HSBC Finance Corporation - Q1 2009 Financial Results

US$ millions

				% Better (Worse)	
US$ m	**Q1 2008**	**Q4 2008**	**Q1 2009**	**vs Q1 2008**	**vs Q4 2008**
Net operating income before loan impairment charges excluding FVO	3,702	2,781	3,284	(11.3%)	18.1%
FVO	1,193	1,045	3,991	234.5%	281.9%
Loan impairment and other related charges	(3,187)	(4,574)	(3,946)	(23.8%)	13.7%
Net operating income	1,708	(748)	3,329	94.9%	545.1%
Total operating expenses, excluding goodwill impairment	(1,194)	(1,021)	(1,100)	7.9%	(7.7%)
Goodwill impairment	-	(900)	(1,615)	n/a	(79.4%)
Profit (Loss) from continuing operations before tax [1]	514	(2,669)	614	19.5%	123.0%
Profit (Loss) from discontinued operations before tax	35	(96)	-	(100.0%)	100.0%
Profit (Loss) before tax	549	(2,765)	614	11.8%	122.2%
Cost efficiency ratio from continuing operations[2]	24.4%	26.7%	15.1%	930 bps	1,160 bps
Cost efficiency ratio - normalized [3]	32.3%	36.7%	33.5%	(120) bps	320 bps
Customer Loans & Advances (as at period end) [4]	172,357	147,010	139,609	(19.0%)	(5.0%)
Profit/(Loss) before tax from continuing operations excluding FVO	(679)	(3,714)	(3,377)	(397.3%)	9.1%

Note: The figures above are presented on an IFRS Management Basis. See Note 16 'Business Segments' of Form 10-Q for the period ended March 31, 2009 for a reconciliation of IFRS to U.S. GAAP

(1) Q1 2008 loss before tax from continuing operations excluding FVO ($1,193 million) was $679 million. Q4 2008 loss before tax from continuing operations excluding FVO ($1,045 million) and Goodwill Impairment impact ($900 million related to the Cards business) was $2,814 million. Q1 2009 loss before tax from continuing operations excluding FVO ($3,991 million) and Goodwill Impairment impact ($1,209 million related to the Cards business and $406 million related to Insurance Business) was $1,762 million

(2) Cost efficiency ratio from continuing operations before tax excluding the impact of the goodwill impairment charge of $900 million in Q4 2008 and $1,615 million in Q1 2009

(3) Cost efficiency ratio from continuing operations before tax excluding the impact of the goodwill impairment charge of $900 million in Q4 2008 and $1,615 million in Q1 2009, also normalized to exclude the impact of fair value option income of $1,193 million, $1,045 million and $3,991 million for Q1 2008, Q4 2008 and Q1 2009, respectively

(4) Customer Loans & Advances included $9,863 million from discontinued operations in Q1 2008 and reverse repo balances of $1,500 million and $1,000 million for Q1 2008 and Q1 2009 respectively

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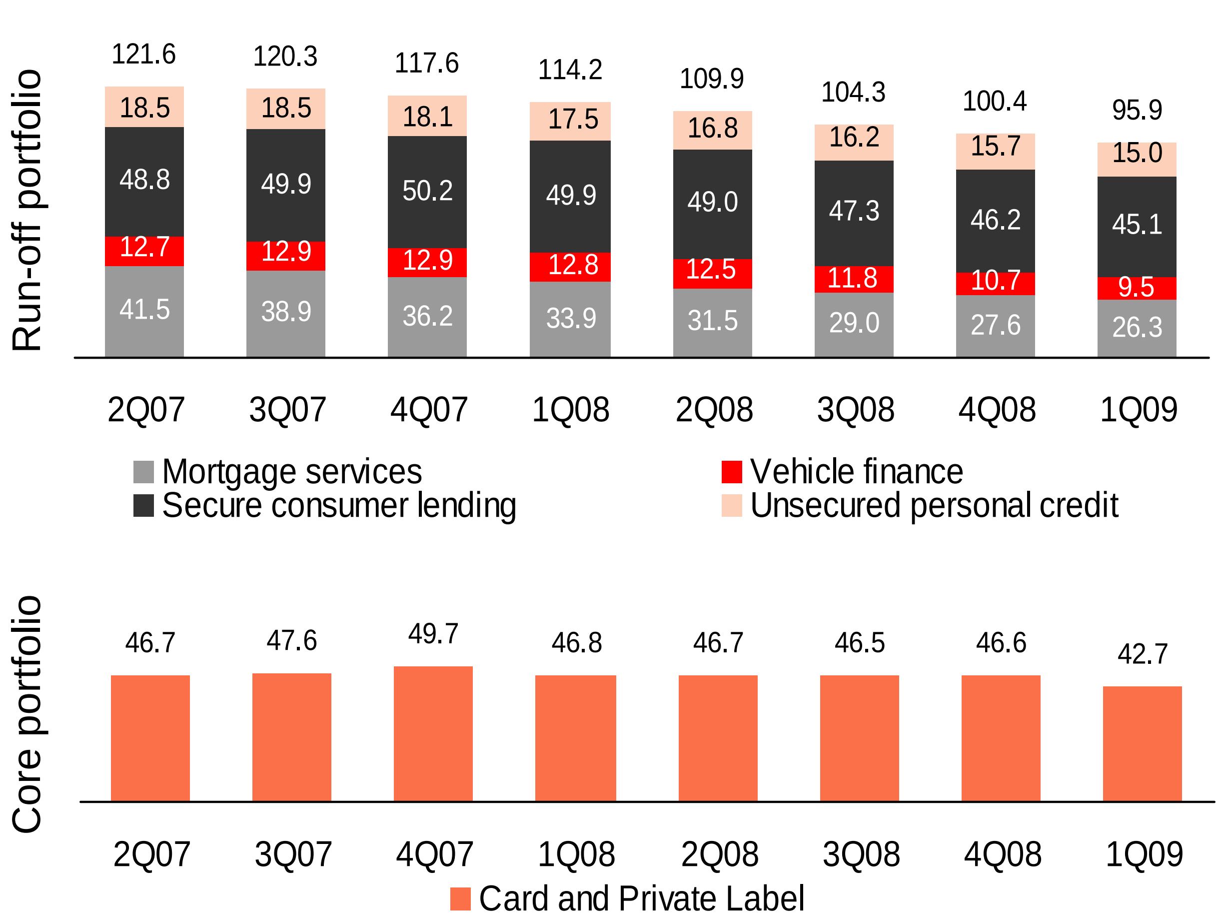
Run-off portfolio: below US$100bn

Customer loans[1], US $bn



- The run-off portfolio decreased $4.5 billion or 4 percent from December 2008

- The core portfolio decreased 8% from December 2008, reflecting normal seasonal run-off, continued actions to reduce risk and slow growth

Note:
(1) IFRS management basis for US; excludes operations in UK and Canada

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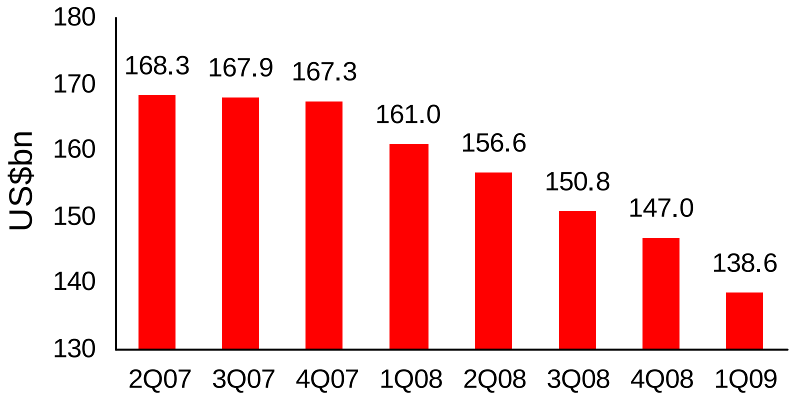
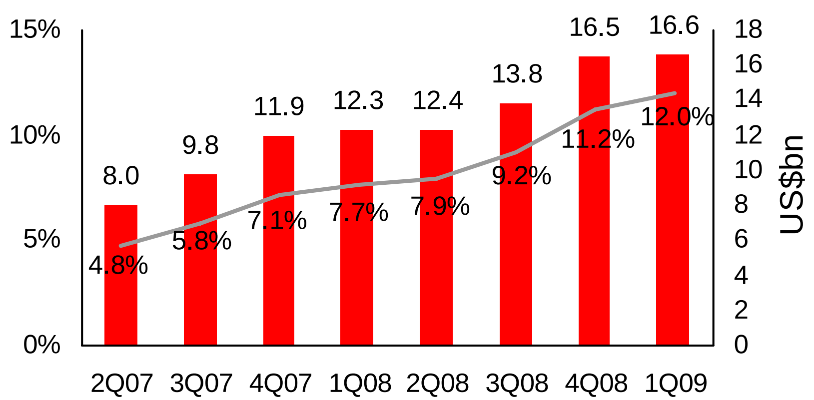
Continued reduction of balance sheet in the U.S.

Customer Loans[1, 2]



- Total customer loans decreased 6 percent from Q4 2008 reflecting normal seasonal runoff in the card portfolio and continued actions to reduce risk and slow growth including the closure of the Consumer Lending (CL) business announced in March

2+ Delinquency[1]



- The increase in the 2+ delinquency ratio in Q1 2009 compared to the prior quarter reflects continued deterioration in the U.S. economy, significantly higher unemployment rates, portfolio seasoning and declining loan balances
- Total dollars of delinquency were broadly flat with the prior quarter as a result of lower loan balances and seasonal improvements in collection activities during the first quarter as some customers use their tax refunds to make payments partly offset by continuing deterioration of marketplace and broader economic conditions

Note:
(1) IFRS management basis for U.S., excludes operations in U.K. and Canada
(2) Excludes reverse repo balances.

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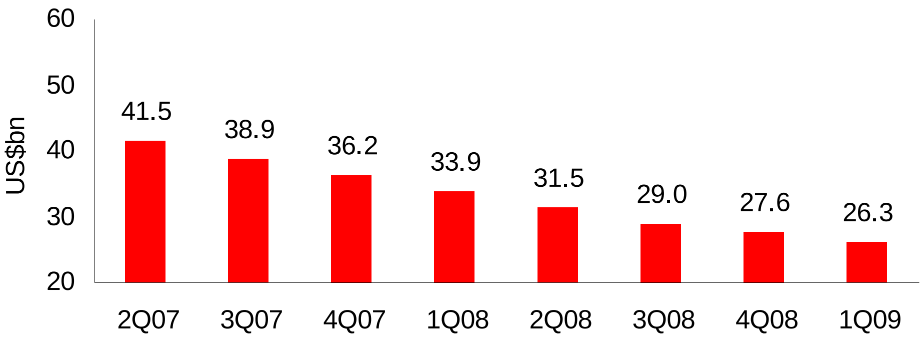
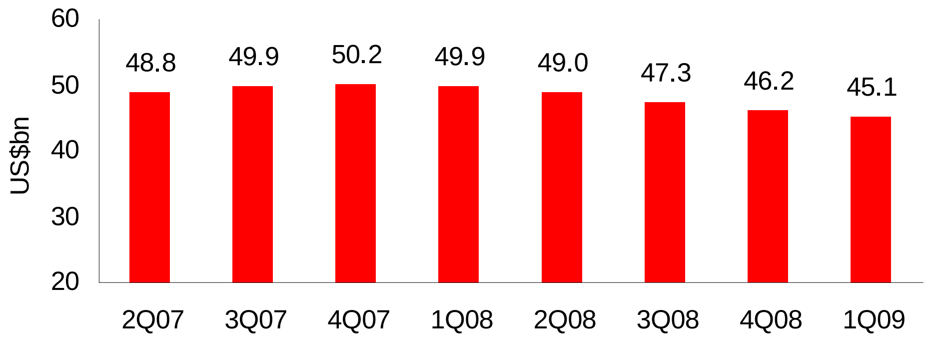
U.S. Mortgages – continuing to shrink the mortgage portfolio

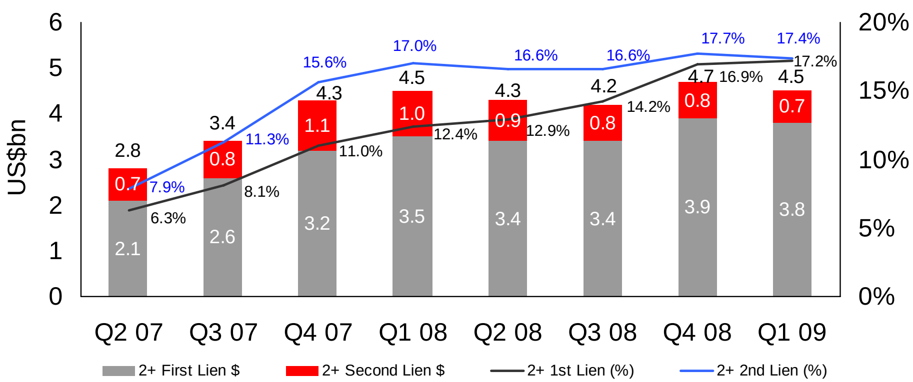
	Mortgage Services	Consumer Lending

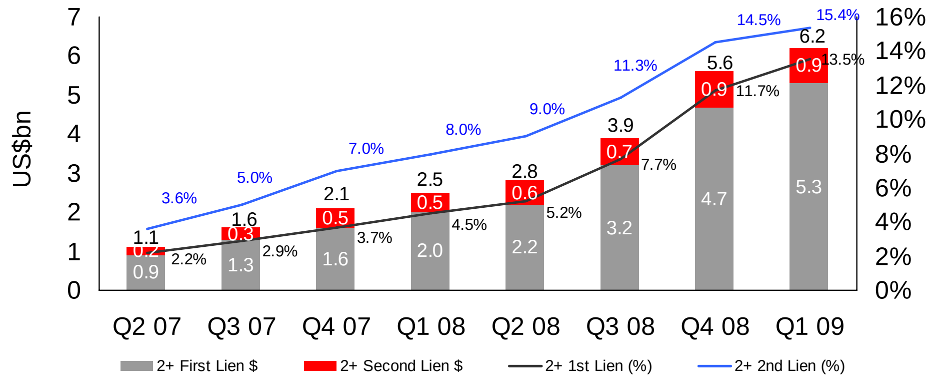
Customer Loans





2+ Delinquencies





Management actions/trend

- Mortgage Services (MS) portfolio decreased 5 percent from Q4 2008 to $26.3 billion at Q1 2009 as balances have continued to liquidate during the quarter, although the rate of attrition is slowing as the continued tightening of lending standards by mortgage lenders has reduced the alternative financing opportunities for our customers
- Delinquency dollars for the MS portfolio decreased slightly from Q4 2008 as the portfolio is more fully seasoned and as a result of seasonal improvements in collection activities in Q1 2009
- Dollars of delinquency increased 11 percent in our CL real estate secured portfolio, particularly in the first lien portfolio as market conditions continued to deteriorate. Delinquencies in CL will also be impacted by the recent decision to cease originations as loan balances season and run-off

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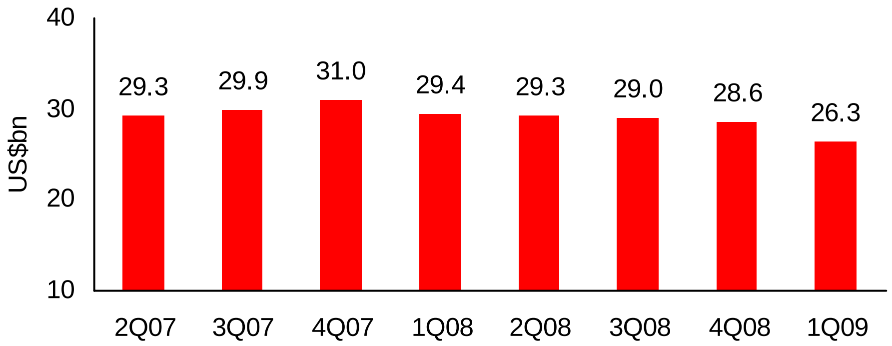
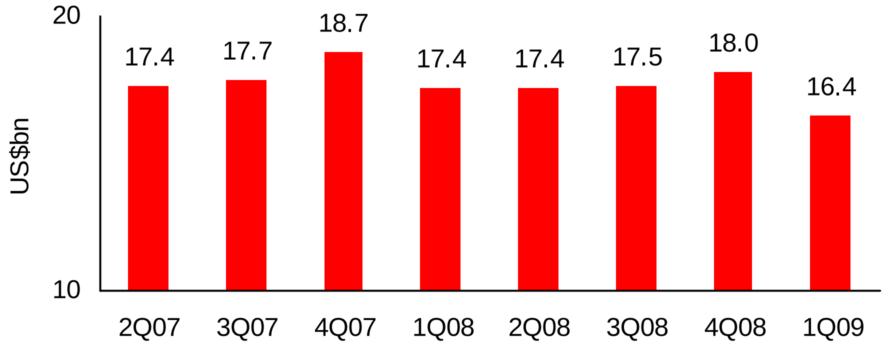
Managing risk in CRS

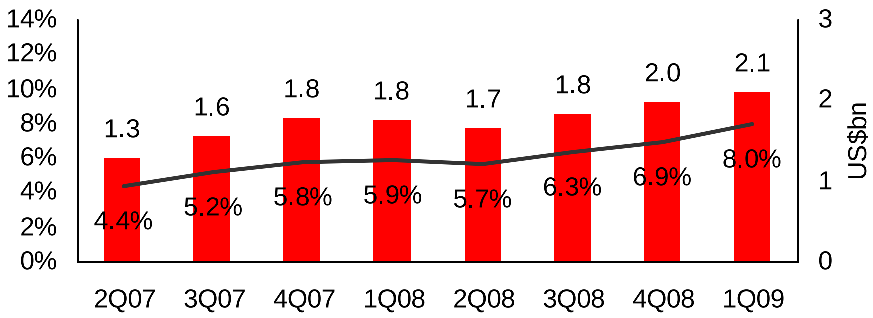
	Credit Card	Private Label

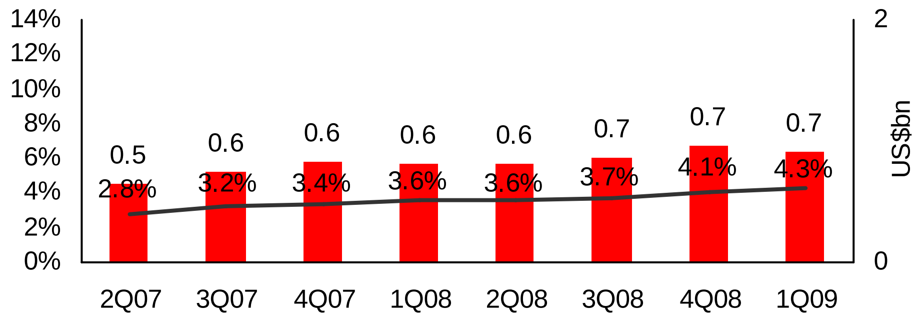
Customer Loans





2+ Delinquencies





Management actions/trend

- Credit Card and Private Label loan balances decreased 8 percent and 9 percent respectively at Q1 2009 from Q4 2008 primarily due to the tightening of underwriting criteria to lower the risk profile of the portfolios, normal seasonal run-off and for Private Label, the termination of unprofitable retail partners. We have also stopped new account originations for certain segments of our portfolio which have been most severely impacted by the current housing and economic conditions. As economic conditions improve, we will evaluate whether to continue new account originations in certain of these segments
- Dollars of delinquency were consistent with the prior quarter in both portfolios primarily due to seasonal improvements in collection activities in the first quarter and lower loan balances partly offset by deterioration in credit performance as a results of the continued deterioration in the U.S. economy and housing markets. The decreases in the size of the portfolios also have the effect of increasing the delinquency ratios

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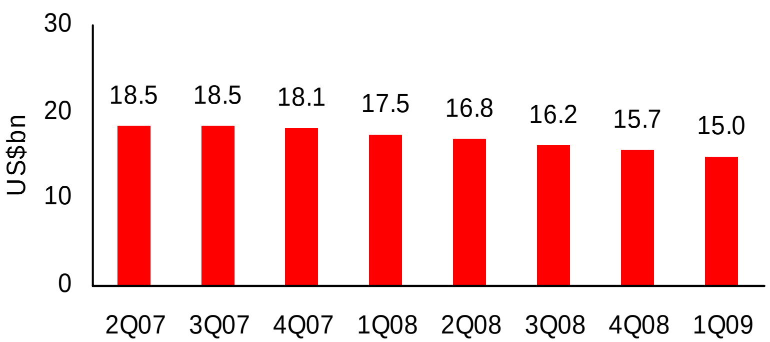
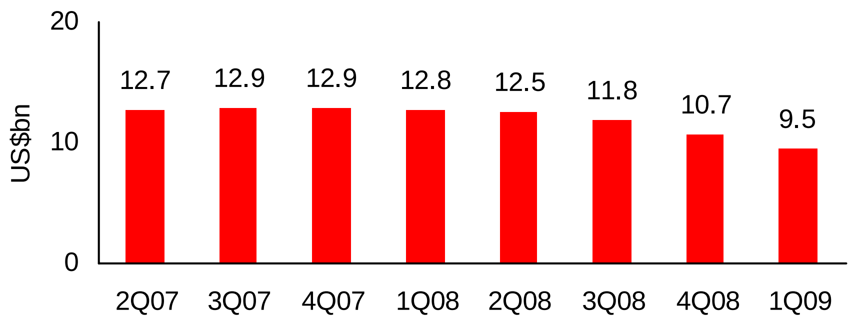
Manage personal non-credit card and motor vehicle finance run-off

Personal Non-Credit Card and Other Unsecured

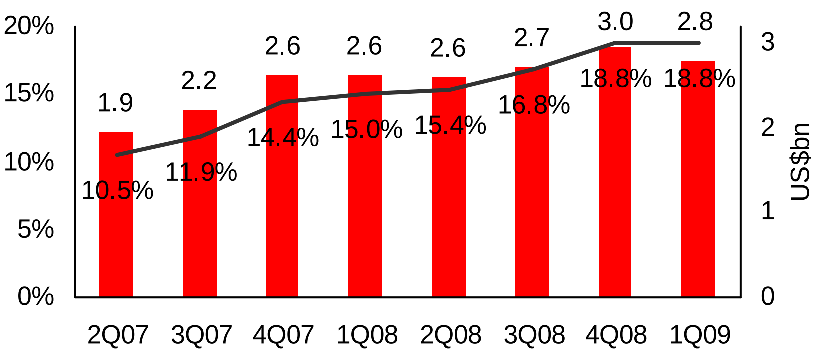
Motor Vehicle Finance

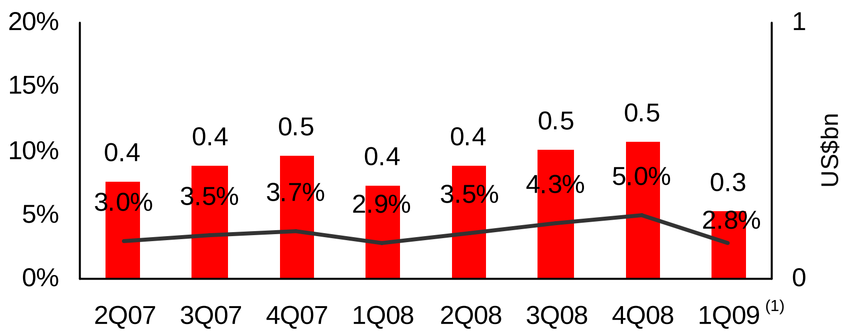
Customer Loans





2+ Delinquencies





Management actions/trend

- Personal non-credit card balances decreased 4 percent in Q1 2009 compared to Q4 2008 reflecting changes in product offerings throughout 2008 as well as the decision in late February 2009 to discontinue all new originations by our CL business
- Delinquency dollars and ratios were consistent with the prior quarter primarily due to seasonal improvements in collection activities in the first quarter partly offset by the impacts of the continued deterioration in the U.S. economy

- Motor Vehicle Finance loan balances decreased 11 percent from the prior quarter as the portfolio continues to run-off following the decision in July 2008 to discontinue new originations
- The delinquency dollars and ratio decreased compared to the prior quarter due to seasonality and impact of the adoption of FFIEC charge-off policies during the first quarter that accelerated the charge-off of approximately $102 million of delinquent loans

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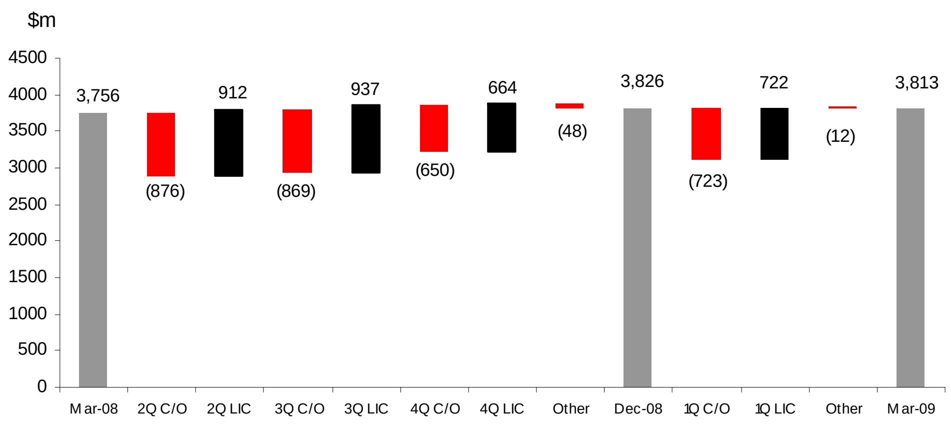
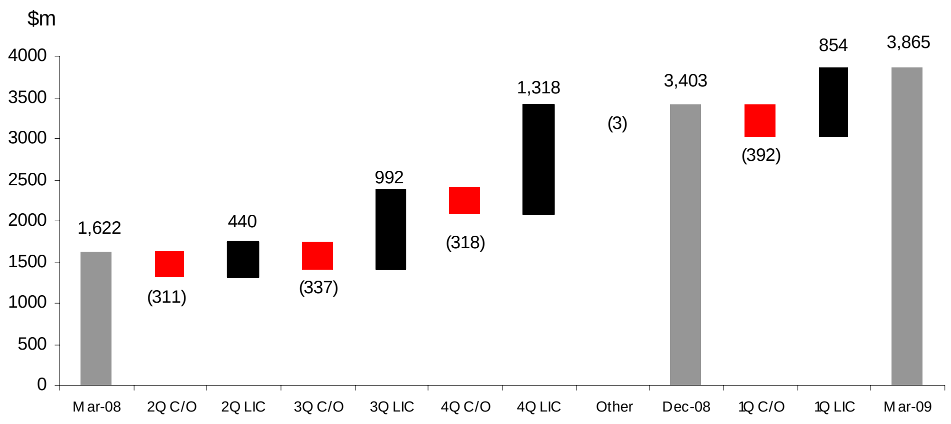
Impairment allowance

US$m

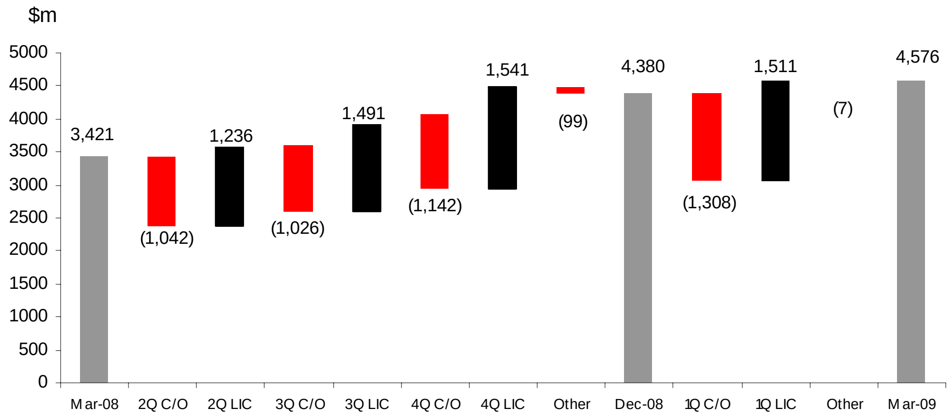
Mortgage Services – Real Estate Secured



Consumer Lending – Real Estate Secured



Card and Retail Services



Note: C/O = Net Charge-offs (amounts written off)
LIC = Loan Impairment Charge