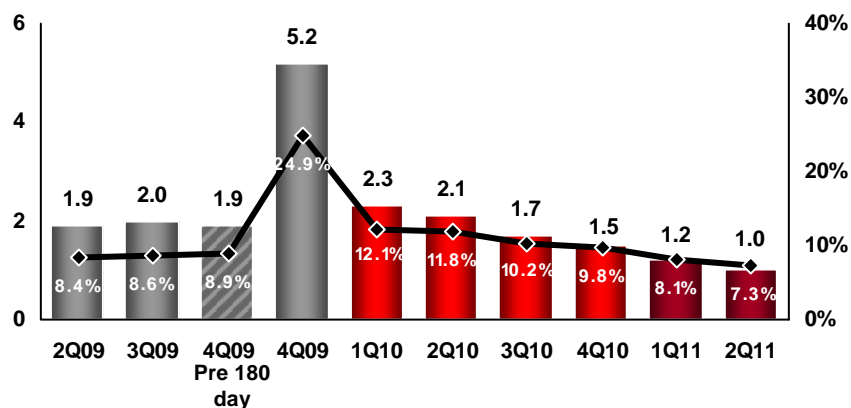
## Credit Card and Private Label, US\$bn



## Total HSBC Finance Corp, US\$bn



## Run-off Portfolio, US\$bn



Notes:

(1) Excludes reverse repo balances.

(2) Loans written-off ratio as a percentage of average total loans (quarter annualised).

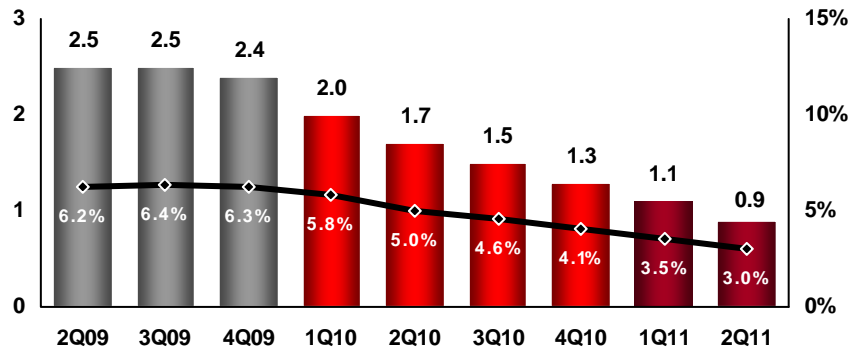
(3) During 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to Santander Consumer, USA Inc.



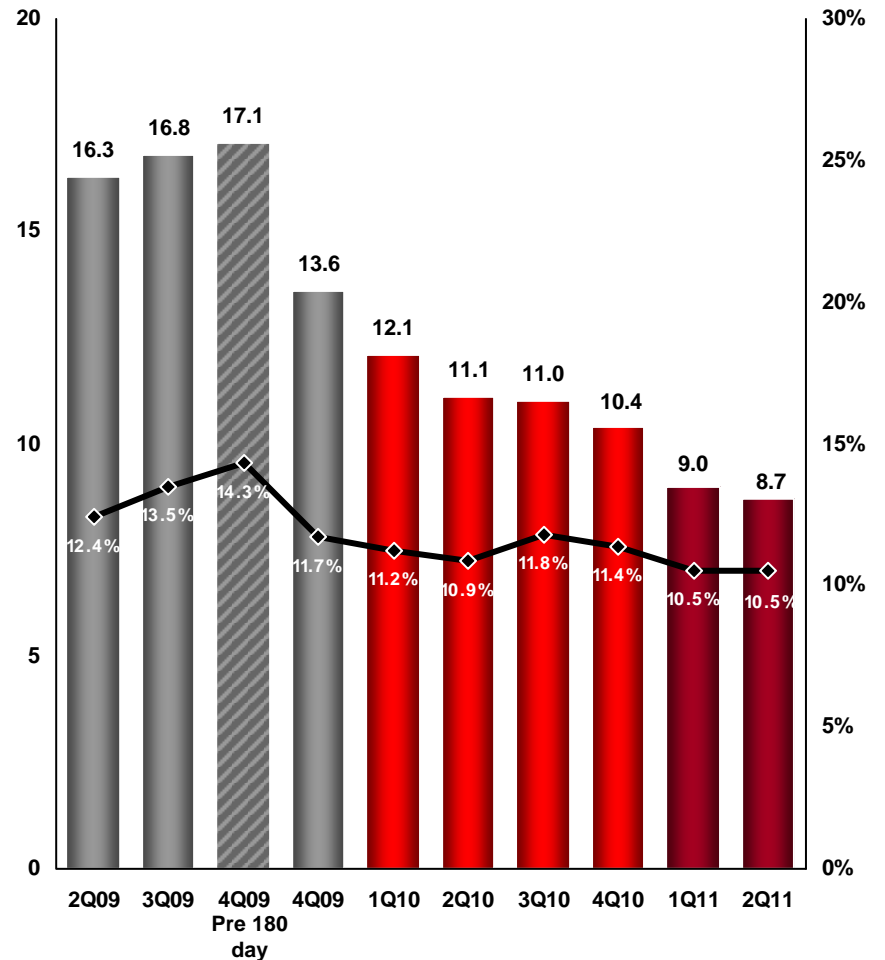
# HSBC Finance Corporation

## 2+ Delinquency<sup>(1), (2), (3)</sup>

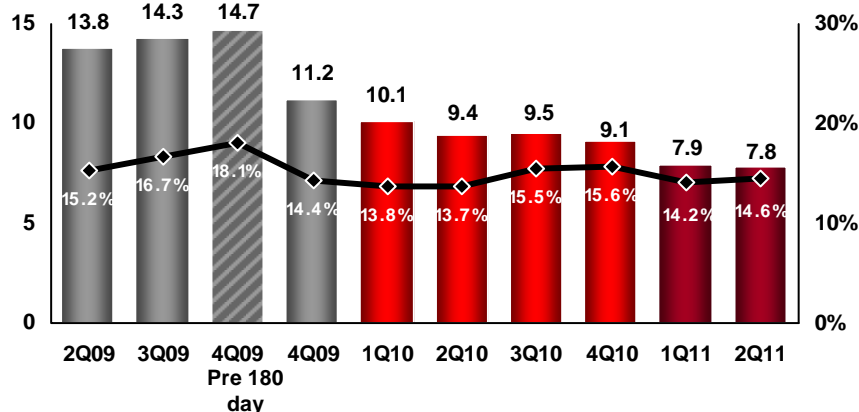
### Credit Card and Private Label, US\$bn



### Total HSBC Finance Corp, US\$bn



### Run-off Portfolio, US\$bn



Notes:

(1) Excludes reverse repo balances.

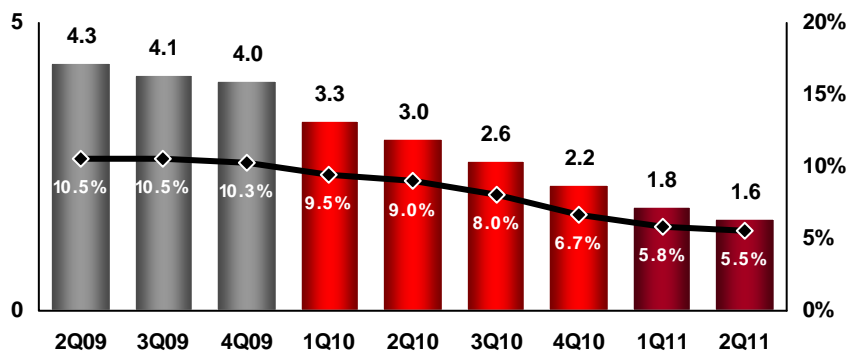
(2) 2+ Delinquency ratio as a percentage of end-of-period customer loans.

(3) During 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to Santander Consumer, USA Inc.

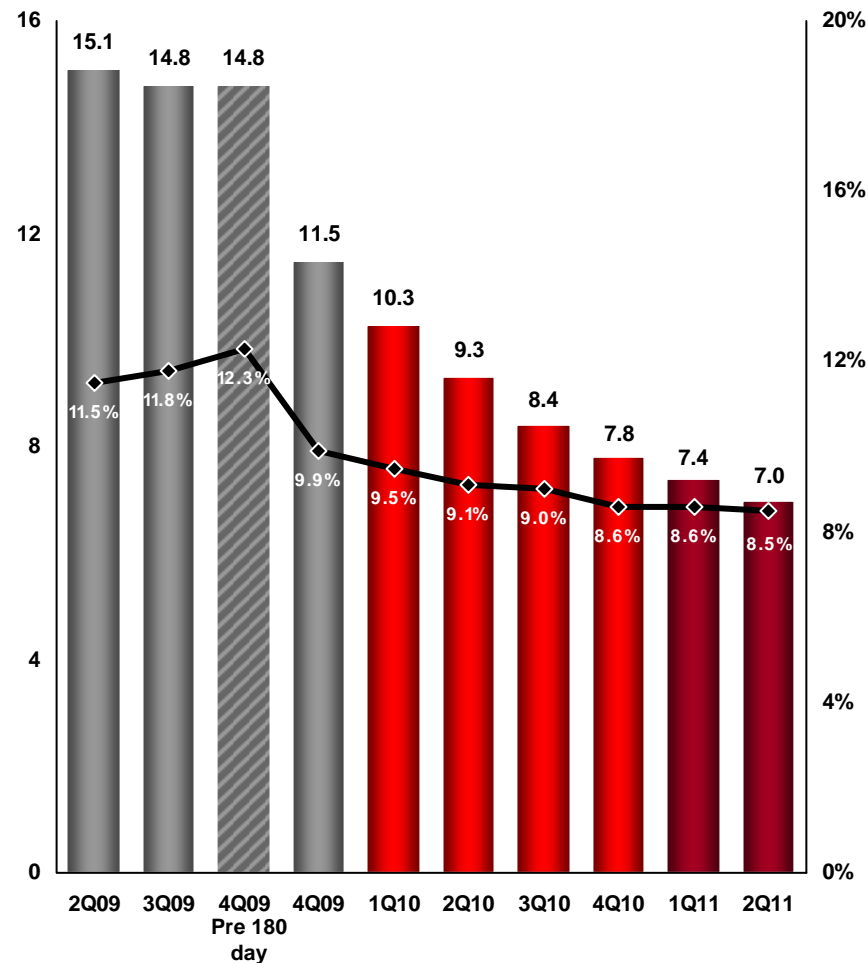
# HSBC Finance Corporation

## Impairment allowance<sup>(1), (2), (3)</sup>

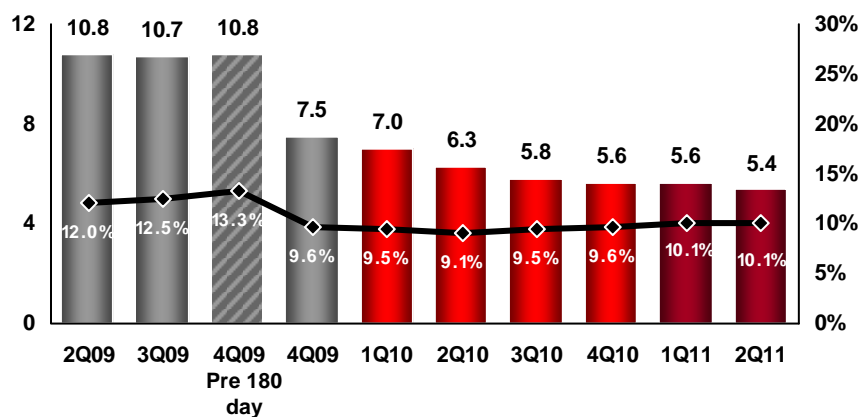
### Credit Card and Private Label, US\$bn



### Total HSBC Finance Corp, US\$bn



### Run-off Portfolio, US\$bn



- Notes:
- (1) Excludes reverse repo balances.
  - (2) Impairment allowance ratio as a percentage of end-of-period total loans, excluding vehicle finance loans classified as held for sale in 2Q09 through 1Q10.
  - (3) During 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to Santander Consumer, USA Inc.