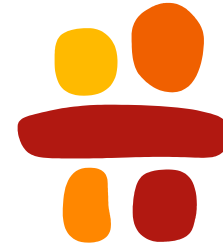


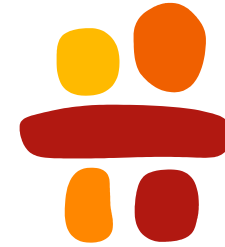
HOUSEHOLD



Rocco Fabiano

*Group Executive – Retail Services, Auto Finance,
Refund Lending, Insurance Services*

HOUSEHOLD



RETAIL FINANCE GROUP

RETAIL FINANCE GROUP

- Retail Services
- Auto Finance
- Refund Lending
- Insurance Services

RETAIL FINANCE GROUP

2001 Financial Performance

- Net income of \$523 million, up 25%
- Managed receivables of \$18 billion, up 25%
- Managed delinquency of 4.66%, up 2%
- Charge-off of 5.33%, flat to 2000
- Efficiency ratio of 26.1%, up 3.0%

RETAIL FINANCE GROUP

- **Retail Services**
- Auto Finance
- Refund Lending
- Insurance Services

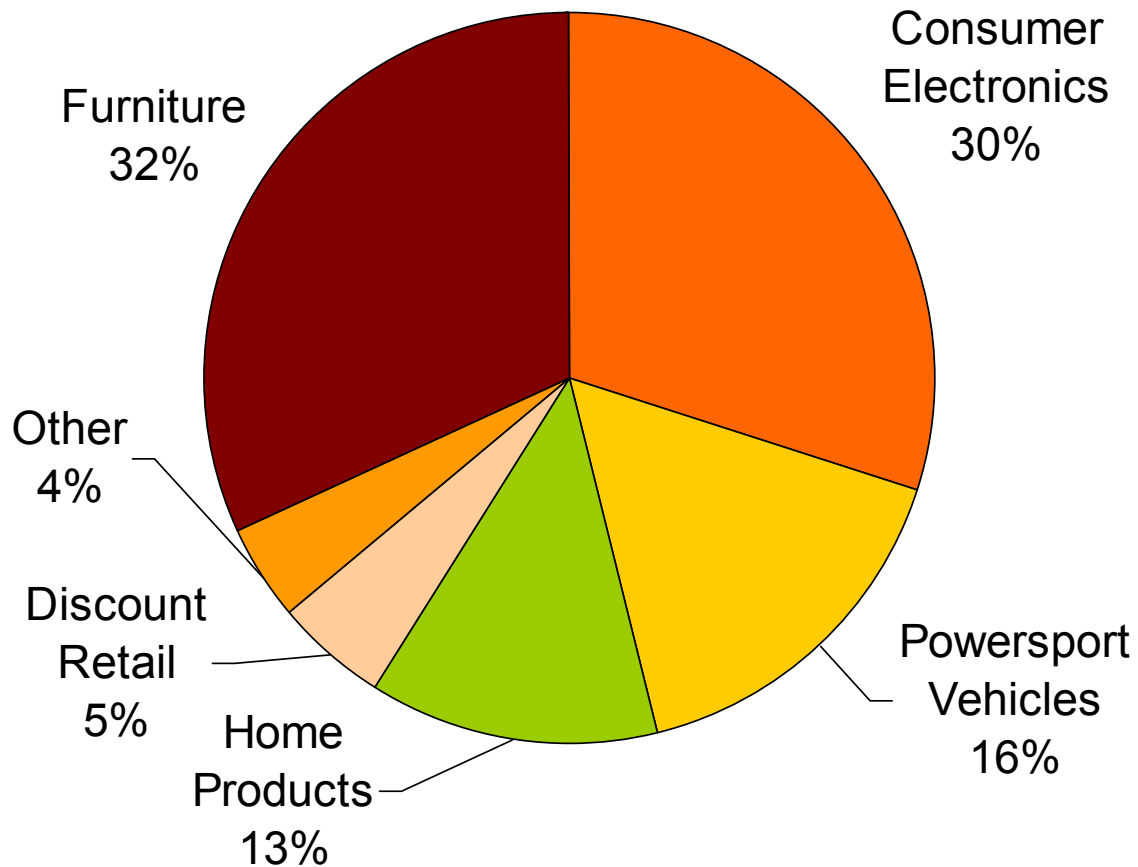
RETAIL SERVICES

Overview

- Second largest “third party” private label provider
- \$11.6 billion in managed receivables
- Over 9.5 million active cardholders
- Over 60 active merchant relationships
- Serves a broad spectrum of consumers (across all credit tiers)

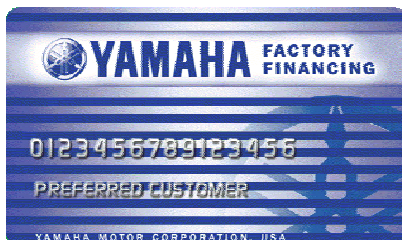
RETAIL SERVICES

Portfolio Diversification



RETAIL SERVICES

Industry Leading Partners



RETAIL SERVICES

Merchant Partnerships

- “Partnership” with merchants is primary business focus
- Provide merchant with:
 - Service across all POS channels
 - Marketing support aimed at maximizing sales
 - Underwriting designed to optimize approval rate
 - Flexible program structuring
- Provide merchants’ customers with:
 - Attractive financing alternatives
 - Quick and easy application processing
 - “Best-in-class” customer service

RETAIL SERVICES

2001 Financial Performance

Managed Basis	vs.	2000
Net Income	Increased	10%
Receivables	Increased	18%
Return on Assets	Flat	0 bps
Delinquency Ratio	Improved	3 bps
Charge-off Ratio	Improved	19 bps
Efficiency Ratio	Increased	29 bps

RETAIL SERVICES

Points of Focus in 2002

- Achieve “above market” portfolio growth
 - Existing merchant
 - Market share gains
 - Development of start-up programs
- Control losses on all fronts
 - Underwriting
 - Collections
 - Fraud
- Continue to improve business quality

RETAIL FINANCE GROUP

- Retail Services
- **Auto Finance**
- Refund Lending
- Insurance Services

AUTO FINANCE

Overview

- Finance primarily late-model, used vehicles through franchised new vehicle dealers
- 10% direct lending through Internet, direct mail and alliance partners
- Tremendous success of HAFCSuperhwy.com
- Industry pricing and underwriting are generally rational
- Increased our pace of credit tightening and price increases
- No meaningful “trigger” exposure

AUTO FINANCE

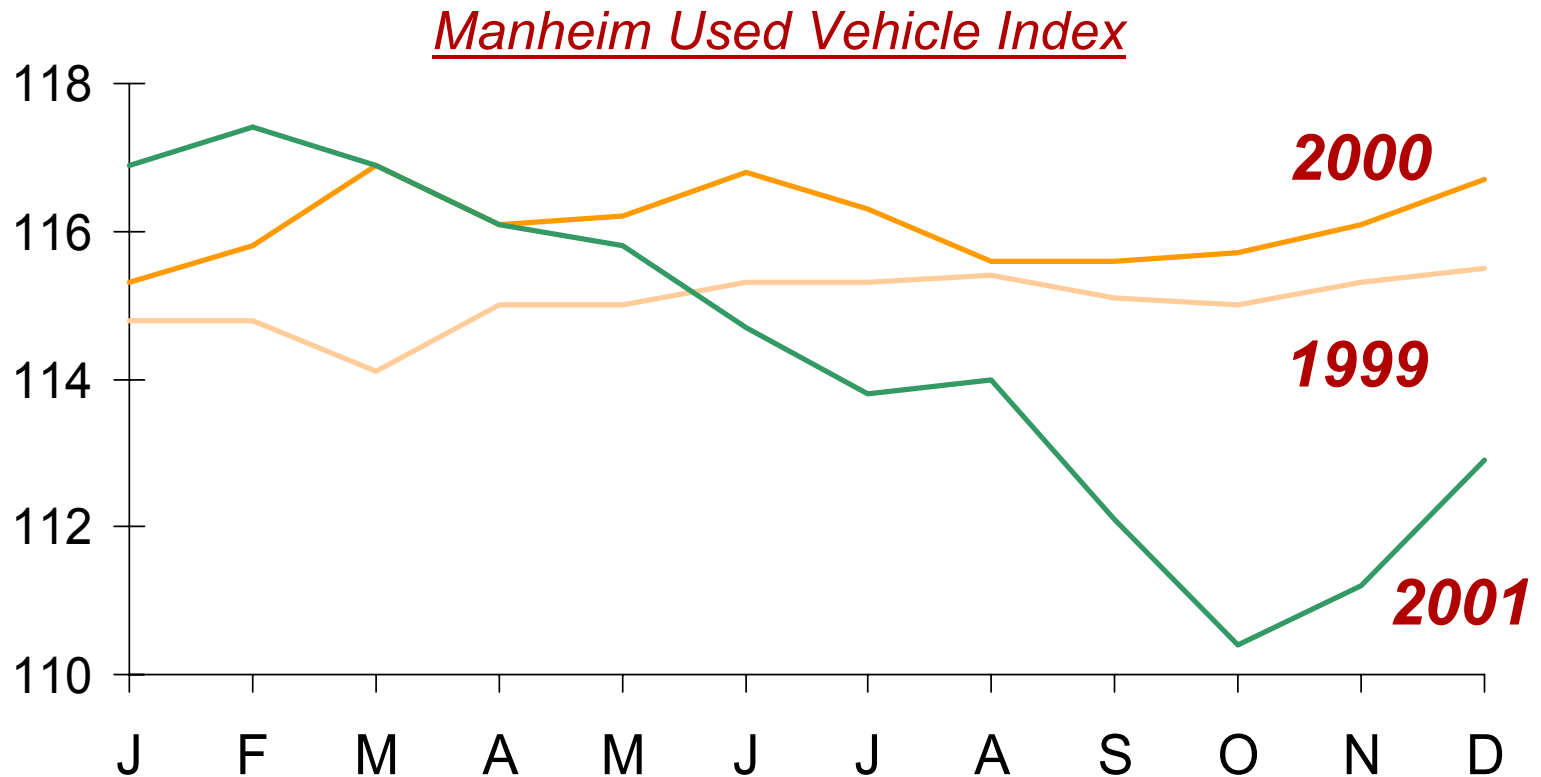
Underwriting Trends

	2001	2000
Collateral		
Vehicle Mileage	26,529	24,253
% New	24%	29%
Loan-to-Value	108%	108%
% Extended Term	34%	42%
Borrower		
Monthly Income	\$3,923	\$3,701
% Homeowner	40%	37%
FICO Score	587	576

New loans originated during the year

AUTO FINANCE

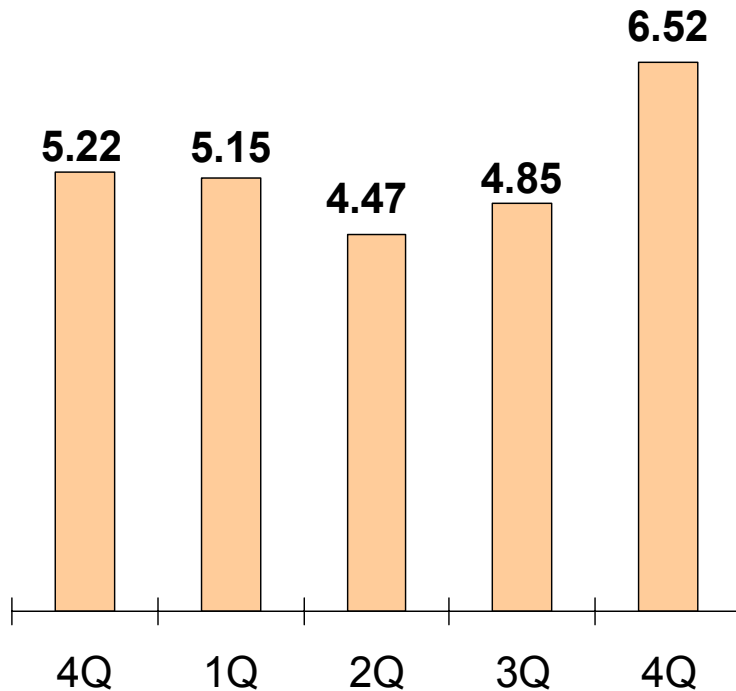
Used Vehicle Market



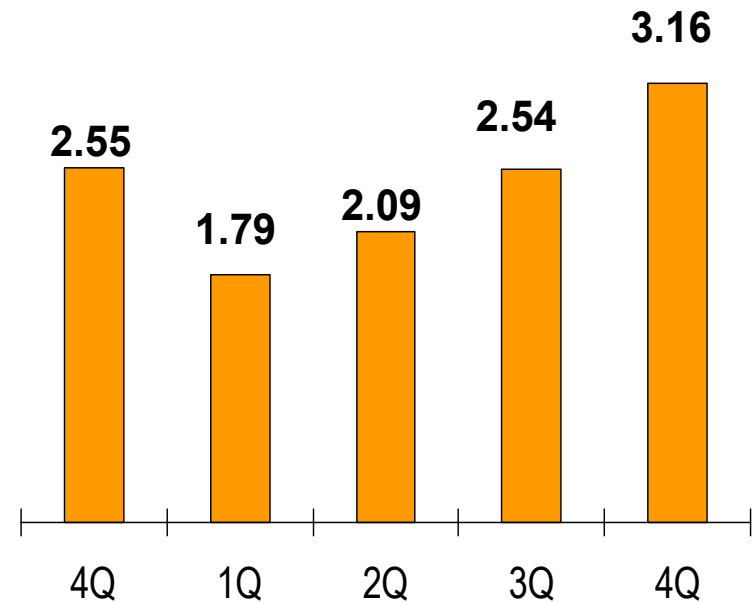
AUTO FINANCE

2001 Credit Quality Trends

Charge-Offs (%)



Delinquency (%)

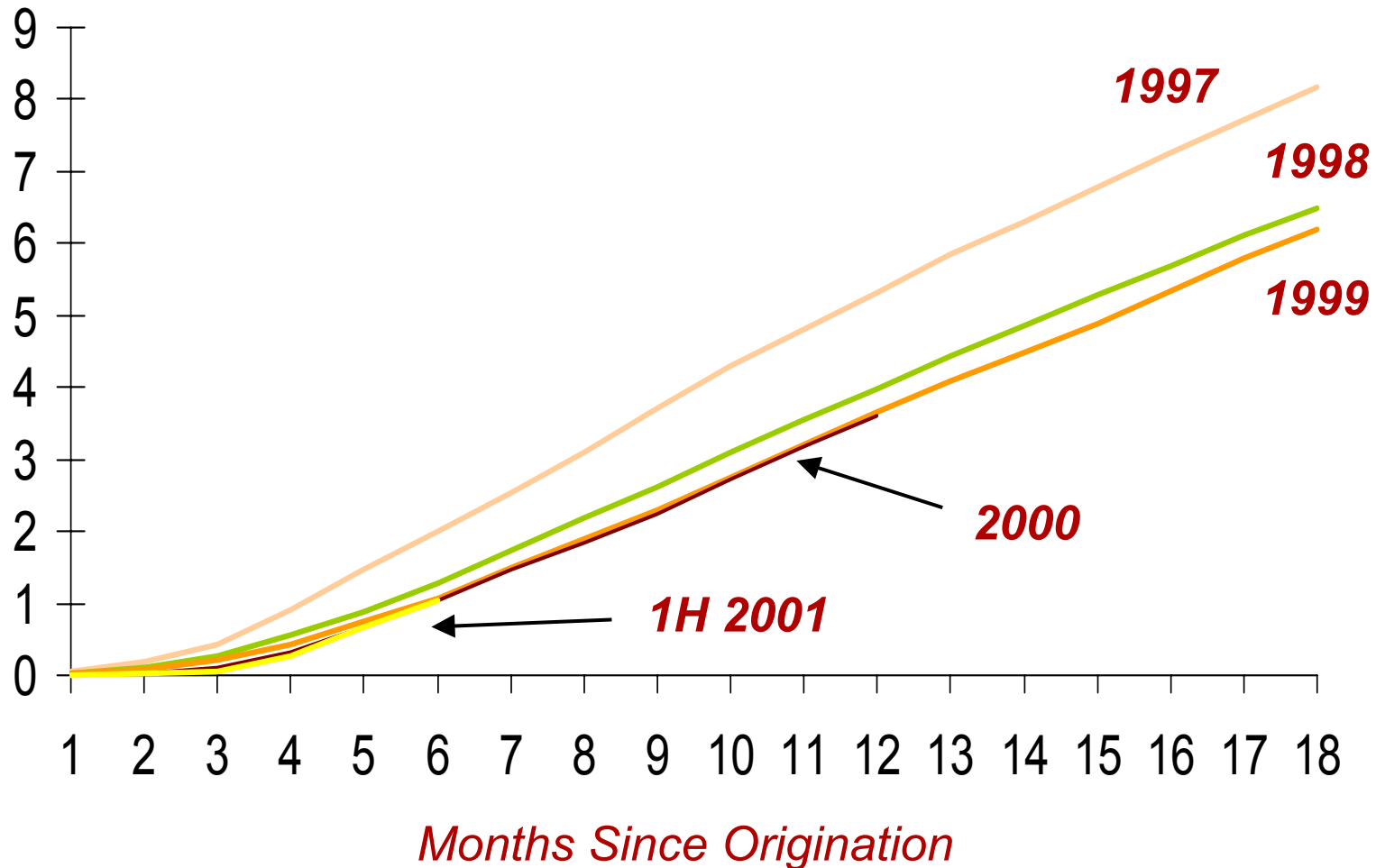


Managed basis

AUTO FINANCE

Vintage Loss Analysis

Cumulative Loss (%)



AUTO FINANCE

Collections Improvement

- Made Walter Menezes the CEO of the business unit
- Moved John O'Brien from HFC to run collections
- Doubled right party contacts
- Halved collector talk times
- Revised shifts and simplified incentive plans

AUTO FINANCE

Extensions / Deferments

- A valuable tool in managing borrower payment habits
- Provide sufficient cash flow to more than offset any additional depreciation on the vehicle

9/00 Extensions as of 2/02	Charge-off Accounts	All Accounts
NPV of Cash Collected	\$5.7	\$28.4
Depreciation	(2.9)	(10.5)
Net Benefit	\$2.8	\$17.9

\$ Millions

AUTO FINANCE

2001 Financial Performance

Managed Basis	vs.	2000
Net Income	Increased	28%
Receivables	Increased	40%
Return on Assets	Decreased	19 bps
Delinquency Ratio	Increased	61 bps
Charge-off Ratio	Increased	51 bps
Efficiency Ratio	Improved	29 bps

AUTO FINANCE

Points of Focus for 2002

- Improve collections capabilities
- Manage growth
- Expand HAFCSuperhwy.com
- Maintain credit standards
- Build stronger asset disposition capabilities
- Focus on cross-sell opportunities

RETAIL FINANCE GROUP

- Retail Services
- Auto Finance
- **Refund Lending**
- Insurance Services

REFUND LENDING

Overview

- Provided \$8.4 billion in RALs and \$4.7 billion in RACs through electronic return originators in 2001
- IRS has a stated objective to have 80% of all returns filed electronically by 2007
- H&R Block is our largest partner, accounting for approximately 92% of our volume
- Our scoring capabilities are a significant competitive advantage

REFUND LENDING

Relative Product Pricing

Product	Average Fee	Average Payment	Cost Per \$100
Bounced check fees	\$40	<100	\$40.00
Late payment on subprime card	29	80	36.25
Pay day loan	20	100	20.00
Late mortgage or installment loan	5%	--	5.00
Cash advance on prime credit card	2% + interest	--	3.50
Refund anticipation loan	\$63	2,200	2.86

REFUND LENDING

2001 Financial Performance

	vs.	2000
Net Income	Increased	60%
RAL Volume	Decreased	28%
RAC Volume	Increased	29%
Delinquencies	Increased	16%

REFUND LENDING

Points of Focus for 2002

- Rolled out a “balance due” product as well as the Instant RAL
- Tested the Advance RAL product
- Managed the impact of the Rate Reduction Credit
- Added new distribution partners

RETAIL FINANCE GROUP

Grow Net Income by 20%

RETAIL FINANCE GROUP

- Retail Services
- Auto Finance
- Refund Lending
- **Insurance Services**