

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)
Profit (Loss) before tax ex goodwill and FVO⁽¹⁾	203	(299)	(96)	438	(255)	183	940	986	1,926

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
Profit (loss) before tax as reported	(327)	(593)	438	(233)	940	1,626

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 Results¹

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
Loss before tax ex goodwill and FVO	(2,453)	(2,182)	(1,486)	39	32
Gross Customer loans and advances (as at 30 June) ²	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)	–	–
Loss before tax as reported	(6,296)	(4,033)	(1,300)

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 Operations¹

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)
Loss before tax ex goodwill and FVO⁽²⁾	(2,656)	(2,620)	(2,426)

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:

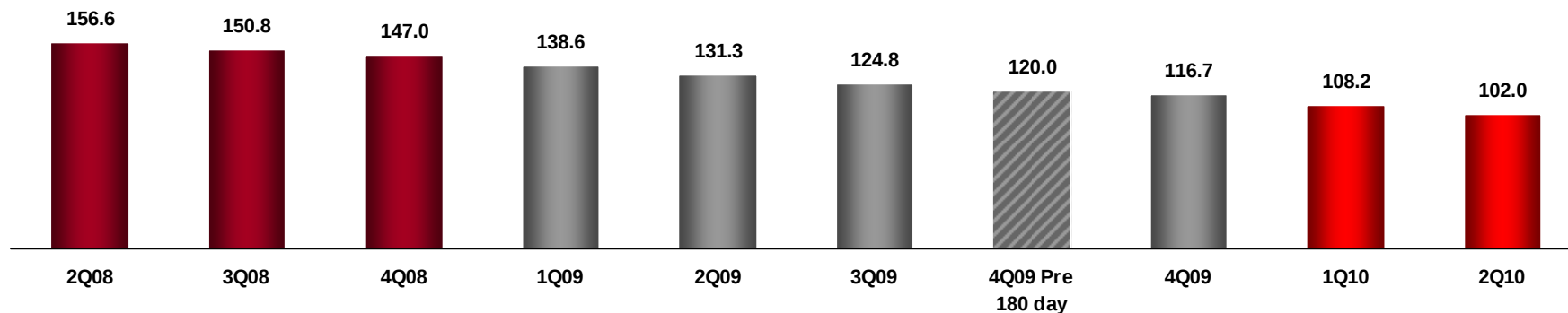
	1H 2009	2H 2009	1H 2010
Loss before tax ex goodwill and FVO	(2,656)	(2,620)	(2,426)
Adjustments			
Net Income from financial instruments at FV	(928)	(1,851)	186
Goodwill	(2,385)	–	–
Loss before tax as reported	(5,969)	(4,471)	(2,240)

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.

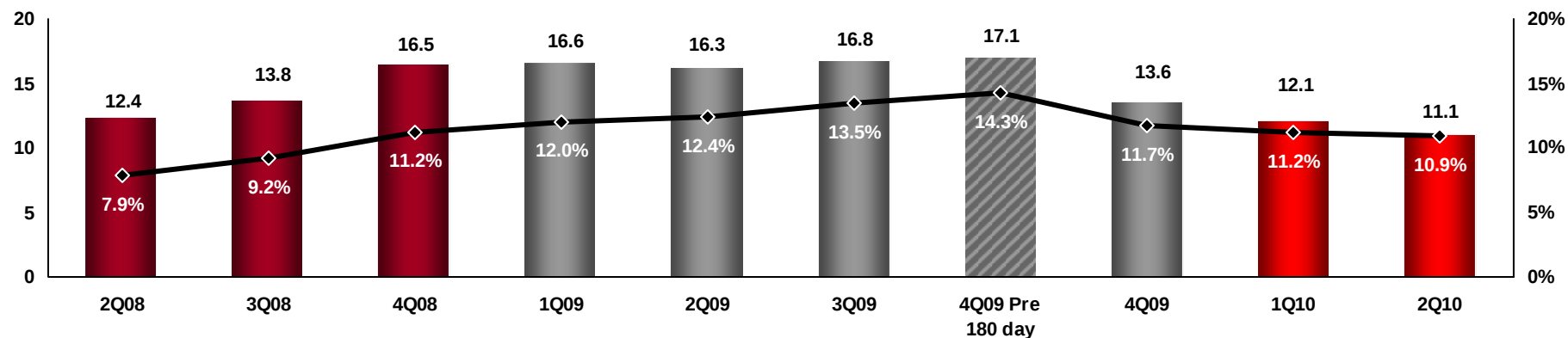
HSBC Finance Corporation

Continued reduction of balance sheet in the US

Customer loans¹, US\$bn



2+ Delinquency^{1, 2}, US\$bn



Notes:

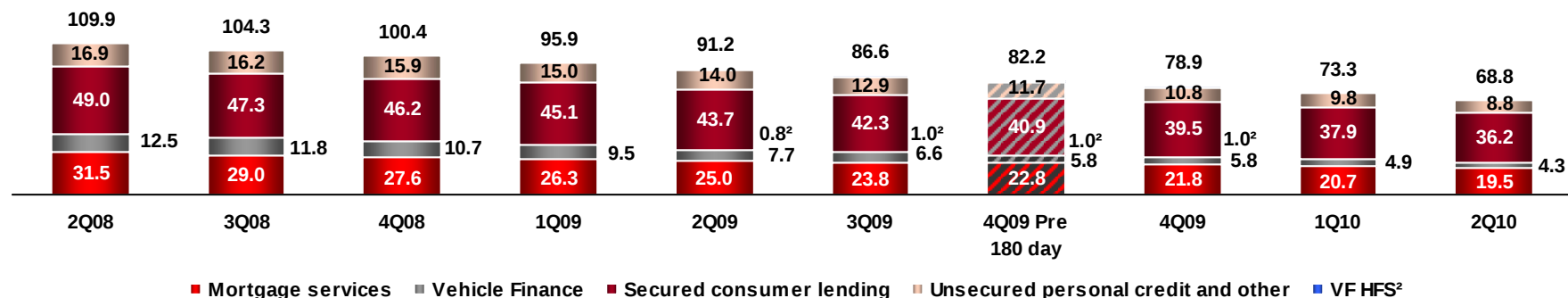
(1) Excludes reverse repo balances and vehicle finance loans held for sale

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

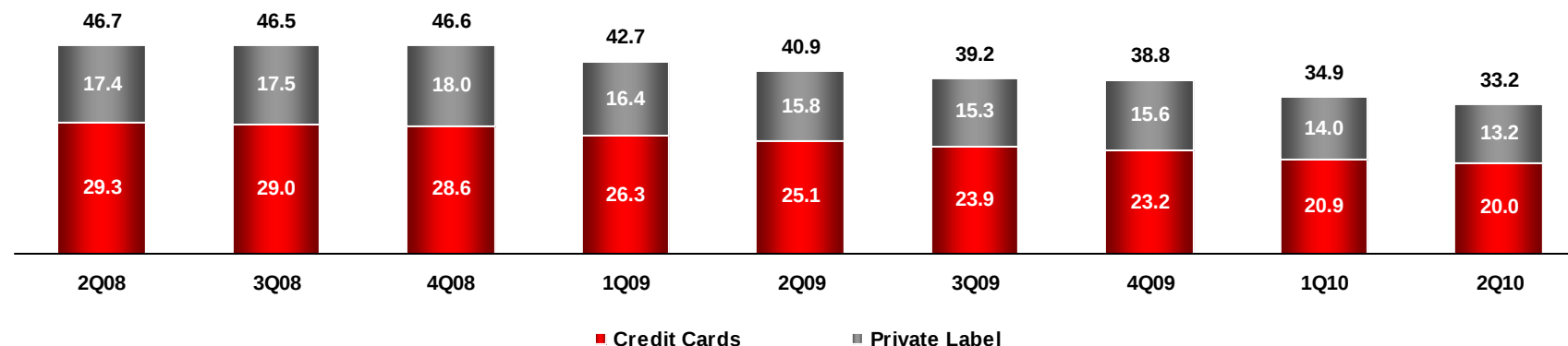
HSBC Finance Corporation

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

Customer loans¹
Run-off portfolio, US\$bn



Customer loans¹
Core portfolio, US\$bn



Notes:

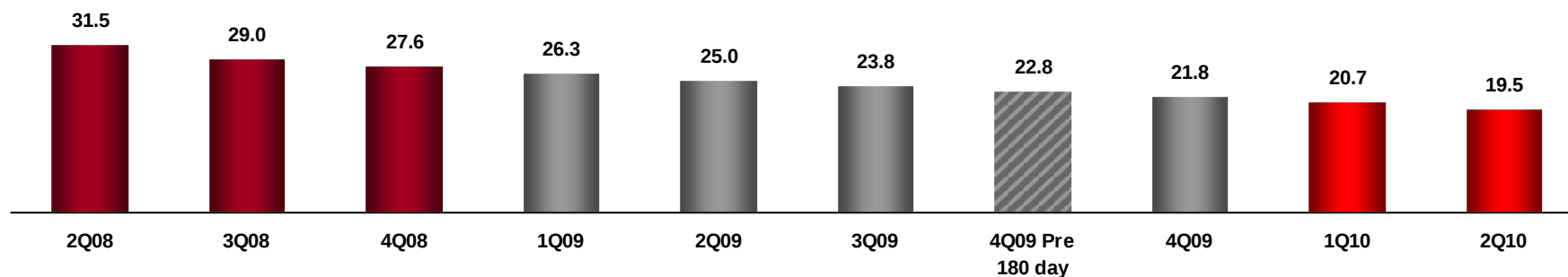
(1) Excludes reverse repo balances

(2) Vehicle finance loans held for sale

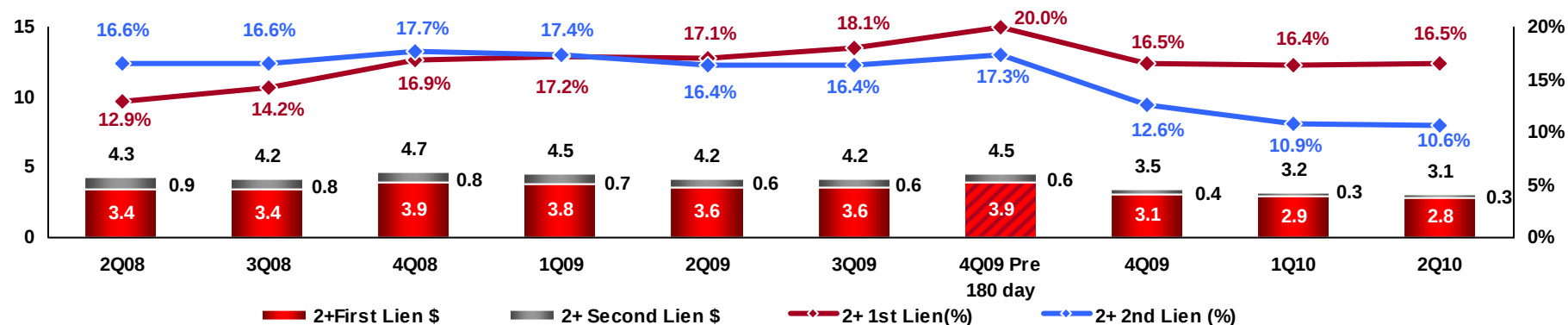
HSBC Finance Corporation

US Mortgages: Continuing to shrink the Mortgage Services portfolio

Mortgages Services
Customer loans, US\$bn



Mortgages Services
2+ Delinquency¹, US\$bn



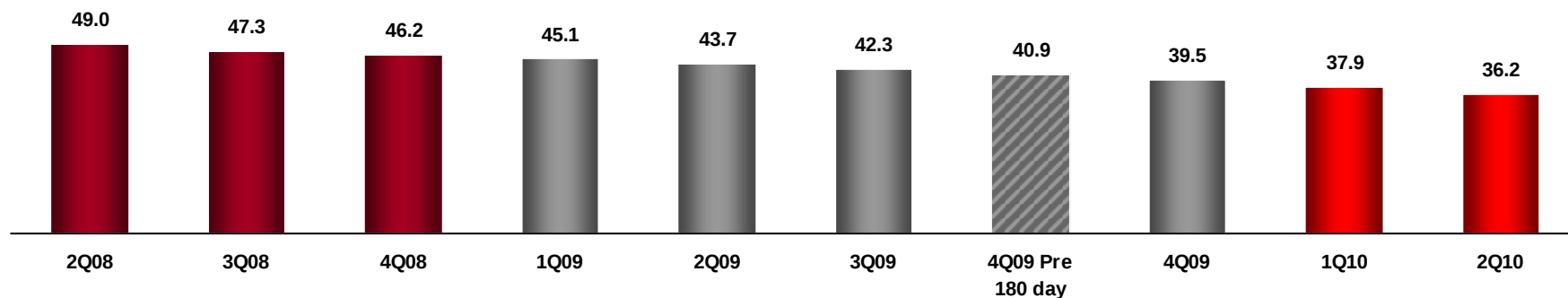
Notes:

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

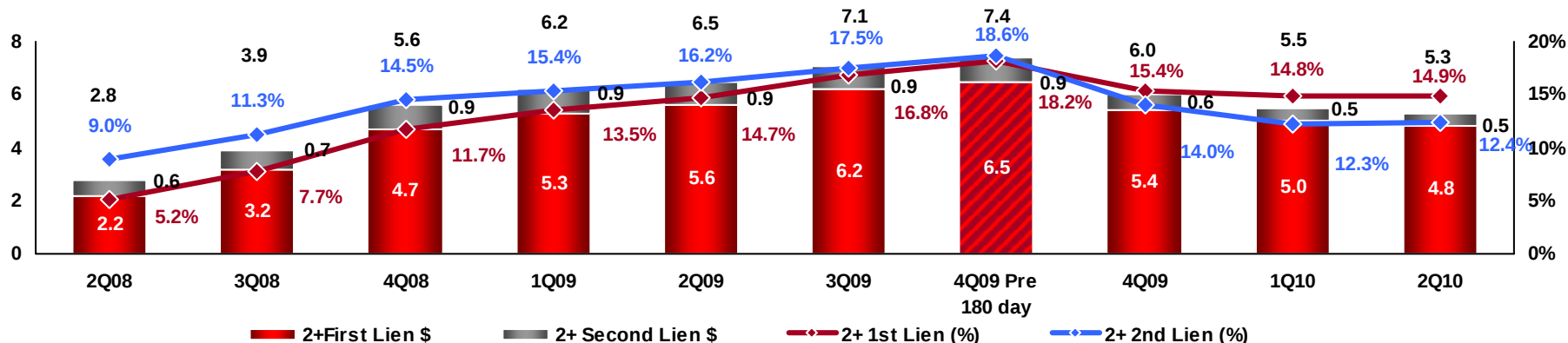
HSBC Finance Corporation

US Mortgages: Continuing to shrink the Consumer Lending mortgage portfolio

Consumer Lending
Customer loans, US\$bn



Consumer Lending
2+ Delinquency¹, US\$bn



Notes:

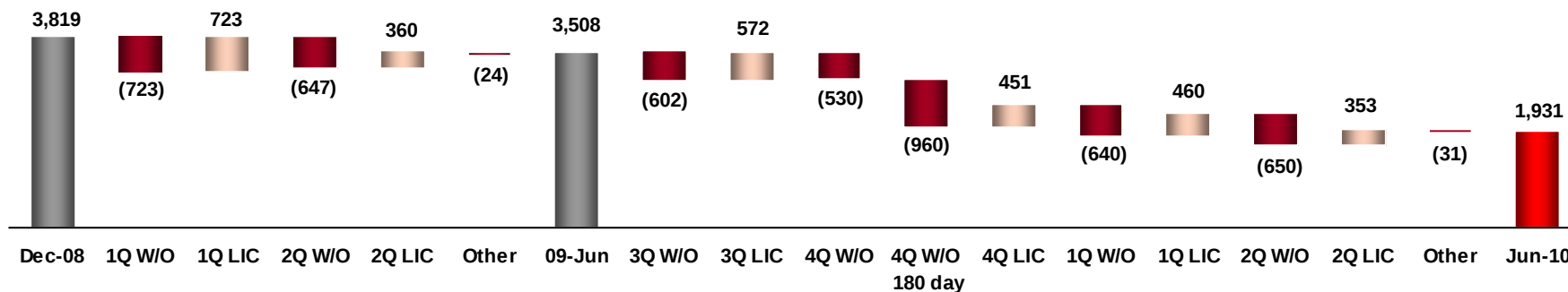
(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans

HSBC Finance Corporation

Impairment allowance

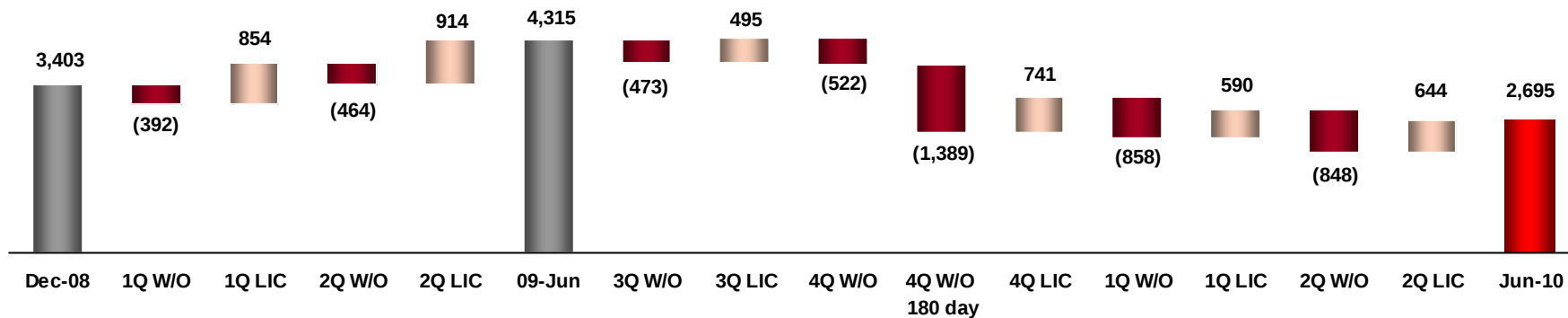
Mortgage Services

Real Estate Secured, US\$m



Consumer Lending

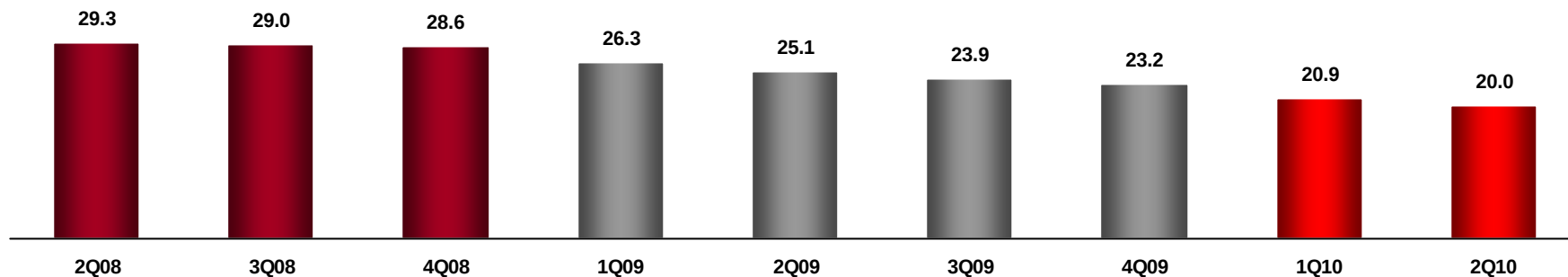
Real Estate Secured, US\$m



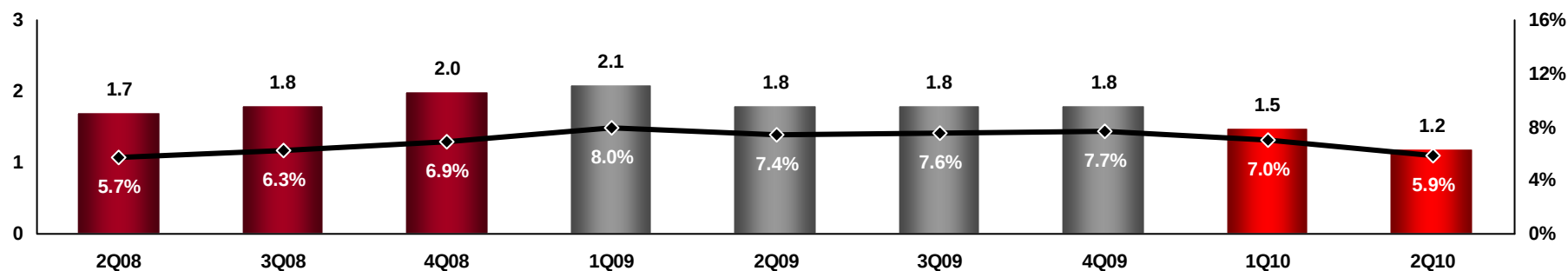
HSBC Finance Corporation

Managing risk: Credit Card

Credit Card
Customer Loans, US\$bn



Credit Card
2+ Delinquencies¹, US\$bn



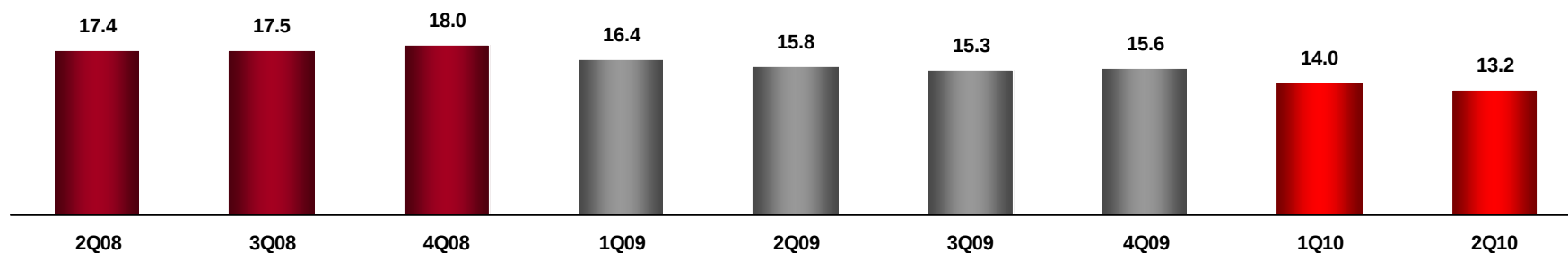
Notes:

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

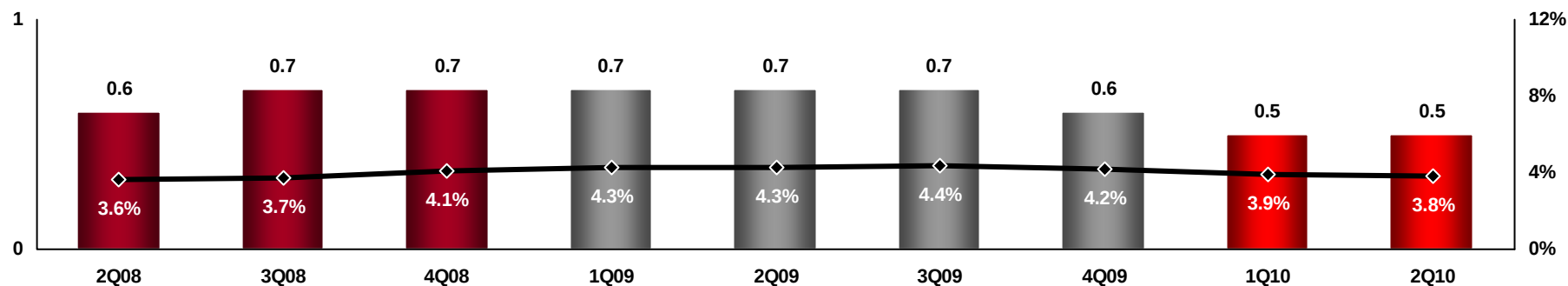
HSBC Finance Corporation

Managing risk: Private Label

Private Label
Customer Loans, US\$bn



Private Label
2+ Delinquencies¹, US\$bn



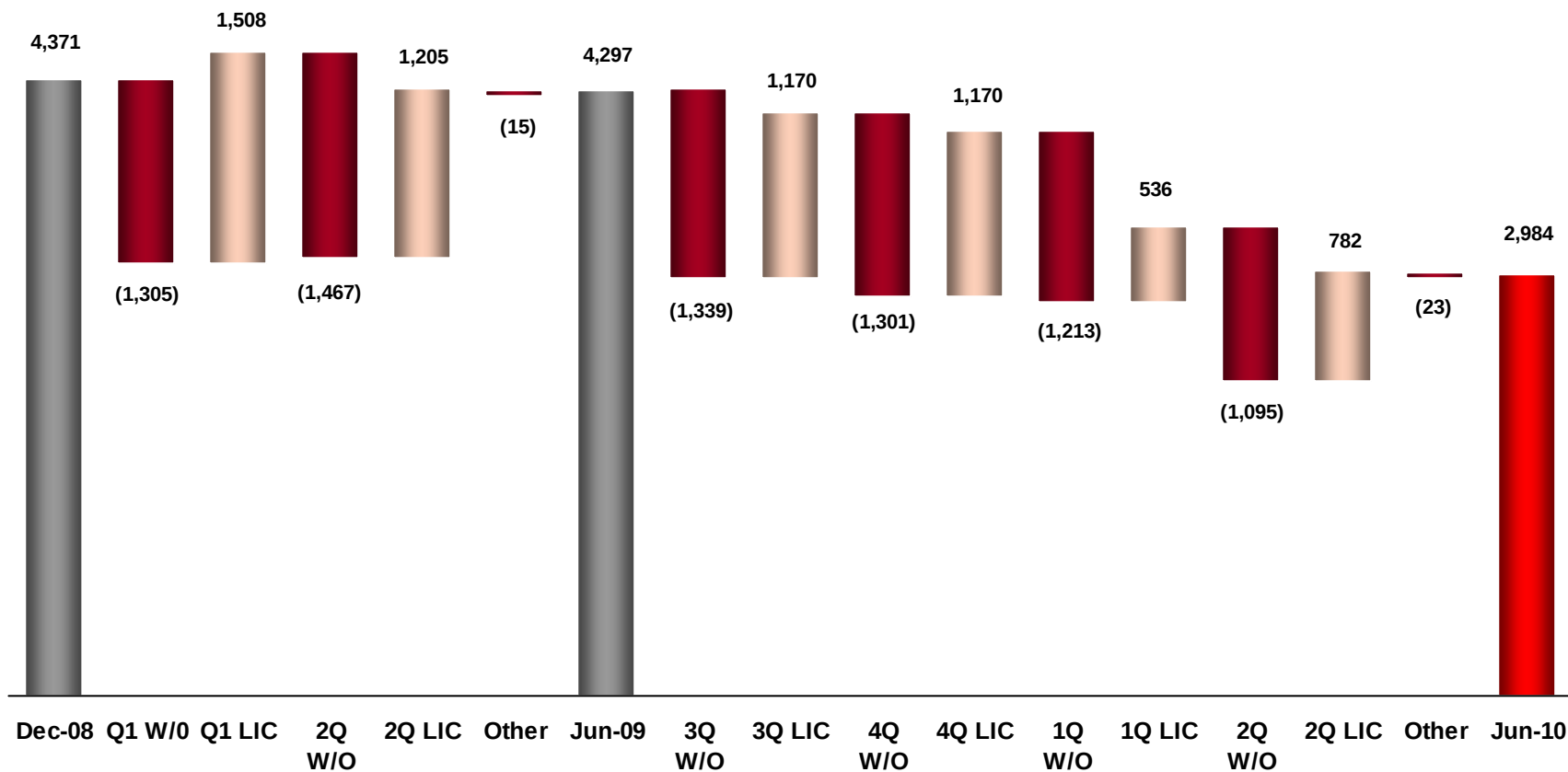
Notes:

(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



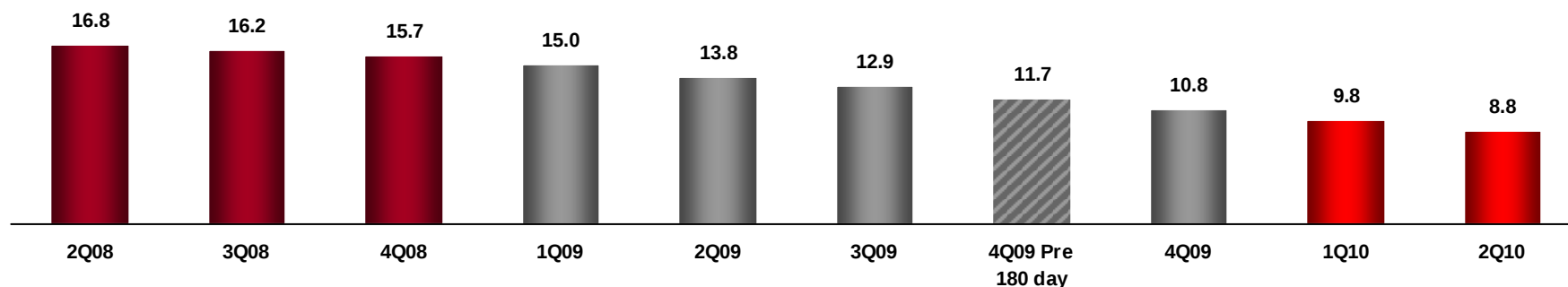
Notes:

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

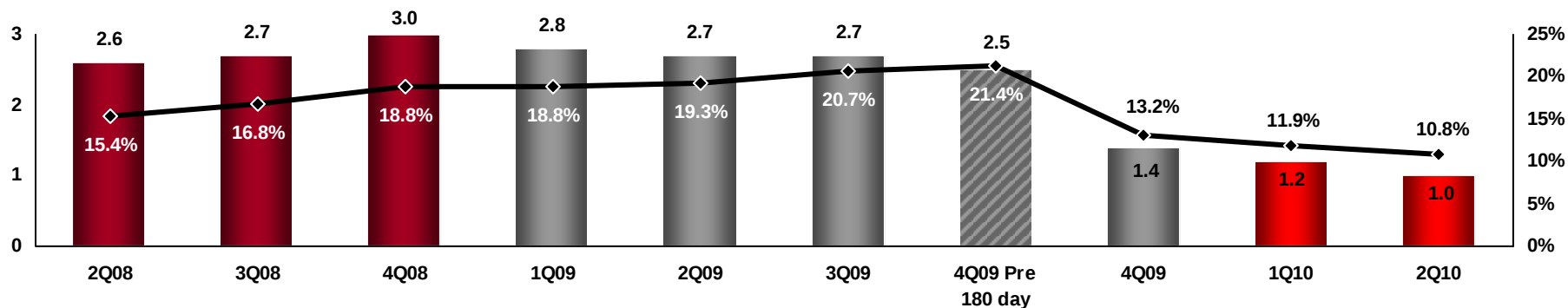
HSBC Finance Corporation

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+ Delinquencies¹, US\$bn**



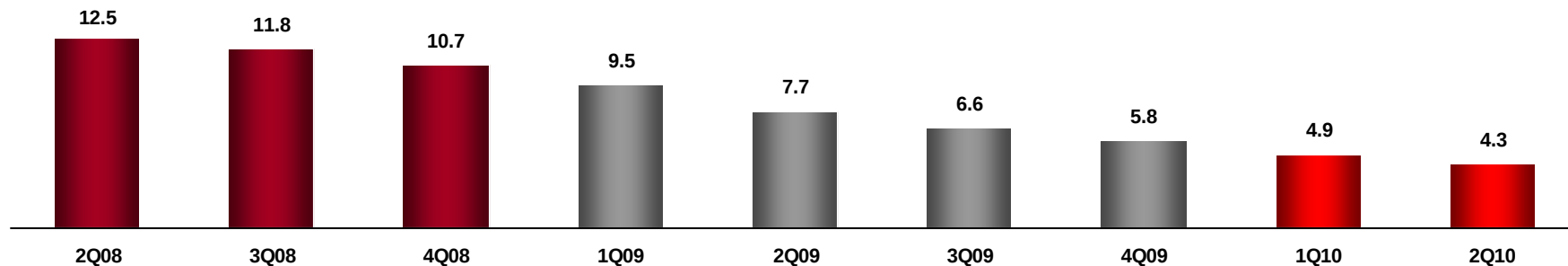
Notes:

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

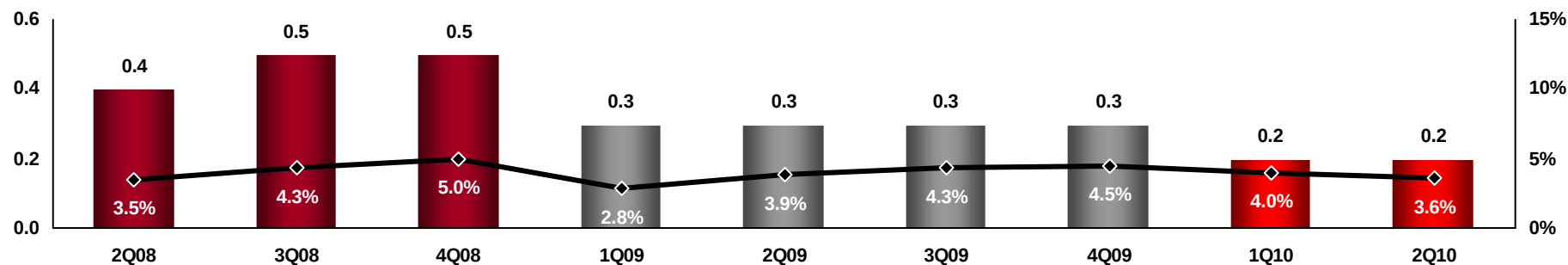
HSBC Finance Corporation

Managing vehicle finance run-off¹

Vehicle Finance
Customer Loans⁽²⁾, US\$bn



Vehicle Finance
2+ Delinquencies⁽¹⁾⁽²⁾, US\$bn



Notes:

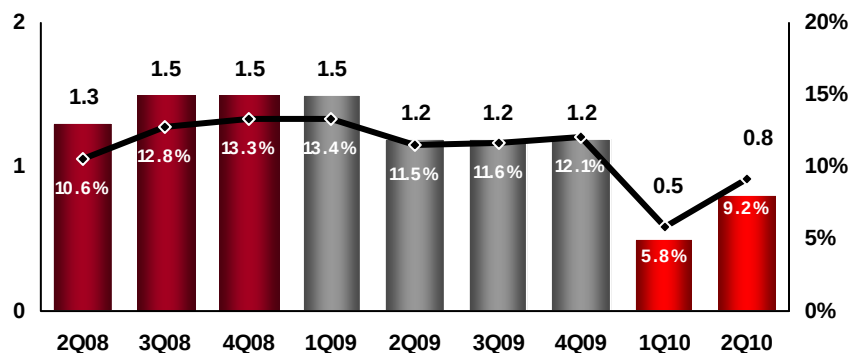
(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans

(2) Excludes vehicle finance held for sale loans

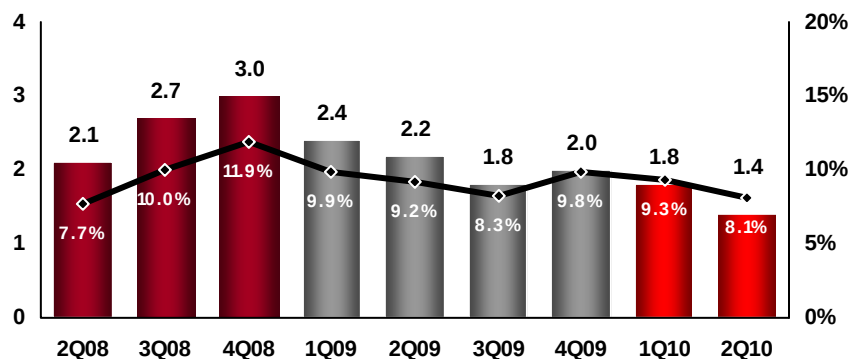
HSBC Finance Corporation

Loan impairment charges^{1,2}

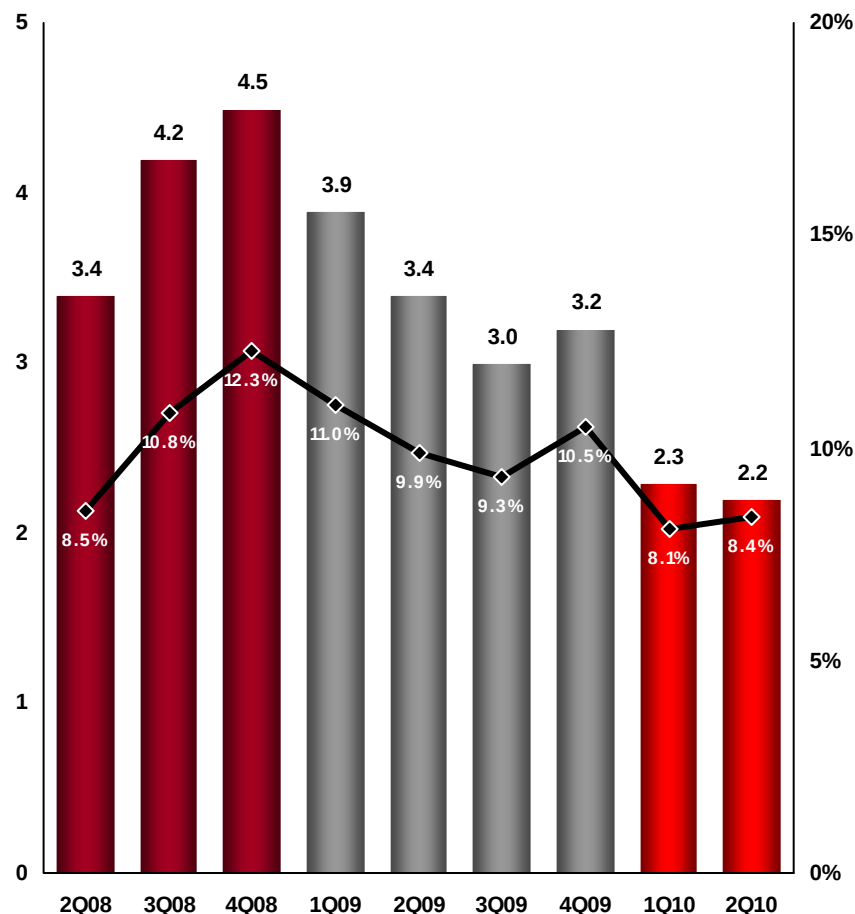
Core Portfolio, US\$bn



Run-off Portfolio, US\$bn



Total HSBC Finance Corp, US\$bn



Notes:

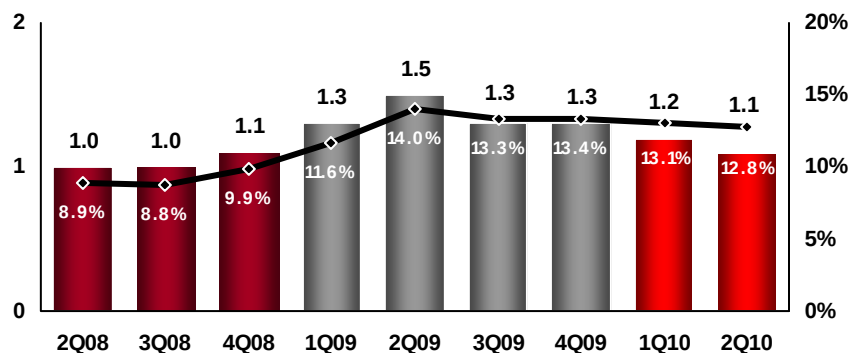
(1) Excludes reverse repo balances

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

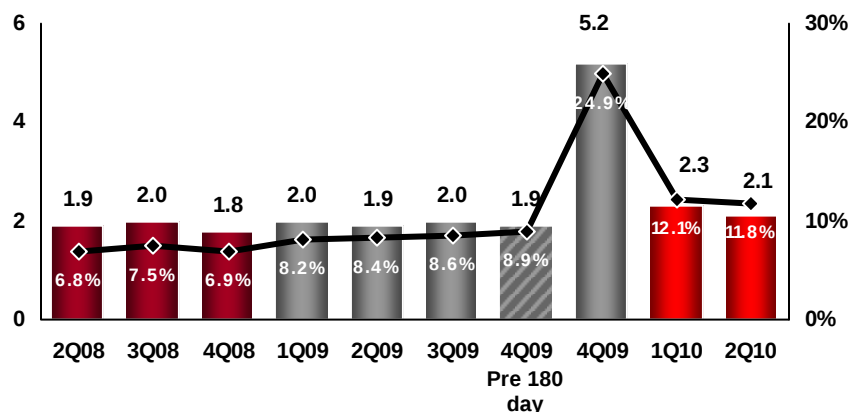
HSBC Finance Corporation

Amount written-off ^{1,2}

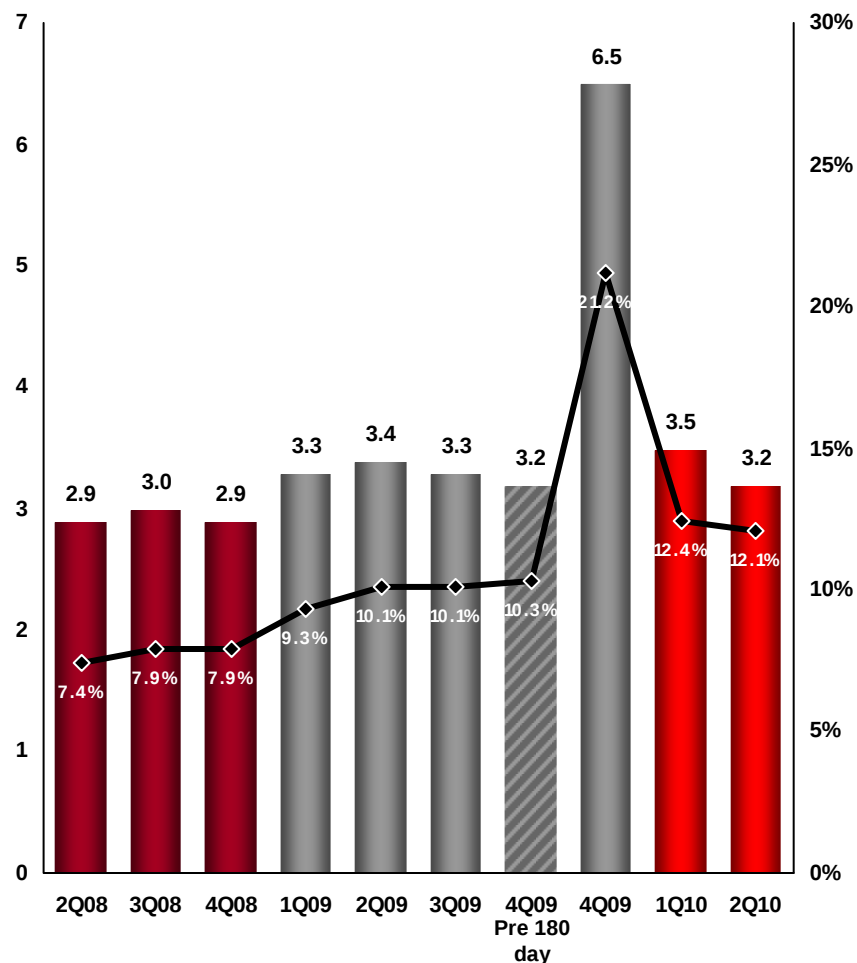
Core Portfolio, US\$bn



Run-off Portfolio, US\$bn



Total HSBC Finance Corp, US\$bn



Notes:

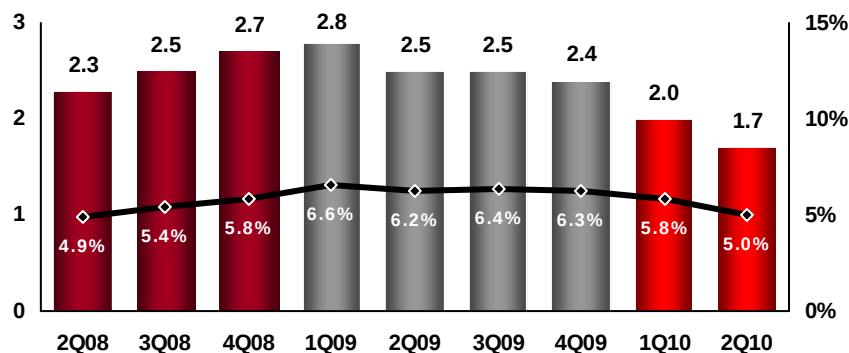
(1) Excludes reverse repo balances

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

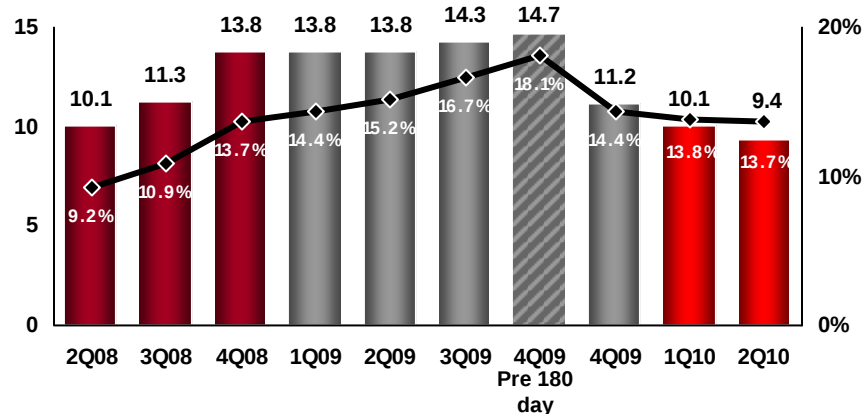
HSBC Finance Corporation

2+ Delinquency^{1,2}

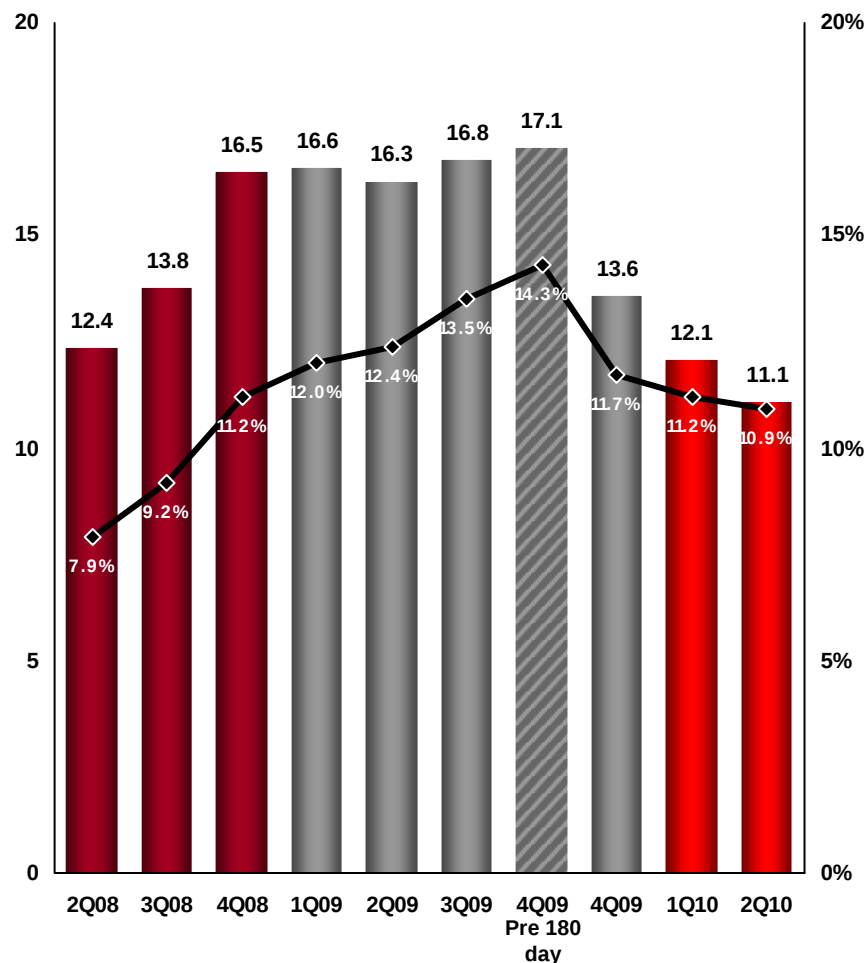
Core Portfolio, US\$bn



Run-off Portfolio, US\$bn



Total HSBC Finance Corp, US\$bn



Notes:

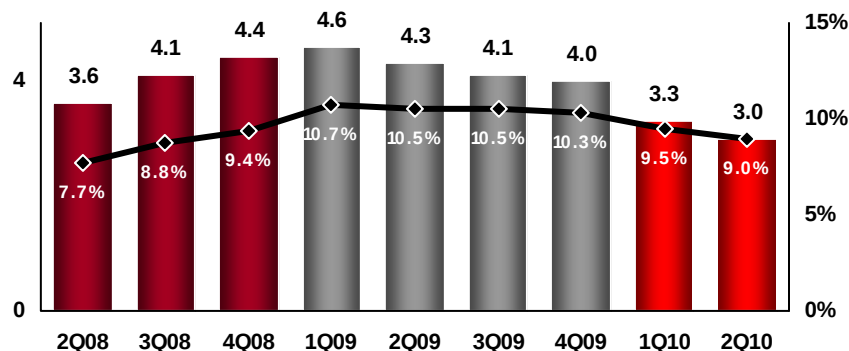
(1) Excludes reverse repo balances

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

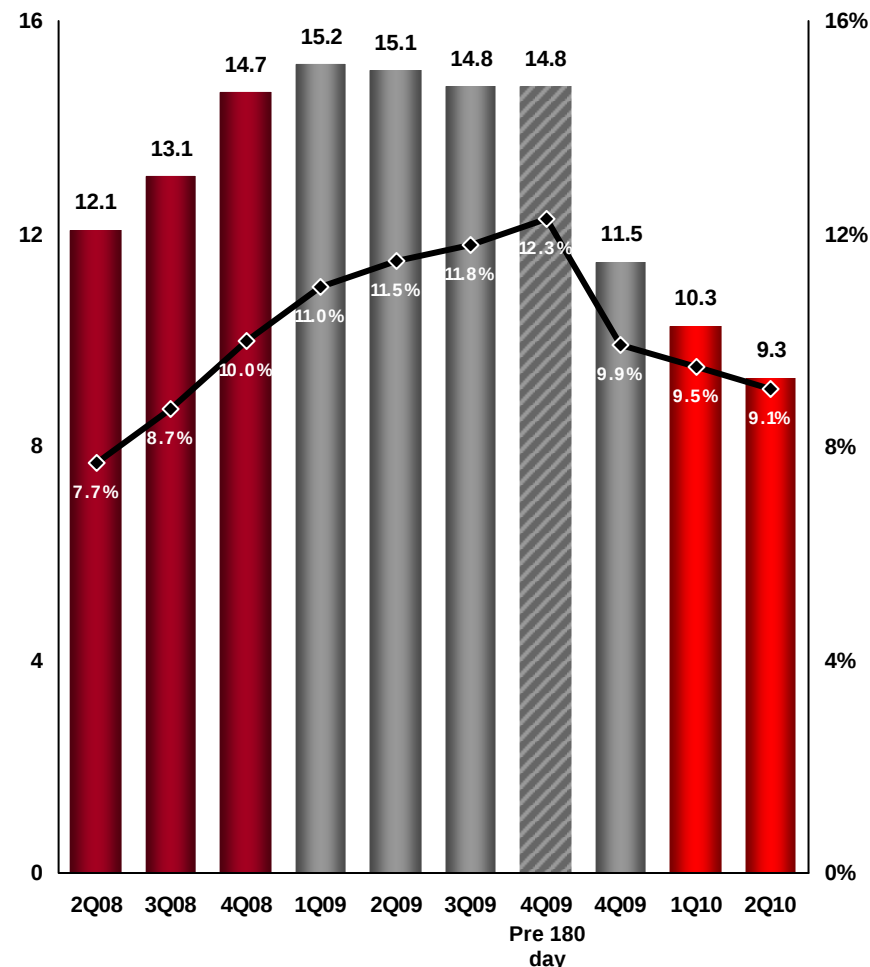
HSBC Finance Corporation

Impairment allowance^{1,2}

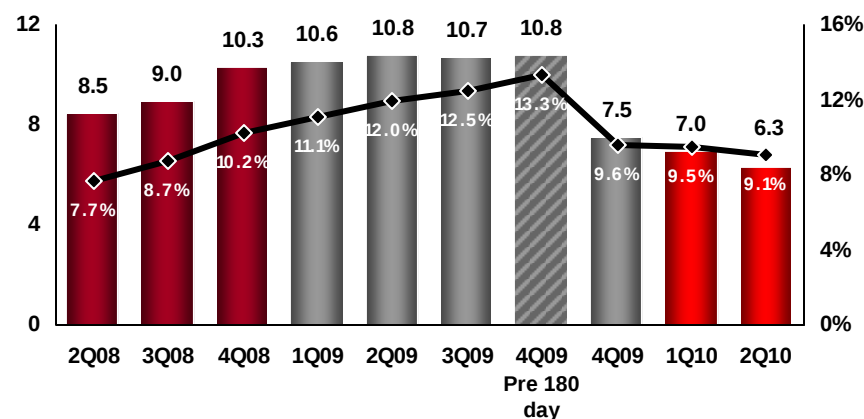
Core Portfolio, US\$bn



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