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HSBC HOLDINGS PLC
Form 6-K
March 06, 2006

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

For the month of March, 2006

HSBC Holdings plc

42nd Floor, 8 Canada
Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes..... No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT: MARCH 6, 2006

COMMISSION FILE NUMBER 1-8198

HSBC FINANCE CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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DELAWARE
(STATE OF INCORPORATION)

86-1052062
(IRS EMPLOYER IDENTIFICATION NUMBER)

2700 SANDERS ROAD, PROSPECT HEIGHTS,
ILLINOIS
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

60070
(ZIP CODE)

(847) 564-5000
REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Financial supplement pertaining to the financial results of HSBC Finance Corporation for the quarter and year ended December 31, 2005. The information included in the financial supplement is presented on a managed basis, which is a non-GAAP financial measure that assumes that securitized receivables have not been sold and remain on our balance sheet.

This information shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise incorporated by reference into any filing pursuant to the Securities Act of 1933, as amended, or the Exchange Act except as otherwise expressly stated in such a filing.

ITEM 9.01. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

- (a) Financial statements of businesses acquired.

Not applicable.

- (b) Pro forma financial information.

Not applicable.

- (c) Exhibits.

NO. EXHIBIT

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99 Quarterly Financial Supplement for the quarter and year ended December 31, 2005

SIGNATURE

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HSBC FINANCE CORPORATION (Registrant)

By: /s/ Patrick D. Schwartz

Patrick D. Schwartz Vice President-Deputy General Counsel-Corporate

Dated: March 6, 2006

EXHIBIT 99

HSBC FINANCE CORPORATION

QUARTERLY FINANCIAL SUPPLEMENT -- DECEMBER 31, 2005

INDEX PAGE NO. Basis of Reporting... 2 Consolidated Statements of Income -- Owned Basis: Three Months... 3 Twelve Months... 5 Receivables Analysis... 7 Financial Highlights -- Managed Basis: Three Months... 8 Twelve Months... 9 Credit Quality/Credit Loss Reserves -- Managed Basis... 10 Reconciliations to GAAP Financial Measures: Revenues, Average Interest-Earning Assets and Net Interest Income: Three Months... 11 Twelve Months... 12 Selected Financial Ratios... 13 Credit Quality/Credit Loss Reserves: Two-Months-and-Over Contractual Delinquency... 14 Quarter-to-Date Charge-offs, Net of Recoveries... 14 Real Estate Charge-offs and REO Expense... 16 Credit Loss Reserves... 17 Nonperforming Assets... 17

HSBC Finance Corporation

BASIS OF REPORTING

NON-GAAP FINANCIAL MEASURES

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This Quarterly Financial Supplement includes financial information which is presented on a non-GAAP basis as discussed below. Information included in this Quarterly Financial Supplement is intended to supplement and should not be considered a substitute for owned basis reporting. This Quarterly Financial Supplement should be read in conjunction with the owned basis information reported in our Annual Report on Form 10-K.

See "Reconciliations to GAAP Financial Measures" for quantitative reconciliations of non-GAAP financial information to the equivalent owned basis GAAP financial information.

MANAGED BASIS REPORTING We have historically monitored our operations and evaluated trends on a managed basis (a non-GAAP financial measure), which assumes that securitized receivables have not been sold and remain on our balance sheet. This is because the receivables that we securitize are subjected to underwriting standards comparable to our owned portfolio, are serviced by operating personnel without regard to ownership and result in a similar credit loss exposure for us. In addition, we fund our operations and make decisions about allocating resources such as capital on a managed basis.

When reporting on a managed basis, net interest income, provision for credit losses and fee income related to receivables securitized are reclassified from securitization related revenue in our owned statement of income into the appropriate caption. Additionally, charge-off and delinquency associated with these receivables are included in our managed basis credit quality statistics.

Debt analysts, rating agencies and fixed income investors have also historically evaluated our operations on a managed basis for the reasons discussed above and have historically requested managed basis information from us. We believe that managed basis information enables such investors and other interested parties to better understand the performance and quality of our entire loan portfolio and is important to understanding the quality of originations and the related credit risk inherent in our owned and securitized portfolios. As the level of our securitized receivables falls over time, managed basis and owned basis results will eventually converge.

OPERATING RESULTS, PERCENTAGES AND RATIOS Certain percentages and ratios have been presented on an operating basis and have been calculated using "operating net income", a non-GAAP financial measure. "Operating net income" is net income excluding certain nonrecurring items shown in the table below. These nonrecurring items are also excluded in calculating our operating basis efficiency ratios. We believe that excluding these nonrecurring items helps readers of our financial statements to better understand the results and trends of our underlying business. See our Annual Report for 2005 on Form 10-K for further discussion of these items.

A reconciliation of net income to operating net income follows:

| | THREE MONTHS ENDED | | | TWELVE MONTHS ENDED | |
|---|--------------------|---------|----------|---------------------|----------|
| | 12/31/05 | 9/30/05 | 12/31/04 | 12/31/05 | 12/31/04 |
| | (IN MILLIONS) | | | | |
| Net income..... | \$393 | \$281 | \$712 | \$1,772 | \$1,940 |
| Gain on bulk sale of private label receivables, after-tax..... | -- | -- | (423) | -- | (423) |
| Adoption of FFIEC charge-off policies for | | | | | |

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| | | | | | |
|---|-------|-------|-------|---------|--------|
| domestic private label and MasterCard and Visa portfolios, after-tax..... | -- | -- | 121 | -- | 12 |
| Operating net income..... | \$393 | \$281 | \$410 | \$1,772 | \$1,63 |

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HSBC Finance Corporation

CONSOLIDATED STATEMENTS OF INCOME -- OWNED BASIS

THREE MONTHS

| | THREE MONTHS ENDED | | | % CHANGE FROM PRIOR | |
|--|---------------------------|---------|----------|---------------------|--------|
| | 12/31/05 | 9/30/05 | 12/31/04 | QTR. | YEAR |
| | (DOLLARS ARE IN MILLIONS) | | | | |
| Finance and other interest income..... | \$3,725 | \$3,402 | \$3,001 | 9.5% | 24.1 |
| Interest expense: | | | | | |
| HSBC affiliates..... | 206 | 222 | 130 | (7.2) | 58.5 |
| Non-affiliates..... | 1,221 | 1,017 | 788 | 20.1 | 54.9 |
| NET INTEREST INCOME..... | 2,298 | 2,163 | 2,083 | 6.2 | 10.3 |
| Provision for credit losses..... | 1,310 | 1,361 | 1,286 | (3.7) | 1.9 |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES..... | 988 | 802 | 797 | 23.2 | 24.0 |
| Other revenues: | | | | | |
| Securitization related revenue..... | 31 | 41 | 127 | (24.4) | (75.6) |
| Insurance revenue..... | 239 | 229 | 221 | 4.4 | 8.1 |
| Investment income..... | 35 | 33 | 30 | 6.1 | 16.7 |
| Derivative income (expense)..... | (34) | (53) | 263 | (35.8) | (100+) |
| Fee income..... | 469 | 439 | 282 | 6.8 | 66.3 |
| Taxpayer financial services revenue (expense)..... | 17 | (1) | 8 | 100+ | 100+ |
| Gain on receivable sales to HSBC affiliates.... | 105 | 99 | 677 | 6.1 | (84.5) |
| Servicing fees from HSBC affiliates..... | 106 | 102 | 13 | 3.9 | 100+ |
| Other income..... | 175 | 213 | 137 | (17.8) | 27.7 |
| TOTAL OTHER REVENUES..... | 1,143 | 1,102 | 1,758 | 3.7 | (35.0) |
| Costs and expenses: | | | | | |
| Salaries and employee benefits..... | 536 | 513 | 472 | 4.5 | 13.6 |
| Sales incentives..... | 108 | 117 | 104 | (7.7) | 3.8 |
| Occupancy and equipment expenses..... | 82 | 83 | 86 | (1.2) | (4.7) |
| Other marketing expenses..... | 170 | 196 | 199 | (13.3) | (14.6) |
| Other servicing and administrative expenses.... | 235 | 149 | 209 | 57.7 | 12.4 |
| Support services from HSBC affiliates..... | 237 | 226 | 194 | 4.9 | 22.2 |
| Amortization of intangibles..... | 65 | 90 | 85 | (27.8) | (23.5) |
| Policyholders' benefits..... | 109 | 109 | 113 | -- | (3.5) |
| TOTAL COSTS AND EXPENSES..... | 1,542 | 1,483 | 1,462 | 4.0 | 5.5 |

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| | | | | | |
|---|--------|--------|--------|-------|---------|
| Income before income tax expense..... | 589 | 421 | 1,093 | 39.9 | (46.1) |
| Income tax expense..... | 196 | 140 | 381 | 40.0 | (48.6) |
| NET INCOME..... | \$ 393 | \$ 281 | \$ 712 | 39.9% | (44.8) |
| Gain on bulk sale of private label receivables, after-tax..... | -- | -- | (423) | -- | 100.0 |
| Adoption of FFIEC charge-off policies for domestic private label and MasterCard and Visa portfolios, after-tax..... | -- | -- | 121 | -- | (100.0) |
| Operating net income (1)..... | \$ 393 | \$ 281 | \$ 410 | 39.9% | (4.1) |

(1) Operating net income is a non-GAAP financial measure which is provided for comparison of our operating trends and should be read in conjunction with our owned basis GAAP financial information. See "Basis of Reporting" for a discussion on the use of non-GAAP financial information and "Reconciliations to GAAP Financial Measures" for quantitative reconciliations to the equivalent GAAP basis financial measure.

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HSBC Finance Corporation

SECURITIZATION RELATED REVENUE

| | THREE MONTHS ENDED | | |
|--|--------------------|---------|----------|
| | 12/31/05 | 9/30/05 | 12/31/04 |
| | (IN MILLIONS) | | |
| Net initial gains(1)..... | \$-- | \$-- | \$ -- |
| Net replenishment gains(1)..... | 19 | 38 | 69 |
| Servicing revenue and excess spread..... | 12 | 3 | 58 |
| Total..... | \$31 | \$41 | \$127 |

(1) Net of our estimate of probable credit losses under the recourse provisions.

RECEIVABLES SECURITIZED

| | THREE MONTHS ENDED | | |
|-------------------------|--------------------|---------|----------|
| | 12/31/05 | 9/30/05 | 12/31/04 |
| | (IN MILLIONS) | | |
| Auto finance..... | \$ -- | \$ -- | \$ -- |
| MasterCard/Visa(1)..... | -- | -- | -- |
| Private label..... | -- | -- | -- |

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| | | | |
|------------|-------|-------|-------|
| Total..... | \$ -- | \$ -- | \$ -- |
| | ===== | ===== | ===== |

(1) MasterCard and Visa are registered trademarks of MasterCard International, Incorporated and VISA USA Inc., respectively.

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HSBC Finance Corporation

CONSOLIDATED STATEMENTS OF INCOME -- OWNED BASIS

TWELVE MONTHS

| | TWELVE MONTHS ENDED | | |
|--|---------------------------|----------|----------|
| | 12/31/05 | 12/31/04 | % CHANGE |
| | ----- | ----- | ----- |
| | (DOLLARS ARE IN MILLIONS) | | |
| Finance and other interest income..... | \$13,216 | \$10,945 | 20.7% |
| Interest expense: | | | |
| HSBC affiliates..... | 713 | 343 | 100+ |
| Non-affiliates..... | 4,119 | 2,800 | 47.1 |
| NET INTEREST INCOME..... | 8,384 | 7,802 | 7.5 |
| Provision for credit losses..... | 4,543 | 4,334 | 4.8 |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES..... | 3,841 | 3,468 | 10.8 |
| Other revenues: | | | |
| Securitization related revenue..... | 211 | 1,008 | (79.1) |
| Insurance revenue..... | 918 | 839 | 9.4 |
| Investment income..... | 134 | 137 | (2.2) |
| Derivative income..... | 249 | 511 | (51.3) |
| Fee income..... | 1,568 | 1,091 | 43.7 |
| Taxpayer financial services revenue..... | 277 | 217 | 27.6 |
| Gain on bulk sale of private label receivables..... | -- | 663 | (100.0) |
| Gain on receivable sales to HSBC affiliates..... | 413 | 39 | 100+ |
| Servicing fees from HSBC affiliates..... | 409 | 24 | 100+ |
| Other income..... | 652 | 544 | 19.9 |
| TOTAL OTHER REVENUES..... | 4,831 | 5,073 | (4.8) |
| Costs and expenses: | | | |
| Salaries and employee benefits..... | 2,072 | 1,886 | 9.9 |
| Sales incentives..... | 397 | 363 | 9.4 |
| Occupancy and equipment expenses..... | 334 | 323 | 3.4 |
| Other marketing expenses..... | 731 | 636 | 14.9 |
| Other servicing and administrative expenses..... | 785 | 868 | (9.6) |
| Support services from HSBC affiliates..... | 889 | 750 | 18.5 |
| Amortization of intangibles..... | 345 | 363 | (5.0) |
| Policyholders' benefits..... | 456 | 412 | 10.7 |

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| | | | |
|---|----------|----------|---------|
| TOTAL COSTS AND EXPENSES..... | 6,009 | 5,601 | 7.3 |
| | ----- | ----- | ----- |
| Income before income tax expense..... | 2,663 | 2,940 | (9.4) |
| Income tax expense..... | 891 | 1,000 | (10.9) |
| | ----- | ----- | ----- |
| NET INCOME..... | \$ 1,772 | \$ 1,940 | (8.7)% |
| | ===== | ===== | ===== |
| Gain on bulk sale of private label receivables, after-tax... | -- | (423) | 100.0 |
| Adoption of FFIEC charge-off policies for domestic private label and MasterCard and Visa portfolios, after-tax..... | -- | 121 | (100.0) |
| | ----- | ----- | ----- |
| Operating net income(1)..... | \$ 1,772 | \$ 1,638 | 8.2% |
| | ===== | ===== | ===== |

(1) Operating net income is a non-GAAP financial measure which is provided for comparison of our operating trends and should be read in conjunction with our owned basis GAAP financial information. See "Basis of Reporting" for a discussion on the use of non-GAAP financial information and "Reconciliations to GAAP Financial Measures" for quantitative reconciliations to the equivalent GAAP basis financial measure.

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HSBC Finance Corporation

SECURITIZATION RELATED REVENUE

| | TWELVE MONTHS ENDED | |
|--|---------------------|----------|
| | 12/31/05 | 12/31/04 |
| | (IN MILLIONS) | |
| Net initial gains(1)..... | \$ -- | \$ 25 |
| Net replenishment gains(1)..... | 154 | 414 |
| Servicing revenue and excess spread..... | 57 | 569 |
| | ----- | ----- |
| Total..... | \$211 | \$1,008 |
| | ===== | ===== |

(1) Net of our estimate of probable credit losses under the recourse provisions.

RECEIVABLES SECURITIZED

| | TWELVE MONTHS ENDED | |
|----------------------|---------------------|----------|
| | 12/31/05 | 12/31/04 |
| | (IN MILLIONS) | |
| Auto finance..... | \$ -- | \$ -- |
| MasterCard/Visa..... | -- | 550 |
| Private label..... | -- | 190 |
| | ----- | ----- |

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Total..... \$ -- \$740
=====

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HSBC Finance Corporation

RECEIVABLES ANALYSIS

END-OF-PERIOD RECEIVABLES

| | 12/31/05 | 9/30/05 | 12/31/04 | % CHANGE FROM PRIOR | |
|---|-----------|-----------|-----------|---------------------|---------|
| | | | | QTR. | YEAR |
| (DOLLARS ARE IN MILLIONS) | | | | | |
| OWNED RECEIVABLES: | | | | | |
| Real estate secured..... | \$ 82,826 | \$ 78,130 | \$ 64,820 | 6.0% | 27.8% |
| Auto finance..... | 10,704 | 10,137 | 7,544 | 5.6 | 41.9 |
| MasterCard/Visa..... | 24,110 | 18,974 | 14,635 | 27.1 | 64.7 |
| Private label(1)..... | 2,520 | 2,777 | 3,411 | (9.3) | (26.1) |
| Personal non-credit card..... | 19,545 | 18,484 | 16,128 | 5.7 | 21.2 |
| Commercial and other..... | 208 | 220 | 317 | (5.5) | (34.4) |
| Total owned receivables..... | 139,913 | 128,722 | 106,855 | 8.7 | 30.9 |
| RECEIVABLES SERVICED WITH LIMITED RECOURSE: | | | | | |
| Real estate secured..... | -- | -- | 81 | -- | (100.0) |
| Auto finance..... | 1,192 | 1,474 | 2,679 | (19.1) | (55.5) |
| MasterCard/Visa..... | 1,875 | 3,615 | 7,583 | (48.1) | (75.3) |
| Private label(1)..... | -- | -- | -- | -- | -- |
| Personal non-credit card..... | 1,007 | 1,670 | 3,882 | (39.7) | (74.1) |
| Total receivables serviced with limited recourse..... | 4,074 | 6,759 | 14,225 | (39.7) | (71.4) |
| MANAGED RECEIVABLES: (2) | | | | | |
| Real estate secured..... | 82,826 | 78,130 | 64,901 | 6.0 | 27.6 |
| Auto finance..... | 11,896 | 11,611 | 10,223 | 2.5 | 16.4 |
| MasterCard/Visa..... | 25,985 | 22,589 | 22,218 | 15.0 | 17.0 |
| Private label(1)..... | 2,520 | 2,777 | 3,411 | (9.3) | (26.1) |
| Personal non-credit card(3)..... | 20,552 | 20,154 | 20,010 | 2.0 | 2.7 |
| Commercial and other..... | 208 | 220 | 317 | (5.5) | (34.4) |
| Total managed receivables..... | \$143,987 | \$135,481 | \$121,080 | 6.3% | 18.9% |

(1) On December 29, 2004, we sold \$12.2 billion of domestic private label receivables (\$15.6 billion on a managed basis) to HSBC Bank USA, N.A.

(2) Managed basis reporting is a non-GAAP financial measure. See "Basis of Reporting" for a discussion on the use of non-GAAP financial information.

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(3) Personal non-credit card receivables are comprised of the following:

| | 12/31/05 | 9/30/05 | 12/31/04 |
|------------------------------------|----------|----------|----------|
| (IN MILLIONS) | | | |
| Domestic personal unsecured..... | \$12,190 | \$11,571 | \$10,725 |
| Union Plus personal unsecured..... | 333 | 374 | 474 |
| Personal homeowner loans..... | 4,384 | 4,360 | 4,582 |
| Foreign unsecured..... | 3,645 | 3,849 | 4,229 |
| Total..... | \$20,552 | \$20,154 | \$20,010 |

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HSBC Finance Corporation

FINANCIAL HIGHLIGHTS -- MANAGED BASIS (1)

REVENUES, AVERAGE INTEREST-EARNING ASSETS AND NET INTEREST INCOME

THREE MONTHS

| | THREE MONTHS ENDED | | | | | | % FRO QTR. |
|---|--------------------|--------|----------|--------|----------|--------|------------------|
| | 12/31/05 | (2) | 9/30/05 | (2) | 12/31/04 | (2) | |
| (DOLLARS ARE IN MILLIONS) | | | | | | | |
| Finance and other interest | | | | | | | |
| income..... | \$ 3,933 | 10.88% | \$ 3,671 | 10.89% | \$ 3,601 | 10.64% | 7. |
| Interest expense..... | 1,502 | 4.15 | 1,331 | 3.95 | 1,050 | 3.10 | 12. |
| NET INTEREST INCOME..... | 2,431 | 6.73% | 2,340 | 6.94% | 2,551 | 7.54% | 3. |
| Provision for credit losses..... | 1,358 | | 1,338 | | 1,305 | | 1. |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES..... | \$ 1,073 | | \$ 1,002 | | \$ 1,246 | | 7. |
| Other revenues: | | | | | | | |
| Insurance revenue..... | \$ 239 | | \$ 229 | | \$ 221 | | 4. |
| Investment income..... | 35 | | 33 | | 30 | | 6. |
| Fee income..... | 510 | | 497 | | 437 | | 2. |
| Securitization related revenue.... | (95) | | (217) | | (477) | | (56. |
| Derivative income (expense)..... | (34) | | (53) | | 263 | | (35. |
| Taxpayer financial services revenue (expense)..... | 17 | | (1) | | 8 | | 100 |
| Gain on receivable sales to HSBC | | | | | | | |

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| | | | | |
|------------------------------------|-----------|-----------|-----------|-------|
| affiliates..... | 105 | 99 | 677 | 6. |
| Servicing fees from HSBC | | | | |
| affiliates..... | 106 | 102 | 13 | 3. |
| Other income..... | 175 | 213 | 137 | (17. |
| | ----- | ----- | ----- | ----- |
| TOTAL OTHER REVENUES..... | \$ 1,058 | \$ 902 | \$ 1,309 | 17. |
| | ===== | ===== | ===== | ===== |
| Average managed receivables | | | | |
| Real estate secured..... | \$ 81,332 | \$ 74,369 | \$ 61,543 | 9. |
| Auto finance..... | 11,771 | 11,230 | 10,052 | 4. |
| MasterCard/Visa..... | 24,248 | 22,536 | 21,221 | 7. |
| Private label..... | 2,708 | 2,840 | 17,858 | (4. |
| Personal non-credit card..... | 20,324 | 19,944 | 19,593 | 1. |
| Commercial and other..... | 217 | 234 | 321 | (7. |
| Purchase accounting fair value | | | | |
| adjustments..... | 83 | 116 | 243 | (28. |
| | ----- | ----- | ----- | ----- |
| Average managed receivables..... | \$140,683 | \$131,269 | \$130,831 | 7. |
| Average noninsurance | | | | |
| investments..... | 3,176 | 2,868 | 3,889 | 10. |
| Other interest-earning assets..... | 686 | 680 | 660 | . |
| | ----- | ----- | ----- | ----- |
| Average managed interest-earning | | | | |
| assets..... | \$144,545 | \$134,817 | \$135,380 | 7. |
| | ===== | ===== | ===== | ===== |
| SELECTED FINANCIAL RATIOS: | | | | |
| Return on average managed | | | | |
| assets..... | 1.01% | .75% | 1.87% | 34. |
| Efficiency ratio..... | 42.40 | 43.86 | 36.00 | (3. |
| Net interest margin..... | 6.73 | 6.94 | 7.54 | (3. |
| Risk adjusted revenue..... | 6.81 | 7.34 | 8.37 | (7. |
| | ===== | ===== | ===== | ===== |

(1) Managed basis reporting is a non-GAAP financial measure. See "Basis of Reporting" for a discussion on the use of non-GAAP financial information and "Reconciliations to GAAP Financial Measures" for quantitative reconciliations to the equivalent GAAP basis financial measure.

(2) % Columns: comparison to average managed interest-earning assets, annualized

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HSBC Finance Corporation

FINANCIAL HIGHLIGHTS -- MANAGED BASIS (1)

REVENUES, AVERAGE INTEREST-EARNING ASSETS AND NET INTEREST INCOME

TWELVE MONTHS

TWELVE MONTHS ENDED

| 12/31/05 | (2) | 12/31/04 | (2) | % CHANGE |
|----------|-----|----------|-----|----------|
|----------|-----|----------|-----|----------|

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| | | (DOLLARS ARE IN MILLIONS) | | | |
|---|-----------|---------------------------|-----------|--------|---------|
| Finance and other interest income..... | \$ 14,483 | 10.83% | \$ 13,928 | 10.83% | 4.0% |
| Interest expense..... | 5,207 | 3.89 | 3,671 | 2.86 | 41.8 |
| | ----- | ----- | ----- | ----- | ----- |
| NET INTEREST INCOME..... | 9,276 | 6.94% | 10,257 | 7.97% | (9.6) |
| Provision for credit losses..... | 4,650 | | 4,522 | | 2.8 |
| | ----- | | ----- | | ----- |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES..... | 4,626 | | \$ 5,735 | | (19.3)% |
| | ===== | | ===== | | ===== |
| Other revenues: | | | | | |
| Insurance revenue..... | \$ 918 | | \$ 839 | | 9.4% |
| Investment income..... | 134 | | 137 | | (2.2) |
| Fee income..... | 1,831 | | 1,836 | | (.3) |
| Securitization related revenue (expense).... | (837) | | (2,004) | | (58.2) |
| Derivative income..... | 249 | | 511 | | (51.3) |
| Taxpayer financial services revenue..... | 277 | | 217 | | 27.6 |
| Gain on receivable sales to HSBC affiliates..... | 413 | | 702 | | (41.2) |
| Servicing fees from HSBC affiliates..... | 409 | | 24 | | 100+ |
| Other income..... | 652 | | 544 | | 19.9 |
| | ----- | | ----- | | ----- |
| TOTAL OTHER REVENUES..... | \$ 4,046 | | \$ 2,806 | | 44.2% |
| | ===== | | ===== | | ===== |
| Average managed receivables | | | | | |
| Real estate secured..... | \$ 73,120 | | \$ 56,462 | | 29.5% |
| Auto finance..... | 10,937 | | 9,432 | | 16.0 |
| MasterCard/Visa..... | 22,694 | | 20,674 | | 9.8 |
| Private label..... | 2,948 | | 17,579 | | (83.2) |
| Personal non-credit card..... | 19,956 | | 18,986 | | 5.1 |
| Commercial and other..... | 255 | | 354 | | (28.0) |
| Purchase accounting fair value adjustments..... | 134 | | 319 | | (58.0) |
| | ----- | | ----- | | ----- |
| Average managed receivables..... | \$130,044 | | \$123,806 | | 5.0% |
| Average noninsurance investments..... | 3,018 | | 4,203 | | (28.2) |
| Other interest-earning assets..... | 676 | | 650 | | 4.0 |
| | ----- | | ----- | | ----- |
| Average managed interest-earning assets..... | \$133,738 | | \$128,659 | | 3.9% |
| | ===== | | ===== | | ===== |
| SELECTED FINANCIAL RATIOS: | | | | | |
| Return on average managed assets..... | 1.19% | | 1.33% | | (10.5)% |
| Efficiency ratio..... | 43.16 | | 41.02 | | 5.2 |
| Net interest margin..... | 6.94 | | 7.97 | | (12.9) |
| Risk adjusted revenue..... | 7.18 | | 7.30 | | (1.6) |
| | ----- | | ----- | | ----- |

(1) Managed basis reporting is a non-GAAP financial measure. See "Basis of Reporting" for a discussion on the use of non-GAAP financial information and "Reconciliations to GAAP Financial Measures" for quantitative reconciliations to the equivalent GAAP basis financial measure.

(2) % Columns: comparison to average managed interest-earning assets, annualized.

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CREDIT QUALITY/CREDIT LOSS RESERVES -- MANAGED BASIS(1)

TWO-MONTHS-AND-OVER CONTRACTUAL DELINQUENCY

| AS A PERCENT OF MANAGED CONSUMER RECEIVABLES, EXCLUDES COMMERCIAL. | 12/31/05 | 9/30/05 | 12/31/04 |
|--|----------|---------|----------|
| Real estate secured..... | 2.72% | 2.51% | 2.97% |
| Auto finance..... | 2.76 | 2.67 | 2.96 |
| MasterCard/Visa(2)..... | 3.52 | 4.13 | 3.98 |
| Private label..... | 5.43 | 5.22 | 4.13 |
| Personal non-credit card..... | 9.54 | 9.36 | 9.30 |
| | ---- | ---- | ---- |
| TOTAL..... | 3.89% | 3.87% | 4.24% |
| | ===== | ===== | ===== |

QUARTER-TO-DATE CHARGE-OFFS, NET OF RECOVERIES

| AS A PERCENT OF AVERAGE MANAGED CONSUMER RECEIVABLES, ANNUALIZED, EXCLUDES COMMERCIAL. | 12/31/05 |
|--|----------|
| Real estate secured..... | .66% |
| Auto finance..... | 4.40 |
| MasterCard/Visa(3)..... | 7.85 |
| Private label(3)..... | 5.60 |
| Personal non-credit card..... | 7.59 |
| | ---- |
| TOTAL..... | 3.31% |
| | ===== |
| Real estate charge-offs and REO expense as a percent of average managed real estate secured receivables..... | .78% |
| | ===== |

CREDIT LOSS RESERVES

| | 12/31/05 | 9/30/05 | 12/31/04 |
|--|---------------|----------|----------|
| | (IN MILLIONS) | | |
| Reserves for managed receivables at beginning of quarter.... | \$ 4,571 | \$ 4,281 | \$ 5,199 |
| Provision for credit losses..... | 1,358 | 1,338 | 1,305 |
| Charge-offs..... | (1,297) | (1,185) | (1,632) |
| Recoveries..... | 134 | 133 | 130 |
| Other, net..... | (30) | 4 | (487) |
| | ----- | ----- | ----- |
| Reserves for managed receivables at end of quarter..... | \$ 4,736 | \$ 4,571 | \$ 4,515 |
| | ===== | ===== | ===== |
| Reserves as a percent of managed receivables..... | 3.29% | 3.37% | 3.73% |
| | ----- | ----- | ----- |

NONPERFORMING ASSETS

| | 12/31/05 | 9/30/05 | 12/31/04 |
|--|----------|---------|----------|
|--|----------|---------|----------|

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| | (IN MILLIONS) | | |
|---|---------------|---------|---------|
| Nonaccrual managed receivables..... | \$3,709 | \$3,541 | \$3,558 |
| Accruing managed receivables 90 or more days delinquent..... | 642 | 604 | 607 |
| Renegotiated commercial loans..... | -- | -- | 2 |
| Total nonperforming managed receivables..... | 4,351 | 4,145 | 4,167 |
| Real estate owned..... | 510 | 462 | 587 |
| TOTAL NONPERFORMING ASSETS..... | \$4,861 | \$4,607 | \$4,754 |
| Managed credit loss reserves as a percent of nonperforming managed receivables..... | 108.8% | 110.3% | 108.4% |

- (1) Managed basis reporting is a non-GAAP financial measure. See "Basis of Reporting" for a discussion on the use of non-GAAP financial information and "Reconciliations to GAAP Financial Measures" for quantitative reconciliations to the equivalent GAAP basis financial measure.
- (2) In December 2005, we completed the acquisition of Metris which included receivables of \$5.3 billion. Excluding the receivables from the Metris acquisition from this calculation, our consumer delinquency ratio for our MasterCard/Visa portfolio was 3.79% and total consumer delinquency was 3.95%.
- (3) The adoption of charge-off policies in accordance with the Uniform Retail Credit Classification and Account Management Policy issued by the Federal Financial Institutions Examination Council for our domestic private label (excluding retail sales contracts at our consumer lending business) and our MasterCard and Visa portfolios in December 2004 increased private label net charge-offs by \$197 million (442 basis points), MasterCard/Visa net charge-offs by \$5 million (10 basis points) and total consumer net charge-offs by \$202 million (62 basis points) during the quarter ended December 31, 2004.

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HSBC Finance Corporation

RECONCILIATION TO GAAP FINANCIAL MEASURES

REVENUES, AVERAGE INTEREST-EARNING ASSETS AND NET INTEREST INCOME

THREE MONTHS

| | THREE MONTHS ENDED 12/31/05 | | | THREE MONTHS ENDED 12/31/04 | |
|--|-----------------------------|-----------------------------------|----------|-----------------------------|-----------------------------------|
| | OWNED | SERVICED WITH LIMITED REOURSE (1) | MANAGED | OWNED | SERVICED WITH LIMITED REOURSE (1) |
| Finance and other interest income..... | \$ 3,725 | \$ 208 | \$ 3,933 | \$ 3,402 | \$ 3,402 |
| Interest expense..... | 1,427 | 75 | 1,502 | 1,239 | 1,239 |

(DOLLARS ARE IN MILLIONS)

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| | | | | | |
|--|-----------|----------|-----------|-----------|-------|
| NET INTEREST INCOME..... | 2,298 | 133 | 2,431 | 2,163 | |
| Provision for credit losses..... | 1,310 | 48 | 1,358 | 1,361 | |
| NET INTEREST INCOME AFTER PROVISION for CREDIT LOSSES..... | \$ 988 | \$ 85 | \$ 1,073 | \$ 802 | \$ |
| Other revenues: | | | | | |
| Securitization related revenue..... | \$ 31 | \$ (126) | \$ (95) | \$ 41 | \$ |
| Insurance revenue..... | 239 | -- | 239 | 229 | |
| Investment income..... | 35 | -- | 35 | 33 | |
| Fee income..... | 469 | 41 | 510 | 439 | |
| Derivative income (expense)..... | (34) | -- | (34) | (53) | |
| Taxpayer financial services revenue (expense)..... | 17 | -- | 17 | (1) | |
| Gain on receivable sales to HSBC affiliates..... | 105 | -- | 105 | 99 | |
| Servicing fees from HSBC affiliates... | 106 | -- | 106 | 102 | |
| Other income..... | 175 | -- | 175 | 213 | |
| TOTAL OTHER REVENUES..... | \$ 1,143 | \$ (85) | \$ 1,058 | \$ 1,102 | \$ |
| Average receivables: | | | | | |
| Real estate secured..... | \$ 81,332 | \$ -- | \$ 81,332 | \$ 74,369 | \$ |
| Auto finance..... | 10,420 | 1,351 | 11,771 | 9,585 | 1, |
| MasterCard/Visa..... | 21,143 | 3,105 | 24,248 | 18,442 | 4, |
| Private label..... | 2,708 | -- | 2,708 | 2,840 | |
| Personal non-credit card..... | 19,023 | 1,301 | 20,324 | 17,904 | 2, |
| Commercial and other..... | 217 | -- | 217 | 234 | |
| Purchase accounting fair value adjustments..... | 83 | -- | 83 | 116 | |
| Average receivables..... | \$134,926 | \$5,757 | \$140,683 | \$123,490 | \$ 7, |
| Average noninsurance investments..... | 3,176 | -- | 3,176 | 2,868 | |
| Other interest-earning assets..... | 686 | -- | 686 | 680 | |
| Average interest-earning assets..... | \$138,788 | \$5,757 | \$144,545 | \$127,038 | \$ 7, |
| Net interest income as a percentage of average interest-earning assets..... | 6.62% | 9.24% | 6.73% | 6.81% | 9 |

THREE MONTHS ENDED 12/31/04

| | SERVICED WITH LIMITED | | |
|---|---------------------------|--------------|----------|
| | OWNED | RECOURSE (1) | MANAGED |
| | (DOLLARS ARE IN MILLIONS) | | |
| Finance and other interest income..... | \$ 3,001 | \$ 600 | \$ 3,601 |
| Interest expense..... | 918 | 132 | 1,050 |
| NET INTEREST INCOME..... | 2,083 | 468 | 2,551 |
| Provision for credit losses..... | 1,286 | 19 | 1,305 |
| NET INTEREST INCOME AFTER PROVISION for CREDIT LOSSES..... | \$ 797 | \$ 449 | \$ 1,246 |
| Other revenues: | | | |
| Securitization related revenue..... | \$ 127 | \$ (604) | \$ (477) |
| Insurance revenue..... | 221 | -- | 221 |
| Investment income..... | 30 | -- | 30 |

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| | | | |
|--|-----------|----------|-----------|
| Fee income..... | 282 | 155 | 437 |
| Derivative income (expense)..... | 263 | -- | 263 |
| Taxpayer financial services revenue (expense)..... | 8 | -- | 8 |
| Gain on receivable sales to HSBC affiliates..... | 677 | -- | 677 |
| Servicing fees from HSBC affiliates... | 13 | -- | 13 |
| Other income..... | 137 | -- | 137 |
| | ----- | ----- | ----- |
| TOTAL OTHER REVENUES..... | \$ 1,758 | \$ (449) | \$ 1,309 |
| Average receivables: | | | |
| Real estate secured..... | \$ 61,445 | \$ 98 | \$ 61,543 |
| Auto finance..... | 7,191 | 2,861 | 10,052 |
| MasterCard/Visa..... | 13,009 | 8,212 | 21,221 |
| Private label..... | 14,349 | 3,509 | 17,858 |
| Personal non-credit card..... | 15,671 | 3,922 | 19,593 |
| Commercial and other..... | 321 | -- | 321 |
| Purchase accounting fair value adjustments..... | 243 | -- | 243 |
| | ----- | ----- | ----- |
| Average receivables..... | \$112,229 | \$18,602 | \$130,831 |
| Average noninsurance investments..... | 3,889 | -- | 3,889 |
| Other interest-earning assets..... | 660 | -- | 660 |
| | ----- | ----- | ----- |
| Average interest-earning assets..... | \$116,778 | \$18,602 | \$135,380 |
| Net interest income as a percentage of average interest-earning assets..... | 7.13% | 10.06% | 7.54% |
| | ===== | ===== | ===== |

(1) When reporting on a managed basis, finance and other interest income, interest expense, provision for credit losses and fee income related to securitized receivables are reclassified from securitization related revenue in our owned statements of income into the appropriate caption.

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HSBC Finance Corporation

RECONCILIATION TO GAAP FINANCIAL MEASURES

REVENUES, AVERAGE INTEREST-EARNING ASSETS AND NET INTEREST INCOME

TWELVE MONTHS

| | TWELVE MONTHS ENDED 12/31/05 | | | TWELVE MONTHS ENDED 12/ | |
|---|------------------------------|--|-----------|-------------------------|--|
| | OWNED | SERVICED WITH LIMITED RECOURSE (1) | MANAGED | OWNED | SERVICED WITH LIMITED RECOURSE (1) |
| | (DOLLARS ARE IN MILLIONS) | | | | |
| Finance and other interest income..... | \$ 13,216 | \$ 1,267 | \$ 14,483 | \$ 10,945 | \$ 2,983 |
| Interest expense..... | 4,832 | 375 | 5,207 | 3,143 | 528 |

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| | | | | | |
|--|-----------|------------|-----------|-----------|------------|
| NET INTEREST INCOME..... | 8,384 | 892 | 9,276 | 7,802 | 2,455 |
| Provision for credit losses.... | 4,543 | 107 | 4,650 | 4,334 | 188 |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES..... | \$ 3,841 | \$ 785 | \$ 4,626 | \$ 3,468 | \$ 2,267 |
| Other revenues: | | | | | |
| Securitization related | | | | | |
| revenue..... | \$ 211 | \$ (1,048) | \$ (837) | \$ 1,008 | \$ (3,012) |
| Insurance revenue..... | 918 | -- | 918 | 839 | -- |
| Investment income..... | 134 | -- | 134 | 137 | -- |
| Fee income..... | 1,568 | 263 | 1,831 | 1,091 | 745 |
| Derivative income..... | 249 | -- | 249 | 511 | -- |
| Taxpayer financial services | | | | | |
| revenue..... | 277 | -- | 277 | 217 | -- |
| Gain on receivable sales to | | | | | |
| HSBC affiliates..... | 413 | -- | 413 | 702 | -- |
| Servicing fees from HSBC | | | | | |
| affiliates..... | 409 | -- | 409 | 24 | -- |
| Other income..... | 652 | -- | 652 | 544 | -- |
| TOTAL OTHER REVENUES..... | \$ 4,831 | \$ (785) | \$ 4,046 | \$ 5,073 | \$ (2,267) |
| Average receivables: | | | | | |
| Real estate secured..... | \$ 73,097 | \$ 23 | \$ 73,120 | \$ 56,303 | \$ 159 |
| Auto finance..... | 9,074 | 1,863 | 10,937 | 5,785 | 3,647 |
| MasterCard/Visa..... | 17,823 | 4,871 | 22,694 | 11,575 | 9,099 |
| Private label..... | 2,948 | -- | 2,948 | 13,029 | 4,550 |
| Personal non-credit card..... | 17,558 | 2,398 | 19,956 | 14,194 | 4,792 |
| Commercial and other..... | 255 | -- | 255 | 354 | -- |
| Purchase accounting fair | | | | | |
| value adjustments..... | 134 | -- | 134 | 319 | -- |
| Average receivables..... | \$120,889 | \$ 9,155 | \$130,044 | \$101,559 | \$22,247 |
| Average noninsurance | | | | | |
| investments..... | 3,018 | -- | 3,018 | 4,203 | -- |
| Other interest-earning | | | | | |
| assets..... | 676 | -- | 676 | 650 | -- |
| Average interest-earning | | | | | |
| assets..... | \$124,583 | \$ 9,155 | \$133,738 | \$106,412 | \$22,247 |
| Net interest income as a | | | | | |
| percentage of average | | | | | |
| interest-earning assets..... | 6.73% | 9.74% | 6.94% | 7.33% | 11.04% |

(1) When reporting on a managed basis, finance and other interest income, interest expense, provision for credit losses and fee income related to securitized receivables are reclassified from securitization related revenue in our owned statements of income into the appropriate caption.

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SELECTED FINANCIAL RATIOS

| | THREE MONTHS ENDED | | | TW |
|---|------------------------|-----------|-----------|-------|
| | 12/31/05 | 9/30/05 | 12/31/04 | 12 |
| | (DOLLARS ARE IN MILLIO | | | |
| RETURN ON AVERAGE COMMON SHAREHOLDER'S EQUITY: | | | | |
| Net income..... | \$ 393 | \$ 281 | \$ 712 | \$ |
| Dividends on preferred stock..... | (21) | (25) | (18) | |
| Net income available to common shareholders..... | \$ 372 | \$ 256 | \$ 694 | \$ |
| Gain on bulk sale of private label receivables, after-tax... | -- | -- | (423) | |
| Adoption of FFIEC charge-off policies for domestic private label and MasterCard and Visa portfolios, after-tax..... | -- | -- | 121 | |
| Operating net income available to common shareholders..... | \$ 372 | \$ 256 | \$ 392 | \$ |
| Average common shareholder's equity..... | \$ 17,932 | \$ 16,973 | \$ 16,838 | \$ |
| Return on average common shareholder's equity..... | 8.30% | 6.03% | 16.49% | |
| Return on average common shareholder's equity, operating basis..... | 8.30 | 6.03 | 9.31 | |
| | ===== | ===== | ===== | ===== |
| RETURN ON AVERAGE ASSETS: | | | | |
| Net income..... | \$ 393 | \$ 281 | \$ 712 | \$ |
| Operating net income..... | 393 | 281 | 410 | |
| Average assets: | | | | |
| Owned basis..... | \$150,644 | \$141,765 | \$134,316 | \$1 |
| Serviced with limited recourse..... | 5,757 | 7,779 | 18,602 | |
| Managed basis..... | \$156,401 | \$149,544 | \$152,918 | \$1 |
| Return on average owned assets..... | 1.04% | .79% | 2.12% | |
| Return on average owned assets, operating basis..... | 1.04 | .79 | 1.22 | |
| Return on average managed assets..... | 1.01 | .75 | 1.87 | |
| Return on average managed assets, operating basis..... | 1.01 | .75 | 1.07 | |
| | ===== | ===== | ===== | ===== |
| EFFICIENCY RATIO: | | | | |
| Total costs and expenses less policyholders' benefits..... | \$ 1,433 | \$ 1,374 | \$ 1,349 | \$ |
| Net interest income and other revenues less policyholders' benefits: | | | | |
| Owned basis..... | \$ 3,332 | \$ 3,156 | \$ 3,728 | \$ |
| Serviced with limited recourse..... | 48 | (23) | 19 | |
| Managed basis..... | \$ 3,380 | \$ 3,133 | \$ 3,747 | \$ |
| Gain on bulk sale of private label receivables..... | -- | -- | (663) | |
| Adoption of FFIEC charge-off policies for domestic private label and MasterCard and Visa portfolios: | | | | |
| Owned basis..... | -- | -- | 151 | |
| Managed basis..... | -- | -- | 107 | |
| Net interest income and other revenues less policyholders' benefits, excluding nonrecurring items: | | | | |
| Owned basis..... | \$ 3,332 | \$ 3,156 | \$ 3,216 | \$ |
| Serviced with limited recourse..... | 48 | (23) | (25) | |
| Managed basis..... | \$ 3,380 | \$ 3,133 | \$ 3,191 | \$ |

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| | | | | |
|--|-----------|-----------|-----------|-------|
| Owned basis efficiency ratio..... | 43.01% | 43.54% | 36.19% | |
| Owned basis efficiency ratio, operating basis..... | 43.01 | 43.54 | 41.95 | |
| Managed basis efficiency ratio..... | 42.40 | 43.86 | 36.00 | |
| Managed basis efficiency ratio, operating basis..... | 42.40 | 43.86 | 42.28 | |
| | ===== | ===== | ===== | ===== |
| MANAGED BASIS RISK ADJUSTED REVENUE: | | | | |
| Net interest income..... | \$ 2,431 | \$ 2,340 | \$ 2,551 | \$ |
| Other revenues, excluding securitization related revenue as well as the mark-to-market on derivatives which do not qualify as effective hedges and ineffectiveness associated with qualifying hedges under SFAS No. 133..... | 1,193 | 1,185 | 1,786 | |
| Less: Net charge-offs..... | (1,163) | (1,052) | (1,502) | |
| | ----- | ----- | ----- | ----- |
| Risk adjusted revenue..... | \$ 2,461 | \$ 2,473 | \$ 2,835 | \$ |
| Gain on bulk sale of private label receivables..... | -- | -- | (663) | |
| Adoption of FFIEC charge-off policies for domestic private label and MasterCard and Visa portfolios..... | -- | -- | 309 | |
| | ----- | ----- | ----- | ----- |
| Risk adjusted revenue, excluding nonrecurring items..... | \$ 2,461 | \$ 2,473 | \$ 2,481 | \$ |
| | ----- | ----- | ----- | ----- |
| Average interest-earning assets..... | \$144,545 | \$134,817 | \$135,380 | \$1 |
| | ----- | ----- | ----- | ----- |
| Managed basis risk adjusted revenue..... | 6.81% | 7.34% | 8.37% | |
| Managed basis risk adjusted revenue, operating basis..... | 6.81 | 7.34 | 7.32 | |
| | ----- | ----- | ----- | ----- |

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HSBC Finance Corporation

RECONCILIATION TO GAAP FINANCIAL MEASURES

CREDIT QUALITY/CREDIT LOSS RESERVES

| | Two-Months-and-Over Contractual Delinquency | | | Quarter-to-Date Net of Reco | |
|-----------------------------|---|--|---|--------------------------------|------------------------------------|
| | TWO-MONTHS- AND-OVER CONTRACTUAL DELINQUENCY | CONSUMER RECEIVABLES OUTSTANDING | TWO-MONTHS- AND-OVER CONTRACTUAL DELINQUENCY (1) | NET CHARGE- OFFS | AVERAGE CONSUMER RECEIVABLES |
| (DOLLARS ARE IN MILLIONS) | | | | | |
| DECEMBER 31, 2005 | | | | | |
| OWNED: | | | | | |
| First mortgage..... | \$ 2 | \$ 21 | 8.41% | \$ -- | \$ 21 |
| Real estate secured..... | 2,257 | 82,826 | 2.72 | 134 | 81,332 |
| Auto finance..... | 250 | 10,704 | 2.34 | 89 | 10,420 |
| MasterCard/Visa..... | 884 | 24,110 | 3.66 | 422 | 21,143 |
| Private label..... | 137 | 2,520 | 5.43 | 38 | 2,708 |
| Personal non-credit card... | 1,836 | 19,545 | 9.40 | 361 | 19,023 |
| | ----- | ----- | ----- | ----- | ----- |
| Total..... | \$5,366 | \$139,726 | 3.84% | \$1,044 | \$134,647 |
| | ===== | ===== | ===== | ===== | ===== |
| SERVICED WITH LIMITED | | | | | |

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| | | | | | |
|-----------------------------|---------|-----------|-------|---------|-----------|
| RECURSE: | | | | | |
| Real estate secured..... | \$ -- | \$ -- | --% | \$ -- | \$ -- |
| Auto finance..... | 79 | 1,192 | 6.63 | 40 | 1,351 |
| MasterCard/Visa..... | 30 | 1,875 | 1.60 | 54 | 3,105 |
| Personal non-credit card... | 125 | 1,007 | 12.41 | 25 | 1,301 |
| | ----- | ----- | ----- | ----- | ----- |
| Total..... | \$ 234 | \$ 4,074 | 5.74% | \$ 119 | \$ 5,757 |
| | ===== | ===== | ===== | ===== | ===== |
| MANAGED: | | | | | |
| First mortgage..... | \$ 2 | 21 | 8.41% | \$ -- | \$ 21 |
| Real estate secured..... | 2,257 | 82,826 | 2.72 | 134 | 81,332 |
| Auto finance..... | 329 | 11,896 | 2.76 | 129 | 11,771 |
| MasterCard/Visa..... | 914 | 25,985 | 3.52 | 476 | 24,248 |
| Private label..... | 137 | 2,520 | 5.43 | 38 | 2,708 |
| Personal non-credit card... | 1,961 | 20,552 | 9.54 | 386 | 20,324 |
| | ----- | ----- | ----- | ----- | ----- |
| Total..... | \$5,600 | \$143,800 | 3.89% | \$1,163 | \$140,404 |
| | ===== | ===== | ===== | ===== | ===== |
| SEPTEMBER 30, 2005 | | | | | |
| OWNED: | | | | | |
| First mortgage..... | \$ 1 | \$ 22 | 6.04% | \$ -- | \$ 23 |
| Real estate secured..... | 1,961 | 78,130 | 2.51 | 140 | 74,369 |
| Auto finance..... | 212 | 10,137 | 2.09 | 78 | 9,585 |
| MasterCard/Visa..... | 846 | 18,974 | 4.46 | 288 | 18,442 |
| Private label..... | 145 | 2,777 | 5.22 | 38 | 2,840 |
| Personal non-credit card... | 1,696 | 18,484 | 9.18 | 358 | 17,904 |
| | ----- | ----- | ----- | ----- | ----- |
| Total..... | \$4,861 | \$128,524 | 3.78% | \$ 902 | \$123,163 |
| | ===== | ===== | ===== | ===== | ===== |
| SERVICED WITH LIMITED | | | | | |
| RECURSE: | | | | | |
| Real estate secured..... | \$ -- | \$ -- | --% | \$ -- | \$ -- |
| Auto finance..... | 98 | 1,474 | 6.65 | 46 | 1,645 |
| MasterCard/Visa..... | 87 | 3,615 | 2.41 | 56 | 4,094 |
| Personal non-credit card... | 191 | 1,670 | 11.44 | 48 | 2,040 |
| | ----- | ----- | ----- | ----- | ----- |
| Total..... | \$ 376 | \$ 6,759 | 5.56% | \$ 150 | \$ 7,779 |
| | ===== | ===== | ===== | ===== | ===== |
| MANAGED: | | | | | |
| First mortgage..... | \$ 1 | \$ 22 | 6.04% | \$ -- | \$ 23 |
| Real estate secured..... | 1,961 | 78,130 | 2.51 | 140 | 74,369 |
| Auto finance..... | 310 | 11,611 | 2.67 | 124 | 11,230 |
| MasterCard/Visa..... | 933 | 22,589 | 4.13 | 344 | 22,536 |
| Private label..... | 145 | 2,777 | 5.22 | 38 | 2,840 |
| Personal non-credit card... | 1,887 | 20,154 | 9.36 | 406 | 19,944 |
| | ----- | ----- | ----- | ----- | ----- |
| Total..... | \$5,237 | \$135,283 | 3.87% | \$1,052 | \$130,942 |
| | ===== | ===== | ===== | ===== | ===== |

 (1) Certain percentages may not recompute from the dollar figures presented due to rounding.

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CREDIT QUALITY/CREDIT LOSS RESERVES (CONTINUED)

| | TWO-MONTHS-AND-OVER CONTRACTUAL DELINQUENCY | | | QUARTER-TO-DATE | |
|--------------------------------|--|--|---|--------------------|------------------------------------|
| | TWO-MONTHS AND-OVER CONTRACTUAL DELINQUENCY | CONSUMER RECEIVABLES OUTSTANDING | TWO-MONTHS- AND-OVER CONTRACTUAL DELINQUENCY (1) | NET CHARGE-OFFS | AVERAGE CONSUMER RECEIVABLES |
| (DOLLARS ARE IN MILLIONS) | | | | | |
| DECEMBER 31, 2004 | | | | | |
| OWNED: | | | | | |
| First mortgage..... | \$ 1 | \$ 26 | 5.04% | \$ -- | \$ 2 |
| Real estate secured..... | 1,920 | 64,820 | 2.96 | 159 | 61,44 |
| Auto finance..... | 156 | 7,544 | 2.07 | 49 | 7,19 |
| MasterCard/Visa..... | 714 | 14,635 | 4.88 | 275 | 13,00 |
| Private label..... | 141 | 3,411 | 4.13 | 328 | 14,34 |
| Personal non-credit card... | 1,401 | 16,128 | 8.69 | 316 | 15,67 |
| | ----- | ----- | ----- | ----- | ----- |
| Total..... | \$4,333 | \$106,564 | 4.07% | \$1,127 | \$111,69 |
| | ===== | ===== | ===== | ===== | ===== |
| SERVICED WITH LIMITED RECURSE: | | | | | |
| Real estate secured..... | \$ 10 | \$ 81 | 12.35% | \$ 1 | \$ 9 |
| Auto finance..... | 147 | 2,679 | 5.49 | 63 | 2,86 |
| MasterCard/Visa..... | 170 | 7,583 | 2.24 | 125 | 8,21 |
| Private label..... | -- | -- | -- | 83 | 3,50 |
| Personal non-credit card... | 461 | 3,882 | 11.88 | 103 | 3,92 |
| | ----- | ----- | ----- | ----- | ----- |
| Total..... | \$ 788 | \$ 14,225 | 5.54% | \$ 375 | \$ 18,60 |
| | ===== | ===== | ===== | ===== | ===== |
| MANAGED: | | | | | |
| First mortgage..... | \$ 1 | \$ 26 | 5.04% | \$ -- | \$ 2 |
| Real estate secured..... | 1,930 | 64,901 | 2.97 | 160 | 61,54 |
| Auto finance..... | 303 | 10,223 | 2.96 | 112 | 10,05 |
| MasterCard/Visa..... | 884 | 22,218 | 3.98 | 400 | 21,22 |
| Private label..... | 141 | 3,411 | 4.13 | 411 | 17,85 |
| Personal non-credit card... | 1,862 | 20,010 | 9.30 | 419 | 19,59 |
| | ----- | ----- | ----- | ----- | ----- |
| Total..... | \$5,121 | \$120,789 | 4.24% | \$1,502 | \$130,29 |
| | ===== | ===== | ===== | ===== | ===== |

(1) Certain percentages may not recompute from the dollar figures presented due to rounding.

RECONCILIATION TO GAAP FINANCIAL MEASURES

CREDIT QUALITY/CREDIT LOSS RESERVES (CONTINUED)

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| | OWNED | SERVICED WITH LIMITED RECOURSE | MANAGED |
|---|--------|-----------------------------------|---------|
| (DOLLARS ARE IN MILLIONS) | | | |
| REAL ESTATE CHARGE-OFFS AND REO EXPENSE: | | | |
| THREE MONTHS ENDED DECEMBER 31, 2005 | | | |
| Real estate charge-offs and REO expense..... | \$ 158 | \$-- | \$ 158 |
| Average real estate secured receivables..... | 81,332 | -- | 81,332 |
| Real estate charge-offs and REO expense as a percentage of average real estate secured receivables(1)..... | .78% | -- | .7% |
| THREE MONTHS ENDED SEPTEMBER 30, 2005 | | | |
| Real estate charge-offs and REO expense..... | \$ 163 | \$-- | \$ 163 |
| Average real estate secured receivables..... | 74,369 | -- | 74,369 |
| Real estate charge-offs and REO expense as a percentage of average real estate secured receivables(1)..... | .88% | -- | .8% |
| THREE MONTHS ENDED DECEMBER 31, 2004 | | | |
| Real estate charge-offs and REO expense..... | \$ 179 | \$ 1 | \$ 180 |
| Average real estate secured receivables..... | 61,445 | 98 | 61,543 |
| Real estate charge-offs and REO expense as a percentage of average real estate secured receivables(1)..... | 1.17% | -- | 1.1% |

(1) Certain percentages may not recompute from the dollar figures presented due to rounding.

RECONCILIATION TO GAAP FINANCIAL MEASURES

CREDIT QUALITY/CREDIT LOSS RESERVES (CONTINUED)

| | OWNED | SERVICED WITH LIMITED RECOURSE | MANAGED |
|---|-----------|-----------------------------------|-----------|
| (DOLLARS ARE IN MILLIONS) | | | |
| CREDIT LOSS RESERVES: | | | |
| THREE MONTHS ENDED DECEMBER 31, 2005 | | | |
| Reserves for receivables at beginning of quarter..... | \$ 4,220 | \$ 351 | \$ 4,571 |
| Provision for credit losses..... | 1,310 | 48 | 1,358 |
| Charge-offs, net of recoveries..... | (1,044) | (119) | (1,163) |
| Other, net..... | 35 | (65) | (30) |
| Reserves for receivables at end of quarter..... | \$ 4,521 | \$ 215 | \$ 4,736 |
| Receivables..... | \$139,913 | \$ 4,074 | \$143,987 |

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| | | | |
|--|-----------|----------|--------|
| Credit loss reserves as a percent of receivables..... | 3.23% | 5.28% | 3 |
| ----- | | | |
| THREE MONTHS ENDED SEPTEMBER 30, 2005 | | | |
| Reserves for receivables at beginning of quarter..... | \$ 3,756 | \$ 525 | \$ 4, |
| Provision for credit losses..... | 1,361 | (23) | 1, |
| Charge-offs, net of recoveries..... | (902) | (150) | (1, |
| Other, net..... | 5 | (1) | |
| ----- | | | |
| Reserves for receivables at end of quarter..... | \$ 4,220 | \$ 351 | \$ 4, |
| Receivables..... | \$128,722 | \$ 6,759 | \$135, |
| Credit loss reserves as a percent of receivables..... | 3.28% | 5.19% | 3 |
| ----- | | | |
| THREE MONTHS ENDED DECEMBER 31, 2004 | | | |
| Reserves for receivables at beginning of quarter..... | \$ 3,953 | \$ 1,246 | \$ 5, |
| Provision for credit losses..... | 1,286 | 19 | 1, |
| Charge-offs, net of recoveries..... | (1,127) | (375) | (1, |
| Other, net..... | (487) | -- | (|
| ----- | | | |
| Reserves for receivables at end of quarter..... | \$ 3,625 | \$ 890 | \$ 4, |
| Receivables..... | \$106,855 | \$14,225 | \$121, |
| Credit loss reserves as a percent of receivables..... | 3.39% | 6.26% | 3 |
| ----- | | | |
| NONPERFORMING ASSETS: | | | |
| DECEMBER 31, 2005 | | | |
| Nonaccrual receivables..... | \$ 3,533 | \$ 176 | \$ 3, |
| Accruing receivables 90 or more days delinquent..... | 621 | 21 | |
| Renegotiated commercial loans..... | -- | -- | |
| ----- | | | |
| Total nonperforming receivables..... | 4,154 | 197 | 4, |
| Real estate owned..... | 510 | -- | |
| ----- | | | |
| Total nonperforming assets..... | \$ 4,664 | \$ 197 | \$ 4, |
| Credit loss reserves as a percent of nonperforming receivables..... | 108.8% | -- | 10 |
| ----- | | | |
| SEPTEMBER 30, 2005 | | | |
| Nonaccrual receivables..... | \$ 3,273 | \$ 268 | \$ 3, |
| Accruing receivables 90 or more days delinquent..... | 563 | 41 | |
| Renegotiated commercial loans..... | -- | -- | |
| ----- | | | |
| Total nonperforming receivables..... | 3,836 | 309 | 4, |
| Real estate owned..... | 462 | -- | |
| ----- | | | |
| Total nonperforming assets..... | \$ 4,298 | \$ 309 | \$ 4, |
| Credit loss reserves as a percent of nonperforming receivables..... | 110.0% | -- | 11 |
| ----- | | | |
| DECEMBER 31, 2004 | | | |
| Nonaccrual receivables..... | \$ 3,012 | \$ 546 | \$ 3, |
| Accruing receivables 90 or more days delinquent..... | 507 | 100 | |
| Renegotiated commercial loans..... | 2 | -- | |
| ----- | | | |
| Total nonperforming receivables..... | 3,521 | 646 | 4, |
| Real estate owned..... | 587 | -- | |
| ----- | | | |
| Total nonperforming assets..... | \$ 4,108 | \$ 646 | \$ 4, |
| Credit loss reserves as a percent of nonperforming receivables..... | 103.0% | -- | 10 |
| ----- | | | |

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Holdings plc

By:

Name: P A Stafford

Title: Assistant Group Secretary

Date: 06 March, 2006