HSBC Holdings plc Annual Results 2008

Presentation to Investors and Analysts

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Forward-looking statements

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This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainty 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 our Annual Report. Past performance cannot be relied on as a guide to future performance.

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2008 performance highlights

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Performance in 2008

Group strength delivered resilient performance

Profit before tax

US$9.3bn, down 62%
(US$19.9bn, down 18%, excluding goodwill impairment)

Attributable profit

US$5.7bn, down 70%
(US$16.3bn, down 15%, excluding goodwill impairment)

Earnings per share

US$0.47, down 72%
(US$1.36, down 18%, excluding goodwill impairment)

Return on total shareholders' equity

4.7% compared to 15.9% in 2007
(13.3%, excluding goodwill impairment)

Tier 1 capital

8.3% rising to 9.8% on pro forma basis
Core equity tier 1 ratio 7.0% rising to 8.5% on pro forma basis

Dividends[1]

US$7.7bn, GBP4.6bn[2]
US$0.64 per share, down 29% in US dollar, down 15%[2] in Sterling

Notes:
(1) In respect of 2008
(2) Estimated

Performance in 2008

Profitable in all regions, except North America

Profit before tax, US$m	2007	2008	% change
Asia	13,348	11,929	-11
– *Excluding dilution gains*	*12,267*	*11,929*	*-3*
Latin America	2,178	2,037	-6
Europe	8,595	10,869	+26
Total (excluding North America)	**24,121**	**24,835**	**+3**
North America (excluding goodwill impairment)	91	(4,964)	n/a
Total (excluding goodwill impairment)	**24,212**	**19,871**	**-18**
Goodwill impairment (North America PFS)	-	(10,564)	n/a
Total profit before tax	**24,212**	**9,307**	**-62**

Performance in 2008

Profitable in all customer groups, except Personal Financial Services

Profit before tax, US$m	2007	2008	% change
Personal Financial Services (excluding goodwill impairment)			
- Group excluding US	7,724	6,390	-17
- US	(1,824)	(6,800)	-273
	5,900	**(410)**	**n/a**
Commercial Banking	7,145	7,194	+1
Global Banking and Markets	6,121	3,483	-43
Private Banking	1,511	1,447	-4
Other	3,535	8,157	+131
Total (excluding goodwill impairment)	**24,212**	**19,871**	**-18**
Goodwill impairment (North America PFS)	-	(10,564)	n/a
Total profit before tax	**24,212**	**9,307**	**-62**

Financial performance in 2008

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Financial overview

Summary of results

US$m	2007	2008	% change
Net operating income before loan impairment charges	78,993	81,682	+3
Loan impairment charges and other credit risk provisions	(17,242)	(24,937)	+45
Net operating income	61,751	56,745	-8
Total operating expenses (excluding goodwill impairment)	(39,042)	(38,535)	-1
Associates and joint ventures	1,503	1,661	+11
Profit before tax (excluding goodwill impairment)	**24,212**	**19,871**	**-18**
Goodwill impairment (North America PFS)	-	(10,564)	n/a
Profit before tax	**24,212**	**9,307**	**-62**

Financial overview

Significant factors

US$bn	2007	2008
Dilution gains[1]	1.1	–
Goodwill impairment	–	(10.6)
Fair value on own debt credit spread	3.1	6.6
Global Banking and Markets trading write-downs[2]	(2.1)	(5.4)
Debt securities impairments[2]	–	(0.7)
Madoff related charge (in equities business)[3]	–	(1.0)
Sale of French regional banks	–	2.4
Equity investment impairments	–	(1.0)

Notes:
(1) Gains arising from dilution of interests in Chinese and other associates
(2) Global Banking and Markets write-downs total US$6.1bn
(3) Charge included in results for Global Banking and Markets

Financial overview
Underlying growth, 2008 vs 2007

US$m	2007 restated[1]	2008 restated[2]	% change
Net operating income before loan impairment charges	76,648	78,266	+2
Loan impairment charges and other credit risk provisions	(17,098)	(24,931)	+46
Net operating income	59,550	53,335	-10
Total operating expenses (excluding goodwill impairment)	(38,227)	(38,337)	0
Associates and joint ventures	1,598	1,661	+4
Profit before tax (excluding goodwill)	**22,921**	**16,659**	**-27**
Goodwill impairment (North America PFS)	–	(10,564)	n/a
Profit before tax	**22,921**	**6,095**	**-73**

Notes:
(1) Restated for constant currency, disposals in 2007 and gains arising from dilution of interests in Chinese and other associates
(2) Restated for acquisitions and disposals

Financial overview

Underlying growth, 2H08 vs 1H08

US$m	1H08 restated[1]	2H08 restated	% change
Net operating income before loan impairment charges	36,413	39,664	+9
Loan impairment charges and other credit risk provisions	(9,754)	(14,879)	+53
Net operating income	26,659	24,785	-7
Total operating expenses (excluding goodwill impairment)	(18,337)	(18,824)	+3
Associates and joint ventures	995	691	-31
Profit before tax (excluding goodwill)	**9,317**	**6,652**	**-29**
Goodwill impairment (North America PFS)	(527)	(10,037)	n/a
Profit before tax	**8,790**	**(3,385)**	**n/a**

Note:
(1) Restated for constant currency, acquisitions & disposals

Funding and liquidity

Improving the advances to deposits ratio

US$bn	2007[1]	2008	% change[1]
Customer loans and advances	857	933	+9
Customer accounts	958	1,115	+16
Advances to deposits ratio	89.5%	83.6%	

Note:
(1) Adjusted for constant currency and acquisitions & disposals

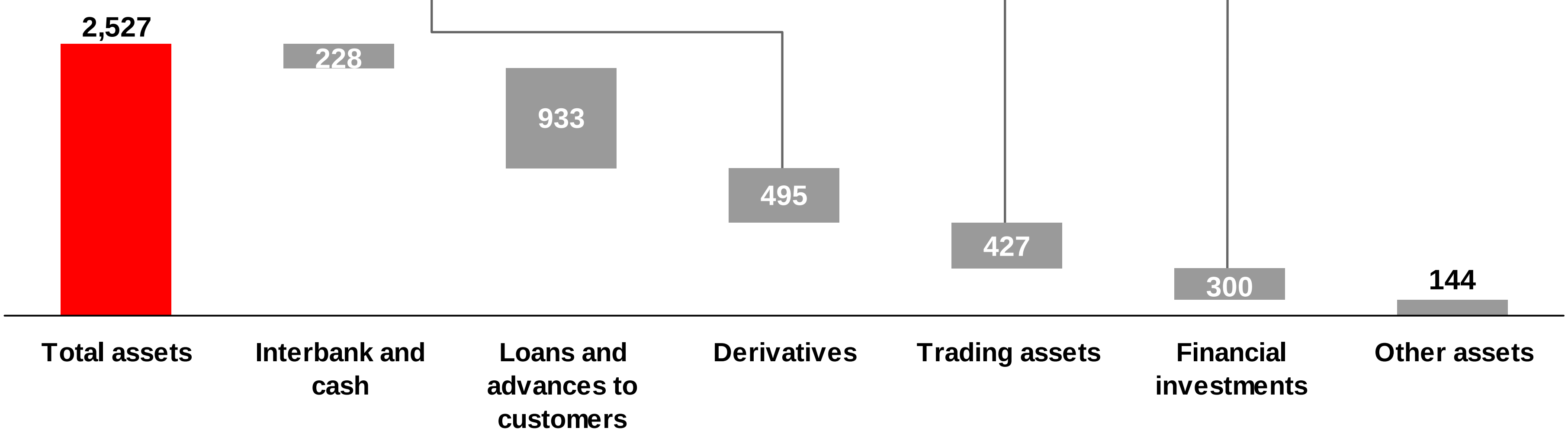
Managing balance sheet risk
Overview of Group consolidated assets

2008, US$bn

Derivatives
163% increase in fair value
8% increase in notional value
US$112bn net exposure after offset
2% of total valued on Level 3 basis

Trading assets	**US$bn**
Reverse repos, settlement accounts, stock borrowing and other loans and advances	173
Governments and Government agencies	143
Corporate and other bonds	82
Equities	22
ABS	7
Total	**427**
of which 2% valued on Level 3 basis	

Financial investments	**US$bn**
Government bills / securities	94
Debt securities issued by banks and other financial institutions	
- Government guaranteed	39
- Other	102
AFS asset-backed securities[1]	56
Other investments	9
Total	**300**



Note:
(1) Includes securities supported by an explicit guarantee issued by the US Government

Managing balance sheet risk

Credit quality

Loan impairment charges and other credit risk provisions	US$m		% of average advances	
	2007	2008	2007	2008
Personal Financial Services	**16,172**	**21,220**	**3.53**	**4.79**
– Europe	2,044	1,971	1.37	1.36
– Hong Kong	175	134	0.45	0.33
– Rest of Asia-Pacific	552	863	1.75	2.41
– North America	11,909	16,132	5.42	8.06
– Latin America	1,492	2,120	7.80	9.70
Commercial Banking	**1,007**	**2,173**	**0.53**	**0.97**
– Europe	515	867	0.57	0.84
– Hong Kong	28	335	0.11	1.12
– Rest of Asia-Pacific	61	182	0.23	0.51
– North America	191	449	0.53	1.18
– Latin America	212	340	1.61	1.98
Global Banking and Markets[1]	**38**	**1,471**	**0.02**	**0.52**
Private Banking	**14**	**68**	**0.03**	**0.16**
Other	**11**	**5**	**n/a**	**n/a**
Total	**17,242**	**24,937**	**1.85**	**2.50**

Note:
(1) Inclusive of credit risk impairment charge for AFS portfolio

Managing balance sheet risk

Write-downs and impairments in Global Banking and Markets

US$m	2007 write-downs	Carrying amount at 31 Dec 07	2008 write-downs	Carrying amount at 31 Dec 08
Sub-prime mortgage related assets				
– Loan securitisation	529	1,965	593	1,213
– Credit trading	463	1,700	815	428
Other non sub-prime assets				
– Credit trading (ABS / MBS / Preferred)	459	9,830	1,813	2,201
– Leveraged loans[1]	195	7,772	278	271
Assets reclassified (impairment)	-	-	26	16,649
Derivative transactions with monolines				
– Investment grade counterparts	133	1,209	728	2,089
– Non-investment grade counterparts	214	-	978	352
Other credit related items	142	446	194	186
Total before AFS impairment			**5,425**	
AFS impairment	-		710	
Total	**2,135**		**6,135**	

Note:
(1) Includes carrying amount of funded loans plus the net exposure to unfunded leveraged finance commitments

Managing balance sheet risk

Available-for-sale (AFS) Asset-Backed Securities (ABS)

US$bn, 31 Dec 08	Carrying value	AFS reserve
Government agency	20.3	0.3
Structured Investment Conduits (SICs)	14.6	(7.2)
Other	21.3	(11.8)
Total	**56.2**	**(18.7)**

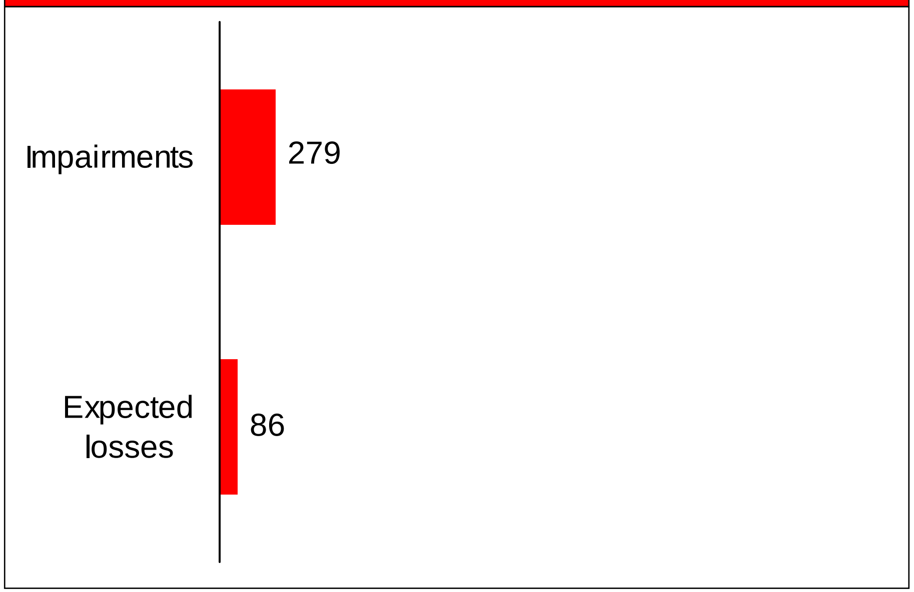
First loss protection	
SICs	US$2.2bn

Sector (US$bn)	Carrying value	AFS reserve
RMBS	5.5	(5.0)
Home Equity Line of Credit (HELOC)	0.3	(0.5)
CMBS	3.1	(1.7)
CDO	3.2	(1.4)
Student loans ABS	2.6	(1.6)
Other	6.6	(1.6)
Total AFS ABS	**21.3**	**(11.8)**

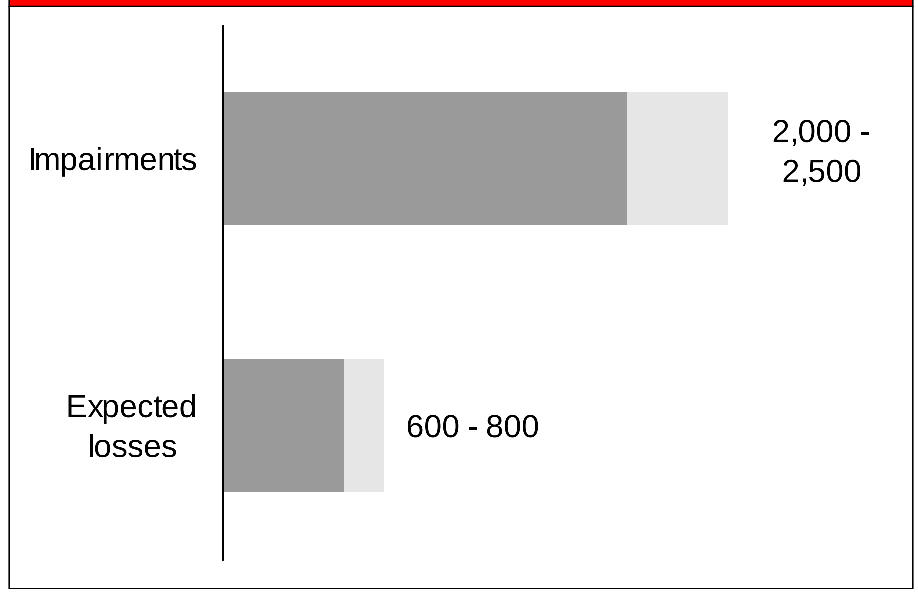
Managing balance sheet risk

AFS ABS stress testing

2008, US$m



Stress test 2009+, US$m



- Stress test performed, eg increasing the net impact of expected loss and prepayment rates for Alt-A securities by between one-third and one-half depending on vintage
- If securities are held to contractual maturity or an early repayment date, then impairment charge will amortise down towards expected loss providing a recovery on the initial loss to the Group

Business performance in 2008

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Overview

Resilience in extraordinary times

	Target range	2008	
		Reported	Excl. goodwill[1]
Return on total shareholders' equity	15 – 19% through the cycle	4.7%	13.3%
Cost efficiency ratio	48 – 52%	60.1%	47.2%
Tier 1 capital (Basel II)	7.5 – 9.0%	8.3%	
Total shareholder return	Above peer group average	Ranked 4th	

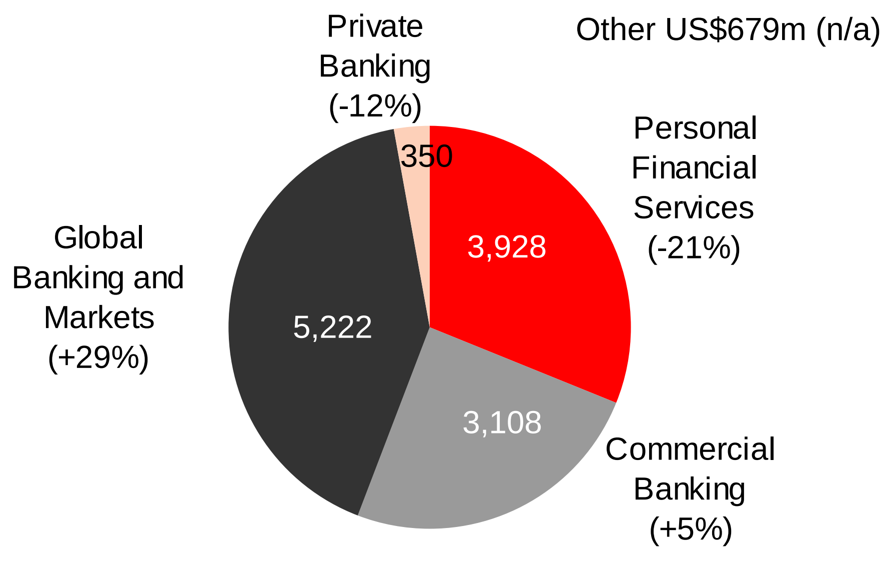
Note:
(1) Goodwill impairment related to North America Personal Financial Services

Core business highlights – Asia

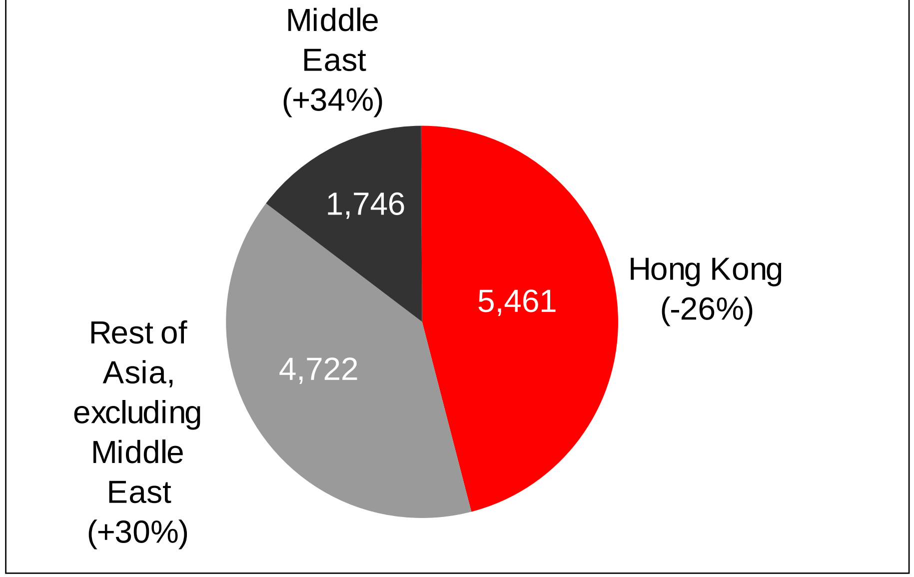
Maintained profits

Profit before tax: US$11,929m, down 3%[1] from 2007

Customer group, US$m, (% change from 2007)



Main geographies, US$m, (% change from 2007)[1]



- Hong Kong down from record 2007, affected by weak equity markets
- Strong performance across most other markets

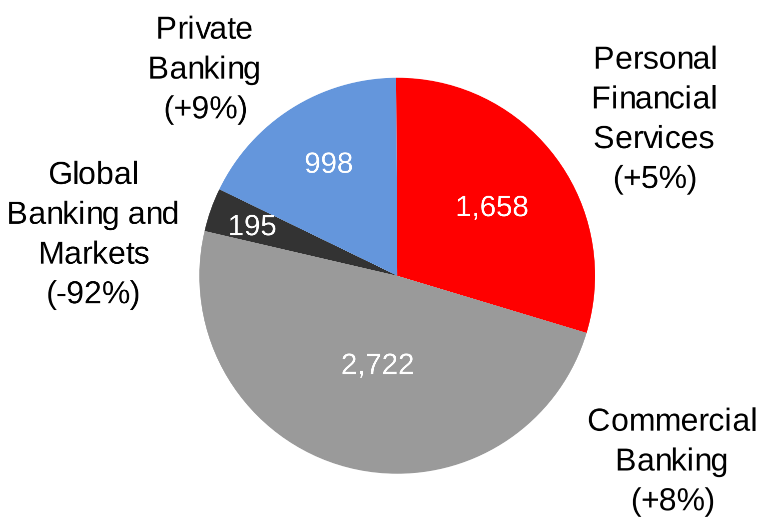
Note:
(1) Excluding dilution gains on Chinese and other associates

Core business highlights – Europe

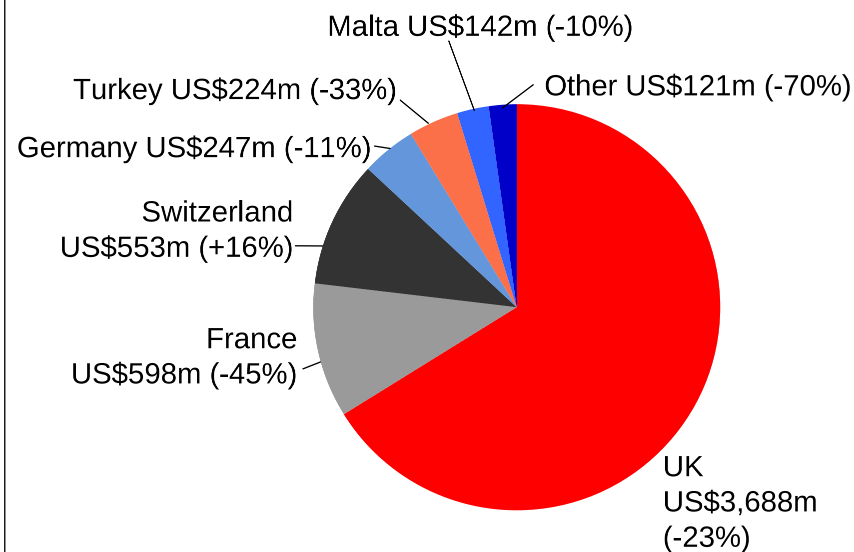
Financial and brand strength help results in Europe

Profit before tax: US$10,869m, up 26% from 2007; US$5,573m, down 26% from 2007 excluding 'Other'[1]

Customer group, US$m, (% change from 2007)



Main countries, US$m, (% change from 2007)[1]



- 26% increase in PBT includes gains from French regional banks and fair value gains on own debt
- PFS increased PBT with stable credit quality, brand strength and reduced operating costs in the UK
- CMB delivered stable underlying profits in the UK, helped by the sale of the card acquiring business

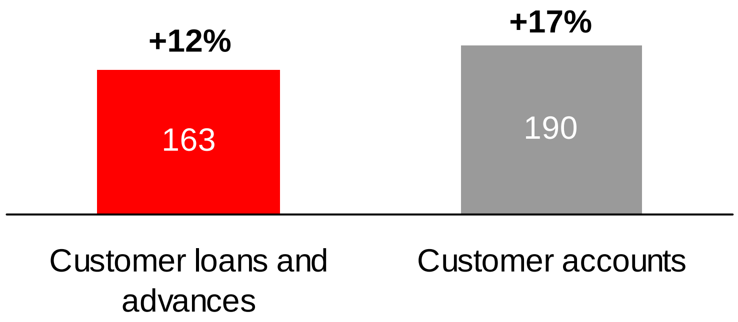
Note:
(1) Includes gains on disposal of French regional banks and fair value on own debt

Core business highlights

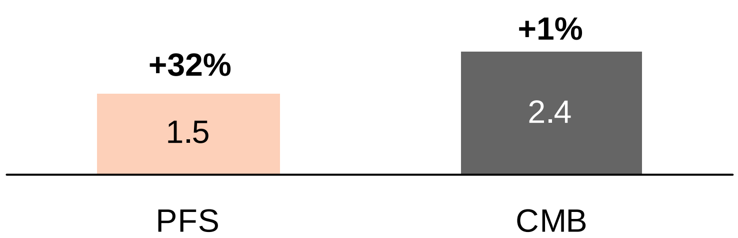
Open for business in core markets

UK, US$bn

PFS and CMB balances[1]

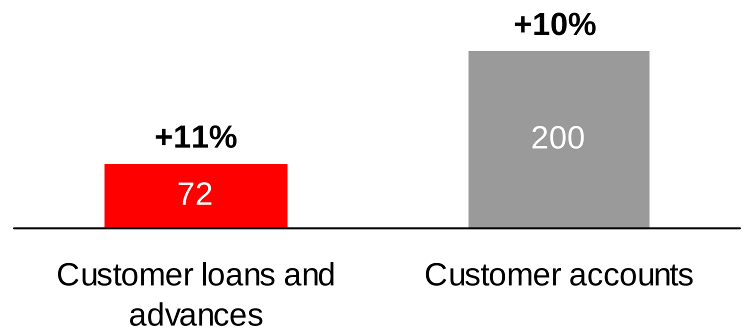


Profit before tax[1]

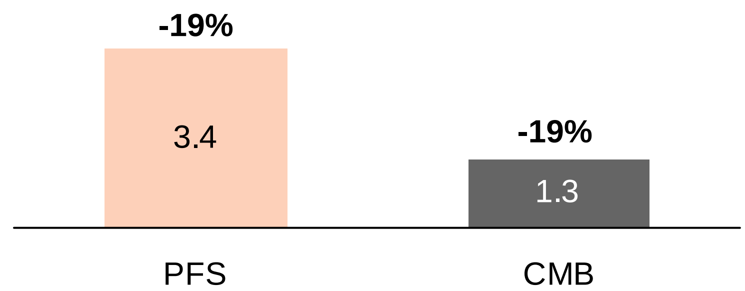


Hong Kong, US$bn

PFS and CMB balances[1]



Profit before tax[1]



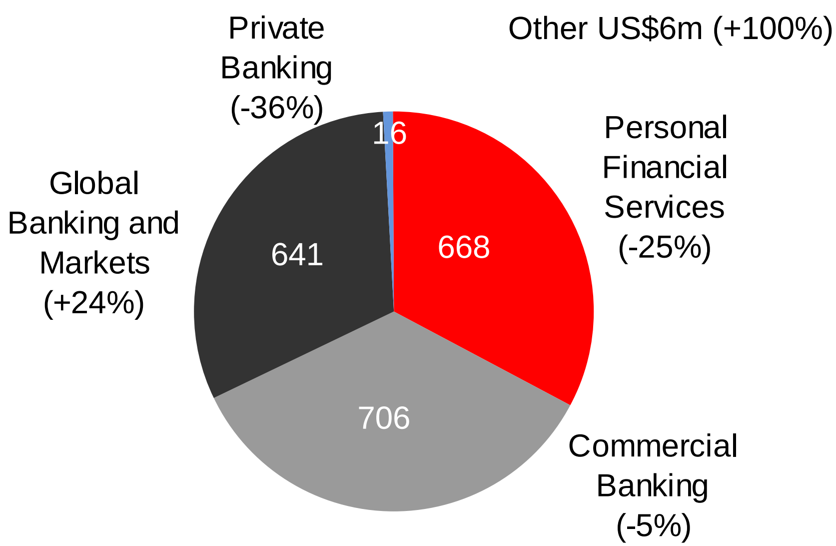
Note:
(1) Restated for constant currency, acquisitions and disposals

Core business highlights – Latin America

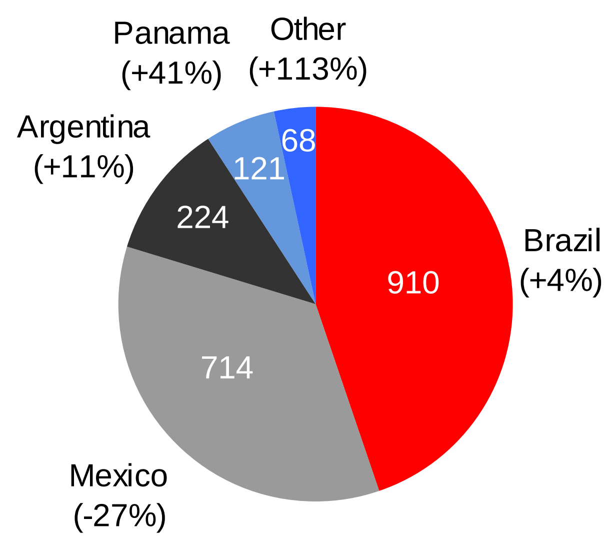
Restrained by weaker credit quality

Profit before tax: US$2,037m, down 6% from 2007

Customer group, US$m, (% change from 2007)



Main countries, US$m, (% change from 2007)



- Good growth in major markets, but higher loan impairment charges affecting Personal Financial Services
- Strong Global Banking and Markets performance

Core business highlights – Global Banking and Markets

Strength in core activities helps absorb market turmoil impact

US$m	2007	2008	% chg
Net operating income before loan impairment charges	15,210	13,518	-11
Loan impairment charges and other credit risk provisions	(38)	(1,471)	n/a
Net operating income	15,172	12,047	-21
Total operating expenses	(9,358)	(9,092)	-3
Operating profit	5,814	2,955	-49
Associates and JVs	307	528	+72
Profit before tax	**6,121**	**3,483**	**-43**

- Remained profitable in 2008 with the successful focus on the ‘emerging markets-led, financing focused’ strategy
- Record revenues in Global Markets core businesses of foreign exchange, Rates and securities services
- Global Banking revenue driven by improved margins in credit and lending, gains in credit default swaps and payments and cash management
- Balance Sheet Management revenues rose with rate reductions by a number of central banks
- Write-downs and impairments increased from US$2.1bn to US$6.1bn
- Difficult equity markets affecting Principal Investments and Global Asset Management

Core business highlights – Private Banking

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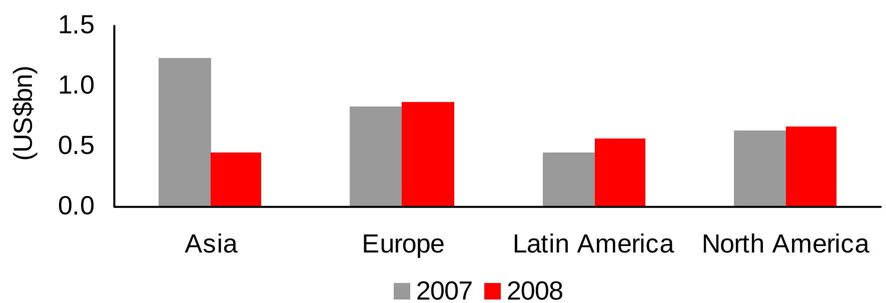
US$m	2007	2008	% chg
Net operating income before loan impairment charges	3,548	3,631	+2
Loan impairment charges and other credit risk provisions	(14)	(68)	+386
Net operating income	3,534	3,563	+1
Total operating expenses	(2,025)	(2,116)	+4
Operating profit	1,509	1,447	-4
Associates and JVs	2	–	-100
Profit before tax	**1,511**	**1,447**	**-4**

- A more conservative stance by clients caused a modest decline in profits
- An increase in customer deposits in Switzerland, the UK and Hong Kong together with wider spreads resulted in net interest income up by 33%
- A decline in fee income reflected a fall in funds under management and transaction volumes
- Intra-Group business improved with inward referrals from other customer groups, resulted in US$6.8bn of net new money, compared to US$5.7bn in 2007
- HSBC Private Bank ranked second overall in the Global Private Bank category by *Euromoney*

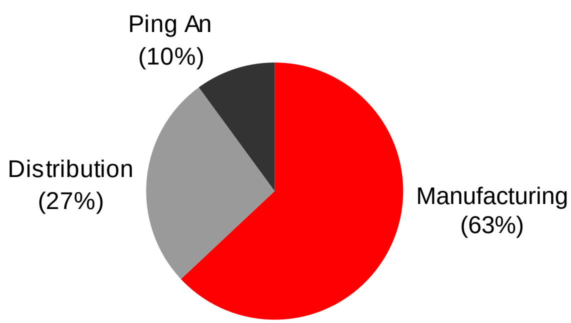
Core business highlights – Insurance

Affected by weak equity markets

PBT by region, 2008 & 2007



PBT by insurance business, 2008



- Insurance contributed US$2.6bn, down 19% on 2007
- Strong bancassurance performance:
  - Net earned premiums up 20% to US$10.9bn
    - Europe up 32%[1]
    - Asia up 14%
    - Latin America up 8%
  - North America insurance fee income up 21%
- In Asia profit was 64% below 2007 due to lower investment returns reflecting difficult equity market conditions
- Commenced business in India, started working with our partner in Korea, China awaiting final approval
- Number 1 for Life and Non-life Insurance new business premiums in Hong Kong[2]
- Number 1 for Income Protection in the UK[3]
- Number 3 for direct issue term life in the US[4]
- Winner: "Best Takaful Provider" in Saudi Arabia[5]

Notes:
(1) Excluding acquisitions and disposals in Europe underlying premiums increased by 22%
(2) Based on market share: Office of the Commissioner of Insurance for Jan–Sep 2008
(3) Based on market share: UK market data for new business annual premium equivalent (APE) for Jan-Sep 2008
(4) Based on market share: Life Insurance Marketing and Research Association gross premiums for Jan-Sep 2008 for 'direct response' term life business sold direct to US consumers
(5) Euromoney magazine, awarded in February 2009 to SABB Takaful

North America restructuring

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North America results

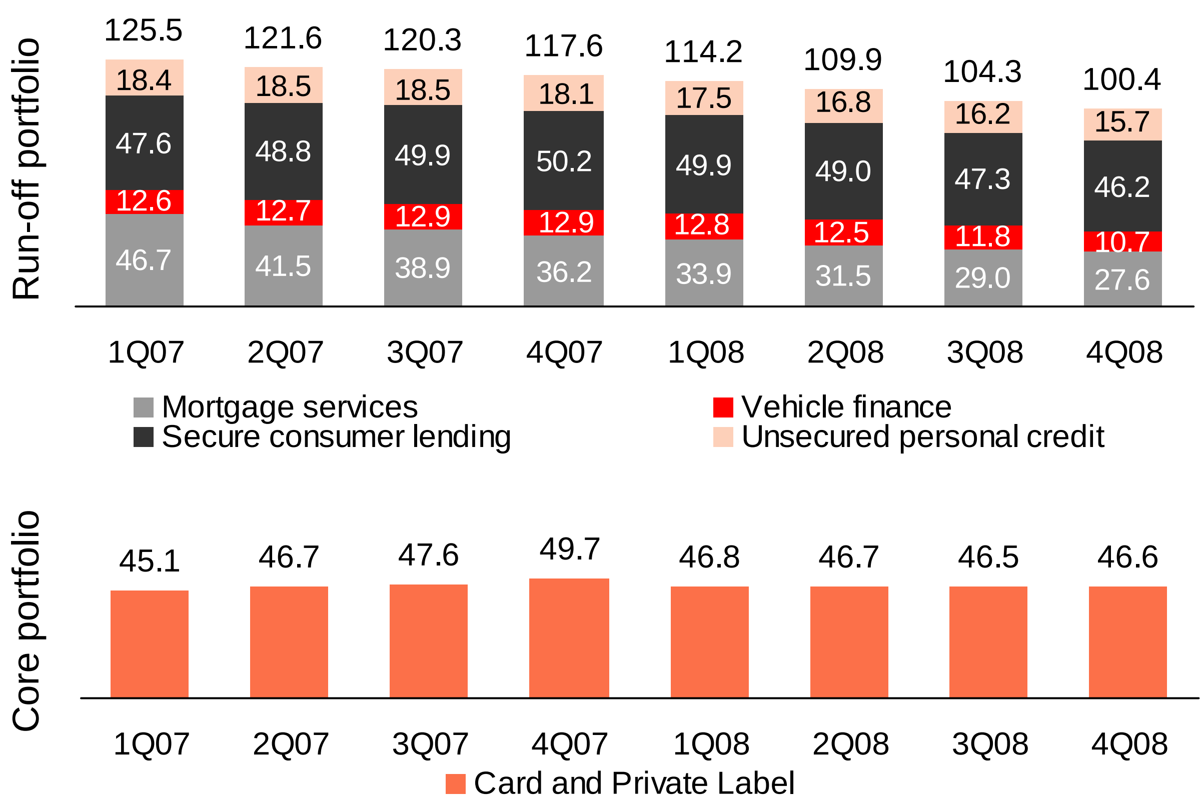
Business under continued pressure

Profit before tax, US$m	2007	2008
United States		
– Personal Financial Services (excluding goodwill impairment)	(1,824)	(6,800)
– Commercial Banking	377	226
– Global Banking and Markets	(1,243)	(2,899)
– Private Banking	156	67
– Other	1,468	3,427
– Goodwill impairment (North America PFS)	-	(10,564)
Total United States	**(1,066)**	**(16,543)**
Canada	**983**	**839**
Bermuda and other	**174**	**176**
Total North America	**91**	**(15,528)**

HSBC Finance Corporation

Run-off portfolio: US$100bn

Customer loans[1], US$bn



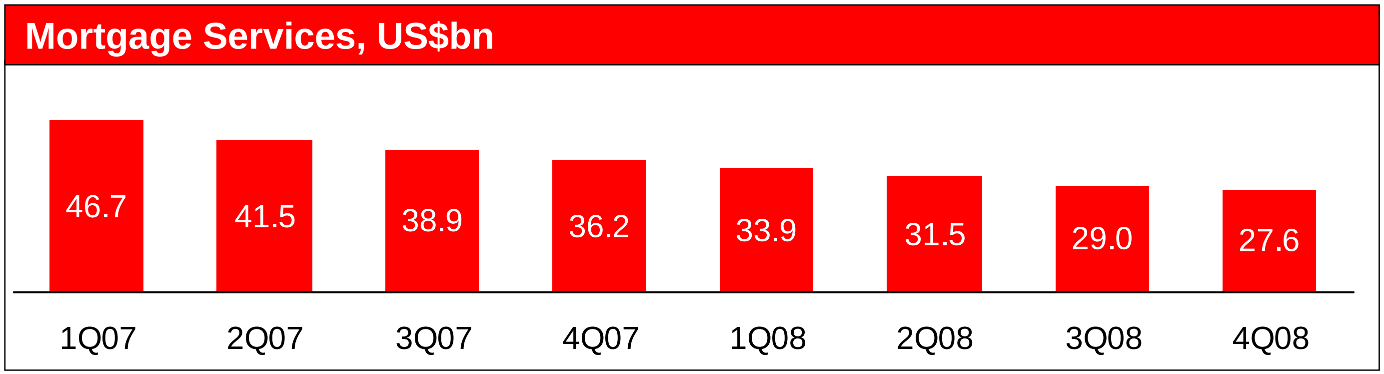
Note:
(1) IFRS management basis for US; excludes operations in UK and Canada

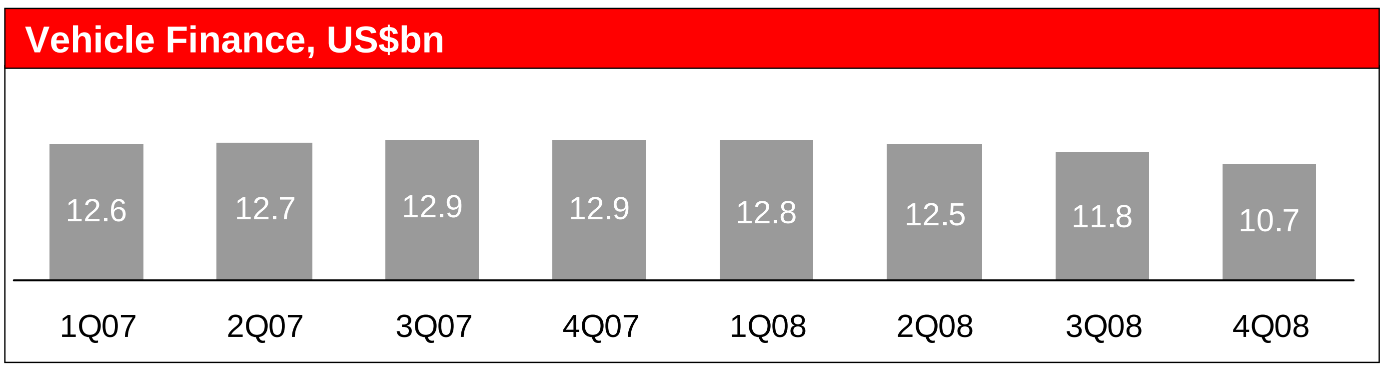
- The run-off portfolio decreased 15% from December 2007, reflecting actions to reduce risk and slow growth
- Decision made to
  - cease to write new consumer lending business
  - close substantially all of the HFC and Beneficial branch network
  - run-off all portfolios except Card and Private Label
- Impairment sensitivity - additional 1% increase in US unemployment could have increased loan impairment charges by between US$0.7bn and US$1.5bn as at end 2008

HSBC Finance Corporation – Run-off portfolios

Mortgage Services and Vehicle Finance

Customer loans[1]





Continued progress

- Mortgage Services portfolio reduced from US$36.2bn to US$27.6bn in 2008
- Vehicle Finance portfolio reduced from US$12.9bn to US$10.7bn in 2008

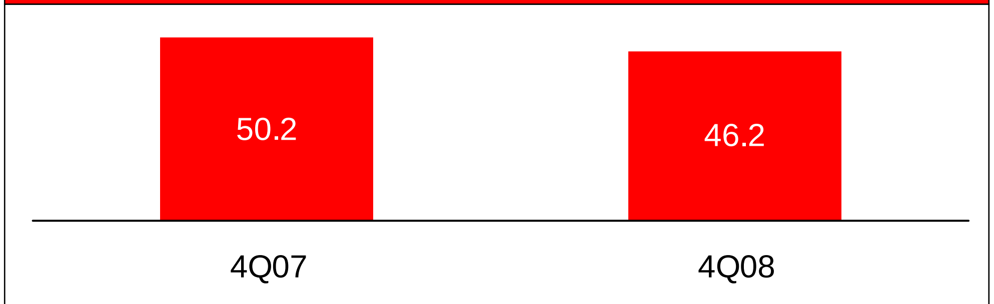
Note:
(1) IFRS management basis for US; excludes operations in UK and Canada

HSBC Finance Corporation – Consumer Lending

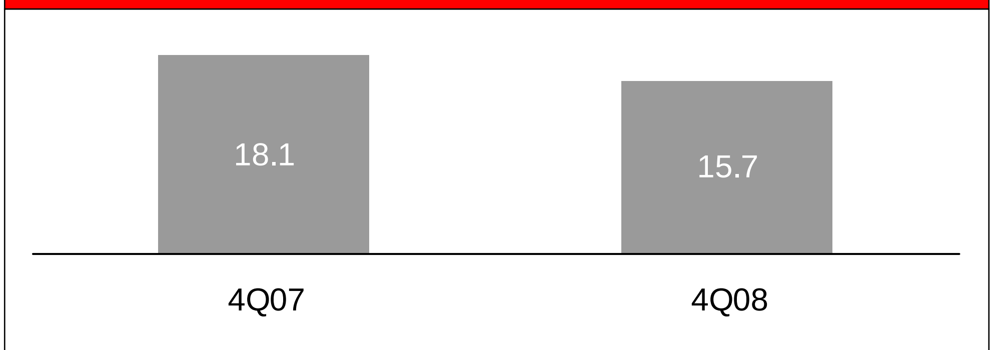
Ceasing to write new business

Customer loans[1]

Real estate secured consumer lending, US$bn



Unsecured personal non-credit card, US$bn



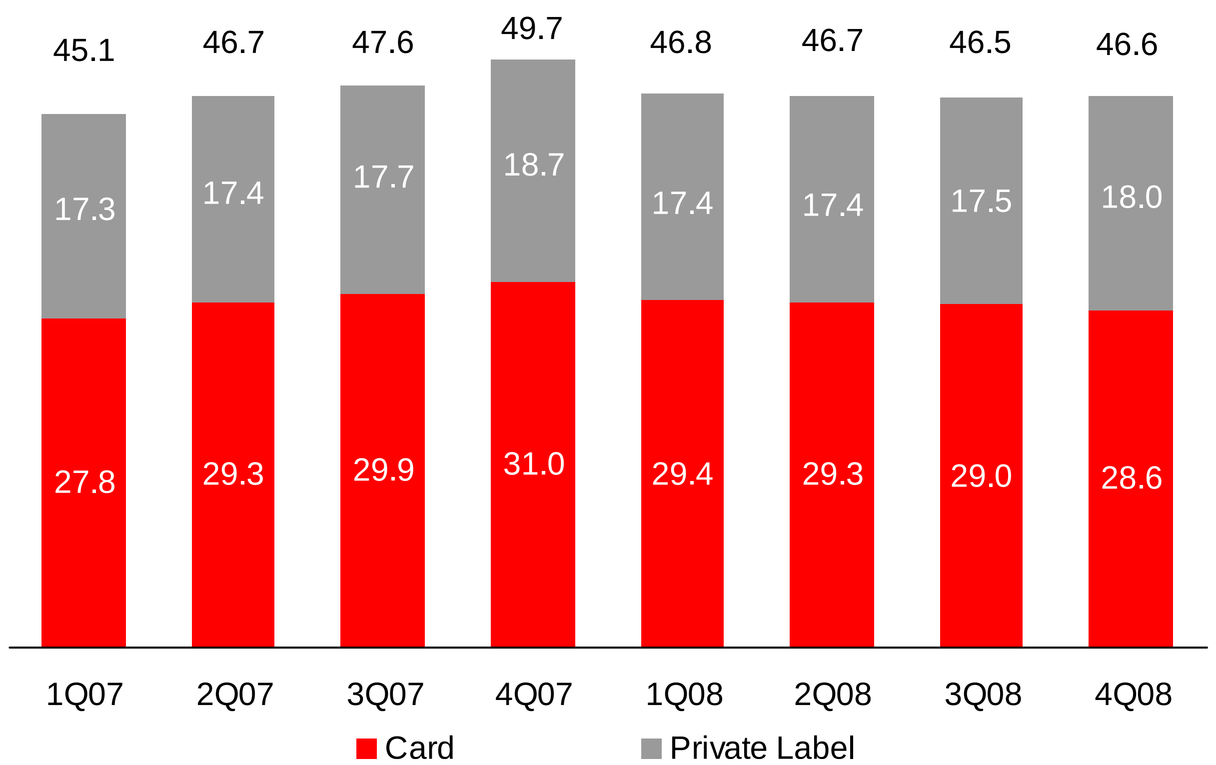
- Sub-prime mortgage refinance model no longer operates effectively
  - lack of home equity
  - deteriorating outlook for house price appreciation
  - very limited refinancing opportunity
- Cease to write new Consumer Lending business through the HFC and Beneficial brands
- Run-off the outstanding portfolio
  - real estate secured loans of US$46bn
  - unsecured portfolio of US$16bn
- Close substantially all of HFC and Beneficial branch network with loss of 6,100 jobs at HSBC
- United States closure costs of US$265m in 1H09 and annualised cost savings of circa US$700m

Note:
(1) IFRS management basis for US; excludes operations in UK and Canada

HSBC US Card and Private Label

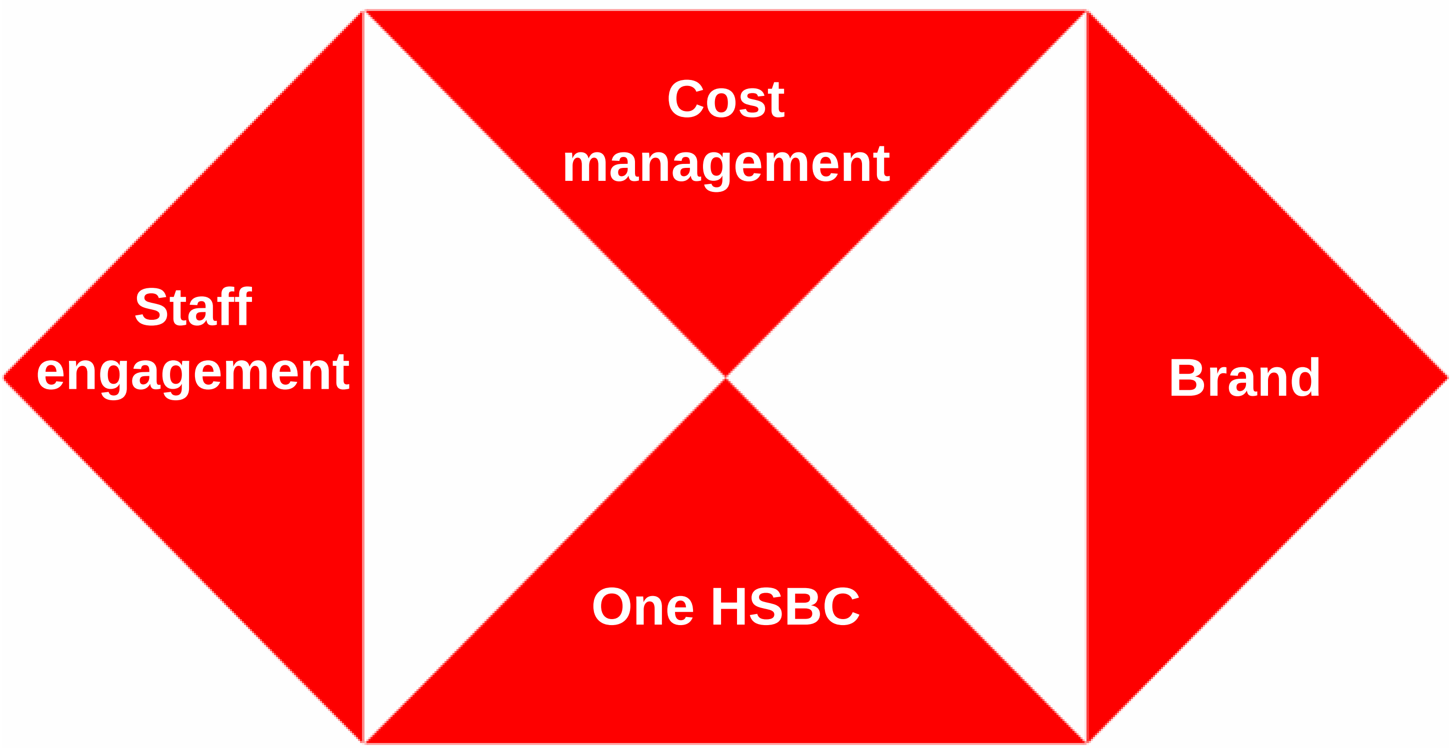
A core business

Customer loans, US$bn



- Card and Private Label loan balances decreased 8% and 4% respectively in 2008 as we tightened underwriting and reduced mailings
- Reviewed card merchant relationships for renegotiation or termination
- Delinquencies increased modestly in both portfolios
- Some two-thirds of the Card and Private Label portfolio is now funded by HSBC Bank USA Inc. using core deposits

Joining up the Company



Key highlights

- **Resilient performance in extraordinary times**
- **Strong advances to deposits ratio**
- **All business lines and regions profitable except for the North America business**
- **Protected our business and supported our clients**
- **Restructured US consumer finance business**
- **Continued progress in Joining up the Company**

Rights Issue

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Background to the Rights Issue
Unprecedented times

- **Changing economic and financial environment**
  - Unprecedented turmoil with major uncertainties ahead
  - Financial system remains under stress
- **Capital increases by competitors**
  - Significant government capital injections
  - Capital raising from shareholders and other investors
- **Higher capital expectations**
  - Higher regulatory capital requirements, in part due to the Basel II regime
  - Changing market sentiment on appropriate levels of leverage

Raising top end of target tier 1 ratio range to 7.5-10.0%

Rights Issue to maintain signature financial strength

Reasons for the Rights Issue

Strengthen competitive positioning

Progress on strategy

- **Concentrating on core emerging markets and faster-growing businesses**
  - Restructuring of loss-making operations
  - Disposal of non-core businesses, eg French regional banks
- **Confident we are well-placed in today’s environment**
  - Combination of world’s leading emerging markets bank and extensive international network
  - Position improving as competitors’ capacity and capabilities are reduced

Reasons for Rights Issue

- **Adds to strong planned internal capital generation**
- **Capital raising enhances ability to deal with uncertain economic environment and unforeseen events**
- **Strength gives options regarding opportunities**
  - Organic investment in taking of market share
  - Possible targeted acquisitions aligned with strategy and where risks are understood

2008 Dividends
Dividend payout from cash earnings

US$m	
Earnings attributable to ordinary shareholders	5,546
Adjust for:	
– Goodwill impairment	10,564
– Fair value on own debt, after tax[1]	(4,698)
	11,412
Dividend paid / declared in respect of 2008	**(7,713)**
Cash earnings retained	3,699
Effective payout ratio (%)	**67.6%**

Notes:
(1) Estimated tax 28.5%
(2) Estimated

- **Fourth interim dividend of US$0.10 per ordinary share, excluding rights shares**
- **Total distribution in respect of 2008 of US$0.64 per ordinary share**
- **Total payments in respect of 2008, down compared to 2007**
  - 29% in US dollar terms
  - 15%[2] in Sterling terms

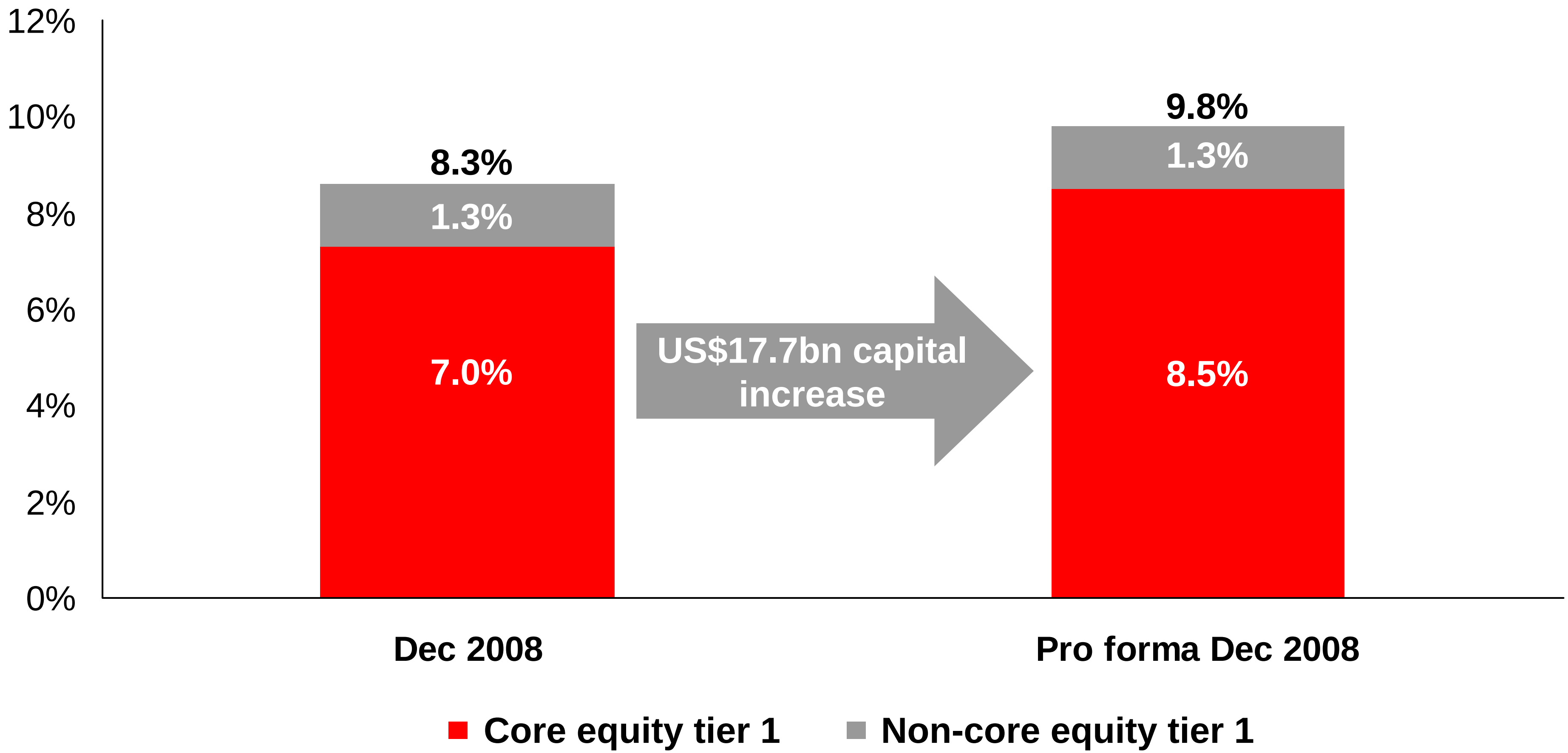
2009 Dividends

Rebasing and pursuing progressive dividends

- **Rebasing dividends to reflect enlarged share capital, prevailing business conditions and capital requirements**
  - Fifteen years of dividend growth of 10% or more per annum up to 2007
  - Rebased dividend reflects uncertain environment and desire to retain more capital
- **Dividends envisaged for 2009**
  - Payments continue to be three equal interim dividends and variable fourth interim dividend
  - First three interim dividends in respect of 2009 envisaged to be US$0.08
- **Payments envisaged remain substantial, reflecting long-term confidence in the business**
  - Continue to aim to pay progressive dividends in line with long-term growth

Capital impact

Raising the top end of target tier 1 ratio range to 7.5 - 10.0%



Proposed transaction
Maintaining signature financial strength

- **Raising US$17.7bn (net of expenses) by fully underwritten Rights Issue**
- **5 new ordinary shares for 12 existing ordinary shares**
- **Representing 42% of existing ordinary shares in issue and 29% of enlarged ordinary share capital**
- **Issue price per new ordinary share:**
  - **254 pence, 47.5% discount to close on 27 February and 39% to Theoretical Ex-Rights Price (TERP)[1]**
  - **HKD28, 50.2% discount to close on 27 February[1]**
- **Subject to shareholder approval at General Meeting on 19 March 2009**

Note:
(1) Adjusted for final interim dividend payable to holders of existing ordinary shares

Expected timetable of principal events

Launch	02 March 2009
Posting of circular	03 March 2009
General Meeting	19 March 2009
Rights offer period in the UK	20 March – 03 April 2009
Dealings in New Ordinary Shares, fully paid in the UK	06 April 2009
New Ordinary Shares credited to CREST accounts	06 April 2009
Announcement of results of Rights Issue	by 08 April 2009
Dealing in New Ordinary Shares, fully paid in Hong Kong	09 April 2009
New Ordinary Shares credit to CCASS accounts	09 April 2009

Conclusion and outlook

Group strengthened and well-placed in today's environment

Performance and outlook

- **Resilient performance in 2008**
  - Profitable from a broad-based earnings platform
  - Financial strength underpinned by conservative culture
- **Continued economic strain**
  - Difficult 2009 with unemployment rising and continuing declines in house prices in US and UK
  - Parts of Asia, Middle East and Latin America continue to outperform Western economies

Confidence in HSBC

- **Maintaining HSBC's signature financial strength**
  - Strong internal capital generation
  - Rights Issue
  - Dividend rebasing
- **Long-term confidence in the Group's business**
  - HSBC strategy intact and sound
  - Take advantage of organic and possible inorganic opportunities

Appendix

HSBC

The world's local bank

Appendix contents

Underlying growth

2008 vs 2007

US$m	2007 restated at constant currency	Dilution gains / disposals	2007 restated[1]	Acquisitions & disposals	Underlying change	2008	% underlying change
Net operating income before loan impairment charges	78,508	(1,860)	76,648	3,416	1,618	81,682	+2
Loan impairment charges and other credit risk provisions	(17,129)	31	(17,098)	(6)	(7,833)	(24,937)	+46
Net operating income	61,379	(1,829)	59,550	3,410	(6,215)	56,745	-10
Total operating expenses (excluding goodwill impairment)	(38,741)	514	(38,227)	(198)	(110)	(38,535)	0
Associates and JVs	1,610	(12)	1,598	-	63	1,661	+4
Profit before tax (excluding goodwill impairment)	**24,248**	**(1,327)**	**22,921**	**3,212**	**(6,262)**	**19,871**	**-27**
Goodwill impairment (North America PFS)	-	-	-	-	(10,564)	(10,564)	n/a
Profit before tax	**24,248**	**(1,327)**	**22,921**	**3,212**	**(16,826)**	**9,307**	**-73**

Note:
(1) Restated for constant currency, acquisitions & disposals in 2008 and gains arising from dilution of interests in Chinese and other associates

Underlying growth
2H08 vs 1H08

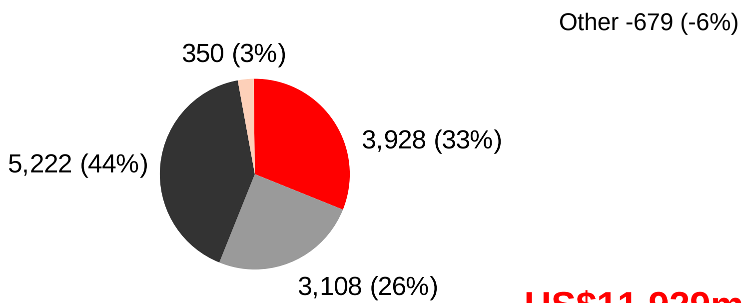
US$m	1H08 restated at constant currency	Dilution gains / disposals	1H08 restated[1]	Acquisitions & disposals	Underlying change	2H08	% underlying change
Net operating income before loan impairment charges	37,154	(741)	36,413	2,543	3,251	42,207	+9
Loan impairment charges and other credit risk provisions	(9,760)	6	(9,754)	-	(5,125)	(14,879)	+53
Net operating income	27,394	(735)	26,659	2,543	(1,874)	27,328	-7
Total operating expenses (excluding goodwill impairment)	(18,409)	72	(18,337)	(98)	(487)	(18,922)	+3
Associates and JVs	995	-	995	-	(304)	691	-31
Profit before tax (excluding goodwill impairment)	**9,980**	**(663)**	**9,317**	**2,445**	**(2,665)**	**9,097**	**-29**
Goodwill impairment (North America PFS)	(527)	-	(527)	-	(9,510)	(10,037)	n/a
Profit before tax	**9,453**	**(663)**	**8,790**	**2,445**	**(12,175)**	**(940)**	**-139**

Note:
(1) Restated for constant currency, acquisitions & disposals

Asia

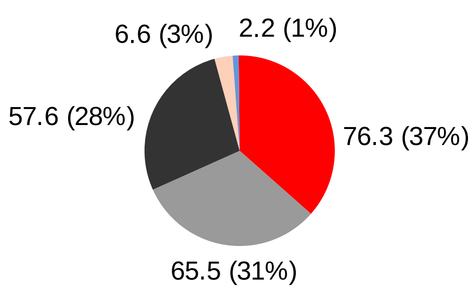
Business mix

Profit (loss) before tax, 2008, US$m



US$11,929m

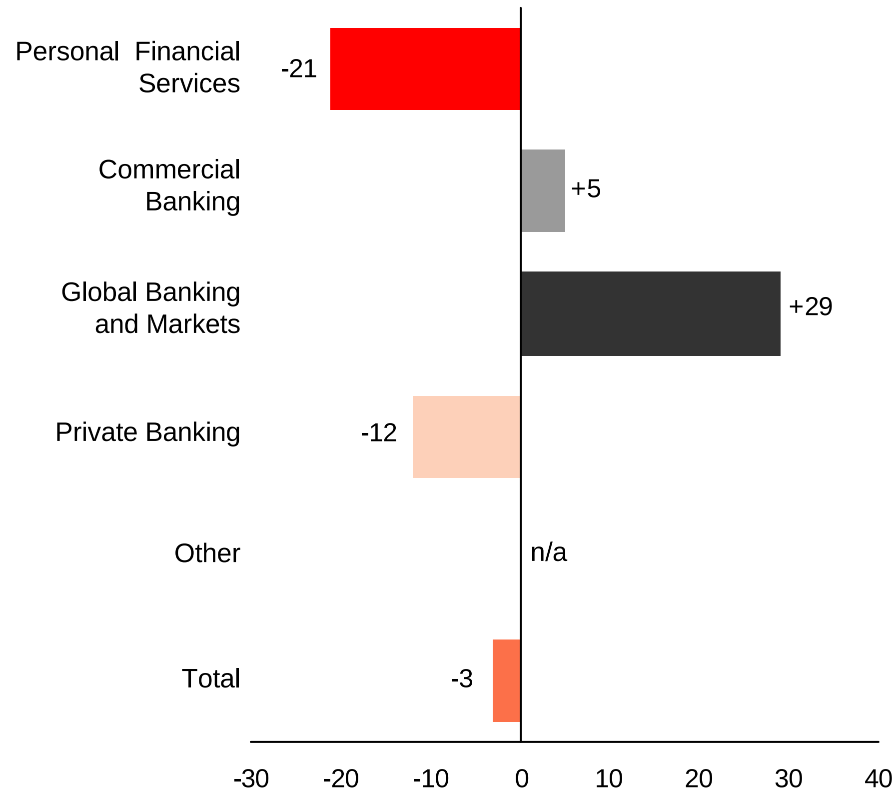
Customer lending, 31 Dec 08, US$bn



US$208.2bn

Growth in profit (loss) before tax (%)[1]

2008 vs 2007



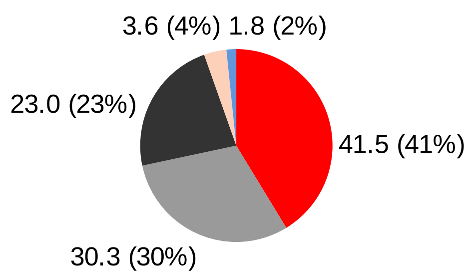
Note:
(1) Excludes gains arising from dilution of interests in Chinese and other associates

Hong Kong

Business mix

Profit (loss) before tax, 2008	US$m	% share
Personal Financial Services	3,428	63%
Commercial Banking	1,315	24%
Global Banking and Markets	1,436	26%
Private Banking	237	4%
Other	(955)	(17%)
Total	**5,461**	**100%**

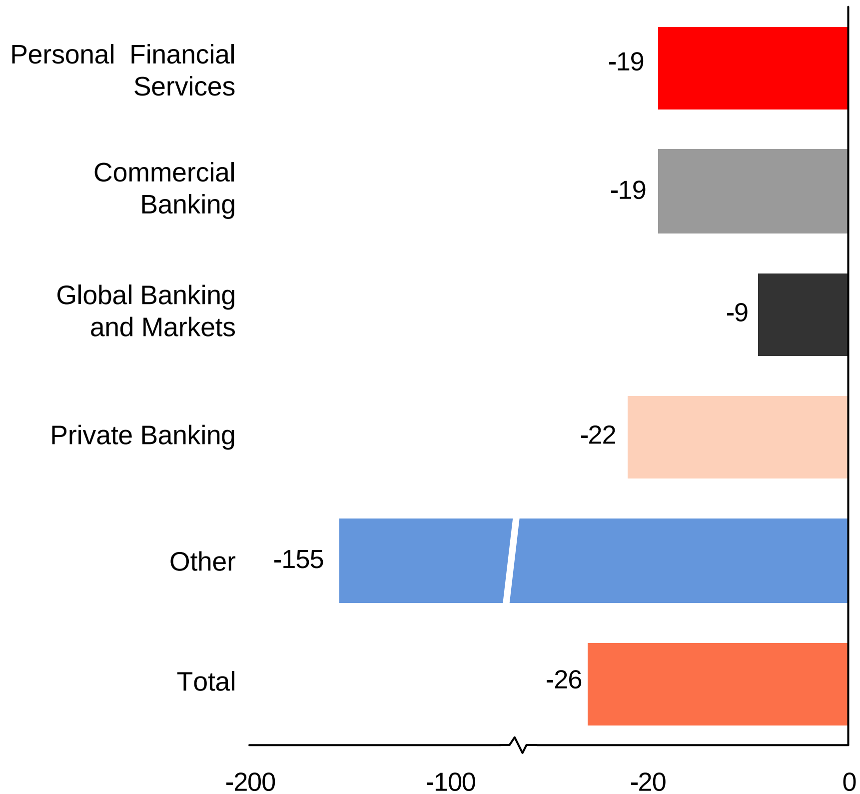
Customer lending, 31 Dec 08, US$bn



US$100.2bn

Growth in profit (loss) before tax (%)

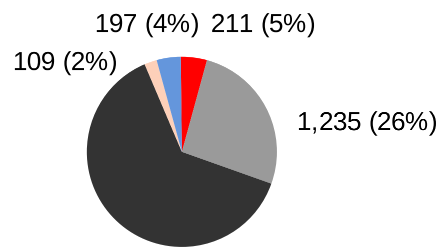
2008 vs 2007



Rest of Asia-Pacific (excluding Middle East)

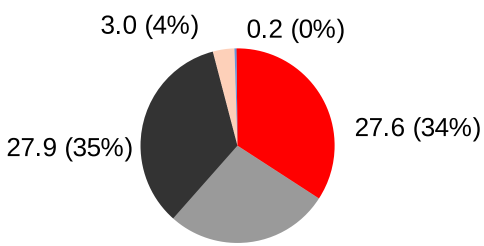
Business mix

Profit before tax, 2008, US$m



US$4,722m

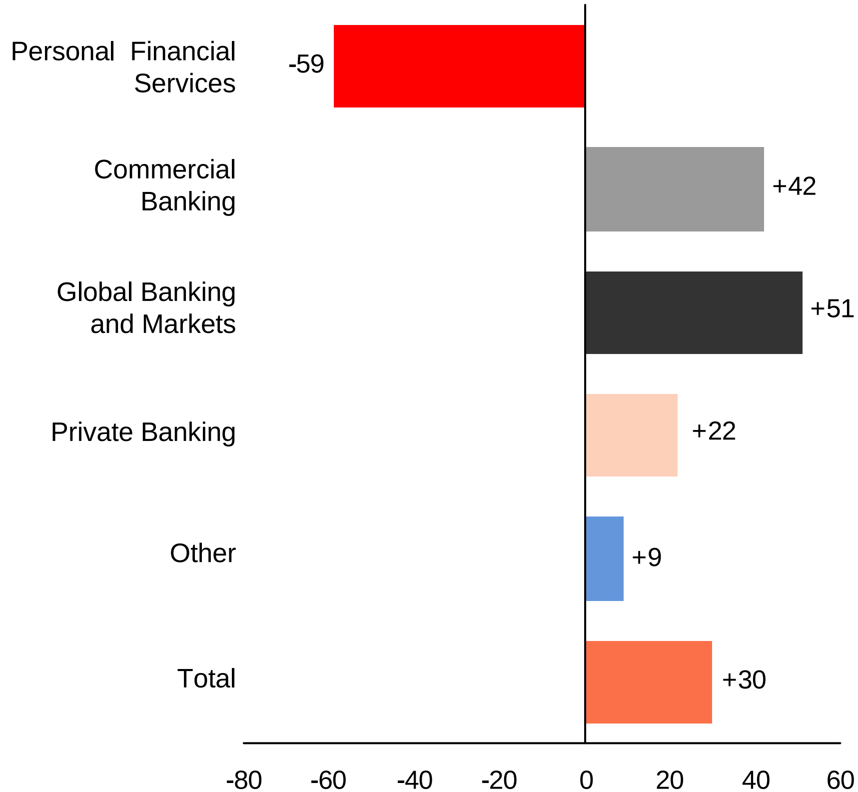
Customer lending, 31 Dec 08, US$bn



US$80.7bn

Growth in profit before tax (%)[1]

2008 vs 2007

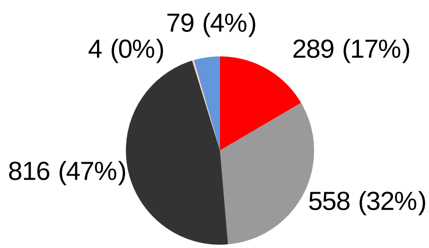


Note:
(1) Excludes gains arising from dilution of interests in Chinese and other associates

Middle East

Business mix

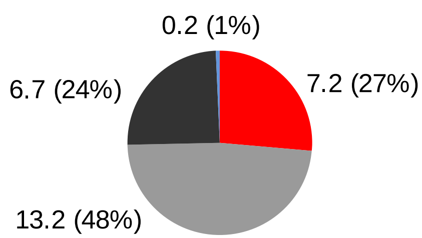
Profit before tax, 2008, US$m



US$1,746m

Customer lending, 31 Dec 08, US$bn

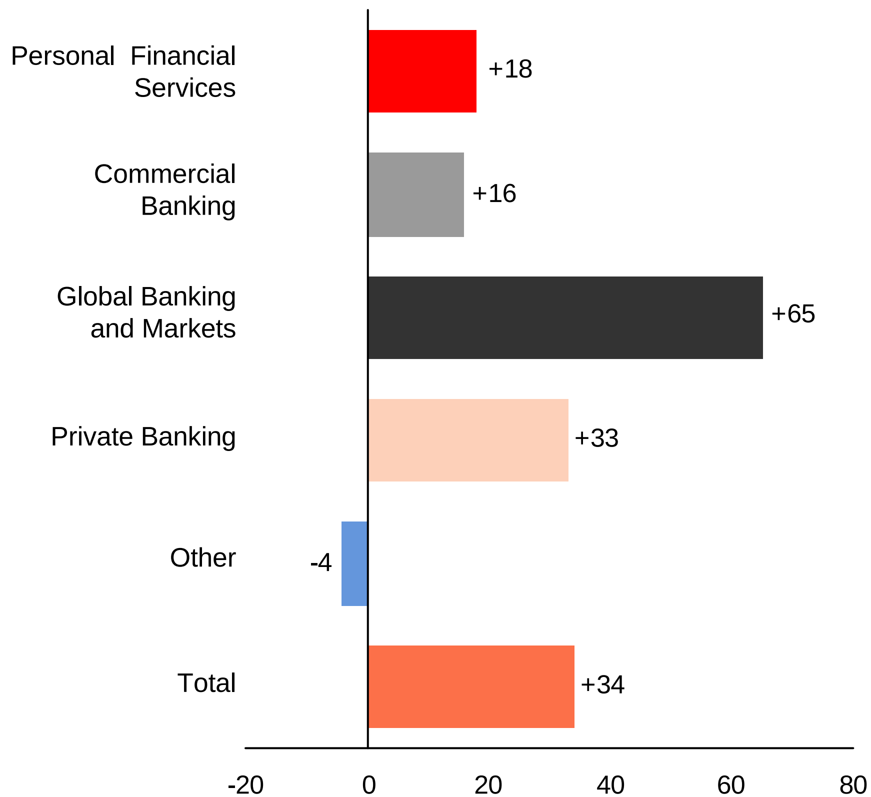
Private Banking: US$0.03bn (0%)



US$27.3bn

Growth in profit before tax (%)

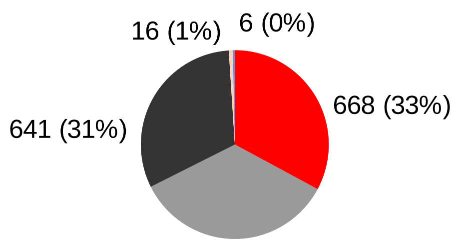
2008 vs 2007



Latin America

Business mix

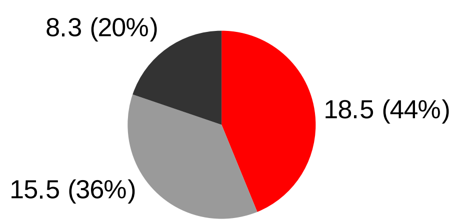
Profit before tax, 2008, US$m



US$2,037m

Customer lending, 31 Dec 08, US$bn

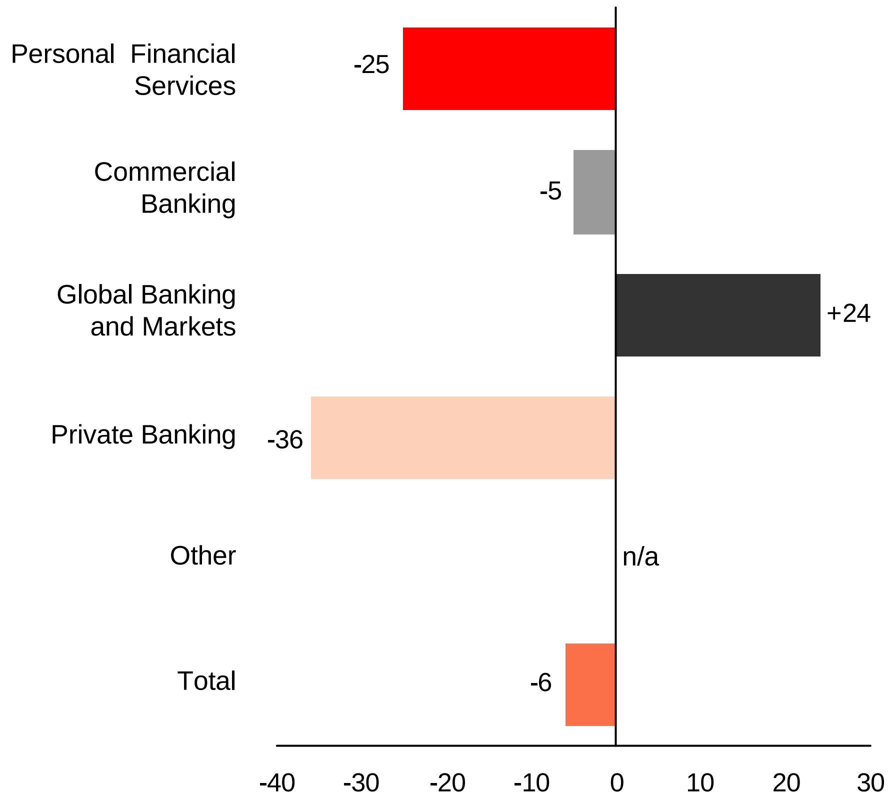
Private Banking: US$0.03bn (0%)



US$42.3bn

Growth in profit before tax (%)

2008 vs 2007

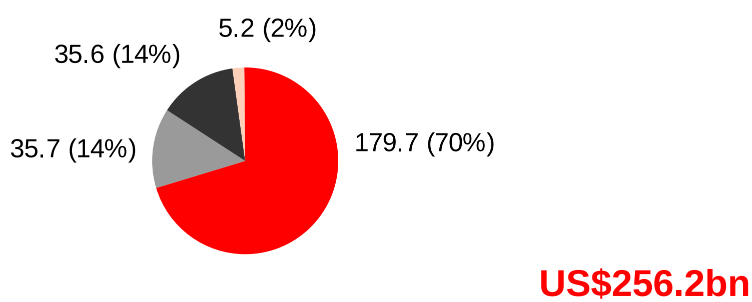


North America

Business mix

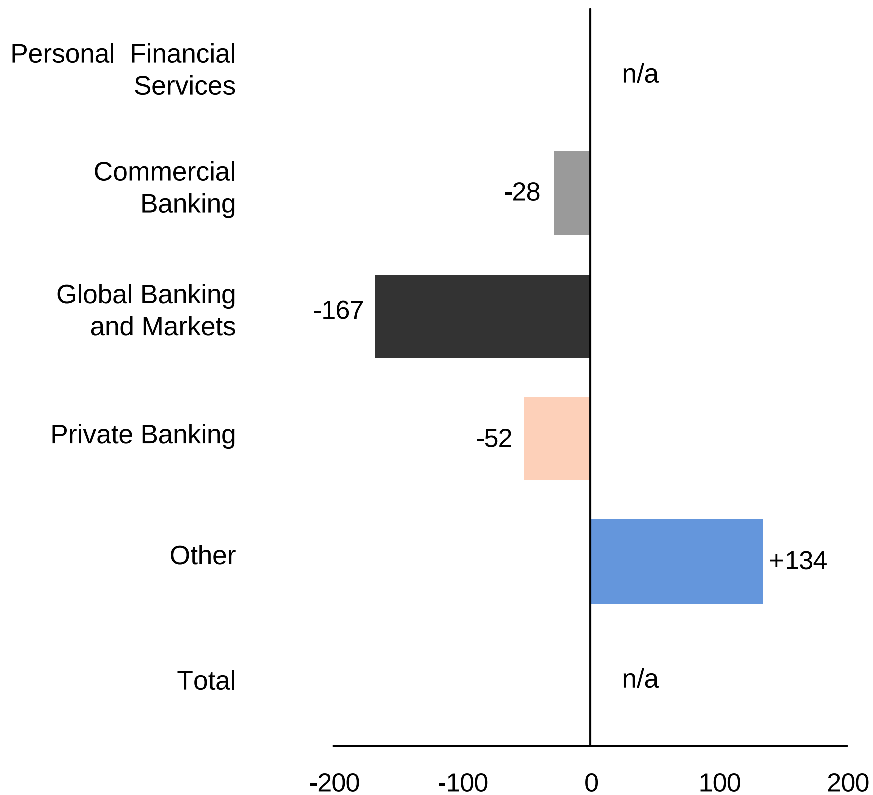
Profit (loss) before tax, 2008	US$m
Personal Financial Services	(17,228)
Commercial Banking	658
Global Banking and Markets	(2,575)
Private Banking	83
Other	3,534
Total	**(15,528)**

Customer lending, 31 Dec 08, US$bn



Growth in profit (loss) before tax (%)

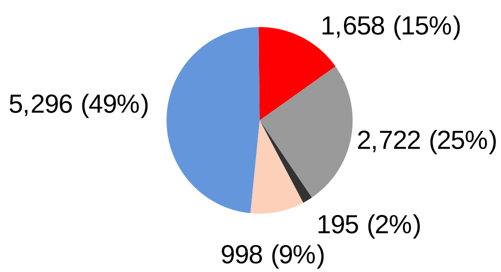
2008 vs 2007



Europe

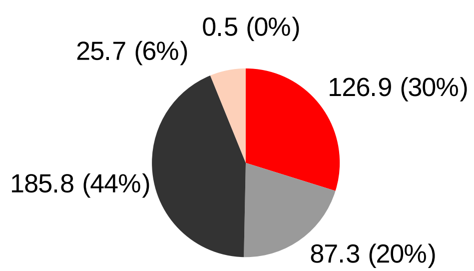
Business mix

Profit before tax, 2008, US$m



US$10,869m

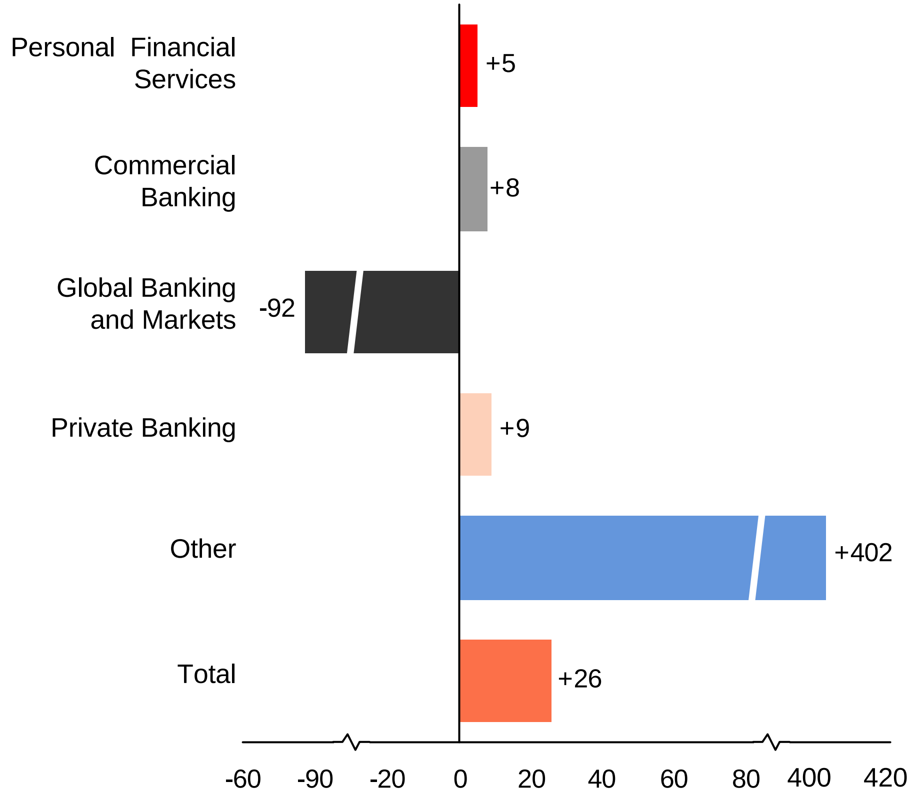
Customer lending, 31 Dec 08, US$bn



US$426.2bn

Growth in profit before tax (%)

2008 vs 2007



Profit (loss) before tax by country / territory

US$m	2007	2008	% change vs 2007
Hong Kong	**7,339**	**5,461**	**-26**
Rest of Asia-Pacific (including Middle East)	**6,009**	**6,468**	**+8**
Australia	124	176	+42
India	529	666	+26
Indonesia	104	121	+16
Japan	43	4	-91
Total mainland China	2,361	1,605	-32
– Associates	*2,180*	*1,286*	*-41*
– Associates (excluding dilution gains)	*1,099*	*1,286*	*+17*
– Other mainland China	*181*	*319*	*+76*
Malaysia	330	369	+12
Middle East	1,307	1,746	+34
– Egypt	*153*	*223*	*+46*
– United Arab Emirates	*617*	*861*	*+40*
– Other Middle East	*300*	*367*	*+22*
– Total Middle East (excluding Saudi Arabia)	*1,070*	*1,451*	*+36*
– Total Saudi Arabia	*237*	*295*	*+24*
Singapore	550	597	+9
South Korea	123	313	+154
Taiwan	123	175	+42
Other Rest of Asia-Pacific	415	696	+68

Profit (loss) before tax by country

US$m	2007	2008	% change vs 2007
Latin America	**2,178**	**2,037**	**-6**
Mexico	980	714	-27
Brazil	879	910	+4
Argentina	201	224	+11
Panama	86	121	+41
Other Latin America	32	68	+113
North America[1]	**91**	**(15,528)**	**n/a**
United States[1]	(1,066)	(16,543)	n/a
Canada	983	839	-15
Bermuda	173	174	+1
Other North America	1	2	+100
Europe	**8,595**	**10,869**	**+26**
United Kingdom	5,792	6,685	+15
France	1,033	2,840	+175
Germany	295	225	-24
Malta	157	142	-10
Switzerland	475	553	+16
Turkey	336	224	-33
Other Europe	507	200	-61

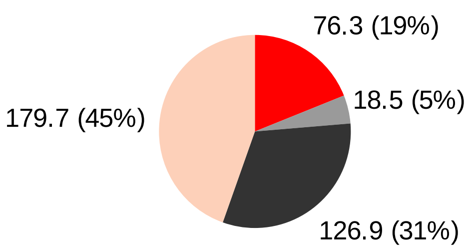
Note:
(1) North America and United States include the impairment of the goodwill in respect of Personal Financial Services – North America as set out in the Annual Report & Accounts

Personal Financial Services

Regional mix

Profit (loss) before tax, 2008	US$m
Asia	3,928
Latin America	668
Europe	1,658
North America	(17,228)
Total	**(10,974)**

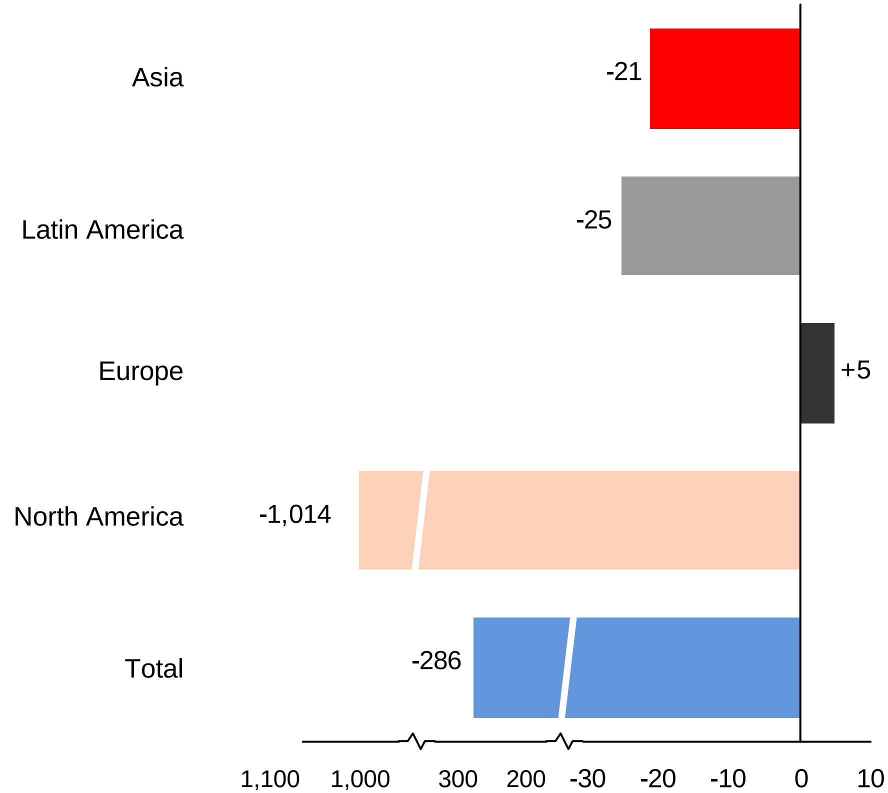
Customer lending, 31 December 2008, US$bn



US$401.4bn

Change in profit (loss) before tax (%)

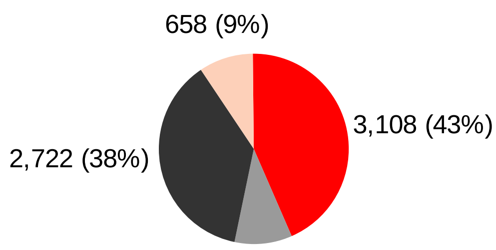
2008 vs 2007



Commercial Banking

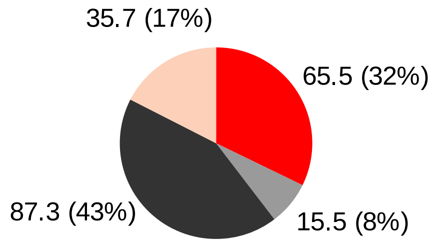
Regional mix

Profit before tax, 2008 US$m



US$7,194m

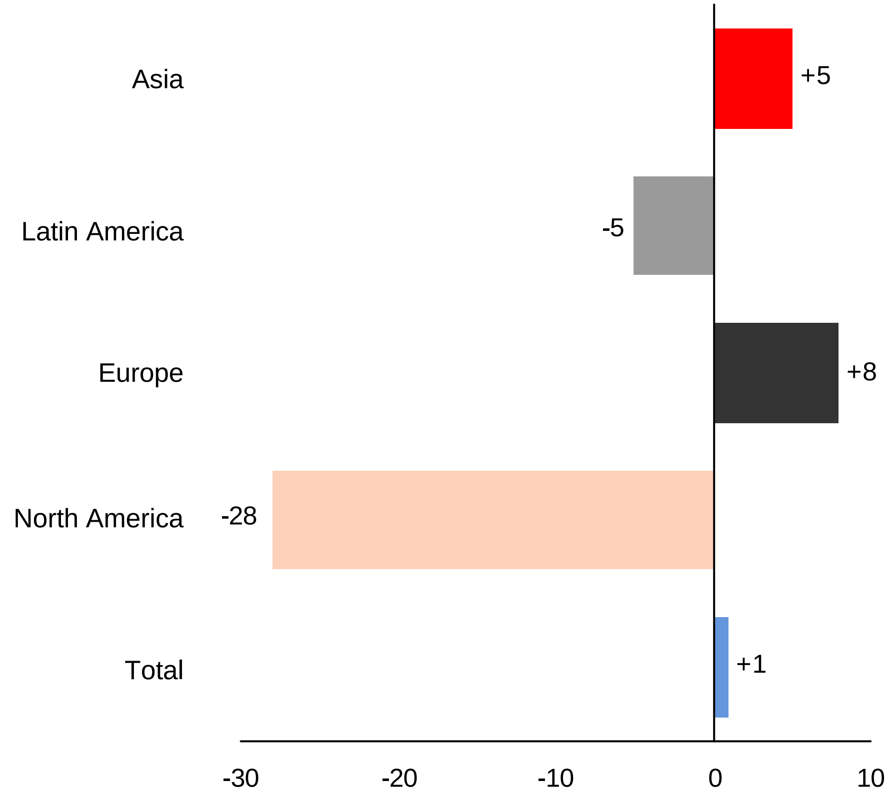
Customer lending, 31 December 2008 US$bn



US$204.0bn

Growth in profit before tax (%)

2008 vs 2007



Global Banking and Markets

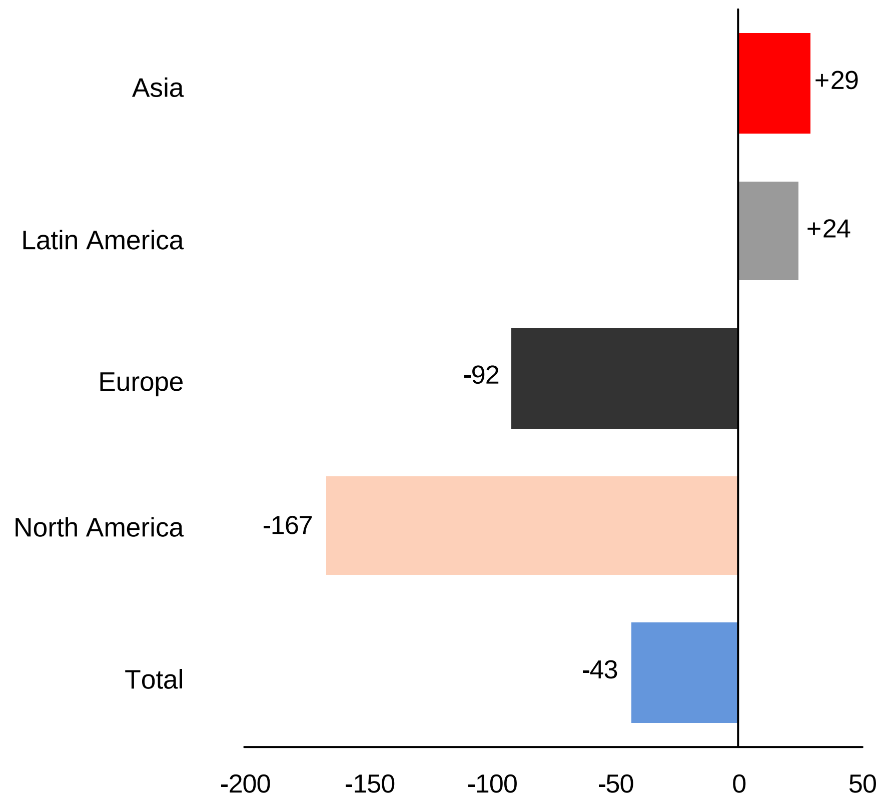
Regional mix

Profit (loss) before tax, 2008	US$m
Asia	5,222
Latin America	641
Europe	195
North America	(2,575)
Total	**3,483**

Management view of total operating income, US$bn	2007	2008
Global Markets	5,720	2,676
Global Banking	4,190	5,718
Balance Sheet Management	1,226	3,618
Global Asset Management	1,336	934
Principal Investments	1,253	(415)
Other	1,555	1,066
Total operating income	**15,280**	**13,597**

Growth in profit (loss) before tax (%)

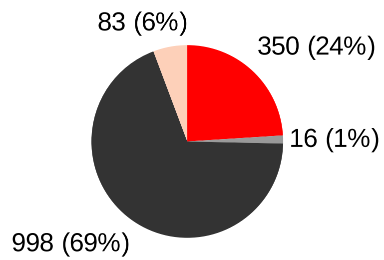
2008 vs 2007



Private Banking

Regional mix

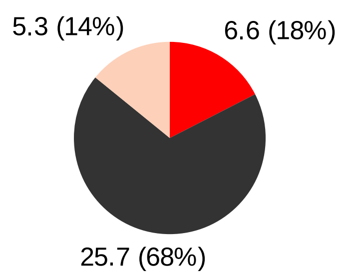
Profit before tax, 2008 US$m



US$1,447m

Customer lending, 31 December 2008, US$bn

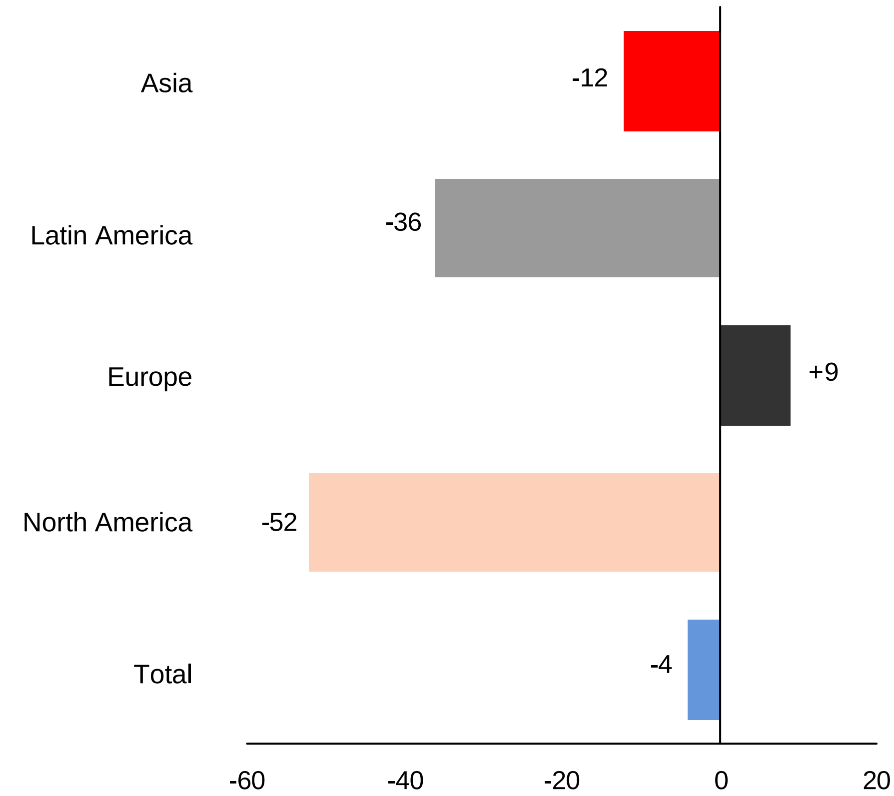
Latin America: US$0.031bn (0%)



US$37.6bn

Growth in profit before tax (%)

2008 vs 2007



Appendix - HSBC Finance Corporation

(Extracts from Form 8K: 2008 Results – Presentation)

HSBC

The world's local bank

Key developments

Consumer and Mortgage Lending (“CML”)

- **As part of our continuing evaluation of the strategies and opportunities for our operations, on 27 Feb 09, the Board of Directors of both HSBC and HSBC Finance Corporation endorsed the discontinuation of originations of all loan products by our Consumer Lending (“CL”) business**
- **We will continue to service and collect the existing receivable portfolio as it runs off, continuing our efforts to reach out and assist mortgage customers utilizing appropriate modification programs to maximize collection and home preservation**
- **Substantially all branch offices of US Consumer Lending business will be closed**
  - We currently estimate as a result of this decision, net interest income and other revenues will be reduced by approximately US$50m and operating expenses will be reduced by approximately US$600m, on an annualized basis in 2009
  - We anticipate to incur closure costs of approximately US$180m, a majority of which will be recorded in H109, in addition to a non-cash charge of approximately US$50m relating to the impairment of fixed assets and other capitalized costs
- **Continued liquidation of the Mortgage Services (“MS”) portfolio**

Card and Retail Services (“CRS”)

- **Executed the sale of our General Motors (“GM”) (US$6.4bn) and AFL-CIO Union Plus® card (US$6.1bn) portfolios to HSBC Bank USA in January 2009 to maximize funding synergies. These loans will remain on balance sheet for management basis reporting.**
- **Continued execution of strategy to slow loan growth and manage risk in the current economic environment**
  - Closed inactive accounts
  - Tightened initial line authorization criteria
  - Tightened underwriting criteria for credit line increases
  - Reduced marketing spend and mailings
- **Support our environmental strategy through aggressive expansion of paperless statements to generate approximately US$11m in cost savings**

Key developments

Vehicle Finance

- Terminated all originations of auto loans with discontinuation of the autos-in-branches program in January 2009. Previously reduced overall asset exposure when we ceased new originations in the dealer and direct-to-consumer channels in July 2008
- Successfully completed the sale of US$3.0bn of auto loans to HSBC Bank USA in January 2009. These loans will remain on balance sheet for management basis reporting

Insurance and Other

- Introduced simplified issue term life insurance with US$500,000 limit
- As previously disclosed, we completed the sale of our UK Operations to an HSBC affiliate in May 2008
- Completed the sale of our Canadian business to HSBC Bank Canada in November 2008

Key developments

Credit quality trend

- **We continued to experience increases in delinquency dollars and ratios in the fourth quarter of 2008 as unemployment rose to 7.2 percent in December 2008, the highest level in over 15 years**
- **Declining housing markets, tighter credit conditions and slower economic growth also contributed to the increases in delinquency**
- **We anticipate the rising trend in delinquency to continue in 2009, the magnitude of which will depend on unemployment rates and the overall condition of the U.S. economy**

Liquidity and capital

- **In 2008, we eliminated the need to issue institutional term debt in the turbulent funding environment by**
  - Planned balance sheet reductions
  - Cash generated from continuing operations
  - Issuance of cost effective retail debt
  - Capital infusions from Group ($3.5 billion received in 2008)
  - Use of alternate sources of funding including affiliates

Outreach and assistance to our mortgage customers

- **Continued to refine and utilize customer account management programs with the goal of keeping more customers in their homes**
- **Continued use of Foreclosure Avoidance/Account Modification programs with approximately 92,500 loans modified in 2008(1) with an aggregate balance of approximately $13.5 billion**
  - Since January 2007 we have modified and/or re-aged approximately 225,000 loans with an aggregate principal balance of approximately $27.5 billion
  - 53 percent of outstanding loans and advances granted a modification under this program are current or less than 30 days delinquent, 4 percent of these loans modified paid in full and 8 percent have charged off, foreclosed or sold
- **Modified approximately 2,600 loans for the first time in 2008 under the Proactive ARM Reset Modification Program with outstanding balances of approximately $476 million at the time of modification**
  - Modified approximately 13,000 loans with an aggregate balance of approximately $2.1 billion since inception of the program in October 2006
  - 57 percent of outstanding loans and advances granted a modification under this program are current or less than 30 days delinquent, 12 percent have paid in full and 13 percent have charged off, been foreclosed or sold
- **Support a variety of national and local efforts in homeownership preservation and foreclosure avoidance**

Note:
(1) Customer accounts can be modified more than once if qualification criteria are met. For these accounts, each qualifying modification is reflected as a separate modification in both number of accounts and loan balance totals. The number of accounts and loan balances reported exclude modifications related to purchased loan portfolios which had an outstanding balance of US$1.8bn at 31 December 2008

HSBC Finance Corporation – Financial Results

				% Better (Worse)	
US$m	H2 2007	H1 2008	H2 2008	vs H2 2007	vs H1 2008
Net operating income before loan impairment charges (excluding FVO)	7,398	$7,421	$6,317	(14.6%)	(14.9%)
FVO	1,409	272	2,652	88.2%	875.0%
Loan impairment and other related charges	(7,907)	(6,581)	(8,766)	(10.9%)	(33.2%)
Net operating income	900	1,112	203	(77.4%)	(81.7%)
Total operating expenses (excluding goodwill impairment)	(2,673)	(2,359)	(2,167)	18.9%	8.1%
Goodwill impairment	(5,549)	–	(900)	83.8%	N/A
Profit (Loss) from continuing operations before tax (1)	(7,322)	(1,247)	(2,864)	60.9%	(129.7%)
Profit (Loss) from discontinued operations before tax (2)	(384)	(315)	(216)	43.8%	31.4%
Profit (Loss) before tax	(7,706)	(1,562)	(3,080)	60.0%	(97.2%)
Cost efficiency ratio from continuing operations (3)	30.4%	30.7%	24.2%	620 bps	650 bps
Cost efficiency ratio – normalized (4)	36.1%	31.8%	34.3%	180 bps	(250) bps
Customer loans and advances (as at period end)	177,732	160,933	147,010	(17.3%)	(8.7%)
Profit (Loss) before tax from continuing operations (excluding FVO)	**(8,731)**	**(1,519)**	**(5,516)**	**36.8%**	**(263.1%)**

Note: The figures above are presented on an IFRS Management Basis. See Note 23 'Business Segments' of Form 10-K for the period ended December 31, 2008 for a reconciliation of IFRS to U.S. GAAP.

(1) H2 2007 loss before tax from continuing operations excluding goodwill impairment impact ($1,343m relating to MS, including the Decision One business, US$3,730m relating to the CL business and US$476m relating to the VF business) was ($1,773)m. H2 2008 loss before tax from continuing operations excluding the goodwill impairment impact ($900m related to the cards business) was ($1,964)m.

(2) Discontinued operations includes results from our UK Operations which was sold to an affiliate in Q2 2008 and our Canadian Operations which was sold to an affiliate in Q4 2008. H2 2007 profit before tax from discontinued operations excluding goodwill impact ($410m related to the UK Operations) was US$26m. H1 2008 profit before tax from discontinued operations excluding loss on sale of the UK Operations to an affiliate of US$375m was US$60m.
H2 2008 profit before tax from discontinued operations excluding the US$251m loss on sale of the Canadian Operations to an affiliate was US$35m.

(3) Cost efficiency ratio from continuing operations before tax excluding the impact of the goodwill impairment charge of US$5,549m in H2 2007 and US$900m in H2 2008.

(4) Cost efficiency ratio from continuing operations before tax excluding the impact of the goodwill impairment charge of US$5,549m in H2 2007 and US$900m in H2 2008, also normalized to exclude the impact of fair value option income of US$1,409m, US$272m and US$2,652m for H2 2007, H1 2008 and H2 2008, respectively.

HSBC Finance Corporation – YTD Financial Results

US$m	2007 YTD	2008 YTD	% Better (Worse) vs 2007 YTD
Net operating income before loan impairment charges (excluding FVO)	14,997	13,738	(8.4%)
FVO	1,564	2,924	87.0%
Loan impairment and other related charges	(11,570)	(15,347)	(32.6%)
Net operating income	4,991	1,315	(73.7%)
Total operating expenses (excluding goodwill impairment)	(5,443)	(4,526)	16.8%
Goodwill impairment	(5,549)	(900)	83.8%
Profit (Loss) from continuing operations before tax (1)	(6,001)	(4,111)	31.5%
Profit (Loss) from discontinued operations before tax (2)	(591)	(531)	10.2%
Profit (Loss) before tax	(6,592)	(4,642)	29.6%
Cost efficiency ratio from continuing operations (3)	32.9%	27.2%	570 bps
Cost efficiency ratio – normalized (4)	36.3%	32.9%	340 bps
Customer loans and advances (as at period end)	177,732	147,010	(17.3 %)
Profit (Loss) before tax from continuing operations (excluding FVO)	**(7,565)**	**(7,035)**	**7.0 %**

Note: The figures above are presented on an IFRS Management Basis. See Note 23 'Business Segments' of Form 10-K for the period ended December 31, 2008 for a reconciliation of IFRS to U.S. GAAP.

(1) 2007 year-to-date loss before tax from continuing operations excluding the goodwill impairment impact ($1,343m relating to MS, including the Decision One business, US$3,730m relating to the CL business and US$476m relating to the VF business) was ($452)m. 2008 year-to-date loss before tax from continuing operations excluding the goodwill impact ($900m relating to the card business) was ($3,211)m.

(2) Discontinued operations includes results from our UK Operations which was sold to an affiliate in Q2 2008 and results from our Canadian Operations sold to an affiliate in Q4 2008. 2007 year-to-date loss before tax from discontinued operations excluding goodwill impairment impact ($410m relating to the UK Operations) was ($181)m. 2008 year-to-date profit before tax from discontinued operations excluding loss on sales of the UK and Canadian Operations to affiliates of US$375m and US$251m, respectively, was US$95m.

(3) Cost efficiency ratio from continuing operations before tax excluding the impact of the goodwill impairment charge of US$5,549m in 2007 and US$900m in 2008.

(4) Cost efficiency ratio from continuing operations before tax excluding the impact of the goodwill impairment charge of US$5,549m in 2007 and US$900m in 2008, also normalized to exclude the impact of fair value option income of US$1,564m and US$2,924m for 2007 (YTD) and 2008 (YTD), respectively.

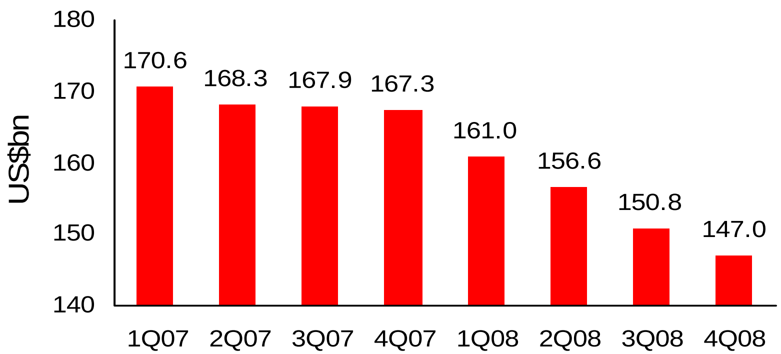
Reported results summary

Loss before tax	• Loss before tax from continuing operations, excluding goodwill impairment was US$3.2bn in 2008 compared to US$0.5bn in the prior year primarily due to increased loan impairment charges as U.S. economic conditions continued to deteriorate, partially offset by higher fair value option income on debt market valuation ($1.4bn higher than the prior year period) due to widening of credit spreads
Operating income before loan impairment charges (“LIC”)	• Operating income from continuing operations before loan impairment charges and FVO decreased 8.4% compared with 2007 primarily due to lower fee income following fee practice changes in CRS in late 2007 and lower net interest income as benefits from lower cost of funds were more than offset by lower yields and average balances. Decreased yields were due to increased levels of loan modifications, the impact of deterioration in credit quality, including growth in non-performing loans, lower amortization of deferred fees due to lower prepayments and lower origination volumes as well as decreases in rates on variable rate products which reflect market rate movements, partially offset by a shift in mix to higher yielding credit card receivables resulting from run-off in the lower yielding real estate secured loans
Loan impairment charges	• Loan impairment charges increased 32.6% or US$3.8bn in 2008 compared with 2007. Losses increased across all portfolios due to continued deterioration in the U.S. economy, rising unemployment rates, portfolio seasoning and increased levels of personal bankruptcies
Operating expenses	• Operating expenses, excluding goodwill impairment improved 16.8% in 2008 compared with the prior year primarily due to lower staff costs following decisions to right-size the businesses and lower marketing costs reflecting the strategic decision in the second half of 2007 to reduce risk and slow receivable growth primarily in the credit card and personal non-credit card portfolios
Delinquency	• Our delinquency ratio and dollars increased to 11.2% and US$16.5bn, respectively, at December 31, 2008 primarily due to impacts from the continued marketplace deterioration and broader economic conditions, including significantly higher levels of unemployment. In 2008, the deterioration has been most pronounced in CL first lien real estate secured loans originated in 2006, 2007 and to a lesser extent, origination in the first half of 2008
Customer loans	• Customer loans decreased to US$147.0bn at December 31, 2008, a 17.3% decrease as a result of our strategic actions taken beginning in the second half of 2007 and continuing into 2008 to reduce the size of the balance sheet and lower our risk profile. Excluding the sales of the UK and Canadian Operations customer loans decreased 12% from December 31, 2007

HSBC Finance Corporation

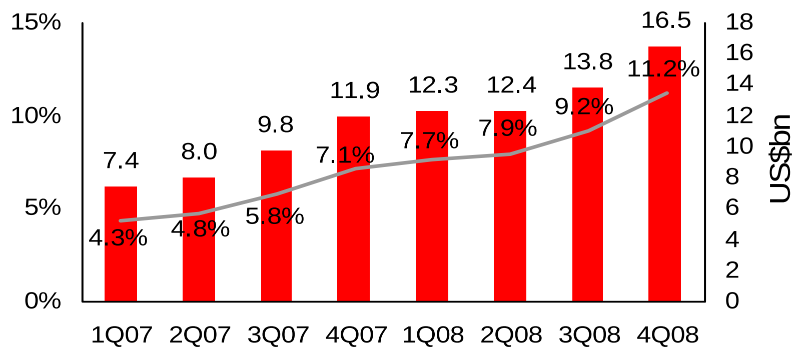
Continued reduction of balance sheet in the U.S.

Customer Loans[1]



- Customer loans decreased 12 percent from December 2007 reflecting actions implemented to reduce risk and slow growth
  - Real estate secured loans decreased 15 percent from Q4 2007 (13 percent in first lien and 24 percent in 2nd lien) as a result of the decision in March 2007 to close our correspondent channel and actions taken since mid-2007 to reduce risk in the CL business. Real estate secured loans will continue to run-off following the recent decision to discontinue originations in the CL business.
  - Motor Vehicle loans decreased 17 percent following the cessation of new originations in our dealer and direct-to-consumer channels in August 2008
  - Personal non-credit card loans decreased 13 percent from risk initiatives and will continue to decline as a result of the decision to stop all originations in the CL business

2+ Delinquency[1]



- Delinquencies continued to rise across all portfolios particularly in the first lien real estate secured loans in our CL and MS portfolios and to a lesser extent in our credit card and private label portfolios. We expect this trend to continue in 2009 as portfolios decline and loans season. Current recessionary pressures will continue to impact performance across all portfolios.

- Loan impairment allowances are sensitive to changes in the level of unemployment, which affects customers' ability to repay their loans. For example, had there been an additional 1 per cent increase in unemployment impacting customer behavior, loan impairment charges could have been higher by between \$0.7 billion and \$1.5 billion as at December 31, 2008. This relationship is not linear when the increase is severe.

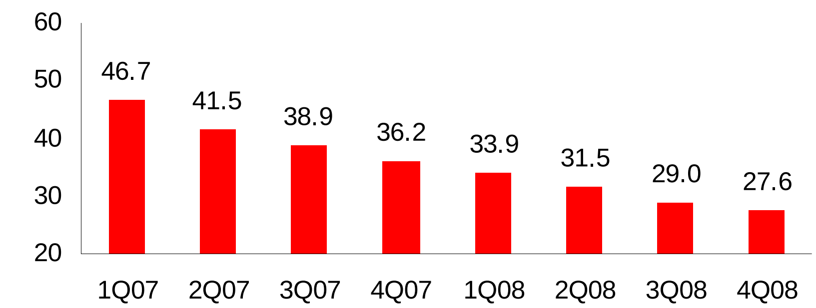
Note:
(1) IFRS management basis for U.S., excludes operations in UK and Canada

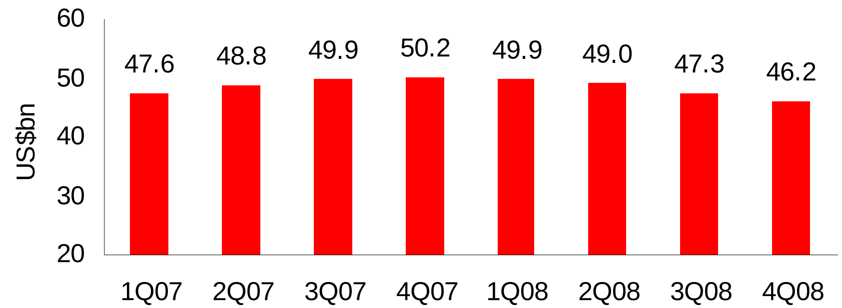
HSBC Finance Corporation

U.S. Mortgages – continuing to shrink the mortgage portfolio

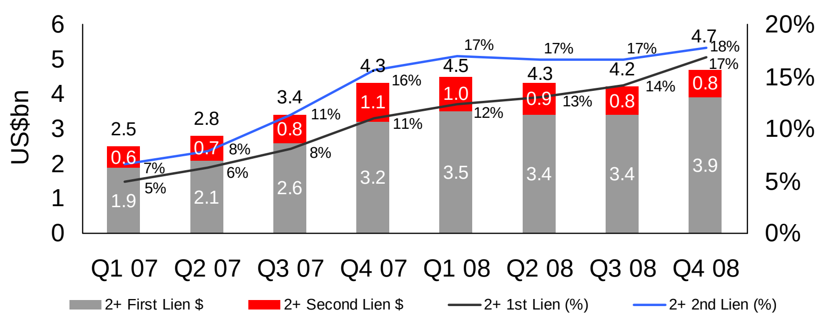
Mortgage Services, US$bn | **Consumer Lending, US$bn**

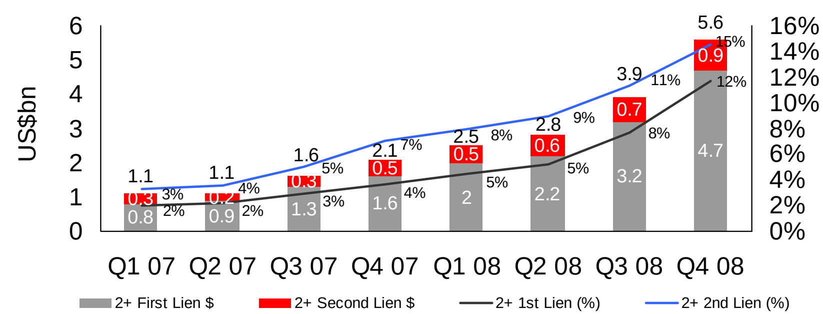
Customer Loans





2+ Delinquencies





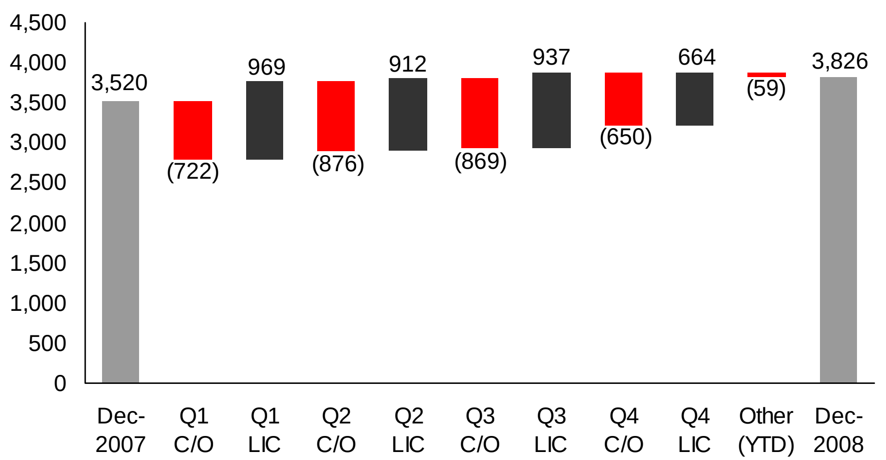
Management actions/trend

- MS portfolio decreased from US$36.2bn at Q4 2007 to US$27.6bn at Q4 2008
- Delinquency dollars and ratios continue to increase in our MS portfolio as borrowers are impacted by the economic downturn and the portfolio declines
- Dollars of delinquency increased 167% in our CL real estate secured portfolio, particularly in first liens as market conditions continued to deteriorate. Delinquencies in CL will also be impacted by the recent decision to cease originations as loan balances season and run-off.
- The elimination of one payment re-ages and a delay of foreclosures in process partly due to a voluntary one-month (December 2008) suspension of foreclosure proceedings of owner occupied homes contributed to the increase in delinquencies in Q4 2008

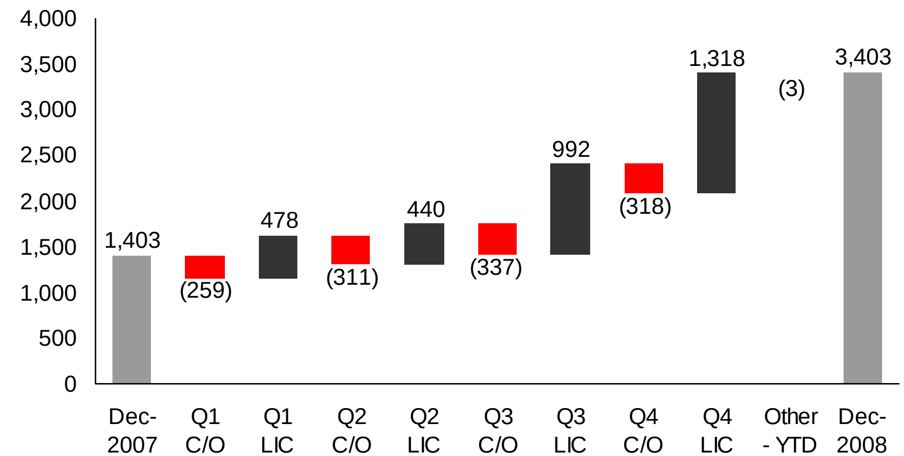
HSBC Finance Corporation

Impairment allowance – MS and CL real estate secured

Mortgage Services, US$m



Consumer Lending, US$m



- MS charge-off dollars have stabilized, however risk remains due to the continued decline in home values, rising unemployment and the overall weakening of the U.S. economy
- The voluntary one-month suspension of foreclosure proceedings had minimal impact on total LIC for MS and CL as impairment allowances for loans remaining in delinquency longer had previously been established
- Reserves as a percentage of 2+ delinquency for first lien loans were 68.0% and 46.9% at December 31, 2008 and 2007, respectively and for second lien loans were 148.4% and 190.2% at December 31, 2008 and 2007, respectively. The decrease in the ratio for second lien loans reflects more accelerated run-off.

- Loan impairment charges increased markedly in the second half of 2008 in the CL real estate secured portfolio due to higher levels of charge-off and delinquency as deterioration in portions of the portfolio accelerated and more loans progressed to later stages of delinquency due to continuing U.S. economic deterioration, notably increasing unemployment and decreasing property values
- Reserves as a percentage of 2+ delinquency for first lien loans were 48.8% and 48.1% at December 31, 2008 and 2007, respectively and for second lien loans 128.5% and 130.0% at December 31, 2008 and 2007, respectively

Note:
C/O = Net Charge-offs (amounts written off)
LIC = Loan Impairment Charge

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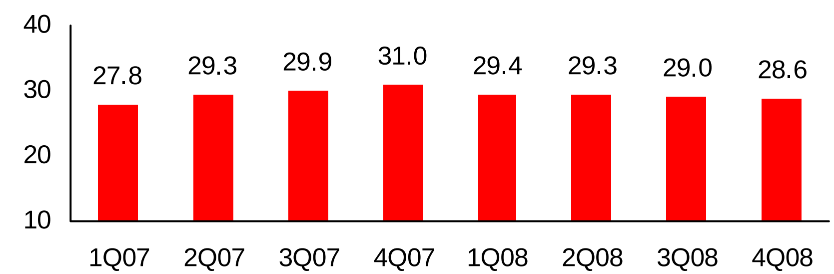
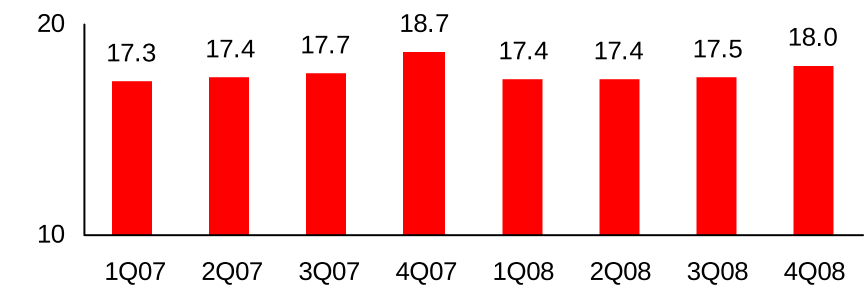
Managing risk in CRS

Credit Card, US$bn

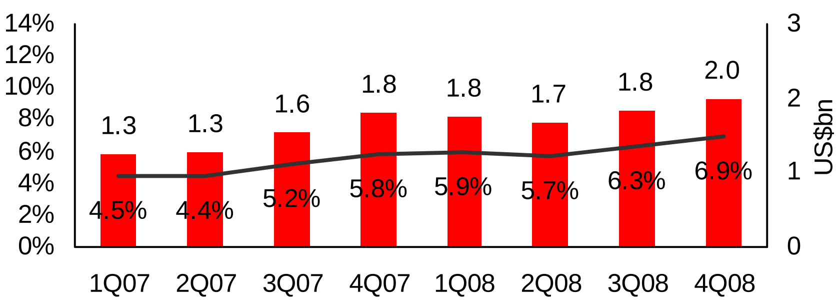
Private Label, US$bn

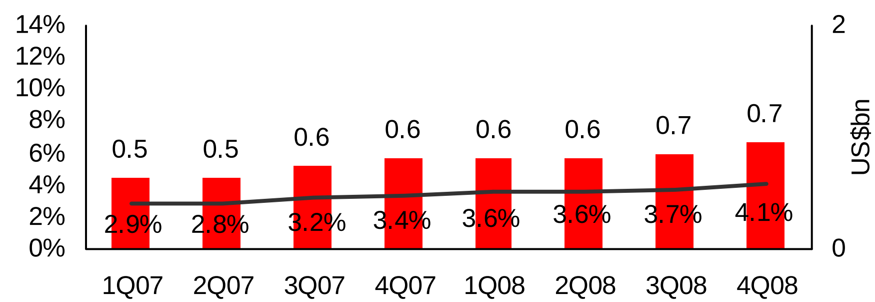
Customer Loans





2+ Delinquencies





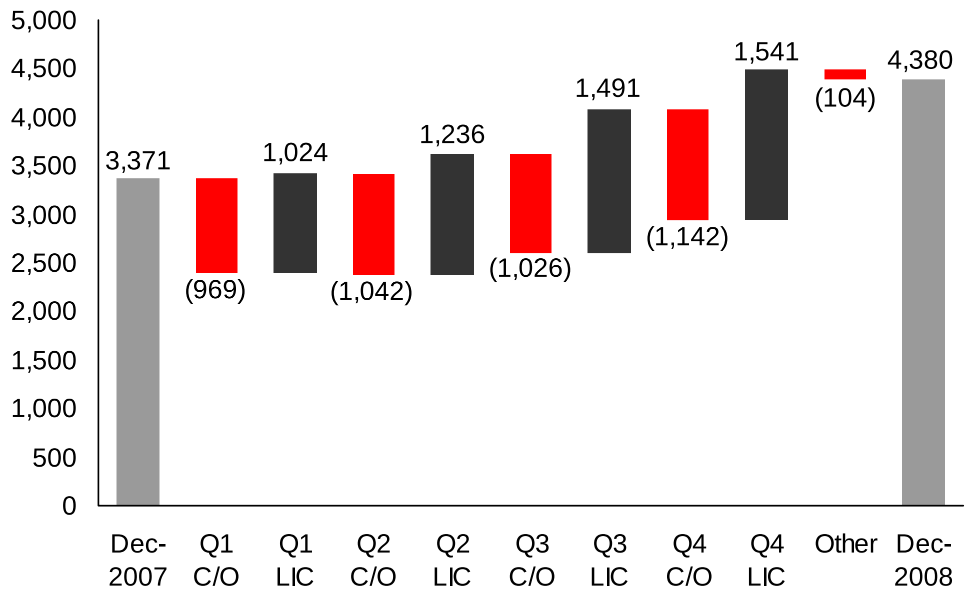
Management actions /trend

- Card and Private Label loan balances decreased 8% and 4%, respectively, at Q4 2008 from Q4 2007 as we tightened underwriting and reduced mailings
- Reviewed merchant relationships within Private Label for renegotiation or termination of unprofitable retail partners
- Dollars of delinquency increased modestly in both portfolios, however the decreases in the size of the portfolios also have the effect of increasing the delinquency ratios

HSBC Finance Corporation

Impairment allowance – CRS

Card and Retail Services, US$m



- **Reserves at Card and Retail Services increased from the prior year as a result of higher loss estimates from portfolio seasoning, higher levels of personal bankruptcy filings and continued weakening in the U.S. economy particularly in the geographic regions most impacted by the housing market downturn and rising unemployment. Higher early stage delinquency and lower recovery rates on defaulted loans also contributed to the increase in reserves.**

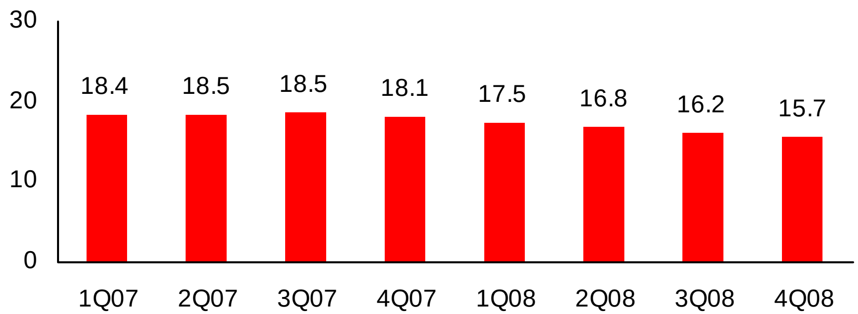
Note:
C/O = Net charge-offs (amounts written off)
LIC = Loan impairment charge

HSBC Finance Corporation

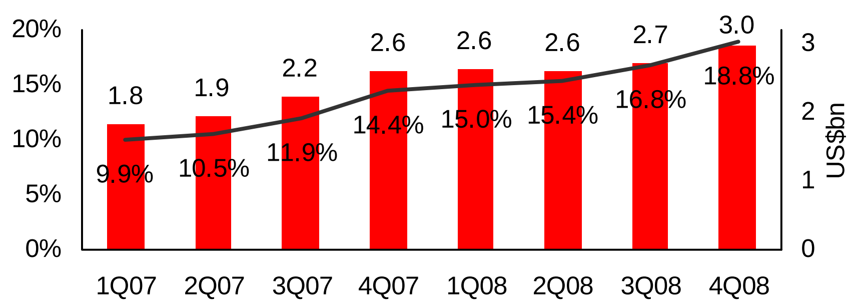
Manage personal non-credit card risk and motor vehicle finance run-off

Personal Non-Credit Card, US$bn

Customer Loans



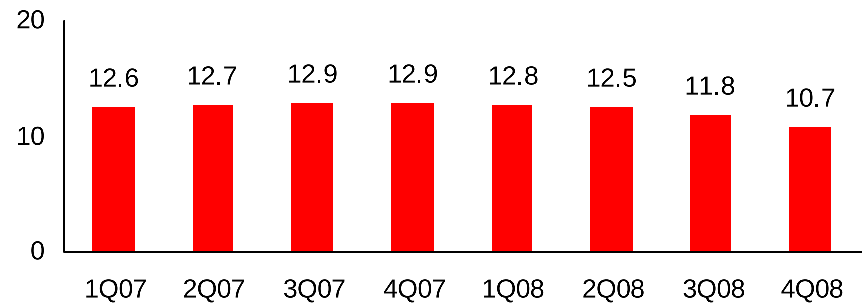
2+ Delinquencies

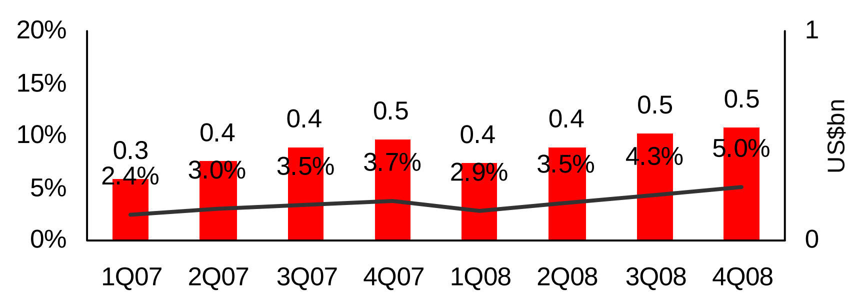


Management actions/trend

- Continued to tighten underwriting criteria and refine product offerings in 2008 and in late February 2009, authorized the discontinuation of all new originations by our CL business
- Delinquencies continue to increase, particularly in the regions most impacted by the housing market downturn and rising unemployment

Vehicle Finance, US$bn

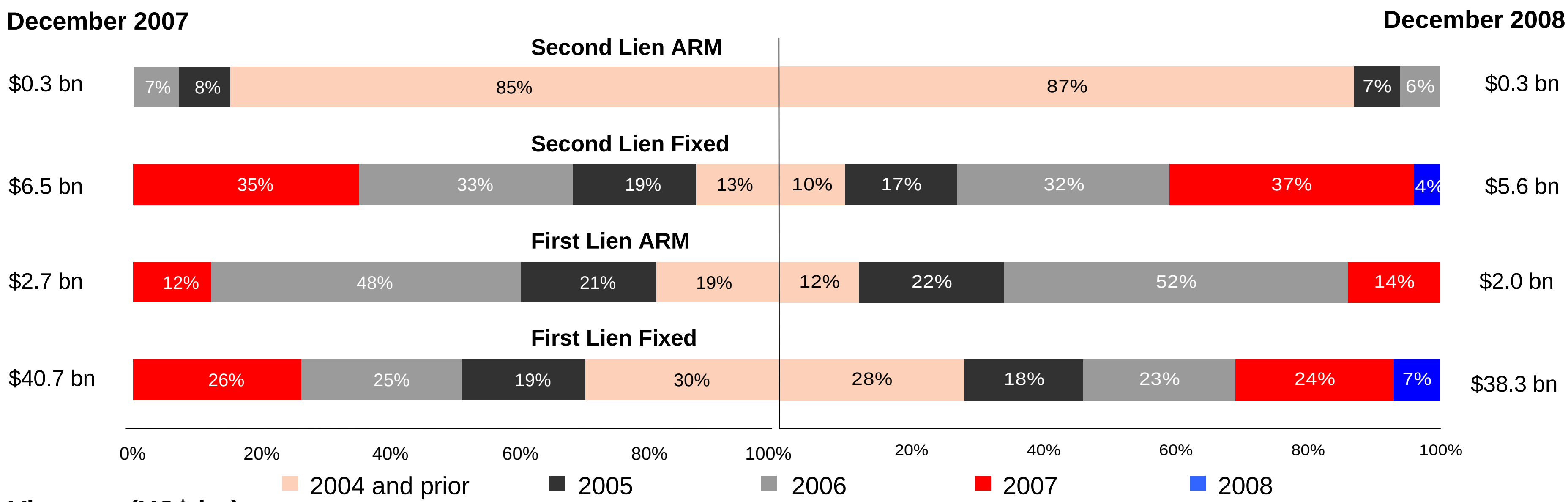




- In July, we ceased originations of new business in our dealer and direct-to-consumer channels. In January 2009, we ceased the small volume of originations in our CL branch offices
- While dollars of delinquency were flat the ratio is impacted by declining loan balances

Consumer Lending

Real estate loans by vintage and type

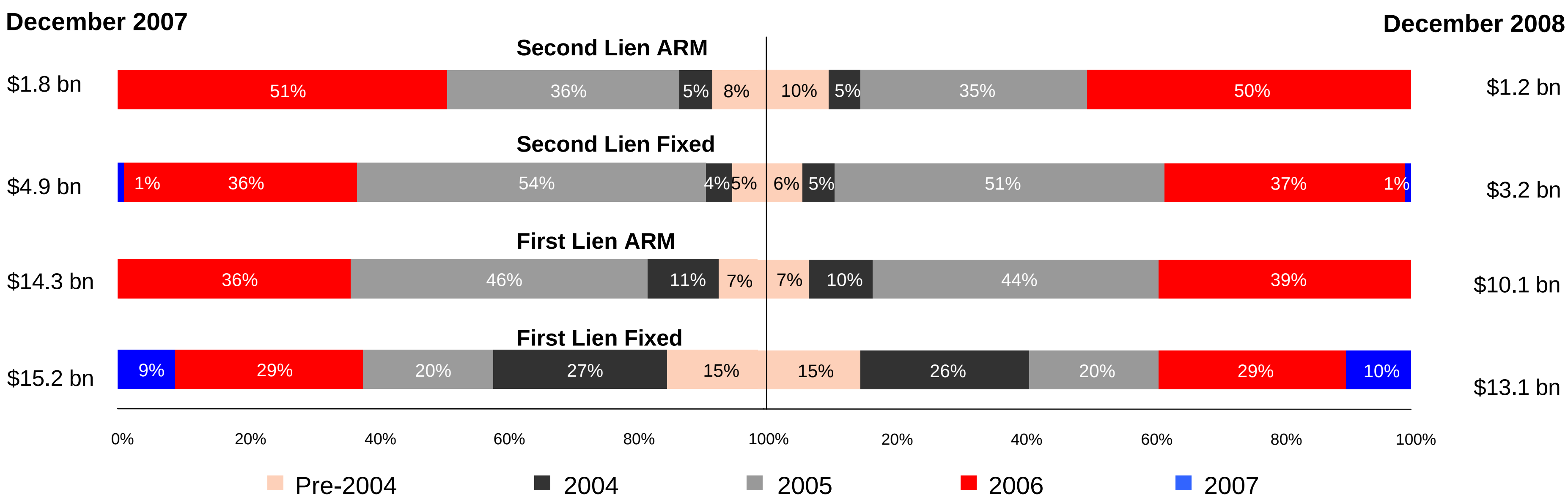


Vintages (US$ bn)

	December 2007	December 2008
2008	-	3.1
2007	13.1	11.4
2006	13.6	11.7
2005	9.8	8.3
2004 and prior	13.7	11.7
	50.2	46.2

Mortgage Services

Real estate loans by vintage and type



Vintages (US$ bn)

	December 2007	December 2008
2007	1.5	1.4
2006	12.2	9.5
2005	12.9	9.1
2004	5.9	4.6
Pre-2004	3.7	3.0
	36.2	27.6

HSBC Finance Corporation

Ongoing areas of focus

Balance Sheet Size	• In 2008, we began to reposition the CL business by reducing the exposure to the lower tiers of subprime credit while expanding the lending scope for real estate loans to include both government sponsored enterprise and conforming loans while enhancing the personal loan strategy. The results of these efforts were not meeting our expectations and in late February 2009, authorization was made to discontinue originations of all products by this business. • In 2009, we will focus on the effective run-off of the CL and MS portfolios while continuing our efforts to reach out and assist mortgage customers utilizing appropriate modification programs to maximize collection and home preservation • Achieve a balance sheet size that optimizes our risk profile as well as our liquidity, capital and funding requirements • Further strategic actions, including additional asset sales may be taken as we continue to work to reposition our businesses
Global Card Strategy	• Drive growth in emerging markets by increasing the acquisition of profitable new customers • Deepen relationships with existing customers • Gain global scale benefits by leveraging common technology, processes and infrastructure
Rigorous Cost Management	• Continuing focus on expenses • Streamlining our operations for greater operational efficiencies • Joining up support functions to optimize shared services across North America
Extension of Credit	• Enhancing our collection analytics to get the best results for shareholders and customers • Continue to support and originate credit card and private label loans
Regulation	• Currently evaluating the impact of implementing the credit card rules passed in December 2008 by the Federal Reserve Board, Office of Thrift Supervision and the National Credit Union Administration that will be effective July 1, 2010 which will place restrictions on interest rate increases, payment allocations, rates charged prior to 30 days delinquent and permissible fees

Appendix - Disclaimer

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