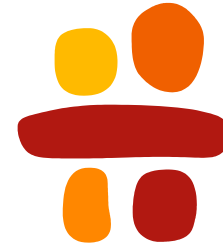


HOUSEHOLD



Dave Schoenholz

Vice Chairman – Chief Financial Officer

AGENDA

- **Review of 2001**
- Outlook for 2002
- Current Investor Topics

HOUSEHOLD BUSINESS MODEL

Serving Our Core Customer

- Our core customer is the middle income market
- 50 million customers
- Average income of \$45,000-\$60,000 per year
- Full spectrum lender – our customers are prime, near-prime and subprime
- Many of our customers differ from bank customers largely based on behavior and propensity to use credit

REACHING CUSTOMERS IN DIVERSE WAYS

- Multiple products – secured and unsecured loans, auto finance, credit cards, retail finance, insurance, refund lending
- Multiple channels
 - 1,700 branches in 46 states, U.K. and Canada
 - Merchants and partner locations
 - Auto dealerships
 - Direct mail, telesales and Internet

CORE ATTRIBUTES OF BUSINESS MODEL

Drive Sustainability of Growth

- Strong market share in all businesses
- Strong brands and partnership skills
- Efficiency provides flexibility
- Sales focus
- Leading-edge technology
- Superior analytics and cross-selling capabilities

OUR BUSINESS MODEL DELIVERS SUPERIOR RESULTS

2001 Achievements

- Met high end of earnings target
- Exceeded receivables growth target
- Strengthened credit loss reserves to all-time highs
- Effectively managed share buybacks and capital growth
- Continued investment spending

2001 OPERATING PERFORMANCE

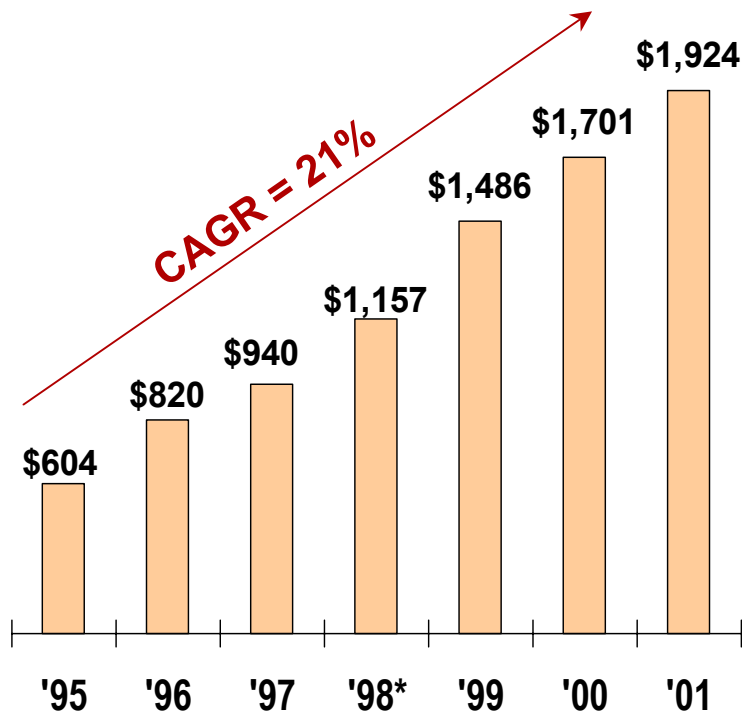
An Outstanding Year

| Managed Basis | 2001 | vs. | 2000 |
|-----------------------|-------------|------------|-------------|
| Net Income (Millions) | \$1,923.5 | | \$1,700.7 |
| Earnings Per Share | \$4.08 | | \$3.55 |
| Receivables Growth | 15% | | 22% |
| Return on Equity | 22.9% | | 23.4% |
| Return on Assets | 1.89% | | 1.93% |
| Efficiency Ratio | 34.0% | | 34.2% |
| TETMA | 7.87% | | 7.41% |
| Charge-off Ratio | 3.73% | | 3.64% |
| Reserve Ratio | 3.78% | | 3.65% |

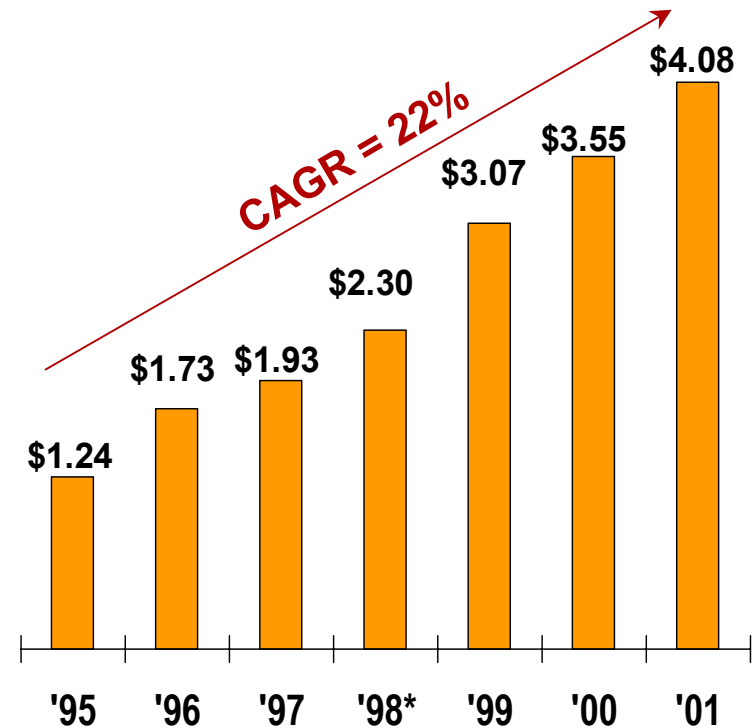
CONSISTENT EARNINGS GROWTH

Results of Superior Execution

Net Income (\$ Millions)



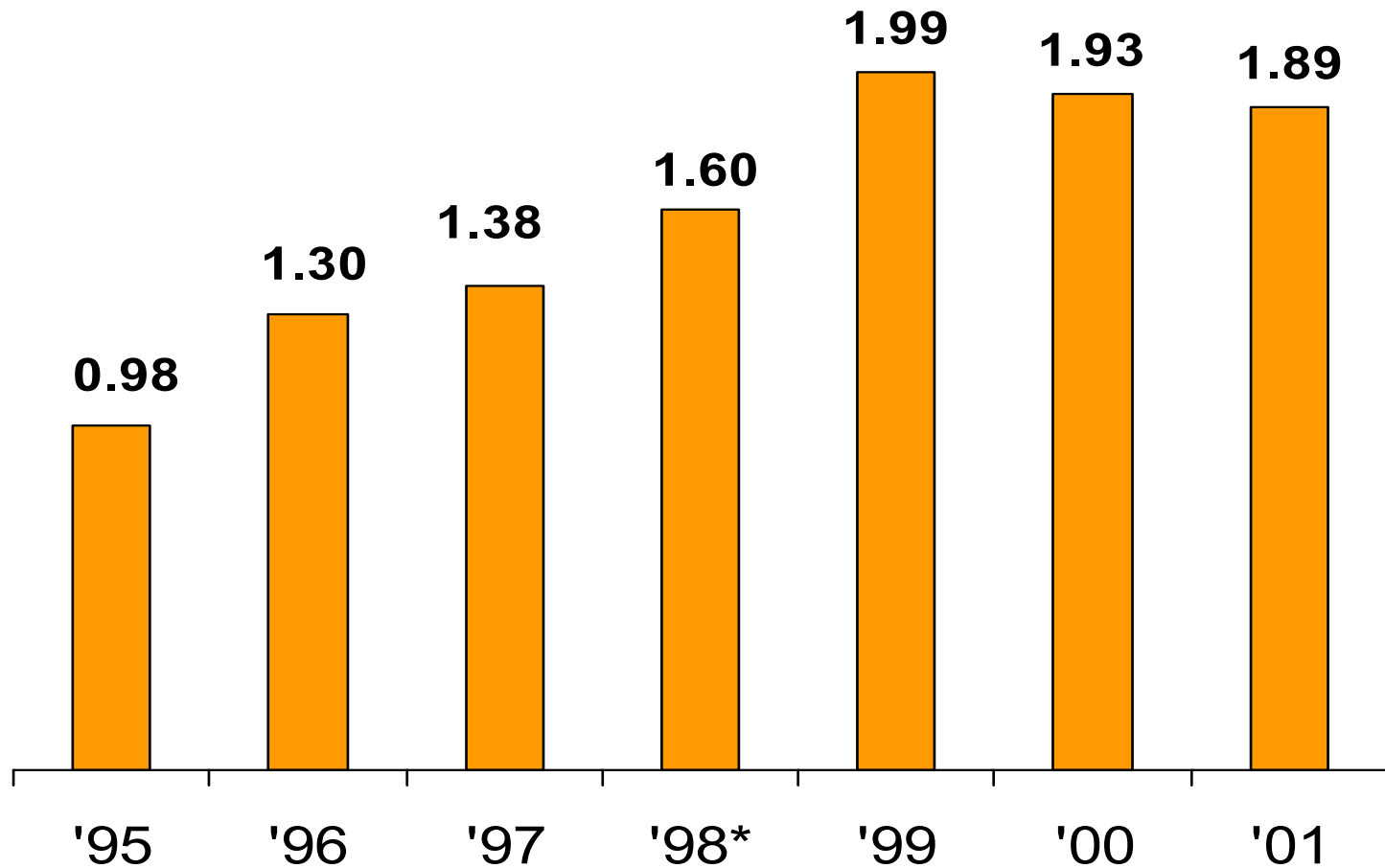
Earnings Per Share



* Excludes merger-related items

SUPERIOR RETURNS

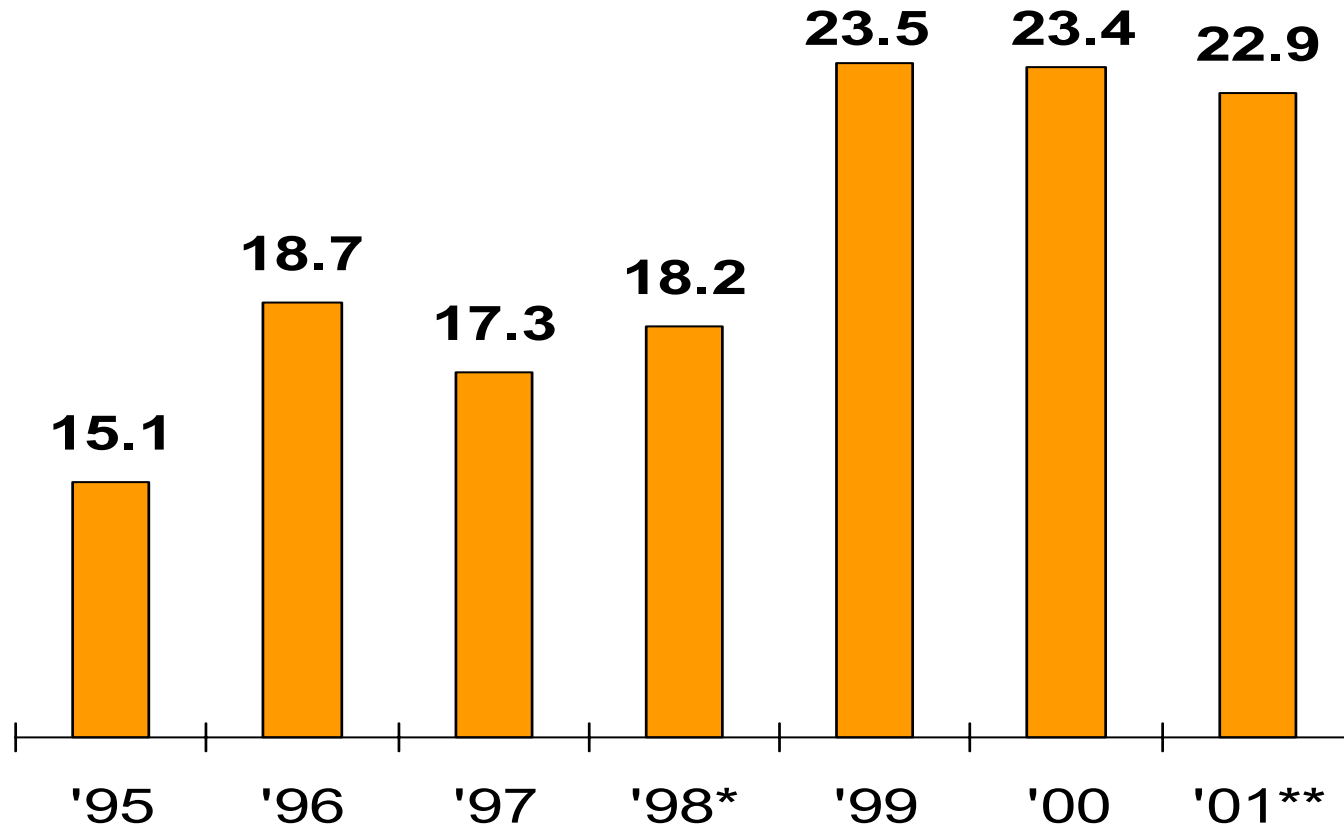
Return on Managed Assets (%)



* Excludes merger-related items

SUPERIOR RETURNS

Return on Average Common Equity (%)



* *Excludes merger-related items*

** *Excludes unrealized gains and losses on cash flow hedging instruments*

MANAGED RECEIVABLES

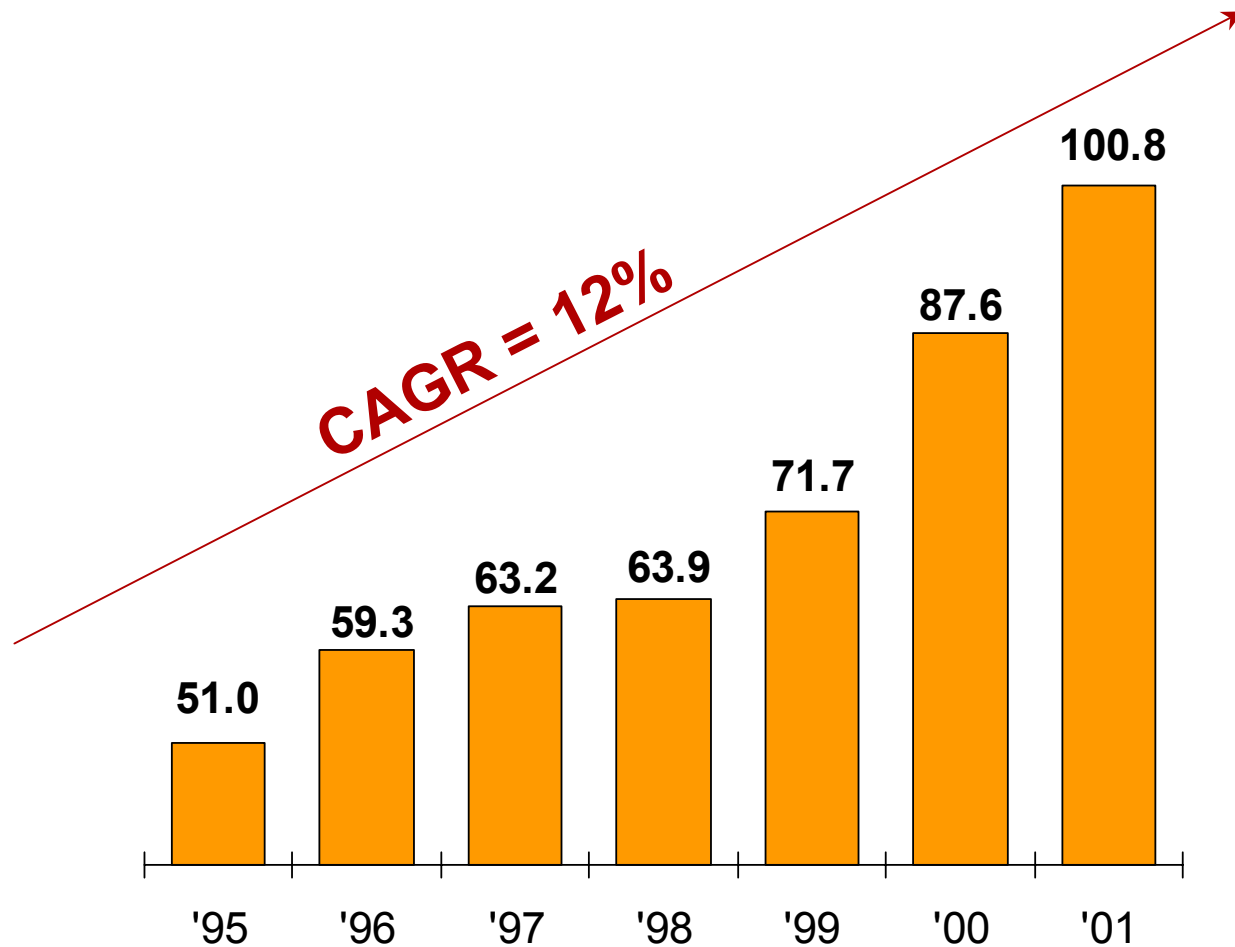
Solid Growth

| \$ Millions | 12/31/01 | % Change From Prior | |
|----------------------|-----------|---------------------|--------|
| | | Quarter | Year |
| Real Estate Secured | \$44,719 | 6.6% | 22.1% |
| Auto Finance | 6,395 | 9.0 | 40.2 |
| MasterCard/Visa * | 17,395 | .5 | (1.1) |
| Private Label | 12,814 | 11.5 | 15.1 |
| Personal Non-Card | 17,993 | 2.0 | 10.9 |
| Commercial and Other | 507 | (5.0) | (15.3) |
| Total Receivables | \$100,823 | 5.4% | 15.1% |

* Excluding sale of \$1 billion of Goldfish Card receivables, MasterCard/Visa growth was 6.2% for the quarter, 4.5% for the year

PRUDENT GROWTH

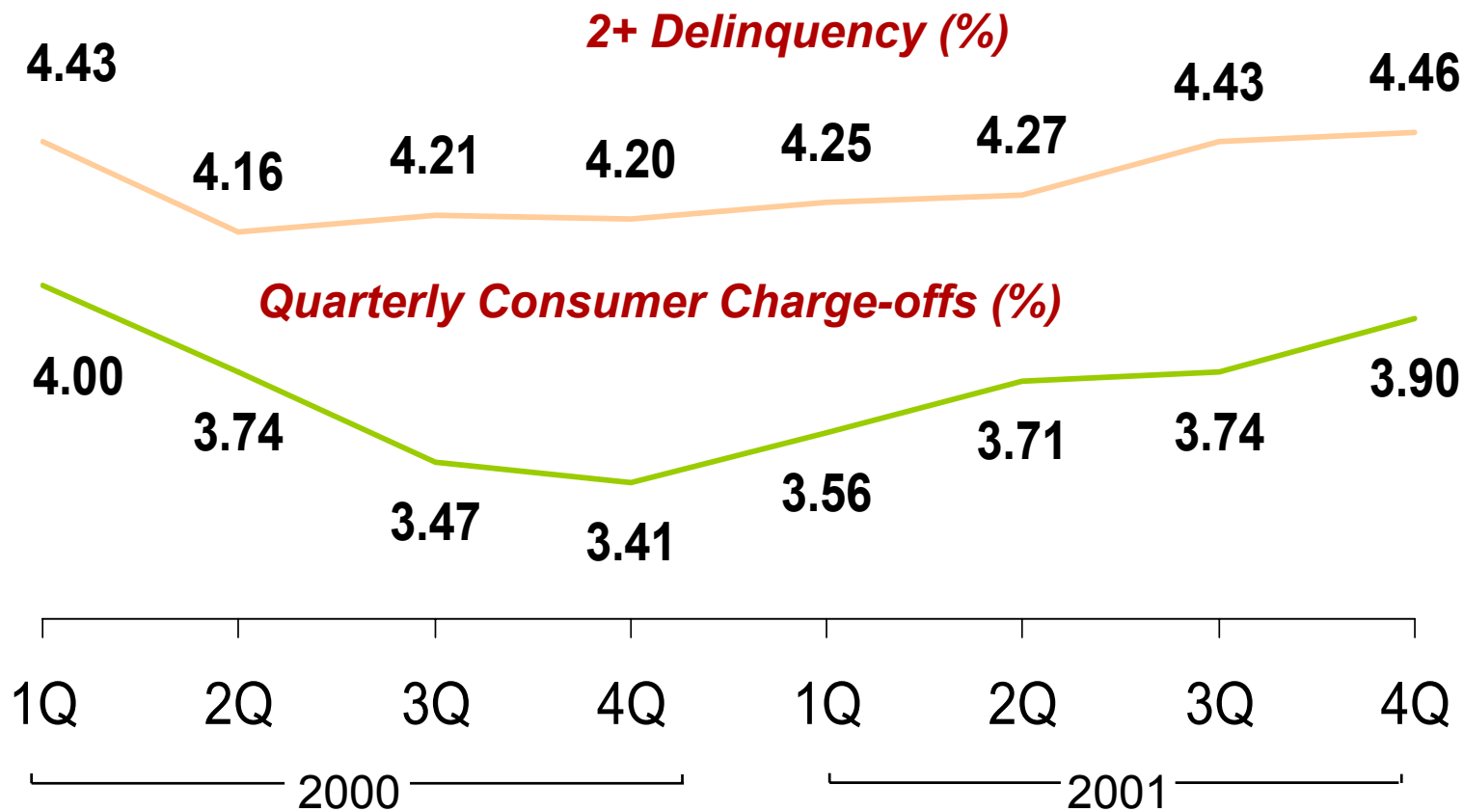
Managed Receivables



(\$ Billions)

CREDIT QUALITY TREND

Manageable, Modest Increases



Managed basis

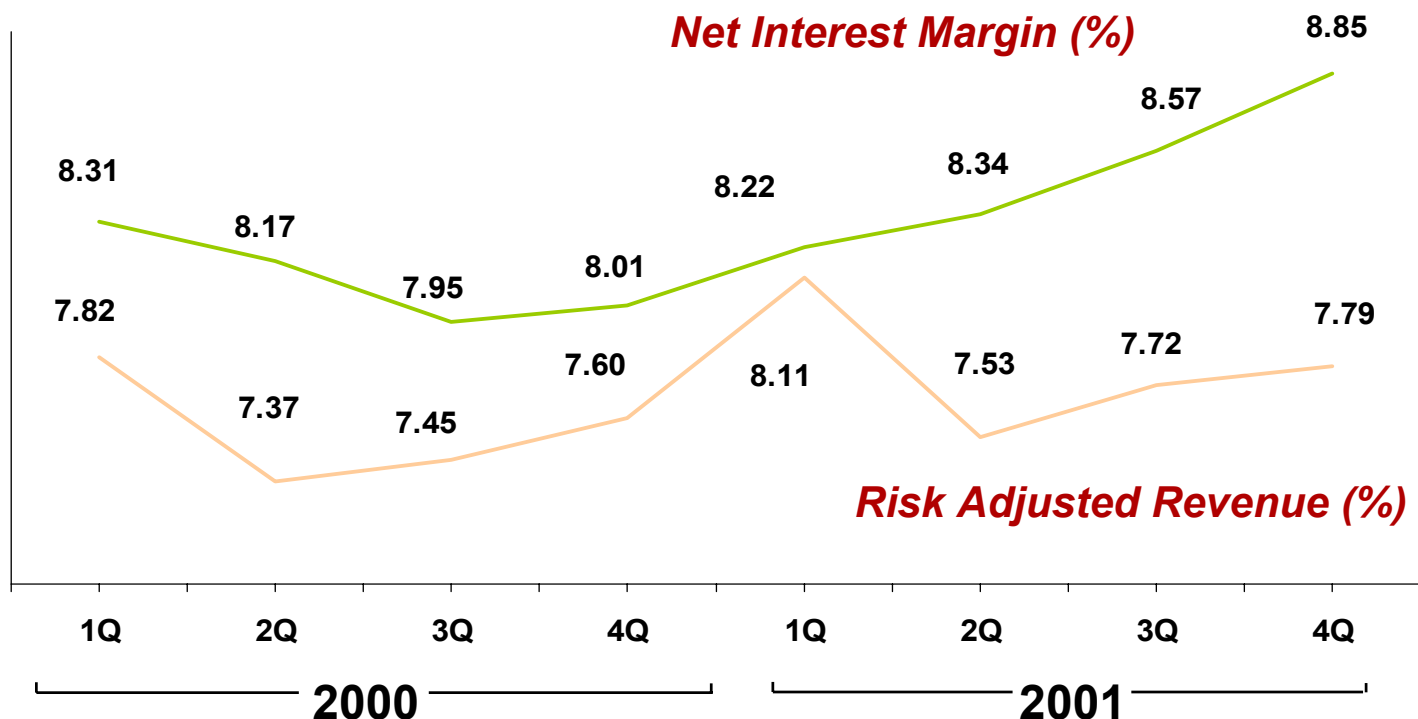
PRODUCT CREDIT QUALITY COMPARISON

| | 2+ Delinquency | | Charge-offs | |
|---------------------|----------------|--------------|--------------|--------------|
| | 12/31/01 | 12/31/00 | 2001 | 2000 |
| Real Estate Secured | 2.68% | 2.63% | .53% | .45% |
| Auto Finance | 3.16 | 2.55 | 5.31 | 4.80 |
| MasterCard/Visa | 4.10 | 3.49 | 6.63 | 5.58 |
| Private Label | 5.48 | 5.48 | 5.18 | 5.35 |
| Personal Non-Card | 8.87 | 7.97 | 6.79 | 6.97 |
| Total | 4.46% | 4.20% | 3.73% | 3.64% |

Managed basis

EXPANDING NET INTEREST MARGIN

*Managed Net Interest Margin &
Risk Adjusted Revenue **



* *Managed net interest margin plus other revenues (excluding securitization revenue) minus managed net charge-offs divided by average managed interest earning assets*

INVESTING FOR THE FUTURE

- Investment spending
- Strengthening reserves
- Growing capital base

SPENDING FOR GROWTH

Maintained Industry-Leading Efficiency

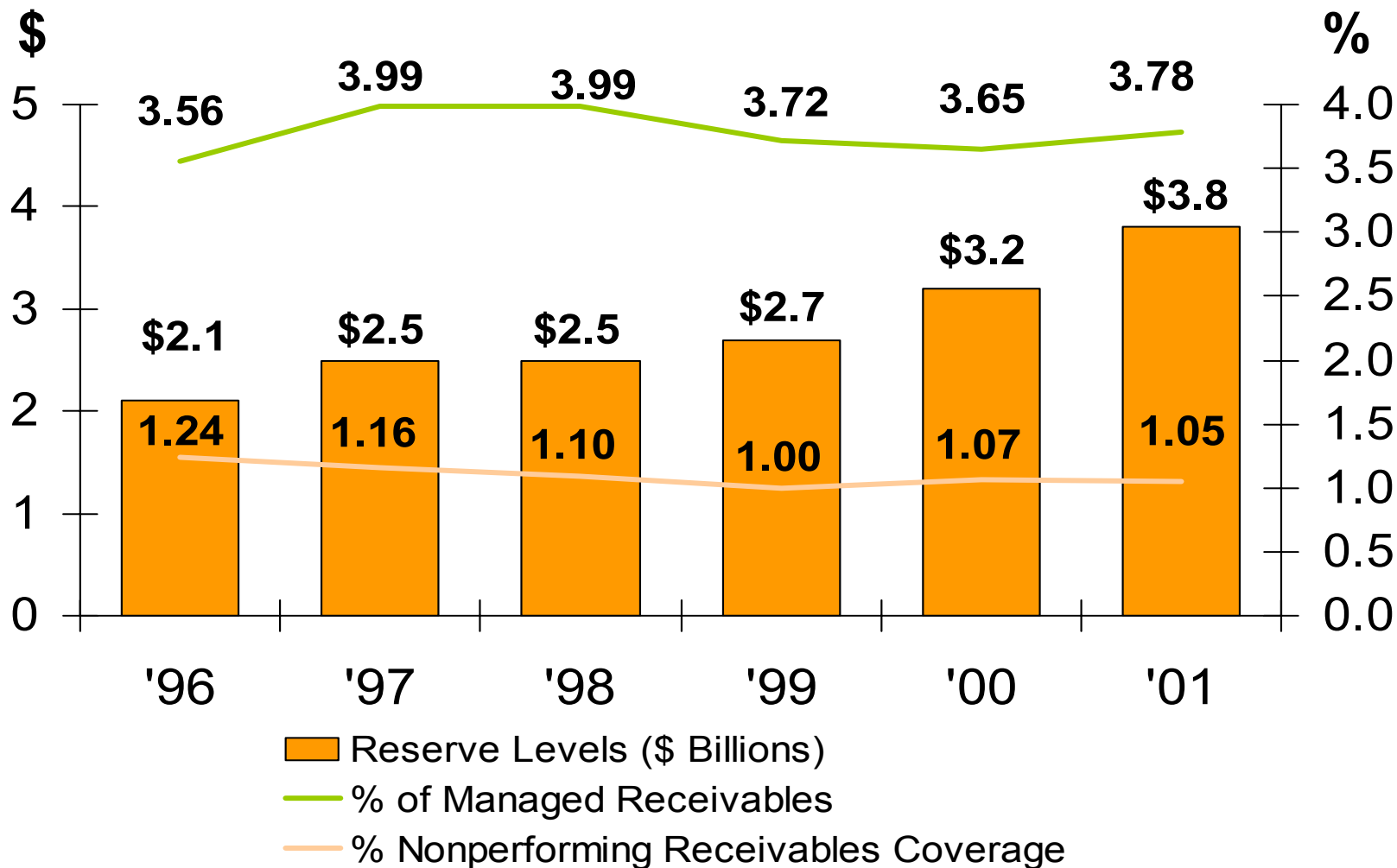
- People
 - Added 545 sales execs in U.S. branches
 - Opened 34 new Beneficial branches in U.K.
 - Added collectors across all businesses
- E-commerce
 - Rolled out HAFCsuperhwy.com to 5,000 dealers
- Technology
 - BranchNet enhancement to Vision system
 - Dual data center supports superior service
- Partnering
 - Added new retail merchants
 - Cross-sell initiatives with key partners

STRENGTHENING RESERVES

- Managed reserves at an all-time high of \$3.8 billion
- Managed reserve ratio increased to 3.78% at 12/01
- Owned provision greater than charge-offs of \$503 million, or \$.70 per share

STRONG BALANCE SHEET

Managed Reserves



CAPITAL GENERATION

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|-----------------------------|---------|----------|---------|-----------|-----------|-----------|
| Net Income | \$819.6 | \$ 940.3 | \$524.1 | \$1,486.4 | \$1,700.7 | \$1,923.5 |
| New Equity/Preferred | 169.7 | 1,022.8 | 342.4 | 102.9 | 625.6 | 760.1 |
| New Equity Provided | 989.3 | 1,963.1 | 866.5 | 1,589.3 | 2,326.3 | 2,683.6 |
| Less Equity Used For: | | | | | | |
| Dividends | \$268.9 | \$ 302.0 | \$318.3 | \$ 332.1 | \$ 358.9 | \$ 406.6 |
| TETMA Increases/(Decreases) | (36.1) | 469.4 | 132.0 | (106.3) | 353.7 | 438.2 |
| Growth/Acquisitions | 699.8 | 1,113.3 | (7.2) | 447.6 | 1,404.4 | 922.5 |
| Stock Buyback Program | 56.7 | 78.4 | 423.4 | 915.9 | 209.3 | 916.3 |
| TETMA | 6.20% | 6.92% | 7.11% | 6.96% | 7.41% | 7.87% |
| TCETMA | 5.44% | 6.28% | 6.34% | 6.27% | 6.53% | 6.55% |

AGENDA

- Review of 2001
- **Outlook for 2002**
- Current Investor Topics

VIEW OF THE ECONOMY IN 2002

Targets Based on Cautious View

- Recession continues until mid-year
- Unemployment continues to rise, peaking above 6.5%
- Personal bankruptcies continue to increase
- Federal Reserve begins raising rates mid-year

2002 OUTLOOK

- EPS growth of 13-15%
- Managed receivable growth 11-14%
- Margins expanding
- Losses increasing
- Expenses up 10%
- Reserves increasing
- Capital ratios increasing
- Buybacks up to \$1 billion

HOUSEHOLD ANTICIPATED THE WEAKENING ECONOMY

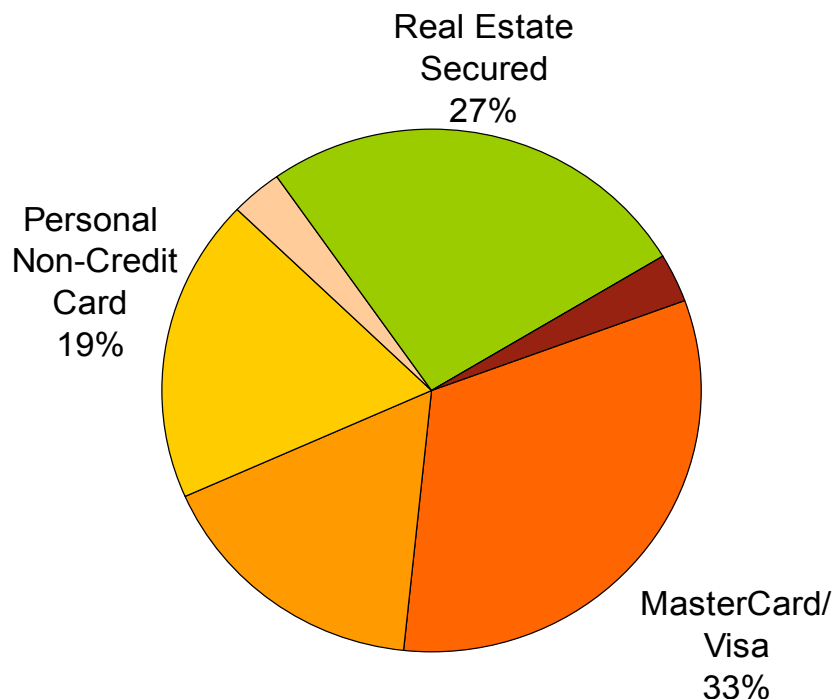
Favorably Impacting Credit Performance

- Diversified towards lower risk, secured products
- Built up capabilities
- Tightened credit extension and underwriting criteria
- Portfolio management reduced contingent liabilities
- Implemented bankruptcy models
- Built up collections efforts and staffing

LOWERING THE RISK PROFILE

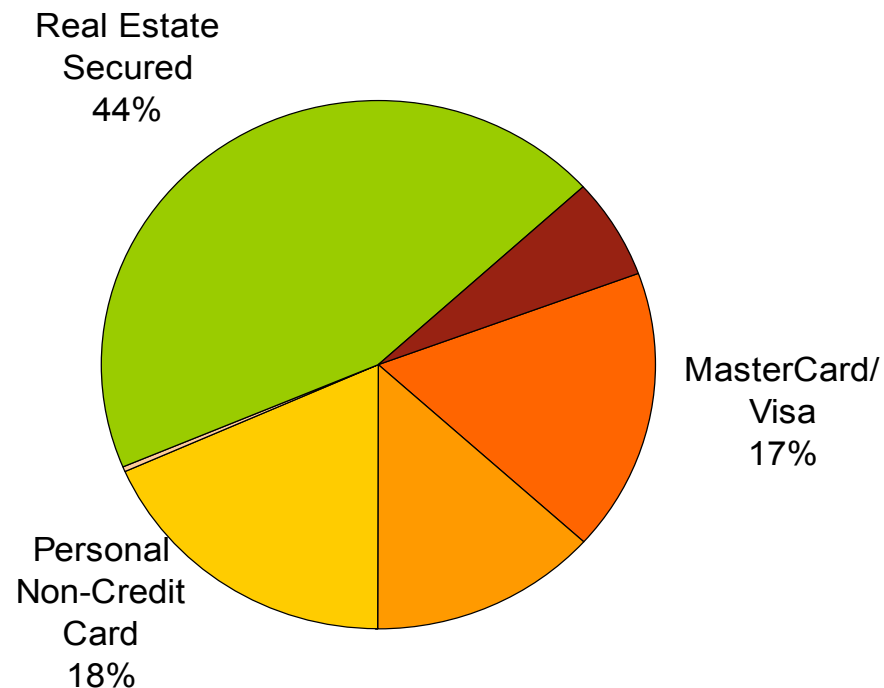
Key Driver of Our Credit Performance

12/31/96



\$59 Billion
Managed Portfolio

12/31/01



\$101 Billion
Managed Portfolio

2002 CREDIT QUALITY OUTLOOK

- Manageable increases in charge-off and delinquency through mid-year
- Modest improvement in latter part of year
- Reserve dollars increasing; reserve ratios stable

CAPITAL TARGETS

| | 2001 | 2002 Target |
|--|--------|------------------|
| Tangible Equity-to-Tangible Managed Assets | 7.87% | 8.00% to 8.25% |
| Tangible Common-to-Tangible Managed Assets | 6.55% | 6.55% to 6.65% |
| TETMA + Owned Reserves | 10.32% | 10.40% to 10.60% |
| Equity to Managed Assets | 9.17% | 9.00% to 9.25% |

Capital Ratios excluding FAS 115 and FAS 133

AGENDA

- Review of 2001
- Outlook for 2002
- **Current Investor Topics**

CURRENT INVESTOR TOPICS

- **Transparency of financial statements**
- Securitizations
- Credit management policies
 - Charge-off policies
 - Reage activity
- Reserve adequacy
- Liquidity management

TRANSPARENCY OF FINANCIAL STATEMENTS

Owned vs. Managed

Owned Basis Only

Securitization revenue

Owned and Managed Basis

Credit quality statistics,
reserve analysis and ratios,
net interest margin, fees and
risk adjusted revenue

Managed Basis Only

Efficiency ratio, capital ratios

CURRENT INVESTOR TOPICS

- Transparency of financial statements
- **Securitizations**
- Credit management policies
 - Charge-off policies
 - Reage activity
- Reserve adequacy
- Liquidity management

SECURITIZATIONS

Two Questions

- What is impact on GAAP earnings?
- Is there a potential for future impairment of existing I/O strip?

IMPACT ON GAAP EPS

| \$ Millions, Except Per Share Data | 2000 | 2001 |
|---|-------------|-------------|
| Pre-Tax Change in I/O Strip in P&L | \$58.9 | \$100.5 |
| After-Tax Impact | 38.4 | 65.8 |
| EPS Effect | \$.08 | \$.14 |
| % to Total EPS | 2.2% | 3.4% |

ROLL FORWARD OF I/O STRIP

| \$ Millions | 1999 | 2000 | 2001 |
|------------------------------|-----------------|-----------------|-----------------|
| I/O Strip @ Beg. of Year | \$1,239.9 | \$1,369.6 | \$1,718.8 |
| Reserve * | (813.9) | (909.6) | (1,082.3) |
| Net I/O Strip @ Beg. of Year | 426.0 | 460.0 | 636.5 |
| I/O Strip Change, Net | 129.7 | 231.6 | 166.5 |
| Reserve Change, Net * | (95.7) | (172.7) | (66.0) |
| Change in Net I/O Strip | | | |
| Before MTM | 34.0 | 58.9 | 100.5 |
| Mark-to-Market Adjustment | - | 117.6 | 231.2 |
| Net I/O Strip @ End of Year | <u>\$ 460.0</u> | <u>\$ 636.5</u> | <u>\$ 968.2</u> |

* Reserve for recourse liability

I/O STRIP BY PRODUCT

| \$ Millions | Real Estate | Auto Finance | MasterCard Visa | Private Label | Personal Non-Card | Total |
|-------------------------------|------------------------|-------------------------|----------------------------|--------------------------|------------------------------|--------------|
| Gross I/O Strip before MTM | \$28.2 | \$572.8 | \$489.3 | \$146.1 | \$531.3 | \$1,767.7 |
| Recourse Reserve | (19.4) | (371.5) | (308.1) | (131.5) | (317.8) | (1,148.3) |
| Net I/O Strip Before MTM | 8.8 | 201.3 | 181.2 | 14.6 | 213.5 | 619.4 |
| Mark-to-Market | 16.0 | 84.4 | 86.0 | 40.5 | 121.9 | 348.8 |
| Net I/O Strip @ 12/31/01 | \$24.8 | \$285.7 | \$267.2 | \$55.1 | \$335.4 | \$ 968.2 |
| Securitized Receivables | \$862 | \$4,027 | \$9,254 | \$2,150 | \$4,655 | \$20,948 |

CURRENT INVESTOR TOPICS

- Transparency of financial statements
- Securitizations
- **Credit management policies**
 - **Charge-off policies**
 - **Reage activity**
- Reserve adequacy
- Liquidity management

CREDIT POLICIES

Overview

- Policies appropriate for each customer segment
- Finance company customer differs from “prime” bank customer; requires different approach
- In some cases, charge-off policy is longer than bank policy to optimize customer management
- Loss reserving policies consistent with charge-off periods

CHARGE-OFF POLICIES BY PRODUCT

| | |
|--------------------------|---|
| Real Estate | Carrying values > NRV charged off at foreclosure or settlement with borrower |
| Auto Finance | Carrying values >NRV charged off at earlier of: <ul style="list-style-type: none">- vehicle repossessed and sold- 90 days after repo if not sold, or Entire balance charged off at 150 days delinquent |
| MasterCard/Visa | 6 months delinquent |
| Private Label | 9 months delinquent |
| Personal Non-Credit Card | 9 months contractually delinquent and no payment for 6 mos.; not to exceed 12 mos. contractually delinquent* |

** \$15 million of unsecured loans @ 12/31/01 were > 9 months contractually past due and not charged off*

Bankruptcy charge-off policies, in general, are the same as above or within 60-90 days of notification

REAL ESTATE CHARGE-OFFS

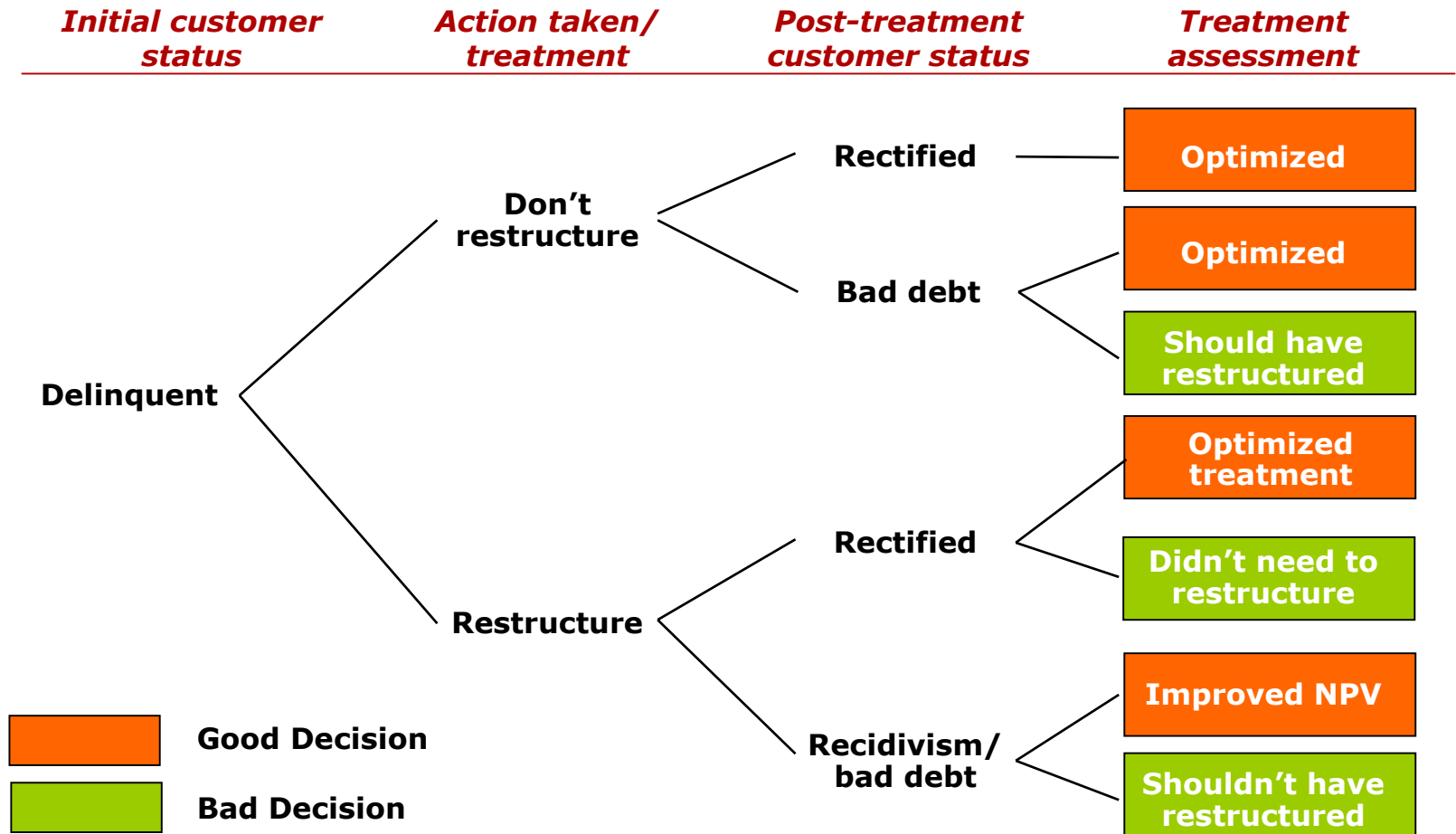
| \$ Millions | 1999 | 2000 | 2001 |
|----------------------------------|----------------|----------------|----------------|
| Managed Charge-offs | \$141.5 | \$145.6 | \$210.5 |
| Total REO Expenses | 49.6 | 84.6 | 123.7 |
| Total Charge-off + REO | \$191.1 | \$230.2 | \$334.2 |
| % of Average Managed Receivables | .74% | .71% | .84% |

REAGE POLICIES

Overview

- Reage policies are an inherent part of value proposition for our customers for which they pay above bank prices
- Not intended to defer credit loss recognition or to overstate net income
- Allows customers to recover from “bumps in the road” and to preserve credit bureau information
- Allows collectors to work on higher-risk accounts that have not indicated willingness and/or ability to pay
- Policies have been consistently applied and are appropriate for each product

THE RESTRUCTURING DECISION



RESTRUCTURING CONTROLS

- Accounts must meet performance criteria to be eligible for reaging/restructuring
- Statistical modeling employed in the restructuring decision process
- Collectors incented on “promises to pay” and dollars collected
- Only experienced collectors may provide reage as a collection option/strategy
- Customers cannot “game” the system
- Accrual of interest income is stopped and/or reserved upon restructuring

TOTAL HOUSEHOLD

Reaged Portfolio

| | 12/31/01 | | 12/31/00 | |
|---------------------|-----------------|-----------------|-----------------|-----------------|
| \$ Millions | % | \$ | % | \$ |
| Reaged once | | | | |
| - Last 12 months | 9.4% | \$8,804 | 8.5% | \$6,780 |
| - Before | 3.2 | 2,997 | 2.8 | 2,233 |
| Multiple reage | 4.3 | 4,028 | 3.0 | 2,393 |
| Total reaged | 16.9% | \$15,829 | 14.3% | \$11,406 |

REAL ESTATE SECURED

Reaged Portfolio

| | 12/31/01 | | 12/31/00 | |
|---------------------|-----------------|----------------|-----------------|----------------|
| \$ Millions | % | \$ | % | \$ |
| Reaged once | | | | |
| - Last 12 months | 12.0% | \$5,200 | 11.3% | \$3,998 |
| - Before | 4.1 | 1,777 | 3.1 | 1,097 |
| Multiple reage | 3.9 | 1,690 | 2.6 | 920 |
| Total reaged | 20.0% | \$8,667 | 17.0% | \$6,015 |

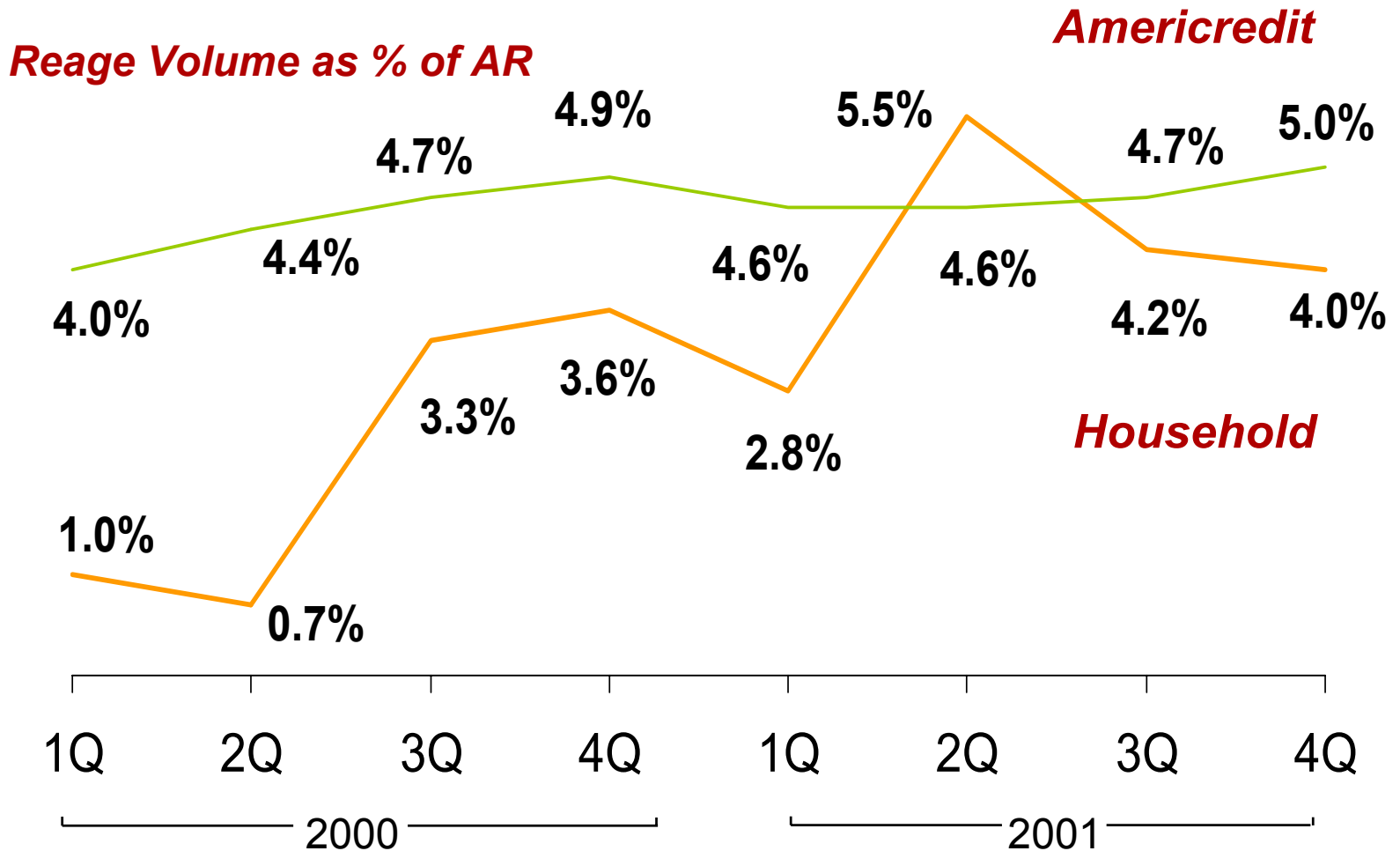
AUTO FINANCE

Reaged Portfolio

| \$ Millions | 12/31/01 | | 12/31/00 | |
|---------------------|-----------------|--------------|-----------------|--------------|
| | % | \$ | % | \$ |
| Reaged once | | | | |
| - Last 12 months | 11.8% | \$755 | 7.2% | \$329 |
| - Before | 2.2 | 140 | 1.3 | 59 |
| Multiple reage | 1.0 | 63 | 0.1 | 4 |
| Total reaged | 15.0% | \$958 | 8.6% | \$392 |

AUTO FINANCE

Quarterly Trends in Reaging



MASTERCARD/VISA

Reaged Portfolio

| \$ Millions | 12/31/01 | | 12/31/00 | |
|---------------------|-----------------|--------------|-----------------|--------------|
| | % | \$ | % | \$ |
| Reaged once | | | | |
| - Last 12 months | 2.2% | \$352 | 2.4% | \$364 |
| - Before | .7 | 112 | NA | NA |
| Multiple reage | .3 | 48 | NA | NA |
| Total reaged | 3.2% | \$512 | 2.7% | \$409 |

PRIVATE LABEL

Reaged Portfolio

| \$ Millions | 12/31/01 | | 12/31/00 | |
|---------------------|-----------------|----------------|-----------------|----------------|
| | % | \$ | % | \$ |
| Reaged once | | | | |
| - Last 12 months | 6.0% | \$720 | 5.7% | \$588 |
| - Before | 2.3 | 276 | 3.3 | 341 |
| Multiple reage | 2.8 | 336 | 2.7 | 279 |
| Total reaged | 11.1% | \$1,332 | 11.7% | \$1,208 |

PERSONAL NON-CREDIT CARD

Reaged Portfolio

| \$ Millions | 12/31/01 | | 12/31/00 | |
|---------------------|-----------------|----------------|-----------------|----------------|
| | % | \$ | % | \$ |
| Reaged once | | | | |
| - Last 12 months | 11.1% | \$1,711 | 9.9% | \$1,360 |
| - Before | 4.3 | 663 | 4.9 | 673 |
| Multiple reage | 11.8 | 1,818 | 7.3 | 1,003 |
| Total reaged | 27.2% | \$4,192 | 22.1% | \$3,036 |

RECIDIVISM STATISTICS BY PRODUCT*

| | Percentage to Amount Reaged | |
|--------------------------|--------------------------------|----------|
| | 12/31/01 | 12/31/00 |
| Real Estate Secured | 13.1% | 13.1% |
| Auto Finance | 36.9 | 36.6 |
| MasterCard/Visa | 41.5 | 42.0 |
| Private Label | 35.5 | 32.7 |
| Personal Non-Credit Card | 41.9 | 33.2 |

** Recidivism reflects accounts that are 2+ delinquent or charged off one year after reage*

CREDIT POLICIES - SUMMARY

- Credit policies are appropriate for business model and consistently applied
- Credit policies tightly controlled
- Loss reserves and income statement provisions properly set
- Goal is greater transparency

CURRENT INVESTOR TOPICS

- Transparency of financial statements
- Securitizations
- Credit management policies
 - Charge-off policies
 - Reage activity
- **Reserve adequacy**
- Liquidity management

RESERVE ADEQUACY

Owned Basis – 12/31/01

| | Reserves (\$ Millions) | Reserves-to- Receivables | Reserves-to- Charge-off | # Months Charge-off |
|------------------------------|---------------------------|-----------------------------|----------------------------|------------------------|
| Real Estate | \$ 309.0 | .70% | 152.9% | 18 |
| Auto Finance | 77.3 | 3.26 | 83.3 | 10 |
| MasterCard/Visa | 602.0 | 7.39 | 90.6 | 11 |
| Private Label | 550.2 | 4.72 | 93.6 | 11 |
| Personal Non- Credit Card | 1,085.0 | 8.14 | 127.5 | 15 |
| Total-2001 | \$2,623.5 | 3.31% | 110.5% | 13 |
| Total-2000 | \$2,065.7 | 3.10% | 109.9% | 13 |

CURRENT INVESTOR TOPICS

- Transparency of financial statements
- Securitizations
- Credit management policies
 - Charge-off policies
 - Reage activity
- Reserve adequacy
- **Liquidity management**

LIQUIDITY

- Has always been a major focus
- Funding is well diversified by product, maturity and geography
- Never had, and foresee no, inability to fund
- Liquidity strengthened in 1st quarter
 - Additional conduit capacity
 - Increased securitization (“financing”) and sale of real estate secured portfolio
 - Reduced commercial paper outstandings

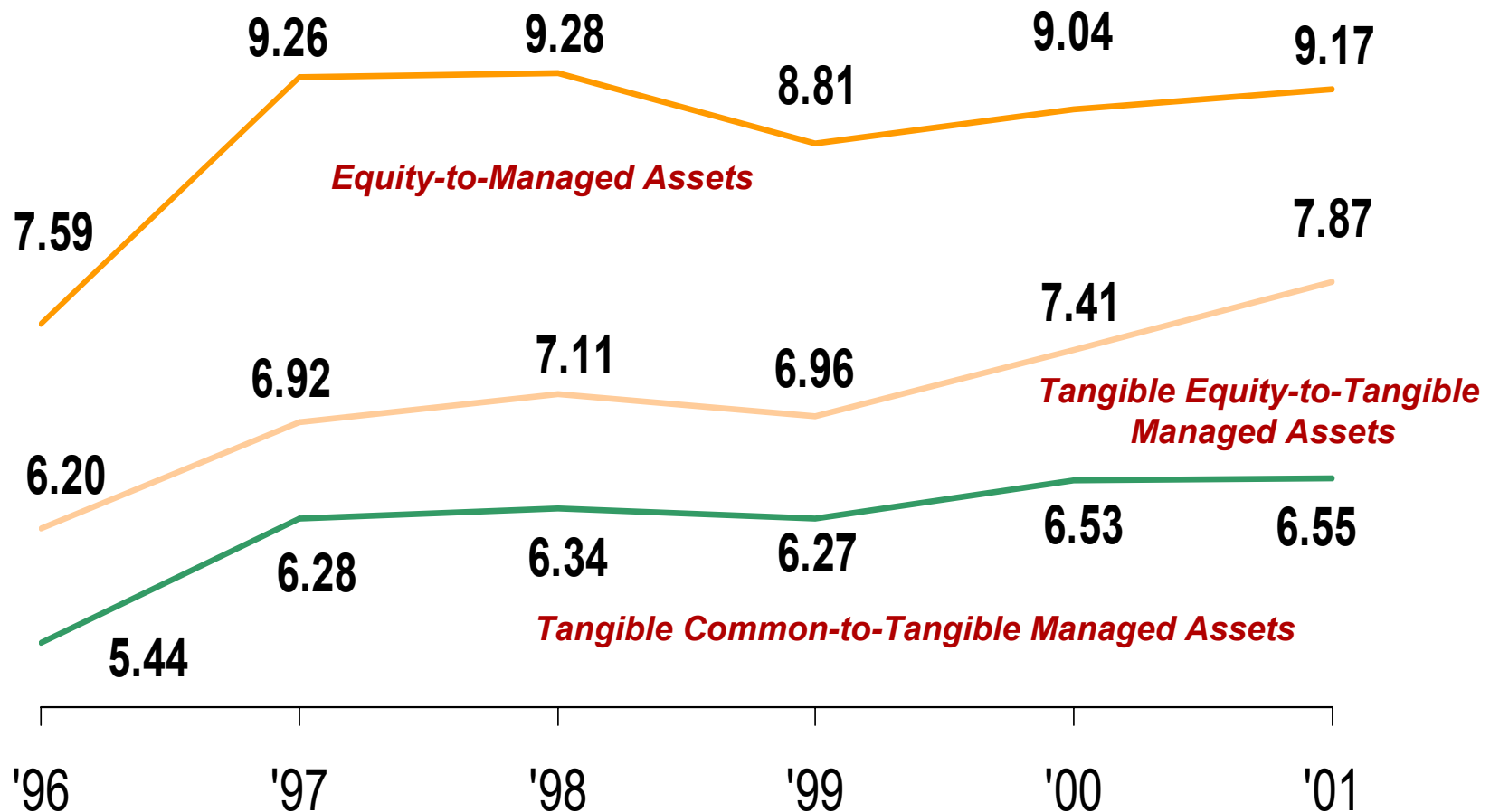
HOUSEHOLD



SUPPLEMENTAL INFORMATION

GROWING CAPITAL BASE

Capital Ratios (%)



Excluding FAS 115 and FAS 133, FAS 133 implemented 1/1/01

RESERVE ADEQUACY

Owned Basis – 12/31/00

| | Reserves (\$ Millions) | Reserves-to- Receivables | Reserves-to- Charge-off | # Months Charge-off |
|------------------------------|---------------------------|-----------------------------|----------------------------|------------------------|
| Real Estate | \$ 194.2 | .55% | 150.7 | 18 |
| Auto Finance | 51.0 | 2.76 | 85.3 | 10 |
| MasterCard/Visa | 582.2 | 7.23 | 124.7 | 15 |
| Private Label | 457.3 | 4.42 | 85.7 | 10 |
| Personal Non- Credit Card | 781.0 | 6.89 | 109.1 | 13 |
| Total | \$2,065.7 | 3.10% | 109.9% | 13 |

CREDIT POLICIES - REAL ESTATE

Restructures

- Restructures not done to defer loss recognition
- 2 standard payments required within 60 days to restructure
- Contractual delinquency set to current when restructured
- Account limited to 1 restructure every 12 months
- Account not eligible for restructure until 12 months on books
- Stop interest accrual at 90 days contractually delinquent
- If an account is restructured, reserve future interest accrual

CREDIT POLICIES – MASTERCARD/VISA

Restructures

- Account can be restructured if receive typically two to three consecutive minimum standard payments based on delinquency and behavioral score
- Limited to one time every 12 months unless three consecutive payments are made, then once every 6 months
- Interest accrues through charge-off regardless of reage status, but is reserved for
- Renaissance restructuring is negligible and in accordance with FFIEC

CREDIT POLICIES – PRIVATE LABEL

Restructures

- Majority of restructures one payment overdue
- If receive one standard payment can restructure to bring current
- Restructures limited to one time every 6 months
- Interest is accrued through charge-off regardless of reage status but is reserved for

CREDIT POLICIES – PERSONAL NON-CREDIT CARD

Restructures

- Majority of restructures one payment overdue
- 1 standard payment (90%+) needed to restructure contractual
- If account is never 90+, then can be restructured up to 3 times per year
- If an account is ever 90+, lifetime limit of 4 restructures allowed
- Stop accrual at 90 days delinquent and do not resume accrual even if restructured

CREDIT POLICIES – AUTO FINANCE

Restructures

- Majority of restructures one payment overdue
- Account can be extended if receive one standard payment
- Account can be extended no more than 3 months at a time and no more than 3 months in any 12 month period
- Extensions limited to up to 6 months over the contractual life
- Accounts go to nonaccrual at 2 months contractually delinquent at which time estimate of uncollectible interest is reversed