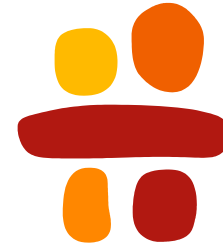


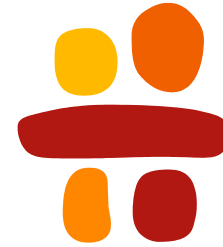
# HOUSEHOLD



**Bobby Mehta**

*Group Executive – Credit Card Services & Canada*

# HOUSEHOLD



## CREDIT CARD SERVICES

# CREDIT CARD SERVICES

## *Competitive Environment*

- Prime Market
  - Highly competitive, continuing consolidation, pressure on direct mail channel
  - Dominated by major issuers
  - Success requires differentiated value proposition
  - Table stakes required: analytics, customer care, operational excellence, internet channel

# CREDIT CARD SERVICES

## *Competitive Environment*

- Nonprime Market
  - Underserved consumers
  - Ability to differentiate on customer care and operational excellence
  - Reduced competition in segment
  - Diversification of channels (partnerships, turndown programs)

# CREDIT CARD SERVICES

## *Business Mix*

Portfolio	Percent of Portfolio	Key Segments
<u>Prime</u>		
GM Card	42	Super-Prime Prime
Union Plus Loans	29 6	Prime -
<u>Nonprime</u>		
Household Bank	7	Near-Prime
Orchard Bank	10	Subprime
Non-strategic	6	-

*At December 31, 2001*

# CREDIT CARD SERVICES

## *2001 Financial Performance*

<b>Managed Basis</b>	<b>vs.</b>	<b>2000</b>
Net Income	Increased	71%
Receivables	Increased	7%
Risk Adjusted Revenue	Increased	32 bps
Return on Assets	Increased	78 bps
Delinquency Ratio	Increased	61 bps
Charge-off Ratio	Increased	104 bps
Efficiency Ratio	Improved	278 bps

# CREDIT CARD SERVICES

## *Key Accomplishments*

- Sustained profitable growth momentum
- Targeted retention and balance-building programs
- Business development
- Integrated Internet strategy
- Enhanced sales and service culture
- Adapted risk and underwriting strategies
- Innovative loss mitigation strategies

# CREDIT CARD SERVICES

*Strategy for Consistent Growth*

- True partnership approach
- Full-spectrum lending
- Leveraging HI franchise
- Customer care orientation (sales and service)



# CREDIT CARD SERVICES

## *The GM Card®*

- Largest automobile rewards program
- Mature profitable program
  - Strong value proposition drives customer loyalty
  - New product driving increased sales
  - Booked 650,000 new accounts in 2001
  - More than 3.2 million redemptions to date
- Channels
  - GM Card/GM Internet sites
  - Expanded events
  - Dealer channel

# CREDIT CARD SERVICES

## *United Privilege*

- The largest affinity group in the U.S.
- Profitable growth
  - 8 percent increase in credit card receivables and 27 percent increase in loans
  - Booked 460,000 new accounts
  - Segmentation and analytics drive industry-leading response rates
- Strengthened partner relationships
  - AFL
  - UP
  - Top 10 Internationals

# CREDIT CARD SERVICES

## *Nonprime Business*

- Controlled growth of receivables and accounts
- Full-spectrum lending partnership with Best Buy nationwide
- Continue to optimize merchant partnership and turndown channels
- Pursue new relationships/acquisitions

# CREDIT CARD SERVICES

## *Risk Management*

- Risk-based pricing
- Optimization of line assignment/management around credit line utilization
- Champion/challenger testing
- Models continuously validated with experience
- Models complemented by experienced management
- Infrastructure (data, people)

# CREDIT CARD SERVICES

## *Risk Management Actions*

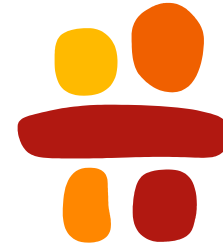
- Reduced credit lines
- Improved geographic segmentation
- Implemented more sophisticated scoring tools
- Improved credit risk modeling and tools, including bankruptcy models
- Reduced contingent liability
- Increased penetration of accounts in early delinquencies

# CREDIT CARD SERVICES

## *Objectives for 2002*

- Continue momentum in UP and GM
- Continue 'prudent' growth in nonprime
- Business development - merchant programs, turndown programs
- Expand cross-sell opportunities
- Continued focus on enhancement services revenue
- Conservatively manage credit quality
- Continued focus on sale and service culture in customer care

# HOUSEHOLD



## CANADA

# CANADA

## *Business and Industry Overview*

- HFC Canada - serving middle-market consumers since 1922
  - Traditional consumer finance products are provided through 109 branches and an indirect channel
  - Private label credit cards are issued through more than 60 active merchants
- Canadian consumer finance market is over C\$7 billion receivables
- Overall Canadian economic performance will continue to be heavily influenced by U.S.
- Consumer finance market is competitive; three primary providers
  - HFC
  - Citifinancial
  - Trans Canada (division of Wells Fargo)



# CANADA

## *2001 Financial Performance*

<b>Managed Basis</b>	<b>vs.</b>	<b>2000</b>
Net Income	Increased	24%
Receivables	Increased	19%
Risk Adjusted Revenue	Increased	87 bps
Return on Assets	Increased	18 bps
Delinquency Ratio	Increased	5 bps
Charge-off Ratio	Improved	37 bps
Efficiency Ratio	Increased	3 bps

# CANADA

## *Growth Initiatives*

- Prudently open new branches
- Target and sign new private label merchants
- Develop indirect business channel
- Increase product offerings to customers

# CANADA

## *Credit Management Objectives*

- Enhance and augment existing credit quality tools
- Implement improved scoring models and analytics
- Improve collection capabilities through best practices integration

# CANADA

## *Objectives for 2002*

- Double-digit receivable and income growth
- Continue to strengthen retail business
- Stable credit quality
- Maintain best-in-class efficiency ratio