

HSBC Finance Corporation and HSBC USA Inc.

Core Operations

August 2, 2010



# US Core Operations – HSBC Finance Corporation and HSBC USA Inc.

## 1H 2010 Financial Results

US\$m	1H 2009			2H 2009			1H 2010		
	Card and Retail Services	HUSI excl Consumer Finance	Total	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 ex changes in net income from financial instruments at Fair Value (FVO)	3,866	2,225	6,091	3,702	1,837	5,539	3,201	2,363	5,564
Loan impairment charges and other credit risk provisions	(2,719)	(973)	(3,692)	(2,345)	(641)	(2,986)	(1,321)	85	(1,236)
Total operating expenses, ex goodwill impairment	(944)	(1,551)	(2,495)	(919)	(1,451)	(2,370)	(940)	(1,462)	(2,402)
<b>Profit (Loss) before tax ex goodwill and FVO<sup>(1)</sup></b>	<b>203</b>	<b>(299)</b>	<b>(96)</b>	<b>438</b>	<b>(255)</b>	<b>183</b>	<b>940</b>	<b>986</b>	<b>1,926</b>

Notes:

(1) US Core Operations is comprised of the US Bank, 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 ex goodwill and FVO can be reconciled to IFRS results as follows:

	1H 2009		2H 2009		1H 2010	
	Card and Retail Services	HUSI	Card and Retail Services	HUSI	Card and Retail Services	HUSI
Profit (Loss) before tax ex goodwill and FVO reported above	203	(299)	438	(255)	940	986
Adjustments						
Net Income from financial instruments at FV	–	(426)	–	(139)	–	200
Goodwill impairment	(530)	–	–	–	–	–
HUSI Consumer Finance profit (loss)	–	132	–	161	–	440
<b>Profit (loss) before tax as reported</b>	<b>(327)</b>	<b>(593)</b>	<b>438</b>	<b>(233)</b>	<b>940</b>	<b>1,626</b>

See notes 15 'Business Segments' of the HSBC Finance Corporation and HSBC USA Inc. Form 10-Qs for the period ended 30 June 2010 for further detail related to business segment results. HSBC Finance Corporation reports IFRS results on an IFRS Management Basis as discussed in the Form 10-Q.

# HSBC Finance Corporation

IFRS Management Basis

August 2, 2010



# HSBC Finance Corporation

## 1H 2010 Financial Results<sup>1</sup>

US\$m	1H 2009	2H 2009	1H 2010	% Better/(worse)	
				1H 10 vs 1H 09	1H 10 vs 2H 09
Net operating income before loan impairment charges ex changes in net income from financial instruments at Fair Value (FVO)	6,734	5,750	4,569	(32)	(21)
Loan impairment charges and other credit risk provisions	(7,308)	(6,237)	(4,514)	38	28
Total operating expenses, ex goodwill impairment	(1,879)	(1,695)	(1,541)	18	9
<b>Loss before tax ex goodwill and FVO</b>	<b>(2,453)</b>	<b>(2,182)</b>	<b>(1,486)</b>	<b>39</b>	<b>32</b>
Gross Customer loans and advances (as at 30 June) <sup>2</sup>	132,262	117,951	104,844	(21)	(11)

Notes:

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

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

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

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

# HSBC Finance Corporation – Non-core Operations<sup>1</sup>

## 1H 2010 Financial Results

US\$m	1H 2009	2H 2009	1H 2010
Net operating income before loan impairment charges ex changes in net income from financial instruments at Fair Value (FVO)	2,868	2,048	1,368
Loan impairment charges and other credit risk provisions	(4,589)	(3,892)	(3,193)
Total operating expenses, ex goodwill impairment	(935)	(776)	(601)
<b>Loss before tax ex goodwill and FVO<sup>(2)</sup></b>	<b>(2,656)</b>	<b>(2,620)</b>	<b>(2,426)</b>

Notes:

(1) Non-core Operations represents the Consumer and All Other business segments of HSBC Finance Corporation. The Consumer segment represents the run-off businesses of Consumer Lending, Mortgage Services and Auto Finance.

(2) Loss before tax ex goodwill and FVO for the sum of the Consumer and all other business segments of HSBC Finance Corporation can be reconciled to IFRS Management Basis results as follows:

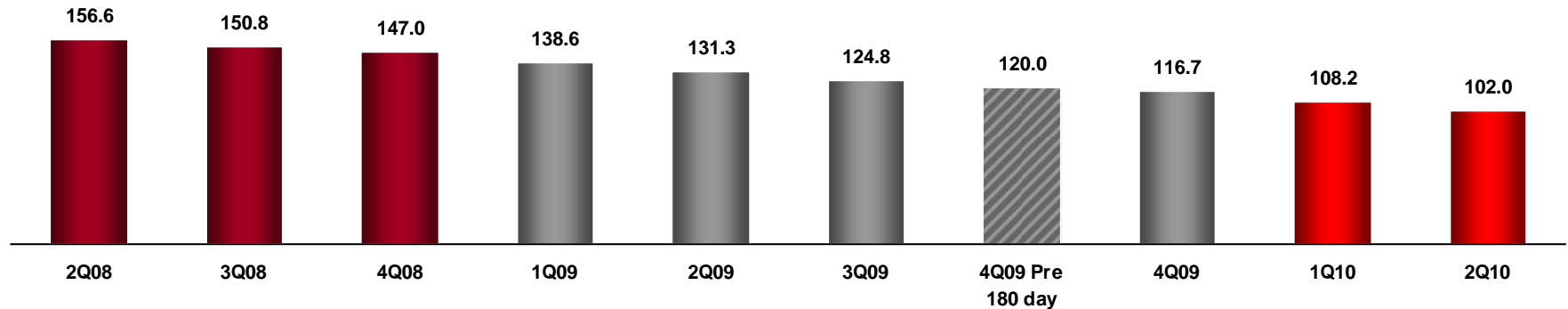
	1H 2009	2H 2009	1H 2010
Loss before tax ex goodwill and FVO	(2,656)	(2,620)	(2,426)
Adjustments			
Net Income from financial instruments at FV	(928)	(1,851)	186
Goodwill	(2,385)	–	–
<b>Loss before tax as reported</b>	<b>(5,969)</b>	<b>(4,471)</b>	<b>(2,240)</b>

See note 15 'Business Segments' of the HSBC Finance Corporation Form 10-Q for the period ended 30 June 2010 for further detail related to business segment results.

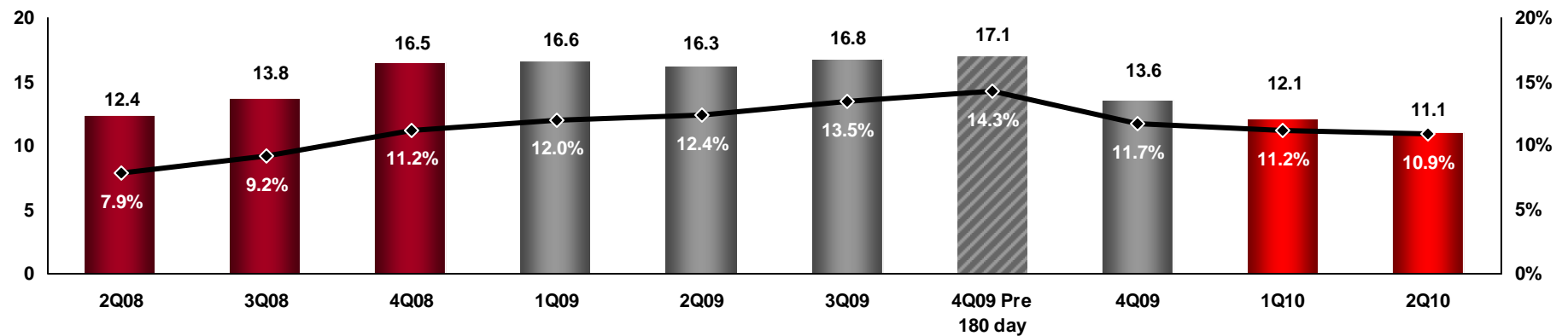
# HSBC Finance Corporation

## Continued reduction of balance sheet in the US

### Customer loans<sup>1</sup>, US\$bn



### 2+ Delinquency<sup>1, 2</sup>, US\$bn



Notes:

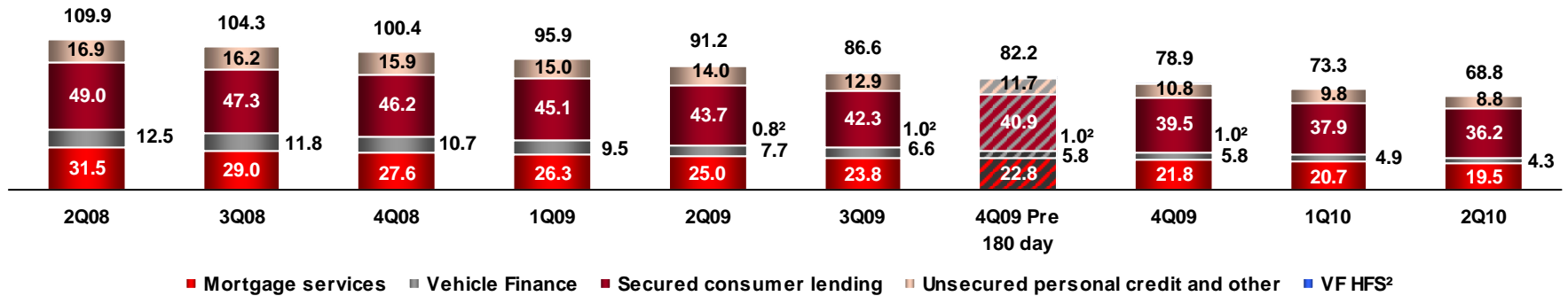
(1) Excludes reverse repo balances and vehicle finance loans held for sale

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

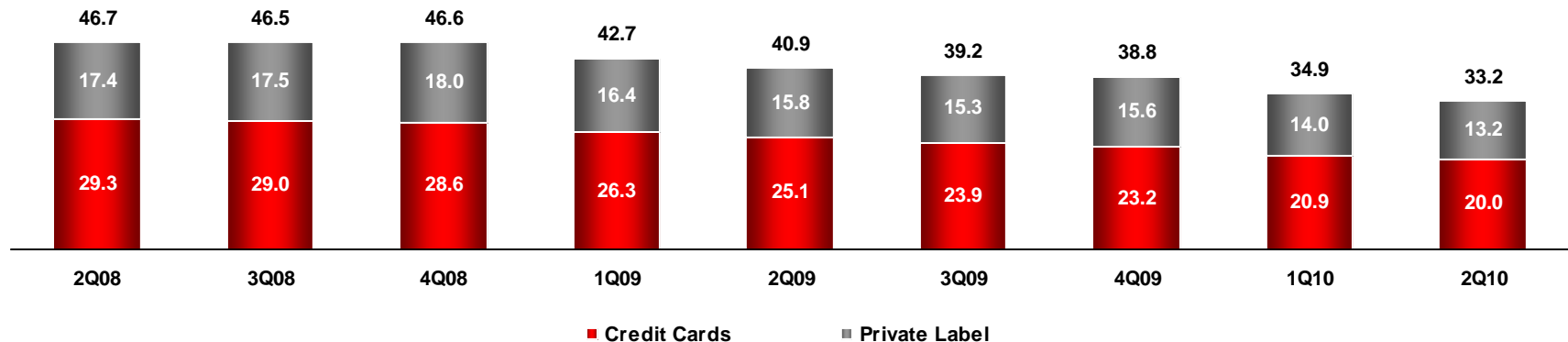
# HSBC Finance Corporation

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

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



**Customer loans<sup>1</sup>**  
Core portfolio, US\$bn

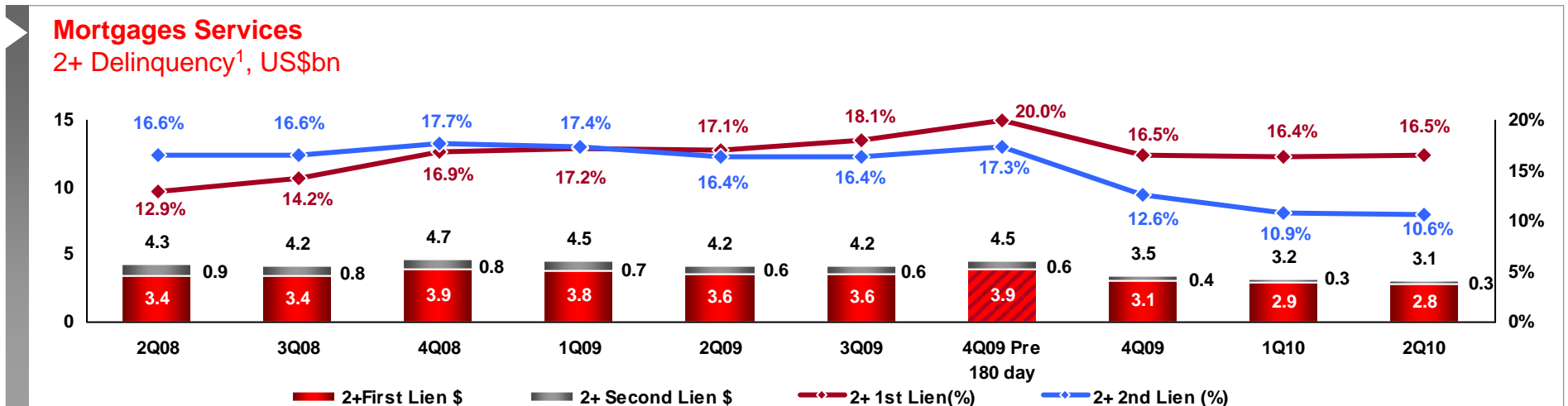
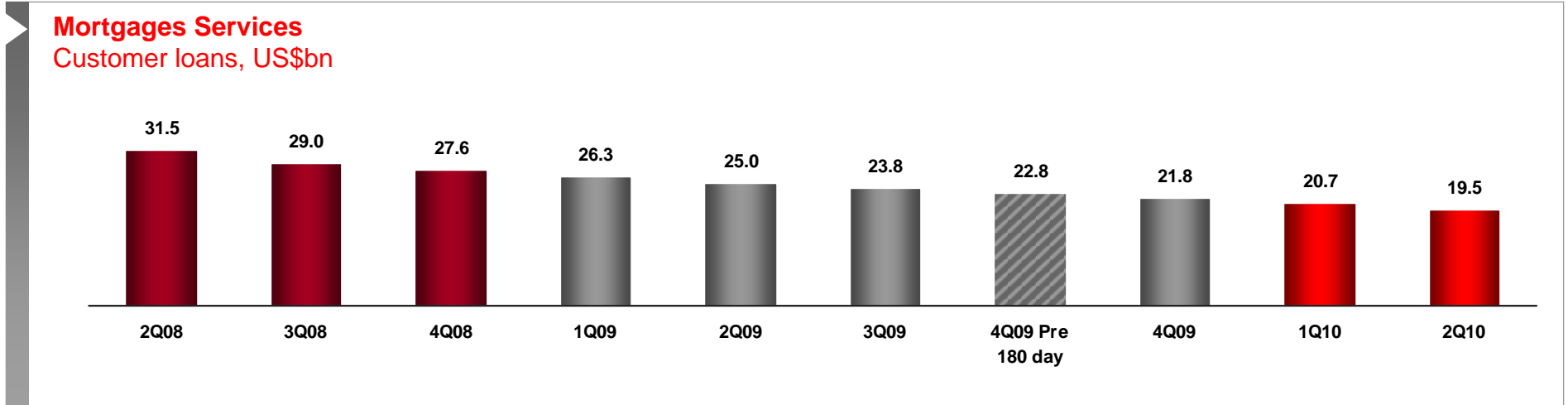


Notes:

- (1) Excludes reverse repo balances
- (2) Vehicle finance loans held for sale

# HSBC Finance Corporation

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



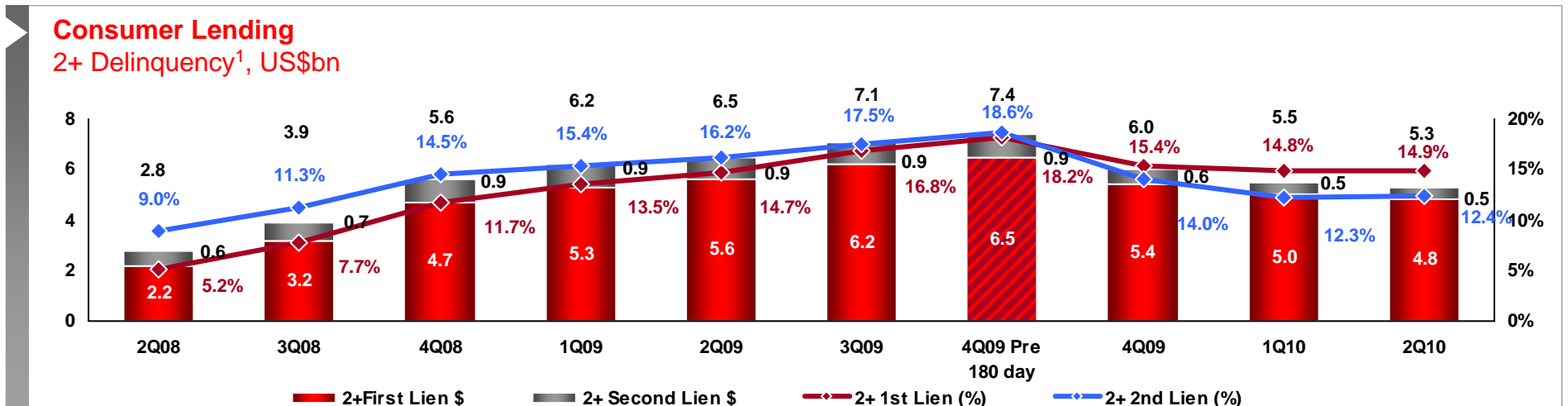
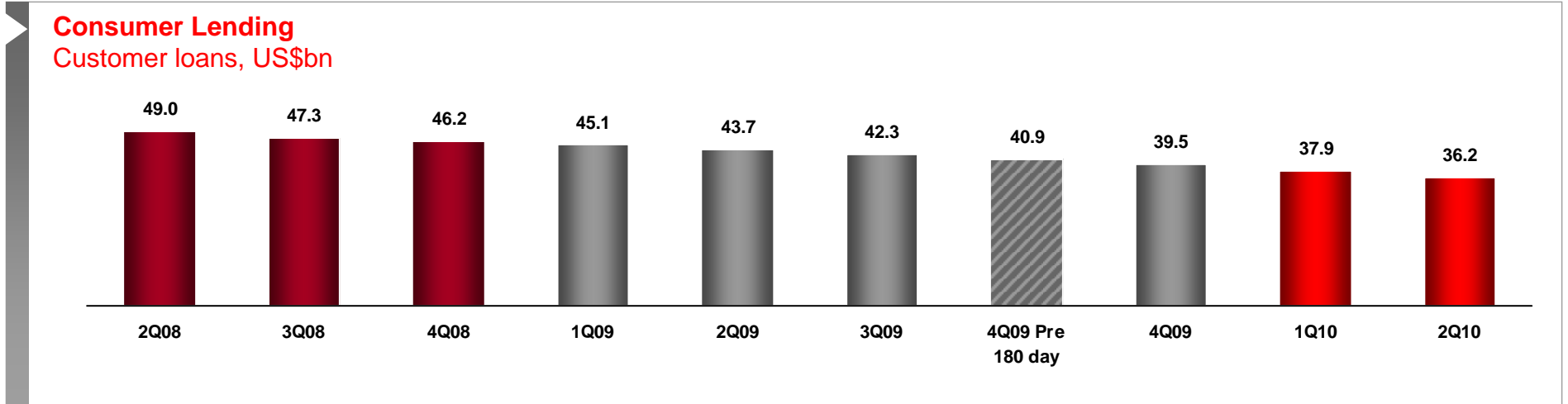
Notes:

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



# HSBC Finance Corporation

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



Notes:

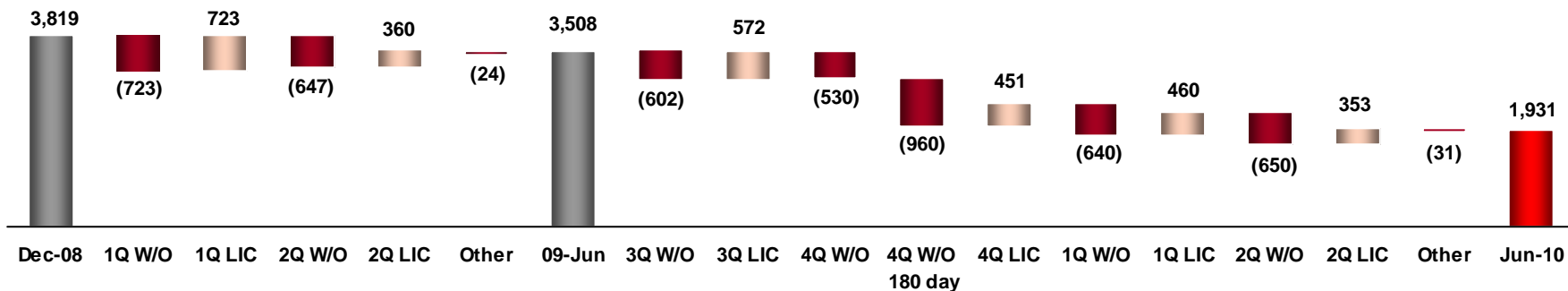
(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans

# HSBC Finance Corporation

## Impairment allowance

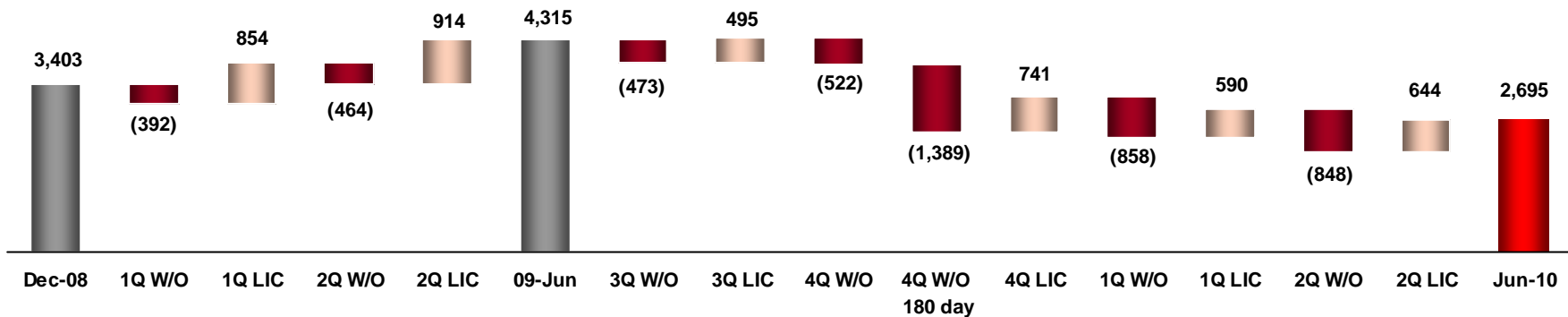
### Mortgage Services

Real Estate Secured, US\$m



### Consumer Lending

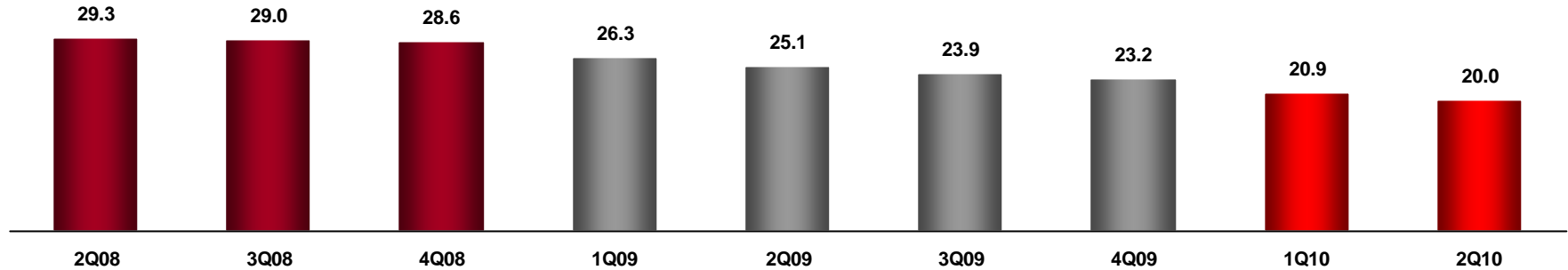
Real Estate Secured, US\$m



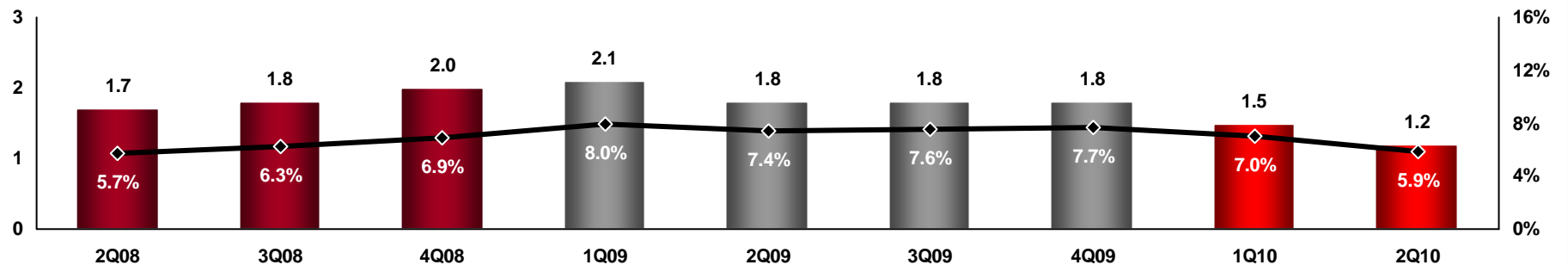
# HSBC Finance Corporation

## Managing risk: Credit Card

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



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



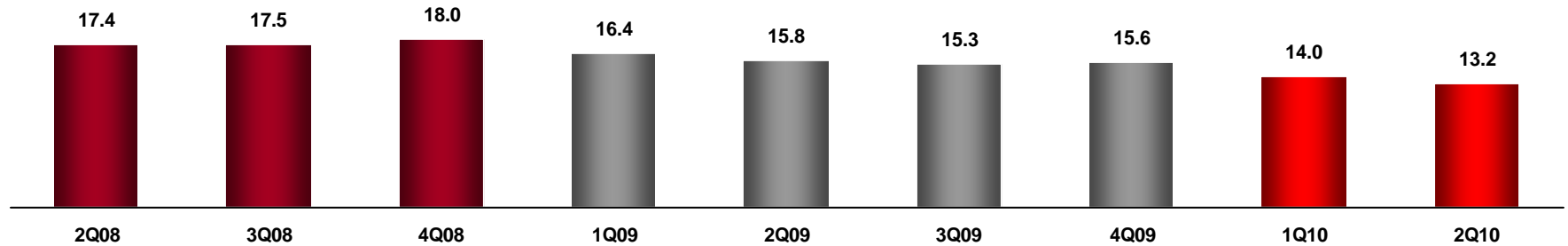
Notes:

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

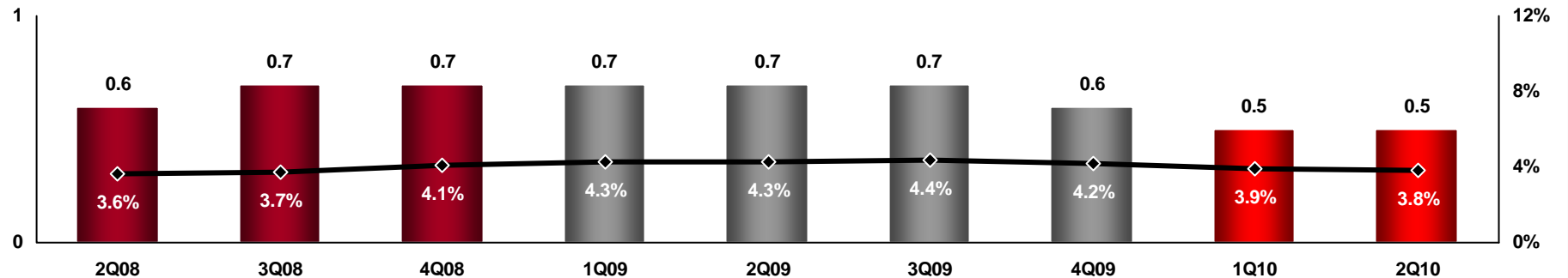
# HSBC Finance Corporation

## Managing risk: Private Label

Private Label  
Customer Loans, US\$bn



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



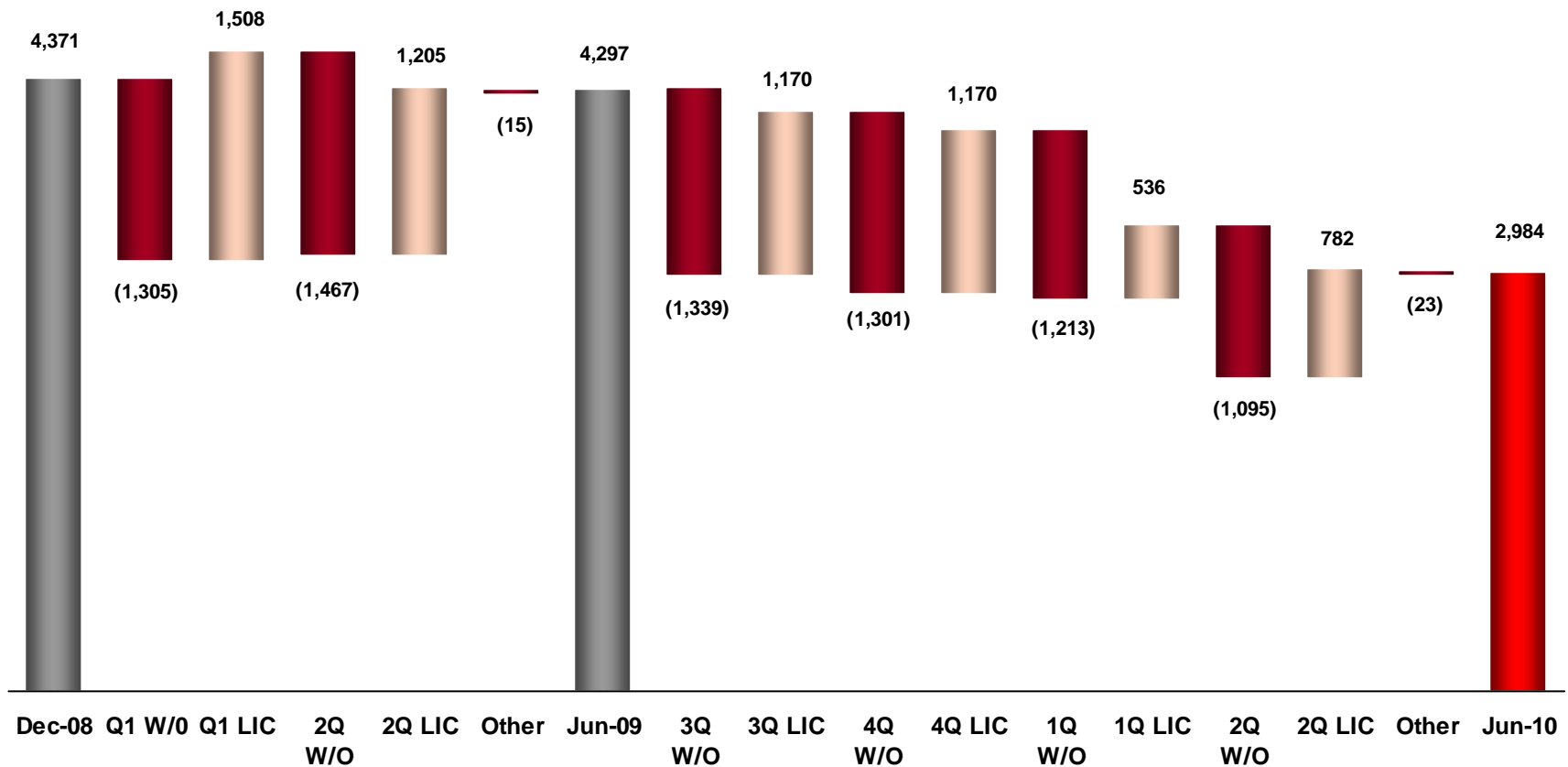
Notes:

(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



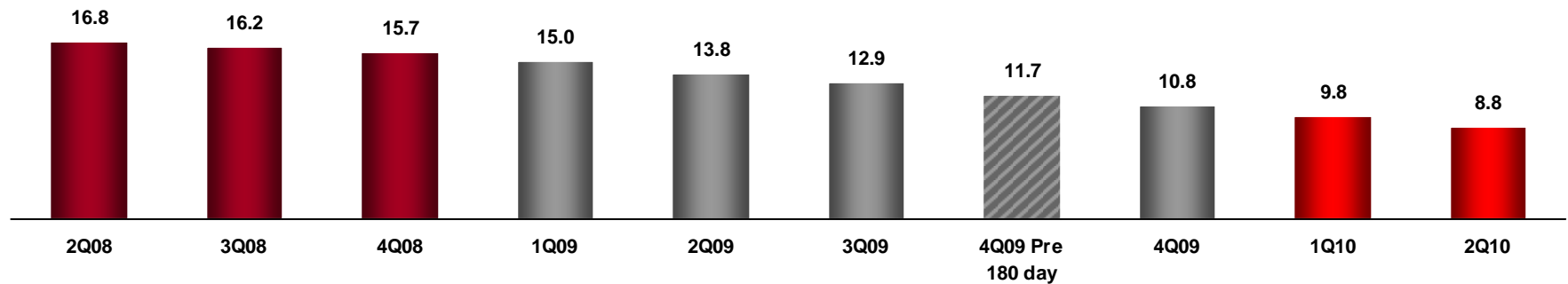
Notes:

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

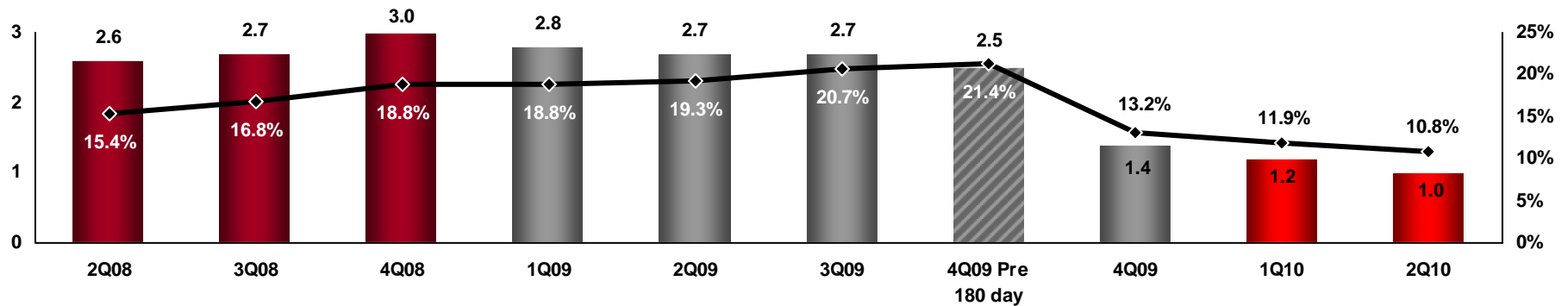
# HSBC Finance Corporation

## 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**



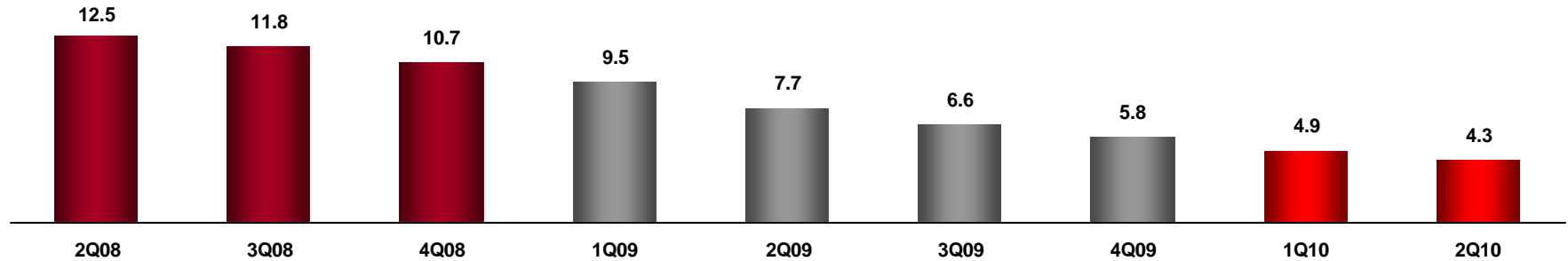
Notes:

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

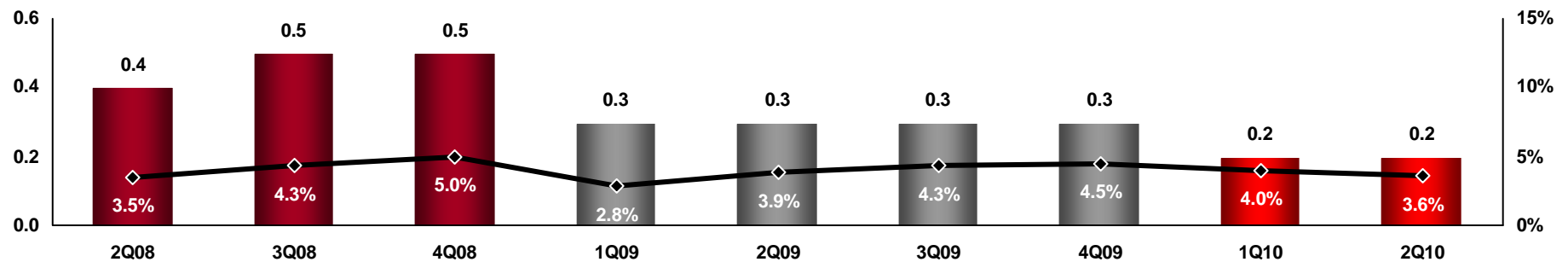
# HSBC Finance Corporation

## Managing vehicle finance run-off<sup>1</sup>

**Vehicle Finance**  
Customer Loans<sup>(2)</sup>, US\$bn



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



Notes:

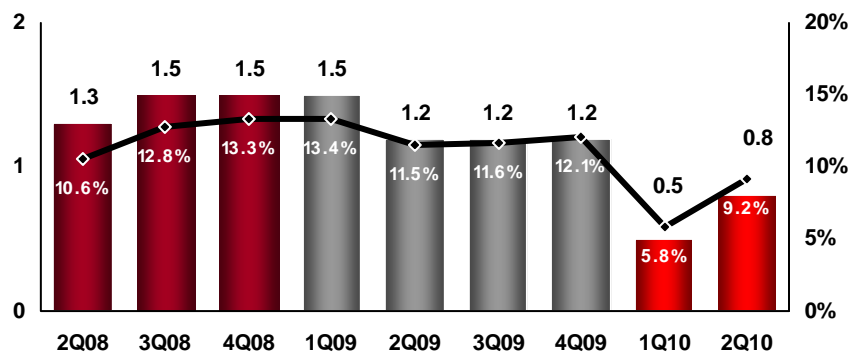
(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans

(2) Excludes vehicle finance held for sale loans

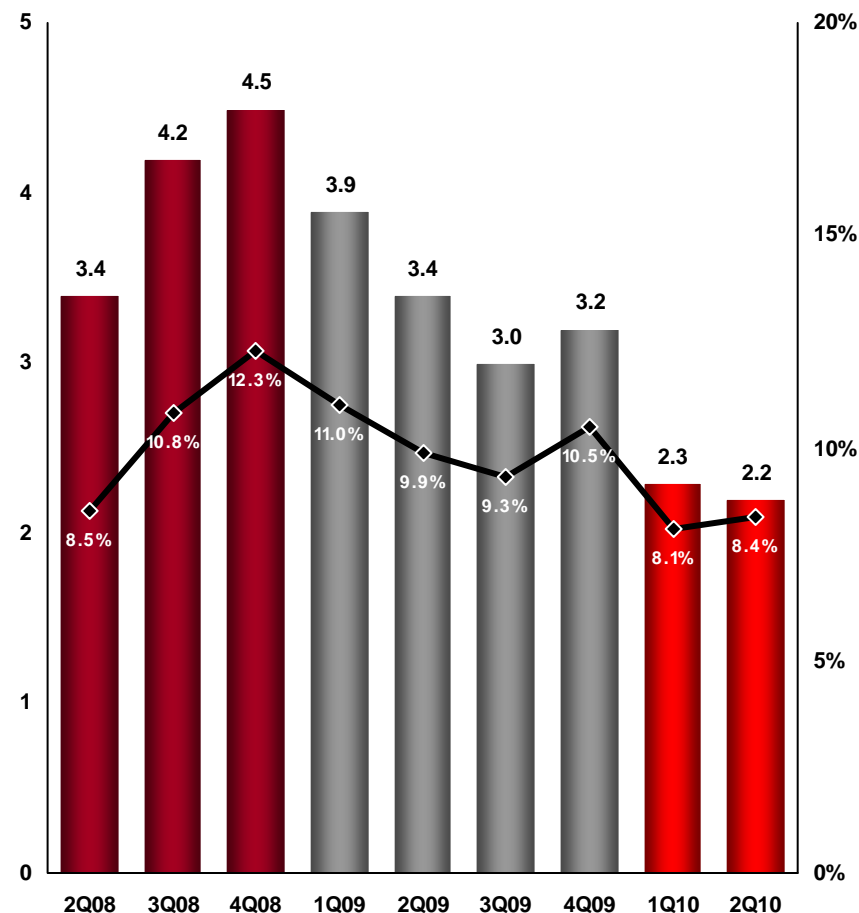
# HSBC Finance Corporation

## Loan impairment charges<sup>1,2</sup>

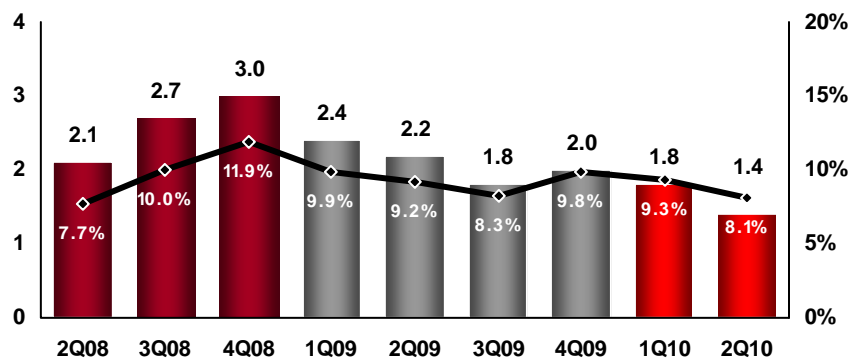
### Core Portfolio, US\$bn



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



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



Notes:

(1) Excludes reverse repo balances

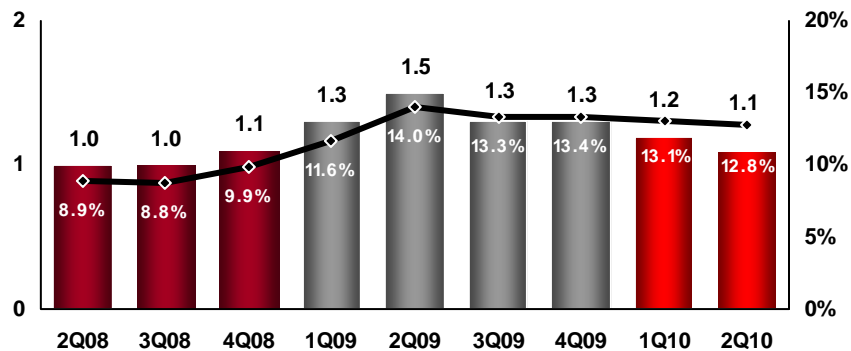
(2) Loan impairment charge ratio as a percentage of average total loans (quarter annualised)



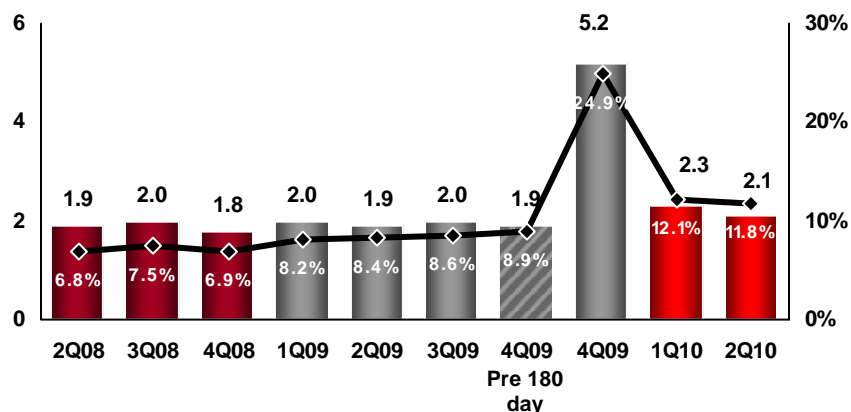
# HSBC Finance Corporation

Amount written-off <sup>1,2</sup>

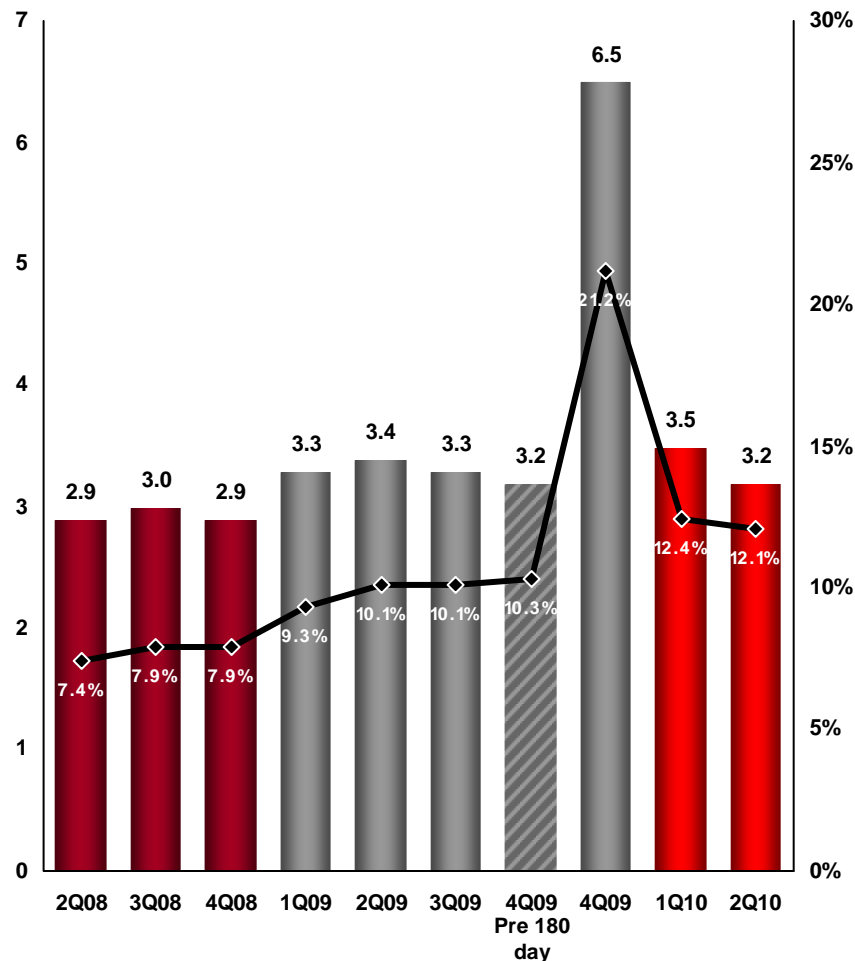
## Core Portfolio, US\$bn



## Run-off Portfolio, US\$bn



## Total HSBC Finance Corp, US\$bn



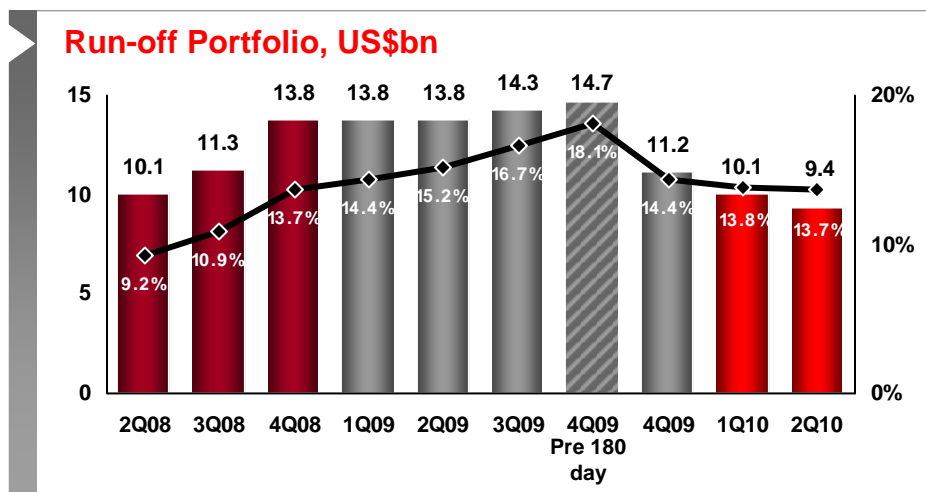
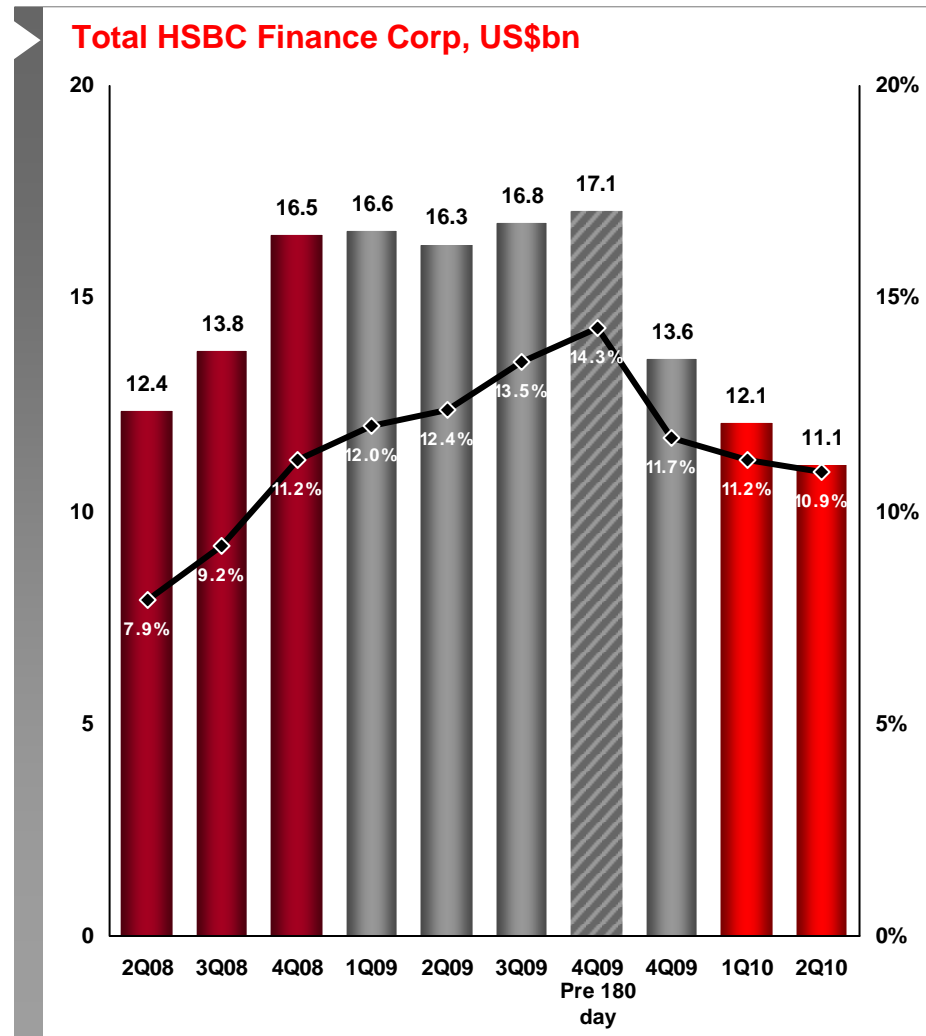
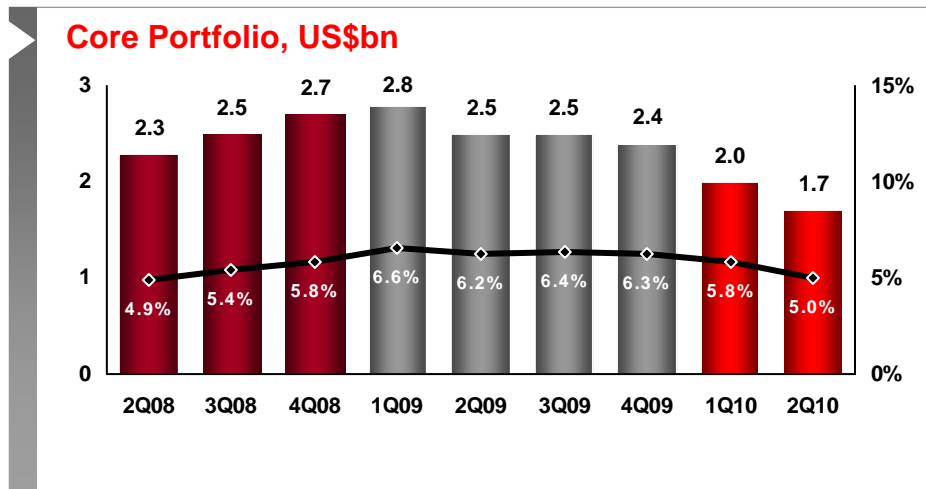
Notes:

(1) Excludes reverse repo balances

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

# HSBC Finance Corporation

2+ Delinquency<sup>1,2</sup>



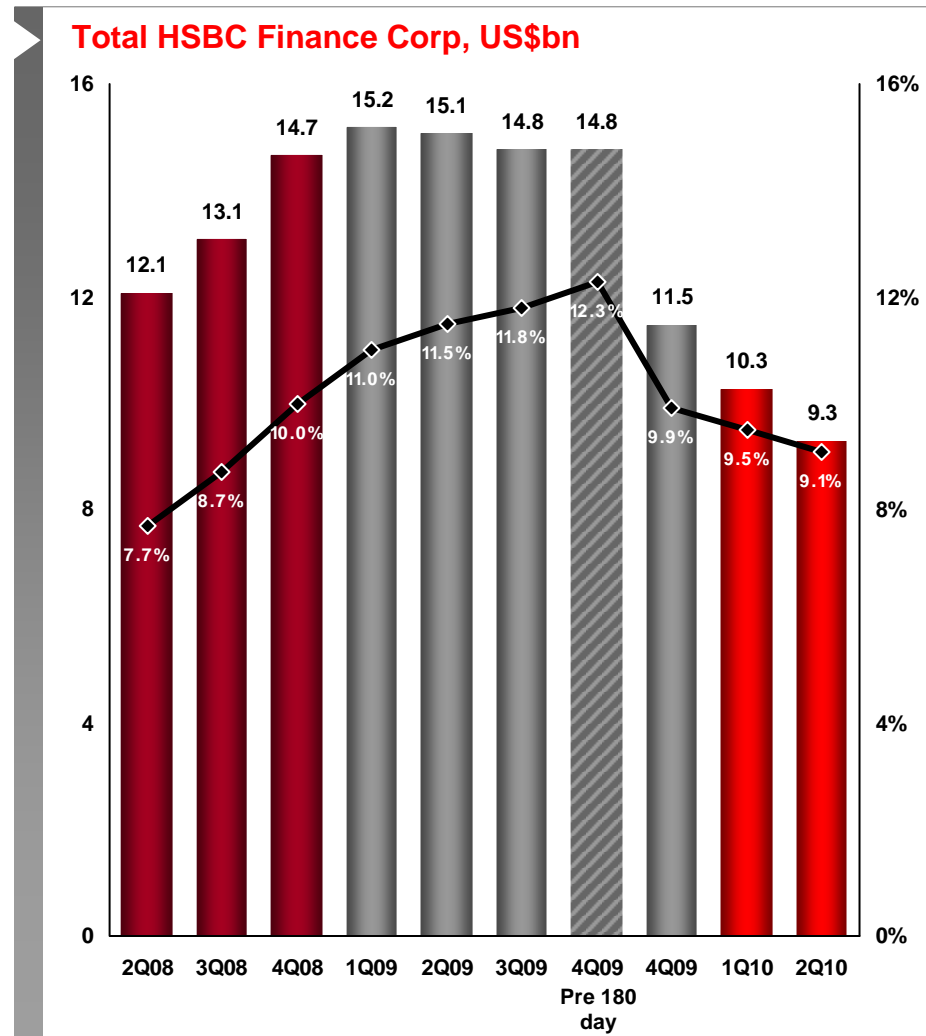
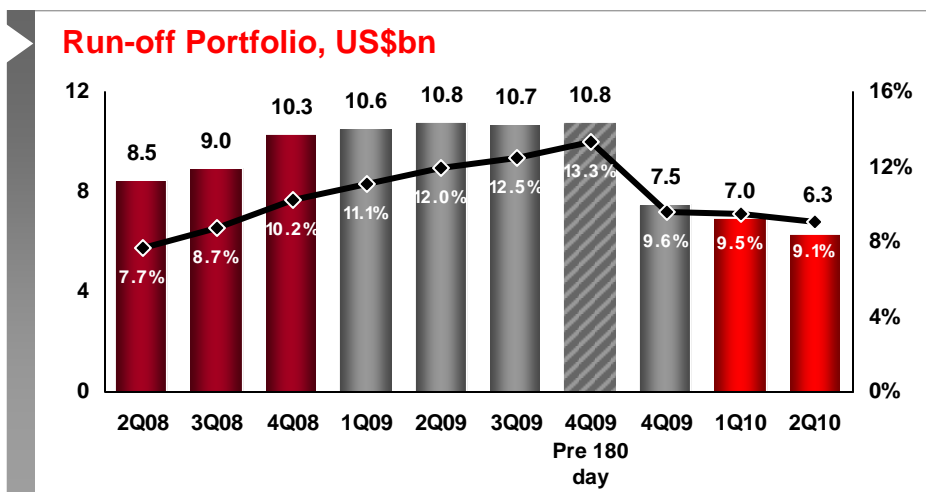
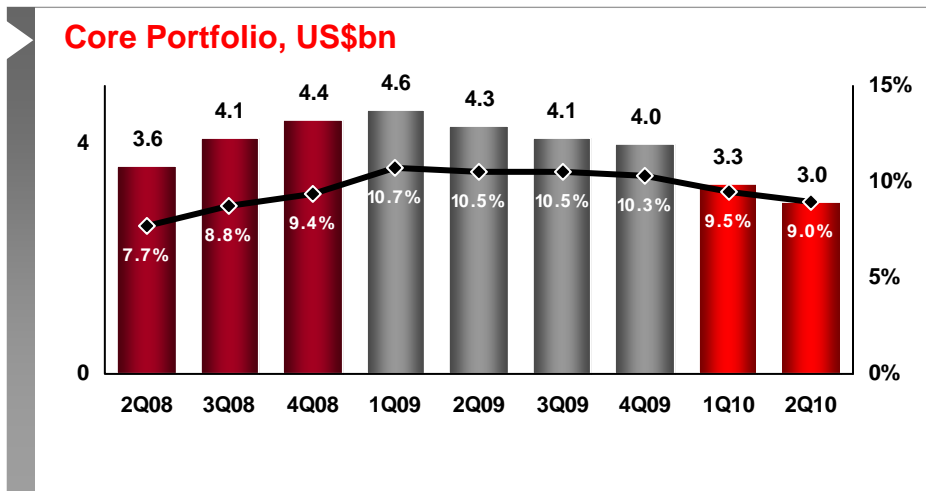
Notes:

(1) Excludes reverse repo balances

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

# HSBC Finance Corporation

## Impairment allowance<sup>1,2</sup>



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