

HSBC Finance Corporation and HSBC USA Inc.

Core Operations

November 5, 2010



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

## 3Q 2010 Financial Results

US\$m	3Q 2009			2Q 2010			3Q 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 excluding changes in net income from financial instruments at Fair Value (FVO)	1,884	951	2,835	1,531	1,081	2,612	1,496	1,062	2,558
Loan impairment charges and other credit risk provisions	1,172	478	1,650	784	2	786	487	(29)	458
Total operating expenses	460	716	1,176	488	760	1,248	487	817	1,304
<b>Profit (Loss) before tax excluding FVO<sup>(1)</sup></b>	<b>252</b>	<b>(243)</b>	<b>9</b>	<b>259</b>	<b>319</b>	<b>578</b>	<b>522</b>	<b>274</b>	<b>796</b>

### Notes:

(1) US Core Operations is comprised of the US Bank holding company, 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:

	3Q 2009		2Q 2010		3Q 2010	
	Card and Retail Services	HUSI	Card and Retail Services	HUSI	Card and Retail Services	HUSI
Profit (Loss) before tax excluding FVO as reported above	252	(243)	259	319	522	274
Adjustments:						
Net income from financial instruments at FV	–	(62)	–	187	–	32
HUSI Consumer Finance profit	–	182	–	137	–	248
<b>Profit (loss) before tax as reported</b>	<b>252</b>	<b>(123)</b>	<b>259</b>	<b>643</b>	<b>522</b>	<b>554</b>

See Note 15 'Business Segments' of the HSBC Finance Corporation and Note 16 'Business Segments' of the HSBC USA Inc. Form 10-Q for the period ended 30 September 2010 for further information related to business segment results. HSBC Finance Corporation and HSBC USA Inc. report IFRS results on an IFRS Management Basis as discussed in their respective Form 10-Q.

# HSBC Finance Corporation

IFRS Management Basis

November 5, 2010

# HSBC Finance Corporation

## 3Q 2010 Financial Results<sup>(1)</sup>

US\$m	3Q 2009	2Q 2010	3Q 2010	% Better/(Worse)	
				3Q 10 vs 3Q 09	3Q 10 vs 2Q 10
Net operating income before loan impairment charges excluding changes in net income from financial instruments at Fair Value (FVO)	2,758	1,844	1,949	(29)	6
Loan impairment charges and other credit risk provisions	2,926	2,183	1,887	36	14
Total operating expenses	733	705	739	(1)	(5)
<b>Loss from continuing operations before tax excluding FVO</b>	<b>(901)</b>	<b>(1,044)</b>	<b>(677)</b>	<b>25</b>	<b>35</b>
Gain / Loss from discontinued operations before tax excluding FVO <sup>(2)</sup>	63	30	(162)	(353)	(640)
<b>Total Loss before tax excluding FVO</b>	<b>(838)</b>	<b>(1,014)</b>	<b>(839)</b>	<b>-</b>	<b>17</b>
Gross customer loans and advances (as at 30 September 2010) <sup>(3)</sup>	125,873	104,844	95,409	(24)	(9)

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 excluding FVO can be reconciled to IFRS results as follows:

	3Q 2009	2Q 2010	3Q 2010
Loss from continuing operations before tax excluding FVO	(901)	(1,044)	(677)
Adjustments:			
Net income from financial instruments at FV	(1,430)	265	(191)
<b>Loss from continuing operations before tax as reported</b>	<b>(2,331)</b>	<b>(779)</b>	<b>(868)</b>

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

(2) In August 2010, we sold the remainder of our Vehicle Finance loan portfolio and as a result of this transaction, our Vehicle Finance business is now reported as discontinued operations within our U.S. SEC filings.

(3) Customer loans and advances include reverse repo balances of US\$1,050m at 30 September 2009, US\$2,800m at 30 June 2010, and US\$1,875m at 30 September 2010.

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

## 3Q 2010 Financial Results

US\$m	3Q 2009	2Q 2010	3Q 2010
Net operating income before loan impairment charges excluding changes in net income from financial instruments at Fair Value (FVO)	874	313	453
Loan impairment charges and other credit risk provisions	1,754	1,399	1,400
Total operating expenses	273	217	252
<b>Loss from continuing operations before tax excluding FVO</b>	<b>(1,153)</b>	<b>(1,303)</b>	<b>(1,199)</b>
Gain/Loss from discontinued operations before tax excluding FVO <sup>(2)</sup>	63	30	(162)
<b>Total Loss before tax excluding FVO<sup>(3)</sup></b>	<b>(1,090)</b>	<b>(1,273)</b>	<b>(1,361)</b>

Notes:

- (1) Non-core Operations represents the Consumer and All Other business segments of HSBC Finance Corporation. The Consumer segment represents the run-off businesses of Consumer Lending, Mortgage Services, and prior to August 2010, our Vehicle Finance business.
- (2) In August 2010, we sold the remainder of our Vehicle Finance loan portfolio and as a result of this transaction, our Vehicle Finance business is now reported as discontinued operations.
- (3) Loss before tax excluding 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:

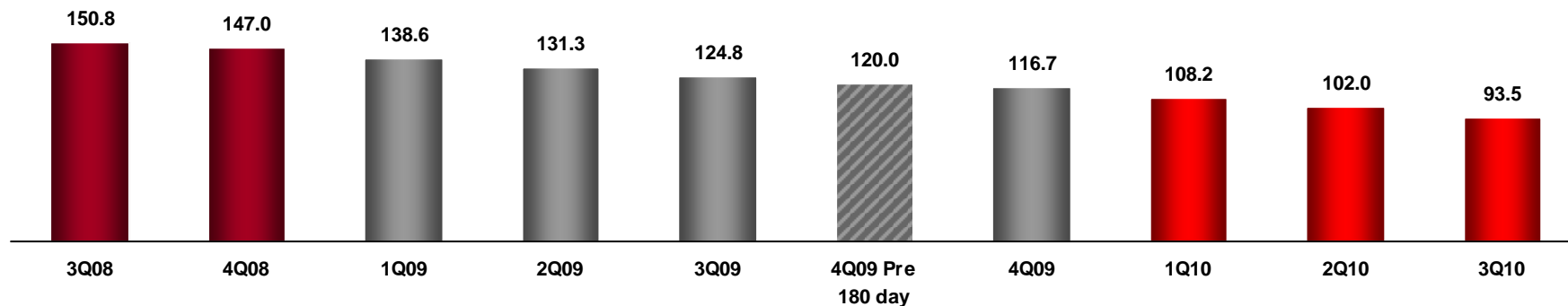
	3Q 2009	2Q 2010	3Q 2010
Loss from continuing operations before tax excluding FVO	(1,153)	(1,303)	(1,199)
Adjustments:			
Net Income from financial instruments at FV	(1,430)	265	(191)
<b>Loss from continuing operations before tax as reported</b>	<b>(2,583)</b>	<b>(1,038)</b>	<b>(1,390)</b>

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

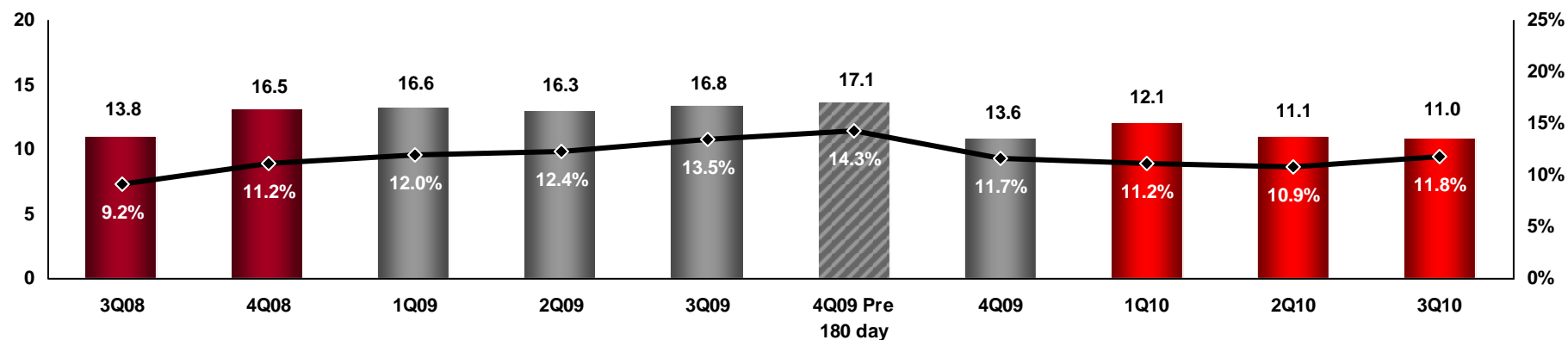
# HSBC Finance Corporation

## Continued reduction of balance sheet in the US

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



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



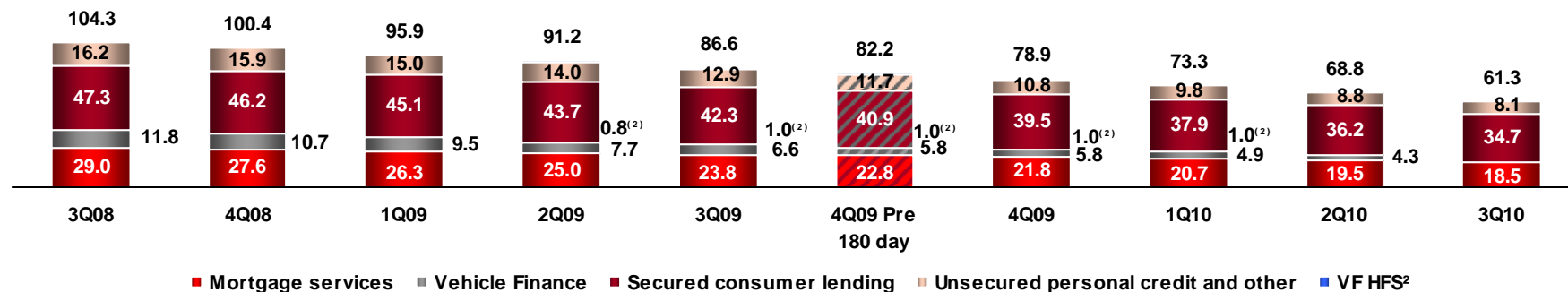
Notes:

- (1) Excludes reverse repo balances for all periods presented and vehicle finance loans held for sale in 2Q09 through 1Q10.
- (2) 2+ Delinquency ratio as a percentage of end-of-period customer loans.
- (3) During 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to a third party.

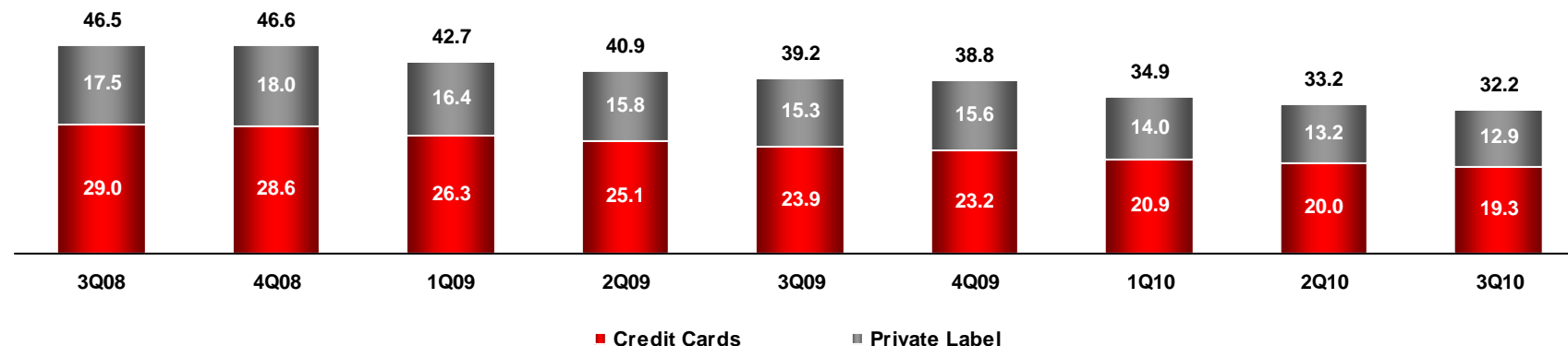
# HSBC Finance Corporation

## US customer loans – Run-off portfolio

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



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



Notes:

(1) Excludes reverse repo balances.

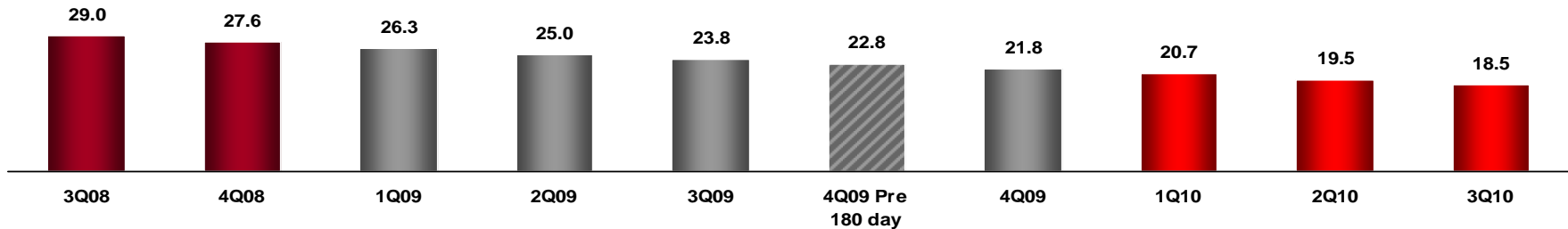
(2) Vehicle finance loans held for sale.

(3) During 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to a third party.

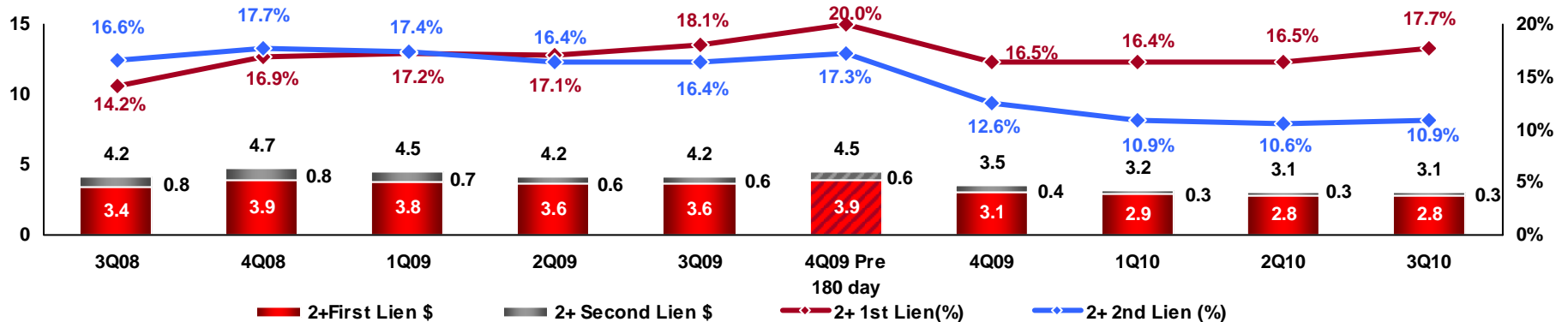
# HSBC Finance Corporation

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

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



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



Notes:

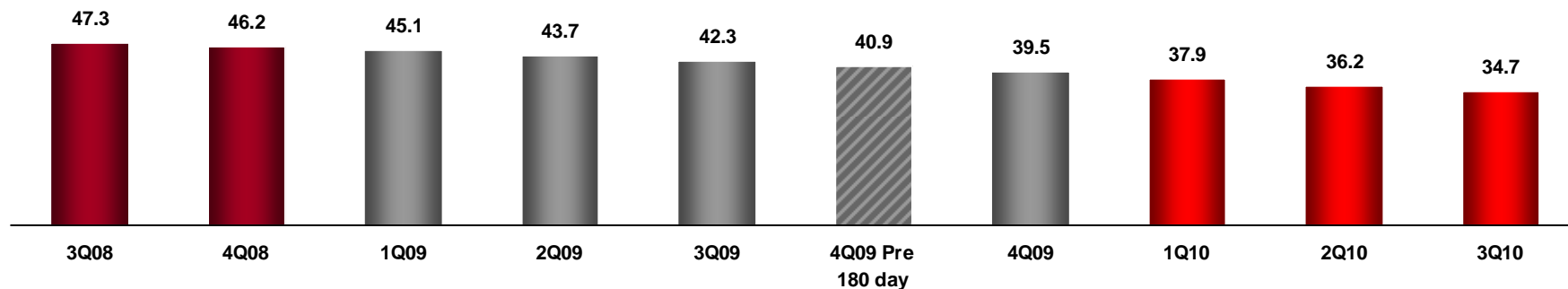
(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans.



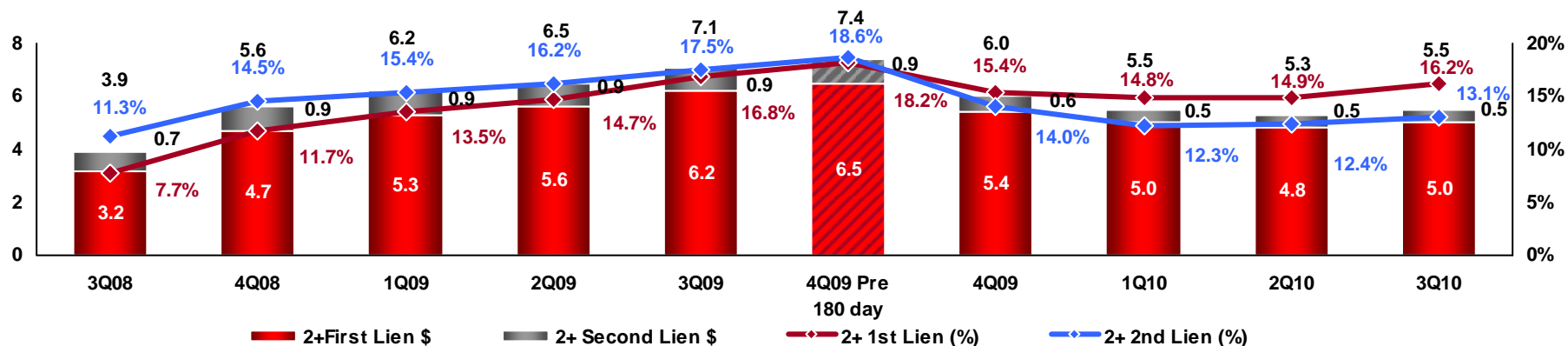
# HSBC Finance Corporation

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

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



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



Notes:

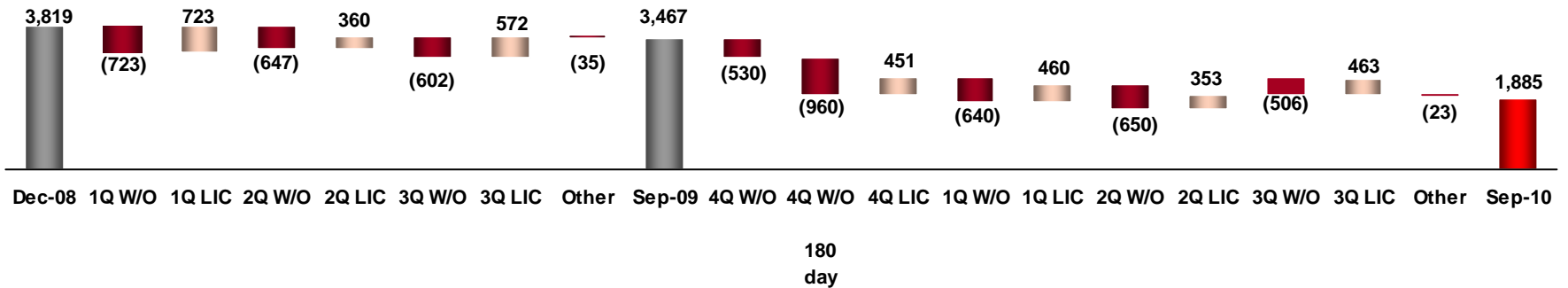
(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans.

# HSBC Finance Corporation

## Impairment allowance

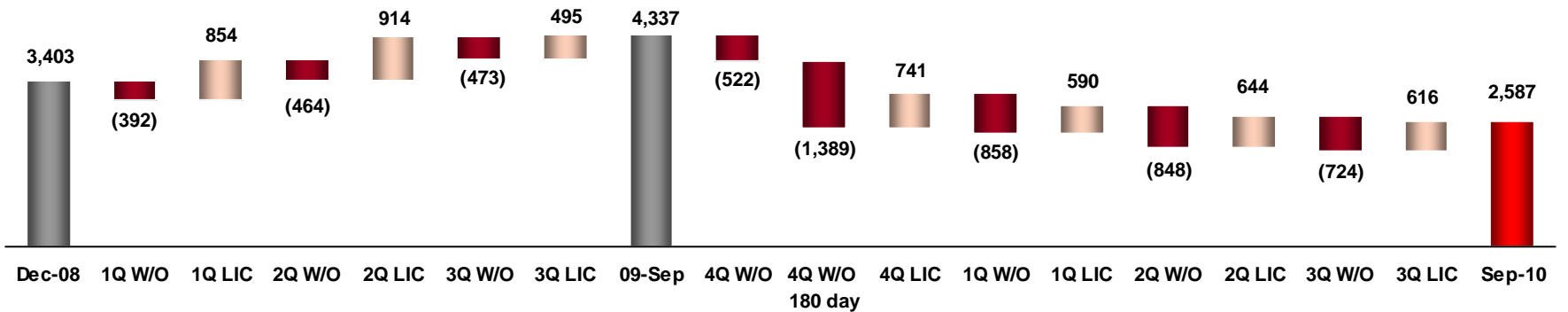
### Mortgage Services

Real Estate Secured, US\$m



### Consumer Lending

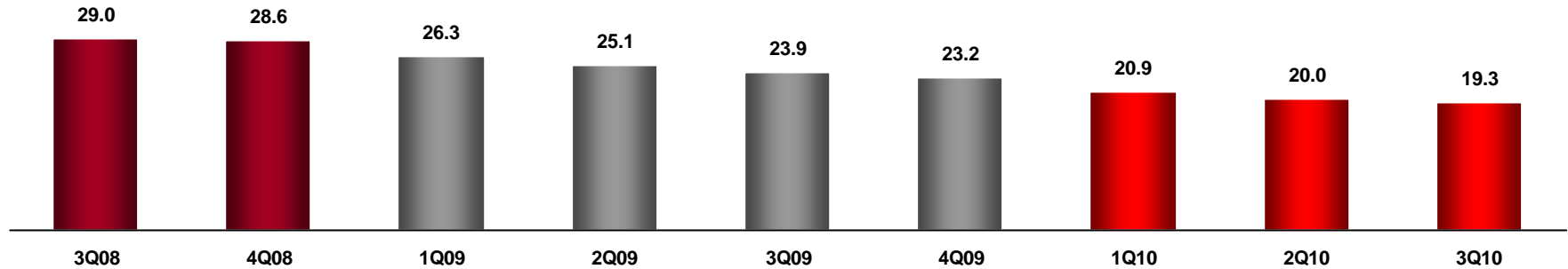
Real Estate Secured, US\$m



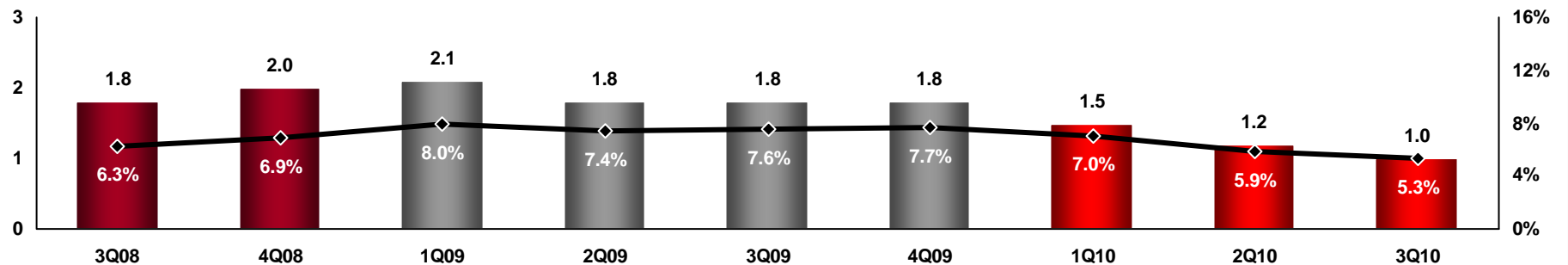
# HSBC Finance Corporation

## Managing risk: Credit Card

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



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



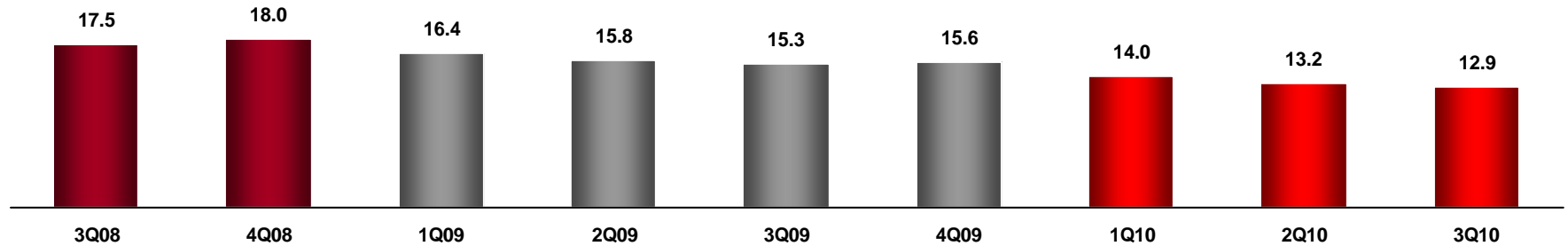
Notes:

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

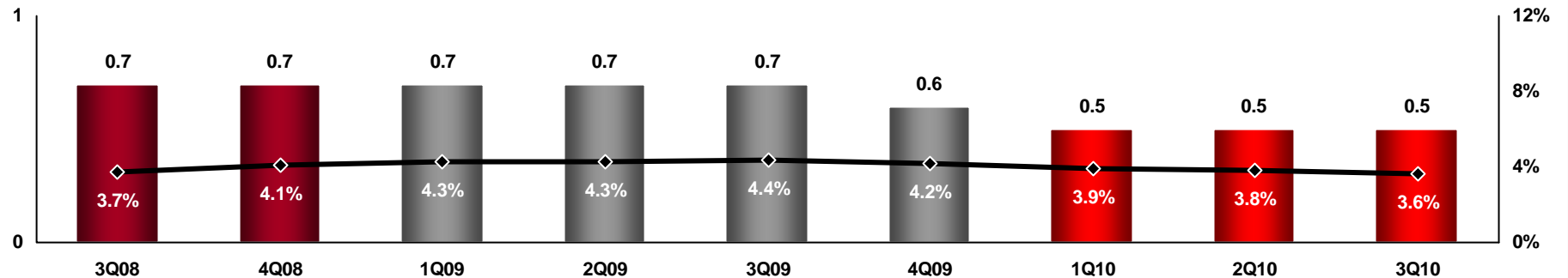
# HSBC Finance Corporation

## Managing risk: Private Label

Private Label  
Customer Loans, US\$bn



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



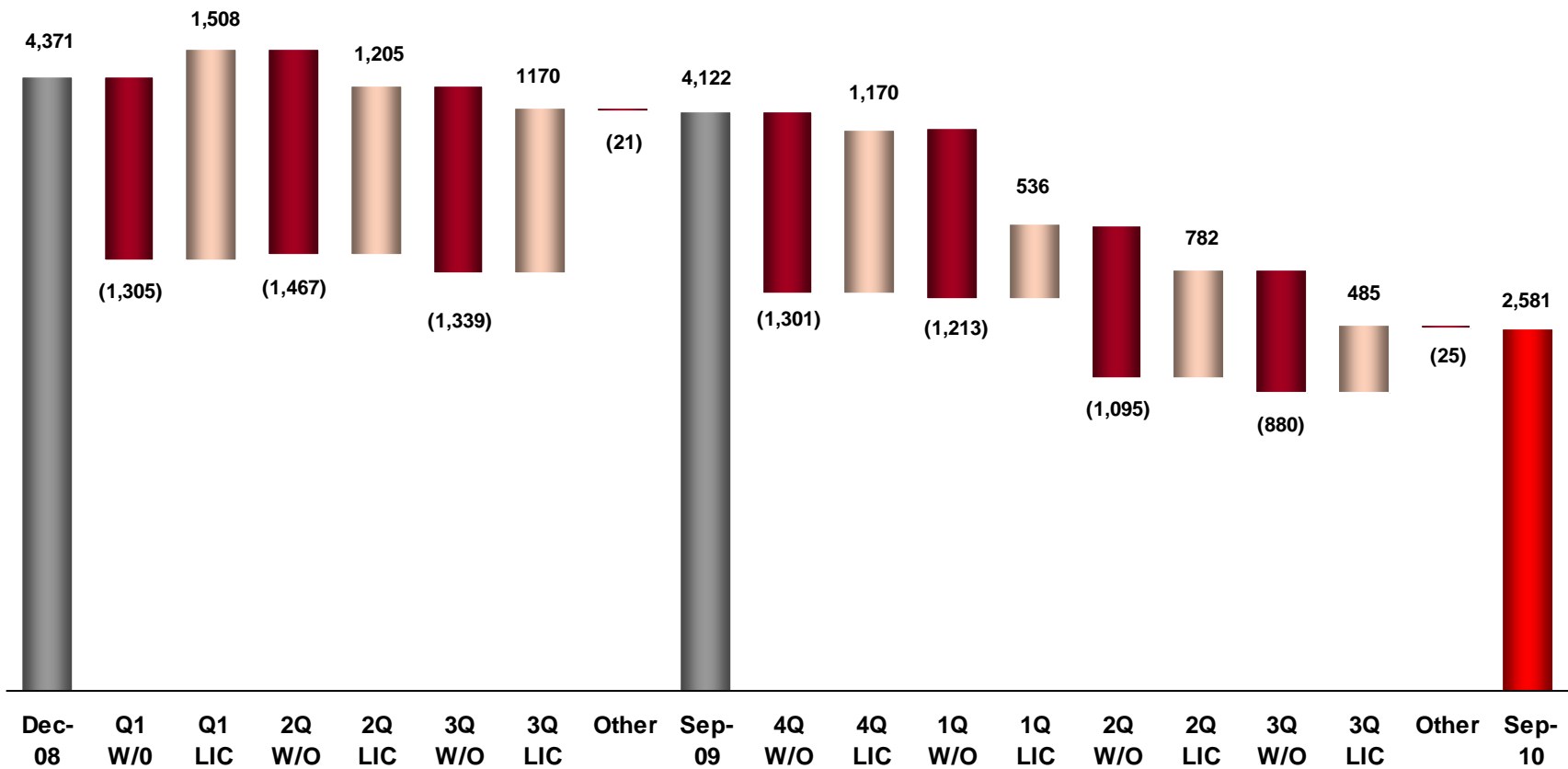
Notes:

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

# HSBC Finance Corporation

## Impairment allowance

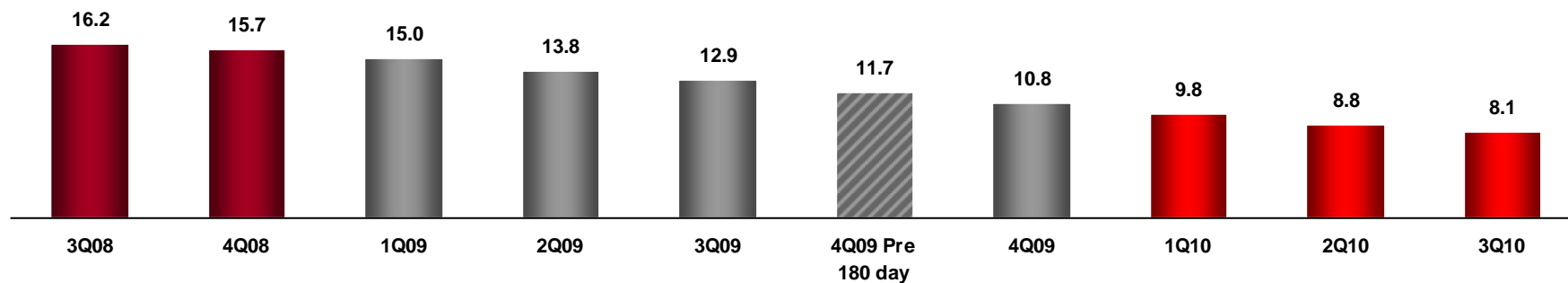
### Credit Card and Private Label, US\$m



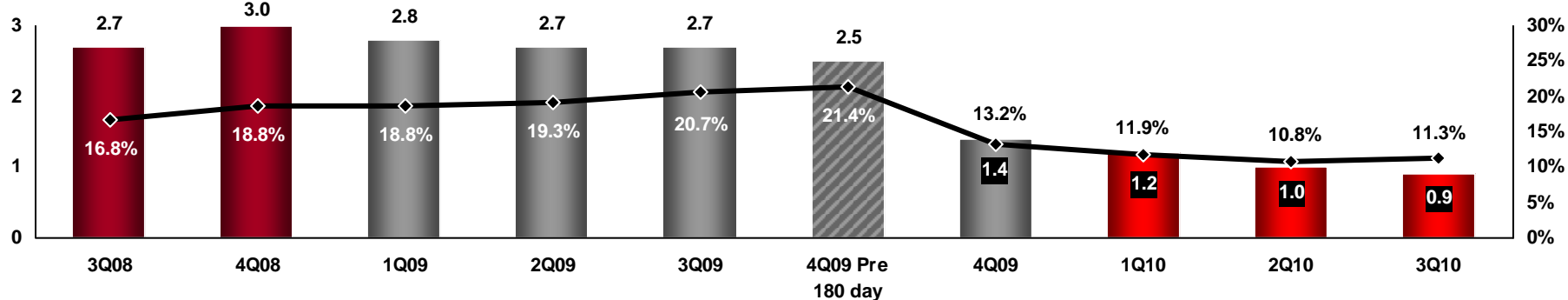
# HSBC Finance Corporation

## Managing personal non-credit card run-off

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



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

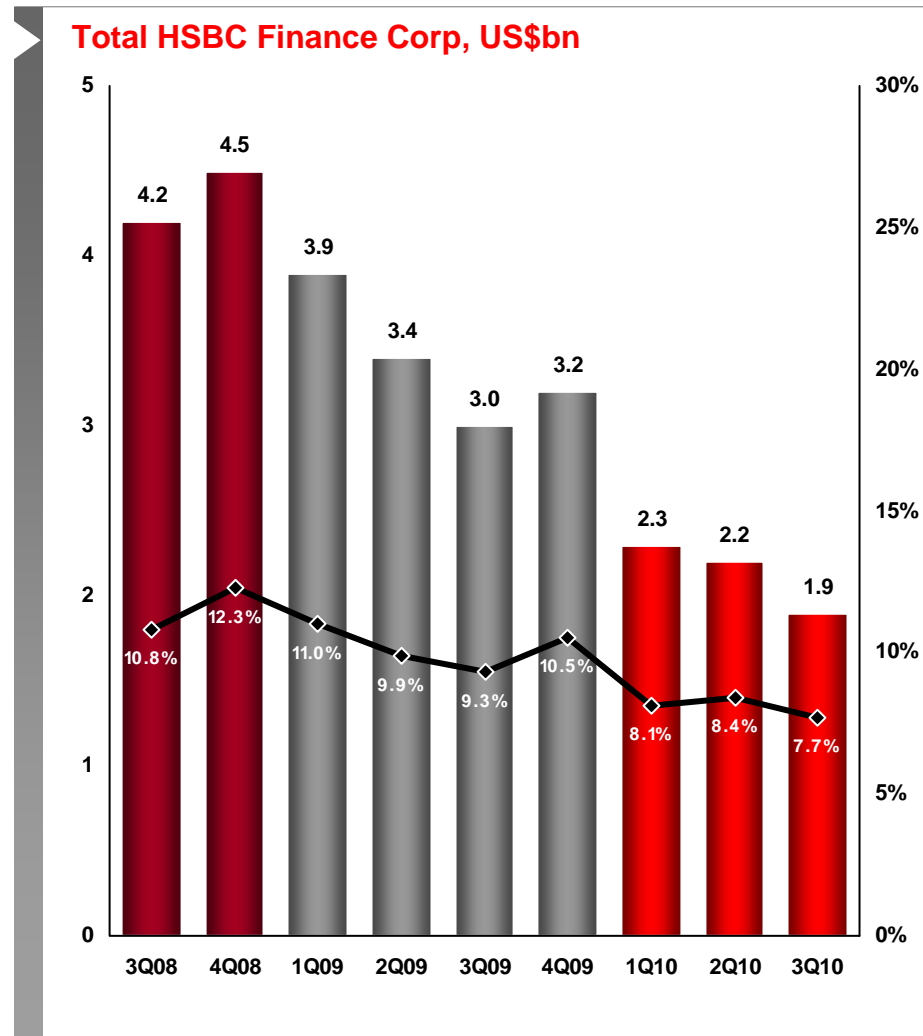
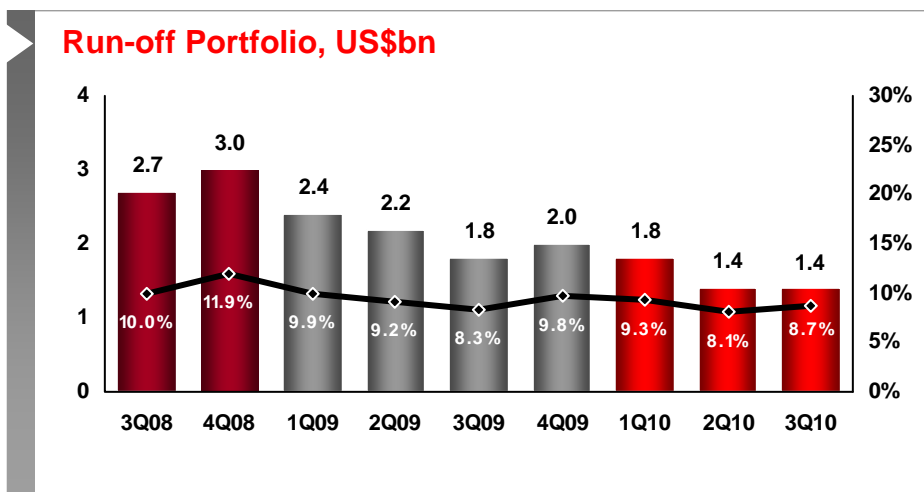
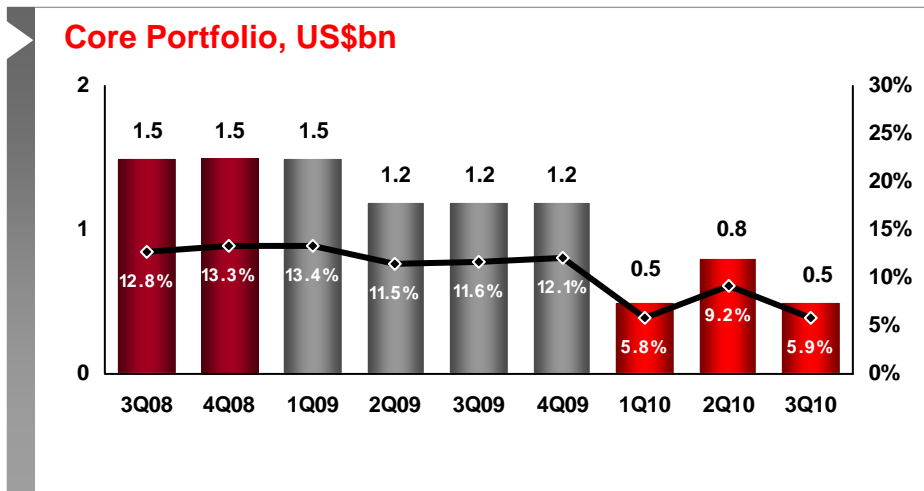


Notes:

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

# HSBC Finance Corporation

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



Notes:

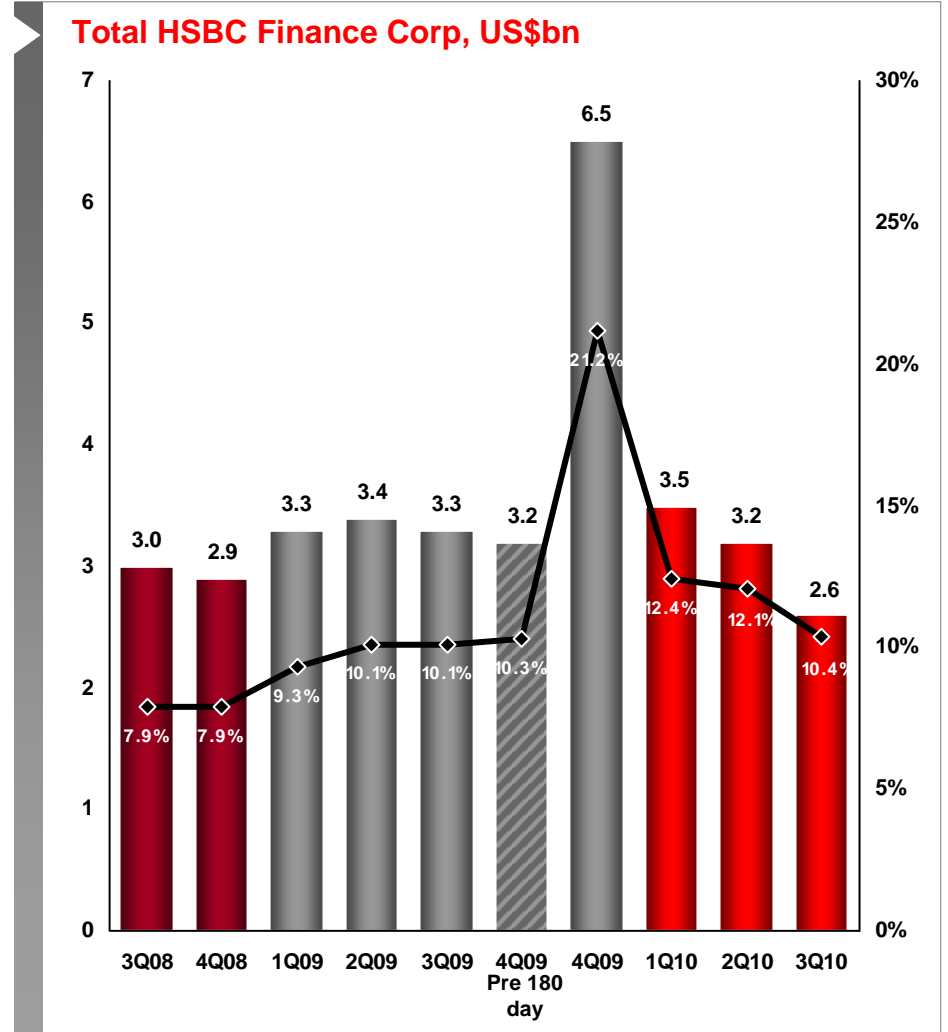
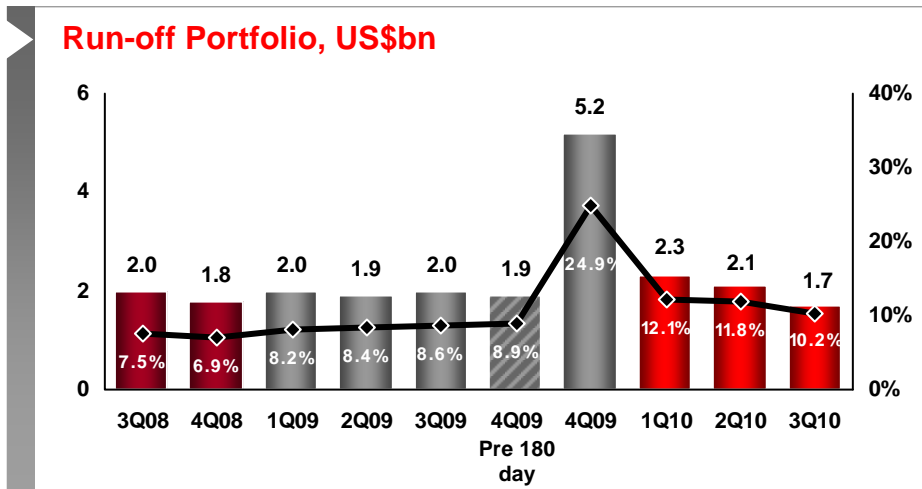
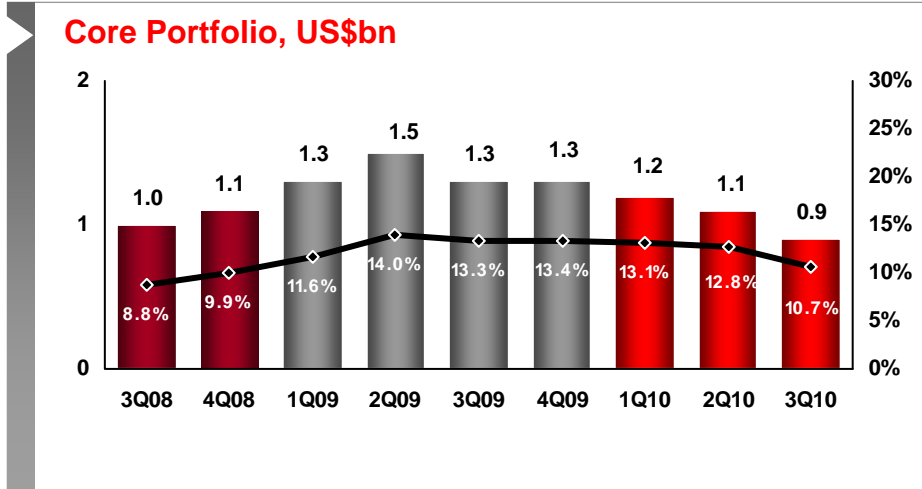
(1) Excludes reverse repo balances.

(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 a third party.

# HSBC Finance Corporation

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



Notes:

(1) Excludes reverse repo balances.

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

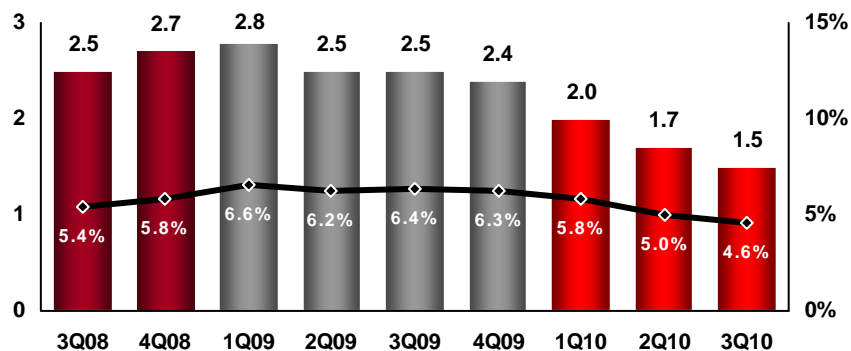
(3) During 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to a third party.



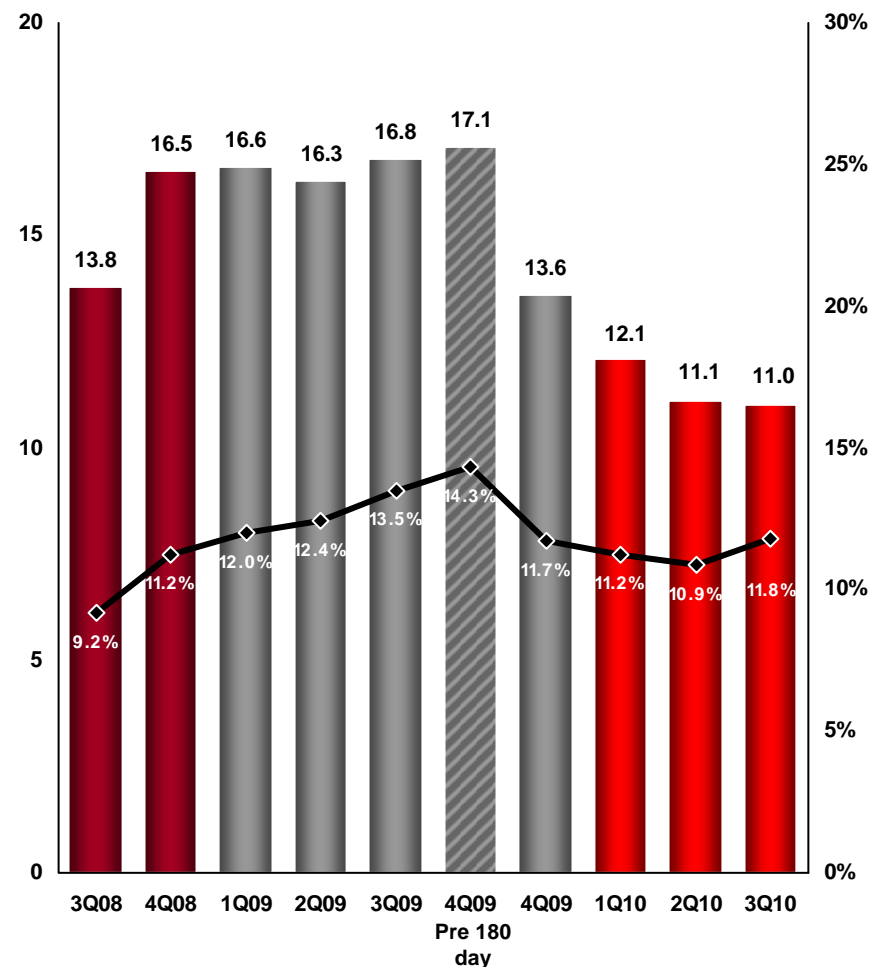
# HSBC Finance Corporation

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

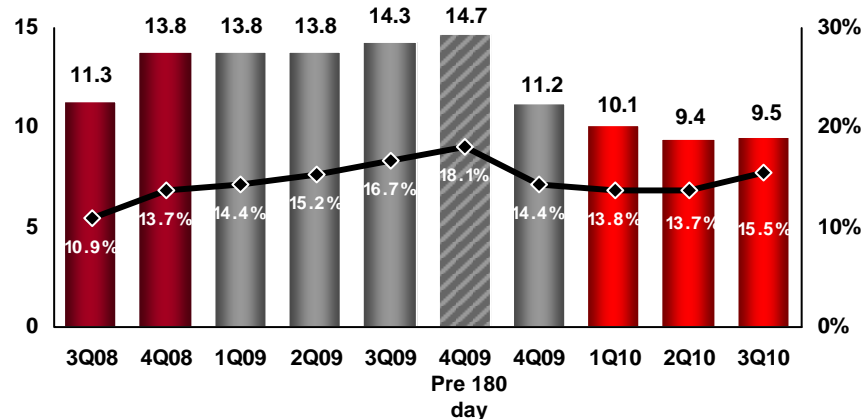
### Core Portfolio, US\$bn



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



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



Notes:

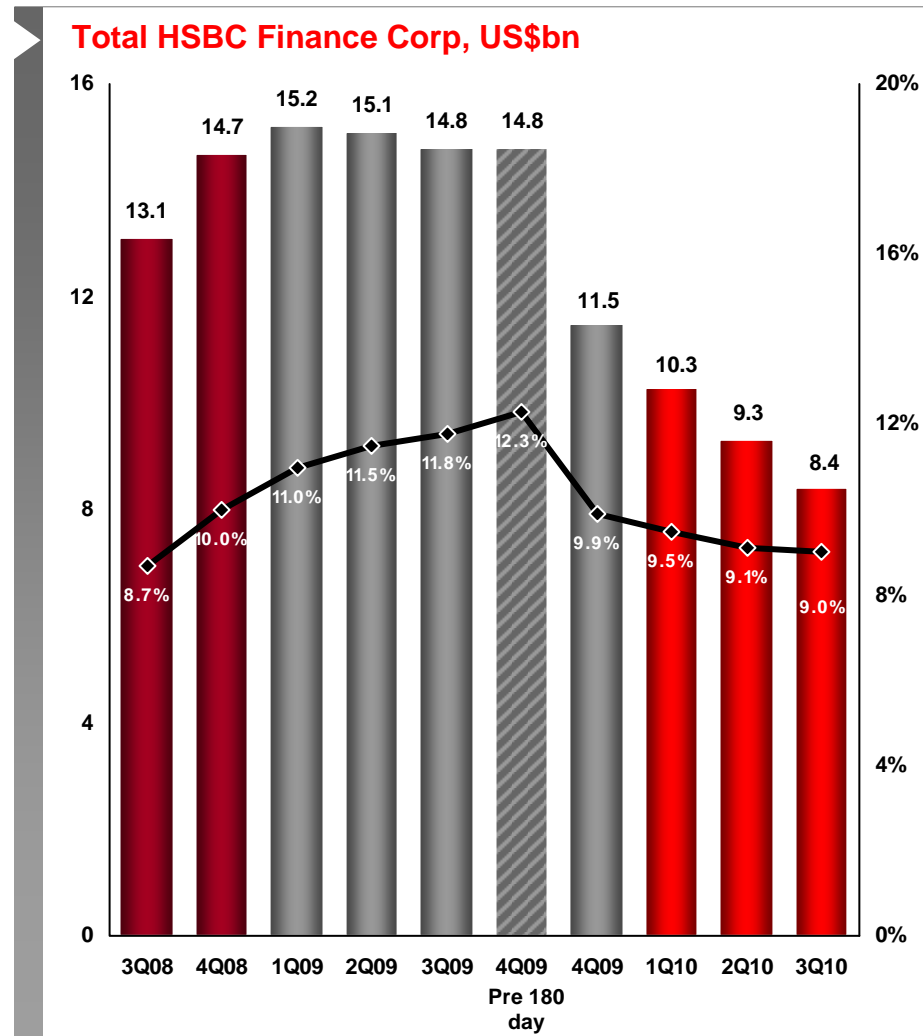
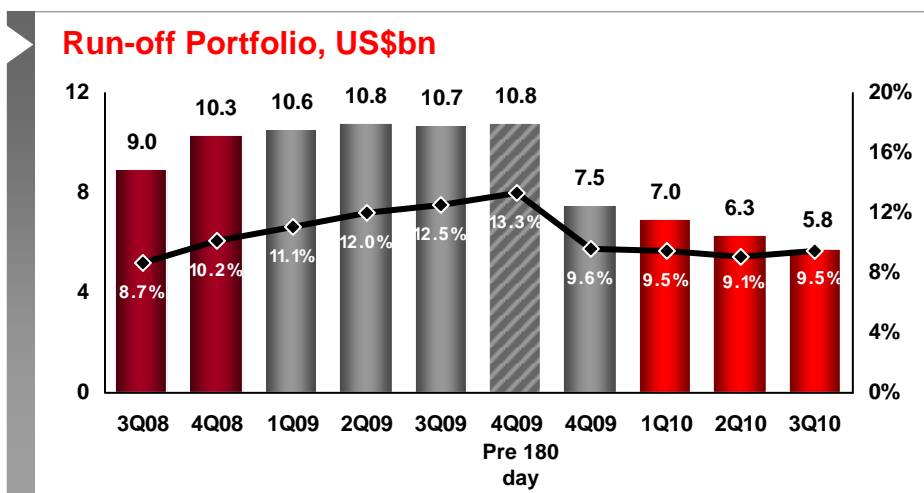
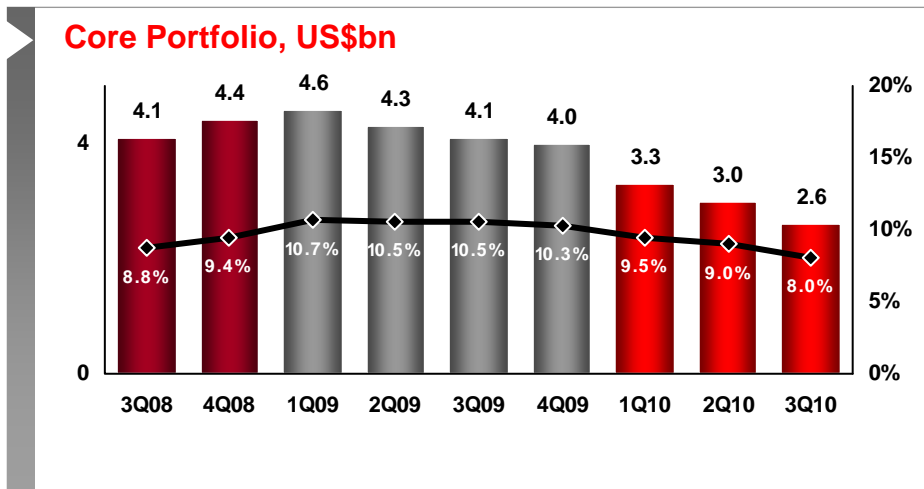
(1) Excludes reverse repo balances.

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

(3) In 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to a third party

# HSBC Finance Corporation

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



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