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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of Report: May 16, 2005

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Commission file number 1-8198

**HSBC FINANCE CORPORATION**

(Exact name of registrant as specified in its charter)

**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))
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### **Item 7.01. Regulation FD Disclosure**

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Attached hereto as Exhibit 99 is a slide presentation made available to the public in a webcast presentation on May 16, 2005. The Appendix to the slides contains information that reconciles certain non-US GAAP information displayed in the webcast to US GAAP. The Appendix was not displayed as part of the webcast.

The presentation includes information that constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and as such will involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of HSBC Finance Corporation, HSBC USA Inc. and HSBC Holdings plc, or their subsidiaries, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are based on information, which is available on the date they are made, and therefore they express HSBC's current views and current assumptions that may change. For a list of important factors that could affect actual results or could cause such results to vary materially from those expressed in the information furnished with this filing on Form 8-K, please see the HSBC Holdings plc Annual Report, the HSBC USA Inc. Annual Report on Form 10-K for the year ended December 31, 2004 and the HSBC Finance Corporation Annual Report on Form 10-K for the year ended December 31, 2004. The information shall not be deemed "filed" for 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**

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- (a) Financial statements of businesses acquired.

Not applicable.

- (b) Pro forma financial information.

Not applicable.

- (c) Exhibits.

No. Exhibit

99 Presentation materials.

**Signature**

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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: May 16, 2005

HSBC Finance Corporation and HSBC USA Inc.

Supplement to the Forms 10-Q for the quarterly  
period ended March 31, 2005

May, 2005

## Forward Looking Statements

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This presentation, including the accompanying slides and subsequent discussion, contains certain forward-looking information with respect to the financial condition, results of operations and business of HSBC Holdings plc, HSBC Finance Corporation, HSBC USA Inc. and HSBC North America Holdings Inc. This information represents expectations or beliefs concerning future events and is subject to unknown risks and uncertainties. This information speaks only as of the date on which it is provided. Additional detailed information concerning important factors that could cause actual results to differ materially is available in the HSBC Holdings plc Annual Report, HSBC Finance Corporation Annual Report on Form 10-K, and HSBC USA Inc. Annual Report on Form 10-K for the year ended December 31, 2004. Please further be advised that Regulation FD prohibits HSBC representatives from answering certain, specific questions during the Q&A session.

## Basis of Reporting

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- HSBC Finance Corporation - Managed Basis (a non-GAAP financial measure) assumes that securitized receivables have not been sold and remain on our balance sheet.
- HSBC Finance Corporation - Management Basis (a non-GAAP financial measure) represents Managed Basis plus Mortgages and Private Label Credit Card (PLCC) receivables transferred to HSBC USA Inc., adjusted for inter-company activities on Mortgage and PLCC transfers, and inter-company fees associated with the funding facility for Taxpayer Financial Services (“TFS”).
- HSBC USA Inc. - U.S. GAAP

## Basis of Reporting

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|                                    | Impact on Net Income<br>Compared to U.S. GAAP |             |
|------------------------------------|---|-------------|
|                                    | <u>U.K. GAAP</u>                              | <u>IFRS</u> |
| 1. Deferred origination expenses   | –   | –           |
| 2. Derivatives                     | Similar                                       | + or –      |
| 3. Securitizations                 | +   | +           |
| 4. Intangibles                     | +   | +           |
| 5. Purchase accounting adjustments | +   | +           |

# HSBC Finance Corporation and HSBC USA Inc.

## Net Income

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(Millions \$)

| Net Income:   | 1Q 05 | 4Q 04 | 1Q 04 |
|---|-------|-------|-------|
| HSBC Finance Corporation - U.S. GAAP                      | \$626 | \$712 | \$470 |
| HSBC USA Inc. - U.S. GAAP                                 | 316   | 269   | 319   |
| Sub-total   | 942   | 981   | 789   |
| Net Income related to transferred assets <sup>(1)</sup>   | 80    | (394) | 10    |
| Combined Net Income                                       | 1,022 | 587   | 799   |
| Less: HSBC Finance Corporation:                           |       |       |       |
| Derivative Income, <sup>(2)</sup> net of tax              | (166) | (168) | (33)  |
| Impact of initial FFIEC implementation, net of tax        | --    | 121   | --    |
| Combined Net Income, normalized <sup>(3)</sup> (Non-GAAP) | \$856 | \$540 | \$766 |

(1) Primarily relates to transfer of assets between HSBC Finance Corporation and HSBC USA Inc.

(2) Derivative Income as reported in the 1Q 05 10-Q and the 2004 10-K, net of tax.

(3) 1Q 05 and 1Q 04 reflects TFS revenues of \$131 million and \$113 million respectively, net of tax.



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# HSBC Finance Corporation

## First Quarter Highlights - Management Basis

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- Net Income growth - 47% year-over-year, 21% adjusting for derivatives
- Strong receivables growth year-over-year of 18%
  - Real Estate Secured growth of 31%
  - Auto Finance growth of 14%
  - Cards growth of 6%
  - Unsecured growth of 6%
- RAR (Risk Adjusted Revenue) recovered to 1Q 04 levels due to credit quality improvements and increased fee generation
  - Improvements in collections & underwriting
  - Strong tax season

## First Quarter Highlights - Management Basis, *cont'd*

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- NIM compression consistent with the current market environment
  - Yield has stabilized
- Improved credit results year-over-year driven by stronger analytics, improved collections, mix and a favorable economy
  - Charge-offs down 119 bps
  - 2+ delinquencies down 123 bps
- Expenses year-over-year:
  - Efficiency ratio of 40.5%, flat to prior year quarter
  - Expenses to receivables are down 29 bps to 4.0%

# HSBC Finance Corporation

## Management Basis (A Non-GAAP Measure)

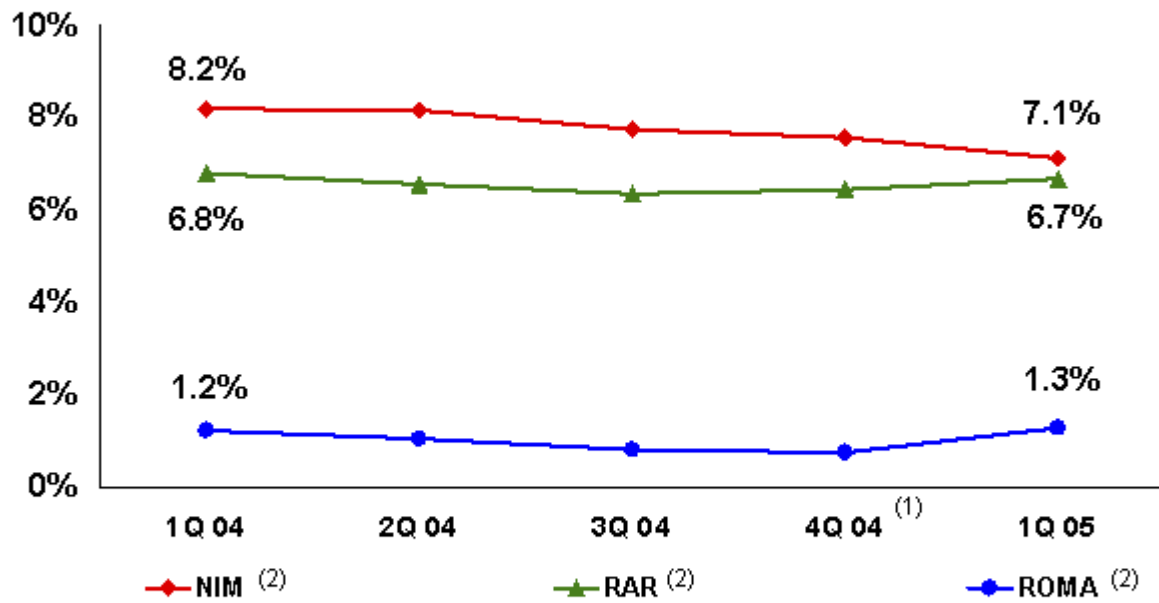
| (Millions \$)                                 | 1Q 05   | 4Q 04 <sup>(1)</sup> | 1Q 04   | B/(W) |       |
|---|---------|----------------------|---------|-------|-------|
|   |         |                      |         | 4Q 04 | 1Q 04 |
| Net Interest Income                           | \$2,603 | \$2,607              | \$2,611 | \$(4) | \$(8) |
| Other Revenues                                | 1,034   | 767                  | 702     | 267   | 332   |
| Total Revenues                                | 3,637   | 3,374                | 3,313   | 263   | 324   |
| Provision for Loan Losses                     | 996     | 1,436                | 1,182   | 440   | 186   |
| Operating Expenses                            | 1,547   | 1,462                | 1,410   | (85)  | (137) |
| Pre-tax Income                                | 1,094   | 476                  | 721     | 618   | 373   |
| Taxes   | 388     | 158                  | 241     | (230) | (147) |
| Net Income - Management Basis                 | 706     | 318                  | 480     | 388   | 226   |
| Derivative Income <sup>(2)</sup> - net of tax | (166)   | (168)                | (33)    | 2     | (133) |
| Adjusted Net Income                           | \$540   | \$150                | \$447   | \$390 | \$93  |

(1) Excluding impact of FFIEC implementation, 4Q 04 net income was \$439 million and adjusted net income was \$271 million.

(2) Derivative Income as reported in the 1Q 05 10-Q and the 2004 10-K, net of tax.

## Key Ratios - Management Basis

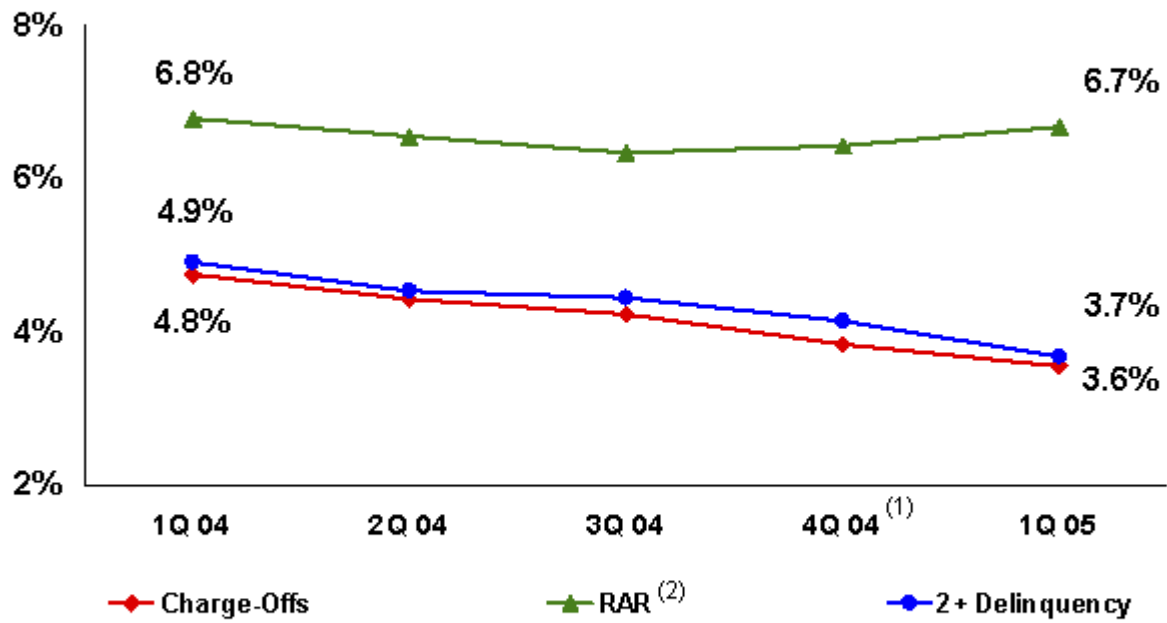
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(1) Excludes impact of initial FFIEC implementation.

(2) Excludes income associated with derivatives which do not qualify as hedges under FAS 133.

## Credit Quality - Management Basis



(1) Excludes impact of initial FFIEC implementation.

(2) Excludes income associated with derivatives which do not qualify as hedges under FAS 133.

## Net Interest Income - Management Basis

(Millions \$)

|                              | Net Interest Income |         |         |
|------------------------------|---------------------|---------|---------|
|                              | 1Q 05               | 4Q 04   | 1Q 04   |
| Interest Income              | \$3,902             | \$3,692 | \$3,466 |
| Interest Expense             | 1,299               | 1,085   | 855     |
| Net Interest Income          | \$2,603             | \$2,607 | \$2,611 |
| FFIEC adjustments            | 0                   | 57      | 0       |
| Adjusted Net Interest Income | \$2,603             | \$2,664 | \$2,611 |

|               | Yield & Cost of Funds |                      |       |
|---------------|-----------------------|----------------------|-------|
|               | 1Q 05                 | 4Q 04 <sup>(1)</sup> | 1Q 04 |
| Yield         | 10.7%                 | 10.7%                | 10.9% |
| Cost of Funds | 3.6                   | 3.1                  | 2.7   |
| NIM           | 7.1%                  | 7.6%                 | 8.2%  |

<sup>(1)</sup> Excludes impact of initial FFIEC implementation.

## Operating Expenses - Management Basis

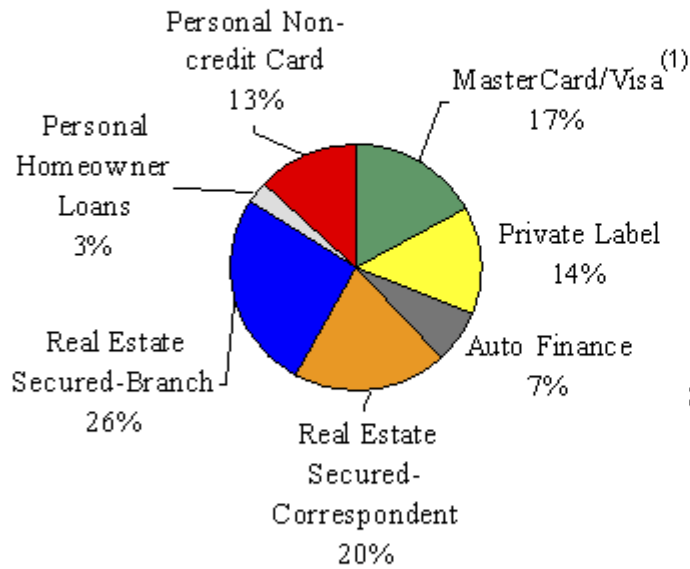
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|                                | 1Q 05 | 4Q 04 | 1Q 04 | B/(W)    |         |
|--------------------------------|-------|-------|-------|----------|---------|
|                                |       |       |       | 4Q 04    | 1Q 04   |
| Efficiency Ratio               | 40.5% | 41.4% | 40.5% | 83 bps   | (1) bps |
| Operating Expenses/Receivables | 4.0%  | 3.8%  | 4.3%  | (16) bps | 29 bps  |
| Sales & Marketing/Receivables  | 0.6%  | 0.7%  | 0.6%  | 9 bps    | (7) bps |

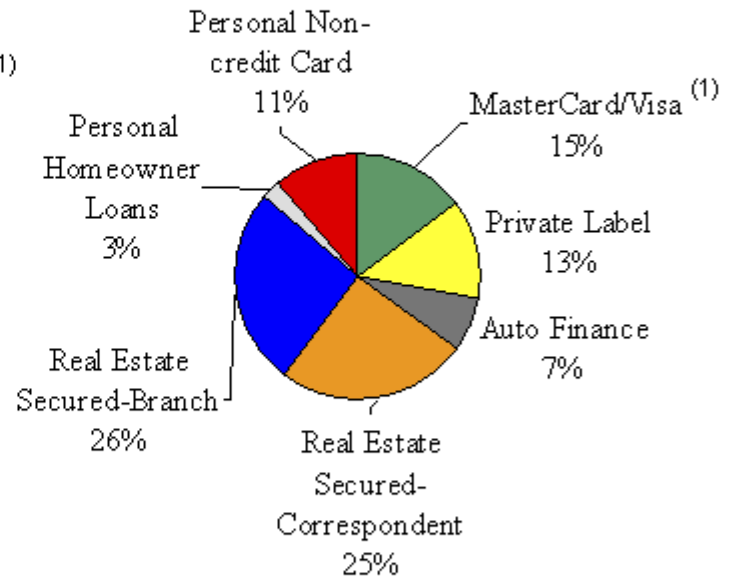


# Receivable Mix - Management Basis

**March 2004**  
**\$122 billion**



**March 2005**  
**\$144 billion**



(1) MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.

# Mix shift is due to optimization of Risk and Return

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| <u>Retail Channel</u>   | <u>Correspondent/<br/>Wholesale Channel</u>  | <u>Auto</u>   |
|---|--|---|
| <ul style="list-style-type: none"><li>Continued record production of sub-prime mortgages. Volume up 10% vs. 1Q 04.</li><li>Near Prime production has been successful<ul style="list-style-type: none"><li>Volume up, but off a small base vs. 1Q 04</li><li>Leverages fixed cost branch infrastructure</li><li>While dilutive to NIM on a short term basis, it is accretive to ROMA</li></ul></li></ul> | <ul style="list-style-type: none"><li>\$5.2 billion of "A-" (Near Prime) purchased by HSBC USA Inc.<ul style="list-style-type: none"><li>Accretive to NIM for HSBC USA Inc. but dilutive to NIM and RAR for HSBC Finance Corporation</li><li>Accretive to HSBC North America Inc.</li><li>Leverages the HSBC Finance Corporation capability and HSBC USA Inc. cost of funds</li></ul></li><li>Purchase premium on wholesale loans is amortized through NIM</li></ul> | <ul style="list-style-type: none"><li>Current origination mix is 4% Prime, 84% Near Prime, 12% Sub-prime</li><li>Near Prime is the most profitable segment on a ROMA basis</li><li>Benefit of this mix shift is evident in the credit performance</li></ul> |

## Key Actions to Affect NIM, RAR, Receivable Mix

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### **Retail Branch Channel** (HFC/Beneficial)

- Expand junior lien production
- Increase unsecured lines selectively
- Increase usage of risk-based pricing
- More granular pricing for real estate secured product
- Continue deployment of proprietary analytics for pricing and risk management

### **Wholesale Channel**

- Increase junior lien portfolio
- Diversify originations through higher return seller clients
- More granular pricing
- Enhance portfolio retention

## Key Actions to Affect NIM, RAR, Receivable Mix

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### Cards

- Continue focus on non-prime card sectors
- Focus on incremental fee opportunities, including fee-focused products
- Continue focus on risk-based pricing and line management

### Auto

- Increase direct-to-consumer originations
- Originate more stable and predictable near prime mix
- Optimize collections and portfolio management

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HSBC USA Inc.

## HSBC USA Inc.

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### U.S. GAAP (Millions \$)

|                           | 1Q 05 | 4Q 04 | 1Q 04 | B/(W) |       |
|---------------------------|-------|-------|-------|-------|-------|
|                           |       |       |       | 4Q 04 | 1Q 04 |
| Net Interest Income       | \$775 | \$700 | \$654 | \$75  | \$121 |
| Other Revenues            | 478   | 325   | 334   | 153   | 144   |
| Total Revenues            | 1,253 | 1,025 | 988   | 228   | 265   |
| Provision for Loan Losses | 107   | (24)  | (26)  | (131) | (133) |
| Operating Expenses        | 654   | 613   | 488   | (41)  | (166) |
| Pre-tax Income            | 492   | 436   | 526   | 56    | (34)  |
| Taxes                     | 176   | 167   | 207   | (9)   | 31    |
| Net Income                | \$316 | \$269 | \$319 | \$47  | \$(3) |

# First Quarter Highlights

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## **Personal Financial Services**

- Pre-tax income increased 85% over 1Q 04
- Number of personal deposit accounts opened increased 40% year-over-year
- 3 de-novo locations added
- Improvement in residential mortgage results
- Introduced new deposit products through both on-line and in-branch delivery channels

## **Commercial Banking**

- Pre-tax income decreased 3% over 1Q 04
- Revenue increased by 7% over 1Q 04
- Significant investment made in new offices in LA, San Francisco, Boston and Miami
- Middle market receivables up 19% and deposit growth 4% over 1Q 04
- Named the #1 SBA lender in New York for 2004 as small business segment receivables increased 36% and deposits grew 13% over 1Q 04
- Credit quality remains solid and well controlled

# First Quarter Highlights

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## **Corporate Investment Banking & Markets (CIBM)**

- Pre-tax income decreased over 1Q 04
  - Flatter yield curve lowered revenue
  - Continued investment spending increased costs
- Strong quarter in structured credit products
- Consolidated US operations of Bank of Bermuda
- Hiring of front and back office personnel ongoing while expanding product offerings and marketing in support of MBS and ABS

## **Private Banking**

- Pre-tax income increased 9% over 1Q 04
- Divested segment of personal trust business to focus on larger trust relationships
- Added relationship managers in pursuit of growth strategy



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HSBC 

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# Appendix

# HSBC Finance Corporation - Management Basis

## Receivables (Billions \$)

|                                |        |        |        | Change |       |       |       |
|--------------------------------|--------|--------|--------|--------|-------|-------|-------|
|                                |        |        |        | \$     |       | %     |       |
|                                | 1Q 05  | 4Q 04  | 1Q 04  | 4Q 04  | 1Q 04 | 4Q 04 | 1Q 04 |
| Branch Real Estate             | \$ 38  | \$ 36  | \$ 32  | \$ 2   | \$ 6  | 5%    | 20%   |
| Correspondent Real Estate      | 36     | 34     | 25     | 2      | 11    | 6%    | 45%   |
| Real Estate Secured            | 74     | 70     | 57     | 4      | 17    | 6%    | 31%   |
| Mastercard/Visa <sup>(1)</sup> | 22     | 23     | 21     | (1)    | 1     | -2%   | 7%    |
| Private Label                  | 18     | 19     | 17     | (1)    | 1     | -6%   | 5%    |
| Auto Finance                   | 10     | 10     | 9      | 0      | 1     | 1%    | 14%   |
| Personal Non-credit Card       | 16     | 16     | 15     | 0      | 1     | -2%   | 5%    |
| Personal Homeowner Loans       | 4      | 4      | 3      | 0      | 1     | 0%    | 9%    |
| Commercial and Other           | 0      | 0      | 0      | 0      | 0     | 0%    | 0%    |
| Total Receivables              | \$ 144 | \$ 142 | \$ 122 | \$ 2   | \$ 22 | 1%    | 18%   |

(1) MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.

## Reconciliations to GAAP Financial Measures

|   | Three Months Ended |                  |                  |
|---|--------------------|------------------|------------------|
|   | March 31, 2005     | Dec. 31, 2004    | March 31, 2004   |
| (Dollars are in millions)   |                    |                  |                  |
| <b>Return on Average Assets:</b>  |                    |                  |                  |
| Net income:   |                    |                  |                  |
| Owned basis . . . . .   | \$ 626             | \$ 712           | \$ 470           |
| Management basis adjustments . . . . .                                  | <u>80</u>          | <u>(394)</u>     | <u>10</u>        |
| Management basis . . . . .  | <u>\$ 706</u>      | <u>\$ 318</u>    | <u>\$ 480</u>    |
| Adjusted net income:  |                    |                  |                  |
| Owned basis . . . . .   | \$ 626             | \$ 712           | \$ 470           |
| Management basis adjustments . . . . .                                  | 80                 | (394)            | 10               |
| Derivative adjustments . . . . .  | <u>(166)</u>       | <u>(168)</u>     | <u>(33)</u>      |
| Management basis adjusted for derivatives . . . . .                     | <u>\$ 540</u>      | <u>\$ 150</u>    | <u>\$ 447</u>    |
| FFIEC impact . . . . .  | <u>—</u>           | <u>121</u>       | <u>—</u>         |
| Management basis, adjusted operating basis . . . . .                    | <u>\$ 540</u>      | <u>\$ 271</u>    | <u>\$ 447</u>    |
| Average assets:   |                    |                  |                  |
| Owned basis . . . . .   | \$131,954          | \$134,316        | \$119,388        |
| Management basis adjustments . . . . .                                  | <u>34,862</u>      | <u>23,896</u>    | <u>28,045</u>    |
| Management basis . . . . .  | <u>\$166,816</u>   | <u>\$158,212</u> | <u>\$147,433</u> |
| Return on average owned assets . . . . .                                | 1.90%              | 2.12%            | 1.57%            |
| Return on average management assets . . . . .                           | 1.69               | .80              | 1.30             |
| Return on average management assets, adjusted basis . . . . .           | 1.29               | .38              | 1.21             |
| Return on average management assets, adjusted operating basis . . . . . | <u>1.29</u>        | <u>.69</u>       | <u>1.21</u>      |
| <b>Net Income Growth:</b>   |                    |                  |                  |
| Net income . . . . .  | \$ 626             | \$ 712           | \$ 470           |
| Management basis adjustments . . . . .                                  | <u>80</u>          | <u>(394)</u>     | <u>10</u>        |
| Net income — management basis . . . . .                                 | <u>\$ 706</u>      | <u>\$ 318</u>    | <u>\$ 480</u>    |
| Derivative adjustments . . . . .  | <u>(166)</u>       | <u>(168)</u>     | <u>(33)</u>      |
| Net income — management basis adjusted for derivatives . . . . .        | <u>\$ 540</u>      | <u>\$ 150</u>    | <u>\$ 447</u>    |
| Management basis net income growth, year-over-year . . . . .            | 47%                | —                | —                |
| Management basis adjusted net income growth, year-over-year . . . . .   | <u>21</u>          | <u>—</u>         | <u>—</u>         |

## Reconciliations to GAAP Financial Measures

|  | Three Months Ended        |                  |                  |
|--|---------------------------|------------------|------------------|
|  | March 31, 2005            | Dec. 31, 2004    | March 31, 2004   |
|  | (Dollars are in millions) |                  |                  |
| <b>Net Interest Margin:</b>                              |                           |                  |                  |
| Net Interest Income:                                     |                           |                  |                  |
| Owned basis . . . . .                                    | \$ 1,888                  | \$ 2,083         | \$ 1,820         |
| Management basis adjustments . . . . .                   | <u>715</u>                | <u>524</u>       | <u>791</u>       |
| Management basis . . . . .                               | <u>\$ 2,603</u>           | <u>\$ 2,607</u>  | <u>\$ 2,611</u>  |
| Average interest-earning assets:                         |                           |                  |                  |
| Owned basis . . . . .                                    | \$112,985                 | \$116,778        | \$ 99,676        |
| Management basis adjustments . . . . .                   | <u>33,109</u>             | <u>23,988</u>    | <u>28,044</u>    |
| Management basis . . . . .                               | <u>\$146,094</u>          | <u>\$140,766</u> | <u>\$127,720</u> |
| Owned basis net interest margin . . . . .                | 6.68%                     | 7.13%            | 7.30%            |
| Management basis net interest margin . . . . .           | <u>7.13</u>               | <u>7.41</u>      | <u>8.18</u>      |
| Management basis operating net interest income:          |                           |                  |                  |
| Net Interest Income . . . . .                            | 2,603                     | 2,607            | 2,611            |
| FFIEC impact . . . . .                                   | <u>—</u>                  | <u>57</u>        | <u>—</u>         |
| Management basis operating Net Interest Income . . . . . | 2,603                     | 2,664            | 2,611            |
| Management basis operating net interest margin . . . . . | <u>7.13%</u>              | <u>7.57%</u>     | <u>8.18%</u>     |

## Reconciliations to GAAP Financial Measures

|   | Three Months Ended        |                  |                  |
|---|---------------------------|------------------|------------------|
|   | March 31, 2005            | Dec. 31, 2004    | March 31, 2004   |
|   | (Dollars are in millions) |                  |                  |
| <b>Managed Basis Risk Adjusted Revenue:</b>   |                           |                  |                  |
| Net interest income . . . . .   | \$ 2,220                  | \$ 2,551         | \$ 2,574         |
| Other revenues, excluding securitization revenue . . . . .  | 1,468                     | 1,786            | 1,072            |
| Less: Net charge-offs . . . . .   | <u>(1,118)</u>            | <u>(1,502)</u>   | <u>(1,442)</u>   |
| Risk adjusted revenue . . . . .   | <u>\$ 2,570</u>           | <u>\$ 2,835</u>  | <u>\$ 2,204</u>  |
| Gain on bulk sale of private label receivables . . . . .  | \$ —                      | \$ (663)         | \$ —             |
| Adoption of FFIEC charge-off policies for domestic private label and MasterCard and Visa portfolios . . . . . | <u>—</u>                  | <u>309</u>       | <u>—</u>         |
| Risk adjusted revenue, excluding nonrecurring items . . . . .   | <u>\$ 2,570</u>           | <u>\$ 2,481</u>  | <u>\$ 2,204</u>  |
| Management basis adjustments:   |                           |                  |                  |
| Net interest income . . . . .   | \$ 383                    | \$ 56            | \$ 37            |
| Other revenues, excluding securitization revenue . . . . .  | (104)                     | (667)            | (21)             |
| Less: Net charge-offs . . . . .   | <u>(154)</u>              | <u>(5)</u>       | <u>—</u>         |
| Risk adjusted revenue, management basis adjustments . . . . .   | <u>\$ 125</u>             | <u>\$ (616)</u>  | <u>\$ 16</u>     |
| Management basis:   |                           |                  |                  |
| Net interest income . . . . .   | \$ 2,603                  | \$ 2,607         | \$ 2,611         |
| Other revenues, excluding securitization revenue . . . . .  | 1,364                     | 1,119            | 1,051            |
| Less: Net charge-offs . . . . .   | <u>(1,272)</u>            | <u>(1,507)</u>   | <u>(1,442)</u>   |
| Risk adjusted revenue, management basis . . . . .   | <u>\$ 2,695</u>           | <u>\$ 2,219</u>  | <u>\$ 2,220</u>  |
| Adoption of FFIEC charge-off policies for domestic private label and MasterCard and Visa portfolios . . . . . | \$ —                      | \$ 309           | \$ —             |
| Derivative income adjustments . . . . .   | <u>(260)</u>              | <u>(263)</u>     | <u>(52)</u>      |
| Risk adjusted revenue, management basis, excluding nonrecurring items . . . . .                               | <u>\$ 2,435</u>           | <u>\$ 2,265</u>  | <u>\$ 2,168</u>  |
| Average interest-earning assets:  |                           |                  |                  |
| Managed basis . . . . .   | <u>\$125,869</u>          | \$135,380        | \$124,954        |
| Management basis adjustments . . . . .  | <u>20,225</u>             | <u>5,386</u>     | <u>2,766</u>     |
| Management basis . . . . .  | <u>\$146,094</u>          | <u>\$140,766</u> | <u>\$127,720</u> |
| Managed basis risk adjusted revenue . . . . .   | 8.17%                     | 8.37%            | 7.06%            |
| Managed basis risk adjusted revenue, operating basis . . . . .  | 8.17                      | 7.32             | 7.06             |
| Management basis risk adjusted revenue . . . . .  | 7.38                      | 6.31             | 6.95             |
| Management basis risk adjusted revenue, operating basis . . . . .   | <u>6.67</u>               | <u>6.44</u>      | <u>6.79</u>      |

## Reconciliations to GAAP Financial Measures

|  | Three Months Ended |                  |                  |
|--|--------------------|------------------|------------------|
|  | March 31, 2005     | Dec. 31, 2004    | March 31, 2004   |
| (Dollars are in millions)                                      |                    |                  |                  |
| <b>Consumer Net Charge-off Ratio:</b>                          |                    |                  |                  |
| Consumer net charge-offs:                                      |                    |                  |                  |
| Owned basis .....  | \$ 856             | \$ 1,127         | \$ 970           |
| Management basis adjustments .....                             | <u>410</u>         | <u>380</u>       | <u>472</u>       |
| Management basis .....   | <u>\$ 1,266</u>    | <u>\$ 1,507</u>  | <u>\$ 1,442</u>  |
| FFIEC impact .....   | <u>\$ —</u>        | <u>(202)</u>     | <u>—</u>         |
| Management operating basis .....                               | <u>\$ 1,266</u>    | <u>\$ 1,305</u>  | <u>\$ 1,442</u>  |
| Average consumer receivables:                                  |                    |                  |                  |
| Owned basis .....  | \$108,928          | \$111,691        | \$ 92,974        |
| Management basis adjustments .....                             | <u>33,379</u>      | <u>24,287</u>    | <u>28,405</u>    |
| Management basis .....   | <u>\$142,307</u>   | <u>\$135,978</u> | <u>\$121,379</u> |
| Owned basis consumer net charge-off ratio .....                | 3.15%              | 4.04%            | 4.17%            |
| Management basis consumer net charge-off ratio .....           | 3.56               | 4.43             | 4.75             |
| Management basis operating consumer net charge-off ratio ..... | <u>3.56</u>        | <u>3.84</u>      | <u>4.75</u>      |
| <b>Two-Months-and-Over Contractual Delinquency Ratio:</b>      |                    |                  |                  |
| Consumer 2+ delinquency:                                       |                    |                  |                  |
| Owned basis .....  | \$ 4,229           | \$ 4,333         | \$ 4,671         |
| Management basis adjustments .....                             | <u>1,044</u>       | <u>1,246</u>     | <u>1,286</u>     |
| Management basis .....   | <u>\$ 5,273</u>    | <u>\$ 5,579</u>  | <u>\$ 5,957</u>  |
| FFIEC impact .....   | <u>—</u>           | <u>303</u>       | <u>—</u>         |
| Management operating basis .....                               | <u>\$ 5,273</u>    | <u>\$ 5,882</u>  | <u>\$ 5,957</u>  |
| Consumer receivables:  |                    |                  |                  |
| Owned basis .....  | \$111,911          | \$106,564        | \$ 93,299        |
| Management basis adjustments .....                             | <u>31,480</u>      | <u>34,777</u>    | <u>28,147</u>    |
| Management basis .....   | <u>\$143,391</u>   | <u>\$141,341</u> | <u>\$121,446</u> |
| Owned basis consumer 2+ delinquency ratio .....                | 3.78%              | 4.07%            | 5.01%            |
| Management basis consumer 2+ delinquency ratio .....           | 3.68               | 3.95             | 4.91             |
| Management basis operating consumer 2+ delinquency ratio ..... | <u>3.68</u>        | <u>4.16</u>      | <u>4.91</u>      |

## Reconciliations to GAAP Financial Measures

|  | Three Months Ended |                  |                  |
|--|--------------------|------------------|------------------|
|  | March 31, 2005     | Dec. 31, 2004    | March 31, 2004   |
| (Dollars are in millions)  |                    |                  |                  |
| <b>Efficiency Ratio:</b>   |                    |                  |                  |
| Total costs and expenses less policyholders' benefits:                       |                    |                  |                  |
| Owned basis . . . . .  | \$ 1,420           | \$ 1,349         | \$ 1,297         |
| Management basis adjustments . . . . .                                       | <u>5</u>           | <u>—</u>         | <u>—</u>         |
| Management basis . . . . .   | <u>\$ 1,425</u>    | <u>\$ 1,349</u>  | <u>\$ 1,297</u>  |
| Net interest and other revenues less policyholders' benefits:                |                    |                  |                  |
| Owned basis . . . . .  | \$ 3,228           | \$ 3,728         | \$ 2,930         |
| Management basis adjustments . . . . .                                       | <u>287</u>         | <u>(467)</u>     | <u>270</u>       |
| Management basis . . . . .   | <u>\$ 3,515</u>    | <u>\$ 3,261</u>  | <u>\$ 3,200</u>  |
| Owned basis efficiency ratio . . . . .                                       | 43.99%             | 36.19%           | 44.27%           |
| Management basis efficiency ratio . . . . .                                  | <u>40.54</u>       | <u>41.37</u>     | <u>40.53</u>     |
| <b>Operating Expenses to Receivables Ratio:</b>                              |                    |                  |                  |
| Total costs and expenses less policyholders' benefits:                       |                    |                  |                  |
| Owned basis . . . . .  | \$ 1,420           | \$ 1,349         | \$ 1,297         |
| Management basis adjustments . . . . .                                       | <u>5</u>           | <u>—</u>         | <u>—</u>         |
| Management basis . . . . .   | <u>\$ 1,425</u>    | <u>\$ 1,349</u>  | <u>\$ 1,297</u>  |
| Receivables:   |                    |                  |                  |
| Owned basis . . . . .  | \$112,161          | \$106,855        | \$ 93,650        |
| Management basis adjustments . . . . .                                       | <u>31,480</u>      | <u>34,778</u>    | <u>28,147</u>    |
| Management basis . . . . .   | <u>\$143,641</u>   | <u>\$141,633</u> | <u>\$121,797</u> |
| Owned basis operating expenses to receivables ratio . . . . .                | 5.06%              | 5.05%            | 5.54%            |
| Management basis operating expenses to receivables ratio . . . . .           | <u>3.97</u>        | <u>3.81</u>      | <u>4.26</u>      |
| <b>Sales and Marketing to Receivables Ratio:</b>                             |                    |                  |                  |
| Total sales and marketing expenses:  |                    |                  |                  |
| Owned basis . . . . .  | \$ 233             | \$ 263           | \$ 176           |
| Management basis adjustments . . . . .                                       | <u>—</u>           | <u>—</u>         | <u>—</u>         |
| Management basis . . . . .   | <u>\$ 233</u>      | <u>\$ 263</u>    | <u>\$ 176</u>    |
| Receivables:   |                    |                  |                  |
| Owned basis . . . . .  | \$112,161          | \$106,855        | \$ 93,650        |
| Management basis adjustments . . . . .                                       | <u>31,480</u>      | <u>34,778</u>    | <u>28,147</u>    |
| Management basis . . . . .   | <u>\$143,641</u>   | <u>\$141,633</u> | <u>\$121,797</u> |
| Owned basis sales and marketing expenses to receivables ratio . . . . .      | 0.83%              | 0.98%            | 0.75%            |
| Management basis sales and marketing expenses to receivables ratio . . . . . | <u>0.65</u>        | <u>0.74</u>      | <u>0.58</u>      |



## Reconciliation to GAAP Financial Measures

### Income Statement

|  | Three Months Ended 3/31/05 |                              | Three Months Ended 12/31/04 |                              | Three Months Ended 3/31/04 |                              |
|--|----------------------------|------------------------------|-----------------------------|------------------------------|----------------------------|------------------------------|
|  | Owned Basis                | Management Basis Adjustments | Owned Basis                 | Management Basis Adjustments | Owned Basis                | Management Basis Adjustments |
| Finance and other interest income  | \$2,950                    | \$ 952                       | \$3,001                     | \$ 691                       | \$2,528                    | \$ 938                       |
| Interest expense   | 1,062                      | 237                          | 918                         | 167                          | 708                        | 147                          |
| <i>Net interest income</i>   | 1,888                      | 715                          | 2,083                       | 524                          | 1,820                      | 791                          |
| Provision for credit losses  | 841                        | 155                          | 1,286                       | 150                          | 928                        | 254                          |
| <i>Net interest income after provision for credit losses</i>   | 1,047                      | 560                          | 797                         | 374                          | 892                        | 537                          |
| <i>Total other revenues</i>  | 1,462                      | (428)                        | 1,758                       | (991)                        | 1,223                      | (521)                        |
| <i>Total costs and expenses</i>  | 1,542                      | 5                            | 1,462                       | —                            | 1,410                      | —                            |
| Income before income tax expense   | 967                        | 127                          | 1,093                       | (617)                        | 705                        | 16                           |
| Income tax expense   | 341                        | 47                           | 381                         | (223)                        | 235                        | 6                            |
| <i>Net income</i>  | \$ 626                     | \$ 80                        | \$ 712                      | \$ (394)                     | \$ 470                     | \$ 10                        |
| Gain on bulk sale of private label receivables, after-tax  | \$ —                       | \$ —                         | \$ (423)                    | \$ 423                       | \$ —                       | \$ —                         |
| Adoption of FFIEC charge-off policies for domestic private label and MasterCard and Visa portfolios, after-tax | —                          | —                            | 121                         | —                            | —                          | —                            |
| <i>Operating net income</i>  | \$ 626                     | \$ 80                        | \$ 410                      | \$ 29                        | \$ 470                     | \$ 10                        |
| <i>Net Income</i>  | \$ 626                     | \$ 80                        | \$ 712                      | \$ (394)                     | \$ 470                     | \$ 10                        |
| Derivative income adjustment   | —                          | (166)                        | —                           | (168)                        | —                          | (33)                         |
| <i>Adjusted Net Income</i>   | \$ 626                     | \$ (86)                      | \$ 712                      | \$ (562)                     | \$ 470                     | \$ (23)                      |
| <i>Operating net income</i>  | \$ 626                     | \$ 80                        | \$ 410                      | \$ 29                        | \$ 470                     | \$ 10                        |
| Derivative income adjustment   | —                          | (166)                        | —                           | (168)                        | —                          | (33)                         |
| <i>Adjusted Operating Net Income</i>   | \$ 626                     | \$ (86)                      | \$ 410                      | \$ (139)                     | \$ 470                     | \$ (23)                      |