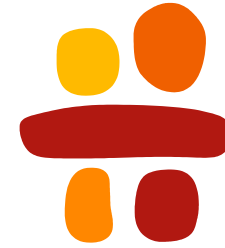


HOUSEHOLD



Edgar Ancona

Managing Director - Treasurer

TREASURY OVERVIEW

- **Interest Rate Risk Management**
- Liquidity Risk Management
- 2001 Funding Review
- 2002 Funding Objectives

INTEREST RATE RISK MANAGEMENT

- Household has a limited appetite for interest rate risk
- Consolidated IRR measured by:
 - Two standard deviation interest rate shock on existing balance sheet
 - Two standard deviation rate move on forecasted balance sheet
 - Gradual 200 bp rate increase over next 12 months
 - Additional “what if” analyses performed as needed
- Prime/LIBOR spread monitored

INTEREST RATE RISK MANAGEMENT

- Gradual 200 bp rise in rates over a 12 month period = EPS impact (\$0.17)
- 20 bp narrowing of Prime/LIBOR spread = EPS impact of (\$0.05)
- Swaps utilized to adjust IRR position
 - Current derivative notional - \$45.5 billion
 - Exposure to 38 banks - Top ten constitute 71%
 - 99% of counterparty exposure with banks rated A+ or better; 88% with banks rated AA or better

USE OF DERIVATIVES

- Derivatives used:
 - Primarily interest rate swaps and foreign currency swaps
 - Manage exposure to fluctuations in interest rates and foreign currency exchange rates
- No exposure to leveraged or exotic derivatives
- Do not speculate on interest rates or foreign currency market exposure

DERIVATIVE ACCOUNTING - FAS NO. 133

- FAS No. 133 adopted January 1, 2001
- Substantially all our derivative instruments qualify as effective hedges resulting in no material income statement volatility
- 71% of our swap portfolio represent cash flow hedges, where all critical terms of the derivative match the critical terms of the hedged item
- For cash flow hedges:
 - Equity volatility created as changes in the derivative value are included in equity (OCI)
 - Earning impact recognized in same period as the hedged item affects earnings

DERIVATIVE ACCOUNTING - FAS NO. 133

- Negative unrealized equity mark of \$700 million at 12/31/01
 - Direct result of decision to limit interest rate risk in a declining rate environment
 - \$392 million of this unrealized loss will be reclassified to earnings within one year
 - The earnings impact of the unrealized loss will be offset by decreased interest expense on the hedged item

TREASURY OVERVIEW

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LIQUIDITY RISK MANAGEMENT

- Primary Treasury focus
- Traditional funding sources will meet current and future liquidity requirements
- However, as a result of 9/11 and recent market events, we are further diversifying funding through:
 - Alternative product offerings
 - Broadening investor base
 - Expanding geographic distribution

CURRENT LIQUIDITY APPROACH

- Reduced commercial paper balances from \$8.5 billion at 12/31/01 to \$5.8 billion at 3/31/02
 - Lengthened average maturity to 33 days from 29 days at 12/31/01
- \$1 billion in money market liquidity portfolio at 3/31/02
- Plan to maintain approximately \$10 billion in committed backstops
- Supplemented backstop liquidity with additional undrawn ABS conduits
 - Current undrawn conduit capacity of \$5.4 billion
 - Greater than 100% of CP outstanding, net of investments

CURRENT LIQUIDITY APPROACH

- Balance sheet liquidity further strengthened through enhanced ABS activity
 - Planned ABS issuance of \$11 - \$14 billion vs \$7 billion in 2001
 - Demonstrated liquidity of real estate portfolios
 - Securitized \$1 billion of HFC branch-originated product in 1Q 2002 (financing transaction)
 - Completed 1Q sale of \$0.9 billion in wholesale-originated product
 - Funded \$0.5 billion of HFC branch-originated product with a conduit draw in 1Q
 - Conduit/warehouse facilities established for possible future use
- Will securitize all major asset classes

CURRENT LIQUIDITY APPROACH

- Emphasize the hallmarks of HFC debt issuance programs: diversifying investor base, maturity extension and large liquid institutional deals
- In first quarter 2002:
 - Issued \$2.5 billion 5-year Global to 246 investors
 - Issued \$0.7 billion equivalent of 10-year Sterling to 50 investors
 - Issued \$1.5 billion of retail MTNs
 - Issued \$1.0 billion of institutional-placed MTNs
 - Issued \$54 million equivalent of 3-year Czech Koruna

RATING AGENCY RELATIONSHIPS

- Committed to maintaining current credit ratings
- Meet regularly with each agency
- Maintain frequent dialogue outside of meetings
- Currently addressing Fitch outlook issues through the demonstrated liquification of real estate secured receivables

RETAIL NOTE PROGRAM

- Sustainable market
 - Increasing number of issuers generating more retail broker focus
 - Fixed coupon attractive to aging population
- Non-callable product introduced in April 2001
 - Issued \$788 million in 2001
- Callable product introduced in 2002
 - Issued \$1.5 billion as of 3/31/02
 - Average original maturity - 11 years
 - Average original maturity - 3 years if called
 - Greater A/L flexibility than traditional CDs or bullet MTNs

LIQUIDITY RISK MANAGEMENT

- Managing liquidity risk begins with annual planning process
 - Legal vehicle funding plans developed
 - IRR position drives fixed/floating decision
 - Debt maturity schedule and market conditions drive maturity decision
 - Funding plans adjusted weekly to accommodate shifting product mix and market environment

LIQUIDITY RISK MANAGEMENT

- Several analyses used to measure liquidity risk
 - Maximum Cumulative Outflow (MCO)
 - Analyzes balance sheet maturities and generates cumulative net cash outflow by time period over 5-year horizon
 - Limits reviewed by Finance Committee
 - Debt maturity profile
 - Limits rollover risk

LIQUIDITY RISK MANAGEMENT

■ Maximum Cumulative Outflow (MCO)

Net cash outflow as a percent of managed funding declines in all periods measured

Limit*	<u>Largest Monthly Outflow</u>	<u>Cumulative 12-Month Outflow</u>				
	15%	Yr. 1	Yr. 2	Yr. 3	Yr 4	Yr. 5
12/31/99	10.7%	8.1%	7.7%	5.6%	4.6%	2.1%
12/31/00	9.0%	5.0%	7.5%	5.6%	0.9%	(0.9%)
12/31/01	7.0%	3.0%	1.1%	(3.2%)	(4.9%)	(8.7%)
02/28/02	5.7%	1.1%	(1.8%)	(8.8%)	(11.1%)	(16.0%)
Net Cash Outflow (\$ in Billions)	\$5.7	\$1.1	\$1.8	(\$8.7)	(\$11.0)	(\$15.9)

**Limit based on percent of managed funding*

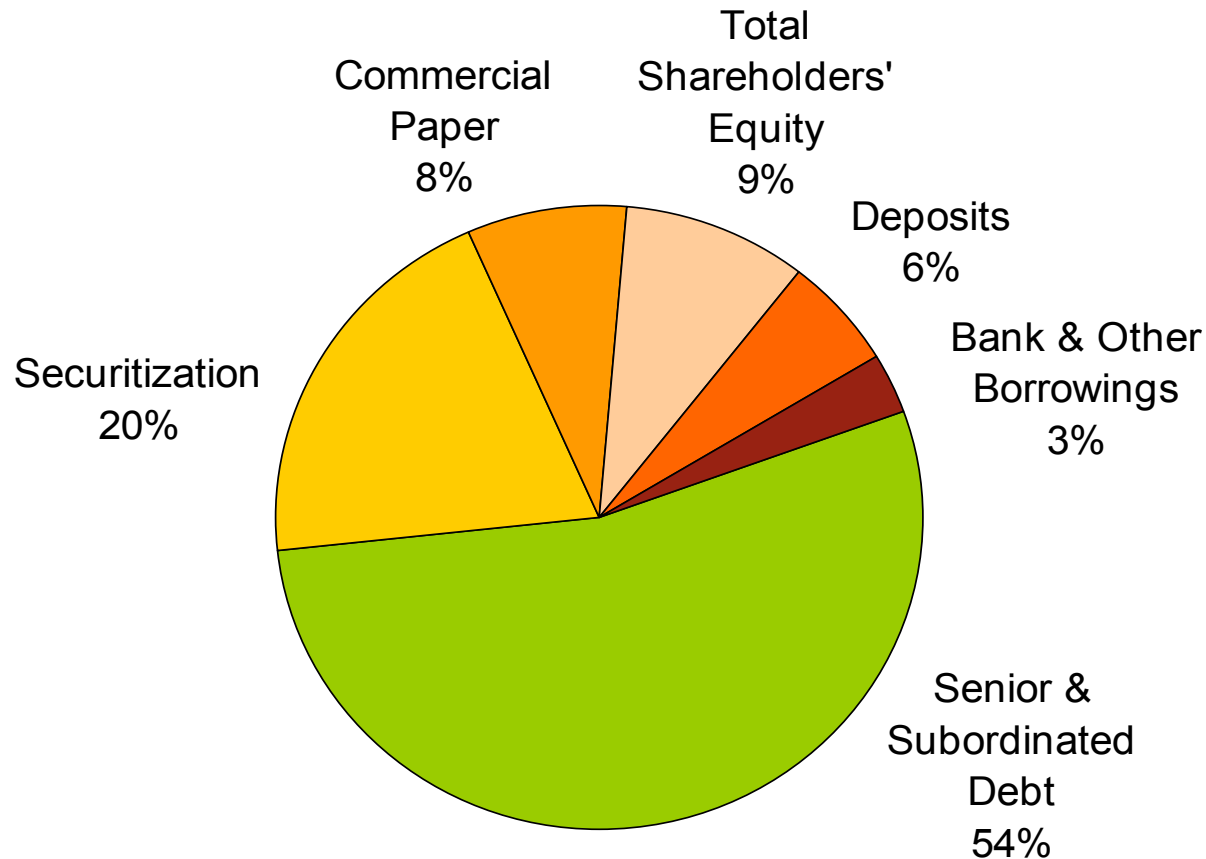
LIQUIDITY RISK MANAGEMENT

- Liquidity Risk Analyses
 - Contingency funding scenarios
 - Short and long-term interruptions
 - General market and company-specific events
 - Under a wide variety of scenarios, Household continues to satisfy its funding objectives without utilizing backstops
 - Additional analyses performed as needed
 - Fund potential acquisitions

TREASURY OVERVIEW

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- Liquidity Risk Management
- **2001 Funding Review**
- 2002 Funding Objectives

DIVERSIFIED FUNDING MIX



Consolidated as of December 31, 2001

2001 Key Accomplishments

- Managed funding grew \$12.9 billion
 - Issued \$6.0 billion with maturities 5 years and longer
- Increased issuance of large, liquid debt transactions

2001 Key Accomplishments

- Broadened investor base
 - Met with 444 debt/ABS investors
 - Continued issuing in the Japanese and Australian markets
 - Spoke at 8 fixed income/ABS conferences
- Increased public ABS issuance with nine transactions in four different asset classes

TREASURY OVERVIEW

- Interest Rate Risk Management
- Liquidity Risk Management
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- **2002 Funding Objectives**

2002 KEY FUNDING OBJECTIVES

- Maintain credit ratings
- Provide fairly priced transactions
- Continue to use large USD global issues
- Increase issuance of public ABS transactions
- Reduce reliance on commercial paper
- Broaden worldwide investor marketing programs
- Establish warehouse lines for real estate product

2002 BANK LINES

HFC

- Launched new \$4 billion, 364-day facility and new \$900 million, 5-year facility to replace maturing facilities
 - \$4.5 billion in 364-day facility (matures 4/26/02)
 - \$0.93 billion in 5-year facility (matures 5/13/02)
- Asking banks to participate in new facilities based on relative amounts maturing in existing facilities and to consider commitment increases, as warranted
- 9 banks have already committed \$2.2 billion to the 364-day facility and \$550 million to the 5-year facility. Thank you!

2002 BANK LINES

HFC Bank plc

- Launching new 5-year facility to replace £207 million in syndicated commitments maturing this year

HFC Limited

- Renewing C\$695 million 364-day facility in 11/02

2002 SHORT-TERM DEBT

HFC/HI

- Maintain backstop coverage in excess of 100%
- Current target of \$5.5 - \$6.0 billion, net of investments

HFC Bank plc

- Target average balance of £500 million

HFC Limited

- Target average commercial paper balance of C\$450 million

2002 SECURITIZATIONS

HFC

- \$11 - \$14 billion of public transactions
- Net gains comparable with prior year
 - No gains on real estate securitizations
- Diversify and increase conduit/warehouse capacity for real estate loans

Foreign Subsidiaries

- HFC Bank plc plans two public securitizations totaling £500 - £550 million

2002 DEBT ISSUANCE

- Current funding plans include the put of our \$1 billion convertible debt
- Full-year retail note issuance of \$5 - \$8 billion
- Full-year institutional debt issuance of \$23 - \$26 billion
 - As of 3/31/02 issued \$4.2 billion
 - Total remaining needs of \$19 - \$22 billion
 - \$7.5 - \$10 billion in large USD transactions
 - \$4 - \$8 billion in USD MTNs
 - \$1.5 - \$2.5 billion in Euro transactions
 - \$1.5 - \$2.5 billion in other foreign offerings

2002 DERIVATIVE ACTIVITY

Project \$15 - \$20 Billion in Derivative Activity

- Actively manage interest rate risk
- Hedge FX exposure from non-dollar debt issuance and subsidiary capital investments
- Use plain vanilla swaps, caps and floors
- Continue focus on managing FAS 133 risk

BANK RESTRUCTURING

- Federal banking regulators adopted new capital guidelines for subprime lending activities in 2001
- In response to these guidelines, we contributed \$1.15 billion to our bank subsidiaries in the 1Q 2002 to retain “well capitalized” designation
- Currently do not contemplate additional significant equity contributions
- To prospectively manage capital effectively, we will restructure our bank subsidiaries to streamline existing balance sheets and simplify the bank product mix
- Any changes will not materially impact how we operate or fund our businesses

2002 FUNDING SUMMARY

Household Will Continue To:

- Provide access to senior management
- Be responsive to investor inquiry
- Consider proprietary/new ideas
- Award merit-based mandates
- Strengthen credit relationships

RELATIONSHIP GOALS

Looking for full-service financial partners who provide the following products/services:

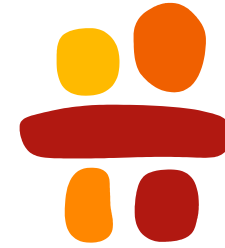
- Credit
- Debt, ABS and equity execution
- Research and active secondary market support
- Assistance in expanding investor base
- Merger and acquisition ideas
- Derivatives ideas and execution
- Competitively priced, fee-based services

HOUSEHOLD



THANK YOU FOR YOUR SUPPORT

HOUSEHOLD



SUPPLEMENTAL INFORMATION

2001 BANK LINE STATISTICS

HFC (12/31/01)

- \$10.1 billion in back-up lines; 48 banks
- 5 distinct syndicated credit facilities
 - \$4.5 billion matures 4/02
 - \$0.9 billion matures 5/02
 - \$0.4 billion matures 6/03
 - \$0.5 billion matures 5/04
 - \$3.7 billion matures 4/05
- 76% of commitments from banks rated Aa3 or better
- \$400 million shared with HI

2001 BANK LINE STATISTICS

Foreign Subsidiaries (12/31/01)

HFC Bank plc

- £2.2 billion in credit lines
 - 23% of lines drawn
 - 9 distinct syndicated credit facilities
 - 65 banks
 - Various maturities to 2007

Household Financial Corporation Limited

- One C\$695 million, 364-day revolver
- 8 banks; renews 11/02

2001 SHORT-TERM DEBT

HFC/HI Commercial Paper

- Averaged \$8.6 billion
- Maintained backstop coverage of \$10.1 billion
- 318 investors
- Individual investor limit of \$450 million

2001 SECURITIZATIONS

- Public Transactions
 - \$2.8 billion between four auto deals
 - \$1.5 billion between two credit card deals
 - \$1.5 billion between two real estate deals
 - \$1.0 billion private label deal
- Conduits
 - \$12.6 billion in facilities (12/31/01)

2001 TERM DEBT ISSUANCE

	Millions
HI/HFC	
MTNs	\$ 7,196
Underwritten	
USD	7,000
Euro	1,400
Samurai	322
Kangaroo	238
	\$16,156
HFC Bank plc	
MTNs	£150
Underwritten	€500
HFC Limited	
MTNs	C\$600