

HSBC Finance Corporation and HSBC USA Inc.

Card and Retail Services and US Bank Operations

IFRS Management Basis

May 11, 2011



Disclosure Statement

This presentation, including the accompanying slides and subsequent discussion, may contain certain forward-looking information with respect to the financial condition, results of operations and business of HSBC Holdings plc, HSBC USA Inc. and HSBC Finance Corporation. Any forward-looking information represents expectations or beliefs concerning future events and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in the HSBC Holdings plc Annual Report and Accounts for the period ended December 31, 2010. Please be further advised that Regulation FD prohibits HSBC representatives from answering specific questions.

HSBC Holdings plc reports financial results in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU"). EU-endorsed IFRSs may differ from IFRSs, as issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At March 31, 2011, there were no unendorsed standards affecting this document and there was no difference between IFRSs endorsed by the EU and IFRSs as issued by the IASB in terms of their application to HSBC.

IFRSs comprise accounting standards issued by the International Accounting Standards Board and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee and its predecessor body.

This presentation contains certain information regarding HSBC Finance Corporation, including Card and Retail Services, and HSBC USA Inc., ("US Bank Operations"), wholly owned, indirect subsidiaries of HSBC Holdings plc, and is presented on an IFRS Management Basis, which assumes that the mortgages, credit card loans, motor vehicle finance loans and private label customer loans transferred to HSBC Bank USA, National Association ('HSBC Bank USA'), a subsidiary of US Bank Operations, have not been sold and remain on HSBC Finance Corporation's balance sheet and are therefore, excluded from the balance sheet of US Bank Operations. IFRS Management Basis also assumes that all purchase accounting fair value adjustments relating to the acquisition of HSBC Finance Corporation by HSBC Holdings plc have been 'pushed down' to HSBC Finance Corporation. Trends are monitored on an IFRS Management Basis because the loans sold to HSBC Bank USA were conducted primarily to fund prime customer loans more efficiently through bank deposits and such customer loans continue to be managed and serviced by HSBC Finance Corporation without regard to ownership.

All amounts are in US\$ unless otherwise stated.

Card and Retail Services and US Bank Operations

1Q 2011 Financial Results

US\$m	1Q 2010			1Q 2011		
	Card and Retail Services	US Bank Operations	Total	Card and Retail Services	US Bank Operations	Total
Net operating income before loan impairment charges excluding changes in Fair Value of Own Debt due to credit spreads (FVOD)	1,669	1,257	2,926	1,361	1,132	2,493
Loan impairment charges and other credit risk provisions (net releases)	537	(88)	449	259	(33)	226
Total operating expenses	457	692	1,149	480	917	1,397
Profit/(Loss) from continuing operations before tax excluding FVOD⁽¹⁾	675	653	1,328	622	248	870
Profit/(Loss) before tax from discontinued operations ⁽²⁾	-	16	16	-	(2)	(2)
Profit/(Loss) before tax excluding FVOD	675	669	1,344	622	246	868

Notes:

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

	1Q 2010		1Q 2011	
	Card and Retail Services	US Bank Operations	Card and Retail Services	US Bank Operations
Profit from continuing operations before tax excluding FVOD as reported above	675	653	622	248
Adjustments:				
Changes in FVOD	-	11	-	(29)
Management Basis adjustments	(316)	303	(316)	235
Profit before tax as reported	359	967	306	454

See Note 13 'Business Segments' of the HSBC Finance Corporation and Note 16 'Business Segments' of the HSBC USA Inc. U.S. SEC filings on Form 10-Q for the period ended 31 March 2011 for further information related to business segment results.

(2) In June 2010 we decided to exit our wholesale Banknotes business. As a result of this decision, our Banknotes business is reported as discontinued operations in our U.S. SEC filings on Form 10-Q for HSBC USA Inc.

HSBC Finance Corporation

IFRS Management Basis

May 11, 2011

HSBC Finance Corporation

1Q 2011 Financial Results

US\$m	1Q 2010			1Q 2011		
	Card and Retail Svcs	Consumer and Other ⁽¹⁾	Total	Card and Retail Svcs	Consumer and Other ⁽¹⁾	Total
Net operating income before loan impairment charges excluding changes in Fair Value of Own Debt due to credit spreads (FVOD) ⁽²⁾	1,669	764	2,433	1,361	757	2,118
Loan impairment charges and other credit risk provisions	537	1,682	2,219	259	1,284	1,543
Total operating expenses	457	270	727	480	263	743
Profit/(Loss) from continuing operations before tax excluding FVOD⁽³⁾	675	(1,188)	(513)	622	(790)	(168)
Profit before tax from discontinued operations ⁽⁴⁾	-	(2)	(2)	-	(3)	(3)
Profit/(Loss) before tax excluding FVOD	675	(1,190)	(515)	622	(793)	(171)

Notes:

- (1) Consumer represents the run-off businesses of Consumer Lending, Mortgage Services, and through August 2010, our Vehicle Finance business as well as our Insurance, Commercial, Corporate and Treasury activities.
(2) Net operating income before loan impairment charges includes the effect of non-qualifying hedges ("NQHS") of (\$102m) loss in 1Q 2010 and \$43m income in 1Q 2011.
(3) Profit/(loss) from continuing operations before tax excluding goodwill impairment and FVOD can be reconciled to reported IFRS segment results as follows:

	1Q 2010		1Q 2011	
	Card and Retail Svcs	Consumer and Other	Card and Retail Svcs	Consumer and Other
Profit/(Loss) from continuing operations before tax excluding FVOD as reported above	675	(1,188)	622	(790)
Adjustments:				
Changes in FVOD	-	(35)	-	(157)
Management Basis adjustments	(316)	(26)	(316)	9
Profit/(Loss) before tax as reported	359	(1,249)	306	(938)

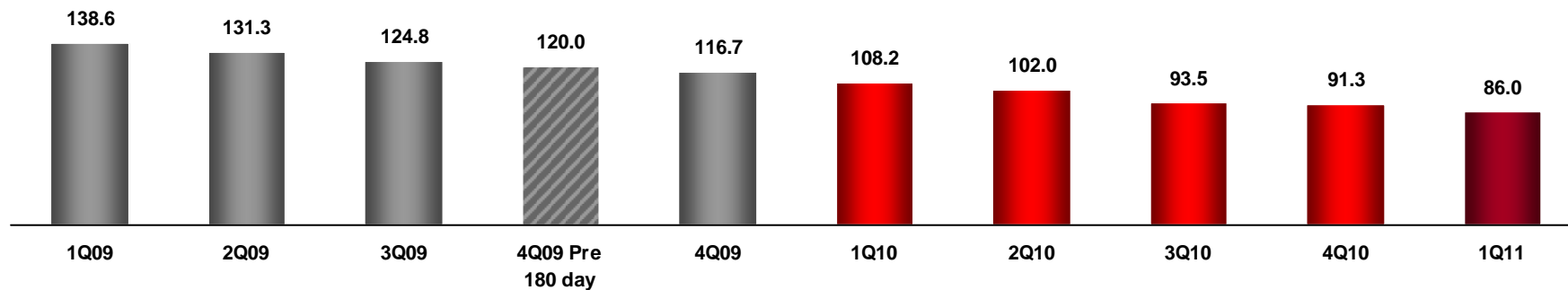
See Note 13 'Business Segments' of the HSBC Finance Corporation U.S. SEC filings on Form 10-Q for the period ended 31 March 2011 for further information related to business segment results.

- (4) In August 2010, we sold the remainder of our Vehicle Finance loan portfolio to Santander Consumer, USA Inc. and as a result of this transaction, our Vehicle Finance business is reported as discontinued operations within our U.S. SEC filings for HSBC Finance Corporation. In December 2010, we decided to exit the Taxpayer Financial Services (TFS) business and we did not offer any tax refund anticipation loans or related products for the 2011 tax season. As a result of this decision, our TFS business is also reported as discontinued operations within our U.S. SEC filings for HSBC Finance Corporation.

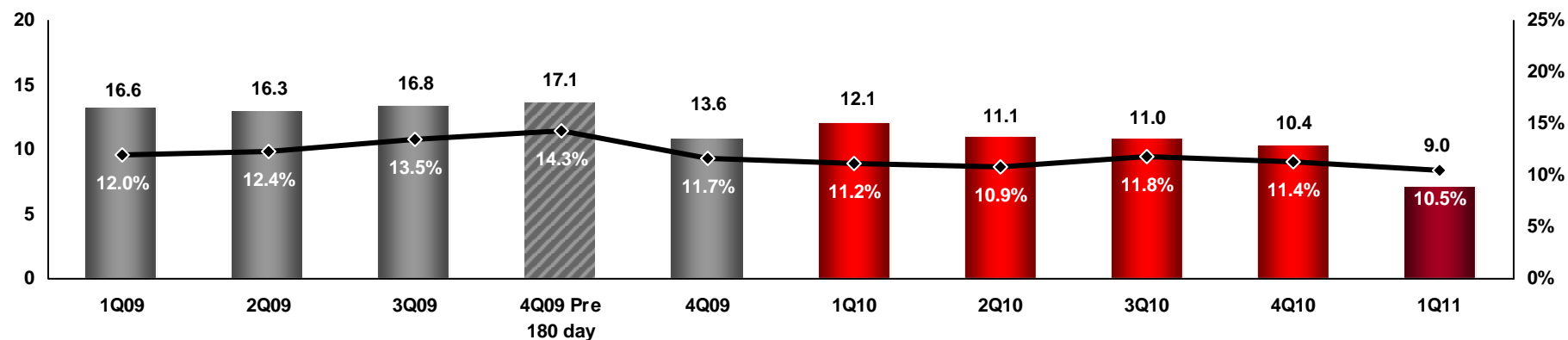
HSBC Finance Corporation

Continued reduction of balance sheet in the US

Customer loans^{(1), (3)}, US\$bn



2+ Delinquency^{(1), (2), (3)}, US\$bn



Notes:

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

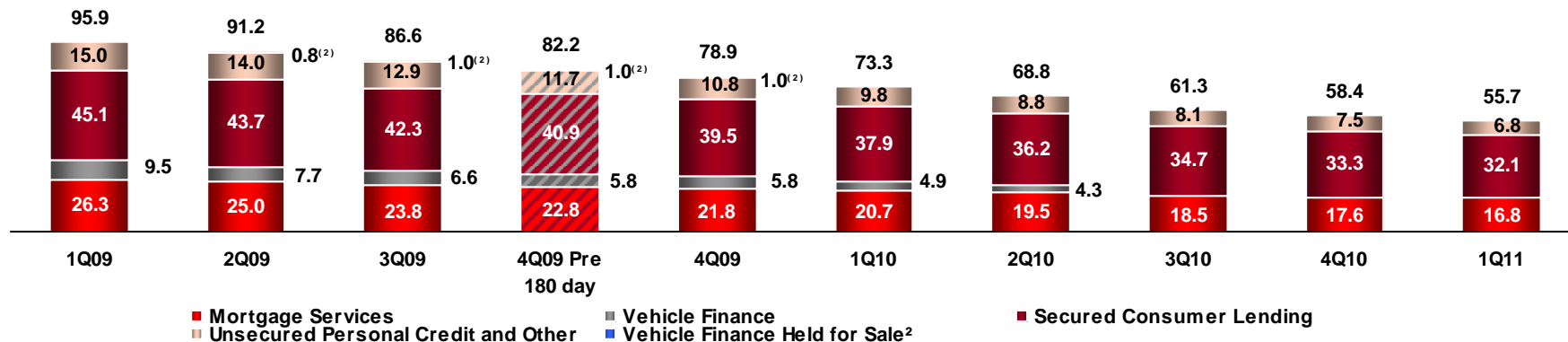
(2) 2+ Delinquency ratio as a percentage of end-of-period customer loans.

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

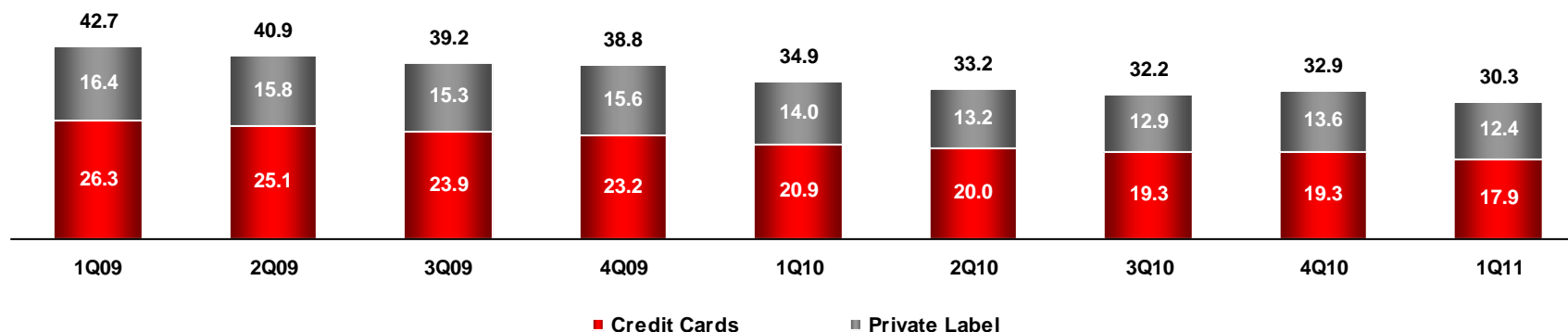
HSBC Finance Corporation

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

Customer loans^{(1), (3)} Run-off portfolio, US\$bn



Customer loans⁽¹⁾ Credit Card and Private Label, US\$bn



Notes:

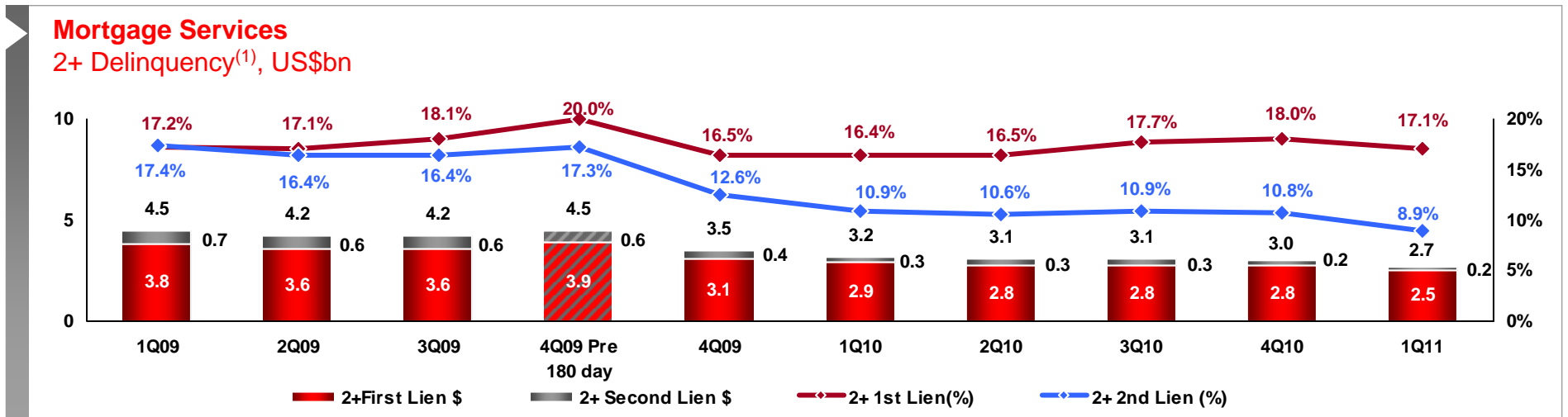
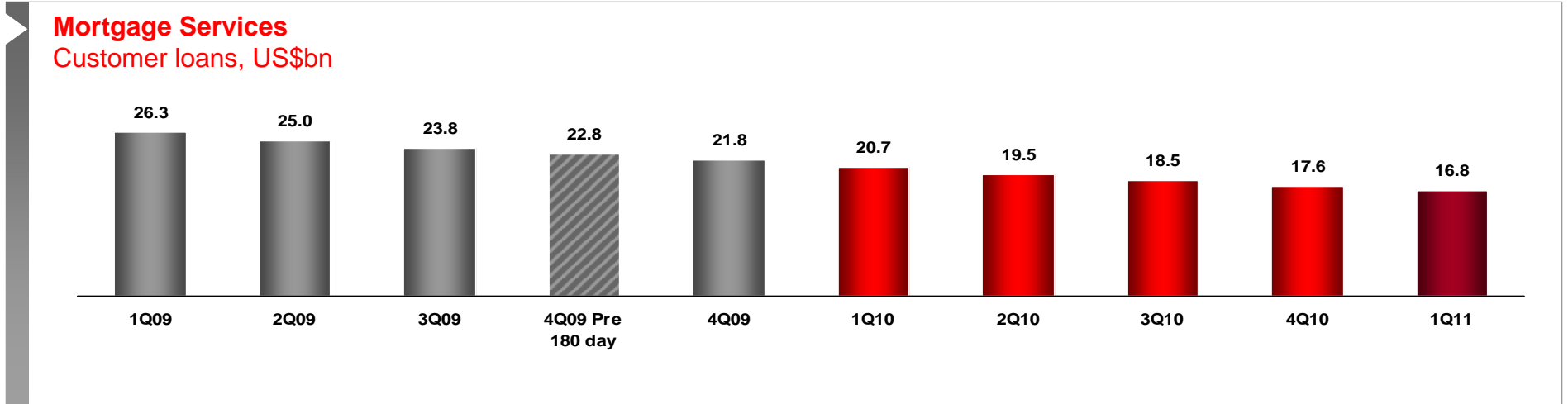
(1) Excludes reverse repo balances.

(2) Vehicle finance loans held for sale.

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

HSBC Finance Corporation

US Mortgages: Continuing to shrink the Mortgage Services portfolio

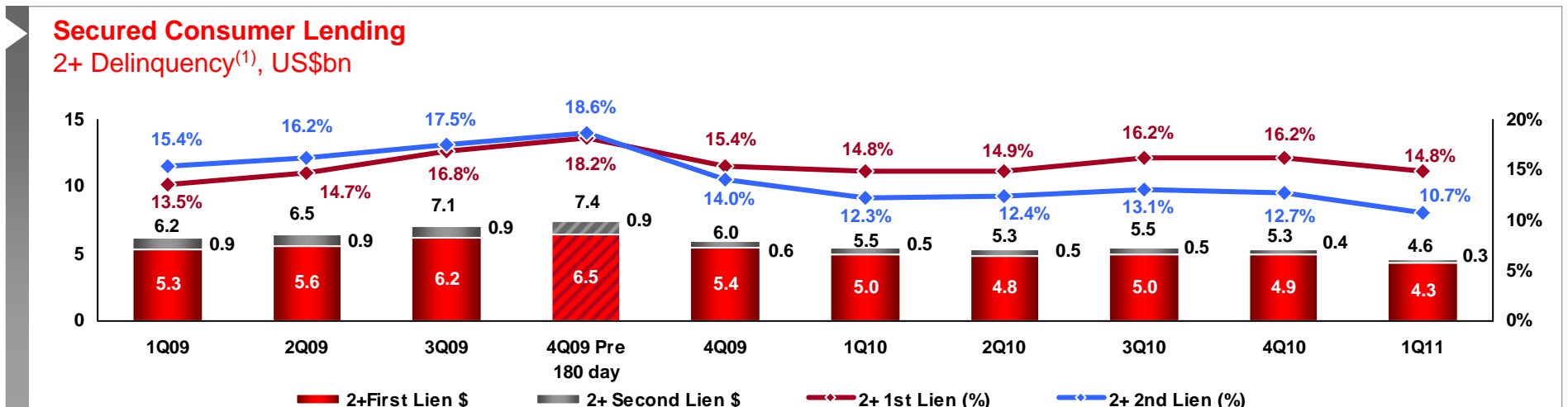
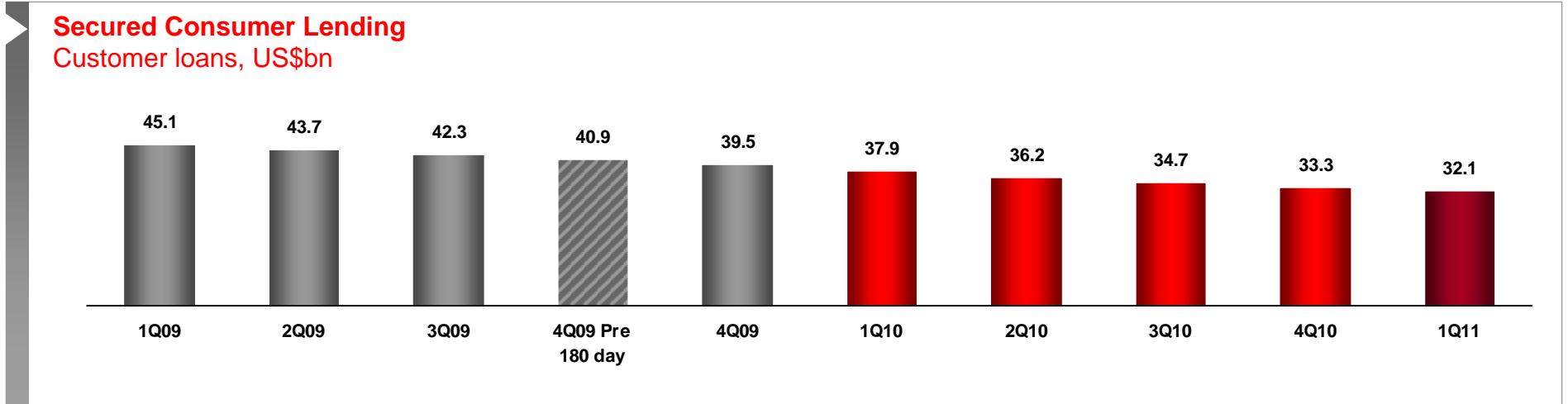


Notes:

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

HSBC Finance Corporation

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



Notes:

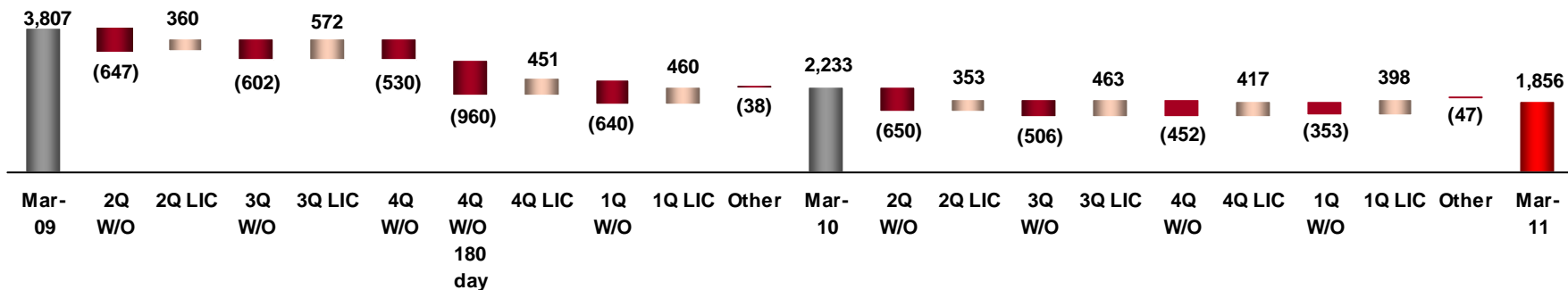
(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans.

HSBC Finance Corporation

Impairment allowance

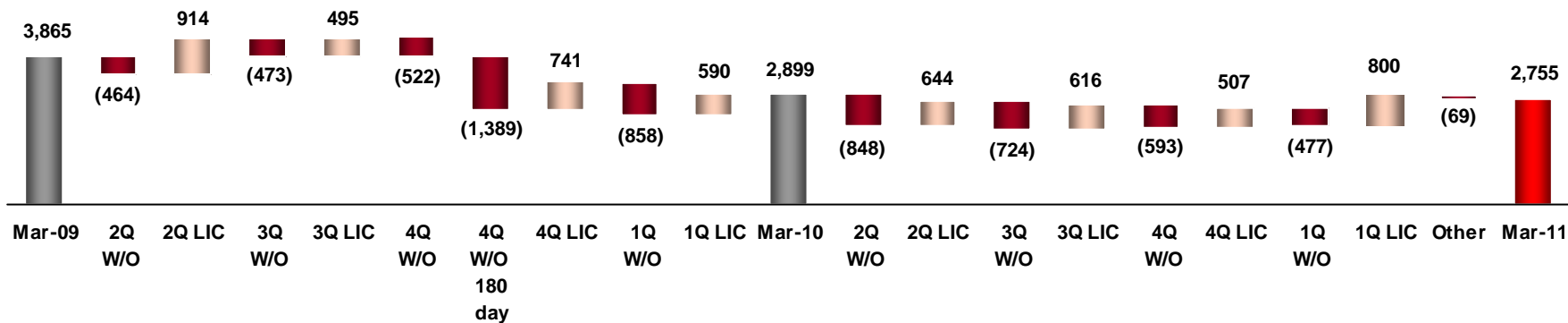
Mortgage Services

Real Estate Secured, US\$m



Secured Consumer Lending

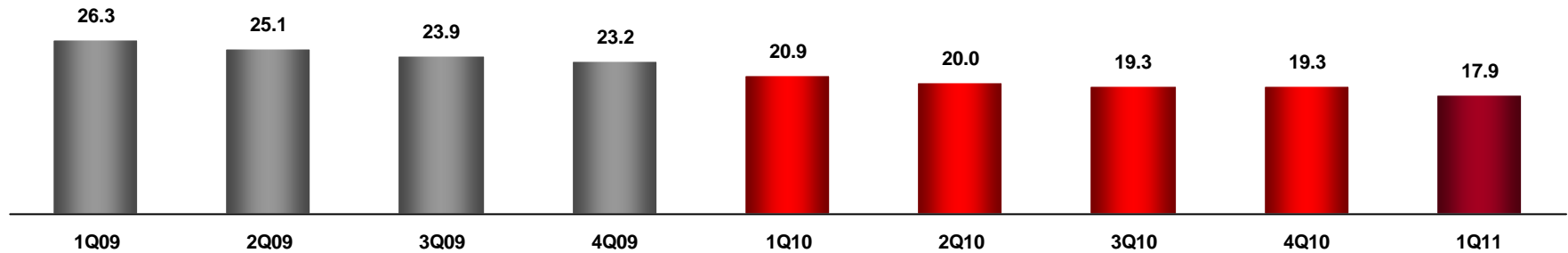
Real Estate Secured, US\$m



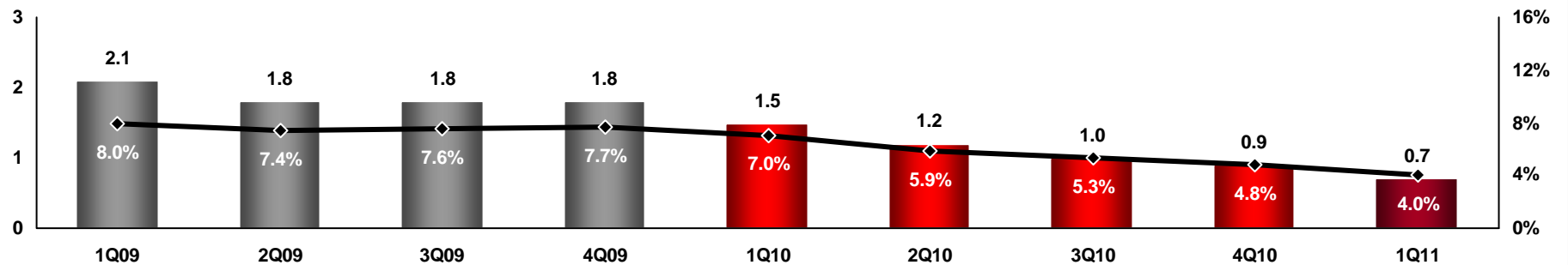
HSBC Finance Corporation

Managing risk: Credit Card

Credit Card
Customer Loans, US\$bn



Credit Card
2+ Delinquencies⁽¹⁾, US\$bn



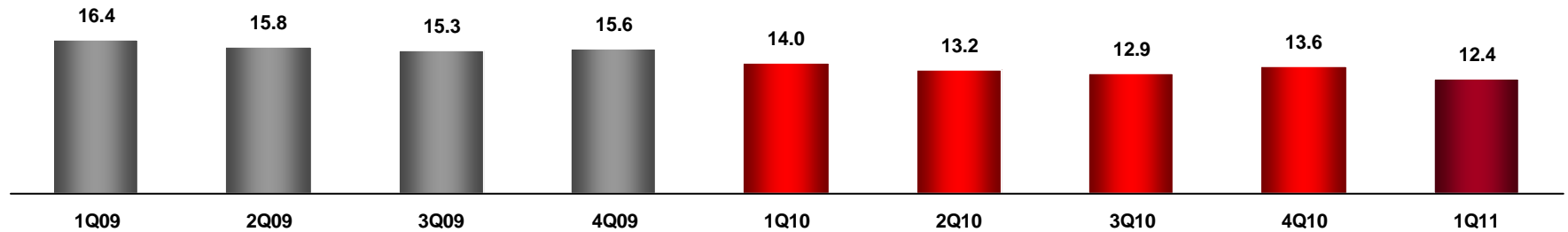
Notes:

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

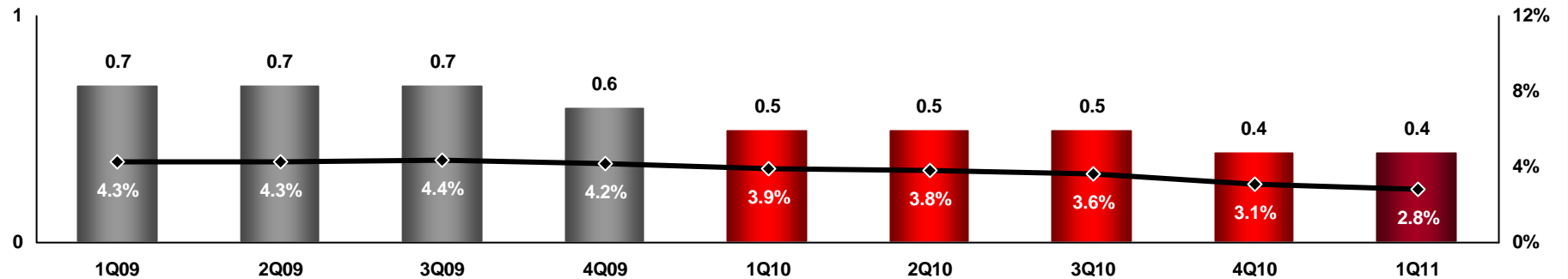
HSBC Finance Corporation

Managing risk: Private Label

Private Label
Customer Loans, US\$bn



Private Label
2+ Delinquencies⁽¹⁾, US\$bn



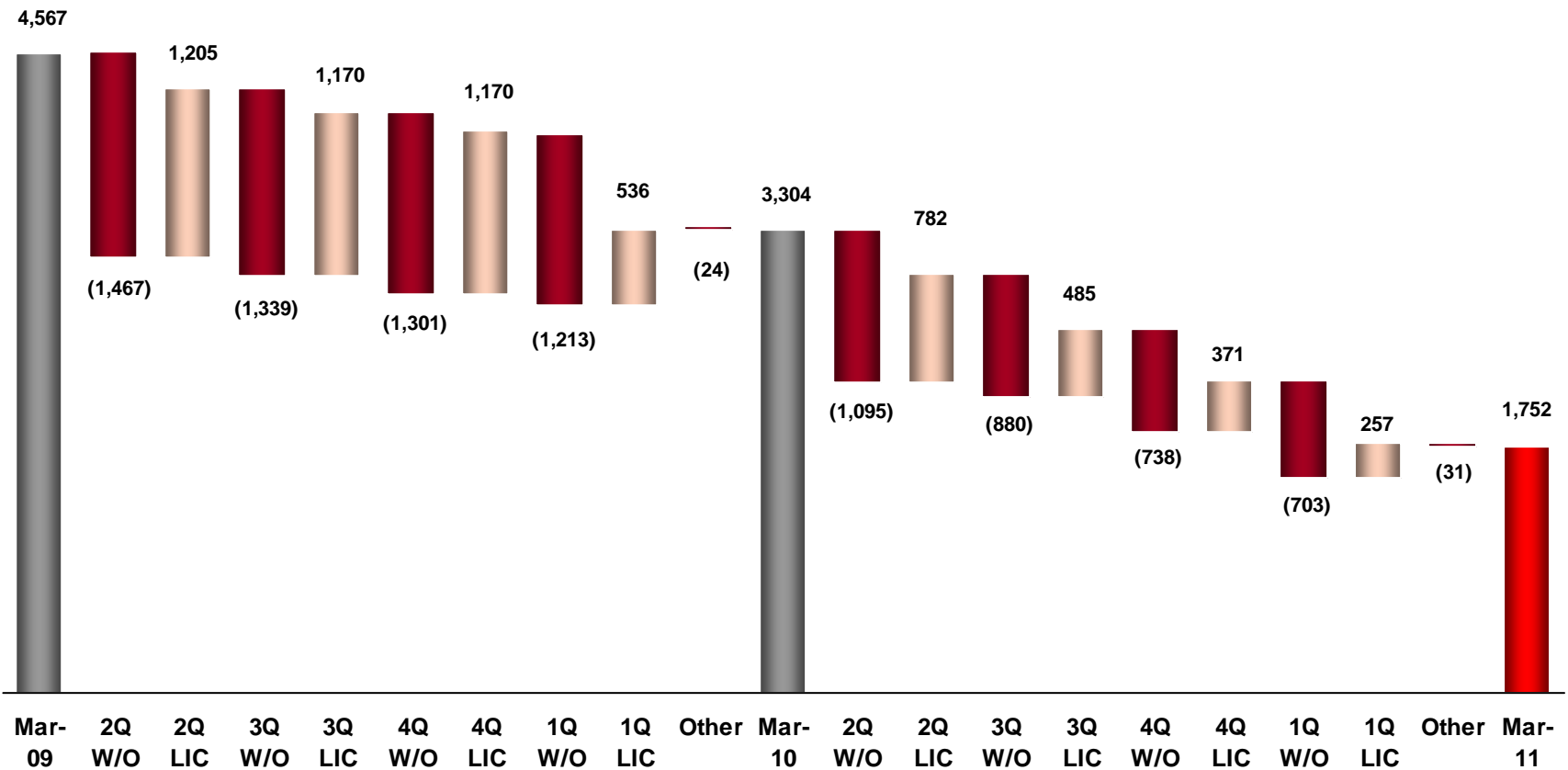
Notes:

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

HSBC Finance Corporation

Impairment allowance

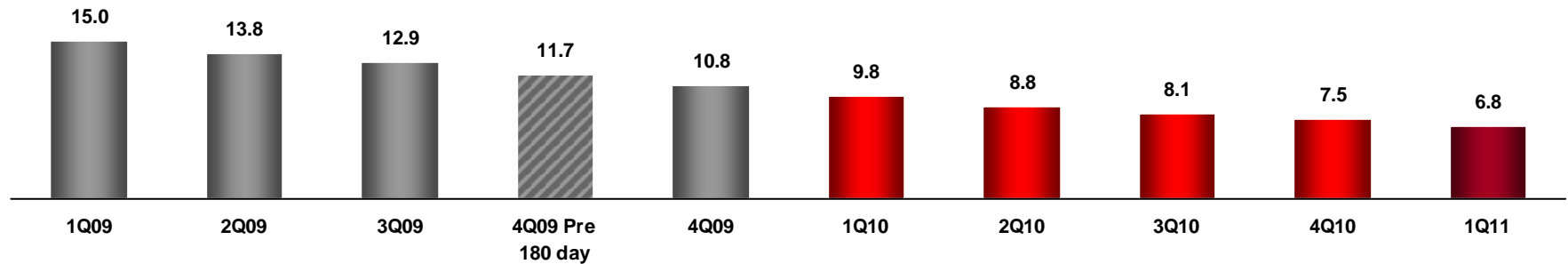
Credit Card and Private Label, US\$m



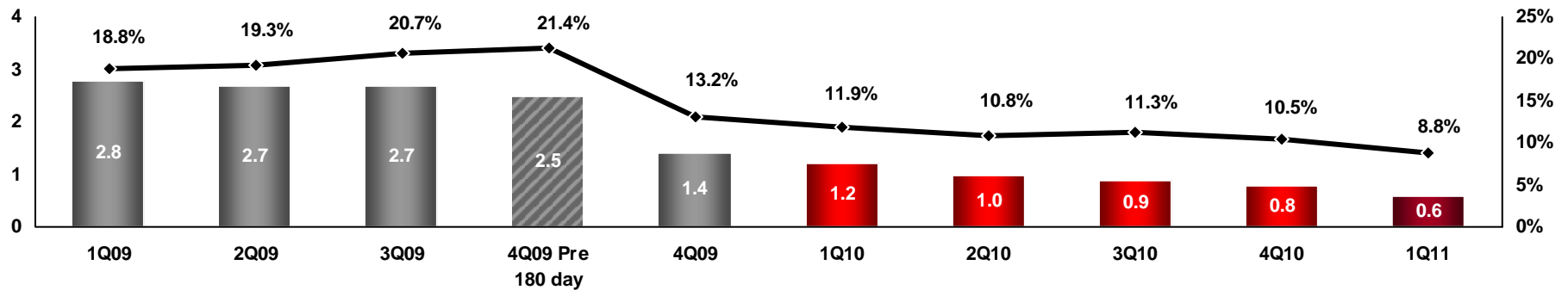
HSBC Finance Corporation

Managing personal non-credit card run-off

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



Personal Non-Credit Card and Other Unsecured 2+ Delinquencies⁽¹⁾, US\$bn



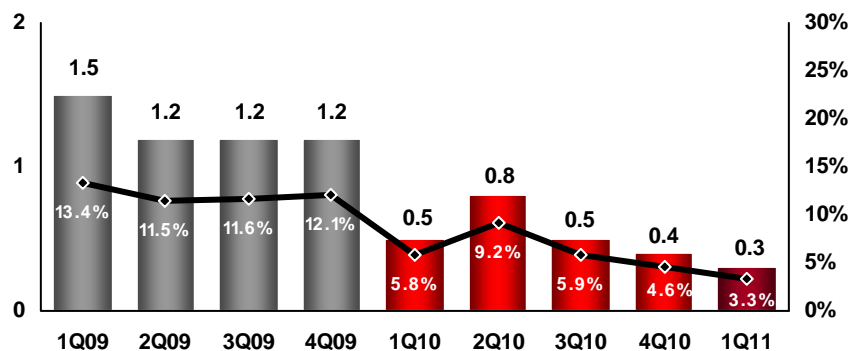
Notes:

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

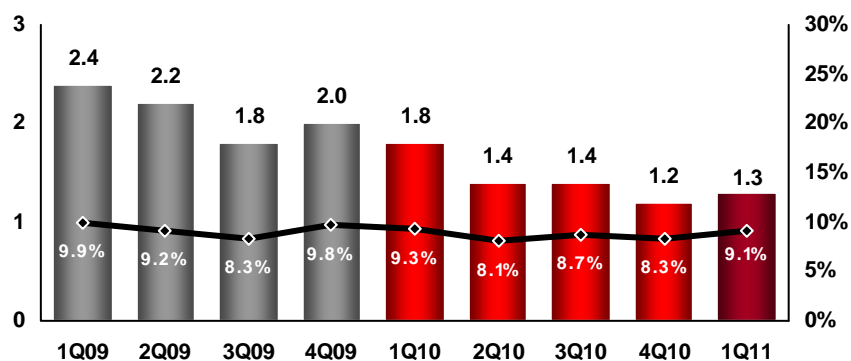
HSBC Finance Corporation

Loan impairment charges^{(1), (2), (3)}

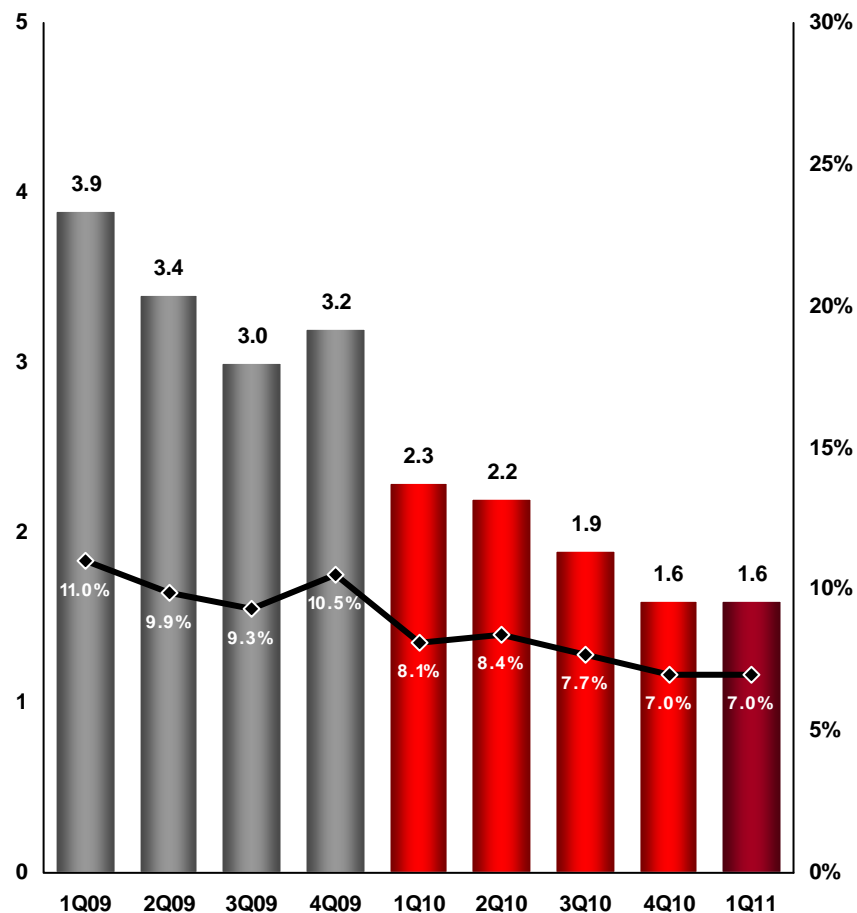
Credit Card and Private Label, US\$bn



Run-off Portfolio, US\$bn



Total HSBC Finance Corp, US\$bn



Notes:

(1) Excludes reverse repo balances.

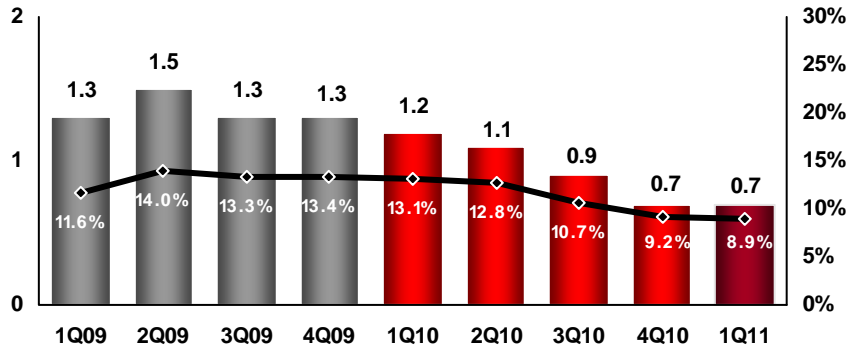
(2) Loan impairment charge ratio as a percentage of average total loans (quarter annualised).

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

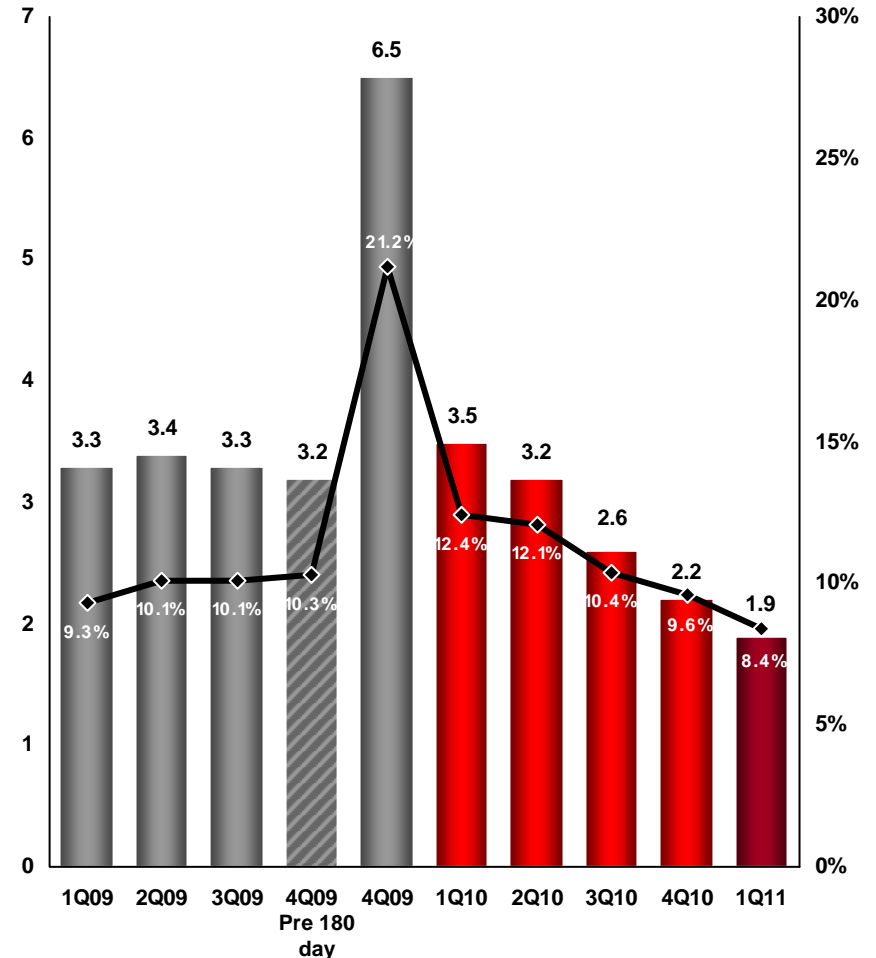
HSBC Finance Corporation

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

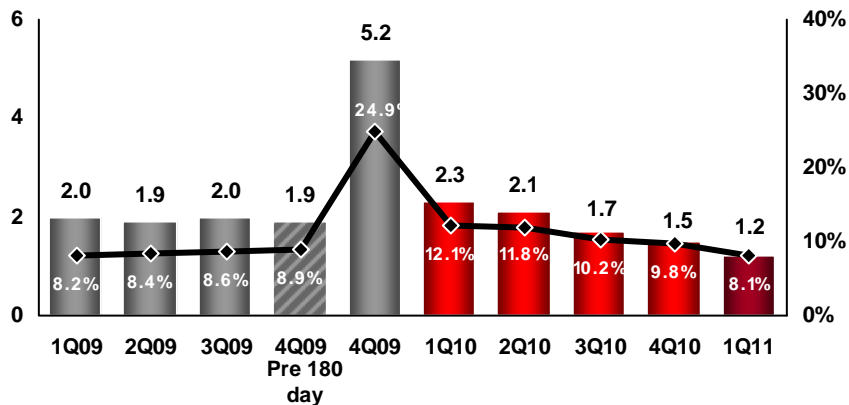
Credit Card and Private Label, US\$bn



Total HSBC Finance Corp, US\$bn



Run-off Portfolio, US\$bn



Notes:

(1) Excludes reverse repo balances.

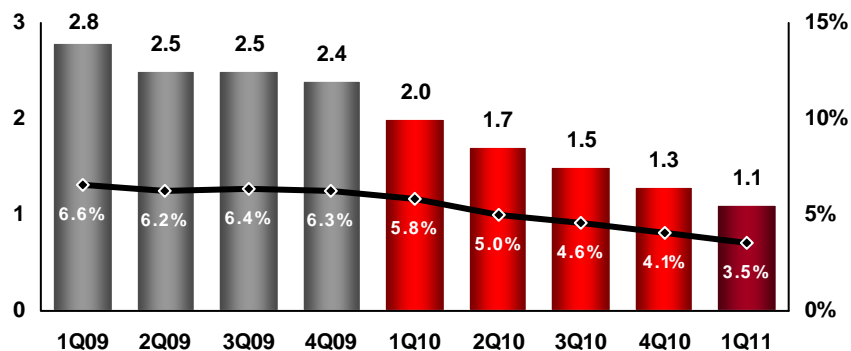
(2) Loans written-off ratio as a percentage of average total loans (quarter annualised).

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

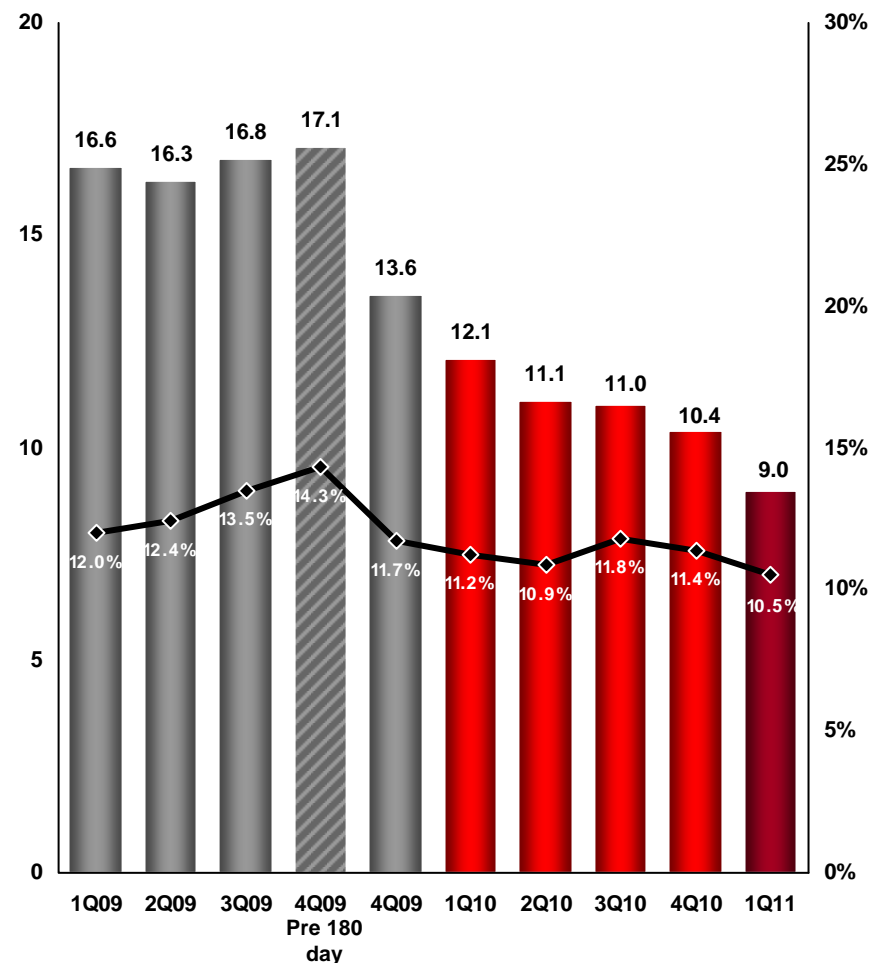
HSBC Finance Corporation

2+ Delinquency^{(1), (2), (3)}

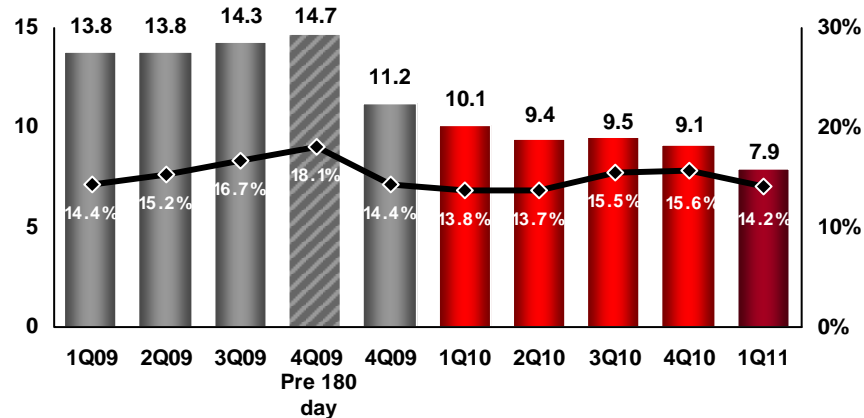
Credit Card and Private Label, US\$bn



Total HSBC Finance Corp, US\$bn



Run-off Portfolio, US\$bn



Notes:

(1) Excludes reverse repo balances.

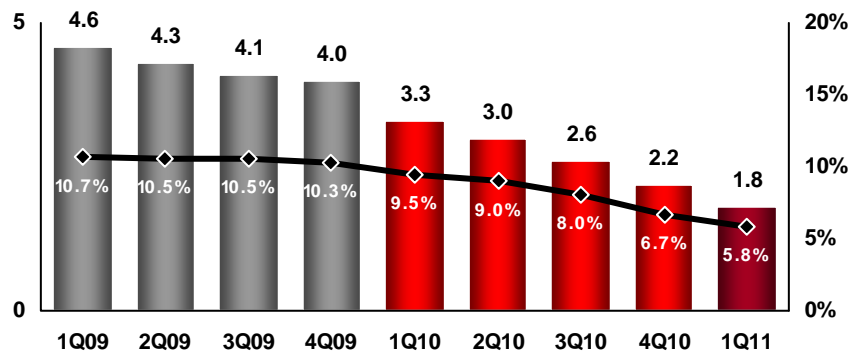
(2) 2+ Delinquency ratio as a percentage of end-of-period customer loans.

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

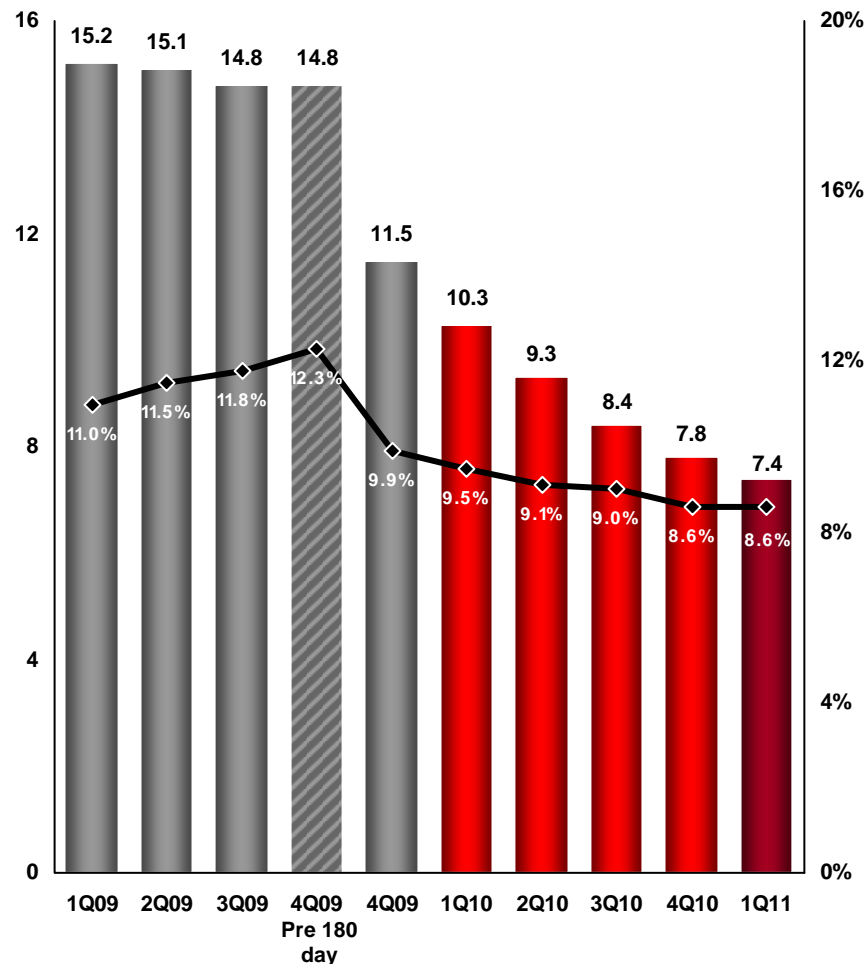
HSBC Finance Corporation

Impairment allowance^{(1), (2), (3)}

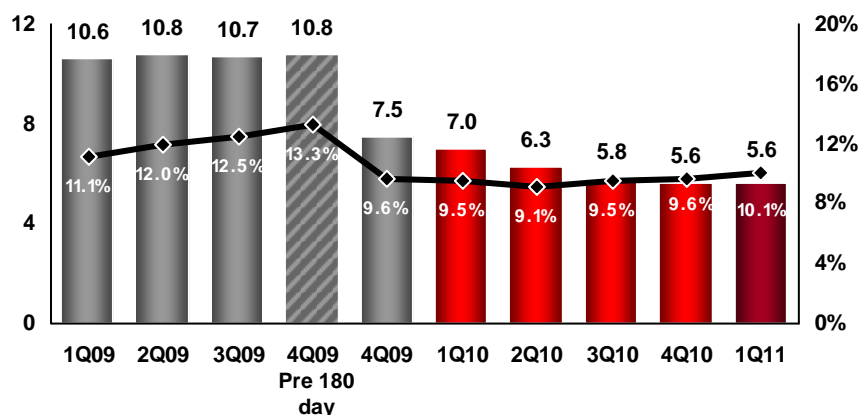
Credit Card and Private Label, US\$bn



Total HSBC Finance Corp, US\$bn



Run-off Portfolio, US\$bn



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