**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

LAWRENCE E. JAFFE PENSION PLAN, on behalf of itself and all others similarly situated, Plaintiffs, v. HOUSEHOLD INTERNATIONAL, INC., et al., Defendants.	Case No. 02-C-5893 Judge Jorge L. Alonso

DEFENDANT GARY GILMER'S RULE 56.1 STATEMENT OF UNDISPUTED FACTS IN SUPPORT OF GILMER'S MOTION FOR PARTIAL SUMMARY JUDGMENT

Pursuant to Fed. R. Civ. P. 56 and Local Rule 56.1, Defendant Gary Gilmer submits the following statement of undisputed material facts:

I. The Parties

1. The Lead Plaintiffs represent a class of persons who purchased or otherwise acquired Household International, Inc. ("Household" or the "Company") common stock between March 23, 2001 and October 11, 2002 (the "Class Period"). (Plaintiffs' [Corrected] Amended Consolidated Class Action Complaint (March 13, 2013), Dkt. 54 ¶ 1 (hereafter "Complaint")).[1]

2. During the Class Period, Defendant Household was a non-operating holding company with three primary divisions: consumer financing, credit card services, and international business. (Defendants' Answer to the [Corrected] Amended Complaint (July 2, 2004), Dkt. 156 ¶ 37 (hereafter, "Answer")). During the Class Period, Household Finance

[1] For purposes of this filing, the Class Period represents the time spanning between the date of the first and the date of the last misstatement found by the jury. *See* Exhibit A, Jury Verdict Form, Table A.

Corporation ("HFC") was a wholly owned subsidiary of Household engaged in the consumer lending business. (Answer, ¶ 37).

3. During the Class Period, Defendant William Aldinger ("Aldinger") was Household's Chief Executive Officer (CEO) and Chairman of the Board. (Answer, ¶ 38).

4. During the Class Period, Defendant David Schoenholz ("Schoenholz") was Household's Chief Financial Officer (CFO). (Answer, ¶ 39).

5. During the Class Period, Defendant Gary Gilmer ("Gilmer") was Household's head of consumer lending. (Answer, ¶ 40).

II. Jurisdiction

6. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1331 because the claims asserted against Defendants arise under the laws of the United States, specifically: §§ 10(b) and 20(a) of the Securities Exchange Act of 1934, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated by the United States Securities and Exchange Commission ("SEC"), 17 C.F.R. § 240.10b5. (Answer, ¶ 32-33).

7. Venue is proper in this Court pursuant to § 22 of the Securities Act of 1933, § 27 f the Securities Act of 1934, and 28 U.S.C. § 1391(3). (Answer, ¶ 34).

III. Facts Relevant to the Parties' Responsibilities

8. As CEO, Aldinger was the Company's highest ranking corporate officer and was ultimately responsible for all aspects of Household's business affairs, including reviewing and signing Household's quarterly and annual reports and reviewing Household's press releases. (Exhibit S, Trial Tr. Vol. 14, 2982:11-17; Exhibit V, Aldinger Dep. (Jan. 30, 2007), 341:06-342:18).

9. As CFO, Schoenholz had administrative oversight over the Company's Internal Audit Department and was responsible for all of Household's external financial reporting, namely the preparation, review, and filing documents with the SEC. (Exhibit S, Trial Tr. Vol. 9, 1878:22-1879:11). The filing of 10-Ks and 10-Qs with the SEC was within "the scope of [Schoenholz'] responsibility." (Exhibit S, Trial Tr. Vol. 9, 1879:02-07).

10. Gilmer reported directly to Aldinger as his supervisor, and Aldinger had authority over Gilmer in every respect. (Exhibit S, Trial Tr. Vol. 4, 786:14-18, Vol. 5, 971:06-11). The operating managers of all units (including Gilmer) reported up to Aldinger. (Exhibit S, Trial Tr. Vol. 15, 3277:07-17). Any financial information Gilmer provided in his position at Household (e.g., financial targets) would need to be discussed and reviewed by a number of others before becoming final. (Exhibit W, Gilmer Dep. (Jan. 11, 2007), 154:12-155:09).

IV. Facts Relevant to the 10-K and 10-Q Reports Filed with the SEC

11. The alleged false statements involving the SEC documents are found within the text of the 10-K and 10-Q reports themselves; none of the statements are attributed to Gilmer. (Exhibits B-H, Household 10-K and 10-Q reports, Statement Nos. 15, 17, 20, 22, 27, 32, 38).

12. Gilmer did not sign any of the 10-K or 10-Q reports alleged to contain misrepresentations. (Exhibits B-H). Each of the 10-K and 10-Q reports at issue is signed by both Aldinger and Schoenholz. (Exhibits B-H).

13. Household's 10-Ks and 10-Qs were initially generated by the Corporate Controller's group with input from Investor Relations, the Treasury department, the credit risk department, and external and internal auditors. (Exhibit S, Trial Tr. Vol. 10, 2107:01-10). The draft document was then reviewed and edited by Steven McDonald, Household's Chief Accounting Officer. (Exhibit S, Trial Tr. Vol. 10, 2107:11-22). The document would then be

sent to the Disclosure Committee, which would review it and present a final draft to Aldinger, Schoenholz, McDonald, and SEC counsel. (Exhibit S, Trial Tr. Vol. 10, 2107:23-2108:10-12). Schoenholz would "very carefully" review these drafts and update them before giving them to Aldinger for his final review. (Exhibit S, Trial Tr. Vol. 10, 2108:19-23).

14. While Schoenholz relied on various employees within Household in producing Household's financial statements, they were ultimately his responsibility. (Exhibit S, Trial Tr. Vol. 9, 1933:16-1934:02).

15. The CFO, general counsel, and auditors would review the final drafts of Household's SEC documents before giving them to Aldinger to ultimately sign. (Exhibit S, Trial Tr. Vol. 16, 3436:18-3440:01). Aldinger would rely on Household's auditors, accountants, lawyers, and the CFO to ensure the documents were accurate. (Exhibit T, Aldinger Dep. (Dec. 18, 2003), 27:11-22).

16. Household's 10-Ks have a section that states senior management is responsible for the "preparation, integrity and fair presentation of its published financial statements." (Exhibit S, Trial Tr. Vol. 11 at 2406:19-2407:2). Plaintiffs' expert, Harris Devor, explained that because the SEC reports are signed by Mr. Aldinger and Mr. Schoenholz, "they're the ones that [that section is] referring to." (Exhibit S, Trial Tr. Vol. 11 at 2406:19-2407:20).

17. Gilmer did not play a role in reviewing or signing draft SEC documents. (Exhibit X, Gilmer Dep. (Jan. 12, 2007), 526:02-08).

V. Facts Relevant to the Press Releases

18. None of the seven press releases refers to Gilmer and none of the alleged false statements found within the press releases are attributed to Gilmer. (Exhibits I-O, Household Press Releases, Statement Nos. 16, 18, 21, 24, 29, 36, 37).

19. Each of the seven press releases identifies Household's contacts as Craig Streem, Household's vice president of corporate relations and communications, Megan Hayden-Hakes, director of corporate communications, and/or Celeste Murphy, director of investor relations. (Exhibits I-O).

20. Household press releases were written by public relations staff members and reviewed by Aldinger and Schoenholz before they were issued. (Exhibit U, Aldinger Dep. (Jan. 29, 2007), 132:16-19; Exhibit V, Aldinger Dep. (Jan. 30, 2007), 341:10-342:22; Exhibit S, Trial Tr. Vol. 14, 3008:04-14, Trial Tr. Vol. 15, 3021:24-3022:02).

21. The Investor Relations group reported to Schoenholz during the relevant time period. (Exhibit S, Vol. 10, 2103:01-04).

22. Hayden-Hakes and Streem "spoke to the media on behalf of Household." (Exhibit S, Trial Tr. Vol. 7, 1493:20-22). Hayden-Hakes reported to Streem. (Exhibit S, Trial Tr. Vol. 7, 1492:25-1493:01). Hayden-Hakes would speak with Aldinger "many times" regarding how to deliver statements to the media and "ideally" it would be her practice to talk to Aldinger about important information being reported to the public. (Exhibit S, Trial Tr. Vol. 7, 1528:22-1529:19).

23. Streem and Hayden-Hakes were responsible for speaking to the media on Household's behalf. (Exhibit S, Trial Tr. Vol. 8, 1627:06-14). Over the course of his employment with Household, Streem directly reported to either Aldinger or Schoenholz. (Exhibit S, Trial Tr. Vol. 8, 1627:19-23). Aldinger had the responsibility to review press releases. (Exhibit V, Aldinger Dep. (Jan. 30, 2007), 341:06-342:18).

24. As head of consumer lending, Gilmer's responsibilities did not include the preparation or issuance of press releases; communications with the press were handled by

Household's corporate relations and communications employees. (Exhibit S, Trial Tr. Vol. 7, 1493:20-22, Trial Tr. Vol. 8, 1627:06-14).

VI. Facts Relevant to the Presentations

25. The alleged misstatements from the April 9, 2002 Financial Relations Conference are statements and charts located on slides within a PowerPoint presentation. (Exhibit Q, April 9, 2002 Household Financial Relations Conference PowerPoint). The first slide of the PowerPoint presentation identifies only "Dave Schoenholz" as a presenter. (Exhibit Q). The presentation does not contain Gilmer's name or a quote attributed to him. (Exhibit Q). Schoenholz generated and delivered this PowerPoint presentation with the slides that contained the alleged false statements. (Exhibit Y, Schoenholz Dep., 242:4-8; Exhibit S, Trial Tr. Vol. 9, 1945:20-1949:13, Trial Tr. Vol. 10 1979:04-1980:02, 1989:07-1990:01).

26. A transcript of the presentation establishes that Schoenholz alone delivered the statements found within the presentation, and none are attributed to Gilmer. (Exhibit R, Transcript of April 9, 2002 Household Financial Relations Conference; Exhibit S, Vol. 9, 1949:05-1956:13).

27. The alleged false statements in the December 4, 2001 Goldman Sachs presentation are found on two of the PowerPoint slides. (Exhibit P, December 4, 2001 Goldman Sachs PowerPoint Presentation). The first slide of the presentation names only "Bill Aldinger" as a presenter. (Exhibit P). Aldinger made and delivered the PowerPoint presentation. (Exhibit S, Trial Tr. Vol. 15, 3057:09-3058:13, Trial Tr. Vol. 16, 3408:08-09).

Dated: February 24, 2016

Respectfully submitted,

GARY GILMER

By: /s/ David S. Rosenbloom

One of his Attorneys

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on February 24, 2016, she electronically filed the foregoing with the U.S. District Court Clerk, Northern District of Illinois, by using the CM/ECF system, which will send a notice of electronic filing to all CM/ECF participants.

/s/ C. Maeve Kendall
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LAWRENCE E. JAFFE PENSION PLAN, on behalf of itself and all others similarly situated, Plaintiffs, v. HOUSEHOLD INTERNATIONAL, INC., et al., Defendants.	Case No. 02-cv-5893 (Consolidated Class Action) Judge Jorge L. Alonso

APPENDIX OF EXHIBITS IN SUPPORT OF DEFENDANT GARY GILMER'S RULE 56.1 STATEMENT OF UNDISPUTED FACTS AND MEMORANDUM OF LAW IN SUPPORT OF GILMER'S MOTION FOR PARTIAL SUMMARY JUDGMENT

Attached hereto are true and correct copies of the following exhibits:

Exhibit A: Jury Verdict Form, Dkt. 1611;

Exhibit B: Household FY00 Report on Form 10-K, Defendants' Trial Exhibit 851, Statement No. 15;

Exhibit C: Household FY01 Report on Form 10-K, Defendants' Trial Exhibit 852, Statement No. 27;

Exhibit D: Household 10-Q (May 9, 2001), Plaintiffs' Trial Exhibit 733, Statement No. 17;

Exhibit E: Household 10-Q (Aug. 10, 2001), Plaintiffs' Trial Exhibit 6, Statement No. 20;

Exhibit F: Household 10-Q (Nov. 14, 2011), Plaintiffs' Trial Exhibit 707, Statement No. 22;

Exhibit G: Household 10-Q (May 10, 2002), Pls' Trial Exhibit 232, Statement No. 32;

Exhibit H: Household 10-Q (Aug. 14, 2002), Defendants' Trial Exhibit 874, Statement No. 38;

Exhibit I: Household Press Release (April 18, 2001), Plaintiffs' Trial Exhibit 504, Statement No. 16;

Exhibit J: Household Press Release (July 18, 2001), Plaintiffs Trial Exhibit 503, Statement No. 18;

Exhibit K: Household Press Release (Oct. 17, 2001), Plaintiffs' Trial Exhibit 978, Statement No. 21;

Exhibit L: Household Press Release (Jan. 16, 2002), Plaintiffs' Trial Exhibit 706, Statement No. 24;

Exhibit M: Household Press Release (April 17, 2002), Plaintiffs' Trial Exhibit 635, Statement No. 29;

Exhibit N: Household Press Release (July 17, 2002), Plaintiffs' Trial Exhibit 788, Statement No. 36;

Exhibit O: Household Press Release (Aug. 14, 2002), Plaintiffs' Trial Exhibit 227, Statement No. 37;

Exhibit P: December 4, 2001 Goldman Sachs PowerPoint Presentation, Plaintiffs' Trial Exhibit 1248, Statement No. 23;

Exhibit Q: April 9, 2002 Household Financial Relations Conference PowerPoint, Plaintiffs' Trial Exhibit 135, Statement No. 28;

Exhibit R: Transcript of April 9, 2002 Household Financial Relations Conference, Plaintiffs' Trial Exhibit No. 138;

Exhibit S: Excerpts of Trial Transcript

i. Volume 4 excerpts
ii. Volume 5 excerpts
iii. Volume 7 excerpts
iv. Volume 8 excerpts
v. Volume 9 excerpts
vi. Volume 10 excerpts
vii. Volume 11 excerpts
viii. Volume 12 excerpts
ix. Volume 14 excerpts
x. Volume 15 excerpts
xi. Volume 16 excerpts
xii. Volume 22 excerpts;

Exhibit T: Excerpts of Deposition Transcript of William Aldinger, taken on December 18, 2003;

Exhibit U: Excerpts of Deposition Transcript of William Aldinger, taken on January 29, 2007;

Exhibit V: Excerpts of Deposition Transcript of William Aldinger, taken on January 30, 2007;

Exhibit W: Excerpts of Deposition Transcript of Gary Gilmer, taken on January 11, 2007;

Exhibit X: Excerpts of Deposition Transcript of Gary Gilmer, taken on January 12, 2007; and

Exhibit Y: Excerpts of Deposition Transcript of David A. Schoenholz, taken on February 28, 2007.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on February 24, 2016, she electronically filed the foregoing with the U.S. District Court Clerk, Northern District of Illinois, by using the CM/ECF system, which will send a notice of electronic filing to all CM/ECF participants.

/s/ C. Maeve Kendall
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FILED
MAY 07 2009
MAY 07 2009
RONALD A. GUZMAN, JUDGE
UNITED STATES DISTRICT COURT

Verdict Form 02 CV 5893

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 1			
Household	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 2			
Household	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 3			
Household	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 4			
Household	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 5			
Household	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 6			
Household	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 7			
Household	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 8			
Household	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 9			
Household	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 10			
Household	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 11			
Household	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___

	<u>Question No. 1</u> Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**<u>Question No. 2</u>** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**<u>Question No. 3</u>** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
<u>Statement No. 12</u>			
Household	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 13			
Household	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___ 2+ Delinquency/Re-Aging ___ Restatement ___	Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___ Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 14			
Household	Yes X No ___	Predatory Lending X	Knowingly X Recklessly ___
Gilmer	Yes X No ___	Predatory Lending X	Knowingly ___ Recklessly X
Schoenholz	Yes ___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Aldinger	Yes X No ___	Predatory Lending X	Knowingly X Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 15			
Household	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Gilmer	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Schoenholz	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Aldinger	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 16			
Household	Yes X No __	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly __ Recklessly X Knowingly __ Recklessly X Knowingly __ Recklessly X
Gilmer	Yes X No __	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly __ Recklessly X Knowingly __ Recklessly X Knowingly __ Recklessly X
Schoenholz	Yes X No __	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly __ Recklessly X Knowingly __ Recklessly X Knowingly __ Recklessly X
Aldinger	Yes X No __	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly __ Recklessly X Knowingly __ Recklessly X Knowingly __ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 17			
Household	Yes X No___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Gilmer	Yes X No___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Schoenholz	Yes X No___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Aldinger	Yes X No___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 18			
Household	Yes X No __	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly __ Recklessly X Knowingly __ Recklessly X Knowingly __ Recklessly X
Gilmer	Yes X No __	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly __ Recklessly X Knowingly __ Recklessly X Knowingly __ Recklessly X
Schoenholz	Yes X No __	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly __ Recklessly X Knowingly __ Recklessly X Knowingly __ Recklessly X
Aldinger	Yes X No __	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly __ Recklessly X Knowingly __ Recklessly X Knowingly __ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 19			
Household	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 20			
Household	Yes X No___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Gilmer	Yes X No___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Schoenholz	Yes X No___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Aldinger	Yes X No___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 21			
Household	Yes X No___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Gilmer	Yes X No___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Schoenholz	Yes X No___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Aldinger	Yes X No___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 22			
Household	Yes X No __	2+ Delinquency/Re-Aging X Restatement X	Knowingly __ Recklessly X Knowingly __ Recklessly X
Gilmer	Yes X No __	2+ Delinquency/Re-Aging X Restatement X	Knowingly __ Recklessly X Knowingly __ Recklessly X
Schoenholz	Yes X No __	2+ Delinquency/Re-Aging X Restatement X	Knowingly __ Recklessly X Knowingly __ Recklessly X
Aldinger	Yes X No __	2+ Delinquency/Re-Aging X Restatement X	Knowingly __ Recklessly X Knowingly __ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 23			
Household	Yes X No___	2+ Delinquency/Re-Aging X	Knowingly ___ Recklessly X
Gilmer	Yes X No___	2+ Delinquency/Re-Aging X	Knowingly ___ Recklessly X
Schoenholz	Yes X No___	2+ Delinquency/Re-Aging X	Knowingly ___ Recklessly X
Aldinger	Yes X No___	2+ Delinquency/Re-Aging X	Knowingly ___ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 24			
Household	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Gilmer	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Schoenholz	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Aldinger	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X

	<u>Question No. 1</u> Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**<u>Question No. 2</u>** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**<u>Question No. 3</u>** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
<u>Statement No. 25</u>			
Household	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 26			
Household	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 27			
Household	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Gilmer	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Schoenholz	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Aldinger	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 28			
Household	Yes X No ___	2+ Delinquency/Re-Aging X	Knowingly ___ Recklessly X
Gilmer	Yes X No ___	2+ Delinquency/Re-Aging X	Knowingly ___ Recklessly X
Schoenholz	Yes X No ___	2+ Delinquency/Re-Aging X	Knowingly ___ Recklessly X
Aldinger	Yes X No ___	2+ Delinquency/Re-Aging X	Knowingly ___ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 29			
Household	Yes X No___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Gilmer	Yes X No___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Schoenholz	Yes X No___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Aldinger	Yes X No___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 30			
Household	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 31			
Household	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 32			
Household	Yes X No ___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Gilmer	Yes X No ___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Schoenholz	Yes X No ___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Aldinger	Yes X No ___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 33			
Household	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___

	Question No. 1 **Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?**	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 34			
Household	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 35			
Household	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 36			
Household	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Gilmer	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Schoenholz	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Aldinger	Yes X No ___	Predatory Lending X 2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X Knowingly ___ Recklessly X

	<u>Question No. 1</u> Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**<u>Question No. 2</u>** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**<u>Question No. 3</u>** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
<u>Statement No. 37</u>			
Household	Yes X No ___	Predatory Lending X	Knowingly ___ Recklessly X
Gilmer	Yes X No ___	Predatory Lending X	Knowingly ___ Recklessly X
Schoenholz	Yes X No ___	Predatory Lending X	Knowingly ___ Recklessly X
Aldinger	Yes X No ___	Predatory Lending X	Knowingly ___ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 38			
Household	Yes X No ___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Gilmer	Yes X No ___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Schoenholz	Yes X No ___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X
Aldinger	Yes X No ___	2+ Delinquency/Re-Aging X Restatement X	Knowingly ___ Recklessly X Knowingly ___ Recklessly X

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked):**	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 39			
Household	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___

	Question No. 1 Have Plaintiffs prevailed on their 10(b)/Rule 10b-5 claim with regard to any of the statements set forth in Table A?	**Question No. 2** If you answered "yes" for any of the statements in Question No. 1, identify the issue or issues that the statement misrepresented by placing an "X" on the appropriate line(s). **(more than one line can be checked)**:	**Question No. 3** For each issue identified in Question No. 2, indicate whether the defendant acted knowingly or recklessly **(choose one)** in making the statement about the issue by placing an "X" on the appropriate line.
Statement No. 40			
Household	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Gilmer	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Schoenholz	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___
Aldinger	Yes___ No X	Predatory Lending ___	Knowingly ___ Recklessly ___

If you answered "no" for **all** of the statements in Question No. 1, you have finished with the Verdict Form. Please turn to the last page, sign and date the Verdict Form and inform the Court that you have finished.

If you answered "yes" for **any** statement in Question No. 1, please proceed to Question No. 4.

Question No. 4

Determine which, if any, of plaintiffs' proposed damages models reasonably estimates plaintiffs' damages **(choose only one option below)**:

Neither of plaintiffs' proposed damages models reasonably estimates plaintiffs' damages ___

Leakage Model (Plaintiffs' Ex. 1395) reasonably estimates plaintiffs' damages X

Specific Disclosures Model (Plaintiffs' Ex. 1397) reasonably estimates plaintiffs' damages ___

If you determine that neither of the proposed damages models reasonably estimates plaintiffs' damages, then you have finished with the Verdict Form. Please turn to the last page, sign and date the Verdict Form and inform the Court that you have finished.

Otherwise, write the amount of loss per share, if any, that, according to the model you have chosen, any defendant's conduct caused plaintiffs to suffer on each of the dates set forth in Table B. (If no loss was caused on any date, write "none" or "0.") **You may use only one model – the one you have chosen -- to fill out Table B.**

Then proceed to Question No. 5

Question No. 5

If you checked "Knowingly" in Question No. 3 for all 40 alleged false or misleading statements, please proceed to Question No. 6.

If you checked "Recklessly" in Question No. 3 for any of the 40 alleged false or misleading statements, you must determine what percentage of responsibility, if any, for any loss plaintiffs suffered is due to the conduct of Defendants Household, William Aldinger, David Schoenholz, and Gary Gilmer. In making this determination, you should consider the nature of the conduct of each person found to have caused or contributed to plaintiffs' loss and the nature and extent of the causal relationship between each such person's conduct and plaintiffs' loss.

Household	55 %
William Aldinger	20 %
David Schoenholz	15 %
Gary Gilmer	10 %
TOTAL	(This must equal 100%)

Please proceed to Question No. 6.

Question No. 6

With respect to the Section 20(a) claim, have plaintiffs proved that Defendant William Aldinger is a controlling person as to:

Household: Yes _X_ No ___
David Schoenholz: Yes _X_ No ___
Gary Gilmer: Yes _X_ No ___

Please proceed to Question No. 7.

Question No. 7

With respect to the Section 20(a) claim, have plaintiffs proved that Defendant David Schoenholz is a controlling person as to:

Household: Yes _X_ No ___
William Aldinger: Yes _X_ No ___
Gary Gilmer: Yes _X_ No ___

Please proceed to Question No. 8.

Question No. 8

With respect to the Section 20(a) claim, have plaintiffs proved that Defendant Gary Gilmer is a controlling person as to:

Household: Yes ___ No _X_
William Aldinger: Yes ___ No _X_
David Schoenholz: Yes ___ No _X_

TABLE A
ALLEGED FALSE OR MISLEADING STATEMENTS

<table>
<tr><th>Stmt No.</th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td>1.</td><td>08/16/1999</td><td>Household 10-Q

Defendants' Exhibit 854</td><td>Household 10-Q for quarter ending 6/30/99: Household reported net income of $326.9 million for the quarter ended June 30, 1999 and EPS of $0.67 [HHT 0015884]:

Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
<tr><th></th><th>6/30/99</th><th>3/31/99</th><th>12/31/98</th><th>9/30/98</th><th>6/30/98</th></tr>
<tr><td>First mortgage</td><td>12.72%</td><td>10.91%</td><td>14.90%</td><td>11.80%</td><td>11.07%</td></tr>
<tr><td>Home equity</td><td>3.29</td><td>3.54</td><td>3.67</td><td>3.73</td><td>3.55</td></tr>
<tr><td>Auto finance</td><td>1.87</td><td>1.74</td><td>2.29</td><td>2.05</td><td>1.67</td></tr>
<tr><td>MasterCard/Visa</td><td>3.11</td><td>3.61</td><td>3.75</td><td>3.73</td><td>3.30</td></tr>
<tr><td>Private label</td><td>6.62</td><td>6.37</td><td>6.20</td><td>6.55</td><td>6.10</td></tr>
<tr><td>Other unsecured</td><td>8.17</td><td>7.84</td><td>7.94</td><td>8.03</td><td>7.82</td></tr>
<tr><td>Total</td><td>4.72%</td><td>4.81%</td><td>4.90%</td><td>4.96%</td><td>4.65%</td></tr>
</table>
[HHT 0015902]

* * *

"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.96 percent, compared with 5.04 percent at March 31, 1999 and 4.89 percent at June 30, 1998. The annualized total consumer owned chargeoff ratio in the second quarter of 1999 was 3.54 percent, compared with 3.92 percent in the prior quarter and 3.69 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency ("delinquency") as a percent of managed consumer receivables was 4.72 percent, compared with 4.81 percent at March 31, 1999 and 4.65 percent at June 30, 1998. The annualized total consumer managed chargeoff ratio in the second quarter of 1999 was 4.10 percent, compared with 4.37 percent in the prior quarter and 4.26 percent in the year-ago quarter." [HHT0015897]</td></tr>
</table>

Stmt No.	Date	Document Title	Statement
2.	10/19/1999	Household Press Release Plaintiffs' Exhibit 506	October 19, 1999 Household Press Release entitled "Household International Reports Highest Quarterly Earnings in Company's History": Household "reported that third quarter net income rose 26 percent to a record $399.9 million, compared with $318.0 million a year ago. Earnings per share increased 32 percent to a record $.83, from $.63 a year ago." [HHS 02914429] * * * "Our quarter reflects excellent performance in all of our businesses, with the key drivers being accelerating internal receivable and revenue growth." [HHS 02914429] * * * "Credit Quality and Loss Reserves Credit quality remained stable in the quarter and improved from a year ago. The annualized managed net chargeoff ratio for the third quarter was 4.09 percent, compared with 4.10 percent in the second quarter and 4.33 percent in the year-ago quarter. The managed delinquency ratio (60+ days) was 4.89 percent at September 30, compared with 4.72 percent at June 30 and 4.96 percent a year ago." [HHS 02914430]
3.	11/12/1999	Household 10-Q Plaintiffs' Exhibit 736	Household 10-Q for quarter ending 9/30/99: Household reported net income of $399.9 million for the quarter ended September 30, 1999 and EPS of $0.84: [HHS 03138203] "Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 5.24 percent at September 30, 1999, compared with 4.96 percent at June 30, 1999 and 5.23 percent at September 30, 1998. The annualized total consumer owned chargeoff ratio was 3.63 percent in the third quarter of 1999, compared with 3.54 percent in the prior quarter and 3.79 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.89 percent at September 30, 1999, compared with 4.72 percent at June 30, 1999 and 4.96 percent at September 30, 1998. The annualized total consumer managed chargeoff ratio was 4.09 percent in the third quarter of 1999, compared with 4.10 percent in the prior quarter and 4.33 percent in the year-ago quarter." [HHS 03138217]

<table>
<tr><th>Stmt No.</th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>* * *

Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table><tr><th></th><th>9/30/99</th><th>6/30/99</th><th>3/31/99</th><th>12/31/98</th><th>9/30/98</th></tr><tr><td>First mortgage</td><td>12.56%</td><td>12.72%</td><td>10.91%</td><td>14.90%</td><td>11.80%</td></tr><tr><td>Home equity</td><td>3.46</td><td>3.29</td><td>3.54</td><td>3.67</td><td>3.73</td></tr><tr><td>Auto finance</td><td>2.26</td><td>1.87</td><td>1.74</td><td>2.29</td><td>2.05</td></tr><tr><td>MasterCard/Visa</td><td>3.10</td><td>3.11</td><td>3.61</td><td>3.75</td><td>3.73</td></tr><tr><td>Private label</td><td>6.66</td><td>6.62</td><td>6.37</td><td>6.20</td><td>6.55</td></tr><tr><td>Other unsecured</td><td>8.57</td><td>8.17</td><td>7.84</td><td>7.94</td><td>8.03</td></tr><tr><td>Total</td><td>4.89%</td><td>4.72%</td><td>4.81%</td><td>4.90%</td><td>4.96%</td></tr></table>[HHS 03138224]

"Credit quality remained relatively stable in the quarter and improved from a year ago. The modest increase in managed delinquency as a percent of managed consumer receivables from the prior quarter was due to the seasoning of our Beneficial home equity and other unsecured products." [HHS 03138224]</td></tr>
<tr><td>4.</td><td>01/19/2000</td><td>Household Press Release

Plaintiffs' Exhibit 746</td><td>January 19, 2000 Household Press Release entitled "Household International Reports Best Quarter and Year in Its History": Household "reported that fourth quarter earnings per share increased 30 percent to a record $.92 from $.71 a year ago. Fourth quarter net income rose 25 percent to a record $438.8 million, compared with $349.9 million a year ago. For the full year, Household reported record earnings per share of $3.07, which was 33 percent over 1998 operating earnings per share. Net income totaled $1.5 billion, or 29 percent above the prior year's operating net income." [HHS 03148802]

* * *

"We are very pleased to report another record quarter, the culmination of an absolutely outstanding year for Household. Growth and profitability in the quarter were excellent and exceeded our expectations. Revenues were particularly strong. . . . Our record earnings reflect an outstanding year in our consumer finance business, a dramatic turnaround in our MasterCard/Visa business, and strong results in all of our other businesses. We are particularly pleased with excellent receivable</td></tr>
</table>

Stmt No.	Date	Document Title	Statement
			growth in 1999, particularly in our branches, while fully realizing all of the acquisition synergies of the Beneficial merger." [HHS 03148802] * * * "Credit Quality and Loss Reserves Credit quality improved from both the third quarter and a year ago. The annualized net chargeoff ratio for the fourth quarter fell 13 basis points to 3.96 percent, the lowest level since 1997. The chargeoff ratio was 4.09 percent in the third quarter and 4.39 percent in the year-ago quarter. The managed delinquency ratio (60+days) improved 23 basis points to 4.66 percent at December 31, compared with 4.89 percent at September 30 and 4.90 percent a year ago." [HHS 03148804
5.	03/28/2000	Household FY99 Report on Form 10-K Plaintiffs' Exhibit 1462	Household FY99 Report on Form 10-K filed with the SEC on March 28, 2000 Household reported net income of 1.486 billion and E.P.S. of $3.10 [p.127]: * * * "Delinquency and Chargeoffs. Our delinquency and net chargeoff ratios reflect, among other factors, the quality of receivables, the average age of our loans, the success of our collection efforts and general economic conditions. . . . We track delinquency and chargeoff levels on an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfolios. Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the asset quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses." [p.98] * * * Managed Two-Month-and-Over Contractual Delinquency Ratios [p.115]

	1999	1998	1997	1996	1995
Home equity	3.27%	3.67%	3.69%	3.04%	2.76%
Auto finance/1/	2.43	2.29	2.09	–	–
MasterCard/Visa	2.78	3.75	3.10	2.73	2.19
Private label	5.97	6.20	5.81	4.60	3.93
Other unsecured	8.81	7.94	7.81	6.21	5.68
Total consumer	4.66%	4.90%	4.64%	3.92%	3.36%

<table>
<tr><th>Stmt No.</th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td>Ratio of Net Chargeoffs to Average Managed Receivables for the Year</td><td>1999</td><td>1998</td><td>1997</td><td>1996</td><td>1995</td></tr>
<tr><td>Home equity</td><td>0.58%</td><td>0.63%</td><td>0.64%</td><td>0.60%</td><td>0.64%</td></tr>
<tr><td>Auto finance /1/</td><td>4.96</td><td>5.39</td><td>4.60</td><td>–</td><td>–</td></tr>
<tr><td>MasterCard/Visa</td><td>6.66</td><td>5.95</td><td>5.55</td><td>4.54</td><td>4.12</td></tr>
<tr><td>Private label</td><td>5.65</td><td>5.65</td><td>4.62</td><td>3.42</td><td>3.75</td></tr>
<tr><td>Other unsecured</td><td>6.52</td><td>6.97</td><td>5.48</td><td>4.29</td><td>3.60</td></tr>
<tr><td>Total Consumer loan products</td><td>4.13</td><td>4.29</td><td>3.84</td><td>2.96</td><td>2.51</td></tr>
<tr><td>Commercial</td><td>0.93</td><td>0.52</td><td>1.66</td><td>0.92</td><td>2.10</td></tr>
<tr><td>Total</td><td>4.09%</td><td>4.24</td><td>3.80%</td><td>2.92%</td><td>2.49%</td></tr>
</table>
[p.115]</td></tr>
<tr><td>6.</td><td>04/19/2000</td><td>Household Press Release

Plaintiffs' Exhibit 453</td><td>April 19, 2000 Household Press Release entitled "Household International Reports Record First Quarter Results": Household "reported that earnings per share rose 20 percent to a first quarter record of $.78, from $.65 a year ago. Net income increased to $372.9 million, up 16 percent from $320.8 million in the first quarter of 1999." [HHS 02902345]
* * *
"This was the strongest first quarter in our company's history, with all of our businesses performing well. Revenue and receivable growth were strong, and credit quality continued to improve." [HHS 02902345]
* * *
"Credit Quality and Loss Reserves
At March 31, the managed delinquency ratio (60+days) declined to 4.43 percent, from 4.66 percent at December 31 and 4.81 percent a year ago. Dollars of delinquency were flat with year-end 1999. The annualized managed net chargeoff ratio for the first quarter was 4.00 percent compared to 3.96 percent in the prior quarter and improved 37 basis points from the year-ago quarter." [HHS 02902346]</td></tr>
</table>

<table>
<tr><th>Stmt No.</th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td>7.</td><td>05/10/2000</td><td>Household 10-Q

Plaintiffs' Exhibit 735</td><td>Household 10-Q for 3/31/00 quarter ending: Household reported net income of $372.9 million for the quarter ended March 30, 2000 and EPS of $0.79 per share [HHS 03138125]:

* * *

CREDIT QUALITY
We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.
[HHS 03138142]
Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):

| | 3/31/00 | 12/31/99 | 9/30/99 | 6/30/99 | 3/31/99 |
Managed:
Real estate secured | 2.99% | 3.27% | 3.46% | 3.29% | 3.54%
Auto finance | 1.52 | 2.43 | 2.26 | 1.87 | 1.74
MasterCard/Visa | 3.06 | 2.78 | 3.10 | 3.11 | 3.61
Private label | 5.94 | 5.97 | 6.66 | 6.62 | 6.37
Other unsecured | 8.56 | 8.81 | 8.57 | 8.17 | 7.84
Total | 4.43% | 4.66% | 4.89% | 4.72% | 4.81%
Owned | 4.58% | 4.81% | 5.24% | 4.96% | 5.04%
[HHS 03138142]

* * *

"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.58 percent at March 31, 2000, compared with 4.81 percent at December 31, 1999 and 5.04 percent at March 31, 1999. The annualized consumer owned chargeoff ratio was 3.53 percent in the first quarter of 2000, compared with 3.62 percent in the prior quarter and 3.92 percent in the year-ago quarter. [HHS 03138137]

Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.43 percent at March 31, 2000, compared with 4.66 percent at December 31, 1999 and 4.81 percent at March 31, 1999. The annualized total consumer managed chargeoff ratio was 4.00 percent in the first quarter of 2000, compared with 3.96 percent in the prior quarter and 4.37 percent in the year-ago quarter." [HHS 03138137]</td></tr>
</table>

Stmt No.	Date	Document Title	Statement
8.	07/19/2000	Household Press Release Plaintiffs' Exhibit 884	July 19, 2000 Household Press Release entitled "Household International Reports Record Strongest Second Quarter in Its History": Household "reported that earnings per share rose to a second quarter record $.80, up 19 percent from $.67 a year ago. Net income increased 17 percent to $383.9 million, from $326.9 million in the second quarter of 1999. . . . The company's managed receivables portfolio grew 22 percent from a year ago, reaching almost $80 billion. The company added $4.5 billion of receivables in the quarter, an increase of 6 percent. Revenues rose 20 percent compared to the year-ago quarter." [HHS 03407363] * * * "Credit Quality and Loss Reserves Credit quality improved dramatically during the quarter, as dollars of chargeoff and delinquency declined from first quarter levels. At June 30, the managed delinquency ratio (60+days) improved for the third consecutive quarter, to 4.16 percent. This represented a 27 basis-point improvement from the first quarter and a 56 basis-point improvement from a year ago. The annualized managed net chargeoff ratio for the second quarter feel 26 basis points sequentially, to 3.74 percent. The chargeoff ratio was 4.10 percent a year ago." [HHS 03407364]

<table>
<tr><th>Stmt No.</th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td>9.</td><td>08/11/2000</td><td>Household 10-Q

Plaintiffs' Exhibit 404</td><td>Household 10-Q for 6/30/00 quarter ending: Household reported net income of $383.9 million for the quarter ended June 30, 2000 and EPS of $0.80:

CREDIT QUALITY
We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.
[HHS 02879712]
Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables) [HHS 02879713]:
<table>
<tr><th></th><th>6/30/00</th><th>3/31/00</th><th>12/31/99</th><th>9/30/99</th><th>6/30/99</th></tr>
<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.72%</td><td>2.99%</td><td>3.27%</td><td>3.46%</td><td>3.29%</td></tr>
<tr><td>Auto finance</td><td>1.99</td><td>1.52</td><td>2.43</td><td>2.26</td><td>1.87</td></tr>
<tr><td>MasterCard/Visa</td><td>3.14</td><td>3.06</td><td>2.78</td><td>3.10</td><td>3.11</td></tr>
<tr><td>Private label</td><td>5.77</td><td>5.94</td><td>5.97</td><td>6.66</td><td>6.62</td></tr>
<tr><td>Other unsecured</td><td>7.92</td><td>8.56</td><td>8.81</td><td>8.57</td><td>8.17</td></tr>
<tr><td>Total</td><td>4.16%</td><td>4.43%</td><td>4.66%</td><td>4.89%</td><td>4.72%</td></tr>
<tr><td>Owned</td><td>4.25%</td><td>4.58%</td><td>4.81%</td><td>5.24%</td><td>4.96%</td></tr>
</table>
[HHS 02879693]

* * *

"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.25 percent, compared with 4.58 percent at March 31, 2000 and 4.96 percent at June 30, 1999. The annualized total consumer owned chargeoff ratio in the second quarter of 2000 was 3.27 percent, compared with 3.53 percent in the prior quarter and 3.54 percent in the year-ago quarter. [HHS 02879706]

Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.16 percent, compared with 4.43 percent at March 31, 2000 and 4.72 percent at June 30, 1999. The annualized total consumer managed chargeoff ratio in the second quarter of 2000 was 3.74 percent, compared with 4.00 percent in the prior quarter and 4.10 percent in the year-ago quarter." [HHS 02879706]</td></tr>
</table>

Stmt No.	Date	Document Title	Statement
10.	10/18/2000	Household Press Release Plaintiffs' Exhibit 505	October 18, 2000 Household Press Release entitled "Household International Reports Highest Quarterly EPS in Its History; Ninth Consecutive Record Quarter": Household reported that "third quarter earnings per share rose 13 percent to $.94, compared to $.83 a year ago. Net income also rose to a third quarter record of $451.2 million, a 13 percent increase from $399.9 million a year ago." [HHS 02914234] * * * "Our strong third quarter results reflect a continuation of outstanding receivables and revenue growth. At the same time, we achieved year-over-year improvements in credit quality." [HHS 02914234] * * * "Credit Quality and Loss Reserves The annualized managed net chargeoff ratio for the third quarter improved for a second consecutive quarter, to 3.47 percent from 3.74 percent in the second quarter. Dollars of net chargeoff also fell for the second consecutive quarter. The third quarter chargeoff ratio dropped 62 basis points from the level of a year ago, with improvement across all products. At September 30, the managed delinquency ratio (60+days) was 4.21 percent, compared with 4.16 percent in the second quarter and significantly below the year-ago level of 4.89 percent." [HHS 02914235]
11.	11/01/2000	*St. Louis Dispatch* article Plaintiffs' Exhibit 824	"Streem says HFC never pressures people to buy credit life insurance." [HHS 03238043]

<table>
<tr><th>Stmt No.</th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td>12.</td><td>11/14/2000</td><td>Household 10-Q

Defendants' Exhibit 858</td><td>Household 10-Q for quarter ending 9/30/2000: "Household reported net income of $451.2 million for the quarter ended September 30, 2000 and EPS of $0.95 [HHT 0015984]:

CREDIT QUALITY
We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.

Delinquency
Two-Months-and-Over Contractual Managed Delinquency (as a percent of managed consumer receivables):
<table>
<tr><th></th><th>September 30, 2000</th><th>June 30, 2000</th><th>March 31, 2000</th><th>December 31, 1999</th><th>September 30, 1999</th></tr>
<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.77%</td><td>2.72%</td><td>2.99%</td><td>3.27%</td><td>3.46%</td></tr>
<tr><td>Auto finance</td><td>2.19</td><td>1.99</td><td>1.52</td><td>2.43</td><td>2.26</td></tr>
<tr><td>MasterCard/Visa</td><td>3.48</td><td>3.14</td><td>3.06</td><td>2.78</td><td>3.10</td></tr>
<tr><td>Private label</td><td>5.67</td><td>5.77</td><td>5.94</td><td>5.97</td><td>6.66</td></tr>
<tr><td>Other unsecured</td><td>7.72</td><td>7.92</td><td>8.56</td><td>8.81</td><td>8.57</td></tr>
<tr><td>Total Managed</td><td>4.21%</td><td>4.16%</td><td>4.43%</td><td>4.66%</td><td>4.89%</td></tr>
<tr><td>Owned</td><td>4.29%</td><td>4.25%</td><td>4.58%</td><td>4.81%</td><td>5.24%</td></tr>
</table>
[HHT 0015998]
* * *

"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.29 percent, compared with 4.25 percent at June 30, 2000 and 5.24 percent at September 30, 1999. The annualized consumer owned chargeoff ratio in the third quarter of 2000 was 3.01 percent, compared with 3.27 percent in the prior quarter and 3.63 percent in the year-ago quarter.

Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.21 percent at September 30, 2000, compared with 4.16 percent at June 30, 2000 and 4.89 percent at September 30, 1999. The annualized total consumer managed chargeoff ratio in the third quarter of 2000 was 3.47 percent, compared with 3.74 percent in the prior quarter and 4.09 percent in the year-ago quarter." [HHT 0015994]</td></tr>
</table>

Stmt No.	Date	Document Title	Statement
13.	01/17/2001	Household Press Release Plaintiffs' Exhibit 491	January 17, 2001 Household Press Release entitled "Household International Reports Highest Full Year and Quarterly EPS in Its History; Tenth Consecutive Record Quarter": Household reported full year earnings per share of $3.55, a 16 percent increase over $3.07 a year ago and the highest earnings per share in the company's 122-year history. Net income totaled $1.7 billion, or 14 percent above the prior year. Net managed revenues for the full year increased 18 percent to $8.9 billion, compared to $7.5 billion in 1999. Household's fourth quarter earnings per share rose 12 percent to a record $1.03, from $.92 a year ago. Fourth quarter net income rose 12 percent to an all-time high of $492.7 million, compared with $438.8 million a year ago." "These strong fourth quarter results cap off a terrific year in which we delivered on all or our earnings and growth goals. . . . Growth and profitability in the quarter were excellent, while credit quality and our balance sheet remained strong. . . . Our record earnings per share reflect strong top-line growth and improved credit quality." [HHS 02912516] * * * "Credit Quality and Loss Reserves The fourth quarter annualized managed net chargeoff ratio improved for the third consecutive quarter to 3.41 percent from 3.47 percent in the third quarter. The fourth quarter chargeoff ratio was 55 basis points lower than a year ago and reached its lowest level since the fourth quarter of 1996. The managed delinquency ratio (60+days) at December 31, 2000 was 4.20 percent, stable with 4.21 percent in the third quarter and 46 basis points better than a year ago." [HHS 02912517]
14.	03/23/2001	*Origination News* article Plaintiffs' Exhibit 1307	*Origination News* – March 23, 2001: "Gary Gilmer, president and chief executive of Household's subsidiaries HFC and Beneficial said the company's 'position on predatory lending is perfectly clear. Unethical lending practices of any type are abhorrent to our company, our employees and most importantly our customers.'" [TEL 002334]

Stmt No.	Date	Document Title	Statement
15.	03/28/2001	Household FY00 Report on Form 10-K Defendants' Exhibit 851	Household FY00 Report on Form 10-K filed with the SEC on March 28, 2001 Household reported net income of 1.7 billion and E.P.S. of $3.55 [HHT 0015623]: * * * "Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses." [HHT 0015608] * * * "Delinquency and Chargeoffs: Our delinquency and net chargeoff ratios reflect, among other factors, changes in the mix of loans in our portfolio, the quality of our receivables, the average age of our loans, the success of our collection efforts and general economic conditions." . . . We track delinquency and chargeoff levels on both an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfolios. Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses." [HHT 0015608] * * *

CONSUMER TWO-MONTH-AND-OVER CONTRACTUAL DELINQUENCY RATIOS

	2000 Quarter End				1999 Quarter End			
	4	3	2	1	4	3	2	1
Managed:								
Real estate secured	2.63%	2.77%	2.72%	2.99%	3.27%	3.46%	3.29%	3.54%
Auto finance	2.55	2.19	1.99	1.52	2.43	2.26	1.87	1.74
MasterCard/Visa	3.49	3.48	3.14	3.06	2.78	3.10	3.11	3.61
Private label	5.48	5.67	5.77	5.94	5.97	6.66	6.62	6.37
Other unsecured	7.97	7.72	7.92	8.56	8.81	8.57	8.17	7.84
Total Managed	4.20%	4.21%	4.16%	4.43%	4.66%	4.89%	4.72%	4.81%
Total Owned	4.26%	4.29%	4.25%	4.58%	4.81%	5.24%	4.96%	5.04%

[HHT 0015609]

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<table>
<tr><th>Stmt No.</th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td>16.</td><td>04/18/2001</td><td>Household Press Release

Plaintiffs' Exhibit 504</td><td>April 18, 2001 Household Press Release entitled "Household International Reports First Quarter Results; 11th Consecutive Record Quarter": Household "reported that earnings per share rose 17 percent to a first quarter record of $.91 from $.78 a year ago. Net income increased to $431.8 million, up 16 percent from $372.9 million in the first quarter of 2000. This quarter marked the 11th consecutive quarter of record results." [HHS 02914121]
* * *
"Credit Quality and Loss Reserves
At March 31, the managed delinquency ratio (60+days) was 4.25 percent, compared to 4.43 percent a year ago and 4.20 percent at December 31, 2000. The annualized managed net chargeoff ratio for the first quarter was 3.56 percent, a 44 basis points improvement from the year-ago quarter and up modestly from 3.41 percent in the prior quarter." [HHS 02914123]</td></tr>
<tr><td>17.</td><td>05/09/2001</td><td>Household 10-Q

Plaintiffs' Exhibit 733</td><td>Household 10-Q for 3/31/01 quarter ended: Household reported net income of $431.8 million for the quarter ended March 31, 2001 and EPS of $0.92 [HHS 03137911]:

CREDIT QUALITY
We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.

Delinquency
Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):
<table>
<tr><th></th><th>March 31, 2001</th><th>December 31, 2000</th><th>September 30, 2000</th><th>June 30, 2000</th><th>March 31, 2000</th></tr>
<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.61%</td><td>2.63%</td><td>2.77%</td><td>2.72%</td><td>2.99%</td></tr>
<tr><td>Auto finance</td><td>1.79</td><td>2.55</td><td>2.19</td><td>1.99</td><td>1.52</td></tr>
<tr><td>MasterCard/Visa</td><td>3.68</td><td>3.49</td><td>3.48</td><td>3.14</td><td>3.06</td></tr>
<tr><td>Private label</td><td>5.50</td><td>5.48</td><td>5.67</td><td>5.77</td><td>5.94</td></tr>
<tr><td>Other unsecured</td><td>8.37</td><td>7.97</td><td>7.72</td><td>7.92</td><td>8.56</td></tr>
<tr><td>Total managed</td><td>4.25%</td><td>4.20%</td><td>4.21%</td><td>4.16%</td><td>4.43%</td></tr>
<tr><td>Owned</td><td>4.36%</td><td>4.26%</td><td>4.29%</td><td>4.25%</td><td>4.58%</td></tr>
</table>
[HHS 03137930]</td></tr>
</table>

Stmt No.	Date	Document Title	Statement
			* * * "Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.36 percent at March 31, 2001, compared with 4.26 percent at December 31, 2000 and 4.58 percent at March 31, 2000. The annualized consumer owned chargeoff ratio in the first quarter of 2001 was 3.12 percent, compared with 2.98 percent in the prior quarter and 3.53 percent in the year-ago quarter. Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.25 percent at March 31, 2001, compared with 4.20 percent at December 31, 2000 and 4.43 percent at March 31, 2000. The annualized consumer managed chargeoff ratio in the first quarter of 2001 was 3.56 percent, compared with 3.41 percent in the prior quarter and 4.00 percent in the year-ago quarter." [HHS 03137924]
18.	07/18/2001	Household Press Release Plaintiffs' Exhibit 503	July 18, 2001 Household Press Release entitled "Household International Reports Second Quarter Results; 12th Consecutive Record Quarter": Household "reported record earnings per share of $.93, up 16 percent from a year ago. Net income rose 14 percent, to $439.0 million, from $383.9 million for the second quarter of 2000." . . . "We had a terrific quarter – our 12th consecutive quarter of record results. Given the softening economic environment, I am particularly pleased with our ability to consistently deliver strong, quality earnings. Results for the quarter were excellent. . . . We enjoyed strong receivable and revenue growth compared to a year ago, with all of our businesses performing well. In addition, delinquency was stable in the quarter." [HHS 02914097] "Credit Quality and Loss Reserves At June 30th, the managed delinquency ratio (60+days) was 4.27 percent, stable with 4.25 percent in the first quarter. The managed delinquency ratio a year ago was 4.16 percent. The annualized managed net chargeoff ratio for the second quarter was 3.71 percent, essentially unchanged from the year-ago quarter and up modestly from 3.56 percent in the first quarter." [HHS 02914098]

<table>
<tr><th>Stmt No.</th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td>19.</td><td>07/27/2001</td><td>Star Tribune article

Plaintiffs' Exhibit 1451</td><td>Star Tribune – July 27, 2001: "Megan Hayden, a Household spokeswoman, said that terms of loans are disclosed to all customers, as required by state and federal laws. 'Frankly, you don't stay in business in this industry by taking advantage of your customers,' she said. 'So I take exception to any characterization that we engaged in predatory lending practices.'"</td></tr>
<tr><td>20.</td><td>08/10/2001</td><td>Household 10-Q

Plaintiffs' Exhibit 6</td><td>Household 10-Q for 6/30/01 quarter ended: Household reported net income of $439 million for the quarter ended June 30, 2001 and EPS of $0.94 [AA 062721]:

CREDIT QUALITY
We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.
[AA 062738]
Delinquency
Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):
<table>
<tr><th></th><th>June 30, 2001</th><th>March 31, 2001</th><th>December 31, 2000</th><th>September 30, 2000</th><th>June 30, 2000</th></tr>
<tr><td>Managed:</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Real estate secured</td><td>2.63%</td><td>2.61%</td><td>2.63%</td><td>2.77%</td><td>2.72%</td></tr>
<tr><td>Auto finance</td><td>2.09</td><td>1.79</td><td>2.55</td><td>2.19</td><td>1.99</td></tr>
<tr><td>MasterCard/Visa</td><td>3.60</td><td>3.68</td><td>3.49</td><td>3.48</td><td>3.14</td></tr>
<tr><td>Private label</td><td>5.66</td><td>5.50</td><td>5.48</td><td>5.67</td><td>5.77</td></tr>
<tr><td>Other unsecured</td><td>8.43</td><td>8.37</td><td>7.97</td><td>7.72</td><td>7.92</td></tr>
<tr><td>Total managed</td><td>4.27%</td><td>4.25%</td><td>4.20%</td><td>4.21%</td><td>4.16%</td></tr>
<tr><td>Owned</td><td>4.48%</td><td>4.36%</td><td>4.26%</td><td>4.29%</td><td>4.25%</td></tr>
</table>
[AA 062739]

* * *

"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.48 percent at June 30, 2001, compared with 4.36 percent at March 31, 2001 and 4.25 percent at June 30, 2000. The annualized consumer owned chargeoff ratio in the second quarter of 2001 was 3.26 percent, compared with 3.12 percent in the prior quarter and 3.27 percent in the year-ago quarter.</td></tr>
</table>

Stmt No.	Date	Document Title	Statement
			Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.27 percent at June 30, 2001, compared with 4.25 percent at March 31, 2001 and 4.16 percent at June 30, 2000. The annualized consumer managed chargeoff ratio in the second quarter of 2001 was 3.71 percent, compared with 3.56 percent in the prior quarter and 3.74 percent in the year-ago quarter." [AA 062733]
21.	10/17/2001	Household Press Release Plaintiffs' Exhibit 978	October 17, 2001 Household Press Release entitled "Household Reports Highest Quarterly Net Income in Its 123-Year History": Household "reported earnings per share of $1.07 rose 14 percent from $.94 the prior year. Net income increased 12 percent, to $504 million, from $451 million in the third quarter of 2000." [HHS 03453676] "Credit Quality and Loss Reserves At September 30th, the managed delinquency ratio (60+ days) was 4.43 percent, compared to 4.27 percent in the second quarter and 4.21 percent a year ago. The sequential increase was across all products and was well within company expectations. The annualized managed net chargeoff ratio for the third quarter was 3.74 percent, up slightly from 3.71 percent in the second quarter. The managed net chargeoff ratio was 3.47 percent in the prior-year quarter." [HHS 03453677]

Stmt No.	Date	Document Title	Statement
22.	11/14/2001	Household 10-Q Plaintiffs' Exhibit 707	Household 10-Q for quarter ended 9/30/01: Household reported net income of $503.8 million for the quarter ended September 30, 2001 and EPS of $1.09 [HHS 03111409]:

CREDIT QUALITY

We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.

[HHS 03111425]

Delinquency

Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):

	September 30, 2001	June 30, 2001	March 31, 2001	December 30, 2000	September 30, 2000
Managed:					
Real estate secured	2.74%	2.63%	2.61%	2.63%	2.77%
Auto finance	2.54	2.09	1.79	2.55	2.19
MasterCard/Visa	3.91	3.60	3.68	3.49	3.48
Private label	5.88	5.66	5.50	5.48	5.67
Other unsecured	8.51	8.43	8.37	7.97	7.72
Total managed	4.43%	4.27%	4.25%	4.20%	4.21%
Owned	4.58%	4.48%	4.36%	4.26%	4.29%

[HHS 03111426]

* * *

"Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.58 percent at September 30, 2001, compared with 4.48 percent at June 30, 2001 and 4.29 percent at September 30, 2000. The annualized total consumer owned chargeoff ratio in the third quarter of 2001 was 3.43 percent, compared with 3.26 percent in the prior quarter and 3.01 percent in the year-ago quarter.

Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.43 percent at September 30, 2001, compared with 4.27 percent at June 30, 2001 and 4.21 percent at September 31, 2000. The annualized total consumer managed chargeoff ratio in the third quarter of 2001 was 3.74 percent, compared with 3.71 percent in the prior quarter and 3.47 percent in the year-ago quarter." [HHS 03111420]

Stmt No.	Date	Document Title	Statement
			* * * "Managed delinquency as a percent of managed consumer receivables increased modestly over both the previous and prior-year quarters. Compared to the previous quarter, all products reported higher delinquencies principally as the result of a weakening economy." [HHS 03111426]
23.	12/04/2001	Goldman Sachs Presentation Plaintiffs' Exhibit 1248	December 4, 2001 Goldman Sachs Presentation: defendants made false statements regarding Household's accounting practices, including reaging and restructuring. * * * "Charge off policies are appropriate for our target market and result in proper loss recognition" (PFG000158) "All policies have been consistently applied and realistically report results" (PFG000158) "Why are Household's Credit Losses Better" - better credit skills (PFG000152)
24.	01/16/2002	Household Press Release Plaintiffs' Exhibit 706	January 16, 2002 Household Press Release entitled "Household Reports Record Quarterly and Full-Year Net Income": Household "reported fourth quarter earnings per share of $1.17, its fourteenth consecutive record quarter. Fourth quarter earnings per share rose 14 percent from $1.03 the prior year. Net income in the fourth quarter increased 11 percent, to an all-time quarterly record of $549 million. For the full year, Household reported earnings per share of $4.08, representing a 15 percent increase from $3.55 in 2000. Net income for 2001 totaled $1.9 billion, also an all-time high, 13 percent above $1.7 billion earned in 2000." "Household's fourth quarter results were simply outstanding . . . demonstrating the tremendous strength and earnings power of the Household franchise. Receivable and revenue growth exceeded our expectations while credit indicators weakened only modestly in a tough economic environment. . . . In 2001, we demonstrated that our business model generates superior results in a weak economy as well as in the strong economic periods of previous years. Exceptional revenue growth of 18 percent more than offset the increases in credit losses during the year." [HHS 03110403 – HHS 03110404]

Stmt No.	Date	Document Title	Statement
			* * * "Credit Quality and Loss Reserves At December 31st, the managed delinquency ratio (60+days) was 4.46 percent, up 3 basis points from 4.43 percent in the third quarter. The managed delinquency ratio was 4.20 percent a year ago. The annualized managed net chargeoff ratio for the fourth quarter was 3.90 percent, up 16 basis points from 3.74 percent in the third quarter. The managed net chargeoff ratio in the year-ago quarter was 3.41 percent." [HHS 03110405]
25.	02/06/2002	*Copley News Services* article Plaintiffs' Exhibit 1442	*Copley News Services* – February 6, 2002: "You simply cannot stay in business for 125 years by misleading your borrowers . . . . We do the right thing for our borrowers. We make good loans that not only are legal loans, but are beneficial for our customers." [p.1]
26.	02/18/2002	*National Mortgage News* article Plaintiffs' Exhibit 1291	*National Mortgage News* – February 18, 2002: "Our first take on [the allegations of predatory lending raised in the ACORN action] is that it is not a significant issue, not indicative of any widespread problem and certainly not a concern that it will spread elsewhere." [TEL 002227]
27.	03/13/2002	Household FY01 Report on Form 10-K Defendants' Exhibit 852	Household FY01 Report on Form 10-K filed with the SEC on March 13, 2002 Household reported Net Income of $1.923 billion in 2001, and E.P.S. of $4.13 [HHT 0015815 – HHT 0015816]:

Household International, Inc. and Subsidiaries
CREDIT QUALITY STATISTICS – OWNED BASIS

All dollar amounts are stated in millions. At December 31, unless otherwise indicated.	2001	2000	1999	1998	1997
Owned Two-Month-and-Over Contractual Delinquency Ratios					
Real estate secured	2.63%	2.58%	3.10%	3.95%	3.66%
Auto finance	2.92	2.46	2.02	2.90	1.48
MasterCard/Visa	5.67	4.90	3.59	5.09	3.55
Private label	5.99	5.60	6.09	6.03	5.60
Personal non-credit card	9.04	7.99	9.06	8.24	7.55
Total consumer	4.53%	4.26%	4.82%	5.31%	4.87%

[HHT 0015809]

Stmt No.	Date	Document Title	Statement
			* * * Household International, Inc. and Subsidiaries CREDIT QUALITY STATISTICS – MANAGED BASIS All dollar amounts are stated in millions. — 2001 / 2000 / 1999 / 1998 / 1997 At December 31, unless otherwise indicated. Managed Two-Month-and-Over Contractual Delinquency Ratios Real estate secured — 2.68% / 2.63% / 3.27% / 3.67% / 3.69% Auto finance — 3.16 / 2.55 / 2.43 / 2.29 / 2.09 MasterCard/Visa — 4.10 / 3.49 / 2.78 / 3.75 / 3.10 Private label — 5.48 / 5.48 / 5.97 / 6.20 / 5.81 Personal non-credit card — 8.87 / 7.97 / 8.81 / 7.94 / 7.81 Total consumer — 4.46% / 4.20% / 4.66% / 4.90% / 4.64% [HHT 0015810] * * * "Management has long recognized its responsibility for conducting the company's affairs in a manner which is responsive to the interest of employees, shareholders, investors and society in general. This responsibility is included in the statement of policy on ethical standards which provides that the company will fully comply with laws, rules and regulations of every community in which it operates and adhere to the highest ethical standards. Officers, employees and agents of the company are expected and directed to manage the business of the company with complete honesty, candor and integrity." [HHT 0015848] * * * "Our credit and portfolio management procedures focus on risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers, as well as policies designed to manage customer relationships, such as reaging delinquent accounts to current in specific situations, are helpful in maximizing customer collections. . . . As a result, charge-off and delinquency performance has been well within our expectations." [HHT 0015797]

Stmt No.	Date	Document Title	Statement
			* * * "We believe our policies are responsive to the specific needs of the customer segment we serve. . . . *Our policies have been consistently applied and there have been no significant changes to any of our policies during any of the periods reported.* Our loss reserve estimates consider our charge-off policies to ensure appropriate reserves exist for products with longer charge-off lives. We believe our charge-off policies are appropriate and result in proper loss recognition." [HHT 0015798] * * * "Our policies for consumer receivables permit reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationship and maximize collections." [HHT 0015798]

28.	04/09/2002	Household Financial Relations Conference
		
		Plaintiffs' Exhibit 135
			April 9, 2002 Financial Relations Conference:
			• Credit Quality Trend – Manageable, Modest Increases [chart on HHS 01883530]
			• Credit Policies – Overview – In some cases charge-off policy is longer than bank policy to optimize customer management. [HHS 01883554]
			• 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
			  • Policies have been consistently applied and are appropriate for each product [HHS 01883557]
			• Credit Policies – Personal Non-Credit Card
			  • Restructures
			    • If an account is ever 90+, lifetime limit of 4 restructures allowed [HHS 01883579]
			Defendants included information regarding Household's reage portfolio in a number of charts included in Plaintiffs' Exhibit 135 – the charts are located at HHS01883560, HHS01883561, HHS01883562, HHS01883564, HHS01883565, HHS01883566, and HHS01883567.

Stmt No.	Date	Document Title	Statement
29.	04/17/2002	Household Press Release Plaintiffs' Exhibit 635	April 17, 2002 Household Press Release entitled "Household Reports Record First Quarter Net Income": Household "reported first quarter earnings per share of $1.09, its fifteenth consecutive record quarter. First quarter earnings per share rose 20 percent from $.91 the prior year. Net income in the first quarter increased 18 percent, to a record $511 million." "Household turned in a very strong first quarter. . . . In addition to delivering record results this quarter, we strongly added to our capital and reserve levels and further enhanced liquidity. We remain committed to maintaining a strong balance sheet and maximum financial flexibility." "Our credit quality performance was well within our expectations in light of the continued weakness in the economy. . . . We anticipate a very manageable credit environment for the remainder of the year." [HHS 02980361] * * * "Credit Quality and Loss Reserves At March 31st, the *managed basis* delinquency ratio (60+days) was 4.63 percent, up 17 basis points from 4.46 percent at year-end 2001 and up 38 basis points from 4.25 percent a year ago. The annualized *managed basis* net charge-off ratio for the first quarter of 4.09 percent increased 19 basis points from 3.90 percent in the fourth quarter of 2001. . . ." "The *owned basis* delinquency ratio at March 31st was 4.77 percent, compared to 4.53 percent at December 31st and 4.36 percent a year ago. The annualized *owned basis* charge-off ratio for the first quarter was 3.61 percent compared to 3.43 percent in the previous quarter and 3.12 percent a year ago." [HHS 02980363]
30.	04/21/2002	*Bellingham Herald* article Plaintiffs' Exhibit 1445	*Bellingham Herald* – April 21, 2002: "It is absolutely against our policy to in any way quote a rate that is different than what the true rate is . . . . I can't underscore that enough." [p.1]

<table>
<tr><th>Stmt No.</th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td>31.</td><td>05/03/2002</td><td>Chicago Tribune article

Plaintiffs' Exhibit 1440</td><td>Chicago Tribune – May 3, 2002: "Household denied that it misleads customers. 'Acorn continues to launch baseless accusations and lawsuits rather than work to enact real solutions to help eliminate predatory lending from the marketplace,' the lender's statement said." [p.1]</td></tr>
<tr><td>32.</td><td>05/10/2002</td><td>Household 10-Q

Plaintiffs' Exhibit 232</td><td>Household 10-Q for quarter ended 3/31/2002. Household reported net income of $511 million, and E.P.S of $1.09 [HHS 02135167]

CREDIT QUALITY

Delinquency – Owned Basis
Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):
<table>
<tr><th></th><th>March 31, 2002</th><th>December 31, 2001</th><th>March, 31 2001</th></tr>
<tr><td>Real estate secured</td><td>2.88%</td><td>2.63%</td><td>2.55%</td></tr>
<tr><td>Auto finance</td><td>2.04</td><td>2.92</td><td>1.74</td></tr>
<tr><td>MasterCard/Visa</td><td>6.54</td><td>5.67</td><td>5.02</td></tr>
<tr><td>Private label</td><td>6.33</td><td>5.99</td><td>5.62</td></tr>
<tr><td>Personal non-credit card</td><td>9.60</td><td>9.04</td><td>8.79</td></tr>
<tr><td>Total Owned</td><td>4.77%</td><td>4.53%</td><td>4.36%</td></tr>
</table>
[HHS 02135187]</td></tr>
</table>

Stmt No.	Date	Document Title	Statement
33.	05/10/2002	*The Record* article Plaintiffs' Exhibit 1443	*The Record* – May 10, 2002: "Our position is that the accusations [regarding predatory lending] are baseless . . . . The loans are legal, they are compliant with state and federal laws and our own policies, and in each instance they have benefits for each customer. . . . Hayden says the loan[s] conform[] to the company's 'tangible benefits test."
34.	05/31/2002	*American Banker* article Plaintiffs' Exhibit 1446	*American Banker* – May 31, 2002: "It is our regulators' and the attorney general's job to investigate any complaints brought forth by consumers in their state, and we don't find anything unique or surprising that they are doing their job. . . . [W]e take proper steps to work with the department to uncover the facts and if necessary formulate an appropriate resolution for the borrower." . . . "some customers in Bellingham may have indeed been justified in their confusion about the rate of their loans" and claimed Household "took full and prompt responsibility" and is "satisfied that this situation was localized to the Bellingham branch."
35.	07/02/2002	*The Oregonian* Plaintiffs' Exhibit 1447	*The Oregonian* – July 2, 2002: "'We've made mistakes,' said Megan Hayden, spokeswoman for the Prospect Heights, Ill., company. 'Is there a companywide pattern of abuse? Absolutely not.'"
36.	07/17/2002	Household Press Release Plaintiffs' Exhibit 788	July 17, 2002 Household Press Release entitled "Household Reports Record Second Quarter Results on Strong Receivables Growth": Household "reported second quarter earnings per share increased 16 percent to $1.08, from $.93 the prior year. These results mark Household's sixteenth consecutive record quarter. Second quarter net income increased 17 percent, to a record $514 million." * * * "Our results this quarter were fueled by ongoing strong demand for our loan products. . . . Growth this quarter was strong, while we have maintained our conservative underwriting criteria. . . ." [HHS 03195884]

Stmt No.	Date	Document Title	Statement
			* * * "Credit Quality and Loss Reserves At June 30th, the *managed basis* delinquency ratio (60+days) was 4.53 percent, down 10 basis points from 4.63 percent at the end of March, led by improvement in the MasterCard/Visa portfolio. The managed basis delinquency ratio was 4.27 percent a year ago. The annualized *managed basis* netcharge-off ratio for the second quarter of 4.26 percent was 17 basis points higher than the first quarter and 55 basis points higher than a year ago." "The *owned basis* delinquency ratio at June 30th was 4.61 percent, compared to 4.77 percent at March 31st and 4.48 percent a year ago. The annualized *owned basis* net charge-off ratio for the second quarter was 3.76 percent compared to 3.61 percent in the previous quarter and 3.26 a year ago." [HHS 03195886]
37.	08/14/2002	Household Press Release Plaintiffs' Exhibit 227	August 14, 2002 Household Press Release entitled "Household International Certifies Accuracy of SEC filings in 2002": "Household's results for the year-to-date have been fueled by strong demand for our loan products throughout our businesses. Our loan underwriting approach continues to be conservative in these times of economic uncertainty, and we remain committed to strong reserve and capital levels." [HHS 02133695]

<table>
<tr><th>Stmt No.</th><th>Date</th><th>Document Title</th><th>Statement</th></tr>
<tr><td>38.</td><td>08/14/2002</td><td>Household 10-Q

Defendants' Exhibit 874</td><td>Household 10-Q for quarter-ended 6/30/2002 issued on 8/14/2002: Household reported net income of $507 million and E.P.S. of $1.08 [HHT 0017112]

CREDIT QUALITY
Delinquency – Owned Basis
Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):

| | June 30, 2002 | March 31, 2002 | June 30, 2001 |
Real estate secured | 2.78% | 2.88% | 2.59%
Auto finance | 2.99 | 2.04 | 2.35
MasterCard/Visa | 6.13 | 6.54 | 4.80
Private label | 6.19 | 6.33 | 6.54
Personal non-credit card | 9.12 | 9.60 | 8.79
Total Owned | 4.61% | 4.77% | 4.48%
[HHT 0017131]

* * *

"Our credit policies for consumer loans permit the reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging

policies vary by product and are designed to manage customer relationship and ensure maximum collections." [HHT 0017132]

* * *

Household reiterated this disclosure in its Form 10-K/A for fiscal year 2001, filed with the SEC on August 27, 2002.</td></tr>
<tr><td>39.</td><td>08/23/2002</td><td>Origination News article

Plaintiffs' Exhibit 1439</td><td>Origination News – August 23, 2002: "'We clearly follow all state and federal laws and regulations,' Household spokeswoman Megan Hayden said."</td></tr>
</table>

TABLE B

Date	Amount
07/30/99	$ 0 per share
08/02/99	$ 0 per share
08/03/99	$ 0 per share
08/04/99	$ 0 per share
08/05/99	$ 0 per share
08/06/99	$ 0 per share
08/09/99	$ 0 per share
08/10/99	$ 0 per share
08/11/99	$ 0 per share
08/12/99	$ 0 per share
08/13/99	$ 0 per share
08/16/99	$ 0 per share
08/17/99	$ 0 per share
08/18/99	$ 0 per share
08/19/99	$ 0 per share
08/20/99	$ 0 per share
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08/26/99	$ 0 per share
08/27/99	$ 0 per share
08/30/99	$ 0 per share
08/31/99	$ 0 per share
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09/02/99	$ 0 per share
09/03/99	$ 0 per share
09/07/99	$ 0 per share
09/08/99	$ 0 per share
09/09/99	$ 0 per share
09/10/99	$ 0 per share

Date	Amount
09/13/99	$ 0 per share
09/14/99	$ 0 per share
09/15/99	$ 0 per share
09/16/99	$ 0 per share
09/17/99	$ 0 per share
09/20/99	$ 0 per share
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10/18/99	$ 0 per share
10/19/99	$ 0 per share
10/20/99	$ 0 per share
10/21/99	$ 0 per share
10/22/99	$ 0 per share
10/25/99	$ 0 per share

Date	Amount
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10/27/99	$ 0 per share
10/28/99	$ 0 per share
10/29/99	$ 0 per share
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12/01/99	$ 0 per share
12/02/99	$ 0 per share
12/03/99	$ 0 per share
12/06/99	$ 0 per share
12/07/99	$ 0 per share
12/08/99	$ 0 per share

Date	Amount
12/09/99	$ 0 per share
12/10/99	$ 0 per share
12/13/99	$ 0 per share
12/14/99	$ 0 per share
12/15/99	$ 0 per share
12/16/99	$ 0 per share
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02/29/00	$ 0 per share
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03/03/00	$ 0 per share
03/06/00	$ 0 per share
03/07/00	$ 0 per share
03/08/00	$ 0 per share

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Date	Amount
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03/13/00	$ 0 per share
03/14/00	$ 0 per share
03/15/00	$ 0 per share
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04/18/00	$ 0 per share
04/19/00	$ 0 per share
04/20/00	$ 0 per share

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Date	Amount
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04/25/00	$ 0 per share
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04/27/00	$ 0 per share
04/28/00	$ 0 per share
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Date	Amount
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Date	Amount
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Date	Amount
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Date	Amount
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01/09/01	$ 0 per share
01/10/01	$ 0 per share
01/11/01	$ 0 per share
01/12/01	$ 0 per share
01/16/01	$ 0 per share
01/17/01	$ 0 per share

Date	Amount
01/18/01	$ 0 per share
01/19/01	$ 0 per share
01/22/01	$ 0 per share
01/23/01	$ 0 per share
01/24/01	$ 0 per share
01/25/01	$ 0 per share
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02/23/01	$ 0 per share
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02/28/01	$ 0 per share
03/01/01	$ 0 per share
03/02/01	$ 0 per share

Date	Amount
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03/06/01	$ 0 per share
03/07/01	$ 0 per share
03/08/01	$ 0 per share
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03/21/01	$ 0 per share
03/22/01	$ 0 per share
03/23/01	$ 23.94 per share
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03/27/01	$ 23.94 per share
03/28/01	$ 23.94 per share
03/29/01	$ 23.94 per share
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04/11/01	$ 23.94 per share
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04/16/01	$ 23.94 per share
04/17/01	$ 23.94 per share

Date	Amount
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04/20/01	$ 23.94 per share
04/23/01	$ 23.94 per share
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05/23/01	$ 23.94 per share
05/24/01	$ 23.94 per share
05/25/01	$ 23.94 per share
05/29/01	$ 23.94 per share
05/30/01	$ 23.94 per share
05/31/01	$ 23.94 per share

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Date	Amount
06/01/01	$ 23.94 per share
06/04/01	$ 23.94 per share
06/05/01	$ 23.94 per share
06/06/01	$ 23.94 per share
06/07/01	$ 23.94 per share
06/08/01	$ 23.94 per share
06/11/01	$ 23.94 per share
06/12/01	$ 23.94 per share
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07/16/01	$ 23.94 per share

Date	Amount
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07/19/01	$23.94 per share
07/20/01	$23.94 per share
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07/24/01	$23.94 per share
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08/27/01	$23.94 per share
08/28/01	$23.94 per share

Date	Amount
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08/30/01	$ 23.94 per share
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09/27/01	$ 23.42 per share
09/28/01	$ 23.94 per share
10/01/01	$ 23.94 per share
10/02/01	$ 23.94 per share
10/03/01	$ 23.94 per share
10/04/01	$ 23.94 per share
10/05/01	$ 23.94 per share
10/08/01	$ 23.94 per share
10/09/01	$ 23.94 per share
10/10/01	$ 23.94 per share
10/11/01	$ 23.94 per share
10/12/01	$ 23.59 per share
10/15/01	$ 23.94 per share
10/16/01	$ 23.94 per share
10/17/01	$ 23.94 per share

Date	Amount
10/18/01	$ 23.94 per share
10/19/01	$ 23.94 per share
10/22/01	$ 23.94 per share
10/23/01	$ 23.94 per share
10/24/01	$ 23.83 per share
10/25/01	$ 23.94 per share
10/26/01	$ 23.94 per share
10/29/01	$ 23.42 per share
10/30/01	$ 23.00 per share
10/31/01	$ 22.48 per share
11/01/01	$ 22.73 per share
11/02/01	$ 22.67 per share
11/05/01	$ 23.10 per share
11/06/01	$ 23.94 per share
11/07/01	$ 23.94 per share
11/08/01	$ 23.94 per share
11/09/01	$ 23.94 per share
11/12/01	$ 23.94 per share
11/13/01	$ 23.94 per share
11/14/01	$ 23.94 per share
11/15/01	$ 23.94 per share
11/16/01	$ 23.60 per share
11/19/01	$ 23.94 per share
11/20/01	$ 23.85 per share
11/21/01	$ 23.94 per share
11/23/01	$ 23.94 per share
11/26/01	$ 23.94 per share
11/27/01	$ 23.94 per share
11/28/01	$ 23.94 per share
11/29/01	$ 23.94 per share
11/30/01	$ 23.94 per share

Date	Amount
12/03/01	$ 22.59 per share
12/04/01	$ 23.94 per share
12/05/01	$ 23.94 per share
12/06/01	$ 23.94 per share
12/07/01	$ 23.94 per share
12/10/01	$ 23.30 per share
12/11/01	$ 22.20 per share
12/12/01	$ 19.80 per share
12/13/01	$ 20.29 per share
12/14/01	$ 19.64 per share
12/17/01	$ 20.61 per share
12/18/01	$ 21.84 per share
12/19/01	$ 22.04 per share
12/20/01	$ 21.75 per share
12/21/01	$ 21.37 per share
12/24/01	$ 21.60 per share
12/26/01	$ 21.82 per share
12/27/01	$ 23.30 per share
12/28/01	$ 23.94 per share
12/31/01	$ 23.28 per share
01/02/02	$ 22.58 per share
01/03/02	$ 22.41 per share
01/04/02	$ 23.94 per share
01/07/02	$ 23.19 per share
01/08/02	$ 22.29 per share
01/09/02	$ 22.42 per share
01/10/02	$ 21.70 per share
01/11/02	$ 19.85 per share
01/14/02	$ 18.53 per share
01/15/02	$ 20.28 per share
01/16/02	$ 19.87 per share

Date	Amount
01/17/02	$ 18.90 per share
01/18/02	$ 20.03 per share
01/22/02	$ 19.24 per share
01/23/02	$ 18.59 per share
01/24/02	$ 18.86 per share
01/25/02	$ 19.70 per share
01/28/02	$ 18.10 per share
01/29/02	$ 16.58 per share
01/30/02	$ 15.76 per share
01/31/02	$ 17.12 per share
02/01/02	$ 17.34 per share
02/04/02	$ 16.06 per share
02/05/02	$ 14.99 per share
02/06/02	$ 12.47 per share
02/07/02	$ 15.56 per share
02/08/02	$ 18.71 per share
02/11/02	$ 17.94 per share
02/12/02	$ 17.49 per share
02/13/02	$ 18.36 per share
02/14/02	$ 18.04 per share
02/15/02	$ 18.00 per share
02/19/02	$ 17.84 per share
02/20/02	$ 17.72 per share
02/21/02	$ 16.00 per share
02/22/02	$ 16.24 per share
02/25/02	$ 16.45 per share
02/26/02	$ 16.72 per share
02/27/02	$ 18.55 per share
02/28/02	$ 17.81 per share
03/01/02	$ 19.02 per share
03/04/02	$ 22.21 per share

Date	Amount
03/05/02	$ 21.17 per share
03/06/02	$ 22.17 per share
03/07/02	$ 23.00 per share
03/08/02	$ 23.94 per share
03/11/02	$ 23.94 per share
03/12/02	$ 23.37 per share
03/13/02	$ 22.86 per share
03/14/02	$ 21.87 per share
03/15/02	$ 22.69 per share
03/18/02	$ 22.93 per share
03/19/02	$ 22.77 per share
03/20/02	$ 21.93 per share
03/21/02	$ 22.23 per share
03/22/02	$ 22.39 per share
03/25/02	$ 21.06 per share
03/26/02	$ 21.66 per share
03/27/02	$ 21.80 per share
03/28/02	$ 21.25 per share
04/01/02	$ 21.68 per share
04/02/02	$ 21.52 per share
04/03/02	$ 20.53 per share
04/04/02	$ 21.39 per share
04/05/02	$ 22.28 per share
04/08/02	$ 23.24 per share
04/09/02	$ 23.16 per share
04/10/02	$ 23.23 per share
04/11/02	$ 21.73 per share
04/12/02	$ 22.40 per share
04/15/02	$ 22.24 per share
04/16/02	$ 23.65 per share
04/17/02	$ 23.94 per share

Date	Amount
04/18/02	$23.94 per share
04/19/02	$23.94 per share
04/22/02	$23.94 per share
04/23/02	$23.94 per share
04/24/02	$23.94 per share
04/25/02	$23.94 per share
04/26/02	$23.94 per share
04/29/02	$22.70 per share
04/30/02	$23.34 per share
05/01/02	$22.61 per share
05/02/02	$21.92 per share
05/03/02	$21.64 per share
05/06/02	$21.00 per share
05/07/02	$20.25 per share
05/08/02	$21.83 per share
05/09/02	$21.26 per share
05/10/02	$19.64 per share
05/13/02	$20.72 per share
05/14/02	$21.31 per share
05/15/02	$20.03 per share
05/16/02	$19.24 per share
05/17/02	$18.40 per share
05/20/02	$18.19 per share
05/21/02	$17.54 per share
05/22/02	$17.74 per share
05/23/02	$17.87 per share
05/24/02	$17.85 per share
05/28/02	$17.98 per share
05/29/02	$17.89 per share
05/30/02	$16.88 per share
05/31/02	$16.26 per share

Date	Amount
06/03/02	$ 16.67 per share
06/04/02	$ 16.66 per share
06/05/02	$ 17.91 per share
06/06/02	$ 19.83 per share
06/07/02	$ 19.06 per share
06/10/02	$ 18.58 per share
06/11/02	$ 19.54 per share
06/12/02	$ 18.92 per share
06/13/02	$ 17.44 per share
06/14/02	$ 17.62 per share
06/17/02	$ 18.20 per share
06/18/02	$ 18.08 per share
06/19/02	$ 17.24 per share
06/20/02	$ 16.02 per share
06/21/02	$ 16.16 per share
06/24/02	$ 16.50 per share
06/25/02	$ 15.68 per share
06/26/02	$ 16.25 per share
06/27/02	$ 16.78 per share
06/28/02	$ 16.19 per share
07/01/02	$ 14.84 per share
07/02/02	$ 14.94 per share
07/03/02	$ 15.76 per share
07/05/02	$ 16.69 per share
07/08/02	$ 16.28 per share
07/09/02	$ 14.58 per share
07/10/02	$ 12.48 per share
07/11/02	$ 13.14 per share
07/12/02	$ 14.69 per share
07/15/02	$ 14.17 per share
07/16/02	$ 15.01 per share

Date	Amount
07/17/02	$ 11.59 per share
07/18/02	$ 12.56 per share
07/19/02	$ 11.33 per share
07/22/02	$ 10.38 per share
07/23/02	$ 9.30 per share
07/24/02	$ 11.68 per share
07/25/02	$ 10.57 per share
07/26/02	$ 8.68 per share
07/29/02	$ 9.19 per share
07/30/02	$ 9.55 per share
07/31/02	$ 11.49 per share
08/01/02	$ 10.63 per share
08/02/02	$ 9.59 per share
08/05/02	$ 8.11 per share
08/06/02	$ 10.06 per share
08/07/02	$ 8.28 per share
08/08/02	$ 9.60 per share
08/09/02	$ 8.73 per share
08/12/02	$ 8.29 per share
08/13/02	$ 7.06 per share
08/14/02	$ 6.39 per share
08/15/02	$ 7.61 per share
08/16/02	$ 5.76 per share
08/19/02	$ 5.22 per share
08/20/02	$ 4.65 per share
08/21/02	$ 4.98 per share
08/22/02	$ 8.14 per share
08/23/02	$ 5.85 per share
08/26/02	$ 6.77 per share
08/27/02	$ 5.58 per share
08/28/02	$ 5.22 per share

Date	Amount
08/29/02	$ 4.69 per share
08/30/02	$ 4.33 per share
09/03/02	$ 2.96 per share
09/04/02	$ 3.53 per share
09/05/02	$ 2.87 per share
09/06/02	$ 3.10 per share
09/09/02	$ 5.02 per share
09/10/02	$ 4.16 per share
09/11/02	$ 4.57 per share
09/12/02	$ 3.73 per share
09/13/02	$ 4.35 per share
09/16/02	$ 3.35 per share
09/17/02	$ -0.17 per share
09/18/02	$ 0.41 per share
09/19/02	$ 0.73 per share
09/20/02	$ 0.64 per share
09/23/02	$ -0.85 per share
09/24/02	$ -0.35 per share
09/25/02	$ -0.24 per share
09/26/02	$ 0.34 per share
09/27/02	$ -0.56 per share
09/30/02	$ -0.10 per share
10/01/02	$ -1.12 per share
10/02/02	$ -1.13 per share
10/03/02	$ -0.66 per share
10/04/02	$ -1.87 per share
10/07/02	$ -2.45 per share
10/08/02	$ -3.17 per share
10/09/02	$ -4.66 per share
10/10/02	$ -0.68 per share
10/11/02	$ 0.00 per share

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-8198
Household International, Inc.
(Exact name of registrant as specified in its charter)

Delaware	36-3121988
(State of incorporation)	(I.R.S. Employer Identification No.)
2700 Sanders Road	60070
Prospect Heights, Illinois	(Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code: (847) 564-5000
Securities registered pursuant to Section 12(b) of the Act:

<TABLE>
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Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	New York Stock Exchange and Chicago Stock Exchange
Series A Junior Participating Preferred Stock Purchase Rights (attached to and transferable only with the Common Stock)	New York Stock Exchange
Depositary Shares (each representing one-fortieth share of 8 1/4% Cumulative Preferred Stock, Series 1992-A, no par, $1,000 stated value)	New York Stock Exchange
5% Cumulative Preferred Stock	New York Stock Exchange
$4.50 Cumulative Preferred Stock	New York Stock Exchange
$4.30 Cumulative Preferred Stock	New York Stock Exchange

</TABLE>

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

The aggregate market value of the voting common stock held by nonaffiliates of the registrant at March 15, 2001 was approximately $28.1 billion. The number of shares of the registrant's common stock outstanding at March 15, 2001 was 464,934,337.

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DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's 2000 Annual Report to Shareholders for the fiscal year ended December 31, 2000: Parts I, II and IV.

Certain portions of the registrant's definitive Proxy Statement for its 2001 Annual Meeting scheduled to be held May 8, 2001: Part III.

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PART I.

Item 1. Business.

General

Household International, Inc. ("Household") is principally a non-operating holding company. Household's subsidiaries primarily provide middle-market consumers with several types of loan products in the United States, the United Kingdom and Canada. Household and its subsidiaries (including the operations of Beneficial Corporation ("Beneficial") which we acquired in 1998) may also be referred to in this Form 10-K as "we," "us" or "our." We offer real estate secured loans, auto finance loans, MasterCard and Visa* credit cards, private label credit cards, tax refund anticipation loans, retail installment sales

finance loans and other types of unsecured loans, as well as credit and specialty insurance. At December 31, 2000, we had approximately 28,000 employees and served over 48 million customers with $87.6 billion in managed receivables and $67.4 billion in owned receivables. Information that is reported on a managed basis relates to receivables that have been sold and which we service with limited recourse ("securitize"), together with receivables that appear on our balance sheet. Information that is reported on an owned basis relates to the assets and liabilities we have on our balance sheet. Owned assets may vary from period to period depending on the timing and size of securitizations.

Household was created as a holding company in 1981 as a result of a shareholder approved restructuring of Household Finance Corporation ("HFC"), which was established in 1878. Our operational focus is on those areas of consumer lending that we believe offer us the best opportunity to achieve the highest returns on our capital. From late 1994 through 1997 we exited several businesses that were providing insufficient returns on our investment, such as our first mortgage origination and servicing business in the United States and Canada, our individual life and annuity business, our consumer branch banking business and our student loan business. Since 1997, we have:

. strengthened our consumer lending operation with the acquisition of Transamerica Financial Services Holding Company;

. expanded our auto lending operation with the acquisition of ACC Consumer Finance Corporation;

. merged with Beneficial, a consumer finance holding company;

. took steps to reposition our United States MasterCard and Visa credit card business to de-emphasize undifferentiated credit card programs and;

. purchased all of the outstanding capital stock of Decision One Holding Company LLC, a privately-held originator of non-conforming first and second mortgage loans that packages such loans for sale to investors.

2000 Developments and Results. Continuing our operational focus, the following developments and results occurred during 2000:

. In February 2000, we purchased all of the outstanding capital stock of Renaissance Holdings, Inc., a privately held issuer of secured and unsecured credit cards to non-prime customers, for approximately $300 million in common stock and cash.

. We took advantage of consolidation in the home equity lending industry by acquiring real estate secured portfolios of $2.2 billion in March and $1.5 billion in June.

. Our managed assets increased to $97.0 billion at year-end 2000 from $80.2 billion at year-end 1999 and $72.6 billion at year-end 1998. Our owned assets increased to $76.7 billion at year-end 2000 from $60.7 billion at year-end 1999 and $52.9 billion at year-end 1998.

. In connection with our $2 billion share repurchase program, we repurchased 5.4 million shares of Household common stock for $209.3 million in 2000. Since announcing our share repurchase program in

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* MasterCard is a registered trademark of MasterCard International, Incorporated and VISA is a registered trademark of VISA USA, Inc.

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March of 1999, we have repurchased 22.2 million shares for a total of $922.2 million.

. Our net income was $1.7 billion in 2000, compared to $1.5 billion in 1999 and $.5 billion in 1998. Excluding merger and integration related costs of $751.0 million after-tax and the $118.5 million after-tax gain on sale of Beneficial's Canadian operations, operating net income in 1998 was $1.2 billion.

. Diluted earnings per share was $3.55 in 2000, compared to $3.07 in 1999 and $1.03 in 1998. Excluding merger and integration related costs of

$751.0 million after-tax and the $118.5 million after-tax gain on sale of Beneficial's Canadian operations, diluted operating earnings per share was $2.30 in 1998.

Consumers residing in the state of California account for 16 percent of our managed consumer portfolio in the United States. No other state has more than seven percent concentration of this portfolio.

Financial information with respect to Household and its segments is set forth in our Annual Report to Shareholders (the "2000 Annual Report"), portions of which are incorporated herein by reference. See pages 26 through 85 of our 2000 Annual Report. Our products, operating markets and marketing methods are described under OPERATIONS in this Form 10-K.

Operations

Our operations are divided into three reportable segments: Consumer, Credit Card Services, and International. Our Consumer segment includes our consumer lending, retail services and auto finance businesses. Our Credit Card Services segment includes our domestic MasterCard and Visa credit card business. Our International segment includes our foreign operations in the United Kingdom and Canada. Information about operating segments that are not individually reportable includes our insurance, tax services and commercial operations, as well as our corporate and treasury activities which are included in the "All Other" caption within our segment disclosure.

General

Across all reportable segments, we generally target non-conforming or non-prime consumers. Such customers are individuals who have limited credit histories, modest income, high debt-to-income ratios or have experienced credit problems caused by occasional delinquencies, prior chargeoffs or other credit related actions. These customers generally have higher delinquency and credit loss probabilities and are charged a higher interest rate to compensate us for the additional risk.

We have taken substantial measures to enhance our ability to maximize the profitability of our segments. We use our centralized underwriting, collection and processing functions to adapt our credit standards and collection efforts to market conditions. Our underwriting, loan administration and collection functions are supported by highly automated systems and processing facilities. Our centralized collection system is augmented by personalized early collection efforts. Maximizing our technology and otherwise streamlining our operations and reducing our costs has enabled us to improve our efficiency through specialization and economies of scale and allows us to operate more efficiently than most of our competitors.

We also service each customer with a focus to expand that customer's relationship with Household. Cross-selling of products, aggressive credit management, "hands-on" customer care and targeted product marketing are means we use to retain customers and grow our business.

Consumer

Our consumer lending business has been ranked by Inside B & C Lending as the second largest subprime home equity originator in the United States based upon their estimates and 2000 receivables volume as reported to them by such lenders. Collectively, this business has over 1,400 branches located in 46 states and 3.4 million open customer accounts. It is marketed under both the HFC and Beneficial brand names, each of which caters to a slightly different type of customer in the middle-market population. Both brands offer secured and unsecured

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products. These products are marketed through our retail branch network, direct mail, telemarketing and Internet applications. In addition, we originate loans through a network of over 200 correspondents under the Household brand.

According to the latest publication of The Nilson Report, we are the second largest provider of third party private label credit cards in the United States based on managed receivables outstanding. The private label business of

our consumer segment has over 60 active merchant relationships with approximately $9.9 billion in managed receivables and 8.5 million active customer accounts. Approximately 32 percent of our private label receivables are in the electronics industry, 35 percent are in the furniture industry, 11 percent are in the home products industry and 12 percent are in the powersports vehicle industry. These products are generated through merchant promotions, application displays, direct mail, telemarketing and Internet applications.

Our auto finance business provides retail installment financing for the purchase of new and used vehicles for consumers who do not have access to traditional, prime-based lending sources. We also refinance existing auto loans. Based on volume, we are one of the largest non-captive non-prime automobile lenders in the United States. Our auto finance business generates loan volume primarily through dealer relationships from which installment contracts are purchased. Loans are also directly originated through alliance partner referrals, direct mail and Internet applications.

Credit Card Services

Our Credit Card Services business includes our MasterCard and Visa receivables in the United States, including the GM Card(R), the Union Privilege ("UP") credit card, a Household Bank branded card, and the Orchard Bank card. The GM Card(R), a co-branded credit card issued as part of our alliance with General Motors Corporation ("GM"), enables customers to earn discounts on the purchase or lease of a new GM vehicle. The UP card program with the AFL-CIO provides benefits and services to members of 67 national and international labor unions. Both the Household Bank and Orchard Bank branded credit cards offer specialized credit card products to consumers underserved by traditional providers. The GM Card(R) and UP card programs represent 46 percent and 29 percent, respectively, of the managed receivables in this segment.

Our MasterCard and Visa business is generated primarily through direct mail, telemarketing, Internet applications, application displays and promotional activity associated with our affinity and co-branding relationships. We also market our credit cards to our existing real estate secured, private label and tax refund anticipation loan customers.

International

Our United Kingdom operations offer secured and unsecured lines of credit, secured and unsecured closed-end loans, insurance products and credit cards (including the GM Card(R) from Vauxhall and marbles(TM), an Internet enabled credit card developed in connection with Freeserve, the United Kingdom's largest Internet service provider). Such operations are conducted in England, Scotland, Wales, Northern Ireland, and the Republic of Ireland. Loans are marketed under the "HFC", "Beneficial" and "Hamilton Direct" brand names through 181 branches, various merchants, direct mail and the Internet. Our Canadian business offers consumer loans, mortgages, revolving credit and retail finance and accepts deposits. Their products include real estate secured and unsecured lines of credit, secured and unsecured closed-end loans and private label credit cards. These products are marketed through 99 branch offices in 10 provinces, direct mail, telemarketing and the Internet.

All Other

We also offer credit life, credit accident, health and disability, term and specialty insurance products to our customers. Such products currently are offered throughout the United States and Canada. Insurance is directly written by or reinsured with one or more of our subsidiaries. Our tax refund anticipation loan ("RAL") business is a cooperative program with H&R Block Tax Services, Inc. and certain of its franchises, along with other

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independent tax preparers, to provide loans to customers who are entitled to federal tax refunds and who electronically file their federal income tax returns with the United States Internal Revenue Service. Our remaining commercial operations have continued to decline in size.

Funding

As a financial services organization, we must have access to funds at competitive rates, terms and conditions to be successful. We fund our operations in the global capital markets, primarily through the use of securitizations, commercial paper, Federal funds borrowings, certificates of deposit, bank lines, thrift notes, medium-term notes and long-term debt. We also use derivative financial instruments to hedge our currency and interest rate exposure. A description of our use of derivative financial instruments, including interest rate swaps, foreign exchange contracts, and other quantitative and qualitative information about our market risk is set forth on pages 39 through 43, and 69 through 73 of our 2000 Annual Report. We also maintain an investment portfolio which at year-end 2000 was approximately $3.3 billion. Approximately $1.7 billion of such investment securities were held by our insurance subsidiaries. At year-end 2000, Household's long-term debt, together with that of HFC, Beneficial, Household Bank, f.s.b. (the "Bank") and our Canadian and U.K. subsidiaries, as well as the preferred stock of Household, have been assigned investment grade ratings by all nationally recognized statistical rating organizations that rate such instruments. These organizations have also rated the commercial paper of HFC in their highest rating category. For a detailed listing of the ratings that have been assigned to Household and our significant subsidiaries, see Exhibit 99(b) to this Form 10-K.

Securitizations of consumer receivables have been, and will continue to be, a source of our liquidity. During 2000 we securitized approximately $7.0 billion of receivables compared to $5.2 billion in 1999 and $3.6 billion in 1998. Additional information on our sources and availability of funding are incorporated by reference to pages 39 through 42 of our 2000 Annual Report.

Regulation and Competition

Regulation. Our consumer lending businesses operate in a highly regulated environment. Those businesses are subject to laws relating to discrimination in extending credit, use of credit reports, privacy matters, disclosure of credit terms and correction of billing errors. Our consumer branch lending offices are also subject to certain regulations and legislation that limit their operations in certain jurisdictions. For example, limitations may be placed on the amount of interest or fees that a loan may bear, the amount that may be borrowed, the types of actions that may be taken to collect or foreclose upon delinquent loans or the information about a customer that may be shared. Our consumer branch lending offices are generally licensed in those jurisdictions in which they operate. Such licenses have limited terms but are renewable, and are revocable for cause. Our private label operations are conducted through state-licensed companies and our credit card banks.

The Bank is chartered by the Office of Thrift Supervision ("OTS") and is a member of the Federal Home Loan Bank System. It is subject to examination and supervision by the OTS and the Federal Deposit Insurance Corporation ("FDIC"). It is also subject to federal regulations concerning its general investment authority as well as its ability to acquire financial institutions, enter into transactions with affiliates and pay dividends. Such regulations also govern the permissible activities and investments of its subsidiaries. It is also subject to regulatory requirements setting forth minimum capital and liquidity levels. Because of our ownership of the Bank, Household is a savings and loan holding company subject to reporting and other regulations of the OTS. Household and HFC have agreed with the OTS to maintain the regulatory capital of the Bank at certain specified levels. Our national credit card banks are chartered by the Office of the Comptroller of the Currency and are members of the Federal Reserve System. National banks are generally subject to the same type of regulatory supervision and restrictions as the Bank, but our national banks only engage in credit card operations. The deposit accounts of the Bank and our credit card banks are insured up to $100,000 by the FDIC.

The Bank and our credit card banks are also subject to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"). Among other things, FDICIA created a five-tiered system of capital measurement for regulatory purposes, placed limits on the ability of depository institutions to acquire brokered deposits, and gave

<PAGE>

broad powers to federal banking regulators, in particular the FDIC, to require undercapitalized institutions to adopt and implement a capital restoration

plan and to restrict or prohibit a number of activities, including the payment of cash dividends, which may impair or threaten the capital adequacy of the insured depository institution. Federal banking regulators may apply corrective measures to an insured depository institution, even if it is adequately capitalized, if such institution is determined to be operating in an unsafe or unsound condition or engaging in an unsafe or unsound activity. In addition, federal banking regulatory agencies have adopted safety and soundness standards governing operational and managerial activities of insured depository institutions and their holding companies regarding internal controls, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation. Under FIRREA, the FDIC may assess an affiliated insured depository institution for the estimated losses incurred by the FDIC upon the default of any affiliated insured institution.

On February 10, 1999, the four federal bank regulatory agencies revised their joint "retail credit classification policy" which establishes guidelines for classification of credit based on delinquency status and mandates specified timeframes for recognizing losses in consumer loan portfolios. This policy applies to any consumer loan held in our credit card banks or the Bank and became effective in stages that began April 1, 1999. Substantially all of the policy changes impacting our credit card banks or the Bank became effective on October 1, 2000. The application of the new rules did not have a material adverse impact on our financial statements or the way we manage our business.

Our credit insurance business is subject to regulatory supervision under the laws of the states in which it operates. Regulations vary from state to state but generally cover licensing of insurance companies, premium and loss rates, dividend restrictions, types of insurance that may be sold, permissible investments, policy reserve requirements, and insurance marketing practices.

Competition. The consumer financial services industry in which we operate is highly fragmented and intensely competitive. We compete with banks, thrifts and other financial institutions in the United States, Canada and the United Kingdom. We also compete with other finance companies, credit unions and retailers. Generally, competition is in the form of "teaser" rates (below market rates to entice customers to a product), expanded credit opportunities (relaxed underwriting standards) or value added services. We compete by developing a variety of consumer products to target specific market segments, maintaining a strong service orientation and developing innovative marketing alliances.

Cautionary Statement on Forward-Looking Statements

Certain matters discussed throughout this Form 10-K or in the information incorporated herein by reference may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and as such may involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are based on our current views and assumptions, and involve risks and uncertainties that could cause our results to be materially different than those anticipated. The following important factors could affect our actual results and could cause such results to vary materially from those expressed herein or in any other document filed with the Securities and Exchange Commission:

- changes in laws and regulations, including changes in accounting standards;
- changes in overall economic conditions, including the interest rate environment in which we operate, the capital markets in which we fund our operations, recession, employment and currency fluctuations;
- consumer perception of the availability of credit, including price competition in the market segments we target and the ramifications or ease of filing for personal bankruptcy;
- the effectiveness of models or programs to predict loan delinquency or loss and initiatives to improve collections in all business areas;
- continued consumer acceptance of our distribution systems and demand for our loan or insurance products;

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- changes associated with, as well as the difficulty in integrating systems, operational functions and cultures of any organization acquired by Household;

- the continued repositioning of our MasterCard/Visa business to further penetrate selected consumer segments; and

- the ability to attract and retain qualified personnel to expand all of our businesses.

Item 2. Properties.

Our operations are located throughout the United States, in 10 provinces in Canada and in the United Kingdom with principal facilities located in Anaheim, California; New Castle, Delaware; Brandon, Florida; Jacksonville, Florida; Tampa, Florida; Chesapeake, Virginia; Virginia Beach, Virginia; Elmhurst, Illinois; Hanover, Maryland; Bridgewater, New Jersey; Las Vegas, Nevada; Charlotte, North Carolina; Portland, Oregon; Pomona, California; Prospect Heights, Illinois; Salinas, California; San Diego, California; Wood Dale, Illinois; London, Kentucky; Sioux Falls, South Dakota; North York, Ontario, Canada; Birmingham, United Kingdom and Windsor, Berkshire, United Kingdom.

Substantially all branch offices, divisional offices, corporate offices, regional processing and regional servicing center space are operated under lease with the exception of the headquarters building for our United Kingdom operations and processing facilities in Tampa, Florida, Las Vegas, Nevada and London, Kentucky. We believe that such properties are in good condition and meet our current and reasonably anticipated needs.

Item 3. Legal Proceedings.

We have developed and implemented compliance functions to monitor our operations to ensure that we comply with all applicable laws. However, we are parties to various legal proceedings resulting from ordinary business activities relating to our current and/or former operations. Certain of these actions are or purport to be class actions seeking damages in very large amounts. Due to the uncertainties in litigation and other factors, we cannot assure you that we will ultimately prevail in each instance. We believe that we have meritorious defenses to these actions and any adverse decision should not materially affect our consolidated financial condition.

During the past several years, the press has widely reported certain industry related concerns which may impact us. Some of these involve the amount of litigation instituted against finance and insurance companies operating in the states of Alabama and Mississippi and the large punitive awards obtained from juries in those states. Like other companies in this industry, some of our subsidiaries are involved in a number of lawsuits pending against them in Alabama and Mississippi, many of which relate to the financing of satellite television broadcast receivers. We discontinued financing such receivers in 1995. The Alabama and Mississippi cases generally allege inadequate disclosure or misrepresentation of financing terms. In many suits, other parties are also named as defendants. Unspecified compensatory and punitive damages are sought. Several of these suits purport to be class actions. The judicial climate in Alabama and Mississippi is such that the outcome of all of these cases is unpredictable. Although our subsidiaries believe they have substantive legal defenses to these claims and are prepared to defend each case vigorously, a number of such cases have been settled or otherwise resolved for amounts that in the aggregate are not material to our operations. Appropriate insurance carriers have been notified of each claim, and a number of reservations of rights letters have been received. Certain of these claims have been partially covered by insurance.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

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PART II.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

As of March 15, 2001 there were 19,468 record shareholders of Household's common stock.

Additional information required by this Item is incorporated by reference to pages 51 and 85 of our 2000 Annual Report.

Item 6. Selected Financial Data.

Information required by this Item is incorporated by reference to pages 26 and 27 of our 2000 Annual Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Information required by this Item is incorporated by reference to pages 28 through 50 of our 2000 Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information required by this Item is incorporated by reference to pages 39 through 43 of our 2000 Annual Report.

Item 8. Financial Statements and Supplementary Data.

Our Financial Statements meet the requirements of Regulation S-X. Such Financial Statements and supplementary financial information specified by Item 302 of Regulation S-K, are incorporated by reference to pages 51 through 84 of our 2000 Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III.

Item 10. Directors and Executive Officers of the Registrant.

Executive Officers of the Registrant.

The following information on our executive officers is included pursuant to Item 401(b) of Regulation S-K.

William F. Aldinger, age 53, joined Household in September 1994 as President and Chief Executive Officer. In May 1996 he was appointed our Chairman and Chief Executive Officer. Mr. Aldinger served as Vice Chairman of Wells Fargo Bank and a Director of several Wells Fargo subsidiaries from 1986 until joining us. Mr. Aldinger is also a director of Household Finance Corporation (one of our subsidiaries), Illinois Tool Works Inc. and MasterCard International, Incorporated.

Lawrence N. Bangs, age 64, was appointed Vice Chairman effective January 2000, having previously served as Group Executive--Private Label, United Kingdom, Canada, Insurance, Auto Finance and U.S. Consumer Banking since 1995. Since joining Household Finance Corporation in 1959, Mr. Bangs has served in various capacities in our U.S. consumer lending and United Kingdom operations, most recently as Managing Director and Chief Executive Officer of our United Kingdom operations.

Rocco J. Fabiano, age 44, was appointed Group Executive--Auto Finance, Retail Services and Tax Services in January 2000, having joined us in 1997 as a result of our acquisition of ACC Consumer Finance Corporation where he served as Chairman and Chief Executive Officer since 1993.

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Gary D. Gilmer, age 51, was appointed Group Executive--Consumer Lending in 1998. Since joining Household Finance Corporation in 1972, Mr. Gilmer has served in various capacities in our consumer banking, private label and life insurance businesses, most recently as Managing Director and Chief Executive

Officer of our United Kingdom operations.

Siddharth N. Mehta, age 42, joined Household in June 1998 as Group Executive--Credit Card Services. Prior to joining Household, Mr. Mehta was Senior Vice President of Boston Consulting Group in Los Angeles and co-leader of Boston Consulting Group Financial Services Practice in the United States.

David A. Schoenholz, age 49, was appointed Group Executive--Chief Financial Officer, effective January 2000, having previously served as Executive Vice President--Chief Financial Officer since 1996, Senior Vice President--Chief Financial Officer since 1994, Vice President--Chief Accounting Officer since 1993, Vice President since 1989 and Controller since 1987. He joined Household in 1985 as Director--Internal Audit.

Colin P. Kelly, age 58, was appointed Senior Vice President--Administration effective January 2000, having previously served as Senior Vice President--Human Resources since 1996, and Vice President--Human Resources since 1988. Mr. Kelly joined Household Finance Corporation in 1965 and has served in various management positions.

Kenneth H. Robin, age 54, was appointed Corporate Secretary in 1998 and Senior Vice President--General Counsel in 1996, having previously served as Vice President--General Counsel since 1993. He joined Household in 1989 as Assistant General Counsel--Financial Services. Prior to joining Household, Mr. Robin held various positions in the legal departments of Citicorp and Citibank, N.A. from 1977 to 1989.

There are no family relationships among our executive officers. The term of office of each executive officer is at the discretion of the Board of Directors.

Additional information required by this Item is incorporated by reference to "Nominees For Director" and "Shares of Household Stock Beneficially Owned by Directors and Executive Officers" in our definitive Proxy Statement for our 2001 Annual Meeting of Stockholders scheduled to be held May 9, 2001 (the "2001 Proxy Statement").

Item 11. Executive Compensation.

Information required by this Item is incorporated by reference to "Executive Compensation", "Report of the Compensation Committee on Executive Compensation", "Performance of Household", "Employment Agreements", "Savings--Stock Ownership and Pension Plans", "Incentive and Stock Option Plans", and "Director Compensation" in our 2001 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Information required by this Item is incorporated by reference to "Shares of Household Stock Beneficially Owned by Directors and Executive Officers" and "Security Ownership of Certain Beneficial Owners" in our 2001 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

Information required by this Item is incorporated by reference to "Incentive and Stock Option Plans" and "Agreement with Mr. James H. Gilliam Jr." in our 2001 Proxy Statement.

<PAGE>

PART IV.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Financial Statements.

The consolidated financial statements listed below, together with an opinion of Arthur Andersen LLP dated January 15, 2001 with respect thereto, are incorporated by reference herein pursuant to Item 8. Financial Statements and Supplementary Data of this Form 10-K. An opinion of Arthur Andersen LLP is also included in this Annual Report on Form 10-K.

Household International, Inc. and Subsidiaries:

HHT 0015516

Consolidated Statements of Income for the Three Years Ended December 31, 2000.

Consolidated Balance Sheets, December 31, 2000 and 1999.

Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2000.

Consolidated Statements of Changes in Preferred Stock and Common Shareholders' Equity for the Three Years Ended December 31, 2000.

Notes to Consolidated Financial Statements.

Report of Independent Public Accountants.

Selected Quarterly Financial Data (Unaudited).

(b) Reports on Form 8-K.

Current Reports on Form 8-K were filed on October 18, 2000 and November 8, 2000 by Household during the three months ended December 31, 2000.

(c) Exhibits.

<TABLE>

<C>	<S>	<C>
3(i)	Restated Certificate of Incorporation of Household International, Inc. as amended (incorporated by reference to Exhibit 3(i) of our Quarterly Report on Form 10-Q for the quarter ended June 30, 1998).	
3(ii)	Bylaws of Household International, Inc. as amended January 30, 2001.	
4(a)	Rights Agreement dated as of July 9, 1996, between Household International, Inc. and Harris Trust and Savings Bank, as Rights Agent (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K dated July 9, 1996).	
4(b)	Standard Multiple-Series Indenture Provisions for Senior Debt Securities of Household Finance Corporation dated as of June 1, 1992 (incorporated by reference to Exhibit 4(b) to the Registration Statement on Form S-3 of Household Finance Corporation, No. 33-48854).	
4(c)	Indenture dated as of December 1, 1993 for Senior Debt Securities between Household Finance Corporation and The Chase Manhattan Bank (National Association), as Trustee (incorporated by reference to Exhibit 4(b) to the Registration Statement on Form S-3 of Household Finance Corporation, No. 33-55561 filed on September 20, 1994).	
4(d)	The principal amount of debt outstanding under each other instrument defining the rights of Holders of our long-term senior and senior subordinated debt does not exceed 10 percent of our total assets. Household agrees to furnish to the Securities and Exchange Commission, upon request, a copy of each instrument defining the rights of holders of our long-term senior and senior subordinated debt.	

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<PAGE>

<TABLE>

<C>	<S>	<C>
10.1	Household International, Inc. 1998 Key Executive Bonus Plan (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the quarter ended June 30, 1998).	
10.2	Household International, Inc. Corporate Executive Bonus Plan.	
10.3	Household International, Inc. Long-Term Executive Incentive Compensation Plan, as Amended (incorporated by reference to Exhibit 10.3 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1995).	
10.4	Forms of stock option and restricted stock rights agreements under the Household International, Inc. Long-Term Executive Incentive Compensation Plan (incorporated by Reference to Exhibit 10.4 of our Annual Report on Form 10-K for the fiscal	

HHT 0015517

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        year ended December 31, 1995).
  10.5  Household International, Inc. 1996 Long-Term Executive
        Incentive Compensation Plan, as Amended.
  10.6  Forms of stock option and restricted stock rights agreements
        under the Household International, Inc. 1996 Long-Term
        Executive Incentive Compensation Plan.
  10.7  Household International, Inc. Deferred Fee Plan for Directors
        (incorporated by reference to Exhibit 10.7 of our Annual
        Report Form 10-K for the fiscal year ended December 31, 1999).
  10.8  Household International, Inc. Deferred Phantom Stock Plan for
        Directors. (incorporated by reference to Exhibit 10.8 of our
        Annual Report Form 10-K for the fiscal year ended December 31,
        1999).
  10.9  Household International, Inc. Non-Qualified Deferred
        Compensation Plan for Executives, as Amended (incorporated by
        reference to Exhibit 10.9 of our Annual Report on Form 10-K
        for the fiscal year ended December 31, 1998).
  10.10 Executive Employment Agreement between Household International, Inc.
        and W.F. Aldinger (incorporated by reference to Exhibit 10.10 of our
        Annual Report on Form 10-K for the fiscal year ended December 31,
        1998).
  10.11 Executive Employment Agreement between Household
        International, Inc. and L.N. Bangs (incorporated by reference
        to Exhibit 10.11 of our Annual Report on Form 10-K for the
        fiscal year ended December 31, 1998).
  10.12 Executive Employment Agreement between Household
        International, Inc. and G.D. Gilmer (incorporated by reference
        to Exhibit 10.12 of our Annual Report on Form 10-K for the
        fiscal year ended December 31, 1998).
  10.13 Executive Employment Agreement between Household
        International, Inc. and D.A. Schoenholz (incorporated by
        reference to Exhibit 10.13 of our Annual Report on Form 10-K
        for the fiscal year ended December 31, 1998).
  10.14 Executive Employment Agreement between Household
        International, Inc. and S.N. Mehta (incorporated by reference
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        fiscal year ended December 31, 1998).
  10.15 Executive Employment Agreement between Household
        International, Inc. and R.J. Fabiano.
  10.16 Amended and Restated Supplemental Executive Retirement Plan
        for W.F. Aldinger.
  10.17 Beneficial Corporation 1990 Non-qualified Stock Option Plan
        (incorporated by reference to Exhibit 4.4 of Beneficial
        Corporation's Form S-8 filed on April 23, 1996, File No. 333-
        02737).
</TABLE>


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<PAGE>

<TABLE>
  <C>   <S>                                                         <C>
  10.18 Amendment to Beneficial Corporation 1990 Non-qualified Stock
        Option Plan (incorporated By reference to Exhibit 4.2 of
        Beneficial Corporation's Form S-8 filed July 1, 1998, File No.
        333-58291).
  11    Statement of Computation of Earnings per Share.
  12    Statement of Computation of Ratio of Earnings to Fixed Charges
        and to Combined Fixed Charges and Preferred Stock Dividends.
  13    Material incorporated by reference to Household International,
        Inc.'s 2000 Annual Report to Shareholders.
  21    List of our subsidiaries.
  23    Consent of Arthur Andersen LLP, Certified Public Accountants.
  24    Power of Attorney, included on page 14 hereof.
  99(a) Annual Report on Form 11-K for the Household International,
        Inc. Tax Reduction Investment Plan (to be filed by amendment).
  99(b) Ratings of Household International, Inc. and its significant
        subsidiaries.
</TABLE>

   We will furnish copies of the exhibits referred to above to our stockholders
upon receiving a written request therefor. We charge fifteen cents per page for
providing these copies. Requests should be made to Household International,
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Inc., 2700 Sanders Road, Prospect Heights, Illinois 60070, Attention: Corporate Secretary.

(d) Schedules.

Report of Independent Public Accountants.

I--Condensed Financial Information of Registrant.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Household International, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Household International, Inc.

Dated: March 28, 2001

By: /s/ W.F. Aldinger
W.F. Aldinger, Chairman and Chief Executive Officer

Each person whose signature appears below constitutes and appoints J.W. Blenke, L.S. Mattenson and J.S. VanderLinde and each or any of them (with full power to act alone), as his/her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her in his/her name, place and stead, in any and all capacities, to sign this Form 10-K and any and all amendments to this Form 10-K and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each such attorneys-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or their substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Household International, Inc. and in the capacities and on the date indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ W.F. Aldinger (W.F. Aldinger)	Chairman and Chief Executive Officer and Director (as principal executive officer)	
/s/ R.J. Darnall (R.J. Darnall)	Director	
/s/ G.G. Dillon (G.G. Dillon)	Director	
/s/ J.A. Edwardson (J.A. Edwardson)	Director	March 28, 2001
/s/ M.J. Evans (M.J. Evans)	Director	

/s/ J.D. Fishburn (J.D. Fishburn)	Director
/s/ C.F. Freidheim, Jr. (C.F. Freidheim, Jr.)	Director

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<TABLE>

<S>	<C>	<C>
/s/ J.H. Gilliam, Jr. (J.H. Gilliam, Jr.)	Director	
/s/ L.E. Levy (L.E. Levy)	Director	
/s/ G.A. Lorch (G.A. Lorch)	Director	
/s/ J.D. Nichols (J.D. Nichols)	Director	
/s/ J.B. Pitblado (J.B. Pitblado)	Director	March 28, 2001
/s/ S.J. Stewart (S.J. Stewart)	Director	
/s/ L.W. Sullivan, M.D. (L.W. Sullivan, M.D.)	Director	
/s/ D.A. Schoenholz (D.A. Schoenholz)	Group Executive--Chief Financial Officer (also the principal financial and accounting officer)	

</TABLE>

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EXHIBIT INDEX

<TABLE>
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Exhibit No	Document Description	
<C>	<S>	<C>
3(i)	Restated Certificate of Incorporation of Household International, Inc. as amended (incorporated by reference to Exhibit 3(i) of our Quarterly Report on Form 10-Q for the quarter ended June 30, 1998).	
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12	Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.
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99(b)	Ratings of Household International, Inc. and its significant subsidiaries.

</TABLE>

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Household International, Inc.:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements included in Household International, Inc.'s 2000 annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 15, 2001. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in Item 14(d) is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Chicago, Illinois
January 15, 2001

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SCHEDULE I

HOUSEHOLD INTERNATIONAL, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF INCOME
(In millions)

<TABLE>
<CAPTION>

	Year ended December 31		
	2000	1999	1998
<S>	<C>	<C>	<C>
Equity in earnings of subsidiaries....................	$1,747.9	$1,521.4	$546.3

Other income	34.6	32.5	24.6
Total income	1,782.5	1,553.9	570.9
Expenses:			
Administrative	72.7	62.8	49.2
Interest	61.3	50.6	45.2
Total expenses	134.0	113.4	94.4
Income before income tax benefit	1,648.5	1,440.5	476.5
Income tax benefit	52.2	45.9	47.6
Net income	$1,700.7	$1,486.4	$524.1
Total comprehensive income	$1,742.9	$1,374.6	$546.7

</TABLE>

See accompanying note to condensed financial statements.

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SCHEDULE I (continued)

HOUSEHOLD INTERNATIONAL, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED BALANCE SHEETS
(In millions)

<TABLE>
<CAPTION>

	December 31	
	2000	1999
<S>	<C>	<C>
Assets		
Cash	--	$ 2.2
Investments in and advances to (from) subsidiaries	$9,034.7	7,400.7
Other assets	604.9	533.7
Total assets	$9,639.6	$7,936.6
Liabilities and Shareholders' Equity		
Commercial paper	$ 292.3	$ 397.7
Senior debt (with original maturities over one year)	185.0	185.6
Total debt	477.3	583.3
Other liabilities	371.7	363.0
Total liabilities	849.0	946.3
Company obligated mandatorily redeemable preferred securities of subsidiary trusts*	675.0	375.0
Preferred stock	164.4	164.4
Common shareholders' equity	7,951.2	6,450.9
Total liabilities and shareholders' equity	$9,639.6	$7,936.6

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* The sole assets of the four trusts are Junior Subordinated Deferrable Interest Notes issued by Household International, Inc. in June 2000, March 1998, June 1996 and June 1995, bearing interest at 10.00, 7.25, 8.70 and 8.25 percent, respectively, with principal balances of $309.3, $206.2, $103.1 and $77.3 million, respectively, and due June 30, 2030, December 31, 2037, June 30, 2036 and June 30, 2025, respectively.

See accompanying note to condensed financial statements.

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SCHEDULE I (continued)

HOUSEHOLD INTERNATIONAL, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF CASH FLOWS
(In millions)

<TABLE>
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	Year ended December 31		
	2000	1999	1998
<S>	<C>	<C>	<C>
Cash provided by (used in) operations			
Net income	$ 1,700.7	$ 1,486.4	$ 524.1
Adjustments to reconcile net income to net cash provided by (used in) operations:			
Equity in earnings of subsidiaries	(1,747.9)	(1,521.4)	(546.3)
Other operating activities	(10.5)	(11.6)	193.8
Cash provided by (used in) operations	(57.7)	(46.6)	171.6
Investment in Operations			
Dividends from subsidiaries	648.0	1,160.5	1,067.3
Dividends from pooled affiliate	--	--	75.4
Investment in and advances to (from) subsidiaries, net	(282.5)	8.7	(709.3)
Other investing activities	(.8)	2.5	1.9
Cash increase from investment in operations	364.7	1,171.7	435.3
Financing and Capital Transactions			
Net change in commercial paper and bank borrowings	(105.4)	82.1	34.1
Retirement of senior debt	--	(89.7)	--
Issuance of senior debt	--	85.6	--
Shareholders' dividends	(358.9)	(332.1)	(256.5)
Shareholders' dividends--pooled affiliate	--	--	(61.8)
Issuance of company obligated mandatorily redeemable preferred securities of subsidiary trusts	300.0	--	200.0
Purchase of treasury stock	(209.3)	(915.9)	(412.0)
Treasury stock activity--pooled affiliate	--	--	(11.4)
Issuance of common stock	64.4	45.0	.8
Redemption of preferred stock	--	--	(100.1)
Cash decrease from financing and capital transactions	(309.2)	(1,125.0)	(606.9)
Increase (decrease) in cash	(2.2)	.1	--
Cash at January 1	2.2	2.1	2.1
Cash at December 31	$ --	$ 2.2	$ 2.1

</TABLE>

See accompanying note to condensed financial statements.

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SCHEDULE I (continued)

HOUSEHOLD INTERNATIONAL, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTE TO CONDENSED FINANCIAL STATEMENTS OF REGISTRANT

The condensed financial statements of Household International, Inc. have been prepared on a parent company unconsolidated basis.

Under an agreement with the Office of Thrift Supervision, Household will maintain the capital of the Bank, at a level consistent with certain minimum capital requirements.

Household received cash dividends from the Bank of $275 and $75 million in 1999 and 1998, respectively. No dividends were received from the Bank in 2000.

Household has guaranteed payment of certain long-term debt obligations of Household Financial Corporation Limited ("HFCL"), a Canadian subsidiary. The amount of guaranteed debt outstanding at HFCL on December 31, 2000 and 1999 was $.3 and $.4 billion, respectively.

Household has also guaranteed payment of certain debt obligations (excluding certain deposits) of Household International (U.K.) Limited ("HIUK"). The amount of guaranteed debt outstanding at HIUK on December 31, 2000 and 1999 was approximately $2.2 and $2.7 billion, respectively.

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Exhibit 3(ii)

BYLAWS OF

HOUSEHOLD INTERNATIONAL, INC.

ARTICLE I.

DEFINITIONS, PLACES OF MEETINGS.

SECTION 1. Definitions. When used herein, "Board" shall mean the Board of Directors of this Corporation, and "Chairman" shall mean Chairman of the Board of Directors.

SECTION 2. Places of Meetings of Stockholders and Directors. Unless the Board shall fix another place for the holding of the meeting, meetings of stockholders and of the Board shall be held at the Corporation's International Headquarters, Prospect Heights, Cook County, Illinois, or at such other place in Cook County specified by the person or persons calling the meeting.

ARTICLE II.

STOCKHOLDERS MEETINGS.

SECTION 1. Annual Meeting of Stockholders. The annual meeting of stockholders shall be held on such date and at such time as is fixed by the Board. Any previously scheduled annual meeting of stockholders may be postponed by resolution of the Board of Directors upon public announcement given prior to the date previously scheduled for such annual meeting of stockholders.

SECTION 2. Special Meetings.

CALL. Special meetings of the stockholders may be called at any time by the President, Chief Executive Officer or a majority of the Board of Directors. Any previously scheduled special meeting of stockholders may be postponed by resolution of the Board of Directors upon public announcement given prior to the date previously scheduled for such special meeting of stockholders.

REQUISITES OF CALL. A call for a special meeting of stockholders shall be in writing, filed with the Secretary, and shall specify the time and place of holding such meeting and the purpose or purposes for which it is called.

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SECTION 3. Notice of Meetings. Written notice of a meeting of stockholders

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setting forth the place, date, and hour of the meeting and the purpose or purposes for which the meeting is called shall be mailed not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at the meeting.

SECTION 4. Quorum and Adjournments. At any meeting of stockholders, the holders of a majority of all the outstanding shares entitled to vote, present in person or by proxy, shall constitute a quorum for the transaction of business, and a majority of such quorum shall prevail except as otherwise required by law, the Certificate of Incorporation, or the bylaws.

If the stockholders necessary for a quorum shall fail to be present at the time and place fixed for any meeting, the holders of a majority of the shares entitled to vote who are present in person or by proxy may adjourn the meeting from time to time, until a quorum is present, provided, however, that any stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the Chairman of the meeting. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

SECTION 5. Inspectors of Election. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

SECTION 6. List of Stockholders. The Secretary shall prepare, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the

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meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder present.

SECTION 7. Polls. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations

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thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery of the State of Delaware upon application by a stockholder shall determine otherwise.

SECTION 8. Nomination and Stockholder Business.

(A) Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made (a) by or at the direction of the Board of Directors pursuant to the Corporation's proxy statement or notice of meeting or at the annual meeting of stockholders, or (b) other than as permitted by Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), by any stockholder of the Corporation at the annual meeting of stockholders, provided such stockholder is entitled to vote at the meeting, has complied with the notice and the other procedures set forth in this Section 8, and was a stockholder of record at the time of giving of notice provided for in this Section 8.

(2) For proposed nominees or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (b) of paragraph (A)(1) of this Section 8, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 120 days nor more than 150 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 150th day prior to such annual meeting and not later than the close of business on the later of the 120th day prior to such annual meeting or the 10th day

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following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate at the annual meeting for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to serving as a director if elected). Any individual proposed to be nominated to the Board of Directors by a stockholder pursuant to this procedure shall only become a nominee for election to the Board of Directors if the stockholder who has provided the notice, or his proxy, presents such individual as a nominee at the annual meeting; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as it appears on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 8 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for

Director or specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 8 shall also be considered timely, but only with respect to proposed nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's proxy statement or notice of meeting. Nominations of persons for election to the Board of Directors at a special meeting of stockholders at which directors are to be elected may be made (a) by or at the direction of the Board of Directors pursuant to the Corporation's proxy statement or notice of meeting or at the meeting, or (b) at the meeting by any

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stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this paragraph (B) of Section 8, who shall be entitled to vote at the meeting and who complies with the procedures set forth in clause (a) of paragraph (A)(2) of of this Section 8. Stockholder's notice required by this paragraph (B) of this Section 8 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the 150th day prior to such special meeting and not later than the close of business on the later of the 120th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(C) General. (1) Only such persons who are nominated in accordance with the procedures set forth in this Section 8 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 8. The Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 8 and, if any proposed nomination or business is not in compliance with this Section 8, to declare that such defective nomination or proposal shall be disregarded.

(2) For purposes of this Article II, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding anything set forth herein to the contrary, any stockholder may submit a notice delivered to the Secretary at the principal executive offices of the Corporation containing names of individuals for the Board of Directors to consider as potential nominees to the Board of Directors at the next meeting of stockholders called for the purpose of electing directors. In connection with such notice, the stockholder shall provide the information required in clause (a) of paragraph (A)(2) of this Section 8, including, the written consent of each individual to be named in the Corporation's proxy statement or notice of meeting if the Board of Directors, in its sole discretion, determines to nominate such individual. Any such notice

provided by a stockholder must be timely received by the Corporation to enable the Board of Directors to review the qualifications of any person to be considered for a nomination. For purposes hereof, the notice shall be deemed timely if it is delivered to the Secretary of the Corporation within the time periods required for notices of stockholder proposals as set

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forth in Rule 14a-8 of the Exchange Act.

(4) Nothing in this Section 8 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement or notice of meeting pursuant to Rule 14a-8 of the Exchange Act.

(5) Notwithstanding the foregoing provisions of this Section 8, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 8.

ARTICLE III.

BOARD OF DIRECTORS.

SECTION 1. General Powers. The business and affairs of this Corporation shall be managed under the direction of the Board.

NUMBER. The number of directors shall be fixed from time to time by resolution of the Board.

TENURE. The directors shall be elected at the annual meeting of stockholders. Each director shall hold office until his successor is elected and qualified or until his earlier resignation or removal.

VACANCIES. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office though less than a quorum.

SECTION 2. Annual Meetings of the Board. The annual meeting of the Board shall be held following the annual meeting of stockholders and shall be a meeting of the directors elected at such meeting of stockholders. No notice shall be required.

SECTION 3. Regular Meetings of the Board. Regular meetings of the Board shall be held at such times and places as the Board may fix. No notice shall be required.

SECTION 4. Special Meetings of the Board. Special meetings of the Board shall be held whenever called by the President, Chief Executive Officer, or any four or more directors. At least twenty-four hours written or oral notice of each special meeting shall be given to each director. If mailed, notice must be deposited in the United States mail at least seventy-two hours before the meeting.

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SECTION 5. Quorum. A majority of the members of the Board if the total number is odd or one-half thereof if the total number is even shall constitute a

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quorum for the transaction of business, but if at any meeting of the Board there is less than a quorum the majority of those present may adjourn the meeting from time to time until a quorum is present. At any such adjourned meeting, a quorum being present, any business may be transacted which might have been transacted at the original meeting.

Except as otherwise provided by law, the Certificate of Incorporation, or the bylaws, all actions of the Board shall be decided by vote of a majority of those present.

SECTION 6. Committees. The Board may, by resolution passed by a majority of the entire Board, designate one or more committees of directors which to the extent provided in the resolution shall have and may exercise powers and authority of the Board in the management of the business and affairs of the Corporation.

SECTION 7. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all the members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

ARTICLE IV.

OFFICERS.

SECTION 1. Officers. The Policy Making Officers of the Corporation shall be appointed by the Board of Directors. The Board of Directors shall also appoint General Officers to manage the day-to-day business functions of the Corporation. Policy Making Officers shall have the authority to appoint other Assistant Officers to assist in the ministerial aspects of their area of responsibilities.

The Policy Making Officers of the Corporation shall be the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer (if any), the Chief Financial Officer (if any), the President (if any), any Vice Chairman (if any), any Executive Vice President, Group Executive or Senior Vice President (if any), and the General Counsel. The General Officers of the Corporation shall be any Vice President, any Managing Director, the Controller (if any), the Treasurer (if any), and the Secretary. Any person holding the title of Chairman or President shall be a director of the Corporation.

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The Board may from time to time designate, employ, or appoint such other officers and assistant officers, agents, employees, counsel, and attorneys at law or in fact as it shall deem desirable for such periods and on such terms as it may deem advisable, and such persons shall have such titles, only such power and authority, and perform such duties as the Board may determine.

SECTION 2. Duties of Chairman of the Board. The Chairman shall sign and issue, jointly with the President (if any), all reports to the stockholders and shall preside at all meetings of stockholders and of the Board. He shall, in general, perform duties incident to the office of Chairman as may be prescribed by the Board.

SECTION 3. Duties of Chief Executive Officer. At each annual meeting of the Board, or other meeting at which Policy Making Officers are or may be

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elected, the Board shall designate the Chairman or the President (if any) as the Chief Executive Officer of the Corporation. The Chief Executive Officer shall have general authority over all matters relating to the business and affairs of the Corporation subject to the control and direction of the Board. In the absence or inability of the Chief Executive Officer to act, the Chair of the Executive Committee of the Board shall perform the duties of the Chief Executive Officer.

SECTION 4. Duties of President. The President, if one is appointed by the Board, shall, in general, perform all duties incident to the office of President and shall perform such other duties as may be prescribed by the Board. In the absence or inability of the Chairman, or the Chair of the Executive Committee in accordance with Section 3 above, to act, the President shall perform the duties of the Chairman and the Chief Executive Officer.

SECTION 5. Duties of a Vice Chairman. A Vice Chairman, if one is appointed by the Board, shall, in general, perform all duties incident to the office of a Vice Chairman and shall perform such other duties as may be prescribed by the Board. In the absence or inability of the President or the Chair of the Executive Committee to act as the Chief Executive Officer in accordance with Sections 3 and 4 above, the most senior Vice Chairman, as designated by the Chairman, shall perform the duties of the Chief Executive Officer and Chairman for such time period as required.

SECTION 6. Duties of Executive Vice Presidents, Group Executives and Senior Vice Presidents. Each Executive Vice President, Group Executive and Senior Vice President shall have such powers and perform such duties as may be prescribed by the Chief Executive Officer of the Corporation or the Board. The

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order of seniority, if any, among the Executive Vice Presidents, Group Executives and Senior Vice Presidents shall be as designated from time to time by the Chief Executive Officer of the Corporation. In the absence or inability of any Vice Chairman to act as the Chief Executive Officer as may be required in accordance with Section 5 above, the senior of the Executive Vice Presidents, Group Executives and Senior Vice Presidents, if one has been so designated, shall perform the duties of the Chief Executive Officer and Chairman for such time period as required.

SECTION 7. Duties of Secretary. The Secretary shall record the proceedings of meetings of the stockholders and directors, give notices of meetings, and shall, in general, perform all duties incident to the office of Secretary and such other duties as may be prescribed by the Board.

SECTION 8. Duties of Treasurer. The Treasurer shall have custody of all funds, securities, evidences of indebtedness, and other similar property of the Corporation, and shall, in general, perform all duties incident to the office of Treasurer and such other duties as may be prescribed by the Board.

ARTICLE V.

MISCELLANEOUS PROVISIONS.

SECTION 1. Waiver of Notice. Whenever notice is required to be given, a written waiver thereof signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such

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meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 2. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action; except that the establishment of a record date for determination of stockholders entitled to express consent to corporate action in writing without a meeting shall be established pursuant to Article VII of the bylaws.

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ARTICLE VI.

EMERGENCY BYLAWS.

SECTION 1. When Operative. Notwithstanding any different provision in the preceding Articles of the bylaws or in the Certificate of Incorporation, the emergency bylaws provided in this Article VI shall be operative during any emergency resulting from an attack on the United States or on a locality in which the Corporation conducts its business or customarily holds meetings of its Board or its stockholders, or during any nuclear or atomic disaster, or during the existence of any catastrophe, or other similar emergency condition, as a result of which a quorum of the Board or a standing committee thereof cannot readily be convened for action.

SECTION 2. Board Meetings. During any such emergency, a meeting of the Board may be called by any director or, if necessary, by any officer who is not a director. The meeting shall be held at such time and place, within or without Cook County, Illinois, specified by the person calling the meeting and in the notice of the meeting which shall be given to such of the directors as it may be feasible to reach at the time and by such means as may be feasible at the time, including publication or radio. Such advance notice shall be given as, in the judgment of the person calling the meeting, circumstances permit. Two directors shall constitute a quorum for the transaction of business. To the extent required to constitute a quorum at the meeting, the officers present shall be deemed, in order of rank and within the same rank in order of seniority, directors for the meeting.

SECTION 3. Amendments to Emergency Bylaws. These emergency bylaws may be amended, either before or during any emergency, to make any further or different provision that may be practical and necessary for the circumstances of the emergency.

ARTICLE VII.

CONSENTS TO CORPORATE ACTION.

SECTION 1. Action by Written Consent. Unless otherwise provided in the Certificate of Incorporation, any action which is required to be or may be taken at any annual or special meeting of stockholders of the Corporation, subject to the provisions of Sections (2) and (3) of this Article VII, may be taken without

a meeting, without prior notice and without a vote if a consent in writing, setting forth the action so taken, shall have been signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize

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or to take such action at a meeting at which all shares entitled to vote thereon were present and voted; provided, however, that prompt notice of the taking of the corporate action without a meeting and by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

SECTION 2. Determination of Record Date for Action by Written Consent. The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting shall be fixed by the Board of Directors of the Corporation. Any stockholder seeking to have the stockholders authorize or take corporate action by written consent without a meeting shall, by written notice to the Secretary, request the Board of Directors to fix a record date. Upon receipt of such a request, the Secretary shall, as promptly as practicable, call a special meeting of the Board of Directors to be held as promptly as practicable. At such meeting, the Board of Directors shall fix a record date as provided in Section 213(b) (or its successor provision) of the Delaware General Corporation Law; that record date, however, shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board nor more than 15 days from the date of the receipt of the stockholder's request. Notice of the record date shall be published in accordance with the rules and policies of any stock exchange on which securities of the Corporation are then listed. Should the Board fail to fix a record date as provided for in this Section 2, then the record date shall be the day on which the first written consent is duly delivered pursuant to Section 213(b) (or its successor provision) of the Delaware General Corporation Law, or, if prior action is required by the Board with respect to such matter, the record date shall be at the close of business on the day on which the Board adopts the resolution taking such action.

SECTION 3. Procedures for Written Consent. In the event of the delivery to the Corporation of a written consent or consents purporting to represent the requisite voting power to authorize or take corporate action and/or related revocations, the Secretary of the Corporation shall provide for the safekeeping of such consents and revocations and shall promptly engage nationally recognized independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. No action by written consent without a meeting shall be effective until such inspectors have completed their review, determined that the requisite number of valid and unrevoked consents has been obtained to authorize or take the action specified in the consents, and certified such determination for entry in the records of the Corporation kept for the purpose of recording the proceedings of meetings of stockholders.

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EXHIBIT 10.2

Household International
Corporate Executive Bonus Plan
2000

Summary

The Household International Executive Bonus Plan is a short-term, annual incentive plan. The purpose of the annual bonus is to place a significant part of pay at risk and reward executives for the achievements of individual, business unit and corporate financial and operational goals. Performance goals and award opportunities will be communicated to plan participants at the beginning of each calendar year.

Participation

Participation in the Plan will be restricted to key line and staff executives. For purposes of the Plan, participants will be divided into groups. (See attached list).

Any changes in the group of executives participating in the Plan will be made by the Chief Executive Officer, subject to the approval of the Compensation Committee in the case of any participant whose base salary must be determined by the Committee.

Level of Awards

The corporate measurement of performance is company-wide earnings per share, return on equity, core receivables growth, revenue growth, equity to managed assets ratio and products per customer ratio. Household's performance will be measured against pre-established minimum, target and maximum levels.

Individual performance is also measured and the percentage attributed to any particular performance objective varies by executive and may change from year-to-year as circumstances warrant. Management may reduce bonus awards in light of overall business conditions or other exceptional circumstances.
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Target/Maximum Awards

Target awards will be paid for fully satisfactory financial and individual performance in a given year. The target award percentage for each group will approximate the guideline percentage shown below of the executive's base salary at the end of the plan year.

Guideline % of Annual Base Salary Determined by

Group	Target Bonus	Maximum Bonus
A	100%	200%
B	100%	125%
C	75%	150%
D	75%	125%
E	$62,500	$125,000
F	50%	100%
G	$50,000	$100,000
H	40%	80%
I	$40,000	$ 80,000
J	40%	60%
K	$37,500	$ 93,750
L	30%	60%
M	30%	50%
N	25%	50%
O	$25,000	$ 50,000
P	20%	50%
Q	20%	40%
R	20%	30%

Detailed information relating to the assignment and weighing of goals is available by individual and is maintained by the business unit and/or corporate.

Determination of Awards

A. Financial Performance Awards

A portion of each executive's annual bonus will be determined by meeting specific financial performance objectives. An award will be paid out if achieved results are at the pre-established minimum, target or maximum financial results levels.

B. Individual Performance Awards

Early in each plan year, goals for individual performance for that year will be established for each participant. The goals should require the level of performance that is expected of a

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fully satisfactory incumbent and must be agreed to by the immediate superior. The Compensation Committee of the Board of Directors must approve the goals for those executives whose salaries are determined by the Committee. These goals will be the primary criteria for measuring individual performance and determining the individual performance portion of the bonus for that year.

The Chief Executive Officer will recommend the awards for participants whose salaries are determined by the Compensation Committee of the Board of Directors. The Compensation Committee will then determine the awards for all such participants.

The Chief Executive Officer will determine the awards for all participants

whose salaries are not determined by the Compensation Committee. The CEO's direct reports, in consultation with their appropriate subordinates, will recommend to the Chief Executive Officer the awards for all other participants.

Payment of Awards

Awards will be paid as soon as practical at the end of the plan period, subject to all required tax withholdings. Awards may be paid in cash, shares of Household common stock, or some combination thereof. Neither eligible participation in the plan, nor award payments thereunder shall guarantee an employee, any right to continued employment. The plan does not give any employee right or claim to an award under the program. Management reserves the right to change or discontinue the plan at any time.

Administrative Matters

A. Promotions/New Plan Participants

Normally awards will be pro-rated according to the portion of the plan year that an incumbent is eligible for the bonus.

B. Effect on Benefits

Payments made under this plan shall be included in an employee's income for purposes of determining pension benefits, life insurance, long-term disability, and participation in the TRIP plan.

C. Termination of Employment

Normally awards will be pro-rated in the case of death, permanent and total disability, or retirement under one of the Corporation's pension plans during a plan year. If a participant terminates employment for any other reason prior to the last working day of a plan year, he will normally forfeit any right to an award for the plan year.

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The Goal Setting Process

Before the beginning of the plan year, the manager and subordinate will meet in a goal setting session. The purpose of the session is to discuss areas where goals will be established and agree on their priority and establish the number of points that will be earned based upon various levels of achievement during the plan period.

Preparation for the Goal Setting Meeting

To prepare for the goal setting session with the bonus eligible subordinate, the manager should have a clear idea of function or department goals and objectives for the plan year, priorities for the subordinate's unit or area, and three or four possible objectives to suggest as appropriate. During the session, the manager's role will be to direct the discussion and ensure that its results are jointly understood.

The subordinate will prepare for the session by establishing a list of priorities for the unit or area during the plan year, and developing four to eight potential goals for discussion. The subordinate's role during the session

will be to actively discuss goals and expected levels of achievement with the manager. This is to ensure that the final agreement is realistic and achievable and that there is a clear understanding of expected performance and the amount of bonus associated with various levels of achievement.

Guidelines for Setting Goals

For the purpose of establishing goals for the plan year, the following criteria should apply:

- Goals should be consistent and supportive of goals reflected in the Company's strategic business plans.

- Goals should be primarily job or task oriented. They must be realistic and achievable yet challenging with built in "stretch" to test individual capabilities. They should clearly specify action, tasks or results to be accomplished as well as a clear understanding of how the accomplishment will be evaluated.

- Goals must be understood and agreed to by both the manager and the subordinate.

Setting goals for staff positions is somewhat more difficult than for line-type positions because staff performance is usually not measured numerically and rarely lends itself to quantitative measurement. Staff responsibilities tend to be contributory, interpretive and are more easily measured qualitatively. Frequently, the goals may include completion of specific projects. Non-quantitative goals should clearly state the criteria that will be used for evaluating successful achievement.

The results of the goal setting process will be documented in the format of the Executive Bonus Plan Goal Setting Form and approved by the appropriate level of management.

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GROUP/TITLE

Group A - 100%/200%

Director Personal Bank
Group Director-Business Development
Managing Director CEO HAF
Managing Director, HFCPS
Managing Director-HFS
Managing Director, Consumer Finance Sales
Regional General Manager

Group B - 100%/125%

National Sales Director

Group C - 75%/150%

Managing Director-CEO HRS USA
Managing Director-Operations

Group D - 75%/125%

Managing Director-Canada

Group E - $62,500/$125,000

VP-Collections

Group F - 50%/100%

Chief Credit Officer
Director-Sales HH Direct
Division General Manager
Group Director of Sales - HIG
Group Director-Business Development & Marketing
Managing Director - Commercial Finance
Managing Director-HTMI
Managing Director Equipment Finance
National Director, Sales Finance
National Director-Business Development & Client Relations
President - Decision One
Senior VP - Credit
Senior VP - Finance
Senior VP Systems
Senior VP-Loan Production
Senior VP-Operations
VP- Lending
VP-Marketing
VP-Secondary Marketing & Acquisitions

Group G - $50,000/$100,000

VP, Wholesale Servicing

Group H - 40%/80%

Group Director Sales & Telemarketing
Managing Director-Controller HI
VP-Corporate Finance
VP-Treasurer

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Group I - $40,000/$80,000

Director, Collections
VP - Flow Business

Group J - 40%/60%

Assistant General Counsel-Litigation
Chief Financial & Credit Policy Officer
Chief Financial Officer-HAF
Chief Financial Officer-HFC
Chief Credit Officer (Group Director)
Deputy Managing Director-COO (HRS)
Group Director Asset Management
Group Director Risk Management

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Group Director, Operations RCS
Group Director-Collections
Household Direct
Managing Director - HIG
Managing Director/CFO
Managing Director of Marketing (HCS)
Managing Director Credit Policy & Risk Control
Managing Director-Operations
Managing Director-Networked Systems
Managing Director-Strategic Initiatives
National Director-Financial Control
National Director-Portfolio Management
Senior Vice President & CFO
VP Data Center Operations
VP Portfolio Management
VP-Applications Systems
VP-Corporate Law & Assistant Secretary
VP-Credit Policy
VP-Government Relations
VP-Human Resources (HFC)
VP-Investor Relations
VP-Money & Capital Markets
VP-Taxes

Group K - $37,500/$93,750

Assistant to the Group Executive

Group L - 30%/60%

Regional Director - Sales

Group M - 30%/50%

Assistant Controller
Assistant General Counsel-Employee Relations
Chief Financial Officer-UK
Director Sales Support/MIS
Director Asset Backed Financing
Director of Operations UK
Director/Special Project Consultant
Director-Fraud/Operations
Director-Processing Services-Canada

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Group M - 30%/50% (continued)

Group Director-Customer Relations Management
Group Director-HCS Marketing
Group Director-Risk Control
Group General Counsel
Group Director-Information Management
National Director-Credit Policy, Pricing ,Profitability
National Director-Customer Service
VP-Audit
VP-Items Processing

VP-Portfolio Management
VP-Specialty Finance

Group N - 25%/50%

Director Acquisitions & Relations Management
Director-Credit Policy Administration
Director-Credit Policy (#1)
Group Director-Client Services & Collections

Group O - $25,000/$50,000

Director-Wholesale Acquisition

Group P - 20%/50%

Director, REN Risk Control

Group Q - 20%/40%

Chief Financial Officer/Direct
Controller
Controller-HH Direct
Director-ALM
Director-Credit Operations
Director-Credit Policy (#2)
Director-Customer Management Strategy
Director-Marketing
Director-Project Control
Director-Strategy & Development
General Counsel

Group Q - 20%/40% (continued)

Group Director Marketing Strategy
Group Director - Marketing
VP Data Architecture & System
VP Human Resources
VP-Benefits & Policy
VP-Chief Financial Officer-HTS
VP-Compensation & HR Administration
VP-Facilities Management
VP-Finance-Specialty Finance HFC
VP-Networked Systems
VP-Service Delivery
VP-Training & Development & Communications

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Group R - 20%/30%

Actuarial Director
Controller-HCS
Controller-HRSI
Director Information & Decision Analysis
Director Reconciliation & Financial Information Systems
Director Government. Relations & Regulatory Issues
Director-Business Analysis HCS

Director-Business Unit Accounting
Director-Communications & Distributed Services
Director-Compliance Administration
Director-Data Center Operations
Director Cash Operations
Director, Corporate & Treasury Accounting
Director/Special Project Consultant
Director-ALG Systems & Loan Processes
Director-Business Systems
Director-Business Treasury
Director-Corporate Purchasing
Director-Customer Relations
Director-Customer Service
Director-Federal Tax Audit
Director-HCS Marketing
Director-Investor Relations
Director-Item Processing
Director-Operations Services
Director-Regulatory Reporting
Director-Tax Planning & Tax Counsel
Director-Telephone Services
Director-Federal & State Tax Compliance
Director-HFC Policy & Compliance Support
Director-Information Technology
Director-Insurance Taxation & Counsel
Director-Inter-corporate Risk & Compliance
Director-Operations Support

Group R - 20%/30% (continued)

Group Director-Credit Operations
Group Director-Customer Service
Group Director-Profitability
VP Property Management
VP, Technical Services
VP-Finance & Administration
VP-Financial Control
VP-HFC Operation Support
VP-Insurance & Risk Finance
VP-Sales & Marketing

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Exhibit 10.5

HOUSEHOLD INTERNATIONAL
1996 LONG-TERM EXECUTIVE INCENTIVE COMPENSATION PLAN
(as amended November 13, 2000)

1. Purpose

The purpose of the Household International 1996 Long-Term Executive Incentive Compensation Plan (the "Plan") is to further the long-term growth of Household International, Inc. and its subsidiaries ("Household") by strengthening the ability of Household to attract and retain employees of outstanding ability, to provide an effective means for employees to acquire and maintain ownership of Household Common Stock, to motivate such employees to achieve long-range performance goals and objectives, and to provide incentive compensation opportunities competitive with those of other major corporations. Household senior executives, in particular, are charged with enhancing shareholder value and except under extraordinary circumstances, will only receive options under this Plan. The options, if granted, to Household senior executives will comprise a significant portion of their total annual compensation. In addition, the Plan provides for the issuance of options to purchase Household Common Stock to non-employee Directors of Household in order to facilitate ownership of Household Common Stock by Directors and to more fully align the interests of Household's Directors with that of its Common stockholders.

2. Administration

The Plan shall be administered by the Compensation Committee of Household's Board of Directors (the "Committee"), a committee of the Board appointed from time to time by the Board consisting solely of two or more non-employee directors, each of whom shall be an "outside director" as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations thereunder and a "disinterested person" as defined in Rule 16b-3 under Section 16(b) of the Securities Exchange Act of 1934 (the "Exchange Act"). The Committee shall have such powers to administer the Plan as are delegated to it by the Plan and the Board of Directors, including, to the extent permissible under the terms of the Plan, the power to interpret the Plan and any agreements executed thereunder, to prescribe rules and regulations relating to the Plan, to determine the terms, restrictions, and provisions of any agreement relating to awards granted pursuant to the Plan, and to make all other determinations necessary or advisable for administering the Plan. Except as required by Rule 16b-3 (or any successor Rule thereto) with respect to grants of awards to individuals who are subject to Section 16 of the Exchange Act or as otherwise required for compliance with Rule 16b-3 or other applicable law, the Committee

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may delegate all or any part of its authority under the Plan to any officer of Household. All decisions made by the Committee, or (unless the Committee has specified an appeal process to the contrary) any other person to whom the Committee has delegated authority pursuant to the provisions hereof, shall be final and binding on all persons.

3. Grant of Awards; Shares Subject to Plan

(a) The Committee may grant any type of award permitted under the terms of the Plan to employees (all such awards in the aggregate being hereinafter referred to as "Awards"). Employees of Household and its subsidiaries may be selected by the Committee for Awards under the Plan. In addition, non-employee Directors of Household will receive options pursuant to the provisions of Section 6.

(b) The number of shares of Common Stock of Household that may be issued under the Plan is equal to the sum of the number of shares remaining available under the Household International Long-Term Executive Incentive Compensation Plan (the "1984 Plan") plus 24,000,000, all of which shares may be made subject to options. The shares issued pursuant to an Award may consist of authorized and unissued shares of Household's Common Stock, Common Stock held in Household's treasury or Common Stock purchased on the open market. If any Award granted under the Plan or the 1984 Plan shall terminate or lapse for any reason, any shares of Common Stock subject to such Award shall again be available for grant under the Plan. The maximum number of shares or share equivalents that may be granted through an Award to any one participant in one year is 1,200,000 shares.

(c) In the event of corporate changes affecting Household's Common Stock, this Plan or Awards granted to employees and options granted to non-employee Directors hereunder (including, without limiting the generality of the foregoing, stock dividends, stock splits, recapitalizations, reorganizations, mergers, consolidations, or other relevant changes in capitalization), appropriate adjustments in price, number and kind of shares of Common Stock or other consideration subject to such Awards or in the terms of such Awards, shall be made so as to prevent dilution or enlargement of rights under the Awards. In addition, the aggregate number or remaining number or kind of shares which may be issued under the Plan will be adjusted to equitably reflect any such corporate changes.

(d) The Committee may, in its discretion and subject to such rules as it may adopt, permit an employee to satisfy, in whole or in part, withholding tax obligations incurred in connection with Awards: (i) by electing to have Household withhold shares of Household Common Stock (otherwise deliverable

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to the employee in connection with an Award) in payment for such withholding tax obligation or (ii) by delivering shares of Household Common Stock owned by such employee in payment for such withholding tax obligation, or (iii) obtaining an extension of credit from Household in payment for such withholding tax obligation. Any shares of Common Stock surrendered by an employee in full or partial payment of withholding tax obligations must have been held by such employee at least six months prior to the date such shares are surrendered in payment.

(e) The Committee may provide that any Award to employees under the Plan

earn dividend equivalents. Such dividend equivalents may be paid currently or may be credited to a participant's account, including during any deferral period. Any crediting of dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional shares or share equivalents. However, the payment of dividend equivalents will not be conditioned upon the employee exercising an option.

(f) Except as may be provided in the agreement for any specific employee Award or otherwise limited in this Plan, the Committee may, in its sole discretion, in whole or in part, waive any restrictions or conditions applicable to, or accelerate the vesting of, any Award to an employee.

(g) To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practice and to further the purpose of this Plan, the Committee may, without amending this Plan, (i) establish special rules applicable to Awards granted to employees who are foreign nationals, are employed outside the United States, or both, including rules that differ from those set forth in this Plan and (ii) grant Awards to such employees in accordance with those rules.

(h) The Committee may, in its discretion and subject to such rules as it may adopt, authorize an extension of credit from Household to an employee holding an award granted under this Plan (including an employee who is an officer or director of Household) to assist the employee in exercising an option or settling withholding tax obligations on Awards. Household may extend or guarantee loans under this provision. Loans extended under the Plan will bear interest at a variable rate that is adjusted annually to equal the greater of the average annual rate for three-year U.S. Treasury notes for the calendar year immediately preceding the year in which the adjustment is to be made and the applicable rate in effect under Section 1274(d) of the Internal Revenue Code on the day the loan is made. Payment terms will be established by the Committee and may or may not require periodic payments of interest and/or principal. The term of loans will be established by the Committee, as well as

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provisions governing the acceleration of maturity upon termination of employment or default. Loans financed or guaranteed by Household will be secured by retention of the issued stock certificates by Household and execution of an agreement with respect to such shares. To the extent necessary to satisfy the provisions of Regulation G or another similar regulatory restriction, other security may be required by the Committee.

4. Employee Options

(a) The Committee may grant to employees any type of statutory or non-statutory option to purchase shares of Household Common Stock as is permitted by law at the time the option is granted. The term of the initial grant of each option shall not be more than ten years and one day from the date of grant and may be exercised at the rate set by the Committee or as stated herein; provided, however, that no option shall be exercised less than one year from the date of grant, except as provided herein. The Committee may, in its discretion, extend the expiration date of certain outstanding employee options, provided no expiration date of any option may exceed fifteen years from the date of the grant of that option.

(b) The per share purchase price of Household Common Stock which may be acquired pursuant to an employee option shall be at least 100% of the fair market value of one share of Common Stock of Household on the date on which the option is granted. Within this limitation, such price shall be determined by the Committee.

(c) Payment for shares purchased upon the exercise of an employee option shall be made in cash or, in the discretion of the Committee, in shares of Common Stock of Household valued at the then fair market value of such shares or by a combination of cash and shares of Common Stock. Any shares of Common Stock surrendered by an employee in full or partial payment of the exercise price of an option must have been held by such employee at least six months prior to the date such shares are surrendered in payment.

5. Transfer of Employee Options; Exercise of Employee Options Following Termination of Employment

(a) Options may be exercised only by the employee and shall not be transferable other than by will or the laws of descent and distribution. These restrictions on transferability shall not apply to the extent (i) such restrictions are not at the time required for the Plan to continue to meet the requirements of Rule 16b-3 of the Exchange Act, or any successor Rule, (ii) the Committee has established rules concerning the transferability of

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employee options and (iii) the agreement relating to an Award so specifies or the holder has received notice from the Office of the Secretary of Household that such restrictions are no longer applicable. If the holder of an option shall cease to be an employee of Household or a subsidiary, and unless otherwise provided by the Committee, all rights under such option shall immediately terminate, except:

(i) in the event of termination of employment of a holder to which Section 11(b) hereof applies, or of a holder who is retirement-eligible under the terms of a pension plan of Household or a subsidiary, the option may be exercised within five years of the date of termination of employment or as otherwise provided in the agreement for the Award;

(ii) in the event of termination of employment due to permanent and total disability, and the holder is not retirement-eligible under the terms of a pension plan of Household or a subsidiary, the option may be exercised within twelve months following the date of such termination of employment or as otherwise provided in the agreement for the Award;

(iii) in the event of death during employment, the option may be exercised by the executor, administrator, or other personal representative of the holder within five years succeeding death if such holder was retirement-eligible under the terms of a pension plan of Household or a subsidiary, or twelve months if such holder was not retirement-eligible under the terms of a pension plan of Household or a subsidiary or as otherwise provided in the agreement for the Award;

(iv) except in the event an employee is terminated for cause, following termination of employment other than as set forth in subsections (i), (ii) or (iii) above, the option may be exercised within three months following the date of termination, or prior to the expiration of the

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option, whichever period is shorter; or

(v) in the event of death of a holder of an option following termination of employment, the option may be exercised by the executor, administrator, or other personal representative of the holder, notwithstanding the time period specified in (i), (ii), (iii) or (iv) above, within a) twelve months following death or b) the remainder of the period in which the holder was entitled to exercise the option, whichever period is longer.

If the Committee determines that the termination is for cause, the option will not under any circumstances be exercisable following termination of employment. Notwithstanding the

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foregoing, in the case where the employee is a party to an employment, termination protection or similar agreement with Household or a subsidiary which is in effect at the time of termination of employment that defines "cause" (or words of similar import), the Committee shall not determine such termination of employment to be for "cause" unless a "cause" termination would be permitted under such agreement at that time.

(b) An option may not be exercised pursuant to this Section after the expiration of the term of such option and may be exercised only to the extent that the holder was entitled to exercise such option on the date of termination of employment.

6. Non-Employee Director Options

(a) Each non-employee Director of Household will be granted an option for 8,000 shares of Household Common Stock annually on the same date grants are made to employees. The Committee will have no discretion to select which non-employee Directors will be granted options or to determine the number of option shares, price, vesting schedule or any other term of the options granted to non-employee Directors. All options granted to non-employee Directors will be non-qualified stock options.

(b) The per share purchase price of Common Stock which may be acquired pursuant to a non-employee Director option shall be 100% of the fair market value of one share of Common Stock on the date the option is granted. For purposes of establishing the fair market value of Household's Common Stock on any day under Section 6 of this Plan, such value shall be the average of the highest and lowest sales prices per share of the Common Stock as reported in the NYSE-Composite Transactions in The Wall Street Journal for such date. However, if the NYSE is not open for trading on a given day, the fair market value will be the average of the highest and lowest sales prices per share on the next succeeding business day.

(c) Subject to Section 11 of this Plan, each option granted to a non-employee Director vests and shall be fully exercisable beginning six months from the date the option was granted. Each such option expires ten years and one day from the date of the grant. However, if a non-employee Director ceases to be a Director of Household, outstanding vested options are exercisable as follows:

(i) in the event service on the Board of Directors terminates due to permanent and total disability, outstanding options may be exercised within

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twelve months following the date such service terminates or prior to the expiration of the outstanding options, whichever period is shorter;

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(ii) in the event of death of a non-employee Director whether during service as a Director of Household or after ceasing such service, outstanding options may be exercised by the executor, administrator, or other personal representative of such Director within twelve months after the death of the Director or prior to the expiration of the outstanding options, whichever period is longer;

(iii) in the event a non-employee Director's service on the Board of Directors terminates because such Director has reached the mandatory retirement age of 70 (or age 72 if a Director was serving on the Board as of January 1, 1989) or if a non-employee Director retires from the Board prior to reaching the mandatory retirement age but after having served on the Board of Directors continuously for at least fifteen years, outstanding options may be exercised at any time prior to the expiration of the outstanding options; and

(iv) in the event service on the Board of Directors terminates other than as set forth in subsections (i), (ii) or (iii) above, outstanding options may be exercised within three months following the date such service terminates or prior to the expiration of the outstanding options, whichever period is shorter.

(d) Payment for shares purchased upon exercise of a non-employee Director option shall be made in cash, in shares of Household Common Stock valued at the then fair market value of such shares or by a combination of cash and shares of Common Stock. Any shares of Common Stock surrendered in full or partial payment of the exercise price of an option must have been held by such Director at least six months prior to the date such shares are surrendered in payment.

A non-employee Director may also satisfy, in whole or in part, income tax obligations incurred in connection with the exercise of an option by (i) electing to have Household withhold shares of Common Stock (otherwise deliverable to the Director in connection with the exercise of an option) in payment for such income tax obligation or (ii) by delivering shares of Household Common Stock owned by such Director in payment for such income tax obligation. Any shares of Common Stock surrendered in full or partial payment of income tax obligations must have been held by such Director at least six months prior to the date such shares are surrendered.

(e) Non-employee Director options are not transferable other than by will and the laws of descent and distribution.

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7. Restricted Stock Rights

(a) Upon such terms as it deems appropriate, the Committee from time to time may grant Restricted Stock Rights ("RSRs") to any employee selected by the Committee, which entitle such employee to receive a stated number of shares of Common Stock of Household. The RSRs are subject to forfeiture if the employee fails to remain continuously employed by Household or any subsidiary for the period(s) stipulated by the Committee (each, a "Restricted Period").

(b) RSRs shall be subject to the following restrictions and limitations: (i) the RSRs may not be transferred except by will or the laws of descent and distribution; and (ii) except as otherwise provided in Paragraphs (d) and (e) of this Section 7, an RSR and the shares subject to an RSR shall be forfeited and all rights of a holder of an RSR shall terminate without any payment of consideration by Household if such employee fails to remain continuously employed by Household or any subsidiary for the Restricted Period. A holder of an RSR shall remain continuously employed if such holder leaves the employ of Household or any subsidiary for immediate reemployment with Household or any subsidiary.

(c) Other than as may be specified pursuant to Section 3(e), the holder of an RSR shall not be entitled to any of the rights of a holder of the Common Stock with respect to the shares subject to such RSR prior to the issuance of such shares pursuant to the Plan.

(d) The Committee in its sole discretion may accelerate the payment of Household Common Stock under an RSR prior to the termination of the Restricted Period if the holder of an RSR has achieved certain performance levels established by the Committee at the time an RSR is granted. The Committee in its sole judgment may revise such performance levels as it deems appropriate to reflect significant, unforeseen events or changes.

(e) In the event that the employment of a holder of an RSR terminates by reason of death or permanent and total disability or as a result of Section 11(b) hereof, such holder shall be entitled to receive the number of shares subject to the RSR multiplied by a fraction (x) the numerator of which shall be the number of full months between the date of grant of each such RSR and the date of such termination of employment, and (y) the denominator of which shall be the number of full months in the respective Restricted Period; provided, however, no fractional share shall be awarded. A holder of an RSR whose employment terminates for reasons other than those listed in this paragraph will forfeit all rights under any outstanding RSR. This automatic forfeiture may be waived in whole or in part by the Committee in its sole discretion.

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(f) When a holder shall be entitled to receive shares pursuant to an RSR, Household shall issue the appropriate number of shares registered in the name of the holder.

8. Other Stock-Based Awards

The Committee may make awards of unrestricted shares of Household Common Stock to eligible employees in recognition of outstanding achievements.

9. Forfeiture

If it is determined that an employee or former employee, while employed by Household or any subsidiary or otherwise associated with Household or any subsidiary as a consultant, advisor or in another similar capacity, engaged at any time in any activity in competition with any activity of Household or any subsidiary or inimical, contrary or harmful to the interests of Household or any subsidiary including, but not limited to: (i) conduct related to the

participant's position for which either criminal or civil penalties against the participant may be sought, (ii) violation of Household policies, notwithstanding Household's decision or inability to, or not to, terminate the participant for such violation, (iii) accepting employment with or serving as a consultant, advisor or in any other capacity to an employer that is in competition with or acting against the interests of Household or any subsidiary, including employing or recruiting any present employee of Household or any subsidiary for such competitor, (iv) disclosing or misusing any confidential information or material concerning Household or any subsidiary, or (v) participating in a hostile takeover attempt of Household, then the Committee, in its sole discretion, may cancel any unexpired or unpaid Award at any time.

10. Amendment and Termination of the Plan

This Plan will expire on May 8, 2006. However, the Board of Directors may terminate the Plan at any time except as provided in Section 11(d), but such termination shall not affect Awards previously granted under the Plan. During the Plan term, the Committee may amend the Plan or any Award granted to an employee under the Plan at any time, except (i) the Plan may not be amended or terminated in the circumstances set forth in Section 11(d), (ii) the Committee may not, without shareholder approval, and except as permitted by Section 3(c), increase the number of shares of Common Stock of Household which may be issued pursuant to the Plan, change the purchase price of an Option, and (iii) the Committee may not make any other amendment to the Plan

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which is required by law to be approved by the shareholders of Household.

Notwithstanding the preceding paragraph, the provisions of Section 6 of the Plan relating to non-employee Directors may not be amended more than once every six months, except to comply with changes to the Code or the rules and regulations thereunder.

11. Change in Control

(a) In order to protect participants in the Plan who have outstanding Awards in the event there is a "Change in Control" (as defined below), (i) all outstanding Awards will immediately vest or the Restricted Period with respect thereto shall lapse and such Awards shall become exercisable or payable in full notwithstanding any minimum holding period set forth in the Plan or established by the Committee at the time of the grant of the Award, (ii) Household shall require that this Plan, and the Awards issued hereunder, be assumed by the entity causing the Change in Control or the public company parent thereof (the `Acquiror') and, if appropriate, new rights of equal value with substantially similar terms be substituted for such Awards by the Acquiror, and (iii) the Committee, in its sole discretion (notwithstanding any contrary provision in Section 3(f)), may:

(i) provide for the purchase by Household or the Acquiror of any Awards in cash equal to the amount that could have been received upon the exercise or realization of such Awards had the Awards been currently exercisable or payable on the day before said cash payment is made;

(ii) make such adjustments, including the granting of additional

Awards, to any outstanding Award as the Committee deems appropriate to reflect the Change in Control; and

(iii) take such other action deemed appropriate by the Committee to ensure that the rights of participants and the Awards are not adversely affected by the Change in Control.

(b) Any employee whose position with Household or any of its subsidiaries is "Materially Changed" (as defined below) within twenty-four (24) months after a Change in Control shall be deemed to be involuntarily terminated without "cause" (as defined below) from Household and be entitled to exercise or receive the payment of Awards previously granted to the employee that were outstanding immediately prior to the event causing such termination or were awarded subsequent to the event causing such termination, in each case, in accordance with subsection 5(a)(i) with respect to Options or 7(e) of the Plan with respect to any RSRs with respect to which the Restricted Period has not lapsed, without any action by the Committee or Board of Directors.

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(c) For purposes of this Section and to determine the rights of any participant who has an outstanding Award, the term:

(i) "Change in Control" means:

(1) any "person" (as defined in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding for this purpose Household or any subsidiary of Household, or any employee benefit plan of Household, or any subsidiary of Household, or any person or entity organized, appointed or established by Household for or pursuant to the terms of such plan which acquires beneficial ownership of voting securities of Household, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of Household representing twenty percent (20%) or more of the combined voting power of Household's then outstanding securities; provided, however, that no Change in Control shall be deemed to have occurred as the result of an acquisition of securities of Household by Household which, by reducing the number of voting securities outstanding, increases the direct or indirect beneficial ownership interest of any person to twenty percent (20%) or more of the combined voting power of Household's then outstanding securities, but any subsequent increase in the direct or indirect beneficial ownership interest of such person in Household shall be deemed a Change in Control; and provided further that if the Board of Directors of Household determines in good faith that a person who has become the beneficial owner directly or indirectly of securities of Household representing twenty percent (20%) or more of the combined voting power of Household's then outstanding securities has inadvertently reached that level of ownership interest, and if such person divests as promptly as practicable a sufficient amount of securities of Household so that the person no longer has a direct or indirect beneficial ownership interest in twenty percent (20%) or more of the combined voting power of Household's then outstanding securities, then no Change in Control shall be

deemed to have occurred;

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(2) during any period of two (2) consecutive years (not including any period prior to November 9, 1998) individuals who at the beginning of such two-year period constitute the Board of Directors of Household and any new director or directors (except for any director designated by a person who has entered into an agreement with Household to effect a transaction described in subparagraph (1), above, or subparagraph (3), below) whose election by the Board or nomination for election by Household's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board (such individuals and any such new directors being referred to as the "Incumbent Board");

(3) consummation of (x) an agreement for the sale or disposition of Household or all or substantially all of Household's assets, (y) a plan of merger or consolidation of Household with any other corporation, or (z) a similar transaction or series of transactions involving Household (any transaction described in parts (x) through (z) of this subparagraph (3) being referred to as a "Business Combination"), in each case unless after such a Business Combination (I) the stockholders of Household immediately prior to the Business Combination continue to own, directly or indirectly, more than sixty percent (60%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the new (or continued) entity (including, but not by way of limitation, an entity which as a result of such transaction owns Household, or all or substantially all of Household's former assets either directly or through one or more subsidiaries) immediately after such Business Combination, in substantially the same proportion as their ownership of Household immediately prior to such Business Combination, (II) no person (excluding any entity resulting from such Business Combination or any employee

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benefit plan (or related trust) of Household or of such entity resulting from such Business Combination) beneficially owns, directly or indirectly, twenty percent (20%) or more of the then combined voting power of the then outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (III) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination;

(4) approval by the stockholders of Household of a complete liquidation or dissolution of Household;

(5) a tender offer is made for thirty percent (30%) or more of the common stock of Household, which tender offer has not been approved by the Board of Directors of Household; or

(6) a solicitation subject to Rule 14a-11 under the Exchange Act (or any successor Rule) relating to the election or removal of 50% or more of the members of the Incumbent Board is made by any person other than Household.

(ii) "Materially Changed" means the occurrence of one or more of the following events:

(1) the termination of the employee, without cause, and other than by reason of death, permanent and total disability or retirement under the terms of a pension plan of Household or any subsidiary, or termination by the employee within the special 60-day window period which begins 6 months after a Change in Control as provided in the employee's employment agreement;

(2) the employee was assigned to a position of lesser rank or status;

(3) the employee's annual target bonus or targeted performance unit awards were

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reduced and compensation equivalent in aggregate value was not substituted;

(4) the employee's annual salary was reduced;

(5) the employee's benefits under the Household Retirement Income Plan or any successor tax qualified defined benefit plan were reduced for reasons other than to maintain its tax qualified status and such reductions were not supplemented in the Household Supplemental Retirement Income Plan ("HSRIP"); or the employee's benefits under HSRIP, if applicable, were reduced;

(6) the employee's other benefits or perquisites were reduced and such reductions were not uniformly applied with respect to all similarly situated employees; or

(7) the employee was reassigned to a geographical area outside of the metropolitan area in which the employee was assigned at the time of the Change in Control.

(iii) "cause" (1) in the case of an employee who is a party to an employment, termination protection or similar agreement that defines "cause" (or words of similar import), means "cause" (or words of similar import) as defined in such agreement, and (2) in the case of any other employee, means willful and deliberate misconduct, which is detrimental in a significant way to the interests of Household or any subsidiary thereof.

(d) Notwithstanding anything set forth in Section 11 hereof, with the occurrence of a Change in Control the Plan may not be amended or terminated by the Committee, the Board of Directors or the stockholders of Household.

12. Miscellaneous

(a) The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payments or deliveries of shares of Household Common Stock not yet made to a participant by Household, nothing contained herein shall give any rights to a participant that are greater than those of a general creditor of Household. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver shares of Household Common Stock or payments hereunder consistent with the foregoing.

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(b) With respect to participants subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable provisions of Rule 16b-3 or its successor under the Exchange Act. To the extent any provision of the Plan or action by the Committee or its designee fails to so comply, it shall be deemed null and void.

(c) This Plan and each agreement with respect to an Award shall be construed and administered in accordance with the laws of the State of Delaware without giving effect to principles relating to conflict of laws.

(d) Neither the adoption of the Plan nor any Award granted hereunder shall confer upon any participant any right to continued employment or service with Household or any subsidiary thereof, nor shall the Plan or any Award interfere in any way with the right of Household or a subsidiary to terminate the employment or relationship of any of the participants at any time.

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AMENDMENT TO THE
HOUSEHOLD INTERNATIONAL, INC.
1996 LONG-TERM EXECUTIVE INCENTIVE COMPENSATION PLAN
NOVEMBER 11, 1997

On November 11, 1997 the Household International Board of Directors, upon the recommendation of the Board's Compensation Committee, adopted an amendment to the 1996 Long-Term Executive Incentive Compensation Plan (the "Plan") relating to the transferability of options granted under the Plan.

Transferability of Options Granted to Nonemployee Directors and Senior Managers

This amendment only applies to Nonemployee Directors and Senior Managers (defined under this amendment as the Chief Executive Officer and employees with a direct reporting relationship to the Chief Executive Officer) who have received or in the future receive options to purchase Household Common Stock under the Plan. This section modifies Plan Section 5(a) as regards the transferability of options granted to Nonemployee Directors and Senior Managers; all other provisions continue to apply.

HHT 0015554

Who is Eligible

This provision only applies to Nonemployee Directors and Senior Managers ("Eligible Persons").

Transfer of Options; Minimum Number

Options granted under the Plan may be transferred by will or through the laws of descent and distribution. In addition, Eligible Persons may transfer their options only to family members, family trusts, and family partnerships (collectively, "Transferees"). Transferees may not retransfer any options except by will or through the laws of descent and distribution. Any option transferred to a single Transferee must represent the right to purchase a minimum of 100 shares.

Which Options May be Transferred

Eligible Persons may transfer any option, including vested and unvested portions of any award granted under the Plan. Options granted under previous benefit plans are not covered by this amendment.

Exercise

Options will vest in accordance with applicable Plan provisions. A Transferee may only exercise vested options, and only as provided in the Plan.

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Taxation of Options

The Eligible Person remains liable for any income tax related to the exercise of transferred options. Income tax will be calculated as of the exercise date. The Eligible Person is solely responsible for tax liability related to any options gifted to a Transferee.

Law and Regulation

In addition to laws and regulations that apply to the Plan, the Transfer of options must be completed in accordance with securities registration and disclosure regulations applicable at the time of transfer. Eligible Persons and Transferees may be subject to certain waiting periods limiting transfer or exercise. Eligible Persons, or their agents agree to notify the Corporation at least five days before any option they own or control is exercised.

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EXHIBIT 10.6

HOUSEHOLD INTERNATIONAL, INC.

1996 LONG-TERM EXECUTIVE INCENTIVE COMPENSATION PLAN

NON-TAX QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT, between HOUSEHOLD INTERNATIONAL, INC., a Delaware corporation (the "Company"), and the employee referenced on the cover sheet to this Agreement (the "Employee"), is made pursuant to the Household International 1996 Long-Term Executive Incentive Compensation Plan (the "Incentive Plan"). The terms of such agreement are as follows:

1. The Company hereby grants to the Employee an option, for a period of 10 years and one day from the grant date, to purchase, on these terms and conditions and also subject to the Incentive Plan, shares of the common stock of the Company as set forth in the cover sheet to this Agreement.

2. No shares may be purchased under this option for one year from the grant date. After one year, this option may, unless sooner terminated under the provisions hereof, be exercised in numbers of shares not to exceed 25 percent of the aggregate number of shares under option on and after each of the first, second, third and fourth anniversaries of the grant date, provided that 100% of the shares in this option may be exercised (a) on the last day of employment in the case of an Employee who is retirement-eligible under the terms of a pension plan of the Company or a subsidiary, or (b) if so determined by the Compensation Committee of the Board of Directors (the "Committee") during the Employee's employment. An Employee may exercise all or a portion of a vested option during the option term.

To exercise an option you must give the Company ten days written notice of exercise specifying the number of shares to be purchased, which must be a minimum of twenty-five (25) shares, and include payment for the shares. Payment for the option may be made by cash or check to the order of the Company, and also may be made with shares of common stock of the Company valued at the then fair market value of such shares or by a combination of cash and shares of common stock pursuant to such Committee or Board of Directors rules in effect at the time the option is exercised. The Committee or Board of Directors may, at any time, rescind the right to use common stock of the Company in payment for shares purchased through the option.

3. The option may not be transferred except by will or the laws of descent and distribution. The option may be exercised during the lifetime of the Employee only by the Employee and only while he or she is an employee of the Company (or a subsidiary thereof) and shall have been continuously so employed from the grant date, except that: (i) in the event of termination of employment of the Employee and the Employee is retirement-eligible under the terms of a pension plan of the Company or a subsidiary, the option may be exercised within five years of the date of termination of employment; (ii) in the event of

termination of employment due to permanent and total disability of the Employee and the Employee is not retirement-eligible under the terms of a pension plan of the Company or a subsidiary, the option may be exercised within twelve months following the date of such termination of employment; (iii) in the event of death during employment, the option may be exercised by the executor, administrator, or other personal representative of the Employee within five years succeeding death if such Employee was retirement-eligible under the terms of a pension plan of the Company or a subsidiary, or twelve months if such Employee was not retirement-eligible under the terms of a pension plan of the Company or a subsidiary; (iv) in the event of termination of employment other than as set forth in subsections (i), (ii) or (iii) above, the option may be exercised within three months following the date of termination, except for termination for cause; (v) in the event of death of the Employee following termination of employment, the option may be exercised by the executor, administrator, or other personal representative of the Employee, notwithstanding the time periods specified in (i), (ii), (iii) or (iv) above, within a) twelve months following death or b) the remainder of the period in which the Employee was entitled to exercise the

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option, whichever period is longer. If the Committee determines that the termination is for cause, the option will not under any circumstances be exercisable following termination of employment. Notwithstanding anything herein to the contrary, the option may not be exercised pursuant to this Section after the expiration of the term of such option and may be exercised only to the extent that the holder was entitled to exercise such option on the date of termination of employment. The option will expire in all events and for all purposes 10 years and one day from the grant date.

4. If it is determined that the Employee or former Employee, while employed by the Company or any subsidiary or otherwise associated with the Company or any subsidiary as a consultant, advisor or in another similar capacity, engaged at any time in any activity in competition with any activity of the Company or any subsidiary or inimical, contrary or harmful to the interests of the Company or any subsidiary including, but not limited to: (i) conduct related to the Employee's position for which either criminal or civil penalties against the Employee may be sought, (ii) violation of the Company's policies, notwithstanding the Company's decision or inability to, or not to, terminate the Employee for such violation, (iii) accepting employment with or serving as a consultant, advisor or in any other capacity to an employer that is in competition with or acting against the interests of the Company or any subsidiary, including employing or recruiting any present employee of the Company or any subsidiary for such competitor, (iv) disclosing or misusing any confidential information or material concerning the Company or any subsidiary, or (v) participating in a hostile takeover attempt of the Company, then the Committee, in its sole discretion, may cancel any outstanding option at any time.

5. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of the option herein granted prior to the listing of such shares on all stock exchanges on which the Company's stock shall then be listed. Upon any exercise of said option, the Company shall take the steps required for listing.

6. Neither the Employee nor his personal representative shall have any of the rights or privileges of a stockholder with respect to any shares subject to this option unless and until certificates evidencing such shares shall have been delivered.

7. Notice to the Company shall be addressed to the Company in care of the Shareholder Services Department at 2700 Sanders Road, Prospect Heights, Illinois 60070 and notice to the Employee shall be addressed to him or her at the address as set forth on the cover sheet of this Agreement, or at such other address as either party may hereafter designate in writing to the other.

8. Anything herein to the contrary notwithstanding, this option agreement shall be subject to amendment by the Company from time to time to the extent permitted by the Incentive Plan and is subject to the provisions of the Incentive Plan.

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HOUSEHOLD INTERNATIONAL, INC.

1996 LONG-TERM EXECUTIVE INCENTIVE COMPENSATION PLAN

NON-TAX QUALIFIED STOCK OPTION AGREEMENT
FOR SENIOR MANAGEMENT TEAM

THIS AGREEMENT, between HOUSEHOLD INTERNATIONAL, INC., a Delaware corporation (the "Company"), and the employee referenced on the cover sheet to this Agreement (the "Employee"), is made pursuant to the Household International 1996 Long-Term Executive Incentive Compensation Plan (the "Incentive Plan"). The terms of such agreement are as follows:

1. The Company hereby grants to the Employee an option, for a period of 10 years and one day from the grant date, to purchase, on these terms and conditions and also subject to the Incentive Plan, shares of the common stock of the Company as set forth in the cover sheet to this Agreement.

2. No shares may be purchased under this option for one year from the grant date. After one year, this option may, unless sooner terminated under the provisions hereof, be exercised in numbers of shares not to exceed 25 percent of the aggregate number of shares under option on and after each of the first, second, third and fourth anniversaries of the grant date, provided that 100% of the shares in this option may be exercised (a) on the last day of employment in the case of an Employee who is retirement-eligible under the terms of a pension plan of the Company or a subsidiary, or (b) if so determined by the Compensation Committee of the Board of Directors (the "Committee") during the Employee's employment. An Employee may exercise all or a portion of a vested option during the option term.

To exercise an option you must give the Company ten days written notice of exercise specifying the number of shares to be purchased, which must be a minimum of twenty-five (25) shares, and include payment for the shares. Payment for the option may be made by cash or check to the order of the Company, and also may be made with shares of common stock of the Company valued at the then fair market value of such shares or by a combination of cash and shares of common stock pursuant to such Committee or Board of Directors rules in effect at the time the option is exercised. The Committee or Board of Directors may at any time rescind the right to use common stock of the Company in payment for shares purchased through the option.

3. The option may not be transferred except by will or the laws of descent and distribution, unless the Company has notified you to the contrary. The option may be exercised during the lifetime of the Employee only by the

Employee and only while he or she is an employee of the Company (or a subsidiary thereof) and shall have been continuously so employed from the grant date, except that: (i) in the event of termination of employment of the Employee and the Employee is retirement-eligible under the terms of a pension plan of the Company or a subsidiary, the option may be exercised at any time before the expiration date of the option; (ii) in the event of termination of employment due to permanent and total disability of the Employee and the Employee is not retirement-eligible under the terms of a pension plan of the Company or a subsidiary, the option may be exercised within twelve months following the date of such termination of employment; (iii) in the event of death during employment, the option may be exercised by the executor, administrator, or other personal representative of the Employee within five years succeeding death if such Employee was retirement-eligible under the terms of a pension plan of the Company or a subsidiary, or twelve months if such Employee was not retirement-eligible under the terms of a pension plan of the Company or a subsidiary; (iv) in the event of termination of employment other than as set forth in subsections (i), (ii) or (iii) above, the option may be exercised within three months following the date of termination, except for termination for cause; (v) in the event of death of the Employee following termination of employment, the option may be exercised by the executor, administrator, or other personal representative of the Employee, notwithstanding the time periods

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specified in (i), (ii), (iii) or (iv) above, within a) twelve months following death or b) the remainder of the period in which the Employee was entitled to exercise the option, whichever period is longer. If the Committee determines that the termination is for cause, the option will not under any circumstances be exercisable following termination of employment. Notwithstanding anything herein to the contrary, the option may not be exercised pursuant to this Section after the expiration of the term of such option and may be exercised only to the extent that the holder was entitled to exercise such option on the date of termination of employment. The option will expire in all events and for all purposes 10 years and one day from the grant date.

4. If it is determined that the Employee or former Employee, while employed by the Company or any subsidiary or otherwise associated with the Company or any subsidiary as a consultant, advisor or in another similar capacity, engaged at any time in any activity in competition with any activity of the Company or any subsidiary or inimical, contrary or harmful to the interests of the Company or any subsidiary including, but not limited to: (i) conduct related to the Employee's position for which either criminal or civil penalties against the Employee may be sought, (ii) violation of the Company's policies, notwithstanding the Company's decision or inability to, or not to, terminate the Employee for such violation, (iii) accepting employment with or serving as a consultant, advisor or in any other capacity to an employer that is in competition with or acting against the interests of the Company or any subsidiary, including employing or recruiting any present employee of the Company or any subsidiary for such competitor, (iv) disclosing or misusing any confidential information or material concerning the Company or any subsidiary, or (v) participating in a hostile takeover attempt of the Company, then the Committee, in its sole discretion, may cancel any outstanding option at any time.

5. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of the option herein granted prior to the listing of such shares on all stock exchanges on which the Company's stock shall then be listed. Upon any exercise of said option, the Company shall take the steps required for listing.

6. Neither the Employee nor his personal representative shall have any of the rights or privileges of a stockholder with respect to any shares subject to this option unless and until certificates evidencing such shares shall have been delivered.

7. Notice to the Company shall be addressed to the Company in care of the Shareholder Services Department at 2700 Sanders Road, Prospect Heights, Illinois 60070 and notice to the Employee shall be addressed to him or her at the address as set forth on the cover sheet of this Agreement, or at such other address as either party may hereafter designate in writing to the other.

8. Anything herein to the contrary notwithstanding, this option agreement shall be subject to amendment by the Company from time to time to the extent permitted by the Incentive Plan and is subject to the provisions of the Incentive Plan.

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HOUSEHOLD INTERNATIONAL, INC.

1996 LONG-TERM EXECUTIVE INCENTIVE COMPENSATION PLAN

U.K. NON-TAX QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT, between HOUSEHOLD INTERNATIONAL, INC., a Delaware corporation (the "Company"), and the employee referenced on the cover sheet to this Agreement (the "Employee"), is made pursuant to the Household International 1996 Long-Term Executive Incentive Compensation Plan (the "Incentive Plan"). The terms of such agreement are as follows:

1. The Company hereby grants to the Employee an option, for a period of 10 years from the grant date, to purchase, on these terms and conditions and also subject to the Incentive Plan, shares of the common stock of the Company as set forth in the cover sheet to this Agreement.

2. No shares may be purchased under this option for one year from the grant date. After one year, this option may, unless sooner terminated under the provisions hereof, be exercised in numbers of shares not to exceed 25 percent of the aggregate number of shares under option on and after each of the first, second, third and fourth anniversaries of the grant date, provided that 100% of the shares in this option may be exercised (a) on the last day of employment in the case of an Employee who is retirement-eligible under the terms of a pension plan of the Company or a subsidiary, or (b) if so determined by the Compensation Committee of the Board of Directors (the "Committee") during the Employee's employment. An employee may exercise all or a portion of a vested option during the option term.

To exercise an option you must give the Company ten days written notice of exercise specifying the number of shares to be purchased, which must be a minimum of twenty-five (25) shares, and include payment for the shares. Payment for the option may be made by cash or check to the order of the Company, and also may be made with shares of common stock of the Company valued at the then fair market value of such shares or by a combination of cash and shares of common stock pursuant to such Committee or Board of Directors rules in effect at the time the option is exercised. The Committee or Board of Directors may, at any time, rescind the right to use common stock of the Company in payment for shares purchased through the option.

3. The option may not be transferred except by will or the laws of descent and distribution. The option may be exercised during the lifetime of the Employee only by the Employee and only while he or she is an employee of the Company (or a subsidiary thereof) and shall have been continuously so employed from the grant date, except that: (i) in the event of termination of employment of the Employee and the Employee is retirement-eligible under the terms of a pension plan of the Company or a subsidiary, the option may be exercised within five years of the date of termination of employment; (ii) in the event of termination of employment due to permanent and total disability of the Employee and the Employee is not retirement-eligible under the terms of a pension plan of the Company or a subsidiary, the option may be exercised within twelve months following the date of such termination of employment; (iii) in the event of death during employment, the option may be exercised by the executor, administrator, or other personal representative of the Employee within five years succeeding death if such Employee was retirement-eligible under the terms of a pension plan of the Company or a subsidiary, or twelve months if such Employee was not retirement-eligible under the terms of a pension plan of the Company or a subsidiary; (iv) in the event of termination of employment other than as set forth in subsections (i), (ii) or (iii) above, the option may be exercised within three months following the date of termination, except for termination for cause; (v) in the event of death of the Employee following termination of employment, the option may be exercised by the executor, administrator, or other personal representative of the Employee, notwithstanding the time periods specified in (i), (ii), (iii) or (iv) above, within a) twelve months following death or b) the remainder of the period in which the Employee was entitled to exercise the

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option, whichever period is longer. If the Committee determines that the termination is for cause, the option will not under any circumstances be exercisable following termination of employment. Notwithstanding anything herein to the contrary, the option may not be exercised pursuant to this Section after the expiration of the term of such option and may be exercised only to the extent that the holder was entitled to exercise such option on the date of termination of employment. The option will expire in all events and for all purposes 10 years from the grant date.

4. If it is determined that the Employee or former Employee, while employed by the Company or any subsidiary or otherwise associated with the Company or any subsidiary as a consultant, advisor or in another similar capacity, engaged at any time in any activity in competition with any activity of the Company or any subsidiary or inimical, contrary or harmful to the interests of the Company or any subsidiary including, but not limited to: (i) conduct related to the Employee's position for which either criminal or civil penalties against the Employee may be sought, (ii) violation of the Company's policies, notwithstanding the Company's decision or inability to, or not to, terminate the Employee for such violation, (iii) accepting employment with or serving as a consultant, advisor or in any other capacity to an employer that is in competition with or acting against the interests of the Company or any subsidiary, including employing or recruiting any present employee of the Company or any subsidiary for such competitor, (iv) disclosing or misusing any confidential information or material concerning the Company or any subsidiary, or (v) participating in a hostile takeover attempt of the Company, then the Committee, in its sole discretion, may cancel any outstanding option at any time.

5. The Company shall not be required to issue or deliver any certificate

or certificates for shares of stock purchased upon the exercise of the option herein granted prior to the listing of such shares on all stock exchanges on which the Company's stock shall then be listed. Upon any exercise of said option, the Company shall take the steps required for listing.

6. Neither the Employee nor his personal representative shall have any of the rights or privileges of a stockholder with respect to any shares subject to this option unless and until certificates evidencing such shares shall have been delivered.

7. Notice to the Company shall be addressed to the Company in care of the Shareholder Services Department at 2700 Sanders Road, Prospect Heights, Illinois 60070 and notice to the Employee shall be addressed to him or her at the address as set forth on the cover sheet of this Agreement, or at such other address as either party may hereafter designate in writing to the other.

8. Anything herein to the contrary notwithstanding, this option agreement shall be subject to amendment by the Company from time to time to the extent permitted by the Incentive Plan and is subject to the provisions of the Incentive Plan.

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HOUSEHOLD INTERNATIONAL, INC.

1996 LONG-TERM EXECUTIVE INCENTIVE COMPENSATION PLAN

NON-TAX QUALIFIED STOCK OPTION AGREEMENT
FOR NON-EMPLOYEE DIRECTORS

THIS AGREEMENT, between HOUSEHOLD INTERNATIONAL, INC., a Delaware corporation (the "Company"), and the Non-Employee Director referenced on the cover sheet to this Agreement (the "Director"), is made pursuant to the Household International 1996 Long-Term Executive Incentive Compensation Plan (the "Incentive Plan"). The terms of such agreement are as follows:

1. The Company hereby grants to the Director an option, for a period of 10 years and one day from the grant date, to purchase, on these terms and conditions and also subject to the Incentive Plan, shares of the common stock of the Company as set forth in the cover sheet to this Agreement.

2. No shares may be purchased under this option for six months from the grant date. After six months, 100% of the shares in this option may be exercised. A Director may exercise all or a portion of a vested option during the option term.

3. To exercise an option you must give the Company written notice of exercise specifying the number of shares to be purchased, which must be a minimum of twenty-five (25) shares, and include payment for the shares. Payment for the option may be made by cash or check to the order of the Company, and also may be made with shares of common stock of the Company valued at the then fair market value of such shares or by a combination of cash and shares of common stock pursuant to the Compensation Committee or Board of Directors rules in effect at the time the option is exercised. The Compensation Committee or Board of Directors may at any time rescind the right to use common stock of the Company in payment for shares purchased through the option.

4. The option may not be transferred except by will or the laws of

descent and distribution, unless the Company has notified you to the contrary. The option may be exercised during the lifetime of the Director only by the Director and only while he or she is a non-employee director of the Company and shall have been continuously so retained from the grant date, except that: (i) in the event the Director's service terminates because such Director has reached the Company's mandatory retirement age for Directors, or if a Director retires from the Board prior to reaching the mandatory retirement age but after having served on the Board continuously for at least fifteen years, outstanding options may be exercised at any time prior to the expiration of the outstanding options; (ii) in the event service on the Board terminates due to permanent and total disability, outstanding options may be exercised within twelve months following the date such service terminates or prior to the expiration of the outstanding options, whichever period is shorter; (iii) in the event of death of a Director whether during service as a Director or after ceasing such service, outstanding options may be exercised by the executor, administrator, or other personal representative of the Director within twelve months succeeding death if such Director or prior to the expiration of the outstanding options, whichever period is longer; (iv) in the event service on the Board terminates other than as set forth in subsections (i), (ii) or (iii) above, outstanding options may be exercised within three months following the date such service terminates or prior to the expiration of the outstanding options, whichever period is shorter. Notwithstanding anything herein to the contrary, the option may not be exercised pursuant to this Section after the expiration of the term of such option and may be exercised only to the extent that the holder was entitled to exercise such option on the date of termination of service. The option will expire in all events and for all purposes 10 years and one day from the grant date.

5. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of the option herein granted prior to the listing of such

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shares on all stock exchanges on which the Company's stock shall then be listed. Upon any exercise of said option, the Company shall take the steps required for listing.

6. Neither the Director nor his or her personal representative shall have any of the rights or privileges of a stockholder with respect to any shares subject to this option unless and until certificates evidencing such shares shall have been delivered.

7. Notice to the Company shall be addressed to the Company in care of the Shareholder Services Department at 2700 Sanders Road, Prospect Heights, Illinois 60070 and notice to the Director shall be addressed to him or her at the address as set forth on the cover sheet of this Agreement, or at such other address as either party may hereafter designate in writing to the other.

8. Anything herein to the contrary notwithstanding, this option agreement shall be subject to amendment by the Company from time to time to the extent permitted by the Incentive Plan and is subject to the provisions of the Incentive Plan.

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HOUSEHOLD INTERNATIONAL, INC.

1996 LONG-TERM EXECUTIVE INCENTIVE COMPENSATION PLAN

RESTRICTED STOCK RIGHTS AGREEMENT

THIS AGREEMENT, between HOUSEHOLD INTERNATIONAL, INC., a Delaware corporation (the "Company"), and the employee referenced on the cover sheet to this Agreement (the "Employee"), is made pursuant to the Household International 1996 Long-Term Executive Incentive Compensation Plan (the "Incentive Plan"). The terms of such agreement are as follows:

1. The Company hereby grants to the Employee Restricted Stock Rights (the "RSRs"), which shall fully vest five (5) years from the date hereof (the "Restricted Period"), pursuant to the terms and conditions set forth herein and subject to the provisions set forth in the Incentive Plan. The RSRs entitle the Employee to receive the number of shares of Common Stock of the Company as set forth in the cover sheet to this Agreement.

2. No shares may be issued under RSRs for one year from the date hereof. After said one-year period, shares subject to RSRs will vest one-third on each of the third, fourth and fifth anniversaries (the "Vesting Dates") from the grant date. On each Vesting Date an Employee shall be entitled to receive shares representing the vested RSRs, and the Company shall issue the appropriate number of vested shares (rounded down to the nearest whole share) registered in the name of the Employee or his or her estate or administrator, as deemed appropriate by the Company, provided the Employee has satisfied all tax obligations with respect to such shares as required herein. The unvested shares subject to such RSRs shall be forfeited and all rights of a holder of such RSRs and shares shall terminate without any payment of consideration by the Company if the Employee fails to remain continuously as an Employee of the Company or any subsidiary for the Restricted Period, except (i) in the case of an Employee who is retirement-eligible under the terms of a pension plan of the Company or a subsidiary, the Employee will receive either (1) the number of shares subject to the RSR multiplied by a fraction (x) the numerator of which shall be the number of full months between the date of grant of such RSR and the date of such termination of employment, and (y) the denominator of which shall be the number of full months in the Restricted Period; provided however, that any fractional share shall not be awarded; and provided further, the Compensation Committee of the Board of Directors (the "Committee"), in its sole discretion, may determine that full vesting is appropriate under the circumstances or (2) 100% of the shares subject to RSRs on his or her last day of employment if retirement occurs on or after age 65, and (ii) in the event that the employment of a holder of RSRs terminates by reason of death or permanent and total disability, such holder shall be entitled to receive the number of shares subject to the RSR multiplied by a fraction (x) the numerator of which shall be the number of full months between the date of grant of such RSR and the date of such termination of employment, and (y) the denominator of which shall be the number of full months in the Restricted Period; provided however, that any fractional share shall not be awarded. Any shares that the Employee is entitled to receive in accordance with the preceding sentence will be reduced by any shares that the Employee has already received because of vesting on the third, fourth and fifth anniversaries of the grant date. An Employee shall not be deemed to have terminated his or her period of continuous employment with the Company if he or she leaves the employ of the Company or any subsidiary for immediate reemployment with the Company or any subsidiary. A holder of RSRs whose employment terminates for reasons other than those listed in this paragraph 2 (other than a change-in-control of the Company) will forfeit his or her unvested rights under any outstanding RSRs. This automatic forfeiture may be waived in whole or in part by the Committee in its sole discretion.

3. If it is determined that the Employee or former Employee, while

employed by the Company or any subsidiary or otherwise associated with the Company or any subsidiary as a consultant, advisor or in another similar capacity, engaged at any time in any activity in competition with any activity of the Company or any subsidiary or inimical, contrary or harmful to the interests of the Company or any

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subsidiary including, but not limited to: (i) conduct related to the Employee's position for which either criminal or civil penalties against the Employee may be sought, (ii) violation of the Company's policies, notwithstanding the Company's decision or inability to, or not to, terminate the Employee for such violation, (iii) accepting employment with or serving as a consultant, advisor or in any other capacity to an employer that is in competition with or acting against the interests of the Company or any subsidiary, including employing or recruiting any present employee of the Company or any subsidiary for such competitor, (iv) disclosing or misusing any confidential information or material concerning the Company or any subsidiary, or (v) participating in a hostile takeover attempt of the Company, then the Committee, in its sole discretion, may cancel any unexpired or unpaid RSR at any time.

4. The RSRs may not be transferred except by will or the laws of descent and distribution.

5. The holder of RSRs shall not be entitled to any of the rights of a holder of the Common Stock with respect to the shares subject to such RSRs prior to the issuance of such shares pursuant to the Plan. However, during the Restricted Period, for each unvested share subject to an RSR, the Company will pay the Employee as additional income, less applicable taxes, an amount in cash equal to the cash dividend declared on a share of Common Stock of the Company during the Restricted Period on or about the date the Company pays such dividend to its stockholders of record.

6. Any and all taxes required to be withheld by the Company as a result of the issuance of any shares pursuant to the RSRs shall be the sole responsibility of the Employee.

7. Notice to the Company shall be addressed to the Company in care of the Shareholder Services Department at 2700 Sanders Road, Prospect Heights, Illinois 60070 and notice to the Employee shall be addressed to him or her at the address as set forth on the cover sheet of this Agreement, or at such other address as either party may hereafter designate in writing to the other.

8. Anything herein to the contrary notwithstanding, this RSR agreement shall be subject to amendment by the Company from time to time to the extent permitted by the Incentive Plan and is subject to the provisions of the Incentive Plan.

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HOUSEHOLD INTERNATIONAL, INC.

1996 LONG-TERM EXECUTIVE INCENTIVE COMPENSATION PLAN

RESTRICTED STOCK RIGHTS AGREEMENT

THIS AGREEMENT, between HOUSEHOLD INTERNATIONAL, INC., a Delaware

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corporation (the "Company"), and the employee referenced on the cover sheet to this Agreement (the "Employee"), is made pursuant to the Household International 1996 Long-Term Executive Incentive Compensation Plan (the "Incentive Plan"). The terms of such agreement are as follows:

1. The Company hereby grants to the Employee Restricted Stock Rights (the "RSRs"), which shall fully vest three(3) years from the date hereof (the "Restricted Period"), pursuant to the terms and conditions set forth herein and subject to the provisions set forth in the Incentive Plan but not subject to any provision of an Employment Agreement which may provide for more accelerated vesting. The RSRs entitle the Employee to receive the number of shares of Common Stock of the Company as set forth in the cover sheet to this Agreement.

2. No shares may be issued under RSRs for one year from the date hereof, except in the case of certain terminations following a change in control as outlined below. After said one-year period, shares subject to RSRs will vest one-third on the second anniversary and an additional two-thirds on the third anniversary (the "Vesting Dates") from the grant date. On each Vesting Date an Employee shall be entitled to receive shares representing the vested RSRs, and the Company shall issue the appropriate number of vested shares (rounded down to the nearest whole share) registered in the name of the Employee or his or her estate or administrator, as deemed appropriate by the Company, provided the Employee has satisfied all tax obligations with respect to such shares as required herein. The unvested shares subject to such RSRs shall be forfeited and all rights of a holder of such RSRs and shares shall terminate without any payment of consideration by the Company if the Employee fails to remain continuously as an Employee of the Company or any subsidiary for the Restricted Period, except (i) the Compensation Committee of the Board of Directors (the "Committee"), in its sole discretion, may determine that full vesting is appropriate under the circumstances, (ii) full vesting of the shares subject to RSRs on his or her last day of employment will also occur if retirement occurs on or after age 65, and (iii) in the event that the employment of a holder of RSRs terminates by reason of death or permanent and total disability, such holder shall be entitled to receive the number of shares subject to the RSR multiplied by a fraction(x) the numerator of which shall be the number of full months between the date of grant of such RSR and the date of such termination of employment, and (y) the denominator of which shall be the number of full months in the Restricted Period; provided however, that any fractional share shall not be awarded. Any shares that the Employee is entitled to receive in accordance with the preceding sentence will be reduced by any shares that the Employee has already received because of vesting on the second anniversary of the grant date. An Employee shall not be deemed to have terminated his or her period of continuous employment with the Company if he or she leaves the employ of the Company or any subsidiary for immediate reemployment with the Company or any subsidiary. A holder of RSRs whose employment terminates for reasons other than those listed in this paragraph 2 or the following sentence will forfeit his or her unvested rights under any outstanding RSRs. This automatic forfeiture may be waived in whole or in part by the Committee in its sole discretion. If there is a change in control of the Company, no shares shall immediately vest despite any contrary provision in the Incentive Plan. Instead, unvested shares shall fully vest if within the 36 month period following a change in control, the Employee is terminated without cause for a reason other than death or total and permanent disability or the employee resigns because his or her responsibilities were substantially diminished, his or her salary (including potential bonus) was reduced or his or her retirement benefits were reduced and compensation equivalent in value was not substituted.

3. If it is determined that the Employee or former Employee, while employed by the Company or any subsidiary or otherwise associated with the Company or any subsidiary as a consultant, advisor or in another similar capacity, engaged at any time in any activity in competition with any activity of the Company or any subsidiary or inimical, contrary or harmful to the interests of the Company or any subsidiary including, but not limited to: (i) conduct related to the Employee's position for which either criminal or civil penalties against the Employee may be sought, (ii) violation of the Company's policies, notwithstanding the Company's decision or inability to, or not to, terminate the Employee for such violation, (iii) accepting employment with or serving as a consultant, advisor or in any other capacity to an employer that is in competition with or acting against the interests of the Company or any subsidiary, including employing or recruiting any present employee of the Company or any subsidiary for such competitor, (iv) disclosing or misusing any confidential information or material concerning the Company or any subsidiary, or (v) participating in a hostile takeover attempt of the Company, then the Committee, in its sole discretion, may cancel any unexpired or unpaid RSR at any time.

4. The RSRs may not be transferred except by will or the laws of descent and distribution.

5. The holder of RSRs shall not be entitled to any of the rights of a holder of the Common Stock with respect to the shares subject to such RSRs prior to the issuance of such shares pursuant to the Plan. However, during the Restricted Period, for each unvested share subject to an RSR, the Company will pay the Employee as additional income, less applicable taxes, an amount in cash equal to the cash dividend declared on a share of Common Stock of the Company during the Restricted Period on or about the date the Company pays such dividend to its stockholders of record.

6. Any and all taxes required to be withheld by the Company as a result of the issuance of any shares pursuant to the RSRs shall be the sole responsibility of the Employee.

7. Notice to the Company shall be addressed to the Company in care of the Shareholder Services Department at 2700 Sanders Road, Prospect Heights, Illinois 60070 and notice to the Employee shall be addressed to him or her at the address as set forth on the cover sheet of this Agreement, or at such other address as either party may hereafter designate in writing to the other.

8. Anything herein to the contrary notwithstanding, this RSR agreement shall be subject to amendment by the Company from time to time to the extent permitted by the Incentive Plan and is subject to the provisions of the Incentive Plan.

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Exhibit 10.15

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made and entered into as of April 1, 1999 by and between Household International, Inc., a Delaware corporation, (hereinafter called the "Corporation") and Rocco J. Fabiano (hereinafter called the "Executive").

WITNESSETH THAT:

WHEREAS, the Executive is currently employed under an employment agreement dated August 23, 1997; and

WHEREAS, the Corporation desires to continue to employ the Executive as its Group Managing Director-Retail Finance, and the Executive desires to continue in such employment, on amended and restated terms and conditions;

NOW, THEREFORE, the Corporation and the Executive, each intending to be legally bound, hereby mutually covenant and agree as follows:

1. Employment and Term.

(a) Employment. The Corporation shall continue to employ the Executive as the Group Managing Director-Retail Finance of the Corporation, and the Executive shall so serve, for the term set forth in Paragraph 1(b).

(b) Term. The initial term of the Executive's employment under this Agreement shall commence as of April 1, 1999 (the "Effective Date") and end on ______ September 30, 2000, subject to the extension of such term as hereinafter provided and subject to earlier termination as provided in Paragraph 7, below. Beginning on April 1, 1999, the term of this Agreement shall be extended automatically for one (1) additional day for each day which has then elapsed since April 1, 1999, unless, at any time after April 1, 1999, either the Board of Directors of the Corporation (the "Board"), on behalf of the Corporation, or the Executive gives written notice to the other that such automatic extension of the term of this Agreement shall cease. Any such notice shall be effective immediately upon delivery. The initial term of this Agreement, plus any extension by operation of this Paragraph 1, shall be hereinafter referred to as the "Term."

2. Duties. During the period of employment as provided in Paragraph 1(b) hereof, the Executive shall serve as Group Managing Director-Retail Finance of the Corporation and have all powers and duties consistent with such position, subject to the reasonable direction of the Board and of the Chief Executive Officer of the Corporation. The Executive shall also continue to serve as a member of the Board if elected as such. The Executive shall devote substantially his entire time during reasonable business hours (reasonable sick leave and vacations excepted) and best efforts to fulfill faithfully, responsibly and to the best of his ability his duties hereunder. However, the

Executive may, with the approval of the Board or of the Chief Executive Officer of the Corporation, which

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shall not be withheld unreasonably, serve on corporate, civic and/or charitable boards and committees.

3. Salary.

(a) Base Salary. For services performed by the Executive for the Corporation pursuant to this Agreement during the period of employment as provided in Paragraph 1(b) hereof, the Corporation shall pay the Executive a base salary of $350,000 per year, payable in substantially equal installments in accordance with the Corporation's regular payroll practices. The Executive's base salary (with any increases under paragraph (b), below) shall not be subject to reduction. Any compensation which may be paid to the Executive under any additional compensation or incentive plan of the Corporation or which may be otherwise authorized from time to time by the Board (or an appropriate committee thereof) shall be in addition to the base salary to which the Executive shall be entitled under this Agreement.

(b) Salary Increases. During the period of employment as provided in Paragraph 1(b) hereof, the base salary of the Executive shall be reviewed no less frequently than annually by the Board or the Compensation Committee of the Board or the Chief Executive Officer of the Corporation to determine whether or not the same should be increased in light of the duties and responsibilities of the Executive and the performance thereof, and if it is determined that an increase is merited, such increase shall be promptly put into effect and the base salary of the Executive as so increased shall constitute the base salary of the Executive for purposes of Paragraph 3(a).

4. Annual Bonuses. For each calendar year during the term of employment, the Executive shall be eligible to receive in cash an annual performance bonus based upon the terms of the Corporation's bonus plan from time to time for senior executives, as adopted by the Board and administered by the Compensation Committee.

5. Equity Incentive Compensation. During the term of employment hereunder the Executive shall be eligible to participate, in the manner and to the extent approved by the Board or the Compensation Committee, in any equity-based incentive compensation plan or program approved by the Board from time to time, including (but not by way of limitation) any plan providing for the granting of (a) options to purchase stock of the Corporation, (b) restricted stock of the Corporation or (c) similar equity-based units or interests, with awards to the Executive that are of appropriate size and nature relative to those for other senior executives and the individual performance of the Executive.

6. Other Benefits. In addition to the compensation described in Paragraphs 3, 4 and 5, above, the Executive shall also be entitled to participate in all of the various retirement, welfare, fringe benefit, executive perquisite, and expense reimbursement plans, programs and arrangements of the Corporation to the extent the Executive is eligible for participation under the terms of such plans, programs and arrangements, with benefit levels and terms of participation at least as favorable to the Executive as those in effect on the Effective Date, except that the Executive's benefits and/or perquisites may be reduced in connection with similar reductions uniformly applied with respect to all similarly situated employees.

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7. Termination. Unless earlier terminated in accordance with the following provisions of this Paragraph 7, the Corporation shall continue to employ the Executive and the Executive shall remain employed by the Corporation during the entire term of this Agreement as set forth in Paragraph 1(b). Paragraph 9 hereof sets forth certain obligations of the Corporation in the event that the Executive's employment hereunder is terminated. Certain capitalized terms used in this Paragraph 7 and in Paragraphs 8 and 9 hereof are defined in Paragraph 7(d), below.

(a) Death or Disability. Except to the extent otherwise provided in Paragraph 9 with respect to certain post-Date of Termination payment obligations of the Corporation, this Agreement shall terminate immediately as of the Date of Termination in the event of the Executive's death or in the event that the Executive becomes disabled. The Executive will be deemed to be disabled upon the earlier of (i) the end of a six (6)-consecutive month period during which, by reason of physical or mental injury or disease, the Executive has been unable to perform substantially all of his usual and customary duties under this Agreement or (ii) the date that a reputable physician selected by the Board, and as to whom the Executive has no reasonable objection, determines in writing that the Executive will, by reason of physical or mental injury or disease, be unable to perform substantially all of the Executive's usual and customary duties under this Agreement for a period of at least six (6) consecutive months. If any question arises as to whether the Executive is disabled, upon reasonable request therefor by the Board, the Executive shall submit to reasonable medical examination for the purpose of determining the existence, nature and extent of any such disability. The Board shall promptly give the Executive written notice of any such determination of the Executive's disability and of any decision of the Board to terminate the Executive's employment by reason thereof. Until the Date of Termination for disability, the base salary payable to the Executive under Paragraph 3 hereof shall be reduced dollar-for-dollar by the amount of any disability benefits paid to the Executive in accordance with any disability policy or program of the Corporation.

(b) Discharge for Cause. In accordance with the procedures hereinafter set forth, the Board may discharge the Executive from his employment hereunder for Cause. Except to the extent otherwise provided in Paragraph 9 with respect to certain post-Date of Termination obligations of the Corporation, this Agreement shall terminate immediately as of the Date of Termination in the event the Executive is discharged for Cause. Any discharge of the Executive for Cause shall be communicated by a Notice of Termination to the Executive given in accordance with Paragraph 16 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) specifies the termination date, which may be as early as the date of the giving of such notice. No purported termination of the Executive's employment for Cause shall be effective without a Notice of Termination.

(c) Termination for Other Reasons. The Corporation may discharge the Executive without Cause by giving written notice to the Executive in accordance with Paragraph 16 at least fifteen (15) days prior to the Date of Termination. The Executive may resign from his employment, without liability to the

Corporation, by giving written notice to the Corporation in accordance with Paragraph 16 at least fifteen (15) days prior to the Date of Termination. Except to the extent otherwise provided in Paragraph 9 with respect to certain post-Date of Termination obligations of the Corporation, this Agreement shall terminate immediately as of the Date of Termination in the event the Executive is discharged without Cause or resigns.

(d) Definitions. For purposes of this Agreement, the following capitalized terms shall have the meanings set forth below:

(i) "Accrued Obligations" shall mean, as of the Date of Termination, the sum of (A) the Executive's base salary under Paragraph 3 through the Date of Termination to the extent not theretofore paid, (B) the amount of any bonus, incentive compensation, deferred compensation and other cash compensation accrued by the Executive as of the Date of Termination to the extent not theretofore paid and (C) any vacation pay, expense reimbursements and other cash entitlements accrued by the Executive as of the Date of Termination to the extent not theretofore paid. For the purpose of this Paragraph 7(d)(i), amounts shall be deemed to accrue ratably over the period during which they are earned, but no discretionary compensation shall be deemed earned or accrued until it is specifically approved by the Board or the Compensation Committee in accordance with the applicable plan, program or policy.

(ii) "Cause" shall mean: (A) the Executive's commission of an act materially and demonstrably detrimental to the financial condition and/or goodwill of the Corporation or any of its subsidiaries, which act constitutes gross negligence or willful misconduct by the Executive in the performance of his material duties to the Corporation or any of its subsidiaries, or (B) the Executive's commission of any material act of dishonesty or breach of trust resulting or intended to result in material personal gain or enrichment of the Executive at the expense of the Corporation or any of its subsidiaries, or (C) the Executive's conviction of a felony involving moral turpitude, but specifically excluding any conviction based entirely on vicarious liability. No act or failure to act will be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that his action or omission was in the best interests of the Corporation. In addition, no act or omission will constitute Cause unless the Corporation has given detailed written notice thereof to the Executive and, where remedial action is feasible, he then fails to remedy the act or omission within a reasonable time after receiving such notice.

(iii) A "Change in Control" shall be deemed to have occurred if:

(A) Any "person" (as defined in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding for this purpose the Corporation or any subsidiary of the Corporation, or any employee benefit plan of the Corporation or any subsidiary of the Corporation, or any person or entity organized,

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appointed or established by the Corporation for or pursuant to the terms of such plan which acquires beneficial ownership of voting securities of the Corporation, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Corporation representing twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding securities; provided, however, that no Change in Control shall be deemed to have occurred as the result of an acquisition of securities of the Corporation by the Corporation which, by reducing the number

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of voting securities outstanding, increases the direct or indirect beneficial ownership interest of any person to twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding securities, but any subsequent increase in the direct or indirect beneficial ownership interest of such a person in the Corporation shall be deemed a Change in Control; and provided further that if the Board of Directors of the Corporation determines in good faith that a person who has become the beneficial owner directly or indirectly of securities of the Corporation representing twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding securities has inadvertently reached that level of ownership interest, and if such person divests as promptly as practicable a sufficient amount of securities of the Corporation so that the person no longer has a direct or indirect beneficial ownership interest in twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding securities, then no Change in Control shall be deemed to have occurred;

(B) During any period of two (2) consecutive years (not including any period prior to the Effective Date of this Agreement), individuals who at the beginning of such two-year period constitute the Board of Directors of the Corporation and any new director or directors (except for any director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in subparagraph (A), above, or subparagraph (C), below) whose election by the Board or nomination for election by the Corporation's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board (such individuals and any such new directors being referred to as the "Incumbent Board"); or

(C) Consummation of (1) an agreement for the sale or disposition of the Corporation or all or substantially all of the Corporation's assets, (2) a plan of merger or consolidation of the Corporation with any other corporation, or (3) a similar transaction or series of transactions involving the Corporation (any transaction described in parts (1) through (3) of this subparagraph (C) being referred to as a "Business Combination"), in each case unless after such a Business Combination (x) the shareholders of the Corporation immediately prior to the Business Combination continue to own, directly or indirectly, more than sixty percent (60%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the new (or continued) entity (including, but not by way of limitation, an entity which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's former assets either directly or through one or more subsidiaries) immediately after such Business Combination, in substantially the same proportion as their ownership of the Corporation immediately prior

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to such Business Combination, (y) no person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or of such entity resulting from such Business Combination) beneficially owns, directly or indirectly, twenty percent (20%) or more of the then combined voting power of the then outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (z) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

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(D) Approval by the shareholders of the Corporation of a complete liquidation or dissolution of the Corporation.

Any other provision of this Agreement to the contrary notwithstanding, a "Change in Control" shall not include any transaction described in subparagraph (A) or (C), above, where, in connection with such transaction, the Executive and/or any party acting in concert with the Executive substantially increases his or its, as the case may be, ownership interest in the Corporation or a successor to the Corporation (other than through conversion of prior ownership interests in the Corporation and/or through equity awards received entirely as compensation for past or future personal services).

(iv) "Date of Termination" shall mean (A) in the event of a discharge of the Executive by the Board for Cause, the date specified in such Notice of Termination, (B) in the event of a discharge of the Executive without Cause or a resignation by the Executive, the date specified in the written notice to the Executive (in the case of discharge) or the Corporation (in the case of resignation), which date shall be no less than fifteen (15) days from the date of such written notice, (C) in the event of the Executive's death, the date of the Executive's death, and (D) in the event of termination of the Executive's employment by reason of disability pursuant to Paragraph 7(a), the date the Executive receives written notice of such termination.

(v) "Good Reason" shall mean any of the following without the consent of the Executive: (A) the failure to re-elect the Executive as Group Managing Director-Retail Finance, (B) assignment of duties inconsistent with the Executive's position, authority, duties or responsibilities, or any other action by the Corporation which results in a substantial diminution of such position, authority, duties or responsibilities, other than an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Corporation promptly after receipt of notice thereof given by the Executive, (C) any failure by the Corporation to comply with any of the provisions of this Agreement, including (but not by way of limitation) those provisions regarding compensation and benefits, other than an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Corporation promptly after receipt of notice thereof given by the Executive, or (D) the Corporation giving notice to the Executive to stop further operation of the evergreen feature described in Paragraph 1(b), above. However, during the period of three (3) years after a Change in Control, "Good Reason" shall also include the Executive being reassigned, without the Executive's consent, to an office location outside of the San Diego,

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California metropolitan area. In addition, termination by the Executive for any reason during the sixty (60)-day period which begins six (6) months after a Change in Control shall be deemed to be a termination for Good Reason; provided, however, that if the Executive dies after a Change in Control but less than six (6) months after a Change in Control, the Executive will be deemed to have terminated employment for Good Reason six (6) months after the Change in Control.

(vi) "Qualifying Termination" shall mean termination of the Executive's employment under this Agreement (A) by reason of the discharge of the Executive by the Corporation other than for Cause or disability or (B) by reason of the resignation of the Executive for Good Reason within six (6) months after an event constituting Good Reason or (C) in accordance with the last sentence of the definition of Good Reason in subparagraph (v), above.

8. Vesting of Equity Awards Upon a Change in Control. Immediately upon the Change in Control, all stock options, restricted stock and other equity awards previously made to the Executive which are not otherwise vested shall vest in full, and all such options shall remain exercisable for the period provided for the applicable plan or award agreement.

9. Obligations of the Corporation Upon Termination. The following provisions describe the obligations of the Corporation to the Executive under this Agreement upon termination of his employment. However, except as explicitly provided in this Agreement, nothing in this Agreement shall limit or otherwise adversely affect any rights which the Executive may have under applicable law, under any other agreement with the Corporation or any of its subsidiaries, or under any compensation or benefit plan, program, policy or practice of the Corporation or any of its subsidiaries.

(a) Death, Disability, Discharge for Cause, or Resignation Without Good Reason. In the event this Agreement terminates by reason of the death or disability of the Executive, or by reason of the discharge of the Executive by the Corporation for Cause, or by reason of the resignation of the Executive other than for Good Reason, the Corporation shall pay to the Executive, or his heirs or estate, in the event of the Executive's death, all Accrued Obligations in a lump sum within thirty (30) days after the Date of Termination; provided, however, that any portion of the Accrued Obligations which consists of bonus, deferred compensation, or incentive compensation shall be determined and paid in accordance with the terms of the relevant plan as applicable to the Executive.

(b) Death, Disability or Retirement. In the event that Executive's employment is terminated by death, disability or retirement under a retirement plan of the Corporation, the Executive shall be entitled to receive, in addition to the compensation and benefits described in paragraph (a), above, a pro rata cash bonus for the year in which the Date of Termination occurs, determined and paid in accordance with the terms of the then current annual bonus plan applicable to the Executive.

(c) Qualifying Termination Without a Change in Control. In the event of a Qualifying Termination without a Change in Control, the Executive shall, upon executing

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and delivering a release of liability satisfactory to the Corporation, receive the following benefits:

(i) Payment of all Accrued Obligations in a lump sum within thirty (30) days after the Date of Termination; provided, however, that any portion of the Accrued Obligations which consists of bonus, deferred compensation or incentive compensation shall be determined and paid in accordance with the terms of the relevant plan as applicable to the Executive,

(ii) Payment in a lump sum within thirty (30) days after the Date of Termination of a salary replacement amount equal to one hundred fifty percent (150%) of the Executive's base salary as in effect prior to the termination,

(iii) Payment in a lump sum within thirty (30) days after the Date of Termination of a bonus replacement amount equal to one hundred fifty percent (150%) of the average of the annual bonuses payable to the Executive for the three (3) years preceding the year in which the Date of Termination occurs,

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(iv) Continuation, for a period of eighteen (18) months after the Date of Termination, of health insurance benefits under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") with the cost of such benefits to be paid by the Corporation, but such benefits may be discontinued earlier to the extent that the Executive becomes entitled to comparable benefits from a subsequent employer,

(v) Immediate pro rata vesting of all stock options, restricted stock and other equity or incentive compensation awards to the Executive which are not otherwise fully vested, with all options to remain exercisable for the period provided for in the applicable plan or award agreement. The proration of each award shall be done by multiplying the full award by a fraction, the numerator of which shall be the number of full months between the date of grant and the Date of Termination, and the denominator of which shall be the number of full months in the period of employment required for full vesting under the original terms of the award, and

(vi) Outplacement services, at the expense of the Corporation, from a provider reasonably selected by the Executive.

In addition, the Executive may, in the discretion of the Compensation Committee, be awarded a pro rata cash bonus for the year in which the Date of Termination occurs.

(d) Qualifying Termination After a Change in Control. In the event of a Qualifying Termination within three (3) years after a Change in Control, the Executive shall receive, in addition to the compensation and benefits described in subparagraphs (c)(i) and (c)(vi), above, the following benefits:

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(i) A pro rata cash bonus for the year in which the Date of Termination occurs, determined and paid in accordance with the terms of the then current annual bonus plan applicable to the Executive,

(ii) Payment in a lump sum within thirty (30) days after the Date of Termination of a salary replacement amount equal to three hundred percent (300%) of the Executive's base salary as in effect prior to the termination,

(iii) Payment in a lump sum within thirty (30) days after the Date of Termination of a bonus replacement amount equal to three hundred percent (300%) of the highest of the annual bonuses payable to the Executive for the three (3) years preceding the year in which the Date of Termination occurs,

(iv) Continuation, for a period of three (3) years after the Date of Termination, of the following welfare benefits and senior executive perquisites on terms at least as favorable to the Executive as those which would have been provided if the Executive's employment had continued for that time pursuant to this Agreement: medical and dental benefits, life and disability insurance, executive physical examinations, and automobile and financial counseling allowances, with the cost of such benefits to be paid by the Corporation. To the extent the Corporation is unable to provide comparable insurance for reasons other than cost, the Corporation may provide a lesser level or no coverage and compensate the Executive for the difference in coverage through a cash lump sum payment grossed up for taxes. This payment will be tied to the cost of an individual insurance policy if it were assumed to be available,

(v) Immediate vesting of the Executive's interests in all non-qualified or supplemental retirement plans in which the Executive participates (including, but not by way of limitation, supplemental Section 401(k) plans), calculated on the basis of the Executive's actual period of service plus three (3) years, giving effect for that additional period to the salary replacement and bonus replacement amounts described in subparagraphs (ii) and (iii), above, and taking into account the maximum matching contributions by the Corporation under qualified and supplemental Section 401(k) plans.

(e) Termination of Employment Prior to Change in Control. Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and if the Executive's employment with the Corporation is terminated within six (6) months prior to the date on which the Change in Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who was taking steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or in anticipation of a Change in Control, then for all purposes of this Agreement the termination of the Executive's employment shall be deemed to have occurred immediately after the Change in Control.

10. Certain Additional Payments by the Corporation. The Corporation agrees that:

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(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Corporation to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Paragraph 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, (the "Code") or if any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, being hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of paragraph (c), below, all determinations required to be made under this Paragraph 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the accounting firm which is then serving as the auditors for the Corporation (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Corporation and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Corporation. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Corporation. Any Gross-Up Payment, as determined pursuant to this Paragraph 10, shall be paid by the Corporation to the Executive

within five (5) days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that failure to report the Excise Tax on the Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any good faith determination by the Accounting Firm shall be binding upon the Corporation and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Corporation should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Corporation exhausts its remedies pursuant to paragraph (c), below, and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Corporation to or for the benefit of the Executive.

(c) The Executive shall notify the Corporation in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the

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Corporation of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than fifteen (15) business days after the Executive is informed in writing of such claim and shall apprise the Corporation of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the thirty (30)-day period following the date on which Executive gives such notice to the Corporation (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Corporation notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) Give the Corporation any information reasonably requested by the Corporation relating to such claim,

(ii) Take such action in connection with contesting such claim as the Corporation shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Corporation,

(iii) Cooperate with the Corporation in good faith in order effectively to contest such claim, and

(iv) Permit the Corporation to participate in any proceedings relating to such claim;

provided, however, that the Corporation shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this paragraph (c), the Corporation shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or

contest the claim in any permissible manner; and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Corporation shall determine; provided, however, that if the Corporation directs the Executive to pay such claim and sue for a refund, the Corporation shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Corporation's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the

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case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Corporation pursuant to paragraph (c), above, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Corporation's complying with the requirements of said paragraph (c)) promptly pay to the Corporation the amount of such refund (together with any interest paid or credited thereon, after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Corporation pursuant to said paragraph (c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Corporation does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid; and the amount of such advance shall offset, to the extent thereof, the amount of the Gross-Up Payment required to be paid.

11. No Set-Off or Mitigation. The Corporation's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Corporation may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not the Executive obtains other employment.

12. Payment of Certain Expenses. The Corporation agrees to pay promptly as incurred, to the fullest extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest by the Corporation, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement (including as a result of any contest initiated by the Executive about the amount of any payment due pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, however, that the Corporation shall not be obligated to make such payment with respect to any contest in which the Corporation prevails over the Executive.

13. Indemnification. To the full extent permitted by law, the Corporation shall, both during and after the term of the Executive's employment, indemnify the Executive (including the advancement of expenses) for any judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred by the Executive in connection with the defense of any lawsuit or other claim to which he is made a party by reason of being (or having been) an officer, director or employee of the Corporation or any of its subsidiaries. In addition, the Executive shall be covered, both during and after the term of the Executive's employment, by director and officer liability insurance to the maximum extent that such insurance covers any officer or director (or former officer or director) of the Corporation.

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14. Confidentiality. During and after the period of employment with the Corporation, the Executive shall not, without prior written consent from the Chief Executive Officer or the General Counsel of the Corporation directly or indirectly disclose to any individual, corporation or other entity, other than to the Corporation or any subsidiary or affiliate thereof or their officers, directors or employees entitled to such information or any other person or entity to whom such information is disclosed in the normal course of the business of the Corporation) or use for the Executive's own benefit or for the benefit of any such individual, corporation or other entity, any Confidential Information of the Corporation. For purposes of this Agreement, "Confidential Information" is information relating to the business of the Corporation or its subsidiaries or affiliates (a) which is not generally known to the public or in the industry, (b) which has been treated by the Corporation and its subsidiaries and affiliates as confidential or proprietary, (c) which provides the Corporation or its subsidiaries or affiliates with a competitive advantage, and (d) in the confidentiality of which the Corporation has a legally protectable interest. Confidential Information which becomes generally known to the public or in the industry, or in the confidentiality of which the Corporation and its subsidiaries and affiliates cease to have a legally protectable interest, shall cease to be subject to the restrictions of this Paragraph 14.

15. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the successors and assigns of the Corporation. The Corporation shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) to all or a substantial portion of its assets, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform this Agreement if no such succession had taken place. Regardless of whether such an agreement is executed, this Agreement shall be binding upon any successor of the Corporation in accordance with the operation of law, and such successor shall be deemed the "Corporation" for purposes of this Agreement.

16. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or by recognized commercial delivery service or if mailed within the continental United States by first class certified mail, return receipt requested, postage prepaid, addressed as follows:

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(1) If to the Board or the Corporation, to:

Household International, Inc.
2700 Sanders Road
Prospect Heights, Illinois 60070
Attention: Senior Vice President-Human Resources

(2) If to the Executive, to:

Rocco J. Fabiano
1646 Lugano Lane
Del Mar, California 92014

Such addresses may be changed by written notice sent to the other party at the last recorded address of that party.

17. Tax Withholding. The Corporation shall provide for the withholding of any taxes required to be withheld by federal, state, or local law with respect to any payment in cash, shares of stock and/or other property made by or on behalf of the Corporation to or for the benefit of the Executive under this Agreement or otherwise. The Corporation may, at its option: (a) withhold such taxes from any cash payments owing from the Corporation to the Executive, (b) require the Executive to pay to the Corporation in cash such amount as may be required to satisfy such withholding obligations and/or (c) make other satisfactory arrangements with the Executive to satisfy such withholding obligations.

18. Arbitration. Except as to any controversy or claim which the Executive elects, by written notice to the Corporation, to have adjudicated by a court of competent jurisdiction, any controversy or claim arising out of or relating to this Agreement or the breach hereof shall be settled by arbitration in accordance with the laws of the State of Illinois, except for the provisions of paragraph 23 where the laws of the State of California shall apply. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association. The costs and expenses of the arbitrator(s) shall be borne by the Corporation. The award of the arbitrator(s) shall be binding upon the parties. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction. In those cases where money damages may not be a sufficient remedy for any breach of this Agreement, the Corporation and the Executive shall be entitled to equitable relief, including injunction, in addition to all other remedies available at law or equity to the Corporation and the Executive.

19. No Assignment. Except as otherwise expressly provided herein, this Agreement is not assignable by any party and no payment to be made hereunder shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or other charge.

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20. Execution in Counterparts. This Agreement may be executed by the parties hereto in two (2) or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

21. Jurisdiction and Governing Law. Other than the conflict of laws provisions of such laws, this Agreement shall be construed and interpreted in accordance with and governed by the laws of the State of Illinois, except for the provision of paragraph 23 where the laws of the State of California shall apply.

22. Severability. If any provision of this Agreement shall be adjudged by any court of competent jurisdiction to be invalid or unenforceable for any reason, such judgment shall not affect, impair or invalidate the remainder of this Agreement. Furthermore, if the scope of any restriction or requirement contained in this Agreement is too broad to permit enforcement of such restriction or requirement to its full extent, then such restriction or requirement shall be enforced to the maximum extent permitted by law, and the Executive consents and agrees that any court of competent jurisdiction may so modify such scope in any proceeding brought to enforce such restriction or requirement.

23. Non-Competition After Sale. In consideration of the fact that a subsidiary of the Corporation purchased all of the Executive's shares of ACC Consumer Finance Corporation on October 21, 1997, the Executive agrees that during the 3 year period ending on October 20, 2000, the Executive will not invest or engage in any business which is principally a sub-prime consumer auto lender (a "Competitor") within the United States or Canada or accept employment with or render services to any Competitor within the United States or Canada and during the 2 year period commencing October 21, 2000, the Executive will not invest or engage in any business which is a Competitor within the United States or Canada or accept employment with or render services to any Competitor within the United States or Canada unless that Competitor has been in existence and operating for more than three (3) years at that time. For the period ending one (1) year after the date of termination, the Executive will not solicit to hire any employee of the Corporation or its subsidiaries which would result in a termination of his or her employment with the Corporation or any of its subsidiaries in order to join any company or organization in which the Executive has an interest, financially or otherwise. The provisions of this paragraph shall terminate upon a Change in Control.

24. Prior Understandings. This Agreement embodies the entire understanding of the parties hereto and supersedes all other oral or written agreements or understandings between them regarding the subject matter hereof, including but not by way of limitation the Employment Agreement dated August 23, 1997 between the Executive and ACC Consumer Finance Corporation (now known as Household Automotive Finance Corporation), a subsidiary of the Corporation, and any other employment agreement entered into by and between the Executive and ACC Consumer Finance and American Credit Corporation and/or any subsidiary or affiliate thereof, including the agreement dated November 1, 1995. No change, alteration or modification hereof may be made except in a writing, signed by each of the parties hereto. The headings in this Agreement are for convenience of reference only and shall not be construed as part of this Agreement or to limit or otherwise affect the meaning hereof.

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written.

Attest:	HOUSEHOLD INTERNATIONAL, INC.
/s/ Kenneth H. Robin	By: /s/ William F. Aldinger
Kenneth H. Robin Senior Vice President-General Counsel and Corporate Secretary	Title: Chairman and Chief Executive Officer

/s/ Rocco J. Fabiano

Rocco J. Fabiano

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HOUSEHOLD INTERNATIONAL, INC.

AMENDMENT TO
EMPLOYMENT AGREEMENT

This AMENDMENT TO EMPLOYMENT AGREEMENT is made effective as of April 1, 1999, by and between Household International, Inc. a Delaware corporation (the "Corporation"), a Delaware corporation and (the "Executive").

WHEREAS, the Corporation and Executive entered into a Employment Agreement dated as of April 1, 1999 (hereinafter referred to as the "Agreement"); and

WHEREAS, the Corporation and Executive deem it desirable to set forth more clearly certain continuing obligations under the Agreement;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained in the Agreement, the Corporation and Executive agree as follows:

1. The Agreement shall be amended by adding at the end of Paragraph 7 thereof the following Paragraph 7(e):

> "(e). Continuing Obligations. Notwithstanding the termination of this Agreement pursuant to Paragraph 7(a), 7(b) or 7(c) above, or upon the expiration of the term described in Paragraph 1 above, the respective covenants, agreements and obligations of the Corporation and the Executive set forth hereinafter shall continue."

2. Except as specifically set forth herein, the Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, Household International, Inc. has caused this Amendment to Employment Agreement to be executed by its duly authorized officers, and Executive has signed this Amendment, effective as of the 1st day of April, 1999.

ATTEST:

/s/ Kenneth H. Robin

Kenneth H. Robin
Senior Vice President-General Counsel
and Corporate Secretary

HOUSEHOLD INTERNATIONAL, INC.

By: /s/ Colin P. Kelly
Senior Vice President-Human Resources

EXECUTIVE:

/s/ Rocco J. Fabiano

Rocco J. Fabiano

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HOUSEHOLD INTERNATIONAL, INC

SECOND AMENDMENT TO

EMPLOYMENT AGREEMENT

This SECOND AMENDMENT TO EMPLOYMENT AGREEMENT is made effective as of January 1, 2000 by and between Household International, Inc., a Delaware corporation, (the "Corporation"), and Rocco J. Fabiano (the "Executive").

WHEREAS, the Corporation and the Executive entered into an employment agreement dated as of April 1, 1999 (hereinafter referred to as the "Agreement"); and

WHEREAS, the Agreement has been amended and the Corporation and the Executive deem it desirable to further amend the Agreement;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained in the Agreement, the Corporation and the Executive agree as follows:

1. The Agreement shall be amended by substituting the title "Group Executive" for the title "Group Managing Director - Retail Finance" where it appears in the first sentence of Paragraph 1(a), in the first sentence of Paragraph 2 and in subparagraph 7(d)(v)(A) of the Agreement.

2. The Agreement shall be amended by substituting the figure "$500,000" for the figure "$350,000" where it appears in the first sentence of Paragraph 3(a) of the Agreement.

3. Except as specifically set forth herein, this Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, Household International, Inc. has caused this Amendment to Employment Agreement to be executed by its duly authorized officers, and the Executive has signed this Second Amendment, as of this 5th day of September 2000.

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ATTEST:	HOUSEHOLD INTERNATIONAL, INC.
/s/ Kenneth H. Robin	By /s/ Colin P. Kelly
Kenneth H. Robin Senior Vice President - General Counsel And Corporate Secretary	Colin P. Kelly Senior Vice President - Administration
	EXECUTIVE:
	/s/ Rocco J. Fabiano
	Rocco J. Fabiano

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EXHIBIT 10.16

AMENDED AND RESTATED
WFA SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

WHEREAS, Household International, Inc., by resolution of its Board of Directors dated November 14, 2000, has authorized its proper officers to adopt the Amended and Restated WFA Supplemental Executive Retirement Plan,

NOW, THEREFORE, the Amended and Restated WFA Supplemental Executive Retirement Plan is adopted as follows:

1. Adoption of Plan. William F. Aldinger ("WFA") is a participant in the Household Retirement Income Plan ("RIP") and a participant in the Household Supplemental Retirement Income Plan ("SRIP"). The WFA Supplemental Executive Retirement Plan was previously adopted to supplement the benefits payable to WFA under RIP SRIP. The Board of Directors has determined to amend the WFA Supplemental Executive Retirement Plan as set forth in this Amended and Restated WFA Supplemental Executive Retirement Plan (hereafter called the "Plan).

2. Eligible Employees. WFA is the only employee of Household International, Inc. ("Household") eligible to participate in the Plan.

3. Vesting of Benefits. WFA shall at all times be fully vested in his benefits under the Plan.

4. Amount of Benefit. WFA shall be eligible to receive a benefit under this Plan equal to his benefit under the RIP benefit formula as in effect in 1989 (without the application of any Internal Revenue Code limitations) calculated by adding 20 years of benefit service to his actual years of benefit service under RIP. Notwithstanding any provision of this Plan to the contrary, the benefit computed under the preceding sentence shall not be changed after June 25, 2007 (WFA's 60/th/ birthday) to reflect either additional benefit service or a change in WFA's Final Average Salary. The benefit derived under the preceding sentences shall be calculated as a monthly single life annuity payable commencing immediately upon WFA's termination of employment, using (if applicable) the early commencement reduction factors set forth in RIP. The amount of the monthly benefit under this Plan shall be offset by an aggregate monthly single life annuity equal in actuarial value to any monthly single life annuities WFA is eligible to receive under RIP and SRIP, and under Wells Fargo's and Citicorp's defined benefit pension plans. In the event that the benefit under this Plan is computed using the June 25, 2007 until the date of distribution at the prime rate of interest as from time to time published in the The Wall Street Journal, Midwest Edition.

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5. Effect of Certain Terminations of Employment Prior to January 1, 2003. In the event WFA's employment with Household and all of its subsidiaries terminates for Cause (as defined in the Employment Agreement dated as of January 1, 1999 between Household and WFA, such Employment Agreement hereinafter referred to as the "Employment Agreement") no benefits shall be payable under

this Plan. In the event WFA terminates his employment with

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Household and all of its subsidiaries for other than a Qualifying Termination of Employment (as defined in the Employment Agreement), then the benefit payable under this Plan shall be equal to a percentage of the benefit determined under Paragraph 4 as of January 1, 2003 using WFA's projected benefit service as of January 1, 2003 and his Final Average Salary as of his date of termination, which percentage shall be determined in accordance with the following schedule:

Date of Termination:	Percentage:
January 1, 2001 through December 31, 2001	33.33%
January 1, 2002 through December 31, 2002	66.67%

6. Calculation of Benefit. For purposes of determining the benefits hereunder, WFA's Final Average Salary shall be as defined in the RIP (but without any limits imposed by Section 401(a)(17) of the Internal Revenue Code); provided, however, that if WFA's termination of employment is a Qualifying Termination of Employment, then for purpose of determining his benefit hereunder (A) WFA's Final Average Salary shall be determined as if his employment continued for another 24 months and the lump sum salary and bonus replacement amounts payable to him under the Employment Agreement on account of such Qualifying Termination of Employment were paid ratably to him over such 24-month period, and (B) WFA's years of benefit service shall be determined as if his employment continued for such 24-month period. In the event that the Qualifying Termination of Employment occurs within six months prior to, or on or after, a Change in Control (as defined in the Employment Agreement), for purposes of determining his benefit hereunder, (I) WFA's Final Average Salary amount shall be determined as if his employment continued for another 36 months and the lump sum salary and bonus replacement amounts payable to him under the Employment Agreement on account of such Qualifying Termination of Employment were paid ratably to him over such 36-month period, and (II) WFA's benefit service shall be calculated as if his employment continued for such 36-month period.

7. Form of Payment. The benefits under this Plan shall be paid to WFA (or, in the event of his death, his spouse or other designated beneficiary) in accordance with this Paragraph 7. As of the date of WFA's termination of employment, the single life annuity payable to WFA shall be converted into an actuarially equivalent lump sum value (hereinafter referred to as the "Lump Sum Amount") as of the date of WFA's termination, using the actuarial factors applicable to lump sum payments as are then in effect under RIP. Such Lump Sum Amount shall be paid in five equal installments, the first to be made no later than thirty days after the termination of WFA's employment, and the second through fifth installments to be made on the first through fourth anniversaries of WFA's termination of employment. The second through fifth installments shall be accompanied by interest credited on the unpaid balance at the prime rate of interest as from time to time published in The Wall Street Journal, Midwest Edition. Notwithstanding the foregoing, the Senior Vice President - Administration of Household, or his successor, may approve an alternative form

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of benefit, including a single lump sum payment of the Lump Sum Amount. To the extent that WFA shall have elected, prior to the January 1 of the calendar year in which his termination of employment occurs, that his benefit under the Plan be paid in a single lump sum amount, or in any other form of payment offered under RIP which is actuarially equivalent to the Lump Sum Amount, determined in accordance with the factors used under RIP, then the Senior President - Administration of Household or his successor shall

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be obligated to approve such form of payment. The form of benefit chosen under the Plan may differ from that elected under RIP or SRIP. In the event that a payment required to be made under this Paragraph 7 would not be fully deductible by Household if paid in one taxable year, then the payment will be spread over the minimum number of years needed to allow for full deductibility by Household. The amounts not immediately paid in accordance with the preceding sentence will be credited with interest at the prime rate referred to above, up until the date of distribution.

8. Death Benefit. If WFA should die after payment of benefits to him under the Plan has begun, then payments will cease or continue in accordance with the manner of payment selected. If WFA should die before payments commence, then the benefit under the Plan to which he would have been entitled had his employment terminated on the day before his death will be paid to his spouse or other beneficiary designated by him.

9. Financing of the Plan. The benefits provided under the Plan shall be paid directly by Household, and the Plan shall not create a funded account or security interest for the benefit of any person. Notwithstanding the foregoing, this Plan shall constitute a "Contract" and WFA shall be an "Executive" within the meaning of the Household International, Inc. Grantor Trust Agreement for Employees and Former Employees, as may from time to time be amended (such trust and any successor thereto or replacement thereof hereinafter referred to as the "Grantor Trust"). Upon the occurrence of a Funding Date (as defined in the Grantor Trust), the Company shall pay to the Grantor Trust the amounts required thereby with respect to the benefits hereunder and take such other actions as are appropriate to protect such benefits. If the Grantor Trust is terminated or amended in a manner adverse to WFA, then upon a Change in Control (as defined in Section 4.01 of the Grant or Trust) the Company shall establish a replacement trust in form and substance reasonably acceptable to WFA and shall deliver to the replacement trust cash of a value sufficient to provide for the payment of all accrued benefits under this Plan.

10. Amendment and Termination. The Plan may be amended from time to time or terminated by Household with the consent of WFA.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed in its name and on its behalf and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized this __ day of December, 2000.

HOUSEHOLD INTERNATIONAL, INC.

/s/ Colin P. Kelly

By Colin P. Kelly
Senior Vice President- Administration

(Corporate Seal)

ATTEST:

/s/ Kenneth H. Robin

Kenneth H. Robin
Senior Vice President
General Counsel and Secretary

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EXHIBIT 11

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE
(In millions, except per share data.)

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	2000		1999		1998	
Year ended December 31	Diluted	Basic	Diluted	Basic	Diluted	Basic
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Earnings:						
Net income	$1,700.7	$1,700.7	$1,486.4	$1,486.4	$524.1	$524.1
Preferred dividends	(9.2)	(9.2)	(9.2)	(9.2)	(15.0)	(15.0)
Earnings available to common shareholders	$1,691.5	$1,691.5	$1,477.2	$1,477.2	$509.1	$509.1
Average shares:						
Common	471.8	471.8	477.0	477.0	487.2	487.2
Common equivalents	4.4	-	4.8	-	9.2	-
Total	476.2	471.8	481.8	477.0	496.4	487.2
Earnings per common share	$ 3.55	$ 3.59	$ 3.07	$ 3.10	$ 1.03	$ 1.04

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EXHIBIT 12

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND
TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(All dollar amounts are stated in millions.)

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Year ended December 31	2000	1999	1998	1997	1996
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Net income	$1,700.7	$1,486.4	$ 524.1	$ 940.3	$ 819.6
Income taxes	909.8	734.3	428.6	462.2	461.2
Income before income taxes	2,610.5	2,220.7	952.7	1,402.5	1,280.8
Fixed charges:					
Interest expense (1)	3,943.8	2,782.2	2,530.8	2,367.9	2,337.4
Interest portion of rentals (2)	52.9	45.4	56.8	53.4	55.4
Total fixed charges	3,996.7	2,827.6	2,587.6	2,421.3	2,392.8
Total earnings as defined	$6,607.2	$5,048.3	$3,540.3	$3,823.8	$3,673.6
Ratio of earnings to fixed charges (4)	1.65	1.79	1.37	1.58	1.54
Preferred stock dividends (3)	$ 14.1	$ 13.8	$ 23.0	$ 25.3	$ 34.0
Ratio of earnings to combined fixed charges and preferred stock dividends (4)	1.65	1.78	1.36	1.56	1.51

</TABLE>

(1) For financial statement purposes, interest expense includes income earned on temporary investment of excess funds, generally resulting from over-subscriptions of commercial paper.

(2) Represents one-third of rentals, which approximates the portion representing interest.

(3) Preferred stock dividends are grossed up to their pre-tax equivalents.

(4) The 1998 ratios have been negatively impacted by the one-time merger and integration related costs associated with our merger with Beneficial Corporation ("Beneficial"). Excluding Beneficial merger and integration related costs of $751 million after tax, our ratio of earnings to fixed charges was 1.75 percent and our ratio of earnings to combined fixed charges and preferred stock dividends was 1.74 percent.
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Exhibit 21

SUBSIDIARIES OF HOUSEHOLD INTERNATIONAL, INC.

As of December 31, 2000, the following subsidiaries were directly or indirectly owned by the Registrant. Certain subsidiaries which in the aggregate do not constitute significant subsidiaries may be omitted.
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Names of Subsidiaries	Organized Under Laws of:	% Voting Stock Owned By Parent
<S>	<C>	<C>
Household Investment Funding, Inc.	Delaware	100%
Household Aviation, LLC	Delaware	N/A
Hamilton Investments, Inc.	Delaware	100%
Craig-Hallum Corporation	Delaware	100%
Renaissance Credit Services, Inc.	Delaware	100%
Renaissance Bankcard Services	Oregon	100%
Renaissance Bankcard Services of Kentucky	Kentucky	100%
Household Bank, f.s.b.	California	100%
HB Receivables Corporation	Nevada	100%
Beneficial Retail Services, Inc.	Delaware	100%
HHTS, Inc.	Illinois	100%
Household Bank (SB), N.A.	United States	100%
Household Affinity Funding Corporation	Delaware	100%
Household Service Corporation of Illinois, Inc.	Illinois	100%
Household Insurance Services, Inc.	Illinois	100%
Housekey Financial Corporation	Illinois	100%
Household Mortgage Services, Inc.	Delaware	100%
Beneficial Service Corporation	Delaware	100%
Beneficial Service Corporation of Delaware	Delaware	100%
Household Capital Corporation	Delaware	100%
Household Finance Corporation	Delaware	100%
Household Receivables Funding, Inc. III	Delaware	100%
Household Receivables Acquisition Company II	Delaware	100%
HGF Leasing, Inc.	Delaware	100%
Beneficial Corporation	Delaware	100%
Beneficial Credit Corp.	Delaware	100%
Guaranty and Indemnity Insurance Company	Delaware	100%
Bencharge Credit Service Holding Company	Delaware	100%
Beneficial Credit Services Northeast, Inc.	Delaware	100%
Household Payroll Services, Inc.	Delaware	100%
Beneficial Credit Services of Connecticut Inc.	Delaware	100%
Beneficial Credit Services of Mississippi Inc.	Delaware	100%

Beneficial Credit Services of South Carolina Inc.	Delaware	100%
Beneficial Credit Services Inc.	Delaware	100%
Beneficial Alabama Inc.	Alabama	100%
Beneficial Arizona Inc.	Delaware	100%
Beneficial California Inc.	Delaware	100%
Beneficial Colorado Inc.	Delaware	100%
Beneficial Commercial Holding Corporation	Delaware	100%
Beneficial Commercial Corporation	Delaware	100%
Beneficial Finance Leasing Corporation	Delaware	100%
Beneficial Leasing Group, Inc.	Delaware	100%
Neil Corporation	Delaware	100%
Silliman Corporation	Delaware	100%
Beneficial Connecticut Inc.	Delaware	100%
Beneficial Consumer Discount Company	Pennsylvania	100%

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Beneficial Delaware Inc.	Delaware	100%
Beneficial Discount Co. of Virginia	Delaware	100%
Beneficial Finance Co. of West Virginia	Delaware	100%
Beneficial Finance Services, Inc.	Kansas	100%
Beneficial Florida Inc.	Delaware	100%
Beneficial Mortgage Co. of Florida	Delaware	100%
Beneficial Georgia Inc.	Delaware	100%
Beneficial Hawaii Inc.	Delaware	100%
Beneficial Idaho Inc.	Delaware	100%
Beneficial Illinois Inc.	Delaware	100%
Beneficial Income Tax Service Holding Co., Inc.	Delaware	100%
Household Tax Masters Inc.	Delaware	100%
Beneficial Indiana Inc.	Delaware	100%
Beneficial Investment Co.	Delaware	100%
Beneficial Credit Services of New York, Inc.	Delaware	100%
Beneficial New York Inc.	New York	100%
Beneficial Homeowner Service Corporation	Delaware	100%
Beneficial Iowa Inc.	Iowa	100%
Beneficial Kansas Inc.	Kansas	100%
Beneficial Kentucky Inc.	Delaware	100%
Beneficial Land Company, Inc.	New Jersey	100%
Beneficial Loan & Thrift Co.	Minnesota	100%
Beneficial Louisiana Inc.	Delaware	100%
Beneficial Maine Inc.	Delaware	100%
Beneficial Management Corporation	Delaware	100%
Beneficial Management Institute, Inc.	New York	100%
Beneficial Management Corporation of America	Delaware	100%
Beneficial Franchise Company Inc.	Delaware	100%
Beneficial Business Credit Corp.	Delaware	100%
Beneficial Mark Holding Inc.	Delaware	100%
Beneficial Trademark Co.	Delaware	100%
Beneficial Management Headquarters, Inc.	New Jersey	100%
Beneficial Facilities Corporation	New Jersey	100%
Beneficial Maryland Inc.	Delaware	100%
Beneficial Massachusetts Inc.	Delaware	100%
Beneficial Michigan Inc.	Delaware	100%
Beneficial Mississippi Inc.	Delaware	100%
Beneficial Missouri, Inc.	Delaware	100%
Beneficial Montana Inc.	Delaware	100%

Beneficial Mortgage Holding Company	Delaware	100%
Beneficial Excess Servicing Inc.	Delaware	100%
Beneficial Home Mortgage Loan Corp.	Delaware	100%
Beneficial Mortgage Co. of Arizona	Delaware	100%
Beneficial Mortgage Co. of Colorado	Delaware	100%
Beneficial Mortgage Co. of Connecticut	Delaware	100%
Beneficial Mortgage Co. of Georgia	Delaware	100%
Beneficial Mortgage Co. of Idaho	Delaware	100%
Beneficial Mortgage Co. of Indiana	Delaware	100%
Beneficial Mortgage Co. of Kansas, Inc.	Delaware	100%
Beneficial Mortgage Co. of Louisiana	Delaware	100%
Beneficial Mortgage Co. of Maryland	Delaware	100%
Beneficial Mortgage Co. of Massachusetts	Delaware	100%
Beneficial Mortgage Co. of Mississippi	Delaware	100%
Beneficial Mortgage Co. of Missouri, Inc.	Delaware	100%
Beneficial Mortgage Co. of Nevada	Delaware	100%
Beneficial Mortgage Co. of New Hampshire	Delaware	100%
Beneficial Mortgage Co. of Oklahoma	Delaware	100%
Beneficial Mortgage Co. of Rhode Island	Delaware	100%
Beneficial Mortgage Co. of South Carolina	Delaware	100%
Beneficial Mortgage Co. of Texas	Delaware	100%
Beneficial Mortgage Co. of Utah	Delaware	100%

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Beneficial Mortgage Co. of Virginia	Delaware	100%
Beneficial Mortgage Co. of North Carolina	Delaware	100%
Decision One Mortgage Company, LLC	North Carolina	100%
Beneficial National Bank USA	Delaware	100%
Beneficial Service Corporation of New Jersey	Delaware	100%
Beneficial Nebraska Inc.	Nebraska	100%
Beneficial Nevada Inc.	Delaware	100%
Beneficial New Hampshire Inc.	Delaware	100%
Beneficial New Jersey Inc.	Delaware	100%
Beneficial New Mexico Inc.	Delaware	100%
Beneficial North Carolina Inc.	Delaware	100%
Beneficial Oklahoma Inc.	Delaware	100%
Beneficial Oregon Inc.	Delaware	100%
Beneficial Real Estate Company, Inc.	New Jersey	100%
Beneficial Rhode Island Inc.	Delaware	100%
Beneficial South Carolina Inc.	Delaware	100%
Beneficial South Dakota Inc.	Delaware	100%
Beneficial Systems Development Corporation	Delaware	100%
Beneficial Technology Corporation	Delaware	100%
Beneficial Tennessee Inc.	Tennessee	100%
Beneficial Texas Inc.	Texas	100%
Beneficial Utah Inc.	Delaware	100%
Beneficial Vermont Inc.	Delaware	100%
Beneficial Virginia Inc.	Delaware	100%
Beneficial Washington Inc.	Delaware	100%
Beneficial West Virginia, Inc.	West Virginia	100%
Beneficial Wisconsin Inc.	Delaware	100%
Beneficial Wyoming Inc.	Wyoming	100%
Benevest Group Inc.	Delaware	100%
Benevest Service Company	Delaware	100%
Benevest Services, Inc.	Washington	100%
Benevest Escrow Company	Delaware	100%

BMC Holding Company	Delaware	100%
Beneficial Mortgage Corporation	Delaware	100%
Beneficial Mortgage Services, Inc.	Delaware	100%
Bon Secour Properties Inc.	Alabama	100%
Capital Financial Services Inc.	Nevada	100%
Harbour Island Inc.	Florida	100%
Harbour Island Venture One, Inc.	Florida	100%
Harbour Island Venture Three, Inc.	Florida	100%
Harbour Island Venture Four, Inc.	Florida	100%
Tampa Island Transit Company, Inc.	Florida	100%
Personal Mortgage Holding Company	Delaware	100%
Personal Mortgage Corporation	Delaware	100%
Southern Trust Company	Delaware	100%
Southwest Beneficial Finance, Inc.	Illinois	100%
Wasco Properties, Inc.	Delaware	100%
Beneficial Real Estate Joint Venture, Inc.	Delaware	100%
Alabama Properties	Delaware	100%
HFC Card Funding Corporation	Delaware	100%
HFC Funding Corporation	Delaware	100%
HFC Revolving Corporation	Delaware	100%
HFS Funding Corporation	Delaware	100%
Household Acquisition Corporation	Delaware	100%
HFTA Corporation	Delaware	100%
Pacific Agency, Inc.	Nevada	100%
HFTA Consumer Discount Company	Pennsylvania	100%
HFTA First Financial Corporation	California	100%
HFTA Second Corporation	Alabama	100%
HFTA Third Corporation	Delaware	100%
HFTA Fourth Corporation	Minnesota	100%

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HFTA Seventh Corporation	New Jersey	100%
HFTA Eighth Corporation	Ohio	100%
HFTA Ninth Corporation	West Virginia	100%
HFTA Tenth Corporation	Washington	100%
Household Finance Corporation of Hawaii	Hawaii	100%
Household Realty Corporation (1997) Limited	British Columbia	100%
Pacific Finance Loans	California	100%
Household Automotive Finance Corporation	Delaware	100%
ACC Funding Corp.	Delaware	100%
ACC Receivables Corp.	Delaware	100%
Household Automotive Credit Corporation	Delaware	100%
OFL-A Receivables Corp.	Delaware	100%
Household Auto Receivables Corporation	Nevada	100%
Household Bank (Nevada), N.A.	United States	100%
Household Card Funding Corporation	Delaware	100%
Household Receivables Funding Corporation	Nevada	100%
Household Receivables Funding Corporation II	Delaware	100%
Household Receivables Funding, Inc.	Delaware	100%
Household Capital Markets, Inc.	Delaware	100%
Household Card Services, Inc.	Nevada	100%
Household Consumer Loan Corporation	Nevada	100%
Household Corporation	Delaware	100%
Household Credit Services, Inc.	Delaware	100%

Renaissance Recovery Services, Inc.	Delaware	100%
Household Credit Services of Mexico, Inc.	Delaware	100%
Household Financial Services, Inc.	Delaware	100%
Household Group, Inc.	Delaware	100%
Household Life Insurance Co. of Arizona	Arizona	100%
Household Insurance Group Holding Company	Delaware	100%
Household Life Insurance Company of Delaware	Delaware	100%
Household Insurance Agency, Inc.	Michigan	100%
Household Insurance Agency, Inc.	Nevada	100%
Wesco Insurance Company	Delaware	100%
Southwest Texas General Agency, Inc.	Texas	100%
Service General Insurance Company	Ohio	100%
Beneficial Ohio Inc.	Delaware	100%
Service Management Corporation	Ohio	100%
B.I.G. Insurance Agency, Inc.	Ohio	100%
BFC Agency, Inc.	Delaware	100%
BFC Insurance Agency of Nevada	Nevada	100%
Beneficial Direct, Inc.	New Jersey	100%
Household Insurance Group, Inc.	Delaware	100%
Service Administrators, Inc. (USA)	Colorado	100%
Household Life Insurance Company	Michigan	100%
First Central National Life Insurance Company of New York	New York	100%
Arcadia Insurance Administrators, Inc.	Delaware	100%
AHLIC Investment Holdings Corporation	Delaware	100%
Cal-Pacific Services, Inc.	California	100%
HFS Investments, Inc.	Nevada	100%
JV Mortgage Capital, Inc.	Delaware	50%
JV Mortgage Capital, L.P.	Delaware	50.5%
JV Mortgage Capital Consumer Discount Company	Pennsylvania	100%
Household Business Services, Inc.	Delaware	100%
Financial Network Alliance, L.L.P.	Illinois	50%
FNA Consumer Discount Company	Pennsylvania	100%
Household Commercial Financial Services, Inc.	Delaware	100%
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HCFS Business Equipment Corporation	Delaware	100%
HFC Commercial Realty, Inc.	Delaware	100%
PPSG Corporation	Delaware	100%
G.C. Center, Inc.	Delaware	100%
Com Realty, Inc.	Delaware	100%
Lighthouse Property Corporation	Delaware	100%
Household OPEB I, Inc.	Illinois	100%
HFC Leasing, Inc.	Delaware	100%
First HFC Leasing Corporation	Delaware	100%
Second HFC Leasing Corporation	Delaware	100%
Valley Properties Corporation	Tennessee	100%
Fifth HFC Leasing Corporation	Delaware	100%
Sixth HFC Leasing Corporation	Delaware	100%
Seventh HFC Leasing Corporation	Delaware	100%
Eighth HFC Leasing Corporation	Delaware	100%

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Eleventh HFC Leasing Corporation	Delaware	100%
Thirteenth HFC Leasing Corporation	Delaware	100%
Fourteenth HFC Leasing Corporation	Delaware	100%
Seventeenth HFC Leasing Corporation	Delaware	100%
Nineteenth HFC Leasing Corporation	Delaware	100%
Twenty-second HFC Leasing Corporation	Delaware	100%
Twenty-sixth HFC Leasing Corporation	Delaware	100%
Beaver Valley, Inc.	Delaware	100%
Hull 752 Corporation	Delaware	100%
Hull 753 Corporation	Delaware	100%
Third HFC Leasing Corporation	Delaware	100%
Macray Corporation	California	100%
Fourth HFC Leasing Corporation	Delaware	100%
Pargen Corporation	California	100%
Fifteenth HFC Leasing Corporation	Delaware	100%
Hull Fifty Corporation	Delaware	100%
HFC Retail Credit Services, Inc.	Delaware	100%
Household Capital Investment Corporation	Delaware	100%
Old K & B Corporation	Michigan	94.4%
Household Commercial of California, Inc.	California	100%
Real Estate Collateral Management Company	Delaware	100%
OLC, Inc.	Rhode Island	100%
OPI, Inc.	Virginia	100%
Household Finance Consumer Discount Company	Pennsylvania	100%
Overseas Leasing Two FSC, Ltd.	Bermuda	100%
Household Finance Corporation II	Delaware	100%
Household Finance Corporation of Alabama	Alabama	100%
Household Finance Corporation of California	Delaware	100%
Household Finance Corporation of Nevada	Delaware	100%
Household Finance Realty Corporation of New York	Delaware	100%
Household Finance Corporation of West Virginia	West Virginia	100%
Household Finance Industrial Loan Company	Washington	100%
Household Finance Industrial Loan Company of Iowa	Iowa	100%
Household Finance Realty Corporation of Nevada	Delaware	100%
Household Finance Corporation III	Delaware	100%
Amstelveen FSC, Ltd.	Bermuda	100%
HFC Agency of Connecticut, Inc.	Connecticut	100%
HFC Agency of Michigan, Inc.	Michigan	100%
HFC Agency of Missouri, Inc.	Missouri	100%
Night Watch FSC, Ltd.	Bermuda	100%
Household Realty Corporation	Delaware	100%
Overseas Leasing One FSC, Ltd.	Bermuda	100%

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Household Retail Services, Inc.	Delaware	100%
HRSI Funding, Inc.	Nevada	100%
Household Financial Center Inc.	Tennessee	100%
Household Industrial Finance Company	Minnesota	100%
Household Industrial Loan Co. of Kentucky	Kentucky	100%
Household Recovery Services Corporation	Delaware	100%
Household Relocation Management, Inc.	Illinois	100%
Household Servicing, Inc.	Delaware	100%
Mortgage One Corporation	Delaware	100%

Mortgage Two Corporation	Delaware	100%
Sixty-First HFC Leasing Corporation	Delaware	100%
Household Pooling Corporation	Nevada	100%
Household Receivables Acquisition Company	Delaware	100%
Household REIT Corporation	Nevada	100%
Household Financial Group, Ltd.	Delaware	100%
Household Global Funding, Inc.	Delaware	100%
Beneficial Premium Services Limited	England	100%
Beneficial Limited	England	99.9%
Beneficial Financial Services Limited	England	100%
Beneficial Leasing Limited	England	100%
Beneficial Trust Investments Limited	England	100%
Beneficial Trust Nominees Limited	England	100%
Endeavour Personal Finance Limited	England	100%
Security Trust Limited	England	100%
Sterling Credit Limited	England	100%
Sterling Credit Management Limited	England	100%
The Loan Corporation Limited	England	100%
Extracard Corp.	Delaware	100%
Household Ireland (Holdings), Limited	Delaware	100%
BFC Ireland (Holdings) Limited	Ireland	100%
BFC Insurance (Life) Limited	Ireland	100%
BFC Management Services Limited	Ireland	100%
BFC Insurance Limited	Ireland	100%
BFC Reinsurance Limited	Ireland	100%
Household International (U.K.) Limited	England	100%
D.L.R.S. Limited	England	100%
HFC Bank plc	England	100%
HFC Pension Plan (Ireland) Limited	Ireland	100%
Hamilton Financial Planning Services Ltd.	England	100%
Hamilton Insurance Company Limited	England	100%
Hamilton Life Assurance Company Limited	England	100%
HFC Pension Plan Limited	England	100%
Household Funding Limited	England	100%
Household Investments Limited	England	100%
Household Leasing Limited	England	100%
Household Management Corporation Limited	England and Wales	100%
Household Overseas Limited	England	100%
Household International Netherlands B.V.	Netherlands	100%
Household Financial Corporation Limited	Ontario	100%
Household Finance Corporation of Canada	Canada	100%
Household Realty Corporation Limited	Ontario	100%
Household Trust Company	Canada	100%
Household Financial Corporation Inc.	Ontario	100%
Household Reinsurance Ltd.	Bermuda	100%

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EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Household International, Inc.:

As independent public accountants, we hereby consent to the incorporation of our report dated January 15, 2001, included in this Annual Report on Form 10-K of Household International, Inc. for the year ended December 31, 2000, into the Company's previously filed Registration Statements No. 2-86383, No. 33-21343, No. 2-97495, No. 33-45454, No. 33-45455, No. 33-52211, No. 33-58727, No. 333-00397, No. 33-44066, No. 333-03673, No. 333-39639, No. 333-58287, No. 333-58289, No. 333-58291, No. 333-47073, No. 333-36589 and No. 333-30600 on Form S-8 and Registration Statements No. 33-48854, No. 33-56599, No. 33-57249, No. 333-1025, No. 333-65679 and No. 333-27305 on Form S-3.

Chicago, Illinois
March 27, 2001
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EXHIBIT 99(b)

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

DEBT AND PREFERRED STOCK SECURITIES RATINGS OF THE COMPANY AND ITS SIGNIFICANT SUBSIDIARIES

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At December 31, 2000			
Household International, Inc.			
Senior debt	A	A3	A
Commercial paper	A-1	P-2	F-1
Preferred stock	BBB+	baa1	A-
Household Finance Corporation			
Senior debt	A	A2	A+
Senior subordinated debt	A-	A3	A
Commercial paper	A-1	P-1	F-1
Household Bank, f.s.b.			
Senior debt	A	A2	A
Subordinated debt	A-	A3	A-
Certificates of deposit (long/short-term)	A/A-1	A2/P-1	A/F-1
Thrift notes	A-1	P-1	F-1
HFC Bank plc			
Senior debt	A	A2	A+
Commercial paper	A-1	P-1	NR

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EXHIBIT 13

Household International, Inc. and Subsidiaries

Selected Financial Data and Statistics

Pg. 26 - 2000 Annual Report

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All dollar amounts except per share data are stated in millions.	2000	1999	1998	1997	1996
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Statement of Income Data-Year Ended December 31/1/					
Net interest margin and other revenues	$ 8,032.0	$ 6,722.5	$ 6,380.0	$ 6,036.2	$ 5,451.6
Provision for credit losses on owned receivables	2,116.9	1,716.4	1,516.8	1,493.0	1,144.2
Operating expenses	3,042.9	2,527.3	2,672.3	2,884.8	2,714.7
Policyholders' benefits	261.7	258.1	238.2	255.9	311.9
Merger and integration related costs	-	-	1,000.0	-	-
Income taxes	909.8	734.3	428.6	462.2	461.2
Net income	$ 1,700.7	$ 1,486.4	$ 524.1/2/	$ 940.3	$ 819.6
Per Common Share Data/1/					
Basic earnings	$ 3.59	$ 3.10	$ 1.04	$ 1.97	$ 1.76
Diluted earnings	3.55	3.07	1.03/2/	1.93	1.73
Dividends declared	.74	.68	.60	.54	.49
Book value	16.88	13.79	12.88	12.81	9.96
Average number of common and common equivalent shares outstanding/7/	476.2	481.8	496.4	479.1	462.3
Selected Financial Ratios/1/					
Return on average owned assets	2.44%	2.64%	1.04%/2/	2.03%	1.82%
Return on average managed assets	1.93	1.99	.72/2/	1.38	1.30
Return on average common shareholders' equity	23.4	23.5	8.1/2/	17.3	18.7
Total shareholders' equity as a percent of owned assets/3/	11.46	11.51	12.78	14.13	11.07
Total shareholders' equity as a percent of managed assets/3/	9.07	8.72	9.31	9.28	7.58
Tangible shareholders' equity to tangible managed assets/4/	7.41	6.96	7.11	6.92	6.20
Managed net interest margin	8.10	8.23	7.86	7.72	7.45
Managed consumer net chargeoff ratio	3.64	4.13	4.29	3.84	2.96
Managed basis efficiency ratio, normalized	34.2	33.6	37.6	41.0	45.0
Common dividend payout ratio	20.8	22.1	58.3/2/	28.0	28.3

</TABLE>

/1/ On June 30, 1998, Household merged with Beneficial Corporation ("Beneficial"), a consumer finance holding company. In connection with the merger, Household issued approximately 168.4 million shares of its common stock and three series of preferred stock. The transaction was accounted for as a pooling of interests and, accordingly, the consolidated financial statements for all periods prior to the merger have been restated to include the financial results of Beneficial.

/2/ Excluding merger and integration related costs of $751.0 million after-tax and the $118.5 million after-tax gain on sale of Beneficial's Canadian operations, net operating income was $1,156.6 million, diluted operating earnings per share was $2.30, the return on average owned assets was 2.29 percent, the return on average managed assets was 1.60 percent, the return on average common shareholders' equity was 18.2 percent, and the dividend payout ratio was 26.1 percent. See Management's Discussion and Analysis for further discussion of the merger and integration costs, the gain on sale of Beneficial Canada, and results excluding these items.

/3/ Total shareholders' equity includes common shareholders' equity, preferred stock and company obligated mandatorily redeemable preferred securities of subsidiary trusts.

/4/ Tangible shareholders' equity consists of total shareholders' equity, excluding unrealized gains and losses on investments, less acquired intangibles and goodwill. Tangible managed assets represents total managed assets less acquired intangibles and goodwill.

/5/ In 2000, we acquired real estate secured portfolios totaling $3.7 billion. In 1998, we sold $1.9 billion of our non-core MasterCard and Visa receivables and also sold Beneficial's German and Canadian operations which had net receivables of $272 million and $775 million, respectively. In 1997, we acquired the capital stock of Transamerica Financial Services Holding Company ("TFS"), which included $3.1 billion of real estate secured receivables. We also exited the student loan business and sold our related $900 million portfolio.

/6/ In October 1997, we purchased ACC Consumer Finance Corporation, an auto finance company.

/7/ During 2000, we repurchased 5.4 million shares of our common stock for a total of $209.3 million pursuant to our share repurchase program. During

1999, we repurchased 21.8 million shares of our common stock for a total of $915.9 million of which 16.8 million shares were repurchased pursuant to our share repurchase program and 5.0 million shares were repurchased to fund various employee benefit programs. In 1998, we repurchased 10.5 million shares of our common stock for a total of $412 million to fund various employee benefit programs. In 1997, we issued 27.3 million shares of common stock in a public offering, raising about $1.0 billion. The net proceeds were used to repay certain short-term borrowings incurred in connection with the acquisition of TFS.

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Household International, Inc. and Subsidiaries

Selected Financial Data and Statistics (continued)

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<TABLE>
<CAPTION>

All dollar amounts except per share data are stated in millions.	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data at December 31/1/					
Total assets:					
Owned	$ 76,706.3	$ 60,749.4	$ 52,892.7	$ 46,817.0	$ 45,332.0
Managed	96,955.8	80,188.3	72,594.6	71,295.5	66,183.2
Managed receivables/5/:					
Real estate secured	$ 36,637.5	$ 26,935.5	$ 22,330.1	$ 19,824.8	$ 16,197.5
Auto finance/6/	4,563.3	3,039.8	1,765.3	883.4	-
MasterCard/Visa	17,583.4	15,793.1	16,610.8	19,211.7	19,528.2
Private label	11,997.3	11,269.7	10,377.5	10,381.9	10,252.5
Other unsecured	16,227.3	13,881.9	11,970.6	11,505.1	11,557.6
Commercial and other	598.6	808.3	853.4	1,353.6	1,762.9
Total managed receivables	87,607.4	71,728.3	63,907.7	63,160.5	59,298.7
Receivables serviced with limited recourse	(20,249.5)	(19,438.9)	(19,701.8)	(24,478.5)	(20,851.2)
Owned receivables	$ 67,357.9	$ 52,289.4	$ 44,205.9	$ 38,682.0	$ 38,447.5
Owned Receivables/5/					
Domestic:					
Real estate secured	$ 33,920.0	$ 23,571.7	$ 17,474.1	$ 12,348.5	$ 8,291.0
Auto finance/6/	1,850.6	1,233.5	805.0	487.5	-
MasterCard/Visa	5,846.9	4,146.6	5,327.8	5,523.4	8,277.3
Private label	8,671.5	8,546.7	8,051.0	7,457.0	7,992.6
Other unsecured	9,950.3	7,469.8	5,573.3	5,018.7	6,365.9
Commercial and other	596.3	804.5	844.0	1,249.6	1,693.9
Total domestic	$ 60,835.6	$ 45,772.8	$ 38,075.2	$ 32,084.7	$ 32,620.7
Foreign:					
Real estate secured	$ 1,259.7	$ 1,090.2	$ 1,218.6	$ 1,437.7	$ 1,244.2
MasterCard/Visa	2,206.7	2,167.8	1,852.4	1,351.3	1,101.2
Private label	1,675.8	1,573.0	1,515.0	1,899.9	1,742.9
Other unsecured	1,377.8	1,681.8	1,535.3	1,804.4	1,669.5
Commercial and other	2.3	3.8	9.4	104.0	69.0
Total foreign	$ 6,522.3	$ 6,516.6	$ 6,130.7	$ 6,597.3	$ 5,826.8
Total owned receivables:					
Real estate secured	$ 35,179.7	$ 24,661.9	$ 18,692.7	$ 13,786.2	$ 9,535.2
Auto finance/6/	1,850.6	1,233.5	805.0	487.5	-
MasterCard/Visa	8,053.6	6,314.4	7,180.2	6,874.7	9,378.5
Private label	10,347.3	10,119.7	9,566.0	9,356.9	9,735.5
Other unsecured	11,328.1	9,151.6	7,108.6	6,823.1	8,035.4
Commercial and other	598.6	808.3	853.4	1,353.6	1,762.9
Total owned receivables	$ 67,357.9	$ 52,289.4	$ 44,205.9	$ 38,682.0	$ 38,447.5
Debt and Shareholders' Equity					
Deposits	$ 8,676.9	$ 4,980.0	$ 2,105.0	$ 2,344.2	$ 3,000.1
Commercial paper, bank and other borrowings	10,787.9	10,777.8	9,917.9	10,666.1	10,597.4
Senior and senior subordinated debt	45,053.0	34,887.3	30,438.6	23,736.2	23,433.1
Company obligated mandatorily redeemable preferred securities of subsidiary trusts	675.0	375.0	375.0	175.0	175.0
Preferred stock	164.4	164.4	164.4	264.5	319.5
Common shareholders' equity/7/	7,951.2	6,450.9	6,221.4	6,174.0	4,521.5

</TABLE>
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Household International, Inc. and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations

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Household International, Inc. ("Household") is principally a non-operating holding company. Through its subsidiaries, Household provides consumers with real estate secured loans, auto finance loans, MasterCard* and Visa* credit cards, private label credit cards and other types of unsecured loans. We also

offer tax refund anticipation loans ("RAL's") in the United States and credit and specialty insurance in the United States, United Kingdom and Canada. Household may also be referred to as "we," "us," or "our." We serve primarily middle-market consumers in the United States, United Kingdom and Canada. Our operations are divided into three reportable segments: Consumer, Credit Card Services, and International. Our Consumer segment includes our consumer lending, retail services and auto finance businesses. Our consumer lending business includes our branch-based operations and our mortgage services business, which includes our correspondent business. Our Credit Card Services segment includes our domestic MasterCard and Visa credit card business. Our International segment includes our foreign operations in the United Kingdom ("U.K.") and Canada. At December 31, 2000, our managed receivables totaled $87.6 billion. Managed receivables include receivables on our balance sheet and receivables that we service for investors as part of cur asset securitization program.

OPERATIONS SUMMARY

. Our net income increased 14 percent in 2000 to $1.7 billion, compared to $1.5 billion in 1999 and operating net income of $1.2 billion in 1998. We define operating net income in 1998 as income excluding merger and integration related costs of $751.0 million after-tax related to our merger with Beneficial Corporation ("Beneficial") and the $118.5 million after-tax gain on the sale of Beneficial's Canadian operations. Net income was $524.1 million in 1998. Strong revenue growth driven by significant receivable growth across all businesses was the key to our improved results in 2000 and 1999. Partially offsetting the revenue growth in 2000 were higher operating expenses reflecting our investment in growing our business. In 2000, we increased technology, marketing, e-commerce and personnel spending to support current growth and strengthen our ability to achieve sustainable and consistent revenue and receivable growth in the future. Net income in 1999 also benefited from declines in operating expenses as a result of the Beneficial merger and improved results in our domestic MasterCard and Visa business.

. Our diluted earnings per share increased 16 percent in 2000 to $3.55, compared to $3.07 in 1999 and diluted operating earnings per share of $2.30 in 1998. Diluted earnings per share, which includes both the merger and integration related costs and the gain on the sale of Beneficial's Canadian operations, was $1.03 in 1998.

. Managed receivables grew 22 percent to $87.6 billion in 2000. All products were up over the prior year period. Growth was strongest in our consumer lending business, which includes our real estate secured and unsecured products, and our auto finance business.

. Our return on average common shareholders' equity ("ROE") was 23.4 percent in 2000, compared to 23.5 percent in 1999 and 18.2 percent in 1998. The ratio for 1998 excludes merger and integration related costs and the gain on sale of Beneficial Canada. Our return on average owned assets ("ROA") was 2.44 percent in 2000, compared to 2.64 percent in 1999 and 2.29 percent in 1998, excluding the nonrecurring items. Our return on average managed assets ("ROMA") was 1.93 percent in 2000, compared to 1.99 percent in 1999 and 1.60 percent in 1998, excluding the nonrecurring items. Including the merger and integration related costs and the gain on sale of Beneficial Canada, ROE was 8.1 percent, ROA was 1.04 percent and ROMA was .72 percent in 1998. The decreases in our ROA and ROMA in 2000 compared to 1999 reflect the shift in our portfolio mix to lower margin real estate secured receivables, higher interest costs due to the increasing interest rate environment in 2000 and higher operating expenses as we increased spending for technology, marketing, e-commerce and personnel. The increase in 1999 over 1998 was primarily attributable to improved efficiency following the Beneficial merger.

. Our consolidated managed net interest margin was 8.10 percent in 2000, compared to 8.23 percent in 1999 and 7.86 percent in 1998. The decrease in 2000 reflects our continuing shift to lower margin real estate secured receivables which have lower credit losses due to their secured nature. In addition, the decline in the margin reflects higher interest costs due to higher interest rates. The increase in 1999 reflects higher yields resulting from successful repricing in our MasterCard and Visa and other unsecured portfolios and a lower cost of funds.

. Our normalized managed basis efficiency ratio was 34.2 percent in 2000, 33.6 percent in 1999, and 37.6 percent in 1998. The efficiency ratio is the ratio of operating expenses to the sum of cur managed net interest margin and other revenues less policyholders' benefits. We normalize, or adjust for, items that are not indicative of ongoing operations. The ratio increased slightly in 2000 as we made investments in technolcgy, marketing and e-commerce to support the growth of our businesses. The ratio decreased in 1999 due to cost savings and operating efficiencies achieved from the consolidation of Beneficial's operations. Continued cost control efforts in all our businesses benefited both periods.

*MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.
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ACQUISITIONS AND DISPOSITIONS

. On February 7, 2000, we purchased all of the outstanding capital stock of Renaissance Holdings, Inc. ("Renaissance"), a privately held issuer of secured and unsecured credit cards to non-prime customers, for approximately $300

million in common stock and cash. The acquisition provided us with an established platform for growing the non-prime credit card business and an ability to expand our product offerings to customers and prospects in our other businesses. The acquisition was accounted for as a purchase and, accordingly, Renaissance's operations have been included in our results of operations since February 7, 2000.

. In August 1999, we acquired all of the outstanding capital stock of Decision One Mortgage Company LLC ("Decision One") for approximately $60 million in common stock and cash. Decision One originates loans through a 30-state broker network and packages them for sale to investors. The acquisition was accounted for as a purchase and, accordingly, earnings from Decision One have been included in our results of operations subsequent to the acquisition date.

. On June 30, 1998, Household merged with Beneficial Corporation ("Beneficial"), a consumer finance holding company headquartered in Wilmington, Delaware. The merger was accounted for as a pooling of interests and, therefore, the consolidated financial statements include the results of operations, financial position, and changes in cash flows of Beneficial for all periods presented.

In connection with the Beneficial merger, we established an integration plan to combine the companies. The plan was approved by the appropriate levels of management and identified activities that would not be continued as a result of the merger and the related costs of exiting those activities. Pursuant to our plan, we accrued pre-tax merger and integration related costs of approximately $1 billion ($751 million after-tax) in 1998 which have been reflected in the statement of income in total costs and expenses. See Footnote 2 in our consolidated financial statements for further detail about the components of our merger and integration related costs. During 1998, we made cash payments of $629 million and non-cash reductions of $291 million against our restructuring reserve. The restructure reserve liability was $80 million at December 31, 1998. We completed our merger and integration plan during 1999. The costs incurred to execute the plan were consistent with our original estimated cost of $1 billion.

. During the first quarter of 1998, we completed the sale of Beneficial's Canadian operations and recorded an after-tax gain of approximately $118.5 million. In April 1998, the sale of Beneficial's German operations was also completed. In 1997, Beneficial announced its intent to sell the German operations and recorded an after-tax loss of approximately $27.8 million after consideration of a $31.0 million tax benefit.

SEGMENT RESULTS

The following summarizes operating results for our reportable operating segments for 2000 compared to 1999 and 1998:

. Our Consumer segment reported higher net income in 2000 compared to prior years. Net income increased to $1.3 billion, compared to $1.0 billion in 1999 and $.8 billion in 1998. Managed receivables grew to $64.0 billion at year-end 2000, up 28 percent from $49.9 billion in 1999 and $41.2 billion in 1998. Each of our businesses contributed to our higher managed receivables. We had our strongest growth in our real estate secured loans. In 2000, in addition to strong organic growth, we took advantage of consolidation in the home equity industry by acquiring real estate secured portfolios of $2.2 billion in March and $1.5 billion in June. ROA was 2.54 percent in 2000, compared to 2.58 percent in 1999 and 2.77 percent in 1998. This ratio declined over prior years due to the higher proportion of lower-yielding real estate secured receivables which remain on our balance sheet. We have not securitized real estate secured loans since 1997. ROMA increased to 2.16 percent in 2000 from 2.11 percent in 1999 and 2.09 percent in 1998. The improved results were driven by strong receivable growth, which resulted in higher levels of net interest income and other revenues. The higher revenues were partially offset by our higher spending. Higher salary and sales incentive expenses and higher marketing expenses reflected our investment in the growth of our businesses. Our credit loss provision also rose reflecting the increased levels of receivables. Results for 1999 also reflect efficiencies achieved as we successfully integrated Beneficial's branch operations.

. Our Credit Card Services segment also reported improved results due to our successful repositioning and repricing of this segment over the past two years. Net income increased to $214.7 million in 2000, compared to $152.8 million in 1999 and $140.8 million in 1998. Managed receivables grew to $16.0 billion at year-end 2000, compared to $13.9 billion in 1999 and $14.8 billion in 1998. The increase in managed receivables in 2000 was primarily due to growth in our Union Privilege ("UP") portfolio, our affinity card relationship with the AFL-CIO labor federation, and growth in our non-prime credit card program. This growth was partially offset by attrition in our legacy undifferentiated Household Bank branded portfolio on which we have limited marketing
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efforts. In 2000, the new GM Card(R) was launched. This re-launch contributed to the generation of over 600 thousand new accounts in 2000. The decline in segment managed receivables in 1999 reflects attrition in the first half of the year resulting from our repositioning initiatives. These repositioning initiatives included modification of the GM Card(R), repricing of the UP portfolio, de-emphasizing our undifferentiated portfolio and re-targeting our Household Bank branded portfolio to our traditional middle-market customer. Once the

repositioning efforts were completed, solid growth resumed in the second half of 1999 and continued into 2000. ROA was 2.91 percent in 2000, compared to 2.42 percent in 1999 and 1.80 percent in 1998. ROMA improved to 1.33 percent, compared to 1.01 percent in 1999 and .75 percent in 1998. The improved operating results in 2000 primarily were due to increased net interest margin from better pricing and higher fee income. Credit loss provision and marketing expense also increased to support the growing portfolio. The improved operating results in 1999 were primarily due to lower operating expenses, lower loss provision and higher net interest margin. The higher net interest margin was due to better pricing and was achieved despite lower average receivables. The improvements in 1999 were partially offset by lower securitization and fee income.

. Our International segment reported improved results. Net income increased to $230.1 million in 2000, compared to $218.7 million in 1999 and $153.7 million in 1998. Net income in 2000 includes negative foreign exchange impacts of $15 million. Managed receivables totaled $7.8 billion at year-end 2000, compared to $7.6 billion in 1999 and $7.4 billion in 1998. Receivable balances at December 31, 2000 include negative foreign exchange impacts of almost $600 million compared to the prior year. When reported in local currency, all products reported receivable growth with the strongest growth coming from our MasterCard and Visa portfolio in the United Kingdom. Marbles(TM), our Internet-based credit card that was launched in October 1999, was the primary contributor to the growth. ROA was 3.12 percent in 2000, compared to 2.97 percent in 1999 and 2.16 percent in 1998. ROMA was 2.71 percent in 2000, compared to 2.57 percent in 1999 and 1.86 percent in 1998. In 2000, higher revenues from receivable growth were partially offset by higher salary expense. The improved operating results in 1999 were driven by improved efficiency, as well as higher revenues due to receivable growth in the U.K.

BALANCE SHEET REVIEW

Receivables growth has been a key contributor to our 2000 results. All consumer products reported year-over-year growth. The strongest growth came from our consumer lending business, which includes our real estate secured and unsecured products, and our auto finance business. Our managed portfolio, which includes receivables on our balance sheet plus receivables serviced with limited recourse, increased $15.9 billion to $87.6 billion at December 31, 2000. Growth in our managed portfolio is shown in the following table:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	December 31, 2000	Increase (Decrease) in 2000/1999 $	%	Increase (Decrease) in 1999/1998 $	%
<S>	<C>	<C>	<C>	<C>	<C>
Managed receivables:					
Real estate secured..................................	$ 36,637.5	$ 9,702.0	36%	$4,605.4	21%
Auto finance...	4,563.3	1,523.5	50	1,274.5	72
MasterCard/Visa......................................	17,583.4	1,790.3	11	(817.7)	(5)
Private label..	11,997.3	727.6	6	892.2	9
Other unsecured......................................	16,227.3	2,345.4	17	1,911.3	16
Commercial and other.................................	598.6	(209.7)	(26)	(45.1)	(5)
Total..	$ 87,607.4	$15,879.1	22%	$7,820.6	12%

</TABLE>

. Real estate secured receivables increased $9.7 billion to $36.6 billion during 2000. Favorable market conditions, reduced competition and improved customer retention were key contributors to our growth. Our branch sales force continued to benefit from our centralized lead management and point-of-sale system resulting in increased productivity and strong growth in our HFC and Beneficial branches. Our correspondent business also reported strong year-over-year growth. We supplemented the strong internal growth with opportunistic portfolio acquisitions of $2.2 billion in the first quarter and $1.5 billion in the second quarter of 2000.
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Household International, Inc. and Subsidiaries

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Our auto finance business expanded its sales force by approximately 60 people, which improved our relationships with existing dealers and increased the number of our dealer relationships. Continued consolidation within the non-prime auto finance industry has resulted in more rational pricing and fewer competitors. These factors drove the $1.5 billion increase in our auto finance loans to $4.6 billion at the end of 2000. Approximately half of the new volume was generated through our Millennium program, which was introduced in the second quarter of 1999. We believe this product enables us to target higher quality customers at competitive rates and to add credit diversification to our non-prime segment. In addition to its positive impact on receivable growth, the Millennium product has begun to positively impact our credit loss characteristics. Growth was also generated via the Internet. Our Internet customers tend to have higher credit scores and thus are a lower credit risk than our traditional dealer relationship customers.

MasterCard and Visa receivables grew 11 percent to $17.6 billion. Our UP portfolio and our marbles(TM) card portfolio in the U.K. reported solid year-over-year growth. This growth was offset, as expected, by continued attrition in our undifferentiated Household Bank portfolio and reflects our strategy to de-emphasize this low margin business. Our non-prime credit card program, which was boosted by the February 2000 Renaissance acquisition, also

reported strong, but controlled, growth in both receivables and number of accounts. At December 31, 2000, we had 2.5 million active accounts and receivables had almost tripled since the acquisition to $1.4 billion. In March 2000, the new GM Card(R) was launched. The new product includes expanded Internet capabilities, new features for cardholders, and a renewed emphasis on the GM dealer channel as an important source of new account growth. Since the re-launch, GM Card(R) accounts and receivables have increased over 10%.

Private label receivables increased 6 percent to $12.0 billion during 2000 primarily due to organic growth by existing merchants. In 2000, we concentrated on increasing customer acceptance rates on our merchant base through more focused marketing plans. We also expanded the use of customer level data to help merchants better understand customer purchasing patterns in order to leverage the use of their private label prcgram to maximize retail sales.

Strong growth in our domestic consumer lending branches was the driver of the 17 percent increase in our other unsecured receivables. As mentioned earlier, improved customer retention, as well as lower turnover and increased productivity from our branch sales force, combined with favorable market conditions, contributed to our strong branch growth. Included in our unsecured portfolio are our personal homeowner loans ("PHLs"), which are underwritten and priced as unsecured loans but include a lien on real estate. Consequently, these loans have lower credit loss severity than traditional unsecured loans. At December 31, 2000, PHLs, which are included in the other unsecured category, comprised 4.4 percent of our managed portfolio. A year earlier these loans represented 3.5 percent.

. Our distribution channels and growth strategies vary across product lines. The consumer lending business originates real estate and unsecured products through its retail branch network, correspondents, direct mail, telemarketing and Internet applications. Private label credit card volume is generated through merchant promotions, application displays, Internet applications, direct mail and telemarketing. Auto finance lcan volume is generated primarily through dealer relationships from which installment contracts are purchased. Additional auto finance volume is generated through direct lending which includes alliance partner referrals, Internet applications and direct mail. MasterCard and Visa loan volume is generated primarily through direct mail, telemarketing, Internet applications, application displays and promotional activity associated with our co-branding and affinity relationships. We also supplement internally generated receivable growth with opportunistic portfolio acquisitions.

We have identified the potential for selling more products to existing customers as an opportunity for receivable growth. This opportunity results from our broad product array, recognized brand names, varied distribution channels, and large, diverse customer base. As a result of these cross-selling initiatives, during 2000, we increased our products per customer by 10 percent over 1999.

The Internet is also an increasingly important distribution channel and is enabling us to expand into new customer segments and serve current customers in a more cost-effective manner. Receivables originated via the Internet were almost $600 million at December 31, 2000. At December 31, 2000, over 340,000 accounts were originated or serviced via the Internet. We are currently accepting loan applications via the Internet for most of our products and have the ability to serve our customers entirely on-line or in combination with our other distribution channels. We offer on-line customer care in some of our businesses with the goal to expand across all products in 2001.
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. Owned assets totaled $76.7 billion at December 31, 2000 and $60.7 billion at year-end 1999. Owned receivables may vary from period to period depending on the timing and size of asset securitization transactions. We had initial securitizations, excluding replenishments of prior securitizations, of $7.0 billion of receivables in 2000 and $5.2 billion in 1999. We refer to the securitized receivables that are serviced for investors and not on our balance sheet as our off-balance sheet portfolio.

. The managed consumer two-months-and-over contractual delinquency ratio decreased to 4.20 percent at December 31, 2000 from 4.66 percent at December 31, 1999. The 2000 managed consumer net chargeoff ratio was 3.64 percent, compared to 4.13 percent in 1999 and 4.29 percent in 1998.

. The owned consumer two-months-and-over contractual delinquency ratio decreased to 4.26 percent at December 31, 2000 from 4.81 percent at December 31, 1999. The 2000 owned consumer net chargeoff ratio was 3.18 percent, compared to 3.67 percent in 1999 and 3.76 percent in 1998.

. Our managed credit loss reserves were $3.2 billion at December 31, 2000, compared to $2.7 billion at December 31, 1999. Credit loss reserves as a percent of managed receivables were 3.65 percent at December 31, 2000, compared to 3.72 percent at year-end 1999.

. Our owned credit loss reserves were $2.1 billion at December 31, 2000, compared to $1.8 billion at December 31, 1999. Credit loss reserves as a percent of owned receivables were 3.14 percent at December 31, 2000, compared to 3.36 percent at year-end 1999.

. In connection with our $2 billion share repurchase program, we repurchased 5.4

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million shares of our common stock for a total of $209.3 million during 2000. Since announcing our share repurchase program in March 1999, we have repurchased 22.2 million shares for a total of $922.2 million.

. Our total shareholders' equity (including company obligated mandatorily redeemable preferred securities of subsidiary trusts) to managed assets ratio was 9.07 percent, compared to 8.72 percent at December 31, 1999. The ratio of tangible equity to tangible managed assets was 7.41 percent, compared to 6.96 percent at year-end 1999.

PRO FORMA MANAGED STATEMENTS OF INCOME

Securitizations of consumer receivables have been, and will continue to be, a source of liquidity for us. We continue to service securitized receivables after they have been sold and retain a limited recourse liability for future credit losses. We include revenues and credit-related expenses related to the off-balance sheet portfolio in one line item in our owned statements of income. Specifically, we report net interest margin, provision for credit losses, fee income, and securitization related revenue as a net amount in securitization revenue.

We monitor our operations on a managed basis as well as on the owned basis shown in our statements of income. Our pro forma managed income statement assumes that the securitized receivables have not been sold and are still on our balance sheet. Consequently, the income and expense items discussed above are reclassified from securitization revenue into the appropriate caption in our pro forma managed basis income statement as if the receivables had not been securitized. Our pro forma managed basis income statement is presented below. Our pro forma managed basis income statement is not intended to reflect the differences between our accounting policies for owned receivables and the off-balance sheet portfolio, but merely to report net interest margin, fees and provision for losses as if the securitized loans were held in portfolio. Therefore, net income on a pro forma managed basis equals net income on an owned basis.

We define the net effect of securitization activity on our operations as securitization related revenue less the over-the-life provision for credit losses on initial securitization transactions. Securitization related revenue includes gross initial gains on current period securitization transactions less amortization of current and prior period securitization gains. The over-the-life provision for credit losses on initial securitization transactions is reported in our pro forma managed income statement as a component of provision for credit losses. The net effect of securitization activity will vary depending upon the amount and mix of securitizations in a particular period.
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PRO FORMA MANAGED STATEMENTS OF INCOME

<TABLE>
<CAPTION>
In millions.

Year ended December 31	2000	1999	1998
<S>	<C>	<C>	<C>
Finance and other interest income	$11,702.7	$ 9,375.7	$ 8,975.4
Interest expense	5,212.7	3,836.5	3,881.3
Net interest margin	6,490.0	5,539.2	5,094.1
Provision for credit losses	3,252.4	2,781.8	2,716.0
Net interest margin after provision for credit losses	3,237.6	2,757.4	2,378.1
Insurance revenue	561.2	534.6	492.8
Investment income	174.2	168.8	161.2
Fee income	1,470.4	1,205.5	1,181.2
Securitization related revenue	242.9	116.0	216.8
Other income	228.8	223.8	243.7
Gain on sale of Beneficial Canada	-	-	189.4
Total other revenues	2,677.5	2,248.7	2,485.1
Salaries and fringe benefits	1,312.1	1,048.7	1,021.3
Sales incentives	203.6	145.9	106.2
Occupancy and equipment expense	306.6	270.9	316.1
Other marketing expenses	470.9	370.0	403.2
Other servicing and administrative expenses	589.7	547.9	654.9
Amortization of acquired intangibles and goodwill	160.0	143.9	170.6
Policyholders' benefits	261.7	258.1	238.2
Merger and integration related costs	-	-	1,000.0
Total costs and expenses	3,304.6	2,785.4	3,910.5
Income before income taxes	2,610.5	2,220.7	952.7
Income taxes	909.8	734.3	428.6
Net income	$ 1,700.7	$ 1,486.4	$ 524.1
Average managed receivables	$79,132.2	$ 66,314.7	$ 63,677.1
Average noninsurance investments	539.3	558.6	803.7
Other interest-earning assets	434.1	416.4	302.6

Average managed interest-earning assets..	$80,105.6	$ 67,289.7	$ 64,783.4
	=========	==========	==========

</TABLE>

RESULTS OF OPERATIONS

The following discussion on revenues, where applicable, and provision for credit losses includes comparisons to amounts reported on our historical owned statements of income ("Owned Basis"), as well as on the above pro forma managed statements of income ("Managed Basis").

Net Interest Margin Our net interest margin on an Owned Basis increased to $4.8 billion in 2000, up from $3.8 billion in 1999 and $3.1 billion in 1998. As a percent of average owned interest-earning assets, net interest margin was 7.75 percent in 2000, 7.80 percent in 1999, and 7.34 percent in 1998. In 2000, better pricing and growth in average owned interest-earning assets resulted in higher net interest margin dollars which was partially offset by higher interest costs. On a percentage basis, net interest margin was impacted by a shift in the portfolio to lower margin real estate secured receivables and higher interest costs. In 2000, the Federal Reserve raised interest rates 3 times for a total of 100 basis points in addition to the 75 basis point increase in 1999. This resulted in absolute higher levels of interest costs as well as delays in repricing our portfolios in response to the increases. The increase in net interest margin in 1999 was due to growth in average interest-earning assets and higher interest spreads. The interest spread represents the difference between the yield earned on interest-earning assets and the cost of the debt used to fund the assets. Although interest rates decreased during the last half of 1998 and increased during the last half of 1999, the timing of these rate changes resulted in a lower average rate for 1999 than for 1998.
<PAGE>

Our net interest margin on a Managed Basis increased to $6.5 billion in 2000, up from $5.5 billion in 1999 and $5.1 billion in 1998. As a percent of average managed interest-earning assets, net interest margin was 8.10 percent in 2000, 8.23 percent in 1999, and 7.86 percent in 1998. The decrease in the ratio in 2000 reflects the continued shift in the portfolio to lower margin real estate secured receivables and higher interest costs due to increases in interest rates, partially offset by improved pricing in our MasterCard and Visa portfolio. During 1999, pricing improvements in our MasterCard and Visa and other unsecured portfolios and lower cost of funds contributed to the higher rates. Although interest rates decreased during the last half of 1998 and increased during the last half of 1999, the timing of these rate changes resulted in a lower average rate for 1999 than for 1998. These increases were partially offset by an increase in the percentage of secured loans.

Net interest margin as a percent of receivables on a Managed Basis is greater than on an Owned Basis because auto finance and MasterCard and Visa receivables, which have wider spreads, are a larger portion of the off-balance sheet portfolio than of the owned portfolio.

Because we generally are able to adjust our pricing in response to interest rate changes, we remain relatively interest rate insensitive. At both December 31, 2000 and 1999, we estimated that our after-tax earnings would decline by about $81 million following a gradual 200 basis point increase in interest rates over a twelve month period.

See pages 48 through 50 for additional information regarding our Owned Basis and Managed Basis net interest margin.

Provision for Credit Losses The provision for credit losses includes current period credit losses and an amount which we believe is sufficient to maintain reserves for losses of principal, interest and fees at a level that reflects known and inherent losses in the portfolio. The Managed Basis provision for credit losses also includes the over-the-life reserve requirement established on the off-balance sheet portfolio when receivables are securitized.

The provision for credit losses on an Owned Basis totaled $2.1 billion in 2000, compared to $1.7 billion in 1999 and $1.5 billion in 1998. The increase in 2000 was primarily due to increases in chargeoffs due to receivable growth, except for a decrease in chargeoffs in our MasterCard and Visa portfolio. Additionally, despite the shift to secured loans and improved credit quality, we recorded excess owned loss provision of almost $200 million in 2000 due to our rapid receivable growth. The increase in the 1999 provision for credit losses was due to higher chargeoffs in our unsecured and private label portfolios. The provision for credit losses on an Owned Basis may vary from year to year, depending on the amount of securitizations in a particular period. As a percent of average owned receivables, the provision was 3.50 percent, compared to 3.59 percent in 1999 and 3.64 percent in 1998. The decline in this ratio reflects improving credit quality as secured loans represent a larger percentage of our owned portfolio and the run-off of our Household Bank branded MasterCard and Visa portfolio which has higher loss rates.

The provision for credit losses on a Managed Basis was $3.3 billion in 2000, $2.8 billion in 1999, and $2.7 billion in 1998. The provision as a percent of average managed receivables was 4.11 percent in 2000, 4.19 percent in 1999, and 4.27 percent in 1998. The Managed Basis provision is impacted by the type and amount of receivables securitized during the year and substantially offsets the income recorded on the securitization transactions.

Other Revenues Total other revenues on an Owned Basis were $3.3 billion in 2000, $2.9 billion in 1999, and $3.2 billion in 1998. Total other revenues on a Managed Basis were $2.7 billion in 2000, $2.2 billion in 1999, and $2.5 billion in 1998. Total other revenues in 1998 included a pre-tax gain of $189.4 million from the sale of Beneficial's Canadian operations.

Securitization revenue on an Owned Basis was $1.5 billion in 2000, compared to $1.4 billion in 1999 and $1.5 billion in 1998. The increase in 2000 was due to higher average securitized receivables and changes in portfolio mix. The decrease in 1999 was primarily due to lower average securitized receivables. The components of securitization revenue are reclassified to the appropriate caption in the pro forma statements of income on a Managed Basis.

Securitization related revenue on a Managed Basis was $242.9 million in 2000, $116.0 million in 1999, and $216.8 million in 1998. The net effect of securitization activity, after establishing credit loss reserves on initial transactions, decreased income by $270.1 million in 2000, $266.2 million in 1999, and $177.1 million in 1998. Pro forma income decreased because amortization of current and prior period securitization gains exceeded initial gains on new transactions. Securitization related revenue and the net effect of securitization activity will vary from year to year depending upon the amount and mix of securitizations in a particular period.
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The following table includes securitization related revenue on a Managed Basis and the net effect of securitization activity on our operations:

<TABLE>
<CAPTION>
In millions.

Year ended December 31	2000	1999	1998
<S>	<C>	<C>	<C>
Gross initial gains	$ 683.1	$ 493.3	$ 494.5
Amortization	(440.2)	(377.3)	(277.7)
Securitization related revenue	242.9	116.0	216.8
Over-the-life provision on initial transactions	513.0	382.2	393.9
Net effect of securitization activity	$ (270.1)	$(266.2)	$ (177.1)

</TABLE>

Insurance revenue of $561.2 million in 2000 was up from $534.6 million in 1999 and $492.8 million in 1998. The increases reflect increased sales on a larger loan portfolio and improved retention in our consumer lending branch systems.

Investment income includes interest income on investment securities in the insurance business as well as realized gains and losses from the sale of investment securities. Investment income was $174.2 million in 2000, compared to $168.8 million in 1999 and $161.2 million in 1998. The increases were due to higher average investment balances and in 2000, higher yields.

Fee income on an Owned Basis includes revenues from fee-based products such as credit cards. Fee income was $825.8 million in 2000, $595.5 million in 1999, and $599.7 million in 1998. The increase in 2000 is primarily due to higher credit card fees from growth in our non-prime credit card portfolio. The decrease in 1999 reflects the impact of the repositioning of our Household Bank branded credit card portfolio and the sale of $1.9 billion of receivables in the second half of 1998. Owned fee income will also vary from year to year depending upon the amount of securitizations in a particular period.

Fee income on a Managed Basis was $1.5 billion in 2000, compared to $1.2 billion in 1999 and 1998. The increase in 2000 was primarily due to the previously discussed increase in cur non-prime credit card portfolio. In 1999, credit card and interchange fees increased slightly despite an 18 percent decrease in average managed credit card receivables.

Other income, which includes revenue from our RAL business, was $228.8 million in 2000, $223.8 million in 1999, and $243.7 million in 1998. RAL income was $132.7 million in 2000, $130.6 million in 1999, and $73.0 million in 1998. Results for 1998 reflected non-recurring gains on sales of non-strategic assets.

Expenses Total costs and expenses increased 19% to $3.3 billion in 2000, compared to $2.8 billion in 1999 and $3.9 billion in 1998. In 2000, higher expenses were driven by higher receivable levels and increased operating, technology, marketing, e-commerce, and personnel spending directly related to receivable growth. Acquisitions during the first half of 2000 also contributed to increased expenses over the prior year. Operating expenses, excluding the one-time merger related costs of $1.0 billion, were down in 1999 compared to 1998. Cost savings and operating efficiencies from the Beneficial integration and continued cost control efforts throughout the company resulted in lower occupancy and equipment, salaries and fringe benefits and other costs. Integration related decreases in salaries and fringe benefits were offset by growth throughout our businesses. Our managed efficiency ratio was 34.2 percent in 2000, compared to 33.6 percent in 1999 and 37.6 percent in 1998.

Salaries and fringe benefits were $1.3 billion in 2000, up from $1.0 billion in both 1999 and 1998. Additional staffing to support growth and collection

efforts in our consumer lending business contributed to the increase over prior years. Growth in our credit card business, including the impact of acquisitions, also contributed to the increase in 2000. In 1999, growth in our consumer lending and auto finance businesses were partially offset by efficiencies resulting from Beneficial staff reductions.

Sales incentives were $203.6 million in 2000, compared to $145.9 million in 1999 and $106.2 million in 1998. The increases were primarily due to higher sales volumes in our branches.

Occupancy and equipment expense was $306.6 million in 2000, compared to $270.9 million in 1999 and $316.1 million in 1998. The increase in 2000 was primarily associated with our Tampa, Florida collections center and other facilities acquired in the first half of the year. These facilities have supported our receivable growth. The reductions in 1999 compared to 1998 primarily were due to the elimination of duplicate branch offices and operating centers, including the sublease of the Beneficial office complex.
<PAGE>

Other marketing expenses include payments for advertising, direct mail programs and other marketing expenditures. These expenses were $470.9 million in 2000, compared to $370.0 million in 1999 and $403.2 million in 1998. The increase in 2000 was primarily due to increased credit card marketing initiatives. The decrease in 1999 compared to 1998 was due to lower spending on marketing programs on our Household Bank branded MasterCard and Visa portfolio partially offset by higher marketing spending in the U.K. associated with the launch of our marbles(TM) card in the fourth quarter of 1999.

Other servicing and administrative expenses were $589.7 million in 2000, $547.9 million in 1999, and $654.9 million in 1998. The increase in 2000 was primarily due to e-commerce initiatives and increased costs resulting from the Renaissance and real estate secured loan portfolio acquisitions. The decrease in 1999 was primarily due to the consolidation of Beneficial's operations which provided cost savings in system and administrative costs.

Amortization of acquired intangibles and goodwill was $160.0 million in 2000, $143.9 million in 1999, and $170.6 million in 1998. The increase in 2000 reflects higher goodwill amortization resulting from the Renaissance acquisition. The decrease in 1999 reflects lower levels of intangible assets resulting from the Household Bank branded credit card portfolio sales in 1998.

Policyholders' benefits were $261.7 million in 2000, $258.1 million in 1999, and $238.2 million in 1998. The increases are consistent with the increase in insurance revenues resulting from increased policy sales.

Income taxes. The effective tax rate was 34.9 percent in 2000, 33.1 percent in 1999, and 34.4 percent in 1998 (excluding merger and integration related costs and the gain on sale of Beneficial Canada).

CREDIT QUALITY

Delinquency and Chargeoffs Our delinquency and net chargeoff ratios reflect, among other factors, changes in the mix of loans in our portfolio, the quality of our receivables, the average age of our loans, the success of our collection efforts and general economic conditions. Real estate secured receivables, which have a significantly lower chargecff rate than unsecured receivables, represented 41.8 percent of our tctal managed receivables and 52.2 percent of our total owned receivables at December 31, 2000, compared to 37.5 percent and 47.2 percent, respectively, in 1999. The levels of personal bankruptcies also have a direct effect on the asset quality of our overall portfolio and others in our industry.

We track delinquency and chargeoff levels on both an owned and a managed basis. We apply the same credit and portfolio management procedures to both our owned and off-balance sheet portfclios. Our focus is to use risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers is helpful in managing net credit losses. Despite these efforts to manage in the current credit environment, bankruptcies remain an industry-wide issue and are difficult to predict. We have taken steps throughout 2000 to tighten underwriting and credit line management in light of the uncertainty surrounding the economy.

When evaluating credit risk, we believe that it is important to also consider risk adjusted revenue because our biggest protection against credit loss is the ability to price for it. Risk adjusted revenue on a managed basis increased to 7.55 percent in 2000 from 7.37 percent in 1999 and 6.90 percent in 1998 (excluding the gain on the sale of Beneficial's Canadian operations). The increase in 2000 was primarily due to reduced chargeoffs. This increase was partially offset by the previously discussed decreases in net interest margin. In 1999, reduced chargeoffs were the primary reason for the increase. Increases in net interest margin also contributed to the increase in 1999.

Our chargeoff policy for consumer receivables varies by product. Unsecured receivables are written off at the following stages of contractual delinquency: MasterCard and Visa-6 months; private label-9 months; and other unsecured-9

months and no payment received in 6 months. For real estate secured receivables, carrying values are written down to net realizable value at the time of foreclosure. For loans secured by automobiles, carrying values are written down to net realizable value when the loan becomes 5 months contractually delinquent. Commercial receivables are written off when it becomes apparent that an account is uncollectible.
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CONSUMER TWO-MONTH-AND-OVER CONTRACTUAL DELINQUENCY RATIOS

<TABLE>
<CAPTION>

	2000 Quarter End				1999 Quarter End			
	4	3	2	1	4	3	2	1
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Managed:								
Real estate secured....................................	2.63%	2.77%	2.72%	2.99%	3.27%	3.46%	3.29%	3.54%
Auto finance...	2.55	2.19	1.99	1.52	2.43	2.26	1.87	1.74
MasterCard/Visa..	3.49	3.48	3.14	3.06	2.78	3.10	3.11	3.61
Private label..	5.48	5.67	5.77	5.94	5.97	6.66	6.62	6.37
Other unsecured..	7.97	7.72	7.92	8.56	8.81	8.57	8.17	7.84
Total Managed..	4.20%	4.21%	4.16%	4.43%	4.66%	4.89%	4.72%	4.81%
Total Owned..	4.26%	4.29%	4.25%	4.58%	4.81%	5.24%	4.96%	5.04%

</TABLE>

Our managed consumer delinquency ratio at year-end remained stable compared to the third quarter and was down sharply compared to the prior year. The modest increase in auto finance and other unsecured delinquency during the quarter was due to normal aging of our portfolios and seasonality in our auto finance business.

Compared to a year ago, managed delinquency declined 46 basis points due to improvements in our real estate secured, private label and other unsecured portfolios. In our real estate secured portfolio, we continue to benefit from the growing percentage of loans on which we hold a first lien position. During 2000, our consumer lending business added additional collection staff which has resulted in decreased delinquency in our real estate secured and other unsecured portfolios. Delinquency in our MasterCard and Visa portfolio has increased over the prior year as a result of the increase in the non-prime portfolio. This increase is compensated for with higher pricing in this portfolio.

The trends impacting owned delinquency as a percent of owned receivables are generally consistent with those described above for our managed portfolio. Owned delinquency by product is generally comparable to managed except for MasterCard and Visa and other unsecured where owned delinquency is greater due to the retention of receivables on balance sheet that do not meet the eligibility criteria for securitization.

CONSUMER NET CHARGEOFF RATIOS

<TABLE>
<CAPTION>

	Full Year	2000 Quarter Annualized				Full Year	1999 Quarter Annualized				Full Year
	2000	4	3	2	1	1999	4	3	2	1	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Managed:											
Real estate secured..................	.45%	.41%	.41%	.47%	.52%	.58%	.54%	.58%	.64%	.55%	.63%
Auto finance.........................	4.80	5.22	4.45	4.28	5.25	4.96	5.43	4.55	4.41	5.45	5.39
MasterCard/Visa......................	5.58	5.83	5.23	5.57	5.69	6.66	5.57	6.15	7.30	7.59	5.95
Private label........................	5.35	5.06	5.28	5.43	5.65	5.65	5.88	5.60	5.57	5.53	5.65
Other unsecured......................	6.97	5.92	7.00	7.68	7.41	6.52	6.98	7.06	5.61	6.36	6.97
Total Managed........................	3.64%	3.41%	3.47%	3.74%	4.00%	4.13%	3.96%	4.09%	4.10%	4.37%	4.29%
Total Owned..........................	3.18%	2.98%	3.01%	3.27%	3.53%	3.67%	3.62%	3.63%	3.54%	3.92%	3.76%

</TABLE>

Our annualized fourth quarter 2000 chargeoff ratio improved for the third consecutive quarter and reached its lowest level since the fourth quarter of 1996. The sequential increase in auto finance chargeoffs was attributable to seasonality and aging of the portfolio. Our MasterCard and Visa portfolio reflects higher chargeoff in our non-prime portfolio. Our private label, real estate secured and other unsecured portfolios reflect the benefits of improved collections and, relating to our real estate secured and other unsecured portfolios, the benefit of higher levels of collection staff.

The managed consumer net chargeoff ratio for 2000 improved to 3.64 percent, down from 4.13 percent in 1999 and 4.29 percent in 1998. All products, except other unsecured loans, reported improved chargeoff for the year. Our MasterCard and Visa portfolio reported the strongest improvement in 2000 as a result of significant decreases in chargeoffs in our Household Bank and GM portfolios and

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in bankruptcy chargeoffs. The decrease in 1999 from 1998 reflects lower real estate secured, auto finance and other unsecured chargeoffs and a lower chargeoff contribution from our domestic MasterCard and Visa portfolio due to lower average receivables. Our overall MasterCard and Visa chargeoff ratio was up in 1999, reflecting the impact of the repositioning of our Household Bank branded portfolio.
<PAGE>

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Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

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The trends impacting owned net chargeoffs as a percent of owned receivables are generally consistent with those described above for our managed portfolio. Owned chargeoffs for our real estate secured and private label products are comparable to managed chargeoffs. Chargeoffs for MasterCard and Visa and other unsecured on an owned basis are higher due to the difference in credit quality and seasoning of the receivables which remain on our balance sheet. Chargeoffs for auto finance receivables on an owned basis are lower due to the predominantly unseasoned nature of the receivables which remain on our balance sheet.

Credit Loss Reserves We maintain credit loss reserves to cover probable losses of principal, interest and fees in both our owned and off-balance sheet portfolios. We estimate losses for consumer receivables based on delinquency status and past loss experience. For securitized receivables, we also record a provision for estimated probable losses that we expect to incur over the life of the transaction. In addition, we provide loss reserves on both consumer and commercial receivables to reflect our assessment of portfolio risk factors which may not be fully reflected in the statistical calculation, including bankruptcy trends, recent growth, product mix, economic conditions, and current levels in chargeoff and delinquency. Chargeoff policies are also considered when establishing loss reserve requirements to ensure the appropriate allowances exist for products with longer chargeoff periods. Loss reserve estimates are reviewed periodically and adjustments are reported in earnings when they become known. These estimates are influenced by factors outside of our control, such as economic conditions and consumer payment patterns. As a result, there is uncertainty inherent in these estimates, making it reasonably possible that they could change.

The following table sets forth credit loss reserves for the periods indicated:

<TABLE>
<CAPTION>
All dollar amounts are stated in millions.

At December 31	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>
Managed credit loss reserves..................	$ 3,194.2	$ 2,666.6	$2,548.1	$ 2,523.0	$ 2,109.0
Reserves as a % of managed receivables........	3.65%	3.72%	3.99%	3.99%	3.56%
Owned credit loss reserves....................	$ 2,111.9	$ 1,757.0	$1,734.2	$ 1,642.1	$ 1,398.4
Reserves as a % of owned receivables..........	3.14%	3.36%	3.92%	4.25%	3.64%

</TABLE>

Reserves as a percent of receivables reflect improved credit quality and underwriting, the impact of a growing percentage of secured loans which have lower loss rates than unsecured loans, continued runoff of our Household Bank branded MasterCard and Visa portfolio, and the 1998 sale of credit card receivables. These favorable factors were modestly offset in 2000 by increased reserve requirements on our non-prime portfolio. Real estate secured receivables, which have a significantly lower chargeoff rate than unsecured receivables, represented 41.8 percent of our total managed receivables and 52.2 percent of our total owned receivables at December 31, 2000, compared to 37.5 percent and 47.2 percent, respectively, in 1999. Prior to the 1998 repositioning of our MasterCard and Visa business, unsecured receivables represented a higher percentage of our portfolio and increased reserve ratios.

Geographic Concentrations The state of California accounts for 16 percent of our managed domestic consumer portfolio and is the only state with more than 10 percent of this portfolio. Because of our centralized underwriting collections and processing functions, we can quickly change our credit standards and intensify collection efforts in specific locations. We believe this lowers risks resulting from such geographic concentrations.

Our foreign consumer operations located in the United Kingdom and Canada accounted for 8 and 1 percent, respectively, of managed consumer receivables at December 31, 2000.
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NONPERFORMING ASSETS

<TABLE>
<CAPTION>
All dollar amounts are stated in millions.

At December 31	2000	1999	1998
<S>	<C>	<C>	<C>

Nonaccrual managed receivables	$ 2,112.3	$ 1,912.6	$ 1,439.2
Accruing managed consumer receivables 90 or more days delinquent	859.8	739.9	874.6
Renegotiated commercial loans	12.3	12.3	12.3
Total nonperforming managed receivables	2,984.4	2,664.8	2,326.1
Real estate owned	337.1	271.5	253.9
Total nonperforming managed assets	$ 3,321.5	$ 2,936.3	$ 2,580.0
Managed credit loss reserves as a percent of nonperforming managed receivables	107.0%	100.1%	109.5%

</TABLE>

LIQUIDITY AND CAPITAL RESOURCES

Our subsidiaries use cash to originate loans, purchase loans or investment securities and acquire businesses. Their main sources of cash are the collection of receivable balances; maturities or sales of investment securities; proceeds from the issuance of debt, deposits, securitization of consumer receivables; and cash provided by operations.

In managing capital, we develop targets for the ratio of equity to managed assets based on discussions with rating agencies, reviews of regulatory requirements and competitor capital positions, credit loss reserve strength, risks inherent in the projected operating environment, and acquisition objectives. We also specifically consider the level of intangibles arising from completed acquisitions. To protect investors, targets are set for each legal entity that raises funds. These targets include capital levels against both on-balance sheet assets and our off-balance sheet portfolio.

Consolidated capital ratios were consistent with our targets and were as follows:

<TABLE>
<CAPTION>

At December 31	2000	1999
<S>	<C>	<C>
Tangible shareholders' equity to tangible managed assets	7.41%	6.96%
Total shareholders' equity/1/ as a percent of owned assets	11.46	11.51
Total shareholders' equity/1/ as a percent of managed assets	9.07	8.72

</TABLE>

/1/Includes trust preferred securities.

Parent Company Household International, Inc. is the holding or parent company that owns the outstanding stock of its subsidiaries. The parent company's main source of funds is cash received from its subsidiaries in the form of dividends and inter-company borrowings. The parent company received dividends from its subsidiaries of $648 million in 2000 and $1.2 billion in 1999. We manage dividends from our subsidiaries to ensure our subsidiaries are adequately capitalized. In addition, the parent company receives cash from third parties by issuing debt, preferred stock and common stock. This includes outstanding commercial paper of $292.9 million at December 31, 2000 and $397.7 million at December 31, 1999 that was sold through our in-house sales force.

At December 31, 2000, the parent company had $400 million in committed back-up lines of credit that it can use on short notice. These lines are available either to the parent company or its subsidiary, Household Finance Corporation ("HFC"). None of these back-up lines were utilized in 2000. These lines of credit expire in 2003 and do not contain material adverse change clauses that could restrict availability. The only financial covenant contained in the terms of the parent company's credit agreements is that we must maintain minimum shareholders' equity of $2.0 billion.

The parent company has a number of obligations to meet with its available cash. It must be able to service its debt and meet the capital needs of its subsidiaries. It also must pay dividends on its preferred stock and may pay dividends to its common stockholders. The parent company made capital contributions of $550 million to subsidiaries in 2000 and $16 million in 1999. Similar to dividends from our subsidiaries, capital contributions will vary from period to period depending on the capital needs of our subsidiaries. The parent company paid $358.9 million in common and preferred dividends to shareholders in 2000 and $332.1 million in 1999. The parent company anticipates its common stock dividend payout ratio in 2001 to be comparable to prior years.
<PAGE>

In June 2000, a wholly owned special purpose trust subsidiary issued $300 million of company obligated mandatorily redeemable preferred securities (representing the minority interest in the trust) increasing our total of such issuances to $675 million.

On March 9, 1999, our Board of Directors authorized the repurchase of up to $2 billion of our outstanding common shares. Pursuant to this program, we repurchase shares in the open market depending upon market conditions, other investment opportunities for growth and capital targets. During 2000, 5.4 million shares were repurchased under this program for a total of $209.3

million. During 1999, 16.8 million shares were repurchased under this program for a total of $712.9 million. We also repurchased 5.0 million shares of our common stock prior to March 9, 1999 and 10.5 million shares during 1998 to fund various employee benefit programs.

As of December 31, 2000, we had entered into agreements to purchase, on a forward basis, approximately 7.2 million shares of our common stock at a weighted-average forward price of $41.63 per share. The agreements may be settled either physically by purchasing the shares or on a net basis in shares of our common stock, at our option. The agreements have terms of up to one year but may be settled earlier at our option.

Subsidiaries We have three major subsidiaries: HFC, including its wholly owned subsidiary, Beneficial; Household Bank, f.s.b. ("the Bank"); and Household Global Funding ("Global"). These subsidiaries use cash to originate loans, purchase loans or investment securities or acquire businesses. Their main sources of cash are the collection of receivable balances, maturities or sales of investment securities, proceeds from the issuance of debt and deposits and from the securitization of receivables, capital contributions from the parent company, and cash provided by operations.

HFC HFC funds its operations by issuing commercial paper, medium-term debt, and long-term debt primarily to wholesale investors; securitizing consumer receivables; and receiving capital contributions from its parent.

HFC domestically markets its commercial paper through an in-house sales force. HFC's outstanding commercial paper totaled $8.8 billion at December 31, 2000 and $8.1 billion at December 31, 1999. HFC actively manages the level of commercial paper outstanding to ensure availability to core investors and proper use of any excess capacity within internally established targets.

HFC markets domestic medium-term notes through investment banks and its in-house sales force. A total of $9.9 billion domestic medium-term notes were issued in 2000 and $4.0 billion were issued in 1999. During 2000, HFC also issued $4.8 billion of U.S. dollar, global long-term debt with a weighted-average original maturity of 6.98 years. Long-term debt issuances in 1999 totaled $5.1 billion and had a weighted-average original maturity of 7.07 years. These long-term issuances lengthened the term of HFC's funding, reduced reliance on commercial paper and securitizations, and preserved liquidity.

To obtain a broader investment base, HFC periodically issues debt in foreign markets. During 2000, $2.1 billion in notes were issued in these foreign markets, including Euro-denominated debt and our first Japanese and Australian issuances, compared to $1.0 billion in 1999. In order to eliminate future foreign exchange risk, currency swaps were used to convert the notes to U.S. dollars at the time of issuance.

HFC had committed back-up lines of credit totaling $9.5 billion at December 31, 2000, of which $400 million was also available to its parent company. None of these back-up lines were used in 2000. In addition, none of these lines contained a material adverse change clause which could restrict availability. HFC's back-up lines expire on various dates from 2001 through 2005. The most restrictive financial covenant contained in the terms of HFC's credit agreements is the maintenance of minimum shareholder's equity of $3.6 billion.

The Bank The Bank primarily uses wholesale funding for its operations. These sources include domestic and foreign medium-term notes, retail certificates of deposit and Federal funds borrowings. The Bank also temporarily funds the RAL program under its agreement with an affiliate.

The Bank issued $3.2 billion in time certificates of deposit in 2000 and $3.1 billion in 1999. These deposits have maturities of 2 to 7 years and were obtained through national brokerage firms as this source of funding was more cost effective than other funding sources. The Bank's outstanding deposits totaled $7.4 billion at December 31, 2000 and $5.5 billion at December 31, 1999.

The Bank is subject to the capital adequacy guidelines adopted by the Office of Thrift Supervision. At December 31, 2000, the leverage, tier 1 and total risk-based capital ratio levels for a "well capitalized" institution were 5.0, 6.0 and 10.0 percent, respectively. The Bank's ratios for each of these categories at December 31, 2000 were 9.19, 10.03 and 11.84 percent, respectively.
<PAGE>

Global We have foreign subsidiaries located in the United Kingdom and Canada. Global was formed to combine ownership of these businesses. Global's assets were $7.8 billion at year-end 2000 and $7.9 billion at year-end 1999. Consolidated shareholders' equity includes the effect of translating our foreign subsidiaries' assets, liabilities and operating results from their local currency into U.S. dollars. We periodically enter into foreign exchange contracts to hedge portions of our investment in foreign subsidiaries. We believe that the potential loss in net income associated with a 10 percent adverse change in the British pound/U.S. dollar or Canadian dollar/U.S. dollar exchange rates would not be material to us.

Each foreign subsidiary conducts its operations using its local currency. While each foreign subsidiary usually borrows funds in its local currency, both our United Kingdom and Canadian subsidiaries have borrowed funds directly in the United States capital markets. This allowed the subsidiaries to achieve a lower cost of funds than that available at that time in their local markets. These borrowings were converted from U.S. dollars to their local currencies using

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currency swaps at the time of issuance. Net realized gains and losses in foreign currency swap transactions were not material to our results of operations or financial position in any of the years presented.

Our United Kingdom operation is funded with wholesale deposits, short and intermediate-term bank lines of credit, long-term debt and securitizations of receivables. Deposits were $1.7 billion at December 31, 2000 and $1.2 billion at December 31, 1999. Short-term borrowings at year-end 2000 were $722.3 million compared to $903.1 million a year ago. Long-term debt at year-end 2000 was $2.4 billion compared to $2.5 billion a year earlier.

At December 31, 2000, $2.2 billion of the United Kingdom's total debt was guaranteed by the parent company and $2.5 billion was guaranteed by HFC. HFC receives a fee for providing the guarantee. Committed back-up lines of credit for the United Kingdom were approximately $3.0 billion at December 31, 2000 of which $.7 billion was used. These lines have varying maturities from 2001 through 2007.

Our Canadian operation is funded with commercial paper, intermediate and long-term debt. Intermediate and long-term debt totaled $749.2 million at year-end 2000 compared to $685.7 million a year ago. Committed back-up lines of credit for Canada were approximately $465 million at December 31, 2000. None of these back-up lines were used in 2000. At December 31, 2000, approximately $265 million of the Canadian subsidiary's total debt was guaranteed by the parent company and $850 million was guaranteed by HFC. Both the parent company and HFC receive a fee for providing the guarantees.

Investment Ratings At December 31, 2000, the long-term debt of the parent company, HFC, Beneficial, the Bank, and the preferred stock of the parent company have been assigned an investment grade rating by three nationally recognized statistical rating agencies. These agencies include the commercial paper of HFC in their highest rating category. Two of these agencies also include the parent company's commercial paper in their highest rating category. With our back-up lines of credit and securitization programs, we believe we have sufficient funding capacity to refinance maturing debts and fund our growth.

Capital Expenditures During 2000 we made $174 million in capital expenditures compared to the prior-year level of $140 million.

ASSET SECURITIZATIONS

From time to time, we securitize consumer receivables whereby we receive annual servicing fees on the outstanding balance of securitized receivables and the rights to future cash flows arising after the investors receive their contractual return.

Securitizations of consumer receivables have been, and will continue to be, a source of liquidity for us. We believe the market for securities issued by an investment grade issuer and backed by receivables is a reliable and cost-effective source of funds.

The following table summarizes the composition of receivables securitized (excluding replenishments of certificateholder interests) during the year:

In billions.	2000	1999	1998
MasterCard/Visa	$2.0	$1.8	$1.3
Auto finance	1.9	1.4	.8
Private label	.5	.5	-
Other unsecured	2.6	1.5	1.5
Total	$7.0	$5.2	$3.6

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Household International, Inc. and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

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Certain securitization trusts, such as credit cards, are established at fixed levels and due to the revolving nature of the underlying receivables require the sale of new receivables into the trust to replace receivable runoff. These replenishments totaled $21.0, $20.3, and $17.3 billion in 2000, 1999 and 1998 respectively.

The following table summarizes the expected amortization of our securitizations by type:

<TABLE>
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In millions. At December 31, 2000	2001	2002	2003	2004	2005	Thereafter	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate secured	$ 603.0	$ 380.3	$ 250.5	$ 224.0	-	-	$ 1,457.8
Auto finance	909.8	677.8	749.3	375.8	-	-	2,712.7
MasterCard/Visa	3,769.7	3,651.7	832.9	347.6	$ 927.9	-	9,529.8
Private label	176.3	922.4	551.3	-	-	-	1,650.0
Other unsecured	1,771.8	1,158.9	790.0	424.6	320.1	$ 433.8	4,899.2
Total	$7,230.6	$6,791.1	$3,174.0	$1,372.0	$1,248.0	$ 433.8	$20,249.5

</TABLE>

At December 31, 2000, the expected weighted-average remaining life of these transactions was 1.6 years.

For MasterCard and Visa and private label securitizations, the issued securities may pay off sooner than originally scheduled if certain events occur. One example of such an event is if the annualized portfolio yield (defined as the sum of finance income and applicable fees, less net chargeoffs) for a certain period drops below a base rate (generally equal to the sum of the rate paid to the investors and the servicing fee). For certain auto securitizations, early payoff of securities may occur if established delinquency or loss levels are exceeded. For real estate secured and other unsecured securitizations, early pay off of the securities begins if the annualized portfolio yield falls below various limits or if certain other events occur. We do not presently believe that any early payoff will take place. If early payoff occurred, our funding requirements would increase. These additional requirements could be met through securitizations, issuance of various types of debt or borrowings under existing back-up lines of credit. We believe we would continue to have more than adequate sources of funds if an early payoff event occurred.

At December 31, 2000, we have facilities with commercial banks under which they may securitize up to $11.8 billion of receivables. These facilities are renewable on an annual basis. At December 31, 2000, $10.7 billion of receivables were securitized under these programs. The amount available under these facilities will vary based on the timing and volume of public securitization transactions.

RISK MANAGEMENT

We have a comprehensive program to address potential financial risks, such as interest rate, counterparty and currency risk. The Finance Committee of the Board of Directors sets acceptable limits for each of these risks annually and reviews the limits semi-annually.

Interest rate risk is defined as the impact of changes in market interest rates on our earnings. We utilize simulation models to measure the impact on net interest margin of changes in interest rates. The key assumptions used in this model include the rate at which we expect our loans to pay off, loan volumes and pricing, cash flows from derivative financial instruments and changes in market conditions. The assumptions we make are based on our best estimates of actual conditions. The model cannot precisely predict the actual impact of changes in interest rates on net income because these assumptions are highly uncertain. At December 31, 2000, our interest rate risk levels were substantially below those allowed by our existing policy.

We generally fund our assets with liabilities that have similar interest rate features. This reduces structural interest rate risk. Over time, customer demand for our receivable products shifts between fixed rate and floating rate products, based on market conditions and preferences. These shifts result in different funding strategies and produce different interest rate risk exposures. To manage these exposures, as well as our liquidity position, we have used derivatives to synthetically alter the repricing terms of our assets or liabilities or off-balance sheet transactions. We do not use any exotic or leveraged derivatives. We discontinued synthetic alteration of off-balance sheet transactions during 2000.
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At December 31, 2000, we managed approximately $30 billion of receivables that have variable interest rates, including credit card, real estate secured and other unsecured products. These receivables have been funded with $10.8 billion of short-term debt, with the remainder funded by intermediate and long-term liabilities. This position exposes us to interest rate risk. We primarily use interest rate swaps to reduce this exposure to interest rate risk. These transactions have no impact on liquidity risk. Interest rate swaps also are used sometimes to synthetically alter our exposure to basis risk. This type of risk exists because the pricing of some of our assets is tied to the prime rate, while the funding for these assets is tied to LIBOR. The prime rate and LIBOR react differently to changes in market interest rates; that is, the prime rate does not change as quickly as LIBOR. We assign all of our synthetic alteration and hedge transactions to specific groups of assets or liabilities. Prior to December 31, 2000, we also periodically assigned these hedge transactions to off-balance sheet items.

The economic risk related to our interest rate swap portfolio is minimal. The face amount of a swap transaction is referred to as the notional amount. The notional amount is used to determine the interest payment to be paid by each counterparty, but does not result in an exchange of principal payments.

Our primary exposure on our interest rate swap portfolio is the risk that the counterparty will not pay us the money they owe us. We protect ourselves against counterparty risk in several ways. Counterparty limits have been set and are closely monitored as part of the overall risk management process. These limits ensure that we do not have significant exposure to any individual counterparty. Based on peak exposure at December 31, 2000, substantially all of our derivative counterparties were rated AA- or better. We have never suffered a loss due to counterparty failure. Certain swap agreements that we have entered into require that payments be made to, or received from, the counterparty when the fair value of the agreement reaches a certain level.

We also use interest rate futures and purchased put and call options to

reduce interest rate risk. We use these instruments to hedge interest rate changes on our variable rate assets and liabilities. For example, short-term borrowings expose us to interest rate risk because the interest rate we must pay to others may change faster than the rate we receive from borrowers on the asset our borrowings are funding. Futures and options are used to fix our interest cost on these borrowings at a desired rate and are held until the interest rate on the variable rate asset or liability changes. We then terminate, or close out, the contracts. These terminations are necessary because the date the interest rate changes is usually not the same as the expiration date of the futures contract or option.

At both December 31, 2000 and 1999, we estimated that our after-tax earnings would decline by about $81 million following a gradual 200 basis point increase in interest rates over a twelve month period and would increase by about $78 million at December 31, 2000 and $80 million at December 31, 1999 following a gradual 200 basis point decrease in interest rates. These estimates assume we would not take any corrective action to lessen the impact and, therefore, exceed what most likely would occur if rates were to change.

We enter into currency swaps in order to minimize currency risk. Currency risk results from changes in the value of underlying foreign-denominated assets or liabilities. These swaps convert both principal and interest payments on debt issued from one currency to another. For example, we may issue Euro-denominated debt and then execute a currency swap to convert the obligation to U.S. dollars.

In January 2001, we adopted FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS No. 133"). The adoption of FAS No. 133 will not have a significant impact on our interest rate risk management strategy.

See Note 9 to the accompanying consolidated financial statements, "Derivative Financial Instruments and Other Financial Instruments With Off-Balance Sheet Risk," for additional information related to interest rate risk management and Note 13, "Fair Value of Financial Instruments," for information regarding the fair value of certain financial instruments.
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Household International, Inc. and Subsidiaries

Glossary of Terms
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Acquired Intangibles and Goodwill--Intangible assets reflected on our consolidated balance sheet resulting from the market value premium attributable to our credit card accounts in excess of the aggregate outstanding managed credit card loans acquired. Goodwill represents the purchase price over the fair value of identifiable assets acquired less liabilities assumed from business combinations.

Affinity Credit Card--A MasterCard or Visa account jointly sponsored by the issuer of the card and an organization whose members share a common interest (e.g., the AFL--CIO Union Privilege Credit Card Program).

Asset Securitization--The process where interests in a pool of financial assets, such as credit card or other unsecured receivables, are sold to investors. Typically, the receivables are sold to a trust that issues interests that are sold to investors.

Auto Finance Loans--Closed-end loans secured by a first lien on a vehicle.

Co-Branded Credit Card--A MasterCard or Visa account that is jointly sponsored by the issuer of the card and another corporation. (e.g., the GM Card(R)) The account holder typically receives some form of added benefit for using the card.

Common Dividend Payout Ratio--Dividends declared per common share divided by net income per share.

Consumer Net Chargeoff Ratio--Net chargeoffs of receivables divided by average receivables outstanding.

Fee Income--Income associated with interchange on credit cards and late and other fees from the origination or acquisition of loans.

Foreign Exchange Contract--A contract used to minimize our exposure to changes in foreign currency exchange rates.

Futures Contract--An exchange-traded contract to buy or sell a stated amount of a financial instrument or index at a specified future date and price.

Interchange Fees--Fees received for processing a credit card transaction through the MasterCard or Visa network.

Interest Only Strip--Represents our contractual right to receive interest and other cash flows from our securitization trusts after the investors receive their contractual return.

Interest Rate Swap--Contract between two parties to exchange interest payments on a stated principal amount (notional principal) for a specified period. Typically, one party makes fixed rate payments, while the other party makes payments using a variable rate.

LIBOR--London Interbank Offered Rate. A widely quoted market rate which is frequently the index used to determine the rate at which we borrow funds.

Liquidity--A measure of how quickly we can convert assets to cash or raise

additional cash by issuing debt.

Managed Basis--Method of reporting whereby net interest margin, other revenues and credit losses on securitized receivables are reported as if those receivables were still held on our balance sheet.

Managed Basis Efficiency Ratio--Ratio of operating expenses to managed net interest margin and other revenues less policyholders' benefits. The normalized efficiency ratio excludes nonrecurring gains, losses and charges.

Managed Net Interest Margin--Interest income from managed receivables and noninsurance investment securities reduced by interest expense.

Managed Receivables--The sum of receivables on our balance sheet and those that we service for investors as part cf our asset securitization program.

MasterCard and Visa Receivables--Receivables generated through customer usage of MasterCard and Visa credit cards.

Nonaccrual Loans--Loans on which we no longer accrue interest because ultimate collection is unlikely.

Non-prime Accounts--Accounts held by individuals with credit history reflecting occasional delinquencies, prior chargeoffs, or other credit blemishes. These accounts generally are charged higher interest rates and fees to compensate for the additional risk.

Options--A contract giving the owner the right, but not the obligation, to buy or sell a specified item at a fixed price for a specified period.

Other Unsecured Receivables--Unsecured lines of credit or closed-end loans made to individuals.

Over-the-Life Reserves--Credit loss reserves established for securitized receivables to cover the estimated probable losses we expect to incur over the life of the transaction.

Owned Receivables--Receivables held on our balance sheet.

Personal Homeowner Loan ("PHL")--A real estate loan that has been underwritten and priced as an unsecured loan.

Private Label Credit Card--A line of credit made available to customers of retail merchants evidenced by a credit card bearing the merchant's name.

Real Estate Secured Loan--Closed-end loans and revolving lines of credit secured by first or second liens on residential real estate.

Refund Anticipation Loan ("RAL") Program--A cooperative program with H&R Block Tax Services, Inc. and certain of its franchises, along with other independent tax preparers, to provide loans tc customers entitled to tax refunds and who electronically file their returns with the Internal Revenue Service.

Receivables Serviced with Limited Recourse--Receivables we have securitized and for which we have some level of pctential loss if defaults occur.

Return on Average Owned Assets--Net income divided by average owned assets.

Return on Average Common Shareholders' Equity-Net income less dividends on preferred stock divided by average common shareholders' equity.

Return on Average Managed Assets--Net income divided by average managed assets.

Risk Adjusted Revenue--Managed net interest margin plus other revenues less securitization income and managed net charge-offs divided by average managed interest earning assets.

Synthetic Alteration--Process by which derivative financial instruments are used to alter the risk characteristics of an asset, liability or off-balance sheet item.

Total Shareholders' Equity--Includes company obligated mandatorily redeemable preferred securities of subsidiary trusts, preferred stock and common shareholders' equity.
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Household International, Inc. and Subsidiaries

Credit Quality Statistics

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<TABLE>
<CAPTION>
All dollar amounts are stated in millions.
At December 31, unless otherwise indicated.

<S>	2000 <C>	1999 <C>	1998 <C>	1997 <C>	1996 <C>
Managed Two-Month-and-Over Contractual Delinquency Ratios					
Real estate secured..	2.63%	3.27%	3.67%	3.69%	3.04%
Auto finance/1/..	2.55	2.43	2.29	2.09	-
MasterCard/Visa..	3.49	2.78	3.75	3.10	2.73
Private label..	5.48	5.97	6.20	5.81	4.60
Other unsecured..	7.97	8.81	7.94	7.81	6.21

Total consumer	4.20%	4.66%	4.90%	4.64%	3.92%
Ratio of Net Chargeoffs to Average Managed Receivables for the Year					
Real estate secured	.45%	.58%	.63%	.64%	.60%
Auto finance/1/	4.80	4.96	5.39	4.60	-
MasterCard/Visa	5.58	6.66	5.95	5.55	4.54
Private label	5.35	5.65	5.65	4.62	3.42
Other unsecured	6.97	6.52	6.97	5.48	4.29
Total consumer	3.64	4.13	4.29	3.84	2.96
Commercial	2.69	.93	.52	1.66	.92
Total	3.63%	4.09%	4.24%	3.80%	2.92%
Nonaccrual Owned Receivables					
Domestic:					
Real estate secured	$ 685.6	$ 532.5	$ 486.5	$ 378.4	$ 198.3
Auto finance/1/	45.5	24.9	23.3	-	-
Private label	47.6	58.1	29.0	25.0	22.5
Other unsecured	632.0	545.8	297.9	283.6	240.6
Foreign	226.0	236.7	178.3	189.1	177.4
Total consumer	1,636.7	1,398.0	1,015.0	876.1	638.8
Commercial and other	42.0	46.6	49.1	62.9	110.0
Total	$ 1,678.7	$1,444.6	$1,064.1	$ 939.0	$ 748.8
Nonaccrual Managed Receivables					
Domestic:					
Real estate secured	$ 734.1	$ 626.9	$ 550.8	$ 492.1	$ 315.7
Auto finance/1/	116.2	73.9	40.3	-	-
Private label	47.6	58.1	29.0	25.0	22.5
Other unsecured	902.0	828.8	559.5	565.2	399.1
Foreign	270.4	278.3	210.5	219.7	198.8
Total consumer	2,070.3	1,866.0	1,390.1	1,302.0	936.1
Commercial and other	42.0	46.6	49.1	62.9	110.0
Total	$ 2,112.3	$1,912.6	$1,439.2	$1,364.9	$1,046.1
Accruing Owned Receivables 90 or More Days Delinquent/2/					
Domestic	$ 627.1	$ 526.9	$ 630.6	$ 468.3	$ 415.9
Foreign	22.3	23.5	21.8	31.3	23.8
Total	$ 649.4	$ 550.4	$ 652.4	$ 499.6	$ 439.7
Accruing Managed Receivables 90 or More Days Delinquent/2/					
Domestic	$ 837.5	$ 716.4	$ 852.8	$ 776.5	$ 621.7
Foreign	22.3	23.5	21.8	31.3	23.8
Total	$ 859.8	$ 739.9	$ 874.6	$ 807.8	$ 645.5
Real Estate Owned					
Domestic	$ 333.5	$ 268.1	$ 249.5	$ 200.0	$ 217.2
Foreign	3.6	3.4	4.4	12.8	19.6
Total	$ 337.1	$ 271.5	$ 253.9	$ 212.8	$ 236.8
Renegotiated Commercial Loans	$ 12.3	$ 12.3	$ 12.3	$ 12.4	$ 12.9

</TABLE>

/1/ Prior to the acquisition of ACC in the fourth quarter of 1997, credit quality statistics for auto finance receivables were not significant and were included in other unsecured receivables.

/2/ Includes MasterCard and Visa and private label credit card receivables, consistent with industry practice. There were no commercial loans 90 or more days past due which remained on accrual status.

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Household International, Inc. and Subsidiaries

Analysis of Credit Loss Reserves Activity -

Owned Receivables

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<TABLE>
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All dollar amounts are stated in millions.	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>
Total Owned Credit Loss Reserves at January 1	$ 1,757.0	$ 1,734.2	$ 1,642.1	$ 1,398.4	$ 1,126.5
Provision for Credit Losses	2,116.9	1,716.4	1,516.8	1,493.0	1,144.2
Charge offs					
Domestic:					
Real estate secured	(123.2)	(103.8)	(82.8)	(46.3)	(47.1)
Auto finance/1/	(61.3)	(39.4)	(29.7)	(6.4)	-
MasterCard/Visa	(432.1)	(477.8)	(454.1)	(415.8)	(270.0)

Private label	(536.9)	(547.7)	(471.4)	(407.9)	(238.6)
Other unsecured	(723.5)	(534.6)	(464.4)	(384.6)	(374.7)
Foreign	(232.7)	(233.9)	(206.4)	(197.6)	(172.2)
Total consumer	(2,109.7)	(1,937.2)	(1,708.8)	(1,458.6)	(1,102.6)
Commercial and other	(17.1)	(10.1)	(7.5)	(26.8)	(24.0)
Total owned receivables charged off	(2,126.8)	(1,947.3)	(1,716.3)	(1,485.4)	(1,126.6)
Recoveries					
Domestic:					
Real estate secured	4.7	7.5	2.6	3.0	2.6
Auto finance/1/	1.5	1.2	.8	.3	-
MasterCard/Visa	24.9	34.7	33.3	46.9	17.2
Private label	54.0	74.3	56.8	47.4	24.8
Other unsecured	62.4	45.3	36.7	38.0	70.7
Foreign	57.5	46.6	43.2	50.9	43.9
Total consumer	205.0	209.6	173.4	186.5	159.2
Commercial and other	.4	.3	2.2	3.3	6.9
Total recoveries on owned receivables	205.4	209.9	175.6	189.8	166.1
Other, net	159.4	43.8	116.0	46.3	88.2
Total Owned Credit Loss Reserves at December 31	$ 2,111.9	$ 1,757.0	$ 1,734.2	$ 1,642.1	$ 1,398.4
Ratio of Owned Credit Loss Reserves to:					
Receivables:					
Consumer	3.10%	3.30%	3.85%	4.12%	3.37%
Commercial	7.43	7.70	8.34	9.14	13.44
Total	3.14%	3.36%	3.92%	4.25%	3.64%
Nonperforming Loans:					
Consumer	90.3%	86.9%	99.3%	110.5%	111.6%
Commercial	85.4	116.8	139.0	200.7	191.2
Total	90.2%	87.5%	100.3%	113.2%	116.4%

</TABLE>

/1/ Includes ACC subsequent to our acquisition in October 1997. Prior to the fourth quarter of 1997, auto finance receivables were not significant and were included in other unsecured receivables.

<PAGE>

Household International, Inc. and Subsidiaries

Analysis of Credit Loss Reserves Activity - Managed Receivables

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<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>
Total Managed Credit Loss Reserves at January 1	$ 2,666.6	$ 2,548.1	$ 2,523.0	$ 2,109.0	$ 1,591.5
Provision for Credit Losses	3,252.4	2,781.8	2,716.0	2,620.6	2,033.3
Charge Offs					
Domestic:					
Real estate secured	(139.9)	(134.1)	(118.8)	(106.3)	(86.4)
Auto finance/1/	(188.4)	(120.4)	(70.0)	(13.6)	-
MasterCard/Visa	(880.7)	(1,020.8)	(1,166.2)	(1,106.7)	(771.3)
Private label	(605.6)	(598.3)	(544.3)	(436.0)	(269.9)
Other unsecured	(1,030.6)	(821.6)	(797.9)	(639.8)	(465.7)
Foreign	(275.8)	(281.4)	(250.0)	(225.8)	(186.6)
Total consumer	(3,121.0)	(2,976.6)	(2,947.2)	(2,528.2)	(1,779.9)
Commercial and other	(17.0)	(10.0)	(7.5)	(26.8)	(24.0)
Total managed receivables charged off	(3,138.0)	(2,986.6)	(2,954.7)	(2,555.0)	(1,803.9)
Recoveries					
Domestic:					
Real estate secured	4.7	7.5	4.4	5.8	2.8
Auto finance/1/	4.0	2.8	2.1	.6	-
MasterCard/Visa	49.8	68.4	82.0	94.8	42.5
Private label	57.0	77.0	65.0	50.0	28.2
Other unsecured	79.2	61.2	51.6	50.3	75.5
Foreign	69.0	54.1	47.2	52.8	44.4
Total consumer	263.7	271.0	252.3	254.3	193.4
Commercial and other	.3	.3	2.2	3.3	6.9
Total recoveries on managed receivables	264.0	271.3	254.5	257.6	200.3
Other, net	149.2	52.0	9.3	90.8	87.8
Total Managed Credit Loss Reserves at December 31	$ 3,194.2	$ 2,666.6	$ 2,548.1	$ 2,523.0	$ 2,109.0

Ratio of Managed Credit Loss Reserves to:					
Receivables:					
Consumer..	3.62%	3.68%	3.94%	3.92%	3.38%
Commercial......................................	7.43	7.70	8.34	9.14	13.44
Total...	3.65%	3.72%	3.99%	3.99%	3.56%
Nonperforming Loans:					
Consumer..	107.4%	98.8%	109.0%	113.7%	120.7%
Commercial......................................	85.4	116.8	139.0	200.7	191.2
Total...	107.0%	100.1%	109.5%	115.5%	123.7%

</TABLE>

/1/ Includes ACC subsequent to our acquisition in October 1997. Prior to the fourth quarter of 1997, auto finance receivables were not significant and were included in other unsecured receivables.

<PAGE>

Household International, Inc. and Subsidiaries

Net Interest Margin-
2000 Compared to 1999 (Owned Basis)

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<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	Average Outstanding/1/ 2000	Average Outstanding/1/ 1999	Average Rate 2000	Average Rate 1999	Finance and Interest Income/ Interest Expense 2000	Finance and Interest Income/ Interest Expense 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Receivables:						
Real estate secured..................	$ 30,682.5	$ 21,679.1	12.0%	11.6%	$ 3,684.3	$ 2,513.1
Auto finance.........................	1,818.9	1,119.8	16.7	18.6	303.6	207.8
MasterCard/Visa......................	7,126.5	6,270.8	14.9	12.3	1,064.8	768.3
Private label........................	9,981.7	9,486.2	14.3	13.6	1,432.2	1,289.8
Other unsecured......................	10,194.7	8,434.9	21.0	20.2	2,140.7	1,705.4
Commercial and other.................	693.5	809.6	5.0	8.0	34.7	65.1
Total receivables........................	60,497.8	47,800.4	14.3	13.7	8,660.3	6,549.5
Noninsurance investments.................	973.4	975.0	3.5	3.4	34.0	33.4
Total interest-earning assets (excluding insurance investments)..........................	$ 61,471.2	$ 48,775.4	14.1%	13.5%	$ 8,694.3	$ 6,582.9
Insurance investments....................	2,733.6	2,596.9				
Other assets.............................	5,507.9	4,938.1				
Total Assets.............................	$ 69,712.7	$ 56,310.4				
Debt:						
Deposits.............................	$ 7,757.5	$ 3,037.3	6.2%	5.5%	$ 484.0	$ 168.4
Commercial paper.....................	9,828.7	8,620.3	6.3	5.2	621.2	451.7
Bank and other borrowings............	2,099.7	1,426.7	5.5	5.0	116.5	70.8
Senior and senior subordinated debt with original maturities over one year).....................	39,387.9	32,954.1	6.9	6.3	2,707.2	2,085.7
Total debt...............................	$ 59,073.8	$ 46,038.4	6.7%	6.0%	$ 3,928.9	$ 2,776.6
Other liabilities........................	2,699.8	3,453.3				
Total liabilities........................	61,773.6	49,491.7				
Preferred securities.....................	701.9	539.4				
Common shareholders' equity..............	7,237.2	6,279.3				
Total Liabilities and Shareholders' Equity..................	$ 69,712.7	$ 56,310.4				
Net Interest Margin- Owned Basis /3/,/5/..................			7.8%	7.8%	$ 4,765.4	$ 3,806.3
Interest Spread-Owned Basis/4/...........			7.5%	7.5%		

<CAPTION>

All dollar amounts are stated in millions.	Increase/(Decrease) Due to: Variance	Volume Variance/2/	Rate Variance/2/
<S>	<C>	<C>	<C>
Receivables:			
Real estate secured..................	$1,171.2	$ 1,043.7	$ 12.0
Auto finance.........................	95.8	129.7	(33.9)
MasterCard/Visa......................	296.5	104.8	191.7
Private label........................	142.4	67.4	75.0
Other unsecured......................	435.3	355.8	79.5
Commercial and other.................	(30.4)	(9.3)	(21.1)

Total receivables........................	2,110.8	1,692.1	303.2
Noninsurance investments.................	.6	(.1)	.7
Total interest-earning assets (excluding insurance investments)..........................	$2,111.4	$ 1,713.5	$ 397.9
Insurance investments			
Other assets			
Total Assets			
Debt:			
Deposits..............................	$ 315.6	$ 261.7	$ 53.9
Commercial paper......................	169.5	63.3	106.2
Bank and other borrowings.............	45.7	33.4	12.3
Senior and senior subordinated debt with original maturities over one year)......................	621.5	407.2	214.3
Total debt...............................	$1,152.3	$ 765.6	$ 386.7
Other liabilities			
Total liabilities			
Preferred securities			
Common shareholders' equity			
Total Liabilities and Shareholders' Equity			
Net Interest Margin- Owned Basis /3/, /5/..................	$ 959.1	$ 947.9	$ 11.2
Interest Spread-Owned Basis/4/...........			

</TABLE>

/1/Nonaccrual loans are included in average outstanding balances.
/2/Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total interest variance. For total receivables, total interest-earning assets and total debt, the rate and volume variances are calculated based on the relative weighting of the individual components comprising these totals. These totals do not represent an arithmetic sum of the individual components.
/3/Represents net interest margin as a percent of average interest-earning assets.
/4/Represents the difference between the yield earned on interest-earning assets and the cost of the debt used to fund the assets.
/5/The net interest margin analysis includes the following for foreign businesses:

<TABLE>
<CAPTION>

<S>	2000 <C>	1999 <C>	1998 <C>
Average interest-earning assets	$ 6,639.1	$ 6,433.3	$ 6,339.5
Average interest-bearing liabilities	5,765.5	5,138.5	5,431.8
Net interest margin	467.7	494.9	473.8
Net interest margin percentage	7.0%	7.7%	7.5%

</TABLE>
<PAGE>

Household International, Inc. and Subsidiaries

Net Interest Margin-
1999 Compared to 1998 (Owned Basis)

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<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	Average Outstanding/1/ 1999	Average Outstanding/1/ 1998	Average Rate 1999	Average Rate 1998	Finance and Interest Income/ Interest Expense 1999	Finance and Interest Income/ Interest Expense 1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Receivables:						
Real estate secured.......................	$ 21,679.1	$ 16,233.4	11.6%	11.8%	$ 2,513.1	$ 1,909.8
Auto finance..............................	1,119.8	702.8	18.6	19.6	207.8	137.5
MasterCard/Visa...........................	6,270.8	7,473.4	12.3	10.7	768.3	796.4
Private label.............................	9,486.2	8,783.3	13.6	14.0	1,289.8	1,226.0
Other unsecured...........................	8,434.9	7,411.3	20.2	19.9	1,705.4	1,476.5
Commercial and other......................	809.6	1,101.0	8.0	5.3	65.1	58.0
Total receivables............................	47,800.4	41,705.2	13.7	13.4	6,549.5	5,604.2
Noninsurance investments.....................	975.0	1,106.3	3.4	5.2	33.4	57.1
Total interest-earning assets (excluding insurance investments)..............................	$ 48,775.4	$ 42,811.5	13.5%	13.2%	$ 6,582.9	$ 5,661.3
Insurance investments........................	2,596.9	2,459.1				
Other assets.................................	4,938.1	5,203.1				
Total Assets.................................	$ 56,310.4	$ 50,473.7				

Debt:						
Deposits..................................	$ 3,037.3	$ 2,695.9	5.5%	5.7%	$ 168.4	$ 152.7
Commercial paper..........................	8,620.3	9,495.6	5.2	5.5	451.7	525.0
Bank and other borrowings.................	1,426.7	2,640.8	5.0	5.6	70.8	147.1
Senior and senior subordinated debt with original maturities over one year).........................	32,954.1	26,365.4	6.3	6.4	2,085.7	1,692.2
Total debt................................	$ 46,038.4	$ 41,197.7	6.0%	6.1%	$ 2,776.6	$ 2,517.0
Other liabilities.........................	3,453.3	2,426.8				
Total liabilities.........................	49,491.7	43,624.5				
Preferred securities......................	539.4	577.1				
Common shareholders' equity...............	6,279.3	6,272.1				
Total Liabilities and Shareholders' Equity....................	$ 56,310.4	$ 50,473.7				
Net Interest Margin-Owned Basis/3,5/.........................			7.8%	7.3%	$ 3,806.3	$ 3,144.3
Interest Spread-Owned Basis/4/................			7.5%	7.1%		

<CAPTION>

All dollar amounts are stated in millions.	Increase/(Decrease) Due to: Variance	Volume Variance/2/	Rate Variance/2/
<S>	<C>	<C>	<C>
Receivables:			
Real estate secured......................	$ 603.3	$ 631.7	$ (28.4)
Auto finance.............................	70.3	77.7	(7.4)
MasterCard/Visa..........................	(28.1)	(138.1)	110.0
Private label............................	63.8	96.2	(32.7)
Other unsecured..........................	228.9	210.2	19.6
Commercial and other.....................	7.1	(20.2)	27.3
Total receivables........................	945.3	841.8	104.2
Noninsurance investments.................	(23.7)	(15.6)	(8.1)
Total interest-earning assets (excluding insurance investments)............................	$ 921.6	$ 802.8	$ 118.8
Insurance investments			
Other assets...............................			
Total Assets...............................			
Debt:			
Deposits................................	$ 15.7	$ 20.0	$ (4.3)
Commercial paper........................	(73.3)	(44.6)	(28.7)
Bank and other borrowings...............	(76.3)	(62.4)	(13.9)
Senior and senior subordinated debt with original maturities over one year)........................	393.5	417.3	(23.8)
Total debt................................	$ 259.6	$ 292.3	$ (32.7)
Other liabilities.........................			
Total liabilities.........................			
Preferred securities......................			
Common shareholders' equity...............			
Total Liabilities and Shareholders' Equity...................			
Net Interest Margin-Owned Basis/3,5/........................	$ 662.0	$ 510.5	$ 151.5
Interest Spread-Owned Basis/4/..............			

</TABLE>
<PAGE>

Household International, Inc. and Subsidiaries

Net Interest Margin - 2000 Compared to 1999 and 1998 (Managed Basis)

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Net Interest Margin on a Managed Basis As receivables are securitized rather than held in our portfolio, net interest income is reclassified to securitization revenue. We retain a substantial portfolio of the profit inherent in the receivables while increasing liquidity. The comparability of net interest margin between periods may be impacted by the level and type of receivables securitized.

<TABLE>
<CAPTION>

Average Outstanding/1/	Average Rate	Finance and Interest Income/Interest Expense

All dollar amounts are stated in millions.	2000	1999	1998	2000	1999	1998	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Receivables:									
Real estate secured..........	$ 32,530.2	$ 24,574.5	$ 20,951.0	12.0%	11.6%	12.0%	$ 3,906.5	$ 2,847.5	$ 2,524.2
Auto finance.................	3,842.3	2,370.4	1,260.2	18.3	19.0	20.1	702.5	449.6	252.8
MasterCard/Visa..............	16,111.2	15,295.7	18,742.2	14.8	13.2	12.9	2,392.0	2,025.7	2,426.3
Private label................	11,194.2	10,255.9	9,710.4	14.4	13.6	14.1	1,613.5	1,398.7	1,370.0
Other unsecured..............	14,760.8	13,008.6	11,912.3	20.5	19.6	19.2	3,019.5	2,555.8	2,287.0
Commercial and other.........	693.5	809.6	1,101.0	5.0	8.0	5.3	34.7	65.0	58.0
Total receivables...............	79,132.2	66,314.7	63,677.1	14.7	14.1	14.0	11,668.7	9,342.3	8,918.3
Noninsurance investments.........	973.4	975.0	1,106.3	3.5	3.4	5.2	34.0	33.4	57.1
Total interest-earning assets (excluding insurance investments).................	$ 80,105.6	$ 67,289.7	$ 64,783.4	14.6%	13.9%	13.9%	$11,702.7	$ 9,375.7	$ 8,975.4
Total debt......................	$ 71,274.4	$ 64,552.7	$ 62,882.3	7.3%	5.9%	6.2%	$ 5,212.7	$ 3,836.5	$ 3,881.3
Net Interest Margin-Managed Basis/3/..............................				8.1%	8.2%	7.9%	$ 6,490.0	$ 5,539.2	$ 5,094.1
Interest Spread-Managed Basis/4/..................................				7.3%	8.0%	7.7%			

<CAPTION>

	Increase/(Decrease) Due to:					
	2000 Compared to 1999			1999 Compared to 1998		
All dollar amounts are stated in millions.	Variance	Volume Variance/2/	Rate Variance/2/	Variance	Volume Variance/2/	Rate Variance/2/
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Receivables:						
Real estate secured......................	$ 1,059.0	$ 955.4	$ 103.6	$ 323.3	$ 419.9	$ (96.6)
Auto finance.............................	252.9	269.1	(16.2)	196.8	210.6	(13.8)
MasterCard/Visa..........................	366.3	121.1	245.2	(400.6)	(456.4)	55.8
Private label............................	214.8	135.3	79.5	28.7	74.4	(45.7)
Other unsecured..........................	463.7	358.4	105.3	268.8	215.4	53.4
Commercial and other.....................	(30.3)	(8.4)	(21.9)	7.0	(27.2)	34.2
Total receivables............................	2,326.4	1,873.6	452.8	424.0	371.3	52.7
Noninsurance investments.....................	.6	(.1)	.7	(23.7)	(4.5)	(19.2)
Total interest-earning assets (excluding insurance investments)........	$ 2,327.0	$1,872.3	$ 454.7	$ 400.3	$ 349.2	$ 51.1
Total debt...................................	$ 1,376.2	$ 834.0	$ 542.2	$ (44.8)	$ 42.9	$ (187.7)
Net Interest Margin-Managed Basis/3/..........	$ 950.8	$1,038.3	$ (87.5)	$ 445.1	$ 206.3	$ 238.8

</TABLE>

/1/ Nonaccrual loans are included in average outstanding balances.

/2/ Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total interest variance. For total receivables, total interest-earning assets and total debt, the rate and volume variances are calculated based on the relative weighting of the individual components comprising these totals. These totals do not represent an arithmetic sum of the individual components.

/3/ Represents net interest margin as a percent of average interest-earning assets.

/4/ Represents the difference between the yield earned on interest-earning assets and cost of the debt used to fund the assets.

<PAGE>

Household International, Inc. and Subsidiaries

Selected Quarterly Financial Data
(Unaudited)

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<TABLE>
<CAPTION>

	2000-Three Months Ended				1999-Three Months Ended			
All dollar amounts except per share data are stated in millions.	Dec.	Sept.	June	March	Dec.	Sept.	June	March
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Finance income....................................	$2,408.0	$2,262.1	$2,074.2	$1,916.0	$1,773.2	$1,694.7	$1,583.0	$1,498.6
Other interest income.............................	7.6	8.3	9.2	8.9	8.1	8.0	7.4	9.9
Interest expense..................................	1,117.0	1,057.2	933.0	821.7	762.8	703.7	661.2	648.9
Net interest margin...............................	1,298.6	1,213.2	1,150.4	1,103.2	1,018.5	999.0	929.2	859.6
Provision for credit losses on owned receivables..............................	574.8	524.4	495.6	522.1	453.2	438.1	407.3	417.8
Net interest margin after provision for credit losses................................	723.8	688.8	654.8	581.1	565.3	560.9	521.9	441.8

Securitization revenue	394.7	379.9	355.6	346.4	398.2	357.9	312.5	324.9
Insurance revenue	147.7	146.7	131.8	135.0	129.2	130.6	132.6	142.2
Investment income	47.0	43.9	42.5	40.8	40.8	45.0	41.8	41.2
Fee income	234.4	216.2	195.9	179.3	174.3	155.7	135.8	129.7
Other income	33.5	30.1	31.9	133.3	43.8	32.4	38.4	109.2
Total other revenues	857.3	816.8	757.7	834.8	786.3	721.6	661.1	747.2
Salaries and fringe benefits	355.5	333.0	321.5	302.1	270.2	262.6	262.0	253.9
Sales incentives	50.3	53.1	57.4	42.8	37.0	42.1	36.6	30.2
Occupancy and equipment expense	77.1	78.4	75.6	75.5	70.9	66.6	66.6	66.8
Other marketing expenses	104.3	108.2	125.3	133.1	106.0	91.5	84.0	88.5
Other servicing and administrative expenses	122.8	136.0	144.1	186.8	114.5	128.5	142.3	162.6
Amortization of acquired intangibles and goodwill	38.9	39.0	38.9	43.2	36.1	35.5	36.0	36.3
Policyholders' benefits	63.4	67.1	64.3	66.9	59.1	61.0	69.4	68.6
Total costs and expenses	812.3	814.8	827.1	850.4	693.8	687.8	696.9	706.9
Income before income taxes	768.8	690.8	585.4	565.5	657.8	594.7	486.1	482.1
Income taxes	276.1	239.6	201.5	192.6	219.0	194.8	159.2	161.3
Net income	$ 492.7	$ 451.2	$ 383.9	$ 372.9	$ 438.8	$ 399.9	$ 326.9	$ 320.8
Basic earnings per common share	$ 1.05	$ .95	$ .80	$ .79	$ .93	$ .84	$ .67	$ .66
Diluted earnings per common share	1.03	.94	.80	.78	.92	.83	.67	.65
Dividends declared	.19	.19	.19	.17	.17	.17	.17	.17
Weighted average common and common equivalent shares outstanding	476.1	477.6	477.0	474.0	472.7	480.2	484.3	490.1

</TABLE>
<PAGE>

Household International, Inc. and Subsidiaries

Consolidated Statements of Income

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<TABLE>
<CAPTION>
In millions, except per share data.

Year ended December 31	2000	1999	1998
<S>	<C>	<C>	<C>
Finance income	$ 8,660.3	$ 6,549.5	$ 5,604.2
Other interest income	34.0	33.4	57.1
Interest expense	3,928.9	2,776.6	2,517.0
Net interest margin	4,765.4	3,806.3	3,144.3
Provision for credit losses on owned receivables	2,116.9	1,716.4	1,516.8
Net interest margin after provision for credit losses	2,648.5	2,089.9	1,627.5
Securitization revenue	1,476.6	1,393.5	1,548.9
Insurance revenue	561.2	534.6	492.8
Investment income	174.2	168.8	161.2
Fee income	825.8	595.5	599.7
Other income	228.8	223.8	243.7
Gain on sale of Beneficial Canada	-	-	189.4
Total other revenues	3,266.6	2,916.2	3,235.7
Salaries and fringe benefits	1,312.1	1,048.7	1,021.3
Sales incentives	203.6	145.9	106.2
Occupancy and equipment expense	306.6	270.9	316.1
Other marketing expenses	470.9	370.0	403.2
Other servicing and administrative expenses	589.7	547.9	654.9
Amortization of acquired intangibles and goodwill	160.0	143.9	170.6
Policyholders' benefits	261.7	258.1	238.2
Merger and integration related costs	-	-	1,000.0
Total costs and expenses	3,304.6	2,785.4	3,910.5
Income before income taxes	2,610.5	2,220.7	952.7
Income taxes	909.8	734.3	428.6
Net income	$ 1,700.7	$ 1,486.4	$ 524.1
Earnings Per Common Share			
Net income	$ 1,700.7	$ 1,486.4	$ 524.1
Preferred dividends	(9.2)	(9.2)	(15.0)
Earnings available to common shareholders	$ 1,691.5	$ 1,477.2	$ 509.1
Average common shares	471.8	477.0	487.2
Average common and common equivalent shares	476.2	481.8	496.4
Basic earnings per common share	$ 3.59	$ 3.10	$ 1.04
Diluted earnings per common share	$ 3.55	$ 3.07	$ 1.03

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries

Consolidated Balance Sheets

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<TABLE>
<CAPTION>

In millions, except share data. At December 31	2000	1999
Assets		
Cash	$ 490.2	$ 270.6
Investment securities	3,259.0	3,128.1
Receivables, net	67,161.7	52,158.4
Acquired intangibles and goodwill, net	1,705.7	1,590.4
Properties and equipment, net	517.6	476.4
Real estate owned	337.1	271.5
Other assets	3,235.0	2,854.0
Total assets	$ 76,706.3	$ 60,749.4
Liabilities and Shareholders' Equity		
Debt:		
Deposits	$ 8,676.9	$ 4,980.0
Commercial paper, bank and other borrowings	10,787.9	10,777.8
Senior and senior subordinated debt (with original maturities over one year)	45,053.0	34,887.3
Total debt	64,517.8	50,645.1
Insurance policy and claim reserves	1,106.6	1,308.9
Other liabilities	2,291.3	1,805.1
Total liabilities	67,915.7	53,759.1
Company obligated mandatorily redeemable preferred securities of subsidiary trusts*	675.0	375.0
Preferred stock	164.4	164.4
Common shareholders' equity:		
Common stock, $1.00 par value, 750,000,000 shares authorized; 551,100,165 and 550,431,057 shares issued at December 31, 2000 and 1999, respectively	551.1	550.4
Additional paid-in capital	1,926.0	1,780.8
Retained earnings	7,680.5	6,338.7
Accumulated other comprehensive income	(214.7)	(256.9)
Less common stock in treasury, 80,080,506 and 82,519,612 shares at December 31, 2000 and 1999, respectively, at cost	(1,991.7)	(1,962.1)
Total common shareholders' equity	7,951.2	6,450.9
Total liabilities and shareholders' equity	$ 76,706.3	$ 60,749.4

</TABLE>

*The sole assets of the four trusts are Junior Subordinated Deferrable Interest Notes issued by Household International, Inc. in June 2000, March 1998, June 1996 and June 1995, bearing interest at 10.00, 7.25, 8.70 and 8.25 percent, respectively, with principal balances of $309.3, $206.2, $103.1 and $77.3 million, respectively, and due June 30, 2030, December 31, 2037, June 30, 2036 and June 30, 2025, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

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<TABLE>
<CAPTION>

In millions. Year ended December 31	2000	1999	1998
Cash Provided by Operations			
Net income	$ 1,700.7	$ 1,486.4	$ 524.1
Adjustments to reconcile net income to net cash provided by operations:			
Provision for credit losses on owned receivables	2,116.9	1,716.4	1,516.8
Non-cash merger and integration related costs	-	-	291.0
Insurance policy and claim reserves	36.6	76.1	64.2
Depreciation and amortization	301.7	292.1	308.1
Net realized gains from sales of assets	-	-	(183.4)
Deferred income tax provision	87.0	33.1	253.0
Other, net	(55.3)	(350.1)	(435.7)
Cash provided by operations	4,187.6	3,254.0	2,338.1
Investments in Operations			
Investment securities:			
Purchased	(804.4)	(1,431.7)	(1,526.1)

Matured	451.5	792.5	510.4
Sold	238.4	732.5	858.3
Short-term investment securities, net change	(47.8)	(111.1)	(205.1)
Receivables:			
Originations, net	(39,930.6)	(32,888.1)	(28,648.5)
Purchases and related premiums	(4,162.8)	(2,571.6)	(2,949.6)
Sold	26,919.2	25,249.8	24,352.6
Acquisition of business operations	(87.1)	(43.4)	-
Properties and equipment purchased	(173.8)	(139.8)	(135.1)
Properties and equipment sold	16.3	29.1	43.7
Cash decrease from investments in operations	(17,581.1)	(10,381.8)	(7,699.4)
Financing and Capital Transactions			
Short-term debt and demand deposits, net change	182.0	839.1	(1,127.6)
Time certificates, net change	3,219.7	2,961.6	380.3
Senior and senior subordinated debt issued	21,608.3	11,281.3	13,285.5
Senior and senior subordinated debt retired	(11,152.0)	(6,870.6)	(5,455.8)
Prepayment of debt	-	-	(1,140.8)
Policyholders' benefits paid	(117.6)	(126.9)	(130.9)
Cash received from policyholders	60.2	63.0	109.5
Shareholders' dividends	(358.9)	(332.1)	(256.5)
Shareholders' dividends-pooled affiliate	-	-	(61.8)
Issuance of company obligated mandatorily redeemable preferred securities of subsidiary trusts	300.0	-	200.0
Redemption of preferred stock	-	-	(100.1)
Purchase of treasury stock	(209.3)	(915.9)	(412.0)
Treasury stock activity-pooled affiliate	-	-	(11.4)
Issuance of common stock	64.4	45.0	.8
Cash increase from financing and capital transactions	13,596.8	6,944.5	5,279.2
Effect of exchange rate changes on cash	16.3	(3.5)	5.2
Increase (decrease) in cash	219.6	(186.8)	(76.9)
Cash at January 1	270.6	457.4	534.3
Cash at December 31	$ 490.2	$ 270.6	$ 457.4
Supplemental Cash Flow Information:			
Interest paid	$ 3,920.6	$ 2,757.6	$ 2,431.6
Income taxes paid	689.9	337.6	311.0
Supplemental Non-Cash Investing and Financing Activities:			
Common stock issued for acquisition	$ 209.4	$ 15.0	$ -

</TABLE>
The accompanying notes are an integral part of these consolidated financial statements.
<PAGE>

Household International, Inc. and Subsidiaries

Consolidated Statements of Changes in Preferred Stock and Common Shareholders' Equity
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<TABLE>
<CAPTION>

All amounts except per share data are stated in millions.	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/1/	Common Stock in Treasury	Total Common Shareholders' Equity
		Common Shareholders' Equity					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1997	$ 264.5	$ 536.9	$ 1,423.5	$ 4,978.6	$ (167.7)	$ (597.3)	$ 6,174.0
Net income				524.1			524.1
Other comprehensive income, net of tax:							
Foreign currency translation adjustments					9.0		9.0
Unrealized gain on investments, net of reclassification adjustment					13.6		13.6
Total comprehensive income							546.7
Cash dividends:							
Preferred at stated rates				(15.0)			(15.0)
Common, $.60 per share				(241.5)			(241.5)
Pooled affiliate/2/				(61.8)			(61.8)
Exercise of stock options		7.4	220.3			13.9	241.6
Issuance of common stock		.2	19.7			(19.1)	.8
Purchase of treasury stock		(.4)	(11.0)			(412.0)	(423.4)
Redemption of preferred stock	(100.1)						
Balance at December 31, 1998	164.4	544.1	1,652.5	5,184.4	(145.1)	(1,014.5)	6,221.4
Net income				1,486.4			1,486.4
Other comprehensive income, net of tax:							
Foreign currency translation adjustments					(18.1)		(18.1)
Unrealized loss on investments, net of reclassification adjustment					(93.7)		(93.7)
Total comprehensive income							1,374.6
Cash dividends:							
Preferred at stated rates				(9.2)			(9.2)

Common, $.68 per share.....................				(322.9)			(322.9)
Exercise of stock options...................		6.1	103.0			(51.2)	57.9
Issuance of common stock....................		.2	25.3			19.5	45.0
Purchase of treasury stock..................						(915.9)	(915.9)
Balance at December 31, 1999................	164.4	550.4	1,780.8	6,338.7	(256.9)	(1,962.1)	6,450.9
Net income..................................				1,700.7			1,700.7
Other comprehensive income, net of tax:							
Foreign currency translation adjustments...					(52.9)		(52.9)
Unrealized gain on investments, net of reclassification adjustment..............					95.1		95.1
Total comprehensive income..................							1,742.9
Cash dividends:							
Preferred at stated rates..................				(9.2)			(9.2)
Common, $.74 per share.....................				(349.7)			(349.7)
Exercise of stock options...................		.5	20.7			30.6	51.8
Issuance of common stock....................		.2	124.5			149.1	273.8
Purchase of treasury stock..................						(209.3)	(209.3)
Balance at December 31, 2000................	$ 164.4	$ 551.1	$ 1,926.0	$ 7,680.5	$ (214.7)	$(1,991.7)	$ 7,951.2

</TABLE>

/1/ Accumulated other comprehensive includes the following:

<TABLE>
<CAPTION>

In millions. At December 31	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>
Unrealized gains (losses) on investments:				
Gross unrealized gains (losses)....................................	$ 41.6	$ (109.8)	$ 34.0	$ 13.1
Income tax expense (benefit).......................................	17.8	(38.5)	11.6	4.3
Net unrealized gains (losses)......................................	23.8	(71.3)	22.4	8.8
Cumulative adjustments for foreign currency translation adjustments..	(238.5)	(185.6)	(167.5)	(176.5)
Total..	$ (214.7)	$ (256.9)	$ (145.1)	$ (167.7)

</TABLE>

/2/ Represents historical common stock dividends of Beneficial Corporation.

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries

Consolidated Statements of Changes in Preferred Stock and Common Shareholders' Equity (continued)

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<TABLE>
<CAPTION>

		Common Stock		
Shares Outstanding	Preferred Stock	Issued	In Treasury	Net Outstanding
<S>	<C>	<C>	<C>	<C>
Balance at December 31, 1997........................	1,498,279	536,870,946	(51,519,429)	485,351,517
Exercise of common stock options....................		7,432,207	1,136,446	8,568,653
Issuance of common stock............................		244,821	(99,448)	145,373
Purchase of treasury stock..........................			(10,504,000)	(10,504,000)
Purchase of stock-pooled affiliate..................		(423,804)		(423,804)
Redemption of preferred stock.......................	(100,000)			-
Balance at December 31, 1998........................	1,398,279	544,124,170	(60,986,431)	483,137,739
Exercise of common stock options....................		6,083,549	(791,681)	5,291,868
Issuance of common stock............................		223,338	1,055,566	1,278,904
Purchase of treasury stock..........................			(21,797,066)	(21,797,066)
Balance at December 31, 1999........................	1,398,279	550,431,057	(82,519,612)	467,911,445
Exercise of common stock options....................		516,823	1,531,458	2,048,281
Issuance of common stock............................		152,285	6,321,263	6,473,548
Purchase of treasury stock..........................			(5,413,615)	(5,413,615)
Balance at December 31, 2000........................	1,398,279	551,100,165	(80,080,506)	471,019,659

</TABLE>

Comprehensive Income

The following discloses the related tax effects allocated to each component of other comprehensive income (expense) and reclassification adjustments:

<TABLE>
<CAPTION>

In millions. At December 31	Before-Tax	Tax (Expense) Benefit	Net-of-Tax
<S>	<C>	<C>	<C>
1998			
Unrealized gains on investments:			
Unrealized holding gains arising during the period	$ 26.9	$ (9.4)	$ 17.5
Less: Reclassification adjustment for gains realized in net income	(6.0)	2.1	(3.9)
Net unrealized gains on investments	20.9	(7.3)	13.6
Foreign currency translation adjustments	9.3	(.3)	9.0
Other comprehensive income	$ 30.2	$ (7.6)	$ 22.6
1999			
Unrealized losses on investments:			
Unrealized holding losses arising during the period	$ (134.4)	$ 46.8	$ (87.6)
Less: Reclassification adjustment for gains realized in net income	(9.4)	3.3	(6.1)
Net unrealized losses on investments	(143.8)	50.1	(93.7)
Foreign currency translation adjustments	(20.9)	2.8	(18.1)
Other comprehensive expense	$ (164.7)	$ 52.9	$ (111.8)
2000			
Unrealized gains on investments:			
Unrealized holding gains arising during the period	$ 152.2	$ (56.6)	$ 95.6
Less: Reclassification adjustment for gains realized in net income	(.8)	.3	(.5)
Net unrealized gains on investments	151.4	(56.3)	95.1
Foreign currency translation adjustments	(47.2)	(5.7)	(52.9)
Other comprehensive income	$ 104.2	$ (62.0)	$ 42.2

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.
<PAGE>

Household International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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Household International, Inc. and subsidiaries ("Household") is a leading provider of consumer lending products to middle-market consumers in the United States, United Kingdom and Canada with $87.6 billion of managed receivables at December 31, 2000. Household may also be referred to in these notes to the consolidated financial statements as "we," "us" or "our." Our lending products include real estate secured loans, auto finance loans, MasterCard* and Visa* credit cards, private label credit cards and other types of unsecured loans. We also offer tax refund anticipation loans in the United States and credit and specialty insurance in the United States, the United Kingdom and Canada. We have three reportable segments: Consumer, Credit Card Services, and International. Our Consumer segment includes our consumer lending, retail services, and auto finance businesses. Our consumer lending business includes our branch-based operations and our mortgage services business, which includes our correspondent business. Our Credit Card Services segment includes our domestic MasterCard and Visa credit card business. Our International segment includes our foreign operations in the United Kingdom ("U.K.") and Canada.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The consolidated financial statements include the accounts of Household International, Inc. and all subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain prior year amounts have been reclassified to conform with the current year's presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Securities We maintain investment portfolios (comprised primarily of debt securities) in both our non-insurance and insurance operations. Our entire investment securities portfolio was classified as available-for-sale at December 31, 2000 and 1999. Available-for-sale investments are intended to be invested for an indefinite period but may be sold in response to events we expect to occur in the foreseeable future. These investments are carried at fair value. Unrealized holding gains and losses on available-for-sale investments are recorded as adjustments to common shareholders' equity in accumulated other comprehensive income, net of income taxes. Any decline in the fair value of investments which is deemed to be other than temporary is charged against current earnings.

Cost of investment securities sold is determined using the specific identification method. Interest income earned on the noninsurance investment portfolio is classified in the statements of income in net interest margin.

Realized gains and losses from the investment portfolio and investment income from the insurance portfolio are recorded in investment income. Accrued investment income is classified with investment securities.

Receivables Receivables are carried at amortized cost. Finance income is recognized using the effective yield method. Premiums and discounts on purchased receivables are recognized as adjustments of the yield of the related receivables. Origination fees are deferred and amortized to finance income over the estimated life of the related receivables, except to the extent they offset directly related lending costs. MasterCard and Visa annual fees are netted with direct lending costs, deferred, and amortized on a straight-line basis over one year. Net deferred annual fees related to these receivables totaled $63.4 million at December 31, 2000 and $29.3 million at December 31, 1999.

Insurance reserves applicable to credit risks on consumer receivables are treated as a reduction of receivables in the balance sheets, since payments on such policies generally are used to reduce outstanding receivables.

Provision and Credit Loss Reserves Provision for credit losses on owned receivables is made in an amount sufficient to maintain credit loss reserves at a level considered adequate to cover probable losses of principal, interest and fees in the existing owned portfolio. Probable losses are estimated for consumer receivables based on contractual delinquency status and historical loss experience. For commercial loans, probable losses are calculated using estimates of amounts and timing of future cash flows expected to be received on loans. In addition, loss reserves on consumer and commercial receivables are maintained to reflect our judgment of portfolio risk factors. Loss reserve estimates are reviewed periodically and adjustments are reported in earnings when they become known. As these estimates are influenced by factors outside our control, such as consumer payment patterns and economic conditions, there is uncertainty inherent in these estimates, making it reasonably possible that they could change.

*MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.
<PAGE>

Our chargeoff policy for consumer receivables varies by product. Unsecured receivables are written off at the following stages of contractual delinquency: MasterCard and Visa-6 months; private label-9 months; and other unsecured-9 months and no payment received in 6 months. For real estate secured receivables, carrying values are written down to net realizable value at the time of foreclosure. For loans secured by automobiles, carrying values are written down to net realizable value when the loan becomes 5 months contractually delinquent. Commercial receivables are written off when it becomes apparent that an account is uncollectible.

Nonaccrual Loans Nonaccrual loans are loans on which accrual of interest has been suspended. Interest income is suspended on all loans except for credit card and auto finance receivables when principal or interest payments are more than three months contractually past due. For credit card receivables, interest continues to accrue until the receivable is charged off. For auto finance receivables, accrual of interest income is discontinued when payments are more than two months contractually past due. Accrual of income on nonaccrual consumer receivables is resumed if the receivable becomes less than three months contractually past due (two months for auto finance receivables). Accrual of income on nonaccrual commercial loans is resumed if the loan becomes contractually current. Cash payments received on nonaccrual commercial loans are either applied against principal or reported as interest income, according to our judgment as to the collectibility of principal.

Receivables Sold and Serviced with Limited Recourse and Securitization Revenue Certain real estate secured, auto finance, MasterCard and Visa, private label and other unsecured receivables have been securitized and sold to investors with limited recourse. We have retained the servicing rights to these receivables. Upon sale, the receivables are removed from the balance sheet and a gain on sale is recognized for the difference between the carrying value of the receivables and the adjusted sales proceeds. The adjusted sales proceeds are based on a present value estimate of future cash flows to be received over the lives of the sold receivables. Future cash flows are based on estimates of prepayments, the impact of interest rate movements on yields of receivables and securities issued, delinquency of receivables sold, servicing fees, operating expenses and other factors. The resulting gain is also adjusted by a reserve for estimated probable losses under the recourse provisions. Gains on sale, recourse provisions and servicing cash flows on receivables sold are reported in the accompanying consolidated statements of income as securitization revenue.

In connection with these transactions we record an interest only strip receivable, representing our contractual right to receive interest and other cash flows from our securitization trusts. Our interest only strip receivables are reported in receivables at fair value as a component of amounts due and deferred from receivable sales along with our estimate of probable losses under the recourse provisions. Unrealized gains and losses are recorded as adjustments to common shareholders' equity in accumulated other comprehensive income, net of income taxes. Our interest only strip receivables are reviewed for impairment whenever events indicate that the carrying value may not be recovered.

Properties and Equipment Properties and equipment, which include leasehold improvements, are recorded at cost, net of accumulated depreciation and amortization of $954.8 million at December 31, 2000 and $847.7 million at

December 31, 1999. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets for financial reporting purposes. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

Repossessed Collateral Real estate owned is valued at the lower of cost or fair value less estimated costs to sell. These values are periodically reviewed and reduced, if necessary. Costs of holding real estate, and related gains and losses on disposition, are credited or charged to operations as incurred. Repossessed vehicles are recorded at the lower of the estimated fair market value or the outstanding receivable balance.

Insurance Insurance revenues on revolving credit insurance policies are recognized when billed. Insurance revenues on the remaining insurance contracts are recorded as unearned premiums and recognized into income based on the nature and term of the underlying contracts. Liabilities for credit insurance policies are based upon estimated settlement amounts for both reported and incurred but not yet reported losses. Liabilities for future benefits on annuity contracts and specialty and corporate owned life insurance products are based on actuarial assumptions as to investment yields, mortality and withdrawals.
<PAGE>

Acquired Intangibles and Goodwill Acquired intangibles consist of acquired credit card relationships which are amortized on a straight-line basis over their estimated useful lives which vary by portfolio and range from 4 to 15 years. Goodwill represents the purchase price over the fair value of identifiable assets acquired less liabilities assumed from business combinations and is amortized on a straight-line basis over periods not exceeding 25 years. We review acquired intangibles and goodwill for impairment utilizing undiscounted cash flows whenever events indicate that the carrying amounts may not be recoverable. We consider significant and long-term changes in industry and economic conditions to be our primary indicator of potential impairment. Impairment charges, when required, are calculated using discounted cash flows.

Treasury Stock We account for repurchases of common stock using the cost method with common stock in treasury classified in the balance sheets as a reduction of common shareholders' equity. Treasury stock reissued is removed at average cost.

Interest Rate Contracts Interest rate swaps are the principal vehicle used to manage interest rate risk; however, we also utilize interest rate futures, options, caps and floors, and forward contracts. We also have entered into currency swaps to convert both principal and interest payments on debt issued from one currency to the appropriate functional currency. Our interest rate contracts are designated as an effective hedge/synthetic alteration of the specific underlying assets or liabilities (or specific groups of assets or liabilities). The net amount to be paid or received is accrued and included in net interest margin in the statements of income.

Correlation between all interest rate contracts and the underlying asset, liability or off-balance sheet item is direct because we use interest rate contracts which mirror the underlying item being hedged/synthetically altered. If correlation between the hedged/synthetically altered item and related interest rate contract would cease to exist, the interest rate contract would be recorded at fair value and the associated unrealized gain or loss would be included in net interest margin, with any future realized and unrealized gains or losses recorded in other income.

Interest rate contracts are recorded in the balance sheets at amortized cost. If interest rate contracts are terminated early, the realized gains and losses are deferred and amortized over the life of the underlying hedged/synthetically altered item as an adjustment to net interest margin. These deferred gains and losses are recorded on the accompanying consolidated balance sheets as adjustments to the carrying value of the hedged/synthetically altered items. In circumstances where the underlying assets or liabilities are sold, any remaining carrying value adjustments or cumulative change in value on any open positions are recognized immediately as a component of the gain or loss upon disposition. Any remaining interest rate contracts previously designated to the sold hedged/synthetically altered item are recorded at fair value with realized and unrealized gains and losses included in other income.

Foreign Currency Translation We have foreign subsidiaries located in the United Kingdom and Canada. The functional currency for each foreign subsidiary is its local currency. Assets and liabilities of these subsidiaries are translated at the rate of exchange in effect on the balance sheet date; income and expenses are translated at the average rate of exchange prevailing during the year. Resulting translation adjustments are accumulated in common shareholders' equity as a component of accumulated other comprehensive income.

We periodically enter into forward exchange contracts to hedge our investment in foreign subsidiaries. After-tax gains and losses on contracts to hedge foreign currency fluctuations are accumulated in common shareholders' equity as a component of accumulated other comprehensive income. Effects of foreign currency translation in the statements of cash flows are offset against the cumulative foreign currency adjustment, except for the impact on cash. Foreign currency transaction gains and losses are included in income as they occur.

Stock - Based Compensation We account for stock option and stock purchase plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). In accordance with APB 25, no compensation expense is recognized for stock options issued.

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Income Taxes Federal income taxes are accounted for utilizing the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Investment tax credits generated by leveraged leases are accounted for using the deferral method.
<PAGE>

New Accounting Pronouncements In September 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a Replacement of FASB Statement No. 125." ("FAS No. 140"). FAS No. 140 revises the standards for accounting for securitizations and requires certain disclosures. FAS No. 140 is effective for all transfers of financial assets occurring after March 31, 2001, and for disclosures relating to securitization transactions for fiscal years ending after December 15, 2000. The disclosures required by FAS No. 140 are presented in Note 5, "Asset Securitizations." We will adopt the non-disclosure-related provisions of FAS No. 140 on April 1, 2001 and do not expect the adoption to have a significant effect on our operations.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS No. 133"). FAS No. 133, as amended by FAS Nos. 137 and 138, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. FAS No. 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The accounting for qualifying hedges allows a derivative's gains and losses to offset the related results on the hedged item in the income statement. On January 1, 2001, we adopted FAS No. 133 as required. The adoption was accounted for as a cumulative effect of a change in accounting principle. The impact of the adoption was not material to earnings and reduced shareholders' equity by $240 million. The adjustment to shareholders' equity was recorded as a component of accumulated other comprehensive income and was made to recognize at fair value all derivatives that were designated as cash flow hedging instruments.

2 BUSINESS COMBINATIONS, ACQUISITIONS AND DIVESTITURES

On February 7, 2000, we purchased all of the outstanding capital stock of Renaissance Holdings, Inc. ("Renaissance"), a privately held issuer of secured and unsecured credit cards to non-prime customers, for approximately $300 million of our common stock and cash. The acquisition provided us with an established platform for growing the non-prime credit card business and is expanding our product offerings to customers and prospects in our other businesses. The acquisition was accounted for as a purchase and, accordingly, Renaissance's operations have been included in our results of operations since February 7, 2000.

In August 1999, we acquired all of the outstanding capital stock of Decision One Mortgage Company LLC ("Decision One") for approximately $60 million in common stock and cash. Decision One originates loans through a 30-state broker network and packages them for sale to investors. The acquisition was accounted for as a purchase and, accordingly, earnings from Decision One have been included in our results of operations subsequent to the acquisition date.

On June 30, 1998, Household merged with Beneficial Corporation ("Beneficial"), a consumer finance holding company headquartered in Wilmington, Delaware. Each outstanding share of Beneficial common stock was converted into 3.0666 shares of Household common stock, resulting in the issuance of approximately 168.4 million shares of common stock. Each share of Beneficial $5.50 Convertible Preferred Stock (the "Beneficial Convertible Stock") was converted into the number of shares of Household common stock the holder would have been entitled to receive in the merger had the Beneficial Convertible Stock been converted into shares of Beneficial common stock immediately prior to the merger. Additionally, each other share of Beneficial preferred stock outstanding was converted into one share of a newly-created series of Household preferred stock with terms substantially similar to those of existing Beneficial preferred stock. The merger was accounted for as a pooling of interests and, therefore, the consolidated financial statements include the results of operations, financial position, and changes in cash flows of Beneficial for all periods presented.

As a result of the merger, adjustments were made in 1998 to align accounting policies of the two companies, particularly relating to chargeoffs for the retail services and consumer lending businesses. These adjustments did not have a material impact on our reported results.

In connection with the Beneficial merger, we established an integration plan to combine the companies. The plan was approved by the appropriate levels of management and identified activities that would not be continued as a result of the merger and the related costs of exiting those activities. Our plan also identified the number of employees who would be involuntarily terminated and established the benefit levels those employees would receive upon termination. These benefit levels were communicated to employees in April 1998. Pursuant to our plan, we accrued pre-tax merger and integration related costs of approximately $1 billion ($751 million after-tax) in 1998 which have been

reflected in the statement of income in total costs and expenses.
<PAGE>

The merger and integration costs were comprised of the following:

<TABLE>
<CAPTION>
In millions.

<S>	<C>
Employee termination costs	$ 270
Facility closures:	
Lease termination costs:	
Beneficial corporate office	100
Branch offices and other operating facilities	142
Fixed asset writedowns	40
Vendor contract termination penalties	37
Total facility closure costs	319
Asset writedowns to reflect modified business plans:	
Goodwill and other intangibles	183
Real estate interests	68
Total asset writedowns	251
Investment banking fees	75
Legal and other expenses	25
Debt prepayment premiums	60
Total merger and integration costs	$ 1,000

</TABLE>

During 1998, we made cash payments of $629 million and non-cash reductions of $291 million against our restructure reserve. The restructure reserve liability was $80 million at December 31, 1998. The merger and integration plan was completed during 1999. The costs incurred to execute the plan were consistent with our originally estimated cost of $1 billion.

In April 1998, we completed the sale of Beneficial's German consumer banking operations. An after-tax loss of $27.8 million was recorded in the fourth quarter of 1997. This loss was recorded after consideration of a $31.0 million tax benefit.

In March 1998, we completed the sale of Beneficial's Canadian operations and recorded an after-tax gain of $118.5 million.

3 INVESTMENT SECURITIES

<TABLE>
<CAPTION>
In millions.
At December 31

<S>	2000 <C>	1999 <C>
Available-For-Sale Investments		
Marketable equity securities	$ 24.9	$ 33.4
Corporate debt securities	1,873.5	1,692.3
U.S. government and federal agency debt securities	173.5	236.7
Certificates of deposit	319.2	412.2
Money market funds	436.6	300.2
Other	390.3	415.1
Subtotal	3,218.0	3,089.9
Accrued investment income	41.0	38.2
Total investment securities	$ 3,259.0	$ 3,128.1

</TABLE>

Proceeds from the sale of available-for-sale investments totaled approximately $.2, $.8, and $.9 billion in 2000, 1999 and 1998, respectively. Gross gains of $2.2, $12.1 and $9.2 million and gross losses of $1.4, $2.7 and $3.2 million in 2000, 1999 and 1998, respectively, were realized on those sales.
<PAGE>

The gross unrealized gains (losses) of available-for-sale investment securities were as follows:

<TABLE>

<CAPTION>

In millions. At December 31	2000 Amortized Cost	2000 Gross Unrealized Gains	2000 Gross Unrealized Losses	2000 Fair Value	1999 Amortized Cost	1999 Gross Unrealized Gains	1999 Gross Unrealized Losses	1999 Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Marketable equity securities............	$ 25.8	$ -	$ (.9)	$ 24.9	$ 32.7	$ .9	$ (.2)	$ 33.4
Corporate debt securities...............	1,948.5	17.4	(92.4)	1,873.5	1,790.4	3.7	(101.8)	1,692.3
U.S. government and federal agency debt securities...............	173.7	1.6	(1.8)	173.5	248.6	1.0	(12.9)	236.7
Certificates of deposit.................	319.2	-	-	319.2	412.2	-	-	412.2
Money market funds......................	436.6	-	-	436.6	300.2	-	-	300.2
Other...................................	390.1	.6	(.4)	390.3	415.6	.2	(.7)	415.1
Total available-for-sale investments.....	$3,293.9	$ 19.6	$ (95.5)	$3,218.0	$ 3,199.7	$ 5.8	$ (115.6)	$3,089.9

</TABLE>

See Note 13, "Fair Value of Financial Instruments," for further discussion of the relationship between the fair value of our assets, liabilities and off-balance sheet financial instruments.

Contractual maturities of and yields on investments in debt securities were as follows:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31, 2000	Corporate Debt Securities Amortized Cost	Corporate Debt Securities Fair Value	Corporate Debt Securities Yield/1/	U.S. Government and Federal Agency Debt Securities Amortized Cost	U.S. Government and Federal Agency Debt Securities Fair Value	U.S. Government and Federal Agency Debt Securities Yield/1/
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Due within 1 year...............................	$ 199.0	$ 198.0	6.97%	$ 47.4	$ 47.3	5.99%
After 1 but within 5 years......................	552.6	551.0	6.91	18.1	18.4	6.58
After 5 but within 10 years.....................	340.2	333.0	6.74	36.5	35.6	5.59
After 10 years..................................	856.7	791.5	7.20	71.7	72.2	6.60
Total...	$ 1,948.5	$ 1,873.5	7.01%	$ 173.7	$ 173.5	6.22%

</TABLE>

/1/ Computed by dividing annualized interest by the amortized cost of respective investment securities.

4 RECEIVABLES

<TABLE>
<CAPTION>

In millions. At December 31	2000	1999
<S>	<C>	<C>
Owned Receivables		
Real estate secured..	$ 35,179.7	$ 24,661.9
Auto finance...	1,850.6	1,233.5
MasterCard/Visa..	8,053.6	6,314.4
Private label..	10,347.3	10,119.7
Other unsecured..	11,328.1	9,151.6
Commercial and other...	598.6	808.3
Total owned receivables..	67,357.9	52,289.4
Accrued finance charges..	1,302.6	879.3
Credit loss reserve for owned receivables....................................	(2,111.9)	(1,757.0)
Unearned credit insurance premiums and claims reserves.......................	(725.2)	(569.3)
Amounts due and deferred from receivables sales..............................	2,420.6	2,225.6
Reserve for receivables serviced with limited recourse.......................	(1,082.3)	(909.6)
Total owned receivables, net...	67,161.7	52,158.4
Receivables serviced with limited recourse...................................	20,249.5	19,438.9
Total managed receivables, net...	$ 87,411.2	$ 71,597.3

</TABLE>
<PAGE>

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Foreign receivables included in owned receivables were as follows:

<TABLE>
<CAPTION>

In millions. At December 31	United Kingdom 2000	United Kingdom 1999	United Kingdom 1998	Canada 2000	Canada 1999	Canada 1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate secured...........................	$ 857.1	$ 751.0	$ 913.6	$ 402.6	$ 339.2	$ 305.0
MasterCard/Visa...............................	2,206.7	2,167.8	1,852.4	-	-	-
Private label.................................	1,234.6	1,145.6	1,165.8	441.2	427.4	349.2

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Other unsecured	1,000.3	1,310.8	1,191.5	377.5	371.0	343.8
Commercial and other	.8	1.1	3.2	1.5	2.7	6.2
Total	$5,299.5	$ 5,376.3	$ 5,126.5	$1,222.8	$1,140.3	$ 1,004.2

</TABLE>

Foreign managed receivables represented 9 and 11 percent of total managed receivables at December 31, 2000 and 1999, respectively.

The outstanding balance of receivables serviced with limited recourse consisted of the following:

<TABLE>
<CAPTION>

In millions. At December 31	2000	1999
<S>	<C>	<C>
Real estate secured	$ 1,457.8	$ 2,273.6
Auto finance	2,712.7	1,806.3
MasterCard/Visa	9,529.8	9,478.7
Private label	1,650.0	1,150.0
Other unsecured	4,899.2	4,730.3
Total	$ 20,249.5	$ 19,438.9

</TABLE>

The combination of receivables owned and receivables serviced with limited recourse, which we consider our managed portfolio, is shown below:

<TABLE>
<CAPTION>

In millions. At December 31	2000	1999
<S>	<C>	<C>
Real estate secured	$ 36,637.5	$ 26,935.5
Auto finance	4,563.3	3,039.8
MasterCard/Visa	17,583.4	15,793.1
Private label	11,997.3	11,269.7
Other unsecured	16,227.3	13,881.9
Commercial and other	598.6	808.3
Total	$ 87,607.4	$ 71,728.3

</TABLE>

Amounts due and deferred from receivables sales includes interest only strip receivables, net customer payments owed to the securitization trustee and other assets established under the recourse provisions for certain receivables sales. Interest only strip receivables totaled $1,718.8 million at December 31, 2000 and $1,369.6 million at December 31, 1999. Net customer payments owed to the securitization trustee totaled $61.2 million at December 31, 2000 and $68.9 million at December 31, 1999. We also maintain credit loss reserves pursuant to the recourse provisions for receivables serviced with limited recourse which are included in receivables. These reserves totaled $1,082.3 million at December 31, 2000 and $909.6 million at December 31, 1999 and represent our best estimate of probable over-the-life losses on these receivables. Interest only strip receivables, net of our reserve for receivables serviced with limited recourse, were $636.5 million at December 31, 2000 and $460.0 million at December 31, 1999.

We maintain facilities with third parties which provide for the securitization of receivables on a revolving basis totaling $11.8 billion, of which $10.7 billion were utilized at December 31, 2000. The amount available under these facilities will vary based on the timing and volume of public securitization transactions.
<PAGE>

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Contractual maturities of owned receivables were as follows:

<TABLE>
<CAPTION>

In millions. At December 31, 2000	2001	2002	2003	2004	2005	Thereafter	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate secured	$ 8,650.5	$ 6,352.1	$ 4,822.4	$ 3,649.5	$ 2,802.5	$ 8,902.7	$ 35,179.7
Auto finance	11.9	29.2	142.4	391.5	809.8	465.8	1,850.6
MasterCard/Visa	982.7	810.8	622.8	571.6	484.8	4,580.9	8,053.6
Private label	5,666.2	1,665.6	518.3	351.6	235.2	1,910.4	10,347.3
Other unsecured	4,400.6	2,450.1	1,485.1	944.1	620.9	1,427.3	11,328.1
Commercial and other	77.3	37.5	44.9	58.4	41.9	338.6	598.6
Total	$19,789.2	$11,345.3	$ 7,635.9	$ 5,966.7	$ 4,995.1	$ 17,625.7	$ 67,357.9

</TABLE>

A substantial portion of consumer receivables, based on our experience, will be renewed or repaid prior to contractual maturity. The above maturity schedule should not be regarded as a forecast of future cash collections. The ratio of annual cash collections of principal to average principal balances, excluding MasterCard and Visa receivables, approximated 53 percent in 2000 and 62 percent in 1999.

The following table summarizes contractual maturities of owned receivables due after one year by repricing characteristic:

<TABLE>
<CAPTION>

In millions. At December 31, 2000	Over 1 But Within 5 years	Over 5 years
<S>	<C>	<C>
Receivables at predetermined interest rates	$ 21,051.0	$ 10,580.0
Receivables at floating or adjustable rates	8,892.0	7,045.7
Total	$ 29,943.0	$ 17,625.7

</TABLE>

Nonaccrual consumer receivables totaled $1,636.7 and $1,398.0 million at December 31, 2000 and 1999, respectively, including $226.0 and $236.7 million, respectively, relating to foreign operations. Interest income that would have been recorded in 2000 and 1999 if such nonaccrual receivables had been current and in accordance with contractual terms was approximately $260.4 and $240.1 million, respectively, including $38.2 and $42.0 million, respectively, relating to foreign operations. Interest income that was included in net income for 2000 and 1999, prior to these loans being placed on nonaccrual status, was approximately $143.9 and $132.4 million, respectively, including $19.9 and $22.6 million, respectively, relating to foreign operations. For an analysis of reserves for credit losses, see our "Analysis of Credit Loss Reserves Activity" on an owned and managed basis.

5 ASSET SECURITIZATIONS

During 2000, we sold unsecured consumer, auto finance, MasterCard and Visa, and private label receivables in several securitization transactions. We continue to service and receive servicing fees on the outstanding balance of securitized receivables. We also retain rights to future cash flows arising from the receivables after the investors receive their contractual return. We have also, in certain cases, retained other subordinated interests in these securitizations. These transactions typically result in the recording of an interest only strip receivable which represents the value of the future residual cash flows from securitized receivables. The investors and the securitization trusts only have limited recourse to our assets for failure of debtors to pay. That recourse is limited to our rights to future cash flow and any subordinated interest we retain.

Securitization revenue on an owned basis includes income associated with the securitization and sale of receivables with limited recourse, including gains on sales, net interest income, fee and other income and provision for credit losses related to those receivables. Securitization related revenue on a managed basis includes the gross initial gains on current period securitization transactions less amortization of current and prior period securitization gains. We evaluate our financial performance on a managed basis. See pages 32 through 36 in Management's Discussion and Analysis for further information about our operating results on a pro forma managed basis.
<PAGE>

The following table presents the components of securitization related revenue on a managed basis:

In millions. Year ended December 31, 2000	
Gross initial gains	$ 683.1
Amortization	(440.2)
Securitization related revenue	$ 242.9

Offsetting securitization related revenue, we provided an over-the-life credit loss provision of $513.0 million on initial transactions in 2000. The level of credit loss provision required on securitized receivables is generally higher than that for owned receivables which are on balance sheet.

Net initial gains, representing the difference between gross initial gains and the over-the-life provision on initial transactions, and the key economic assumptions used in measuring the net initial gains from securitizations completed during the year ended December 31, 2000 were as follows:

<TABLE>
<CAPTION>

	MasterCard/	Other	Private	Auto

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	Visa	Unsecured	Label	Finance	Total
<S>	<C>	<C>	<C>	<C>	<C>
Net initial gains (in millions)..........................	$ 43.7	$ 37.5	$ 8.5	$ 80.4	$170.1
Key economic assumptions:/1/					
Weighted-average life (in years)........................	.41	1.28	.93	2.06	
Payment speed..	92.62%	52.01%	63.97%	33.31%	
Expected credit losses (annual rate)....................	5.48	6.87	6.60	5.38	
Discount rate on cash flows.............................	9.00	11.00	10.00	10.00	
Cost of funds..	5.88	6.67	6.36	7.12	

</TABLE>

/1/Weighted-average annual rates for securitizations entered into during the period for securitizations of loans with similar characteristics.

Certain securitization trusts, such as credit cards, are established at fixed levels and due to the revolving nature of the underlying receivables, require the sale of new receivables into the trust to replace receivable run-off. These periodic replenishments occur frequently. In 2000, these replenishments totaled $21.0 billion. Net gains (gross gains less over-the-life loss provision) related to these replenishments totaled $328.4 million in 2000 and were calculated using weighted-average assumptions consistent with those used for calculating initial gains. These net gains related to periodic replenishments are substantially offset by amortization of prior period gains as these receivables have a relatively short life and the level of replenishments is fairly consistent from period to period. Gross gains and amortization related to periodic replenishments are included in the amortization line of the reconciliation of securitization related revenue presented above. The net effect of replenishments, including amortization and the related over-the-life provision, did not have a significant impact on our consolidated statement of income.

For the year ended December 31, 2000, cash flows received from securitization trusts were as follows:

<TABLE>
<CAPTION>
In millions.

<S>	<C>
Proceeds from initial securitizations..	$6,975.0
Servicing fees received..	374.4
Other cash flow received on retained interests/1/..	1,042.2

</TABLE>

/1/Other cash flows include all cash flows from interest only strip receivables, excluding servicing fees.
<PAGE>

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Notes to Consolidated Financial Statements (continued)

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At December 31, 2000, the sensitivity of the current fair value of the interest only strip receivables to an immediate 10 percent and 20 percent unfavorable change in assumptions are presented in the table below. These sensitivities are based on assumptions used to value our interest only strip receivables at December 31, 2000.

<TABLE>
<CAPTION>

Dollar amounts are stated in millions.	MasterCard/ Visa	Other Unsecured	Private Label	Auto Finance	Real Estate Secured
<S>	<C>	<C>	<C>	<C>	<C>
Carrying value (fair value) of interest only strip receivables, net of reserves for recourse liability......	$ 218.3	$ 294.4	$ 18.8	$ 99.7	$ 5.3
Weighted-average life (in years)...........................	.61	1.33	.94	1.87	1.70
Payment speed assumption (annual rate)......................	82.75%	45.69%	63.52%	37.57%	27.96%
Impact on fair value of 10% adverse change...............	$ (18.6)	$ (24.3)	$ (1.7)	$ (3.0)	$ (1.9)
Impact on fair value of 20% adverse change...............	(34.6)	(47.6)	(3.1)	(5.8)	(3.8)
Expected credit losses (annual rate)........................	4.95%	6.35%	6.50%	5.74%	1.67%
Impact on fair value of 10% adverse change...............	$ (22.3)	$ (35.3)	$ (8.9)	$ (27.1)	$ (2.8)
Impact on fair value of 20% adverse change...............	(44.7)	(70.6)	(17.8)	(54.1)	(5.3)
Discount rate on residual cash flows (annual rate)..........	9.00%	11.00%	10.00%	10.00%	13.00%
Impact on fair value of 10% adverse change...............	$ (2.6)	$ (3.1)	$ (.1)	$ (7.6)	$ (.6)
Impact on fair value of 20% adverse change...............	(5.2)	(6.2)	(.3)	(15.0)	(1.2)
Variable returns to investors (annual rate).................	6.46%	6.80%	6.70%	7.00%	6.81%
Impact on fair value of 10% adverse change...............	$ (31.2)	$ (39.1)	$ (9.6)	$ (7.4)	$ (5.3)
Impact on fair value of 20% adverse change...............	(62.5)	(78.3)	(18.8)	(14.8)	(5.3)

</TABLE>

These sensitivities are hypothetical and should not be considered to be predictive of future performance. As the figures indicate, the change in fair value based on a 10 percent variation in assumptions cannot necessarily be extrapolated because the relationship of the change in assumption to the change

in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the residual cash flow is calculated independently from any change in another assumption. In reality, changes in one factor may contribute to changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities. Furthermore, the estimated fair values as disclosed should not be considered indicative of future earnings on these assets.

For an analysis of delinquency and credit losses, see the "Credit Quality" section of our Management's Discussion and Analysis.

6 DEPOSITS

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31	2000 Amount	2000 Weighted-Average Rate	1999 Amount	1999 Weighted-Average Rate
<S>	<C>	<C>	<C>	<C>
Domestic				
Time certificates	$ 6,925.3	6.7%	$ 3,765.9	6.3%
Savings accounts	25.0	2.9	9.2	1.9
Demand accounts	14.6	2.1	1.2	-
Total domestic deposits	6,964.9	6.7	3,776.3	6.3
Foreign				
Time certificates	1,529.5	6.1	1,054.1	5.6
Savings accounts	56.2	3.2	58.9	3.6
Demand accounts	126.3	5.1	90.7	5.9
Total foreign deposits	1,712.0	5.9	1,203.7	5.6
Total deposits	$ 8,676.9	6.5%	$ 4,980.0	6.0%

</TABLE>
<PAGE>

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Average deposits and related weighted-average interest rates were as follows:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. For the year ended December 31	2000 Average Deposits	2000 Weighted-Average Rate	1999 Average Deposits	1999 Weighted-Average Rate	1998 Average Deposits	1998 Weighted-Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Domestic						
Time certificates	$ 6,278.4	6.7%	$ 1,857.0	6.1%	$ 1,056.3	6.1%
Savings and demand accounts	53.2	1.5	12.1	1.4	215.1	2.1
Total domestic deposits	6,331.6	6.6	1,869.1	6.1	1,271.4	5.4
Foreign						
Time certificates	1,243.7	4.5	967.7	4.8	1,177.8	6.0
Savings and demand accounts	182.2	4.5	200.5	4.4	246.7	5.3
Total foreign deposits	1,425.9	4.5	1,168.2	4.7	1,424.5	5.9
Total deposits	$ 7,757.5	6.2%	$ 3,037.3	5.5%	$ 2,695.9	5.7%

</TABLE>

Interest expense on total deposits was $484.0, $168.4 and $152.7 million for 2000, 1999 and 1998, respectively. Interest expense on domestic deposits was $419.7, $113.4 and $68.7 million for 2000, 1999 and 1998, respectively.

Maturities of time certificates in amounts of $100,000 or more were:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31, 2000	Domestic	Foreign	Total
<S>	<C>	<C>	<C>
3 months or less	$ 28.0	$ 1,269.2	$ 1,297.2
Over 3 months through 6 months	8.6	125.3	133.9
Over 6 months through 12 months	44.5	108.5	153.0
Over 12 months	224.7	26.3	251.0
Total	$ 305.8	$ 1,529.3	$ 1,835.1

</TABLE>

Contractual maturities of time certificates within each interest rate range were as follows:

HHT 0015636

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31, 2000	2001	2002	2003	2004	2005	Thereafter	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest Rate							
4.00%-5.99%............................	$ 300.7	$ 757.1	$ 136.0	$ 138.2	$ 41.1	$ 8.4	$ 1,381.5
6.00%-7.99%............................	704.1	2,430.9	1,155.6	1,382.0	856.2	543.5	7,072.3
8.00%-9.99%............................	-	-	-	-	-	1.0	1.0
Total..................................	$ 1,004.8	$ 3,188.0	$ 1,291.6	$ 1,520.2	$ 897.3	$ 552.9	$ 8,454.8

</TABLE>
<PAGE>

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7 COMMERCIAL PAPER, BANK AND OTHER BORROWINGS

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31	Commercial Paper	Bank and Other Borrowings	Total
<S>	<C>	<C>	<C>
2000			
Balance..	$ 9,371.5	$ 1,416.4	$ 10,787.9
Highest aggregate month-end balance................................			12,581.6
Average borrowings...	9,828.7	2,099.7	11,928.4
Weighted-average interest rate:			
At year end...	6.6%	6.6%	6.6%
Paid during year..	6.3	5.5	6.2
1999			
Balance..	$ 8,822.2	$ 1,955.6	$ 10,777.8
Highest aggregate month-end balance................................			11,454.6
Average borrowings...	8,620.3	1,426.7	10,047.0
Weighted-average interest rate:			
At year end...	5.6%	5.6%	5.6%
Paid during year..	5.2	5.0	5.2
1998			
Balance..	$ 7,713.2	$ 2,204.7	$ 9,917.9
Highest aggregate month-end balance................................			12,677.6
Average borrowings...	9,495.6	2,640.8	12,136.4
Weighted-average interest rate:			
At year end...	5.2%	7.1%	5.6%
Paid during year..	5.5	5.6	5.5

</TABLE>

Outstanding balances at December 31, 2000, 1999 and 1998 included commercial paper obligations of foreign subsidiaries of $360.9, $359.4, and $322.8 million, respectively and bank and other borrowings of $722.3, $903.1, and $1,431.2 million, respectively.

Interest expense for commercial paper, bank and other borrowings totaled $737.7, $522.5 and $672.1 million for 2000, 1999 and 1998, respectively.

We maintain various bank credit agreements primarily to support commercial paper borrowings. At December 31, 2000 and 1999, we had committed back-up lines and other bank lines of $13.0 and $12.6 billion, respectively, of which $12.3 and $11.4 billion, respectively, were unused. Formal credit lines are reviewed annually and expire at various dates from 2001 to 2005. Borrowings under these lines generally are available at a surcharge over LIBOR. None of these lines contain material adverse change clauses which could restrict availability. Annual commitment fee requirements to support availability of these lines at December 31, 2000 totaled $8.9 million.

8 SENIOR AND SENIOR SUBORDINATED DEBT (WITH ORIGINAL MATURITIES OVER ONE YEAR)

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31	2000	1999
<S>	<C>	<C>
Senior Debt		
3.50% to 4.99%; due 2001 to 2004..	$ 11.5	$ 413.5
5.00% to 6.49%; due 2001 to 2013..	10,169.2	10,267.0
6.50% to 6.99%; due 2001 to 2013..	4,203.6	5,293.0
7.00% to 7.49%; due 2001 to 2023..	4,959.3	3,098.7
7.50% to 7.99%; due 2001 to 2019..	4,173.5	660.7
8.00% to 8.99%; due 2001 to 2010..	3,892.5	679.6
9.00% and greater; due 2001...	253.3	428.8

Variable interest rate debt; 3.55% to 7.52%; due 2001 to 2025	17,244.2	13,576.5
Senior Subordinated Debt		
6.50% to 9.63%; due 2001 to 2003	259.7	494.7
Unamortized discount	(113.8)	(25.2)
Total senior and senior subordinated debt	$45,053.0	$34,887.3

</TABLE>
<PAGE>

Weighted-average interest rates were 6.9 and 6.4 percent at December 31, 2000 and 1999, respectively. Interest expense for senior and senior subordinated debt was $2,707.2, $2,085.7 and $1,692.2 million for 2000, 1999 and 1998, respectively. The most restrictive financial covenant contained in the terms of our debt agreements are the maintenance of a minimum shareholders' equity of $2.0 billion for Household International, Inc., and the maintenance of a minimum shareholder's equity of $3.6 billion for Household Finance Corporation ("HFC"), a wholly owned subsidiary of Household.

Maturities of senior and senior subordinated debt were:

<TABLE>
<CAPTION>
In millions.
At December 31, 2000

<S>	<C>
2001	$ 8,278.2
2002	8,272.8
2003	6,576.1
2004	3,496.0
2005	5,342.4
Thereafter	13,087.5
Total	$45,053.0

</TABLE>

9 DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business and in connection with our asset/liability management program, we enter into various transactions involving derivative and other off-balance sheet financial instruments. These instruments primarily are used to manage our exposure to fluctuations in interest rates and foreign exchange rates. We do not serve as a financial intermediary to make markets in any derivative financial instruments. For further information on our strategies for managing interest rate and foreign exchange rate risk, see the "Risk Management" section within our Management's Discussion and Analysis of Financial Condition and Results of Operations.

We use interest rate contracts and foreign exchange rate contracts. Each of these financial instruments has varying degrees of credit risk and/or market risk.

Credit Risk Credit risk is the possibility that a loss may occur because the counterparty to a transaction fails to perform according to the terms of the contract. Our exposure to credit loss related to interest rate swaps, cap and floor transactions, forward and futures contracts and options is the amount of uncollected interest or premium related to these instruments. These interest rate related instruments are generally expressed in terms of notional principal or contract amounts which are much larger than the amounts potentially at risk for nonpayment by counterparties. We control the credit risk of our off-balance sheet financial instruments through established credit approvals, risk control limits and ongoing monitoring procedures. We have never experienced nonperformance by any derivative instrument counterparty.

Market Risk Market risk is the possibility that a change in interest rates or foreign exchange rates will cause a financial instrument to decrease in value or become more costly to settle. We mitigate this risk by establishing limits for positions and other controls.
<PAGE>

Interest Rate and Foreign Exchange Contacts The following table summarizes the activity in interest rate and foreign exchange contracts for 2000, 1999 and 1998:

<TABLE>
<CAPTION>

	Exchange Traded				Non-Exchange Traded			
	Interest Rate Futures Contracts		Options				Foreign Exchange Rate Contracts	
In millions.	Purchased	Sold	Purchased	Written	Interest Rate Swaps	Currency Swaps	Purchased	Sold

HHT 0015638

1998

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Notional amount, 1997........	$ 872.0	$ (200.0)	-	-	$10,284.4	$2,843.7	$ 435.9	$(1,319.1)
New contracts................	2,736.0	(2,281.0)	$ 1,344.0	-	7,237.1	2,099.9	5,869.9	(6,546.5)
Matured or expired contracts.................	(1,072.0)	15.0	(800.0)	-	(2,476.6)	(282.7)	(1,450.4)	1,770.1
Terminated contracts.........	-	-	-	-	(1,329.3)	(254.6)	(307.6)	307.6
In-substance maturities/1/...	(2,466.0)	2,466.0	-	-	-	-	(4,538.0)	4,538.0
Notional amount, 1998........	$ 70.0	$ -	$ 544.0	$ -	$13,715.6	$4,406.3	$ 9.8	$(1,249.9)
Fair value, 1998/2/..........	$ -	$ -	$ -	$ -	$ 68.9	$ 159.5	$ (.2)	$ 2.1
1999								
Notional amount, 1998........	$ 70.0	-	$ 544.0	-	$13,715.6	$4,406.3	$ 9.8	$(1,249.9)
New contracts................	5,743.0	$ (4,725.0)	1,158.0	$ (50.0)	18,734.2	2,070.2	2,089.9	(1,479.3)
Matured or expired contracts.................	(1,013.0)	25.0	(949.0)	-	(2,894.5)	(723.8)	(116.6)	171.5
Terminated contracts.........	-	-	-	-	(1,796.4)	(80.0)	(18.8)	13.8
In-substance maturities/1/...	(4,700.0)	4,700.0	(50.0)	50.0	-	-	(1,846.2)	1,846.2
Notional amount, 1999........	$ 100.0	$ -	$ 703.0	$ -	$27,758.9	$5,672.7	$ 118.1	$ (697.7)
Fair value, 1999/2/..........	$ (.1)	$ -	$ -	$ -	$ (125.3)	$ (319.2)	$ .5	$ 4.9
2000								
Notional amount, 1999........	$ 100.0	-	$ 703.0	-	$27,758.9	$5,672.7	$ 118.1	$ (697.7)
New contracts................	21,715.0	$(20,321.0)	1,300.0	$(300.0)	15,451.0	3,047.4	1,828.9	(1,798.3)
Matured or expired contracts.................	(1,494.0)	-	(1,403.0)	-	(13,733.0)	(767.2)	(85.6)	398.6
Terminated contracts.........	-	-	(600.0)	300.0	(3,768.6)	(655.0)	-	-
In-substance maturities/1/...	(20,321.0)	20,321.0	-	-	-	-	(1,852.3)	1,852.3
Notional amount, 2000........	$ -	$ -	$ -	$ -	$25,708.3	$7,297.9	$ 9.1	$ (245.1)
Fair value, 2000/2/..........	$ -	$ -	$ -	$ -	$ 258.8	$ (532.9)	$ .3	$ (2.8)

<CAPTION>

	Non-Exchange Traded		
	Interest Rate Forward Contracts		Other Risk Management Instruments
	Purchased	Sold	
1998			
Notional amount, 1997.............	$ 3,310.0	$ (106.0)	$ 2,467.4
New contracts.....................	3,549.8	(1,199.6)	883.1
Matured or expired contracts......................	(4,458.1)	1,069.7	(306.9)
Terminated contracts..............	(139.8)	148.9	(5.8)
In-substance maturities/1/.........	-	-	-
Notional amount, 1998.............	$ 2,261.9	$ (87.0)	$ 3,037.8
Fair value, 1998/2/...............	$ (6.2)	$ -	$ 2.8
1999			
Notional amount, 1998.............	$ 2,261.9	$ (87.0)	$ 3,037.8
New contracts.....................	6,946.7	(1,242.0)	2,089.4
Matured or expired contracts......................	(5,759.4)	666.4	(442.1)
Terminated contracts..............	(207.7)	593.4	(1,231.1)
In-substance maturities/1/.........	-	-	-
Notional amount, 1999.............	$ 3,241.5	$ (69.2)	$ 3,454.0
Fair value, 1999/2/...............	$ 6.4	$ -	$ 4.8
2000			
Notional amount, 1999.............	$ 3,241.5	$ (69.2)	$ 3,454.0
New contracts.....................	4,158.3	(163.1)	2,550.6
Matured or expired contracts......................	(6,818.5)	232.3	(3,019.7)
Terminated contracts..............	(133.4)	-	(309.4)
In-substance maturities/1/.........	-	-	-
Notional amount, 2000.............	$ 447.9	$ -	$ 2,675.5
Fair value, 2000/2/...............	$ (.3)	$ -	$ (2.7)

</TABLE>

/1/Represent contracts terminated as the market execution technique of closing the transaction either (a) just prior to maturity to avoid delivery of the underlying instrument or (b) at the maturity of the underlying items being

hedged.

/2/(Bracketed) unbracketed amounts represent amounts to be (paid) received by us had these positions been closed out at the respective balance sheet date. Bracketed amounts do not necessarily represent risk of loss of hedging instruments as the fair value of the hedging instrument and the items being hedged must be evaluated together. See Note 13, "Fair Value of Financial Instruments," for further discussion of the relationship between the fair value of our assets, liabilities and off-balance sheet financial instruments.

<PAGE>

We operate in three functional currencies, the U.S. dollar, the British pound and the Canadian dollar. Of the above instruments, the U.S. dollar is the functional currency for exchange-traded interest rate futures and options. The remaining instruments are restated in U.S. dollars by country as follows:

<TABLE>
<CAPTION>

	Interest Rate	Currency	Foreign Exchange Rate Contracts		Interest Rate Forward Contracts		Other Risk Management
In millions.	Swaps	Swaps	Purchased	Sold	Purchased	Sold	Instruments
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1998							
United States............	$ 12,158.4	$ 3,052.7	$ 6.5	$ (1,249.9)	-	-	$ 2,073.8
Canada....................	287.3	334.7	3.3	-	$ 344.6	$ (45.5)	29.3
United Kingdom............	1,269.9	1,018.9	-	-	1,917.3	(41.5)	934.7
	$ 13,715.6	$ 4,406.3	$ 9.8	$ (1,249.9)	$ 2,261.9	$ (87.0)	$ 3,037.8
1999							
United States............	$ 25,916.7	$ 4,258.2	$113.0	$ (697.7)	-	-	$ 2,701.5
Canada....................	374.1	223.0	5.1	-	$ 245.5	$ (67.6)	-
United Kingdom............	1,468.1	1,191.5	-	-	2,996.0	(1.6)	752.5
	$ 27,758.9	$ 5,672.7	$118.1	$ (697.7)	$ 3,241.5	$ (69.2)	$ 3,454.0
2000							
United States............	$ 23,734.5	$ 5,751.6	$ 6.7	$ (245.1)	-	-	$ 2,352.9
Canada....................	274.8	121.0	2.4	-	$ 313.5	-	-
United Kingdom............	1,699.0	1,425.3	-	-	134.4	-	322.6
	$ 25,708.3	$ 7,297.9	$ 9.1	$ (245.1)	$ 447.9	$ -	$ 2,675.5

</TABLE>

Interest rate swaps are contractual agreements between two counterparties for the exchange of periodic interest payments generally based on a notional principal amount and agreed-upon fixed or floating rates. We primarily enter into interest rate swap transactions to synthetically alter balance sheet items. These transactions are specifically designated to a particular asset/liability, off-balance sheet item or anticipated transaction of a similar characteristic. Specific assets or liabilities may consist of groups of individually small dollar homogeneous assets or liabilities of similar economic characteristics. Credit and market risk exists with respect to these instruments. The following table reflects the items so altered at December 31, 2000:

In millions.	
Investment securities...	$ 29.7
Commercial paper, bank and other borrowings......................	3,502.4
Senior and senior subordinated debt.............................	22,176.2
Total items synthetically altered with interest rate swaps.......	$ 25,708.3

In all instances, the notional amount is not greater than the carrying value of the related asset or liability.

We manage our exposure to interest rate risk primarily through the use of interest rate swaps. These swaps synthetically alter the interest rate risk inherent in balance sheet assets and liabilities. The majority of our interest rate swaps are used to convert floating rate assets or debt to fixed rate, fixed rate assets or debt to floating rate, or floating rate assets or debt from one floating rate index to another. Interest rate swaps have also been used to synthetically alter interest rate characteristics on certain receivables that are sold and serviced with limited recourse. These off-balance sheet items expose us to the same interest rate risk as on-balance sheet items. Interest rate swaps have also been used to synthetically alter the interest rate provisions of the securitization transaction whereby the underlying receivables pay a fixed (floating) rate and the pass-through rate to the investor is floating (fixed). As of December 31, 2000, we had not synthetically altered the interest rate characteristics of any of our receivables serviced with limited recourse. We also have entered into currency swaps to convert both principal and interest payments on debt issued from one currency to the appropriate functional currency.

<PAGE>

The following table summarizes the maturities and related weighted-average receive/pay rates of interest rate swaps outstanding at December 31, 2000:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	2001	2002	2003	2004	2005	2006	Thereafter	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Pay a fixed rate/receive a floating rate:								
Notional value......................	$ 6,638.0	$ 6,379.2	$ 2,074.6	$ 261.2	$ 709.2	$ 44.8	-	$ 16,107.0
Weighted-average receive rate.......	6.69%	6.78%	6.67%	6.06%	6.07%	6.07%	-	6.68%
Weighted-average pay rate...........	6.47	6.87	6.65	6.88	6.60	6.60	-	6.67
Pay a floating rate/receive a fixed rate:								
Notional value......................	$ 140.4	$ 102.3	$ 158.0	$ 906.6	$ 123.3	$ 1,418.4	$ 6,252.3	$ 9,101.3
Weighted-average receive rate.......	6.21%	6.66%	6.32%	6.23%	6.71%	7.10%	6.97%	6.89%
Weighted-average pay rate...........	6.73	6.76	6.52	7.01	6.58	7.04	6.95	6.95
Pay a floating rate/receive a different floating rate:								
Notional value......................	$ 500.0	-	-	-	-	-	-	$ 500.0
Weighted-average receive rate.......	6.47%	-	-	-	-	-	-	6.47%
Weighted-average pay rate...........	6.79	-	-	-	-	-	-	6.79
Total notional value..................	$ 7,278.4	$ 6,481.5	$ 2,232.6	$1,167.8	$ 832.5	$ 1,463.2	$ 6,252.3	$ 25,708.3
Total weighted-average rates on swaps:..........................								
Receive rate..........................	6.66%	6.78%	6.65%	6.19%	6.16%	7.07%	6.97%	6.75%
Pay rate..............................	6.50	6.87	6.64	6.98	6.60	7.02	6.95	6.77

</TABLE>

The floating rates that we pay or receive are based on spot rates from independent market sources for the index contained in each interest rate swap contract, which generally are based on either 1-, 3- or 6-month LIBOR. These current floating rates are different than the floating rates in effect when the contracts were initiated. Changes in spot rates impact the variable rate information disclosed above. However, these changes in spot rates also impact the interest rate on the underlying assets or liabilities. We use hedging/synthetic alteration instruments to manage the volatility of net interest margin resulting from changes in interest rates on the underlying hedged/synthetically altered items. Owned net interest margin would have increased by 5 basis points in 2000 and 1 basis point in 1999 and declined by 7 basis points in 1998 had these instruments not been utilized.

Forwards and futures are agreements between two parties, committing one to sell and the other to buy a specific quantity of an instrument on some future date. The parties agree to buy or sell at a specified price in the future, and their profit or loss is determined by the difference between the arranged price and the level of the spot price when the contract is settled. We have both interest rate and foreign exchange rate forward contracts and interest rate futures contracts. We use foreign exchange contracts to reduce our exposure to foreign currency exchange risk. Interest rate forward and futures contracts are used to hedge resets of interest rates on our floating rate assets and liabilities. Our exposure to credit risk for futures is limited, as these contracts are traded on organized exchanges. Each day, changes in contract values are settled in cash. In contrast, forward contracts have credit risk relating to the performance of the counterparty. These instruments also are subject to market risk. Cash requirements for forward contracts include the receipt or payment of cash upon the sale or purchase of the instrument.

Purchased options grant the purchaser the right, but not the obligation, to either purchase or sell a financial instrument at a specified price within a specified period. The seller of the option has written a contract which creates an obligation to either sell or purchase the financial instrument at the agreed-upon price if, and when, the purchaser exercises the option.

Other risk management instruments consist of caps and floors. Caps and floors written expose us to market risk but not to credit risk. Market risk associated with caps and floors purchased is limited to the premium paid which is recorded on the balance sheets in other assets.

Deferred gains of $44.1 and $51.2 million and deferred losses of $63.0 and $1.6 million from hedging/synthetic alteration instruments were recorded on the balance sheets at December 31, 2000 and 1999, respectively. The weighted-average amortization period associated with the deferred gains was 2.9 years and 4.0 years at December 31, 2000 and 1999, respectively. The weighted-average amortization period for the deferred losses was 5.8 years and 1.2 years at December 31, 2000 and 1999, respectively.
<PAGE>

At December 31, 2000 and 1999, the accrued interest, unamortized premium and other assets recorded for agreements which would be written off should all related counterparties fail to meet the terms of their contracts was $84.1 and

$48.8 million, respectively.

Forward Purchase Agreement As of December 31, 2000, we had entered into agreements to purchase, on a forward basis, approximately 7.2 million shares of our common stock at a weighted-average forward price of $41.63 per share. The agreements may be settled either physically by purchasing the shares or on a net basis in shares of our common stock, at our option. The agreements have terms of up to one year but may be settled earlier at our option.

Concentrations of Credit Risk A concentration of credit risk is defined as a significant credit exposure with an individual or group engaged in similar activities or affected similarly by economic conditions.

Because we primarily lend to consumers, we do not have receivables from any industry group that equal or exceed 10 percent of total managed receivables at December 31, 2000 and 1999. We lend nationwide, with the following geographic areas comprising more than 10 percent of total managed domestic receivables at December 31, 2000: California-16 percent; Southwest (AZ, AR, LA, NM, OK, TX)-11 percent; Midwest (IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI)-22 percent; Middle Atlantic (DE, DC, MD, NJ, PA, VA, WV)-14 percent; Northeast (CT, ME, MA, NH, NY, RI, VT)-11 percent; and Southeast (AL, FL, GA, KY, MS, NC, SC, TN)-18 percent.

10 COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS

The following table summarizes our company obligated mandatorily redeemable preferred securities of subsidiary trusts ("Preferred Securities") and the related Junior Subordinated Notes:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	Household Capital Trust V ("HCT V")	Household Capital Trust IV ("HCT IV")	Household Capital Trust II ("HCT II")	Household Capital Trust I ("HCT I")
<S>	<C>	<C>	<C>	<C>
Preferred Securities:				
Interest rate......................	10.00%	7.25%	8.70%	8.25%
Face value.........................	$ 300	$ 200	$ 100	$ 75
Issue date.........................	June 2000	March 1998	June 1996	June 1995
Junior Subordinated Notes:				
Principal balance..................	$309.3	$206.2	$103.1	$77.3
Redeemable by issuer...............	June 8, 2005	March 19, 2003	June 30, 2001	June 30,2000
Stated maturity....................	June 30, 2030	December 31, 2037	June 30, 2036	June 30,2025

</TABLE>

The Preferred Securities must be redeemed when the Junior Subordinated Notes are paid. The Junior Subordinated Notes have a stated maturity date, but are redeemable by Household, in whole or in part, beginning on the dates indicated above at which time the Preferred Securities are callable at par ($25 per Preferred Security) plus accrued and unpaid dividends. Dividends on the Preferred Securities are cumulative, payable quarterly in arrears, and are deferrable at Household's option for up to five years. Household cannot pay dividends on its preferred and common stocks during such deferments. The Preferred Securities have a liquidation value of $25 per preferred security.

HCT I may elect to extend the maturity of its Preferred Securities to June 2044. Dividends on the Preferred Securities have been classified as interest expense in our statements of income.

HCT I, HCT II, HCT IV, and HCT V (collectively, "the Trusts") are wholly owned subsidiaries of Household. Household's obligations with respect to the Junior Subordinated Notes, when considered together with certain undertakings of Household with respect to the Trusts, constitute full and unconditional guarantees by Household of the Trust's obligations under the respective Preferred Securities. The Preferred Securities are classified in our balance sheet as company obligated mandatorily redeemable preferred securities of subsidiary trusts (representing the minority interests in the trusts) at their face and redemption amount of $675 million at December 31, 2000 and $375 million at December 31, 1999.
<PAGE>

11 PREFERRED STOCK

All dollar amounts are stated in millions. At December 31, 2000 and 1999	
$4.30 Preferred Stock, 836,585 shares..........................	$ 83.6
$4.50 Preferred Stock, 103,976 shares..........................	10.4
5.00% Preferred Stock, 407,718 shares..........................	20.4
8.25% Preferred Stock, Series 1992-A, 2,000,000 depositary shares/1/...	50.0
Total preferred stock..	$ 164.4

/1/ Depositary share represents 1/40 share of preferred stock.

Dividends on the $4.30 preferred stock are cumulative and payable semiannually.

We may, at our option, redeem in whole or in part the $4.30 preferred stock for $100 per share plus accrued and unpaid dividends. This stock has a liquidation value of $100 per share plus accrued and unpaid dividends in the event of an involuntary liquidation or $100 in the event of a voluntary liquidation.

Dividends on the $4.50 preferred stock are cumulative and payable semiannually. We may, at our option, redeem in whole or in part the $4.50 preferred stock for $103 per share plus accrued and unpaid dividends. This stock has a liquidation value of $100 per share.

Dividends on the 5.00 percent preferred stock are cumulative and payable semiannually. We may, at our option, redeem in whole or in part the 5.00 percent preferred stock for $50 per share plus accrued and unpaid dividends. This stock has a liquidation value of $50 per share.

Dividends on the 8.25 percent preferred stock, Series 1992-A, are cumulative and payable quarterly. We may, at our option, redeem in whole or in part the 8.25 percent preferred stock, Series 1992-A, on any date after October 15, 2002, for $25 per depositary share plus accrued and unpaid dividends. This stock has a liquidation value of $1,000 per share.

Holders of all issues of preferred stock are entitled to payment before any capital distribution is made to common shareholders. The holders of the $4.30 preferred, $4.50 preferred and 5.00 percent preferred stock will be entitled to vote with the holders of our common stock on all matters. Each issue of preferred stock is also entitled to vote, as a class separate from our common stock, to elect two directors if dividends for a specified period shall be in arrears, until the dividends in arrears are paid in full.

Household's Board of Directors has adopted a resolution creating an Offering Committee of the Board with the power to authorize the issuance and sale of one or more series of preferred stock. The Offering Committee has the authority to determine the particular designations, powers, preferences and relative, participating, optional or other special rights (other than voting rights which shall be fixed by the Board of Directors) and qualifications, limitations or restrictions of such issuance. At December 31, 2000, up to 8.2 million shares of preferred stock were authorized for issuance.

12 JUNIOR PREFERRED SHARE PURCHASE RIGHTS

In 1996, Household issued one preferred share purchase right (a "Right") for each outstanding share of common stock of the company. Under certain conditions, each Right may be exercised to purchase one three-thousandth of a share of a new series of junior participating preferred stock at an exercise price of $100 per one three-thousandth of a share, subject to further adjustment. The Rights may be exercised only after the earlier of: (a) a public announcement that a party or an associated group acquired 15 percent or more of Household's common stock and (b) ten business days (or later date as determined by the Board of Directors of Household) after a party or an associated group initiates or announces its intention to make an offer to acquire 15 percent or more of Household's common stock. The Rights, which cannot vote or receive dividends, expire on July 31, 2006, and may be redeemed by Household at a price of $.0033 per Right at any time prior to expiration or acquisition of 15 percent of Household's common stock.
<PAGE>

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

We have estimated the fair value of our financial instruments in accordance with Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" ("FAS No. 107"). Fair value estimates, methods and assumptions set forth below for our financial instruments are made solely to comply with the requirements of FAS No. 107 and should be read in conjunction with the financial statements and notes in this Annual Report.

A significant portion of our financial instruments do not have a quoted market price. For these items, fair values were estimated by discounting estimated future cash flows at estimated current market discount rates. Assumptions used to estimate future cash flows are consistent with management's assessments regarding ultimate collectibility of assets and related interest and with estimates of product lives and repricing characteristics used in our asset/liability management process. All assumptions are based on historical experience adjusted for future expectations. Assumptions used to determine fair values for financial instruments for which no active market exists are inherently judgmental and changes in these assumptions could significantly affect fair value calculations.

As required under generally accepted accounting principles, a number of other assets recorded on the balance sheets (such as acquired credit card relationships) and other intangible assets not recorded on the balance sheets (such as the value of consumer lending relationships for originated receivables and the franchise values of our business units) are not considered financial instruments and, accordingly, are not valued for purposes of this disclosure. We believe there is substantial value associated with these assets based on current market conditions and historical experience. Accordingly, the estimated fair value of financial instruments, as disclosed, does not fully represent the entire value, nor the changes in the entire value, of the company.

The following is a summary of the carrying value and estimated fair value of our financial instruments:

<TABLE>
<CAPTION>

In millions. At December 31	2000 Carrying Value	2000 Estimated Fair Value	2000 Difference	1999 Carrying Value	1999 Estimated Fair Value	1999 Difference
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Cash	$ 490.2	$ 490.2	-	$ 270.6	$ 270.6	-
Investment securities	3,259.0	3,259.0	-	3,128.1	3,128.1	-
Receivables	67,161.7	67,672.4	$ 510.7	52,158.4	52,459.9	$ 301.5
Subtotal	70,910.9	71,421.6	510.7	55,557.1	55,858.6	301.5
Deposits	(8,676.9)	(8,691.9)	(15.0)	(4,980.0)	(4,906.3)	73.7
Commercial paper, bank and other borrowings	(10,787.9)	(10,787.9)	-	(10,777.8)	(10,777.8)	-
Senior and senior subordinated debt	(45,053.0)	(44,637.8)	415.2	(34,887.3)	(33,787.3)	1,100.0
Insurance reserves	(1,106.6)	(1,336.8)	(230.2)	(1,308.9)	(1,472.5)	(163.6)
Subtotal	(65,624.4)	(65,454.4)	170.0	(51,954.0)	(50,943.9)	1,010.1
Interest rate and foreign exchange contracts	80.1	(279.6)	(359.7)	40.8	(428.0)	(468.8)
Commitments to extend credit and guarantees	-	48.9	48.9	-	49.1	49.1
Subtotal	80.1	(230.7)	(310.8)	40.8	(378.9)	(419.7)
Total	$ 5,366.6	$ 5,736.5	$ 369.9	$ 3,643.9	$ 4,535.8	$ 891.9

</TABLE>

The following methods and assumptions were used to estimate the fair value of our financial instruments:

Cash: Carrying value approximates fair value due to cash's liquid nature.

Investment securities: Investment securities are classified as available-for-sale and are carried at fair value on the balance sheets. Fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Receivables: The fair value of adjustable rate receivables approximates carrying value because interest rates on these receivables adjust with changing market interest rates. The fair value of fixed rate consumer receivables was estimated by discounting future expected cash flows at interest rates which approximate the rates that would achieve a similar return on assets with comparable risk characteristics. These receivables are relatively insensitive to changes in overall market interest rates and, therefore, have additional value compared to alternative uses of funds.
<PAGE>

Receivables also includes our interest only strip receivables. The interest only strip receivables are carried at fair value on our balance sheets. Fair value is based on an estimate of the present value of future cash flows associated with securitizations of certain real estate secured, auto finance, MasterCard and Visa, private label and other unsecured receivables.

Deposits: The fair value of our savings and demand accounts equaled the carrying amount as stipulated in FAS No. 107. The fair value of fixed rate time certificates was estimated by discounting future expected cash flows at interest rates that we offer on such products at the respective valuation dates.

Commercial paper, bank and other borrowings: The fair value of these instruments approximates existing carrying value because interest rates on these instruments adjust with changes in market interest rates due to their short-term maturity or repricing characteristics.

Senior and senior subordinated debt: The estimated fair value of our fixed rate debt instruments was determined using either quoted market prices or by discounting future expected cash flows at interest rates offered for similar types of debt instruments. Carrying value is typically used to estimate the fair value of floating rate debt.

Insurance reserves: The fair value of insurance reserves for periodic payment annuities was estimated by discounting future expected cash flows at estimated market interest rates at December 31, 2000 and 1999. The fair value of other insurance reserves is not required to be determined in accordance with FAS No. 107.

Interest rate and foreign exchange contracts: Where practical, quoted market prices were used to determine fair value of these instruments. For non-exchange traded contracts, fair value was determined using accepted and established valuation methods (including input from independent third parties) which consider the terms of the contracts and market expectations on the valuation date for forward interest rates (for interest rate contracts) or

forward foreign currency exchange rates (for foreign exchange contracts). We enter into foreign exchange contracts to hedge our exposure to currency risk on foreign denominated debt. We also enter into interest rate contracts to hedge our exposure to interest rate risk on assets and liabilities, including debt. As a result, decreases/increases in the fair value of these contracts would be offset by a corresponding increase/decrease in the fair value of the individual asset or liability being hedged. See Note 9, "Derivative Financial Instruments and Other Financial Instruments with Off-Balance Sheet Risk," for additional discussion of the nature of these items.

Commitments to extend credit and guarantees: These commitments were valued by considering our relationship with the counter-party, the creditworthiness of the counterparty and the difference between committed and current interest rates.

14 LEASES

We lease certain offices, buildings and equipment for periods of up to 25 years with various renewal options. The office space leases generally require us to pay certain operating expenses. Net rental expense under operating leases was $107.6, $89.4 and $118.8 million for 2000, 1999 and 1998, respectively.

In connection with our merger with Beneficial, we have a lease obligation on the Beneficial office complex which expires in 2010. This facility has been subleased through the end of the lease period with the sublessee assuming our future rental obligations.

Future net minimum lease commitments under noncancelable operating lease arrangements were:

<TABLE>
<CAPTION>

In millions. At December 31, 2000	Minimum Rental Payments	Minimum Sublease Income	Net
2001	$ 139.1	$ 23.6	$ 115.5
2002	125.7	23.5	102.2
2003	111.7	23.2	88.5
2004	92.8	22.5	70.3
2005	78.4	22.2	56.2
Thereafter	342.1	99.2	242.9
Net minimum lease commitments	$ 889.8	$ 214.2	$ 675.6

</TABLE>
<PAGE>

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15 INCENTIVE COMPENSATION AND STOCK OPTION PLANS

Household's executive compensation plans provide for issuance of nonqualified stock options and restricted stock rights ("RSRs"). Stock options permit the holder to purchase, under certain limitations, Household's common stock at a price not less than 100 percent of the market value of the stock on the date the option is granted. Employee stock options generally vest equally over four years and expire 10 years from the date of grant. RSRs entitle an employee to receive a stated number of shares of Household's common stock if the employee satisfies the conditions set by the Compensation Committee for the award. A total of 4.0 and 2.0 million of RSRs were outstanding at December 31, 2000 and 1999, respectively. Total compensation cost recognized for RSRs was $24.4, $12.4, and $8.4 million in 2000, 1999, and 1998, respectively.

Non-employee directors annually receive options to purchase shares of Household's common stock at the stock's fair market value the day the option is granted. Director options have a term of ten years and one day, fully vest six months from the date granted, and once vested are exercisable at any time during the option term.

Common stock data for the stock option plans is summarized as follows:

<TABLE>
<CAPTION>

	2000		1999		1998	
	Shares	Weighted-Average Price per Share	Shares	Weighted-Average Price per Share	Shares	Weighted-Average Price per Share
Outstanding at beginning of year	16,068,326	$ 26.30	21,600,569	$ 21.14	30,166,477	$ 19.90
Granted	2,812,469	48.80	2,311,500	44.78	2,380,000	38.01
Exercised	(2,056,064)	12.89	(7,805,549)	17.48	(9,811,659)	20.89
Expired or canceled	(137,589)	36.84	(38,194)	31.45	(1,134,249)	25.67
Outstanding at the end of year	16,687,142	$ 31.09	16,068,326	$ 26.30	21,600,569	$ 21.14
Exercisable at end of year	11,134,642	$ 24.10	11,023,619	$ 19.64	16,806,843	$ 17.39
Weighted-average fair value of options granted		$ 19.65		$ 19.65		$ 13.43

</TABLE>

The following table summarizes information about stock options outstanding at December 31, 2000:

<TABLE>
<CAPTION>

Range of Exercise Prices	Options Outstanding: Number Outstanding	Options Outstanding: Weighted-Average Remaining Life	Options Outstanding: Weighted-Average Exercise Price	Options Exercisable: Number Outstanding	Options Exercisable: Weighted-Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$ 6.65-$25.90..................	6,407,604	3.8 years	$14.52	6,407,163	$14.52
$28.22-$51.38..................	10,279,538	8.1 years	$41.42	4,727,479	$37.09

</TABLE>

Household maintains an Employee Stock Purchase Plan (the "ESPP"). The ESPP provides a means for employees to purchase shares of Household's common stock at 85% of the lesser of its market price at the beginning or end of a one year subscription period.

We account for options and shares issued under the ESPP in accordance with APB 25, pursuant to which no compensation cost has been recognized. Had compensation cost been determined consistent with FAS No. 123, "Accounting for Stock-Based Compensation," our net income and earnings per share, on a pro forma basis, would have been as follows:

<TABLE>
<CAPTION>

In millions, except per share data Year ended December 31	2000 Diluted	2000 Basic	1999 Diluted	1999 Basic	1998 Diluted	1998 Basic
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings available to common shareholders:						
As Reported...	$ 1,691.5	$ 1,691.5	$ 1,477.2	$ 1,477.2	$ 509.1	$ 509.1
Pro Forma...	1,670.5	1,670.5	1,460.7	1,460.7	452.6	452.6
Earnings per share:						
As Reported...	$ 3.55	$ 3.59	$ 3.07	$ 3.10	$ 1.03	$ 1.04
Pro Forma...	3.51	3.54	3.03	3.06	.92	.93

</TABLE>

The pro forma compensation expense included in the table above may not be representative of the actual effects on net income for future years. Pro forma earnings per share in 1998 includes the acceleration of compensation expense associated with Beneficial options.
<PAGE>

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The fair value of each option granted was estimated as of the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions:

<TABLE>
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>
Risk free interest rate..................................	5.74%	5.84%	4.66%
Expected dividend yield..................................	1.49	1.65	1.62
Expected life..	5 years	5 years	5 years
Expected volatility......................................	42.8%	46.9%	37.7%

</TABLE>

The Black-Scholes model uses different assumptions that can significantly effect the fair value of the options. As a result, the derived fair value estimates cannot be substantiated by comparison to independent markets.

16 EMPLOYEE BENEFIT PLANS

Household sponsors several defined benefit pension plans covering substantially all of its U.S. and non-U.S. employees. At December 31, 2000, plan assets included an investment in 2,480,910 shares of Household's common stock with a fair value of $136.5 million.

Pension income for defined benefit plans, primarily due to the overfunded status of the domestic plan, included the following components:

<TABLE>
<CAPTION>

In millions. Year ended December 31	2000	1999	1998

<S>	<C>	<C>	<C>
Service cost-benefits earned during the period	$ (22.6)	$ (28.7)	$ (23.0)
Interest cost on projected benefit obligation	(33.2)	(31.0)	(39.8)
Expected return on assets	87.9	80.4	75.4
Amortization of transition asset	1.4	1.2	12.1
Recognized gains (losses)	(.2)	4.1	(1.7)
Pension income	$ 33.3	$ 26.0	$ 23.0

</TABLE>

The assumptions used in determining the benefit obligation and pension income of the domestic defined benefit plans at December 31 are as follows:

<TABLE>
<CAPTION>

<S>	2000 <C>	1999 <C>	1998 <C>
Discount rate	8.25%	8.0%	7.0%
Salary increase assumption	4.0%	4.0%	4.0%
Expected long-term rate of return on plan assets	10.0%	10.0%	10.0%

</TABLE>

A reconciliation of beginning and ending balances of the projected benefit obligation of the defined benefit pension plans is as follows:

<TABLE>
<CAPTION>
In millions.

Year ended December 31 <S>	2000 <C>	1999 <C>
Benefit obligation at beginning of year	$ 547.9	$ 567.2
Service cost	22.6	28.7
Interest cost	33.2	31.0
Actuarial losses	14.9	.8
Foreign currency exchange rate changes	(4.4)	1.9
Plan amendments	.2	(1.8)
Benefits paid	(59.3)	(79.9)
Benefit obligation at end of year	$ 555.1	$ 547.9

</TABLE>
<PAGE>

A reconciliation of beginning and ending balances of the fair value of plan assets associated with the defined benefit pension plans is as follows:

<TABLE>
<CAPTION>
In millions.

Year ended December 31 <S>	2000 <C>	1999 <C>
Fair value of plan assets at beginning of year	$ 926.5	$ 821.8
Actual return on plan assets	195.4	181.1
Foreign currency exchange rate changes	(4.8)	2.3
Employer contributions	1.0	1.2
Benefits paid	(59.3)	(79.9)
Fair value of plan assets at end cf year	$ 1,058.8	$ 926.5

</TABLE>

The funded status of defined benefit pension plans was as follows:

<TABLE>
<CAPTION>
In millions.

At December 31 <S>	2000 <C>	1999 <C>
Funded status	$ 503.7	$ 378.6
Unrecognized net actuarial gain	(98.1)	(3.2)
Unamortized prior service cost	(6.1)	(7.3)
Prepaid pension cost	$ 399.5	$ 368.1

</TABLE>

We also sponsor a non-qualified supplemental retirement plan. This plan, which is unfunded, provides eligible employees defined pension benefits outside the qualified retirement plan based on average earnings, years of service and age at retirement. At December 31, 2000 and 1999, the projected benefit obligation was $28.6 million and $22.5 million, respectively. Pension expense related to the supplemental retirement plan was $5.1 million, $7.2 million and $5.5 million in 2000, 1999 and 1998, respectively.

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We also sponsor various 401(k) savings plans and profit sharing plans for employees meeting certain eligibility requirements. Under these plans, each participant's contribution is matched by the company up to a maximum of 6 percent of the participant's compensation. For 2000, 1999 and 1998, total expense for these plans was $47.0, $39.1 and $32.2 million, respectively.

We have several plans which provide medical, dental and life insurance benefits to retirees and eligible dependents. These plans cover substantially all employees who meet certain age and vested service requirements. We have instituted dollar limits on our payments under the plans to control the cost of future medical benefits.

The net postretirement benefit cost included the following:

<TABLE>
<CAPTION>

In millions. Year ended December 31	2000	1999	1998
Service cost-benefits earned during the period	$ (3.4)	$ (4.3)	$ (4.6)
Interest cost on accumulated postretirement benefit obligation	(10.3)	(9.4)	(12.7)
Amortization of transition obligation	(6.7)	(6.3)	(6.3)
Amortization of prior service cost	1.4	1.7	1.2
Recognized actuarial gain	2.8	1.2	1.7
Net periodic postretirement benefit cost	$ (16.2)	$ (17.1)	$ (20.7)

</TABLE>

A reconciliation of the beginning and ending balances of the accumulated postretirement benefit obligation is as follows:

<TABLE>
<CAPTION>

In millions. Year ended December 31	2000	1999
Benefit obligation at beginning of year	$ 160.5	$ 180.7
Service cost	3.4	4.3
Interest cost	10.3	9.4
Actuarial gains	(9.1)	(27.0)
Plan amendments	4.7	-
Benefits paid	(8.8)	(6.9)
Benefit obligation at end of year	$ 161.0	$ 160.5

</TABLE>
<PAGE>

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Our postretirement benefit plans are funded on a pay-as-you-go basis. A reconciliation of the components of the accrued postretirement benefit obligation is as follows:

<TABLE>
<CAPTION>

In millions. At December 31	2000	1999
Funded status	$ 161.0	$ 160.5
Unamortized prior service cost	18.1	22.9
Unrecognized net actuarial gain	72.1	54.1
Unamortized transition obligation	(80.6)	(81.7)
Accrued postretirement benefit obligation	$ 170.6	$ 155.8

</TABLE>

The assumptions used in determining the benefit obligation and cost of such plans at December 31 are as follows:

<TABLE>
<CAPTION>

	2000	1999	1998
Discount rate	8.25%	8.0%	7.0%
Salary increase assumption	4.0%	4.0%	4.0%

</TABLE>

A 7.5 percent annual rate of increase in the gross cost of covered health care benefits was assumed for 2001. This rate of increase is assumed to decline gradually to 5.0 percent in 2006.

Assumed health care cost trend rates have an effect on the amounts reported for health care plans. A one-percentage point change in assumed health care cost trend rates would increase (decrease) service and interest costs and the postretirement benefit obligation as follows:

<TABLE>
<CAPTION>

In millions.	One Percent Increase	One Percent Decrease
<S>	<C>	<C>
Effect on total of service and interest cost components	$ (.6)	$ .6
Effect on postretirement benefit obligation	7.6	(7.2)

</TABLE>

17 INCOME TAXES

Total income taxes were:

<TABLE>
<CAPTION>

In millions. Year ended December 31	2000	1999	1998
<S>	<C>	<C>	<C>
Provision for income taxes related to operations	$ 909.8	$ 734.3	$ 428.6
Income taxes related to adjustments included in common shareholders' equity:			
Unrealized gain (loss) on investments, net	56.3	(50.1)	7.3
Foreign currency translation adjustments	5.7	(2.8)	.3
Exercise of stock options	(23.5)	(89.1)	(77.4)
Total	$ 948.3	$ 592.3	$ 358.8

</TABLE>

Provisions for income taxes related to operations were:

<TABLE>
<CAPTION>

In millions. Year ended December 31	2000	1999	1998
<S>	<C>	<C>	<C>
Current			
United States	$ 710.8	$ 633.8	$ 122.5
Foreign	112.0	67.4	53.1
Total current	822.8	701.2	175.6
Deferred			
United States	93.4	32.3	239.2
Foreign	(6.4)	.8	13.8
Total deferred	87.0	33.1	253.0
Total income taxes	$ 909.8	$ 734.3	$ 428.6

</TABLE>
<PAGE>

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The significant components of deferred income tax provisions attributable to income from operations were:

<TABLE>
<CAPTION>

In millions. Year ended December 31	2000	1999	1998
<S>	<C>	<C>	<C>
Deferred income tax provision	$ 89.6	$ 17.3	$ 246.7
Adjustment of valuation allowance	(8.4)	20.7	(3.3)
Change in operating loss carryforwards	5.8	(4.9)	9.6
Deferred income tax provision	$ 87.0	$ 33.1	$ 253.0

</TABLE>

Income before income taxes from foreign operations was $336.7, $290.0 and $216.9 million in 2000, 1999 and 1998, respectively.

Effective tax rates are analyzed as follows:

<TABLE>
<CAPTION>

Year ended December 31	2000	1999	1998
<S>	<C>	<C>	<C>
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in rate resulting from:			
Nondeductible acquisition costs	-	-	12.2

State and local taxes, net of federal benefit	2.6	2.4	3.2
Leveraged lease tax benefits	(.4)	(1.2)	(4.0)
Other	(2.3)	(3.1)	(1.4)
Effective tax rate	34.9%	33.1%	45.0%

</TABLE>

Provision for U.S. income taxes had not been made at December 31, 2000 and 1999 on $300.6 and $328.1 million, respectively, of undistributed earnings of foreign subsidiaries. Determination of the amount of unrecognized deferred tax liability related to investments in foreign subsidiaries is not practicable. In addition, provision for U.S. income taxes had not been made at December 31, 2000 on $80.1 million of undistributed earnings of life insurance subsidiaries accumulated as policyholders' surplus under tax laws in effect prior to 1984. If this amount was distributed, the additional income tax payable would be approximately $28 million. Because this amount would become taxable only in the event of certain circumstances which we do not expect to occur within the foreseeable future, no deferred tax liability has been established for this item.

Our U.S. savings and loan subsidiary has credit loss reserves for tax purposes that arose in years beginning before December 31, 1987 in the amount of $55.3 million. The amount of deferred tax liability on the aforementioned credit loss reserves not recognized totaled $20.5 million at December 31, 2000. Because this amount would become taxable cnly in the event of certain circumstances which we do not expect to occur within the foreseeable future, no deferred tax liability has been established for this item.

At December 31, 2000, we had net operating loss carryforwards for tax purposes of $21.2 million, of which $4.7 million expire in 2003; $11.6 million expire in 2004; $2.6 million expire in 2005; and $2.3 million expire in 2006. We also had foreign tax credit carryforwards of $12.3 million, of which $8.4 million expire in 2003 and $3.9 million expire in 2004.

Temporary differences which gave rise to a significant portion of deferred tax assets and liabilities were as follows:

<TABLE>
<CAPTION>

In millions. At December 31	2000	1999
<S>	<C>	<C>
Deferred Tax Liabilities		
Receivables sold	$ 822.2	$ 748.4
Leveraged lease transactions, net	385.4	368.7
Pension plan assets	142.5	136.3
Deferred loan origination costs	93.4	35.7
Other	316.2	254.5
Total deferred tax liabilities	$ 1,759.7	$ 1,543.6
Deferred Tax Assets		
Credit loss reserves	$ 1,128.3	$ 936.4
Other	337.9	462.1
Total deferred tax assets	1,466.2	1,398.5
Valuation allowance	(12.3)	(20.7)
Total deferred tax assets net of valuation allowance	1,453.9	1,377.8
Net deferred tax liability	$ 305.8	$ 165.8

</TABLE>
<PAGE>

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The deferred tax asset valuation allowance primarily relates to foreign tax credit carryforwards. Management believes sufficient uncertainty exists regarding the realization of these carryforwards that a valuation allowance is required.

18 EARNINGS PER COMMON SHARE

<TABLE>
<CAPTION>

In millions, except per share data.	2000		1999		1998	
Year ended December 31	Diluted	Basic	Diluted	Basic	Diluted	Basic
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings						
Net income	$ 1,700.7	$ 1,700.7	$ 1,486.4	$ 1,486.4	$ 524.1	$ 524.1
Preferred dividends	(9.2)	(9.2)	(9.2)	(9.2)	(15.0)	(15.0)
Earnings available to common shareholders	$ 1,691.5	$ 1,691.5	$ 1,477.2	$ 1,477.2	$ 509.1	$ 509.1
Average Shares						
Common	471.8	471.8	477.0	477.0	487.2	487.2
Common equivalents	4.4	-	4.8	-	9.2	-

Total...	476.2	471.8	481.8	477.0	496.4	487.2
Earnings per common share..........................	$ 3.55	$ 3.59	$ 3.07	$ 3.10	$ 1.03	$ 1.04

</TABLE>

19 COMMITMENTS AND CONTINGENT LIABILITIES

In the ordinary course of business there are various legal proceedings pending against the company. Management believes the aggregate liabilities, if any, resulting from such actions would not have a material adverse effect on our consolidated financial position. However, as the ultimate resolution of these proceedings is influenced by factors that are outside of our control, it is reasonably possible our estimated liability under these proceedings may change. See Note 14 for discussion of lease commitments.

20 SEGMENT REPORTING

We have three reportable segments: Consumer, Credit Card Services, and International. Our segments are managed separately and are characterized by different middle-market consumer lending products, origination processes, and locations. Our Consumer segment includes our consumer lending, retail services, and auto finance businesses. Our consumer lending business includes our branch-based operations and our mortgage services business, which includes our correspondent business. Our Credit Card Services segment includes our domestic MasterCard and Visa credit card business. Our International segment includes our foreign operations in the United Kingdom ("U.K.") and Canada. The Consumer segment provides real estate secured, automobile secured and unsecured loans. Loans are offered with both revolving and closed-end terms and with fixed or variable interest rates. Loans are originated through branch locations, direct mail, telemarketing or independent merchants or automobile dealers. The Credit Card Serivces segment offers MasterCard and Visa credit cards throughout the United States primarily via strategic affinity and co-branding relationships, direct mail, and our branch network to non-prime customers. The International segment offers secured and unsecured lines of credit and secured and unsecured closed-end loans primarily in the United Kingdom and Canada. In addition, the United Kingdom operation offers MasterCard and Visa credit cards and credit insurance in connection with all loan products. We also cross sell our credit cards to existing real estate secured, private label and Refund Anticipation Loan ("RAL") customers. All segments offer products and service customers through the Internet. The All Other caption includes our insurance and tax services and commercial businesses, as well as our corporate and treasury activities, each of which falls below the quantitative threshold tests under Statement of Financial Accounting Standards No. 131 for determining reportable segments. In 1998, merger and integration related costs related to the Beneficial merger of $751 million after-tax were recorded in corporate.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. For segment reporting purposes, intersegment transactions have not been eliminated. We evaluate performance and allocate resources based on income from operations after income taxes and returns on equity and managed assets. We generally account for transactions between segments as if they were with third parties.
<PAGE>

REPCRTABLE SEGMENTS

<TABLE>
<CAPTION>

In millions. Owned Basis	Consumer	Credit Card Services	International	All Other	Totals	Adjustments/ Reconciling Items	Consolidated Totals
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
For the year ended December 31, 2000:							
Net interest margin and other revenues/6/...	$ 4,941.7	$ 1,968.6	$ 848.1	$ 241.8	$ 8,000.2	$ (229.9)/1/	$ 7,770.3
Intersegment revenues......................	192.0	32.7	5.2	-	229.9	(229.9)/1/	-
Provision for credit losses................	1,318.2	642.5	182.0	(27.4)	2,115.3	1.62	2,116.9
Depreciation and amortization..............	78.4	123.5	20.2	79.6	301.7	-	301.7
Income tax expense (benefit)...............	796.5	142.6	98.6	(43.1)	994.6	(84.8)/3/	909.8
Segment net income (loss)..................	1,271.3	214.7	230.1	131.3	1,847.4	(146.7)	1,700.7
Total segment assets.......................	56,088.8	8,402.2	7,691.4	14,286.1	86,468.5	(9,762.2)/4/	76,706.3
Total segment assets-managed...............	65,822.3	17,713.9	9,017.5	14,164.3	106,718.0	(9,762.2)/4/	96,955.8
Expenditures for long-lived assets/7/.......	29.1	283.1	37.7	100.5	450.4	-	450.4
For the year ended December 31, 1999:							
Net interest margin and other revenues/6/...	$ 4,107.4	$ 1,366.5	$ 795.8	$ 339.3	$ 6,609.0	$ (144.6)/1/	$ 6,464.4
Intersegment revenues......................	124.0	17.2	3.4	-	144.6	(144.6)/1/	-
Provision for credit losses................	1,104.7	397.2	191.4	(.4)	1,692.9	23.5/2/	1,716.4
Depreciation and amortization..............	80.8	108.4	17.5	67.7	274.4	-	274.4
Income tax expense (benefit)...............	625.6	100.2	59.4	10.6	795.8	(61.5)/3/	734.3
Segment net income (loss)..................	991.5	152.8	218.7	230.0	1,593.0	(106.6)	1,486.4
Total segment assets.......................	42,598.2	6,257.1	7,741.1	14,141.2	70,737.6	(9,988.2)/4/	60,749.4
Total segment assets-managed...............	51,840.1	15,489.7	8,846.0	14,000.7	90,176.5	(9,988.2)/4/	80,188.3
Expenditures for long-lived assets/7/.......	78.9	5.8	45.6	64.4	194.7	-	194.7
For the year ended December 31, 1998:							
Net interest margin and other revenues/6/...	$ 3,485.7	$ 1,454.8	$ 746.5	$ 561.2	$ 6,248.2	$ (106.4)/1/	$ 6,141.8
Intersegment revenues......................	91.4	10.6	3.8	.6	106.4	(106.4)/1/	-
Provision for credit losses................	860.3	406.0	167.2	11.7	1,445.2	71.6/2/	1,516.8

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Depreciation and amortization..............	72.6	136.4	17.9	81.2	308.1	-	308.1
Income tax expense (benefit)................	519.6	96.6	57.8	(179.8)	494.2	(65.6)/3/	428.6
Segment net income (loss)..................	833.5	140.8	153.7	(491.5)/5/	636.5	(112.4)	524.1
Total segment assets........................	$34,029.1	$ 7,228.7	$7,399.0	$ 9,442.6	58,099.4	(5 206.7)/4/	52,892.7
Total segment assets-managed................	43,330.8	16,387.6	8,640.3	9,442.6	77,801.3	(5,206.7)/4/	72,594.6
Expenditures for long-lived assets/7/.......	21.3	2.8	31.4	79.6	135.1	-	135.1

</TABLE>

/1/ Eliminates intersegment revenues.
/2/ Eliminates bad debt recovery sales between operating segments.
/3/ Tax benefit associated with items comprising adjustments/reconciling items.
/4/ Eliminates investments in subsidiaries and intercompany borrowings.
/5/ Includes merger and integration related costs of approximately $751.0 million after-tax related to the Beneficial merger and the gain on the sale of Beneficial Canada of $118.5 million after-tax.
/6/ Represents net interest margin and other revenues, including intersegment revenues, net of policy-holder benefits.
/7/ Includes goodwill associated with purchase business combinations and capital expenditures.

GEOGRAPHIC DATA

The following summarizes assets, revenues and income before income taxes of the company by material country:

<TABLE>
<CAPTION>

	Identifiable Assets			Long-Lived Assets/1/		
In millions.	2000	1999	1998	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States............................	$68,917.7	$52,886.9	$45,387.5	$ 2,107.2	$ 1,310.2	$ 1,315.9
United Kingdom............................	6,401.3	6,486.6	6,284.8	109.6	91.7	71.5
Canada....................................	1,246.6	1,188.2	1,040.0	6.5	5.8	2.3
Other.....................................	140.7	187.7	180.4	-	.2	.6
Total.....................................	$76,706.3	$60,749.4	$52,892.7	$ 2,223.3	$ 1,407.9	$ 1,390.3

</TABLE>

/1/ Includes properties and equipment, net of depreciation, and goodwill, accumulated net of accumulated amortization.

<TABLE>
<CAPTION>

	Revenues			Income Before Income Taxes		
In millions.	2000	1999	1998	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States............................	$10,683.5	$ 8,290.5	$7,712.4	$ 2,273.1	$ 1,930.7	$ 735.8
United Kingdom............................	1,059.9	995.0	931.7	274.1	223.9	168.7
Canada....................................	194.4	178.2	211.8	41.3	39.4	28.7
Other.....................................	23.1	35.4	41.1	22.0	26.7	19.5
Total.....................................	$11,960.9	$ 9,499.1	$8,897.0	$ 2,610.5	$ 2,220.7	$ 952.7

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Household International, Inc. and Subsidiaries

Management's Report

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To the Shareholders of Household International, Inc. Household International's management is responsible for the preparation, integrity and fair presentation of its published financial statements. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and, as such, include amounts based on judgments and estimates made by management. Management also prepared other information included in the annual report and is responsible for its accuracy and consistency with the financial statements.

The consolidated financial statements have been audited by an independent accounting firm, Arthur Andersen LLP, which has been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the board. Management believes that representations made to the independent auditors during their audit were valid and appropriate.

Management maintains a system of internal controls over the preparation of its published financial statements. These controls are designed to provide reasonable assurance to the company's Board of Directors and officers that the financial statements have been fairly presented in accordance with the generally accepted accounting principles. The Board, operating through its audit committee which is composed entirely of non-executive directors, provides oversight to the financial reporting process.

Internal auditors monitor the operation of the internal control system and actions are taken by management to respond to deficiencies as they are

identified. Even effective internal controls, no matter how well designed, have inherent limitations, such as the possibility of human error or of circumvention or overriding of controls, and the consideration of cost in relation to benefit of a control. Further, the effectiveness of an internal control can change with circumstances.

Household International's management periodically assesses the internal controls for adequacy. Based upon these assessments, Household International's management believes that, in all material respects, its internal controls relating to preparation of consolidated financial statements as of December 31, 2000 functioned effectively during the year ended December 31, 2000.

Management has long recognized its responsibility for conducting the company's affairs in a manner which is responsive to the interest of employees, shareholders, investors and society in general. This responsibility is included in the statement of policy on ethical standards which provides that the company will fully comply with laws, rules and regulations of every community in which it operates and adhere to the highest ethical standards. Officers, employees and agents of the company are expected and directed to manage the business of the company with complete honesty, candor and integrity.

/s/ William F. Aldinger
William F. Aldinger
Chairman and
Chief Executive Officer
January 15, 2001

/s/ David A. Schoenholz
David A. Schoenholz
Group Executive-
Chief Financial Officer

Report of Independent Public Accountants

To the Shareholders of Household International, Inc. We have audited the accompanying consolidated balance sheets of Household International, Inc. (a Delaware corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in preferred stock and common shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of Household International Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Household International, Inc. and subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

/s/ Arthur Andersen LLP
Chicago, Illinois
January 15, 2001
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Household International, Inc. and Subsidiaries

Common and Preferred Stock Information

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Household International common stock is listed on the New York and Chicago stock exchanges. We also have unlisted trading privileges on the Boston, Pacific and Philadelphia stock exchanges. Call and put options are traded on the American Stock Exchange, Pacific Stock Exchange and Chicago Board of Options Exchange.

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Stock	Ticker Symbol	Dividends Declared 2000	1999	Features	Redemption Features
Common	HI	$ .74	$ .68	Quarterly dividend rate increased to $.19 effective 7/15/00	N/A
5% Cumulative Preferred...........	HI + PRM	$ 2.50	$ 2.50	Nonconvertible	Redeemable at our option
$ 4.50 Cumulative Preferred.......	HI + PRN	$ 4.50	$ 4.50	Nonconvertible	Redeemable at our option
$ 4.30 Cumulative Preferred.......	HI * PRO	$ 4.30	$ 4.30	Nonconvertible	Redeemable at our option
8 1/4% Cumulative Preferred Series 1992-A................. Depositary Shares representing 1/40 share of 8 1/4% Cumulative Preferred Stock, Series 1992-A	HI + PRZ	$2.0625	$2.0625	Nonconvertible	Cannot be redeemed prior to 10/15/2002. Redeemable at our option after 10/15/2002 in whole or in part at $25.00 per despositary share plus accrued and unpaid dividends.

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Stock	Net Shares Outstanding 2000	Net Shares Outstanding 1999	Shareholders of Record 2000	Shareholders of Record 1999	2000 Market Price High	2000 Market Price Low	1999 Market Price High	1999 Market Price Low
Common	471,019,659	467,911,445	23,018	19,991	$ 57 7/16	$29 1/2	$52 5/16	$35 13/16
5% Cumulative Preferred	407,718	407,718	1,254	1,363	37	29	46 1/2	28
$4.50 Cumulative Preferred	103,976	103,976	269	288	65 1/4	50	84 7/8	60
$4.30 Cumulative Preferred	836,585	836,585	542	592	62 5/8	50	85 1/4	60
8 1/4% Cumulative Preferred, Series 1992-A	2,000,000	2,000,000	228	258	26 5/8	25 1/4	29	25 7/16

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Year ended December 31, unless otherwise indicated	2000	1999	1998	1997	1996
Market Value Shares of Common Stock (High-Low prices on NYSE)					
First Quarter	39 3/16-29 1/2	46 11/16-38 11/16	47 51/64-37 45/64	36 5/64-28 1/3	23 53/64-17 1/3
Second Quarter	48 3/16-37 5/8	52 5/16-42	52 9/16-41 43/64	39 9/64-26 13/64	25 1/2-21
Third Quarter	57 7/16-41	50 3/16-36 3/16	53 11/16-35 1/4	43 1/3-36 9/64	27 31/32-22 53/64
Fourth Quarter	56 15/16-43 7/8	48 -35 13/16	40 1/2-23	43 7/32-36 1/8	32 23/32-27 1/2
Yearly Range	57 7/16-29 1/2	52 5/16-35 13/16	53 11/16-23	43 1/3-26 13/64	32 23/32-17 1/3
Year-end close	55	37 1/4	39 5/8	42 35/64	30 3/4
Composite common shares traded	408,751,400	390,575,200	454,878,500	302,551,200	211,903,500
Average daily volume	1,622,029	1,549,902	1,805,073	1,195,854	834,267
Shares Outstanding at December 31					
Common	471,019,659	467,911,445	483,137,739	485,351,517	457,427,951
9 1/2% Preferred, Series 1991-A/1/	-	-	-	-	5,500,000
5% Cumulative Preferred/2/	407,718	407,718	407,718	-	-
$4.50 Cumulative Preferred/2/	103,976	103,976	103,976	-	-
$4.30 Cumulative Preferred/2/	836,585	836,585	836,585	-	-
8 1/4% Cumulative Preferred Series 1992-A/1/	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
7.35% Preferred, Series 1993-A/1/	-	-	-	4,000,000	4,000,000
Shareholders of Record at December 31					
Common	23,018	19,991	20,584	10,239	11,147
9 1/2% Preferred, Series 1991-A/1/	-	-	-	-	690
5% Cumulative Preferred/2/	1,254	1,363	1,329	-	-
$4.50 Cumulative Preferred/2/	269	288	283	-	-
$4.30 Cumulative Preferred/2/	542	592	380	-	-
8 1/4% Cumulative Preferred, Series 1992-A/1/	228	258	309	356	408
7.35% Preferred, Series 1993-A/1/	-	-	-	247	290
Total	25,311	22,492	22,885	10,842	12,535

</TABLE>

/1/ Per depositary share.
/2/ The 5%, $4.50 and $4.30 Cumulative Preferred Stock was issued by Household to replace Beneficial preferred stock outstanding at the time of the merger. The information presented for these preferred shares is for the period subsequent to the merger.
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from__________ to__________

Commission file number 1-8198

Household International, Inc.
(Exact name of registrant as specified in its charter)

Delaware	36-3121988
(State of incorporation)	(I.R.S. Employer Identification No.)
2700 Sanders Road Prospect Heights, Illinois (Address of principal executive offices)	60070 (Zip Code)

Registrant's telephone number, including area code: (847) 564-5000
Securities registered pursuant to Section 12(b) of the Act:

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Title of each class	Name of each exchange on which registered
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Common Stock, $1 par value	New York Stock Exchange and Chicago Stock Exchange
Series A Junior Participating Preferred Stock Purchase Rights (attached to and transferable only with the Common Stock)	New York Stock Exchange
5% Cumulative Preferred Stock	New York Stock Exchange
$4.50 Cumulative Preferred Stock	New York Stock Exchange
$4.30 Cumulative Preferred Stock	New York Stock Exchange
Depositary Shares (each representing one-fortieth share of 8 1/4% Cumulative Preferred Stock, Series 1992-A, no par, $1,000 stated value)	New York Stock Exchange
Depositary Shares (each representing one-fortieth share of 7.50% Cumulative Preferred Stock, Series 2001-A, no par, $1,000 stated value)	New York Stock Exchange
Guarantee of 8.25% Preferred Securities of Household Capital Trust I	New York Stock Exchange
Guarantee of 7.25% Preferred Securities of Household Capital Trust IV	New York Stock Exchange
Guarantee of 10.00% Preferred Securities of Household Capital Trust V	New York Stock Exchange
Guarantee of 8.25% Preferred Securities of Household Capital Trust VI	New York Stock Exchange
Guarantee of 7.50% Preferred Securities of Household Capital Trust VII	New York Stock Exchange

</TABLE>

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting common stock held by nonaffiliates of the registrant at March 8, 2002 was approximately $27.347 billion. The number of shares of the registrant's common stock outstanding at March 8, 2002

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was 456,539,863.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's 2001 Annual Report to Shareholders for the fiscal year ended December 31, 2001: Parts I, II and IV.

Certain portions of the registrant's definitive Proxy Statement for its 2002 Annual Meeting of Stockholders: Part III.

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PART I.

Item 1. Business.

General

Household International, Inc. (''Household'') is principally a non-operating holding company. Household's subsidiaries primarily provide middle-market consumers with several types of loan products in the United States, the United Kingdom and Canada. Household and its subsidiaries (including the operations of Beneficial Corporation (''Beneficial'') which we acquired in 1998) may also be referred to in this Form 10-K as ''we,'' ''us'' or ''our.'' We offer real estate secured loans, auto finance loans, MasterCard/*/ and Visa/* credit cards, private label credit cards, tax refund anticipation loans, retail installment sales finance loans and other types of unsecured loans, as well as credit and specialty insurance products. At December 31, 2001, we had approximately 32,000 employees and over 50 million active customer accounts. /

Household was created as a holding company in 1981 as a result of a shareholder approved restructuring of Household Finance Corporation (''HFC''), which was established in 1878. Our operational focus is on those areas of consumer financial services that we believe offer us the best opportunity to achieve appropriate risk-adjusted returns on our capital. From late 1994 through 1997 we exited from several businesses that were providing insufficient

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returns on our investment, such as our first mortgage origination and servicing business in the United States and Canada, our individual life and annuity business, our consumer branch banking business, and our student loan business. Since 1997 we have:

- strengthened our branch-based consumer lending operation and private label credit card businesses with selected acquisitions, including Transamerica Financial Services Holding Company in 1997 and Beneficial in 1998;
- expanded into the United States nonprime auto lending industry, principally with the acquisition of ACC Consumer Finance Corporation in 1997;
- repositioned our United States MasterCard and Visa credit card business to de-emphasize undifferentiated credit card programs and focus on co-branded and affinity relationships. In addition, we initiated secured and unsecured credit card programs to target nonprime consumers through the acquisition of Renaissance Holdings, Inc. in 2000;
- developed additional distribution channels for our products, such as through the Internet and co-branding opportunities with retail merchants and service providers, and;
- created a business to acquire nonconforming mortgage loans originated by unaffiliated third party lenders and to originate loans through third party brokers. This business allows us to access new customers and leverage our origination and servicing capabilities in the United States.

2001 Developments. The following business developments occurred during 2001:

- As a result of the adverse economic environment experienced in the United States, we emphasized credit management to mitigate credit losses in the consumer loan products we offer. To accomplish this goal we:
  - focused on growth in real estate secured loans, which historically have had a lower loss rate as compared to our other loan products;
  - increased the number of collectors within our business units to 5,000;
  - reduced "open-to-buy" credit lines of selected customers in our United States MasterCard and Visa credit card business;
  - strengthened real-time monitoring of account performance and our risk modeling capabilities to better predict future account performance; and
  - tightened loan underwriting standards by raising required credit scores.

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* MasterCard is a registered trademark of MasterCard International, Incorporated and VISA is a registered trademark of VISA USA, Inc.

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- We continued to take advantage of consolidation in the consumer lending industry by purchasing portfolios of consumer receivables. These portfolio purchases permit us to access additional customers for cross-selling opportunities to facilitate growth.
- We expanded our mortgage services business and increased our presence in the United States non-conforming mortgage lending market to take advantage of reduced competition.
- We strengthened all of our capital ratios through cash generation of $2.7 billion from our businesses and the issuance of preferred securities. We emphasized our commitment to maintaining our current investment grade ratings.
- We continued the diversification of our funding base by issuing real estate secured asset-backed securities and expanding our presence globally with offerings in Japan, Australia and Europe.
- We completed the transfer of the receivables and account relationships associated with the Goldfish credit card program in the United Kingdom to our joint venture partner, Centrica. The transfer was made pursuant to a negotiated agreement providing for the orderly termination of this co-branding relationship.
- We developed and published responsible lending best practice initiatives to evidence our commitment to ensure that our customers are treated fairly in their relationships with Household. Throughout 2002 we will continue to monitor our business practices and will make modifications, as appropriate, to keep Household as a leader in efforts to eliminate "predatory" lending practices throughout the United States.

Consumers residing in the state of California account for 15% of our managed United States receivables. We also have significant concentrations of managed consumer receivables in Florida (7%), New York (7%), Texas (6%), Ohio (5%) and Pennsylvania (5%). No other state accounts for 5% or more of our receivables.

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Our summary financial information is set forth in our Annual Report to Shareholders (the ''2001 Annual Report''), portions of which are incorporated herein by reference. See Exhibit 13 of this Form 10-K. Our products, operating markets and marketing methods are described under "Operations" below. Financial information and other statistical data provided in this Form 10-K are for the year 2001 or as of December 31, 2001, respectively, unless otherwise noted.

Operations

Our operations are divided into three reportable segments: Consumer, Credit Card Services, and International. Our Consumer segment includes our consumer lending, mortgage services, retail services and auto finance businesses. Our Credit Card Services segment includes our domestic MasterCard and Visa credit card business. Our International segment includes our foreign operations in the United Kingdom and Canada. Information about businesses or functions that are not significant or involve multiple segments, such as our insurance services, refund lending, direct lending and commercial operations, as well as our corporate and treasury activities, are included under the ''All Other'' caption within our segment disclosure.

We monitor our operations and evaluate trends on a managed basis which assumes that securitized receivables have not been sold and are still on our balance sheet. We manage our operations on a managed basis because the receivables that we securitize are subjected to underwriting standards comparable to our owned portfolio, are serviced by operating personnel without regard to ownership and result in a similar credit loss exposure for us. In addition, we fund our operations, review our operating results and make decisions about allocating resources, such as employees and capital, on a managed basis.

General

Across all reportable segments, we generally serve nonconforming or nonprime consumers. Such customers are individuals who have limited credit histories, modest income, high debt-to-income ratios or have experienced credit problems caused by occasional delinquencies, prior chargeoffs or other credit related actions. These customers generally have higher delinquency and credit loss probabilities and are charged a higher interest rate to compensate us for the additional risk. In our MasterCard and Visa business, our retail services business and our mortgage services business we also serve prime consumers either through co-branding relationships or mortgage brokers.

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We have taken substantial measures to enhance the profitability and improve operational control of our businesses. We use our centralized underwriting, collection and processing functions to adapt our credit standards and collection efforts to national or regional market conditions. Our underwriting, loan administration and collection functions are supported by highly automated systems and processing facilities. Our centralized collection system is augmented by personalized early collection efforts. Maximizing our technology and otherwise streamlining our operations and reducing our costs has enabled us to improve our efficiency through specialization and economies of scale and allows us to operate more efficiently than most of our competitors.

We service each customer with a focus to understand that customer's personal financial needs. We recognize that individuals may not be able to timely meet all of their financial obligations. Our goal is to assist consumers in transitioning through financially difficult times in order to expand that customer's relationship with Household. As a result, our policies are designed to be flexible to maximize the collectibility of our loans while not incurring excessive collection expenses on loans that have a high probability of being ultimately uncollectible. Cross-selling of products, proactive credit management, "hands-on" customer care and targeted product marketing are means we use to retain customers and grow our business.

Consumer

Our consumer lending business is one of the largest subprime home equity originators in the United States as ranked by Inside B&C Lending. This business has approximately 1,400 branches located in 46 states, 3.2 million open customer accounts, $39.5 billion in managed receivables and 13,000 employees. It is marketed under both the HFC and Beneficial brand names, each of which caters to a slightly different type of customer in the middle-market population. Both brands offer secured and unsecured loan products, such as first and second lien position closed-end mortgage loans, open-end home equity loans, personal non-credit card loans, including personal homeowner loans (a secured high loan-to-value product that we underwrite and treat like an unsecured loan), and sales finance contracts. These products are marketed through our retail branch network, direct mail, telemarketing, strategic alliances and Internet sourced applications and leads.

Our mortgage services business purchases nonconforming first and second lien position residential mortgage loans, including open-end home equity loans, from

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a network of over 200 unaffiliated third party lenders (i.e., correspondents). This business has approximately $18.1 billion in managed receivables, 240,000 active customer accounts and 1,600 employees. These purchases are either "flow" acquisitions (i.e., loan by loan) or "bulk" acquisitions (i.e., pools of loans), and are made based on our specific underwriting guidelines. We offer forward commitments to selected correspondent lenders to strengthen our relationship with these lenders and to create a sustainable growth channel for this business. Decision One Mortgage Company, LLC, a subsidiary of Household, was purchased in 1999 to assist us in understanding the product needs of mortgage brokers and trends in the mortgage lending industry. Through 19 branch locations, Decision One directly originates mortgage loans sourced by mortgage brokers.

According to The Nilson Report, our retail services business is the second largest provider of third party private label credit cards in the United States based on managed receivables outstanding. Our retail services business has over 65 active merchant relationships with approximately $11.6 billion in managed receivables, 9.9 million active customer accounts and 2,200 employees. Approximately 32 percent of our retail services receivables are in the furniture industry, 30 percent are in the consumer electronics industry, 16 percent are in the powersports vehicle (snowmobiles, personal watercraft, ATV's and motorcycles) industry and approximately 13 percent are in the home products or home improvement industry. These products are generated through merchant retail locations, merchant catalog and telephone sales, application displays, direct mail and Internet applications.

Our auto finance business purchases, from a network of approximately 4,500 active dealer relationships, retail installment contracts of consumers who do not have access to traditional, prime-based lending sources. We also originate and refinance auto loans through direct mail solicitations, alliance partners and the Internet. This business has approximately $6.4 billion in managed receivables and 2,000 employees. Approximately 75% of our auto finance receivables are secured by "used" vehicles versus "new" vehicles. We have focused on the

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development of Internet options (the HAF Superhighway) for our dealer network to create a mechanism to enable these dealers to process customer applications and receive automated credit decisions in minutes. Coupled with a centralized underwriting and funding business model, we believe the use of the HAF Superhighway will enable our auto finance business to respond more quickly and provide better service than our competitors.

Credit Card Services

Our Credit Card Services business includes our MasterCard and Visa receivables in the United States, including The GM Card(R), the AFL-CIO Union Plus(R) ("UP") credit card, a Household Bank branded card, and the Orchard Bank card. According to The Nilson Report this business is the eighth largest issuer of MasterCard or Visa credit cards in the United States (based on receivables) with approximately $17.2 billion in managed receivables, 19.9 million customer accounts and 5,000 employees. The GM Card(R), a co-branded credit card issued as part of our alliance with General Motors Corporation ("GM"), enables customers to earn discounts on the purchase or lease of a new GM vehicle. The UP card program with the AFL-CIO provides benefits and services to members of approximately 60 national and international labor unions. The Household Bank and Orchard Bank branded credit cards offer specialized credit card products to consumers underserved by traditional providers or are marketed in conjunction with merchant relationships established through our retail services business.

Our MasterCard and Visa business is generated primarily through direct mail, telemarketing, Internet applications, application displays, promotional activity associated with our affinity and co-branding relationships, mass-media advertisement (The GM Card(R)), and merchant relationships sourced through our retail services business. We also cross-sell our credit cards to our existing consumer lending and retail services customers as well as our refund lending customers.

Although our relationships with GM and the AFL-CIO enable us to access a proprietary customer base, in accordance with our agreements with these institutions Household owns all receivables originated under the programs and is responsible for all credit and collection decisions as well as the funding for the programs. These programs are not dependent upon any payments, guarantees or credit support from these institutions. As a result, we are not directly dependent upon GM or the AFL-CIO for any specific earnings stream associated with these programs. We believe we have a strong working relationship with GM and the AFL-CIO and we do not anticipate, and are not aware of, any event that has occurred, or is expected to occur in the near term, that would allow the parties to these agreements to terminate their relationship.

International

Our United Kingdom business is a mid-market consumer lender focusing on

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customer service through its branch locations, and consumer electronics through its retail finance operations. This business offers secured and unsecured lines of credit, secured and unsecured closed-end loans, retail finance products, insurance products and credit cards (including the GM Card(R) from Vauxhall and marbles(TM), an Internet enabled credit card). We operate in England, Scotland, Wales, Northern Ireland, and the Republic of Ireland. In 2001 we opened an office in Hungary to facilitate the expansion plans of one of our U.K. merchant alliances. We expect to continue our expansion into Central Europe with this alliance in 2002 with operations in the Czech Republic and Poland. Loans held by our United Kingdom operation are originated through a branch network consisting of 155 HFC and 62 Beneficial Finance branches, merchants, direct mail, broker referrals and the Internet. This business has approximately $5.8 billion in managed receivables and 3,800 employees.

Our Canadian business was acquired by Household in 1933 and offers consumer real estate secured and unsecured lines of credit, secured and unsecured closed-end loans, insurance products, revolving credit, private label credit cards and retail finance products to middle- to low income families. In addition, through its trust operations, our Canadian business accepts deposits. These products are marketed through 109 branch offices in 10 provinces, direct mail, telemarketing, 95 merchant relationships and the Internet. This business has approximately $1.4 billion in managed receivables, 680,000 customer accounts and 930 employees.

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All Other

Through our insurance services operation, Household offers credit life, credit accident, health and disability, unemployment, property, term life, collateral protection and specialty insurance products to our customers. Such products currently are offered throughout the United States and Canada and are targeted toward those customers typically under-insured by traditional sources. The purchasing of insurance products are never a condition to any credit or loan granted by Household. Insurance is directly written by or reinsured with one or more of our subsidiaries.

Our refund lending business is one of the largest providers of consumer tax refund lending in the United States. We have approximately 3,500 tax preparer relationships covering approximately 12,000 outlets (including 9,000 H&R Block locations). We provide loans to customers who are entitled to tax refunds and who electronically file their income tax returns with the Internal Revenue Service. This business is seasonal with most revenues generated in the first three months of each calendar year. The majority of customers who use this product are renters with household incomes of less than $25,000 who are entitled to refunds of greater than $2,000. In 2001 we originated approximately 6.4 million accounts and generated a loan volume of approximately $8.4 billion.

Direct lending was formed to find new markets for Household's existing consumer loan and loan-related products, develop new product offerings, and test alternative (i.e., non-branch) distribution channels. The areas of specific focus for direct lending include the Internet, alliance programs with other lenders to provide nonprime/nonconforming products to their customers, direct mail initiatives and non-homeowners. Direct lending has approximately $360 million in managed receivables and 140 employees.

Our commercial operations are very limited in scope and are expected to continue to decline. They manage the liquidation of the commercial loan receivables which were part of our commercial lending portfolio that was discontinued in the early 1990's. They also selectively invest in tax advantaged low income housing projects to support community home ownership initiatives while allowing us to obtain federal or state tax benefits. We have approximately $440 million in managed receivables and 15 employees in this group.

Funding

As a financial services organization, we must have access to funds at competitive rates, terms and conditions to be successful. Household's long-term debt, together with that of HFC, Beneficial, and our Canadian and U.K. subsidiaries, as well as the preferred stock of Household, have been assigned investment grade ratings by all nationally recognized statistical rating organizations that rate such instruments. These organizations have also rated the commercial paper of HFC in their highest rating category. For a detailed listing of the ratings that have been assigned to Household and our significant subsidiaries, see Exhibit 99(b) to this Form 10-K. Although one nationally recognized statistical rating organization recently downgraded the long-term debt of HFC to the corresponding levels of the other agencies, we believe this downgrade will not have any meaningful impact on our ability to fund our operations. We are committed to maintaining our current investment grade ratings.

We have funded our operations globally and domestically, using a combination of capital market debt and equity, deposits and securitizations. Although we have in the past utilized our banking subsidiaries as a means to provide

deposit funding to support some of our operations, due to recent regulatory requirements for additional capital to support nonprime and subprime lending activities, we do not believe that such sources will be actively utilized in the near term. We do not anticipate that the reduction in the use of our banking subsidiaries as a funding vehicle for our businesses will have any material effect on our operations or our ability to timely fund our operations, or will materially increase the costs associated with our funding. We will continue to fund our operations in the global capital markets, primarily through the use of securitizations, commercial paper, bank lines, medium-term notes and long-term debt. We also will continue to use derivative financial instruments to hedge our currency and interest rate risk exposure. A description of our use of derivative financial instruments,

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including interest rate swaps, foreign exchange contracts, and other quantitative and qualitative information about our market risk is set forth in our Management's Discussion and Analysis of Financial Condition and Results of Operations ("2001 MD&A") under the caption "Risk Management", and Footnotes 10 and 14 of our consolidated financial statements ("2001 Financial Statements"), included in our 2001 Annual Report which are included in Exhibit 13 to this Form 10-K. We also maintain an investment portfolio which at year-end 2001 was approximately $3.6 billion. Approximately $2.1 billion of such investment securities were held by our insurance subsidiaries.

Securitizations and secured financings of consumer receivables have been, and will continue to be, a significant source of our liquidity. During 2001, we securitized approximately $5.5 billion of receivables compared to $7.0 billion in 2000 and $5.2 billion in 1999. We securitize auto finance, MasterCard and Visa credit card, private label credit card and personal non-credit card receivables. In addition, during 2001 and 1999 we issued securities backed by dedicated real estate secured receivables in transactions structured for accounting purposes as secured financings. The aggregate balance of the real estate secured receivables supporting those transactions was $1.6 billion in 2001 and $530 million in 1999. Based on our current investment grade ratings, we have no reason to believe that we will not be able to timely access the securitization and secured funding markets to support our operations.

In the securitizations and secured financing transactions, Household sells a dedicated pool of receivables to a wholly-owned bankruptcy remote special purpose entity for cash, which, in turn, assigns the receivables to an unaffiliated trust that is a qualifying special purpose entity under Statement of Financial Accounting Standards No. 125 and/or 140, as applicable. Household continues to service the receivables and receives a servicing fee.

In connection with each transaction, we obtain opinions from nationally known law firms that the transfer of the receivables to the special purpose entity qualifies as a "true sale" for legal purposes and that the entity would not be "substantively consolidated" into any bankruptcy estate of the transferor.

Generally, in connection with these transactions we utilize credit enhancement to obtain the highest investment grade ratings on the securities to be issued by the securitization trust. Although many forms of enhancement are available, we typically assign loans in excess of the principal balance of the securities to be issued by the trust. Cash flow from this "overcollateralization" and servicing fees to be paid to us in connection with the transaction may be used to reduce the outstanding balance of these securities and/or may be used to fund a cash account that is available to make payments on the securities in the event monthly collections on the receivables are insufficient to pay the investors their contractual return. Therefore, our recourse is limited to our rights to future cash flows and any subordinated interests we may retain. At December 31, 2001, we had $968.2 million in interest-only strip receivables at-risk should these transactions not perform as expected. Based on historical performance, we do not anticipate any material loss due to performance of any securitized or secured funding pool of receivables.

The limited operations of each securitization trust are administered by an unaffiliated financial institution and are governed by a trust agreement that limits the trust's permissible activities to those defined in the agreement. The holders of the securities issued by each trust have the right to pledge or transfer their interests.

Additional information on our sources and availability of funding are incorporated by reference to the "Liquidity and Capital Resources" and "Asset Securitzations" sections of our 2001 MD&A in the 2001 Annual Report which are included in Exhibit 13 to this Form 10-K.

Regulation and Competition

Regulation

Consumer Lending. Our consumer finance businesses operate in a highly regulated environment. These businesses are subject to laws relating to

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discrimination in extending credit, use of credit reports, privacy matters, disclosure of credit terms and correction of billing errors. They also are subject to certain regulations and

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legislation that limit their operations in certain jurisdictions. For example, limitations may be placed on the amount of interest or fees that a loan may bear, the amount that may be borrowed, the types of actions that may be taken to collect or foreclose upon delinquent loans or the information about a customer that may be shared. Our consumer branch lending offices are generally licensed in those jurisdictions in which they operate. Such licenses have limited terms but are renewable, and are revocable for cause. Failure to comply with these laws and regulations may limit the ability of our licensed lenders to collect or enforce loan agreements made with consumers and may cause Household to be liable for damages and penalties.

There has been a significant amount of legislative activity, nationally, locally and at the state level, aimed at curbing lending abuses deemed to be "predatory". A predatory loan or lending practice is not a legally defined term and does not have a commonly recognized definition. Most legislative activity in this area targets certain abusive practices such as loan "flipping" (making a loan to refinance another loan where there is no tangible benefit to the borrower), fee "packing" (addition of unnecessary, unwanted and unknown fees to a borrower), "equity stripping" (lending without regard to the borrower's ability to repay or making it impossible for the borrower to refinance with another lender), and outright fraud. Household does not condone or endorse any of these practices. We are working with regulators and consumer groups to create appropriate safeguards to eliminate these abusive practices while allowing middle-market borrowers to continue to have unrestricted access to credit for personal purposes, such as the purchase of homes, automobiles, and consumer goods. As part of this effort we have adopted a set of lending best practice initiatives. These initiatives, which may be modified from time-to-time, are discussed at our corporate web site, www.household.com under the heading "Customer Commitment". Notwithstanding these efforts, it is possible that broad legislative initiatives will be passed which will impose additional costs and rules on our businesses. Although we have the ability to react quickly to new laws and regulations, it is too early to estimate the effect, if any, these activities will have on us in a particular locality or nationally.

Banking Institutions. Household has banking institutions that are chartered by either the Office of Thrift Supervision (''OTS'') or the Office of the Comptroller of the Currency ("OCC"). Since deposits maintained at our banking institutions are insured by the Federal Deposit Insurance Corporation ("FDIC"), the FDIC also has jurisdiction over those institutions and is actively involved in reviewing the financial and managerial strength of our banking subsidiaries. Household is also a thrift holding company and is subject to regulation by the OTS. Our banking institutions primarily originate receivables in our MasterCard and Visa credit card business, our private label business and our refund lending business. In addition, our thrift originates certain first mortgage loans. The use of these institutions improves our operational efficiencies as they are able to offer loan products with common characteristics across the United States. Generally, these banking institutions sell the receivables they originate to non-banking affiliates (also subsidiaries of Household) so that Household can manage all of its customers with uniform policies, regardless through which legal entity a loan was made. In addition, this structure allows us to better manage the levels of regulatory capital required to be maintained at these banking institutions.

Our banking institutions are subject to capital requirements, regulations and guidelines imposed by the OTS, OCC and FDIC. For example, these institutions are subject to federal regulations concerning their general investment authority as well as their ability to acquire financial institutions, enter into transactions with affiliates and pay dividends. Such regulations also govern the permissible activities and investments of any subsidiary of a bank.

We have been advised by the OTS, OCC and FDIC that in accordance with their 2001 Guidance for Subprime Lending Programs, they will impose additional capital requirements on institutions which hold nonprime or subprime assets that will be greater than the historical levels we have maintained at our banking institutions. Household and HFC have agreed with these regulators to maintain the regulatory capital of our institutions at these specified levels. To better manage the capital levels that will be imposed, we have submitted to the OCC an application to merge our three credit card banks into one nationally chartered institution and are evaluating alternatives to reduce the size of our thrift institution. We do not expect that any of these actions will have a material adverse effect on our business or our financial condition.

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Our banking institutions are also subject to the Federal Deposit Insurance

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Corporation Improvement Act of 1991 (''FDICIA'') and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (''FIRREA''). Among other things, FDICIA creates a five-tiered system of capital measurement for regulatory purposes, places limits on the ability of depository institutions to acquire brokered deposits, and gives broad powers to federal banking regulators, in particular the FDIC, to require undercapitalized institutions to adopt and implement a capital restoration plan and to restrict or prohibit a number of activities, including the payment of cash dividends, which may impair or threaten the capital adequacy of the insured depository institution. Federal banking regulators may apply corrective measures to an insured depository institution, even if it is adequately capitalized, if such institution is determined to be operating in an unsafe or unsound condition or engaging in an unsafe or unsound activity. In addition, federal banking regulatory agencies have adopted safety and soundness standards governing operational and managerial activities of insured depository institutions and their holding companies regarding internal controls, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation. Under FIRREA, the FDIC may assess an affiliated insured depository institution for the estimated losses incurred by the FDIC upon the default of any affiliated insured institution.

Our principal United Kingdom subsidiary (HFC Bank plc) is subject to oversight and regulation by the U.K. Financial Services Authority ("FSA"). We have indicated our intent to the FSA to maintain the regulatory capital of this institution at specified levels. We do not anticipate that any capital contribution will be required for our United Kingdom bank in the near term.

Insurance. Our credit insurance business is subject to regulatory supervision under the laws of the states in which it operates. Regulations vary from state to state but generally cover licensing of insurance companies, premium and loss rates, dividend restrictions, types of insurance that may be sold, permissible investments, policy reserve requirements, and insurance marketing practices.

Competition

The consumer financial services industry in which we operate is highly fragmented and intensely competitive. We generally compete with banks, thrifts, insurance companies, credit unions, mortgage lenders and brokers, finance companies, securities brokers and dealers, and other domestic and foreign financial institutions in the United States, Canada and the United Kingdom. We compete by expanding our customer base through portfolio acquisitions or alliance and co-branding opportunities, offering a variety of consumer loan products, maintaining a strong service orientation, aggressively controlling expenses to be a low cost producer, and using data segmentation skills to identify cross-selling opportunities between business units.

Cautionary Statement on Forward-Looking Statements

Certain matters discussed throughout this Form 10-K or in the information incorporated herein by reference constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, we may make or approve certain statements in future filings with the Securities and Exchange Commission, in press releases, or oral or written presentations by representatives of Household that are not statements of historical fact and may also constitute forward-looking statements. Words such as "believe", "expects", "estimates", "targeted", "anticipates", "goal" and similar expressions are intended to identify forward-looking statements but should not be considered as the only means through which these statements may be made. These matters or statements will relate to our future financial condition, results of operations, plans, objectives, performance or business developments and will involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements. Forward-looking statements are based on our current views and assumptions and speak only as of the date they are made. Household undertakes no obligation to update any forward-looking statement to reflect subsequent circumstances or events.

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The important factors, many of which are out of our control, which could affect our actual results and could cause our results to vary materially from those expressed in public statements or documents are:

- changes in laws and regulations, including attempts by local, state and national regulatory agencies or legislative bodies to control alleged "predatory" lending practices through broad initiatives aimed at lenders operating in the nonprime or subprime consumer market;

- increased competition from well-capitalized companies or lenders with access to government sponsored organizations for our consumer segment which may impact the terms, rates, costs, or profits historically included in the loan products we offer or purchase;

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- changes in accounting policies, practices or standards, as they may be adopted by regulatory agencies and the Financial Accounting Standards Board;

- changes in overall economic conditions, including the interest rate environment in which we operate, the capital markets in which we fund our operations, the market values of consumer owned real estate throughout the United States, recession, employment and currency fluctuations;

- consumer perception of the availability of credit, including price competition in the market segments we target and the ramifications or ease of filing for personal bankruptcy;

- the effectiveness of models or programs to predict loan delinquency or loss and initiatives to improve collections in all business areas;

- continued consumer acceptance of our distribution systems and demand for our loan or insurance products;

- changes associated with, as well as the difficulty in integrating systems, operational functions and cultures, as applicable, of any organization or portfolio acquired by Household;

- a reduction of our short-term debt ratings by any of the nationally recognized statistical rating organizations that rate these instruments to a level that is below our current rating;

- the costs, effects and outcomes of regulatory reviews or litigation relating to our nonprime loan receivables or the business practices of any of our business units, including, but not limited to, additional compliance requirements;

- the costs, effects and outcomes of any litigation matter that is determined adversely to Household or its businesses;

- the ability to attract and retain qualified personnel to support the underwriting, servicing, collection and sales functions of our businesses; and

- the inability of Household to manage any or all of the foregoing risks as well as anticipated.

Item 2. Properties.

Our operations are located throughout the United States, in 10 provinces in Canada and in the United Kingdom with principal facilities located in Anaheim, California; Dallas, Texas; New Castle, Delaware; Brandon, Florida; Jacksonville, Florida; Tampa, Florida; Chesapeake, Virginia; Virginia Beach, Virginia; Elmhurst, Illinois; Hanover, Maryland; Bridgewater, New Jersey; Las Vegas, Nevada; Charlotte, North Carolina; Portland, Oregon; Pomona, California; Prospect Heights, Illinois; Salinas, California; San Diego, California; Wood Dale, Illinois; London, Kentucky; Sioux Falls, South Dakota; North York, Ontario, Canada; Birmingham, United Kingdom and Windsor, Berkshire, United Kingdom. We expect to establish an additional operations center in India in 2002 to support our credit card services business. We do not anticipate the costs for staffing and creating this center will be material to our financial results.

Substantially all branch offices, divisional offices, corporate offices, regional processing and regional servicing center space are operated under lease with the exception of the headquarters building for our United Kingdom operations, our processing facility in Tampa, Florida, a credit card processing facility in Las Vegas, Nevada and a facility in London, Kentucky. We believe that such properties are in good condition and meet our current and reasonably anticipated needs.

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Item 3. Legal Proceedings.

We are parties to various legal proceedings resulting from ordinary business activities relating to our current and/or former operations. Certain of these actions are or purport to be class actions seeking damages in very large amounts. These actions assert violations of laws and/or unfair treatment of consumers. Due to the uncertainties in litigation and other factors, we cannot assure you that we will ultimately prevail in each instance. We believe that we have meritorious defenses to these actions and any adverse decision should not materially affect our consolidated financial condition.

During the past several years, the press has widely reported certain industry related concerns which may impact us. Some of these involve the amount of litigation instituted against finance and insurance companies operating in the states of Alabama and Mississippi and the large awards obtained from juries in those states. Like other companies in this industry, some of our subsidiaries are involved in a number of lawsuits pending against them in

Alabama and Mississippi, many of which relate to the financing of merchandise. The Alabama and Mississippi cases generally allege inadequate disclosure or misrepresentation of financing terms. In many suits, other parties are also named as defendants. Unspecified compensatory and punitive damages are sought. Several of these suits purport to be class actions or have multiple plaintiffs. The judicial climate in Alabama and Mississippi is such that the outcome of all of these cases is unpredictable. Although our subsidiaries believe they have substantive legal defenses to these claims and are prepared to defend each case vigorously, a number of such cases have been settled or otherwise resolved for amounts that in the aggregate are not material to our operations. Appropriate insurance carriers have been notified of each claim, and a number of reservations of rights letters have been received. Certain of these claims have been partially covered by insurance.

Household has also been named in purported class actions by consumer groups (such as AARP and ACORN) claiming that our loan products or our lending policies and practices are unfair or misleading to consumers. We do not believe that any of these legal actions has merit or will result in a material financial impact on Household. We do expect, however, that these consumer groups will continue to target Household in the media and with legal actions to pressure Household and the nonprime lending industry into accepting concessions that would more heavily regulate the nonprime lending industry. (See "Regulation and Competition" above.)

We have developed and implemented compliance functions to monitor our operations to comply with all applicable laws, rules and regulations. In November 2001, litigation was instituted by California regulators asserting that they believed we had overcharged certain California customers who obtained loans from Household. We confirmed with this regulator that unintentional errors had occurred and entered into a settlement agreement for full refunds of the improper charges as well as a payment to the state in the amount of $8.9 million. The amounts paid pursuant to this agreement, as well as the other conditions we agreed to, did not and will not have a material adverse impact on our financial condition or our business operations. As a result of this incident, we have reviewed our compliance function and implemented certain changes, including requiring that our compliance officer for our consumer lending business report directly to senior management. Although exam reports from other regulatory bodies may, from time-to-time, cite specific issues relating to a specific loan, we do not believe, and we are not aware of, any unaddressed systemic issue affecting our compliance with any state or federal lending laws within any of our businesses.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

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PART II.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

As of March 8, 2002 there were 19,089 record shareholders of Household's common stock.

Additional information required by this Item is incorporated by reference to the "Selected Quarterly Financial Data (Unaudited)" and the "Common and Preferred Stock Information" sections of our 2001 Annual Report which are included in Exhibit 13 to this Form 10-K.

Item 6. Selected Financial Data.

Information required by this Item is incorporated by reference to the "Selected Financial Data and Statistics" section of our 2001 Annual Report which is included in Exhibit 13 to this Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Information required by this Item is incorporated by reference to the 2001 MD&A, including the "Glossary of Terms" section of our 2001 Annual Report which is included in Exhibit 13 to this Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information required by this Item is incorporated by reference to the "Liquidity and Capital Resources", "Asset Securitizations" and "Risk Management" sections of our 2001 MD&A in our 2001 Annual Report which is included in Exhibit 13 to this Form 10-K.

Item 8. Financial Statements and Supplementary Data.

Our 2001 Financial Statements meet the requirements of Regulation S-X. The 2001 Financial Statements and supplementary financial information specified by Item 302 of Regulation S-K, are incorporated by reference to our 2001 Annual

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Report and are included in Exhibit 13 to this Form 10-K. In addition, we incorporate by reference the information under the following sections of our 2001 Annual Report which are included in Exhibit 13 to this Form 10-K: "Credit Quality Statistics-Owned Basis," "Credit Quality Statistics-Managed Basis," "Analysis of Credit-Loss_Reserves Activity-Owned Receivables," "Analysis of Credit Loss Reserves Activity-Managed Basis," "Net Interest Margin-2001 Compared to 2000 (Owned Basis)," "Net Interest Margin-2000 Compared to 1999 (Owned Basis)," "Net Interest Margin-2001 compared to 2000 and 1999 (Managed Basis)", and "Selected Quarterly Financial Data (Unaudited)".

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

The Audit Committee of the Board of Directors of Household International, Inc. annually considers and recommends to the Board the selection of Household's independent public accountants. As recommended by Household's Audit Committee, Household's Board of Directors on March 12, 2002 decided to no longer engage Arthur Andersen LLP ("Andersen") as Household's independent public accountants and engaged KPMG LLP to serve as Household's independent public accountants for 2002. The appointment of KPMG LLP will be presented to Household's stockholders for ratification at the 2002 Annual Meeting.

Andersen's reports on Household's consolidated financial statements for the two most recent fiscal years ended December 31, 2001 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During Household's two most recent fiscal years and through the date of this Form 10-K, there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen's satisfaction, would have caused them to make reference to the subject matter in connection with their report on Household's consolidated financial statements for such years; and there were no reportable events, as listed in Item 304(a)(1)(v) of Regulation S-K.

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Household has provided Andersen with a copy of this disclosure. Attached as Exhibit 16 is a copy of Andersen's letter, dated March 13, 2002, stating its agreement with such statements.

During Household's two most recent fiscal years and through the date of this Form 10-K, Household did not consult KPMG LLP regarding any of the matters or reportable events listed in Items 304(a)(2)(i) and (ii) of Regulation S-K.

PART III.

Item 10. Directors and Executive Officers of the Registrant.

Executive Officers of the Registrant.

The following information on our senior executive policy-making officers is included pursuant to Item 401(b) of Regulation S-K.

William F. Aldinger, age 54, joined Household in September 1994 as President and Chief Executive Officer. In May 1996 he was appointed our Chairman and Chief Executive Officer. Mr. Aldinger served as Vice Chairman of Wells Fargo Bank and a Director of several Wells Fargo subsidiaries from 1986 until joining us. Mr. Aldinger is also a director of Household Finance Corporation (one of our subsidiaries), Illinois Tool Works Inc. and MasterCard International, Incorporated.

Gary D. Gilmer, age 52, was appointed Vice Chairman--Consumer Lending in 2002 after having served as Group Executive--Consumer Lending since 1998. Mr. Gilmer joined Household Finance Corporation in 1972 and has served in various capacities in our consumer lending, retail services and insurance services businesses, most recently as Managing Director and Chief Executive Officer of our United Kingdom operations.

David A. Schoenholz, age 50, was appointed Vice Chairman--Chief Financial Officer in 2002. He has responsibility for our Mortgage Services, Direct Lending and United Kingdom businesses. He was appointed Group Executive--Chief Financial Officer, effective January 2000, having previously served as Executive Vice President--Chief Financial Officer since 1996, Senior Vice President--Chief Financial Officer since 1994, and Vice President--Chief Accounting Officer since 1993. He joined Household in 1985 as Director--Internal Audit.

Rocco J. Fabiano, age 45, was appointed Group Executive--Retail Services, Refund Lending, Auto Finance and Insurance Services in January 2002, having joined us in 1997 as a result of our acquisition of ACC Consumer Finance Corporation where he served as Chairman and Chief Executive Officer since 1993.

Siddharth N. Mehta, age 43, was appointed Group Executive--Credit Card

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Services and Canada in 2002. He joined Household in June 1998 as Group Executive--Credit Card Services. Prior to joining Household, Mr. Mehta was Senior Vice President of Boston Consulting Group in Los Angeles and co-leader of Boston Consulting Group Financial Services Practice in the United States.

Kenneth M. Harvey, age 41, was appointed Executive Vice President--Chief Information Officer in 2002. He was our Managing Director--Chief Information Officer since 1999, having previously served in various systems and technology areas with Household since 1989.

Colin P. Kelly, age 59, was appointed Executive Vice President--Administration in 2002 after having served as Senior Vice President--Administration since January 2000. Mr. Kelly previously acted as our Senior Vice President--Human Resources since 1996, and Vice President--Human Resources since 1988. Mr. Kelly joined Household Finance Corporation in 1965.

Kenneth H. Robin, age 55, was appointed Corporate Secretary in 1998 and Senior Vice President--General Counsel in 1996, having previously served as Vice President--General Counsel since 1993. He joined Household in 1989 as Assistant General Counsel--Financial Services. Prior to joining Household, Mr. Robin held various positions in the legal departments of Citicorp and Citibank, N.A. from 1977 to 1989.

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Sandra L. Derickson, age 47, joined Household as Managing Director--Retail Services in 2000. Prior to joining Household, Mrs. Derickson was employed with GE Capital Services Corp. since 1975, most recently as President and General Manager of GE Capital Auto Financial Services.

Adrian L. Hill, age 43, was appointed Managing Director--United Kingdom, in 1998. Mr. Hill began his career with HFC Bank plc in 1989 as Director--Treasury, serving as Chief Financial Officer from 1990 to 1995 and Chief Operating Officer from 1995 until his current appointment.

There are no family relationships among our executive officers. The term of office of each named executive officer is at the discretion of the Board of Directors.

Additional information required by this Item is incorporated by reference to ''Nominees For Director'' and ''Shares of Household Stock Beneficially Owned by Directors and Executive Officers'' in our definitive Proxy Statement for our 2002 Annual Meeting of Stockholders (the ''2002 Proxy Statement'').

Item 11. Executive Compensation.

Information required by this Item is incorporated by reference to ''Executive Compensation'', ''Employment Agreements'', ''Savings--Stock Ownership and Pension Plans'', ''Incentive and Stock Option Plans'', and ''Director Compensation'' in our 2002 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Information required by this Item is incorporated by reference to ''Shares of Household Stock Beneficially Owned by Directors and Executive Officers'' and ''Security Ownership of Certain Beneficial Owners'' in our 2002 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

Information required by this Item is incorporated by reference to ''Incentive and Stock Option Plans'' and ''Employment Agreement with Larry Bangs'' in our 2002 Proxy Statement.

PART IV.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Financial Statements.

The consolidated financial statements listed below, together with an opinion of Arthur Andersen LLP dated January 14, 2002 with respect thereto, are incorporated by reference herein pursuant to Item 8. Financial Statements and Supplementary Data of this Form 10-K. An opinion of Arthur Andersen LLP is also included in this Annual Report on Form 10-K.

Household International, Inc. and Subsidiaries:

Consolidated Statements of Income for the Three Years Ended December 31, 2001.

Consolidated Balance Sheets, December 31, 2001 and 2000.

Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2001.

Consolidated Statements of Changes in Preferred Stock and Common Shareholders' Equity for the Three Years Ended December 31, 2001.

Notes to Consolidated Financial Statements.

Report of Independent Public Accountants.

Selected Quarterly Financial Data (Unaudited).

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(b) Reports on Form 8-K.

For the three months ended December 31, 2001, Household filed one Current Report on Form 8-K on October 17, 2001.

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(c) Exhibits.	
3(i)	Restated Certificate of Incorporation of Household International, Inc. as amended.
3(ii)	Bylaws of Household International, Inc. as amended January 30, 2001 (incorporated by reference to Exhibit 3(ii) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
4(a)	Rights Agreement dated as of July 9, 1996, between Household International, Inc. and Harris Trust and Savings Bank, as Rights Agent (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K dated July 9, 1996).
4(b)	Standard Multiple-Series Indenture Provisions for Senior Debt Securities of Household Finance Corporation dated as of June 1, 1992 (incorporated by reference to Exhibit 4(b) to the Registration Statement on Form S-3 of Household Finance Corporation, No. 33-48854).
4(c)	Indenture dated as of December 1, 1993 for Senior Debt Securities between Household Finance Corporation and The Chase Manhattan Bank (National Association), as Trustee (incorporated by reference to Exhibit 4(b) to the Registration Statement on Form S-3 of Household Finance Corporation, No. 33-55561 filed on September 20, 1994).
4(d)	The principal amount of debt outstanding under each other instrument defining the rights of Holders of our long-term senior and senior subordinated debt does not exceed 10 percent of our total assets. Household agrees to furnish to the Securities and Exchange Commission, upon request, a copy of each instrument defining the rights of holders of our long-term senior and senior subordinated debt.
10.1	Household International, Inc. 1998 Key Executive Bonus Plan.
10.2	Household International, Inc. Corporate Executive Bonus Plan.
10.3	Household International, Inc. Long-Term Executive Incentive Compensation Plan, as amended.
10.4	Forms of stock option and restricted stock rights agreements under the Household International, Inc. Long-Term Executive Incentive Compensation Plan (incorporated by Reference to Exhibit 10.4 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
10.5	Household International, Inc. 1996 Long-Term Executive Incentive Compensation Plan, as amended.
10.6	Forms of stock option and restricted stock rights agreements under the Household International, Inc. 1996 Long-Term Executive Incentive Compensation Plan (incorporated by reference to Exhibit 10.6 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
10.7	Household International, Inc. Deferred Fee Plan for Directors (incorporated by reference to Exhibit 10.7 of our Annual Report Form 10-K for the fiscal year ended December 31, 1999).
10.8	Household International, Inc. Deferred Phantom Stock Plan for Directors (incorporated by reference to Exhibit 10.8 of our Annual Report Form 10-K for the fiscal year ended December 31, 1999).
10.9	Household International, Inc. Non-Qualified Deferred Compensation Plan for Executives, as Amended (incorporated by reference to Exhibit 10.9 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).

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10.10	Household International, Inc. Non-Qualified Deferred Compensation Plan for Stock Option Exercises.
10.11	Household International, Inc. Non-Qualified Deferred Compensation Plan for Restricted Stock Rights.
10.12	Executive Employment Agreement between Household International, Inc. and W.F. Aldinger (incorporated by reference to Exhibit 10.10 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.13	Executive Employment Agreement between Household International, Inc. and G.D. Gilmer (incorporated by reference to Exhibit 10.12 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.14	Executive Employment Agreement between Household International, Inc. and D.A. Schoenholz (incorporated by reference to Exhibit 10.13 of our Annual Report on Form 10-K the fiscal year ended December 31, 1998).
10.15	Executive Employment Agreement between Household International, Inc. and L.N. Bangs (incorporated by reference to Exhibit 10.11 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.16	Executive Employment Agreement between Household International, Inc. and R.J. Fabiano (incorporated by reference to Exhibit 10.15 of our Annual Report on Form 10-K for the fiscal

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	year ended December 31, 2000).
10.17	Executive Employment Agreement between Household International, Inc. and S.N. Mehta (incorporated by reference to Exhibit 10.14 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.18	Amended and Restated Supplemental Executive Retirement Plan for W.F. Aldinger (incorporated by reference to Exhibit 10.16 of our Form 10-K for the fiscal year ended December 31, 2000).
10.19	Beneficial Corporation 1990 Non-qualified Stock Option Plan (incorporated by reference to Exhibit 4.4 of Beneficial Corporation's Form S-8 filed on April 23, 1996, File No. 333-02737).
10.20	Amendment to Beneficial Corporation 1990 Non-qualified Stock Option Plan (incorporated by reference to Exhibit 4.2 of Beneficial Corporation's Form S-8 filed July 1, 1998, File No. 333-58291).
11	Statement of Computation of Earnings per Share.
12	Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.
13	Sections of Household International, Inc.'s 2001 Annual Report to Shareholders which are specifically incorporated by reference into the Form 10-K.
16	Letter re change in certifying accountant.
21	List of our subsidiaries.
23	Consent of Arthur Andersen LLP, Certified Public Accountants.
24	Power of Attorney, included on page 18 hereof.
99(a)	Annual Report on Form 11-K for the Household International, Inc. Tax Reduction Investment Plan (to be filed by amendment).
99(b)	Ratings of Household International, Inc. and its significant subsidiaries.

</TABLE>

We will furnish copies of the exhibits referred to above to our stockholders upon receiving a written request therefor. We charge fifteen cents per page for providing these copies. Requests should be made to Household International, Inc., 2700 Sanders Road, Prospect Heights, Illinois 60070, Attention: Corporate Secretary.

(d) Schedules.

Report of Independent Public Accountants.

I--Condensed Financial Information of Registrant.

<PAGE>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Household International, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this, the 12th day of March, 2002.

HOUSEHOLD INTERNATIONAL, INC.

By:
/S/ W.F. ALDINGER

W.F. Aldinger, Chairman and Chief Executive Officer

Each person whose signature appears below constitutes and appoints J.W. Blenke and P.D. Schwartz, and each or any of them (with full power to act alone), as his/her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her in his/her name, place and stead, in any and all capacities, to sign and file, with the Securities and Exchange Commission, this Form 10-K and any and all amendments and exhibits thereto, and all documents in connection therewith, granting unto each such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that such attorney-in-fact and agent or their substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Household International, Inc. and in the capacities on the 12th day of March, 2002.

Signature	Title
/S/ W.F. ALDINGER (W.F. Aldinger)	Chairman and Chief Executive Officer and Director (as principal executive officer)
/S/ R.J. DARNALL (R.J. Darnall)	Director
/S/ A. DISNEY	Director

(A. Disney)	
/S/ G.G. DILLON (G.G. Dillon)	Director
/S/ J.A. EDWARDSON (J.A. Edwardson)	Director
/S/ M.J. EVANS (M.J. Evans)	Director
/S/ J.D. FISHBURN (J.D. Fishburn)	Director

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<PAGE>

<TABLE>
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Signature	Title
/S/ C.F. FREIDHEIM, JR. (C.F. Freidheim, Jr.)	Director
/S/ J.H. GILLIAM, JR. (J.H. Gilliam, Jr.)	Director
/S/ L.E. LEVY (L.E. Levy)	Director
/S/ G.A. LORCH (G.A. Lorch)	Director
/S/ J.D. NICHOLS (J.D. Nichols)	Director
/S/ J.B. PITBLADO (J.B. Pitblado)	Director
/S/ L.M. RENDA (L.M. Renda)	Director
/S/ S.J. STEWART (S.J. Stewart)	Director
/S/ L.W. SULLIVAN, M.D. (L.W. Sullivan, M.D.)	Director
/S/ D.A. SCHOENHOLZ (D.A. Schoenholz)	Vice Chairman--Chief Financial Officer (also the principal financial and accounting officer)

</TABLE>

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<PAGE>

EXHIBIT INDEX

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Exhibit No.	Document Description
3(i)	Restated Certificate of Incorporation of Household International, Inc. as amended.
3(ii)	Bylaws of Household International, Inc. as amended January 30, 2001 (incorporated by reference to Exhibit 3(ii) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
4(a)	Rights Agreement dated as of July 9, 1996, between Household International, Inc. and Harris Trust

	and Savings Bank, as Rights Agent (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K dated July 9, 1996).
4(b)	Standard Multiple-Series Indenture Provisions for Senior Debt Securities of Household Finance Corporation dated as of June 1, 1992 (incorporated by reference to Exhibit 4(b) to the Registration Statement on Form S-3 of Household Finance Corporation, No. 33-48854).
4(c)	Indenture dated as of December 1, 1993 for Senior Debt Securities between Household Finance Corporation and The Chase Manhattan Bank (National Association), as Trustee (incorporated by reference to Exhibit 4(b) to the Registration Statement on Form S-3 of Household Finance Corporation, No. 33-55561 filed on September 20, 1994).
4(d)	The principal amount of debt outstanding under each other instrument defining the rights of holders of our long-term senior and senior subordinated debt does not exceed 10 percent of our total assets. Household agrees to furnish to the Securities and Exchange Commission,upon request, a copy of each instrument defining the rights of holders of our long-term senior and senior subordinated debt.
10.1	Household International, Inc. 1998 Key Executive Bonus Plan.
10.2	Household International, Inc. Corporate Executive Bonus Plan.
10.3	Household International, Inc. Long-Term Executive Incentive Compensation Plan, as amended.
10.4	Forms of stock option and restricted stock rights agreements under the Household International, Inc. Long-Term Executive Incentive Compensation Plan (incorporated by reference to Exhibit 10.4 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
10.5	Household International, Inc. 1996 Long-Term Executive Incentive Compensation Plan, as amended.
10.6	Forms of stock option and restricted stock rights agreements under the Household International, Inc. 1996 Long-Term Executive Incentive Compensation Plan (incorporated by reference to Exhibit 10.6 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
10.7	Household International, Inc. Deferred Fee Plan for Directors (incorporated by reference to Exhibit 10.7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1999).
10.8	Household International, Inc. Deferred Phantom Stock Plan for Directors (incorporated by reference to Exhibit 10.8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1999).
10.9	Household International, Inc. Non-Qualified Deferred Compensation Plan for Executives, as amended (incorporated by reference to Exhibit 10.9 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.10	Household International, Inc. Non-Qualified Deferred Compensation Plan for Stock Option Exercises.
10.11	Household International, Inc. Non-Qualified Deferred Compensation Plan for Restricted Stock Rights.
10.12	Executive Employment Agreement between Household International, Inc. and W. F. Aldinger (incorporated by reference to Exhibit 10.10 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).

</TABLE>

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Exhibit No.	Document Description
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10.13	Executive Employment Agreement between Household International, Inc. and G. D. Gilmer (incorporated by reference to Exhibit 10.12 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.14	Executive Employment Agreement between Household International, Inc. and D. A. Schoenholz (incorporated by reference to Exhibit 10.13 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.15	Executive Employment Agreement between Household International, Inc. and L. N. Bangs (incorporated by reference to Exhibit 10.11 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.16	Executive Employment Agreement between Household International, Inc. and R.J. Fabiano (incorporated by reference to Exhibit 10.15 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
10.17	Executive Employment Agreement between Household International, Inc. and S. N. Mehta (incorporated by reference to Exhibit 10.14 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
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</TABLE>

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HHT 0015671

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Household International, Inc.:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements included in Household International, Inc.'s 2001 annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 14, 2002. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in Item 14(d) is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/S/ ARTHUR ANDERSEN LLP

Chicago, Illinois
January 14, 2002

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SCHEDULE I

HOUSEHOLD INTERNATIONAL, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF INCOME
(In millions)

<TABLE>
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	Year ended December 31		
	2001	2000	1999
<S>	<C>	<C>	<C>
Equity in earnings of subsidiaries....	$2,058.8	$1,747.9	$1,521.4
Other income..........................	37.7	34.6	32.5
Total income..................	2,096.5	1,782.5	1,553.9
Expenses:			
Administrative....................	151.3	72.7	62.8
Interest..........................	106.7	61.3	50.6
Total expenses................	258.0	134.0	113.4
Income before income tax benefit......	1,838.5	1,648.5	1,440.5
Income tax benefit....................	85.0	52.2	45.9
Net income....................	$1,923.5	$1,700.7	$1,486.4
Total comprehensive income.....	$1,405.8	$1,742.9	$1,374.6

</TABLE>

See accompanying note to condensed financial statements.

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<PAGE>

SCHEDULE I (continued)

HOUSEHOLD INTERNATIONAL, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED BALANCE SHEETS
(In millions)

<TABLE>
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	December 31	
	2001	2000

<S> <C> <C>

Assets		
Cash	$ 1.6	$ --
Investments in and advances to (from) subsidiaries	10,558.3	9,034.7
Other assets	693.2	604.9
Total assets	$11,253.1	$9,639.6
Liabilities and Shareholders' Equity		
Commercial paper	$ --	$ 292.3
Senior debt (with original maturities over one year)	1,179.2	185.0
Total debt	1,179.2	477.3
Other liabilities	440.3	371.7
Total liabilities	1,619.5	849.0
Company obligated mandatorily redeemable preferred securities of subsidiary trusts*	975.0	675.0
Preferred stock	455.8	164.4
Common shareholders' equity	8,202.8	7,951.2
Total liabilities and shareholders' equity	$11,253.1	$9,639.6

</TABLE>

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* The sole assets of the trusts are Junior Subordinated Deferrable Interest Notes issued by Household International, Inc. in November 2001, January 2001, June 2000, March 1998 and June 1995, bearing interest at 7.50, 8.25, 10.00, 7.25 and 8.25 percent, respectively, with principal balances of $206.2, $206.2, $309.3, $206.2 and $77.3 million, respectively, and due November 15, 2031, January 30, 2031, June 30, 2030, December 31, 2037 and June 30, 2025, respectively. The $103.1 million Junior Subordinated Deferrable Interest Notes issued in June 1996 were redeemed in December 2001.

See accompanying note to condensed financial statements.

<PAGE>

SCHEDULE I (continued)

HOUSEHOLD INTERNATIONAL, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF CASH FLOWS
(In millions)

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	Year ended December 31		
	2001	2000	1999
Cash used in operations			
Net income	$ 1,923.5	$ 1,700.7	$ 1,486.4
Adjustments to reconcile net income to net cash used in operations:			
Equity in earnings of subsidiaries	(2,058.8)	(1,747.9)	(1,521.4)
Other operating activities	88.5	(10.5)	(11.6)
Cash used in operations	(46.8)	(57.7)	(46.6)
Investment in Operations			
Dividends from subsidiaries	673.3	648.0	1,160.5
Investment in and advances to (from) subsidiaries, net	(686.1)	(282.5)	8.7
Other investing activities	(11.8)	(.8)	2.5
Cash provided by (used in) investment operations	(24.6)	364.7	1,171.7
Financing and Capital Transactions			
Net change in commercial paper and bank borrowings	(292.3)	(105.4)	82.1
Retirement of senior debt	(10.0)	--	(89.7)
Issuance of senior debt	985.0	--	85.6
Shareholders' dividends	(406.6)	(358.9)	(332.1)
Issuance of company obligated mandatorily redeemable preferred securities of subsidiary trusts	400.0	300.0	--
Redemption of company obligated mandatorily redeemable preferred securities of subsidiary trusts	(100.0)	--	--
Issuance of preferred stock	291.4	--	--
Purchase of treasury stock	(916.3)	(209.3)	(915.9)
Issuance of common stock	121.8	64.4	45.0
Cash increase (decrease) from financing and capital transactions	73.0	(309.2)	(1,125.0)

HHT 0015673

Increase (decrease) in cash	1.6	(2.2)	.1
Cash at January 1	--	2.2	2.1
Cash at December 31	$ 1.6	$ --	$ 2.2

</TABLE>

See accompanying note to condensed financial statements.

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SCHEDULE I (continued)

HOUSEHOLD INTERNATIONAL, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTE TO CONDENSED FINANCIAL STATEMENTS OF REGISTRANT

The condensed financial statements of Household International, Inc. have been prepared on a parent company unconsolidated basis.

In August 2001, Household issued zero-coupon convertible debt securities. The convertible debt securities are due 2021, have a 1 percent yield to maturity and have a principal amount at maturity of approximately $1.2 billion. Household must pay contingent interest on the securities beginning in 2006 if Household's common stock price reaches certain levels. The holders of the securities have the right to require Household to repurchase the securities on various dates beginning in August 2002 and ending in August 2016 or if certain "fundamental changes" as described in the prospectus supplement occur. "Fundamental changes" include, among other things, an exchange offer, liquidation, merger and recapitalization. The holders of the securities may convert each $1,000 of securities, subject to adjustment, into 9.022 shares of Household common stock if Household's stock price reaches $99.87 for 20 trading days in a consecutive 30 trading day period. Household may redeem the securities, in whole or in part, at any time after August 1, 2006.

Household has guaranteed payment of certain long-term debt obligations of Household Financial Corporation Limited ("HFCL"), a Canadian subsidiary. The amount of guaranteed debt outstanding at HFCL was $35 million at December 31, 2002 and $.3 billion at December 31, 2000.

Household has also guaranteed payment of certain debt obligations (excluding certain deposits) of Household International (U.K.) Limited ("HIUK"). The amount of guaranteed debt outstanding at HIUK was approximately $2.1 at December 31, 2001 and $2.2 billion at December 31, 2000.

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EXHIBIT 10.1

HOUSEHOLD INTERNATIONAL

1998 KEY EXECUTIVE BONUS PLAN

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HOUSEHOLD INTERNATIONAL

1998 KEY EXECUTIVE BONUS PLAN

I. CONCEPT

The Household International 1998 Key Executive Bonus Plan (the "Plan") is a short-term incentive plan that is intended to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and is designed to award "performance based" compensation as determined in accordance with that provision of the Code. Awards will be based solely on the return on equity ("ROE") of Household International, Inc. and its consolidated subsidiaries (the "Company") provided, however, that the Compensation Committee of the Board of Directors shall have the discretion to reduce any participant's award based on (1) other financial performance criteria of the Company or of certain subsidiaries or business units of the Company; and (2) on an evaluation of each participant's individual performance. Performance goals and award opportunities will be determined prior to the beginning of each Plan period (which will generally be a calendar year), or at a later date as allowed by Internal Revenue Service ("IRS") notice or regulation, by the Compensation Committee and will be communicated to each Plan participant.

II. PARTICIPATION

Participation in the Plan will be restricted to the key executives of the Company. Participants will share a bonus pool calculated as a percentage of the net income of the Company as reported in the audited financial statements of the Company, which net income shall be calculated without regard to the bonuses to be paid hereunder. The Compensation Committee will establish the maximum bonus opportunity available to such participant, stated as a percentage of the entire bonus pool. The sum of the individual percentages of the pool assigned

to each participant will not exceed 100 percent.

Any changes in the key executives participating in the Plan will be made by the Compensation Committee.

III. LEVEL OF AWARDS

The bonus pool will equal 5% of the portion of the Company's net income that exceeds the amount of net income that would have resulted if a 12% ROE had been achieved. Thus, unless actual ROE exceeds 12%, the amount of the bonus pool will be zero. For purposes of this Plan, the Company's net income means the consolidated net income of

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the Company pursuant to its audited financial statements. ROE shall be calculated by taking the amount of net income determined as above, and dividing it by the average common shareholders' equity for the year, excluding any adjustments related to investment securities under FASB 115. Prior to each Plan period (or at a later date as allowed by IRS notice or regulation), the Compensation Committee of the Board of Directors may establish a dollar cap for the bonus pool. In addition, and within that same timeframe, the Compensation Committee will establish the percentage of the bonus pool that will be allocated to each participant. However, no more than 50% of the bonus pool for any Plan year may be allocated to any one participant, and the sum of the bonus pool percentages which are allocated to all participants shall not exceed 100%.

Prior to each Plan period (or at a later date as allowed by IRS notice or regulation), the Chief Executive Officer ("CEO") of the Company will recommend for approval by the Compensation Committee the minimum ROE objective that must be met, in order to pay bonuses under this Plan to any participant at that participant's allocated bonus pool percentage level. This minimum ROE objective will not be less than 12%.

If the Compensation Committee approves the aforementioned minimum ROE objective, this objective shall be deemed to be established for the applicable participant for the applicable Plan period and shall be deemed to be part of this Plan for said Plan period. Subject to the Compensation Committee's negative discretion described in the next paragraph, attainment of the minimum ROE objective will entitle the participant to his/her allocated percentage of the bonus pool.

The CEO will also recommend for approval by the Compensation Committee certain other financial performance indicators for the Company or one or more subsidiaries or business units and/or individual goals, which may include specific targets for financial performance goals, which the Compensation Committee may, in its sole discretion, take into account solely for purposes of determining whether it should reduce or eliminate the bonus otherwise due to a participant by virtue of the Company having met the participant's minimum ROE objective. The exercise by the Compensation Committee of this negative discretion with respect to one participant may not result in an increase in the amount of bonus payable to another participant.

IV. DETERMINATION OF AWARDS

A. Approval of Goals/Awards

The Compensation Committee of the Board of Directors must approve the minimum ROE objective prior to the beginning of any Plan period for all participants in the Plan (or at a later date as allowed by IRS notice or regulation). This goal will be the sole criteria for measuring performance and determining the bonus for that period. The Compensation Committee will solely determine

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whether the minimum ROE objective has been satisfied for all participants in the Plan, as well as the total amount of the bonus pool, and prior to payment of any bonus hereunder will certify in writing as to the satisfaction of the minimum ROE objective and the amount of the bonus pool to the Board of Directors of the Company.

Notwithstanding anything contained herein to the contrary, the Compensation Committee may, however, at its sole discretion, reduce bonus awards in light of other financial performance indicators, individual performance of the participant, overall business conditions or other circumstances.

V. PAYMENT OF AWARDS

Awards will be paid as soon as practicable at the end of the Plan period, subject to all required tax withholdings. Awards may be paid in cash, shares of the Company's common stock, or some combination thereof at the sole discretion of the Compensation Committee.

VI. ADMINISTRATIVE MATTERS

A. Position Changes

Normally awards, provided the goals have been met, will be pro-rated according to the portion of the Plan period that an incumbent is eligible for the bonus. However, the Compensation Committee shall have the right to review each individual case and take such action as it deems appropriate consistent with the intent and purposes of this Plan.

B. Effect on Benefits

Payments made under this Plan shall be included in an employee's income for purposes of determining pension benefits, life insurance, long-term disability, and participation in the Company's TRIP plan.

C. Termination of Employment

Normally awards, provided the goals therefore have been met, will be pro-rated in the case of death, permanent and total disability, or retirement under one of the Company's pension plans during a Plan period. If a participant terminates employment for any other reason prior to the last working day of a Plan period, he will normally forfeit any right to an award for the Plan period. Notwithstanding the foregoing, however, the Compensation Committee shall have the right to

<PAGE>

review each individual case and take such action as it deems appropriate consistent with the intent and purposes of this Plan.

D. Administration of the Plan

The Plan shall be administered solely by the Compensation Committee. Any and all determinations made by the Compensation Committee in connection with this Plan shall be final and binding on the Company and each participant in the Plan. Neither eligible participation in the Plan, nor award payments thereunder shall guarantee an employee any right to continued employment. The Plan does not give any employee a right or claim to an award under the Plan. The Compensation Committee reserves the right to change or discontinue the Plan at any time; provided, however, that any new factors used to establish a goal, other than ROE, or any change in the formula used to calculate the amount of the bonus pool, must be approved by the stockholders of the Company.

E. Stockholder Approval

The Plan shall be submitted to the stockholders of the Company at the 1998 annual meeting of stockholders. If the Plan is not approved by the stockholders by December 31, 1998, then this Plan shall be deemed to be null and void and any awards or grants made pursuant hereto shall automatically terminate. Thereafter, this Plan shall again be submitted to the stockholders for approval every fifth (5th) year or as may be required by the applicable provisions of the Code.

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EXHIBIT 3(i)

RESTATED CERTIFICATE OF INCORPORATION

OF

HOUSEHOLD INTERNATIONAL, INC.

(as amended September 20, 2001)

<PAGE>

HOUSEHOLD INTERNATIONAL, INC.

RESTATED CERTIFICATE OF INCORPORATION

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DATE	DESCRIPTION
9/4/81	Restated Certificate of Incorporation
7/25/84	Certificate of Change of Address of Registered Office and of Registered Agent
5/13/87	Certificate of Amendment (Article VII)
10/14/92	Certificate of Designation, Preferences and Rights of 8-1/4% Cumulative Preferred Stock, Series 1992-A
5/12/93	Certificate of Amendment (Article IV)
9/1/93	Certificate of Designation, Preferences and Rights of 7.35% Cumulative Preferred Stock, Series 1993-A
7/9/96	Certificate of Designations of Series A Junior Participating Preferred Stock
5/14/97	Certificate of Amendment (Article IV)
5/13/98	Certificate of Amendment (Article IV)
6/30/98	Certificate of Designation, Preferences and Rights of 5% Cumulative Preferred Stock
6/30/98	Certificate of Designation, Preferences and Rights of $4.50 Cumulative Preferred Stock
6/30/98	Certificate of Designation, Preferences and Rights of $4.30 Cumulative Preferred Stock
9/20/01	Certificate of Designation, Preferences and Rights of 7.50% Cumulative Preferred Stock, Series 2001-A

<PAGE>

RESTATED

CERTIFICATE OF INCORPORATION

OF

HOUSEHOLD INTERNATIONAL, INC

This Restated Certificate of Incorporation was duly adopted by the Board of Directors of Household International, Inc. in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Corporation's certificate of incorporation as heretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation. The original Certificate of Incorporation was filed with the Secretary of State of Delaware on February 20, 1981.

ARTICLE I

The name of the Corporation is Household International, Inc.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 100 West Tenth Street, Wilmington, Delaware 19899. The name of its registered agent at such address is The Corporation Trust Company, in the county of New Castle.

ARTICLE III

The Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

The total number of shares that may be issued by the Corporation is 75,655,004 of which 8,155,004 shares shall be Preferred Stock without par value and 67,500,000 shares shall be Common Stock of the par value of $1 per share.

The 8,155,004 shares of Preferred Stock may be issued from time to time in one or more series, which may have such designations, powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions (authorizing resolutions) providing for the issue of such shares adopted by the Board of Directors. Without otherwise limiting the generality of the foregoing provision, the Board of Directors is expressly authorized to provide, with respect to each such series, that:

a. the shares of such series shall be subject to redemption (including redemption through a sinking fund of analogous fund) at such time or times and at such price

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or prices as shall be stated in the authorizing resolutions;

b. the holders of the shares of such series shall be entitled to receive dividends at such rates, on such conditions and at such times, payable in preference, or in such relation, to the dividends payable on any other class or classes or of any other series of stock of the Corporation, and cumulative or non-cumulative, all as shall be stated in the authorizing resolutions;

c. the holders of the shares of such series shall be entitled to such rights upon the dissolution, or upon any distribution of the assets, of the Corporation as shall be stated in the authorizing resolutions;

d. the shares of such series shall be convertible into, or exchangeable for, shares of any other class or classes of stock, or of any series thereof, of the Corporation at such price or prices or at such rate or rates and with such adjustments, all as shall be stated in the authorizing resolutions;

e. the shares of such series shall have such voting powers, full or limited, or no voting powers, as shall be stated in the authorizing resolutions.

The following is a statement of the powers, preferences, and rights, and the qualifications, limitations or restrictions thereof, in respect of the Preferred Stock, except such thereof as the Board of Directors is herein authorized to provide for, and in respect of the Common Stock:

1. Except as otherwise provided in authorizing resolutions creating series of Preferred Stock, each share of Preferred Stock shall rank on a parity with each other share of Preferred Stock, regardless of series, in preference to the Common Stock, with respect to the payment of dividends at the respectively designated rates. No dividend shall be declared or paid on the shares of any particular series of Preferred Stock unless at the same time a dividend in like proportion to the respectively designated dividend rates shall be declared or paid on the shares of each other series of Preferred Stock then issued and outstanding ranking prior to or on a parity with such particular series with respect to the payment of dividends. Except as otherwise provided in the authorizing resolutions creating additional series of Preferred Stock, each share of Preferred Stock shall rank on a parity with each other share of Preferred Stock, regardless of series, in preference to the Common Stock, with respect to the distribution of assets according to the amounts to which the shares of the respective series are thereupon entitled.

2. The holders of shares of the Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any funds legally available for that purpose, dividends in cash at such respective rates, payable on such dates in each year and in respect of such dividend periods, all as stated in the authorizing resolutions, before any dividends shall be declared or paid or set apart for payment upon the Common Stock. Dividends on the shares of each series of the Preferred Stock shall be cumulative or non-cumulative and, if cumulative, shall be cumulative from such date, all as stated in the authorizing resolutions.

   At any time after all dividends shall have been paid, as above provided, on the

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Preferred Stock of all series then outstanding and after, or concurrently with, the declaration and setting aside of a sum for the payment of full dividends on the Preferred Stock of each series then outstanding for the then current dividend period established for such series, then but not prior thereto, such dividends (payable either in cash, stock, or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock out of any remaining assets legally available for the declaration of the dividends and the Preferred Stock shall not be entitled to participate in any such dividends whether payable in cash, stock, or otherwise. No Preferred Stock or Common Stock may be purchased by the Corporation if any Preferred Stock dividends are in arrears, and no Preferred Stock may be redeemed in such case unless all issued and outstanding shares of Preferred Stock are redeemed.

3. The whole or any part of the Preferred Stock, of any one or more series, redeemable pursuant to provisions stated in the respective authorizing resolutions, at the time outstanding, may, at the option of the Board of Directors, be redeemed, in accordance with such authorizing resolutions, at any time or from time to time, by the payment or by making provision for payment of such price or prices per share in the case of every such redemption as shall be stated in such authorizing resolutions, and, in every case, a sum equal to accrued and unpaid dividends, if any, with respect to each such share to be so redeemed, at the rate of the dividends fixed therefor, to the date fixed for redemption.

   In case of redemption of a part only of any series of the Preferred Stock at the time outstanding, such redemption shall be made by lot or pro rata in such manner as may be prescribed by resolution of the Board of Directors. The Board of Directors shall have full power and authority, subject to the limitations and provisions herein contained and stated in the respective authorizing resolutions, to prescribe the manner in which and the terms and conditions upon which Preferred Stock shall be redeemed from time to time.

   Notice of the Corporation's intention to redeem Preferred Stock, specifying the date of redemption, shall be published in newspapers of general circulation in New York, New York, and Chicago, Illinois, and shall be mailed not less than forty-five nor more than ninety days before the redemption date to the holders of record of such stock to be redeemed at their respective addresses as the same shall appear on the books of the Corporation, and, if less than all the shares owned by any such stockholder are then to be redeemed, the notice shall specify the number of shares thereof which are to redeemed.

   If notice shall be given as aforesaid and the funds necessary to redeem such stock shall have been set aside by the Corporation (other than by the trust deposit hereinafter provided for) separate and apart from its other funds for the benefit of the holders of the shares called for redemption, such stock shall be redeemed upon such date of redemption and shall cease to be outstanding; the right to receive dividends thereon shall cease to accrue from and after such date of

redemption and all rights of holders of the Preferred Stock so called for redemption shall forthwith on such redemption date cease and terminate except only the right of the

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holders thereof, upon presentation and surrender of their respective certificates representing said shares, to receive the redemption price therefor but without interest, and the right of conversion, if any.

Anything herein contained to the contrary notwithstanding, if notice shall be given as aforesaid and before the redemption date an amount sufficient to redeem the shares so called for redemption shall be deposited in trust to be applied to such redemption with a bank or with bankers authorized to conduct banking business or with a trust company, in the Borough of Manhattan, City of New York, or in the City of Chicago, having a combined capital and surplus of at least $5,000,000, then, from and after the date of such deposit, such shares shall be deemed to be redeemed and to cease to be outstanding, and all rights of the holders of the shares called for redemption, as stockholders of the Corporation, shall cease except (i) the right, upon presentation and surrender of their respective certificates representing said shares, to receive from such bank or bankers or trust company on or after such redemption date the moneys so deposited in trust, but without interest, and (ii) the right of conversion, if any. The Corporation shall be entitled to any interest payable on the funds so deposited. Any redemption funds unclaimed at the end of six years shall be repaid to the Corporation, after which holders of the redeemed shares shall look only to the Corporation for payment of the redemption price, but without interest thereon.

4. In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Corporation, the holders of the Preferred Stock shall be entitled to be paid or to have set apart for payment such sum or sums per share as shall be stated in the respective authorizing resolutions, together in each case with a sum equal to accrued and unpaid dividends, if any, at the rate of the dividends fixed therefor, to the date fixed for payment of such price or prices, before any distribution or payment shall be made to the holders of the Common Stock. No consolidation or merger of the Corporation with another corporation or corporations and no sale by the Corporation of its assets as an entirety or substantially as an entirety shall be deemed to be a liquidation, dissolution, or winding up on the Corporation within the meaning of this subdivision (4).

5. The Corporation shall not, without the consent (expressed either in writing or by affirmative vote at a meeting called for that purpose) of the holders of two-thirds of the then outstanding Preferred Stock of all series, other than series in respect of which the authorizing resolutions expressly provide that such consent shall not be required:

i. consolidate or merge with another corporation or corporations or sell it assets as an entirety or substantially as an entirety, provided, however, that the purchase for cash,

stock, or otherwise by the Corporation of all or any part of the assets, stock or other securities of another corporation or corporations shall not be deemed to be a consolidation or merger;

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ii. issue Preferred Stock of any series if there shall be cumulative dividends in arrears on outstanding Preferred Stock, irrespective of series;

iii. increase the authorized amount of the Preferred Stock, or create or issue any class of stock ranking prior to or on a parity with the Preferred Stock, or any series thereof, as to the payment of dividends or the distribution of assets;

iv. adopt any amendment to the Certificate of Incorporation of the Corporation which adversely alters any preference, power, or special right of the Preferred Stock, or of the holders thereof; provided, however, that if any such amendment would adversely alter any preference, power, or special right of one or more but not all of the series of the Preferred Stock or of the holders thereof, then the consent (expressed as above provided) only of the holders of two-thirds of the then outstanding shares of all series so affected, voting as a class, other than series in respect of which the authorizing resolutions expressly provide that such consent shall not be required, shall be required for the adoption of such amendment.

6. In the event that any four quarterly cumulative dividends, whether consecutive or not, upon the Preferred Stock, or any series thereof, shall be in arrears, the holders of Preferred Stock of all series, other than series in respect of which the right is expressly withheld by the authorizing resolutions, shall have the right, at the next meeting of stockholders called for the election of directors, to elect one-third of the members of the Board of Directors out of the number fixed by the by-laws, and the holders of such Preferred Stock shall continue to have such right until all unpaid dividends upon the Preferred Stock shall have been paid in full. In the event that any eight quarterly cumulative dividends, whether consecutive or not, upon the Preferred Stock, or any series thereof, shall be in arrears, the holders of Preferred Stock of all series, other than series in respect of which the right is expressly withheld by the authorizing resolutions, shall have the right, at the next meeting of stockholders called for the election of directors, to elect a majority of the members of the Board of Directors out of the numbers fixed by the by-laws, and the holders of such Preferred Stock shall continue to have such right until all unpaid dividends upon the Preferred Stock shall have been paid in full.

7. The holders of the Common Stock shall be entitled to vote at all meetings of the stockholders and, subject to the rights of holders of Preferred Stock to elect directors in accordance with the provisions of the foregoing subdivision (6), shall be entitled to one vote for each share of Common Stock held.

ARTICLE V

There is hereby created a series of Preferred Stock of the Corporation, such series to be within the class of Preferred Stock authorized by Article IV hereof; to be designated $6.25 Cumulative Convertible Voting Preferred Stock (the "$6.25 Preferred Stock"); to consist of 3,454,635 shares; to have the powers, preferences and rights and the qualifications, limitations and restrictions set

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forth in, and to be subject to all of the terms and provisions of, Article IV hereof (except to the extent that the same may be inconsistent with this Article V); and to have the following additional powers, preferences, rights, qualifications, limitations, restrictions, terms and provisions:

a. $6.25 per share is fixed as the amount per annum at which the holders of $6.25 Preferred Stock shall be entitled to receive dividends when and as declared by the Board of Directors, such dividends to be paid only from retained earnings of the Corporation; and such dividends shall be cumulative and shall accrue, whether or not earned or declared, from the Issue Date (as hereinafter defined), and shall be payable quarterly on the fifteenth day of January, April, July and October in each year to holders of record on the respective business days next preceding the first days of those months (and the quarterly dividend periods shall commence on the first days of those months); provided, however, that as to any shares of $6.25 Preferred Stock issued less than 60 days prior to a dividend payment date, the dividend that would otherwise by payable on such dividend payment date will be payable on the next succeeding dividend payment date; and provided, further, that no dividend shall be declared or paid if (i) the Corporation is insolvent or would be rendered insolvent by payment of such dividend or (ii) the payment of such dividend would impair the Corporation's capital (i.e., the fair market value of the remaining assets of the Corporation would be less than the sum of its liabilities and the liquidation value of any classes and series of its Preferred Stock ranking prior to or on a parity with the $6.25 Preferred Stock). The "Issue Date" shall mean the day on which occurs the merger of Wallace-Murray Corporation, a Delaware corporation, into Household Acquisition Corporation Second, a Delaware corporation, or other subsidiary of the Corporation. An "Anniversary Date" shall mean any anniversary date of the Issue Date.

b. The shares of $6.25 Preferred Stock shall be subject to redemption at the option of the Corporation at any time, and from time to time, in whole or in part, at the redemption price of $50 per share plus the amount of accrued and unpaid dividends, if any, thereon to the date fixed for redemption; provided, however, that no such optional redemption shall be made unless (i) the date fixed for redemption is on or after the fifth Anniversary Date, and (ii) at all times during the twelve-month period terminating on the date on which notice of such redemption is first given, the annualized rate of dividends in respect of the outstanding shares of Common Stock of the Corporation shall have equalled or exceeded the quotient obtained by dividing $6.25 by the conversion rate specified in

paragraph (d) hereof (as said conversion rate may have been adjusted pursuant to the provisions of said paragraph). As used herein, the term "annualized rate of dividends" shall mean, as of any particular time, the aggregate per share amount of regular cash dividends (excluding special and extraordinary dividends) paid on shares of the Common Stock of the Corporation generally, in respect of the most recently completed twelve-month period.

c. The amount to which shares of $6.25 Preferred Stock shall be entitled upon liquidation, dissolution, or winding up of the Corporation, whether voluntary or

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involuntary, shall be $50 per share, plus the amount of accrued and unpaid dividends, if any, thereon to the date fixed for payment, and no more.

d. The shares of $6.25 Preferred Stock shall be convertible at any time after issue at the option of the record holder thereof, in the manner hereinafter provided, into fully paid and nonassessable shares of Common Stock of the Corporation at the rate of 1.923 shares (adjusted to 2.327 shares as of close of business on April 7, 1989 and 4.654 shares as of close of business on October 15, 1993) of Common Stock for each share of $6.25 Preferred Stock; provided, however, that as to any shares of $6.25 Preferred Stock which shall have been called for redemption, the right of conversion shall terminate at the close of business on the fifth full business day prior to the date fixed for redemption. No payment or adjustment shall be made for dividends accrued on any shares of $6.25 Preferred Stock that shall be converted or for dividends on any shares of Common Stock that shall be issuable upon such conversion, but all dividends accrued and unpaid on such shares of $6.25 Preferred Stock up to the dividend payment date immediately preceding the date of conversion shall be payable to the converting shareholder, and no dividend shall be paid upon the shares of Common Stock until the same shall be paid or sufficient funds set apart for the payment thereof.

The conversion rate provided for above shall be subject to the following adjustments:

i. In case the Corporation shall declare and pay to the holders of the shares of Common Stock a dividend in shares of Common Stock, the conversion rate in effect immediately prior to the time fixed for the determination of shareholders entitled to such dividend shall be proportionately increased (adjusted to the nearest, or if there shall be no nearest then to the next lower, one-thousandth of a share of Common Stock), such adjustment to become effective immediately after the time fixed for such determination.

ii. In case the Corporation shall subdivide the outstanding shares of Common Stock into a greater number of shares of Common Stock or combine the outstanding shares of Common Stock into a smaller number of shares of Common Stock, the

conversion rate in effective immediately prior to such subdivision or combination, as the case may be, shall be proportionately increased or decreased (adjusted to the nearest, or if there shall be no nearest then to the next lower, one-thousandth of a share of Common Stock), as the case may require, such increase or decrease, as the case may be, to become effective when such subdivision or combination becomes effective.

iii. In case of any reclassification or change of outstanding shares of Common Stock of the class issuable upon conversion of the shares of $6.25 Preferred Stock, or in case of any consolidation of merger of the Corporation with or into another corporation, or in case of any sale or conveyance to another corporation of all or substantially all of the property of the Corporation, the holder of each share of $6.25 Preferred Stock then outstanding shall have the right thereafter, so long as his

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conversion right hereunder shall exist, to convert such share into the kind and amount of shares of stock and other securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock of the Corporation into which such shares of $6.25 Preferred Stock might have been converted immediately prior to such reclassification, change, consolidation, merger, sale or conveyance, and shall have no other conversion rights under these provisions; provided, however, that effective provision shall be made, in the Articles or Certificate of Incorporation of the resulting, surviving, or successor corporation or otherwise, so that the provisions set forth herein for the protection of the conversion rights of the shares of $6.25 Preferred Stock shall thereafter be applicable, as nearly as reasonably may be, to any such other shares of stock and other securities and property deliverable upon conversion of the shares of $6.25 Preferred Stock remaining outstanding or other convertible preferred shares received by the holders in place thereof; and provided, further, that any such resulting, surviving, or successor corporation shall expressly assume the obligation to deliver, upon the exercise of the conversion privilege, such shares, securities, or property as the holders of the shares of $6.25 Preferred Stock remaining outstanding, or other convertible preferred shares received by the holders in place thereof, shall be entitled to receive pursuant to the provisions hereof, and to make provision for the protection of the conversion right as above provided. In case securities or property other than shares of Common Stock shall be issuable or deliverable upon conversion as aforesaid, then all references in this paragraph shall be deemed to apply, so far as appropriate and as nearly as may be, to such other securities or property. The subdivision or combination of shares of Common Stock at any time outstanding into a greater or lesser number of shares of

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Common Stock (whether with or without par value) shall not be deemed to be a reclassification of the Common Stock of the Corporation for the purposes of this subparagraph (iii).

iv. Unless the holders of shares of the $6.25 Preferred Stock shall be issued subscription rights or warrants on a reasonably equivalent basis, in case the Corporation shall issue to the holders of shares of any class of its capital stock subscription rights or warrants entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Average Market Price (as hereinafter defined) at the time fixed for determination of shareholders entitled to such subscription rights or warrants, the conversion rate in effect immediately prior to the time of said determination shall be increased (adjusted to the nearest, or if there shall be no nearest then to the next lower, one-thousandth of a share of Common Stock) by multiplying said rate by a fraction of which the numerator shall be the sum of the number of shares of Common Stock outstanding at the time of such determination and the number of additional shares of Common Stock so offered for subscription or purchase, and of which the denominator shall be the sum of the number of shares of

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Common Stock outstanding at the time of such determination and the number of shares of Common Stock which the aggregate subscription price of the total number of shares so offered would purchase at the Average Market Price, such adjustment to become effective immediately after the time fixed for such determination; provided, however, that if such subscription rights or warrants shall have a term not exceeding 45 days and if any such subscription rights or warrants expire unexercised, then the conversion rate will be readjusted, effective immediately after the expiration of such term, to the conversion rate which would have obtained if such unexercised subscription rights or warrants had not been issued.

For the purposes of any computation under this subparagraph (iv) or subparagraph (v), the "Average Market Price" per share of Common Stock for any time shall be the average of the daily closing prices for the 30 consecutive business days commencing 45 business days before the time in question. The closing price for each day shall be the last sales price regular way or, in case no such sale takes place on such day, the average of the closing bid and asked prices regular way, in either case as recorded on the New York Stock Exchange (or, if the Common Stock is not regularly traded on the New York Stock Exchange, on the principal market or system on which trades in the Common Stock are recorded).

v. Unless the holders of shares of the $6.25 Preferred Stock shall be distributed evidences of indebtedness or other assets on a reasonably equivalent basis, in case the Corporation shall distribute to the holders of the shares

of Common Stock evidences of indebtedness of the Corporation or other assets of the Corporation (other than cash dividends to the extent paid from retained earnings, dividends in shares of Common Stock or subscription rights or warrants entitling them to subscribe for or purchase shares of Common Stock, but including securities convertible into capital stock of the Corporation), the conversion rate in effect immediately prior to the time fixed for determination of shareholders entitled to such distribution shall be increased (adjusted to the nearest, or if there shall be no nearest then to the next lower, one-thousandth of a share of Common Stock) by multiplying said rate by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the time of such determination and, and of which the denominator shall be the difference between the number of shares of Common Stock outstanding at the time of such determination and a number of shares of Common Stock having an aggregate Average Market Price at the time of such determination equal to the fair value (as determined by the Board of Directors of the Corporation in good faith) of the evidences of indebtedness or other assets so distributed, such adjustment to become effective immediately after the time fixed for such determination.

Except as provided in the foregoing subparagraphs (i) through (v), there shall be no adjustments to the conversion rate set forth above.

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In order to convert shares of $6.25 Preferred Stock into shares of Common Stock, the holder thereof shall surrender the certificate or certificates for shares of $6.25 Preferred Stock, duly endorsed to the Corporation or in blank, at the office of any Transfer Agent for the shares of $6.25 Preferred Stock (or such other place as may be designated by the Corporation), and shall give written notice to the Corporation at said office that he elects to convert the same and shall state in writing therein the name or names in which he wishes the certificate or certificates for shares of Common Stock to be issued. The Corporation shall, as soon as practicable thereafter, deliver at said office to such holder of shares of $6.25 Preferred Stock or to his nominee or nominees, a certificate or certificates for the number of full shares of Common Stock to which he shall be entitled as aforesaid and shall make appropriate payment in cash for any fractional shares. Shares of $6.25 Preferred Stock shall be deemed to have been converted as of the date of the surrender of such shares for conversion as provided above, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

No fractions of shares of Common Stock shall be issued upon conversion, but in lieu thereof the Corporation shall adjust such fractional interest by payment to the holders of an amount in cash equal (computed to the nearest cent) to the same fraction of the closing price (as defined in subparagraph (iv) above) on the business day immediately preceding such conversion.

A number of authorized shares of Common Stock sufficient to provide for the conversion of the shares of $6.25 Preferred Stock outstanding upon the bases hereinbefore provided shall at all times be reserved for such conversion.

a. There shall be a sinking fund (the "Sinking Fund") for the benefit of the shares of $6.25 Preferred Stock. For the purposes of the Sinking Fund, out of any net assets of the Corporation legally available therefor (but only from retained earnings and subject to the provisions of the last sentence of paragraph (2) of Article IV of the Certificate of Incorporation), before any dividends, in cash or property, shall be paid or declared, or any distribution ordered or made on the Common Stock of the Corporation, and before any shares of Common Stock of the Corporation shall be purchased, redeemed, or otherwise acquired for value by the Corporation or any subsidiary, the Corporation shall have paid or set aside in cash annually on the day prior to each Anniversary Date commencing with the tenth Anniversary Date, so long as there shall be outstanding any shares of $6.25 Preferred Stock, an amount sufficient to redeem, on the day prior to each such Anniversary Date prior to the thirtieth, 4% of the number of shares of $6.25 Preferred Stock issued on the Issue Date (or such lesser number as remains outstanding) and, on the day prior to the thirtieth Anniversary Date, all such shares of $6.25 Preferred Stock as remain outstanding, at a price of $50 per share plus the amount of accrued and unpaid dividends, if any, thereon to the date so fixed for redemption; provided, however, that there shall be allowed to the Corporation as a credit thereagainst any shares of $6.25 Preferred Stock which the Corporation may have acquired (as a result of the conversion of such shares or otherwise, which it may have redeemed pursuant to paragraph (b) hereof, or which it may have redeemed pursuant to this paragraph (e) (otherwise than through the operation of the Sinking Fund), which have not theretofore been used for the purpose of any such credit or any credit against a

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redemption of $6.25 Preferred Stock at the Corporation's election as hereinafter in this paragraph (e) provided for and which shares shall have been set aside by the Corporation for the purpose of the Sinking Fund; and provided, further, that no monies shall be paid or set aside for the Sinking Fund if at the day prior to any such Anniversary Date the Corporation is in arrears in respect of a sinking fund obligation under any other series of Preferred Stock ranking prior to or on a parity with the %6.25 Preferred Stock except to the extent that, in the case of any series ranking on a parity with the $6.25 Preferred Stock, provision is made for the payment or setting aside of monies for the Sinking Fund and for the sinking funds of such other series in proportion to the respective aggregate amounts then required to be paid or set aside therefor; and provided, further, that no monies shall be paid or set aside for the Sinking Funk if (i) the Corporation is insolvent or would be rendered insolvent by the payment of setting aside of such monies or (ii) the payment or setting aside of such monies would impair the Corporation's capital (i.e., the fair market value of the remaining assets of the Corporation would be less than the sum of its liabilities and the liquidation value of classes and series of its Preferred Stock ranking prior to or on a parity with the $6.25 Preferred Stock). The Sinking Fund shall be cumulative so that if on the day prior to any such Anniversary Date, the net assets of the Corporation legally available

therefor or the retained earnings of the Corporation shall be insufficient to permit any such amount be paid or set aside in full, or if for any other reason such amount shall not have been paid or set aside, but without interest, before any dividend, in cash or property, shall be paid or declared, or any other distribution ordered or made, on the Common Stock of the Corporation, and before any shares of Common Stock of the Corporation shall be purchased, redeemed or otherwise acquired for value by the Corporation or by any subsidiary of the Corporation. The Corporation may elect to redeem, on any Sinking Fund redemption date, up to an additional 4% of the number of shares of $6.25 Preferred Stock issued on the Issue Date, at a price of $50 per share plus the amount of accrued and unpaid dividends, if any, thereon to the date fixed for redemption; provided, however, that there shall be allowed to the Corporation as a credit thereagainst any shares of $6.25 Preferred Stock which the Corporation may have acquired or redeemed otherwise than pursuant to paragraph (b) above and this paragraph (e) which have not theretofore been used for the purpose of any such credit or for the purpose of any credit against a redemption of $6.25 Preferred Stock pursuant to the Sinking Fund. Such optional right shall not be cumulative and, if unexercised in a particular year, may not be carried forward to subsequent years.

b. The holders of $6.25 Preferred Stock shall be entitled to vote at all meetings of the stockholders, and at each such meeting shall be entitled to one vote for each share held.

c. To the extent that the Board of Directors is authorized to fix the designations, powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, in respect of additional series of Preferred Stock, none of the preferences or rights of any such additional series as fixed by the Board of Directors shall be prior or superior in any respect to those

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of the $6.25 Preferred Stock. Without limiting the rights conferred by paragraph (5) of Article IV of the Certificate of Incorporation of the Corporation, the Corporation shall not, without the consent of the holders of two-thirds of the then outstanding shares of $6.25 Preferred Stock, adopt any amendment to the Certificate of Incorporation of the Corporation or take other action, whether by the Board of Directors or stockholders, which adversely alters the preferences, powers and special rights conferred by the provisions of paragraphs (b), d(iv), d(v) or (e) hereof.

ARTICLE VI

In furtherance, and not in limitation, of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized:

1. To make, alter, amend and rescind the by-laws of the Corporation.

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2. To determine from time to time, whether and to what extent, and at what times and places, and under what conditions and regulations the accounts and books of the Corporation (other than the stock ledger) or any of them shall be open to inspection of the stockholders; and no stockholder shall have any right to inspect any account, book or document of the Corporation, except as conferred by statute, unless authorized by a resolution of the stockholders then entitled to vote thereon or the Board of Directors.

IN WITNESS WHEREOF, said Household International, Inc. has caused its corporate seal to be hereunto affixed and this certificate to by signed by D. C. Clark, its President, and attested by J. D. Pinkerton, its Secretary, this 4/th/ day of September, 1981.

Household International, Inc.

By: /s/ D. C. Clark

D. C. Clark
President

[SEAL]

Attest:
By: /s/ J. D. Pinkerton

Secretary

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CERTIFICATE OF CHANGE OF ADDRESS OF

REGISTERED OFFICE AND OF REGISTERED AGENT

PURSUANT TO SECTION 134 OF TITLE 8 OF THE DELAWARE CODE

To: DEPARTMENT OF STATE

Division of Corporations
Townsend Building
Federal Street
Dover, Delaware 19903

Pursuant to the provisions of Section 134 of Title 8 of the Delaware Code, the undersigned Agent for service of process, in order to change the address of the registered office of the corporations for which it is registered agent, hereby certifies that:

1. The name of the agent is: The Corporate Trust Company

2. The address of the old registered office was:

100 West Tenth Street

Wilmington, Delaware 19801

3. The address to which the registered office is to be changed is:

Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801

The new address will be effective on July 30, 1984.

4. The names of the corporation represented by said agent are set forth on the list annexed to this certificate and made a part hereof by reference.

IN WITNESS WHEREOF, said agent has caused this certificate to be signed on its behalf by its Vice-President and Assistant Secretary this 25/th/ day of July, 1984.

THE CORPORATION TRUST COMPANY

(Name of Registered Agent)

By: Virginia Colwell (Vice-President)

Attest:

Mick Nurman (Assistant Secretary)

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STATE OF DELAWARE - DIVISION OF CORPORATIONS

CHANGE OF ADDRESS FILING FOR

CORPORATION TRUST AS OF JULY 27, 1984

DOMESTIC

0908612 HOUSEHOLD INTERNATIONAL, INC. 02/21/1981 D DE

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HOUSEHOLD INTERNATIONAL, INC.

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

Household International, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: That the Restated Certificate of Incorporation, as heretofore amended, of said Corporation has been further amended by inserting the following as Article VII:

ARTICLE VII

1. Elimination of Certain Liability of Directors. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law or successor provision, or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or amendment to this Section shall not adversely affect any right or protection of a director of the Corporation for any act or occurrence taking place prior to such repeal or amendment.

2. Indemnification and Insurance.

a. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative, or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director, officer, or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to employee benefit plans, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability,

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and loss (including attorneys' fees, judgments, fines, ERISA excise taxes, or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in paragraph (b) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a

proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition upon delivery to the Corporation of an undertaking to repay all amounts so advanced if it shall ultimately be determined that such person is not entitled to be indemnified under this Section or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to agents of the Corporation with the same scope and effect as the foregoing indemnification of directors, officers, and employees.

b. If a claim under paragraph (a) of this Section is not paid in full by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law and paragraph (a) of this Section for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

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c. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, bylaw, agreement, contract, vote of stockholders or disinterested directors, or otherwise.

d. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Section, the Delaware General Corporation Law, or otherwise.

SECOND: That the aforesaid amendment of the Restated Certificate of Incorporation of said Corporation, set forth in Paragraph FIRST hereinabove, has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused its corporate seal to be hereunto affixed and this certificate to be signed by D. C. Clark, its Chairman of the Board and Chief Executive Officer, and J. D. Pinkerton, its Senior Vice President - Administration and Secretary, this 13/th/ day of May, 1987.

HOUSEHOLD INTERNATIONAL, INC.

[SEAL]

By: /s/ D. C. Clark

Chairman of the Board and Chief Executive Officer

Attest:

/s/ J. D. Pinkerton

Senior Vice President - Administration and Secretary

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CERTIFICATE OF HOUSEHOLD INTERNATIONAL, INC

UNDER SECTION 151(g) OF THE GENERAL

CORPORATION LAW OF THE STATE OF DELAWARE

Household International, Inc., a Delaware corporation (hereinafter referred to as the "Corporation"), does hereby certify that:

1. the Corporation's 9-1/2% Cumulative Preferred Stock, Series 1991-A (the "Preferred Stock") has been redeemed in its entirety and that no shares of the Preferred Stock are outstanding as of the date hereof.

2. the following resolution has been duly adopted by the Corporation's Board of Directors:

"RESOLVED, that the officers of the Corporation are duly authorized to file a certificate with the Secretary of State of Delaware eliminating from the Corporation's Certificate of Incorporation all matters set forth in each Certificate of Designation, Preferences and Rights for the Preferred Stock and as permitted by the Certificate of Designation, Preferences and Rights for the Preferred Stock, such shares of Preferred Stock redeemed shall resume the status of authorized and unissued shares of the Corporation's preferred stock."

Upon the effective date of the filing of this Certificate, it shall eliminate from the Corporation's Certificate of Incorporation all matters set forth in the Certificate of Designation, Preferences and Rights with respect to the Corporation's 9-1/2% Cumulative Preferred Stock, Series 1991-A, and all of such shares of 9-1/2% Cumulative Preferred Stock, Series 1991-A, shall resume the status of authorized and unissued shares of the Corporation's class of Preferred Stock.

IN WITNESS WHEREOF, said Household International, Inc., has caused its corporate seal to be hereunto affixed and this Certificate to be signed by Paul R. Shay, its Secretary, and attested by Susan E. Casey, its Assistant Secretary, this 14/th/ day of March, 1997.

HOUSEHOLD INTERNATIONAL, INC.

By: /s/ P. R. Shay

Secretary

Attest:

By: /s/ S. E. Casey

Assistant Secretary

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HOUSEHOLD INTERNATIONAL, INC.

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

8-1/4% Cumulative Preferred Stock, Series 1992-A

(Without Par Value)

HOUSEHOLD INTERNATIONAL, INC., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that the following resolutions were duly adopted by the Board of Directors of the Corporation and by the Preferred Stock Committee of the Board of Directors, pursuant to authority conferred upon the Board of Directors by the provisions of the Restated Certificate of Incorporation, as amended, of the Corporation, and pursuant to authority conferred upon the Preferred Stock Committee by the

resolutions of the Board of Directors set forth herein and in accordance with Section 141(c) of the General Corporation Law of the State of Delaware.

1. The Board of Directors has adopted the following resolutions designating a Preferred Stock Committee of the Board of Directors and authorizing the Preferred Stock Committee to act on behalf of the Board of Directors (within certain limitations) in connection with the designation, issuance and sale of shares in one or more series of Preferred Stock of the Corporation.

> "RESOLVED, that a Preferred Stock Committee of the Board of Directors is hereby designated which shall have and may exercise, to the fullest extent permitted by law, the full power and authority of the Board of Directors with respect to the issuance and sale of one or more new series of the Corporation's Preferred Stock without par value (each such series herein referred to as the "New Preferred Stock"), including, without limitation, establishing the purchase price therefor, and fixing the designations and any of the preferences, powers, rights (other than voting powers or voting rights which shall be fixed by the Board of Directors) and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, of such shares of each series of New Preferred Stock, and fixing the number of shares of each series of New Preferred Stock.
>
> "FURTHER RESOLVED, that the Preferred Stock Committee is authorized to take such additional actions and adopt such additional resolutions as it deems necessary or appropriate for the purpose of authorizing and implementing the issuance, offer, and sale for cash of New Preferred Stock, including, without limiting the generality of the foregoing, the authorization and execution of agreements (including underwriting agreements) relating to the offer and sale of New Preferred Stock, authorization and approval of listing applications (including amendments or supplements thereto) for the listing of such New Preferred Stock on a stock exchange, approval of forms of stock certificates and authorization of issuance of New Preferred Stock in uncertificated form,

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> any actions which may be necessary to qualify the offering and sale of New Preferred Stock under Blue Sky Laws of the various states, any necessary filings with the Secretary of State of Delaware and other jurisdictions, and the appointment of a transfer agent.
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> "FURTHER RESOLVED, that notwithstanding the foregoing resolutions, the Preferred Stock Committee may not authorize the sale of New Preferred Stock for more than $150 million cash consideration in the aggregate, and the power and authority of the Preferred Stock Committee set forth in the preceding resolutions shall expire on December 31, 1994, unless extended by further action of the Board of Directors of the Corporation.
>
> "FURTHER RESOLVED, that the members of the Preferred Stock Committee shall be D. C. Clark, E. P. Hoffman, and G. P. Osler. In the absence of Mr. Osler, A. E. Rasmussen is designated as an alternate member of the Preferred Stock Committee to serve in his place."

2. The Board of Directors has adopted the following resolution pertaining to the voting rights for series of Preferred Stock authorized for issuance by the

Preferred Stock Committee of the Board of Directors.

"RESOLVED, that holders of each series of the Corporation's New Preferred Stock which is authorized by the Preferred Stock Committee of the Board of Directors shall have no voting rights, and their consent shall not be required for taking any corporate action, except as otherwise set forth herein, or as otherwise required by law, and except as otherwise provided by the Board of Directors with respect to any particular series of New Preferred Stock.

The consent of the holders of the New Preferred Stock with respect to the matters set forth in sub-sections (i) and (iii) of paragraph (5) of Article IV of the Corporation's Restated Certificate of Incorporation ("Paragraph (5)") shall not be required, except with respect to the creation or issuance of any class of stock ranking prior to or on a parity with the New Preferred Stock, or any series thereof, as to the payment of dividends or the distribution of assets; but the other provisions of Paragraph (5) shall be applicable to the New Preferred Stock. The holders of the New Preferred Stock shall have no right to elect directors pursuant to paragraph (6) of Article IV of the Corporation's Restated Certificate of Incorporation ("Paragraph (6)"), such right hereby being expressly withheld.

In the event that any six quarterly cumulative dividends, whether consecutive or not, upon the New Preferred Stock shall be in arrears, the holders of the New Preferred Stock shall have the right, voting separately as a class with holders of shares of any one or more other series of Preferred Stock of the Corporation ranking on a parity with the New Preferred Stock either as to payment of dividends or the distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and upon which like voting rights have been conferred and are then exercisable, at the next meeting of stockholders called for the election of directors, to elect two members of the Board of Directors. The right of such holders of such shares of the New Preferred Stock, voting separately as a class, to elect (together with the holders of shares of any one or more other

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series of Preferred Stock of the Corporation ranking on such a parity) members of the Board of Directors of the Corporation as aforesaid shall continue until such time as all dividends accumulated on such shares of the New Preferred Stock shall have been paid in full, at which time such right shall terminate, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent failure to pay dividends of the character above mentioned.

Upon any termination of the right of the holders of the New Preferred Stock as a class to elect directors as herein provided, the term of office of all directors so elected shall terminate immediately. If the office of any director elected by such holders voting as a class becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, the remaining director elected by such holders voting as a class may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred. Whenever the term of office of the directors elected by such holders voting as a class shall end and the

special voting powers vested in such holders as provided in this resolution shall have expired, the number of directors shall thereupon be such number as may be provided for in the Corporation's Bylaws irrespective of any increase made pursuant to the provisions of this resolution.

Until all unpaid dividends on the New Preferred Stock shall have been paid in full, and in order to permit the holders of the Corporation's $6.25 Cumulative Convertible Voting Preferred Stock, and any other series of Preferred Stock issued by the Corporation having the voting rights set forth in Paragraph (6) to exercise fully the right to elect directors as granted by and provided in Paragraph (6), the number of directors constituting the whole Board of Directors of the Corporation shall not be less than seven. If, upon any such arrearage in dividends, the number of directors constituting the whole Board of Directors shall be less than seven, the size of the Board of Directors shall, immediately prior to the next meeting of stockholders called for the election of directors, automatically be increased by such number as shall be necessary to cause the number of directors constituting the whole Board of Directors to be no less than seven.

To the extent that the Board of Directors is authorized to fix the designations, powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof in respect of additional series of Preferred Stock, none of the preferences or rights of any such additional series as fixed by the Board of Directors shall rank prior to the New Preferred Stock as to payment of dividends or the distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, without consent of the holders of two-thirds of the outstanding shares of such series of New Preferred Stock voting as a class.

The foregoing voting provisions shall not apply to any series of New Preferred Stock if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of such series of New Preferred Stock shall have been redeemed or sufficient funds shall have been deposited in trust to effect such redemption.

On any item in which the holders of New Preferred Stock are entitled to vote, such holders shall be entitled to one vote for each share held."

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3. The Preferred Stock Committee of the Board of Directors has adopted the following resolution pursuant to authority conferred upon the Preferred Stock Committee of the Board of Directors by the resolution of the Board of Directors set forth in paragraph 1 above of this Certificate of Designation, Preferences and Rights:

"RESOLVED, that the issue of a series of Preferred Stock without par value of the Corporation is hereby authorized and the designation, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation, as amended, of the Corporation, are hereby fixed as follows:

8-1/4% Cumulative Preferred Stock, Series 1992-A

(1) Number of Shares and Designation. 50,000 shares of Preferred Stock without par value of the Corporation are hereby constituted as a series of Preferred Stock without par value and designated as 8-1/4% Cumulative Preferred Stock, Series 1992-A (hereinafter called the "8-1/4% Preferred Stock").

(2) Dividends. The holders of shares of the 8-1/4% Preferred Stock shall be entitled to receive cash dividends, when and as declared by the Board of Directors of the Corporation, out of assets legally available for such purpose, at the rate determined as provided below. Such dividends shall be cumulative from the date of original issue of such shares and shall be payable quarterly in arrears, when and as declared by the Board of Directors of the Corporation, on the fifteenth day of January, April, July and October in each year to holders of record on the respective business days next preceding the first days of those months (and the quarterly dividend periods shall commence on the first days of those months).

Dividends on the 8-1/4% Preferred Stock for quarterly dividend periods will be payable at the rate of 8-1/4% per annum from the date of original issue applied to the amount of $1,000 per share of 8-1/4% Preferred Stock. The amount of dividends payable on each share of 8-1/4% Preferred Stock for each full quarterly dividend period shall be computed by dividing the dividend rate by four and applying the dividend rate to the amount of $1,000 per share. The amount of dividends payable for any dividend period shorter or longer than a full quarterly dividend period shall be computed on the basis of 30-day months, a 360-day year and the actual number of days elapsed in the period.

(3) Liquidation Preference. The amount to which shares of 8-1/4% Preferred Stock shall be entitled upon liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, shall be $1,000 per share, plus an amount equal to all accrued and unpaid dividends, if any, thereon to the date fixed for payment, and no more.

(4) Redemption. The shares of 8-1/4% Preferred Stock shall be subject to redemption in whole or in part at the option of the Corporation on or after October 15, 2002, at $1,000 per share, plus an amount equal to all accrued and unpaid dividends, if any, thereon to the date fixed for redemption, and no more.

(5) Shares to be Retired. All shares of 8-1/4% Preferred Stock purchased or redeemed by the Corporation shall be retired and cancelled and shall be restored to the status of

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authorized but unissued shares of the class of Preferred Stock without par value, without designation as to series, and may thereafter be issued, but not as shares of 8-1/4% Preferred Stock.

(6) Conversion or Exchange. The holders of shares of 8-1/4% Preferred Stock shall not have any rights herein to convert such shares into or exchange such shares for shares of any other series of any class or classes of capital stock (or any other security) of the Corporation.

(7) Ranking. The 8-1/4% Preferred Stock shall rank on a parity with the Corporation's $6.25 Cumulative Convertible Voting Preferred Stock, 9-1/2% Cumulative Preferred Stock, Series 1989-A, Flexible Rate Auction Preferred Stock, Series A, Flexible Rate Auction Preferred Stock, Series B, 11-1/4% Enhanced Rate Cumulative Preferred Stock and 9-1/2% Cumulative Preferred Stock, Series 1991-A as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and shall rank prior to the Corporation's Common Stock and Series A Junior Participating Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and prior to any other series of stock authorized to be issued by the Corporation which ranks junior to the $6.25 Cumulative Convertible Voting Preferred Stock, 9-1/2% Cumulative Preferred Stock, Series 1989-A, Flexible Rate Auction Preferred Stock, Series A, Flexible Rate Auction Preferred Stock, Series B, 11-1/4% Enhanced Rate Cumulative Preferred Stock and 9-1/2% Cumulative Preferred Stock, Series 1991-A as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary."

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation, Preferences and Rights to be signed by J. Richard Hull, Senior Vice President-Secretary of the Corporation, and attested by John W. Blenke, Assistant Secretary, this 14/th/ day of October, 1992.

HOUSEHOLD INTERNATIONAL, INC.

By: /s/ J. Richard Hull

Senior Vice President-Secretary

Attest:

/s/ John W. Blenke

Assistant Secretary

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HOUSEHOLD INTERNATIONAL, INC.

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

Household International, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: That the Restated Certificate of Incorporation, as heretofore amended, of said Corporation has been further amended by deleting, in its entirety, the first paragraph of Article IV thereof and inserting the following as the new

first paragraph of Article IV:

> The total number of shares that may be issued by the Corporation is 158,155,004 of which 8,155,004 shares shall be Preferred Stock without par value and 150,000,000 shares shall be Common Stock of the par value of $1 per share.

SECOND: That the aforesaid amendment of the Restated Certificate of Incorporation of said Corporation, set forth in Paragraph FIRST herein above, has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused its corporate seal to be hereunto affixed and this certificate to be signed by D. C. Clark, its Chairman of the Board and Chief Executive Officer and J. W. Blenke, Assistant General Counsel and Assistant Secretary, this 12/th/ day of May, 1993.

HOUSEHOLD INTERNATIONAL, INC.

[SEAL]

By: /s/ D. C. Clark

Chairman of the Board and
Chief Executive Officer

Attest:

/s/ J. W. Blenke

Assistant General Counsel and
Assistant Secretary

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HOUSEHOLD INTERNATIONAL, INC.

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

7.35% Cumulative Preferred Stock, Series 1993-A

(Without Par Value)

HOUSEHOLD INTERNATIONAL, INC., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that the following resolutions were duly adopted by the Board of Directors of the Corporation and by the Offering Committee of the Board of Directors, pursuant to authority conferred upon the Board of Directors by the provisions of the Restated Certificate of Incorporation, as amended, of the Corporation, and pursuant to authority conferred upon the Offering Committee by the resolutions of the Board of Directors set forth herein and in accordance with Section 141(c)

of the General Corporation Law of the State of Delaware.

1. The Board of Directors on May 12, 1993 has adopted the following resolutions designating an Offering Committee of the Board of Directors and authorizing the Offering Committee to act on behalf of the Board of Directors (within certain limitations) in connection with the designation, issuance and sale of shares in one or more series of Preferred Stock, without par value, of the Corporation:

"FURTHER RESOLVED, that an Offering Committee of the Board of Directors is hereby designated which shall have and may exercise, to the fullest extent permitted by law, the full power and authority of the Board of Directors with respect to the issuance and sale of (i) the Common Stock, (ii) the Debt Securities or (iii) one ore more new series of the Corporation's Preferred Stock, including, without limitation, establishing the purchase price therefore, and fixing the designations and any of the preferences, powers, rights (other than voting powers or voting rights which shall be fixed by the Board of Directors) and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, of such shares of each series of Preferred Stock; and

"FURTHER RESOLVED, that notwithstanding the foregoing resolutions, the power and authority of the Offering Committee set forth in the preceding resolution shall expire on June 30, 1995, unless extended by further action of the Board of Directors of the Corporation; and

"FURTHER RESOLVED, that the members of the Offering Committee shall be D. C. Clark, A. E. Rasmussen and G. P. Osler. In the absence of any of the named directors, any current director of the Corporation is designated as an alternate member of the Offering Committee to serve in such named director's place; and

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"FURTHER RESOLVED, that the Offering Committee is authorized to take such additional actions and adopt such additional resolutions as it deems necessary or appropriate for the purpose of authorizing and implementing the issuance, offer, and sale for cash of Preferred Stock, including, without limiting the generality of the foregoing, the authorization and execution of agreements (including underwriting agreements) relating to the offer and sale of Preferred Stock, approval of forms of stock certificates and authorization of issuance of Preferred Stock in uncertificated form, any actions which may be necessary to qualify the offering and sale of Preferred Stock under Blue Sky Laws of the various states, any necessary filings with the Secretary of State of Delaware and other jurisdictions, and the appointment of a transfer agent; and

"FURTHER RESOLVED, that the Offering Committee is hereby empowered, in connection with the issuance and sale of any new series of the Corporation's Preferred Stock, to authorize the issuance and sale of depositary shares and depositary receipts for such depositary shares with respect to any such series of Preferred Stock, and to authorize the appointment of a depositary, registrar, and transfer agent for such depositary shares and depositary receipts, the execution of a depositary agreement, and any additional agreements or actions in connection therewith as the Offering Committee deems necessary or appropriate."

2. The Board of Directors, on May 12, 1993, has adopted the following resolution pertaining to the voting rights for series of Preferred Stock, without par value, authorized for issuance by the Offering Committee of the Board of Directors:

"FURTHER RESOLVED, that holders of each series of the Corporation's Preferred Stock which is authorized by the Offering Committee of the Board of Directors shall have no voting rights, and their consent shall not be required for taking any corporate action, except as otherwise set forth herein or as otherwise required by law, and except as otherwise provided by the Board of Directors with respect to any particular series of Preferred Stock:

The consent of the holders of the Preferred Stock with respect to the matters set forth in sub-sections (i) and (iii) of paragraph (5) of Article IV of the Corporation's Restated Certificate of Incorporation ("Paragraph (5)") shall not be required, except with respect to the creation or issuance of any class of stock ranking prior to or on a parity with the Preferred Stock, or any series thereof, as to the payment of dividends or the distribution of assets; but the other provisions of Paragraph (5) shall be applicable to the Preferred Stock. The holders of the Preferred Stock shall have no right to elect directors pursuant to paragraph (6) of Article IV of the Corporation's Restated Certificate of Incorporation ("Paragraph (6)"), such right hereby being expressly withheld.

In the event that any six quarterly cumulative dividends, whether consecutive or not, upon the Preferred Stock shall be in arrears, the holders of the Preferred Stock shall have the right, voting separately as a class with holders of shares of any one or more other series of preferred stock of the Corporation ranking on a parity with the Preferred Stock either as to payment of dividends or the distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and upon which like voting rights have been conferred and are then exercisable, at the next meeting of stockholders

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called for the election of directors, to elect two members of the Board of Directors. The right of such holders of such shares of the Preferred Stock, voting separately as a class, to elect (together with the holders of shares of any one or more other series of preferred stock of the Corporation ranking on such a parity) members of the Board of Directors of the Corporation as aforesaid shall continue until such time as all dividends accumulated on such shares of the Preferred Stock shall have been paid in full, at which time such right shall terminate, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent failure to pay dividends of the character above mentioned.

Upon any termination of the right of the holders of the Preferred Stock as a class to elect directors as herein provided, the term of office of all directors so elected shall terminate immediately. If the office of any director elected by such holders voting as a class becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, the remaining director elected by such holders voting as a class may choose a successor who shall hold office for the unexpired term in respect of

which such vacancy occurred. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this resolution shall have expired, the number of directors shall thereupon be such number as may be provided for in the Corporation's Bylaws irrespective of any increase made pursuant to the provisions of this resolution.

Until all unpaid dividends on the Preferred Stock shall have been paid in full, and in order to permit the holders of the Corporation's $6.25 Cumulative Convertible Voting Preferred Stock, and any other series of preferred stock issued by the Corporation having the voting rights set forth in Paragraph (6) to exercise fully the right to elect directors as granted by and provided in Paragraph (6), the number of directors constituting the whole Board of Directors of the Corporation shall not be less than seven. If, upon any such arrearage in dividends the number of directors constituting the whole Board of Directors shall be less than seven, the size of the Board of Directors shall, immediately prior to the next meeting of stockholders called for the election of directors, automatically be increased by such number as shall be necessary to cause the number of directors constituting the whole Board of Directors to be no less than seven.

To the extent that the Board of Directors is authorized to fix the designations, powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof in respect of additional series of preferred stock, none of the preferences or rights of any such additional series as fixed by the Board of Directors shall rank prior to the Preferred Stock as to payment of dividends or the distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, without the consent of the holders of two-thirds of the outstanding shares of such series of Preferred Stock voting as a class.

The foregoing voting provisions shall not apply to any series of Preferred Stock, if at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of such series of Preferred Stock shall have been redeemed or sufficient funds shall have been deposited in trust to effect such redemption.

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On any item in which the holders of Preferred Stock are entitled to vote, such holders shall be entitled to one vote for each share held."

3. The Offering Committee of the Board of Directors has on August 30, 1993 adopted the following resolution pursuant to authority conferred upon the Offering Committee of the Board of Directors by the resolutions of the Board of Directors set forth in paragraph 1 above of this Certificate of Designation, Preferences and Rights:

"RESOLVED, that the issue of a series of Preferred Stock without par value of the Corporation is hereby authorized and the designation, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation, as amended, of the Corporation, are hereby fixed as

follows:

7.35% Cumulative Preferred Stock, Series 1993-A

(1) Number of Shares and Designation. 100,000 shares of Preferred Stock without par value of the Corporation are hereby constituted as a series of Preferred Stock without par value and designated as 7.35% Cumulative Preferred Stock, Series 1993-A (hereinafter called the "7.35% Preferred Stock").

(2) Dividends. The holders of shares of the 7.35% Preferred Stock shall be entitled to receive cash dividends, when and as declared by the Board of Directors of the Corporation, out of assets legally available for such purpose, at the rate determined as provided below. Such dividends shall be cumulative from the date of original issue of such shares and shall be payable quarterly in arrears, when and as declared by the Board of Directors of the Corporation, on the fifteenth day of January, April, July and October in each year to holders of record on the respective business days next preceding the first days of those months (and the quarterly dividend periods shall commence on the first days of those months).

Dividends on the 7.35% Preferred Stock for quarterly dividend periods will be payable at the rate of 7.35% per annum from the date of original issue applied to the amount of $1,000 per share of 7.35% Preferred Stock. The amount of dividends payable on each share of 7.35% Preferred Stock for each full quarterly dividend period shall be computed by dividing the dividend rate by four and applying the dividend rate to the amount of $1,000 per share. The amount of dividends payable for any dividend period shorter or longer than a full quarterly dividend period shall be computed on the basis of 30-day months, a 360-day year and the actual number of days elapsed in the period.

(3) Liquidation Preference. The amount to which shares of 7.35% Preferred Stock shall be entitled upon liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, shall be $1,000 per share, plus an amount equal to all accrued and unpaid dividends, if any, thereon to the date fixed for payment, and no more.

(4) Redemption. The shares of 7.35% Preferred Stock shall be subject to redemption in whole or in part at the option of the Corporation on or after October 15, 1998 at $1,000 per share, plus an amount equal to all accrued and unpaid dividends, if any, thereon to the date fixed for redemption, and no more.

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(5) Shares to be Retired. All shares of 7.35% Preferred Stock purchased or redeemed by the Corporation shall be retired and cancelled and shall be restored to the status of authorized but unissued shares of the class of Preferred Stock without par value, without designation as to series, and may thereafter be issued, but not as shares of 7.35% Preferred Stock.

(6) Conversion or Exchange. The holders of shares of 7.35% Preferred Stock shall not have any rights herein to convert such shares into or exchange such shares for shares of any other series of any class or classes of capital stock (or any other security) of the Corporation.

(7) Ranking. The 7.35% Preferred Stock shall rank on a parity with the Corporation's $6.25 Cumulative Convertible Voting Preferred Stock, 9-1/2% Cumulative Preferred Stock, Series 1989-A, Flexible Rate Auction Preferred Stock, Series B, 11-1/4% Enhanced Rate Cumulative Preferred Stock, 9-1/2% Cumulative Preferred Stock, Series 1991-A and 8-1/4% Cumulative Preferred Stock, Series 1992-A as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and shall rank prior to the Corporation's Common Stock and Series A Junior Participating Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and prior to any other series of stock authorized to be issued by the Corporation which ranks junior to the $6.25 Cumulative Convertible Voting Preferred Stock, 9-1/2% Cumulative Preferred Stock, Series 1989-A, Flexible Rate Auction Preferred Stock, Series B, 11-1/4% Enhanced Rate Cumulative Preferred Stock, 9-1/2% Cumulative Preferred Stock, Series 1991-A and 8-1/4% Cumulative Preferred Stock, Series 1992-A as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary."

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation, Preferences and Rights to be signed by J. Richard Hull, Senior Vice President-Secretary and General Counsel of the Corporation, and attested by John W. Blenke, Assistant General Counsel and Assistant Secretary, this 1/st/ day of September, 1993.

HOUSEHOLD INTERNATIONAL, INC.

By: /s/ J. Richard Hull

Senior Vice President- Secretary and General Counsel

Attest:

/s/ John W. Blenke

Assistant General Counsel and

Assistant Secretary

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CERTIFICATE OF DESIGNATIONS

Of

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

Of

HOUSEHOLD INTERNATIONAL, INC.

(Pursuant to Section 151 of the

Delaware General Corporation Law)

Household International, Inc., a corporation organized and existing under the

General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law at a meeting duly called and held on July 9, 1996:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Restated Certificate of Incorporation, the Board hereby creates a series of Preferred Stock, without par value (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

FURTHER RESOLVED, that pursuant to the authority granted to and vested in the Board in accordance with the provisions of the Restated Certificate of Incorporation, the consent of the holders of Series A Preferred Stock with respect to the matters set forth in sub-sections (i) and (iii) of paragraph (5) of Article IV of the Corporation's Restated Certificate of Incorporation ("Paragraph (5)") shall not be required; but the other provisions of Paragraph (5) shall be applicable to the Series A Preferred Stock. The holders of the Series A Preferred Stock shall have no right to elect directors per paragraph (6) of Article IV of the Corporation's Restated Certificate of Incorporation, such right hereby being expressly withheld:

Series A Junior Participating Preferred Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 150,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of

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outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value $1.00 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to

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receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the fifteenth day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification of otherwise), declared on the Common Stock since the immediately preceding Quarterly Divided Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under case (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall

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begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in

an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more tan 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights;

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(D) The consent of the holders of Series A Preferred Stock with respect to the matters set forth in sub-sections (i) and (iii) of paragraph (5) of Article IV of the Corporation's Restated Certificate of Incorporation ("Paragraph (5)") shall not be required; but the other provisions of Paragraph (5) shall be applicable to the Series A Preferred Stock. The holders of the Series A Preferred Stock shall have no right to elect directors pursuant to paragraph (6) of Article IV of the Corporation's Restated Certificate of Incorporation,

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such right hereby being expressly withheld.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of Preferred Stock or

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any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received $1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the
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payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's

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Preferred Stock.

Section 10. Amendment. The Certificate of Incorporation of the Corporation shall
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not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Chief Executive Officer or Chief Financial Officer and attested by its Secretary this 9/th/ day of July, 1996.

By: /s/ William F. Aldinger

Chief Executive Officer or Chief Financial

Officer

Attest:

/s/ Paul R. Shay

Secretary

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HOUSEHOLD INTERNATIONAL, INC.

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

Household International, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: That the Restated Certificate of Incorporation, as heretofore amended, of said Corporation has been further amended by deleting, in its entirety, the first paragraph of Article IV thereof and inserting the following as the new first paragraph of Article IV:

> The total number of shares that may be issued by the Corporation is 258,155,004 of which 8,155,004 shares shall be Preferred Stock without par value and 250,000,000 shares shall be Common Stock of the par value of $1 per share.

SECOND: That the aforesaid amendment of the Restated Certificate of

Incorporation of said Corporation, set forth in Paragraph FIRST hereinabove, has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused its corporate seal to be hereunto affixed and this certificate to be signed by W. F. Aldinger, its Chairman and Chief Executive Officer and P. R. Shay, Assistant General Counsel and Secretary, this 14/th/ day of May, 1997.

HOUSEHOLD INTERNATIONAL, INC.

[SEAL]

By: /s/ W. F. Aldinger

Chairman and Chief Executive Officer

Attest:

/s/ P. R. Shay

Assistant General Counsel and Secretary

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HOUSEHOLD INTERNATIONAL, INC.

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

Household International, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: That the Restated Certificate of Incorporation, as heretofore amended, of said Corporation has been further amended by deleting, in its entirety, the first paragraph of Article IV thereof and inserting the following as the new first paragraph of Article IV:

> The total number of shares that may be issued by the Corporation is 758,155,004 of which 8,155,004 shares shall be Preferred Stock without par value and 750,000,000 shares shall be Common Stock of the par value of $1 per share.

SECOND: That the number of shares constituting the Series A Junior Participating Preferred Stock is increased to 750,000.

THIRD: That the aforesaid amendments of the Restated Certificate of Incorporation of said Corporation, set forth above have been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused its corporate seal to be hereunto affixed and this certificate to be signed by W. F. Aldinger, its Chairman and

Chief Executive Officer and P. R. Shay, Assistant General Counsel and Corporate Secretary, this 13/th/ day of May, 1998.

HOUSEHOLD INTERNATIONAL, INC.

[SEAL]

By: /s/ W. F. Aldinger

Chairman and Chief Executive

Attest: Officer

/s/ P. R. Shay

Assistant General Counsel and

Corporate Secretary

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HOUSEHOLD INTERNATIONAL, INC.

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

5% Cumulative Preferred Stock

(Without Par Value)

HOUSEHOLD INTERNATIONAL, INC., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that the following resolution was duly adopted by the Board of Directors of the Corporation pursuant to authority conferred upon the Board of Directors by the provisions of the Restated Certificate of Incorporation, as amended, of the Corporation, and in accordance with Section 141(c) of the General Corporation Law of the State of Delaware.

1. The Board of Directors has on May 13, 1998 adopted the following resolution:

"RESOLVED, that the issue of a series of Preferred Stock of the Corporation is hereby authorized and the designation, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation, as amended, of the Corporation, are hereby fixed as follows:

5% Cumulative Preferred Stock

(1) Number of Shares and Designation. 407,718 shares of Preferred Stock, without par value of the Corporation are hereby constituted as a

series of Preferred Stock, without par value and designated as 5% Cumulative Preferred Stock (hereinafter called the "5% Preferred Stock").

(2) Dividends. The holders of shares of the 5% Preferred Stock shall be entitled to receive cash dividends, when and as declared by the Board of Directors of the Corporation, out of assets legally available for such purpose, at the rate determined as provided below. Such dividends shall be cumulative from the date of original issue of such shares and shall be payable semi-annually in arrears, when and as declared by the Board of Directors of the Corporation, on the last day of June and December in each year to holders of record, in each case, on the last business day of the calendar month next preceding the dividend payment date (and the semi-annual dividend periods shall commence on the first day following each dividend payment date and end on the next succeeding dividend payment date).

Dividends on the 5% Preferred Stock for semi-annual dividend periods will be payable at the rate of 5% per annum from the date of original issue. The amount of dividends payable on each share of 5% Preferred Stock for each full semi-annual dividend period

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shall be computed by dividing the dividend rate by two and applying the dividend rate to each outstanding share.

(3) Liquidation Preference. The amount to which shares of 5% Preferred Stock shall be entitled upon liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, shall be $50.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, thereon to the date fixed for payment, whether or not earned or declared, and no more. Such amount to be set apart from holders or paid to holders out of the assets of the Corporation before any distribution is made to or set apart for holders of the Corporation's Common Stock.

(4) Redemption. (a) The shares of the 5% Preferred Stock shall be subject to redemption in whole or in part at the option of the Corporation, by vote of the Board of Directors, at $50.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, thereon to the date fixed for redemption, whether or not earned or declared, and no more. If less than all of the outstanding shares of 5% Preferred Stock are to be redeemed, the shares to be redeemed shall be determined by lot in such usual manner and subject to such regulations as the Board of Directors in its sole discretion shall prescribe.

(b) At least 30 days prior to the date fixed for the redemption of shares of the 5% Preferred Stock, a written notice shall be mailed to each holder of record of shares of 5% Preferred Stock to be redeemed in a postage prepaid envelope addressed to such holder at his post office address as shown on the records of the Corporation, notifying such holder of the election of the Corporation to redeem such shares stating the date fixed for redemption thereof (the "redemption date"), and calling upon such holder to surrender to the Corporation on the redemption date at the place designated in such notice his certificate or certificates representing the number of shares specified in such notice of redemption.

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(c) On or after the redemption date each holder of shares of 5% Preferred Stock to be redeemed shall present and surrender his certificate or certificates for such shares to the Corporation at the place designated in such notice and thereupon the redemption price of such shares shall be paid to or on the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled.

(d) In case less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(e) From and after the redemption date (unless default shall be made by the Corporation in payment of the redemption price) all dividends on the shares of 5% Preferred Stock designated for redemption in such notice shall cease to accrue, and all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price thereof upon the surrender of certificates representing the same, shall cease and determine and such shares shall not thereafter be transferred (except with the consent of the Corporation) on the books of the Corporation, and such shares shall not be deemed to be outstanding for any purpose whatsoever.

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(f) At its election, prior to the redemption date, the Corporation may deposit the redemption price of the shares of 5% Preferred Stock called for redemption in trust for the holders thereof with a bank or trust company (having a capital and surplus of not less than $1,000,000) in the City of Chicago, Illinois or in the Borough of Manhattan, City and State of New York or in any other city in which the Corporation at the time shall maintain a transfer agency with respect to such stock, in which case such redemption notice shall state the date of such deposit, shall specify the office of such bank or trust company as the place of payment of the redemption price, and shall call upon such holders to surrender the certificates representing such shares at such place on or after the date fixed in such redemption notice (which shall not be later than the redemption date) against payment of the redemption price. From and after the making of such deposit, the shares of 5% Preferred Stock so designated for redemption shall not be deemed to be outstanding for any purpose whatsoever, and the rights of the holders of such shares shall be limited to the right to receive the redemption price of such shares without interest, upon surrender of the certificates representing the same to the Corporation at said office of such bank or trust company.

(g) Any moneys so deposited which shall remain unclaimed by the holders of such 5% Preferred Stock at the end of six years after the redemption date shall be returned by such bank or trust company to the Corporation after which the holders of the 5% Preferred Stock shall have no further interest in such moneys.

(5) Shares to be Retired. All shares of 5% Preferred Stock purchased or redeemed by the Corporation shall be retired and cancelled and shall be restored to the status of authorized but unissued shares of the class of Preferred Stock without par value, without designation as to series, and may thereafter be issued, but not as shares of 5% Preferred Stock.

(6) Conversion or Exchange. The holders of shares of 5% Preferred Stock shall not have any rights herein to convert such shares into or exchange such shares for shares of any other series of any class or classes of capital stock (or any other security) of the Corporation.

(7) Voting Rights. (a) Each holder of 5% Preferred Stock shall be entitled to one vote for each share held on each matter submitted to a vote of stockholders of the Corporation and, except as otherwise herein or by law provided, the 5% Preferred Stock, the Common Stock of the Corporation, and any other capital stock of the Corporation at the time entitled thereto, shall vote together as one class, except that while the holders of 5% Preferred Stock, voting as a class, are entitled to elect two directors as hereinafter provided, they shall not be entitled to participate with the Common Stock (or any other capital stock as stated above) in the election of any other directors.

(b) In case at any time three or more full semi-annual dividends (whether consecutive or not) on the 5% Preferred Stock shall be in arrears, then during the period (the "Class Voting Period") commencing with such time and ending with the time when all arrears in dividends on the 5% Preferred Stock shall have been paid and the full dividend on the 5% Preferred Stock for the then current semi-annual dividend period shall have been declared and paid or set aside for payment, at any meeting of the stockholders of the Corporation held for the election of directors during the Class Voting Period, the holders of 5%

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Preferred Stock represented in person or by proxy at said meeting shall be entitled, as a class, to the exclusion of the holders of all other classes of stock of the Corporation, to elect two directors of the Corporation, each share of 5% Preferred Stock entitling the holder thereof to one vote.

(c) Any director who shall have been elected by holders of 5% Preferred Stock or by any director so elected as herein contemplated, may be removed at any time during a Class Voting Period, either for or without cause, by, and only by, the affirmative votes of the holders of record of a majority of the outstanding shares of 5% Preferred Stock given at a special meeting of such stockholders called for the purpose, and any vacancy thereby created may be filled during such Class Voting Period by the holders of 5% Preferred Stock present in person or represented by proxy at such meeting. Any director to be elected by the Board of Directors of the Corporation to replace a director elected by holders of 5% Preferred Stock or elected by a director as provided for in this sentence shall be elected by the remaining director previously elected by the holders of 5% Preferred Stock. At the end of the Class Voting Period the holders of 5% Preferred Stock shall be automatically divested of all voting power vested in them under this resolution but subject always to the subsequent vesting hereunder of voting power in the holders of 5% Preferred Stock in the event of any similar default or defaults thereafter.

(8) Ranking. The 5% Preferred Stock shall rank on a parity with the Corporation's 8-1/4% Cumulative Preferred Stock, Series 1992-A, 7.35% Cumulative Preferred Stock, Series 1993-A, $4.50 Cumulative Preferred Stock and $4.30 Cumulative Preferred Stock as to payment of dividends

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and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and shall rank prior to the Corporation's Common Stock and Series A Junior Participating Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and prior to any other series of stock authorized to be issued by the Corporation which ranks junior to the Corporation's 8-1/4% Cumulative Preferred Stock, Series 1992-A, 7.35% Cumulative Preferred Stock, Series 1993-A, $4.50 Cumulative Preferred Stock and $4.30 Cumulative Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary.

(9) Amendments. While any 5% Preferred Stock is outstanding, the Corporation shall not alter or change the preferences, special rights or powers of the 5% Preferred Stock so as to adversely affect the 5% Preferred Stock without the affirmative consent (given in writing or at a meeting duly called for the purpose) of the holders of at least two-thirds (2/3rds) of the aggregate number of shares of 5% Preferred Stock then outstanding.

"FURTHER RESOLVED, that the Chairman, President, or any Vice President, together with the Secretary or an Assistant Secretary, of the Corporation are hereby authorized and directed to execute, acknowledge, file with the Delaware Secretary of State, and record in New Castle County, Delaware, a Certificate of Designation, Preferences and Rights of the 5% Preferred Stock when such officers of the Corporation shall in their sole discretion consider such action to be necessary or advisable; and

"FURTHER RESOLVED, that the form of certificates for the 5% Preferred Stock which form of

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certificate has been presented to this meeting, and a copy of which the Secretary or an Assistant Secretary is instructed to mark for identification and file with the corporate records, is hereby approved, the facsimile signatures of the officers of the Corporation contained on the certificates are adopted as the valid and binding signatures of the officers so signing, and the proper corporate officers are authorized on behalf of and under the corporate seal of the Corporation to execute and deliver the said certificates in substantially the form presented with such changes therein as may be approved by the officers executing the same, execution thereof to be conclusive evidence of such approval; and

"FURTHER RESOLVED, that application be made to the New York Stock Exchange, Inc. (the "Exchange") for listing of the 5% Preferred Stock upon official notice of issuance of the 5% Preferred Stock and that Messrs. J. W. Blenke, P. R. Shay and P. D. Schwartz or any counsel designated by any of the foregoing individuals, be and each hereby are authorized and designated by the Corporation to appear before the Exchange in furtherance of the listing of said 5% Preferred Stock, including authority to file or make any such changes in the said applications or any agreements relevant thereto and to execute any and all documents on behalf of the Corporation as may be necessary or desirable to conform with the requirements for listing; and

"FURTHER RESOLVED, that the officers of the Corporation, or any counsel designated thereby, are hereby severally authorized to execute on behalf of the Corporation and file with appropriate authorities such applications, statements,

certificates, consents, and other documents as may be necessary for the registration or qualification of the 5% Preferred Stock under the securities laws of the states of the United States in which such securities are required to be registered or qualified, and any actions having previously been taken are hereby authorized, approved and ratified; and

"FURTHER RESOLVED, that Harris Trust and Savings Bank ("Harris Bank") is hereby appointed as transfer agent and registrar for the 5% Preferred Stock upon such terms as the officers of the Corporation consider necessary or advisable; and

"FURTHER RESOLVED, that for the purpose of the original issue of the shares of 5% Preferred Stock, Harris Bank, as the Corporation's transfer agent and registrar, is authorized and directed to issue and is authorized to register and deliver certificates representing an aggregate of up to 407,718 shares of 5% Preferred Stock of the Corporation all in accordance with instructions from the officers of the Corporation; and

"FURTHER RESOLVED, that the 5% Preferred Stock shall be without par value; and

"FURTHER RESOLVED, that the officers of the Corporation are hereby authorized and directed on behalf of the Corporation to take and cause to be taken all action necessary or desirable to carry out the terms, implications and intent of these resolutions, and to consummate the transactions contemplated therein."

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IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation, Preferences and Rights to be signed by David A. Schoenholz, Executive Vice President and Chief Financial Officer of the Corporation, and attested by Patrick D. Schwartz, Associate General Counsel and Assistant Secretary, this 30/th/ day of June, 1998.

HOUSEHOLD INTERNATIONAL, INC.

By: /s/ David A. Schoenholz

Executive Vice President- Chief Financial Officer

Attest:

/s/ Patrick D. Schwartz

Associate General Counsel and

Assistant Secretary

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HOUSEHOLD INTERNATIONAL, INC.

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

$4.50 Cumulative Preferred Stock

(Without Par Value)

HOUSEHOLD INTERNATIONAL, INC., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that the following resolution was duly adopted by the Board of Directors of the Corporation pursuant to authority conferred upon the Board of Directors by the provisions of the Restated Certificate of Incorporation, as amended, of the Corporation, and in accordance with Section 141(c) of the General Corporation Law of the State of Delaware.

1. The Board of Directors has on May 13, 1998 adopted the following resolution:

"RESOLVED, that the issue of a series of Preferred Stock of the Corporation is hereby authorized and the designation, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation, as amended, of the Corporation, are hereby fixed as follows:

$4.50 Cumulative Preferred Stock

(1) Number of Shares and Designation. 103,976 shares of Preferred Stock, without par value of the Corporation are hereby constituted as a series of Preferred Stock, without par value and designated as $4.50 Cumulative Preferred Stock (hereinafter called the "$4.50 Preferred Stock").

(2) Dividends. The holders of shares of the $4.50 Preferred Stock shall be entitled to receive cash dividends, when and as declared by the Board of Directors of the Corporation, out of assets legally available for such purpose, at the rate determined as provided below. Such dividends shall be cumulative from the date of original issue of such shares and shall be payable semi-annually in arrears, when and as declared by the Board of Directors of the Corporation, on the last day of June and December in each year to holders of record, in each case, on the last business day of the calendar month next preceding the dividend payment date (and the semi-annual dividend periods shall commence on the first day following each dividend payment date and end on the next succeeding dividend payment date).

Dividends on the $4.50 Preferred Stock for semi-annual dividend periods will be payable

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at the rate of $4.50 per annum from the date of original issue. The amount of dividends payable on each share of $4.50 Preferred Stock for each full semi-annual dividend period shall be computed by dividing the dividend rate by two and applying the dividend rate to each outstanding share.

(3) Liquidation Preference. The amount to which shares of $4.50 Preferred Stock shall be entitled upon liquidation, dissolution, or

winding up of the Corporation, whether voluntary or involuntary, shall be $100.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, thereon to the date fixed for payment, whether or not earned or declared, and no more. Such amount to be set apart from holders or paid to holders out of the assets of the Corporation before any distribution is made to or set apart for holders of the Corporation's Common Stock.

(4) Redemption. (a) The shares of the $4.50 Preferred Stock shall be
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subject to redemption in whole or in part at the option of the Corporation, by vote of the Board of Directors, at $103.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, thereon to the date fixed for redemption, whether or not earned or declared, and no more. If less than all of the outstanding shares of $4.50 Preferred Stock are to be redeemed, the shares to be redeemed shall be determined by lot in such usual manner and subject to such regulations as the Board of Directors in its sole discretion shall prescribe.

(b) At least 30 days prior to the date fixed for the redemption of shares of the $4.50 Preferred Stock, a written notice shall be mailed to each holder of record of shares of $4.50 Preferred Stock to be redeemed in a postage prepaid envelope addressed to such holder at his post office address as shown on the records of the Corporation, notifying such holder of the election of the Corporation to redeem such shares stating the date fixed for redemption thereof (the "redemption date"), and calling upon such holder to surrender to the Corporation on the redemption date at the place designated in such notice his certificate or certificates representing the number of shares specified in such notice of redemption.

(c) On or after the redemption date each holder of shares of $4.50 Preferred Stock to be redeemed shall present and surrender his certificate or certificates for such shares to the Corporation at the place designated in such notice and thereupon the redemption price of such shares shall be paid to or on the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled.

(d) In case less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(e) From and after the redemption date (unless default shall be made by the Corporation in payment of the redemption price) all dividends on the shares of $4.50 Preferred Stock designated for redemption in such notice shall cease to accrue, and all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price thereof upon the surrender of certificates representing the same, shall cease and determine and such shares shall not thereafter be transferred (except with the

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consent of the Corporation) on the books of the Corporation, and such shares shall not be deemed to be outstanding for any purpose whatsoever.

(f) At its election, prior to the redemption date, the Corporation may

deposit the redemption price of the shares of $4.50 Preferred Stock called for redemption in trust for the holders thereof with a bank or trust company (having a capital and surplus of not less than $1,000,000) in the City of Chicago, Illinois or in the Borough of Manhattan, City and State of New York or in any other city in which the Corporation at the time shall maintain a transfer agency with respect to such stock, in which case such redemption notice shall state the date of such deposit, shall specify the office of such bank or trust company as the place of payment of the redemption price, and shall call upon such holders to surrender the certificates representing such shares at such place on or after the date fixed in such redemption notice (which shall not be later than the redemption date) against payment of the redemption price. From and after the making of such deposit, the shares of $4.50 Preferred Stock so designated for redemption shall not be deemed to be outstanding for any purpose whatsoever, and the rights of the holders of such shares shall be limited to the right to receive the redemption price of such shares without interest, upon surrender of the certificates representing the same to the Corporation at said office of such bank or trust company.

(g) Any moneys so deposited which shall remain unclaimed by the holders of such $4.50 Preferred Stock at the end of six years after the redemption date shall be returned by such bank or trust company to the Corporation after which the holders of the $4.50 Preferred Stock shall have no further interest in such moneys.

(5) Shares to be Retired. All shares of $4.50 Preferred Stock purchased
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or redeemed by the Corporation shall be retired and cancelled and shall be restored to the status of authorized but unissued shares of the class of Preferred Stock without par value, without designation as to series, and may thereafter be issued, but not as shares of $4.50 Preferred Stock.

(6) Conversion or Exchange. The holders of shares of $4.50 Preferred
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Stock shall not have any rights herein to convert such shares into or exchange such shares for shares of any other series of any class or classes of capital stock (or any other security) of the Corporation.

(7) Voting Rights. (a) Each holder of $4.50 Preferred Stock shall be
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entitled to one vote for each share held on each matter submitted to a vote of stockholders of the Corporation and, except as otherwise herein or by law provided, the $4.50 Preferred Stock, the Common Stock of the Corporation, and any other capital stock of the Corporation at the time entitled thereto, shall vote together as one class, except that while the holders of $4.50 Preferred Stock, voting as a class, are entitled to elect two directors as hereinafter provided, they shall not be entitled to participate with the Common Stock (or any other capital stock as stated above) in the election of any other directors.

(b) In case at any time three or more full semi-annual dividends (whether consecutive or not) on the $4.50 Preferred Stock shall be in arrears, then during the period (the "Class Voting Period") commencing with such time and ending with the time when all arrears in

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dividends on the $4.50 Preferred Stock shall have been paid and the

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full dividend on the $4.50 Preferred Stock for the then current semi-annual dividend period shall have been declared and paid or set aside for payment, at any meeting of the stockholders of the Corporation held for the election of directors during the Class Voting Period, the holders of $4.50 Preferred Stock represented in person or by proxy at said meeting shall be entitled, as a class, to the exclusion of the holders of all other classes of stock of the Corporation, to elect two directors of the Corporation, each share of $4.50 Preferred Stock entitling the holder thereof to one vote.

(c) Any director who shall have been elected by holders of $4.50 Preferred Stock or by any director so elected as herein contemplated, may be removed at any time during a Class Voting Period, either for or without cause, by, and only by, the affirmative votes of the holders of record of a majority of the outstanding shares of $4.50 Preferred Stock given at a special meeting of such stockholders called for the purpose, and any vacancy thereby created may be filled during such Class Voting Period by the holders of $4.50 Preferred Stock present in person or represented by proxy at such meeting. Any director to be elected by the Board of Directors of the Corporation to replace a director elected by holders of $4.50 Preferred Stock or elected by a director as provided for in this sentence shall be elected by the remaining director previously elected by the holders of $4.50 Preferred Stock. At the end of the Class Voting Period the holders of $4.50 Preferred Stock shall be automatically divested of all voting power vested in them under this resolution but subject always to the subsequent vesting hereunder of voting power in the holders of $4.50 Preferred Stock in the event of any similar default or defaults thereafter.

(8) Ranking. The $4.50 Preferred Stock shall rank on a parity with the Corporation's 8-1/4% Cumulative Preferred Stock, Series 1992-A, 7.35% Cumulative Preferred Stock, Series 1993-A, 5% Cumulative Preferred Stock and $4.30 Cumulative Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and shall rank prior to the Corporation's Common Stock and Series A Junior Participating Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and prior to any other series of stock authorized to be issued by the Corporation which ranks junior to the Corporation's 8-1/4% Cumulative Preferred Stock, Series 1992-A, 7.35% Cumulative Preferred Stock, Series 1993-A, 5% Cumulative Preferred Stock and $4.30 Cumulative Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary.

(9) Amendments. While any $4.50 Preferred Stock is outstanding, the Corporation shall not alter or change the preferences, special rights or powers of the $4.50 Preferred Stock so as to adversely affect the $4.50 Preferred Stock without the affirmative consent (given in writing or at a meeting duly called for the purpose) of the holders of at least two-thirds (2/3rds) of the aggregate number of shares of $4.50 Preferred Stock then outstanding.

"FURTHER RESOLVED, that the Chairman, President, or any Vice President, together with the Secretary or an Assistant Secretary, of the Corporation are hereby authorized and directed to execute, acknowledge, file with the Delaware Secretary of State, and record in New Castle County, Delaware, a Certificate of

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Designation, Preferences and Rights of the $4.50 Preferred

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Stock when such officers of the Corporation shall in their sole discretion consider such action to be necessary or advisable; and

"FURTHER RESOLVED, that the form of certificates for the $4.50 Preferred Stock which form of certificate has been presented to this meeting, and a copy of which the Secretary or an Assistant Secretary is instructed to mark for identification and file with the corporate records, is hereby approved, the facsimile signatures of the officers of the Corporation contained on the certificates are adopted as the valid and binding signatures of the officers so signing, and the proper corporate officers are authorized on behalf of and under the corporate seal of the Corporation to execute and deliver the said certificates in substantially the form presented with such changes therein as may be approved by the officers executing the same, execution thereof to be conclusive evidence of such approval; and

"FURTHER RESOLVED, that application be made to the New York Stock Exchange, Inc. (the "Exchange") for listing of the $4.50 Preferred Stock upon official notice of issuance of the $4.50 Preferred Stock and that Messrs. J. W. Blenke, P. R. Shay and P. D. Schwartz or any counsel designated by any of the foregoing individuals, be and each hereby are authorized and designated by the Corporation to appear before the Exchange in furtherance of the listing of said $4.50 Preferred Stock, including authority to file or make any such changes in the said applications or any agreements relevant thereto and to execute any and all documents on behalf of the Corporation as may be necessary or desirable to conform with the requirements for listing; and

"FURTHER RESOLVED, that the officers of the Corporation, or any counsel designated thereby, are hereby severally authorized to execute on behalf of the Corporation and file with appropriate authorities such applications, statements, certificates, consents, and other documents as may be necessary for the registration or qualification of the $4.50 Preferred Stock under the securities laws of the states of the United States in which such securities are required to be registered or qualified, and any actions having previously been taken are hereby authorized, approved and ratified; and

"FURTHER RESOLVED, that Harris Trust and Savings Bank ("Harris Bank") is hereby appointed as transfer agent and registrar for the $4.50 Preferred Stock upon such terms as the officers of the Corporation consider necessary or advisable; and

"FURTHER RESOLVED, that for the purpose of the original issue of the shares of $4.50 Preferred Stock, Harris Bank, as the Corporation's transfer agent and registrar, is authorized and directed to issue and is authorized to register and deliver certificates representing an aggregate of up to 103,976 shares of $4.50 Preferred Stock of the Corporation all in accordance with instructions from the officers of the Corporation; and

"FURTHER RESOLVED, that the $4.50 Preferred Stock shall be without par value; and

"FURTHER RESOLVED, that the officers of the Corporation are hereby authorized and directed on behalf of the Corporation to take and cause to be taken all action necessary or desirable to carry out the terms, implications and intent of these resolutions, and to consummate the transactions contemplated therein."

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IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation, Preferences and Rights to be signed by David A. Schoenholz, Executive Vice President and Chief Financial Officer of the Corporation, and attested by Patrick D. Schwartz, Associate General Counsel and Assistant Secretary, this 30/th/ day of June, 1998.

HOUSEHOLD INTERNATIONAL, INC.

By: /s/ David A. Schoenholz

Executive Vice President- Chief Financial Officer

Attest:

/s/ Patrick D. Schwartz

Associate General Counsel and

Assistant Secretary

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HOUSEHOLD INTERNATIONAL, INC.

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

$4.30 Cumulative Preferred Stock

(Without Par Value)

HOUSEHOLD INTERNATIONAL, INC., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that the following resolution was duly adopted by the Board of Directors of the Corporation pursuant to authority conferred upon the Board of Directors by the provisions of the Restated Certificate of Incorporation, as amended, of the Corporation, and in accordance with Section 141(c) of the General Corporation Law of the State of Delaware.

1. The Board of Directors has on May 13, 1998 adopted the following resolution:

"RESOLVED, that the issue of a series of Preferred Stock of the Corporation is hereby authorized and the designation, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation, as amended, of the Corporation, are hereby fixed as follows:

$4.30 Cumulative Preferred Stock

(1) Number of Shares and Designation. 836,585 shares of Preferred Stock, without par value of the Corporation are hereby constituted as a series of Preferred Stock, without par value and designated as $4.30 Cumulative Preferred Stock (hereinafter called the "$4.30 Preferred Stock").

(2) Dividends. The holders of shares of the $4.30 Preferred Stock shall be entitled to receive cash dividends, when and as declared by the Board of Directors of the Corporation, out of assets legally available for such purpose, at the rate determined as provided below. Such dividends shall be cumulative from the date of original issue of such shares and shall be payable semi-annually in arrears, when and as declared by the Board of Directors of the Corporation, on the last day of March and September in each year to holders of record, in each case, on the last business day of the calendar month next preceding the dividend payment date (and the semi-annual dividend periods shall commence on the first day following each dividend payment date and end on the next succeeding dividend payment date).

Dividends on the $4.30 Preferred Stock for semi-annual dividend periods will be payable

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at the rate of $4.30 per annum from the date of original issue. The amount of dividends payable on each share of $4.30 Preferred Stock for each full semi-annual dividend period shall be computed by dividing the dividend rate by two and applying the dividend rate to each outstanding share.

(3) Liquidation Preference. The amount to which shares of $4.30 Preferred Stock shall be entitled upon liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, shall be $100.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, thereon to the date fixed for payment, whether or not earned or declared, and no more. Such amount to be set apart from holders or paid to holders out of the assets of the Corporation before any distribution is made to or set apart for holders of the Corporation's Common Stock.

(4) Redemption. (a) The shares of the $4.30 Preferred Stock shall be subject to redemption in whole or in part at the option of the Corporation, by vote of the Board of Directors, at $100.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, thereon to the date fixed for redemption, whether or not earned or declared, and no more. If less than all of the outstanding shares of $4.30 Preferred Stock are to be redeemed, the shares to be redeemed shall be determined by lot in such usual manner and subject to such regulations as the Board of Directors in its sole discretion shall prescribe.

(b) At least 30 days prior to the date fixed for the redemption of shares of the $4.30 Preferred Stock, a written notice shall be mailed to each holder of record of shares of $4.30 Preferred Stock to be redeemed in a postage prepaid envelope addressed to such holder at his post office address as shown on the records of the Corporation,

notifying such holder of the election of the Corporation to redeem such shares stating the date fixed for redemption thereof (the "redemption date"), and calling upon such holder to surrender to the Corporation on the redemption date at the place designated in such notice his certificate or certificates representing the number of shares specified in such notice of redemption.

(c) On or after the redemption date each holder of shares of $4.30 Preferred Stock to be redeemed shall present and surrender his certificate or certificates for such shares to the Corporation at the place designated in such notice and thereupon the redemption price of such shares shall be paid to or on the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled.

(d) In case less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(e) From and after the redemption date (unless default shall be made by the Corporation in payment of the redemption price) all dividends on the shares of $4.30 Preferred Stock designated for redemption in such notice shall cease to accrue, and all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price thereof upon the surrender of certificates representing the same, shall cease and determine and such shares shall not thereafter be transferred (except with the

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consent of the Corporation) on the books of the Corporation, and such shares shall not be deemed to be outstanding for any purpose whatsoever.

(f) At its election, prior to the redemption date, the Corporation may deposit the redemption price of the shares of $4.30 Preferred Stock called for redemption in trust for the holders thereof with a bank or trust company (having a capital and surplus of not less than $1,000,000) in the City of Chicago, Illinois or in the Borough of Manhattan, City and State of New York or in any other city in which the Corporation at the time shall maintain a transfer agency with respect to such stock, in which case such redemption notice shall state the date of such deposit, shall specify the office of such bank or trust company as the place of payment of the redemption price, and shall call upon such holders to surrender the certificates representing such shares at such place on or after the date fixed in such redemption notice (which shall not be later than the redemption date) against payment of the redemption price. From and after the making of such deposit, the shares of $4.30 Preferred Stock so designated for redemption shall not be deemed to be outstanding for any purpose whatsoever, and the rights of the holders of such shares shall be limited to the right to receive the redemption price of such shares without interest, upon surrender of the certificates representing the same to the Corporation at said office of such bank or trust company.

(g) Any moneys so deposited which shall remain unclaimed by the holders of such $4.30 Preferred Stock at the end of six years after the redemption date shall be returned by such bank or trust company to the Corporation after which the holders of the $4.30 Preferred Stock shall have no further interest in such moneys.

(5) Shares to be Retired. All shares of $4.30 Preferred Stock purchased
or redeemed by the Corporation shall be retired and cancelled and shall be restored to the status of authorized but unissued shares of the class of Preferred Stock without par value, without designation as to series, and may thereafter be issued, but not as shares of $4.30 Preferred Stock.

(6) Conversion or Exchange. The holders of shares of $4.30 Preferred Stock shall not have any rights herein to convert such shares into or exchange such shares for shares of any other series of any class or classes of capital stock (or any other security) of the Corporation.

(7) Voting Rights. (a) Each holder of $4.30 Preferred Stock shall be entitled to one vote for each share held on each matter submitted to a vote of stockholders of the Corporation and, except as otherwise herein or by law provided, the $4.30 Preferred Stock, the Common Stock of the Corporation, and any other capital stock of the Corporation at the time entitled thereto, shall vote together as one class, except that while the holders of $4.30 Preferred Stock, voting as a class, are entitled to elect two directors as hereinafter provided, they shall not be entitled to participate with the Common Stock (or any other capital stock as stated above) in the election of any other directors.

(b) In case at any time three or more full semi-annual dividends (whether consecutive or not) on the $4.30 Preferred Stock shall be in arrears, then during the period (the "Class Voting Period") commencing with such time and ending with the time when all arrears in

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dividends on the $4.30 Preferred Stock shall have been paid and the full dividend on the $4.30 Preferred Stock for the then current semi-annual dividend period shall have been declared and paid or set aside for payment, at any meeting of the stockholders of the Corporation held for the election of directors during the Class Voting Period, the holders of $4.30 Preferred Stock represented in person or by proxy at said meeting shall be entitled, as a class, to the exclusion of the holders of all other classes of stock of the Corporation, to elect two directors of the Corporation, each share of $4.30 Preferred Stock entitling the holder thereof to one vote.

(c) Any director who shall have been elected by holders of $4.30 Preferred Stock or by any director so elected as herein contemplated, may be removed at any time during a Class Voting Period, either for or without cause, by, and only by, the affirmative votes of the holders of record of a majority of the outstanding shares of $4.30 Preferred Stock given at a special meeting of such stockholders called for the purpose, and any vacancy thereby created may be filled during such Class Voting Period by the holders of $4.30 Preferred Stock present in person or represented by proxy at such meeting. Any director to be elected by the Board of Directors of the Corporation to replace a director elected by holders of $4.30 Preferred Stock or elected by a director as provided for in this sentence shall be elected by the remaining director previously elected by the holders of $4.30 Preferred Stock. At the end of the Class Voting Period the holders of

$4.30 Preferred Stock shall be automatically divested of all voting power vested in them under this resolution but subject always to the subsequent vesting hereunder of voting power in the holders of $4.30 Preferred Stock in the event of any similar default or defaults thereafter.

(8) Ranking. The $4.30 Preferred Stock shall rank on a parity with the Corporation's 8-1/4% Cumulative Preferred Stock, Series 1992-A, 7.35% Cumulative Preferred Stock, Series 1993-A, $4.50 Cumulative Preferred Stock and 5% Cumulative Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and shall rank prior to the Corporation's Common Stock and Series A Junior Participating Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and prior to any other series of stock authorized to be issued by the Corporation which ranks junior to the Corporation's 8-1/4% Cumulative Preferred Stock, Series 1992-A, 7.35% Cumulative Preferred Stock, Series 1993-A, $4.50 Cumulative Preferred Stock and 5% Cumulative Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary.

(9) Amendments. While any $4.30 Preferred Stock is outstanding, the Corporation shall not alter or change the preferences, special rights or powers of the $4.30 Preferred Stock so as to adversely affect the $4.30 Preferred Stock without the affirmative consent (given in writing or at a meeting duly called for the purpose) of the holders of at least two-thirds (2/3rds) of the aggregate number of shares of $4.30 Preferred Stock then outstanding.

"FURTHER RESOLVED, that the Chairman, President, or any Vice President, together with the Secretary or an Assistant Secretary, of the Corporation are hereby authorized and directed to execute, acknowledge, file with the Delaware Secretary of State, and record in New Castle County, Delaware, a Certificate of Designation, Preferences and Rights of the $4.30 Preferred

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Stock when such officers of the Corporation shall in their sole discretion consider such action to be necessary or advisable; and

"FURTHER RESOLVED, that the form of certificates for the $4.30 Preferred Stock which form of certificate has been presented to this meeting, and a copy of which the Secretary or an Assistant Secretary is instructed to mark for identification and file with the corporate records, is hereby approved, the facsimile signatures of the officers of the Corporation contained on the certificates are adopted as the valid and binding signatures of the officers so signing, and the proper corporate officers are authorized on behalf of and under the corporate seal of the Corporation to execute and deliver the said certificates in substantially the form presented with such changes therein as may be approved by the officers executing the same, execution thereof to be conclusive evidence of such approval; and

"FURTHER RESOLVED, that application be made to the New York Stock Exchange, Inc. (the "Exchange") for listing of the $4.30 Preferred Stock upon official notice of issuance of the $4.30 Preferred Stock and that Messrs.

J. W. Blenke, P. R. Shay and P. D. Schwartz or any counsel designated by any of the foregoing individuals, be and each hereby are authorized and designated by the Corporation to appear before the Exchange in furtherance of the listing of said $4.30 Preferred Stock, including authority to file or make any such changes in the said applications or any agreements relevant thereto and to execute any and all documents on behalf of the Corporation as may be necessary or desirable to conform with the requirements for listing; and

"FURTHER RESOLVED, that the officers of the Corporation, or any counsel designated thereby, are hereby severally authorized to execute on behalf of the Corporation and file with appropriate authorities such applications, statements, certificates, consents, and other documents as may be necessary for the registration or qualification of the $4.30 Preferred Stock under the securities laws of the states of the United States in which such securities are required to be registered or qualified, and any actions having previously been taken are hereby authorized, approved and ratified; and

"FURTHER RESOLVED, that Harris Trust and Savings Bank ("Harris Bank") is hereby appointed as transfer agent and registrar for the $4.30 Preferred Stock upon such terms as the officers of the Corporation consider necessary or advisable; and

"FURTHER RESOLVED, that for the purpose of the original issue of the shares of $4.30 Preferred Stock, Harris Bank, as the Corporation's transfer agent and registrar, is authorized and directed to issue and is authorized to register and deliver certificates representing an aggregate of up to 836,585 shares of $4.30 Preferred Stock of the Corporation all in accordance with instructions from the officers of the Corporation; and

"FURTHER RESOLVED, that the $4.30 Preferred Stock shall be without par value; and

"FURTHER RESOLVED, that the officers of the Corporation are hereby authorized and directed on behalf of the Corporation to take and cause to be taken all action necessary or desirable to carry out the terms, implications and intent of these resolutions, and to consummate the transactions contemplated therein."

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IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation, Preferences and Rights to be signed by David A. Schoenholz, Executive Vice President and Chief Financial Officer of the Corporation, and attested by Patrick D. Schwartz, Associate General Counsel and Assistant Secretary, this 30/th/ day of June, 1998.

HOUSEHOLD INTERNATIONAL, INC.

By: /s/ David A. Schoenholz

Executive Vice President- Chief Financial Officer

Attest:

/s/ Patrick D. Schwartz

Associate General Counsel and

Assistant Secretary

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HOUSEHOLD INTERNATIONAL, INC.

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

7.50% Cumulative Preferred Stock, Series 2001-A

(Without Par Value)

HOUSEHOLD INTERNATIONAL, INC., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that the following resolutions were duly adopted by the Board of Directors of the Corporation and by the Offering Committee of the Board of Directors, pursuant to authority conferred upon the Offering Committee by the resolutions of the Board of Directors set forth herein and in accordance with Section 141(c) of the General Corporation Law of the State of Delaware.

1. The Board of Directors, on May 9, 2001 adopted the following resolutions designating an Offering Committee of the Board of Directors and authorizing the Offering Committee to act on behalf of the Board of Directors (within certain limitations) in connection with the designation, issuance and sale of shares in one or more series of Preferred Stock, without par value, of the Corporation:

"FURTHER RESOLVED, that Messrs. W.F. Aldinger, J.B. Pitblado and J.D. Nichols (with any Director able to act as an alternate in the place of any named Director) are hereby designated as the Offering Committee of the Board of Directors. The Offering Committee of the Board of Directors shall have and may exercise, to the fullest extent permitted by law, the full power and authority of the Board of Directors with respect to the issuance and sale of (i) the Debt Securities, (ii) one or more new series of the Corporation's Preferred Stock, including, without limitation, establishing the purchase price therefore, and fixing the designations and any of the preferences, powers, rights (other than voting powers or voting rights which shall be fixed by the Board of Directors) and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, of such shares of each series of Preferred Stock, (iii) Stock Purchase Contracts, including without limitation, establishing the purchase price therefore, and fixing the powers, rights, preferences, and qualifications, limitations or restrictions thereof or (iv) the Common Stock, provided however, that prior to the issuance of any Stock
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Purchase Contracts or shares of Common Stock by the Offering Committee pursuant to this authority, the Offering Committee shall report the relevant information pertaining to such offering to the Board of Directors; and

"FURTHER RESOLVED, that notwithstanding the foregoing resolutions, the power and authority of the Offering Committee set forth in the preceding resolution shall expire on December 31, 2004, unless extended by further action of the Board of Directors of the Corporation; and

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"FURTHER RESOLVED, that the Offering Committee is authorized to take such additional actions and adopt such additional resolutions as it deems necessary or appropriate for the purpose of authorizing and implementing the issuance, offer, and sale for cash the Preferred Stock, including, without limiting the generality of the foregoing, the authorization and execution of agreements (including underwriting agreements) relating to the offer and sale of Preferred Stock, approval of forms of stock certificates and authorization of issuance of Preferred Stock in uncertificated form, any actions which may be necessary to qualify the offering and sale of Preferred Stock under Blue Sky Laws of the various states, any necessary filings with the Secretary of State of Delaware and other jurisdictions, and the appointment of a transfer agent; and

"FURTHER RESOLVED, that the Offering Committee is hereby empowered, in connection with the issuance and sale of any new series of the Corporation's Preferred Stock, to authorize the issuance and sale of depositary shares and depositary receipts for such depositary shares with respect to any such series of Preferred Stock, and to authorize the appointment of a depositary, registrar, and transfer agent for such depositary shares and depositary receipts, the execution of a depositary agreement, and any additional agreements or actions in connection therewith as the Offering Committee deems necessary or appropriate; and

"FURTHER RESOLVED, that any Officer is hereby authorized and directed on behalf of the Corporation to take any and all other actions deemed by such Officer to be necessary or advisable with respect to the offer, issuance, and sale of the Securities."

1. The Board of Directors, on May 9, 2001, adopted the following resolution pertaining to the voting rights for series of Preferred Stock, without par value, authorized for issuance by the Offering Committee of the Board of Directors:

   "FURTHER RESOLVED, that holders of each series of the Corporation's Preferred Stock which is authorized by the Offering Committee of the Board of Directors shall have no voting rights, and their consent shall not be required for taking any corporate action, except as otherwise set forth herein or as otherwise required by law, and except as otherwise provided by the Board of Directors with respect to any particular series of Preferred Stock:

   The consent of the holders of the Preferred Stock with respect to the matters set forth in sub-sections (i) and (iii) of paragraph (5) of Article IV of the Corporation's Restated Certificate of Incorporation ("Paragraph (5)") shall not be required, except with respect to the creation or issuance of any class of stock ranking prior to or on a parity with the Preferred Stock, or any series thereof, as to the payment of dividends or the distribution of assets; but the other provisions of Paragraph (5) shall be applicable to the Preferred Stock. The holders of the Preferred Stock shall have no right to elect directors pursuant to paragraph (6) of Article IV of the Corporation's Restated Certificate of Incorporation ("Paragraph (6)"), such right hereby being expressly withheld.

   In the event that any six quarterly cumulative dividends, whether

consecutive or not, upon the Preferred Stock shall be in arrears, the holders of the Preferred Stock shall have the right, voting separately as a class with holders of shares of

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any one or more other series of preferred stock of the Corporation ranking on a parity with the Preferred Stock either as to payment of dividends or the distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and upon which like voting rights have been conferred and are then exercisable, at the next meeting of stockholders called for the election of directors, to elect two members of the Board of Directors. The right of such holders of such shares of the Preferred Stock, voting separately as a class, to elect (together with the holders of shares of any one or more other series of preferred stock of the Corporation ranking on such a parity) members of the Board of Directors of the Corporation as aforesaid shall continue until such time as all dividends accumulated on such shares of the Preferred Stock shall have been paid in full, at which time such right shall terminate, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent failure to pay dividends of the character above mentioned.

Upon any termination of the right of the holders of the Preferred Stock as a class to elect directors as herein provided, the term of office of all directors so elected shall terminate immediately. If the office of any director elected by such holders voting as a class becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, the remaining director elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this resolution shall have expired, the number of directors shall thereupon be such number as may be provided for in the Corporation's Bylaws irrespective of any increase made pursuant to the provisions of this resolution.

Until all unpaid dividends on the Preferred Stock shall have been paid in full, and any series of preferred stock issued by the Corporation having the voting rights set forth in Paragraph (6) to exercise fully the right to elect directors as granted by and provided in Paragraph (6), the number of directors constituting the whole Board of Directors of the Corporation shall not be less than seven. If, upon any such arrearage in dividends the number of directors constituting the whole Board of Directors shall be less than seven, the size of the Board of Directors shall, immediately prior to the next meeting of stockholders called for the election of directors, automatically be increased by such number as shall be necessary to cause the number of directors constituting the whole Board of Directors to be no less than seven.

To the extent that the Board of Directors is authorized to fix the designations, powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof in respect of additional series of preferred stock, none of the preferences or rights of any such additional series as fixed by the Board of

Directors shall rank prior to the Preferred Stock as to payment of dividends or the distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, without the consent of the holders of two-thirds of the outstanding shares of such series of Preferred Stock voting as a class.

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The foregoing voting provisions shall not apply to any series of Preferred Stock, if at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of such series of Preferred Stock shall have been redeemed or sufficient funds shall have been deposited in trust to effect such redemption.

On any item in which the holders of Preferred Stock are entitled to vote, such holders shall be entitled to one vote for each share held.

2. By Unanimous Written Consent, dated as of September 20, 2001, the Offering Committee of the Board of Directors adopted the following resolution pursuant to authority conferred upon the Offering Committee of the Board of Directors by the resolutions of the Board of Directors set forth in paragraph 1 above of this Certificate of Designation, Preferences and Rights:

"RESOLVED, that the issue of a series of Preferred Stock without par value of the Corporation is hereby authorized and the designation, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation, as amended, of the Corporation, are hereby fixed as follows:

7.50% Cumulative Preferred Stock, Series 2001-A

(1) Number of Shares and Designation. 300,000 shares of Preferred Stock without par value of the Corporation are hereby constituted as a series of Preferred Stock without par value and designated as 7.50% Cumulative Preferred Stock, Series 2001-A (hereinafter called the "7.50% Preferred Stock").

(2) Dividends. The holders of shares of the 7.50% Preferred Stock shall be entitled to receive cash dividends, when and as declared by the Board of Directors of the Corporation, out of assets legally available for such purpose, at the rate determined as provided below. Such dividends shall be cumulative from the date of original issue of such shares and shall be payable quarterly in arrears, when and as declared by the Board of Directors of the Corporation, on the fifteenth day of January, April, July and October in each year to holders of record on the respective last business days of the preceding month (and the quarterly dividend periods shall commence on the first days of January, April, July and October).

Dividends on the 7.50% Preferred Stock for quarterly dividend periods will be payable at the rate of 7.50% per annum from the date of original issue applied to the amount of $1,000 per share of 7.50% Preferred Stock. The amount of dividends payable on each share of 7.50% Preferred Stock for each full quarterly dividend period shall be computed by dividing the dividend rate by four and applying the dividend rate to the amount of $1,000 per share. The amount of dividends payable for any dividend period shorter than a full quarterly dividend

period shall be computed on the basis of 30-day months, a 360-day year and the actual number of days elapsed in the period.

(3) Liquidation Preference. The amount to which shares of 7.50% Preferred Stock Shall be entitled upon liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, shall be $1,000 per share, plus an amount equal to all accrued and unpaid dividends,

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if any, thereon to the date fixed for payment, and no more.

(4) Redemption. The shares of 7.50% Preferred Stock shall be subject to redemption in whole or in part at the option of the Corporation on or after September 27, 2006 at $1,000 per share, plus an amount equal to all accrued and unpaid dividends, if any, thereon to the date fixed for redemption, and no more.

(5) Shares to be Retired. All shares of 7.50% Preferred Stock purchased or redeemed by the Corporation shall be retired and cancelled and shall be restored to the statues of authorized but unissued shares of the class of Preferred Stock without par value, without designation as to series, and may thereafter be issued, but not as shares of 7.50% Preferred Stock.

(6) Conversion or Exchange. The holders of shares of 7.50% Preferred Stock shall not have any rights herein to convert such shares into or exchange such shares for shares of any other series of any class or classes of capital stock (or any other security) of the Corporation.

(7) Ranking. The 7.50% Preferred Stock shall rank on a parity with the Corporation's 8-1/4% Cumulative Preferred Stock, Series 1992-A, 5% Cumulative Preferred Stock, $4.50 Cumulative Preferred Stock, and $4.30 Cumulative Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and shall rank prior to the Corporation's Common Stock and Series A Junior Participating Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution, or winding up, whether voluntary or involuntary, and prior to any other series of stock authorized to be issued by the Corporation which ranks junior to the 8-1/4% Cumulative Preferred Stock, Series 1992-A, 5% Cumulative Preferred Stock, $4.50 Cumulative Preferred Stock, and $4.30 Cumulative Preferred Stock as to payment of dividends and distribution of assets upon liquidation, dissolution or winding up, whether voluntary or involuntary.

(8) Depositary Shares and Depositary. The 7.50% Preferred Stock shall be represented by 12,000,000 depositary shares, as evidenced by depositary receipts, each depositary share representing ownership of one-fortieth of a share of the 7.50% Preferred Stock, and each owner of a depositary share shall be entitled, in proportion to one-fortieth of a share of the 7.50% Preferred Stock represented by the depositary share, to all the rights and preferences of the 7.50% Preferred Stock (including dividend, voting, redemption and liquidation rights).

Computershare Trust Company of New York is appointed depositary of the 7.50% Preferred Stock and shall issue the depositary receipts evidencing the depositary shares in accordance with the terms of a deposit agreement to be entered into between the Corporation and such depositary, which agreement is hereby authorized. Computershare Investor Services, LLC is appointed as registrar and transfer agent for the depositary shares.

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IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation, Preferences and Rights to be signed by John W. Blenke Vice President-Corporate Law and Assistant Secretary, and attested by Patrick D. Schwartz, Assistant General Counsel and Assistant Secretary, this 20th day of September, 2001.

HOUSEHOLD INTERNATIONAL, INC.

By: /s/ John W. Blenke

John W. Blenke
Vice President-Corporate Law & Assistant Secretary

Attest:

By: /s/ Patrick D. Schwartz

Patrick D. Schwartz
Assistant Secretary

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Exhibit 10.2

Household International
Corporate Executive Bonus Plan

Summary

The Household International Executive Bonus Plan is a short-term, annual incentive plan. The purpose of the annual bonus is to place a significant part of pay at risk and reward executives for the achievements of individual, business unit and corporate financial and operational goals. Performance goals and award opportunities will be communicated to plan participants at the beginning of each calendar year.

Participation

Participation in the Plan will be restricted to key line and staff executives. For purposes of the Plan, participants will be divided into groups. (See attached list).

Any changes in the group of executives participating in the Plan will be made by the Chief Executive Officer, subject to the approval of the Compensation Committee in the case of any participant whose base salary must be determined by the Committee.

Level of Awards

The corporate measurement of performance will include a combination of key measures such as, but not limited to: expense growth, earnings per share, efficiency ratio, return on equity, core receivables growth, revenue growth, equity to managed assets ratio and products per customer ratio. Household's performance will be measured against pre-established minimum, target and maximum levels.

Individual performance is also measured and the percentage attributed to any particular performance objective varies by executive and may change from year-to-year as circumstances warrant. Management may reduce bonus awards in light of overall business conditions or other exceptional circumstances.

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Target/Maximum Awards

Target awards will be paid for fully satisfactory financial and individual performance in a given year. The target award percentage for each group will approximate the guideline percentage shown below of the executive's base salary at the end of the plan year.

Guideline % of Annual Base Salary Determined by

Group	Target Bonus	Maximum Bonus

A	100%	200%
B	85%	150%
C	75%	150%
D	$62,500	$125,000
E	60%	120%
F	60%	90%
G	55%	100%
H	50%	150%
I	50%	125%
J	50%	100%
K	50%	80%
L	40%	80%
M	$40,000	$80,000
N	40%	60%
O	$37,500	$93,750
P	30%	60%
Q	30%	50%
R	25%	50%
S	20%	50%
T	20%	40%
U	20%	30%

Detailed information relating to the assignment and weighing of goals is available by individual and is maintained by the business unit and/or corporate.

Determination of Awards

A. Financial Performance Awards

A portion of each executive's annual bonus will be determined by meeting specific financial performance objectives. An award will be paid out if achieved results are at the pre-established minimum, target or maximum financial results levels.

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B. Individual Performance Awards

Early in each plan year, goals for individual performance for that year will be established for each participant. The goals should require the level of performance that is expected of a fully satisfactory incumbent and must be agreed to by the immediate superior. The Compensation Committee of the Board of Directors must approve the goals for those executives whose salaries are determined by the Committee. These goals will be the primary criteria for measuring individual performance and determining the individual performance portion of the bonus for that year.

The Chief Executive Officer will recommend the awards for participants whose salaries are determined by the Compensation Committee of the Board of Directors. The Compensation Committee will then determine the awards for all such participants.

The Chief Executive Officer will determine the awards for all participants whose salaries are not determined by the Compensation Committee. The CEO's

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direct reports, in consultation with their appropriate subordinates, will recommend to the Chief Executive Officer the awards for all other participants.

Payment of Awards

Awards will be paid as soon as practical at the end of the plan period, subject to all required tax withholdings. Awards may be paid in cash, shares of Household common stock, or some combination thereof. Neither eligible participation in the plan, nor award payments thereunder shall guarantee an employee, any right to continued employment. The plan does not give any employee right or claim to an award under the program. Management reserves the right to change or discontinue the plan at any time.

Administrative Matters

A. Promotions/New Plan Participants

Normally awards will be pro-rated according to the portion of the plan year that an incumbent is eligible for the bonus.

B. Effect on Benefits

Payments made under this plan shall be included in an employee's income for purposes of determining pension benefits, life insurance, long-term disability, and participation in the TRIP plan.

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C. Termination of Employment

Normally awards will be pro-rated in the case of death, permanent and total disability, or retirement under one of the Corporation's pension plans during a plan year. If a participant terminates employment for any other reason prior to the last working day of a plan year, he will normally forfeit any right to an award for the plan year.

The Goal Setting Process

Before the beginning of the plan year, the manager and subordinate will meet in a goal setting session. The purpose of the session is to discuss areas where goals will be established and agree on their priority and establish the number of points that will be earned based upon various levels of achievement during the plan period.

Preparation for the Goal Setting Meeting

To prepare for the goal setting session with the bonus eligible subordinate, the manager should have a clear idea of function or department goals and objectives for the plan year, priorities for the subordinate's unit or area, and three or four possible objectives to suggest as appropriate. During the session, the manager's role will be to direct the discussion and ensure that its results are jointly understood.

The subordinate will prepare for the session by establishing a list of priorities for the unit or area during the plan year, and developing four to eight potential goals for discussion. The subordinate's role during the session will be to actively discuss goals and expected levels of achievement with the

manager. This is to ensure that the final agreement is realistic and achievable and that there is a clear understanding of expected performance and the amount of bonus associated with various levels of achievement.

Guidelines for Setting Goals

For the purpose of establishing goals for the plan year, the following criteria should apply:

- Goals should be consistent and supportive of goals reflected in the Company's strategic business plans.
- Goals should be primarily job or task oriented. They must be realistic and achievable yet challenging with built in "stretch" to test individual capabilities. They should clearly specify action, tasks or results to be accomplished as well as a clear understanding of how the accomplishment will be evaluated.
- Goals must be understood and agreed to by both the manager and the subordinate.

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Setting goals for staff positions is somewhat more difficult than for line-type positions because staff performance is usually not measured numerically and rarely lends itself to quantitative measurement. Staff responsibilities tend to be contributory, interpretive and are more easily measured qualitatively. Frequently, the goals may include completion of specific projects. Non-quantitative goals should clearly state the criteria that will be used for evaluating successful achievement.

The results of the goal setting process will be documented in the format of the Executive Bonus Plan Goal Setting Form and approved by the appropriate level of management.

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Group A - 100% / 200%

Director Personal Banking
Group Director Business Development
Group Director Strategic Acquisitions
Managing Director CEO HAF
Managing Director Consumer Finance Sales
Managing Director HFS
Regional General Manager
Vice President National Sales Director

Group B - 85% / 150%

Managing Director-CEO-Canada

Group C - 75% / 150%

Director Consumer & Dealer Business Development

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Managing Director Operations

Group D - $62,500 / $125,000

Director Recovery Services-Backend
Vice President Collections
Vice President Consumer Collections (Tampa)

Group E - 60% / 120%

Group Diector Business Development & Marketing
Group Director New Business & Client Relations

Group F - 60% / 90%

Director of Operations UK

Group G - 55% / 100%

Vice President Affiliated Sales

Group H - 50% / 150%

National Director Business Development & Client Relations

Group I - 50% / 125%

Managing Director
National Sales Director

Group J - 50% / 100%

Chief Credit Policy Officer
Chief Operating Officer
Director Branch Operations
Director Sales HH Direct
Director Strategic Partnership
Division General Manager
Group Director Sales
Managing Director Equipment Finance
Managing Director Operations
National Director Sales Finance
President - Decision One
Regional Director Sales
Senior Vice President Finance
Senior Vice President Loan Production
Senior Vice President Operations

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Senior Vice President Portfolio Marketing
Senior Vice President Real Estate Asset Management
Senior Vice President Secondary Marketing
Vice President Applications Systems
Vice President Marketing
Vice President Portfolio Acquisitions & Secondary Marketing
Vice President Strategic Sales

Group K - 50% / 80%

Deputy Managing Director-COO (HRS)

Group L - 40% / 80%

Chief Financial Officer Canada
Director HFC Wholesale Sales
Director of Operations, IRES
Director Wholesale Acquisitions & Servicing
Group Director Sales & Telemarketing
Managing Director-Controller HI
Vice President Business Development
Vice President Corporate Finance
Vice President Default Services
Vice President Flow Volume & Special Customer Relations
Vice President Taxes
Vice President Treasurer
Vice President Wholesale Servicing

Group M - $40,000 / $80,000

Director Collections
Director Collections Affiliates
Vice President External Collections-HRSC

Group N - 40% / 60%

Assistant General Counsel-Litigation
Chief Financial & Credit Policy Officer
Chief Financial Officer
Director Marketing & Risk
Director Portfolio Management
Director RE Lending
Director Strategic Initiatives
Group Director Asset Management
Group Director Collections
Group Director Credit Operations & Loan Servicing
Group Director Customer Service
Group Director Marketing
Group Director Operation
Group Director Risk Control
Group Director Risk Management
Group General Counsel
Managing Director/Chief Financial Officer
Managing Director Commercial Finance
Managing Director Credit Policy & Risk Control
Managing Director Insurance
Managing Director Networked Systems
Managing Director of Marketing (HCS)

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Managing Director Strategic Initiatives & Partnership Alliances
National Director e-Commerce & Enhancement Services

National Director Financial Control
National Director Marketing
Vice President Applications Systems
Vice President Chief Financial Officer-HTS
Vice President Compensation & HR Administration
Vice President Corporate Communications
Vice President Corporate Law & Assistant Secretary
Vice President Credit Policy
Vice President Data Center Operations
Vice President Government Relations
Vice President Human Resources
Vice President Money & Capital Markets
Vice President Portfolio Analysis & Customer Management

Group O - $37,500 / $93,750

Vice President Credit Services

Group P - 30% / 60%

Assistant Controller
Chief Financial Officer
Director Retail Sales
National Director Customer Service

Group Q - 30% / 50%

Assistant Controller-Accounting Policy
Assistant General Counsel Employee Relations
Chief Financial Officer/Director Financial Control
Chief Financial Officer-UK
Director Asset Backed Financing
Director Asset Recovery
Director e-Commerce
Director Fraud Operations
Director Processing Services
Director Processing Services-Canada
Director Retail & Affinity-UK
Director Sales Support/MIS
Director/Special Project Consultant
Director Strategic Partnerships HHD

General Counsel Group
Director Business Analysis
Group Director Customer Relations Management
Group Director e-Business
Group Director e-Business Operations
Group Director Financial Strategy & Analysis
Group Director HCS Marketing
Group Director Information Management
Group Director Profitability
National Director Credit Policy, Pricing, Profitability
National Director Customer Relations
Vice President Audit
Vice President Corporate Property Management
Vice President Finance & Administration
Vice President Items Processing

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Vice President Portfolio Management
Vice President Specialty Finance

Group R - 25% / 50%

Director Credit Policy (#1)
Director Project Control
Group Director ARM

Group S - F20% / 50%

Director Credit Policy Administration
Director Customer Care
Director REN Risk Control

Group T - 20% / 40%

Controller
Controller-HCS
Director ALM
Director Commercial Operations
Director Corporate Investigations Management
Director Corporate Security Management
Director Credit Operations
Director Credit Policy (#2)
Director Dealer Operations
Director Insurance Taxation & Counsel
Director Portfolio Acquisitions
Director Product Development
Director Strategy & Development
Director Tax Planning & Tax Counsel
General Counsel
Group Director Business Performance
Group Director Human Resources
Group Director Marketing
Group Director Marketing Strategy
Group Director Operations/COO
Vice President Benefits Administration & Policy
Vice President Consumer Lending Practices
Vice President Data Architecture & System
Vice President Distributed Systems
Vice President HFC Operation Support
Vice President Networked Systems
Vice President Records Administration
Vice President T&D and Communications

Group U - 20% / 30%

Actuarial Director
Assistant to the Chief Information Officer
Channel Architect
Controller
Controller-HRS USA
Director Business Planning CWT
Director Business Strategies & Analysis
Director Business Systems

Director Business Treasury
Director Business Unit Accounting
Director Cash Operations

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Director Channel Technology Integration
Director Communication & Distributed Services
Director Compliance Administration
Director Consumer Services
Director Corporate & Treasury Accounting
Director Corporate Purchasing
Director CPA
Director Credit Risk
Director Customer Information
Director Customer Service
Director Data Center Operations
Director e-Commerce Strategy
Director e-House Controller
Director Federal & State Tax Compliance
Director Federal Tax Audit
Director Financial Business Analysis
Director Government Relations
Director Government. Relation. & Regulation. Issues
Director HFC Policy & Compliance Support
Director HR Data Management & Call Center
Director Human Resources
Director Information & Decision Analysis
Director Intercorporate Risk & Compliance
Director Investor Relations
Director Item Processing
Director Law & Compliance
Director Management Reporting & Analysis
Director Marketing
Director Marketing Communication
Director Operational Services
Director Operations Support
Director Product Development & Marketing
Director Reconciliation & Financial Information Systems
Director Sales Support & MIS
Director Servicing
Director Special Project Consultant
Director Strategic Alliance
Director Technology & Planning
Group Director Credit Operations
Group Director Customer Service
Group Director Human Resources
National Quality Assurance Manager
Special Project Consultant B
Treasurer
Vice President Facilities
Vice President Financial Control
Vice President Government Relations & Public Affairs
Vice President Insurance & Risk Finance
Vice President Technical Services

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Exhibit 10.3

HOUSEHOLD INTERNATIONAL
LONG-TERM EXECUTIVE INCENTIVE COMPENSATION PLAN
AS AMENDED

1. Purpose

The purpose of the Household International Long-Term Executive Incentive Compensation Plan (the "Plan") is to further the long-term growth of Household International Inc. ("Household") and its subsidiaries by Strengthening the ability of Household to attract and retain key employees and to provide additional motivation and incentives for the performance of key employees.

2. Administration

The Plan shall be administered by the Compensation Committee of Household's Board of Directors (the "Committee"). The Committee shall have such powers to administer the Plan as are delegated to it by the Plan and the Board of Directors, including the power to interpret the Plan and any agreements executed thereunder, to prescribe rules and regulations relating to the Plan, to determine the terms, restrictions, and provisions of any agreement relating to awards granted pursuant to the Plan, and to make all other determinations necessary or advisable for administering the Plan. No member of the Committee shall be eligible to receive any awards under the Plan while a member of the Committee or at any time within one year prior to becoming a member of the Committee.

3. Grant of Awards; Shares Subject to Plan

(a) The Committee may grant any type of award permitted under the terms of the Plan (all such awards in the aggregate being hereinafter referred to as " Awards"). Only employees of Household and its subsidiaries may be selected by the Committee for Awards under the Plan.

(b) The maximum number of shares of Common Stock of Household that may be issued under the Plan is 6,017,884 (adjusted to reflect the 2-for-l Common Stock split effected on October 15, 1993), all of which shares may be made subject to Options. The Stock issued pursuant to the Plan may consist of authorized and unissued shares of Household's Common Stock, Common Stock held in Household's treasury or Common Stock purchased on the open market. If any Award granted under the Plan shall terminate or lapse for any reason, any shares of Common Stock subject to such Award shall again be available for the grant of an Award.

(c) In the event of corporate changes affecting Household's Common Stock or this Plan or Awards granted thereunder (including, without limiting the generality of the foregoing,

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stock dividends, stock splits, recapitalizations, reorganizations, mergers, consolidations, or other relevant changes in capitalization), the Board of Directors or the Committee shall make appropriate adjustments in price, number and kind of shares of Common Stock or other consideration subject to such Awards or in the terms of such Awards, which it deems equitable to prevent dilution or enlargement of rights under the Awards. In addition, the Board of Directors or the Committee may from time to time equitably change the aggregate number or remaining number or kind of shares which may be issued under the Plan to reflect any such corporate changes.

(d) The Committee may, in its discretion and subject to such rules as it may adopt, permit an employee to satisfy, in whole or in part, withholding tax obligations incurred in connection with Awards: 1) by electing to have Household withhold shares of Household Common Stock (otherwise deliverable to the employee in connection with an Award) in payment for such withholding tax obligation or 2) by delivering shares of Household Common Stock owned by such employee in payment for such withholding tax obligation.

4. Options

(a) The Committee may grant any type of statutory or non-statutory Option to purchase shares of Household Common Stock as is permitted by law at the time the Option is granted. The term of the initial grant of each Option shall not be more than ten years and one day from the date of grant and may be exercised at the rate set by the Committee or as stated herein; provided, however, that no Option shall be exercised less than one year from the date of grant, except as provided herein. The Committee may, in its discretion, extend the expiration date of certain Options, other than Options which are intended to qualify as Incentive Stock Options ("ISO") pursuant to Section 422A of the Internal Revenue Code of 1954, as amended (the "Code"), provided no expiration date of any Option may exceed 15 years from the date of the grant of that Option.

(b) The per share purchase price of Household Common Stock which may be acquired pursuant to an Option shall be at least 100% of the fair market value of one share of Common Stock of Household on the date on which the Option is granted. Within this limitation such price shall be determined by the Committee.

(c) Payment for shares purchased upon the exercise of an Option shall be made in cash or, in the discretion of the Committee, in shares of Common Stock of Household valued at the then fair market value of such shares or by a combination of cash and shares of Common Stock.

(d) Each Option granted by the Committee which is intended to qualify as an ISO pursuant to the Code shall comply with the applicable provisions of the Code pertaining to ISOs. The aggregate fair market value (determined as of the time the ISO is granted) of Household Common Stock for which an employee may be granted an ISO in any calendar year (under all plans of Household and subsidiaries) shall not exceed $100,000 plus any unused

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"limit carryover" for such year, as determined in accordance with Section 422A of the Code.

(e) The Committee may, in its discretion and subject to such rules as it may adopt, authorize an extension of credit from Household to an employee holding an award granted under this Plan (including an employee who is an

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officer or director of Household) to assist the employee in settling withholding tax obligations on Awards. Household may extend or guarantee loans under this provision. Except for existing variable rate loans referred to below, loans will not be made under this provision to assist the employee in paying the exercise price for stock options. Loans extended under the Plan will bear interest, compounded semiannually, at the applicable rate in effect under Section 1274(d) of the Internal Revenue Code (the "Applicable Federal Rate") on the day the loan is made. The Committee may, in its discretion, permit employees with existing variable rate loans made under the Plan, to convert said loans to fixed rate loans which will bear interest, compounded semiannually, at the Applicable Federal Rate in effect on the day the loan is converted; provided, however, that the fixed interest rate will not be set below the rate required to avoid creation of cancellation of indebtedness income for Federal income tax purposes. Payment terms will be established by the Committee and may or may not require periodic payments of interest and/or principal. The term of loans will be established by the Committee, as well as provisions governing the acceleration of maturity upon termination of employment or default. Loans financed or guaranteed by Household will be secured by retention of the issued stock certificates by Household and execution of an agreement with respect to such shares. To the extent necessary to satisfy the provisions of Regulation G or another similar regulatory restriction, other security may be required by the Committee.

5. Stock Appreciation Rights

(a) The Committee may grant Stock Appreciation Rights ("SARs") in tandem with the grant of an Option under the Plan or with respect to a previously granted Option under the Plan, except that the Committee may grant SARs in connection with an Option which is an ISO only to the extent that such grant is consistent with the treatment of the Option as an ISO. In either case the number of shares in respect of which SARs are granted by the Committee shall not be greater than the number of shares subject to the related Option. In exchange for the surrender in whole or in part of the right to exercise the related Option, such SAR shall entitle the employee to payment of an amount equal to the appreciation in value of the surrendered Options (the excess of the fair market value of such Stock subject to Options at the time of surrender over their aggregate option price). An SAR granted pursuant to this subsection (a) shall be exercisable to the extent and only to the extent that the related Option is exercisable, but if an SAR is granted with respect to a previously-granted Option, the SAR will not be exercisable for a period of twelve months from the date of grant of such SAR, except as provided herein. No such SAR shall be exercisable except upon surrender of the related Option, and to the extent such Option is surrendered, the shares covered by such Option shall again be available for purposes of the Plan to the extent that payment of such SAR is not made in shares of Stock of Household. The exercise of any Option shall result in the cancellation of any related SAR. An SAR issued in tandem with an ISO may be exercised only when the market price of the Stock subject to the ISO exceeds the exercise price of the ISO.

(b) The Committee may also grant units of SARs on a stand-alone basis which are not issued in tandem with Options. The term of each such SAR shall not be more than ten years from the date of grant and may be exercised at the rate set by the Committee or as stated

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herein; provided, however, that no such SAR shall be exercised less than one year from the date of grant, except as provided herein. The "base price" of each

unit of a "stand-alone" SAR shall be at least 100% of the fair market value of one share of Common Stock of Household on the date on which such SAR is granted. Within this limitation the base price shall be determined by the Committee. Each unit of a "stand-alone" SAR entitles the holder, upon exercise, to payment of an amount equal to the difference between the base price of such SAR unit and the fair market value on the date of exercise of a share of Common Stock of Household.

(c) At the discretion of the Committee, payment for SARs may be made in cash, in shares of Common Stock of Household valued at their fair market value as of the date of exercise of the SAR, or partly in cash and partly in shares of Common Stock of Household.

(d) The Committee may establish a maximum appreciation value payable under an SAR.

6. Transfer of Options and Stock Appreciation Rights; Exercise of Options and Stock Appreciation Rights Following Termination of Employment

(a) Options and SARs may not be transferred except by will or the laws of descent and distribution and during the lifetime of the holder may be exercised only by him. If the holder of an Option or SAR shall cease to be an employee of Household or a subsidiary, and unless otherwise provided by the Committee, all rights under such Option or SAR shall immediately terminate, except:

(i) in the event of termination of employment of a holder that is subject to Section 10(b) hereof or of a holder who is retirement-eligible under the terms of a pension plan of Household or a subsidiary, the Option or SAR may be exercised within five (5) years of the date of termination of employment.

(ii) in the event of termination of employment due to permanent and total disability of a holder who is not retirement-eligible under the terms of a pension plan of Household or a subsidiary, the Option or SAR may be exercised within twelve (12) months following the date of such termination of employment.

(iii) in the event of death during employment, the Option or SAR may be exercised by the executor, administrator, or other personal representative of the holder within five (5) years succeeding death if such holder was retirement-eligible under the terms of a pension plan of Household or a subsidiary, or twelve (12) months if such holder was not retirement-eligible under the terms of a pension plan of Household or a subsidiary.

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(iv) in the event of termination of employment other than as set forth in subsections (i), (ii) or (iii) above, the Option or SAR may be exercised within three (3) months following the date of termination, except for termination for cause.

(v) in the event of death of a holder of an Option or SAR following termination of employment, the Option or SAR may be exercised by the executor, administrator, or other personal representative of the holder, notwithstanding the time period specified in (i), (ii), (iii) or (iv) above, within a) twelve (12) months following death or b) the remainder of the period in which the holder was entitled to exercise the Option or SAR,

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whichever period is longer.

If the Committee determines that the termination is for cause, the Option or SAR will not under any circumstances be exercisable following termination of employment.

(b) An Option or SAR may not be exercised pursuant to this Section after the expiration of the term of such Option or SAR and may be exercised only to the extent that the holder was entitled to exercise such Option or SAR on the date of termination of employment.

7. Performance Unit Awards and Performance Share Awards

(a) The Committee may grant Performance Unit Awards and Performance Share Awards pursuant to this Section 7. The Committee shall establish, with respect to and at the time of grant of each Performance Unit Award or Performance Share Award, a performance period over which the performance of the holder of a Performance Unit Award or Performance Share Award shall be measured. The Committee shall also establish performance levels but subject to such later revisions as the Committee, in its sole judgment, shall deem appropriate to reflect significant, unforeseen events or changes. The Committee in its discretion may also grant Performance Unit Awards and Performance Share Awards to employees following the start of any performance period and may also grant additional Performance Unit Awards and Performance Share Awards to participants after the start of any performance period.

(b) Each Performance Unit shall have an initial value of $100 per unit. Each Performance Share shall initially represent one share of Household Common Stock with a value equal to the fair market value of one share of Household Common Stock on the date of grant of the Performance Share Award. As determined by the Committee, the value of Performance Units and the number of shares of Household Common Stock represented by Performance Shares may increase or decrease depending upon the extent to which the performance targets set by the Committee in respect of the holder of the Performance Unit Award or Performance Share Award are achieved.

(c) The holder of a Performance Unit Award shall be entitled to receive payment of an amount equal to the value of the Performance Unit Award, based on the achievement of the performance targets for such performance period, as determined by the Committee at the

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time of settlement of the Performance Unit Award, except that no more than 50% of the Performance Unit Award may be paid in Household Common Stock.

(d) The holder of a Performance Share Award shall be entitled to receive a number of shares of Household Common Stock represented by the Performance Share Award, based on the performance targets for such performance period, as determined by the Committee. At the discretion of the Committee, payment for Performance Share Awards may be made in whole or in part in cash, in which case Household shall pay an amount equal to the fair market value of a share of Household Common Stock on the date of settlement for each share of Household Common Stock that would otherwise be delivered to the holder of the Performance Share Award.

(e) Payment shall be made in a lump sum or in installments as prescribed by the Committee. If any payment in Household Common Stock is to be made on a

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deferred basis, the recipient may be entitled, in the discretion of and on terms and conditions established by the Committee, to receive a payment or credit equivalent to any dividend payable with respect to the number of shares of Common Stock which, as of the record date for the dividend, had been awarded or made payable to the recipient but not delivered. If a payment in cash is to be made on a deferred basis, the recipient may be entitled, in the discretion of and on terms and conditions established by the Committee, to be paid interest on the unpaid amount.

(f) In the event of (i) death, permanent and total disability, or retirement under the terms of a pension plan of Household or a subsidiary and, unless the Committee in its sole discretion adopts a contrary rule, or (ii) termination in accordance with Section 10(b) hereof, the holder of a Performance Unit Award or Performance Share Award shall receive payment of such Award prorated on the number of elapsed months in the performance period but based on the extent to which performance targets are achieved for the full performance period. Such Performance Unit Award or Performance Share Award shall be payable at the time of payment of all other Performance Unit Awards or Performance Share Awards granted for the same performance period. A holder of a Performance Unit Award or Performance Share Award whose employment terminates for reasons other than those listed in this paragraph will forfeit his rights to any outstanding Performance Unit Award or Performance Share Award. Such forfeiture may be waived in whole or in part by the Committee, in its sole discretion.

(g) The Committee may grant Performance Unit Awards or Performance Share Awards in tandem with SARs and Options (including ISOs if such grant is consistent with the treatment of the Option as an ISO). However, to the extent of an exercise or payout of any such Performance Unit Award, Performance Share Award, Option, and/or SAR granted in tandem, the exercise or payout of any unit of such tandem Award shall automatically cancel the corresponding units of such Award. Awards granted to the same individual, whether or not on the same day, will not be considered to be issued in tandem pursuant to this Section unless the Committee designates such Awards as tandem Awards.

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8. Restricted Stock Rights

(a) The Committee from time to time may grant Restricted Stock Rights ("RSRs") to any employee selected by the Committee, which would entitle such employee to receive a stated number of shares of Common Stock of Household, subject to forfeiture of such RSRs if such employee failed to remain continuously an employee of Household or any subsidiary for the period stipulated by the Committee (the "Restricted Period").

(b) RSRs shall be subject to the following restrictions and limitations:

(i) The RSRs may not be transferred except by will or the laws of descent and distribution;

(ii) Except as otherwise provided in Paragraphs (d) and (e) of this Section 8, the RSRs and the shares subject to such RSRs shall be forfeited and all rights of a grantee of such RSRs and shares shall terminate without any payment of consideration by Household if the employee fails to remain continuously as an employee of Household or any subsidiary for the Restricted Period. A grantee shall not be deemed to have terminated his period of continuous employment with Household or any subsidiary if he leaves the employ of Household or any subsidiary for immediate reemployment

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with Household or any subsidiary.

(c) The holder of RSRs shall not be entitled to any of the rights of a holder of the Common Stock with respect to the shares subject to such RSRs prior to the issuance of such shares pursuant to the Plan. At the Committee's discretion, during the Restricted Period, for each share subject to an RSR, Household will pay the holder an amount in cash equal to the cash dividend declared on a share of Common Stock of Household during the Restricted Period on or about the date Household pays such dividend to its stockholders of record.

(d) The Committee in its sole discretion may accelerate the payment of Household Common Stock under RSRs prior to the termination of the Restricted Period if the holder of the RSR has achieved certain performance levels established by the Committee at the time an RSR is granted. The Committee in its sole judgment may revise such performance levels as it deems appropriate to reflect significant, unforeseen events or changes.

(e) In the event that the employment of a holder terminates by reason of death or permanent and total disability or as a result of Section 10(b) hereof, such holder shall be entitled to receive the number of shares subject to the RSR multiplied by a fraction (x) the numerator of which shall be the number of full months between the date of grant of such RSR and the date of such termination of employment, and (y) the denominator of which shall be the number of full months in the Restricted Period; provided, however, that any fractional share shall not be awarded. A holder of an RSR whose employment terminates for reasons other than those listed in this paragraph will forfeit his rights under any outstanding RSRs. This automatic forfeiture may be waived in whole or in part by the Committee in its sole discretion.

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(f) When a grantee shall be entitled to receive shares pursuant to an RSR, Household shall issue the appropriate number of shares registered in the name of the grantee.

9. Amendment and Termination of the Plan

The Board of Directors or the Committee may amend the Plan or any Award granted thereunder at any time, except as provided in Section 10(d) and that the Board of Directors or the Committee may not, without shareholder approval, and except as permitted by Section 3(c), increase the number of shares of Common Stock of Household which may be issued pursuant to the Plan, change the purchase price of an Option or base price of a "stand-alone" SAR, or make any other amendment to the Plan which is required by law to be approved by the shareholders of Household. The Board of Directors may terminate the Plan at any time except as provided in Section 10(d), but such termination shall not affect Awards previously granted under the Plan.

10. Change in Control

(a) In order to protect employees of Household and its subsidiaries who have been granted Awards, if a "Change in Control" occurs, then the Committee, in its sole discretion, may:

i. accelerate the time periods for exercising or realizing any Awards, notwithstanding any minimum holding periods set forth in the Plan or established by the Committee at the time of the grant of the Award;

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ii. provide for the purchase by Household of any Awards in cash equal to the amount that could have been received upon the exercise or realization of such Awards had the Awards been currently exercisable or payable on the day before said cash payment is made;

iii. make such adjustments, including the granting of additional Awards, to any outstanding Award as the Committee deems appropriate to reflect the Change in Control; and

iv. cause outstanding Awards to be assumed, or new rights substituted therefor, by any corporation that is the successor to Household.

(b) Any employee whose position with Household or any of its subsidiaries within twenty-four (24) months after a Change in Control is materially changed (as defined below), shall be deemed to be involuntary terminated without cause from Household and be entitled to exercise or receive the payment of Awards previously granted to him that were outstanding immediately prior to the event causing such termination in accordance with Sections 6(a)(i), 7(f), or 8(e) of the Plan, without any action by the Committee or Board of Directors.

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(c) For purposes of this Section and to determine the rights of any employee who has an outstanding Award, the term:

i. "Change in Control" means a change in the beneficial ownership of Household's common stock or a change in the composition of Household's Board of Directors as a result of any of the following occurrences:

(1) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) other than

(x) a trustee or other fiduciary of securities held under an employee benefit plan of Household, or

(y) the employee or any person acting in concert with the employee

becomes a beneficial owner, directly or indirectly, of common stock of Household representing twenty percent (20%) or more of the total voting power of Household's then outstanding common stock; or

(2) a tender offer is made for thirty percent (30%) or more of the common stock of Household, which tender offer has not been approved by the Board of Directors of Household.

ii. "Materially changed" means the occurrence of one or more of the following events:

(1) the termination of the employee, without cause;

(2) the employee was assigned to a position of lesser rank or status;

(3) the employee's annual target bonus or targeted performance unit awards were reduced and compensation equivalent in aggregate value was not substituted;

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(4) the employee's annual salary was reduced;

(5) the employee's benefits under the Household Retirement Income Plan or any successor tax qualified defined benefit plan were reduced for reasons other than to maintain its tax qualified status and such reductions were not supplemented in the Household Supplemental Retirement Income Plan ("HSRIP"); or the employee's benefits under HSRIP, if applicable, were reduced;

(6) the employee's other benefits or perquisites were reduced and such reductions were not uniformly applied with respect to all similarly situated employees; or

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(7) the employee was reassigned to a geographical area outside of the metropolitan area in which the employee was assigned at the time of the Change in Control.

iii. "Cause" means:

(1) willful and deliberate misconduct, which is detrimental in a significant way to the interests of Household;

(2) death; or

(3) inability of the employee, for reasons of disability, to reasonably perform his/her duties for six consecutive calendar months.

(d) Notwithstanding anything set forth in Section 9 hereof, with the occurrence of a Change in Control the Plan may not be amended or terminated by the Committee, the Board of Directors or the stockholders of Household.

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EXHIBIT 10.5

HOUSEHOLD INTERNATIONAL
1996 LONG-TERM EXECUTIVE INCENTIVE COMPENSATION PLAN
(as amended November 11, 2001)

1. Purpose

The purpose of the Household International 1996 Long-Term Executive Incentive Compensation Plan (the "Plan") is to further the long-term growth of Household International, Inc. and its subsidiaries ("Household") by strengthening the ability of Household to attract and retain employees of outstanding ability, to provide an effective means for employees to acquire and maintain ownership of Household Common Stock, to motivate such employees to achieve long-range performance goals and objectives, and to provide incentive compensation opportunities competitive with those of other major corporations. Household senior executives, in particular, are charged with enhancing shareholder value and except under extraordinary circumstances, will only receive options under this Plan. The options, if granted, to Household senior executives will comprise a significant portion of their total annual compensation. In addition, the Plan provides for the issuance of options to purchase Household Common Stock to non-employee Directors of Household in order to facilitate ownership of Household Common Stock by Directors and to more fully align the interests of Household's Directors with that of its Common stockholders.

2. Administration

The Plan shall be administered by the Compensation Committee of Household's Board of Directors (the "Committee"), a committee of the Board appointed from time to time by the Board consisting solely of two or more non-employee directors, each of whom shall be an "outside director" as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations thereunder and a "disinterested person" as defined in Rule 16b-3 under Section 16(b) of the Securities Exchange Act of 1934 (the "Exchange Act"). The Committee shall have such powers to administer the Plan as are delegated to it by the Plan and the Board of Directors, including, to the extent permissible under the terms of the Plan, the power to interpret the Plan and any agreements executed thereunder, to prescribe rules and regulations relating to the Plan, to determine the terms, restrictions, and provisions of any agreement relating to awards granted pursuant to the Plan, and to make all other determinations necessary or advisable for administering the Plan. Except as required by Rule 16b-3 (or any successor Rule thereto) with respect to grants of awards to individuals who are subject to Section 16 of the Exchange Act or as otherwise required for compliance with Rule 16b-3 or other applicable law, the Committee

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may delegate all or any part of its authority under the Plan to any officer of Household. All decisions made by the Committee, or (unless the Committee has specified an appeal process to the contrary) any other person to whom the Committee has delegated authority pursuant to the provisions hereof, shall be final and binding on all persons.

3. Grant of Awards; Shares Subject to Plan

(a) The Committee may grant any type of award permitted under the terms of the Plan to employees (all such awards in the aggregate being hereinafter referred to as "Awards"). Employees of Household and its subsidiaries may be selected by the Committee for Awards under the Plan. In addition, non-employee Directors of Household will receive options pursuant to the provisions of Section 6.

(b) The number of shares of Common Stock of Household that may be issued under the Plan is equal to the sum of the number of shares remaining available under the Household International Long-Term Executive Incentive Compensation Plan (the "1984 Plan") plus 24,000,000, all of which shares may be made subject to options. The shares issued pursuant to an Award may consist of authorized and unissued shares of Household's Common Stock, Common Stock held in Household's treasury or Common Stock purchased on the open market. If any Award granted under the Plan or the 1984 Plan shall terminate or lapse for any reason, any shares of Common Stock subject to such Award shall again be available for grant under the Plan. The maximum number of shares or share equivalents that may be granted through an Award to any one participant in one year is 1,200,000 shares.

(c) In the event of corporate changes affecting Household's Common Stock, this Plan or Awards granted to employees and options granted to non-employee Directors hereunder (including, without limiting the generality of the foregoing, stock dividends, stock splits, recapitalizations, reorganizations, mergers, consolidations, or other relevant changes in capitalization), appropriate adjustments in price, number and kind of shares of Common Stock or other consideration subject to such Awards or in the terms of such Awards, shall be made so as to prevent dilution or enlargement of rights under the Awards. In addition, the aggregate number or remaining number or kind of shares which may be issued under the Plan will be adjusted to equitably reflect any such corporate changes.

(d) The Committee may, in its discretion and subject to such rules as it may adopt, permit an employee to satisfy, in whole or in part, withholding tax obligations incurred in connection with Awards: (i) by electing to have Household withhold shares of Household Common Stock (otherwise deliverable

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to the employee in connection with an Award) in payment for the minimum required withholding tax obligation of Household, or (ii) by delivering shares of Household Common Stock owned by such employee in payment for a withholding tax obligation, or (iii) by obtaining an extension of credit from Household in payment for the withholding tax obligation. Any shares of Common Stock delivered by an employee in full or partial payment of withholding tax obligations must have been held by such employee at least six months prior to the date such shares are delivered in payment.

(e) The Committee may provide that any Award to employees under the Plan earn dividend equivalents. Such dividend equivalents may be paid currently or may be credited to a participant's account, including during any deferral period. Any crediting of dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional shares or share equivalents. However, the payment of dividend equivalents will not be conditioned upon the employee exercising an option.

(f) Except as may be provided in the agreement for any specific employee Award or otherwise limited in this Plan, the Committee may, in its sole discretion, in whole or in part, waive any restrictions or conditions applicable to, or accelerate the vesting of, any Award to an employee.

(g) To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practice and to further the purpose of this Plan, the Committee may, without amending this Plan, (i) establish special rules applicable to Awards granted to employees who are foreign nationals, are employed outside the United States, or both, including rules that differ from those set forth in this Plan and (ii) grant Awards to such employees in accordance with those rules.

(h) The Committee may, in its discretion and subject to such rules as it may adopt, authorize an extension of credit from Household to an employee holding an award granted under this Plan (including an employee who is an officer or director of Household) to assist the employee in settling withholding tax obligations on Awards. Household may extend or guarantee loans under this provision. Except for existing variable rate loans referred to below, loans will not be made under this provision to assist the employee in paying the exercise price for stock options. Loans extended under the Plan will bear interest, compounded semiannually, at the applicable rate in effect under Section 1274 (d) of the Internal Revenue Code (the "Applicable Federal Rate") on the day the loan is made. The Committee may, in its discretion, permit employees with existing variable rate loans made under the Plan, to convert said loans to fixed rate

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loans which will bear interest, compounded semiannually, at the Applicable Federal Rate in effect on the day the loan is converted; provided, however, that the fixed interest rate will not be set below the rate required to avoid creation of cancellation of indebtedness income for Federal income tax purposes. Payment terms will be established by the Committee and may or may not require periodic payments of interest and/or principal. The term of loans will be established by the Committee, as well as provisions governing the acceleration of maturity upon termination of employment or default. Loans financed or guaranteed by Household will be secured by retention of the issued stock certificates by Household and execution of an agreement with respect to such shares. To the extent necessary to satisfy the provisions of Regulation G or another similar regulatory restriction, other security may be required by the Committee.

4. Employee Options

(a) The Committee may grant to employees any type of statutory or non-statutory option to purchase shares of Household Common Stock as is permitted by law at the time the option is granted. The term of the initial

grant of each option shall not be more than ten years and one day from the date of grant and may be exercised at the rate set by the Committee or as stated herein; provided, however, that no option shall be exercised less than one year from the date of grant, except as provided herein. The Committee may, in its discretion, extend the expiration date of certain outstanding employee options, provided no expiration date of any option may exceed fifteen years from the date of the grant of that option.

(b) The per share purchase price of Household Common Stock which may be acquired pursuant to an employee option shall be at least 100% of the fair market value of one share of Common Stock of Household on the date on which the option is granted. Within this limitation, such price shall be determined by the Committee.

(c) Payment for shares purchased upon the exercise of an employee option shall be made in cash or, in the discretion of the Committee, in shares of Common Stock of Household valued at the then fair market value of such shares or by a combination of cash and shares of Common Stock. Any shares of Common Stock surrendered by an employee in full or partial payment of the exercise price of an option must have been held by such employee at least six months prior to the date such shares are surrendered in payment.

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5. Transfer of Employee Options; Exercise of Employee Options Following Termination of Employment

(a) Options may be exercised only by the employee and shall not be transferable other than by will or the laws of descent and distribution. These restrictions on transferability shall not apply to the extent (i) such restrictions are not at the time required for the Plan to continue to meet the requirements of Rule 16b-3 of the Exchange Act, or any successor Rule, (ii) the Committee has established rules concerning the transferability of employee options and (iii) the agreement relating to an Award so specifies or the holder has received notice from the Office of the Secretary of Household that such restrictions are no longer applicable. If the holder of an option shall cease to be an employee of Household or a subsidiary, and unless otherwise provided by the Committee, all rights under such option shall immediately terminate, except:

(i) in the event of termination of employment of a holder to which Section 11(b) hereof applies, or of a holder who is retirement-eligible under the terms of a pension plan of Household or a subsidiary, the option may be exercised within five years of the date of termination of employment or as otherwise provided in the agreement for the Award;

(ii) in the event of termination of employment due to permanent and total disability, and the holder is not retirement-eligible under the terms of a pension plan of Household or a subsidiary, the option may be exercised within twelve months following the date of such termination of employment or as otherwise provided in the agreement for the Award;

(iii) in the event of death during employment, the option may be exercised by the executor, administrator, or other personal representative of the holder within five years succeeding death if such holder was retirement-eligible under the terms of a pension plan of

Household or a subsidiary, or twelve months if such holder was not retirement-eligible under the terms of a pension plan of Household or a subsidiary or as otherwise provided in the agreement for the Award;

(iv) except in the event an employee is terminated for cause, following termination of employment other than as set forth in subsections (i), (ii) or (iii) above, the option may be exercised within three months following the date of termination, or prior to the expiration of the option, whichever period is shorter; or

(v) in the event of death of a holder of an option following termination of employment, the option may be

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exercised by the executor, administrator, or other personal representative of the holder, notwithstanding the time period specified in (i), (ii), (iii) or (iv) above, within a) twelve months following death or b) the remainder of the period in which the holder was entitled to exercise the option, whichever period is longer.

If the Committee determines that the termination is for cause, the option will not under any circumstances be exercisable following termination of employment. Notwithstanding the foregoing, in the case where the employee is a party to an employment, termination protection or similar agreement with Household or a subsidiary which is in effect at the time of termination of employment that defines "cause" (or words of similar import), the Committee shall not determine such termination of employment to be for "cause" unless a "cause" termination would be permitted under such agreement at that time.

(b) An option may not be exercised pursuant to this Section after the expiration of the term of such option and may be exercised only to the extent that the holder was entitled to exercise such option on the date of termination of employment.

6. Non-Employee Director Options

(a) Each non-employee Director of Household will be granted an option for 10,000 shares of Household Common Stock annually on the same date grants are made to employees. In addition, in lieu of cash compensation, non-employee Directors may choose to receive a number of stock options equivalent to 10% of the annual cash compensation they choose to receive in stock options. The Committee will have no discretion to select which non-employee Directors will be granted options or to determine the number of option shares, price, vesting schedule or any other term of the options granted to non-employee Directors. All options granted to non-employee Directors will be non-qualified stock options.

(b) The per share purchase price of Common Stock which may be acquired pursuant to a non-employee Director option shall be 100% of the fair market value of one share of Common Stock on the date the option is granted. For purposes of establishing the fair market value of Household's Common Stock on any day under Section 6 of this Plan, such value shall be the average of the highest and lowest sales prices per share of the Common Stock for such date. However, if the Stock Exchange is not open for trading on a given day, the fair market value will be the average of the highest and lowest sales prices per share on the next succeeding business day.

(c) Subject to Section 11 of this Plan, each option granted to a non-employee Director vests and shall be fully exercisable

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beginning six months from the date the option was granted. Each such option expires ten years and one day from the date of the grant. However, if a non-employee Director ceases to be a Director of Household, outstanding vested options are exercisable as follows:

(i) in the event service on the Board of Directors terminates due to permanent and total disability, outstanding options may be exercised within twelve months following the date such service terminates or prior to the expiration of the outstanding options, whichever period is shorter;

(ii) in the event of death of a non-employee Director whether during service as a Director of Household or after ceasing such service, outstanding options may be exercised by the executor, administrator, or other personal representative of such Director within twelve months after the death of the Director or prior to the expiration of the outstanding options, whichever period is longer;

(iii) in the event a non-employee Director's service on the Board of Directors terminates because such Director has reached the mandatory retirement age of 70 (or age 72 if a Director was serving on the Board as of January 1, 1989) or if a non-employee Director retires from the Board prior to reaching the mandatory retirement age but after having served on the Board of Directors continuously for at least fifteen years, outstanding options may be exercised at any time prior to the expiration of the outstanding options; and

(iv) in the event service on the Board of Directors terminates other than as set forth in subsections (i), (ii) or (iii) above, outstanding options may be exercised within three months following the date such service terminates or prior to the expiration of the outstanding options, whichever period is shorter.

(d) Payment for shares purchased upon exercise of a non-employee Director option shall be made in cash, in shares of Household Common Stock valued at the then fair market value of such shares or by a combination of cash and shares of Common Stock. Any shares of Common Stock delivered in full or partial payment of the exercise price of an option must have been held by such Director at least six months prior to the date such shares are delivered in payment.

A non-employee Director may also satisfy, in whole or in part, income tax obligations incurred in connection with the exercise of an option by (i) electing to have Household withhold shares of Common Stock (otherwise deliverable to the Director in connection with the exercise of an option) in payment for such

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income tax obligation or (ii) by delivering shares of Household Common Stock owned by such Director in payment for such income tax obligation. Any shares of Common Stock delivered in full or partial payment of income tax obligations must have been held by such Director at least six months prior to the date such shares are delivered.

(e) Non-employee Director options are not transferable other than by will and the laws of descent and distribution.

7. Restricted Stock Rights

(a) Upon such terms as it deems appropriate, the Committee from time to time may grant Restricted Stock Rights ("RSRs") to any employee selected by the Committee, which entitle such employee to receive a stated number of shares of Common Stock of Household. The RSRs are subject to forfeiture if the employee fails to remain continuously employed by Household or any subsidiary for the period(s) stipulated by the Committee (each, a "Restricted Period").

(b) RSRs shall be subject to the following restrictions and limitations: (i) the RSRs may not be transferred except by will or the laws of descent and distribution; and (ii) except as otherwise provided in Paragraphs (d) and (e) of this Section 7, an RSR and the shares subject to an RSR shall be forfeited and all rights of a holder of an RSR shall terminate without any payment of consideration by Household if such employee fails to remain continuously employed by Household or any subsidiary for the Restricted Period. A holder of an RSR shall remain continuously employed if such holder leaves the employ of Household or any subsidiary for immediate reemployment with Household or any subsidiary.

(c) Other than as may be specified pursuant to Section 3(e), the holder of an RSR shall not be entitled to any of the rights of a holder of the Common Stock with respect to the shares subject to such RSR prior to the issuance of such shares pursuant to the Plan.

(d) The Committee in its sole discretion may accelerate the payment of Household Common Stock under an RSR prior to the termination of the Restricted Period if the holder of an RSR has achieved certain performance levels established by the Committee at the time an RSR is granted. The Committee in its sole judgment may revise such performance levels as it deems appropriate to reflect significant, unforeseen events or changes.

(e) In the event that the employment of a holder of an RSR terminates by reason of death or permanent and total disability or as a result of Section 11(b) hereof, such holder shall be

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entitled to receive the number of shares subject to the RSR multiplied by a fraction (x) the numerator of which shall be the number of full months between the date of grant of each such RSR and the date of such termination of employment, and (y) the denominator of which shall be the number of full months in the respective Restricted Period; provided, however, no fractional share shall be awarded. A holder of an RSR whose employment terminates for reasons other than those listed in this paragraph will forfeit all rights under any outstanding RSR. This automatic forfeiture may be waived in whole or in part by the Committee in its sole discretion.

(f) When a holder shall be entitled to receive shares pursuant to an RSR, Household shall issue the appropriate number of shares registered in the name of the holder.

8. Other Stock-Based Awards

The Committee may make awards of unrestricted shares of Household Common Stock to eligible employees in recognition of outstanding achievements.

9. Forfeiture

If it is determined that an employee or former employee, while employed by Household or any subsidiary or otherwise associated with Household or any subsidiary as a consultant, advisor or in another similar capacity, engaged at any time in any activity in competition with any activity of Household or any subsidiary or inimical, contrary or harmful to the interests of Household or any subsidiary including, but not limited to: (i) conduct related to the participant's position for which either criminal or civil penalties against the participant may be sought, (ii) violation of Household policies, notwithstanding Household's decision or inability to, or not to, terminate the participant for such violation, (iii) accepting employment with or serving as a consultant, advisor or in any other capacity to an employer that is in competition with or acting against the interests of Household or any subsidiary, including employing or recruiting any present employee of Household or any subsidiary for such competitor, (iv) disclosing or misusing any confidential information or material concerning Household or any subsidiary, or (v) participating in a hostile takeover attempt of Household, then the Committee, in its sole discretion, may cancel any unexpired or unpaid Award at any time.

10. Amendment and Termination of the Plan

This Plan will expire on May 8, 2006. However, the Board of

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Directors may terminate the Plan at any time except as provided in Section 11(d), but such termination shall not affect Awards previously granted under the Plan. During the Plan term, the Committee may amend the Plan or any Award granted to an employee under the Plan at any time, except (i) the Plan may not be amended or terminated in the circumstances set forth in Section 11(d), (ii) the Committee may not, without shareholder approval, and except as permitted by Section 3(c), increase the number of shares of Common Stock of Household which may be issued pursuant to the Plan, change the purchase price of an Option, and (iii) the Committee may not make any other amendment to the Plan which is required by law to be approved by the shareholders of Household.

Notwithstanding the preceding paragraph, the provisions of Section 6 of the Plan relating to non-employee Directors may not be amended more than once every six months, except to comply with changes to the Code or the rules and regulations thereunder.

11. Change in Control

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(a) In order to protect participants in the Plan who have outstanding Awards in the event there is a "Change in Control" (as defined below), (i) all outstanding Awards will immediately vest or the Restricted Period with respect thereto shall lapse and such Awards shall become exercisable or payable in full notwithstanding any minimum holding period set forth in the Plan or established by the Committee at the time of the grant of the Award, (ii) Household shall require that this Plan, and the Awards issued hereunder, be assumed by the entity causing the Change in Control or the public company parent thereof (the `Acquiror') and, if appropriate, new rights of equal value with substantially similar terms be substituted for such Awards by the Acquiror, and (iii) the Committee, in its sole discretion (notwithstanding any contrary provision in Section 3(f)), may:

(i) provide for the purchase by Household or the Acquiror of any Awards in cash equal to the amount that could have been received upon the exercise or realization of such Awards had the Awards been currently exercisable or payable on the day before said cash payment is made;

(ii) make such adjustments, including the granting of additional Awards, to any outstanding Award as the Committee deems appropriate to reflect the Change in Control; and

(iii) take such other action deemed appropriate by the Committee to ensure that the rights of participants and the Awards are not adversely affected by the Change in Control.

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(b) Any employee whose position with Household or any of its subsidiaries is "Materially Changed" (as defined below) within twenty-four (24) months after a Change in Control shall be deemed to be involuntarily terminated without "cause" (as defined below) from Household and be entitled to exercise or receive the payment of Awards previously granted to the employee that were outstanding immediately prior to the event causing such termination or were awarded subsequent to the event causing such termination, in each case, in accordance with subsection 5(a)(i) with respect to Options or 7(e) of the Plan with respect to any RSRs with respect to which the Restricted Period has not lapsed, without any action by the Committee or Board of Directors.

(c) For purposes of this Section and to determine the rights of any participant who has an outstanding Award, the term:

(i) "Change in Control" means:

(1) any "person" (as defined in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding for this purpose Household or any subsidiary of Household, or any employee benefit plan of Household, or any subsidiary of Household, or any person or entity organized, appointed or established by Household for or pursuant to the terms of such plan which acquires beneficial ownership of voting securities of Household, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of Household representing twenty percent (20%) or more of the combined voting power of Household's then outstanding securities; provided, however, that no Change in Control

shall be deemed to have occurred as the result of an acquisition of securities of Household by Household which, by reducing the number of voting securities outstanding, increases the direct or indirect beneficial ownership interest of any person to twenty percent (20%) or more of the combined voting power of Household's then outstanding securities, but any subsequent increase in the direct or indirect beneficial ownership interest of such person in Household shall be deemed a Change in Control; and provided further that if the Board of Directors of Household determines in good faith that a person who has become the beneficial owner directly or indirectly of securities of

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Household representing twenty percent (20%) or more of the combined voting power of Household's then outstanding securities has inadvertently reached that level of ownership interest, and if such person divests as promptly as practicable a sufficient amount of securities of Household so that the person no longer has a direct or indirect beneficial ownership interest in twenty percent (20%) or more of the combined voting power of Household's then outstanding securities, then no Change in Control shall be deemed to have occurred;

(2) during any period of two (2) consecutive years (not including any period prior to November 9, 1998) individuals who at the beginning of such two-year period constitute the Board of Directors of Household and any new director or directors (except for any director designated by a person who has entered into an agreement with Household to effect a transaction described in subparagraph (1), above, or subparagraph (3), below) whose election by the Board or nomination for election by Household's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board (such individuals and any such new directors being referred to as the "Incumbent Board");

(3) consummation of (x) an agreement for the sale or disposition of Household or all or substantially all of Household's assets, (y) a plan of merger or consolidation of Household with any other corporation, or (z) a similar transaction or series of transactions involving Household (any

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transaction described in parts (x) through (z) of this subparagraph (3) being referred to as a "Business Combination"), in each case unless after such a Business Combination (I) the stockholders of Household immediately prior to the Business Combination continue to own, directly or indirectly, more than sixty percent (60%) of the combined voting power of the then

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outstanding voting securities entitled to vote generally in the election of directors of the new (or continued) entity (including, but not by way of limitation, an entity which as a result of such transaction owns Household, or all or substantially all of Household's former assets either directly or through one or more subsidiaries) immediately after such Business Combination, in substantially the same proportion as their ownership of Household immediately prior to such Business Combination, (II) no person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of Household or of such entity resulting from such Business Combination) beneficially owns, directly or indirectly, twenty percent (20%) or more of the then combined voting power of the then outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (III) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination;

(4) approval by the stockholders of Household of a complete liquidation or dissolution of Household;

(5) a tender offer is made for thirty percent (30%) or more of the common stock of Household, which tender offer has not been approved by the Board of Directors of Household; or

(6) a solicitation subject to Rule 14a-11 under the Exchange Act (or any successor Rule) relating to the election or removal of 50% or more of the members of the Incumbent Board is made by any person other than

Household.

(ii) "Materially Changed" means the occurrence of one or more of the following events:

(1) the termination of the employee, without

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cause, and other than by reason of death, permanent and total disability or retirement under the terms of a pension plan of Household or any subsidiary, or termination by the employee within the special 60-day window period which begins 6 months after a Change in Control as provided in the employee's employment agreement;

(2) the employee was assigned to a position of lesser rank or status;

(3) the employee's annual target bonus or targeted performance unit awards were reduced and compensation equivalent in aggregate value was not substituted;

(4) the employee's annual salary was reduced;

(5) the employee's benefits under the Household Retirement Income Plan or any successor tax qualified defined benefit plan were reduced for reasons other than to maintain its tax qualified status and such reductions were not supplemented in the Household Supplemental Retirement Income Plan ("HSRIP"); or the employee's benefits under HSRIP, if applicable, were reduced;

(6) the employee's other benefits or perquisites were reduced and such reductions were not uniformly applied with respect to all similarly situated employees; or

(7) the employee was reassigned to a geographical area outside of the metropolitan area in which the employee was assigned at the time of the Change in Control.

(iii) "cause" (1) in the case of an employee who is a party to an employment, termination protection or similar agreement that defines "cause" (or words of similar import), means "cause" (or words of similar import) as defined in such agreement, and (2) in the case of any other employee, means willful and deliberate misconduct, which is detrimental in a significant way to the interests of Household or any subsidiary thereof.

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(d) Notwithstanding anything set forth in Section 11 hereof, with the occurrence of a Change in Control the Plan may not be amended or terminated by the Committee, the Board of Directors or the stockholders of Household.

12. Miscellaneous

(a) The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payments or deliveries of shares of Household Common Stock not yet made or required to be made to a participant by Household, nothing contained herein shall give any rights to a participant that are greater than those of a general creditor of Household. The Committee may permit the deferral of receipt of any shares of Household Common Stock to be issued under a vested Award or exercised Award or authorize the creation of trusts or other plans and arrangements to meet the obligations created under the Plan to deliver shares of Household Common Stock or payments hereunder consistent with the foregoing.

(b) With respect to participants subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable provisions of Rule 16b-3 or its successor under the Exchange Act. To the extent any provision of the Plan or action by the Committee or its designee fails to so comply, it shall be deemed null and void.

(c) This Plan and each agreement with respect to an Award shall be construed and administered in accordance with the laws of the State of Delaware without giving effect to principles relating to conflict of laws.

(d) Neither the adoption of the Plan nor any Award granted hereunder shall confer upon any participant any right to continued employment or service with Household or any subsidiary thereof, nor shall the Plan or any Award interfere in any way with the right of Household or a subsidiary to terminate the employment or relationship of any of the participants at any time.

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AMENDMENT TO THE
HOUSEHOLD INTERNATIONAL, INC.
1996 LONG-TERM EXECUTIVE INCENTIVE COMPENSATION PLAN
NOVEMBER 11, 1997

On November 11, 1997 the Household International Board of Directors, upon the recommendation of the Board's Compensation Committee, adopted an amendment to the 1996 Long-Term Executive Incentive Compensation Plan (the "Plan") relating to the transferability of options granted under the Plan.

Transferability of Options Granted to Nonemployee Directors and Senior Managers

This amendment only applies to Nonemployee Directors and Senior Managers (defined under this amendment as the Chief Executive Officer and employees with a direct reporting relationship to the Chief Executive Officer) who have received or in the future receive options to purchase Household Common Stock under the Plan. This section modifies Plan Section 5(a) as regards the

transferability of options granted to Nonemployee Directors and Senior Managers; all other provisions continue to apply.

Who is Eligible

This provision only applies to Nonemployee Directors and Senior Managers ("Eligible Persons").

Transfer of Options; Minimum Number

Options granted under the Plan may be transferred by will or through the laws of descent and distribution. In addition, Eligible Persons may transfer their options only to family members, family trusts, and family partnerships (collectively, "Transferees"). Transferees may not retransfer any options except by will or through the laws of descent and distribution. Any option transferred to a single Transferee must represent the right to purchase a minimum of 100 shares.

Which Options May be Transferred

Eligible Persons may transfer any option, including vested and unvested portions of any award granted under the Plan. Options granted under previous benefit plans are not covered by this amendment.

Exercise

Options will vest in accordance with applicable Plan provisions. A Transferee may only exercise vested options, and only as provided in the Plan.

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Taxation of Options

The Eligible Person remains liable for any income tax related to the exercise of transferred options. Income tax will be calculated as of the exercise date. The Eligible Person is solely responsible for tax liability related to any options gifted to a Transferee.

Law and Regulation

In addition to laws and regulations that apply to the Plan, the Transfer of options must be completed in accordance with securities registration and disclosure regulations applicable at the time of transfer. Eligible Persons and Transferees may be subject to certain waiting periods limiting transfer or exercise. Eligible Persons, or their agents agree to notify the Corporation at least five days before any option they own or control is exercised.

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EXHIBIT 10.10

HOUSEHOLD INTERNATIONAL

NON-QUALIFIED DEFERRED COMPENSATION PLAN
FOR STOCK OPTION EXERCISES

Section 1. Purpose. The purpose of this Plan is to provide certain executives of Household International, Inc. (the "Company") and certain of its direct and indirect subsidiaries (the Company and such subsidiaries being referred to as the "Employers") the opportunity to defer receipt of compensation and provide for future savings of compensation earned in connection with the exercise of a Household stock option. The provision of such an opportunity is designed to aid the Company in attracting and retaining as executives persons whose abilities, experience and judgment can contribute to the well-being of the Company.

Section 2. Name, Effective Date. The effective date of this plan known as the Household International Non-Qualified Deferred Compensation Plan for Stock Option Exercises (the "Plan") is November 15, 1999.

Section 3. Eligibility. Any executive of the Employers in Career Band D or Career Band S who has outstanding stock options for Household International, Inc. Common Stock, $1.00 par value ("Household stock") is eligible to participate in this Plan.

Section 4. Deferred Compensation Account. An unfunded deferred compensation account shall be established for each person who elects to participate in the Plan.

Section 5. Amount of Deferral. In the calendar year prior to the exercise of a Household stock option on a date at least six months prior to the date the participant intends to exercise the Household stock option, the participant can make an irrevocable election to defer receipt of the stock that would otherwise be paid to the participant upon the exercise of the option. The Household stock deferred will be credited to the participant's deferred compensation account on the date such stock would otherwise be initially issued pursuant to the option exercise.

Section 6. Election of Deferral. An election to defer receipt of stock due to the exercise of a Household stock option shall be made on forms provided by the Compensation Committee of the Board of Directors of the Company (the "Committee") for that purpose and shall be effective on the date indicated, but not before the date filed with the Committee. In order to have

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a valid deferral election, the participant who exercises the option must pay for the Household stock option with Household stock which he has held for at least six months. A payment in cash is not permitted. However, any tax withholding must be paid in cash, and not by reducing the Household stock received from the exercise.

If a participant has failed to select a deferred distribution date for a deferral or if he terminates employment before such deferred distribution date, then distribution of such deferred compensation account will be made as soon as practicable in the calendar year following the date of the participant's termination of employment. For any deferral attributable to a Household stock option exercise, the earliest deferred distribution date specified by the participant must be at least two years after the year in which the stock option exercise occurred. The election shall be irrevocable upon receipt by the Committee.

Section 7. Hypothetical Investment. Each deferred compensation account will be credited with shares of Household stock on the date on which the Household stock option is exercised. No dividends shall be paid on such stock. There is no guarantee a participant's deferred compensation account will increase in value; the account may decrease in value based on the performance of Household stock.

Section 8. Payment of Deferral. If a participant elected to defer any year's compensation under this Plan to a specific date other than his or her termination of employment, the value of such year's deferred compensation will be payable in stock with only fractional shares paid in cash on the date specified unless it is paid earlier due to termination of employment. The value of a participant's deferred compensation account will be payable in stock with only fractional shares paid in cash as soon as practicable following the end of the year in which a participant terminates employment unless an earlier date is specified by the participant in his election to defer compensation. All deferred amounts to be paid to a participant pursuant to the Plan are to be paid in shares of Household stock with the value of such shares being the fair market value of an equal number of shares of Household stock on the date of payment. For purposes of the Plan, the "fair market value" shall be the average of the high and low sale prices for a share of Household stock as published in The Wall Street Journal for the respective payment date.

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In the event that the participant becomes totally disabled, the Committee, in its absolute discretion, may distribute all or a portion of the participant's deferred compensation account according to a revised payment schedule but it must still be paid in stock.

Section 9. Withholding. Subject to the following sentence, there shall be deducted from all deferrals and payments under this Plan the amount of any taxes required to be withheld by any federal, state or local government unless these amounts are paid in cash by the participant. However, for any taxes required to be withheld by any federal, state or local government in connection with a deferral, these amounts must be paid in cash and not by reducing the

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shares otherwise credited to the participant's account. The participants and their beneficiaries, distributees, and personal representatives will bear any and all federal, foreign, state, local or other income or other taxes imposed on amounts deferred or paid under this Plan.

Section 10. Designation of Beneficiary. A participant may designate a beneficiary or beneficiaries which shall be effective upon filing written notice with the Committee on the form provided by the Committee for that purpose. If no beneficiary is designated, the beneficiary will be the participant's estate. If more than one beneficiary statement has been filed, the beneficiary or beneficiaries designated in the statement bearing the most recent date will be deemed the valid beneficiary or beneficiaries.

Section 11. Death of Participant or Beneficiary. In the event of a participant's death before he has received the full value of his deferred compensation account, the then current value of the participant's deferred compensation account shall be determined and such amount shall be paid to the beneficiary or beneficiaries of the deceased participant as soon as practicable thereafter in stock with only fractional shares paid in cash. If no designated beneficiary has been named or survives the participant, the beneficiary will be the participant's estate.

Section 12. Participant's Rights Unsecured. The right of any participant or beneficiary to receive payment under the provisions of the Plan shall be an unsecured claim against the general assets of the Company, and any successor company in the event of a merger, consolidation, reorganization or any other event which causes the Company's assets or business to be acquired by another company. No provisions contained in the Plan shall be construed to give any

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participant or beneficiary at any time a security interest in the deferred compensation account or any other assets of the Company.

Section 13. Statement of Account. Statements will be sent to participants following the end of each year as to the value of their deferred compensation accounts as of December 31st of such year.

Section 14. Assignability. No right to receive payments hereunder shall be transferable or assignable by a participant or a beneficiary.

Section 15. Administration of the Plan. The Plan shall be administered by the Committee. The Committee shall conclusively interpret the provisions of the Plan, decide all claims, and shall make all determinations under the Plan. The Committee shall act by vote or written consent of a majority of its members. The Committee may authorize the appointment of an agent to perform recordkeeping and other administrative duties with respect to the Plan.

Section 16. Amendment or Termination of Plan. This Plan may at any time or from time to time be amended, modified or terminated by the Committee. No

amendment, modification or termination shall, without the consent of a participant, adversely affect such participant's accruals on his prior elections. Rights accrued prior to termination of the Plan will not be canceled by termination of the Plan.

Section 17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

Section 18. Payment of Certain Costs of the Participant. If a dispute arises regarding the interpretation or enforcement of this Plan and the participant (or, in the event of his death, his beneficiary) obtains a final judgment in his favor from a court of competent jurisdiction from which no appeal may be taken, whether because the time to do so has expired or otherwise, or his claim is settled by the Company prior to the rendering of such a judgment, all reasonable legal and other professional fees and expenses incurred by the participant in contesting or disputing any such claim or in seeking to obtain or enforce any right or benefit provided for in this Plan or in otherwise pursuing his claim will be promptly paid by the Company with interest thereon at the highest Illinois statutory rate for interest on judgments against private parties from the date of payment thereof by the participant to the date of reimbursement to him by the Company.

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Section 19. Securities Law. With respect to participants subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable provisions of Rule 16b-3 or its successor under the Securities Exchange Act of 1934. To the extent any provision of the Plan or action by the Committee or its designee fails to so comply, it shall be deemed null and void.

Section 20. Change in Control. A "Change in Control" shall be deemed to have occurred if:

(1) Any "person" (as defined in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding for this purpose the Company or any subsidiary of the Company, or any employee benefit plan of the Company, or any subsidiary of the Company, or any person or entity organized, appointed or established by the Company for or pursuant to the terms of such plan which acquires beneficial ownership of voting securities of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities; provided, however, that no Change in Control shall be deemed to have occurred as the result of an acquisition of securities of the Company by the Company which, by reducing the number of voting securities outstanding, increases the direct or indirect beneficial ownership interest of any person to twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities, but any subsequent increase in the direct or indirect beneficial ownership interest of such a person in the Company shall be

deemed a Change in Control; and provided further that if the Board of Directors of the Company determines in good faith that a person who has become the beneficial owner directly or indirectly of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities has inadvertently reached that level of ownership interest, and if such person divests as promptly as practicable a sufficient amount of securities of the Company so that the person no longer has a direct or

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indirect beneficial ownership interest in twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities, then no Change in Control shall be deemed to have occurred;

(2) During any period of two (2) consecutive years (not including any period prior to December 1, 1998) individuals who at the beginning of such two-year period constitute the Board of Directors of the Company and any new director or directors (except for any director designated by a person who has entered into an agreement with the Company to effect a transaction described in subparagraph (1), above, or subparagraph (3), below) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board (such individuals and any such new directors being referred to as the "Incumbent Board");

(3) Consummation of (x) an agreement for the sale or disposition of the Company or all or substantially all of the Company's assets, (y) a plan of merger or consolidation of the Company with any other corporation, or (z) a similar transaction or series of transactions involving the Company (any transaction described in parts (x) through (z) of this subparagraph (3) being referred to as a "Business Combination"), in each case unless after such a Business Combination (I) the stockholders of the Company immediately prior to the Business Combination continue to own, directly or indirectly, more than sixty percent (60%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the new (or continued) entity (including, but not by way of limitation, an entity which as a result of such transaction owns the Company, or all or substantially all of the Company's former assets either directly or through one or more subsidiaries) immediately after such Business Combination, in substantially the same proportion as their ownership of the Company immediately prior to such Business Combination, (II) no person (excluding any entity resulting from such Business

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Combination or any employee benefit plan (or related trust) of the Company or of such entity resulting from such Business Combination) beneficially owns, directly or indirectly, twenty percent (20%) or more of the then combined voting power of the then outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (III) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(4) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding any other provision of the Plan, if a Change of Control occurs, then the Company shall create a trust or take such other actions as are appropriate to protect each participant's deferred compensation account.

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EXHIBIT 10.11

HOUSEHOLD INTERNATIONAL

NON-QUALIFIED DEFERRED COMPENSATION PLAN
FOR RESTRICTED STOCK RIGHTS

Section 1. Purpose. The purpose of this Plan is to provide certain executives of Household International, Inc. (the "Company") and certain of its direct and indirect subsidiaries (the Company and such subsidiaries being referred to as the "Employers") the opportunity to defer receipt of compensation and provide for future savings of compensation earned in connection with the vesting of Household Restricted Stock Rights. The provision of such an opportunity is designed to aid the Company in attracting and retaining as executives persons whose abilities, experience and judgment can contribute to the well-being of the Company.

Section 2. Name, Effective Date. The effective date of this plan known as the Household International Non-Qualified Deferred Compensation Plan for Restricted Stock Rights (the "Plan") is September 11, 2001.

Section 3. Eligibility. Any executive of the Employers who is a participant in the 1998 Key Executive Bonus Plan and has outstanding Restricted Stock Rights for Household International, Inc. Common Stock, $1.00 par value ("Household stock") is eligible to participate in this Plan.

Section 4. Deferred Compensation Account. An unfunded deferred compensation account shall be established for each person who elects to participate in the Plan.

Section 5. Amount of Deferral. In the calendar year prior to the scheduled vesting of Household Restricted Stock Rights on a date at least six months prior to the date the participant's Restricted Stock Rights are scheduled to vest, the participant can make an irrevocable election to defer the right to receive all or a portion of the stock that would otherwise be paid to the participant upon the scheduled vesting of the Restricted Stock Rights. The Household stock as to which an election is made will be credited to the participant's deferred compensation account on the date such stock would otherwise have been initially vested.

Section 6. Election of Deferral. An election to defer the right to receive stock under this Plan shall be made on forms provided by the Compensation Committee of the Board of Directors

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of the Company (the "Committee") for that purpose and shall be effective on the date indicated, but not before the date filed with the Committee.

If a participant has failed to select a deferred distribution date for a deferral or if he terminates employment before such deferred distribution date, then distribution of such deferred compensation account will be made as soon as practicable in the calendar year following the date of the participant's termination of employment. The earliest deferred distribution date specified by the participant for any deferral under this Plan must be at least two years after the calendar year in which the vesting of Restricted Stock Rights otherwise would have occurred. The election shall be irrevocable upon receipt by the Committee.

Section 7. Hypothetical Investment. Each deferred compensation account will be credited with hypothetical shares of Household stock on the date on which the Household Restricted Stock Rights otherwise would have vested. During the deferral period, the deferred compensation account will be credited on each dividend payment date for the Company's Common Stock with additional hypothetical shares of Household stock determined by dividing the aggregate cash dividend which would have been paid if the existing Household stock were actual shares of the Company's Common stock by the fair market value of the Company's Common Stock as of the dividend payment date, computed to four decimal places. For purposes of the Plan, the "fair market value" of one share of the Company's Common Stock shall be the average of the high and low sale prices for a share of such Common Stock for the respective determination date. There is no guarantee a participant's deferred compensation account will increase in value; the account may decrease in value based on the performance of Household stock.

Section 8. Payment of Deferral. If a participant elected to defer any year's compensation under this Plan to a specific date other than his or her termination of employment, the value of such year's deferred compensation will be payable in stock with only fractional shares paid in cash on the date specified unless it is paid earlier due to termination of employment. The value of a participant's deferred compensation account will be payable in stock with only fractional shares paid in cash as soon as practicable following the end of the year in which a participant terminates employment unless an earlier date is specified by the participant in his deferral

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election. All deferred amounts to be paid to a participant pursuant to the Plan are to be paid in shares of Household stock with the value of such shares being the fair market value of an equal number of shares of Household stock on the date of payment.

In the event that the participant becomes totally disabled, the Committee, in its absolute discretion, may distribute all or a portion of the participant's deferred compensation account according to a revised payment schedule but it must still be paid in stock.

Section 9. Withholding. Subject to the following sentence, there shall be deducted from all deferrals and payments under this Plan the amount of any taxes required to be withheld by any federal, state or local government unless these amounts are paid in cash by the participant. However, for any taxes

required to be withheld by any federal, state or local government in connection with a deferral, these amounts must be paid in cash immediately after the vesting date and not by reducing the shares otherwise credited to the participant's account. The participants and their beneficiaries, distributees, and personal representatives will bear any and all federal, foreign, state, local or other income or other taxes imposed on amounts deferred or paid under this Plan.

Section 10. Designation of Beneficiary. A participant may designate a beneficiary or beneficiaries which shall be effective upon filing written notice with the Committee on the form provided by the Committee for that purpose. If no beneficiary is designated, the beneficiary will be the participant's estate. If more than one beneficiary statement has been filed, the beneficiary or beneficiaries designated in the statement bearing the most recent date will be deemed the valid beneficiary or beneficiaries.

Section 11. Death of Participant or Beneficiary. In the event of a participant's death before he has received the full value of his deferred compensation account, the then current value of the participant's deferred compensation account shall be determined and such amount shall be paid to the beneficiary or beneficiaries of the deceased participant as soon as practicable thereafter in stock with only fractional shares paid in cash. If no designated beneficiary has been named or survives the participant, the beneficiary will be the participant's estate.

Section 12. Participant's Rights Unsecured. The right of any participant or beneficiary to receive payment under the provisions of the Plan shall be an unsecured claim against the general

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assets of the Company, and any successor company in the event of a merger, consolidation, reorganization or any other event which causes the Company's assets or business to be acquired by another company. No provisions contained in the Plan shall be construed to give any participant or beneficiary at any time a security interest in the deferred compensation account or any other assets of the Company. Upon deferral under this Plan, a participant gives up his right to receive stock that otherwise would have been issued as a consequence of vesting of Restricted Stock Rights and receives, instead, the contractual right to an unfunded deferred compensation account equal in value to the value of the stock that otherwise would have been received.

Section 13. Statement of Account. Statements will be sent to participants following the end of each year as to the value of their deferred compensation accounts as of December 31st of such year.

Section 14. Assignability. No right to receive payments hereunder shall be transferable or assignable by a participant or a beneficiary.

Section 15. Administration of the Plan. The Plan shall be administered by the Committee. The Committee shall conclusively interpret the provisions of the Plan, decide all claims, and shall make all determinations under the Plan.

The Committee shall act by vote or written consent of a majority of its members. The Committee may authorize the appointment of an agent to perform recordkeeping and other administrative duties with respect to the Plan.

Section 16. Amendment or Termination of Plan. This Plan may at any time or from time to time be amended, modified or terminated by the Committee. No amendment, modification or termination shall, without the consent of a participant, adversely affect such participant's accruals on his prior elections. Rights accrued prior to termination of the Plan will not be canceled by termination of the Plan.

Section 17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

Section 18. Payment of Certain Costs of the Participant. If a dispute arises regarding the interpretation or enforcement of this Plan and the participant (or, in the event of his death, his beneficiary) obtains a final judgment in his favor from a court of competent jurisdiction from which no appeal may be taken, whether because the time to do so has expired or otherwise, or his

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claim is settled by the Company prior to the rendering of such a judgment, all reasonable legal and other professional fees and expenses incurred by the participant in contesting or disputing any such claim or in seeking to obtain or enforce any right or benefit provided for in this Plan or in otherwise pursuing his claim will be promptly paid by the Company with interest thereon at the highest Illinois statutory rate for interest on judgments against private parties from the date of payment thereof by the participant to the date of reimbursement to him by the Company.

Section 19. Securities Law. With respect to participants subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable provisions of Rule 16b-3 or its successor under the Securities Exchange Act of 1934. To the extent any provision of the Plan or action by the Committee or its designee fails to so comply, it shall be deemed null and void.

Section 20. Change in Control. A "Change in Control " shall be deemed to have occurred if:

(1) Any "person" (as defined in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding for this purpose the Company or any subsidiary of the Company, or any employee benefit plan of the Company, or any subsidiary of the Company, or any person or entity organized, appointed or established by the Company for or pursuant to the terms of such plan which acquires beneficial ownership of voting securities of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Company representing twenty percent (20%) or more of the combined voting power of the

HHT 0015781

Company's then outstanding securities; provided, however, that no Change in Control shall be deemed to have occurred as the result of an acquisition of securities of the Company by the Company which, by reducing the number of voting securities outstanding, increases the direct or indirect beneficial ownership interest of any person to twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities, but any subsequent increase in the direct or indirect beneficial ownership interest of such a person in the Company shall be deemed a Change in Control; and provided further that if the

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Board of Directors of the Company determines in good faith that a person who has become the beneficial owner directly or indirectly of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities has inadvertently reached that level of ownership interest, and if such person divests as promptly as practicable a sufficient amount of securities of the Company so that the person no longer has a direct or indirect beneficial ownership interest in twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities, then no Change in Control shall be deemed to have occurred;

(2) During any period of two (2) consecutive years (not including any period prior to December 1, 1998) individuals who at the beginning of such two-year period constitute the Board of Directors of the Company and any new director or directors (except for any director designated by a person who has entered into an agreement with the Company to effect a transaction described in subparagraph (1), above, or subparagraph (3), below) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board (such individuals and any such new directors being referred to as the "Incumbent Board");

(3) Consummation of (x) an agreement for the sale or disposition of the Company or all or substantially all of the Company's assets, (y) a plan of merger or consolidation of the Company with any other corporation, or (z) a similar transaction or series of transactions involving the Company (any transaction described in parts (x) through (z) of this subparagraph (3) being referred to as a "Business Combination"), in each case unless after such a Business Combination (I) the stockholders of the Company immediately prior to the Business Combination continue to own, directly or indirectly, more than sixty percent (60%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of

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the new (or continued) entity (including, but not by way of limitation, an entity which as a result of such transaction owns the Company, or all or substantially all of the Company's former assets either directly or through one or more subsidiaries) immediately after such Business Combination, in substantially the same proportion as their ownership of the Company immediately prior to such Business Combination, (II) no person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or of such entity resulting from such Business Combination) beneficially owns, directly or indirectly, twenty percent (20%) or more of the then combined voting power of the then outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (III) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(4) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding any other provision of the Plan, if a Change of Control occurs, then the Company shall create a trust or take such other actions as are appropriate to protect each participant's deferred compensation account.

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EXHIBIT 11

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE
(In millions, except per share data.)

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	2001		2000		1999	
Year ended December 31	Diluted	Basic	Diluted	Basic	Diluted	Basic
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Earnings:						
Net income	$ 1,923.5	$ 1,923.5	$ 1,700.7	$ 1,700.7	$ 1,486.4	$ 1,486.4
Preferred dividends	(15.5)	(15.5)	(9.2)	(9.2)	(9.2)	(9.2)
Earnings available to common shareholders	$ 1,908.0	$ 1,908.0	$ 1,691.5	$ 1,691.5	$ 1,477.2	$ 1,477.2
Average shares:						
Common	462.0	462.0	471.8	471.8	477.0	477.0
Common equivalents	6.1	-	4.4	-	4.8	-
Total	468.1	462.0	476.2	471.8	481.8	477.0
Earnings per common share	$ 4.08	$ 4.13	$ 3.55	$ 3.59	$ 3.07	$ 3.10

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EXHIBIT 12

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND
TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(All dollar amounts are stated in millions.)

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Year ended December 31	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Net income	$ 1,923.5	$ 1,700.7	$ 1,486.4	$ 524.1	$ 940.3
Income taxes	1,015.0	909.8	734.3	428.6	462.2
Income before income taxes	2,938.5	2,610.5	2,220.7	952.7	1,402.5
Fixed charges:					
Interest expense (1)	4,196.7	3,943.8	2,782.2	2,530.8	2,367.9
Interest portion of rentals (2)	64.4	52.9	45.4	56.8	53.4
Total fixed charges	4,261.1	3,996.7	2,827.6	2,587.6	2,421.3
Total earnings as defined	$ 7,199.6	$ 6,607.2	$ 5,048.3	$ 3,540.3	$ 3,823.8
Ratio of earnings to fixed charges (3)	1.69	1.65	1.79	1.37	1.58
Preferred stock dividends (4)	$ 23.6	$ 14.1	$ 13.8	$ 23.0	$ 25.3
Ratio of earnings to combined fixed charges and preferred stock dividends (3)	1.68	1.65	1.78	1.36	1.56

</TABLE>

(1) For financial statement purposes, interest expense includes income earned on temporary investment of excess funds, generally resulting from over-subscriptions of commercial paper.

(2) Represents one-third of rentals, which approximates the portion representing interest.

(3) The 1998 ratios have been negatively impacted by the one-time merger and integration related costs associated with our merger with Beneficial Corporation ("Beneficial"). Excluding Beneficial merger and integration related costs of $751 million after tax, our ratio of earnings to fixed charges was 1.75 percent and our ratio of earnings to combined fixed charges and preferred stock dividends was 1.74 percent.

(4) Preferred stock dividends are grossed up to their pre-tax equivalents.

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EXHIBIT 16

Office of the Chief Accountant
Securities and Exchange Commission
450 Fifth Street, N. W.
Washington, D.C. 20549

March 13, 2002

Dear Sir/Madam:

We have read the first four (4) paragraphs of Item 9 included in the Form 10-K for the fiscal year ended December 31, 2001, of Household International, Inc., to be filed with the Securities and Exchange Commission and are in agreement with the statements contained therein.

Very truly yours,

/s/ Arthur Andersen LLP

Arthur Andersen LLP

cc: William F. Aldinger, Chairman and
CEO, Household International, Inc.

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Exhibit 13

Household International, Inc. and Subsidiaries
SELECTED FINANCIAL DATA AND STATISTICS

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All dollar amounts except per share data are stated in millions.	2001	2000	1999	1998(1)	1997(1)
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Income Data-Year Ended December 31					
Net interest margin and other revenues	$ 9,741.9	$ 8,032.0	$ 6,722.5	$ 6,380.0	$ 6,036.2
Provision for credit losses on owned receivables	2,912.9	2,116.9	1,716.4	1,516.8	1,493.0
Operating expenses	3,587.9	3,042.9	2,527.3	2,672.3	2,884.8
Policyholders' benefits	302.6	261.7	258.1	238.2	255.9
Merger and integration related costs	--	--	--	1,000.0	--
Income taxes	1,015.0	909.8	734.3	428.6	462.2
Net income	$ 1,923.5	$ 1,700.7	$ 1,486.4	$ 524.1(2)	$ 940.3
Per Common Share Data					
Basic earnings	$ 4.13	$ 3.59	$ 3.10	$ 1.04	$ 1.97
Diluted earnings	4.08	3.55	3.07	1.03(2)	1.93
Dividends declared	.85	.74	.68	.60	.54
Book value	19.47	16.88	13.79	12.88	12.81
Average number of common and common equivalent shares outstanding(3)	468.1	476.2	481.8	496.4	479.1
Selected Financial Ratios					
Owned Basis:					
Return on average owned assets	2.34%	2.44%	2.64%	1.04%(2)	2.03%
Return on average common shareholders' equity	24.1(4)	23.4	23.5	8.1(2)	17.3
Total shareholders' equity as a percent of owned assets(5)	10.77(4)	11.46	11.51	12.78	14.13
Net interest margin	7.93	7.75	7.80	7.34	7.16
Efficiency ratio	38.0	39.2	39.1	59.8(2)	49.9
Consumer net charge-off ratio	3.32	3.18	3.67	3.76	3.39
Reserves as a percent of receivables	3.33	3.14	3.36	3.92	4.25
Reserves as a percent of net charge-offs	110.5	109.9	101.1	112.6	126.7
Reserves as a percent of nonperforming loans	91.0	90.2	87.5	100.3	113.2
Common dividend payout ratio	20.8	20.8	22.1	58.3(2)	28.0
Managed Basis:(6)					
Return on average managed assets	1.89	1.93	1.99	.72(2)	1.38
Tangible shareholders' equity to tangible managed assets(7)	7.87	7.41	6.96	7.11	6.92
Total shareholders' equity as a percent of managed assets(5)	8.73(4)	9.07	8.72	9.31	9.28
Net interest margin	8.50	8.10	8.23	7.86	7.72
Efficiency ratio	34.0	34.2	33.6	50.2(2)	41.0
Consumer net charge-off ratio	3.73	3.64	4.13	4.29	3.84
Reserves as a percent of receivables	3.78	3.65	3.72	3.99	3.99
Reserves as a percent of net charge-offs	110.7	111.1	98.2	94.4	109.8
Reserves as a percent of nonperforming loans	105.0	107.0	100.1	109.5	115.5

</TABLE>

(1) On June 30, 1998, Household merged with Beneficial Corporation ("Beneficial"), a consumer finance holding company. In connection with the merger, Household issued approximately 168.4 million shares of its common stock and three series of preferred stock. The transaction was accounted for as a pooling of interests and, accordingly, the consolidated financial statements for all periods prior to the merger have been restated to include the financial results of Beneficial.

(2) Excluding merger and integration related costs of $751.0 million after-tax and the $118.5 million after-tax gain on sale of Beneficial's Canadian operations, net operating income was $1,156.6 million, diluted operating earnings per share was $2.30, the return on average owned assets was 2.29 percent, the return on average common shareholders' equity was 18.2 percent, the owned basis efficiency ratio was 43.5 percent, the dividend payout ratio was 26.1 percent, the return on average managed assets was 1.60 percent and the managed basis efficiency ratio was 37.6 percent.

(3) Share repurchases pursuant to our share repurchase program totaled 17.4 million shares ($916.3 million) in 2001, 5.4 million shares ($209.3 million) in 2000 and 16.8 million shares ($712.9 million) in 1999. Shares repurchased to fund various employee benefit programs totaled 5.0 million shares ($203.0 million) in 1999 and 10.5 million shares ($412.0 million) in 1998.

(4) On January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Financial Instruments and Hedging Activities," which requires unrealized gains and losses on cash flow hedging instruments to be recorded in shareholders' equity, net of tax. These unrealized gains and losses represent timing differences and will result in no net economic impact to our earnings. Excluding unrealized gains and losses on cash flow hedging instruments in 2001, return on average common shareholders' equity was 22.9 percent, total shareholders' equity as a percentage of owned assets was 11.56 percent and total shareholders' equity as a percentage of managed assets was 9.37 percent.

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(5) Total shareholders' equity includes common shareholders' equity, preferred stock and company obligated mandatorily redeemable preferred securities of subsidiary trusts.

(6) We monitor our operations and evaluate trends on both an owned basis as shown in our historical financial statements and on a managed basis. Managed basis reporting adjustments assume that securitized receivables have not been sold and are still on our balance sheet. See page 3 for further information on managed basis reporting.

(7) Tangible shareholders' equity consists of total shareholders' equity, excluding unrealized gains and losses on investments and cash flow hedging instruments, less acquired intangibles and goodwill. Tangible managed assets represents total managed assets less acquired intangibles and goodwill and derivative assets.

(8) In 2001, we sold approximately $1 billion of credit card receivables as a result of discontinuing our participation in the Goldfish credit card program and purchased a $725 million private label portfolio. In 2000, we acquired real estate secured portfolios totaling $3.7 billion. In 1998, we sold $1.9 billion of non-core MasterCard and Visa receivables and also sold Beneficial's German and Canadian operations which had net receivables of $272 million and $775 million, respectively.

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Household International, Inc. and Subsidiaries
SELECTED FINANCIAL DATA AND STATISTICS
(CONTINUED)

<TABLE>
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All dollar amounts except per share data are stated in millions.	2001	2000	1999	1998(1)	1997(1)
<S>	<C>	<C>	<C>	<C>	<C>
Owned Basis Balance Sheet Data at December 31					
Total assets	$ 89,416.0	$ 76,706.3	$ 60,749.4	$ 52,892.7	$ 46,817.0
Receivables:(8)					
Domestic:					
Real estate secured	$ 42,473.8	$ 33,920.0	$ 23,571.7	$ 17,474.1	$ 12,348.5
Auto finance	2,368.9	1,850.6	1,233.5	805.0	487.5
MasterCard/Visa	6,966.7	5,846.9	4,146.6	5,327.8	5,523.4
Private label	9,853.4	8,671.5	8,546.7	8,051.0	7,457.0
Personal non-credit card	11,736.7	9,950.3	7,469.8	5,573.3	5,018.7
Commercial and other	505.2	596.3	804.5	844.0	1,249.6
Total domestic	$ 73,904.7	$ 60,835.6	$ 45,772.8	$ 38,075.2	$ 32,084.7
Foreign:					
Real estate secured	$ 1,383.0	$ 1,259.7	$ 1,090.2	$ 1,218.6	$ 1,437.7
MasterCard/Visa	1,174.5	2,206.7	2,167.8	1,852.4	1,351.3
Private label	1,810.5	1,675.8	1,573.0	1,515.0	1,899.9
Personal non-credit card	1,600.3	1,377.8	1,681.8	1,535.3	1,804.4
Commercial and other	1.7	2.3	3.8	9.4	104.0
Total foreign	$ 5,970.0	$ 6,522.3	$ 6,516.6	$ 6,130.7	$ 6,597.3
Total owned receivables:					
Real estate secured	$ 43,856.8	$ 35,179.7	$ 24,661.9	$ 18,692.7	$ 13,786.2
Auto finance	2,368.9	1,850.6	1,233.5	805.0	487.5
MasterCard/Visa	8,141.2	8,053.6	6,314.4	7,180.2	6,874.7
Private label	11,663.9	10,347.3	10,119.7	9,566.0	9,356.9
Personal non-credit card	13,337.0	11,328.1	9,151.6	7,108.6	6,823.1
Commercial and other	506.9	598.6	808.3	853.4	1,353.6
Total owned receivables	$ 79,874.7	$ 67,357.9	$ 52,289.4	$ 44,205.9	$ 38,682.0
Deposits	$ 6,562.3	$ 8,676.9	$ 4,980.0	$ 2,105.0	$ 2,344.2
Commercial paper, bank and other borrowings	12,024.3	10,787.9	10,777.8	9,917.9	10,666.1
Senior and senior subordinated debt	56,823.6	45,053.0	34,887.3	30,438.6	23,736.2
Company obligated mandatorily redeemable preferred securities of subsidiary trusts	975.0	675.0	375.0	375.0	175.0
Preferred stock	455.8	164.4	164.4	164.4	264.5
Common shareholders' equity(3)	8,202.8	7,951.2	6,450.9	6,221.4	6,174.0
Managed Basis Balance Sheet at December 31(6)					
Total assets	$ 110,364.0	$ 96,955.8	$ 80,188.3	$ 72,594.6	$ 71,295.5
Managed receivables:(8)					
Real estate secured	$ 44,718.6	$ 36,637.5	$ 26,935.5	$ 22,330.1	$ 19,824.8
Auto finance	6,395.5	4,563.3	3,039.8	1,765.3	883.4
MasterCard/Visa	17,395.2	17,583.4	15,793.1	16,610.8	19,211.7
Private label	13,813.9	11,997.3	11,269.7	10,377.5	10,381.9
Personal non-credit card	17,992.6	16,227.3	13,881.9	11,970.6	11,505.1
Commercial and other	506.9	598.6	808.3	853.4	1,353.6
Total managed receivables	$ 100,822.7	$ 87,607.4	$ 71,728.3	$ 63,907.7	$ 63,160.5

</TABLE>

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Household International, Inc. and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations

Household International, Inc. ("Household") is principally a non-operating holding company. Through its subsidiaries, Household provides middle-market consumers with real estate secured loans, auto finance loans, MasterCard* and Visa* credit cards, private label credit cards and personal non-credit card loans. We also offer tax refund anticipation loans ("RAL's") in the United States and credit and specialty insurance products in the United States, United Kingdom and Canada. Household may also be referred to in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") as "we", "us", or "our". Our operations are divided into three reportable segments: Consumer, Credit Card Services and International. Our Consumer segment consists of our consumer lending, mortgage services, retail services and auto finance businesses. Our Credit Card Services segment consists of our domestic MasterCard and Visa credit card business. Our International segment consists of our foreign operations in the United Kingdom ("U.K.") and Canada. At December 31, 2001, our owned receivables totaled $79.9 billion.

We monitor our operations and evaluate trends on a managed basis which assumes that securitized receivables have not been sold and are still on our balance sheet. We manage our operations on a managed basis because the receivables that we securitize are subjected to underwriting standards comparable to our owned portfolio, are serviced by operating personnel without regard to ownership and result in a similar credit loss exposure for us. In addition, we fund our operations, review our operating results and make decisions about allocating resources such as employees and capital on a managed basis. See "Asset Securitizations" on pages 23 to 24 and Notes 5, "Asset Securitizations," and 21, "Segment Reporting," to the accompanying consolidated financial statements for additional information related to our businesses and our securitizations.

The following discussion of our financial condition and results of operations is presented on an owned basis of reporting. On an owned basis of reporting, net interest margin, provision for credit losses and fee income resulting from securitized receivables are included as components of securitization revenue.

Critical Accounting Policies

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. We follow accounting guidance promulgated by the AICPA Accounting and Audit Guide for Finance Companies versus bank regulatory accounting pronouncements as we are not a bank holding company. Based on the specific customer segment we serve, we believe the policies used are appropriate and fairly present the financial position of Household.

The significant accounting policies used in preparation of our financial statements are more fully described in Note 1 to the consolidated financial statements on pages 42 to 46. Certain critical accounting policies are complex and involve significant judgment by our management, including the use of estimates and assumptions which affect the reported amounts of assets, liabilities, revenues and expenses. As a result, changes in these estimates and assumptions could significantly affect our financial position or our results of operations. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, the following involve a high degree of judgment and complexity in the preparation of our consolidated financial statements:

*MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.

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Provision and Credit Loss Reserves Provision for credit losses on owned receivables is made in an amount sufficient to maintain credit loss reserves at a level considered adequate to cover probable losses of principal, interest and fees, including late, overlimit and annual fees, in the existing owned portfolio. Probable losses are estimated for consumer receivables based on contractual delinquency and historical loss experience. For commercial loans, probable losses are calculated using estimates of amounts and timing of future cash flows expected to be received on loans. In addition, loss reserves on consumer receivables are maintained to reflect our judgment of portfolio risk factors, such as economic conditions, bankruptcy trends, product mix, geographic concentrations and other similar items. Charge-off and customer account management policies are also considered when establishing loss reserve requirements to ensure appropriate allowances exist for products with longer charge-off periods and for customers benefiting from account management decisions. Loss reserve estimates are reviewed periodically and adjustments are

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reported in earnings when they become known. The use of different estimates or assumptions could produce different provisions for credit losses.

Receivables Sold and Serviced With Limited Recourse and Securitization Revenue
Upon sale, securitized receivables are removed from the balance sheet and a gain on sale is recognized for the difference between the carrying value of the receivables and the adjusted sales proceeds. The adjusted sales proceeds includes cash received and the present value estimate of future cash flows to be received over the lives of the sold receivables. Future cash flows are based on estimates of prepayments, the impact of interest rate movements on yields of receivables and securities issued, delinquency of receivables sold, servicing fees and estimated probable losses under the recourse provisions based on historical experience and estimates of expected future performance. These future cash flows are recorded in the form of an interest-only strip receivable. Our interest-only strip receivables are reported at fair value using discounted cash flow estimates as a separate component of receivables, net of our estimate of probable losses under the recourse provisions. Cash flow estimates include estimates of prepayments, the impact of interest rate movements on yields of receivables and securities issued, delinquency of receivables sold, servicing fees and estimated probable losses under the recourse provisions. Unrealized gains and losses are recorded as adjustments to common shareholders' equity in accumulated other comprehensive income, net of income taxes. Any decline in the value of our interest only strip receivable, which is deemed to be other than temporary, is charged against current earnings. The key assumptions used to value interest-only strip receivables represent our best estimate and the use of different estimates or assumptions could produce different financial results.

Financial Condition and Results of Operations

Operations Summary

- Our net income increased 13 percent in 2001 to $1.9 billion, compared to $1.7 billion in 2000 and $1.5 billion in 1999. Strong revenue growth, driven by significant receivable growth across all businesses, was the key to our improved results in both years. Partially offsetting the revenue growth were higher operating expenses as a result of the receivable growth, increased investments in sales and collection personnel, and higher technology spending. The provision for credit losses also increased in both years as a result of portfolio growth and uncertain economic conditions. Our diluted earnings per share increased 15 percent in 2001 to $4.08, compared to $3.55 in 2000 and $3.07 in 1999.

- Owned receivables grew 19 percent to $79.9 billion in 2001. Growth was strongest in our consumer lending and mortgage services businesses, especially in our real estate secured portfolio, and in our auto finance and private label businesses. We anticipate that owned receivable growth for 2002, as a percentage, will be less than 2001 as we remain cautious as a result of the current economic environment and we move to securitize additional receivables to manage our liquidity position.

- Our return on average common shareholders' equity ("ROE") was 24.1 percent in 2001, compared to 23.4 percent in 2000 and 23.5 percent in 1999. Our return on average owned assets ("ROA") was 2.34 percent in 2001, compared to 2.44 percent in 2000 and 2.64 percent in 1999. The slight decrease in our ROA in 2001 reflects the shift in our portfolio mix to lower margin, real estate secured receivables which historically have produced lower losses than unsecured products.

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- Our owned net interest margin was 7.93 percent in 2001, compared to 7.75 percent in 2000 and 7.80 percent in 1999. In 2001, the increase was primarily due to lower funding costs as a result of easing in United States monetary policy during the year. Fed fund rates were reduced 11 times for a total of 475 basis points during 2001. In 2000, the decrease reflects our continuing shift to lower margin real estate secured receivables and higher interest costs due to higher interest rates. In 2002, we expect net interest margin as a percent of receivables to be higher on average than in 2001 as we benefit from the full-year impact of the 2001 rate reductions. We expect some minor contraction late in the year as we believe the Federal Reserve will raise rates.

- Our owned consumer charge-off ratio was 3.32 percent in 2001, compared to 3.18 percent in 2000 and 3.67 percent in 1999. Our delinquency ratio was 4.53 percent at December 31, 2001, compared to 4.26 percent at December 31, 2000. Both ratios were negatively affected in 2001 by the weakening economy. We expect the economy to remain weak and total portfolio charge-offs to increase through the first two or three quarters of 2002. We expect the economy to recover slowly and charge-offs to decline modestly in the latter part of the year.

- During 2001, we recorded owned loss provision greater than charge-offs of $502.9 million, increasing our owned loss reserves to an all-time high of $2.7 billion. Loss provision reflected our continued receivable growth, recent increases in personal bankruptcy filings and continued uncertainty over the impact of the weakening economy on charge-off and delinquency trends.

- Our owned basis efficiency ratio was 38.0 percent in 2001, 39.2 percent in 2000 and 39.1 percent in 1999. The efficiency ratio is the ratio of operating expenses to the sum of our net interest margin and other revenues

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less policyholders' benefits. The ratios for both years reflect investments in personnel, technology and marketing. In 2001, these additional costs were offset by growth in net revenues. In 2000, the ratio included higher e-commerce costs.

Segment Results - Managed Basis

The following summarizes operating results for our reportable operating segments for 2001 compared to 2000 and 1999. See Note 21, "Segment Reporting," to the accompanying consolidated financial statements for additional segment information.

- Our Consumer segment reported net income of $1.3 billion in 2001, compared to $1.3 billion in 2000 and $1.0 billion in 1999. Net interest margin, fee income and other revenues increased $1.0 billion to $6.6 billion in 2001 as a resuslt of strong receivable growth. The higher revenues were primarily offset by higher credit loss provision and spending. Our credit loss prcvision rose $.6 billion to $2.6 billion as a result of increased levels of receivables and the weakening economy. During 2001, we recorded managed loss provision greater than charge-offs of $.4 billion to increase loss reserves. Higher salary expenses, including higher sales incentive compensation, were the result of increased receivable levels, additional collectors, and investments in the growth of our businesses. Managed receivables grew to $75.6 billion at year-end 2001, up 20 percent from $63.1 billion in 2000 and $49.4 billion in 1999. The managed receivable growth was driven by solid growth in all products with the strongest growth in our real estate secured receivables. In 2000, in addition to strong organic growth, we took advantage of consolidation in the home equity industry by acquiring two real estate secured portfolios totaling $3.7 billion. Return on average managed assets ("ROMA") was 1.88 percent in 2001, compared to 2.16 percent in 2000 and 2.11 percent in 1999. The decline in the ratios reflect higher loan loss provision and the continued shift in our portfclio to lower margin real estate secured receivables.

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- Our Credit Card Services segment also reported improved results as net income increased to $367.6 million in 2001, compared to $214.7 million in 2000 and $152.8 million in 1999. These increases were due primarily to increased net interest margin and higher fee income which increased $.5 billion to $2.7 billion from higher levels of receivables. Net interest margin as a percent of average receivables increased sharply in 2001 as a result of lower funding costs and pricing floors on certain variable rate credit card products which capped rate reductions. This growth was partially offset by higher credit loss provision which increased $.1 billion to $1.2 billion and increased operating expenses, particularly salary expenses associated with the higher receivable levels. Marketing expenses were also higher in 2001 as a result of increased marketing initiatives for almost all of our credit card products. Managed receivables grew to $17.2 billion at year-end 2001, compared to $16.0 billion in 2000 and $13.9 billion in 1999. Growth in the AFL-CIO's Union Plus/R/ ("UP") portfolio, our affinity card relationship with the AFL-CIO labor federation, and our nonprime portfolio, which includes both the subprime Renaissance and the near prime Household Bank branded base portfolios, drove the increase in loans. The increase in nonprime receivables reflects the continued benefits of the February 2000 purchase of Renaissance Holdings, Inc. ("Renaissance") for approximately $300 million in common stock and cash. We did, however, deliberately slow the pace of growth in our Renaissance portfolio in early 2001 in anticipation of the weakening economy. Average GM Card(R) receivables increased in both 2001 and 2000 as we continued to benefit from the March 2000 launch of the new GM Card(R). We added over 600,000 new GM Card(R) accounts in both years. We continue to work with GM on initiatives to promote increased card usage and enhance the potential for future growth. Credit card growth in both years was partially offset by attrition in our legacy undifferentiated Household Bank branded portfolio on which we have limited marketing efforts. ROMA improved to 2.11 percent, compared to 1.33 percent in 2000 and 1.01 percent in 1999.

- Our International segment reported net income of $204.1 million in 2001, compared to $230.1 million in 2000 and $218.7 million in 1999. Net income in 2001 includes negative foreign exchange impacts of $8.8 million. The decrease in 2001 net income reflects lower net interest margin as a percentage of receivables in the U.K. and higher salaries and occupancy costs associated with our branch expansion efforts. The decline in the net interest margin ratio was due to lower yields on private label receivables and a change in the portfolic mix. These decreases were partially offset by higher insurance revenues and higher other income resulting from payment by Centrica to discontinue our participation in the joint Goldfish credit card program as described below. In 2000, higher revenues as a result of receivable growth were only partially offset by higher salary expense. Managed receivables totaled $7.2 billion at year-end 2001, compared to $7.8 billion in 2000 and $7.6 billion in 1999. In 2001, the strongest growth was in our real estate secured and private label portfolios. This growth was offset by reductions in our MasterCard and Visa portfolio resulting from the discontinuation of the Gcldfish program and the related sale of approximately $1.0 billion in receivables. In 2000, the strongest growth was in our MasterCard and Visa portfolio in the United Kingdom. Marbles(TM), our Internet-based credit card that was launched in October 1999, was the primary contributor to the growth. ROMA was 2.36 percent in 2001, compared to 2.71 percent in 2000 and 2.57 percent in 1999.

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In August 2001, we reached agreement with Centrica, our partner in marketing the Goldfish credit card, to discontinue our participation in the joint credit card program. As part of this agreement, in December 2001, we sold approximately $1.0 billion in credit card receivables to Centrica and received a payment of $72 million from the former joint venture partner which was partially offset by $40 million in costs, including the write-off of our investment in the joint venture as well as other capitalized costs directly related to our exit from the program. We will continue to service the receivables on an interim basis, for a fee, until Centrica's systems and platforms are in place. After the conversion, which we expect in the second half of 2002, we will receive a remaining payment of $50 million. The settlement agreement and ongoing effects will not have a material impact on future earnings.

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Balance Sheet Review

Owned assets totaled $89.4 billion at December 31, 2001 and $76.7 billion at year-end 2000. Owned receivables may vary from period to period depending on the timing and size of securitization transactions. We had initial securitizations of $5.5 billion of receivables in 2001 and $7.0 billion in 2000. We refer to securitized receivables that are serviced for investors and are not on our balance sheet as our off-balance sheet portfolio.

Receivables growth has been a key contributor to our 2001 results. The strongest growth was in our real estate secured portfolio. Growth in our owned portfolio is shown in the following table:

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All dollar amounts are stated in millions	December 31, 2001	Increase (Decrease) in 2001/2000 $	%	Increase (Decrease) in 2000/1999 $	%
<S>	<C>	<C>	<C>	<C>	<C>
Owned receivables:					
Real estate secured	$ 43,856.8	$ 8,677.1	25%	$ 10,517.8	43%
Auto finance	2,368.9	518.3	28	617.1	50
MasterCard/Visa	8,141.2	87.6	1	1,739.2	28
Private label	11,663.9	1,316.6	13	227.6	2
Personal non-credit card (1)	13,337.0	2,008.9	18	2,176.5	24
Commercial and other	506.9	(91.7)	(15)	(209.7)	(26)
Total	$ 79,874.7	$ 12,516.8	19%	$ 15,068.5	29%

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(1) Personal non-credit card receivables included PHL's of $4.1 billion at December 31, 2001 and $3.0 billion at December 31, 2000.

. Real estate secured receivables increased $8.7 billion to $43.9 billion during 2001 as a result of growth in our HFC and Beneficial branches and mortgage services business. During 2001, we increased our branch sales force by almost 750 account executives and increased the focus on training, motivating and retaining our account executives. These efforts, combined with the centralized lead management and point of sale system in our branches, resulted in higher productivity per account executive and were a primary driver of the receivable growth. Reduced competition also contributed to the growth in both our branch and our mortgage service businesses. During 2001, we also tightened underwriting and increased our emphasis on first lien mortgages.

Our auto finance business reported strong, but controlled, growth during 2001, increasing receivables by $.5 billion to $2.4 billion at December 31, 2001, while raising cutoff scores and maintaining stringent underwriting criteria. A strong market, larger and more efficient sales force, increased dealer penetration and strong Internet originations also contributed to the growth. During 2001, we also securitized $2.6 billion of auto finance receivables as compared to $1.9 billion in 2000.

MasterCard and Visa receivables increased slightly to $8.1 billion during 2001. Our UP portfolio reported strong growth due to new accounts and balance transfers. Our nonprime portfolio, which includes both the subprime Renaissance and the near-prime new Household Bank branded base portfolios, also grew. Growth was offset by the sale of the approximately $1.0 billion Goldfish credit card portfolio in the U.K. and continued attrition, as expected, in our legacy undifferentiated Household Bank branded base portfolio. During 2001, we also securitized $.3 billion (excluding replenishments) of MasterCard and Visa receivables as compared to $2.0 billion in 2000.

Private label receivables increased 13 percent to $11.7 billion during 2001. Growth was primarily due to organic growth by existing merchants, but was also attributable to the addition of new merchants and a $725 million portfolio acquisition in the fourth quarter. Focused marketing efforts, including formation of dedicated marketing teams for our larger merchants, and focused use of promotions, especially for our mid-size merchants, contributed to the organic growth. Strong sales growth by several of our larger merchants also contributed to the increase in receivables. During 2001 and 2000, we securitized $.5 billion (excluding replenishments) of

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private label receivables.

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Personal non-credit card receivables increased 18 percent due to growth in our domestic consumer finance branches. As mentioned earlier, in 2001, we increased our branch sales force by almost 750 account executives and increased our focus on training, motivating and retaining our account executives. Our centralized lead management and point of sale system and improved customer retention also contributed to our strong branch growth.

Personal non-credit card receivables are comprised of the following:

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In millions. At December 31	2001	2000
<S>	<C>	<C>
Domestic personal unsecured	$ 6,547.4	$ 6,180.8
UP personal unsecured	1,067.7	779.9
Personal homeowner loans	4,121.6	2,989.6
Foreign unsecured	1,600.3	1,377.8
Total	$ 13,337.0	$ 11,328.1

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Personal unsecured loans (cash loans with no security) are made to customers who do not qualify for a real estate secured or personal homeowner loan ("PHL"). The average personal unsecured loan is approximately $5,000 and 80 percent of the portfolio is closed-end with terms ranging from 12 to 60 months. The UP personal unsecured loans are part of our affinity relationship with the AFL-CIO and are underwritten similar to other personal unsecured loans. The average PHL is approximately $15,000. PHL's typically have terms of 120 or 180 months and are subordinate lien, home equity loans with high (100 percent or more) combined loan-to-value ratios which we underwrite, price and classify as unsecured loans. Because recovery upon foreclosure is unlikely after satisfying senior liens and paying the expenses of foreclosure, we do not consider the collateral as a source for repayment in our underwriting. Historically, these loans have performed better from a credit loss perspective than traditional unsecured loans as consumers are more likely to pay secured loans than unsecured loans in times of financial distress. During 2001, we deliberately slowed growth in the personal unsecured product and emphasized growth in PHL's. During 2001, we also securitized $2.1 billion of personal non-credit card receivables as compared to $2.6 billion in 2000.

. We reach our customers through many different distribution channels and our growth strategies vary across product lines. The consumer lending business originates real estate and personal non-credit card products through its retail branch network, direct mail, telemarketing, strategic alliances and Internet applications. The mortgage services business originates and purchases real estate secured volume primarily through brokers and correspondents. Private label credit card volume is generated through merchant promotions, application displays, Internet applications, direct mail and telemarketing. Auto finance loan volume is generated primarily through dealer relationships from which installment contracts are purchased. Additional auto finance volume is generated through direct lending which includes alliance partner referrals, Internet applications and direct mail. MasterCard and Visa loan volume is generated primarily through direct mail, telemarketing, Internet applications, application displays, promotional activity associated with our co-branding and affinity relationships, mass media advertisements (GM Card(R)) and merchant relationships sourced through our retail services business. We also supplement internally-generated receivable growth with portfolio acquisitions.

We also are active in cross-selling more products to our existing customers. This opportunity for receivable growth results from our broad product array, recognized brand names, varied distribution channels, and large, diverse customer base. As a result of these cross-selling initiatives, we increased our products per customer by almost 20 percent in 2001. Products per customer is a measurement of the number of products held by an individual customer whose borrowing relationship with Household is considered in good standing. Products include all loan and insurance products.

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From time to time we offer customers with outstanding personal non-credit card loans who meet our current underwriting standards the opportunity to convert their loans into real estate secured loans. This enables our customers to have access to additional credit at lower interest rates. This also reduces our potential loss exposure and improves our portfolio performance as previously unsecured loans become secured in nature. We converted approximately $400 million of personal non-credit card loans into real estate secured loans in 2001 and $350 million in 2000. It is not our practice to re-write or reclassify any delinquent secured loans (real estate or auto) into personal non-credit card loans.

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The Internet is also an increasingly important distribution channel and is enabling us to expand into new customer segments, improve delivery in indirect distribution and serve current customers in a more cost-effective manner. Receivables originated via the Internet were $3.3 billion at December 31, 2001, a 450 percent increase over December 31, 2000. At December 31, 2001, over 925,000 accounts were originated or serviced via the Internet. We are currently accepting loan applications via the Internet for all of our products and have the ability to serve our customers entirely on-line or in combination with our other distribution channels.

- The owned consumer two-months-and-over contractual delinquency ratio was 4.53 percent at December 31, 2001, compared to 4.26 percent at December 31, 2000. The owned consumer net charge-off ratio was 3.32 percent in 2001, compared to 3.18 percent in 2000 and 3.67 percent in 1999. As expected, delinquency and charge-off ratios increased during 2001. We expect manageable increases in both delinquency and charge-off to continue during the first two or three quarters of 2002 and then decline modestly in the latter part of the year.

- Our owned credit loss reserves were $2.7 billion at December 31, 2001, compared to $2.1 billion at December 31, 2000. Credit loss reserves as a percent of owned receivables were 3.33 percent at December 31, 2001, compared to 3.14 percent at year-end 2000.

- In connection with our share repurchase program, we repurchased 17.4 million shares of our common stock for a total of $916.3 million during 2001. Since announcing our share repurchase program in March 1999, we have repurchased 39.6 million shares for a total of $1.8 billion. On May 9, 2001, we announced a new two-year $2 billion common stock repurchase program. This new program went into effect on January 1, 2002 and replaced the $2 billion stock repurchase program which expired on December 31, 2001.

- Our total shareholders' equity (including company obligated mandatorily redeemable preferred securities of subsidiary trusts and excluding unrealized gains and losses on cash flow hedging instruments in 2001) to owned assets ratio was 11.56 percent at December 31, 2001, compared to 11.46 percent at December 31, 2000.

Results of Operations

Unless noted otherwise, the following discusses amounts reported in our owned basis statements of income.

Net Interest Margin Our net interest margin on an owned basis increased to $5.8 billion in 2001, up from $4.8 billion in 2000 and $3.8 billion in 1999. Growth in average interest-earning assets resulted in higher net interest margin dollars in both years. In 2001, the increase was also due to lower funding costs, partially offset by an ensuing reduction in the rates we charge to our customers. The Federal Reserve reduced interest rates 11 times for a total of 475 basis points during 2001. In 2000, better pricing was partially offset by higher interest costs. In 2000, the Federal Reserve raised interest rates 3 times for a total of 100 basis points. In 2002, we expect net interest margin as a percent of receivables to be higher on average than in 2001 as we benefit from the full-year impact of the 2001 rate reductions. We expect some minor contraction late in the year as we believe the Fed will raise rates.

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As a percent of average interest-earning assets, net interest margin was 7.93 percent in 2001, 7.75 percent in 2000 and 7.80 percent in 1999. On a percentage basis, net interest margin in both years was impacted by a shift in the portfolio to lower margin real estate secured receivables. In 2001, the impact of this shift was more than offset by lower interest costs. In 2000, higher interest costs also contributed to the decrease in the ratio.

Our net interest margin on a managed basis includes finance income earned on our owned receivables as well as on our securitized receivables. This finance income is offset by interest expense on the debt recorded on our balance sheet as well as the contractual rate of return on the instruments issued to investors when the receivables were securitized. Managed basis net interest margin increased to $7.9 billion in 2001, up from $6.5 billion in 2000 and $5.5 billion in 1999. As a percent of average managed interest-earning assets, net interest margin was 8.50 percent in 2001, 8.10 percent in 2000 and 8.23 percent in 1999. Receivable growth contributed to the dollar increases in both years. The increase in the ratio in 2001 was primarily the result of lower interest costs. The decrease in the ratio in 2000 reflects the continued shift in the portfolio to lower margin real estate secured receivables and higher interest costs due to increases in interest rates, partially offset by improved pricing in our MasterCard and Visa portfolio.

Net interest margin as a percent of receivables on a managed basis is greater than on an owned basis because auto finance and MasterCard and Visa receivables, which have wider spreads, are a larger portion of the off-balance sheet portfolio than of the owned portfolio, which primarily consists of lower margin real estate secured loans.

We are able to adjust our pricing on many of our products, which reduces our exposure to changes in interest rates. During 2001, we benefited from reductions in funding costs, which were greater than the corresponding reduction in pricing. At December 31, 2001 and 2000, we estimated that our after-tax earnings would decline by about $77 and $81 million, respectively, following a gradual 200 basis point increase in interest rates over a twelve month period.

See the net interest margin tables on pages 33 to 35 for additional information regarding our owned basis and managed basis net interest margin.

Provision for Credit Losses The provision for credit losses includes current period net credit losses and an amount which we believe is sufficient to maintain reserves for losses of principal, interest and fees, including late, overlimit and annual fees, at a level that reflects known and inherent losses in the portfolio.

At December 31, 2001, our owned loss reserve was at an all-time high, despite a continued shift in our portfolio mix to real estate secured loans. During 2001, we recorded owned loss provision $502.9 million greater than charge-offs. Loss provision in 2001 reflected our continued receivable growth, recent increases in personal bankruptcy filings, and continued uncertainty over the impact of the weakening economy on charge-off and delinquency trends. Additionally, growth in our receivables and portfolio seasoning ultimately result in a higher dollar loss reserve requirement. Loss provision was $195.5 million greater than charge-offs in 2000, primarily due to receivable growth. Loss provisions are based on an estimate of inherent losses in our loan portfolio. See "Credit Loss Reserves" for further discussion and overall methodology for determining loss provision and loss reserves.

The provision for credit losses totaled $2.9 billion in 2001, compared to $2.1 billion in 2000 and $1.7 billion in 1999. Receivables growth in both years and a weakened economy in 2001 contributed to a higher provision. The provision for credit losses may vary from year to year, depending on a variety of factors including the amount of securitizations in a particular period, economic conditions and historical delinquency roll-rates of our loan products and our product vintage analyses.

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As a percent of average owned receivables, the provision was 4.00 percent, compared to 3.50 percent in 2000 and 3.59 percent in 1999. In 2001, the increase in this ratio reflects higher charge-offs, including bankruptcy charge-offs, and additions to loss reserves, both resulting from the weakening economy. In 2000, the decline in this ratio reflects improved credit quality as secured loans, which have a lower loss experience, represented a larger percentage of our owned portfolio. This decline came in spite of an increase in overall charge-off dollars as a result of receivable growth in the prior year. Run-off of our legacy undifferentiated Household Bank branded MasterCard and Visa portfolio, which had higher loss rates, also contributed to the decline in 2000.

See the "Analysis of Credit Loss Reserves Activity" on pages 31 and 32 for additional information regarding our owned basis and managed basis loss reserves.

Other Revenues Total other revenues on an owned basis were $3.9 billion in 2001, $3.3 billion in 2000 and $2.9 billion in 1999 and included the following:

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In millions. Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Securitization revenue	$ 1,775.6	$ 1,476.6	$ 1,393.5
Insurance revenue	662.4	561.2	534.6
Investment income	167.7	174.2	168.8
Fee income	966.9	825.8	595.5
Other Income	322.5	228.8	223.8
Total other revenues	$ 3,895.1	$ 3,266.6	$ 2,916.2

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Securitization revenue is the result of the securitization of our receivables and includes initial and replenishment gains on sale, net of our estimate of probable credit losses under the recourse provisions, as well as servicing revenue and excess spread. Securitization revenue was $1.8 billion in 2001, compared to $1.5 billion in 2000 and $1.4 billion in 1999. The increases were due to higher average securitized receivables and changes in the mix of receivables included in these transactions. Securitization revenue will vary each year based on the level and mix of receivables securitized in that particular year (which will impact the gross initial gains and related estimated probable credit losses under the recourse provisions) as well as the overall level and mix of previously securitized receivables (which will impact servicing revenue and excess spread). The estimate for probable credit losses for securitized receivables is impacted by the level and mix of current year securitizations because securitized receivables with longer lives may require a higher over-the-life loss provision than receivables securitized with shorter lives depending upon loss estimates and severities.

Securitization revenue included the following:
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In millions. Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Net initial gains	$ 165.7	$ 170.1	$ 111.1

Net replenishment gains	407.5	328.4	254.1
Servicing revenue and excess spread	1,202.4	978.1	1,028.3
Total	$ 1,775.6	$ 1,476.6	$ 1,393.5

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Certain securitization trusts, such as credit cards, are established at fixed levels and require frequent sales of new receivables into the trust to replace receivable run-off.

The change in our interest-only strip receivables, net of the related loss reserve and excluding the mark-to-market adjustment recorded in accumulated other comprehensive income, was $100.6 million in 2001, $59.0 million in 2000 and $34.0 million in 1999.

See Note 1, "Summary of Significant Accounting Policies," and Note 5 "Asset Securitizations," to the consolidated financial statements for further information on asset securitizations.

Insurance revenue was $662.4 million in 2001, $561.2 million in 2000 and $534.6 million in 1999. The increases reflect increased sales on a larger loan portfolio and improved customer acceptance and retention rates. During 2001, we announced that we will discontinue the sale of single premium credit insurance on real estate secured receivables in favor of offering a fixed monthly premium insurance product. The rollout of this insurance product began in the fourth quarter of 2001 and was substantially completed in the first quarter of 2002. This change is not expected to have a material impact on our results of operations for 2002.

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Investment income includes interest income on investment securities in the insurance business as well as realized gains and losses from the sale of investment securities. Investment income was $167.7 million in 2001, $174.2 million in 2000 and $168.8 million in 1999. In 2001, the decrease was primarily due to lower interest income, primarily resulting from lower yields, partially offset by higher average investment balances. In 2000, the increase was primarily due to higher interest income, primarily resulting from higher average investment balances and higher yields.

Fee income includes revenues from fee-based products such as credit cards. Fee income was $966.9 million in 2001, $825.8 million in 2000 and $595.5 million in 1999. The increases were primarily due to higher credit card fees. Fee income will also vary from year to year depending upon the amount of securitizations in a particular period.

See Note 21, "Segment Reporting," to the accompanying consolidated financial statements for additional information on fee income on a managed basis.

Other income, which includes revenue from our refund lending business, was $322.5 million in 2001, $228.8 million in 2000 and $223.8 million in 1999. RAL income was $198.3 million in 2001, $132.7 million in 2000 and $130.6 million in 1999. The increase in 2001 also reflects income of $32 million, net of costs directly related to our exit from the Goldfish credit card program, in connection with the agreement with Centrica to discontinue our participation in the program.

Costs and Expenses Total costs and expenses increased 18 percent to $3.9 billion in 2001, compared to $3.3 billion in 2000 and $2.8 billion in 1999. Expenses on an owned basis are the same as expenses on a managed basis. Higher expenses were the result of higher receivable levels and increased operating, technology, marketing, and personnel spending directly related to the receivable growth. Acquisitions during the first half of 2000 also contributed to increased expenses over the prior years. Our efficiency ratio was 38.0 percent in 2001, compared to 39.2 percent in 2000 and 39.1 percent in 1999.

Total costs and expenses included the following:

<TABLE>
<CAPTION>

In millions. Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Salaries and fringe benefits	$ 1,597.2	$ 1,312.1	$ 1,048.7
Sales incentives	273.2	203.6	145.9
Occupancy and equipment expense	337.4	306.6	270.9
Other marketing expenses	519.3	470.9	370.0
Other servicing and administrative expenses	709.6	589.7	547.9
Amortization of acquired intangibles and goodwill	151.2	160.0	143.9
Policyholders' benefits	302.6	261.7	258.1
Total costs and expenses	$ 3,890.5	$ 3,304.6	$ 2,785.4

</TABLE>

Salaries and fringe benefits were $1.6 billion in 2001, $1.3 billion in 2000 and $1.0 billion in 1999. The increases were primarily due to additional staffing at all businesses, including the impact of acquisitions. In 2001, we increased sales, collection, customer service and technology staffing levels at all businesses to support our growth. Branch expansion efforts in the United Kingdom

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and Canada also contributed to the increase in 2001. In 2000, additional staffing to support growth and collection efforts in our consumer lending business, which contributed to increased recoveries and collections and improved the portfolio performance of our receivables, also contributed to the increase over the prior year. Growth in our credit card business, including the impact of acquisitions, also contributed to the increase in 2000.

Sales incentives were $273.2 million in 2001, $203.6 million in 2000 and $145.9 million in 1999. The increases were primarily due to higher sales volumes in our branches.

Occupancy and equipment expense was $337.4 million in 2001, $306.6 million in 2000 and $270.9 million in 1999. The increases were primarily due to growth in our support facilities. In 2001, we also added new branches in the United Kingdom and Canada. In 2000, we opened a new call center in Tampa, Florida and acquired other facilities in the first half of the year. These facilities have supported our receivable growth.

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Other marketing expenses include payments for advertising, direct mail programs and other marketing expenditures. These expenses were $519.3 million in 2001, $470.9 million in 2000 and $370.0 million in 1999. The increases were primarily due to increased credit card marketing initiatives, largely in the U.S. MasterCard and Visa portfolio.

Other servicing and administrative expenses were $709.6 million in 2001, $589.7 million in 2000 and $547.9 million in 1999. In 2001, the increase was primarily due to higher collection and consulting expenses, REO and fraud losses, and costs associated with privacy mailings to comply with new legislation. In 2000, the increase was primarily due to e-commerce initiatives and increased costs resulting from the acquisition of Renaissance and two real estate secured loan portfolios.

Amortization of acquired intangibles and goodwill was $151.2 million in 2001, $160.0 million in 2000 and $143.9 million in 1999. In 2001, the decrease was attributable to reductions in acquired intangibles. In 2000, the increase was attributable to higher goodwill amortization resulting from the Renaissance acquisition. Upon adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" on January 1, 2002, amortization of goodwill recorded in past business combinations ceased. The adoption is expected to increase net income by approximately $45 million, or $.10 per share, annually.

Policyholders' benefits were $302.6 million in 2001, $261.7 million in 2000 and $258.1 million in 1999. The increases are consistent with the increase in insurance revenues resulting from increased policy sales.

Income taxes. The effective tax rate was 34.5 percent in 2001, 34.9 percent in 2000 and 33.1 percent in 1999.

Credit Quality

Delinquency and Charge-offs Our delinquency and net charge-off ratios reflect, among other factors, changes in the mix of loans in our portfolio, the quality of our receivables, the average age of our loans, the success of our collection efforts, bankruptcy trends and general economic conditions. Real estate secured receivables, which have a significantly lower charge-off rate than unsecured receivables, represented 55 percent of our total owned receivables at December 31, 2001 and 52 percent at December 31, 2000. The levels of personal bankruptcies also have a direct effect on the asset quality of our overall portfolio and others in our industry.

Our credit and portfolio management procedures focus on risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers, as well as policies designed to manage customer relationships, such as reaging delinquent accounts to current in specific situations, are helpful in maximizing customer collections.

We have been preparing for an economic slowdown since late 1999. Throughout 2000 and 2001, we emphasized real estate secured loans which historically have a lower loss rate as compared to our other loan products, grew sensibly, tightened underwriting policies, reduced unused credit lines, strengthened risk model capabilities and invested heavily in collections capability by adding over 2,500 collectors. As a result, 2001 charge-off and delinquency performance has been well within our expectations.

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Our consumer charge-off and nonaccrual policies vary by product as follows:

<TABLE>
<CAPTION>

Product	Charge-off Policy	Nonaccrual Policy
<S>	<C>	<C>

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Real estate secured	Carrying values in excess of net realizable value are charged off at the time of foreclosure or when settlement is reached with the borrower.	Interest income accruals are suspended when principal or interest payments are more than 3 months contractually past due and resumed when the receivable becomes less than 3 months contractually past due.
Auto finance	Carrying values in excess of net realizable value are charged off at the earlier of the following: . the collateral has been repossessed and sold, . the collateral has been in our possession for more than 90 days, or . the loan becomes 150 days contractually delinquent.	Interest income accruals are suspended when principal or interest payments are more than 2 months contractually past due and resumed when the receivable becomes less than 2 months contractually past due.
MasterCard and Visa	Charged off at 6 months contractually delinquent.	Interest accrues until charge-off.
Private label	Charged off at 9 months contractually delinquent.	Interest accrues until charge-off.
Personal non-credit card	Charged off at 9 months contractually delinquent and no payment received in 6 months, but in no event to exceed 12 months.	Interest income accruals are suspended when principal or interest payments are more than 3 months contractually delinquent. For PHL's, interest income accruals resume if the receivable becomes less than three months contractually past due. For all other personal non-credit card receivables, interest income is recorded as collected.

</TABLE>

Charge-offs may occur sooner for certain consumer receivables involving a bankruptcy.

Our charge-off policies focus on maximizing the amount of cash collected from a customer while not incurring excessive collection expenses on a customer who will likely be ultimately uncollectible. We believe our policies are responsive to the specific needs of the customer segment we serve. Our real estate and auto finance charge-off policies consider customer behavior in that initiation of foreclosure or repossession activities often prompts repayment of delinquent balances. Our collection procedures and charge-off periods, however, are designed to avoid ultimate foreclosure or repossession whenever it is reasonably economically possible. Our MasterCard and Visa charge-off policy is consistent with credit card industry practice. Charge-off periods for our personal non-credit card and private label products were designed to be responsive to our customer needs and may be longer than bank competitors who serve a different market. Our policies have been consistently applied and there have been no significant changes to any of our policies during any of the periods reported. Our loss reserve estimates consider our charge-off policies to ensure appropriate reserves exist for products with longer charge-off lives. We believe our charge-off policies are appropriate and result in proper loss recognition.

Our policies for consumer receivables permit reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationships and maximize collections.

See "Credit Quality Statistics" on pages 29 and 30 for further information regarding owned basis and managed basis delinquency, charge-offs and nonperforming loans.

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Consumer Two-Month-and-Over Contractual Delinquency Ratios - Owned Basis
<TABLE>
<CAPTION>

	2001 Quarter End				2000 Quarter End			
	4	3	2	1	4	3	2	1
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate secured	2.63%	2.71%	2.59%	2.55%	2.58%	2.71%	2.64%	2.90%
Auto finance	2.92	2.43	2.35	1.74	2.46	1.96	1.84	1.90
MasterCard/Visa	5.67	5.22	4.80	5.02	4.90	4.89	4.30	4.17
Private label	5.99	6.57	6.54	5.62	5.60	5.64	5.81	6.03
Personal non-credit card	9.04	8.75	8.79	8.79	7.99	7.77	8.23	9.10
Total Owned	4.53%	4.58%	4.48%	4.36%	4.26%	4.29%	4.25%	4.58%

</TABLE>

See "Credit Quality Statistics - Managed Basis" on page 30 for additional information regarding our managed basis credit quality.

Our consumer delinquency ratios at year-end remained stable compared to the third quarter and increased modestly compared to the prior year. These increases were within our expectations. All products were negatively affected by the weakening economy during the fourth quarter. The increase in auto finance delinquency also reflects historical seasonal trends. These increases were partially offset by decreases in real estate secured delinquency due to improved collections. The sequential quarter comparison benefited from seasonal

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receivable growth in MasterCard and Visa and private label receivables, as well as a private label portfolio acquisition in the quarter. Additionally, our MasterCard and Visa portfolio was negatively impacted by the December removal of the Goldfish accounts, which had very low delinquency.

Compared to a year ago, the weakening economy contributed to higher delinquency ratios in all products. In our real estate secured portfolio, these increases were partially offset by benefits from the growing percentage of loans on which we hold a first lien position as these loans have lower delinquency rates than other loans. Though delinquency in our total MasterCard and Visa portfolio increased over the prior year due in part to the removal of the Goldfish accounts, delinquency in our subprime portfolio improved. During 2001, we improved underwriting selection criteria in our subprime MasterCard and Visa portfolio by building systems which better exclude certain high-risk customers from solicitations.

Consumer Net Charge-off Ratios - Owned Basis
<TABLE>
<CAPTION>

	Full Year 2001	2001 Quarter Annualized 4	3	2	1	Full Year 2000	2000 Quarter Annualized 4	3	2	1	Full Year 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate secured	.52%	.64%	.51%	.48%	.43%	.42%	.39%	.39%	.44%	.48%	.51%
Auto finance	4.00	4.91	3.72	3.26	3.93	3.29	3.90	2.88	2.90	3.42	3.42
MasterCard/Visa	8.17	7.90	8.28	8.33	8.17	6.55	7.36	5.99	6.32	6.48	7.95
Private label	5.59	6.12	5.94	5.25	5.02	5.34	5.03	5.18	5.46	5.70	5.60
Personal non-credit card	6.81	6.97	7.27	6.84	6.12	7.02	5.82	7.05	7.85	7.64	6.50
Total Owned	3.32%	3.43%	3.43%	3.26%	3.12%	3.18%	2.98%	3.01%	3.27%	3.53%	3.67%

</TABLE>

See "Credit Quality Statistics - Managed Basis" on page 30 for additional information regarding our managed basis credit quality.

During the fourth quarter, our net charge-off ratios continued to be impacted by the weakening economy. Higher loss severities on repossessed vehicles due to a weak market for used cars and historical seasonal trends also contributed to the increases in our auto finance portfolio. We expect improvement in the used car market in 2002. However, we expect the economy to remain weak and total portfolio charge-offs to increase through the first two or three quarters of 2002. We expect the economy to recover slowly and charge-offs to decline modestly in the latter part of the year.

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The increases in charge-off ratios for the year also reflect the weakening economy. These increases were partially offset by improved collections in our real estate secured, private label and personal non-credit card portfolios as a direct result of increasing the size of our collection staff, especially in our branch network. The increase in the auto finance ratio was due in part to higher loss severities on repossessed vehicles. The increase in the MasterCard and Visa ratio reflects a higher percentage of subprime receivables in the portfolio. Though subprime charge-off rates declined throughout 2001, these receivables continue to have higher loss rates than other MasterCard and Visa receivables.

Our total 2001 net charge-off ratios reflected the positive impact of the growing percentage of real estate secured receivables, which have a lower charge-off ratio than other products, in our portfolio. Assuming 1999 product mix, net charge-offs would have been approximately 45 basis points higher in 2001 and 30 basis points higher in 2000.

In 2000, all products, except personal non-credit card loans, reported improved charge-off ratios compared to 1999. Our MasterCard and Visa portfolio reported the strongest improvement in 2000 as a result of significant decreases in charge-off dollars in our legacy undifferentiated Household Bank and GM portfolios and in bankruptcy charge-offs. Charge-off dollars for all products were up in 2000.

In February, 1999, the four federal banking regulatory agencies revised their guidelines for classification of credit based on delinquency status and mandated specified timeframes for recognizing losses in consumer loan portfolios. These regulatory policy changes, which apply only to products within our banking subsidiaries and became effective October 1, 2000, did not result in a significant modification to any of our established reaging or charge-off policies. Therefore, the application of the new rules did not have a material impact on our financial statements or the way we manage our businesses.

Credit Loss Reserves We maintain credit loss reserves to cover probable losses of principal, interest and fees, including late, overlimit and annual fees. Credit loss reserves are based on a range of estimates and intended to be adequate but not excessive. We estimate losses for consumer receivables based on delinquency status and past loss experience. In addition, we provide loss reserves on consumer receivables to reflect our assessment of portfolio risk factors which may not be fully reflected in the statistical calculation which uses roll rates and migration analysis. These risk factors include bankruptcy trends, recent growth, product mix, economic conditions, and current levels in charge-off and delinquency. While our credit loss reserves are available to absorb losses in the entire portfolio, we specifically consider the credit quality and other risk factors for each of our products, which include real estate secured, auto finance, Master Card and Visa and private label credit

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cards and personal non-credit cards. We recognize the different inherent loss characteristics and risk management/collection practices in each of these products. Charge-off and customer account management policies are also considered when establishing loss reserve requirements to ensure the appropriate reserves exist for products with longer charge-off periods and for customers benefiting from account management decisions. We also consider key ratios such as reserves to nonperforming loans and reserves as a percentage of charge-offs in developing our loss reserve estimate. Loss reserve estimates are reviewed periodically and adjustments are reported in earnings when they become known. These estimates are influenced by factors outside of our control, such as economic conditions and consumer payment patterns. As a result, there is uncertainty inherent in these estimates, making it reasonably possible that they could change.

At December 31, 2001, our owned loss reserve was at an all-time high, despite a continued shift in our portfolio mix to secured loans. During 2001, we recorded owned loss provision $502.9 million greater than charge-offs. Loss provision in 2001 reflected our continued receivable growth, recent increases in personal bankruptcy filings, and continued uncertainty over the impact of the weakening economy on charge-off and delinquency trends. Additionally, growth in our receivables and portfolio seasoning ultimately result in a higher loss reserve requirement. Loss provision was $195.5 million greater than charge-offs in 2000, primarily due to receivable growth. Loss provisions are based on an estimate of inherent losses in our loan portfolio.

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The following table sets forth owned basis credit loss reserves for the periods indicated:

<TABLE>
<CAPTION>
All dollar amounts are stated in millions.

At December 31	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Owned credit loss reserves	$ 2,663.1	$ 2,111.9	$ 1,757.0	$ 1,734.2	$ 1,642.1
Reserves as a percent of receivables	3.33%	3.14%	3.36%	3.92%	4.25%
Reserves as a percent of net charge-offs	110.5	109.9	101.1	112.6	126.7
Reserves as a percent of nonperforming loans	91.0	90.2	87.5	100.3	113.2

</TABLE>

Reserves as a percentage of receivables in 2001 reflect the impact of the weakened economy, higher levels of delinquency and charge-off, and the continuing uncertainty as to the ultimate impact the weakened economy will have on delinquency and charge-off levels. We began to see evidence of a weakening economy in the first half of the year as delinquencies began to rise and bankruptcy filings increased. This resulted in higher charge-offs beginning in the second quarter. The combination of these risk factors, partially offset by a higher mix of real estate secured receivables, which have lower credit losses, resulted in higher loss provisions in 2001.

Over the past five years, our loan portfolio has experienced a dramatic shift in product mix to real estate secured receivables. The trend in reserves as a percentage of receivables from 1997 through 2000 reflects the impact of a growing percentage of secured loans which have lower loss rates than unsecured loans and, beginning in 1999 and continuing into 2000, improving credit quality trends. This trend also benefited in 1999 and 2000 from the continued run-off of our undifferentiated Household Bank branded MasterCard and Visa portfolio. Real estate secured receivables represented 55 percent of our receivables at December 31, 2001 compared to 36 percent at December 31, 1997. The impact of this shift to real estate secured receivables is significant. Holding average receivable mix constant to 1997 levels would have resulted in approximately a $980 million increase in charge-off during 2001 based on 2001 owned charge-off ratios.

For securitized receivables, we also record a provision for estimated probable losses that we expect to incur under the recourse provisions. The following table sets forth managed credit loss reserves for the periods indicated:

<TABLE>
<CAPTION>
All dollar amounts are stated in millions.

At December 31	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Managed credit loss reserves	$ 3,811.4	$ 3,194.2	$ 2,666.6	$ 2,548.1	$ 2,523.0
Reserves as a percent of managed receivables	3.78%	3.65%	3.72%	3.99%	3.99%
Reserves as a percent of managed net charge-offs	110.7	111.1	98.2	94.4	109.8
Reserves as a percent of nonperforming loans	105.0	107.0	100.1	109.5	115.5

</TABLE>

See the "Analysis of Credit Loss Reserves Activity" on pages 31 and 32 for additional information regarding our owned basis and managed basis loss reserves.

Geographic Concentrations The state of California accounts for 15 percent of our managed domestic consumer portfolio and is the only state with more than 10

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percent of this portfolio. Because of our centralized underwriting collections and processing functions, we can quickly change our credit standards and intensify collection efforts in specific locations. We believe this lowers risks resulting from such geographic concentrations.

Our foreign consumer operations located in the United Kingdom and Canada accounted for 6 percent and 1 percent, respectively, of managed consumer receivables at December 31, 2001.

<PAGE>

Owned Nonperforming Assets

<TABLE>
<CAPTION>
All dollar amounts are stated in millions.

At December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Nonaccrual receivables	$ 2,079.5	$ 1,678.7	$ 1,444.6
Accruing consumer receivables 90 or more days delinquent	844.1	649.4	550.4
Renegotiated commercial loans	2.1	12.3	12.3
Total nonperforming receivables	2,925.7	2,340.4	2,007.3
Real estate owned	398.9	337.1	271.5
Total nonperforming assets	$ 3,324.6	$ 2,677.5	$ 2,278.8

</TABLE>

The increase in nonaccrual receivables is attributable to increases in our real estate secured, auto finance and personal non-credit card portfolios. Accruing receivables 90 or more days delinquent includes MasterCard and Visa and private label credit card receivables, consistent with industry practice. The increase in total nonperforming assets is consistent with and attributable to growth in our owned portfolio.

Liquidity and Capital Resources

Our subsidiaries use cash to originate loans, purchase loans or investment securities and acquire businesses. Their sources of cash include the collection of receivable balances; maturities or sales of investment securities; proceeds from the issuance of debt and deposits and from the securitization of consumer receivables; and cash provided by operations.

The following table summarizes our contractual cash obligations by period due:

<TABLE>
<CAPTION>
In millions.

At December 31, 2001	2002	2003	2004	2005	2006	Thereafter	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Long-term debt:							
Time certificates of deposit	$ 2,025.5	$ 1,307.3	$1,528.2	$ 837.3	$ 208.1	$ 410.3	$ 6,316.7
Senior and senior subordinated Debt	10,492.5	9,980.0	5,800.9	5,970.0	6,652.0	17,928.2	56,823.6
Total long-term debt	12,518.0	11,287.3	7,329.1	6,807.3	6,860.1	18,338.5	63,140.3
Operating leases:							
Minimum rental payments	150.9	128.6	110.7	92.8	82.6	330.0	895.6
Minimum sublease income	(21.4)	(21.6)	(22.0)	(22.3)	(22.2)	(77.7)	(187.2)
Total operating leases	129.5	107.0	88.7	70.5	60.4	252.3	708.4
Other Long-Term Obligations:							
Company obligated mandatorily redeemable preferred securities of subsidiary trust	-	-	-	-	-	975.0	975.0
Total Contractual Obligations	$12,647.5	$11,394.3	$7,417.8	$6,877.8	$6,920.5	$19,565.8	$64,823.7

</TABLE>

We also enter into commitments to meet the financing needs of our customers. In most cases, we have the ability to reduce or eliminate these open lines of credit. As a result, the amounts below do not necessarily represent future cash requirements:

<TABLE>
<CAPTION>
In billions.

At December 31	2001
<S>	<C>
MasterCard and Visa and private label credit cards	$ 99.4
Other consumer lines of credit	4.7
Open lines of credit	$ 104.1

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</TABLE>

At December 31, 2001, our mortgage services business had commitments with numerous correspondents to purchase up to $1.1 billion of real estate secured receivables, subject to availability based on underwriting guidelines specified by our mortgage services business. These commitments have terms of up to one year and can be renewed upon mutual agreement.

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In managing capital, we develop targets for the ratio of equity to managed assets based on discussions with rating agencies, reviews of regulatory requirements and competitor capital positions, credit loss reserve strength, risks inherent in the portfolio and projected operating environment, and acquisition objectives. We also specifically consider the level of intangibles arising from completed acquisitions. A primary objective of our capital management is to maintain investment grade ratings from rating agencies in order to have acceptable funding costs as well as greater access to a variety of funding sources. Targets include capital levels against both owned and managed assets. Our targets may change from time to time to accommodate changes in the operating environment or any of the other considerations listed above.

Consolidated capital ratios at year end 2001 and 2000 were consistent with our targets. Those ratios, as well as our 2002 target for tangible shareholders' equity to tangible managed assets, are as follows:

<TABLE>
<CAPTION>

At December 31	2001	2000	2002 Targets
<S>	<C>	<C>	<C>
Tangible shareholders' equity to tangible managed assets	7.87%	7.41%	8.00-8.25%
Total shareholders' equity as a percent of owned assets	11.56(1)	11.46	
Total shareholders' equity as a percent of managed assets	9.37(1)	9.07	

(1) Excluding the impact of FAS No. 133.
</TABLE>

Parent Company Household International, Inc. is the holding or parent company that owns the outstanding stock of its subsidiaries. The parent company's main source of funds is cash received from its subsidiaries in the form of dividends and intercompany borrowings. The parent company received dividends from its subsidiaries of $673 million in 2001 and $648 million in 2000. Dividends from subsidiaries are managed to ensure subsidiaries are adequately capitalized. In addition, the parent company receives cash from third parties by issuing debt, preferred stock and common stock.

At December 31, 2001, the parent company had $400 million in committed back-up lines of credit that it can use on short notice. These lines are available either to the parent company or its subsidiary, Household Finance Corporation ("HFC"). None of these back-up lines were drawn upon in 2001. These lines of credit expire in 2003 and do not contain financial material adverse change clauses that could restrict availability. The only financial covenant contained in the terms of the parent company's credit agreements is the maintenance of minimum shareholders' equity of $2.0 billion.

The parent company has a number of obligations to meet with its available cash. It must be able to service its debt and meet the capital needs of its subsidiaries. It also must pay dividends on its preferred stock and may pay dividends to its common stockholders. The parent company paid $406.6 million in common and preferred dividends to shareholders in 2001 and $358.9 million in 2000. The parent company anticipates its common stock dividend payout ratio in 2002 to be comparable to prior years.

At various times, the parent company will make capital contributions to its subsidiaries to comply with regulatory guidance, support receivable growth, maintain acceptable investment grade ratings at the subsidiary level, or provide funding for long-term facilities and technology improvements. In 2001, the parent company made capital contributions of $50 million to subsidiaries, compared to $550 million in 2000. The primary reasons for the larger contribution in 2000 were to support receivable growth and maintain acceptable investment grade ratings. We expect our subsidiaries will continue to need additional capital contributions in 2002. We anticipate that these amounts will exceed the amounts contributed in prior years. We have been advised by the Office of Thrift Supervision ("OTS"), Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") that in accordance with their 2001 Guidance for Subprime Lending Programs, they will impose additional capital requirements on institutions which hold nonprime or subprime assets which we expect will be greater than the historical levels we have maintained at these subsidiary institutions. We do not believe the additional capital needs of any subsidiary will have a material adverse impact on our financial position or our business operations.

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In August 2001, the parent company issued zero-coupon convertible debt securities. The convertible debt securities are due 2021, have a 1 percent yield to maturity and have a principal amount at maturity of approximately $1.2 billion. We must pay contingent interest on the securities beginning in 2006 if

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our common stock price reaches certain levels. The holders of the securities have the right to require us to repurchase the securities on various dates beginning in August 2002 and ending in August 2016 or if certain "fundamental changes" as described in the prospectus supplement occur. "Fundamental changes" include, among other things, an exchange offer, liquidation, merger and recapitalization. The holders of the securities may convert each $1,000 of securities, subject to adjustment, into 9.022 shares of Household common stock if our stock price reaches $99.87 for 20 trading days in a consecutive 30 trading day period. We may redeem the securities, in whole or in part, at any time after August 1, 2006.

In September 2001, the parent company issued $300 million of 7.50 percent cumulative preferred stock. In addition, we issued company obligated mandatorily redeemable preferred securities (representing the minority interest in the trust) ("trust preferred securities") of $400 million in 2001 and $300 million in 2000. In December 2001, $100 million of 8.70 percent trust preferred securities were redeemed.

During 2001, we repurchased 17.4 million shares of our common stock for a total of $916.3 million. During 2000, 5.4 million shares were repurchased for a total of $209.3 million. On May 9, 2001, we announced a new common stock repurchase program. This new program enables us to repurchase up to an additional $2 billion of our outstanding common shares. This new program went into effect on January 1, 2002 and replaced the $2 billion stock repurchase program which expired on December 31, 2001. Pursuant to these programs, repurchases are made from time to time in the open market depending upon market conditions, other investment opportunities for growth and capital targets.

At December 31, 2001, we had agreements to purchase, on a forward basis, approximately 6.5 million shares of our common stock at a weighted-average forward price of $59.14 per share. The agreements have terms of up to one year. These agreements may be settled either physically or on a net basis in shares of our common stock, at our option.

Subsidiaries We have three major subsidiaries: HFC, Household Bank, f.s.b. ("the Bank"), and Household Global Funding ("Global"). These subsidiaries use cash to originate loans, purchase loans or investment securities or acquire businesses. Their sources of cash include the collection of receivable balances, maturities or sales of investment securities, proceeds from the issuance of debt and deposits and from the securitization of receivables, capital contributions from the parent company, and cash provided by operations.

HFC HFC funds its operations by collecting receivable balances; issuing commercial paper, medium-term debt, and long-term debt primarily to wholesale investors; securitizing consumer receivables; and receiving capital contributions from its parent.

HFC domestically markets its commercial paper primarily through an in-house sales force. HFC's outstanding commercial paper totaled $8.8 billion at December 31, 2001 and $8.7 billion at December 31, 2000. HFC actively manages the level of commercial paper outstanding to ensure availability to core investors and proper use of any excess capacity within internally-established targets.

HFC markets domestic medium-term notes through investment banks and its in-house sales force. A total of $8.0 billion of domestic medium-term notes were issued in 2001, including $788 million of InterNotesSM, a retail-oriented medium-term note program. In 2000, $9.9 billion of domestic medium-term notes were issued. During 2001, HFC also issued $7.0 billion of U.S. dollar, global long-term debt with a weighted-average original maturity of 8.14 years. Long-term debt issuances in 2000 totaled $4.8 billion and had a weighted-average original maturity of 6.98 years. These long-term issuances lengthened the term of HFC's funding, reduced reliance on commercial paper and securitizations, and preserved liquidity.

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We issued securities backed by dedicated home equity loan receivables of $1.6 billion in 2001 and $.5 billion in 2000. For accounting purposes, these transactions were structured as secured financings, therefore the receivables and the related debt remain on our balance sheet. At December 31, 2001, closed-end real estate secured receivables totaling $1.7 billion secured $1.5 billion of outstanding debt related to these transactions. At December 31, 2000, closed-end real estate secured receivables totaling $.4 billion secured $.4 billion of outstanding debt.

To obtain a broader investment base, HFC periodically issues debt in foreign markets. During 2001, $2.0 billion in notes were issued in these foreign markets, including Euro, Japanese yen and Australian dollar denominated issuances, compared to $2.1 billion in 2000. In order to eliminate future foreign exchange risk, currency swaps were used to convert the notes to U.S. dollars at the time of issuance.

HFC had committed back-up lines of credit totaling $10.1 billion at December 31, 2001, of which $400 million was also available to its parent company. None of these back-up lines were drawn upon in 2001. In addition, none of these lines contained a financial material adverse change clause which could restrict availability. HFC's back-up lines expire on various dates through 2005. The most restrictive financial covenant contained in the terms of HFC's credit agreements is the maintenance of minimum shareholder's equity of $3.6 billion.

At December 31, 2001, HFC had facilities with commercial and investment banks under which it may securitize up to $12.6 billion of receivables. The conduit facilities are renewable on an annual basis at the banks' option. At December

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31, 2001, $10.3 billion of receivables were securitized under these programs. The amount available under the facilities will vary based on the timing and volume of public securitization transactions. We expect to significantly increase the amounts available under these conduit programs in 2002 to protect our ability to operate efficiently in a cautionary capital market. Through existing bank lines, conduit facilities and new debt issuances, we believe we would continue to have more than adequate sources of funds if one or more of these facilities were unable to be renewed.

The Bank The Bank funds its operations through collection of receivable balances, contributions of capital and various wholesale funding sources including federal funds borrowings and bank notes. The Bank has also used retail certificates of deposit, domestic and Euro medium-term notes and underwritten senior debt. Additionally, the Bank has historically funded the RAL program under its agreement with HFC.

During 2001, the Bank began selling bank notes through an in-house sales force. Bank notes outstanding at year-end were $831 million. The Bank also issued $115 million in retail certificates of deposit in 2001 and $3.2 billion in 2000. The Bank's outstanding deposits totaled $6.8 billion at December 31, 2001 and $7.4 billion at December 31, 2000.

The Bank is subject to the capital adequacy guidelines adopted by the OTS and is well capitalized. Although we have utilized the Bank in the past as a means of providing deposit funding to support our operations, due to recent regulatory requirements for additional capital to support nonprime and subprime lending activities, it is doubtful that such sources will be actively utilized in the near term. We have been advised by the OTS, OCC and the FDIC that in accordance with their 2001 Guidance for Subprime Lending Programs, they will impose additional capital requirements on institutions which hold nonprime or subprime assets which we expect will be greater than the historical levels we have maintained at these subsidiary institutions. We have agreed with the OTS to maintain the regulatory capital of the Bank at these levels. We expect to reduce the size of the Bank to better manage the capital requirements for the Bank. We do not expect that any of these actions will have a material adverse effect on our operations, our ability to timely fund our operations, or will materially increase the costs associated with our funding.

Global Global includes our foreign subsidiaries in the United Kingdom and Canada. Global's assets were $7.3 billion at year-end 2001 and $7.8 billion at year-end 2000. Consolidated shareholders' equity includes the effect of translating our foreign subsidiaries' assets, liabilities and operating results from their local currency into U.S. dollars. We periodically enter into foreign exchange contracts to hedge portions of our investment in foreign subsidiaries.

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Each foreign subsidiary conducts its operations using its local currency. While each foreign subsidiary usually borrows funds in its local currency, both our United Kingdom and Canadian subsidiaries have borrowed funds directly in the United States capital markets. This allowed the subsidiaries to achieve a lower cost of funds than that available at that time in their local markets. These borrowings were converted from U.S. dollars to their local currencies using currency swaps at the time of issuance. Net realized gains and losses in foreign currency swap transactions were not material to our results of operations or financial position in any of the years presented.

Our United Kingdom operation is funded with wholesale deposits, short and intermediate-term bank lines of credit, long-term debt and securitizations of receivables. Deposits were $490.7 million at December 31, 2001 and $1.7 billion at December 31, 2000. Short-term borrowings at year-end 2001 were $717.4 million compared to $722.3 million a year ago. Long-term debt at year-end 2001 was $2.8 billion compared to $2.4 billion a year earlier.

At December 31, 2001, $2.1 billion of the United Kingdom's total debt was guaranteed by the parent company and $1.9 billion was guaranteed by HFC. HFC receives a fee for providing the guarantee. Committed back-up lines of credit for the United Kingdom were approximately $3.1 billion at December 31, 2001 of which $.8 billion was used. These lines have varying maturities through 2007.

At December 31, 2001, the UK had facilities with commercial banks under which it may securitize up to $.3 billion of receivables. The conduit facilities are renewable on an annual basis at the banks' option. At December 31, 2001, $.3 billion of receivables were securitized under these programs. The amount available under the facilities will vary based on the timing and volume of public securitization transactions. Through existing bank lines and new debt issuances, we believe we would continue to have more than adequate sources of funds if one or more of these facilities were unable to be renewed.

Our Canadian operation is funded with commercial paper, intermediate debt and long-term debt. Intermediate and long-term debt totaled $851.1 million at year-end 2001 compared to $749.2 million a year ago. Committed back-up lines of credit for Canada were approximately $436 million at December 31, 2001. None of these back-up lines were used in 2001. At December 31, 2001, approximately $35 million of the Canadian subsidiary's total debt was guaranteed by the parent company and $1.2 billion was guaranteed by HFC. Both the parent company and HFC receive a fee for providing the guarantees.

Investment Ratings As a financial services organization, we must have access to funds at competitive rates, terms and conditions to be successful. At December 31, 2001, the long-term debt of the parent company, HFC, Beneficial and our Canadian and U.K. subsidiaries and the preferred stock of the parent company

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have been assigned investment grade ratings by all nationally recognized statistical rating organizations that rate such instruments. These organizations have also rated the commercial paper of HFC in their highest rating category. Although one nationally recognized statistical rating organization recently downgraded the long-term debt of HFC to the corresponding levels of the other agencies, we believe this downgrade will not have any meaningful impact on our ability to fund our operations. With our back-up lines of credit and securitization programs, we believe we have sufficient funding capacity to refinance maturing debts and fund our growth.

Capital Expenditures We made capital expenditures of $175 million in 2001 and $174 million in 2000.

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Asset Securitizations

From time to time, we securitize consumer receivables. In a securitization, a designated pool of receivables is removed from the balance sheet and transferred to an unaffiliated trust that is a qualifying special purpose entity ("QSPE") under Statement of Financial Accounting Standards No. 125 and/or 140, as applicable. The QSPE funds its receivable purchase through the issuance of securities to investors, entitling them to receive specified cash flows during the life of the securities. The securities are collateralized by the underlying receivables transferred to the QSPE. Under the terms of the securitizations, we receive annual servicing fees on the outstanding balance of the securitized receivables and the rights to future residual cash flows arising after the investors receive their contractual return. These rights to further residual cash flows are recorded on our balance sheet as interest-only strip receivables, net of our recourse obligation to investors for failure of debtors to pay. Our recourse is limited to our rights to future cash flows and any subordinated interests that we may retain.

Securitizations and secured financings of consumer receivables have been, and will continue to be, a source of liquidity for us. We believe the market for securities issued by an investment grade issuer and backed by receivables is a reliable and cost-effective source of funds. Securitizations represented 22 percent of the funding associated with our managed portfolio at December 31, 2001, compared to 24 percent at December 31, 2000 and 28 percent at December 31, 1999.

The following table summarizes the composition of receivables securitized (excluding replenishments of certificateholder interests) during the year:

<TABLE>
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In billions.	2001	2000	1999
<S>	<C>	<C>	<C>
MasterCard/Visa	$.3	$2.0	$1.8
Auto finance	2.6	1.9	1.4
Private label	.5	.5	.5
Personal non-credit card	2.1	2.6	1.5
Total	$5.5	7.0	$5.2

</TABLE>

Certain securitization trusts, such as credit cards, are established at fixed levels and due to the revolving nature of the underlying receivables require the sale of new receivables into the trust to replace receivable runoff. These replenishments totaled $24.7 billion in 2001, $21.0 billion in 2000 and $20.3 billion in 1999.

The following table summarizes the expected amortization of our securitizations by type:

<TABLE>
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In millions. At December 31, 2001	2002	2003	2004	2005	2006	Thereafter	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate secured	$ 295.1	$ 304.8	$ 217.9	$ 44.0	-	-	$ 861.8
Auto finance	1,256.4	1,211.4	712.4	846.4	-	-	4,026.6
MasterCard/Visa	4,449.9	1,314.2	1,392.9	2,007.1	$ 89.9	-	9,254.0
Private label	336.5	1,001.8	811.7	-	-	-	2,150.0
Personal non-credit card	2,238.0	1,219.9	707.0	247.4	136.6	$ 106.7	4,655.6
Total	$ 8,575.9	$ 5,052.1	$ 3,841.9	$ 3,144.9	$ 226.5	$ 106.7	$ 20,948.0

</TABLE>

At December 31, 2001, the expected weighted-average remaining life of these transactions was 1.7 years.

We issued securities backed by dedicated home equity loan receivables of $1.6 billion in 2001 and $.5 billion in 2000. For accounting purposes, these transactions were structured as secured financings, therefore, the receivables and the related debt remain on our balance sheet. Real estate secured receivables included closed-end real estate secured receivables totaling $1.7

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billion at December 31, 2001 and $.4 billion at December 31, 2000 which secured the outstanding debt related to these transactions.

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The securities issued with our securitizations may payoff sooner than originally scheduled if certain events occur. For MasterCard and Visa, private label, real estate secured and personal non-credit card securitizations, early payoff of the securities begins if the annualized portfolio yield drops below a base rate or if certain other events occur. For certain auto securitizations, early payoff of securities may occur if established delinquency or loss levels are exceeded. We do not presently believe that any early payoff will take place. If early payoff occurred, our funding requirements would increase. These additional requirements could be met through new securitizations, issuance of various types of debt or borrowings under existing back-up lines of credit. We believe we would continue to have more than adequate sources of funds if an early payoff event occurred.

At December 31, 2001, HFC and the U.K. had facilities with commercial and investment banks under which they may securitize up to $12.9 billion of receivables. The facilities are renewable on an annual basis at the banks' option. At December 31, 2001, $10.6 billion of receivables were securitized under these programs. The amount available under the facilities will vary based on the timing and volume of public securitization transactions. Through existing bank lines and new debt issuances, we believe we would continue to have more than adequate sources of funds if one or more of these facilities were unable to be renewed.

Risk Management

We have a comprehensive program to address potential financial risks, such as liquidity, interest rate, currency and credit risk. The Finance Committee of the Board of Directors sets acceptable limits for each of these risks annually and reviews the limits semi-annually. We maintain an overall risk management strategy that uses a variety of interest rate and currency derivative financial instruments to mitigate our exposure to fluctuations caused by changes in interest rates and currency exchange rates. We manage our exposure to interest rate risk primarily through the use of interest rate swaps, but also use forwards, futures, options, and other risk management instruments. We manage our exposure to currency risk primarily through the use of currency swaps. We do not speculate on interest rate or foreign currency market exposure and we do not use exotic or leveraged derivative financial instruments.

Because we are predominantly capital markets funded, our ability to ensure continuous access to these markets and maintain a diversified funding base is important in meeting our funding needs. We have never experienced funding difficulties. Over the past two years, we have worked with a number of investment banks to identify and implement the strategic initiatives required to enhance future market access. Our ability to issue debt at competitive prices is influenced by rating agencies' views of our credit quality, liquidity, capital and earnings. As a result, we maintain close working relationships with each rating agency to secure the highest possible rating on our debt and asset backed securities. Additionally, access to capital markets is dependent upon a well-informed investor base. We maintain a comprehensive, direct marketing program to ensure our investors receive consistent and timely information regarding our financial performance. The ability to fund our operations, however, can be influenced by factors outside of our control such as the events of September 11, 2001 and the Russian financial crisis that occurred in the fall of 1998. In both of these situations, we adjusted our debt issuance plans as the debt markets changed and readily achieved our funding goals. Our contingency funding plans contemplate short and long-term market interruptions resulting from both general market events and Household specific events. Any shortfalls created by these interruptions could be mitigated through access to alternative sources of secured funding, asset sales and/or reductions in receivable growth rates. We currently are not aware of any trends or events that will result in or that are reasonably likely to result in a material change in our liquidity.

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Interest rate risk is defined as the impact of changes in market interest rates on our earnings. We use simulation models to measure the impact of changes in interest rates on net interest margin. The key assumptions used in these models include expected loan payoff rates, loan volumes and pricing, cash flows from derivative financial instruments and changes in market conditions. These assumptions are based on our best estimates of actual conditions. The models cannot precisely predict the actual impact of changes in interest rates on our earnings because these assumptions are highly uncertain. We validate the accuracy of our models by comparing actual results to those previously predicted by the model. At December 31, 2001, our interest rate risk levels were substantially below those allowed by our existing policy.

We estimate that our after-tax earnings would decline by about $77 million at December 31, 2001 and $81 million at December 31, 2000 following a gradual 200 basis point increase in interest rates over a twelve month period and would increase by about $72 million at December 31, 2001 and $78 million at December 31, 2000 following a gradual 200 basis point decrease in interest rates. These estimates include the impact of the derivative positions we have entered into. As a result, the decline in our earnings following a gradual 200 basis point increase would be higher had those derivative positions not been entered into. These estimates also assume we would not take any corrective action to lessen the impact and, therefore, exceed what most likely would occur if rates were to

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change.

We generally fund our assets with liabilities that have similar interest rate features. This initially reduces interest rate risk. Over time, however, customer demand for our receivable products shifts between fixed rate and floating rate products, based on market conditions and preferences. These shifts result in different funding strategies and produce different interest rate risk exposures. We use derivative financial instruments, principally swaps, to manage these exposures, as well as our liquidity position. Generally, we use derivatives that are either effective hedges, of which 92 percent qualify for the short-cut method of accounting under FAS No. 133, or are short-term (less than one year) economic hedges which offset the economic risk inherent in our balance sheet. As a result, we do not believe that using these derivatives will result in a material mark-to-market income adjustment in any period.

The primary exposure on our interest rate swap portfolio is credit risk. Credit risk is the risk that the counterparty to a transaction fails to perform according to the terms of the contract. We control the credit (or repayment) risk in derivative instruments through established credit approvals, risk control limits and ongoing monitoring procedures. Counterparty limits have been set and are closely monitored as part of the overall risk management process. These limits ensure that we do not have significant exposure to any individual counterparty. Based on peak exposure at December 31, 2001, substantially all of our derivative counterparties were rated AA- or better. Certain swap agreements require that payments be made to, or received from, the counterparty when the fair value of the agreement reaches a certain level. We have never suffered a loss due to counterparty failure.

We also use interest rate futures, interest rate forwards and purchased options to reduce interest rate risk. We use these instruments to hedge interest rate changes on our variable rate assets and liabilities. For example, short-term borrowings expose us to interest rate risk because the interest rate we must pay to others may change faster than the rate we receive from borrowers on the assets our borrowings are funding. Futures, forwards and options are used to fix our interest cost on these borrowings at a desired rate and are held until the interest rate on the variable rate asset or liability changes. We then terminate, or close out, the derivative financial instrument. These terminations are necessary because the date the interest rate changes is usually not the same as the expiration date of the derivative contracts.

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Foreign currency exchange risk refers to the potential changes in current and future earnings or capital arising from movements in foreign exchange rates. We enter into foreign exchange rate forward contracts and currency swaps to minimize currency risk associated with changes in the value of foreign-denominated assets or liabilities. Currency swaps convert principal and interest payments on debt issued from one currency to another. For example, we may issue Euro-denominated debt and then execute a currency swap to convert the obligation to U.S. dollars. We also have foreign subsidiaries located in the United Kingdom and Canada. Our foreign currency exchange risk on these investments is limited to the unhedged portion of the net investment in our foreign subsidiaries. We periodically enter into foreign exchange contracts to hedge portions of our investments in foreign subsidiaries. At December 31, 2001, we estimate we would experience a decrease in common shareholders' equity, net of tax, of approximately $45.7 million compared to a decrease of approximately $56.8 million, net of tax, at December 31, 2000 as a result of a 10 percent depreciation in our unhedged capital exposure in foreign subsidiaries to the U.S. dollar position. Additionally, we believe that the potential loss in net income associated with a 10 percent adverse change in the British pound/U.S. dollar or Canadian dollar/U.S. dollar exchange rate would not be material to us.

See Note 10 to the accompanying consolidated financial statements, "Derivative Financial Instruments and Concentrations of Credit Risk," for additional information related to interest rate risk management and Note 14, "Fair Value of Financial Instruments," for information regarding the fair value of certain financial instruments.

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Household International, Inc.
Glossary of Terms

Acquired Intangibles and Goodwill - Intangible assets represent the market value premium attributable to our credit card accounts in excess of the aggregate outstanding managed credit card loans acquired. Goodwill represents the purchase price over the fair value of identifiable assets acquired less liabilities assumed from business combinations.

Affinity Credit Card - A MasterCard or Visa account jointly sponsored by the issuer of the card and an organization whose members share a common interest (e.g., the AFL-CIO Union Plus (UP) Credit Card Program).

Auto Finance Loans - Closed-end loans secured by a first lien on a vehicle.

Co-Branded Credit Card - A MasterCard or Visa account that is jointly sponsored by the issuer of the card and another corporation (e.g., the GM Card(R)). The account holder typically receives some form of added benefit for using the card.

Common Dividend Payout Ratio - Dividends declared per common share divided by net income per share.

Consumer Net Charge-off Ratio - Net charge-offs of consumer receivables divided by average consumer receivables outstanding.

Contractual Delinquency - A method of determining aging of past due accounts based on the status of payments under the loan.

Efficiency Ratio - Ratio of operating expenses to net interest margin and other revenues less policyholders' benefits.

Fee Income - Income associated with interchange on credit cards and late and other fees from the origination or acquisition of loans.

Foreign Exchange Contract - A contract used to minimize our exposure to changes in foreign currency exchange rates.

Futures Contract - An exchange-traded contract to buy or sell a stated amount of a financial instrument or index at a specified future date and price.

Interchange Fees - Fees received for processing a credit card transaction through the MasterCard or Visa network.

Interest-only Strip Receivables - Represent our contractual right to receive interest and other cash flows from our securitization trusts after the investors receive their contractual return.

Interest Rate Swap - Contract between two parties to exchange interest payments on a stated principal amount (notional principal) for a specified period. Typically, one party makes fixed rate payments, while the other party makes payments using a variable rate.

LIBOR - London Interbank Offered Rate. A widely quoted market rate which is frequently the index used to determine the rate at which we borrow funds.

Liquidity - A measure of how quickly we can convert assets to cash or raise additional cash by issuing debt.

Managed Basis - Method of reporting whereby net interest margin, other revenues and credit losses on securitized receivables are reported as if those receivables were still held on our balance sheet.

Managed Receivables - The sum of receivables on our balance sheet and those that we service for investors as part of our asset securitization program.

MasterCard and Visa Receivables - Receivables generated through customer usage of MasterCard and Visa credit cards.

Net Interest Margin - Interest income from receivables and noninsurance investment securities reduced by interest expense.

Nonaccrual Loans - Loans on which we no longer accrue interest because ultimate collection is unlikely.

Nonprime Accounts - Accounts held by individuals who have limited credit histories, modest income, high debt-to-income ratios or have experienced credit problems caused by occasional delinquencies, prior charge-offs or other credit related actions. These customers generally have higher delinquency and credit loss probabilities and are charged a higher interest rate to compensate us for the additional risk.

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Options - A contract giving the owner the right, but not the obligation, to buy or sell a specified item at a fixed price for a specified period.

Owned Receivables - Receivables held on our balance sheet.

Personal Homeowner Loan ("PHL") - A real estate loan that has been underwritten and priced as an unsecured loan. These loans are reported as personal non-credit card receivables.

Personal Non-Credit Card Receivables - Unsecured lines of credit or closed-end loans made to individuals.

Private Label Credit Card - A line of credit made available to customers of retail merchants evidenced by a credit card bearing the merchant's name.

Products Per Customer - A measurement of the number of products held by an individual customer whose borrowing relationship with Household is considered in good standing. Products include all loan and insurance products.

Real Estate Secured Loan - Closed-end loans and revolving lines of credit secured by first or second liens on residential real estate.

Receivables Serviced with Limited Recourse - Receivables we have securitized and for which we have some level of potential loss if defaults occur.

Refund Anticipation Loan ("RAL") Program - A cooperative program with H&R Block Tax Services, Inc. and certain of its franchises, along with other independent tax preparers, to provide loans to customers entitled to tax refunds and who electronically file their returns with the Internal Revenue Service.

Return on Average Common Shareholders' Equity - Net income less dividends on

preferred stock divided by average common shareholders' equity.

Return on Average Managed Assets - Net income divided by average managed assets.

Return on Average Owned Assets - Net income divided by average owned assets.

Risk Adjusted Revenue - Managed net interest margin plus other revenues less managed securitization revenue and managed net charge-offs divided by average managed interest-earning assets.

Secured Financing - The process where interests in a dedicated pool of financial assets, such as real estate secured receivables, are sold to investors. Typically, the receivables are transferred to a trust that issues interests that are sold to investors. The receivables and related debt remain on our balance sheet.

Securitization - The process where interests in a dedicated pool of financial assets, such as credit card, auto or personal non-credit card receivables, are sold to investors. Typically, the receivables are sold to a trust that issues interests that are sold to investors. The receivables are then removed from our owned basis balance sheet.

Securitization Revenue - Includes income associated with the current and prior period securitizations and sales of receivables with limited recourse. Such income includes gains on sales, net of our estimate of probable credit losses under the recourse provisions, servicing income and excess spread relating to those receivables.

Tangible Equity to Tangible Managed Assets (TETMA) - Tangible shareholders' equity consists of total shareholders' equity, excluding unrealized gains and losses on investments and cash flow hedging instruments, less acquired intangibles and goodwill. Tangible managed assets represents total managed assets less acquired intangibles and goodwill and derivative assets.

Total Shareholders' Equity - Includes company obligated mandatorily redeemable preferred securities of subsidiary trusts, preferred stock and common shareholders' equity.

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Household International, Inc. and Subsidiaries
CREDIT QUALITY STATISTICS - OWNED BASIS

<TABLE>
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All dollar amounts are stated in millions. At December 31, unless otherwise indicated.	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Owned Two-Month-and-Over Contractual Delinquency Ratios					
Real estate secured	2.63%	2.58%	3.10%	3.95%	3.66%
Auto finance	2.92	2.46	2.02	2.90	1.48
MasterCard/Visa	5.67	4.90	3.59	5.09	3.55
Private label	5.99	5.60	6.09	6.03	5.60
Personal non-credit card	9.04	7.99	9.06	8.24	7.55
Total consumer	4.53%	4.26%	4.82%	5.31%	4.87%
Ratio of Owned Net Charge-offs to Average Owned Receivables for the Year					
Real estate secured	.52%	.42%	.51%	.60%	.49%
Auto finance	4.00	3.29	3.42	4.11	2.99
MasterCard/Visa	8.17	6.55	7.95	5.90	4.99
Private label	5.59	5.34	5.60	5.52	4.56
Personal non-credit card	6.81	7.02	6.50	6.52	4.88
Total consumer	3.32	3.18	3.67	3.76	3.39
Commercial	2.10	2.69	.93	.52	1.66
Total	3.31%	3.18%	3.63%	3.69%	3.34%
Nonaccrual Owned Receivables					
Domestic:					
Real estate secured	$ 906.8	$ 685.6	$ 532.5	$ 486.5	$378.4
Auto finance	69.2	45.5	24.9	23.3	-
Private label	38.6	47.6	58.1	29.0	25.0
Personal non-credit card	834.4	632.0	545.8	297.9	283.6
Foreign	215.3	226.0	236.7	178.3	189.1
Total consumer	2,064.3	1,636.7	1,398.0	1,015.0	876.1
Commercial and other	15.2	42.0	46.6	49.1	62.9
Total	$2,079.5	$1,678.7	$1,444.6	$1,064.1	$939.0
Accruing Owned Receivables 90 or More Days Delinquent					
Domestic:					
MasterCard/Visa	$ 352.4	$ 272.0	$ 140.2	$ 264.0	$148.7
Private label	462.2	355.1	386.7	366.6	319.6
Foreign	29.5	22.3	23.5	21.8	31.3
Total	$ 844.1	$ 649.4	$ 550.4	$ 652.4	$499.6

Real Estate Owned

Domestic	$ 394.7	$ 333.5	$ 268.1	$ 249.5	$200.0
Foreign	4.2	3.6	3.4	4.4	12.8
Total	$ 398.9	$ 337.1	$ 271.5	$ 253.9	$212.8
Renegotiated Commercial Loans	$ 2.1	$ 12.3	$ 12.3	$ 12.3	$ 12.4

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Household International, Inc. and Subsidiaries
CREDIT QUALITY STATISTICS--MANAGED BASIS

<TABLE>

All dollar amounts are stated in millions. At December 31, unless otherwise indicated.	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Managed Two-Month-and-Over Contractual Delinquency Ratios					
Real estate secured	2.68%	2.63%	3.27%	3.67%	3.69%
Auto finance	3.16	2.55	2.43	2.29	2.09
MasterCard/Visa	4.10	3.49	2.78	3.75	3.10
Private label	5.48	5.48	5.97	6.20	5.81
Personal non-credit card	8.87	7.97	8.81	7.94	7.81
Total consumer	4.46%	4.20%	4.66%	4.90%	4.64%
Ratio of Managed Net Charge-offs to Average Managed Receivables for the Year					
Real estate secured	.53%	.45%	.58%	.63%	.64%
Auto finance	5.31	4.80	4.96	5.39	4.60
MasterCard/Visa	6.63	5.58	6.66	5.95	5.55
Private label	5.18	5.35	5.65	5.65	4.62
Personal non-credit card	6.79	6.97	6.52	6.97	5.48
Total consumer	3.73	3.64	4.13	4.29	3.84
Commercial	2.10	2.69	.93	.52	1.66
Total	3.72%	3.63%	4.09%	4.24%	3.80%
Nonaccrual Managed Receivables					
Domestic:					
Real estate secured	$ 940.8	$ 734.1	$ 626.9	$ 550.8	$ 492.1
Auto finance	201.8	116.2	73.9	40.3	-
Private label	38.6	47.6	58.1	29.0	25.0
Personal non-credit card	1,106.3	902.0	828.8	559.5	565.2
Foreign	263.5	270.4	278.3	210.5	219.7
Total consumer	2,551.0	2,070.3	1,866.0	1,390.1	1,302.0
Commercial and other	15.2	42.0	46.6	49.1	62.9
Total	$ 2,566.2	$ 2,112.3	$ 1,912.6	$ 1,439.2	$ 1,364.9
Accruing Managed Receivables 90 or More Days Delinquent					
Domestic:					
MasterCard/Visa	$ 527.4	$ 420.3	$ 286.4	$ 436.2	$ 401.5
Private label	503.2	417.2	430.0	416.6	375.0
Foreign	29.5	22.3	23.5	21.8	31.3
Total	$ 1,060.1	$ 859.8	$ 739.9	$ 874.6	$ 807.8

</TABLE>

<PAGE>

Household International, Inc. and Subsidiaries
ANALYSIS OF CREDIT LOSS RESERVES ACTIVITY - OWNED RECEIVABLES

<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Total Owned Credit Loss Reserves at January 1	$ 2,111.9	$ 1,757.0	$ 1,734.2	$ 1,642.1	$ 1,398.4
Provision for Credit Losses	2,912.9	2,116.9	1,716.4	1,516.8	1,493.0
Charge-offs					
Domestic:					
Real estate secured	(194.0)	(123.2)	(103.8)	(82.8)	(46.3)
Auto finance	(94.3)	(61.3)	(39.4)	(29.7)	(6.4)
MasterCard/Visa	(645.4)	(432.1)	(477.8)	(454.1)	(415.8)
Private label	(590.9)	(536.9)	(547.7)	(471.4)	(407.9)
Personal non-credit card	(893.2)	(723.5)	(534.6)	(464.4)	(384.6)
Foreign	(237.0)	(232.7)	(233.9)	(206.4)	(197.6)
Total consumer	(2,654.8)	(2,109.7)	(1,937.2)	(1,708.8)	(1,458.6)
Commercial and other	(12.2)	(17.1)	(10.1)	(7.5)	(26.8)
Total owned receivables charged off	(2,667.0)	(2,126.8)	(1,947.3)	(1,716.3)	(1,485.4)

Recoveries					
Domestic:					
Real estate secured	4.4	4.7	7.5	2.6	3.0
Auto finance	1.5	1.5	1.2	.8	.3
MasterCard/Visa	52.0	24.9	34.7	33.3	46.9
Private label	60.6	54.0	74.3	56.8	47.4
Personal non-credit card	75.6	62.4	45.3	36.7	38.0
Foreign	62.5	57.5	46.6	43.2	50.9
Total consumer	256.6	205.0	209.6	173.4	186.5
Commercial and other	.4	.4	.3	2.2	3.3
Total recoveries on owned receivables	257.0	205.4	209.9	175.6	189.8
Other, net	48.3	159.4	43.8	116.0	46.3
Owned Credit Loss Reserves					
Domestic:					
Real estate secured	284.4	172.9	149.2	185.3	172.4
Auto finance	77.3	51.0	39.1	27.8	14.6
MasterCard/Visa	593.4	540.8	304.4	387.7	290.4
Private label	499.4	425.2	487.2	472.5	396.2
Personal non-credit card	1,031.9	734.2	568.9	457.6	499.4
Foreign	137.1	141.6	143.1	142.7	179.2
Total consumer	2,623.5	2,065.7	1,691.9	1,673.6	1,552.2
Commercial and other	39.6	46.2	65.1	60.6	89.9
Total Owned Credit Loss Reserves at December 31	$ 2,663.1	$ 2,111.9	$ 1,757.0	$ 1,734.2	$ 1,642.1
Ratio of Owned Credit Loss Reserves to:					
Net charge-offs	110.5%	109.9%	101.1%	112.6%	126.7%
Receivables:					
Consumer	3.31	3.10	3.30	3.85	4.12
Commercial	7.12	7.43	7.70	8.34	9.14
Total	3.33%	3.14%	3.36%	3.92%	4.25%
Nonperforming Loans:					
Consumer	90.3%	90.3%	86.9%	99.3%	110.5%
Commercial	278.7	85.4	116.8	139.0	200.7
Total	91.0%	90.2%	87.5%	100.3%	113.2%

</TABLE>

<PAGE>

Household International, Inc. and Subsidiaries
ANALYSIS OF CREDIT LOSS RESERVES ACTIVITY - MANAGED RECEIVABLES

<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Total Managed Credit Loss Reserves at January 1	$ 3,194.2	$ 2,666.6	$ 2,548.1	$ 2,523.0	$ 2,109.0
Provision for Credit Losses	4,018.4	3,252.4	2,781.8	2,716.0	2,620.6
Charge-Offs					
Domestic:					
Real estate secured	(202.4)	(139.9)	(134.1)	(118.8)	(106.3)
Auto finance	(286.7)	(188.4)	(120.4)	(70.0)	(13.6)
MasterCard/Visa	(1,147.9)	(880.7)	(1,020.8)	(1,166.2)	(1,106.7)
Private label	(640.2)	(605.6)	(598.3)	(544.3)	(436.0)
Personal non-credit card	(1,196.2)	(1,030.6)	(821.6)	(797.9)	(639.8)
Foreign	(282.2)	(275.8)	(281.4)	(250.0)	(225.8)
Total consumer	(3,755.6)	(3,121.0)	(2,976.6)	(2,947.2)	(2,528.2)
Commercial and other	(12.2)	(17.0)	(10.0)	(7.5)	(26.8)
Total managed receivables charged off	(3,767.8)	(3,138.0)	(2,986.6)	(2,954.7)	(2,555.0)
Recoveries					
Domestic:					
Real estate secured	4.4	4.7	7.5	4.4	5.8
Auto finance	4.0	4.0	2.8	2.1	.6
MasterCard/Visa	81.1	49.8	68.4	82.0	94.8
Private label	62.3	57.0	77.0	65.0	50.0
Personal non-credit card	100.9	79.2	61.2	51.6	50.3
Foreign	71.9	69.0	54.1	47.2	52.8
Total consumer	324.6	263.7	271.0	252.3	254.3
Commercial and other	.4	.3	.3	2.2	3.3
Total recoveries on managed receivables	325.0	264.0	271.3	254.5	257.6
Other, net	41.6	149.2	52.0	9.3	90.8
Managed Credit Loss Reserves					
Domestic:					
Real estate secured	303.8	195.9	172.8	244.1	235.7

Auto finance	448.8	323.8	242.4	133.2	49.7
MasterCard/Visa	901.5	849.0	612.6	689.9	704.9
Private label	630.9	599.4	603.7	541.5	462.1
Personal non-credit card	1,263.6	957.5	761.6	685.5	759.6
Foreign	223.2	222.4	208.4	193.3	221.1
Total consumer	3,771.8	3,148.0	2,601.5	2,487.5	2,433.1
Commercial and other	39.6	46.2	65.1	60.6	89.9
Total Managed Credit Loss Reserves at December 31	$ 3,811.4	$ 3,194.2	$ 2,666.6	$ 2,548.1	$ 2,523.0
Ratio of Managed Credit Loss Reserves to:					
Net charge-offs	110.7%	111.1%	98.2%	94.4%	109.8%
Receivables:					
Consumer	3.77	3.62	3.68	3.94	3.92
Commercial	7.12	7.43	7.70	8.34	9.14
Total	3.78%	3.65%	3.72%	3.99%	3.99%
Nonperforming Loans:					
Consumer	104.5%	107.4%	98.8%	109.0%	113.7%
Commercial	278.7	85.4	116.8	139.0	200.7
Total	105.0%	107.0%	100.1%	109.5%	115.5%

</TABLE>

<PAGE>

Household International, Inc. and Subsidiaries
NET INTEREST MARGIN - 2001 COMPARED TO 2000 (OWNED BASIS)
<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	Average Outstanding (1) 2001	Average Outstanding (1) 2000	Average Rate 2001	Average Rate 2000	Finance and Interest Income/ Interest Expense 2001	Finance and Interest Income/ Interest Expense 2000	Increase/(Decrease) Due to: Variance	Volume Variance (2)	Rate Variance (2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Receivables:									
Real estate secured	$38,850.4	$30,682.5	11.6%	12.0%	$ 4,516.1	$3,684.3	$ 831.8	$ 952.8	$ (121.0)
Auto finance	2,319.1	1,818.9	15.3	16.7	354.0	303.6	50.4	78.0	(27.6)
MasterCard/Visa	8,138.3	7,126.5	14.5	14.9	1,180.6	1,064.8	115.8	147.5	(31.7)
Private label	10,516.4	9,981.7	13.4	14.3	1,405.3	1,432.2	(26.9)	74.4	(101.3)
Personal non-credit card	12,486.0	10,194.7	20.2	21.0	2,525.1	2,140.7	384.4	465.9	(81.5)
Commercial and other	554.8	693.5	2.3	5.0	13.0	34.7	(21.7)	(5.9)	(15.8)
Total receivables	72,865.0	60,497.8	13.7	14.3	9,994.1	8,660.3	1,333.8	1,712.8	(379.0)
Noninsurance investments	894.1	973.4	3.0	3.5	26.5	34.0	(7.5)	(2.6)	(4.9)
Total interest-earning assets (excluding insurance investments)	$73,759.1	$61,471.2	13.6%	14.1%	$10,020.6	$8,694.3	$1,326.3	$1,680.7	$ (354.4)
Insurance investments	3,006.2	2,733.6							
Other assets	5,278.4	5,507.9							
Total Assets	$82,043.7	$69,712.7							
Debt:									
Deposits	$ 7,953.2	$ 7,757.5	6.3%	6.2%	$ 498.6	$ 484.0	$ 14.6	$ 12.3	$ 2.3
Commercial paper	9,221.1	9,828.7	4.1	6.3	376.3	621.2	(244.9)	(36.4)	(208.5)
Bank and other borrowings	2,240.1	2,099.7	3.9	5.5	86.9	116.5	(29.6)	7.4	(37.0)
Senior and senior subordinated debt with original maturities over one year	50,018.2	39,387.9	6.4	6.9	3,212.0	2,707.2	504.8	692.0	(187.2)
Total debt	$69,432.6	$59,073.8	6.0%	6.7%	$4,173.8	$3,928.9	$ 244.9	$ 675.3	$ (430.4)
Other liabilities	2,423.8	2,699.8							
Total liabilities	71,856.4	61,773.6							
Preferred securities	1,136.9	701.9							
Common shareholders' equity	9,050.4	7,237.2							
Total Liabilities and Shareholders' Equity	$82,043.7	$69,712.7							
Net Interest Margin - Owned Basis (3)(5)			7.9%	7.8%	$5,846.8	$4,765.4	$1,081.4	$ 1,005.4	$ 76.0
Interest Spread - Owned Basis (4)			7.6%	7.5%					

</TABLE>

(1) Nonaccrual loans are included in average outstanding balances.
(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total interest variance. For total receivables, total interest-earning assets and total debt, the rate and volume variances are calculated based on the relative weighting of the individual components comprising these totals. These totals do not represent an arithmetic sum of the individual components.
(3) Represents net interest margin as a percent of average interest-earning

assets.
(4) Represents the difference between the yield earned on interest-earning assets and the cost of the debt used to fund the assets.
(5) The net interest margin analysis includes the following for foreign businesses:

	2001	2000	1999
Average interest-earning assets	$ 6,988.7	$ 6,639.1	$ 6,433.3
Average interest-bearing liabilities	5,973.3	5,765.5	5,138.5
Net interest margin	431.2	467.7	494.9
Net interest margin percentage	6.2%	7.0%	7.7%

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Household International, Inc. and Subsidiaries
NET INTEREST MARGIN - 2000 COMPARED TO 1999 (OWNED BASIS)

<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	Average Outstanding (1)		Average Rate		Finance and Interest Income/ Interest Expense		Increase/(Decrease) Due to:		
	2000	1999	2000	1999	2000	1999	Variance	Volume Variance (2)	Rate Variance (2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Receivables:									
Real estate secured	$30,682.5	$21,679.1	12.0%	11.6%	$3,684.3	$2,513.1	$1,171.2	$ 1,043.7	$ 12.0
Auto finance	1,818.9	1,119.8	16.7	18.6	303.6	207.8	95.8	129.7	(33.9)
MasterCard/Visa	7,126.5	6,270.8	14.9	12.3	1,064.8	768.3	296.5	104.8	191.7
Private label	9,981.7	9,486.2	14.3	13.6	1,432.2	1,289.8	142.4	67.4	75.0
Personal non-credit card	10,194.7	8,434.9	21.0	20.2	2,140.7	1,705.4	435.3	355.8	79.5
Commercial and other	693.5	809.6	5.0	8.0	34.7	65.1	(30.4)	(9.3)	(21.1)
Total receivables	60,497.8	47,800.4	14.3	13.7	8,660.3	6,549.5	2,110.8	1,692.1	303.2
Noninsurance investments	973.4	975.0	3.5	3.4	34.0	33.4	.6	(.1)	.7
Total interest-earning assets (excluding insurance investments)	$61,471.2	$48,775.4	14.1%	13.5%	$8,694.3	$6,582.9	$2,111.4	$ 1,713.5	$397.9
Insurance investments	2,733.6	2,596.9							
Other assets	5,507.9	4,938.1							
Total Assets	$69,712.7	$56,310.4							
Debt:									
Deposits	$7,757.5	$ 3,037.3	6.2%	5.5%	$ 484.0	$ 168.4	$ 315.6	$ 261.7	$ 53.9
Commercial paper	9,828.7	8,620.3	6.3	5.2	621.2	451.7	169.5	63.3	106.2
Bank and other borrowings	2,099.7	1,426.7	5.5	5.0	116.5	70.8	45.7	33.4	12.3
Senior and senior subordinated debt with original maturities over one year	39,387.9	32,954.1	6.9	6.3	2,707.2	2,085.7	621.5	407.2	214.3
Total debt	$59,073.8	$46,038.4	6.7%	6.0%	$3,928.9	$2,776.6	$1,152.3	$ 765.6	$386.7
Other liabilities	2,699.8	3,453.3							
Total liabilities	61,773.6	49,491.7							
Preferred securities	701.9	539.4							
Common shareholders' equity	7,237.2	6,279.3							
Total Liabilities and Shareholders' Equity	$69,712.7	$56,310.4							
Net Interest Margin - Owned Basis (3)(5)			7.8%	7.8%	$4,765.4	$3,806.3	$ 959.1	$ 947.9	$ 11.2
Interest Spread - Owned Basis (4)			7.5%	7.5%					

</TABLE>

<PAGE>

Household International, Inc. and Subsidiaries

NET INTEREST MARGIN - 2001 COMPARED TO 2000 AND 1999 (MANAGED BASIS)

Net Interest Margin on a Managed Basis As receivables are securitized rather than held in our portfolio, net interest margin is reclassified to securitization revenue. We retain a substantial portion of the profit inherent in the receivables while increasing liquidity. The comparability of net interest margin between periods may be impacted by the level and type of receivables securitized. Net interest margin cn a Managed Basis includes finance income earned on our owned receivables as well on our securitized receivables. This finance income is offset by interest expense on the debt recorded on our balance sheet as well as the contractual rate of return on the instruments issued to investors when the receivables were securitized.

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<TABLE>
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All dollar amounts are stated in millions.	Average Outstanding(1) 2001	2000	1999	Average Rate 2001	2000	1999	Finance and Interest Income/Interest Expense 2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Receivables:									
Real estate secured	$40,049.6	$32,530.2	$24,574.5	11.6%	12.0%	11.6%	$ 4,650.2	$ 3,906.5	$ 2,847.5
Auto finance	5,323.5	3,842.3	2,370.4	17.5	18.3	19.0	929.5	702.5	449.6
MasterCard/Visa	17,282.8	16,111.2	15,295.7	14.3	14.8	13.2	2,470.6	2,392.0	2,025.7
Private label	12,260.6	11,194.2	10,255.9	13.5	14.4	13.6	1,655.8	1,613.5	1,398.7
Personal non-credit card	17,013.8	14,760.8	13,008.6	20.0	20.5	19.6	3,407.8	3,019.5	2,555.8
Commercial and other	554.9	693.5	809.6	2.3	5.0	8.0	13.0	34.7	65.0
Total receivables	92,485.2	79,132.2	66,314.7	14.2	14.7	14.1	13,126.9	11,668.7	9,342.3
Noninsurance investments	894.1	973.4	975.0	3.0	3.5	3.4	26.5	34.0	33.4
Total interest-earning assets (excluding insurance investments)	$93,379.3	$80,105.6	$67,289.7	14.1%	14.6%	13.9%	$13,153.4	$11,702.7	$ 9,375.7
Total debt	$89,052.8	$71,274.4	$64,552.7	5.9%	7.3%	5.9%	$ 5,212.8	$ 5,212.7	$ 3,836.5
Net Interest Margin - Managed Basis (3)				8.5%	8.1%	8.2%	$ 7,940.6	$ 6,490.0	$ 5,539.2
Interest Spread - Managed Basis (4)				8.2%	7.3%	8.0%			

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	Increase/(Decrease) Due to: 2001 Compared to 2000 Variance	Volume Variance(2)	Rate Variance(2)	2000 Compared to 1999 Variance	Volume Variance(2)	Rate Variance(2)
Receivables:						
Real estate secured	$ 743.7	$ 876.8	$ (133.1)	$ 1,059.0	$ 955.4	$103.6
Auto finance	227.0	259.9	(32.9)	252.9	269.1	(16.2)
MasterCard/Visa	78.6	169.7	(91.1)	366.3	121.1	245.2
Private label	42.3	147.9	(105.6)	214.8	135.3	79.5
Personal non-credit card	388.3	452.4	(64.1)	463.7	358.4	105.3
Commercial and other	(21.7)	(5.9)	(15.8)	(30.3)	(8.4)	(21.9)
Total receivables	1,458.2	1,900.8	(442.6)	2,326.4	1,873.6	452.8
Noninsurance investments	(7.5)	(2.6)	(4.9)	.6	(.1)	.7
Total interest-earning assets (excluding insurance investments)	$1,450.7	$ 1,882.1	$ (431.4)	$ 2,327.0	$ 1,872.3	$454.7
Total debt	$ .1	$ 1,156.1	$(1,156.0)	$ 1,376.2	$ 834.0	$542.2
Net Interest Margin - Managed Basis (3)	$1,450.6	$ 726.0	$ 724.6	$ 950.8	$ 1,038.3	$(87.5)
Interest Spread - Managed Basis(4)						

</TABLE>

(1) Nonaccrual loans are included in average outstanding balances.
(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total interest variance. For total receivables, total interest-earning assets and total debt, the rate and volume variances are calculated based on the relative weighting of the individual components comprising these totals. These totals do not represent an arithmetic sum of the individual components.
(3) Represents net interest margin as a percent of average interest-earning assets.
(4) Represents the difference between the yield earned on interest-earning assets and cost of the debt used to fund the assets.

<PAGE>

Household International, Inc. and Subsidiaries
SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

<TABLE>
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All dollar amounts except per share data are stated in millions.	2001 - Three Months Ended Dec.	Sept.	June	March	2000 - Three Months Ended Dec.	Sept.	June	March

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<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Finance and other interest income	$2,602.5	$2,536.6	$2,451.2	$2,430.3	$2,415.6	$2,270.4	$2,083.4	$1,924.9
Interest expense	983.4	1,035.2	1,048.4	1,106.8	1,117.0	1,057.2	933.0	821.7
Net interest margin	1,619.1	1,501.4	1,402.8	1,323.5	1,298.6	1,213.2	1,150.4	1,103.2
Provision for credit losses on owned receivables	829.3	722.9	657.1	703.6	574.8	524.4	495.6	522.1
Net interest margin after provision for credit losses	789.8	778.5	745.7	619.9	723.8	688.8	654.8	581.1
Securitization revenue	514.4	454.3	400.6	406.3	394.7	379.9	355.6	346.4
Insurance revenue	175.3	169.2	159.3	158.6	147.7	146.7	131.8	135.0
Investment income	45.8	42.3	37.8	41.8	47.0	43.9	42.5	40.8
Fee income	245.7	250.6	232.7	237.9	234.4	216.2	195.9	179.3
Other income	59.9	51.5	49.4	161.7	33.5	30.1	31.9	133.3
Total other revenues	1,041.1	967.9	879.8	1,006.3	857.3	816.8	757.7	834.8
Salaries and fringe benefits	424.1	408.3	387.2	377.6	355.5	333.0	321.5	302.1
Sales incentives	71.0	74.1	73.6	54.5	50.3	53.1	57.4	42.8
Occupancy and equipment expense	84.1	86.1	83.7	83.5	77.1	78.4	75.6	75.5
Other marketing expenses	128.0	127.1	129.0	135.2	104.3	108.2	125.3	133.1
Other servicing and administrative expenses	172.2	172.3	171.7	193.4	122.8	136.0	144.1	186.8
Amortization of acquired intangibles and goodwill	37.4	37.4	37.5	38.9	38.9	39.0	38.9	43.2
Policyholders' benefits	74.5	77.5	73.1	77.5	63.4	67.1	64.3	66.9
Total costs and expenses	991.3	982.8	955.8	960.6	812.3	814.8	827.1	850.4
Income before income taxes	839.6	763.6	669.7	665.6	768.8	690.8	585.4	565.5
Income taxes	290.7	259.8	230.7	233.8	276.1	239.6	201.5	192.6
Net income	$ 548.9	$ 503.8	$ 439.0	$ 431.8	$ 492.7	$ 451.2	$ 383.9	$ 372.9
Basic earnings per common share	$ 1.18	$ 1.09	$ .94	$ .92	$ 1.05	$ .95	$ .80	$ .79
Diluted earnings per common share	1.17	1.07	.93	.91	1.03	.94	.80	.78
Dividends declared	.22	.22	.22	.19	.19	.19	.19	.17
Weighted average common and common equivalent shares outstanding	463.2	467.7	469.6	472.0	476.1	477.6	477.0	474.0

</TABLE>

<PAGE>

Household International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME

<TABLE>

In millions, except per share data. Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Finance and other interest income	$ 10,020.6	$ 8,694.3	$ 6,582.9
Interest expense	4,173.8	3,928.9	2,776.6
Net interest margin	5,846.8	4,765.4	3,806.3
Provision for credit losses on owned receivables	2,912.9	2,116.9	1,716.4
Net interest margin after provision for credit losses	2,933.9	2,648.5	2,089.9
Securitization revenue	1,775.6	1,476.6	1,393.5
Insurance revenue	662.4	561.2	534.6
Investment income	167.7	174.2	168.8
Fee income	966.9	825.8	595.5
Other income	322.5	228.8	223.8
Total other revenues	3,895.1	3,266.6	2,916.2
Salaries and fringe benefits	1,597.2	1,312.1	1,048.7
Sales incentives	273.2	203.6	145.9
Occupancy and equipment expense	337.4	306.6	270.9
Other marketing expenses	519.3	470.9	370.0
Other servicing and administrative expenses	709.6	589.7	547.9
Amortization of acquired intangibles and goodwill	151.2	160.0	143.9
Policyholders' benefits	302.6	261.7	258.1
Total costs and expenses	3,890.5	3,304.6	2,785.4
Income before income taxes	2,938.5	2,610.5	2,220.7
Income taxes	1,015.0	909.8	734.3
Net income	$ 1,923.5	$ 1,700.7	$ 1,486.4

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Earnings Per Common Share

Net income	$ 1,923.5	$ 1,700.7	$ 1,486.4
Preferred dividends	(15.5)	(9.2)	(9.2)
Earnings available to common shareholders	$ 1,908.0	$ 1,691.5	$ 1,477.2
Average common shares	462.0	471.8	477.0
Average common and common equivalent shares	468.1	476.2	481.8
Basic earnings per common share	$ 4.13	$ 3.59	$ 3.10
Diluted earnings per common share	$ 4.08	$ 3.55	$ 3.07

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

<TABLE>
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In millions, except share data. At December 31	2001	2000
<S>	<C>	<C>
Assets		
Cash	$ 543.6	$ 490.2
Investment securities	3,580.5	3,259.0
Receivables, net	79,263.5	67,161.7
Acquired intangibles and goodwill, net	1,555.3	1,705.7
Properties and equipment, net	531.1	517.6
Real estate owned	398.9	337.1
Other assets	3,543.1	3,235.0
Total assets	$ 89,416.0	$ 76,706.3
Liabilities and Shareholders' Equity		
Debt:		
Deposits	$ 6,562.3	$ 8,676.9
Commercial paper, bank and other borrowings	12,024.3	10,787.9
Senior and senior subordinated debt (with original maturities over one year)	56,823.6	45,053.0
Total debt	75,410.2	64,517.8
Insurance policy and claim reserves	1,094.5	1,106.6
Other liabilities	3,277.7	2,291.3
Total liabilities	79,782.4	67,915.7
Company obligated mandatorily redeemable preferred securities of subsidiary trusts*	975.0	675.0
Preferred stock	455.8	164.4
Common shareholders' equity:		
Common stock, $1.00 par value, 750,000,000 shares authorized; 551,684,740 and 551,100,165 shares issued at December 31, 2001 and 2000, respectively	551.7	551.1
Additional paid-in capital	2,030.0	1,926.0
Retained earnings	9,197.4	7,680.5
Accumulated other comprehensive income	(732.4)	(214.7)
Less common stock in treasury, 94,560,437 and 80,080,506 shares at December 31, 2001 and 2000, respectively, at cost	(2,843.9)	(1,991.7)
Total common shareholders' equity	8,202.8	7,951.2
Total liabilities and shareholders' equity	$ 89,416.0	$ 76,706.3

</TABLE>

* The sole assets of the trusts are Junior Subordinated Deferrable Interest Notes issued by Household International, Inc. in November 2001, January 2001, June 2000, March 1998 and June 1995, bearing interest at 7.50, 8.25, 10.00, 7.25 and 8.25 percent, respectively, with principal balances of $206.2, $206.2, $309.3, $206.2 and $77.3 million, respectively, and due November 15, 2031, January 30, 2031, June 30, 2030, December 31, 2037, and June 30, 2025, respectively. The $103.1 million Junior Subordinated Deferrable Interest Notes issued in June 1996 were redeemed in December 2001.

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
<TABLE>
<CAPTION>

In millions. Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Cash Provided by Operations			
Net income	$ 1,923.5	$ 1,700.7	$ 1,486.4
Adjustments to reconcile net income to net cash provided by operations:			
Provision for credit losses on owned receivables	2,912.9	2,116.9	1,716.4
Insurance policy and claim reserves	204.2	36.6	76.1
Depreciation and amortization	308.3	301.7	292.1
Deferred income tax provision	38.1	87.0	33.1
Interest-only strip receivables, net change	(100.6)	(59.0)	(34.0)
Other, net	231.1	3.7	(316.1)
Cash provided by operations	5,517.5	4,187.6	3,254.0
Investments in Operations			
Investment securities:			
Purchased	(1,744.2)	(804.4)	(1,431.7)
Matured	481.9	451.5	792.5
Sold	686.3	238.4	732.5
Short-term investment securities, net change	255.9	(47.8)	(111.1)
Receivables:			
Originations, net	(46,324.7)	(39,930.6)	(32,888.1)
Purchases and related premiums	(1,577.4)	(4,162.8)	(2,571.6)
Sold	32,293.6	26,919.2	25,249.8
Acquisition of business operations	-	(87.1)	(43.4)
Properties and equipment purchased	(175.2)	(173.8)	(139.8)
Properties and equipment sold	20.3	16.3	29.1
Cash decrease from investments in operations	(16,083.5)	(17,581.1)	(10,381.8)
Financing and Capital Transactions			
Short-term debt and demand deposits, net change	1,300.9	182.0	839.1
Time certificates, net change	(2,118.6)	3,219.7	2,961.6
Senior and senior subordinated debt issued	21,172.0	21,608.3	11,281.3
Senior and senior subordinated debt retired	(9,107.0)	(11,152.0)	(6,870.6)
Policyholders' benefits paid	(85.7)	(117.6)	(126.9)
Cash received from policyholders	60.4	60.2	63.0
Shareholders' dividends	(406.6)	(358.9)	(332.1)
Issuance of company obligated mandatorily redeemable preferred securities of subsidiary trusts	400.0	300.0	-
Redemption of company obligated mandatorily redeemable preferred securities of subsidiary trusts	(100.0)	-	-
Issuance of preferred stock	291.4	-	-
Purchase of treasury stock	(916.3)	(209.3)	(915.9)
Issuance of common stock	121.8	64.4	45.0
Cash increase from financing and capital transactions	10,612.3	13,596.8	6,944.5
Effect of exchange rate changes on cash	7.1	16.3	(3.5)
Increase (decrease) in cash	53.4	219.6	(186.8)
Cash at January 1	490.2	270.6	457.4
Cash at December 31	$ 543.6	$ 490.2	$ 270.6
Supplemental Cash Flow Information:			
Interest paid	$ 4,511.2	$ 3,920.6	$ 2,757.6
Income taxes paid	979.5	689.9	337.6
Supplemental Noncash Investing and Financing Activities:			
Common stock issued for acquisition	$ -	$ 209.4	$ 15.0

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN PREFERRED STOCK
AND COMMON SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

All amounts except per share data are stated in millions.	Preferred Stock	Common Shareholders' Equity: Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(1)	Common Stock in Treasury	Total Common Shareholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1998	$ 164.4	$ 544.1	$1,652.5	$5,184.4	$ (145.1)	$(1,014.5)	$ 6,221.4
Net income				1,486.4			1,486.4
Other comprehensive income, net of tax:							
Unrealized losses on investments and							

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interest-only strip receivables, net of reclassification adjustment					(93.7)		(93.7)
Foreign currency translation adjustments					(18.1)		(18.1)
Total comprehensive income							1,374.6
Cash dividends:							
Preferred at stated rates				(9.2)			(9.2)
Common, $.68 per share				(322.9)			(322.9)
Exercise of stock options		6.1	103.0			(51.2)	57.9
Issuance of common stock		.2	25.3			19.5	45.0
Purchase of treasury stock						(915.9)	(915.9)
Balance at December 31, 1999	164.4	550.4	1,780.8	6,338.7	(256.9)	(1,962.1)	6,450.9
Net income				1,700.7			1,700.7
Other comprehensive income, net of tax:							
Unrealized gains on investments and interest-only strip receivables, net of reclassification adjustment					95.1		95.1
Foreign currency translation adjustments					(52.9)		(52.9)
Total comprehensive income							1,742.9
Cash dividends:							
Preferred at stated rates				(9.2)			(9.2)
Common, $.74 per share				(349.7)			(349.7)
Exercise of stock options		.5	20.7			30.6	51.8
Issuance of common stock		.2	124.5			149.1	273.8
Purchase of treasury stock						(209.3)	(209.3)
Balance at December 31, 2000	164.4	551.1	1,926.0	7,680.5	(214.7)	(1,991.7)	7,951.2
Net income				1,923.5			1,923.5
Other comprehensive income, net of tax:							
Cumulative effect of change in accounting principle (FAS No. 133)					(241.4)		(241.4)
Unrealized losses on cash flow hedging instruments, net of reclassification adjustment					(457.7)		(457.7)
Unrealized gains on investments and interest-only strip receivables, net of reclassification adjustment					199.5		199.5
Foreign currency translation adjustments					(18.1)		(18.1)
Total comprehensive income							1,405.8
Cash dividends:							
Preferred at stated rates				(15.5)			(15.5)
Common, $.85 per share				(391.1)			(391.1)
Issuance of preferred stock	291.4						-
Exercise of stock options		.5	31.2			15.2	46.9
Issuance of common stock		.1	72.8			48.9	121.8
Purchase of treasury stock						(916.3)	(916.3)
Balance at December 31, 2001	$ 455.8	$ 551.7	$2,030.0	$9,197.4	$ (732.4)	$(2,843.9)	$ 8,202.8

</TABLE>

(1) Accumulated other comprehensive income includes the following:

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000	1999	1998
<S>	<C>	<C>	<C>	<C>
Unrealized losses on cash flow hedging instruments	$ (699.1)	-	-	-
Unrealized gains (losses) on investments and interest-only strip receivables:				
Gross unrealized gains (losses)	351.7	$ 41.6	$ (109.8)	$ 34.0
Income tax expense (benefit)	128.4	17.8	(38.5)	11.6
Net unrealized gains (losses)	223.3	23.8	(71.3)	22.4
Cumulative adjustments for foreign currency translation adjustments	(256.6)	(238.5)	(185.6)	(167.5)
Total	$ (732.4)	$(214.7)	$ (256.9)	$ (145.1)

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN PREFERRED STOCK
AND COMMON SHAREHOLDERS' EQUITY (Continued)
<TABLE>
<CAPTION>

		Common Stock		
Shares Outstanding	Preferred Stock	Issued	In Treasury	Net Outstanding

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<S>	<C>	<C>	<C>	<C>
Balance at December 31, 1998	1,398,279	544,124,170	(60,986,431)	483,137,739
Exercise of common stock options		6,083,549	(791,681)	5,291,868
Issuance of common stock		223,338	1,055,566	1,278,904
Purchase of treasury stock			(21,797,066)	(21,797,066)
Balance at December 31, 1999	1,398,279	550,431,057	(82,519,612)	467,911,445
Exercise of common stock options		516,823	1,531,458	2,048,281
Issuance of common stock		152,285	6,321,263	6,473,548
Purchase of treasury stock			(5,413,615)	(5,413,615)
Balance at December 31, 2000	1,398,279	551,100,165	(80,080,506)	471,019,659
Issuance of preferred stock	300,000			
Exercise of common stock options		548,744	1,466,979	2,015,723
Issuance of common stock		35,831	1,450,484	1,486,315
Purchase of treasury stock			(17,397,394)	(17,397,394)
Balance at December 31, 2001	1,698,279	551,684,740	(94,560,437)	457,124,303

</TABLE>

Comprehensive Income
We adopted FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," on January 1, 2001. The adoption was accounted for as a cumulative effect of a change in accounting principle. The table below discloses reclassification adjustments and the related tax effects allocated to each component of other comprehensive income (expense) including the adoption of FAS No. 133 and unrealized gains (losses) on cash flow hedging instruments in 2001, unrealized gains (losses) on investments and interest-only strip receivables and foreign currency translation adjustments.

<TABLE>
<CAPTION>
In millions.

Year ended December 31	Before-Tax	Tax (Expense) Benefit	Net-of-Tax
<S>	<C>	<C>	<C>
1999			
Unrealized gains (losses) on investments and interest-only strip receivables:			
Net unrealized holding losses arising during the period	$(134.4)	$ 46.8	$ (87.6)
Less: Reclassification adjustment for gains realized in net income	(9.4)	3.3	(6.1)
Net unrealized losses on investments and interest-only strip receivables	(143.8)	50.1	(93.7)
Foreign currency translation adjustments	(23.4)	5.3	(18.1)
Other comprehensive expense	$(167.2)	$ 55.4	$(111.8)
2000			
Unrealized gains (losses) on investments and interest-only strip receivables:			
Net unrealized holding gains arising during the period	$ 152.2	$ (56.6)	$ 95.6
Less: Reclassification adjustment for gains realized in net income	(.8)	.3	(.5)
Net unrealized gains on investments and interest-only strip receivables	151.4	(56.3)	95.1
Foreign currency translation adjustments	(75.3)	22.4	(52.9)
Other comprehensive income	$ 76.1	$ (33.9)	$ 42.2
2001			
Unrealized gains (losses) on cash flow hedging instruments:			
Cumulative effect of change in accounting principle (FAS No. 133)	$ (376.6)	$ 135.2	$(241.4)
Net losses arising during the period	(1,137.0)	408.2	(728.8)
Less: Reclassification adjustment for losses realized in net income	422.9	(151.8)	271.1
Net losses on cash flow hedging instruments	(1,090.7)	391.6	(699.1)
Unrealized gains (losses) on investments and interest-only strip receivables:			
Net unrealized holding gains arising during the period	321.3	(114.5)	206.8
Less: Reclassification adjustment for gains realized in net income	(11.2)	3.9	(7.3)
Net unrealized gains on investments and interest-only strip receivables	310.1	(110.6)	199.5
Foreign currency translation adjustments	(28.2)	10.1	(18.1)
Other comprehensive expense	$ (808.8)	$ 291.1	$(517.7)

</TABLE>
The accompanying notes are an integral part of these consolidated financial statements.

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Household International, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Household International, Inc. and subsidiaries ("Household") is a leading provider of consumer lending products to middle-market consumers in the United States, United Kingdom and Canada. Household may also be referred to in these notes to the consolidated financial statements as "we," "us" or "our." Our lending products include real estate secured loans, auto finance loans, MasterCard* and Visa* credit cards, private label credit cards and personal non-credit card loans. We also offer tax refund anticipation loans in the United States and credit and specialty insurance in the United States, the United

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Kingdom and Canada. We have three reportable segments: Consumer, Credit Card Services, and International. Our Consumer segment consists of our branch-based consumer lending, mortgage services, retail services, and auto finance businesses. Our Credit Card Services segment consists of our domestic MasterCard and Visa credit card business. Our International segment consists of our foreign operations in the United Kingdom ("U.K.") and Canada.

1. Summary of Significant Accounting Policies

Basis of Presentation The consolidated financial statements include the accounts of Household International, Inc. and all subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain prior year amounts have been reclassified to conform with the current year's presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Securities We maintain investment portfolios (comprised primarily of debt securities) in both our noninsurance and insurance operations. Our entire investment securities portfolio was classified as available-for-sale at December 31, 2001 and 2000. Available-for-sale investments are intended to be invested for an indefinite period but may be sold in response to events we expect to occur in the foreseeable future. These investments are carried at fair value. Unrealized holding gains and losses on available-for-sale investments are recorded as adjustments to common shareholders' equity in accumulated other comprehensive income, net of income taxes. Any decline in the fair value of investments which is deemed to be other than temporary is charged against current earnings.

Cost of investment securities sold is determined using the specific identification method. Interest income earned on the noninsurance investment portfolio is classified in the statements of income in net interest margin. Realized gains and losses from the investment portfolio and investment income from the insurance portfolio are recorded in investment income. Accrued investment income is classified with investment securities.

Receivables Receivables are carried at amortized cost. Finance income is recognized using the effective yield method. Premiums and discounts on purchased receivables are recognized as adjustments to the yield of the related receivables. Origination fees are deferred and amortized to finance income over the estimated life of the related receivables, except to the extent they offset directly related lending costs. MasterCard and Visa annual fees are netted with direct lending costs, deferred, and amortized on a straight-line basis over one year. Net deferred annual fees related to these receivables totaled $90.3 million at December 31, 2001 and $63.4 million at December 31, 2000.

Insurance reserves and unearned premiums applicable to credit risks on consumer receivables are treated as a reduction of receivables in the balance sheets, since payments on such policies generally are used to reduce outstanding receivables.

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Provision and Credit Loss Reserves Provision for credit losses on owned receivables is made in an amount sufficient to maintain credit loss reserves at a level considered adequate to cover probable losses of principal, interest and fees, including late, overlimit and annual fees, in the existing owned portfolio. Probable losses are estimated for consumer receivables based on contractual delinquency status and historical loss experience. For commercial loans, probable losses are calculated using estimates of amounts and timing of future cash flows expected to be received on loans. In addition, loss reserves on consumer receivables are maintained to reflect our judgment of portfolio risk factors, such as economic conditions, bankruptcy trends, product mix, geographic concentrations and other similar items. Charge-off and customer account management policies are also considered when establishing loss reserve requirements to ensure appropriate allowances exist for products with longer charge-off periods and for customers benefiting from account management decisions. Loss reserve estimates are reviewed periodically and adjustments are reported in earnings when they become known. As these estimates are influenced by factors outside our control, such as consumer payment patterns and economic conditions, there is uncertainty inherent in these estimates, making it reasonably possible that they could change.

Our charge-off policy for consumer receivables varies by product. Unsecured receivables are written off at the following stages of contractual delinquency: MasterCard and Visa-6 months; private label-9 months; and personal non-credit card-9 months and no payment received in 6 months, but in no event to exceed 12 months. For real estate secured receivables, carrying values in excess of net realizable value are charged off at the time of foreclosure or when settlement is reached with the borrower. For loans secured by automobiles, carrying values in excess of net realizable value are charged off at the earlier of repossession and sale of the collateral, the collateral being in our possession for more than 90 days, or the loan becoming 150 days contractually delinquent. Charge-offs may occur sooner for certain consumer receivables involving a bankruptcy. Our policies for consumer loans permit reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationships and ensure maximum collections. Commercial receivables are written off when it becomes apparent that an account

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is uncollectible.

Nonaccrual Loans Nonaccrual loans are loans on which accrual of interest has been suspended. Interest income is suspended on real estate secured, personal non-credit card and commercial loans when principal or interest payments are more than three months contractually past due. For MasterCard and Visa and private label credit card receivables, interest continues to accrue until the receivable is charged off. For auto finance receivables, accrual of interest income is discontinued when payments are more than two months contractually past due. Accrual of income on nonaccrual real estate secured and personal homeowner loans ("PHL's") is resumed if the receivable becomes less than three months contractually delinquent and on auto finance loans when the loan becomes less than two months contractually delinquent. Interest on nonaccrual personal non-credit card receivables other than PHL's is recorded as collected. Accrual of income on nonaccrual commercial loans is resumed if the loan becomes contractually current. Cash payments received on nonaccrual commercial loans are either applied against principal or reported as interest income, according to our judgment as to the collectibility of principal.

Receivables Sold and Serviced with Limited Recourse and Securitization Revenue Certain real estate secured, auto finance, MasterCard and Visa, private label and personal non-credit card receivables have been securitized and sold to investors with limited recourse. We have retained the servicing rights to these receivables. Recourse is limited to our rights to future cash flow and any subordinated interest that we may retain. Upon sale, the receivables are removed from the balance sheet and a gain on sale is recognized for the difference between the carrying value of the receivables and the adjusted sales proceeds. The adjusted sales proceeds include cash received and the present value estimate of future cash flows to be received over the lives of the sold receivables. Future cash flows are based on estimates of prepayments, the impact of interest rate movements on yields of receivables and securities issued, delinquency of receivables sold, servicing fees and other factors. The resulting gain is also adjusted by a provision for estimated probable losses under the recourse provisions based on historical experience and estimates of expected future performance. Gains on sale net of recourse provisions, servicing income and excess spread relating to securitized receivables are reported in the accompanying consolidated statements of income as securitization revenue.

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In connection with these transactions, we record an interest-only strip receivable, representing our contractual right to receive interest and other cash flows from our securitization trusts. Our interest-only strip receivables are reported at fair value using discounted cash flow estimates as a separate component of receivables net of our estimate of probable losses under the recourse provisions. Cash flow estimates include estimates of prepayments, the impact of interest rate movements on yields of receivables and securities issued, delinquency of receivables sold, servicing fees and estimated probable losses under the recourse provisions. Unrealized gains and losses are recorded as adjustments to common shareholders' equity in accumulated other comprehensive income, net of income taxes. Our interest-only strip receivables are reviewed for impairment quarterly or earlier if events indicate that the carrying value may not be recovered. Any decline in the fair value of the interest-only strip receivable which is deemed to be other than temporary is charged against current earnings.

In September 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a Replacement of FASB Statement No. 125" ("FAS No. 140"). FAS No. 140 revised the standards for accounting for securitizations and requires certain disclosures. We adopted the nondisclosure related provisions of FAS No. 140 as required on April 1, 2001. The adoption did not have a significant effect on our operations.

Properties and Equipment, Net Properties and equipment are recorded at cost, net of accumulated depreciation and amortization. For financial reporting purposes, depreciation is provided on a straight-line basis over the estimated useful lives of the assets which generally range from 3 to 40 years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease. Maintenance and repairs are expensed as incurred.

Repossessed Collateral Real estate owned is valued at the lower of cost or fair value less estimated costs to sell. These values are periodically reviewed and reduced, if necessary. Costs of holding real estate, and related gains and losses on disposition, are credited or charged to operations as incurred as a component of operating expense. Repossessed vehicles, net of loss reserves when applicable, are recorded at the lower of the estimated fair market value or the outstanding receivable balance.

Insurance Insurance revenues on revolving credit insurance policies are recognized when billed. Insurance revenues on the remaining insurance contracts are recorded as unearned premiums and recognized into income based on the nature and terms of the underlying contracts. Liabilities for credit insurance policies are based upon estimated settlement amounts for both reported and incurred but not yet reported losses. Liabilities for future benefits on annuity contracts and specialty and corporate owned life insurance products are based on actuarial assumptions as to investment yields, mortality and withdrawals.

Acquired Intangibles and Goodwill Acquired intangibles consist of acquired credit card relationships which are amortized on a straight-line basis over their estimated useful lives. These lives vary by portfolio and initially ranged from 4 to 15 years. Goodwill represents the purchase price over the fair value

of identifiable assets acquired less liabilities assumed from business combinations and was amortized on a straight-line basis over periods not exceeding 25 years through December 31, 2001. Acquired intangibles are reviewed for impairment using discounted cash flows and goodwill using undiscounted cash flows whenever events indicate that the carrying amounts may not be recoverable. We consider significant and long-term changes in industry and economic conditions to be our primary indicator of potential impairment. Impairment charges, when required, are calculated using discounted cash flows.

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In July 2001, the FASB issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("FAS No. 141") and No. 142, "Goodwill and Other Intangible Assets" ("FAS No. 142"). FAS No. 141 eliminated the pooling of interests method of accounting and requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. We had no acquisitions during 2001 which were affected by FAS No. 141. FAS No. 142 changed the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill recorded in past business combinations ceased upon adoption of the statement on January 1, 2002. The adoption is expected to increase net income by approximately $45 million, or $.10 per share, annually.

Treasury Stock We account for repurchases of common stock using the cost method with common stock in treasury classified in the balance sheets as a reduction of common shareholders' equity. Treasury stock is reissued at average cost.

Derivative Financial Instruments Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS No. 133"), as amended. Under FAS No. 133, all derivatives are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, we designate the derivative as a fair value hedge, a cash flow hedge, a hedge of a net investment in a foreign operation, or a non-hedging derivative. Fair value hedges include hedges of the fair value of a recognized asset or liability and certain foreign currency hedges. Cash flow hedges include hedges of the variability of cash flows to be received or paid related to a recognized asset or liability and certain foreign currency hedges. Changes in the fair value of derivatives designated as fair value hedges, along with the change in fair value on the hedged asset or liability that is attributable to the hedged risk, are recorded in current period earnings. Changes in the fair value of derivatives designated as cash flow hedges, to the extent effective as a hedge, are recorded in accumulated other comprehensive income and reclassified into earnings in the period during which the hedged item affects earnings. Changes in the fair value of derivatives used to hedge our net investment in foreign subsidiaries, to the extent effective as a hedge, are recorded in common shareholders' equity as a component of the cumulative translation adjustment account within accumulated other comprehensive income. Changes in the fair value of derivative instruments not designated as hedging instruments and ineffective portions of changes in the fair value of hedging instruments are recognized in other income in the current period.

We formally document all relationships between hedging instruments and hedged items. This documentation includes our risk management objective and strategy for undertaking various hedge transactions, as well as how hedge effectiveness and ineffectiveness will be measured. This process includes linking derivatives to specific assets and liabilities on the balance sheet. We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, we discontinue hedge accounting prospectively.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective hedge, the derivative will continue to be carried on the balance sheet at its fair value, with changes in its fair value recognized in current period earnings. For fair value hedges, the formerly hedged asset or liability will no longer be adjusted for changes in fair value and any previously recorded adjustments to the carrying value of the hedged asset or liability will be amortized in the same manner that the hedged item affects income. For cash flow hedges, amounts previously recorded in accumulated other comprehensive income will be reclassified into income as earnings are impacted by the variability in the cash flows of the hedged item.

If the hedging instrument is terminated early, the derivative is removed from the balance sheet. Accounting for the adjustments to the hedged asset or liability or adjustments to accumulated other comprehensive income are the same as described above when a derivative no longer qualifies as an effective hedge.

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If the hedged asset or liability is sold or extinguished, the derivative will continue to be carried on the balance sheet at its fair value, with changes in its fair value recognized in current period earnings. The hedged item, including previously recorded mark-to-market adjustments, is derecognized immediately as a component of the gain or loss upon disposition.

The adoption of FAS No. 133 on January 1, 2001 was accounted for as a cumulative effect of a change in accounting principle. The impact of the adoption was not material to earnings and reduced common shareholders' equity by $241.4 million.

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The adjustment to common shareholders' equity was recorded as a component of accumulated other comprehensive income and was made to recognize at fair value all derivatives that were designated as cash flow hedging instruments. During 2001, approximately $119 million in derivative losses associated with the transition adjustment were reclassified into earnings. These losses were offset by decreased interest expense associated with the variable cash flows of the hedged items and resulted in no economic impact to our earnings. Derivative gains associated with the transition adjustment reclassified into earnings during 2001 were not material.

Foreign Currency Translation We have foreign subsidiaries located in the United Kingdom and Canada. The functional currency for each foreign subsidiary is its local currency. Assets and liabilities of these subsidiaries are translated at the rate of exchange in effect on the balance sheet date; income and expenses are translated at the average rate of exchange prevailing during the year. Resulting translation adjustments are accumulated in common shareholders' equity as a component of accumulated other comprehensive income.

We periodically enter into forward exchange contracts to hedge our investment in foreign subsidiaries. After-tax gains and losses on contracts to hedge foreign currency fluctuations are accumulated in common shareholders' equity as a component of accumulated other comprehensive income. Effects of foreign currency translation in the statements of cash flows are offset against the cumulative foreign currency adjustment, except for the impact on cash. Foreign currency transaction gains and losses are included in income as they occur.

Stock-Based Compensation We account for stock option and stock purchase plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). In accordance with APB 25, no compensation expense is recognized for stock options issued.

Income Taxes Federal income taxes are accounted for utilizing the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Investment tax credits generated by leveraged leases are accounted for using the deferral method.

2. Business Combinations, Acquisitions and Divestitures

On February 7, 2000, we purchased all of the outstanding capital stock of Renaissance Holdings, Inc. ("Renaissance"), a privately held issuer of secured and unsecured credit cards to subprime customers, for approximately $300 million of our common stock and cash. The acquisition provided us with an established platform for growing the subprime credit card business and expanding our product offerings to customers and prospects in our other businesses. The acquisition was accounted for as a purchase and, accordingly, Renaissance's operations have been included in our results of operations since February 7, 2000.

In August 1999, we acquired all of the outstanding capital stock of Decision One Mortgage Company LLC ("Decision One") for approximately $60 million in common stock and cash. Decision One originates loans through a 30-state broker network and packages them for sale to investors. The acquisition was accounted for as a purchase and, accordingly, earnings from Decision One have been included in our results of operations subsequent to the acquisition date.

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3. Investment Securities

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000
<S>	<C>	<C>
Available-For-Sale Investments		
Corporate debt securities	$ 2,054.0	$ 1,873.5
Money market funds	342.3	436.6
Certificates of deposit	259.8	319.2
U.S. government and federal agency debt securities	217.8	173.5
Marketable equity securities	21.2	24.9
Other	638.9	390.3
Subtotal	3,534.0	3,218.0
Accrued investment income	46.5	41.0
Total investment securities	$ 3,580.5	$ 3,259.0

</TABLE>

Proceeds from the sale of available-for-sale investments totaled approximately $.7 billion in 2001, $.2 billion in 2000 and $.7 billion in 1999. Gross gains of $12.9 million in 2001, $2.2 million in 2000 and $12.1 million in 1999 and gross losses of $1.7 million in 2001, $1.4 million in 2000 and $2.7 million in 1999 were realized on those sales.

The gross unrealized gains (losses) on available-for-sale investment securities were as follows:

<TABLE>
<CAPTION>

2001 2000

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In millions. At December 31	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Corporate debt securities	$ 2,089.5	$ 31.3	$ (66.8)	$ 2,054.0	$ 1,948.5	$ 17.4	$ (92.4)	$ 1,873.5
Money market funds	342.3	-	-	342.3	436.6	-	-	436.6
Certificates of deposit	246.1	13.7	-	259.8	319.2	-	-	319.2
U.S. government and Federal agency debt Securities	217.0	2.0	(1.2)	217.8	173.7	1.6	(1.8)	173.5
Marketable equity Securities	24.4	-	(3.2)	21.2	25.8	-	(.9)	24.9
Other	611.6	28.6	(1.3)	638.9	390.1	.6	(.4)	390.3
Total available-for-sale Investments	$ 3,530.9	$ 75.6	$ (72.5)	$ 3,534.0	$ 3,293.9	$ 19.6	$ (95.5)	$ 3,218.0

</TABLE>

See Note 14, "Fair Value of Financial Instruments," for further discussion of the relationship between the fair value of our assets, liabilities and off-balance sheet financial instruments.

Contractual maturities of and yields on investments in debt securities were as follows:
<TABLE>
<CAPTION>

All dollar amounts are Stated in millions. At December 31, 2001	Corporate Debt Securities Amortized Cost	Fair Value	Yield(1)	U.S. Government and Federal Agency Debt Securities Amortized Cost	Fair Value	Yield(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Due within 1 year	$ 49.8	$ 50.5	5.1%	$ 44.6	$ 44.7	7.6%
After 1 but within 5 years	806.7	817.3	5.7	84.6	85.6	5.7
After 5 but within 10 years	392.6	394.2	6.5	64.7	64.7	5.1
After 10 years	840.4	792.0	7.0	23.1	22.8	6.0
Total	$ 2,089.5	$ 2,054.0	6.4%	$ 217.0	$217.8	5.9%

</TABLE>
(1) Computed by dividing annualized interest by the amortized cost of respective investment securities.

<PAGE>

4. Receivables

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000
<S>	<C>	<C>
Real estate secured	$ 43,856.8	$ 35,179.7
Auto finance	2,368.9	1,850.6
MasterCard/Visa	8,141.2	8,053.6
Private label	11,663.9	10,347.3
Personal non-credit card	13,337.0	11,328.1
Commercial and other	506.9	598.6
Total owned receivables	79,874.7	67,357.9
Accrued finance charges	1,559.8	1,302.6
Credit loss reserve for owned receivables	(2,663.1)	(2,111.9)
Unearned credit insurance premiums and claims reserves	(895.8)	(725.2)
Interest-only strip receivables	968.2	636.5
Amounts due and deferred from receivable sales	419.7	701.8
Total owned receivables, net	79,263.5	67,161.7
Receivables serviced with limited recourse	20,948.0	20,249.5
Total managed receivables, net	$100,211.5	$ 87,411.2

</TABLE>

Foreign receivables included in owned receivables were as follows:

<TABLE>
<CAPTION>

In millions. At December 31	United Kingdom 2001	2000	1999	Canada 2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate secured	$ 924.6	$ 857.1	$ 751.0	$ 458.4	$ 402.6	$ 339.2
MasterCard/Visa	1,174.5	2,206.7	2,167.8	-	-	-
Private label	1,284.8	1,234.6	1,145.6	525.7	441.2	427.4
Personal non-credit Card	1,217.5	1,000.3	1,310.8	382.8	377.5	371.0
Commercial and other	.3	.8	1.1	1.4	1.5	2.7

Total	$ 4,601.7	$ 5,299.5	$ 5,376.3	$ 1,368.3	$ 1,222.8	$ 1,140.3

</TABLE>

Foreign managed receivables represented 7 and 9 percent of total managed receivables at December 31, 2001 and 2000, respectively.

The outstanding balance of receivables serviced with limited recourse consisted of the following:

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000
<S>	<C>	<C>
Real estate secured	$ 861.8	$ 1,457.8
Auto finance	4,026.6	2,712.7
MasterCard/Visa	9,254.0	9,529.8
Private label	2,150.0	1,650.0
Personal non-credit card	4,655.6	4,899.2
Total	$ 20,948.0	$ 20,249.5

</TABLE>

The combination of receivables owned and receivables serviced with limited recourse, which we consider our managed portfolio, is shown below:

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000
<S>	<C>	<C>
Real estate secured	$ 44,718.6	$ 36,637.5
Auto finance	6,395.5	4,563.3
MasterCard/Visa	17,395.2	17,583.4
Private label	13,813.9	11,997.3
Personal non-credit card	17,992.6	16,227.3
Commercial and other	506.9	598.6
Total	$100,822.7	$ 87,607.4

</TABLE>

<PAGE>

We maintain facilities with third parties which provide for the securitization of receivables on a revolving basis totaling $12.9 billion, of which $10.6 billion were utilized at December 31, 2001. The amount available under these facilities will vary based on the timing and volume of public securitization transactions.

Contractual maturities of owned receivables were as follows:

<TABLE>
<CAPTION>

In millions. At December 31, 2001	2002	2003	2004	2005	2006	There-after	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate secured	$ 11,951.9	$ 8,588.8	$ 6,260.9	$ 4,530.3	$ 3,376.7	$ 9,148.2	$ 43,856.8
Auto finance	38.3	74.5	233.2	559.1	1,039.9	423.9	2,368.9
MasterCard/Visa	939.9	830.1	701.8	639.3	544.3	4,485.8	8,141.2
Private label	5,782.3	2,280.3	701.3	414.2	276.2	2,209.6	11,663.9
Personal non-credit card	3,336.1	2,392.9	1,930.9	1,506.7	1,178.9	2,991.5	13,337.0
Commercial and other	43.6	44.8	58.2	39.9	35.4	285.0	506.9
Total	$ 22,092.1	$ 14,211.4	$ 9,886.3	$ 7,689.5	$ 6,451.4	$ 19,544.0	$ 79,874.7

</TABLE>

A substantial portion of consumer receivables, based on our experience, will be renewed or repaid prior to contractual maturity. The above maturity schedule should not be regarded as a forecast of future cash collections. The ratio of annual cash collections of principal to average principal balances, excluding credit card receivables, approximated 55 percent in 2001 and 58 percent in 2000.

The following table summarizes contractual maturities of owned receivables due after one year by repricing characteristic:

<TABLE>

In millions. At December 31, 2001	Over 1 But Within 5 years	Over 5 years
<S>	<C>	<C>
Receivables at predetermined interest rates	$ 27,241.4	$ 9,985.6

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Receivables at floating or adjustable rates	10,997.2	9,558.4
Total	$ 38,238.6	$ 19,544.0

</TABLE>

Nonaccrual owned consumer receivables totaled $2,064.3 million and $1,636.7 million at December 31, 2001 and 2000, respectively, including $215.3 million and $226.0 million, respectively, relating to foreign operations. Interest income that would have been recorded in 2001 and 2000 if such nonaccrual receivables had been current and in accordance with contractual terms was approximately $315.8 million and $260.4 million, respectively, including $34.6 million and $38.2 million, respectively, relating to foreign operations. Interest income that was included in net income for 2001 and 2000, prior to these loans being placed on nonaccrual status, was approximately $173.5 million and $143.9 million, respectively, including $16.4 million and $19.9 million, respectively, relating to foreign operations. For an analysis of reserves for credit losses, see our "Analysis of Credit Loss Reserves Activity" on pages 31 and 32 on an owned and managed basis.

Interest-only strip receivables are reported net of our estimate of probable losses under the recourse provisions for receivables serviced with limited recourse. Our estimate of the recourse obligation totaled $1,148.3 million at December 31, 2001 and $1,082.3 million at December 31, 2000. Interest-only strip receivables also included fair value mark-to-market adjustments of $348.6 million at year-end 2001 and $117.5 million at year-end 2000.

Amounts due and deferred from receivable sales include certain assets established under the recourse provisions for certain receivable sales, including funds deposited in spread accounts, offset by net customer payments owed to the securitization trustee. Net customer payments owed to the securitization trustee totaled $27.0 million at December 31, 2001 and $61.2 million at December 31, 2000.

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5. Asset Securitizations

We sell auto finance, MasterCard and Visa, private label and personal non-credit card receivables in various securitization transactions. We continue to service and receive servicing fees on the outstanding balance of securitized receivables. We also retain rights to future cash flows arising from the receivables after the investors receive their contractual return. We have also, in certain cases, retained other subordinated interests in these securitizations. These transactions typically result in the recording of an interest-only strip receivable which represents the value of the future residual cash flows from securitized receivables. The investors and the securitization trusts have only limited recourse to our assets for failure of debtors to pay. That recourse is limited to our rights to future cash flow and any subordinated interest we retain. Servicing assets and liabilities are not recognized in conjunction with our securitizations since we receive adequate compensation relative to current market rates to service the receivables sold. See Note 1, "Summary of Significant Accounting Policies," for further discussion on our accounting for interest-only strip receivables.

Securitization revenue includes income associated with the current and prior period securitization and sale of receivables with limited recourse. Such income includes gains on sales, net of our estimate of probable credit losses under the recourse provisions, servicing income and excess spread relating to those receivables.

Net initial gains, which represent gross initial gains net of our estimate of probable credit losses under the recourse provisions, and the key economic assumptions used in measuring the net initial gains from securitizations completed during the years ended December 31, 2001 and 2000 were as follows:

<TABLE>
<CAPTION>

<S>	MasterCard/ Visa <C>	Personal Non-Credit Card <C>	Private Label <C>	Auto Finance <C>	Total <C>
2001					
Net initial gains (in millions)	$ 7.3	$ 36.0	$ 13.1	$ 109.3	$ 165.7
Key economic assumptions:(1)					
Weighted-average life (in years)	.38	1.23	.85	2.20	
Payment speed	93.59%	52.33%	67.06%	34.20%	
Expected credit losses (annual rate)	5.08	7.34	5.49	4.79	
Discount rate on cash flows	9.00	11.00	10.00	10.00	
Cost of funds	6.15	4.24	5.73	4.54	
2000					
Net initial gains (in millions)	$ 43.7	$ 37.5	$ 8.5	$ 80.4	$ 170.1
Key economic assumptions:(1)					
Weighted-average life (in years)	.41	1.28	.93	2.06	
Payment speed	92.62%	52.01%	63.97%	35.98%	
Expected credit losses (annual rate)	5.48	6.87	6.60	5.38	
Discount rate on cash flows	9.00	11.00	10.00	10.00	
Cost of funds	5.88	6.67	6.36	7.12	

</TABLE>

(1) Weighted-average annual rates for securitizations entered into during the

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period for securitizations of loans with similar characteristics.

Certain securitization trusts, such as credit cards, are established at fixed levels and require frequent sales of new receivables into the trust to replace receivable run-off. These replenishments totaled $24.7 billion in 2001 and $21.0 billion in 2000. Net gains (gross gains less estimated credit losses under the recourse provisions) related to these replenishments were calculated using weighted-average assumptions consistent with those used for calculating gains on initial securitizations and totaled $407.5 million in 2001 and $328.4 million in 2000.

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Cash flows received from securitization trusts were as follows:

In millions. Year ended December 31	MasterCard/ Visa	Personal Non-Credit Card	Private Label	Auto Finance	Real Estate Secured	Total
2001						
Proceeds from initial securitizations	$ 261.1	$2,123.6	$ 500.0	$2,573.9	-	$ 5,458.6
Servicing fees received	182.9	90.6	34.9	84.9	$ 12.0	405.3
Other cash flow received on retained interests (1)	789.0	181.1	157.9	111.9	67.5	1,307.4
2000						
Proceeds from initial securitizations	$1,925.0	$2,637.4	$ 500.0	$1,912.6	-	$ 6,975.0
Servicing fees received	179.7	91.3	24.2	60.7	$ 18.5	374.4
Other cash flow received on retained interests (1)	645.5	177.4	57.4	80.4	81.5	1,042.2

(1) Other cash flows include all cash flows from interest-only strip receivables, excluding servicing fees.

Our interest-only strip receivables are reported at fair value using discounted cash flow estimates.

At December 31, 2001, the sensitivity of the current fair value of the interest-only strip receivables to an immediate 10 percent and 20 percent unfavorable change in assumptions are presented in the table below. These sensitivities are based on assumptions used to value our interest-only strip receivables at December 31, 2001.

Dollar amounts are stated in millions.	MasterCard/ Visa	Personal Non-Credit Card	Private Label	Auto Finance	Real Estate Secured
Carrying value (fair value) of interest-only strip Receivables	$ 267.2	$ 335.4	$ 55.1	$ 285.7	$ 24.8
Weighted-average life (in years)	.57	1.19	.79	1.87	1.53
Payment speed assumption (annual rate)	83.82%	45.62%	69.66%	38.90%	25.95%
Impact on fair value of 10% adverse change	$ (22.2)	$ (23.2)	$ (5.4)	$ (26.2)	$ (1.4)
Impact on fair value of 20% adverse change	(41.6)	(45.7)	(9.2)	(59.9)	(2.8)
Expected credit losses (annual rate)	5.21%	7.41%	5.49%	6.83%	1.55%
Impact on fair value of 10% adverse change	$ (23.0)	$ (36.5)	$ (8.4)	$ (25.1)	$ (1.4)
Impact on fair value of 20% adverse change	(46.0)	(72.9)	(16.9)	(50.1)	(2.7)
Discount rate on residual cash flows (annual rate)	9.00%	11.00%	10.00%	10.00%	13.00%
Impact on fair value of 10% adverse change	$ (3.0)	$ (3.0)	$ (0.3)	$ (6.9)	$ (0.5)
Impact on fair value of 20% adverse change	(6.1)	(6.0)	(0.7)	(13.6)	(1.0)
Variable returns to investors (annual rate)	5.09%	3.53%	4.62%	5.42%	3.58%
Impact on fair value of 10% adverse change	$ (23.3)	$ (19.3)	$ (7.5)	$ (0.2)	$ (3.3)
Impact on fair value of 20% adverse change	(46.6)	(38.1)	(14.9)	(0.3)	(6.5)

These sensitivities are hypothetical and should not be considered to be predictive of future performance. As the figures indicate, the change in fair value based on a 10 percent variation in assumptions cannot necessarily be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the residual cash flow is calculated independently from any change in another assumption. In reality, changes in one factor may contribute to changes in another (for example, increases in market interest rates may result in lower prepayments) which might magnify or counteract the sensitivities. Furthermore, the estimated fair values as disclosed should not be considered indicative of future earnings on these assets.

Static pool credit losses are calculated by summing actual and projected future credit losses and dividing them by the original balance of each pool of asset. Due to the short term revolving nature of MasterCard and Visa, personal non-credit card and private label receivables, the weighted-average percentage of static pool credit losses is not considered to be materially different from the weighted-average charge-off assumptions used in determining the fair value of our interest-only strip receivables in the table above. At December 31, 2001, static pool credit losses for auto finance loans securitized in 2001 were

estimated to be 10.0 percent and for auto finance loans securitized in 2000 were estimated to be 11.0 percent.

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Receivables information by product including delinquency and net charge-offs for our managed and serviced with limited recourse portfolios were as follows:

In millions At December 31	2001 Receivables Outstanding	2001 Delinquent Receivables	2000 Receivables Outstanding	2000 Delinquent Receivables
Managed receivables:				
Real estate secured	$ 44,718.6	2.68%	$ 36,637.5	2.63%
Auto finance	6,395.5	3.16	4,563.3	2.55
MasterCard/Visa	17,395.2	4.10	17,583.4	3.49
Private label	13,813.9	5.48	11,997.3	5.48
Personal non-credit card	17,992.6	8.87	16,227.3	7.97
Total consumer	100,315.8	4.46	87,008.8	4.20
Commercial and other	506.9	1.58	598.6	2.10
Total managed receivables	$100,822.7	4.44%	$ 87,607.4	4.18%
Receivables serviced with limited recourse:				
Real estate secured	$ (861.8)	5.00%	$ (1,457.8)	4.01%
Auto finance	(4,026.6)	3.29	(2,712.7)	2.61
MasterCard/Visa	(9,254.0)	2.73	(9,529.8)	2.30
Private label	(2,150.0)	2.69	(1,650.0)	4.72
Personal non-credit card	(4,655.6)	8.36	(4,899.2)	7.90
Total receivables serviced with limited recourse	(20,948.0)	4.18	(20,249.5)	4.02
Owned consumer receivables	$ 79,874.7	4.53%	$ 67,357.9	4.26%

In millions At December 31	2001 Average Receivables	2001 Net Charge-offs	2000 Average Receivables	2000 Net Charge-offs
Managed receivables:				
Real estate secured	$ 40,049.6	.53%	$ 32,530.2	.45%
Auto finance	5,323.5	5.31	3,842.3	4.80
MasterCard/Visa	17,282.8	6.63	16,111.2	5.58
Private label	12,260.6	5.18	11,194.2	5.35
Personal non-credit card	17,013.8	6.79	14,760.8	6.97
Total consumer	91,930.3	3.73	78,438.7	3.64
Commercial and other	554.9	2.10	693.5	2.69
Total managed receivables	$ 92,485.2	3.72%	$ 79,132.2	3.63%
Receivables serviced with limited recourse:				
Real estate secured	$ (1,199.2)	.70%	$ (1,847.6)	.90%
Auto finance	(3,004.4)	6.32	(2,023.5)	6.16
MasterCard/Visa	(9,144.6)	5.27	(8,984.7)	4.81
Private label	(1,744.2)	2.72	(1,212.5)	5.42
Personal non-credit card	(4,527.8)	6.74	(4,566.1)	6.86
Total receivables serviced with limited recourse	(19,620.2)	5.26	(18,634.4)	5.11
Owned consumer receivables	$ 72,865.0	3.32%	$ 60,497.8	3.18%

We issued securities backed by dedicated home equity loan receivables of $1.6 billion in 2001 and $.5 billion in 2000. For accounting purposes, these transactions were structured as secured financings, therefore, the receivables and the related debt remain on our balance sheet. Real estate receivables included closed-end real estate secured receivables totaling $1.7 billion at December 31, 2001 and $.4 billion at December 31, 2000 which secured the outstanding debt related to these transactions.

6. Properties and Equipment, Net

In millions. At December 31	2001	2000	Depreciable Life
Land	$ 8.1	$ 8.1	-

Buildings and improvements	574.7	519.6	10 - 40 years
Furniture and equipment	878.4	844.5	3 - 10
Total	1,461.2	1,372.2	
Accumulated depreciation and amortization	930.1	854.6	
Properties and equipment, net	$ 531.1	$ 517.6	

</TABLE>

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Depreciation and amortization expense totaled $139.7 million in 2001, $135.8 million in 2000 and $130.4 million in 1999.

7. Deposits

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31	2001 Amount	2001 Weighted-Average Rate	2000 Amount	2000 Weighted-Average Rate
<S>	<C>	<C>	<C>	<C>
Domestic				
Time certificates	$ 6,000.7	6.8%	$ 6,925.3	6.7%
Savings accounts	33.7	2.1	25.0	2.9
Demand accounts	36.3	.4	14.6	2.1
Total domestic deposits	6,070.7	6.7	6,964.9	6.7
Foreign				
Time certificates	316.0	5.7	1,529.5	6.1
Savings accounts	54.1	3.1	56.2	3.2
Demand accounts	121.5	3.9	126.3	5.1
Total foreign deposits	491.6	5.0	1,712.0	5.9
Total deposits	$ 6,562.3	6.6%	$ 8,676.9	6.5%

</TABLE>

At December 31, 2001, domestic time certificates included carrying value adjustments totaling $24.7 million relating to derivative financial instruments.

Average deposits and related weighted-average interest rates were as follows:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. Year ended December 31	2001 Average Deposits	2001 Weighted-Average Rate	2000 Average Deposits	2000 Weighted-Average Rate	1999 Average Deposits	1999 Weighted-Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Domestic						
Time certificates	$ 6,468.5	6.5%	$ 6,278.4	6.7%	$1,857.0	6.1%
Savings and demand accounts	119.7	.6	53.2	1.5	12.1	1.4
Total domestic deposits	6,588.2	6.4	6,331.6	6.6	1,869.1	6.1
Foreign						
Time certificates	1,172.8	5.7	1,243.7	4.5	967.7	4.8
Savings and demand accounts	192.2	4.5	182.2	4.5	200.5	4.4
Total foreign deposits	1,365.0	5.5	1,425.9	4.5	1,168.2	4.7
Total deposits	$ 7,953.2	6.3%	$ 7,757.5	6.2%	$3,037.3	5.5%

</TABLE>

Interest expense on total deposits was $498.6 million in 2001, $484.0 million in 2000 and $168.4 million in 1999. Interest expense on domestic deposits was $423.7 million in 2001, $419.7 million in 2000 and $113.4 million in 1999.

Maturities of time certificates in amounts of $100,000 or more were:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31, 2001	Domestic	Foreign	Total
<S>	<C>	<C>	<C>
3 months or less	$ 29.0	$ 211.0	$ 240.0
Over 3 months through 6 months	17.9	30.2	48.1
Over 6 months through 12 months	41.9	39.3	81.2
Over 12 months	143.3	35.4	178.7
Total	$ 232.1	$ 315.9	$ 548.0

</TABLE>

Contractual maturities of time certificates within each interest rate range were as follows:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31, 2001	2002	2003	2004	2005	2006	There-after	Total
Interest Rate							
Less-than 4.00%	$ 71.8	$ 28.7	-	-	-	-	$ 100.5
4.00% - 5.99%	427.9	187.9	$ 123.4	$ 16.5	$ 18.5	$ 46.8	821.0
6.00% - 7.99%	1,525.8	1,090.7	1,404.8	820.8	189.6	363.5	5,395.2
Total	$ 2,025.5	$ 1,307.3	$ 1,528.2	$ 837.3	$ 208.1	$ 410.3	$ 6,316.7

</TABLE>

<PAGE>

8. Commercial Paper, Bank and Other Borrowings
<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31	Commercial Paper	Bank and Other Borrowings	Total
2001			
Balance	$ 9,141.2	$ 2,883.1	$ 12,024.3
Highest aggregate month-end balance			13,926.4
Average borrowings	9,221.1	2,240.1	11,461.2
Weighted-average interest rate:			
At year-end	2.0%	2.6%	2.2%
Paid during year	4.1	3.9	4.0
2000			
Balance	$ 9,371.5	$ 1,416.4	$ 10,787.9
Highest aggregate month-end balance			12,581.6
Average borrowings	9,828.7	2,099.7	11,928.4
Weighted-average interest rate:			
At year-end	6.6%	6.6%	6.6%
Paid during year	6.3	5.5	6.2
1999			
Balance	$ 8,822.2	$ 1,955.6	$ 10,777.8
Highest aggregate month-end balance			11,454.6
Average borrowings	8,620.3	1,426.7	10,047.0
Weighted-average interest rate:			
At year-end	5.6%	5.6%	5.6%
Paid during year	5.2	5.0	5.2

</TABLE>

Outstanding balances at December 31, 2001, 2000 and 1999 included commercial paper obligations of foreign subsidiaries of $374.7 million, $360.9 million and $359.4 million, respectively, and bank and other borrowings of $713.6 million, $722.3 million and $903.1 million, respectively.

Interest expense for commercial paper, bank and other borrowings totaled $463.2 million, $737.7 million and $522.5 million for 2001, 2000 and 1999, respectively.

We maintain various bank credit agreements primarily to support commercial paper borrowings. At December 31, 2001 and 2000, we had committed back-up lines and other bank lines of $13.6 billion and $13.0 billion, respectively, of which $12.8 billion and $12.3 billion, respectively, were unused. Formal credit lines are reviewed annually and expire at various dates from 2002 to 2006. Borrowings under these lines generally are available at a surcharge over LIBOR. None of these lines contain material adverse change clauses which could restrict availability. Annual commitment fee requirements to support availability of these lines at December 31, 2001 totaled $10.7 million.

9. Senior and Senior Subordinated Debt (With Original Maturities Over One Year)
<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31	2001	2000
Senior Debt		
Zero-coupon convertible debt securities; due 2021	$ 1,004.2	-
3.50% to 4.99%; due 2002 to 2009	1,679.4	$ 11.5
5.00% to 6.49%; due 2002 to 2013	13,223.6	10,169.2
6.50% to 6.99%; due 2002 to 2013	8,368.1	4,203.6
7.00% to 7.49%; due 2002 to 2023	4,679.5	4,959.3
7.50% to 7.99%; due 2002 to 2019	4,695.3	4,173.5
8.00% to 8.99%; due 2002 to 2010	3,711.9	3,892.5
9.00% and greater; due 2001	-	253.3
Variable interest rate debt; 1.89% to 3.53%; due 2002 to 2034	19,383.1	17,244.2

Senior Subordinated Debt		
6.50% to 8.45%; due 2002 to 2003	179.1	259.7
Unamortized discount	(100.6)	(113.8)
Total senior and senior subordinated debt	$ 56,823.6	$ 45,053.0

</TABLE>

Senior and senior subordinated debt included $1.5 billion of debt secured by $1.7 billion of real estate secured receivables at December 31, 2001. At December 31, 2000, senior and senior subordinated debt included $.4 billion of debt secured by $.4 billion of real estate secured receivables.

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At December 31, 2001, senior and senior subordinated debt also included carrying value adjustments totaling $391.1 million relating to derivative financial instruments and a foreign currency translation adjustment of $(356.6) million relating to our foreign denominated debt.

Weighted-average interest rates were 5.1 and 6.9 percent at December 31, 2001 and 2000, respectively. Interest expense for senior and senior subordinated debt was $3,212.0 million, $2,707.2 million and $2,085.7 million for 2001, 2000 and 1999, respectively. The most restrictive financial covenant contained in the terms of our debt agreements are the maintenance of a minimum shareholders' equity of $2.0 billion for Household International, Inc., and the maintenance of a minimum shareholder's equity of $3.6 billion for Household Finance Corporation ("HFC"), a wholly owned subsidiary of Household. Debt denominated in a foreign currency is included in the applicable rate category based on the effective U.S. dollar equivalent rate as summarized in Note 10.

In August 2001, the parent company issued zero-coupon convertible debt securities. The convertible debt securities are due 2021, have a 1 percent yield to maturity and have a principal amount at maturity of approximately $1.2 billion. We must pay contingent interest on the securities beginning in 2006 if our common stock price reaches certain levels. The holders of the securities have the right to require us to repurchase the securities on various dates beginning in August 2002 and ending in August 2016 or if certain "fundamental changes" as described in the prospectus supplement occur. "Fundamental changes" include, among other things, an exchange offer, liquidation, merger and recapitalization. The holders of the securities may convert each $1,000 of securities, subject to adjustment, into 9.022 shares of Household common stock if our stock price reaches $99.87 for 20 trading days in a consecutive 30 trading day period. We may redeem the securities, in whole or in part, at any time after August 1, 2006.

Maturities of senior and senior subordinated debt were:

<TABLE>
In millions.
At December 31, 2001

<S>	<C>
2002	$ 10,492.5
2003	9,980.0
2004	5,800.9
2005	5,970.0
2006	6,652.0
Thereafter	17,928.2
Total	$ 56,823.6

</TABLE>

10. Derivative Financial Instruments and Concentrations of Credit Risk

In the normal course of business and in connection with our asset/liability management program, we enter into various transactions involving derivative financial instruments. These instruments primarily are used to manage our exposure to fluctuations in interest rates and currency exchange rates. We do not serve as a financial intermediary to make markets in any derivative financial instruments. We have a comprehensive program to address potential financial risks such as liquidity, interest rate, currency and credit risk. The Finance Committee of the Board of Directors sets acceptable limits for each of these risks annually and reviews the limits semiannually. For further information on our strategies for managing interest rate and foreign exchange rate risk, see the "Risk Management" section within our Management's Discussion and Analysis of Financial Condition and Results of Operations.

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Objectives for Holding Derivative Financial Instruments We generally fund our assets with liabilities that have similar interest rate features. Over time, however, customer demand for our receivable products shifts between fixed rate and floating rate products, based on market conditions and preferences. These shifts result in different funding strategies and produce different interest rate risk exposures. We maintain an overall risk management strategy that uses a variety of interest rate and currency derivative financial instruments to mitigate our exposure to fluctuations caused by changes in interest rates and

currency exchange rates. We manage our exposure to interest rate risk primarily through the use of interest rate swaps, but also use forwards, futures, options, and other risk management instruments. We manage our exposure to currency risk primarily through the use of currency swaps. We do not speculate on interest rate or foreign currency market exposure and we do not use exotic or leveraged derivative financial instruments.

Interest rate swaps are contractual agreements between two counterparties for the exchange of periodic interest payments generally based on a notional principal amount and agreed-upon fixed or floating rates. The majority of our interest rate swaps are used to manage our exposure to changes in interest rates by converting floating rate assets or debt to fixed rate or by converting fixed rate assets or debt to floating rate. We have also entered into currency swaps to convert both principal and interest payments on debt issued from one currency to the appropriate functional currency.

Forwards and futures are agreements between two parties, committing one to sell and the other to buy a specific quantity of an instrument on some future date. The parties agree to buy or sell at a specified price in the future, and their profit or loss is determined by the difference between the arranged price and the level of the spot price when the contract is settled. We have both interest rate and foreign exchange rate forward contracts and interest rate futures contracts. We use foreign exchange rate forward contracts to reduce our exposure to foreign currency exchange risk. Interest rate forward and futures contracts are used to hedge resets of interest rates on our floating rate assets and liabilities. Cash requirements for forward contracts include the receipt or payment of cash upon the sale or purchase of the instrument.

Purchased options grant the purchaser the right, but not the obligation, to either purchase or sell a financial instrument at a specified price within a specified period. The seller of the option has written a contract which creates an obligation to either sell or purchase the financial instrument at the agreed-upon price if, and when, the purchaser exercises the option. We use caps to limit the risk associated with an increase in rates and floors to limit the risk associated with a decrease in rates.

Market and Credit Risk By utilizing derivative financial instruments, we are exposed to varying degrees of credit and market risk.

Market risk is the possibility that a change in interest rates or foreign exchange rates will cause a financial instrument to decrease in value or become more costly to settle. We mitigate this risk by establishing limits for positions and other controls.

Credit risk is the possibility that a loss may occur because the counterparty to a transaction fails to perform according to the terms of the contract. We control the credit (or repayment) risk in derivative instruments through established credit approvals, risk control limits and ongoing monitoring procedures. Our exposure to credit risk for futures is limited as these contracts are traded on organized exchanges. Each day, changes in futures contract values are settled in cash. In contrast, swap agreements and forward contracts have credit risk relating to the performance of the counterparty. Additionally, certain swap agreements require that payments be made to, or received from, the counterparty when the fair value of the agreement reaches a certain level. Derivative financial instruments are generally expressed in terms of notional principal or contract amounts which are much larger than the amounts potentially at risk for nonpayment by counterparties. We have never suffered a loss due to counterparty failure.

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Fair Value and Cash Flow Hedges To manage our exposure to changes in interest rates, we enter into interest rate swap agreements and currency swaps which have been designated as fair value or cash flow hedges under FAS No. 133. The critical terms of interest rate swaps are designed to match those of the hedged items, enabling the application of the shortcut method of accounting as defined by FAS No. 133 for 92 percent of the notional amounts of such interest rate swaps. To the extent that the critical terms of the hedged item and the derivative are not identical, hedge ineffectiveness is reported in earnings during the current period as a component of other income. Although the critical terms of currency swaps are designed to match those of the hedged items, FAS No. 133 does not allow shortcut method accounting for this type of hedge. Therefore, there may be minimal ineffectiveness which is reported in current period earnings.

Fair value hedges include interest rate swaps which convert our fixed rate debt or assets to variable rate debt or assets and currency swaps which convert debt issued from one currency into pay variable debt of the appropriate functional currency. Hedge ineffectiveness associated with fair value hedges was a gain of $.1 million, net of tax, in 2001 and was recorded as other income. During 2001, all of our fair value hedges were associated with debt. At December 31, 2001, we had recorded fair value adjustments for open fair value hedges which decreased the carrying value of our debt by $85.7 million.

Cash flow hedges include interest rate swaps which convert our variable rate debt or assets to fixed rate debt or assets and currency swaps which convert debt issued from one currency intc pay fixed debt of the appropriate functional currency. At December 31, 2001, we had $699.1 million of losses on derivative instruments designated as cash flcw hedges, net of taxes, in accumulated other comprehensive income. We expect $392 million of currently unrealized net losses, after taxes, will be reclassified to earnings within one year, however, these unrealized losses will be offset by decreased interest expense associated with the variable cash flows of the hedged items and will result in no net economic

impact to our earnings. Hedge ineffectiveness associated with cash flow hedges reported in 2001 in the other income line was immaterial.

At December 31, 2001, $97.2 million of derivative instruments, at fair value, were recorded in other assets and $1,615.4 million in other liabilities.

Deferred gains resulting from termination of derivatives were $551.7 million and $44.1 million and deferred losses from termination of derivatives were $72.1 million and $63.0 million at December 31, 2001 and 2000, respectively. Amortization of net deferred gains totaled $43.6 million in 2001 and $14.8 million in 2000. The weighted-average amortization period associated with the deferred gains was 6.2 years and 5.1 years at December 31, 2001 and 2000, respectively. The weighted-average amortization period for the deferred losses was 5.3 years and 5.8 years at December 31, 2001 and 2000, respectively. At December 31, 2001, net deferred gains and losses increased the carrying value of our deposits and senior and senior subordinated debt by $24.7 million and $476.8 million, respectively, and decreased accumulated other comprehensive income by $21.9 million.

Hedges of Net Investments in Foreign Operations We use forward-exchange contracts to hedge our net investments in foreign operations. The purpose of these hedges is to protect against adverse movements in exchange rates. For the year ended December 31, 2001, $8.9 million of net gains, net of tax, related to these derivatives were included in accumulated other comprehensive income.

Non-Qualifying Hedging Activities We use forward rate agreements, interest rate caps, exchange traded futures, and some interest rate swaps which were not designated as hedges under FAS No. 133. These financial instruments are economic hedges that are not linked to specific assets and liabilities that appear on our balance sheet and do not qualify for hedge accounting. The primary purpose of these derivatives is to minimize our exposure to changes in interest rates. During 2001, we recognized $.2 million, net of tax, in net fair value losses on derivatives which were not designated as hedges. These losses were reported as other income.

<PAGE>

Derivative Financial Instruments The following table summarizes derivative financial instrument activity in 2001, 2000 and 1999:
<TABLE>
<CAPTION>

	Exchange Traded				Non-Exchange Traded	
	Interest Rate Futures Contracts		Options			
In millions.	Purchased	Sold	Purchased	Written	Interest Rate Swaps	Currency Swaps
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999						
Notional amount, 1998	$ 70.0	-	$ 544.0	-	$ 13,715.6	$ 4,406.3
New contracts	5,743.0	$ (4,725.0)	1,158.0	$ (50.0)	18,734.2	2,070.2
Matured or expired contracts	(1,013.0)	25.0	(949.0)	-	(2,894.5)	(723.8)
Terminated contracts	-	-	-	-	(1,796.4)	(80.0)
In-substance maturities (1)	(4,700.0)	4,700.0	(50.0)	50.0	-	-
Notional amount, 1999	$ 100.0	$ -	$ 703.0	$ -	$ 27,758.9	$ 5,672.7
Fair value, 1999 (2)	$ (.1)	$ -	$ -	$ -	$ (125.3)	$ (319.2)
2000						
Notional amount, 1999	$ 100.0	-	$ 703.0	-	$ 27,758.9	$ 5,672.7
New contracts	21,715.0	$(20,321.0)	1,300.0	$ (300.0)	15,451.0	3,047.4
Matured or expired contracts	(1,494.0)	-	(1,403.0)	-	(13,733.0)	(767.2)
Terminated contracts	-	-	(600.0)	300.0	(3,768.6)	(655.0)
In-substance maturities (1)	(20,321.0)	20,321.0	-	-	-	-
Notional amount, 2000	$ -	$ -	$ -	$ -	$ 25,708.3	$ 7,297.9
Fair value, 2000 (2)	$ -	$ -	$ -	$ -	$ 258.8	$ (532.9)
2001						
Notional amount, 2000	-	-	-	-	$ 25,708.3	$ 7,297.9
New contracts	$ 36,675.0	$(22,706.0)	$ 4,750.0	-	22,259.0	2,481.6
Matured or expired contracts	(21,850.0)	300.0	-	-	(7,651.3)	(919.5)
Terminated contracts	-	-	(2,750.0)	-	(9,832.7)	(165.6)
In-substance maturities (1)	(13,406.0)	13,406.0	-	-	-	-
Notional amount, 2001	$ 1,419.0	$ (9,000.0)	$ 2,000.0	$ -	$ 30,483.3	$ 8,694.4
Fair value, 2001 (2):						
Fair value hedges	-	-	-	-	$ (152.9)	$ 67.2
Cash flow hedges	-	-	-	-	(348.1)	(1,084.6)
Non-hedging derivatives	$ .4	$ (3.4)	$ .4	-	3.4	-
Total	$ .4	$ (3.4)	$ .4	$ -	$ (497.6)	$(1,017.4)

</TABLE>

<TABLE>
<CAPTION>

	Non-Exchange Traded				
	Foreign Exchange Rate Contracts		Interest Rate Forward Contracts		
In millions.	Purchased	Sold	Purchased	Sold	Caps and Floors
<S>	<C>	<C>	<C>	<C>	<C>
1999					
Notional amount, 1998	$ 9.8	$ (1,249.9)	$ 2,261.9	$ (87.0)	$ 3,037.8
New contracts	2,089.9	(1,479.3)	6,946.7	(1,242.0)	2,089.4
Matured or expired contracts	(116.6)	171.5	(5,759.4)	666.4	(442.1)
Terminated contracts	(18.8)	13.8	(207.7)	593.4	(1,231.1)
In-substance maturities (1)	(1,846.2)	1,846.2	-	-	-
Notional amount, 1999	$ 118.1	$ (697.7)	$ 3,241.5	$ (69.2)	$ 3,454.0
Fair value, 1999 (2)	$ .5	$ 4.9	$ 6.4	$ -	$ 4.8
2000					
Notional amount, 1999	$ 118.1	$ (697.7)	$ 3,241.5	$ (69.2)	$ 3,454.0
New contracts	1,828.9	(1,798.3)	4,158.3	(163.1)	2,550.6
Matured or expired contracts	(85.6)	398.6	(6,818.5)	232.3	(3,019.7)
Terminated contracts	-	-	(133.4)	-	(309.4)
In-substance maturities (1)	(1,852.3)	1,852.3	-	-	-
Notional amount, 2000	$ 9.1	$ (245.1)	$ 447.9	$ -	$ 2,675.5
Fair value, 2000 (2)	$ .3	$ (2.8)	$ (.3)	$ -	$ (2.7)
2001					
Notional amount, 2000	$ 9.1	$ (245.1)	$ 447.9	-	$ 2,675.5
New contracts	9,347.4	(10,325.0)	2,074.5	-	3,481.8
Matured or expired contracts	(51.3)	172.5	(1,991.4)	-	(2,297.7)
Terminated contracts	-	-	(31.4)	-	(847.0)
In-substance maturities (1)	(9,196.1)	9,196.1	-	-	-
Notional amount, 2001	$ 109.1	$ (1,201.5)	$ 499.6	$ -	$ 3,012.6
Fair value, 2001 (2):					
Fair value hedges	-	-	-	-	-
Cash flow hedges	$ 2.5	$ (1.3)	-	-	-
Non-hedging derivatives	-	-	$ (1.6)	-	$ (.2)
Total	$ 2.5	$ (1.3)	$ (1.6)	$ -	$ (.2)

</TABLE>

(1) Represent contracts terminated as the market execution technique of closing the transaction either (a) just prior to maturity to avoid delivery of the underlying instrument or (b) at the maturity of the underlying items being hedged.

(2) (Bracketed) unbracketed amounts represent amounts to be (paid) received by us had these positions been closed out at the respective balance sheet date. Bracketed amounts do not necessarily represent risk of loss as the fair value of the derivative financial instrument and the items being hedged must be evaluated together. See Note 14, "Fair Value of Financial Instruments," for further discussion of the relationship between the fair value of our assets and liabilities.

<PAGE>

We operate in three functional currencies, the U.S. dollar, the British pound and the Canadian dollar. The U.S. dollar is the functional currency for exchange-traded interest rate futures contracts and options. Non-exchange traded instruments are restated in U.S. dollars by country as follows:

<TABLE>
<CAPTION>

			Foreign Exchange Rate Contracts		Interest Rate Forward Contracts		
In millions.	Interest Rate Swaps	Currency Swaps	Purchased	Sold	Purchased	Sold	Other Risk Management Instruments
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1999							
United States	$ 25,916.7	$ 4,258.2	$ 113.0	$ (697.7)	-	-	$ 2,701.5
Canada	374.1	223.0	5.1	-	$ 245.5	$ (67.6)	-
United Kingdom	1,468.1	1,191.5	-	-	2,996.0	(1.6)	752.5
	$ 27,758.9	$ 5,672.7	$ 118.1	$ (697.7)	$ 3,241.5	$ (69.2)	$ 3,454.0
2000							
United States	$ 23,734.5	$ 5,751.6	$ 6.7	$ (245.1)	-	-	$ 2,352.9
Canada	274.8	121.0	2.4	-	$ 313.5	-	-
United Kingdom	1,699.0	1,425.3	-	-	134.4	-	322.6
	$ 25,708.3	$ 7,297.9	$ 9.1	$ (245.1)	$ 447.9	-	$ 2,675.5
2001							
United States	$ 28,405.2	$ 7,259.8	$ 109.1	$ (1,199.5)	-	-	$ 2,989.9

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Canada	287.5	-	-	(2.0)	$ 499.6	-	-
United Kingdom	1,790.6	1,434.6	-	-	-	-	22.7
	$ 30,483.3	$ 8,694.4	$ 109.1	$ (1,201.5)	$ 499.6	-	$ 3,012.6

</TABLE>

The table below reflects the items hedged using interest rate swaps at December 31, 2001. The critical terms of the interest rate swap have been designed to match those of the related asset or liability.

<TABLE>
<CAPTION>

In millions.	
<S>	<C>
Investment securities	$ 16.8
Commercial paper, bank and other borrowings	618.2
Senior and senior subordinated debt	29,848.3
Total items hedged using interest rate swaps	$ 30,483.3

</TABLE>

The following table summarizes the maturities and related weighted-average receive/pay rates of interest rate swaps outstanding at December 31, 2001:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	2002	2003	2004	2005	2006	2007	Thereafter	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Pay a fixed rate/receive a floating rate:								
Notional value	$ 9,955.7	$ 8,228.7	$ 763.1	$1,040.2	$ -	$ -	$ -	$19,987.7
Weighted-average receive rate	2.18%	2.44%	2.91%	3.62%	-	-	-	2.39%
Weighted-average pay rate	5.47	4.99	5.20	6.02	-	-	-	5.29
Pay a floating rate/receive a fixed rate:								
Notional value	$ 95.7	-	$ 10.2	$ 247.5	$ 140.5	$1,479.2	$8,522.5	$10,495.6
Weighted-average receive rate	6.69%	-	4.96%	5.91%	5.88%	7.45%	6.67%	6.75%
Weighted-average pay rate	2.09	-	2.04	2.60	2.18	3.92	3.32	3.36
Total notional value	$10,051.4	$ 8,228.7	$ 773.3	$1,287.7	$ 140.5	$1,479.2	$8,522.5	$30,483.3
Total weighted-average rates on swaps:								
Receive rate	2.23%	2.44%	2.93%	4.06%	5.88%	7.45%	6.67%	3.89%
Pay rate	5.44	4.99	5.15	5.37	2.18	3.92	3.32	4.63

</TABLE>

The floating rates that we pay or receive are based on spot rates from independent market sources for the index contained in each interest rate swap contract, which generally are based on either 1-, 3- or 6-month LIBOR. These current floating rates are different than the floating rates in effect when the contracts were initiated. Changes in spot rates impact the variable rate information disclosed above. However, these changes in spot rates also impact the interest rate on the underlying assets or liabilities. We use derivative financial instruments to hedge the interest rate inherent in balance sheet assets and liabilities, which manages the volatility of net interest margin resulting from changes in interest rates on the underlying hedged items. Had we not utilized these instruments, owned net interest margin would have increased by 13 basis points in 2001, decreased by 5 basis points in 2000 and increased by 1 basis point in 1999.

<PAGE>

Concentrations of Credit Risk A concentration of credit risk is defined as a significant credit exposure with an individual or group engaged in similar activities or affected similarly by economic conditions.

Because we primarily lend to consumers, we do not have receivables from any industry group that equal or exceed 10 percent of total managed receivables at December 31, 2001 and 2000. We lend nationwide, with the following geographic areas comprising more than 10 percent of total managed domestic receivables at December 31, 2001: California-15 percent; Southwest (AZ, AR, LA, NM, OK, TX)-11 percent; Midwest (IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI)-22 percent; Middle Atlantic (DE, DC, MD, NJ, PA, VA, WV)-14 percent; Northeast (CT, ME, MA, NH, NY, RI, VT)-11 percent; and Southeast (AL, FL, GA, KY, MS, NC, SC, TN)-18 percent.

11. Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts

The following table summarizes our company obligated mandatorily redeemable preferred securities of subsidiary trusts ("Preferred Securities") and the related Junior Subordinated Notes:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	Household Capital Trust VII ("HCT VII")	Household Capital Trust VI ("HCT VI")	Household Capital Trust V ("HCT V")	Household Capital Trust IV ("HCT IV")	Household Capital Trust I ("HCT I")
Preferred Securities:					
Interest rate	7.50%	8.25%	10.00%	7.25%	8.25%
Face value	$200	$200	$300	$200	$75
Issue date	November 2001	January 2001	June 2000	March 1998	June 1995
Junior Subordinated Notes:					
Principal balance	$206.2	$206.2	$309.3	$206.2	$77.3
Redeemable by Issuer	November 8, 2006	January 30, 2006	June 8, 2005	March 19, 2003	June 30, 2000
Stated maturity	November 15, 2031	January 30, 2031	June 30, 2030	December 31, 2037	June 30, 2025

</TABLE>

The Preferred Securities are classified in our balance sheet as company obligated mandatorily redeemable preferred securities of subsidiary trusts (representing the minority interests in the trusts) at their face and redemption amount of $975 million at December 31, 2001 and $675 million at December 31, 2000. Household Capital Trust II was redeemed for $100 million in December 2001.

The Preferred Securities must be redeemed when the Junior Subordinated Notes are paid. The Junior Subordinated Notes have a stated maturity date, but are redeemable by Household, in whole or in part, beginning on the dates indicated above at which time the Preferred Securities are callable at par ($25 per Preferred Security) plus accrued and unpaid dividends. Dividends on the Preferred Securities are cumulative, payable quarterly in arrears, and are deferrable at Household's option for up to five years. Household cannot pay dividends on its preferred and common stocks during such deferments. The Preferred Securities have a liquidation value of $25 per preferred security.

HCT I, HCT IV, HCT V, HCT VI and HCT VII (collectively, "the Trusts") are wholly owned subsidiaries of Household. Household's obligations with respect to the Junior Subordinated Notes, when considered together with certain undertakings of Household with respect to the Trusts, constitute full and unconditional guarantees by Household of the Trust's obligations under the respective Preferred Securities.

12. Preferred Stock

<TABLE>
<CAPTION>
All dollar amounts are stated in millions.
At December 31

	2001	2000
7.50% Preferred Stock, 12,000,000 depositary shares (1)	$ 291.4	-
$4.30 Preferred Stock, 836,585 shares	83.6	$ 83.6
$4.50 Preferred Stock, 103,976 shares	10.4	10.4
5.00% Preferred Stock, 407,718 shares	20.4	20.4
8.25% Preferred Stock, Series 1992-A, 2,000,000 depositary shares (1)	50.0	50.0
Total preferred stock	$ 455.8	$ 164.4

(1) Depositary share represents 1/40 share of preferred stock.
</TABLE>

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Dividends on the 7.50 percent preferred stock are cumulative and payable quarterly. We may, at our option, redeem in whole or in part the 7.50 percent preferred stock on any date after September 26, 2006, for $25 per depositary share plus accrued and unpaid dividends. This stock has a liquidation value of $25 per depositary share.

Dividends on the $4.30 preferred stock are cumulative and payable semiannually. We may, at our option, redeem in whole or in part the $4.30 preferred stock for $100 per share plus accrued and unpaid dividends. This stock has a liquidation value of $100 per share plus accrued and unpaid dividends in the event of an involuntary liquidation or $100 in the event of a voluntary liquidation.

Dividends on the $4.50 preferred stock are cumulative and payable semiannually. We may, at our option, redeem in whole or in part the $4.50 preferred stock for $103 per share plus accrued and unpaid dividends. This stock has a liquidation value of $100 per share.

Dividends on the 5.00 percent preferred stock are cumulative and payable semiannually. We may, at our option, redeem in whole or in part the 5.00 percent preferred stock for $50 per share plus accrued and unpaid dividends. This stock has a liquidation value of $50 per share.

Dividends on the 8.25 percent preferred stock, Series 1992-A, are cumulative and payable quarterly. We may, at our option, redeem in whole or in part the 8.25 percent preferred stock, Series 1992-A, on any date after October 15, 2002, for $25 per depositary share plus accrued and unpaid dividends. This stock has a liquidation value of $25 per depositary share.

Holders of all issues of preferred stock are entitled to payment before any capital distribution is made to common shareholders. The holders of the $4.30, $4.50 and 5.00 percent preferred stocks will be entitled to vote with the holders of our common stock on all matters. Each issue of preferred stock is also entitled to vote, as a class separate from our common stock, to elect two directors if dividends for a specified period shall be in arrears, until the dividends in arrears are paid in full.

Household's Board of Directors has adopted a resolution creating an Offering Committee of the Board with the power to authorize the issuance and sale of one or more series of preferred stock. The Offering Committee has the authority to determine the particular designations, powers, preferences and relative, participating, optional or other special rights (other than voting rights which shall be fixed by the Board of Directors) and qualifications, limitations or restrictions of such issuance. At December 31, 2001, up to 8.2 million shares of preferred stock were authorized for issuance.

13. Forward Purchase Agreements and Junior Preferred Share Purchase Rights

At December 31, 2001, we had agreements to purchase, on a forward basis, approximately 6.5 million shares of our common stock at a weighted-average forward price of $59.14 per share. The agreements have terms of up to one year. These agreements may be settled either physically or on a net basis in shares of our common stock, at our option. We account for these agreements in accordance with EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled In, a Company's Own Stock". As a result, we initially measure these forward contracts at fair value and report them as permanent equity. Subsequent changes in their fair value are not recognized.

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In 1996, Household issued one preferred share purchase right (a "Right") for each outstanding share of common stock of the company. Under certain conditions, each Right may be exercised to purchase one three-thousandth of a share of a new series of junior participating preferred stock at an exercise price of $100 per one three-thousandth of a share, subject to further adjustment. The Rights may be exercised only after the earlier of: (a) a public announcement that a party or an associated group acquired 15 percent or more of Household's common stock and (b) ten business days (or later date as determined by the Board of Directors of Household) after a party or an associated group initiates or announces its intention to make an offer to acquire 15 percent or more of Household's common stock. The Rights, which cannot vote or receive dividends, expire on July 31, 2006, and may be redeemed by Household at a price of $.0033 per Right at any time prior to expiration or acquisition of 15 percent of Household's common stock.

14. Fair Value of Financial Instruments

We have estimated the fair value of our financial instruments in accordance with Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" ("FAS No. 107"). Fair value estimates, methods and assumptions set forth below for our financial instruments are made solely to comply with the requirements of FAS No. 107 and should be read in conjunction with the financial statements and notes in this Annual Report.

A significant portion of our financial instruments do not have a quoted market price. For these items, fair values were estimated by discounting estimated future cash flows at estimated current market discount rates. Assumptions used to estimate future cash flows are consistent with management's assessments regarding ultimate collectibility of assets and related interest and with estimates of product lives and repricing characteristics used in our asset/liability management process. All assumptions are based on historical experience adjusted for future expectations. Assumptions used to determine fair values for financial instruments for which no active market exists are inherently judgmental and changes in these assumptions could significantly affect fair value calculations.

As required under generally accepted accounting principles, a number of other assets recorded on the balance sheets (such as acquired credit card relationships) and other intangible assets not recorded on the balance sheets (such as the value of consumer lending relationships for originated receivables and the franchise values of our business units) are not considered financial instruments and, accordingly, are not valued for purposes of this disclosure. We believe there is substantial value associated with these assets based on current market conditions and historical experience. Accordingly, the estimated fair value of financial instruments, as disclosed, does not fully represent our entire value, nor the changes in cur entire value.

The following is a summary of the carrying value and estimated fair value of our financial instruments:
<TABLE>
<CAPTION>

In millions. At December 31	2001 Carrying Value	2001 Estimated Fair Value	2001 Difference	2000 Carrying Value	2000 Estimated Fair Value	2000 Difference
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:						
Cash	$ 543.6	$ 543.6	-	$ 490.2	$ 490.2	-

Investment securities	3,580.5	3,580.5	-	3,259.0	3,259.0	-
Receivables	79,263.5	81,219.0	$ 1,955.5	67,161.7	67,672.4	$ 510.7
Total	83,387.6	85,343.1	1,955.5	70,910.9	71,421.6	510.7
Liabilities:						
Deposits	(6,562.3)	(6,838.9)	(276.6)	(8,676.9)	(8,691.9)	(15.0)
Commercial paper, bank and other borrowings	(12,024.3)	(12,024.3)	-	(10,787.9)	(10,787.9)	-
Senior and senior subordinated debt	(56,823.6)	(58,326.9)	(1,503.3)	(45,053.0)	(44,637.8)	415.2
Insurance reserves	(1,094.5)	(1,345.9)	(251.4)	(1,106.6)	(1,336.8)	(230.2)
Total	(76,504.7)	(78,536.0)	(2,031.3)	(65,624.4)	(65,454.4)	170.0
Other:						
Derivative financial instruments	(1,518.2)	(1,518.2)	-	80.1	(279.6)	(359.7)
Commitments to extend credit and guarantees	-	51.6	51.6	-	48.9	48.9
Total	(1,518.2)	(1,466.6)	51.6	80.1	(230.7)	(310.8)
Total	$ 5,364.7	$ 5,340.5	$ (24.2)	$ 5,366.6	$ 5,736.5	$ 369.9

</TABLE>

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Cash: Carrying value approximates fair value due to cash's liquid nature.

Investment securities: Investment securities are classified as available-for-sale and are carried at fair value on the balance sheets. Fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Receivables: The fair value of adjustable rate receivables approximates carrying value because interest rates on these receivables adjust with changing market interest rates. The fair value of fixed rate consumer receivables was estimated by discounting future expected cash flows at interest rates which approximate the rates that would achieve a similar return on assets with comparable risk characteristics.

Receivables also includes our interest-only strip receivables. The interest-only strip receivables are carried at fair value on our balance sheets. Fair value is based on an estimate of the present value of future cash flows associated with securitizations of certain real estate secured, auto finance, MasterCard and Visa, private label and personal non-credit card receivables.

Deposits: The fair value of our savings and demand accounts equaled the carrying amount as stipulated in FAS No. 107. The fair value of gross fixed rate time certificates was estimated by discounting future expected cash flows at interest rates that we offer on such products at the respective valuation dates.

Commercial paper, bank and other borrowings: The fair value of these instruments approximates existing carrying value because interest rates on these instruments adjust with changes in market interest rates due to their short-term maturity or repricing characteristics.

Senior and senior subordinated debt: The estimated fair value of our gross fixed rate debt instruments was determined using either quoted market prices or by discounting future expected cash flows at interest rates offered for similar types of debt instruments. Carrying value is typically used to estimate the fair value of floating rate debt.

Insurance reserves: The fair value of insurance reserves for periodic payment annuities was estimated by discounting future expected cash flows at estimated market interest rates at December 31, 2001 and 2000. The fair value of other insurance reserves is not required to be determined in accordance with FAS No. 107.

Derivative financial instruments: As of January 1, 2001, all derivative financial instruments are carried at fair value on the balance sheet. Where practical, quoted market prices were used to determine fair value of these instruments. For non-exchange traded contracts, fair value was determined using accepted and established valuation methods (including input from independent third parties) which consider the terms of the contracts and market expectations on the valuation date for forward interest rates (for interest rate contracts) or forward foreign currency exchange rates (for foreign exchange contracts). We enter into foreign exchange contracts to hedge our exposure to currency risk on foreign denominated debt. We also enter into interest rate contracts to hedge our exposure to interest rate risk on assets and liabilities, including debt. As a result, decreases/increases in the fair value of derivative financial instruments which have been designated as effective hedges are offset by a corresponding increase/decrease in the fair value of the individual asset or liability being hedged. See Note 10, "Derivative Financial Instruments and Concentrations of Credit Risk," for additional discussion of the nature of these items.

Commitments to extend credit and guarantees: These commitments were valued by considering our relationship with the counterparty, the creditworthiness of the counterparty and the difference between committed and current interest rates.

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15. Leases

We lease certain offices, buildings and equipment for periods of up to 25 years. The leases expire at various dates through 2019 and have various renewal options. The office space leases generally require us to pay certain operating expenses. Net rental expense under operating leases was $124.9 million in 2001, $107.6 million in 2000 and $89.4 million in 1999.

We have a lease obligation on a former office complex which has been subleased through 2010, the end of the lease period. The sublessee has assumed our future rental obligations on this lease.

Future net minimum lease commitments under noncancelable operating lease arrangements were:
<TABLE>
<CAPTION>

In millions. At December 31, 2001	Minimum Rental Payments	Minimum Sublease Income	Net
<S>	<C>	<C>	<C>
2002	$ 150.9	$ 21.4	$ 129.5
2003	128.6	21.6	107.0
2004	110.7	22.0	88.7
2005	92.8	22.3	70.5
2006	82.6	22.2	60.4
Thereafter	330.0	77.7	252.3
Net minimum lease commitments	$ 895.6	$ 187.2	$ 708.4

</TABLE>

16. Incentive Compensation and Stock Option Plans

Household's executive compensation plans provide for issuance of nonqualified stock options and restricted stock rights ("RSR's"). Stock options permit the holder to purchase, under certain limitations, Household's common stock at the market value of the stock on the date the option is granted. Employee stock options generally vest equally over four years and expire 10 years from the date of grant. RSR's entitle an employee to receive a stated number of shares of Household's common stock if the employee satisfies the conditions set by the Compensation Committee for the award. A total of 4.3 million and 4.0 million RSR's were outstanding at December 31, 2001 and 2000, respectively. Total compensation cost recognized for RSR's was $45.4 million, $24.4 million and $12.4 million in 2001, 2000 and 1999, respectively. Shares of our common stock reserved for stock plans were 34.9 million at December 31, 2001 and 38.9 million at December 31, 2000.

Non-employee directors annually receive options to purchase shares of Household's common stock at the stock's fair market value on the day the option is granted. Director options have a term of ten years and one day, fully vest six months from the date granted, and once vested are exercisable at any time during the option term.

Common stock data for the stock option plans is summarized as follows:
<TABLE>
<CAPTION>

	2001		2000		1999	
	Shares	Weighted-Average Price per Share	Shares	Weighted-Average Price per Share	Shares	Weighted-Average Price per Share
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning Of year	16,687,142	$ 31.09	16,068,326	$ 26.30	21,600,569	$ 21.14
Granted	3,080,400	57.16	2,812,469	48.80	2,311,500	44.78
Exercised	(2,015,723)	17.26	(2,056,064)	12.89	(7,805,549)	17.48
Expired or canceled	(1,535)	28.22	(137,589)	36.84	(38,194)	31.45
Outstanding at end Of year	17,750,284	$ 37.19	16,687,142	$ 31.09	16,068,326	$ 26.30
Exercisable at end of year	11,502,384	$ 29.44	11,134,642	$ 24.10	11,023,619	$ 19.64
Weighted-average fair value of options granted		$ 18.25		$ 19.65		$ 19.65

</TABLE>

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The following table summarizes information about stock options outstanding at December 31, 2001:

<TABLE>
<CAPTION>

Range of Exercise Prices	Options Outstanding: Number Outstanding	Weighted-Average Remaining Life	Weighted-Average Exercise Price	Options Exercisable: Number Outstanding	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$ 6.65 - $ 10.00	303,089	.54 years	$ 8.25	303,089	$ 8.25
$ 10.01 - $ 20.00	4,000,974	2.85 years	14.28	4,000,225	14.27
$ 20.01 - $ 30.00	491,185	5.46 years	24.02	489,959	24.01
$ 30.01 - $ 40.00	4,887,188	6.13 years	36.12	4,367,938	36.07
$ 40.01 - $ 50.00	4,957,448	8.28 years	47.33	2,318,673	46.83
$ 50.01 - $ 57.16	3,110,400	9.84 years	57.10	22,500	51.38

</TABLE>

Household maintains an Employee Stock Purchase Plan (the "ESPP"). The ESPP provides a means for employees to purchase shares of Household's common stock at 85 percent of the lesser of its market price at the beginning or end of a one-year subscription period.

We account for options and shares issued under the ESPP in accordance with APB 25, pursuant to which no compensation cost has been recognized. Had compensation cost been determined consistent with FAS No. 123, "Accounting for Stock-Based Compensation," our net income and earnings per share, on a pro forma basis, would have been as follows:

<TABLE>
<CAPTION>

In millions, except per share data. Year ended December 31	2001 Diluted	2001 Basic	2000 Diluted	2000 Basic	1999 Diluted	1999 Basic
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings available to common shareholders:						
As reported	$ 1,908.0	$ 1,908.0	$1,691.5	$1,691.5	$ 1,477.2	$ 1,477.2
Pro forma	1,880.1	1,880.1	1,670.5	1,670.5	1,460.7	1,460.7
Earnings per share:						
As reported	$ 4.08	$ 4.13	$ 3.55	$ 3.59	$ 3.07	$ 3.10
Pro forma	4.02	4.07	3.51	3.54	3.03	3.06

</TABLE>

The pro forma compensation expense included in the table above may not be representative of the actual effects on net income for future years.

The fair value of each option granted was estimated as of the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions:

<TABLE>
<CAPTION>

	2001	2000	1999
<S>	<C>	<C>	<C>
Risk-free interest rate	3.62%	5.74%	5.84%
Expected dividend yield	1.44	1.49	1.65
Expected life	5 years	5 years	5 years
Expected volatility	34.3%	42.8%	46.9%

</TABLE>

The Black-Scholes model uses different assumptions that can significantly effect the fair value of the options. As a result, the derived fair value estimates cannot be substantiated by comparison to independent markets.

17. Employee Benefit Plans

Household sponsors several defined benefit pension plans covering substantially all of its U.S. and non-U.S. employees. At December 31, 2001, plan assets included an investment in 1,112,546 shares of Household's common stock with a fair value of $64.5 million.

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Pension income for defined benefit plans, primarily due to the overfunded status of the domestic plan, included the following components:

<TABLE>
<CAPTION>

In millions. Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Service cost - benefits earned during the period	$(26.9)	$(22.6)	$(28.7)
Interest cost on projected benefit obligation	(37.4)	(33.2)	(31.0)
Expected return on assets	101.6	87.9	80.4
Amortization of transition asset	.9	1.4	1.2

Recognized gains (losses)	-	(.2)	4.1
Pension income	$ 38.2	$ 33.3	$ 26.0

</TABLE>

The assumptions used in determining the benefit obligation and pension income of the domestic defined benefit plans at December 31 are as follows:

<TABLE>
<CAPTION>

<S>	2001 <C>	2000 <C>	1999 <C>
Discount rate	7.5%	8.25%	8.0%
Salary increase assumption	4.0	4.0	4.0
Expected long-term rate of return on plan assets	10.0	10.0	10.0

</TABLE>

A reconciliation of beginning and ending balances of the projected benefit obligation of the defined benefit pension plans is as follows:

In millions. Year ended December 31	2001	2000
Benefit obligation at beginning of year	$555.1	$547.9
Service cost	26.9	22.6
Interest cost	37.4	33.2
Actuarial losses	112.0	14.9
Foreign currency exchange rate changes	(3.2)	(4.4)
Plan amendments	9.2	.2
Benefits paid	(59.6)	(59.3)
Benefit obligation at end of year	$677.8	$555.1

A reconciliation of beginning and ending balances of the fair value of plan assets associated with the defined benefit pension plans is as follows:

In millions. Year ended December 31	2001	2000
Fair value of plan assets at beginning of year	$1,058.8	$ 926.5
Actual return on plan assets	(136.6)	195.4
Foreign currency exchange rate changes	(3.5)	(4.8)
Employer contributions	.7	1.0
Benefits paid	(59.6)	(59.3)
Fair value of plan assets at end cf year	$ 859.8	$1,058.8

The funded status of defined benefit pension plans was as follows:

In millions. At December 31	2001	2000
Funded status	$ 182.0	$ 503.7
Unrecognized net actuarial loss (gain)	257.5	(98.1)
Unamortized prior service cost	3.7	(6.1)
Prepaid pension cost	$ 443.2	$ 399.5

We also sponsor a non-qualified supplemental retirement plan. This plan, which is unfunded, provides eligible employees defined pension benefits outside the qualified retirement plan based on average earnings, years of service and age at retirement. At December 31, 2001 and 2000, the projected benefit obligation was $41.5 million and $28.6 million, respectively. Pension expense related to the supplemental retirement plan was $10.0 million, $5.1 million and $7.2 million in 2001, 2000 and 1999, respectively.

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We also sponsor various 401(k) savings plans and profit sharing plans for employees meeting certain eligibility requirements. Under these plans, each participant's contribution is matched by the company in Household common stock up to a maximum of 6 percent of the participant's compensation. For 2001, 2000 and 1999, total expense for these plans was $56.7 million, $47.0 million and $39.1 million, respectively.

We have several plans which provide medical, dental and life insurance benefits to retirees and eligible dependents. These plans cover substantially all employees who meet certain age and vested service requirements. We have instituted dollar limits on our payments under the plans to control the cost of future medical benefits.

The net postretirement benefit cost included the following:

<TABLE>
<CAPTION>

In millions. Year ended December 31	2001	2000	1999
Service cost-benefits earned during the period	$ (3.2)	$ (3.4)	$ (4.3)
Interest cost on accumulated postretirement benefit obligation	(11.1)	(10.3)	(9.4)
Amortization of transition obligation	(6.6)	(6.7)	(6.3)
Amortization of prior service cost	1.7	1.4	1.7
Recognized actuarial gain	3.1	2.8	1.2
Net periodic postretirement benefit cost	$ (16.1)	$ (16.2)	$ (17.1)

</TABLE>

A reconciliation of the beginning and ending balances of the accumulated postretirement benefit obligation is as follows:
<TABLE>
<CAPTION>

In millions. Year ended December 31	2001	2000
Benefit obligation at beginning of year	$ 161.0	$ 160.5
Service cost	3.2	3.4
Interest cost	11.1	10.3
Foreign currency exchange rate changes	(.4)	-
Actuarial losses (gains)	29.4	(9.1)
Plan amendments	-	4.7
Benefits paid	(7.5)	(8.8)
Benefit obligation at end of year	$ 196.8	$ 161.0

</TABLE>

Our postretirement benefit plans are funded on a pay-as-you-go basis. A reconciliation of the components of the accrued postretirement benefit obligation is as follows:

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000
Funded status	$ 196.8	$ 161.0
Unamortized prior service cost	17.2	18.1
Unrecognized net actuarial gain	31.4	72.1
Unamortized transition obligation	(75.0)	(80.6)
Accrued postretirement benefit obligation	$ 170.4	$ 170.6

</TABLE>

The assumptions used in determining the benefit obligation and cost of such plans at December 31 are as follows:

<TABLE>
<CAPTION>

	2001	2000	1999
Discount rate	7.5%	8.25%	8.0%
Salary increase assumption	4.0	4.0	4.0

</TABLE>

A 9.8 percent annual rate of increase in the gross cost of covered health care benefits was assumed for 2002. This rate of increase is assumed to decline gradually to 5.35 percent in 2008.

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<PAGE>

Assumed health care cost trend rates have an effect on the amounts reported for health care plans. A one-percentage point change in assumed health care cost trend rates would increase (decrease) service and interest costs and the postretirement benefit obligation as follows:

<TABLE>
<CAPTION>

In millions.	One Percent Increase	One Percent Decrease
Effect on total of service and interest cost components	$ .6	$ (.6)
Effect on postretirement benefit obligation	8.1	(7.6)

</TABLE>

18. Income Taxes

HHT 0015842

Total income taxes were:

In millions. Year ended December 31	2001	2000	1999
Provision for income taxes related to operations	$1,015.0	$ 909.8	$ 734.3
Income taxes related to adjustments included in common shareholders' equity:			
Unrealized gain (loss) on investments, net	110.6	56.3	(50.1)
Unrealized losses on cash flow hedging instruments	(391.6)	-	-
Foreign currency translation adjustments	(10.1)	(22.4)	(5.3)
Exercise of stock based compensation	(35.5)	(23.5)	(89.1)
Total	$ 688.4	$ 920.2	$ 589.8

Provisions for income taxes related to operations were:

In millions. Year ended December 31	2001	2000	1999
Current			
United States	$ 907.1	$ 710.8	$ 633.8
Foreign	69.8	112.0	67.4
Total current	976.9	822.8	701.2
Deferred			
United States	40.3	93.4	32.3
Foreign	(2.2)	(6.4)	.8
Total deferred	38.1	87.0	33.1
Total income taxes	$1,015.0	$ 909.8	$ 734.3

The significant components of deferred income tax provisions attributable to income from operations were:

In millions. Year ended December 31	2001	2000	1999
Deferred income tax provision	$ 33.1	$ 89.6	$ 17.3
Adjustment of valuation allowance	(11.8)	(8.4)	20.7
Change in operating loss carryforwards	16.8	5.8	(4.9)
Deferred income tax provision	$ 38.1	$ 87.0	$ 33.1

Income before income taxes were:

In millions. Year ended December 31	2001	2000	1999
United States	$2,660.6	$2,273.8	$1,930.7
Foreign	277.9	336.7	290.0
Total income before income taxes	$2,938.5	$2,610.5	$2,220.7

Effective tax rates are analyzed as follows:

Year ended December 31	2001	2000	1999
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in rate resulting from:			
State and local taxes, net of federal benefit	2.8	2.6	2.4
Tax credits	(2.5)	(1.5)	(.9)
Other	(.8)	(1.2)	(3.4)
Effective tax rate	34.5%	34.9%	33.1%

Provision for U.S. income taxes had not been made at December 31, 2001 and 2000

on $267.5 million and $300.6 million, respectively, of undistributed earnings of foreign subsidiaries. Determination of the amount of unrecognized deferred tax liability related to investments in foreign subsidiaries is not practicable.

In addition, provision for U.S. income taxes had not been made at December 31, 2001 on $80.1 million of undistributed earnings of life insurance subsidiaries accumulated as policyholders' surplus under tax laws in effect prior to 1984. If this amount were distributed, the additional income tax payable would be approximately $28 million.

Our U.S. savings and loan subsidiary has credit loss reserves for tax purposes that arose in years beginning before December 31, 1987 in the amount of $55.3 million. The amount of deferred tax liability on the aforementioned credit loss reserves not recognized totaled $20.5 million at December 31, 2001. Because these amounts would become taxable only in the event of certain circumstances which we do not expect to occur within the foreseeable future, no deferred tax liability has been established for these items.

At December 31, 2001, we had net operating loss carryforwards for tax purposes of $11.3 million, of which $1.7 million expire in 2004; $2.4 million expire in 2005; $2.1 million expire in 2006; and $5.1 million expire in 2019. We also had foreign tax credit carryforwards of $.5 million which expire in 2004.

Temporary differences which gave rise to a significant portion of deferred tax assets and liabilities were as follows:

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000
Deferred Tax Liabilities		
<S>	<C>	<C>
Receivables sold	$ 837.7	$ 822.2
Leveraged lease transactions, net	393.9	385.4
Deferred loan origination costs	172.4	93.4
Pension plan assets	154.2	142.5
Fee income	147.3	78.3
Other	222.0	237.9
Total deferred tax liabilities	$ 1,927.5	$ 1,759.7
Deferred Tax Assets		
Credit loss reserves	$ 1,208.8	$ 1,128.3
Market value adjustments	277.4	-
Other	389.6	337.9
Total deferred tax assets	1,875.8	1,466.2
Valuation allowance	(.5)	(12.3)
Total deferred tax assets net of valuation allowance	1,875.3	1,453.9
Net deferred tax liability	$ 52.2	$ 305.8

</TABLE>

The deferred tax asset valuation allowance relates entirely to foreign tax credit carryforwards. Due to the limited carryforward period and limitations under U.S. tax laws with respect to foreign tax credit utilization, management believes it is more likely than not that the deferred tax asset will not be realized. The current period net change in the valuation allowance reflects the current utilization of prior carryforwards. A 100 percent valuation allowance has been established relating to the remaining carryforwards available.

<PAGE>

19. Earnings Per Common Share

<TABLE>
<CAPTION>

In millions, except per share data.	2001		2000		1999	
Year ended December 31	Diluted	Basic	Diluted	Basic	Diluted	Basic
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings						
Net income	$ 1,923.5	$ 1,923.5	$ 1,700.7	$ 1,700.7	$ 1,486.4	$ 1,486.4
Preferred dividends	(15.5)	(15.5)	(9.2)	(9.2)	(9.2)	(9.2)
Earnings available to Common shareholders	$ 1,908.0	$ 1,908.0	$ 1,691.5	$ 1,691.5	$ 1,477.2	$ 1,477.2
Average Shares						
Common	462.0	462.0	471.8	471.8	477.0	477.0
Common equivalents	6.1	-	4.4	-	4.8	-
Total	468.1	462.0	476.2	471.8	481.8	477.0
Earnings per common share	$ 4.08	$ 4.13	$ 3.55	$ 3.59	$ 3.07	$ 3.10

</TABLE>

20. Commitments and Contingent Liabilities

In the ordinary course of business there are various legal proceedings pending against us. Management believes the aggregate liability, if any, resulting from such actions would not have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, as the ultimate resolution of these proceedings is influenced by factors that are outside of our control, it is reasonably possible our estimated liability under these proceedings may change.

See Note 15 for discussion of lease commitments.

21. Segment Reporting

We have three reportable segments: Consumer, Credit Card Services, and International. Our segments are managed separately and are characterized by different middle-market consumer lending products, origination processes, and locations. Our Consumer segment consists of our consumer lending, mortgage services, retail services, and auto finance businesses. Our Credit Card Services segment consists of our domestic MasterCard and Visa credit card business. Our International segment consists of our foreign operations in the United Kingdom ("U.K.") and Canada. The Consumer segment provides real estate secured, automobile secured and personal non-credit card loans. Loans are offered with both revolving and closed-end terms and with fixed or variable interest rates. Loans are originated through branch locations, correspondents, mortgage brokers, direct mail, telemarketing, independent merchants or automobile dealers. The Credit Card Services segment offers MasterCard and Visa credit cards throughout the United States primarily via strategic affinity and co-branding relationships, direct mail, and our branch network to subprime customers. The International segment offers secured and unsecured lines of credit and secured and unsecured closed-end loans primarily in the United Kingdom and Canada. In addition, the United Kingdom operation offers MasterCard and Visa credit cards and credit insurance in connection with all loan products. We also cross sell our credit cards to existing real estate secured, private label and tax services customers. All segments offer products and service customers through the Internet. The All Other caption includes our insurance and tax services and commercial businesses, as well as our corporate and treasury activities, each of which falls below the quantitative threshold tests under Statement of Financial Accounting Standards No. 131 for determining reportable segments.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. For segment reporting purposes, intersegment transactions have not been eliminated. We generally account for transactions between segments as if they were with third parties. We evaluate performance and allocate resources based on income from operations after income taxes and returns on equity and managed assets.

We allocate resources and provide information to management for decision making on a managed basis. Therefore, an adjustment is required to reconcile the managed financial information to our reported financial information in our consolidated financial statements. This adjustment reclassifies net interest margin, fee income and loss provision into securitization revenue. Certain segment information previously presented on an owned basis has been restated to a managed basis.

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<PAGE>

Reportable Segments - Managed Basis

<TABLE>
<CAPTION>

In millions. Managed Basis	Consumer	Credit Card Services	International	All Other	Totals
<S>	<C>	<C>	<C>	<C>	<C>
For the year ended December 31, 2001:					
Net interest margin	$ 5,829.0	$ 1,556.1	$ 592.5	$ (37.0)	$ 7,940.6
Fee income	368.5	1,182.8	60.5	6.7	1,618.5
Other revenues (1)	357.5	99.4	209.5	553.6	1,220.0
Intersegment revenues	190.4	38.2	8.4	(2.7)	234.3
Provision for credit losses	2,550.3	1,167.3	226.9	72.3	4,016.7
Depreciation and amortization	64.5	110.8	23.7	109.3	308.3
Income tax expense (benefit)	840.5	232.6	65.2	(36.8)	1,101.5
Segment net income (loss)	1,327.7	367.6	204.1	173.7	2,073.1
Receivables	75,640.8	17,178.5	7,157.5	845.9	100,822.7
Total segment assets	78,698.8	18,875.3	8,375.2	14,116.7	120,066.0
Expenditures for long-lived assets (7)	17.0	4.5	27.8	125.9	175.2
For the year ended December 31, 2000:					
Net interest margin	$ 4,851.6	$ 1,222.8	$ 594.1	$ (178.5)	$ 6,490.0
Fee income	348.6	1,055.2	61.0	5.6	1,470.4
Other revenues (1)	401.7	114.3	244.6	414.7	1,175.3
Intersegment revenues	192.0	32.7	5.2	-	229.9
Provision for credit losses	1,978.4	1,066.2	233.6	(27.4)	3,250.8
Depreciation and amortization	78.4	123.5	20.2	79.6	301.7
Income tax expense (benefit)	796.5	142.6	98.6	(43.1)	994.6
Segment net income (loss)	1,271.3	214.7	230.1	131.3	1,847.4
Receivables	63,067.0	15,977.3	7,847.0	716.1	87,604.4
Total segment assets	65,822.3	17,713.9	9,017.5	14,164.3	106,718.0

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Expenditures for long-lived assets (7)	29.1	283.1	37.7	100.5	450.4
For the year ended December 31, 1999:					
Net interest margin	$ 4,043.3	$ 1,020.4	$ 614.0	$ (138.5)	$ 5,539.2
Fee income	350.6	797.5	54.1	3.3	1,205.5
Other revenues (1)	207.4	63.8	184.0	474.5	929.7
Intersegment revenues	124.0	17.2	3.4	-	144.6
Provision for credit losses	1,598.6	912.4	247.7	(.4)	2,758.3
Depreciation and amortization	80.8	108.4	17.5	67.7	274.4
Income tax expense (benefit)	625.6	100.2	59.4	10.6	795.8
Segment net income (loss)	991.5	152.8	218.7	230.0	1,593.0
Receivables	49,399.0	13,854.8	7,618.8	855.7	71,728.3
Total segment assets	51,840.1	15,489.7	8,846.0	14,000.7	90,176.5
Expenditures for long-lived assets (7)	78.9	5.8	45.6	64.4	194.7

</TABLE>

<TABLE>
<CAPTION>

In millions. Managed Basis	Adjustments/ Reconciling Items	Managed Basis Consolidated Totals	Securitization Adjustments	Owned Basis Consolidated Totals
<S>	<C>	<C>	<C>	<C>
For the year ended December 31, 2001:				
Net interest margin	-	$ 7,940.6	$ (2,093.8) (6)	$ 5,846.8
Fee income	-	1,618.5	(651.6) (6)	966.9
Other revenues (1)	$ (234.3) (2)	985.7	1,639.9 (6)	2,625.6
Intersegment revenues	(234.3) (2)	-	-	-
Provision for credit losses	1.7 (3)	4,018.4	(1,105.5) (6)	2,912.9
Depreciation and amortization	-	308.3	-	308.3
Income tax expense (benefit)	(86.5) (4)	1,015.0	-	1,015.0
Segment net income (loss)	(149.6)	1,923.5	-	1,923.5
Receivables	-	100,822.7	(20,948.0) (8)	79,874.7
Total segment assets	(9,702.0) (5)	110,364.0	(20,948.0) (8)	89,416.0
Expenditures for long-lived assets (7)	-	175.2	-	175.2
For the year ended December 31, 2000:				
Net interest margin	-	$ 6,490.0	$ (1,724.6) (6)	$ 4,765.4
Fee income	-	1,470.4	(644.6) (6)	825.8
Other revenues (1)	$ (229.9) (2)	945.4	1,233.7 (6)	2,179.1
Intersegment revenues	(229.9) (2)	-	-	-
Provision for credit losses	1.6 (3)	3,252.4	(1,135.5) (6)	2,116.9
Depreciation and amortization	-	301.7	-	301.7
Income tax expense (benefit)	(84.8) (4)	909.8	-	909.8
Segment net income (loss)	(146.7)	1,700.7	-	1,700.7
Receivables	-	87,607.4	(20,249.5) (8)	67,357.9
Total segment assets	(9,762.2) (5)	96,955.8	(20,249.5) (8)	76,706.3
Expenditures for long-lived assets (7)	-	450.4	-	450.4
For the year ended December 31, 1999:				
Net interest margin	-	$ 5,539.2	$ (1,732.9) (6)	$ 3,806.3
Fee income	-	1,205.5	(610.0) (6)	595.5
Other revenues (1)	$ (144.6) (2)	785.1	1,277.5 (6)	2,062.6
Intersegment revenues	(144.6) (2)	-	-	-
Provision for credit losses	23.5 (3)	2,781.8	(1,065.4) (6)	1,716.4
Depreciation and amortization	-	274.4	-	274.4
Income tax expense (benefit)	(61.5) (4)	734.3	-	734.3
Segment net income (loss)	(106.6)	1,486.4	-	1,486.4
Receivables	-	71,728.3	(19,438.9) (8)	52,289.4
Total segment assets	(9,988.2) (5)	80,188.3	(19,438.9) (8)	60,749.4
Expenditures for long-lived assets (7)	-	194.7	-	194.7

</TABLE>

(1) Net of policyholder benefits and excluding fees.
(2) Eliminates intersegment revenues.
(3) Eliminates bad debt recovery sales between operating segments.
(4) Tax benefit associated with items comprising adjustments/reconciling items.
(5) Eliminates investments in subsidiaries and intercompany borrowings.
(6) Reclassifies net interest margin fee income and loss provisions relating to securitized receivables to other revenues.
(7) Includes goodwill associated with purchase business combinations and capital expenditures.
(8) Represents receivables serviced with limited recourse.

<PAGE>

Managed Receivables

The following summarizes our managed receivables, which includes both our owned receivables and receivables serviced with limited recourse.

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000	1999

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<S>	<C>	<C>	<C>
Real estate secured	$ 44,718.6	$ 36,637.5	$ 26,935.5
Auto finance	6,395.5	4,563.3	3,039.8
MasterCard/Visa	17,395.2	17,583.4	15,793.1
Private label	13,813.9	11,997.3	11,269.7
Personal non-credit card	17,992.6	16,227.3	13,881.9
Commercial and other	506.9	598.6	808.3
Total	$ 100,822.7	$ 87,607.4	$ 71,728.3

</TABLE>

Geographic Data

The following summarizes our owned basis assets, revenues and income before income taxes by material country:

<TABLE>
<CAPTION>

	Identifiable Assets			Long-Lived Assets (1)		
In millions.	2001	2000	1999	2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	$82,221.0	$68,917.7	$52,886.9	$1,988.1	$2,107.2	$1,310.2
United Kingdom	5,709.6	6,401.3	6,486.6	93.1	109.6	91.7
Canada	1,379.4	1,246.6	1,188.2	5.2	6.5	5.8
Other	106.0	140.7	187.7	-	-	.2
Total	$89,416.0	$76,706.3	$60,749.4	$2,086.4	$2,223.3	$1,407.9

</TABLE>

(1) Includes properties and equipment, net of accumulated depreciation, and goodwill, net of accumulated amortization.

<TABLE>
<CAPTION>

	Revenues			Income Before Income Taxes		
In millions.	2001	2000	1999	2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	$12,661.4	$10,683.5	$8,290.5	$2,660.6	$2,273.1	$1,930.7
United Kingdom	1,014.4	1,059.9	995.0	206.4	274.1	223.9
Canada	220.2	194.4	178.2	48.4	41.3	39.4
Other	19.7	23.1	35.4	23.1	22.0	26.7
Total	$13,915.7	$11,960.9	$9,499.1	$2,938.5	$2,610.5	$2,220.7

</TABLE>

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Management's Report

To the Shareholders of Household International, Inc.

Household International's management is responsible for the preparation, integrity and fair presentation of its published financial statements. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and, as such, include amounts based on judgments and estimates made by management. Management also prepared other information included in the annual report and is responsible for its accuracy and consistency with the financial statements.

The consolidated financial statements have been audited by an independent accounting firm, Arthur Andersen LLP, which has been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the board. Management believes that representations made to the independent auditors during their audit were valid and appropriate.

Management maintains a system of internal controls over the preparation of its published financial statements. These controls are designed to provide reasonable assurance to the company's Board of Directors and officers that the financial statements have been fairly presented in accordance with generally accepted accounting principles. The Board, operating through its audit committee which is composed entirely of non-executive directors, provides oversight to the financial reporting process.

Internal auditors monitor the operation of the internal control system and actions are taken by management to respond to deficiencies as they are identified. Even effective internal controls, no matter how well designed, have inherent limitations, such as the possibility of human error or of circumvention or overriding of controls, and the consideration of cost in relation to benefit

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of a control. Further, the effectiveness of an internal control can change with circumstances.

Household International's management periodically assesses the internal controls for adequacy. Based upon these assessments, Household International's management believes that, in all material respects, its internal controls relating to preparation of consolidated financial statements as of December 31, 2001 functioned effectively during the year ended December 31, 2001.

Management has long recognized its responsibility for conducting the company's affairs in a manner which is responsive to the interest of employees, shareholders, investors and society in general. This responsibility is included in the statement of policy on ethical standards which provides that the company will fully comply with laws, rules and regulations of every community in which it operates and adhere to the highest ethical standards. Officers, employees and agents of the company are expected and directed to manage the business of the company with complete honesty, candor and integrity.

/s/ William F. Aldinger
William F. Aldinger
Chairman and
Chief Executive Officer

/s/ David A. Schoenholz
David A. Schoenholz
Vice Chairman -
Chief Financial Officer

January 14, 2002

<PAGE>

Report of Independent Public Accountants

To the Shareholders of Household International, Inc.

We have audited the accompanying consolidated balance sheets of Household International, Inc. (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in preferred stock and common shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of Household International Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Household International, Inc. and subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

/s/ Arthur Andersen LLP
Chicago, Illinois
January 14, 2002

<PAGE>

Household International, Inc.
and Subsidiaries

Common and Preferred Stock Information

Household International common stock is listed on the New York and Chicago stock exchanges. We also have unlisted trading privileges on the Boston, Pacific and Philadelphia stock exchanges. Call and put options are traded on the American Stock Exchange, Pacific Stock Exchange and Chicago Board of Options Exchange.

<TABLE>
<CAPTION>

Stock	Ticker Symbol	Dividends Declared 2001	Dividends Declared 2000	Features	Redemption Features

<S>	<C>	<C>	<C>	<C>	<C>
Common	HI	$ .85	$ .74	Quarterly dividend rate increased to $.22 effective 7/15/01	N/A
5% Cumulative Preferred	HI + PRM	$2.50	$2.50	Nonconvertible	Redeemable at our option
$4.50 Cumulative Preferred	HI + PRN	$4.50	$4.50	Nonconvertible	Redeemable at our option
$4.30 Cumulative Preferred	HI + PRO	$4.30	$4.30	Nonconvertible	Redeemable at our option
8 1/4% Cumulative Preferred, Series 1992-A Depositary Shares representing 1/40 share of 8 1/4% Cumulative Preferred Stock, Series 1992-A	HI + PRZ	$2.0625	$2.0625	Nonconvertible	Cannot be redeemed prior to 10/16/2002. Redeemable at our option after 10/15/2002 in whole or in part at $25.00 per depositary share plus accrued and unpaid dividends.
7.50% Cumulative Preferred, Series 2001-A Depositary Shares representing 1/40 share of 7.50% Cumulative Preferred Stock, Series 2001-A/1/	HI + PRS	$0.4896	N/A	Nonconvertible	Cannot be redeemed prior to 9/27/2006. Redeemable at our option after 9/26/2006 in whole or in part at $25.00 per depositary share plus accrued and unpaid dividends.

</TABLE>
<TABLE>
<CAPTION>

	Net Shares Outstanding		Shareholders of Record		2001 Market Price		2000 Market Price	
Stock	2001	2000	2001	2000	High	Low	High	Low
Common	457,124,303	471,019,659	19,226	19,468	$69.98	$48.00	$57.44	$29.50
5% Cumulative Preferred	407,718	407,718	1,183	1,254	41.50	30.00	37.00	29.00
$4.50 Cumulative Preferred	103,976	103,976	242	269	66.20	56.75	65.25	50.00
$4.30 Cumulative Preferred	836,585	836,585	513	542	63.00	53.25	62.63	50.00
8 1/4% Cumulative Preferred, Series 1992-A	2,000,000	2,000,000	201	228	27.50	24.50	26.63	25.25
7.50% Cumulative Preferred, Series 2001-A/1/	12,000,000	N/A	15	N/A	25.87	23.00	-	-

/1/Issued September 27, 2001.
</TABLE>

<PAGE>

Household International, Inc.
and Subsidiaries

Common and Preferred Stock Information (continued)

<TABLE>
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Year ended December 31, unless otherwise indicated	2001	2000	1999	1998	1997
Market Value Share of Common Stock (High-Low prices on NYSE)					
First Quarter	62.00-52.00	39.19-29.50	46.69-38.69	47.79-37.71	36.08-28.33
Second Quarter	69.98-57.45	48.19-37.63	52.31-42.00	52.56-41.67	39.15-26.21
Third Quarter	69.49-48.00	57.44-41.00	50.19-36.19	53.69-35.25	43.33-36.15
Fourth Quarter	61.40-51.29	56.94-43.88	48.00-35.81	40.50-23.00	43.21-36.13
Yearly range	69.98-48.00	57.44-29.50	52.31-35.81	53.69-23.00	43.33-26.21
Year-end close	57.94	55.00	37.25	39.63	42.54
Composite common shares traded	563,070,100	408,751,400	390,575,200	454,878,500	302,551,200
Average daily volume	2,270,444	1,622,029	1,549,902	1,805,073	1,195,854
Shares Outstanding at December 31					
Common	457,124,303	471,019,659	467,911,445	483,137,739	485,351,517
5% Cumulative Preferred/2/	407,718	407,718	407,718	407,718	-
$4.50 Cumulative Preferred/2/	103,976	103,976	103,976	103,976	-
$4.30 Cumulative Preferred/2/	836,585	836,585	836,585	836,585	-
8 1/4% Cumulative Preferred, Series 1992-A/1/	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
7.50% Cumulative Preferred, Series 2001-A/1, 3/	12,000,000	-	-	-	-
7.35% Preferred, Series 1993-A/1/	-	-	-	-	4,000,000
Shareholders of Record at December 31					
Common	19,226	19,468	19,991	20,584	10,239
5% Cumulative Preferred/2/	1,183	1,254	1,363	1,329	-
$4.50 Cumulative Preferred/2/	242	269	288	283	-
$4.30 Cumulative Preferred/2/	513	542	592	380	-
8 1/4% Cumulative Preferred, Series 1992-A/1/	201	228	258	309	356
7.50% Cumulative Preferred, Series 2001-A/1, 3/	15	-	-	-	-
7.35% Preferred, Series 1993-A/1/	-	-	-	-	247

Total	21,380	21,761	22,492	22,885	10,842

</TABLE>

/1/ Per depositary share.

/2/ The 5%, $4.50 and $4.30 Cumulative Preferred Stock was issued by Household to replace Beneficial preferred stock outstanding at the time of the merger. The information presented for these preferred shares is for the period subsequent to the merger.

/3/ Issued September 27, 2001.

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HHT 0015850

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Exhibit 21

SUBSIDIARIES OF HOUSEHOLD INTERNATIONAL, INC.

As of December 31, 2001, the following subsidiaries were directly or indirectly owned by the Registrant. Certain subsidiaries which in the aggregate do not constitute significant subsidiaries may be omitted.

SUBSIDIARIES/AFFILIATES OF REGISTRANT
<TABLE>
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Business Name and Address(1)	State of Incorporation	% of Voting Shares, Part. Interests, Voting Trust Certs. Captal
<S>	<C>	<C>
Household Investment Funding, Inc.	Delaware	100%
Household Aviation, LLC	Delaware	N/A
Hamilton Investments, Inc.	Delaware	100%
Craig-Hallum Corporation	Delaware	100%
Household Credit Services (III),Inc.	Delaware	100%
Renaissance Bankcard Services	Oregon	100%
Renaissance Bankcard Services of Kentucky	Kentucky	100%
Household Bank, f.s.b.	California	100%
HB Receivables Corporation	Nevada	100%
Beneficial Retail Services, Inc.	Delaware	100%
HHTS, Inc.	Illinois	100%
Household Bank (SB), N.A.	United States	100%
Household Affinity Funding Corporation	Delaware	100%
Household Service Corporation of Illinois, Inc.	Illinois	100%
Household Insurance Services, Inc.	Illinois	100%
Housekey Financial Corporation	Illinois	100%
Household Mortgage Services, Inc.	Delaware	100%
Beneficial Service Corporation	Delaware	100%
Beneficial Service Corporation of Delaware	Delaware	100%
Household Capital Corporation	Delaware	100%
Household Finance Corporation	Delaware	100%
HRSI Funding, Inc. II	Delaware	100%
Household Affinity Funding Corporation II	Delaware	100%
Household Receivables Funding, Inc. III	Delaware	100%
Household Receivables Acquisition Company II	Delaware	100%
HGF Leasing, Inc.	Delaware	100%

Beneficial Corporation	Delaware	100%
Beneficial Finance Co.	Delaware	100%
Beneficial Loan Corporation of Kentucky	Kentucky	100%
Beneficial Credit Corp.	Delaware	100%
Guaranty and Indemnity Insurance Company	Delaware	100%
Bencharge Credit Service Holding Company	Delaware	100%
Beneficial Credit Services Northeast, Inc.	Delaware	100%
Household Payroll Services, Inc.	Delaware	100%
Beneficial Credit Services of Connecticut Inc.	Delaware	100%
Beneficial Credit Services of Mississippi Inc.	Delaware	100%
Beneficial Credit Services of South Carolina Inc.	Delaware	100%
Beneficial Credit Services Inc.	Delaware	100%
Beneficial Alabama Inc.	Alabama	100%
Beneficial Arizona Inc.	Delaware	100%
Beneficial California Inc.	Delaware	100%
Beneficial Colorado Inc.	Delaware	100%
Beneficial Commercial Holding Corp.	Delaware	100%
Beneficial Commercial Corporation	Delaware	100%
Beneficial Finance Leasing Corp.	Delaware	100%
Beneficial Leasing Group, Inc.	Delaware	100%
Neil Corporation	Delaware	100%
Silliman Corporation	Delaware	100%
Beneficial Connecticut Inc.	Delaware	100%
Beneficial Consumer Discount Co.	Pennsylvania	100%
Beneficial Delaware Inc.	Delaware	100%
Beneficial Discount Co. of Virginia	Delaware	100%
Beneficial Finance Co. of West Virginia	Delaware	100%
Beneficial Finance Services, Inc.	Kansas	100%
Beneficial Florida Inc.	Delaware	100%
Beneficial Mortgage Co. of Florida	Delaware	100%
Beneficial Georgia Inc.	Delaware	100%
Beneficial Hawaii Inc.	Delaware	100%

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Beneficial Idaho Inc.	Delaware	100%
Beneficial Illinois Inc.	Delaware	100%

Beneficial Income Tax Service Holding Co., Inc.	Delaware	100%
Household Tax Masters Inc.	Delaware	100%
Beneficial Indiana Inc.	Delaware	100%
Beneficial Investment Co.	Delaware	100%
Beneficial Credit Services of New York, Inc.	Delaware	100%
Beneficial New York Inc.	New York	100%
Beneficial Homeowner Service Corporation	Delaware	100%
Beneficial Iowa Inc.	Iowa	100%
Beneficial Kansas Inc.	Kansas	100%
Beneficial Kentucky Inc.	Delaware	100%
Beneficial Land Company, Inc.	New Jersey	100%
Beneficial Loan & Thrift Co.	Minnesota	100%
Beneficial Louisiana Inc.	Delaware	100%
Beneficial Maine Inc.	Delaware	100%
Beneficial Management Corporation	Delaware	100%
Beneficial Management Institute, Inc.	New York	100%
Beneficial Management Corporation of America	Delaware	100%
Beneficial Franchise Company Inc.	Delaware	100%
Beneficial Business Credit Corp.	Delaware	100%
Beneficial Mark Holding Inc.	Delaware	100%
Beneficial Trademark Co.	Delaware	100%
Beneficial Management Headquarters, Inc.	New Jersey	100%
Beneficial Facilities Corporation	New Jersey	100%
Beneficial Maryland Inc.	Delaware	100%
Beneficial Massachusetts Inc.	Delaware	100%
Beneficial Michigan Inc.	Delaware	100%
Beneficial Mississippi Inc.	Delaware	100%
Beneficial Missouri, Inc.	Delaware	100%
Beneficial Montana Inc.	Delaware	100%
Beneficial Mortgage Holding Company	Delaware	100%
Beneficial Excess Servicing Inc.	Delaware	100%
Beneficial Home Mortgage Loan Corp.	Delaware	100%
Beneficial Mortgage Co. of Arizona	Delaware	100%
Beneficial Mortgage Co. of Colorado	Delaware	100%
Beneficial Mortgage Co. of Connecticut	Delaware	100%
Beneficial Mortgage Co. of Georgia	Delaware	100%
Beneficial Mortgage Co. of Idaho	Delaware	100%
Beneficial Mortgage Co. of Indiana	Delaware	100%
Beneficial Mortgage Co. of Kansas, Inc.	Delaware	100%
Beneficial Mortgage Co. of Louisiana	Delaware	100%

Beneficial Mortgage Co. of Maryland	Delaware	100%
Beneficial Mortgage Co. of Massachusetts	Delaware	100%
Beneficial Mortgage Co. of Mississippi	Delaware	100%
Beneficial Mortgage Co. of Missouri, Inc.	Delaware	100%
Beneficial Mortgage Co. of Nevada	Delaware	100%
Beneficial Mortgage Co. of New Hampshire	Delaware	100%
Beneficial Mortgage Co. of Oklahoma	Delaware	100%
Beneficial Mortgage Co. of Rhode Island	Delaware	100%
Beneficial Mortgage Co. of South Carolina	Delaware	100%
Beneficial Mortgage Co. of Texas	Delaware	100%
Beneficial Mortgage Co. of Utah	Delaware	100%
Beneficial Mortgage Co. of Virginia	Delaware	100%
Beneficial Mortgage Co. of North Carolina	Delaware	100%
Decision One Mortgage Company, LLC	North Carolina	100%
Beneficial National Bank USA	Delaware	100%
Beneficial Service Corporation of New Jersey	Delaware	100%
Beneficial Nebraska Inc.	Nebraska	100%
Beneficial Nevada Inc.	Delaware	100%
Beneficial New Hampshire Inc.	Delaware	100%
Beneficial New Jersey Inc.	Delaware	100%
Beneficial New Mexico Inc.	Delaware	100%
Beneficial North Carolina Inc.	Delaware	100%
Beneficial Oklahoma Inc.	Delaware	100%
Beneficial Oregon Inc.	Delaware	100%
Beneficial Real Estate Company,Inc.	New Jersey	100%
Beneficial Rhode Island Inc.	Delaware	100%
Beneficial South Carolina Inc.	Delaware	100%
Beneficial South Dakota Inc.	Delaware	100%
Beneficial Systems Development Corp	Delaware	100%
Beneficial Technology Corporation	Delaware	100%
Beneficial Tennessee Inc.	Tennessee	100%

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Beneficial Texas Inc.	Texas	100%
Beneficial Utah Inc.	Delaware	100%
Beneficial Vermont Inc.	Delaware	100%
Beneficial Virginia Inc.	Delaware	100%

Beneficial Washington Inc.	Delaware	100%
Beneficial West Virginia, Inc.	West Virginia	100%
Beneficial Wisconsin Inc.	Delaware	100%
Beneficial Wyoming Inc.	Wyoming	100%
Benevest Group Inc.	Delaware	100%
Benevest Service Company	Delaware	100%
Benevest Services, Inc.	Washington	100%
Benevest Escrow Company	Delaware	100%
BMC Holding Company	Delaware	100%
Beneficial Mortgage Corporation	Delaware	100%
Beneficial Mortgage Services, Inc.	Delaware	100%
Bon Secour Properties Inc.	Alabama	100%
Capital Financial Services Inc.	Nevada	100%
Harbour Island Inc.	Florida	100%
Harbour Island Venture One, Inc.	Florida	100%
Harbour Island Venture Three, Inc.	Florida	100%
Harbour Island Venture Four, Inc.	Florida	100%
Tampa Island Transit Company, Inc.	Florida	100%
Personal Mortgage Holding Company	Delaware	100%
Personal Mortgage Corporation	Delaware	100%
Southern Trust Company	Delaware	100%
Southwest Beneficial Finance, Inc.	Illinois	100%
Wasco Properties, Inc.	Delaware	100%
Beneficial Real Estate Joint Venture, Inc.	Delaware	100%
Alabama Properties	Delaware	100%
HFC Card Funding Corporation	Delaware	100%
HFC Funding Corporation	Delaware	100%
HFC Revolving Corporation	Delaware	100%
HFS Funding Corporation	Delaware	100%
Household Acquisition Corporation	Delaware	100%
HFTA Corporation	Delaware	100%
Pacific Agency, Inc.	Nevada	100%
HFTA Consumer Discount Company	Pennsylvania	100%
HFTA First Financial Corporation	California	100%
HFTA Second Corporation	Alabama	100%
HFTA Third Corporation	Delaware	100%
HFTA Fourth Corporation	Minnesota	100%
HFTA Fifth Corporation	Nevada	100%
HFTA Sixth Corporation	Nevada	100%
HFTA Seventh Corporation	New Jersey	100%

HFTA Eighth Corporation	Ohio	100%
HFTA Ninth Corporation	West Virginia	100%
HFTA Tenth Corporation	Washington	100%
Household Finance Corp. of Hawaii	Hawaii	100%
Pacific Finance Loans	California	100%
Household Automotive Finance Corp.	Delaware	100%
ACC Funding Corp.	Delaware	100%
ACC Receivables Corp.	Delaware	100%
Household Automotive Credit Corporation	Delaware	100%
OFL A Receivables Corp.	Delaware	100%
Household Auto Receivables Corporation	Nevada	100%
Household Bank (Nevada), N.A.	United States	100%
Household Card Funding Corporation	Delaware	100%
Household Receivables Funding Corporation	Nevada	100%
Household Receivables Funding Corporation II	Delaware	100%
Household Receivables Funding, Inc.	Delaware	100%
Household Capital Markets, Inc.	Delaware	100%
Household Card Services, Inc.	Nevada	100%
Household Consumer Loan Corporation	Nevada	100%
Household Corporation	Delaware	100%
Household Credit Services, Inc.	Delaware	100%
Renaissance Recovery Services, Inc.	Delaware	100%
Household Credit Services of Mexico, Inc.	Delaware	100%
Household Financial Services, Inc.	Delaware	100%
Household Group, Inc.	Delaware	100%
N Q Pension Company	Delaware	100%
Beneficial Loan Corp. of Kentucky	Kentucky	100%
Household Company of Maine	Maine	100%
Household Life Insurance Co. of Arizona	Arizona	100%

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Household Insurance Group Holding Company	Delaware	100%
Household Life Insurance Company of Delaware	Delaware	100%
Household Insurance Agency, Inc.	Michigan	100%
Household Insurance Agency, Inc.	Nevada	100%
Wesco Insurance Company	Delaware	100%

Southwest Texas General Agency, Inc.	Texas	100%
Service General Insurance Company	Ohio	100%
Beneficial Ohio Inc.	Delaware	100%
Service Management Corporation	Ohio	100%
B.I.G. Insurance Agency, Inc.	Ohio	100%
BFC Agency, Inc.	Delaware	100%
BFC Insurance Agency of Nevada	Nevada	100%
Beneficial Direct, Inc.	New Jersey	100%
Household Insurance Group, Inc.	Delaware	100%
Service Administrators, Inc. (USA)	Colorado	100%
Household Life Insurance Company	Michigan	100%
First Central National Life Insurance Company of New York	New York	100%
Arcadia Insurance Administrators, Inc.	Delaware	100%
AHLIC Investment Holdings Corporation	Delaware	100%
Cal Pacific Services, Inc.	California	100%
HFS Investments, Inc.	Nevada	100%
JV Mortgage Capital, Inc.	Delaware	50%
JV Mortgage Capital, L.P.	Delaware	50.5%
JV Mortgage Capital Consumer Discount Company	Pennsylvania	100%
Household Business Services, Inc.	Delaware	100%
Financial Network Alliance, L.L.P.	Illinois	50%
FNA Consumer Discount Company	Pennsylvania	100%
Household Commercial Financial Services, Inc.	Delaware	100%
The Generra Company	Delaware	100%
Business Realty Inc.	Delaware	100%
Business Lakeview, Inc.	Delaware	100%
Capital Graphics, Inc.	Delaware	100%
CPI Enterprises	Delaware	100%
HCFS Business Equipment Corporation	Delaware	100%
HFC Commercial Realty, Inc.	Delaware	100%
PPSG Corporation	Delaware	100%
G.C. Center, Inc.	Delaware	100%
Com Realty, Inc.	Delaware	100%
Lighthouse Property Corporation	Delaware	100%
Household OPEB I, Inc.	Illinois	100%
HFC Leasing, Inc.	Delaware	100%
First HFC Leasing Corporation	Delaware	100%
Second HFC Leasing Corporation	Delaware	100%
Valley Properties Corporation	Tennessee	100%
Fifth HFC Leasing Corporation	Delaware	100%

Sixth HFC Leasing Corporation	Delaware	100%
Seventh HFC Leasing Corporation	Delaware	100%
Eighth HFC Leasing Corporation	Delaware	100%
Tenth HFC Leasing Corporation	Delaware	100%
Eleventh HFC Leasing Corporation	Delaware	100%
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Seventeenth HFC Leasing Corporation	Delaware	100%
Nineteenth HFC Leasing Corporation	Delaware	100%
Twenty second HFC Leasing Corporation	Delaware	100%
Twenty sixth HFC Leasing Corporation	Delaware	100%
Beaver Valley, Inc.	Delaware	100%
Hull 752 Corporation	Delaware	100%
Hull 753 Corporation	Delaware	100%
Third HFC Leasing Corporation	Delaware	100%
Macray Corporation	California	100%
Fourth HFC Leasing Corporation	Delaware	100%
Pargen Corporation	California	100%
Fifteenth HFC Leasing Corporation	Delaware	100%
Hull Fifty Corporation	Delaware	100%
HFC Retail Credit Services, Inc.	Delaware	100%
Household Capital Investment Corporation	Delaware	100%
Old K & B Corporation	Michigan	94.4%
Household Commercial of California, Inc.	California	100%
Night Watch FSC, Ltd.	Bermuda	100%
Amstelveen FSC, Ltd.	Bermuda	100%
Overseas Leasing Two FSC, Ltd.	Bermuda	100%

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Real Estate Collateral Management Company	Delaware	100%
OLC, Inc.	Rhode Island	100%
OPI, Inc.	Virginia	100%
Household Finance Consumer Discount Company	Pennsylvania	100%
Household Finance Corporation II	Delaware	100%

Household Finance Corporation of Alabama	Alabama	100%
Household Finance Corporation of California	Delaware	100%
Household Finance Corporation of Nevada	Delaware	100%
Household Finance Realty Corporation of New York	Delaware	100%
Household Finance Corporation of West Virginia	West Virginia	100%
Household Finance Industrial Loan Company	Washington	100%
Household Finance Industrial Loan Company of Iowa	Iowa	100%
Household Finance Realty Corporation of Nevada	Delaware	100%
Household Finance Corporation III	Delaware	100%
HFC Agency of Connecticut, Inc.	Connecticut	100%
HFC Agency of Michigan, Inc.	Michigan	100%
HFC Agency of Missouri, Inc.	Missouri	100%
Household Realty Corporation	Delaware	100%
Overseas Leasing One FSC, Ltd.	Bermuda	100%
Household Retail Services, Inc.	Delaware	100%
HRSI Funding, Inc.	Nevada	100%
Household Financial Center Inc.	Tennessee	100%
Household Industrial Finance Company	Minnesota	100%
Household Industrial Loan Co. of Kentucky	Kentucky	100%
Household Recovery Services Corporation	Delaware	100%
Household Relocation Management, Inc.	Illinois	100%
Household Servicing, Inc.	Delaware	100%
Mortgage One Corporation	Delaware	100%
Mortgage Two Corporation	Delaware	100%
Sixty First HFC Leasing Corporation	Delaware	100%
Household Pooling Corporation	Nevada	100%
Household Receivables Acquisition Company	Delaware	100%
Household REIT Corporation	Nevada	100%
Household Financial Group, Ltd.	Delaware	100%
Household Global Funding, Inc.	Delaware	100%
Household Overseas Limited	England	100%
Household International Netherlands B.V.	Netherlands	100%
Beneficial Premium Services Limited	England	100%
Beneficial Limited	England	100%
Extracard Corp.	Delaware	100%
Household Ireland (Holdings), Limited	Delaware	100%
BFC Ireland (Holdings) Limited	Ireland	100%
BFC Insurance (Life) Limited	Ireland	100%
BFC Management Services Limited	Ireland	100%
BFC Insurance Limited	Ireland	100%

BFC Reinsurance Limited	Ireland	100%
Household International (U.K.) Limited	England	100%
D.L.R.S. Limited	England	100%
HFC Bank plc	England	100%
Beneficial Financial Services Limited	England	100%
Beneficial Leasing Limited	England	100%
Beneficial Trust Investments Limited	England	100%
Beneficial Trust Nominees Limited	England	100%
Endeavour Personal Finance Limited	England	100%
Security Trust Limited	England	100%
Sterling Credit Limited	England	100%
Sterling Credit Management Limited	England	100%
The Loan Corporation Limited	England	100%
HFC Pension Plan (Ireland) Limited	Ireland	100%
Hamilton Financial Planning Services Ltd.	England	100%
Hamilton Insurance Company Limited	England	100%
Hamilton Life Assurance Company Limited	England	100%
HFC Pension Plan Limited	England	100%
Household Funding plc	England	100%
Household Investments Limited	England	100%
Household Leasing Limited	England	100%
Household Management Corporation Limited	England and Wales	100%
Household Financial Corporation Limited	Ontario	100%
Household Realty Corporation (1997) Limited	British Columbia	100%

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Household Finance Corporation of Canada	Canada	100%
Household Realty Corporation Limited	Ontario	100%
Household Trust Company	Canada	100%
Household Financial Corporation Inc.	Ontario	100%
Household Reinsurance Ltd.	Bermuda	100%

</TABLE>

(1) The business address for Household International and Household Finance Corporation and its subsidiaries is 2700 Sanders Road, Prospect Heights, Illinois 60070. The business address for Household Bank, f.s.b. and its subsidiaries is 2700 Sanders Road, Prospect Heights, Illinois 60070. The business address for Household's United Kingdom subsidiaries is North Street, Winkfield, Windsor, Berkshire SL4 4TD UNITED KINGDOM. The business address for Household's Canadian subsidiaries is 101 Duncan Mill Road, Suite 500, North

York, Ontario M3B 1Z3 CANADA. The business address for Household's insurance subsidiaries is 200 Somerset Corporate Boulevard, Suite 100, Bridgewater, New Jersey 08807. The business address for Household Bank, N.A. is 1441 Schilling Place, Salinas, California 93901. The business address for Household's Automotive subsidiaries is 11452 El Camino Real, Suite 400, San Diego, California 92130.

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EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Household International, Inc.:

As independent public accountants, we hereby consent to the incorporation of our report dated January 14, 2002, included in this Annual Report on Form 10-K of Household International, Inc. for the year ended December 31, 2001, into the Company's previously filed Registration Statements No. 2-86383, No. 33-21343, No. 2-97495, No. 33-45454, No. 33-45455, No. 33-52211, No. 33-58727, No. 333-00397, No. 33-44066, No. 333-03673, No. 333-39639, No. 333-58287, No. 333-58289, No. 333-58291, No. 333-47073, No. 333-36589, No. 333-30600, No. 333-50000, No. 333-70794, No. 333-71198 and No. 333-83474 on Form S-8 and Registration Statements No. 333-60510, No. 333-65679, and No. 333-01025 on Form S-3. It should be noted that we have not audited any financial statements of the company subsequent to Decemebr 31, 2001 or performed any audit procedures subsequent to the date of our report.

/s/ Arthur Andersen
Chicago, Illinois
March 13, 2002

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EXHIBIT 99(b)

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

DEBT AND PREFERRED STOCK SECURITIES RATINGS OF THE COMPANY AND ITS SIGNIFICANT SUBSIDIARIES

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<S>	Standard & Poor's Corporation <C>	Moody's Investors Service <C>	Fitch, Inc. <C>
Household International, Inc.			
Senior debt	A	A3	A
Commercial paper	A-1	P-2	F-1
Preferred stock	BBB+	Baa2	A-
Household Finance Corporation			
Senior debt	A	A2	A
Senior subordinated debt	A-	A3	A-
Commercial paper	A-1	P-1	F-1
Household Bank, f.s.b.			
Senior debt	A	A2	A
Subordinated debt	A-	A3	A-
Certificates of deposit (long/short-term)	A/A-1	A2/P-1	A+/F-1
Thrift notes	A-1	P-1	F-1
HFC Bank plc			
Senior debt	A	A2	A+
Commercial paper	A-1	P-1	NR

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FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ______________

Commission file number 1-8198

HOUSEHOLD INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	36-3121988
(State of Incorporation)	(I.R.S. Employer Identification No.)

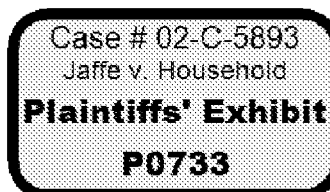
2700 Sanders Road, Prospect Heights, Illinois 60070
(Address of principal executive offices)(Zip Code)

(847) 564-5000

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

At April 30, 2001, there were 463,827,458 shares of the registrant's common stock outstanding.



HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In millions, except per share data)	Three months ended March 31, 2001	2000
Finance and other interest income	$ 2,430.3	$ 1,924.9
Interest expense	1,106.8	821.7
Net interest margin	1,323.5	1,103.2
Provision for credit losses on owned receivables	703.6	522.1
Net interest margin after provision for credit losses	619.9	581.1
Securitization revenue	406.3	346.4
Insurance revenue	158.6	135.0
Investment income	41.8	40.8
Fee income	237.9	179.3
Other income	161.7	133.3
Total other revenues	1,006.3	834.8
Salaries and fringe benefits	377.6	302.1
Sales incentives	54.5	42.8
Occupancy and equipment expense	83.5	75.5
Other marketing expenses	135.2	133.1
Other servicing and administrative expenses	193.4	186.8
Amortization of acquired intangibles and goodwill	38.9	43.2
Policyholders' benefits	77.5	66.9
Total costs and expenses	960.6	850.4
Income before income taxes	665.6	565.5
Income taxes	233.8	192.6
Net income	$ 431.8	$ 372.9
EARNINGS PER COMMON SHARE		
Net income	$ 431.8	$ 372.9
Preferred dividends	(2.3)	(2.3)
Earnings available to common shareholders	$ 429.5	$ 370.6
Average common shares	466.0	470.5
Average common and common equivalent shares	472.0	474.0
Basic earnings per common share	$ .92	$ .79
Diluted earnings per common share	.91	.78
DIVIDENDS DECLARED PER COMMON SHARE	$ .19	$ .17

See notes to interim condensed consolidated financial statements.

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Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)	March 31, 2001	December 31, 2000
ASSETS	(UNAUDITED)	
Cash	$ 272.3	$ 490.2
Investment securities	3,400.3	3,259.0
Receivables, net	68,362.6	67,161.7
Acquired intangibles and goodwill, net	1,667.9	1,705.7
Properties and equipment, net	536.1	517.6
Real estate owned	350.2	337.1
Other assets	3,663.9	3,235.0
Total assets	$ 78,253.3	$ 76,706.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Debt:		
Deposits	$ 9,097.7	$ 8,676.9
Commercial paper, bank and other borrowings	9,932.4	10,787.9
Senior and senior subordinated debt (with original maturities over one year)	46,133.9	45,053.0
Total debt	65,164.0	64,517.8
Insurance policy and claim reserves	1,080.1	1,106.6
Other liabilities	3,353.1	2,291.3
Total liabilities	69,597.2	67,915.7
Company obligated mandatorily redeemable preferred securities of subsidiary trusts*	875.0	675.0
Preferred stock	164.4	164.4
Common shareholders' equity:		
Common stock, $1.00 par value, 750,000,000 shares authorized, 551,424,968 and 551,100,165 shares issued at March 31, 2001 and December 31, 2000, respectively	551.4	551.1
Additional paid-in capital	1,942.1	1,926.0
Retained earnings	8,015.4	7,680.5
Accumulated other comprehensive income	(515.3)	(214.7)
Less common stock in treasury, 87,988,916 and 80,080,506 shares at March 31, 2001 and December 31, 2000, respectively, at cost	(2,376.9)	(1,991.7)
Total common shareholders' equity	7,616.7	7,951.2
Total liabilities and shareholders' equity	$ 78,253.3	$ 76,706.3

* As described in note 7 to the financial statements, the sole assets of the five trusts are Junior Subordinated Deferrable Interest Notes issued by Household International, Inc. in January 2001, June 2000, March 1998, June 1996 and June 1995, bearing interest at 8.25, 10.00, 7.25, 8.70 and 8.25 percent, respectively, with principal balances of $206.2, $309.3, $206.2, $103.1 and $77.3 million, respectively, and due January 30, 2031, June 30, 2030, December 31, 2037, June 30, 2036 and June 30, 2025, respectively.

See notes to interim condensed consolidated financial statements.

Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In millions)	Three months ended March 31, 2001	2000
CASH PROVIDED BY OPERATIONS		
Net income	$ 431.8	$ 372.9
Adjustments to reconcile net income to cash provided by operations:		
Provision for credit losses on owned receivables	703.6	522.1
Insurance policy and claim reserves	46.2	2.4
Depreciation and amortization	83.1	77.8
Other, net	71.4	440.9
Cash provided by operations	1,336.1	1,416.1
INVESTMENTS IN OPERATIONS		
Investment securities:		
Purchased	(480.3)	(293.8)
Matured	120.2	127.2
Sold	143.3	8.4
Short-term investment securities, net change	59.2	86.4
Receivables:		
Originations, net	(8,848.5)	(7,223.6)
Purchases and related premiums	(137.3)	(3,453.6)
Sold	6,779.0	6,533.7
Acquisition of business operations	-	(87.1)
Properties and equipment purchased	(57.9)	(34.6)
Properties and equipment sold	1.6	4.0
Cash decrease from investments in operations	(2,420.7)	(4,333.0)
FINANCING AND CAPITAL TRANSACTIONS		
Short-term debt and demand deposits, net change	(435.8)	(496.4)
Time certificates, net change	139.9	1,079.3
Senior and senior subordinated debt issued	4,317.6	3,485.1
Senior and senior subordinated debt retired	(2,869.3)	(1,104.3)
Policyholders' benefits paid	(27.0)	(31.9)
Cash received from policyholders	14.3	12.5
Shareholders' dividends	(90.4)	(82.7)
Purchase of treasury stock	(398.3)	(24.3)
Issuance of common stock	4.4	10.8
Issuance of company obligated mandatorily redeemable preferred securities of subsidiary trusts	200.0	-
Cash increase from financing and capital transactions	855.4	2,848.1
Effect of exchange rate changes on cash	11.3	88.6
Increase (decrease) in cash	(217.9)	19.8
Cash at January 1	490.2	270.6
Cash at March 31	$ 272.3	$ 290.4
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 1,040.2	$ 834.3
Income taxes paid	102.2	49.9
Non-cash investing and financing activities:		
Common stock issued for acquisition	-	209.4

See notes to interim condensed consolidated financial statements.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Household International, Inc. ("Household") and its subsidiaries have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the three months ended March 31, 2001 should not be considered indicative of the results for any future quarters or the year ending December 31, 2001. Household and its subsidiaries may also be referred to in this Form 10-Q as "we," "us" or "our." These financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2000.

2. INVESTMENT SECURITIES

Investment securities consisted of the following available-for-sale investments:

	March 31, 2001		December 31, 2000	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Marketable equity securities	$ 35.6	$ 32.5	$ 25.8	$ 24.9
Corporate debt securities	1,857.6	1,814.4	1,948.5	1,873.5
U.S. government and federal agency debt securities	443.0	448.6	173.7	173.5
Certificates of deposit	269.3	283.1	319.2	319.2
Money market funds	246.9	246.9	436.6	436.6
Other	508.3	532.6	390.1	390.3
Subtotal	3,360.7	3,358.1	3,293.9	3,218.0
Accrued investment income	42.2	42.2	41.0	41.0
Total available-for-sale investments	$ 3,402.9	$ 3,400.3	$ 3,334.9	$ 3,259.0

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3. RECEIVABLES

Receivables consisted of the following:

(In millions)	March 31, 2001	December 31, 2000
Real estate secured	$ 36,686.8	$ 35,179.7
Auto finance	1,988.0	1,850.6
MasterCard*/Visa*	7,448.5	8,053.6
Private label	10,225.4	10,347.3
Other unsecured	11,884.2	11,328.1
Commercial and other	572.7	598.6
Total owned receivables	68,805.6	67,357.9
Accrued finance charges	1,322.5	1,302.6
Credit loss reserve for owned receivables	(2,282.4)	(2,111.9)
Unearned credit insurance premiums and claims reserves	(767.8)	(725.2)
Amounts due and deferred from receivables sales	2,342.5	2,420.6
Reserve for receivables serviced with limited recourse	(1,057.8)	(1,082.3)
Total owned receivables, net	68,362.6	67,161.7
Receivables serviced with limited recourse	19,567.0	20,249.5
Total managed receivables, net	$ 87,929.6	$ 87,411.2

Receivables serviced with limited recourse consisted of the following:

(In millions)	March 31, 2001	December 31, 2000
Real estate secured	$ 1,318.0	$ 1,457.8
Auto finance	2,812.8	2,712.7
MasterCard/Visa	9,121.7	9,529.8
Private label	1,650.0	1,650.0
Other unsecured	4,664.5	4,899.2
Total receivables serviced with limited recourse	$ 19,567.0	$ 20,249.5

The combination of owned receivables and receivables serviced with limited recourse, which we consider our managed portfolio, consisted of the following:

(In millions)	March 31, 2001	December 31, 2000
Real estate secured	$ 38,004.8	$ 36,637.5
Auto finance	4,800.8	4,563.3
MasterCard/Visa	16,570.2	17,583.4
Private label	11,875.4	11,997.3
Other unsecured	16,548.7	16,227.3
Commercial and other	572.7	598.6
Total managed receivables	$ 88,372.6	$ 87,607.4

* MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of Visa USA, Inc.

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4. CREDIT LOSS RESERVES

An analysis of credit loss reserves for the three months ended March 31 was as follows:

(In millions)	Three months ended March 31, 2001	2000
Owned receivables:		
Credit loss reserves at beginning of period	$ 2,111.9	$ 1,757.0
Provision for credit losses	703.6	522.1
Chargeoffs	(588.1)	(525.7)
Recoveries	56.6	43.5
Other, net	(1.6)	112.8
Credit loss reserves for owned receivables at March 31	2,282.4	1,909.7
Receivables serviced with limited recourse:		
Credit loss reserves at beginning of period	1,082.3	909.6
Provision for credit losses	229.2	294.1
Chargeoffs	(264.3)	(264.7)
Recoveries	16.2	14.9
Other, net	(5.6)	(2.5)
Credit loss reserves for receivables serviced with limited recourse at March 31	1,057.8	951.4
Total credit loss reserves for managed receivables at March 31	$ 3,340.2	$ 2,861.1

The level of reserves for consumer credit losses is based on delinquency and chargeoff experience by product and judgmental factors. We also evaluate the potential impact of existing and anticipated national and regional economic conditions on the managed receivable portfolio when establishing credit loss reserves.

5. INCOME TAXES

Our effective tax rate was 35.1 percent for the three months ended March 31, 2001 and 34.1 percent for the first three months of 2000. The effective tax rate differs from the statutory federal income tax rate primarily because of the effects of state and local income taxes and leveraged lease tax benefits.

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6. EARNINGS PER COMMON SHARE

Computations of earnings per common share for the three months ended March 31 were as follows:

(In millions, except per share data)	Three months ended March 31, 2001		Three months ended March 31, 2000	
	Diluted	Basic	Diluted	Basic
Earnings:				
Net income	$ 431.8	$ 431.8	$ 372.9	$ 372.9
Preferred dividends	(2.3)	(2.3)	(2.3)	(2.3)
Earnings available to common shareholders	$ 429.5	$ 429.5	$ 370.6	$ 370.6
Average shares outstanding:				
Common	466.0	466.0	470.5	470.5
Common equivalents	6.0	-	3.5	-
Average shares outstanding assuming dilution	472.0	466.0	474.0	470.5
Earnings per common share	$ .91	$ .92	$ .78	$ .79

7. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS

We have formed special purpose trusts, including Household Capital Trust VI which was formed in January 2001, for the purpose of issuing trust preferred securities. The sole assets of these trusts are Junior Subordinated Deferrable Interest Notes ("Junior Subordinated Notes") issued by Household.

The following table summarizes our company obligated mandatorily redeemable preferred securities of subsidiary trusts ("Preferred Securities") and the related Junior Subordinated Notes:

(Dollar amounts are in millions)	Household Capital Trust VI ("HCT VI")	Household Capital Trust V ("HCT V")	Household Capital Trust IV ("HCT IV")	Household Capital Trust II ("HCT II")	Household Capital Trust I ("HCT I")
Preferred Securities:					
Interest rate	8.25%	10.00%	7.25%	8.70%	8.25%
Face value	$200	$300	$200	$100	$75
Issue date	January 2001	June 2000	March 1998	June 1996	June 1995
Junior Subordinated Notes:					
Principal balance	$206.2	$309.3	$206.2	$103.1	$77.3
Redeemable by issuer	January 30, 2006	June 8, 2005	March 19, 2003	June 30, 2001	June 30, 2000
Stated maturity	January 30, 2031	June 30, 2030	December 31, 2037	June 30, 2036	June 30, 2025

The Preferred Securities must be redeemed when the Junior Subordinated Notes are paid. The Junior Subordinated Notes have a stated maturity date, but are redeemable by Household, in whole or in part, beginning on the dates indicated above at which time the preferred securities are callable at par ($25 per Preferred Security) plus accrued and unpaid dividends. Dividends on the Preferred Securities are cumulative, payable quarterly in arrears, and are deferrable at Household's option for up to five years. Household cannot pay dividends on its preferred and common stocks during such deferments. The Preferred Securities have a liquidation value of $25 per preferred security. HCT I may elect to extend the maturity of its preferred securities to June 2044. Dividends on the Preferred Securities have been classified as interest expense in our statement of income.

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HCT I, HCT II, HCT IV, HCT V, and HCT VI (collectively, "the Trusts") are wholly-owned subsidiaries of Household. Household's obligations with respect to the Junior Subordinated Notes, when considered together with certain undertakings of Household with respect to the Trusts, constitute full and unconditional guarantees by Household of the Trust's obligations under the respective Preferred Securities. The Preferred Securities are classified in our balance sheet as company obligated mandatorily redeemable preferred securities of subsidiary trusts (representing the minority interests in the trusts) at their face and redemption amount of $875 million at March 31, 2001 and $675 million at December 31, 2000.

8. FORWARD PURCHASE AGREEMENT

As of March 31, 2001, we had entered into agreements to purchase, on a forward basis, approximately 0.8 million shares of our common stock at a weighted-average forward price of $55.09 per share. The agreements may be settled either physically by purchasing the shares or on a net basis in shares of our common stock, at our option. The agreements have terms of up to one year but may be settled earlier at our option. During the current quarter, settlements from forward purchase agreements resulted in our receiving 7.2 million shares of our common stock at an average cost of $42.64 per share.

9. COMPREHENSIVE INCOME

Comprehensive income was $131.2 million for the quarter ended March 31, 2001 and $422.5 million for the quarter ended March 31, 2000.

The components of accumulated other comprehensive income are as follows:

(In millions)	March 31, 2001	December 31, 2000
Foreign currency translation adjustments	$ (272.1)	$ (238.5)
Unrealized gain on investments	124.1	23.8
Derivative instruments and hedging activities	(367.3)	-
Accumulated other comprehensive income	$ (515.3)	$ (214.7)

10. SEGMENT REPORTING

We have three reportable segments: Consumer, Credit Card Services and International. Our Consumer segment includes our consumer lending, retail services and auto finance businesses. Our Consumer lending business includes our branch-based operations and our mortgage services business, which includes our correspondent business. Our Credit Card Services segment includes our domestic MasterCard and Visa credit card business. Our International segment includes our foreign operations in the United Kingdom and Canadian operations. There has been no change in the basis of our segmentation or in the measurement of segment profit as compared with the presentation in our Annual Report on Form 10-K for the year ended December 31, 2000.

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Information about our reportable segments for the first quarter of 2001 compared to the corresponding prior-year quarter was as follows:

Owned Basis (In millions)	Three months ended March 31, 2001			Three months ended March 31, 2000		
	Consumer	Credit Card Services	Inter-national	Consumer	Credit Card Services	Inter-national
Net interest margin and other revenues (1)	$ 1,357.5	$ 561.7	$ 198.0	$ 1,160.0	$ 398.7	$ 237.2
Intersegment revenues	46.2	8.9	1.9	37.9	8.1	1.2
Net income	278.4	59.5	46.4	241.1	29.4	64.3
Total assets	57,714.4	7,999.8	7,670.2	46,178.7	6,623.2	7,472.1
Total assets - managed	67,336.6	16,937.4	8,808.6	55,515.0	15,423.0	8,719.9

(1) Net interest margin and other revenues, including intersegment revenues, net of policyholders' benefits

A reconciliation of the total reportable segments' net income to consolidated net income for the first quarter of 2001 and 2000 is as follows:

(In millions)	Three months ended March 31, 2001	2000
Reportable segment net income	$ 384.3	$ 334.8
Other operations not individually reportable	83.6	68.2
Adjustments/eliminations	(36.1)	(30.1)
Total consolidated net income	$ 431.8	$ 372.9

11. DERIVATIVE FINANCIAL INSTRUMENTS

Change in Accounting Principle

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS No. 133"), as amended. FAS No. 133 requires all derivatives, whether designated in hedging relationships or not, to be recorded on the balance sheet at fair value. FAS No. 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

The adoption of FAS No. 133 on January 1, 2001 was accounted for as a cumulative effect of a change in accounting principle. The impact of the adoption was not material to earnings and reduced common shareholders' equity by $240 million. The adjustment to common shareholders' equity was recorded as a component of accumulated other comprehensive income and was made to recognize at fair value all derivatives that were designated as cash flow hedging instruments. We expect that $119 million of derivative losses recorded in common shareholders' equity on January 1, 2001 will be reclassified into earnings within one year. These unrealized losses will be offset by decreased interest expense associated with the variable cash flows of the hedged items and will result in no net impact to our earnings. Derivative gains expected to be reclassified into earnings within one year are not expected to be material. During the three months ended March 31, 2001, approximately $22 million in net derivative losses were reclassified into earnings.

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Under FAS No. 133, all derivatives are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, we designate the derivative as a fair value hedge, a cash flow hedge, a hedge of a net investment in a foreign operation, or a non-hedging derivative. Fair value hedges include hedges of the fair value of a recognized asset or liability and certain foreign-currency hedges. Cash flow hedges include hedges of the variability of cash flows to be received or paid related to a recognized asset or liability and certain foreign-currency hedges. Changes in the fair value of derivatives designated as fair value hedges, along with the change in fair value on the hedged asset or liability that is attributable to the hedged risk, are recorded in current period earnings. Changes-in the fair value of derivatives designated as cash flow hedges, to the extent effective as a hedge, are recorded in accumulated other comprehensive income, and reclassified into earnings in the period during which the hedged item affects earnings. Changes in the fair value of derivatives used to hedge our net investment in foreign subsidiaries, to the extent effective as a hedge, are recorded in common shareholders' equity as a component of the cumulative translation adjustment account within accumulated other comprehensive income. Changes in the fair value of derivative instruments not designated as hedging instruments and ineffective portions of changes in the fair value of hedging instruments are recognized in other income in the current period.

We formally document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives to specific assets and liabilities on the balance sheet. We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, we discontinue hedge accounting prospectively, as discussed below.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective hedge, the derivative will continue to be carried on the balance sheet at its fair value. For fair value hedges, the formerly hedged asset or liability will no longer be adjusted for changes in fair value and any previously recorded adjustments to the carrying value of the hedged asset or liability will be amortized into income over the remaining life of the hedged asset or liability. For cash flow hedges, amounts previously recorded in accumulated other comprehensive income will be reclassified into income as earnings are impacted by the variability in the cash flows of the hedged item.

If the hedging instrument is terminated early, the derivative is removed from the balance sheet. Accounting for the adjustments to the hedged asset or liability or adjustments to accumulated other comprehensive income are the same as described above when a derivative no longer qualifies as an effective hedge.

If the hedged asset or liability is sold or extinguished, the derivative will continue to be carried on the balance sheet at its fair value. The hedged item, including previously recorded mark-to-market adjustments, are derecognized immediately as a component of the gain or loss upon disposition.

Objectives for Holding Derivative Instruments

We generally fund our assets with liabilities that have similar interest rate features. This reduces structural interest rate risk. Over time, customer demand for our receivable products shifts between fixed rate and floating rate products, based on market conditions and preferences. These shifts result in different funding strategies and produce different interest rate risk exposures. We maintain an overall risk management strategy that utilizes a variety of interest rate and currency derivative financial instruments to mitigate our exposure to fluctuations caused by volatility in interest rates and currency exchange rates. We manage our exposure to interest rate risk primarily through the use of interest rate swaps, but also use forwards, futures, options, and other risk management instruments. We manage our exposure to currency risk primarily through the use of currency swaps. We do not speculate on interest rate or foreign currency market exposure and we do not use leveraged derivative instruments for interest-rate risk management.

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By utilizing derivative instruments to mitigate market risk, we are exposed to additional credit risk. We control the credit (or repayment) risk in derivative instruments through established credit approvals, risk control limits and ongoing monitoring procedures. Additionally, certain swap agreements that we have entered into require that payments be made to, or received from, the counterparty when the fair value of the agreement reaches a certain level. We have never experienced nonperformance by any derivative instrument counterparty.

We have a comprehensive program to address potential financial risks such as interest rate, counterparty and currency risk. The Finance Committee of the Board of Directors sets acceptable limits for each of these risks annually and reviews the limits semi-annually.

At March 31, 2001, the fair value of derivatives included other assets of $265 million and other liabilities of $1,077 million.

Fair Value Hedges: To manage our exposure to changes in interest rates, we enter into interest rate swap agreements to convert our fixed rate debt to variable rate debt. The critical terms of the interest rate swap are designed to match that of the hedged item, enabling the application of the short-cut method of accounting as defined by FAS No. 133. To the extent that the critical terms of the hedged item and the derivative are not identical, hedge ineffectiveness is reported in earnings during the current period as a component of other income.

We enter into cross-currency interest rate swap agreements (currency swaps) to convert debt issued from one currency into pay variable debt of the appropriate functional currency. Such swap agreements are used to manage our exposure to changes in foreign currency and interest rates. Although the critical terms of the currency swap are designed to match that of the hedged item, FAS No. 133 does not allow short-cut method accounting for this type of hedge. Therefore, there may be minimal ineffectiveness which is reported in current period earnings.

Hedge ineffectiveness associated with fair value hedges reported in the first quarter of 2001 was a loss of $0.5 million, net of tax. At March 31, 2001, we had recorded adjustments which decreased the carrying value of our debt by $221 million.

Cash Flow Hedges: To manage our exposure to changes in interest rates, we enter into interest rate swap agreements to convert our variable rate debt to fixed rate debt. The critical terms of the interest rate swap are designed to match that of the hedged item, enabling the application of the short-cut method of accounting as defined by FAS No. 133. To the extent that the critical terms of the hedged item and the derivative are not identical, hedge ineffectiveness is reported in earnings immediately as other income.

To manage our exposure to changes in foreign currency, we enter into cross-currency interest rate swap agreements (currency swaps) to convert debt issued from one currency into pay fixed debt of the appropriate functional currency. Although the critical terms of the currency swap and hedged item are designed to match that of the hedged item, FAS No. 133 does not allow short-cut method accounting for this type of hedge. Therefore, there may be minimal ineffectiveness which is reported in current period earnings.

At March 31, 2001, we had approximately $367 million of unrealized losses on derivative instruments, net of taxes, in accumulated other comprehensive income. We expect $130 million of currently unrealized net losses, after taxes, will be reclassified to earnings within one year. These unrealized losses will be offset by decreased interest expense associated with the variable cash flows of the hedged items and will result in no net impact to our earnings. Hedge ineffectiveness associated with cash flow hedges reported in the first quarter of 2001 was immaterial.

Hedges of Net Investments in Foreign Operations: We use forward-exchange contracts to hedge our net investments in foreign operations. The purpose of these hedges is to protect against adverse movements in exchange rates. For the quarter ended March 31, 2001, $9 million of net gains related to these derivatives were included in the cumulative translation adjustment.

Non–Hedging Activities: At March 31, 2001, we had $2.3 million, net of tax, in net fair value gains on derivatives, consisting of forward rate agreements, interest rate caps, exchange traded futures, and some interest rate swaps, which were not designated as hedges under FAS No. 133. These are economic hedges that are not linked to specific assets and liabilities that appear on our balance sheet and do not qualify for hedge accounting. The primary purpose of these derivatives is to minimize our exposure to volatility in interest rates. We do not use any of these instruments for trading purposes.

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12. NEW ACCOUNTING PRONOUNCEMENTS

In September 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125" ("FAS No. 140"). FAS No. 140 revises the standards for accounting for securitizations and requires certain disclosures. We adopted the non-disclosure provisions of FAS No. 140 on April 1, 2001 and do not expect the adoption to have a significant effect on our operations.

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This discussion should be read in conjunction with the consolidated financial statements, notes and tables included elsewhere in this report and in the Household International, Inc. Annual Report on Form 10-K for the year ended December 31, 2000 (the "2000 Form 10-K") filed with the Securities and Exchange Commission. Management's discussion and analysis may contain certain statements that may be forward-looking in nature within the meaning of the Private Securities Litigation Reform Act of 1995. Our results may differ materially from those noted in the forward-looking statements. Forward-looking statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "may", "will", "should", "would" and "could". Forward-looking statements involve risks and uncertainties and are based on current views and assumptions. For a list of important factors that may affect our actual results, see our 2000 Form 10-K.

OPERATIONS SUMMARY

Our net income for the first quarter of 2001 increased 16 percent to $431.8 million, from $372.9 million a year ago. Diluted earnings per share was $.91 in the first quarter, compared to $.78 in the same period in 2000. Our improved results were due to strong revenue growth driven by significant receivable growth and higher income from our tax refund lending business. Partially offsetting the revenue growth were higher operating expenses as a result of portfolio growth and increased investments in sales and collection personnel. Our tax refund lending business contributed $.15 to our first quarter earnings per share, an increase of 25 percent over the $.12 contribution in the year-ago quarter.

Our annualized return on average owned assets ("ROA") was 2.21 percent in the first quarter of 2001 compared to 2.37 percent for the prior year quarter. Our annualized return on average managed assets ("ROMA") was 1.77 percent in the first quarter of 2001 compared to 1.82 percent in the same period in 2000.

Our normalized managed basis efficiency ratio was 35.6 percent for the first quarter of 2001 compared to 36.2 percent in the same period in 2000. The efficiency ratio is the ratio of operating expenses to the sum of our managed net interest margin and other revenues less policyholders' benefits. The improvement in the managed ratio reflects growth in managed net revenues, including increased revenue from our tax refund lending business, while operating expenses increased at a lower rate.

SEGMENT RESULTS

Our Consumer segment reported higher net income over the comparable prior-year quarter. Net income increased to $278.4 million for the quarter compared to $241.1 million in the year-ago quarter. Managed receivables grew to $65.7 billion at March 31, 2001, from $64.0 billion at December 31, 2000 and $53.8 billion at March 31, 2000. The managed receivable growth was driven by solid growth in real estate secured, other unsecured and auto finance receivables. ROA was 1.94 percent for the quarter compared to 2.19 percent for the year-ago quarter. ROMA was 1.66 percent for the first quarter of 2001 compared to 1.82 percent for the year-ago quarter. ROA and ROMA declined from the prior year primarily due to the shift in our portfolio to lower margin real estate secured receivables. The increase in net income reflects higher dollars of net interest margin partially offset by higher salary expense, including higher sales incentive compensation, and higher credit loss provision resulting from the increased levels of receivables.

Our Credit Card Services segment reported improved results. Net income increased to $59.5 million for the quarter compared to $29.4 million in the year-ago quarter. Managed receivables were $15.4 billion at March 31, 2001, $16.0 billion at December 31, 2000 and $13.8 billion at March 31, 2000. The decrease from year-end was due to normal seasonal runoff. Compared to the prior year, growth was strongest in our Union Privilege ("UP") portfolio, our affinity card relationship with the AFL-CIO labor federation, and in our non-prime credit card portfolio. We acquired Renaissance Holdings, Inc., a privately held issuer of secured and unsecured credit cards to sub-prime customers, in February 2000. ROA was 2.91 percent for the quarter compared to 1.79 percent in the year-ago quarter. ROMA was 1.39 percent for the quarter compared to .75 percent in the year-ago quarter. The improved operating results primarily were due to increased net interest margin and higher fee income from higher levels of managed receivables which was partially offset by higher credit loss provision and increased operating expenses associated with higher receivable levels.

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Our International segment reported net income of $46.4 million for the quarter compared to $64.3 million in the year-ago quarter. Net income in the current quarter includes negative foreign exchange impacts of $4.2 million. Managed receivables were $7.6 billion at March 31, 2001, $7.8 billion at December 31, 2000 and $7.6 billion at March 31, 2000. Receivable balances reflect negative foreign exchange impacts of approximately $400 million compared to the prior quarter and $900 million compared to the prior year. When reported in local currency, all products reported receivable growth over the prior year quarter with the strongest growth coming from our real estate secured and private label portfolios in the United Kingdom. Marbles™, our Internet-enabled credit card, also reported strong year-over-year growth. Compared to December 31, 2000, strong growth in our real estate secured and private label portfolios was partially offset by seasonal runoff in our MasterCard and Visa portfolio. ROA was 2.47 percent for the quarter compared to 3.40 percent for the year-ago quarter. ROMA was 2.13 percent for the quarter compared to 2.97 percent for the year-ago quarter. The decrease in operating results was primarily due to lower net interest margin in the U.K. resulting from lower yields and costs associated with our branch expansion efforts in the U.K. and Canada. During the first quarter, 23 new branches were opened in U.K. and Canada.

BALANCE SHEET REVIEW

Strong receivable growth across all products drove our improved results. Our managed portfolio increased $12.9 billion to $88.4 billion, or 17 percent from a year ago. Excluding the effect of foreign exchange translation, growth during the year was $13.8 billion, or 18 percent. Growth was strongest in our real estate secured portfolio which increased 23 percent over the year-ago period. Managed receivables in our U.S. consumer lending business, which includes both real estate secured and other unsecured products, increased 18 percent over prior year. Our branch sales force continued to benefit from our centralized lead management and point-of-sale system which contributed to increased productivity and strong growth in our HFC and Beneficial branches. Our mortgage services business also reported strong year-over-year growth with receivables increasing $4.1 billion, or 37 percent, over the March 31, 2000 level. Our mortgage services receivables growth included an opportunistic portfolio acquisition of $2.2 billion in the second quarter of 2000. Expansion of our auto finance sales force and favorable market conditions contributed to the $1.4 billion increase in auto finance receivables. MasterCard* and Visa* receivables increased 7 percent to $16.6 billion and were led by growth in our UP, non-prime and marbles™ portfolios. Private label receivables increased 8 percent to $11.9 billion as a result of organic growth from existing merchants.

Compared to December 31, 2000, managed receivables grew $765 million, or an annualized 3.5 percent, as robust growth in our real estate secured portfolio more than offset the seasonal runoff in our credit card portfolios. Excluding the effect of foreign exchange translation, growth in the quarter was $1.2 billion, or an annualized 5.4 percent.

Owned receivables were $68.8 billion at March 31, 2001, up from $67.4 billion at December 31, 2000 and $56.2 billion at March 31, 2000. The level of our owned receivables may vary from period to period depending on the timing and size of securitization transactions.

Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.36 percent at March 31, 2001, compared with 4.26 percent at December 31, 2000 and 4.58 percent at March 31, 2000. The annualized consumer owned chargeoff ratio in the first quarter of 2001 was 3.12 percent, compared with 2.98 percent in the prior quarter and 3.53 percent in the year-ago quarter.

Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.25 percent at March 31, 2001, compared with 4.20 percent at December 31, 2000 and 4.43 percent at March 31, 2000. The annualized consumer managed chargeoff ratio in the first quarter of 2001 was 3.56 percent, compared with 3.41 percent in the prior quarter and 4.00 percent in the year-ago quarter.

The ratio of tangible equity to tangible managed assets was 7.54 percent, compared with 7.41 percent at December 31, 2000.

* MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.

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LIQUIDITY AND CAPITAL RESOURCES

Our subsidiaries use cash to originate loans, purchase loans or investment securities, and acquire businesses. Their main sources of cash are the collection of receivable balances; maturities or sales of investment securities; proceeds from the issuance of debt, deposits and securitization of consumer receivables; and cash provided by operations.

In January 2001, a wholly-owned special purpose trust subsidiary issued $200 million of company obligated mandatorily redeemable preferred securities (representing the minority interest in the trust).

As of March 31, 2001, we had entered into agreements to purchase, on a forward basis, approximately 0.8 million shares of our common stock at a weighted-average forward price of $55.09 per share. The agreements may be settled either physically by purchasing the shares or on a net basis in shares of our common stock, at our option. The agreements have terms of up to one year but may be settled earlier at our option. During the current quarter, settlements from forward purchase agreements resulted in our receiving 7.2 million shares of our common stock at an average cost of $42.64 per share.

During the first quarter, we repurchased 8.8 million shares of our common stock, for a total of $398.3 million. Since announcing our share repurchase program in March 1999, we have repurchased 31 million shares for a total of $1.3 billion.

Deposits increased to $9.1 billion at March 31, 2001 from $8.7 billion at December 31, 2000. Commercial paper, bank and other borrowings decreased to $9.9 billion at March 31, 2001 from $10.8 billion at year-end. Senior and senior subordinated debt (with original maturities over one year) increased to $46.1 billion from $45.1 billion at year-end. The change in total debt levels from year end is consistent with the change in owned receivables.

Our securitized receivables totaled $19.6 billion at March 31, 2001, compared with $20.2 billion at December 31, 2000.

The composition of receivables securitized (excluding replenishments of certificate holder interests) during the quarter is as follows:

	Three months ended March 31,	
(In billions)	2001	2000
Auto finance	$ .4	$ .5
MasterCard/Visa	.1	.2
Other unsecured	.4	.8
	$ .9	$ 1.5

We believe the market for securities backed by receivables is a reliable, efficient and cost-effective source of funds. At March 31, 2001, securitizations represented 23 percent of the funding associated with our managed portfolio compared to 26 percent a year earlier. Although our securitized portfolio currently represents a smaller portion of our total funding mix, we plan to continue utilizing securitizations as a source of funding in the future.

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PRO FORMA MANAGED STATEMENTS OF INCOME

Securitizations of consumer receivables have been, and will continue to be, a source of liquidity for us. We continue to service securitized receivables after they have been sold and retain a limited recourse liability for future credit losses. We include revenues and credit-related expenses related to the off-balance sheet portfolio in one line item in our owned statements of income. Specifically, we report net interest margin, provision for credit losses, fee income and securitization related revenue as a net amount in securitization revenue.

We monitor our operations on a managed basis as well as on the owned basis reported in our statements of income. Our pro forma managed income statement assumes that the securitized receivables have not been sold and are still on our balance sheet. Consequently, the income and expense items discussed above are reclassified from securitization revenue into the appropriate caption in our pro forma managed basis income statement as if the receivables had not been securitized. Our pro forma managed basis income statement is presented below. Our pro forma managed basis income statement is not intended to reflect the differences between our accounting policies for owned receivables and the off-balance sheet portfolio, but merely to report net interest margin, fees and provision for losses as if the securitized loans were held in portfolio. Therefore, net income on a pro forma managed basis equals net income on an owned basis.

We define the net effect of securitization activity on our operations as securitization related revenue less the over-the-life provision for credit losses on initial securitization transactions. Securitization related revenue includes gross initial gains on current period securitization transactions less amortization of current and prior period securitization gains. The over-the-life provision for credit losses on initial securitization transactions is reported in our pro forma managed income statement as a component of provision for credit losses. The net effect of securitization activity will vary depending upon the amount and mix of securitizations in a particular period.

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(Dollar amounts are in millions)	Three months ended March 31, 2001	*	2000	*
Finance and other interest income	$ 3,246.8	14.58%	$ 2,645.7	14.41%
Interest expense	1,417.0	6.36	1,120.2	6.10
Net interest margin	1,829.8	8.22	1,525.5	8.31
Provision for credit losses	932.8		816.2	
Net interest margin after provision for credit losses	897.0		709.3	
Insurance revenue	158.6		135.0	
Investment income	41.8		40.8	
Fee income	393.2		332.8	
Securitization related revenue	(26.1)		64.7	
Other income	161.7		133.3	
Total other revenues	729.2		706.6	
Salaries and fringe benefits	377.6		302.1	
Sales incentives	54.5		42.8	
Occupancy and equipment expense	83.5		75.5	
Other marketing expenses	135.2		133.1	
Other servicing and administrative expenses	193.4		186.8	
Amortization of acquired intangibles and goodwill	38.9		43.2	
Policyholders' benefits	77.5		66.9	
Total costs and expenses	960.6		850.4	
Income before taxes	665.6		565.5	
Income taxes	233.8		192.6	
Net income	$ 431.8		$ 372.9	
Average managed receivables	$ 88,102.7		$ 72,347.8	
Average noninsurance investments	525.0		657.9	
Other interest-earning assets	448.5		426.0	
Average managed interest-earning assets	$ 89,076.2		$ 73,431.7	

* As a percent, annualized, of average managed interest-earning assets.

The following discussion on revenues, where applicable, and provision for credit losses includes comparisons to amounts reported on our historical owned statements of income ("Owned Basis"), as well as on the above pro forma managed statements of income ("Managed Basis").

Net interest margin

Net interest margin on an Owned Basis was $1.3 billion for the first quarter of 2001, up 20 percent from $1.1 billion for the prior-year quarter. Net interest margin on a Managed Basis also increased 20 percent to $1.8 billion for the first quarter of 2001, from $1.5 billion for the prior-year quarter. The increases were primarily due to better pricing and receivable growth, partially offset by higher funding costs. Although interest rates declined dramatically in the first quarter of 2001, they increased steadily throughout 1999 and the first half of 2000, which resulted in a higher average rate for the first quarter of 2001 compared to the first quarter of 2000.

Net interest margin as a percent of average managed interest-earning assets, annualized, increased to 8.22 percent, up from 8.01 percent in the previous quarter but down from 8.31 percent in the year-ago quarter. The increase from the previous quarter is primarily due to lower funding costs resulting from recent easing in United States monetary policy. Though the rates we charge on our products may also be reduced as a result of the easing in monetary policy, these reductions generally do not occur as quickly as the reductions in our funding costs which results in a temporary expansion of our margins. Compared to the prior year quarter, the margin reflects higher funding costs due to higher interest rates as discussed above, partially offset by improved pricing in our MasterCard and Visa portfolio.

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Managed Basis risk adjusted margin, which is net interest margin and other revenues adjusted for securitization related revenue and net chargeoffs, was 8.11 percent for the first quarter of 2001 compared to 7.82 percent in the comparable prior-year period. The increases are the result of reductions in chargeoff rates and higher tax refund lending revenue partially offset by the previously discussed reductions in net interest margin.

Provision for credit losses

The provision for credit losses for receivables on an Owned Basis for the first quarter of 2001 totaled $703.6 million, compared to $522.1 million in the prior-year quarter. The provision as a percent of average owned receivables, annualized, was 4.10 percent in the first quarter of 2001, compared to 3.91 percent in the first quarter of 2000. During the first quarter of 2001, we recorded owned loss provision in excess of chargeoffs of $172.1 million reflecting our rapid receivable growth, recent increases in personal bankruptcy filings and continued uncertainty on the impact the weakening economy will have on future chargeoff and delinquency trends. The provision for credit losses on an Owned Basis may vary from quarter to quarter, depending on the amount of securitizations in a particular period and the product mix of loans in our portfolio.

The provision for credit losses for receivables on a Managed Basis totaled $932.8 million in the first quarter of 2001, compared to $816.2 million in the prior-year quarter. As a percent of average managed receivables, annualized, the provision was 4.24 percent in the first quarter of 2001, compared to 4.51 percent in the first quarter of 2000. The Managed Basis provision includes the over-the-life reserve requirement on the off-balance sheet portfolio. This provision is impacted by the type and amount of receivables securitized in a given period and substantially offsets the revenue recorded on the securitization transactions. See "Liquidity and Capital Resources" for the type and amount of receivables securitized and "Credit Quality" for further discussion of factors affecting the provision for credit losses.

Other revenues

Securitization revenue on an Owned Basis was $406.3 million for the first quarter of 2001, compared to $346.4 million for the same quarter in 2000. Securitization revenue consists of income associated with the securitization and sale of receivables with limited recourse, including net interest income, fee and other income and provision for credit losses related to those receivables. The increases are primarily due to increases in average securitized receivables and portfolio mix. The components of securitization revenue are reclassified to the appropriate caption in the pro forma statements of income on a Managed Basis.

Securitization related revenue on a Managed Basis, which includes the gross gains and amortization on our securitized portfolio, was an expense of $26.1 million in the first quarter of 2001 compared to revenue of $64.7 million in the year-ago quarter. The net effect of securitization activity, after establishing credit loss reserves on initial transactions, decreased income by $105.8 million in the first quarter of 2001 compared to $57.3 million in the year-ago quarter. Securitization related revenue and the net effect of securitization activity will vary from quarter to quarter depending upon the amount and mix of securitizations in a particular period.

The following table includes securitization related revenue on a Managed Basis and the net effect of securitization activity on our operations:

(In millions)	Three months ended March 31, 2001	2000
Gross gains	$ 105.9	$ 164.4
Amortization	132.0	(99.7)
Securitization related revenue	(26.1)	64.7
Over the life provision on new trasactions	79.7	122.0
Net effect of securitization activity	$ (105.8)	$ (57.3)

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Insurance revenue was $158.6 million in the first quarter of 2001 compared to $135.0 million in the year-ago quarter. The increase reflected increased sales on a larger portfolio.

Fee income on an Owned Basis, which includes revenues from fee-based products such as credit cards, was $237.9 million in the first quarter of 2001, compared to $179.3 million in the year-ago quarter. The increases were primarily due to higher credit card fees from our non-prime credit card portfolio.

Fee income on a Managed Basis was $393.2 million in the first quarter of 2001 compared to $332.8 million in the year-ago quarter. The increases were primarily due to higher credit card fees as discussed above.

Other income, which includes revenue from our tax refund lending business, was $161.7 million in the first quarter of 2001 compared to $133.3 million in the prior-year quarter. Higher revenues from our tax refund lending business drove the increase in other income.

Expenses

Total costs and expenses for the first quarter of 2001 were $960.6 million compared to $850.4 million in the comparable prior-year quarter as we invested in sales and collection personnel to support our growing portfolio. Significant fluctuations were as follows:

Salaries and fringe benefits for the first quarter of 2001 were $377.6 million compared to $302.1 million in the first quarter of 2000. The increases were primarily due to additional staffing at all businesses to support growth including collections and service quality as well as branch expansion efforts in the United Kingdom and Canada.

Sales incentives for the first quarter of 2001 were $54.5 million compared to $42.8 million in the comparable prior-year quarter. The increases were due to higher sales volumes in our branches.

Occupancy and equipment expense for the first quarter of 2001 was $83.5 million compared to $75.5 million in the comparable prior-year quarter. The increases were primarily the result of support facility growth, including new branches in the U.K. and Canada, and facilities associated with acquisitions in the first half of the prior year.

Other marketing expenses for the first quarter of 2001 were $135.2 million and were comparable to $133.1 million in the first quarter of 2000.

Other servicing and administrative expenses for the first quarter of 2001 were $193.4 million compared to $186.8 million in the comparable prior-year quarter. The increases were primarily due to higher collection expenses and costs associated with our privacy mailings.

Amortization of acquired intangibles and goodwill for the first quarter of 2001 was $38.9 million compared to $43.2 million in the comparable prior-year quarter. The decrease is attributable to reductions in acquired intangibles in the first quarter of 2000.

CREDIT LOSS RESERVES

Our consumer credit management policies focus on product type and specific portfolio risk factors. When evaluating credit risk, we believe that it is important to also consider risk adjusted revenue because our biggest economic protection against credit loss is the ability to price for it. Risk adjusted margin on a Managed Basis was 8.11 percent for the first quarter of 2001 compared to 7.82 percent in the comparable prior-year quarter. Our consumer credit portfolio is diversified by product and geographic location. See Note 4, "Receivables" in the accompanying financial statements for receivables by product type and Note 5, "Credit Loss Reserves," for our credit loss reserve methodology and an analysis of changes in the credit loss reserves for the quarter.

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Total managed credit loss reserves, which include reserves established on the off-balance sheet portfolio when receivables are securitized, were as follows:

(in millions)		March 31, 2001		December 31, 2000		September 30, 2000		June 30, 2000		March 31, 2000
Owned	$	2,282.4	$	2,111.9	$	2,009.2	$	1,986.5	$	1,909.7
Serviced with limited recourse		1,057.8		1,082.3		976.8		961.7		951.4
Total managed	$	3,340.2	$	3,194.2	$	2,986.0	$	2,948.2	$	2,861.1

Managed credit loss reserves as a percent of nonperforming managed receivables were 107.6 percent, compared to 107.0 percent at December 31, 2000 and 105.9 percent at March 31, 2000.

Total owned and managed credit loss reserves as a percent of receivables were as follows:

	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000
Owned	3.32 %	3.14 %	3.11 %	3.24 %	3.40 %
Managed	3.78	3.65	3.58	3.69	3.79

Reserve ratios at March 31, 2001 reflect historical and estimated future credit quality, the growing level of personal bankruptcy filings, and the continuing uncertainty over what impact the weakening economy will ultimately have on our chargeoff and delinquency levels.

CREDIT QUALITY

We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.

Delinquency

Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):

	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000
Managed:					
Real estate secured	2.61 %	2.63 %	2.77 %	2.72 %	2.99 %
Auto finance	1.79	2.55	2.19	1.99	1.52
MasterCard/Visa	3.68	3.49	3.48	3.14	3.06
Private label	5.50	5.48	5.67	5.77	5.94
Other unsecured	8.37	7.97	7.72	7.92	8.56
Total managed	4.25 %	4.20 %	4.21 %	4.16 %	4.43 %
Owned	4.36 %	4.26 %	4.29 %	4.25 %	4.58 %

Managed delinquency as a percent of managed consumer receivables increased slightly during the quarter, but was substantially lower than the prior-year quarter. The modest sequential increase in delinquency during the quarter was due to increases in our MasterCard and Visa and other unsecured portfolios, partially offset by improvement in our auto finance portfolio. The increase in MasterCard and Visa delinquency reflects lower levels of receivables due to normal seasonal run-off and reflects seasoning of the non-prime portfolio. The improvement in auto finance delinquency is primarily due to seasonality in this business. The increase in other unsecured delinquency is primarily due to certain older vintages.

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Improvements in our real estate secured, private label and other unsecured portfolios drove the decrease in the delinquency ratio from a year ago. In our real estate secured portfolio, we continue to benefit from the growing percentage of loans on which we hold a first lien position. During 2000, our consumer lending business added additional collection staff which has resulted in decreased delinquency in our real estate secured and other unsecured portfolios. Delinquency in our MasterCard and Visa portfolio increased over the prior year as a result of growing the non-prime portfolio. The higher delinquency associated with the non-prime portfolio is compensated for with higher pricing in this portfolio.

The trends impacting owned consumer delinquency as a percent of owned receivables are generally consistent with those described above for our managed portfolio. Owned delinquency by product is comparable to managed except for MasterCard and Visa and other unsecured whose owned delinquency is greater due to the retention of receivables on balance sheet that do not meet the eligibility criteria for securitization.

Net Chargeoffs of Consumer Receivables

Net Chargeoffs of Consumer Receivables (as a percent, annualized, of average consumer receivables):

	First Quarter 2001	Fourth Quarter 2000	Third Quarter 2000	Second Quarter 2000	First Quarter 2000
Managed:					
Real estate secured	.44 %	.41 %	.41 %	.47 %	.52 %
Auto finance	5.15	5.22	4.45	4.28	5.25
MasterCard/Visa	6.27	5.83	5.23	5.57	5.69
Private label	5.08	5.06	5.28	5.43	5.65
Other unsecured	6.27	5.92	7.00	7.68	7.41
Total	3.56 %	3.41 %	3.47 %	3.74 %	4.00 %
Owned	3.12 %	2.98 %	3.01 %	3.27 %	3.53 %

Managed net chargeoffs as a percent of average managed receivables increased modestly over the previous quarter. Increases in MasterCard and Visa chargeoffs reflect growth in our non-prime credit card business. Seasoning of certain older vintages contributed to the increase in other unsecured chargeoffs.

Compared to the prior year quarter, managed net chargeoffs decreased 44 basis points. Our private label and other unsecured portfolios reflect the benefits of improved collections. MasterCard and Visa chargeoffs reflect growth in our non-prime credit card business.

The trends impacting owned net chargeoffs as a percent of owned receivables are generally consistent with those described above for our managed portfolio. Owned chargeoffs for our real estate secured and private label and other unsecured products are comparable to managed chargeoffs. Chargeoffs for MasterCard and Visa receivables on an owned basis are higher due to the difference in credit quality and seasoning of the receivables which remain on our balance sheet. Chargeoffs for auto finance receivables on an owned basis are lower due to the predominantly unseasoned nature of the receivables which remain on balance sheet.

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NONPERFORMING ASSETS

(In millions)	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000
Owned assets:					
Nonaccrual receivables	$ 1,825.1	$ 1,678.7	$ 1,593.3	$ 1,462.4	$ 1,503.6
Accruing consumer receivables 90 or more days delinquent	669.3	649.4	604.6	571.8	570.5
Renegotiated commercial loans	12.3	12.3	12.3	12.3	12.3
Total nonperforming receivables	2,506.7	2,340.4	2,210.2	2,046.5	2,086.4
Real estate owned	350.2	337.1	336.9	323.5	301.0
Total nonperforming assets	$ 2,856.9	$ 2,677.5	$ 2,547.1	$ 2,370.0	$ 2,387.4
Credit loss reserves as a percent of nonperforming receivables	91.1%	90.2%	90.9%	97.1%	91.5%
Managed assets:					
Nonaccrual receivables	$ 2,200.6	$ 2,112.3	$ 1,984.1	$ 1,841.8	$ 1,934.2
Accruing consumer receivables 90 or more days delinquent	891.5	859.8	802.8	753.9	755.0
Renegotiated commercial loans	12.3	12.3	12.3	12.3	12.3
Total nonperforming receivables	3,104.4	2,984.4	2,799.2	2,608.0	2,701.5
Real estate owned	350.2	337.1	336.9	323.6	301.0
Total nonperforming assets	$ 3,454.6	$ 3,321.5	$ 3,136.1	$ 2,931.6	$ 3,002.5
Credit loss reserves as a percent of nonperforming receivables	107.6%	107.0%	106.7%	113.0%	105.9%

HHS 03137932

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

12 Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.

99.1 Debt and Preferred Stock Securities Ratings.

(b) Report on Form 8-K

During the first quarter of 2001, the Registrant filed a Current Report on Form 8-K dated January 17, 2001 with respect to the press release pertaining to the financial results of Household International, Inc. for the year ended December 31, 2000.

HHS 03137933

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOUSEHOLD INTERNATIONAL, INC.
(Registrant)

Date: May 9, 2001

By: /s/ David A. Schoenholz
David A. Schoenholz
Group Executive -
Chief Financial Officer
and on behalf of
Household International, Inc.

HHS 03137934

Exhibit Index

12	Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.
99.1	Debt and Preferred Stock Securities Ratings.

HHS 03137935

EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(In millions)	Three months ended March 31, 2001	2000
Net income	$ 431.8	$ 372.9
Income taxes	233.8	192.6
Income before income taxes	665.6	565.5
Fixed charges:		
Interest expense (1)	1,115.3	827.6
Interest portion of rentals (2)	14.9	13.0
Total fixed charges	1,130.2	840.6
Total earnings as defined	$ 1,795.8	$ 1,406.1
Ratio of earnings to fixed charges	1.59	1.67
Preferred stock dividends (3)	$ 3.5	$ 3.5
Ratio of earnings to combined fixed charges and preferred stock dividends	1.58	1.67

(1) For financial statement purposes, interest expense includes income earned on temporary investment of excess funds, generally resulting from over-subscriptions of commercial paper.

(2) Represents one-third of rentals, which approximates the portion representing interest.

(3) Preferred stock dividends are grossed up to their pretax equivalent based upon an effective tax rate of 35.1 percent for the quarter ended March 31, 2001 and 34.1 percent for the same period in 2000.

HHS 03137936

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

DEBT AND PREFERRED STOCK SECURITIES RATINGS

At March 31, 2001	Standard & Poor's Corporation	Moody's Investors Service	Fitch, Inc.
Household International, Inc.			
Senior debt	A	A3	A
Commercial paper	A-1	P-2	F-1
Preferred stock	BBB+	baa1	A-
Household Finance Corporation			
Senior debt	A	A2	A+
Senior subordinated debt	A-	A3	A
Commercial paper	A-1	P-1	F-1
Household Bank, f.s.b.			
Senior debt	A	A2	A
Subordinated debt	A-	A3	A-
Certificates of deposit (long/short-term)	A/A-1	A2/P-1	A/F-1
Thrift notes	A-1	P-1	F-1
Household Bank plc			
Senior debt	A	A2	A+
Commercial paper	A-1	P-1	NR

NR – Not rated

FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 1-75

HOUSEHOLD FINANCE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	36-1239445
(State of Incorporation)	(I.R.S. Employer Identification No.)

2700 Sanders Road, Prospect Heights, Illinois 60070
(Address of principal executive offices) (Zip Code)

(847) 564-5000

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

At April 30, 2001, there were 1,000 shares of the registrant's common stock outstanding.

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format.

HOUSEHOLD FINANCE CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Household Finance Corporation and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three months ended March 31,	
(In millions)	2001	2000
Finance and other interest income	$ 1,811.1	$ 1,433.0
Interest expense	825.5	596.2
Net interest margin	985.6	836.8
Provision for credit losses on owned receivables	548.8	420.6
Net interest margin after provision for credit losses	436.8	416.2
Securitization revenue	306.3	200.8
Insurance revenue	115.9	91.7
Investment income	38.3	36.5
Fee income	117.7	94.0
Other income	105.6	58.7
Total other revenues	683.8	481.7
Salaries and fringe benefits	294.3	225.5
Sales incentives	52.4	40.9
Occupancy and equipment expense	64.3	60.0
Other marketing expenses	62.4	52.9
Other servicing and administrative expenses	82.3	72.5
Amortization of acquired intangibles and goodwill	35.4	40.8
Policyholders' benefits	66.6	56.6
Total costs and expenses	657.7	549.2
Income before income taxes	462.9	348.7
Income taxes	161.6	118.2
Net income	$ 301.3	$ 230.5

See notes to interim condensed consolidated financial statements.

HHS 03137940

Household Finance Corporation and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)	March 31, 2001	December 31, 2000
ASSETS	(UNAUDITED)	
Cash	$ 135.5	$ 269.5
Investment securities	3,289.3	3,217.4
Receivables, net	51,273.8	50,498.5
Advances to parent company and affiliates	1,028.5	504.6
Acquired intangibles and goodwill, net	1,392.5	1,426.0
Properties and equipment, net	383.2	368.0
Real estate owned	344.6	332.1
Other assets	1,979.3	1,975.0
Total assets	$ 59,826.7	$ 58,591.1
LIABILITIES AND SHAREHOLDER'S EQUITY		
Debt:		
Commercial paper, bank and other borrowings	$ 8,463.5	$ 8,829.4
Senior and senior subordinated debt (with original maturities over one year)	41,581.5	40,575.9
Total debt	50,045.0	49,405.3
Insurance policy and claim reserves	877.9	891.8
Other liabilities	1,793.6	944.8
Total liabilities	52,716.5	51,241.9
Common shareholder's equity:		
Common stock, $1.00 par value, 1,000 shares authorized, issued and outstanding at March 31, 2001 and December 31, 2000 and additional paid-in capital	3,503.3	3,503.3
Retained earnings	3,840.0	3,813.8
Accumulated other comprehensive income	(233.1)	32.1
Total common shareholder's equity	7,110.2	7,349.2
Total liabilities and shareholder's equity	$ 59,826.7	$ 58,591.1

See notes to interim condensed consolidated financial statements.

HHS 03137941

Household Finance Corporation and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In millions)	Three months ended March 31, 2001	2000
CASH PROVIDED BY OPERATIONS		
Net income	$ 301.3	$ 230.5
Adjustments to reconcile net income to cash provided by operations:		
Provision for credit losses on owned receivables	548.8	420.6
Insurance policy and claim reserves	48.3	10.7
Depreciation and amortization	70.6	69.1
Other, net	265.7	358.2
Cash provided by operations	1,234.7	1,089.1
INVESTMENTS IN OPERATIONS		
Investment securities:		
Purchased	(425.2)	(232.6)
Matured	89.2	91.9
Sold	143.3	8.4
Short-term investment securities, net change	159.0	(466.2)
Receivables:		
Originations, net	(444.8)	(1,437.4)
Purchases and related premiums	(7,634.0)	(3,673.5)
Sold	6,757.5	2,048.8
Properties and equipment purchased	(41.1)	(28.6)
Properties and equipment sold	1.8	2.5
Advances to parent company and affiliates, net	(523.9)	507.2
Cash decrease from investments in operations	(1,918.2)	(3,179.5)
FINANCING AND CAPITAL TRANSACTIONS		
Short-term debt and demand deposits, net change	(366.1)	(1,266.2)
Senior and senior subordinated debt issued	4,058.4	3,438.3
Senior and senior subordinated debt retired	(2,839.6)	(1,064.0)
Policyholders' benefits paid	(28.2)	(28.5)
Dividends paid to parent company	(275.0)	(275.0)
Cash increase from financing and capital transactions	549.5	804.6
Decrease in cash	(134.0)	(1,285.8)
Cash at January 1	269.5	1,487.2
Cash at March 31	$ 135.5	$ 201.4
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 834.0	$ 626.3
Income taxes paid (refunded)	52.2	(7.0)

See notes to interim condensed consolidated financial statements.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Household Finance Corporation ("HFC") and its subsidiaries have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the three months ended March 31, 2001 should not be considered indicative of the results for any future quarters or the year ending December 31, 2001. HFC and its subsidiaries may also be referred to in this Form 10-Q as "we," "us" or "our." These financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2000.

2. INVESTMENT SECURITIES

Investment securities consisted of the following available-for-sale investments:

(In millions)		March 31, 2001		December 31, 2000
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Marketable equity securities	$ 35.6	$ 32.5	$ 25.8	$ 24.9
Corporate debt securities	1,851.9	1,808.8	1,942.6	1,867.6
U.S. government and federal agency debt securities	1,158.5	1,164.2	879.5	879.3
Certificates of deposit	77.8	77.8	76.8	76.8
Money market funds	91.2	91.2	187.5	187.5
Other	78.8	78.7	146.8	147.0
Subtotal	3,293.8	3,253.2	3,259.0	3,183.1
Accrued investment income	36.1	36.1	34.3	34.3
Total available-for-sale investments	$ 3,329.9	$ 3,289.3	$ 3,293.3	$ 3,217.4

HHS 03137943

3. RECEIVABLES

Receivables consisted of the following:

(In millions)	March 31, 2001	December 31, 2000
Real estate secured	$ 31,147.0	$ 30,147.9
Auto finance	1,858.8	1,643.0
MasterCard*/Visa*	4,085.6	4,495.0
Private label	4,375.4	4,588.1
Other unsecured	9,307.9	8,887.2
Commercial and other	491.7	508.1
Total owned receivables	51,266.4	50,269.3
Accrued finance charges	1,116.0	1,095.9
Credit loss reserve for owned receivables	(1,748.3)	(1,603.9)
Unearned credit insurance premiums and claims reserves	(656.3)	(622.3)
Amounts due and deferred from receivables sales	2,276.8	2,360.9
Reserve for receivables serviced with limited recourse	(980.8)	(1,001.4)
Total owned receivables, net	51,273.8	50,498.5
Receivables serviced with limited recourse	18,428.6	18,923.3
Total managed receivables, net	$ 69,702.4	$ 69,421.8

Receivables serviced with limited recourse consisted of the following:

(In millions)	March 31, 2001	December 31, 2000
Real estate secured	$ 1,318.0	$ 1,457.8
Auto finance	2,812.8	2,712.7
MasterCard/Visa	8,937.6	9,311.7
Private label	1,650.0	1,650.0
Other unsecured	3,710.2	3,791.1
Total receivables serviced with limited recourse	$ 18,428.6	$ 18,923.3

The combination of owned receivables and receivables serviced with limited recourse, which we consider our managed portfolio, consisted of the following:

(In millions)	March 31, 2001	December 31, 2000
Real estate secured	$ 32,465.0	$ 31,605.7
Auto finance	4,671.6	4,355.7
MasterCard/Visa	13,023.2	13,806.7
Private label	6,025.4	6,238.1
Other unsecured	13,018.1	12,678.3
Commercial and other	491.7	508.1
Total managed receivables	$ 69,695.0	$ 69,192.6

* MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.

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4. CREDIT LOSS RESERVES

An analysis of credit loss reserves for the three months ended March 31 was as follows:

(In millions)	Three months ended 2001	March 31, 2000
Owned receivables:		
Credit loss reserves at beginning of period	$ 1,603.9	$ 1,470.7
Provision for credit losses	548.8	420.6
Chargeoffs	(447.9)	(438.6)
Recoveries	39.2	31.6
Other, net	4.3	48.2
Credit loss reserves for owned receivables at March 31	1,748.3	1,532.5
Receivables serviced with limited recourse:		
Credit loss reserves at beginning of period	1,001.4	737.4
Provision for credit losses	220.8	199.5
Chargeoffs	(253.7)	(168.0)
Recoveries	14.0	5.7
Other, net	(1.7)	0.1
Credit loss reserves for receivables serviced with limited recourse at March 31	980.8	774.7
Total credit loss reserves for managed receivables at March 31	$ 2,729.1	$ 2,307.2

The level of reserves for consumer credit losses is based on delinquency and chargeoff experience by product and judgmental factors. We also evaluate the potential impact of existing and anticipated national and regional economic conditions on the managed receivable portfolio when establishing credit loss reserves.

5. INCOME TAXES

Our effective tax rate was 34.9 percent for the three months ended March 31, 2001 and 33.9 percent for the first three months of 2000. The effective tax rate differs from the statutory federal income tax rate primarily because of the effects of state and local income taxes and leveraged lease tax benefits.

HHS 03137945

6. TRANSACTIONS WITH PARENT COMPANY AND AFFILIATES

We periodically advance funds to Household International and affiliates or receive amounts in excess of our parent company's current requirements. Advances to parent company and affiliates were $1,028.5 million at March 31, 2001 compared to $504.6 million at December 31, 2000. There were no advances from parent company and affiliates at March 31, 2001 and December 31, 2000. Net interest income on affiliated balances was $12.8 million for the first quarter of 2001 and $16.9 million for the prior year quarter.

7. COMPREHENSIVE INCOME

Comprehensive income was $36.1 million for the quarter ended March 31, 2001, and $284.0 million for the prior year quarter.

The components of accumulated other comprehensive income are as follows:

(In millions)		March 31, 2001		December 31, 2000
Foreign currency translation adjustments	$	1.6	$	7.5
Unrealized gain on investments		92.0		24.6
Derivative instruments and hedging activity		(326.7)		-
Accumulated other comprehensive income	$	(233.1)	$	32.1

8. SEGMENT REPORTING

We have one reportable segment, Consumer, which includes our consumer lending, retail services, credit card services and auto finance businesses. Our consumer lending business includes our branch-based operations and our mortgage services business. There has been no change in the basis of our segmentation or in the measurement of segment profit as compared with the presentation in our Annual Report on Form 10-K for the year ended December 31, 2000.

Information about our reportable segment for the three months ended March 31, 2001 and 2000 was as follows:

Owned Basis (In millions)		Three months ended March 31, 2001		2000
Net interest margin and other revenues (1)	$	1,477.0	$	1,232.4
Intersegment revenues		55.1		46.0
Net income		240.6		186.3
Total assets		53,874.2		42,797.7
Total assets - managed		72,434.0		55,690.3

(1) Net interest margin and other revenues, including intersegment revenues, net of policyholders' benefits.

HHS 03137946

A reconciliation of the total reportable segments' net income to consolidated net income for the three months ended March 31, 2001 and 2000 is as follows:

(In millions)	Three months ended March 31, 2001	2000
Reportable segment net income	$ 240.6	$ 186.3
Other operations not individually reportable	96.5	74.6
Adjustments/eliminations	(35.8)	(30.4)
Total consolidated net income	$ 301.3	$ 230.5

9. DERIVATIVE FINANCIAL INSTRUMENTS

Change in Accounting Principle

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS No. 133"), as amended. FAS No. 133 requires all derivatives, whether designated in hedging relationships or not, to be recorded on the balance sheet at fair value. FAS No. 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

The adoption of FAS No. 133 on January 1, 2001 was accounted for as a cumulative effect of a change in accounting principle. The impact of the adoption was not material to earnings and reduced common shareholder's equity by $230 million. The adjustment to common shareholder's equity was recorded as a component of accumulated other comprehensive income and was made to recognize at fair value all derivatives that were designated as cash flow hedging instruments. We expect that $109 million of derivative losses recorded in common shareholder's equity on January 1, 2001 will be reclassified into earnings within one year. These unrealized losses will be offset by decreased interest expense associated with the variable cash flows of the hedged items and will result in no net impact to our earnings. Derivative gains expected to be reclassified into earnings within one year are not expected to be material. During the three months ended March 31, 2001, approximately $19 million in net derivative losses were reclassified into earnings.

Accounting Policies

Under FAS No. 133, all derivatives are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, we designate the derivative as a fair value hedge, a cash flow hedge, a hedge of a net investment in a foreign operation, or a non-hedging derivative. Fair value hedges include hedges of the fair value of a recognized asset or liability and certain foreign-currency hedges. Cash flow hedges include hedges of the variability of cash flows to be received or paid related to a recognized asset or liability and certain foreign-currency hedges. Changes in the fair value of derivatives designated as fair value hedges, along with the change in fair value on the hedged asset or liability that is attributable to the hedged risk, are recorded in current period earnings. Changes in the fair value of derivatives designated as cash flow hedges, to the extent effective as a hedge, are recorded in accumulated other comprehensive income, and reclassified into earnings in the period during which the hedged item affects earnings. Changes in the fair value of derivative instruments not designated as hedging instruments and ineffective portions of changes in the fair value of hedging instruments are recognized in other income in the current period.

We formally document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives to specific assets and liabilities on the balance sheet. We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, we discontinue hedge accounting prospectively, as discussed below.

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When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective hedge, the derivative will continue to be carried on the balance sheet at its fair value. For fair value hedges, the formerly hedged asset or liability will no longer be adjusted for changes in fair value and any previously recorded adjustments to the carrying value of the hedged asset or liability will be amortized into income over the remaining life of the hedged asset or liability. For cash flow hedges, amounts previously recorded in accumulated other comprehensive income will be reclassified into income as earnings are impacted by the variability in the cash flows of the hedged item.

If the hedging instrument is terminated early, the derivative is removed from the balance sheet. Accounting for the adjustments to the hedged asset or liability or adjustments to accumulated other comprehensive income are the same as described above when a derivative no longer qualifies as an effective hedge.

If the hedged asset or liability is sold or extinguished, the derivative will continue to be carried on the balance sheet at its fair value. The hedged item, including previously recorded mark-to-market adjustments, are derecognized immediately as a component of the gain or loss upon disposition.

Objectives for Holding Derivative Instruments

We generally fund our assets with liabilities that have similar interest rate features. This reduces structural interest rate risk. Over time, customer demand for our receivable products shifts between fixed rate and floating rate products, based on market conditions and preferences. These shifts result in different funding strategies and produce different interest rate risk exposures. We maintain an overall risk management strategy that utilizes a variety of interest rate and currency derivative financial instruments to mitigate our exposure to fluctuations caused by volatility in interest rates and currency exchange rates. We manage our exposure to interest rate risk primarily through the use of interest rate swaps, but also use forwards, futures, options, and other risk management instruments. We manage our exposure to currency risk primarily through the use of currency swaps. We do not speculate on interest rate or foreign currency market exposure and we do not use leveraged derivative instruments for interest-rate risk management.

By utilizing derivative instruments to mitigate market risk, we are exposed to additional credit risk. We control the credit (or repayment) risk in derivative instruments through established credit approvals, risk control limits and ongoing monitoring procedures. Additionally, certain swap agreements that we have entered into require that payments be made to, or received from, the counterparty when the fair value of the agreement reaches a certain level. We have never experienced nonperformance by any derivative instrument counterparty.

We have a comprehensive program to address potential financial risks such as interest rate, counterparty and currency risk. The Finance Committee of the Board of Directors of Household International, Inc. sets acceptable limits for each of these risks annually and reviews the limits semi-annually.

At March 31, 2001, the fair value of derivatives included other assets of $139 million and other liabilities of $910 million.

Fair Value Hedges To manage our exposure to changes in interest rates, we enter into interest rate swap agreements to convert our fixed rate debt to variable rate debt. The critical terms of the interest rate swap are designed to match that of the hedged item, enabling the application of the short-cut method of accounting as defined by FAS No. 133. To the extent that the critical terms of the hedged item and the derivative are not identical, hedge ineffectiveness is reported in earnings during the current period as a component of other income.

We enter into cross-currency interest rate swap agreements (currency swaps) to convert debt issued from one currency into pay variable debt of the appropriate functional currency. Such swap agreements are used to manage our exposure to changes in foreign currency and interest rates. Although the critical terms of the currency swap are designed to match that of the hedged item, FAS No. 133 does not allow short-cut method accounting for this type of hedge. Therefore, there may be minimal ineffectiveness which is reported in current period earnings.

There was no hedge ineffectiveness associated with fair value hedges reported in earnings during the first quarter of 2001. At March 31, 2001, we had recorded adjustments which decreased the carrying value of our debt by $248 million.

HHS 03137948

Cash Flow Hedges To manage our exposure to changes in interest rates, we enter into interest rate swap agreements to convert our variable rate debt to fixed rate debt. The critical terms of the interest rate swap are designed to match that of the hedged item, enabling the application of the short-cut method of accounting as defined by FAS No. 133. To the extent that the critical terms of the hedged item and the derivative are not identical, hedge ineffectiveness is reported in earnings immediately as other income.

To manage our exposure to changes in foreign currency, we enter into cross-currency interest rate swap agreements (currency swaps) to convert debt issued from one currency into pay fixed debt of the appropriate functional currency. Although the critical terms of the currency swap and hedged item are designed to match that of the hedged item, FAS No. 133 does not allow short-cut method accounting for this type of hedge. Therefore, there may be minimal ineffectiveness which is reported in current period earnings.

At March 31, 2001, we had approximately $327 million of unrealized losses on derivative instruments, net of taxes, in accumulated other comprehensive income. We expect $120 million of currently unrealized net losses, after taxes, will be reclassified to earnings within one year. These unrealized losses will be offset by decreased interest expense associated with the variable cash flows of the hedged items and will result in no net impact to our earnings. Hedge ineffectiveness associated with cash flow hedges reported in the first quarter of 2001 was immaterial.

Non–Hedging Activities At March 31, 2001, we had $0.6 million, net of tax, in net fair value losses on derivatives, consisting of interest rate caps, exchange traded futures, and some interest rate swaps, which were not designated as hedges under FAS No. 133. These are economic hedges that are not linked to specific assets and liabilities that appear on our balance sheet and do not qualify for hedge accounting. The primary purpose of these derivatives is to minimize our exposure to volatility in interest rates. We do not use any of these instruments for trading purposes.

10. NEW ACCOUNTING PRONOUNCEMENTS

In September 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125" ("FAS No. 140"). FAS No. 140 revises the standards for accounting for securitizations and requires certain disclosures. We adopted the non-disclosure provisions of FAS No. 140 on April 1, 2001 and do not expect the adoption to have a significant effect on our operations.

HHS 03137949

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with the consolidated financial statements, notes and tables included elsewhere in this report and in the Household Finance Corporation Annual Report on Form 10-K for the year ended December 31, 2000 (the "2000 Form 10-K") filed with the Securities and Exchange Commission. Management's discussion and analysis may contain certain statements that may be forward-looking in nature within the meaning of the Private Securities Litigation Reform Act of 1995. Our results may differ materially from those noted in the forward-looking statements. Forward-looking statements are typically identified by words or phrases such as "believe", "expect", anticipate", "intend", "may", "will", "should", "would" and "could". Forward-looking statements involve risks and uncertainties and are based on current views and assumptions. For a list of important factors that may affect our actual results, see our 2000 Form 10-K.

OPERATIONS SUMMARY

Our net income for the first quarter of 2001 increased 31 percent to $301.3 million, from $230.5 million a year ago. Our improved results were due to strong revenue growth driven by significant receivable growth and higher income from our tax refund lending business. Partially offsetting the revenue growth were higher operating expenses as a result of the portfolio growth and increased investments in sales and collection personnel.

Our annualized return on average owned assets ("ROA") was 2.00 percent in the first quarter of 2001 compared to 1.94 percent for the prior year quarter. Our annualized return on average managed assets ("ROMA") was 1.54 percent in the first quarter of 2001, equal to that for the same period in 2000.

SEGMENT RESULTS

Our Consumer segment reported higher net income over the comparable prior year quarter. Net income increased to $240.6 million for the quarter compared to $186.3 million in the year-ago quarter. Managed receivables grew to $70.1 billion at March 31, 2001, from $69.4 billion at December 31, 2000 and $53.4 billion at March 31, 2000. Our higher managed receivables compared to year end were driven by solid growth in real estate secured, other unsecured and auto finance receivables partially offset by normal, seasonal run-off in our MasterCard and Visa credit card portfolio. Compared with the prior year quarter, we also experienced strong receivable growth across all product lines except private label. The increase in MasterCard* and Visa* receivables over the prior year quarter reflects the October 2000 acquisition of $6.7 billion in managed GM Card® receivables from an affiliate and strong growth in our Union Privilege portfolio. Our private label portfolio declined over both the prior and year-ago quarters as an affiliate now originates substantially all receivables generated from new merchant relationships. ROA was 1.80 percent in both the first quarter 2001 and 2000. ROMA was 1.34 percent for the quarter compared to 1.38 percent in the year-ago quarter. The increase in net income reflects higher dollars of net interest margin and other revenues, which were partially offset by higher salary expense, including higher sales incentive compensation, and higher credit loss provision resulting from the increased levels of receivables.

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Strong receivable growth drove our improved results. Our managed portfolio increased $16.1 billion to $69.7 billion, or 30 percent from a year ago. Growth was strongest in our real estate secured and other unsecured products as our branch sales force continued to benefit from our centralized lead management and point-of-sale system which has resulted in increased productivity and strong growth in our HFC and Beneficial branches. Our mortgage services business also reported strong year-over-year growth with receivables increasing $3.2 billion, or 41 percent, over March 31, 2000. Our mortgage services receivable growth included an opportunistic portfolio acquisition of $2.2 billion in the second quarter of 2000. Expansion of our auto finance sales force and favorable market conditions contributed to the $1.3 billion increase in auto finance receivables. MasterCard and Visa receivables more than doubled to $13.0 billion. In October 2000, we acquired $6.7 billion in managed GM Card® receivables, at fair market value, from an affiliate. This affiliate remains the designated issuer of the GM Card®, but we periodically purchase additional receivables from this affiliate. Private label receivables were flat with the prior year. Since late 1998, substantially all private label receivables generated from new merchant relationships have been originated by an affiliate. Although we subsequently purchase a portion of these receivables from the affiliate, this change has resulted in continued decreases in our private label portfolio.

Compared to December 31, 2000, managed receivables grew $502 million, or an annualized 2.9 percent, as robust growth in our consumer lending, mortgage services, and auto finance businesses more than offset the seasonal runoff in our credit card portfolios.

Owned receivables were $51.3 billion at March 31, 2001, up from $50.3 billion at December 31, 2000 and $40.8 billion at March 31, 2000. The level of our owned receivables may vary from period to period depending on the timing and size of securitization transactions.

Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.91 percent at March 31, 2001, compared with 4.71 percent at December 31, 2000 and 5.24 percent at March 31, 2000. The annualized consumer owned chargeoff ratio in the first quarter of 2001 was 3.22 percent, compared with 3.23 percent in the prior quarter and 4.09 percent in the year-ago quarter.

Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.63 percent at March 31, 2001, compared with 4.51 percent at December 31, 2000 and 5.09 percent at March 31, 2000. The annualized consumer managed chargeoff ratio in the first quarter of 2001 was 3.76 percent, compared with 3.69 percent in the prior quarter and 4.37 percent in the year-ago quarter.

LIQUIDITY AND CAPITAL RESOURCES

Our main uses of cash are the origination or purchase of receivables and purchases of investment securities. Our main sources of cash are the collection of receivable balances, maturities or sales of investment securities, proceeds from the issuance of debt and securitization of consumer receivables, and cash provided by operations.

We paid dividends of $275.0 million to our parent company during the first quarter of both 2001 and 2000. During the first quarter of 2001 and 2000, we received no capital contributions from our parent.

Commercial paper, bank and other borrowings decreased to $8.5 billion at March 31, 2001 from $8.8 billion at year-end. Senior and senior subordinated debt (with original maturities over one year) increased to $41.6 billion at March 31, 2001 from $40.6 billion at year-end. The change in total debt levels from year end is consistent with the change in owned receivables.

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Our securitized receivables totaled $18.4 billion at March 31, 2001, compared to $18.9 billion at December 31, 2000.

The composition of receivables securitized (excluding replenishments of certificate holder interests) during the quarter is as follows:

(In billions)	Three months ended March 31, 2001	2000
Auto finance	$ .4	$ .5
MasterCard/Visa	.1	.2
Other unsecured	.4	.6
	$ .9	$ 1.3

We believe the market for securities backed by receivables is a reliable, efficient and cost-effective source of funds. At March 31, 2001, securitizations represented 27 percent of the funding associated with our managed portfolio, compared to 24 percent a year ago. The increase is primarily attributable to the October 2000 acquisition of managed GM Card® receivables from an affiliate.

PRO FORMA MANAGED STATEMENTS OF INCOME

Securitizations of consumer receivables have been, and will continue to be, a source of liquidity for us. We continue to service securitized receivables after they have been sold and retain a limited recourse liability for future credit losses. We include revenues and credit-related expenses related to the off-balance sheet portfolio in one line item in our owned statements of income. Specifically, we report net interest margin, provision for credit losses, fee income and securitization related revenue as a net amount in securitization revenue.

We monitor our operations on a managed basis as well as on the owned basis reported in our statements of income. Our pro forma managed income statement assumes that the securitized receivables have not been sold and are still on our balance sheet. Consequently, the income and expense items discussed above are reclassified from securitization revenue into the appropriate caption in our pro forma managed basis income statement as if the receivables had not been securitized. Our pro forma managed basis income statement is presented below. Our pro forma managed basis income statement is not intended to reflect the differences between our accounting policies for owned receivables and the off-balance sheet portfolio, but merely to report net interest margin, fees and provision for losses as if the securitized loans were held in portfolio. Therefore, net income on a pro forma managed basis equals net income on an owned basis.

We define the net effect of securitization activity on our operations as securitization related revenue less the over-the-life provision for credit losses on initial securitization transactions. Securitization related revenue includes gross initial gains on current period securitization transactions less amortization of current and prior period securitization gains. The over-the-life provision for credit losses on initial securitization transactions is reported in our pro forma managed income statement as a component of provision for credit losses. The net effect of securitization activity will vary depending upon the amount and mix of securitizations in a particular period.

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(In millions)	Three months ended March 31, 2001	2000
Finance and other interest income	$ 2,541.4	$ 1,927.2
Interest expense	1,120.3	783.4
Net interest margin	1,421.1	1,143.8
Provision for credit losses on managed receivables	769.6	620.1
Net interest margin after provision for credit losses	651.5	523.7
Securitization revenue	(23.1)	49.9
Insurance revenue	115.9	91.7
Investment income	38.3	36.5
Fee income	232.4	137.4
Other income	105.6	58.7
Total other revenues	469.1	374.2
Salaries and fringe benefits	294.3	225.5
Sales incentives	52.4	40.9
Occupancy and equipment expense	64.3	60.0
Other marketing expenses	62.4	52.9
Other servicing and administrative expenses	82.3	72.5
Amortization of acquired intangibles and goodwill	35.4	40.8
Policyholders' benefits	66.6	56.6
Total costs and expenses	657.7	549.2
Income before income taxes	462.9	348.7
Income taxes	161.6	118.2
Net income	$ 301.3	$ 230.5
Average managed receivables	$ 69,518.6	$ 51,280.7
Average noninsurance investments	931.3	804.1
Other interest-earning assets	448.5	426.0
Average managed interest-earning assets	$ 70,898.4	$ 52,510.8

INCOME STATEMENT REVIEW

The following discussion on revenues, where applicable, and provision for credit losses includes comparisons to amounts reported on our historical owned statements of income ("Owned Basis"), as well as on the above pro forma managed statements of income ("Managed Basis").

Net interest margin

Net interest margin on an Owned Basis was $985.6 million for the first quarter of 2001, an increase of $148.8 million, or 18 percent, from the year ago quarter. Net interest margin on a Managed Basis was $1,421.1 million for the first quarter of 2001 compared to $1,143.8 million in the prior year quarter. The increases were primarily due to receivable growth, which was partially offset by higher funding costs. Although interest rates declined dramatically in the first quarter of 2001, they increased steadily throughout 1999 and the first half of 2000, which resulted in a higher average rate for the first quarter of 2001 compared to the first quarter of 2000.

Net interest margin as a percent of average managed interest-earning assets, annualized, increased to 8.02 percent, up from 7.89 percent in the previous quarter but down from 8.71 percent in the year-ago quarter. The increase from the previous quarter is primarily due to lower funding costs resulting from recent easing in United States monetary policy Though the rates we charge on our products may also be reduced as a result of the easing in monetary policy, these reductions generally do not occur as quickly as the reductions in our funding costs which results in a temporary expansion of our margins. Compared to the prior year quarter, the margin reflects higher funding costs due to higher interest rates as discussed above.

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Provision for credit losses

The provision for credit losses for receivables on an Owned Basis for the first quarter of 2001 totaled $548.8 million, compared to $420.6 million in the prior year quarter. As a percent of average owned receivables, annualized, the provision was 4.28 percent in the first quarter of 2001, compared to 4.32 percent in the first quarter of 2000. During the first quarter of 2001 we recorded owned loss provision in excess of chargeoffs of $140.1 million reflecting our rapid receivables growth, recent increases in personal bankruptcy filings and continued uncertainty on the impact the weakening economy will have on future chargeoff and delinquency trends. The provision for credit losses may vary from quarter to quarter, depending on the amount of securitizations in a particular period and the product mix of loans in our portfolio.

The provision for credit losses for receivables on a Managed Basis totaled $769.6 million in the first quarter of 2001, compared to $620.1 million in the prior-year quarter. As a percent of average managed receivables, annualized, the provision was 4.43 percent in the first quarter of 2001, compared to 4.84 percent in the first quarter of 2000. The Managed Basis provision includes the over-the-life reserve requirement on the off-balance sheet portfolio. This provision is impacted by the type and amount of receivables securitized in a given period and substantially offsets the revenue recorded on the securitization transactions. See "Liquidity and Capital Resources" for the type and amount of receivables securitized and "Credit Quality" for further discussion of factors affecting the provision for credit losses.

Other revenues

Securitization revenue on an Owned Basis was $306.3 million for the first quarter of 2001, compared to $200.8 million for the same quarter in 2000. Securitization revenue consists of income associated with the securitization and sale of receivables with limited recourse, including net interest income, fee and other income and provision for credit losses related to those receivables. The increase is primarily due to increases in average securitized receivables and changes in portfolio mix. The components of securitization revenue are reclassified to the appropriate caption in the pro forma statements of income on a Managed Basis.

Securitization related revenue on a Managed Basis, which includes the gross gains and amortization on our securitized portfolio, was an expense of $23.1 million in the first quarter of 2001 compared to revenue of $49.9 million in the year-ago quarter. The net effect of securitization activity, after establishing credit loss reserves on initial transactions, decreased income by $102.8 million in the first quarter of 2001 compared to $65.1 million in the year-ago quarter. Securitization related revenue and the net effect of securitization activity will vary from quarter to quarter depending upon the amount and mix of securitizations in a particular period.

The following table includes securitization related revenue on a Managed Basis and the net effect of securitization activity on our operations:

(In millions)	Three months ended March 31, 2001	2000
Gross initial gains	$ 107.1	$ 146.8
Amortization	(130.2)	(96.9)
Securitization related revenue	(23.1)	49.9
Over-the-life provision on initial transactions	79.7	115.0
Net effect of securitization activity	$ (102.8)	$ (65.1)

Insurance revenue was $115.9 million in the first quarter of 2001 compared to $91.7 million in the year-ago quarter. The increase reflected increased sales on a larger portfolio.

Fee income on an Owned Basis, which includes revenues from fee-based products such as credit cards, was $117.7 million in the first quarter of 2001, compared to $94.0 million in the year-ago quarter. The increase is primarily due to higher average MasterCard and Visa receivables as a result of the October 2000 acquisition of GM Card® receivables from an affiliate.

Fee income on a Managed Basis was $232.4 million in the first quarter of 2001 compared to $137.4 million in the year-ago quarter. The increases were primarily due to higher credit card fees as discussed above.

Other income was $105.6 million in the first quarter of 2001 compared to $58.7 million in the prior year quarter. The increase is primarily due to higher revenue from our tax refund lending business.

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Expenses

Total costs and expenses for the first quarter of 2001 were $657.7 million compared to $549.2 million in the comparable prior year quarter as we invested in sales and collection personnel to support our growing portfolio. Significant fluctuations were as follows:

Salaries and fringe benefits for the first quarter of 2001 were $294.3 million compared to $225.5 million in the comparable prior year quarter. The increases were primarily due to additional staffing to support growth including sales and collections personnel.

Sales incentives for the first quarter of 2001 were $52.4 million compared to $40.9 million in the comparable prior year quarter. The increases were primarily due to higher sales volumes in our branches.

Occupancy and equipment expense for the first quarter of 2001 was $64.3 million compared to $60.0 million in the comparable prior year quarter. The increases were primarily due to support facility growth and facilities acquired in the first half of 2000.

Other marketing expenses for the first quarter of 2001 were $62.4 million compared to $52.9 million in the comparable prior year quarter. The increases were primarily due to increased credit card marketing initiatives.

Other servicing and administrative expenses for the first quarter of 2001 were $82.3 million compared to $72.5 million in the comparable prior year quarter. The increases were primarily due to higher collection expenses and costs associated with our privacy mailings.

Amortization of acquired intangibles and goodwill for the first quarter of 2001 were $35.4 million compared to $40.8 million in the comparable prior year quarter. The decrease reflects reductions in acquired intangibles in the first quarter of 2000.

CREDIT LOSS RESERVES

Our consumer credit management policies focus on product type and specific portfolio risk factors. Our consumer credit portfolio is diversified by product and geographic location. See Note 3, "Receivables" in the accompanying financial statements for receivables by product type and Note 4, "Credit Loss Reserves," for our credit loss reserve methodology and an analysis of changes in the credit loss reserves for the quarter.

Total managed credit loss reserves, which include reserves established on the off-balance sheet portfolio when receivables are securitized, were as follows:

(in millions)	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000
Owned	$ 1,748.3	$ 1,603.9	$ 1,514.9	$ 1,525.5	$ 1,532.5
Serviced with limited recourse	980.8	1,001.4	794.6	781.5	774.7
Total managed	$ 2,729.1	$ 2,605.3	$ 2,309.5	$ 2,307.0	$ 2,307.2

Managed credit loss reserves as a percent of nonperforming managed receivables were 102.6 percent, compared to 103.1 percent at December 31, 2000 and 103.3 percent at March 31, 2000.

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Total owned and managed credit loss reserves as a percent of receivables were as follows:

	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000
Owned	3.41 %	3.19 %	3.20 %	3.40 %	3.75 %
Managed	3.92	3.77	3.86	4.05	4.31

Reserve ratios at March 31, 2001 reflect historical and estimated future credit quality, the growing level of personal bankruptcy filings, and the continuing uncertainty over what impact the weakening economy will ultimately have on our chargeoff and delinquency levels.

CREDIT QUALITY

We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.

Delinquency

Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):

	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000
Managed:					
Real estate secured	2.84 %	2.82 %	2.95 %	2.90 %	3.16 %
Auto finance	1.80	2.63	2.25	2.05	1.53
MasterCard/Visa	2.99	2.72	3.28	2.98	3.17
Private label	9.66	9.51	9.95	9.66	9.66
Other unsecured	9.42	8.89	8.41	8.66	9.52
Total managed	4.63 %	4.51 %	4.75 %	4.72 %	5.09 %
Owned	4.91 %	4.71 %	4.82 %	4.80 %	5.24 %

Managed delinquency as a percent of managed consumer receivables increased slightly during the quarter, but was substantially lower than the prior-year quarter. The sequential increase in delinquency during the quarter was due to increases in our MasterCard and Visa and other unsecured portfolios, partially offset by improvement in our auto finance portfolio. The increase in MasterCard and Visa delinquency reflects lower levels of receivables due to normal seasonal run-off. The improvement in auto finance delinquency is primarily due to seasonality in this business. The increase in other unsecured delinquency is primarily due to certain older vintages.

Improvements in our real estate secured, MasterCard and Visa, and other unsecured portfolios drove the decrease in the delinquency ratio from a year ago. In our real estate secured portfolio, we continue to benefit from the growing percentage of loans on which we hold a first lien position. During 2000, our consumer lending business added additional collection staff which has resulted in decreased delinquency in our real estate secured and other unsecured portfolios. Delinquency in our MasterCard and Visa portfolio reflects the GM Card® portfolio acquisition in October 2000. The GM Card® portfolio has a lower delinquency rate than our other MasterCard and Visa receivables.

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The trends impacting owned consumer delinquency as a percent of owned receivables are generally consistent with those described above for our managed portfolio. Owned delinquency for MasterCard and Visa, private label and other unsecured receivables are greater than managed delinquency due to the retention of receivables on balance sheet that do not meet the eligibility requirements for securitization. Owned delinquency for real estate secured and auto receivables are comparable to managed delinquency.

Net Chargeoffs of Consumer Receivables

Net Chargeoffs of Consumer Receivables (as a percent, annualized, of average consumer receivables):

	First Quarter 2001	Fourth Quarter 2000	Third Quarter 2000	Second Quarter 2000	First Quarter 2000
Managed:					
Real estate secured	.47 %	.44 %	.44 %	.51 %	.55 %
Auto finance	5.31	5.40	4.56	4.37	5.27
MasterCard/Visa	5.13	5.23	5.07	5.85	6.24
Private label	9.07	8.62	9.16	8.99	8.93
Other unsecured	7.41	7.05	8.17	9.01	8.80
Total	3.76 %	3.69 %	3.71 %	4.07 %	4.37 %
Owned	3.22 %	3.23 %	3.38 %	3.73 %	4.09 %

Managed net chargeoffs as a percent of average managed receivables increased modestly over the previous quarter. Private label chargeoffs have been negatively impacted by reductions in the portfolio and seasoning of the portfolio as more originations are booked by our affiliate. Seasoning of certain older vintages contributed to the increase in other unsecured chargeoffs.

Compared to the prior year quarter, managed net chargeoffs decreased 61 basis points. Our real estate secured and other unsecured portfolios reflect the benefits of improved collections resulting from additional collection staff hired in 2000. The October 2000 GM Card® portfolio acquisition was the primary contributor to the decrease in MasterCard and Visa chargeoffs.

The trends impacting owned net chargeoffs as a percent of owned receivables are generally consistent with those described above for our managed portfolio. Owned chargeoffs for MasterCard and Visa, and private label receivables are higher than managed chargeoffs due to the difference in credit quality and seasoning of the receivables that remain on our balance sheet. Chargeoffs on owned auto finance receivables are lower than managed chargeoffs due to the predominantly unseasoned nature of the receivables which remain on our balance sheet. Owned chargeoffs for real estate secured and other unsecured receivables are comparable to managed chargeoffs.

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FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 1-8198

HOUSEHOLD INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	36-3121988
(State of Incorporation)	(I.R.S. Employer Identification No.)

2700 Sanders Road, Prospect Heights, Illinois 60070
(Address of principal executive offices)(Zip Code)

(847) 564-5000

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

At July 31, 2001, there were 461,745,882 shares of the registrant's common stock outstanding.

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0006

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
(In millions, except per share data)	2001	2000	2001	2000
Finance and other interest income	$ 2,451.2	$ 2,083.4	$ 4,881.5	$ 4,008.3
Interest expense	1,048.4	933.0	2,155.2	1,754.7
Net interest margin	1,402.8	1,150.4	2,726.3	2,253.6
Provision for credit losses on owned receivables	657.1	495.6	1,360.7	1,017.7
Net interest margin after provision for credit losses	745.7	654.8	1,365.6	1,235.9
Securitization revenue	400.6	355.6	806.9	702.0
Insurance revenue	159.3	131.8	317.9	266.8
Investment income	37.8	42.5	79.6	83.3
Fee income	232.7	195.9	470.6	375.2
Other income	49.4	31.9	211.1	165.2
Total other revenues	879.8	757.7	1,886.1	1,592.5
Salaries and fringe benefits	387.2	321.5	764.8	623.6
Sales incentives	73.6	57.4	128.1	100.2
Occupancy and equipment expense	83.7	75.6	167.2	151.1
Other marketing expenses	129.0	125.3	264.2	258.4
Other servicing and administrative expenses	171.7	144.1	365.1	330.9
Amortization of acquired intangibles and goodwill	37.5	38.9	76.4	82.1
Policyholders' benefits	73.1	64.3	150.6	131.2
Total costs and expenses	955.8	827.1	1,916.4	1,677.5
Income before income taxes	669.7	585.4	1,335.3	1,150.9
Income taxes	230.7	201.5	464.5	394.1
Net income	$ 439.0	$ 383.9	$ 870.8	$ 756.8
EARNINGS PER COMMON SHARE				
Net income	$ 439.0	$ 383.9	$ 870.8	$ 756.8
Preferred dividends	(2.3)	(2.3)	(4.6)	(4.6)
Earnings available to common shareholders	$ 436.7	$ 381.6	$ 866.2	$ 752.2
Average common shares	463.0	473.3	464.5	471.9
Average common and common equivalent shares	469.6	477.0	470.8	475.5
Basic earnings per common share	$ .94	$ .80	$ 1.86	$ 1.59
Diluted earnings per common share	.93	.80	1.84	1.58
DIVIDENDS DECLARED PER COMMON SHARE	$ .22	$ .19	$ .41	$ .36

See notes to interim condensed consolidated financial statements.

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Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)	June 30, 2001	December 31, 2000
ASSETS	(UNAUDITED)	
Cash	$ 302.0	$ 490.2
Investment securities	3,471.0	3,259.0
Receivables, net	71,209.8	67,161.7
Acquired intangibles and goodwill, net	1,630.7	1,705.7
Properties and equipment, net	545.8	517.6
Real estate owned	365.2	337.1
Other assets	3,453.1	3,235.0
Total assets	$ 80,977.6	$ 76,706.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Debt:		
Deposits	$ 7,943.3	$ 8,676.9
Commercial paper, bank and other borrowings	11,194.8	10,787.9
Senior and senior subordinated debt (with original maturities over one year)	48,654.0	45,053.0
Total debt	67,792.1	64,517.8
Insurance policy and claim reserves	1,102.8	1,106.6
Other liabilities	3,146.9	2,291.3
Total liabilities	72,041.8	67,915.7
Company obligated mandatorily redeemable preferred securities of subsidiary trusts*	875.0	675.0
Preferred stock	164.4	164.4
Common shareholders' equity:		
Common stock, $1.00 par value, 750,000,000 shares authorized, 551,611,370 and 551,100,165 shares issued at June 30, 2001 and December 31, 2000, respectively	551.6	551.1
Additional paid-in capital	1,976.1	1,926.0
Retained earnings	8,356.9	7,680.5
Accumulated other comprehensive income	(493.8)	(214.7)
Less common stock in treasury, 89,330,463 and 80,080,506 shares at June 30, 2001 and December 31, 2000, respectively, at cost	(2,494.4)	(1,991.7)
Total common shareholders' equity	7,896.4	7,951.2
Total liabilities and shareholders' equity	$ 80,977.6	$ 76,706.3

* As described in note 7 to the financial statements, the sole assets of the five trusts are Junior Subordinated Deferrable Interest Notes issued by Household International, Inc. in January 2001, June 2000, March 1998, June 1996 and June 1995, bearing interest at 8.25, 10.00, 7.25, 8.70 and 8.25 percent, respectively, with principal balances of $206.2, $309.3, $206.2, $103.1 and $77.3 million, respectively, and due January 30, 2031, June 30, 2030, December 31, 2037, June 30, 2036 and June 30, 2025, respectively.

See notes to interim condensed consolidated financial statements.

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Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In millions)	Six months ended June 30, 2001	2000
CASH PROVIDED BY OPERATIONS		
Net income	$ 870.8	$ 756.8
Adjustments to reconcile net income to cash provided by operations:		
Provision for credit losses on owned receivables	1,360.7	1,017.7
Insurance policy and claim reserves	142.6	60.8
Depreciation and amortization	162.7	150.5
Other, net	(162.9)	212.2
Cash provided by operations	2,373.9	2,198.0
INVESTMENTS IN OPERATIONS		
Investment securities:		
Purchased	(1,023.8)	(448.5)
Matured	212.5	236.4
Sold	403.8	33.8
Short-term investment securities, net change	169.6	103.3
Receivables:		
Originations, net	(19,906.6)	(18,640.7)
Purchases and related premiums	(349.4)	(4,002.4)
Sold	14,621.2	12,720.7
Acquisition of business operations	-	(87.1)
Properties and equipment purchased	(104.6)	(74.9)
Properties and equipment sold	3.1	5.3
Cash decrease from investments in operations	(5,974.2)	(10,154.1)
FINANCING AND CAPITAL TRANSACTIONS		
Short-term debt and demand deposits, net change	494.6	(2.9)
Time certificates, net change	(710.6)	2,791.5
Senior and senior subordinated debt issued	11,301.7	9,038.6
Senior and senior subordinated debt retired	(7,177.1)	(3,730.1)
Policyholders' benefits paid	(49.1)	(63.0)
Cash received from policyholders	27.6	28.7
Shareholders' dividends	(194.4)	(174.8)
Purchase of treasury stock	(539.0)	(69.3)
Issuance of common stock	48.6	41.4
Issuance of company obligated mandatorily redeemable preferred securities of subsidiary trusts	200.0	300.0
Cash increase from financing and capital transactions	3,402.3	8,160.1
Effect of exchange rate changes on cash	9.8	4.2
Increase (decrease) in cash	(188.2)	208.2
Cash at January 1	490.2	270.6
Cash at June 30	$ 302.0	$ 478.8
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 2,281.6	$ 1,814.8
Income taxes paid	607.4	489.4
Non-cash investing and financing activities:		
Common stock issued for acquisition	-	209.4

See notes to interim condensed consolidated financial statements.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Household International, Inc. ("Household") and its subsidiaries have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the three and six months ended June 30, 2001 should not be considered indicative of the results for any future quarters or the year ending December 31, 2001. Household and its subsidiaries may also be referred to in this Form 10-Q as "we," "us" or "our." These financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2000.

2. INVESTMENT SECURITIES

Investment securities consisted of the following available-for-sale investments:

	June 30, 2001		December 31, 2000	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Marketable equity securities	$ 31.6	$ 29.4	$ 25.8	$ 24.9
Corporate debt securities	1,909.3	1,856.8	1,948.5	1,873.5
U.S. government and federal agency debt securities	524.0	525.4	173.7	173.5
Certificates of deposit	231.9	245.1	319.2	319.2
Money market funds	391.6	391.6	436.6	436.6
Other	354.5	379.5	390.1	390.3
Subtotal	3,442.9	3,427.8	3,293.9	3,218.0
Accrued investment income	43.2	43.2	41.0	41.0
Total available-for-sale investments	$ 3,486.1	$ 3,471.0	$ 3,334.9	$ 3,259.0

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3. RECEIVABLES

Receivables consisted of the following:

(In millions)	June 30, 2001	December 31, 2000
Real estate secured	$ 38,600.7	$ 35,179.7
Auto finance	2,039.0	1,850.6
MasterCard*/Visa*	7,915.7	8,053.6
Private label	10,330.0	10,347.3
Other unsecured	12,311.9	11,328.1
Commercial and other	557.5	598.6
Total owned receivables	71,754.8	67,357.9
Accrued finance charges	1,418.6	1,302.6
Credit loss reserve for owned receivables	(2,376.5)	(2,111.9)
Unearned credit insurance premiums and claims reserves	(832.4)	(725.2)
Amounts due and deferred from receivables sales	2,325.3	2,420.6
Reserve for receivables serviced with limited recourse	(1,080.0)	(1,082.3)
Total owned receivables, net	71,209.8	67,161.7
Receivables serviced with limited recourse	19,783.7	20,249.5
Total managed receivables, net	$ 90,993.5	$ 87,411.2

Receivables serviced with limited recourse consisted of the following:

(In millions)	June 30, 2001	December 31, 2000
Real estate secured	$ 1,205.8	$ 1,457.8
Auto finance	3,120.6	2,712.7
MasterCard/Visa	9,127.7	9,529.8
Private label	1,650.0	1,650.0
Other unsecured	4,679.6	4,899.2
Total receivables serviced with limited recourse	$ 19,783.7	$ 20,249.5

The combination of owned receivables and receivables serviced with limited recourse, which we consider our managed portfolio, consisted of the following:

(In millions)	June 30, 2001	December 31, 2000
Real estate secured	$ 39,806.5	$ 36,637.5
Auto finance	5,159.6	4,563.3
MasterCard/Visa	17,043.4	17,583.4
Private label	11,980.0	11,997.3
Other unsecured	16,991.5	16,227.3
Commercial and other	557.5	598.6
Total managed receivables	$ 91,538.5	$ 87,607.4

* MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of Visa USA, Inc.

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4. CREDIT LOSS RESERVES

An analysis of credit loss reserves for the three and six months ended June 30 was as follows:

(In millions)	Three months ended June 30, 2001	2000	Six months ended June 30, 2001	2000
Owned receivables:				
Credit loss reserves at beginning of period	$ 2,282.4	$ 1,909.7	$ 2,111.9	$ 1,757.0
Provision for credit losses	657.1	495.6	1,360.7	1,017.7
Chargeoffs	(631.2)	(524.9)	(1,219.3)	(1,050.6)
Recoveries	58.0	50.9	114.6	94.4
Other, net	10.2	55.2	8.6	168.0
Credit loss reserves for owned receivables at June 30	2,376.5	1,986.5	2,376.5	1,986.5
Receivables serviced with limited recourse:				
Credit loss reserves at beginning of period	1,057.8	951.4	1,082.3	909.6
Provision for credit losses	277.7	248.7	506.9	542.8
Chargeoffs	(274.5)	(257.1)	(538.8)	(521.8)
Recoveries	18.6	15.2	34.8	30.1
Other, net	0.4	3.5	(5.2)	1.0
Credit loss reserves for receivables serviced with limited recourse at June 30	1,080.0	961.7	1,080.0	961.7
Total credit loss reserves for managed receivables at June 30	$ 3,456.5	$ 2,948.2	$ 3,456.5	$ 2,948.2

The level of reserves for consumer credit losses is based on delinquency and chargeoff experience by product and judgmental factors. We also evaluate the potential impact of existing and anticipated national and regional economic conditions on the managed receivable portfolio when establishing credit loss reserves.

5. INCOME TAXES

Our effective tax rate was 34.8 percent for the six months ended June 30, 2001 and 34.2 percent for the first six months of 2000. The effective tax rate differs from the statutory federal income tax rate primarily because of the effects of state and local income taxes and leveraged lease tax benefits.

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6. EARNINGS PER COMMON SHARE

Computations of earnings per common share for the three and six months ended June 30 were as follows:

(In millions, except per share data)	Three months ended June 30, 2001		Three months ended June 30, 2000	
	Diluted	Basic	Diluted	Basic
Earnings:				
Net income	$ 439.0	$ 439.0	$ 383.9	$ 383.9
Preferred dividends	(2.3)	(2.3)	(2.3)	(2.3)
Earnings available to common shareholders	$ 436.7	$ 436.7	$ 381.6	$ 381.6
Average shares outstanding:				
Common	463.0	463.0	473.3	473.3
Common equivalents	6.6	-	3.7	-
Average shares outstanding assuming dilution	469.6	463.0	477.0	473.3
Earnings per common share	$ 0.93	$ 0.94	$ 0.80	$ 0.80

(In millions, except per share data)	Six months ended June 30, 2001		Six months ended June 30, 2000	
	Diluted	Basic	Diluted	Basic
Earnings:				
Net income	$ 870.8	$ 870.8	$ 756.8	$ 756.8
Preferred dividends	(4.6)	(4.6)	(4.6)	(4.6)
Earnings available to common shareholders	$ 866.2	$ 866.2	$ 752.2	$ 752.2
Average shares outstanding:				
Common	464.5	464.5	471.9	471.9
Common equivalents	6.3	-	3.6	-
Average shares outstanding assuming dilution	470.8	464.5	475.5	471.9
Earnings per common share	$ 1.84	$ 1.86	$ 1.58	$ 1.59

7. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS

We have formed special purpose trusts, including Household Capital Trust VI which was formed in January 2001, for the purpose of issuing trust preferred securities. The sole assets of these trusts are Junior Subordinated Deferrable Interest Notes ("Junior Subordinated Notes") issued by Household.

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The following table summarizes our company obligated mandatorily redeemable preferred securities of subsidiary trusts ("Preferred Securities") and the related Junior Subordinated Notes:

(Dollar amounts are in millions)	Household Capital Trust VI ("HCT VI")	Household Capital Trust V ("HCT V")	Household Capital Trust IV ("HCT IV")	Household Capital Trust II ("HCT II")	Household Capital Trust I ("HCT I")
Preferred Securities:					
Interest rate	8.25%	10.00%	7.25%	8.70%	8.25%
Face value	$200	$300	$200	$100	$75
Issue date	January 2001	June 2000	March 1998	June 1996	June 1995
Junior Subordinated Notes:					
Principal balance	$206.2	$309.3	$206.2	$103.1	$77.3
Redeemable by issuer	January 30, 2006	June 8, 2005	March 19, 2003	June 30, 2001	June 30, 2000
Stated maturity	January 30, 2031	June 30, 2030	December 31, 2037	June 30, 2036	June 30, 2025

The Preferred Securities must be redeemed when the Junior Subordinated Notes are paid. The Junior Subordinated Notes have a stated maturity date, but are redeemable by Household, in whole or in part, beginning on the dates indicated above at which time the preferred securities are callable at par ($25 per Preferred Security) plus accrued and unpaid dividends. Dividends on the Preferred Securities are cumulative, payable quarterly in arrears, and are deferrable at Household's option for up to five years. Household cannot pay dividends on its preferred and common stocks during such deferments. The Preferred Securities have a liquidation value of $25 per preferred security. HCT I may elect to extend the maturity of its Preferred Securities to June 2044. Dividends on the Preferred Securities have been classified as interest expense in our statement of income.

HCT I, HCT II, HCT IV, HCT V, and HCT VI (collectively, "the Trusts") are wholly-owned subsidiaries of Household. Household's obligations with respect to the Junior Subordinated Notes, when considered together with certain undertakings of Household with respect to the Trusts, constitute full and unconditional guarantees by Household of the Trust's obligations under the respective Preferred Securities. The Preferred Securities are classified in our balance sheet as company obligated mandatorily redeemable preferred securities of subsidiary trusts (representing the minority interests in the trusts) at their face and redemption amount of $875 million at June 30, 2001 and $675 million at December 31, 2000.

8. FORWARD PURCHASE AGREEMENT

As of June 30, 2001, we had entered into agreements to purchase, on a forward basis, approximately 2.3 million shares of our common stock at a weighted-average forward price of $64.86 per share. The agreements may be settled either physically by purchasing the shares or on a net basis in shares of our common stock, at our option. The agreements have terms of up to one year but may be settled earlier at our option. During the second quarter, settlements from forward purchase agreements resulted in our receiving 777,000 shares of our common stock at an average cost of $55.45 per share.

9. COMPREHENSIVE INCOME

Comprehensive income was $460.5 million for the quarter ended June 30, 2001, $333.5 million for the quarter ended June 30, 2000, $591.7 million for the six months ended June 30, 2001, and $756.0 million for the six months ended June 30, 2000.

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The components of accumulated other comprehensive income are as follows:

(In millions)		June 30, 2001		December 31, 2000
Foreign currency translation adjustments	$	(271.1)	$	(238.5)
Unrealized gain on investments		174.8		23.8
Derivative instruments and hedging activities		(397.5)		-
Accumulated other comprehensive income	$	(493.8)	$	(214.7)

10. SEGMENT REPORTING

We have three reportable segments: Consumer, Credit Card Services and International. Our Consumer segment includes our consumer lending, retail services and auto finance businesses. Our Consumer lending business includes our branch-based operations and our mortgage services business. Our Credit Card Services segment consists of our domestic MasterCard and Visa credit card business. Our International segment includes our foreign operations in the United Kingdom and Canada. There has been no change in the basis of our segmentation or in the measurement of segment profit as compared with the presentation in our Annual Report on Form 10-K for the year ended December 31, 2000.

Information about our reportable segments for the second quarter and first six months of 2001 compared to the corresponding prior-year periods was as follows:

Owned Basis (In millions)	Three months ended June 30, 2001			Three months ended June 30, 2000		
	Consumer	Credit Card Services	International	Consumer	Credit Card Services	International
Net interest margin and other revenues (1)	$ 1,428.7	$ 555.9	$ 196.1	$ 1,192.3	$ 479.7	$ 191.7
Intersegment revenues	54.7	10.6	2.0	53.3	7.5	1.2
Net income	363.2	52.4	34.8	304.5	48.1	42.1
Total assets	59,994.7	8,389.8	7,827.9	50,863.8	7,307.3	7,319.3
Total assets - managed	69,696.4	17,327.4	9,124.1	59,748.4	15,981.2	8,483.8

Owned Basis (In millions)	Six months ended June 30, 2001			Six months ended June 30, 2000		
	Consumer	Credit Card Services	International	Consumer	Credit Card Services	International
Net interest margin and other revenues (1)	$ 2,786.2	$ 1,117.6	$ 394.1	$ 2,352.3	$ 878.4	$ 428.9
Intersegment revenues	101.0	19.5	3.9	91.2	15.6	2.4
Net income	641.6	111.9	81.1	545.7	77.4	106.4
Total assets	59,994.7	8,389.8	7,827.9	50,863.8	7,307.3	7,319.3
Total assets - managed	69,696.4	17,327.4	9,124.1	59,748.4	15,981.2	8,483.8

(1) Net interest margin and other revenues, including intersegment revenues, net of policyholders' benefits.

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A reconciliation of the total reportable segments' net income to consolidated net income for the second quarter and first six months of 2001 and 2000 is as follows:

	Three months ended June 30,		Six months ended June 30,	
(In millions)	2001	2000	2001	2000
Reportable segment net income	$ 450.4	$ 394.7	$ 834.6	$ 729.5
Other operations not individually reportable	31.2	28.8	114.9	97.0
Adjustments/eliminations	(42.6)	(39.6)	(78.7)	(69.7)
Total consolidated net income	$ 439.0	$ 383.9	$ 870.8	$ 756.8

11. DERIVATIVE FINANCIAL INSTRUMENTS

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS No. 133"), as amended. FAS No. 133 requires all derivatives, whether designated in hedging relationships or not, to be recorded on the balance sheet at fair value. FAS No. 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

The adoption of FAS No. 133 on January 1, 2001 was accounted for as a cumulative effect of a change in accounting principle. The impact of the adoption was not material to earnings and reduced common shareholders' equity by $240 million. The adjustment to common shareholders' equity was recorded as a component of accumulated other comprehensive income and was made to recognize at fair value all derivatives that were designated as cash flow hedging instruments. At June 30, 2001, we had approximately $397 million of unrealized losses on derivative instruments, net of a $230 million tax benefit, recorded in accumulated other comprehensive income. Also at June 30, 2001, the fair value of derivatives included in other assets was $208 million, the fair value of derivatives included in other liabilities was $1,267 million, and adjustments to the carrying value of our debt associated with fair value hedges totaled $435 million. During the three and six months ended June 30, 2001, hedge ineffectiveness associated with fair value and cash flow hedges was not material.

12. NEW ACCOUNTING PRONOUNCEMENTS

In September 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125" ("FAS No. 140"). FAS No. 140 revises the standards for accounting for securitizations and requires certain disclosures. We fully adopted the provisions of FAS No. 140 on April 1, 2001. The adoption did not have a significant effect on our operations.

In July 2001, the FASB issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("FAS No. 141") and No. 142, "Goodwill and Other Intangible Assets" ("FAS No. 142"). FAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. FAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill, including goodwill recorded in past business combinations, will cease upon adoption of the statement on January 1, 2002. We do not expect the adoption to have a significant impact to our earnings.

13. SUBSEQUENT EVENT

In August 2001, we agreed to receive a payment from Centrica, our partner in marketing the Goldfish credit card, to settle litigation regarding our joint credit card program. Discontinuation of the Goldfish credit card program will not have a material impact to our earnings.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with the consolidated financial statements, notes and tables included elsewhere in this report and in the Household International, Inc. Annual Report on Form 10-K for the year ended December 31, 2000 (the "2000 Form 10-K") filed with the Securities and Exchange Commission. Management's discussion and analysis may contain certain statements that may be forward-looking in nature within the meaning of the Private Securities Litigation Reform Act of 1995. Our results may differ materially from those noted in the forward-looking statements. Forward-looking statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "may", "will", "should", "would" and "could". Forward-looking statements involve risks and uncertainties and are based on current views and assumptions. For a list of important factors that may affect our actual results, see our 2000 Form 10-K.

OPERATIONS SUMMARY

Our net income for the second quarter of 2001 increased 14 percent to $439.0 million, from $383.9 million a year ago. Net income for the first six months of 2001 was $870.8 million, compared to $756.8 million in the year ago period. Diluted earnings per share was $.93 in the second quarter and $1.84 for the first six months of 2001, compared to $.80 and $1.58 in the same periods in 2000. Our improved results were due to strong revenue growth driven by significant receivable growth. Partially offsetting the revenue growth were higher operating expenses as a result of portfolio growth, increased investments in sales and collection personnel, and higher technology spending. In addition, our year-to-date earnings included higher revenues from our tax refund lending business which contributed $.15 to our first quarter earnings per share, an increase of 25 percent over the $.12 contribution in the year-ago quarter.

Our annualized return on average owned assets ("ROA") was 2.21 percent in both the second quarter and first six months of 2001, compared to 2.27 percent and 2.32 percent in the same periods in 2000. Our annualized return on average managed assets ("ROMA") was 1.78 percent in the second quarter of 2001 and 1.77 percent for the first six months of 2001, compared to 1.78 percent and 1.80 percent in the same periods in 2000.

Our managed basis efficiency ratio was 35.5 percent for both the second quarter and first six months of 2001, compared to 36.5 percent and 36.3 percent in the same periods in 2000. The efficiency ratio is the ratio of operating expenses to the sum of our managed net interest margin and other revenues less policyholders' benefits. The improvement in the managed ratio reflects growth in managed net revenues, including increased revenue from our tax refund lending business in the first quarter, while operating expenses increased at a lower rate.

In July, we announced plans to implement new best practices in sub-prime real estate lending. The changes, which we plan to initiate by late August 2001, will include reducing the prepayment fee duration on new real estate loans from five years to three years; providing tailored solutions, including subsidized interest rates and no-fee loans, to victims of predatory lenders; reducing interest rates for new customers with better credit ratings and payment histories; adopting even more rigorous standards to ensure that all real estate loans benefit our customers; doubling customer's time to cancel any credit insurance product and receive a full refund; and improving disclosures. Also in July, we announced plans to discontinue the sale of single premium credit insurance on our real estate loans in favor of offering a fixed monthly premium insurance product. This new product will be rolled out in five states by the end of August 2001, with full rollout to begin by the first quarter of 2002. We do not expect these changes to have a material impact on the results of our operations.

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SEGMENT RESULTS

Our Consumer segment reported higher net income than the prior year periods. Net income increased to $363.2 million for the second quarter compared to $304.5 million in the year-ago quarter. Year-to-date, net income increased to $641.6 million compared to $545.7 million for the first six months of 2000. Managed receivables grew to $68.2 billion at June 30, 2001, from $65.7 billion at March 31, 2001 and $58.2 billion at June 30, 2000. The managed receivable growth was driven by solid growth in real estate secured, other unsecured and auto finance receivables. ROA was 2.45 and 2.20 percent in the second quarter and first six months of 2001 compared to 2.53 and 2.37 percent in the year ago periods. ROMA was 2.12 and 1.89 percent in the second quarter and first six months of 2001 compared to 2.14 and 1.98 percent in the year ago periods. The increases in net income reflect higher dollars of net interest margin partially offset by higher salary expense, including higher sales incentive compensation, and higher credit loss provision resulting from the increased levels of receivables.

Our Credit Card Services segment reported higher net income than the prior year periods. Net income increased to $52.4 million for the second quarter compared to $48.1 million in the year-ago quarter. Year-to-date, net income increased to $111.9 million compared to $77.4 million for the first six months of 2000. Managed receivables were $15.8 billion at June 30, 2001, $15.4 billion at March 31, 2001 and $14.3 billion at June 30, 2000. Substantially all of the growth during the quarter was in our GM Card® portfolio. Compared to the prior year, growth was strongest in our Union Privilege ("UP") portfolio, our affinity card relationship with the AFL-CIO labor federation, and in our sub-prime credit card portfolio. We acquired Renaissance Holdings, Inc., a privately held issuer of secured and unsecured credit cards to sub-prime customers, in February 2000. ROA was 2.52 and 2.72 percent in the second quarter and first six months of 2001 compared to 2.66 and 2.25 percent in the year ago periods. ROMA was 1.22 and 1.31 percent in the second quarter and first six months of 2001 compared to 1.22 and .99 percent in the year ago periods. The increases in net income primarily were due to increased net interest margin and higher fee income from higher levels of managed receivables. This growth was partially offset by higher credit loss provision and increased operating expenses associated with higher receivable levels.

Our International segment reported net income of $34.8 million for the second quarter compared to $42.1 million in the year-ago quarter. Year-to-date, net income was $81.1 million compared to $106.4 million for the first six months of 2000. Net income includes negative foreign exchange impacts in the U.K. of $2.5 million in the current quarter and $6.4 million for the first six months. Managed receivables were $7.9 billion at June 30, 2001, $7.6 billion at March 31, 2001 and $7.4 billion at June 30, 2000. Receivable balances reflect negative foreign exchange impacts of approximately $500 million compared to the prior year. In the quarter, growth was strongest in our real estate secured and other unsecured portfolios. When reported in local currency, all products reported receivable growth over the prior year, with the strongest growth in our real estate secured and private label portfolios. Marbles™, our Internet-enabled credit card, also reported strong year-over-year growth. ROA was 1.81 and 2.14 percent in the second quarter and first six months of 2001 compared to 2.33 and 2.88 percent in the year ago periods. ROMA was 1.57 and 1.85 percent in the second quarter and first six months of 2001 compared to 2.00 and 2.49 percent in the year ago periods. The decreases in net income were primarily due to lower yields in the U.K. and costs associated with our branch expansion efforts in the U.K. and Canada. We opened 29 new branches in the U.K. and Canada during the first half of 2001. For the quarter, receivable growth also resulted in higher provision for credit losses.

In August 2001, we agreed to receive a payment from Centrica, our partner in marketing the Goldfish credit card, to settle litigation regarding our joint credit card program. Discontinuation of the Goldfish credit card program will not have a material impact to our earnings.

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BALANCE SHEET REVIEW

Strong receivable growth across all products drove our improved results. Our managed portfolio increased $11.6 billion to $91.5 billion, or 15 percent from a year ago. Excluding the effect of foreign exchange translation, growth during the year was $12.1 billion. Growth was strongest in our real estate secured portfolio, which increased 17 percent over the year-ago period. Managed receivables in our U.S. consumer lending business, which includes both real estate secured and other unsecured products, increased 17 percent over prior year. Our branch sales force continued to benefit from our centralized lead management and point-of-sale system which contributed to increased productivity and strong growth in our HFC and Beneficial branches. Our mortgage services business also reported strong year-over-year growth with receivables increasing $2.4 billion, or 18 percent, over the June 30, 2000 level. Expansion of our auto finance sales force and favorable market conditions contributed to the $1.3 billion increase in auto finance receivables. MasterCard* and Visa* receivables increased 7 percent to $17.0 billion, led by growth in our UP and sub-prime portfolios. Private label receivables increased 9 percent to $12.0 billion as a result of organic growth from existing merchants.

Compared to March 31, 2001, managed receivables grew $3.2 billion or an annualized 14 percent. All products grew during the quarter, with the strongest growth reported in our real estate secured, auto finance and MasterCard and Visa portfolios.

Owned receivables were $71.8 billion at June 30, 2001, up from $68.8 billion at March 31, 2001 and $61.4 billion at June 30, 2000. The level of our owned receivables may vary from period to period depending on the timing and size of securitization transactions.

Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.48 percent at June 30, 2001, compared with 4.36 percent at March 31, 2001 and 4.25 percent at June 30, 2000. The annualized consumer owned chargeoff ratio in the second quarter of 2001 was 3.26 percent, compared with 3.12 percent in the prior quarter and 3.27 percent in the year-ago quarter.

Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.27 percent at June 30, 2001, compared with 4.25 percent at March 31, 2001 and 4.16 percent at June 30, 2000. The annualized consumer managed chargeoff ratio in the second quarter of 2001 was 3.71 percent, compared with 3.56 percent in the prior quarter and 3.74 percent in the year-ago quarter.

The ratio of tangible equity to tangible managed assets was 7.61 percent, compared with 7.41 percent at December 31, 2000.

LIQUIDITY AND CAPITAL RESOURCES

Our subsidiaries use cash to originate loans, purchase loans or investment securities, and acquire businesses. Their main sources of cash are the collection of receivable balances; maturities or sales of investment securities; proceeds from the issuance of debt, deposits and securitization of consumer receivables; and cash provided by operations.

In January 2001, a wholly-owned special purpose trust subsidiary issued $200 million of company obligated mandatorily redeemable preferred securities (representing the minority interest in the trust).

On May 9, 2001, we announced a new common stock repurchase program. This new program enables us to repurchase up to an additional $2 billion of our outstanding common shares and will go into effect upon the completion of our current $2 billion share repurchase program or December 31, 2001, whichever is earlier. Repurchases will be made from time to time in the open market depending upon market conditions.

During the second quarter, we repurchased 2.3 million shares of our common stock, for a total of $140.7 million. Year-to-date, we have repurchased 11.1 million shares for a total of $539.0 million. Since announcing our share repurchase program in March 1999, we have repurchased 33.3 million shares for a total of $1.5 billion.

* MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.

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As of June 30, 2001, we had entered into agreements to purchase, on a forward basis, approximately 2.3 million shares of our common stock at a weighted-average forward price of $64.86 per share. The agreements may be settled either physically by purchasing the shares or on a net basis in shares of our common stock, at our option. The agreements have terms of up to one year but may be settled earlier at our option. During the second quarter, settlements from forward purchase agreements resulted in our receiving 777,000 shares of our common stock at an average cost of $55.45 per share.

Deposits decreased to $7.9 billion at June 30, 2001 from $8.7 billion at December 31, 2000. Commercial paper, bank and other borrowings increased to $11.2 billion at June 30, 2001 from $10.8 billion at year-end. Senior and senior subordinated debt (with original maturities over one year) increased to $48.7 billion from $45.1 billion at year-end. The decrease in deposits was primarily due to changes in funding in the U.K. The change in total debt levels from year end is consistent with the change in owned receivables.

Our securitized receivables totaled $19.8 billion at June 30, 2001, compared with $20.2 billion at December 31, 2000.

The composition of receivables securitized (excluding replenishments of certificateholder interests) during the three and six months was as follows:

	Three months ended June 30,		Six months ended June 30,	
(In billions)	2001	2000	2001	2000
Auto finance	$ .6	$ .4	$ 1.0	$ .9
MasterCard/Visa	.1	.3	.2	.5
Other unsecured	.7	.3	1.1	1.1
	$ 1.4	$ 1.0	$ 2.3	$ 2.5

We believe the market for securities backed by receivables is a reliable, efficient and cost-effective source of funds. At June 30, 2001, securitizations represented 23 percent of the funding associated with our managed portfolio compared to 24 percent a year earlier. Although our securitized portfolio currently represents a smaller portion of our total funding mix, we plan to continue utilizing securitizations as a source of funding in the future.

PRO FORMA MANAGED STATEMENTS OF INCOME

Securitizations of consumer receivables have been, and will continue to be, a source of liquidity for us. We continue to service securitized receivables after they have been sold and retain a limited recourse liability for future credit losses. We include revenues and credit-related expenses related to the off-balance sheet portfolio in one line item in our owned statements of income. Specifically, we report net interest margin, provision for credit losses, fee income and securitization related revenue as a net amount in securitization revenue.

We monitor our operations on a managed basis as well as on the owned basis reported in our statements of income. Our pro forma managed income statement assumes that the securitized receivables have not been sold and are still on our balance sheet. Consequently, the income and expense items discussed above are reclassified from securitization revenue into the appropriate caption in our pro forma managed basis income statement as if the receivables had not been securitized. Our pro forma managed basis income statement is presented below. Our pro forma managed basis income statement is not intended to reflect the differences between our accounting policies for owned receivables and the off-balance sheet portfolio, but merely to report net interest margin, fees and provision for losses as if the securitized loans were held in portfolio. Therefore, net income on a pro forma managed basis equals net income on an owned basis.

We define the net effect of securitization activity on our operations as securitization related revenue less the over-the-life provision for credit losses on initial securitization transactions. Securitization related revenue includes gross initial gains on current period securitization transactions less amortization of current and prior period securitization gains. The over-the-life provision for credit losses on initial securitization transactions is reported in our pro forma managed income statement as a component of provision for credit losses. The net effect of securitization activity will vary depending upon the amount and mix of securitizations in a particular period.

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(Dollar amounts are in millions)	Three months ended June 30, 2001	*	2000	*	Six months ended June 30, 2001	*	2000	*
Finance and other interest income	$ 3,216.8	14.17%	$ 2,839.6	14.54%	$ 6,463.6	14.37%	$ 5,485.3	14.48%
Interest expense	1,322.5	5.83	1,244.8	6.37	2,739.5	6.09	2,365.0	6.24
Net interest margin	1,894.3	8.34	1,594.8	8.17	3,724.1	8.28	3,120.3	8.24
Provision for credit losses	934.8		744.3		1,867.6		1,560.5	
Net interest margin after provision for credit losses	959.5		850.5		1,856.5		1,559.8	
Insurance revenue	159.3		131.8		317.9		266.8	
Investment income	37.8		42.5		79.6		83.3	
Fee income	396.3		353.3		789.5		686.1	
Securitization related revenue	23.2		2.5		(2.9)		67.2	
Other income	49.4		31.9		211.1		165.2	
Total other revenues	666.0		562.0		1,395.2		1,268.6	
Salaries and fringe benefits	387.2		321.5		764.8		623.6	
Sales incentives	73.6		57.4		128.1		100.2	
Occupancy and equipment expense	83.7		75.6		167.2		151.1	
Other marketing expenses	129.0		125.3		264.2		258.4	
Other servicing and administrative expenses	171.7		144.1		365.1		330.9	
Amortization of acquired intangibles and goodwill	37.5		38.9		76.4		82.1	
Policyholders' benefits	73.1		64.3		150.6		131.2	
Total costs and expenses	955.8		827.1		1,916.4		1,677.5	
Income before taxes	669.7		585.4		1,335.3		1,150.9	
Income taxes	230.7		201.5		464.5		394.1	
Net income	$ 439.0		$ 383.9		$ 870.8		$ 756.8	
Average managed receivables	$ 89,926.9		$ 77,101.6		$ 89,014.8		$ 74,724.7	
Average noninsurance investments	420.9		563.0		474.4		610.5	
Other interest-earning assets	454.6		431.2		451.5		428.6	
Average managed interest-earning assets	$ 90,802.4		$ 78,095.8		$ 89,940.7		$ 75,763.8	

* As a percent, annualized, of average managed interest-earning assets

The following discussion on revenues, where applicable, and provision for credit losses includes comparisons to amounts reported on our historical owned statements of income ("Owned Basis"), as well as on the above pro forma managed statements of income ("Managed Basis").

Net interest margin

Net interest margin on an Owned Basis was $1.4 billion for the second quarter of 2001, up 22 percent from $1.2 billion for the prior-year quarter. Net interest margin on an Owned Basis for the first six months of 2001 was $2.7 billion, up from $2.3 billion in the prior year period. Net interest margin on a Managed Basis increased 19 percent to $1.9 billion for the second quarter of 2001, from $1.6 billion for the prior-year quarter. Net interest margin on a Managed Basis for the first six months of 2001 was $3.7 billion, up from $3.1 billion in the prior year period. The increases were primarily due to receivables growth and lower funding costs resulting from easing in United States monetary policy in the first half of 2001.

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Net interest margin as a percent of average managed interest-earning assets, annualized, increased to 8.34 percent, up from 8.22 percent in the previous quarter and 8.17 percent in the year-ago quarter. The increases are primarily due to the reduction in funding costs discussed above.

Managed Basis risk adjusted revenue, which is net interest margin and other revenues adjusted for securitization related revenue and net chargeoffs, was 7.53 and 7.81 percent for the second quarter and first six months of 2001 compared to 7.37 and 7.59 percent in the comparable prior-year periods. The increases were primarily the result of higher net interest margin coupled with lower reductions in chargeoff rates. The ratio for the first half of 2001 also benefited from higher tax refund lending revenue in the first quarter of 2001.

Provision for credit losses

The provision for credit losses for receivables on an Owned Basis for the second quarter of 2001 totaled $657.1 million, compared to $495.6 million in the prior-year quarter. The Owned Basis provision for the first six months of 2001 was $1.4 billion, compared to $1.0 billion in the year-ago period. The provision as a percent of average owned receivables, annualized, was 3.71 percent in the second quarter of 2001, compared to 3.38 percent in the second quarter of 2000. We recorded owned loss provision in excess of chargeoffs of $83.9 million during the second quarter and $256.0 million during the first six months of 2001. The excess provision reflects our rapid receivable growth, recent increases in personal bankruptcy filings and continued uncertainty about the impact of the weakening economy on future chargeoff and delinquency trends. The provision for credit losses on an Owned Basis may vary from quarter to quarter, depending on the amount of securitizations in a particular period and the product mix of loans in our portfolio.

The provision for credit losses for receivables on a Managed Basis totaled $934.8 million in the second quarter of 2001, compared to $744.3 million in the prior-year quarter. The Managed Basis provision for the first six months of 2001 was $1.9 billion, compared to $1.6 billion in the year-ago period. As a percent of average managed receivables, annualized, the provision was 4.16 percent in the second quarter of 2001, compared to 3.86 percent in the second quarter of 2000. The Managed Basis provision includes the over-the-life reserve requirement on the off-balance sheet portfolio. This provision is impacted by the type and amount of receivables securitized in a given period and substantially offsets the revenue recorded on the securitization transactions. See "Liquidity and Capital Resources" for the type and amount of receivables securitized and "Credit Quality" for further discussion of factors affecting the provision for credit losses.

Other revenues

Securitization revenue on an Owned Basis was $400.6 and $806.9 million for the second quarter and first six months of 2001, compared to $355.6 and $702.0 million for the same periods in 2000. Securitization revenue consists of income associated with the securitization and sale of receivables with limited recourse, including net interest income, fee and other income and provision for credit losses related to those receivables. The increases were primarily due to increases in average securitized receivables and receivable mix. The components of securitization revenue are reclassified to the appropriate caption in the pro forma statements of income on a Managed Basis.

Securitization related revenue on a Managed Basis, which includes the gross gains and related amortization on our securitized portfolio, was $23.2 and $(2.9) million for the second quarter and first six months of 2001, compared to $2.5 and $67.2 million for the same periods in 2000. The net effect of securitization activity, after establishing credit loss reserves on initial transactions, decreased income by $97.2 and $203.0 million in the second quarter and first six months of 2001 compared to $69.8 and $127.1 million in the year-ago periods. Securitization related revenue and the net effect of securitization activity will vary from quarter to quarter depending upon the amount and mix of securitizations in a particular period.

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The following table includes securitization related revenue on a Managed Basis and the net effect of securitization activity on our operations:

(In millions)	Three months ended June 30, 2001	Three months ended June 30, 2000	Six months ended June 30, 2001	Six months ended June 30, 2000
Gross gains	$ 160.4	$ 96.8	$ 266.3	$ 261.2
Amortization	(137.2)	(94.3)	(269.2)	(194.0)
Securitization related revenue	23.2	2.5	(2.9)	67.2
Over the life provision on new trasactions	120.4	72.3	200.1	194.3
Net effect of securitization activity	$ (97.2)	$ (69.8)	$ (203.0)	$ (127.1)

Insurance revenue was $159.3 and $317.9 million in the second quarter and first six months of 2001 compared to $131.8 and $266.8 million in the year-ago periods. The increase reflected increased sales on a larger portfolio.

Fee income on an Owned Basis, which includes revenues from fee-based products such as credit cards, was $232.7 and $470.6 million in the second quarter and first six months of 2001, compared to $195.9 and $375.2 million in the year-ago periods. The increases were primarily due to higher credit card fees, especially from our non-prime credit card portfolio.

Fee income on a Managed Basis was $396.3 and $789.5 million in the second quarter and first six months of 2001 compared to $353.3 and $686.1 million in the year-ago periods. The increases were primarily due to higher credit card fees as discussed above.

Other income, which includes revenue from our tax refund lending business, was $49.4 and $211.1 million in the second quarter and first six months of 2001 compared to $31.9 and $165.2 million in the prior-year periods. Higher revenues from our tax refund lending business drove the increases in other income.

Expenses

Total costs and expenses for the second quarter and first six months of 2001 were $955.8 million and $1.9 billion compared to $827.1 million and $1.7 billion in the comparable prior-year periods. The increases were driven by compensation and other expenses to support our growing portfolio. Higher technology spending also contributed to the increases. Significant fluctuations were as follows:

Salaries and fringe benefits for the second quarter and first six months of 2001 were $387.2 and $764.8 million compared to $321.5 and $623.6 million in the second quarter and first six months of 2000. The increases were primarily due to additional staffing at all businesses to support growth including collections and service quality. Branch expansion efforts in the United Kingdom and Canada also contributed to the increase.

Sales incentives for the second quarter and first six months of 2001 were $73.6 and $128.1 million compared to $57.4 and $100.2 million in the comparable prior-year periods. The increases were due to higher sales volumes in our branches as well as improved sales force productivity.

Occupancy and equipment expense for the second quarter and first six months of 2001 was $83.7 and $167.2 million compared to $75.6 and $151.1 million in the comparable prior-year periods. The increases were primarily the result of support facility growth, including new branches in the U.K. and Canada, and facilities associated with acquisitions in the first half of the prior year.

Other marketing expenses for the second quarter and first six months of 2001 of $129.0 and $264.2 million were comparable to $125.3 and $258.4 million in the same prior-year periods.

Other servicing and administrative expenses for the second quarter and first six months of 2001 were $171.7 and $365.1 million compared to $144.1 and $330.9 million in the comparable prior-year periods. The increases were primarily due to higher collection expenses and costs associated with our privacy mailings.

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- *Amortization of acquired intangibles and goodwill* for the second quarter and first six months of 2001 was $37.5 and $76.4 million compared to $38.9 and $82.1 million in the comparable prior-year periods. The decreases were attributable to reductions in acquired intangibles.

Policyholders' benefits for the second quarter and first six months of 2001 were $73.1 and $150.6 million compared to $64.3 and $131.2 million in the comparable prior-year periods. The increases are consistent with the increase in insurance revenues resulting from the increased policy sales.

CREDIT LOSS RESERVES

Our consumer credit management policies focus on product type and specific portfolio risk factors. When evaluating credit risk, we believe that it is important to also consider risk adjusted revenue because our biggest economic protection against credit loss is the ability to price for it. Risk adjusted revenue on a Managed Basis was 7.53 and 7.81 percent for the second quarter and first six months of 2001 compared to 7.37 and 7.59 percent in the comparable prior-year periods. Our consumer credit portfolio is diversified by product and geographic location. See Note 3, "Receivables" in the accompanying financial statements for receivables by product type and Note 4, "Credit Loss Reserves," for our credit loss reserve methodology and an analysis of changes in the credit loss reserves for the quarter.

Total managed credit loss reserves, which include reserves established on the off-balance sheet portfolio when receivables are securitized, were as follows:

(in millions)	June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000
Owned	$ 2,376.5	$ 2,282.4	$ 2,111.9	$ 2,009.2	$ 1,986.5
Serviced with limited recourse	1,080.0	1,057.8	1,082.3	976.8	961.7
Total managed	$ 3,456.5	$ 3,340.2	$ 3,194.2	$ 2,986.0	$ 2,948.2

Managed credit loss reserves as a percent of nonperforming managed receivables were 109.9 percent, compared to 107.6 percent at March 31, 2001 and 113.0 percent at June 30, 2000.

Total owned and managed credit loss reserves as a percent of receivables were as follows:

	June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000
Owned	3.31 %	3.32 %	3.14 %	3.11 %	3.24 %
Managed	3.78	3.78	3.65	3.58	3.69

Reserve ratios at June 30, 2001 reflect historical and estimated future credit quality, the growing level of personal bankruptcy filings, and the continuing uncertainty over what impact the weakening economy will ultimately have on our chargeoff and delinquency levels.

CREDIT QUALITY

We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.

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Delinquency

Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):

	June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000
Managed:					
Real estate secured	2.63 %	2.61 %	2.63 %	2.77 %	2.72 %
Auto finance	2.09	1.79	2.55	2.19	1.99
MasterCard/Visa	3.60	3.68	3.49	3.48	3.14
Private label	5.66	5.50	5.48	5.67	5.77
Other unsecured	8.43	8.37	7.97	7.72	7.92
Total managed	4.27 %	4.25 %	4.20 %	4.21 %	4.16 %
Owned	4.48 %	4.36 %	4.26 %	4.29 %	4.25 %

Managed delinquency as a percent of managed consumer receivables was stable with the previous quarter, but increased slightly over the prior-year quarter. Compared to the previous quarter, improvements in our MasterCard and Visa portfolio were offset by increases in our other portfolios.

Compared to a year ago, improvements in our real estate secured and private label portfolios were more than offset by increases in our other portfolios. In our real estate secured portfolio, we have benefited from the growing percentage of loans on which we hold a first lien position. Delinquency in our MasterCard and Visa portfolio increased over the prior year as a result of growing the non-prime portfolio. The higher delinquency associated with the non-prime portfolio is compensated for with higher pricing in this portfolio.

The trends impacting owned consumer delinquency as a percent of owned receivables are generally consistent with those described above for our managed portfolio. Owned delinquency by product is comparable to managed except for MasterCard and Visa, other unsecured and private label whose owned delinquency is greater due to the retention of receivables on balance sheet that do not meet the eligibility criteria for securitization.

Net Chargeoffs of Consumer Receivables

Net Chargeoffs of Consumer Receivables (as a percent, annualized, of average consumer receivables):

	Second Quarter 2001	First Quarter 2001	Fourth Quarter 2000	Third Quarter 2000	Second Quarter 2000
Managed:					
Real estate secured	.48 %	.44 %	.41 %	.41 %	.47 %
Auto finance	4.47	5.15	5.22	4.45	4.28
MasterCard/Visa	6.82	6.27	5.83	5.23	5.57
Private label	5.09	5.08	5.06	5.28	5.43
Other unsecured	6.82	6.27	5.92	7.00	7.68
Total managed	3.71 %	3.56 %	3.41 %	3.47 %	3.74 %
Owned	3.26 %	3.12 %	2.98 %	3.01 %	3.27 %

Managed net chargeoffs as a percent of average managed receivables increased modestly over the previous quarter. Virtually all of the increase in the quarter was due to higher bankruptcy filings in the MasterCard and Visa and other unsecured portfolios. Increased bankruptcies contributed 17 basis points to the chargeoff ratio in the quarter.

Compared to the prior year quarter, managed net chargeoffs were essentially unchanged. Benefits from improved collections in our other unsecured and private label portfolios were substantially offset by higher MasterCard and Visa chargeoffs due to growth in our non-prime credit card portfolio and the previously discussed increases in bankruptcy chargeoffs.

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The trends impacting owned net chargeoffs as a percent of owned receivables are generally consistent with those described above for our managed portfolio. Owned chargeoffs for our real estate secured, private label and other unsecured products are comparable to managed chargeoffs. Chargeoffs for MasterCard and Visa receivables on an owned basis are higher due to the difference in credit quality of the receivables which remain on our balance sheet. Chargeoffs for auto finance receivables on an owned basis are lower due to the predominantly unseasoned nature of the receivables which remain on balance sheet.

NONPERFORMING ASSETS

(In millions)	June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000
Owned assets:					
Nonaccrual receivables	$ 1,855.2	$ 1,825.1	$ 1,678.7	$ 1,593.3	$ 1,462.4
Accruing consumer receivables 90 or more days delinquent	743.6	669.3	649.4	604.6	571.8
Renegotiated commercial loans	12.3	12.3	12.3	12.3	12.3
Total nonperforming receivables	2,611.1	2,506.7	2,340.4	2,210.2	2,046.5
Real estate owned	365.2	350.2	337.1	336.9	323.5
Total nonperforming assets	$ 2,976.3	$ 2,856.9	$ 2,677.5	$ 2,547.1	$ 2,370.0
Credit loss reserves as a percent of nonperforming receivables	91.0%	91.1%	90.2%	90.9%	97.1%
Managed assets:					
Nonaccrual receivables	$ 2,232.5	$ 2,200.6	$ 2,112.3	$ 1,984.1	$ 1,841.8
Accruing consumer receivables 90 or more days delinquent	899.9	891.5	859.8	802.8	753.9
Renegotiated commercial loans	12.3	12.3	12.3	12.3	12.3
Total nonperforming receivables	3,144.7	3,104.4	2,984.4	2,799.2	2,608.0
Real estate owned	365.2	350.2	337.1	336.9	323.6
Total nonperforming assets	$ 3,509.9	$ 3,454.6	$ 3,321.5	$ 3,136.1	$ 2,931.6
Credit loss reserves as a percent of nonperforming receivables	109.9%	107.6%	107.0%	106.7%	113.0%

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

12 Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.

99.1 Debt and Preferred Stock Securities Ratings.

(b) Report on Form 8-K

During the second quarter of 2001, the Registrant filed the follow Current Reports on Form 8-K:

- Report dated April 2, 2001 with respect to the 2000 financial and statistical review ("factbook") containing certain financial detail with respect to Household International, Inc. and certain of its subsidiaries;
- Report dated April 18, 2001 with respect to the press release pertaining to the financial results of Household International, Inc. for the quarter ended March 31, 2001; and
- Report dated May 16, 2001 with respect to a presentation to certain fixed income investors and analysts at the AFSA Fixed Income Investor Conference in Boston, Massachusetts.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOUSEHOLD INTERNATIONAL, INC.
(Registrant)

Date: August 10, 2001

By: /s/ David A. Schoenholz
David A. Schoenholz
Group Executive -
Chief Financial Officer
and on behalf of
Household International, Inc.

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Exhibit Index

12	Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.
99.1	Debt and Preferred Stock Securities Ratings.

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EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(In millions)	Six months ended June 30, 2001	2000
Net income	$ 870.8	$ 756.8
Income taxes	464.5	394.1
Income before income taxes	1,335.3	1,150.9
Fixed charges:		
Interest expense (1)	2,168.7	1,762.9
Interest portion of rentals (2)	29.8	26.0
Total fixed charges	2,198.5	1,788.9
Total earnings as defined	$ 3,533.8	$ 2,939.8
Ratio of earnings to fixed charges	1.61	1.64
Preferred stock dividends (3)	$ 7.1	$ 7.0
Ratio of earnings to combined fixed charges and preferred stock dividends	1.60	1.64

(1) For financial statement purposes, interest expense includes income earned on temporary investment of excess funds, generally resulting from over-subscriptions of commercial paper.

(2) Represents one-third of rentals, which approximates the portion representing interest.

(3) Preferred stock dividends are grossed up to their pretax equivalent based upon an effective tax rate of 34.8 percent for the six months ended June 30, 2001 and 34.2 percent for the same period in 2000.

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FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 1-8198

HOUSEHOLD INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	36-3121988
(State of Incorporation)	(I.R.S. Employer Identification No.)

2700 Sanders Road, Prospect Heights, Illinois 60070
(Address of principal executive offices)(Zip Code)

(847) 564-5000

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

At October 31, 2001, there were 457,713,470 shares of the registrant's common stock outstanding.

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0707

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In millions, except per share data)	Three months ended September 30, 2001	Three months ended September 30, 2000	Nine months ended September 30, 2001	Nine months ended September 30, 2000
Finance and other interest income	$ 2,536.6	$ 2,270.4	$ 7,418.1	$ 6,278.7
Interest expense	1,035.2	1,057.2	3,190.4	2,811.9
Net interest margin	1,501.4	1,213.2	4,227.7	3,466.8
Provision for credit losses on owned receivables	722.9	524.4	2,083.6	1,542.1
Net interest margin after provision for credit losses	778.5	688.8	2,144.1	1,924.7
Securitization revenue	454.3	379.9	1,261.2	1,081.9
Insurance revenue	169.2	146.7	487.1	413.5
Investment income	42.3	43.9	121.9	127.2
Fee income	250.6	216.2	721.2	591.4
Other income	51.5	30.1	262.6	195.3
Total other revenues	967.9	816.8	2,854.0	2,409.3
Salaries and fringe benefits	408.3	333.0	1,173.1	956.6
Sales incentives	74.1	53.1	202.2	153.3
Occupancy and equipment expense	86.1	78.4	253.3	229.5
Other marketing expenses	127.1	108.2	391.3	366.6
Other servicing and administrative expenses	172.3	136.0	537.4	466.9
Amortization of acquired intangibles and goodwill	37.4	39.0	113.8	121.1
Policyholders' benefits	77.5	67.1	228.1	198.3
Total costs and expenses	982.8	814.8	2,899.2	2,492.3
Income before income taxes	763.6	690.8	2,098.9	1,841.7
Income taxes	259.8	239.6	724.3	633.7
Net income	$ 503.8	$ 451.2	$ 1,374.6	$ 1,208.0
EARNINGS PER COMMON SHARE				
Net income	$ 503.8	$ 451.2	$ 1,374.6	$ 1,208.0
Preferred dividends	(2.9)	(2.3)	(7.5)	(6.9)
Earnings available to common shareholders	$ 500.9	$ 448.9	$ 1,367.1	$ 1,201.1
Average common shares	461.3	472.4	463.5	472.1
Average common and common equivalent shares	467.7	477.6	469.7	476.2
Basic earnings per common share	$ 1.09	$ .95	$ 2.95	$ 2.54
Diluted earnings per common share	1.07	.94	2.91	2.52
DIVIDENDS DECLARED PER COMMON SHARE	$ .22	$ .19	$ .63	$ .55

See notes to interim condensed consolidated financial statements.

Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)	September 30, 2001	December 31, 2000
ASSETS	(UNAUDITED)	
Cash	$ 282.1	$ 490.2
Investment securities	3,700.0	3,259.0
Receivables, net	75,088.3	67,161.7
Acquired intangibles and goodwill, net	1,593.8	1,705.7
Properties and equipment, net	546.2	517.6
Real estate owned	363.0	337.1
Other assets	3,604.4	3,235.0
Total assets	$ 85,177.8	$ 76,706.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Debt:		
Deposits	$ 7,545.3	$ 8,676.9
Commercial paper, bank and other borrowings	11,018.7	10,787.9
Senior and senior subordinated debt (with original maturities over one year)	53,112.5	45,053.0
Total debt	71,676.5	64,517.8
Insurance policy and claim reserves	1,118.5	1,106.6
Other liabilities	3,129.2	2,291.3
Total liabilities	75,924.2	67,915.7
Company obligated mandatorily redeemable preferred securities of subsidiary trusts*	875.0	675.0
Preferred stock	455.8	164.4
Common shareholders' equity:		
Common stock, $1.00 par value, 750,000,000 shares authorized, 551,661,068 and 551,100,165 shares issued at September 30, 2001 and December 31, 2000, respectively	551.7	551.1
Additional paid-in capital	2,018.8	1,926.0
Retained earnings	8,750.5	7,680.5
Accumulated other comprehensive income	(680.1)	(214.7)
Less common stock in treasury, 92,908,503 and 80,080,506 shares at September 30, 2001 and December 31, 2000, respectively, at cost	(2,718.1)	(1,991.7)
Total common shareholders' equity	7,922.8	7,951.2
Total liabilities and shareholders' equity	$ 85,177.8	$ 76,706.3

* As described in note 7 to the financial statements, the sole assets of the five trusts are Junior Subordinated Deferrable Interest Notes issued by Household International, Inc. in January 2001, June 2000, March 1998, June 1996 and June 1995, bearing interest at 8.25, 10.00, 7.25, 8.70 and 8.25 percent, respectively, with principal balances of $206.2, $309.3, $206.2, $103.1 and $77.3 million, respectively, and due January 30, 2031, June 30, 2030, December 31, 2037, June 30, 2036 and June 30, 2025, respectively.

See notes to interim condensed consolidated financial statements.

Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In millions)	Nine months ended September 30, 2001	2000
CASH PROVIDED BY OPERATIONS		
Net income	$ 1,374.6	$ 1,208.0
Adjustments to reconcile net income to cash provided by operations:		
Provision for credit losses on owned receivables	2,083.6	1,542.1
Insurance policy and claim reserves	196.6	129.5
Depreciation and amortization	244.4	219.8
Other, net	71.0	159.8
Cash provided by operations	3,970.2	3,259.2
INVESTMENTS IN OPERATIONS		
Investment securities:		
Purchased	(1,370.5)	(636.1)
Matured	363.8	260.7
Sold	470.1	67.0
Short-term investment securities, net change	152.0	120.4
Receivables:		
Originations, net	(31,888.1)	(29,436.8)
Purchases and related premiums	(559.0)	(4,128.4)
Sold	22,339.4	19,659.5
Acquisition of business operations	-	(87.1)
Properties and equipment purchased	(138.4)	(125.5)
Properties and equipment sold	3.3	9.1
Cash decrease from investments in operations	(10,627.4)	(14,297.2)
FINANCING AND CAPITAL TRANSACTIONS		
Short-term debt and demand deposits, net change	281.8	136.1
Time certificates, net change	(1,164.9)	3,257.7
Senior and senior subordinated debt issued	17,520.9	14,200.5
Senior and senior subordinated debt retired	(9,684.2)	(6,356.8)
Policyholders' benefits paid	(62.6)	(94.5)
Cash received from policyholders	44.2	46.2
Shareholders' dividends	(298.1)	(266.7)
Purchase of treasury stock	(776.9)	(133.7)
Issuance of common stock	97.6	56.4
Issuance of preferred stock	291.4	-
Issuance of company obligated mandatorily redeemable preferred securities of subsidiary trusts	200.0	300.0
Cash increase from financing and capital transactions	6,449.2	11,145.2
Effect of exchange rate changes on cash	(0.1)	25.3
Increase (decrease) in cash	(208.1)	132.5
Cash at January 1	490.2	270.6
Cash at September 30	$ 282.1	$ 403.1
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 3,144.7	$ 2,817.1
Income taxes paid	695.4	570.4
Non-cash investing and financing activities:		
Common stock issued for acquisition	-	209.4

See notes to interim condensed consolidated financial statements.

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Household International, Inc. and Subsidiaries

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Household International, Inc. ("Household") and its subsidiaries have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the three and nine months ended September 30, 2001 should not be considered indicative of the results for any future quarters or the year ending December 31, 2001. Household and its subsidiaries may also be referred to in this Form 10-Q as "we," "us" or "our." These financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2000.

2. INVESTMENT SECURITIES

Investment securities consisted of the following available-for-sale investments:

	September 30, 2001		December 31, 2000	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Marketable equity securities	$ 36.7	$ 31.4	$ 25.8	$ 24.9
Corporate debt securities	2,093.3	2,086.3	1,948.5	1,873.5
U.S. government and federal agency debt securities	458.6	470.2	173.7	173.5
Certificates of deposit	229.2	242.1	319.2	319.2
Money market funds	430.7	430.7	436.6	436.6
Other	373.9	392.9	390.1	390.3
Subtotal	3,622.4	3,653.6	3,293.9	3,218.0
Accrued investment income	46.4	46.4	41.0	41.0
Total available-for-sale investments	$ 3,668.8	$ 3,700.0	$ 3,334.9	$ 3,259.0

3. RECEIVABLES

Receivables consisted of the following:

(In millions)	September 30, 2001	December 31, 2000
Real estate secured	$ 40,822.3	$ 35,179.7
Auto finance	2,340.1	1,850.6
MasterCard*/Visa*	8,066.9	8,053.6
Private label	10,736.4	10,347.3
Other unsecured	13,089.6	11,328.1
Commercial and other	533.4	598.6
Total owned receivables	75,588.7	67,357.9
Accrued finance charges	1,512.4	1,302.6
Credit loss reserve for owned receivables	(2,476.6)	(2,111.9)
Unearned credit insurance premiums and claims reserves	(888.2)	(725.2)
Amounts due and deferred from receivables sales	2,430.4	2,420.6
Reserve for receivables serviced with limited recourse	(1,078.4)	(1,082.3)
Total owned receivables, net	75,088.3	67,161.7
Receivables serviced with limited recourse	20,066.4	20,249.5
Total managed receivables, net	$ 95,154.7	$ 87,411.2

* MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of Visa USA, Inc.

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Receivables serviced with limited recourse consisted of the following:

(In millions)	September 30, 2001	December 31, 2000
Real estate secured	$ 1,108.6	$ 1,457.8
Auto finance	3,529.1	2,712.7
MasterCard/Visa	9,236.8	9,529.8
Private label	1,650.0	1,650.0
Other unsecured	4,541.9	4,899.2
Total receivables serviced with limited recourse	$ 20,066.4	$ 20,249.5

The combination of owned receivables and receivables serviced with limited recourse, which we consider our managed portfolio, consisted of the following:

(In millions)	September 30, 2001	December 31, 2000
Real estate secured	$ 41,930.9	$ 36,637.5
Auto finance	5,869.2	4,563.3
MasterCard/Visa	17,303.7	17,583.4
Private label	12,386.4	11,997.3
Other unsecured	17,631.5	16,227.3
Commercial and other	533.4	598.6
Total managed receivables	$ 95,655.1	$ 87,607.4

4. CREDIT LOSS RESERVES

An analysis of credit loss reserves for the three and nine months ended September 30 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2001	2000	2001	2000
Owned receivables:				
Credit loss reserves at beginning of period	$ 2,376.5	$ 1,986.5	$ 2,111.9	$ 1,757.0
Provision for credit losses	722.9	524.4	2,083.6	1,542.1
Chargeoffs	(694.1)	(523.6)	(1,913.4)	(1,574.2)
Recoveries	63.9	48.7	178.4	143.1
Other, net	7.4	(26.8)	16.1	141.2
Credit loss reserves for owned receivables at September 30	2,476.6	2,009.2	2,476.6	2,009.2
Receivables serviced with limited recourse:				
Credit loss reserves at beginning of period	1,080.0	961.7	1,082.3	909.6
Provision for credit losses	243.9	250.5	750.8	793.3
Chargeoffs	(257.4)	(245.7)	(796.2)	(767.5)
Recoveries	17.0	16.4	51.8	46.5
Other, net	(5.1)	(6.1)	(10.3)	(5.1)
Credit loss reserves for receivables serviced with limited recourse at September 30	1,078.4	976.8	1,078.4	976.8
Total credit loss reserves for managed receivables at September 30	$ 3,555.0	$ 2,986.0	$ 3,555.0	$ 2,986.0

We establish reserves for consumer credit losses based on delinquency and chargeoff experience by product and judgmental factors involving portfolio risks which may not be fully reflected in the statistical calculation. These judgmental factors include bankruptcy trends, recent growth, current levels in chargeoff and delinquency and the impact of national and regional economic conditions on the managed receivable portfolio.

5. INCOME TAXES

Our effective tax rate was 34.5 percent for the nine months ended September 30, 2001 and 34.4 percent for the first nine months of 2000. The effective tax rate differs from the statutory federal income tax rate primarily because of the effects of state and local income taxes and leveraged lease tax benefits.

6. EARNINGS PER COMMON SHARE

Computations of earnings per common share for the three and nine months ended September 30 were as follows:

(In millions, except per share data)	Three months ended September 30, 2001		Three months ended September 30, 2000	
	Diluted	Basic	Diluted	Basic
Earnings:				
Net income	$ 503.8	$ 503.8	$ 451.2	$ 451.2
Preferred dividends	(2.9)	(2.9)	(2.3)	(2.3)
Earnings available to common shareholders	$ 500.9	$ 500.9	$ 448.9	$ 448.9
Average shares outstanding:				
Common	461.3	461.3	472.4	472.4
Common equivalents	6.4	-	5.2	-
Average shares outstanding assuming dilution	467.7	461.3	477.6	472.4
Earnings per common share	$ 1.07	$ 1.09	$ 0.94	$ 0.95

(In millions, except per share data)	Nine months ended September 30, 2001		Nine months ended September 30, 2000	
	Diluted	Basic	Diluted	Basic
Earnings:				
Net income	$ 1,374.6	$ 1,374.6	$ 1,208.0	$ 1,208.0
Preferred dividends	(7.5)	(7.5)	(6.9)	(6.9)
Earnings available to common shareholders	$ 1,367.1	$ 1,367.1	$ 1,201.1	$ 1,201.1
Average shares outstanding:				
Common	463.5	463.5	472.1	472.1
Common equivalents	6.2	-	4.1	-
Average shares outstanding assuming dilution	469.7	463.5	476.2	472.1
Earnings per common share	$ 2.91	$ 2.95	$ 2.52	$ 2.54

7. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS

We have formed special purpose trusts for the purpose of issuing trust preferred securities. The sole assets of these trusts are Junior Subordinated Deferrable Interest Notes ("Junior Subordinated Notes") issued by Household.

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The following table summarizes our company obligated mandatorily redeemable preferred securities of subsidiary trusts ("Preferred Securities") and the related Junior Subordinated Notes:

(Dollar amounts are in millions)	Household Capital Trust VI ("HCT VI")	Household Capital Trust V ("HCT V")	Household Capital Trust IV ("HCT IV")	Household Capital Trust II ("HCT II")	Household Capital Trust I ("HCT I")
Preferred Securities:					
Interest rate	8.25%	10.00%	7.25%	8.70%	8.25%
Face value	$200	$300	$200	$100	$75
Issue date	January 2001	June 2000	March 1998	June 1996	June 1995
Junior Subordinated Notes:					
Principal balance	$206.2	$309.3	$206.2	$103.1	$77.3
Redeemable by issuer	January 30, 2006	June 8, 2005	March 19, 2003	June 30, 2001	June 30, 2000
Stated maturity	January 30, 2031	June 30, 2030	December 31, 2037	June 30, 2036	June 30, 2025

The Preferred Securities must be redeemed when the Junior Subordinated Notes are paid. The Junior Subordinated Notes have a stated maturity date, but are redeemable by Household, in whole or in part, beginning on the dates indicated above at which time the preferred securities are callable at par ($25 per Preferred Security) plus accrued and unpaid dividends. Dividends on the Preferred Securities are cumulative, payable quarterly in arrears, and are deferrable at Household's option for up to five years. Household cannot pay dividends on its preferred and common stocks during such deferments. The Preferred Securities have a liquidation value of $25 per preferred security. HCT I may elect to extend the maturity of its Preferred Securities to June 2044. Dividends on the Preferred Securities have been classified as interest expense in our statement of income.

HCT I, HCT II, HCT IV, HCT V, and HCT VI (collectively, "the Trusts") are wholly-owned subsidiaries of Household. Household's obligations with respect to the Junior Subordinated Notes, when considered together with certain undertakings of Household with respect to the Trusts, constitute full and unconditional guarantees by Household of the Trust's obligations under the respective Preferred Securities. The Preferred Securities are classified in our balance sheet as company obligated mandatorily redeemable preferred securities of subsidiary trusts (representing the minority interests in the trusts) at their face and redemption amount of $875 million at September 30, 2001 and $675 million at December 31, 2000.

8. FORWARD PURCHASE AGREEMENT

At September 30, 2001, we had agreements to purchase, on a forward basis, approximately 5.7 million shares of our common stock at a weighted-average forward price of $63.17 per share. The agreements may be settled either physically by purchasing the shares or on a net basis in shares of our common stock, at our option. The agreements have terms of up to one year but may be settled earlier at our option. We received no shares as a result of settlements from forward purchase agreements during the third quarter.

9. COMPREHENSIVE INCOME

Comprehensive income was $317.6 million for the quarter ended September 30, 2001, $449.7 million for the quarter ended September 30, 2000, $909.2 million for the nine months ended September 30, 2001, and $1,205.7 million for the nine months ended September 30, 2000.

The components of accumulated other comprehensive income are as follows:

(In millions)	September 30, 2001	December 31, 2000
Foreign currency translation adjustments	$ (250.5)	$ (238.5)
Unrealized gain on investments	177.7	23.8
Unrealized losses on cash flow hedges	(607.3)	-
Accumulated other comprehensive income	$ (680.1)	$ (214.7)

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10. SEGMENT REPORTING

We have three reportable segments: Consumer, Credit Card Services and International. Our Consumer segment includes our consumer lending, retail services and auto finance businesses. Our Consumer lending business consists of our branch-based operations and our mortgage services business. Our Credit Card Services segment consists of our domestic MasterCard and Visa credit card business. Our International segment consists of our foreign operations in the United Kingdom and Canada. There has been no change in the basis of our segmentation or in the measurement of segment profit as compared with the presentation in our Annual Report on Form 10-K for the year ended December 31, 2000.

Information about our reportable segments for the third quarter and first nine months of 2001 compared to the corresponding prior-year periods was as follows:

Owned Basis (In millions)	Three months ended September 30, 2001			Three months ended September 30, 2000		
	Consumer	Credit Card Services	International	Consumer	Credit Card Services	International
Net interest margin and other revenues (1)	$ 1,523.4	$ 603.0	$ 199.7	$ 1,256.0	$ 519.7	$ 201.6
Intersegment revenues	49.9	9.3	2.2	51.4	8.7	1.3
Net income	376.0	80.0	42.4	343.7	59.8	57.8
Total assets	63,506.6	8,526.4	8,090.1	53,907.5	7,535.7	7,529.5
Total assets - managed	73,397.1	17,573.9	9,343.4	62,839.3	16,515.0	8,588.5

Owned Basis (In millions)	Nine months ended September 30, 2001			Nine months ended September 30, 2000		
	Consumer	Credit Card Services	International	Consumer	Credit Card Services	International
Net interest margin and other revenues (1)	$ 4,309.6	$ 1,720.6	$ 593.8	$ 3,608.2	$ 1,398.0	$ 630.5
Intersegment revenues	150.9	28.8	6.1	142.6	24.3	3.7
Net income	1,017.6	191.8	123.6	889.3	137.2	164.3
Total assets	63,506.6	8,526.4	8,090.1	53,907.5	7,535.7	7,529.5
Total assets - managed	73,397.1	17,573.9	9,343.4	62,839.3	16,515.0	8,588.5

(1) Net interest margin and other revenues, including intersegment revenues, net of policyholders' benefits.

A reconciliation of the total reportable segments' net income to consolidated net income for the third quarter and first nine months of 2001 and 2000 is as follows:

(In millions)	Three months ended September 30, 2001	2000	Nine months ended September 30, 2001	2000
Reportable segment net income	$ 498.4	$ 461.3	$ 1,333.0	$ 1,190.8
Other operations not individually reportable	44.2	29.1	159.2	126.1
Adjustments/eliminations	(38.8)	(39.2)	(117.6)	(108.9)
Total consolidated net income	$ 503.8	$ 451.2	$ 1,374.6	$ 1,208.0

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11. DERIVATIVE FINANCIAL INSTRUMENTS

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS No. 133"), as amended. FAS No. 133 requires all derivatives, whether designated in hedging relationships or not, to be recorded on the balance sheet at fair value. FAS No. 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

The adoption of FAS No. 133 on January 1, 2001 was accounted for as a cumulative effect of a change in accounting principle. The impact of the adoption was not material to earnings and reduced common shareholders' equity by $240 million. The adjustment to common shareholders' equity was recorded as a component of accumulated other comprehensive income and was made to recognize at fair value all derivatives that were designated as cash flow hedging instruments. At September 30, 2001, we had approximately $607.3 million of unrealized losses on cash flow hedges, net of a $337.6 million tax benefit, recorded in accumulated other comprehensive income. Also at September 30, 2001, the fair value of derivatives included in other assets was $255.5 million, the fair value of derivatives included in other liabilities was $1,093.7 million, and adjustments to the carrying value of our debt associated with fair value hedges totaled $102.6 million. During the three and nine months ended September 30, 2001, hedge ineffectiveness associated with fair value and cash flow hedges was not material.

12. NEW ACCOUNTING PRONOUNCEMENTS

In September 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125" ("FAS No. 140"). FAS No. 140 revises the standards for accounting for securitizations and requires certain disclosures. We adopted the non-disclosure provisions of FAS No. 140 as required on April 1, 2001. The adoption did not have a significant effect on our operations.

In July 2001, the FASB issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("FAS No. 141") and No. 142, "Goodwill and Other Intangible Assets" ("FAS No. 142"). FAS No. 141 eliminates the pooling of interests method of accounting and requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. We had no acquisitions during 2001 which were affected by FAS No. 141. FAS No. 142 changed the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill recorded in past business combinations will cease upon adoption of the statement on January 1, 2002. We do not expect the adoption to have a significant impact to our earnings.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with the consolidated financial statements, notes and tables included elsewhere in this report and in the Household International, Inc. Annual Report on Form 10-K for the year ended December 31, 2000 (the "2000 Form 10-K") filed with the Securities and Exchange Commission. Management's discussion and analysis may contain certain statements that may be forward-looking in nature within the meaning of the Private Securities Litigation Reform Act of 1995. Our results may differ materially from those noted in the forward-looking statements. Forward-looking statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "may", "will", "should", "would" and "could". Forward-looking statements involve risks and uncertainties and are based on current views and assumptions. For a list of important factors that may affect our actual results, see our 2000 Form 10-K.

OPERATIONS SUMMARY

Our net income for the third quarter of 2001 increased 12 percent to $503.8 million, from $451.2 million a year ago. Net income for the first nine months of 2001 was $1.4 billion, compared to $1.2 billion in the year ago period. Diluted earnings per share was $1.07 in the third quarter and $2.91 for the first nine months of 2001, compared to $.94 and $2.52 in the same periods in 2000. Our improved results were due to strong revenue growth driven by significant receivable growth including higher net interest margin due, in part, to lower cost of funds. Partially offsetting the revenue growth were higher credit loss provision and operating expenses as a result of portfolio growth, increased investments in sales and collection personnel, and higher technology spending.

Our annualized return on average owned assets ("ROA") was 2.42 percent in the third quarter and 2.28 percent for the first nine months of 2001, compared to 2.48 percent and 2.38 percent in the same periods in 2000. Our annualized return on average managed assets ("ROMA") was 1.96 percent in the third quarter of 2001 and 1.84 percent for the first nine months of 2001, compared to 1.98 percent and 1.87 percent in the same periods in 2000.

Our managed basis efficiency ratio was 34.3 percent for the third quarter and 35.1 percent for the first nine months of 2001, compared to 33.8 percent and 35.5 percent in the same periods in 2000. The efficiency ratio is the ratio of operating expenses to the sum of our managed net interest margin and other revenues less policyholders' benefits. The year-to-date improvement in the managed ratio reflects growth in managed net revenues, including increased revenue from our tax refund lending business while operating expenses increased at a lower rate. Compared to the prior year quarter, the managed ratio increased slightly reflecting the increased investment in sales and collection personnel and higher technology spending.

SEGMENT RESULTS

Our Consumer segment reported higher net income than the prior year periods. Net income increased to $376.0 million for the third quarter compared to $343.7 million in the year-ago quarter. Year-to-date, net income increased to $1,017.6 million compared to $889.3 million for the first nine months of 2000. Managed receivables grew to $71.8 billion at September 30, 2001, from $68.2 billion at June 30, 2001 and $61.3 billion at September 30, 2000. The managed receivable growth was driven by solid growth in all products with the strongest growth in real estate secured receivables. ROA was 2.42 and 2.28 percent in the third quarter and first nine months of 2001 compared to 2.63 and 2.46 percent in the year ago periods. ROMA was 2.10 and 1.97 percent in the third quarter and first nine months of 2001 compared to 2.26 and 2.08 percent in the year ago periods. The decline in the ratios reflect higher loan loss provision and the continued shift in our portfolio to lower margin real estate secured receivables. The increases in net income reflect higher dollars of net interest margin partially offset by higher salary expense, including higher sales incentive compensation, and higher credit loss provision resulting from the increased levels of receivables.

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Our Credit Card Services segment reported higher net income than the prior year periods. Net income increased to $80.0 million for the third quarter compared to $59.8 million in the year-ago quarter. Year-to-date, net income increased to $191.8 million compared to $137.2 million for the first nine months of 2000. Managed receivables were $16.1 billion at September 30, 2001, $15.8 billion at June 30, 2001 and $14.8 billion at September 30, 2000. Growth in both the quarter and the year was strongest in our Union Privilege ("UP") portfolio, our affinity card relationship with the AFL-CIO labor federation, and in our sub-prime credit card portfolio. In anticipation of the weakening economy, however, we have deliberately slowed growth in our sub-prime portfolio. ROA was 3.75 and 3.07 percent in the third quarter and first nine months of 2001 compared to 3.09 and 2.55 percent in the year ago periods. ROMA was 1.83 and 1.48 percent in the third quarter and first nine months of 2001 compared to 1.47 and 1.15 percent in the year ago periods. The increases in net income primarily were due to increased net interest margin and higher fee income from higher levels of managed receivables. This growth was partially offset by higher credit loss provision and increased operating expenses associated with higher receivable levels.

Our International segment reported net income of $42.4 million for the third quarter compared to $57.8 million in the year-ago quarter. Year-to-date, net income was $123.6 million compared to $164.3 million for the first nine months of 2000. Net income includes negative foreign exchange impacts in the U.K. of approximately $1 million in the current quarter and $7 million for the first nine months. Managed receivables were $8.1 billion at September 30, 2001, $7.9 billion at June 30, 2001 and $7.5 billion at September 30, 2000. In the quarter, growth was strongest in our real estate secured and other unsecured portfolios. When reported in local currency, all products reported receivable growth over the prior year, with the strongest growth in our real estate secured and private label portfolios. ROA was 2.29 and 2.19 percent in the third quarter and first nine months of 2001 compared to 3.19 and 2.98 percent in the year ago periods. ROMA was 1.97 and 1.89 percent in the third quarter and first nine months of 2001 compared to 2.77 and 2.58 percent in the year ago periods. The decreases in net income for both the quarter and nine months were primarily due to higher salaries and sales incentive costs attributable to receivable growth and costs associated with our branch expansion efforts in the U.K. and Canada. Product mix and lower yields on private label receivables resulted in lower yields in the U.K. which also contributed to the year-to-date decrease in net income.

In August 2001, we reached agreement with Centrica, our partner in marketing the Goldfish credit card, to settle litigation and discontinue our participation in the joint credit card program. We will continue to service the receivables on an interim basis. The settlement agreement and ongoing effects will not have a material impact on future earnings.

BALANCE SHEET REVIEW

Strong receivable growth across all products drove our improved results. Our managed portfolio increased $12.2 billion, or 15 percent from a year ago, to $95.7 billion. Growth was strongest in our real estate secured portfolio, which increased 19 percent over the year-ago period. Managed receivables in our U.S. consumer lending business, which includes both real estate secured and other unsecured products, increased 17 percent over prior year. Our branch sales force continued to benefit from our centralized lead management and point-of-sale system which contributed to increased productivity and strong growth in our HFC and Beneficial branches. Our mortgage services business also reported strong year-over-year growth with receivables increasing $2.5 billion, or 18 percent, over the September 30, 2000 level. Expansion of our auto finance sales force, favorable market conditions, increased dealer penetration and strong growth in Internet-originated accounts contributed to the $1.5 billion, or 36 percent, increase in auto finance receivables. MasterCard* and Visa* receivables increased 6 percent to $17.3 billion, led by growth in our UP and sub-prime portfolios. Private label receivables increased 10 percent to $12.4 billion primarily as a result of organic growth from existing merchants.

Compared to June 30, 2001, managed receivables grew $4.1 billion or an annualized 18 percent. All products grew during the quarter, with the strongest growth reported in our real estate secured, auto finance and other unsecured portfolios.

Owned receivables were $75.6 billion at September 30, 2001, up from $71.8 billion at June 30, 2001 and $64.6 billion at September 30, 2000. The level of our owned receivables may vary from period to period depending on the timing and size of securitization transactions.

* MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.

Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.58 percent at September 30, 2001, compared with 4.48 percent at June 30, 2001 and 4.29 percent at September 30, 2000. The annualized consumer owned chargeoff ratio in the third quarter of 2001 was 3.43 percent, compared with 3.26 percent in the prior quarter and 3.01 percent in the year-ago quarter.

Managed consumer two-months-and-over contractual delinquency as a percent of managed consumer receivables was 4.43 percent at September 30, 2001, compared with 4.27 percent at June 30, 2001 and 4.21 percent at September 30, 2000. The annualized consumer managed chargeoff ratio in the third quarter of 2001 was 3.74 percent, compared with 3.71 percent in the prior quarter and 3.47 percent in the year-ago quarter.

The ratio of tangible equity to tangible managed assets was 7.82 percent, compared with 7.41 percent at December 31, 2000.

LIQUIDITY AND CAPITAL RESOURCES

Our subsidiaries use cash to originate loans, purchase loans or investment securities, and acquire businesses. Their main sources of cash are the collection of receivable balances; maturities or sales of investment securities; proceeds from the issuance of debt, deposits and securitization of consumer receivables; and cash provided by operations.

In September 2001, we issued $300 million of 7.50 percent cumulative preferred stock. In July 2001, we issued zero-coupon convertible debt securities due 2021 with a principal amount at maturity of approximately $1.2 billion. The convertible debt securities are convertible into shares of our common stock under certain specified conditions. In January 2001, a wholly-owned special purpose trust subsidiary issued $200 million of company obligated mandatorily redeemable preferred securities (representing the minority interest in the trust).

On May 9, 2001, we announced a new common stock repurchase program. This new program enables us to repurchase up to an additional $2 billion of our outstanding common shares and will go into effect upon the completion of our current $2 billion share repurchase program or December 31, 2001, whichever is earlier. Repurchases will be made from time to time in the open market depending upon market conditions.

During the third quarter, we repurchased 4.1 million shares of our common stock, for a total of $237.2 million. Year-to-date, we have repurchased 15.2 million shares for a total of $776.2 million. Since announcing our share repurchase program in March 1999, we have repurchased 37.4 million shares for a total of $1.7 billion.

At September 30, 2001, we had agreements to purchase, on a forward basis, approximately 5.7 million shares of our common stock at a weighted-average forward price of $63.17 per share. The agreements may be settled either physically by purchasing the shares or on a net basis in shares of our common stock, at our option. The agreements have terms of up to one year but may be settled earlier at our option. We received no shares as a result of settlements from forward purchase during the third quarter.

Deposits decreased to $7.5 billion at September 30, 2001 from $8.7 billion at December 31, 2000. The decrease in deposits was primarily due to changes in funding in the U.K. and at our banking subsidiary. Commercial paper, bank and other borrowings increased to $11.0 billion at September 30, 2001 from $10.8 billion at year-end. Senior and senior subordinated debt (with original maturities over one year) increased to $53.1 billion from $45.1 billion at year-end. During the first nine months of 2001, we issued approximately $6 billion of five-year and over debt which lengthened maturities on our funding, reduced our reliance on commercial paper and securitizations and preserved our liquidity. The increase in debt levels from year end is consistent with the change in owned receivables.

Our securitized receivables totaled $20.1 billion at September 30, 2001, compared with $20.2 billion at December 31, 2000.

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The composition of receivables securitized (excluding replenishments of certificateholder interests) during the three and nine months was as follows:

(In billions)	Three months ended September 30, 2001	Three months ended September 30, 2000	Nine months ended September 30, 2001	Nine months ended September 30, 2000
Auto finance	$ .7	$ .5	$ 1.7	$ 1.4
MasterCard/Visa	.1	.8	.3	1.3
Other unsecured	.4	.4	1.5	1.5
	$ 1.2	$ 1.7	$ 3.5	$ 4.2

We believe the market for securities backed by receivables is a reliable, efficient and cost-effective source of funds. At September 30, 2001, securitizations represented 22 percent of the funding associated with our managed portfolio compared to 23 percent a year earlier. Although our securitized portfolio currently represents a smaller portion of our total funding mix, we plan to continue utilizing securitizations as a source of funding in the future.

PRO FORMA MANAGED STATEMENTS OF INCOME

Securitizations of consumer receivables have been, and will continue to be, a source of liquidity for us. We continue to service securitized receivables after they have been sold and retain a limited recourse liability for future credit losses. We include revenues and credit-related expenses related to the off-balance sheet portfolio in one line item in our owned statements of income. Specifically, we report net interest margin, provision for credit losses, fee income and securitization related revenue as a net amount in securitization revenue.

We monitor our operations on a managed basis as well as on the owned basis reported in our statements of income. Our pro forma managed income statement assumes that the securitized receivables have not been sold and are still on our balance sheet. Consequently, the income and expense items discussed above are reclassified from securitization revenue into the appropriate caption in our pro forma managed basis income statement as if the receivables had not been securitized. Our pro forma managed basis income statement is presented below. Our pro forma managed basis income statement is not intended to reflect the differences between our accounting policies for owned receivables and the off-balance sheet portfolio, but merely to report net interest margin, fees and provision for losses as if the securitized loans were held in portfolio. Therefore, net income on a pro forma managed basis equals net income on an owned basis.

We define the net effect of securitization activity on our pro forma managed statements of income as securitization related revenue less the over-the-life provision for credit losses on initial securitization transactions. Securitization related revenue includes gross initial gains on current period securitization transactions less amortization of current and prior period securitization gains. The over-the-life provision for credit losses on initial securitization transactions is reported in our pro forma managed income statement as a component of provision for credit losses. The net effect of securitization activity will vary depending upon the amount and mix of securitizations in a particular period.

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(Dollar amounts are in millions)	Three months ended September 30, 2001	*	2000	*	Nine months ended September 30, 2001	*	2000	*
Finance and other interest income	$ 3,304.8	13.99%	$ 3,033.9	14.67%	$ 9,768.4	14.24%	$ 8,519.2	14.54%
Interest expense	1,280.7	5.42	1,390.6	6.72	4,020.2	5.86	3,755.6	6.41
Net interest margin	2,024.1	8.57	1,643.3	7.95	5,748.2	8.38	4,763.6	8.13
Provision for credit losses	966.8		774.9		2,834.4		2,335.4	
Net interest margin after provision for credit losses	1,057.3		868.4		2,913.8		2,428.2	
Insurance revenue	169.2		146.7		487.1		413.5	
Investment income	42.3		43.9		121.9		127.2	
Fee income	407.9		380.3		1,197.4		1,066.4	
Securitization related revenue	18.2		36.2		15.3		103.4	
Other income	51.5		30.1		262.6		195.3	
Total other revenues	689.1		637.2		2,084.3		1,905.8	
Salaries and fringe benefits	408.3		333.0		1,173.1		956.6	
Sales incentives	74.1		53.1		202.2		153.3	
Occupancy and equipment expense	86.1		78.4		253.3		229.5	
Other marketing expenses	127.1		108.2		391.3		366.6	
Other servicing and administrative expenses	172.3		136.0		537.4		466.9	
Amortization of acquired intangibles and goodwill	37.4		39.0		113.8		121.1	
Policyholders' benefits	77.5		67.1		228.1		198.3	
Total costs and expenses	982.8		814.8		2,899.2		2,492.3	
Income before taxes	763.6		690.8		2,098.9		1,841.7	
Income taxes	259.8		239.6		724.3		633.7	
Net income	$ 503.8		$ 451.2		$ 1,374.6		$ 1,208.0	
Average managed receivables	$ 93,634.0		$ 81,803.4		$ 90,554.6		$ 77,084.3	
Average noninsurance investments	395.1		471.4		447.9		564.1	
Other interest-earning assets	460.7		436.7		454.6		431.3	
Average managed interest-earning assets	$ 94,489.8		$ 82,711.5		$ 91,457.1		$ 78,079.7	

* As a percent, annualized, of average managed interest-earning assets

The following discussion on revenues, where applicable, and provision for credit losses includes comparisons to amounts reported on our historical owned statements of income ("Owned Basis"), as well as on the above pro forma managed statements of income ("Managed Basis").

Net interest margin

Net interest margin on an Owned Basis was $1.5 billion for the third quarter of 2001, up 24 percent from $1.2 billion for the prior-year quarter. Net interest margin on an Owned Basis for the first nine months of 2001 was $4.2 billion, up from $3.5 billion in the prior year period. Net interest margin on a Managed Basis increased 23 percent to $2.0 billion for the third quarter of 2001, from $1.6 billion for the prior-year quarter. Net interest margin on a Managed Basis for the first nine months of 2001 was $5.7 billion, up from $4.8 billion in the prior year period. The increases were primarily due to receivables growth and lower funding costs resulting from easing in United States monetary policy in 2001. Fed fund rates have been reduced eight times for a total of 350 basis points during the first nine months of the year.

Net interest margin as a percent of average managed interest-earning assets, annualized, increased to 8.57 percent, up from 8.34 percent in the previous quarter and 7.95 percent in the year-ago quarter. The increases are primarily due to the reduction in funding costs discussed above.

Managed Basis risk adjusted revenue, which is net interest margin and other revenues adjusted for securitization related revenue and net chargeoffs as a percentage of average managed interest earning assets was 7.72 and 7.78 percent for the third quarter and first nine months of 2001 compared to 7.45 and 7.54 percent in the comparable prior-year periods. The increases were primarily the result of higher net interest margin. The ratio for the first nine months of 2001 also benefited from higher tax refund lending revenue.

Provision for credit losses

The provision for credit losses for receivables on an Owned Basis for the third quarter of 2001 totaled $722.9 million, compared to $524.4 million in the prior-year quarter. The Owned Basis provision for the first nine months of 2001 was $2.1 billion, compared to $1.5 billion in the year-ago period. The provision as a percent of average owned receivables, annualized, was 3.91 percent in the third quarter of 2001, compared to 3.30 percent in the third quarter of 2000. We recorded owned loss provision in excess of chargeoffs of $92.7 million during the third quarter and $348.6 million during the first nine months of 2001. The excess provision reflects our receivable growth, recent increases in personal bankruptcy filings and continued uncertainty over the impact of the weakening economy on chargeoff and delinquency trends. The provision for credit losses on an Owned Basis may vary from quarter to quarter, depending on the amount of securitizations in a particular period and the product mix of loans in our portfolio.

The provision for credit losses for receivables on a Managed Basis totaled $966.8 million in the third quarter of 2001, compared to $774.9 million in the prior-year quarter. The Managed Basis provision for the first nine months of 2001 was $2.8 billion, compared to $2.3 billion in the year-ago period. As a percent of average managed receivables, annualized, the provision was 4.13 percent in the third quarter of 2001, compared to 3.79 percent in the third quarter of 2000. The Managed Basis provision includes the over-the-life reserve requirement on the off-balance sheet portfolio which decreased managed basis net income. This provision is impacted by the type and amount of receivables securitized in a given period and substantially offsets the revenue recorded on the securitization transactions. See "Liquidity and Capital Resources" for the type and amount of receivables securitized and "Credit Quality" for further discussion of factors affecting the provision for credit losses.

Other revenues

Securitization revenue on an Owned Basis was $454.3 million and $1.3 billion for the third quarter and first nine months of 2001, compared to $379.9 million and $1.1 billion for the same periods in 2000. Securitization revenue consists of income associated with the securitization and sale of receivables with limited recourse, including net interest income, fee and other income and provision for credit losses related to those receivables. The increases were primarily due to increases in average securitized receivables and receivable mix. The components of securitization revenue are reclassified to the appropriate caption in the pro forma statements of income on a Managed Basis.

Securitization related revenue on a Managed Basis, which includes the gross gains and related amortization on our securitized portfolio, was $18.2 and $15.3 million for the third quarter and first nine months of 2001, compared to $36.2 and $103.4 million for the same periods in 2000. The net effect of securitization activity, after establishing credit loss reserves on initial transactions, decreased income by $95.7 and $298.7 million in the third quarter and first nine months of 2001 compared to $65.2 and $192.3 million in the year-ago periods. Securitization related revenue and the net effect of securitization activity will vary from quarter to quarter depending upon the amount and mix of securitizations in a particular period.

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The following table includes securitization related revenue on a Managed Basis and the net effect of securitization activity on our operations:

(In millions)	Three months ended September 30, 2001	2000	Nine months ended September 30, 2001	2000
Gross gains	$ 152.4	$ 142.5	$ 418.7	$ 403.7
Amortization	(134.2)	(106.3)	(403.4)	(300.3)
Securitization related revenue	18.2	36.2	15.3	103.4
Over the life provision on new transactions	113.9	101.4	314.0	295.7
Net effect of securitization activity	$ (95.7)	$ (65.2)	$ (298.7)	$ (192.3)

Insurance revenue was $169.2 and $487.1 million in the third quarter and first nine months of 2001 compared to $146.7 and $413.5 million in the year-ago periods. The increase reflected increased sales on a larger portfolio.

Investment income, which includes interest income on investment securities in the insurance business as well as realized gains and losses from the sale of investment securities, was $42.3 and $121.9 million in the third quarter and first nine months of 2001, compared to $43.9 and $127.2 million in the year-ago periods. The decreases were primarily due to lower interest income, primarily resulting from lower yields

Fee income on an Owned Basis, which includes revenues from fee-based products such as credit cards, was $250.6 and $721.2 million in the third quarter and first nine months of 2001, compared to $216.2 and $591.4 million in the year-ago periods. The increases were primarily due to higher credit card fees, especially from our non-prime credit card portfolio.

Fee income on a Managed Basis was $407.9 million and $1.2 billion in the third quarter and first nine months of 2001 compared to $380.3 million and $1.1 billion in the year-ago periods. The increases were primarily due to higher credit card fees as discussed above.

Other income, which includes revenue from our tax refund lending business, was $51.5 and $262.6 million in the third quarter and first nine months of 2001 compared to $30.1 and $195.3 million in the prior-year periods. Higher revenues from our tax refund lending business drove the increases in other income.

Expenses

Total costs and expenses for the third quarter and first nine months of 2001 were $982.8 million and $2.9 billion compared to $814.8 million and $2.5 billion in the comparable prior-year periods. The increases were driven by higher compensation and other expenses to support our growing portfolio. Higher technology spending also contributed to the increases. Significant fluctuations were as follows:

Salaries and fringe benefits for the third quarter and first nine months of 2001 were $408.3 million and $1.2 billion compared to $333.0 and $956.6 million in the third quarter and first nine months of 2000. The increases were primarily due to additional staffing at all businesses to support growth including sales, collections and service quality. Branch expansion efforts in the United Kingdom and Canada also contributed to the increase.

Sales incentives for the third quarter and first nine months of 2001 were $74.1 and $202.2 million compared to $53.1 and $153.3 million in the comparable prior-year periods. The increases were due to higher sales volumes in our branches as well as improved sales force productivity.

Occupancy and equipment expense for the third quarter and first nine months of 2001 was $86.1 and $253.3 million compared to $78.4 and $229.5 million in the comparable prior-year periods. The increases were primarily the result of support facility growth, including new branches in the U.K. and Canada. Facilities associated with acquisitions in the first half of the prior year also contributed to the year-to-date increases.

Other marketing expenses for the third quarter and first nine months of 2001 were $127.1 and $391.3 million compared to $108.2 and $366.6 million in the same prior-year periods. The increases were primarily due to increased credit card marketing initiatives, primarily in the U.S. MasterCard and Visa portfolio.

Other servicing and administrative expenses for the third quarter and first nine months of 2001 were $172.3 and $537.4 million compared to $136.0 and $466.9 million in the comparable prior-year periods. The increases were primarily due to higher collection and consulting expenses and costs associated with our privacy mailings to comply with new legislation.

Amortization of acquired intangibles and goodwill for the third quarter and first nine months of 2001 was $37.4 and $113.8 million compared to $39.0 and $121.1 million in the comparable prior-year periods. The decreases were attributable to reductions in acquired intangibles.

Policyholders' benefits for the third quarter and first nine months of 2001 were $77.5 and $228.1 million compared to $67.1 and $198.3 million in the comparable prior-year periods. The increases are consistent with the increase in insurance revenues resulting from the increased policy sales.

CREDIT LOSS RESERVES

Our consumer credit management policies focus on product type and specific portfolio risk factors. When evaluating credit risk, we believe that it is important to also consider risk adjusted revenue because our biggest economic protection against credit loss is the ability to price for it. Risk adjusted revenue on a Managed Basis was 7.72 and 7.78 percent for the third quarter and first nine months of 2001 compared to 7.45 and 7.54 percent in the comparable prior-year periods. Our consumer credit portfolio is diversified by product and geographic location. See Note 3, "Receivables" in the accompanying financial statements for receivables by product type and Note 4, "Credit Loss Reserves," for our credit loss reserve methodology and an analysis of changes in the credit loss reserves for the quarter.

Total managed credit loss reserves, which include reserves established on the off-balance sheet portfolio when receivables are securitized, were as follows:

(in millions)	September 30, 2001	June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000
Owned	$ 2,476.6	$ 2,376.5	$ 2,282.4	$ 2,111.9	$ 2,009.2
Serviced with limited recourse	1,078.4	1,080.0	1,057.8	1,082.3	976.8
Total managed	$ 3,555.0	$ 3,456.5	$ 3,340.2	$ 3,194.2	$ 2,986.0

Managed credit loss reserves as a percent of nonperforming managed receivables were 103.9 percent, compared to 109.9 percent at June 30, 2001 and 106.7 percent at September 30, 2000.

Total owned and managed credit loss reserves as a percent of receivables were as follows:

	September 30, 2001	June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000
Owned	3.28 %	3.31 %	3.32 %	3.14 %	3.11 %
Managed	3.72	3.78	3.78	3.65	3.58

Reserve ratios at September 30, 2001 reflect credit quality trends, personal bankruptcy filing levels, and continuing uncertainty over the impact of the weakening economy on chargeoff and delinquency levels.

CREDIT QUALITY

We track delinquency and chargeoff levels on a managed basis and we apply the same credit and portfolio management procedures as on our owned portfolio.

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Delinquency

Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):

	September 30, 2001	June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000
Managed:					
Real estate secured	2.74 %	2.63 %	2.61 %	2.63 %	2.77 %
Auto finance	2.54	2.09	1.79	2.55	2.19
MasterCard/Visa	3.91	3.60	3.68	3.49	3.48
Private label	5.88	5.66	5.50	5.48	5.67
Other unsecured	8.51	8.43	8.37	7.97	7.72
Total managed	4.43 %	4.27 %	4.25 %	4.20 %	4.21 %
Owned	4.58 %	4.48 %	4.36 %	4.26 %	4.29 %

Managed delinquency as a percent of managed consumer receivables increased modestly over both the previous and prior-year quarters. Compared to the previous quarter, all products reported higher delinquencies principally as the result of a weakening economy. This increase was well within our expectations. The sequential increase in auto finance delinquency is consistent with historical seasonal trends.

Compared to a year ago, improvements in our real estate secured portfolio were more than offset by increases in our other portfolios as a result of the weakening economy. In our real estate secured portfolio, we have benefited from the growing percentage of loans on which we hold a first lien position. Though delinquency in our total MasterCard and Visa portfolio increased over the prior year, delinquency in our sub-prime portfolio improved over the prior year.

The trends impacting owned consumer delinquency as a percent of owned receivables are generally consistent with those described above for our managed portfolio. Owned delinquency by product is comparable to managed except for MasterCard and Visa, other unsecured and private label whose owned delinquency is greater due to the retention of receivables on balance sheet that do not meet the eligibility criteria for securitization.

Net Chargeoffs of Consumer Receivables

Net Chargeoffs of Consumer Receivables (as a percent, annualized, of average consumer receivables):

	Third Quarter 2001	Second Quarter 2001	First Quarter 2001	Fourth Quarter 2000	Third Quarter 2000
Managed:					
Real estate secured	.52 %	.48 %	.44 %	.41 %	.41 %
Auto finance	4.84	4.47	5.15	5.22	4.45
MasterCard/Visa	6.75	6.82	6.27	5.83	5.23
Private label	5.13	5.09	5.08	5.06	5.28
Other unsecured	7.00	6.82	6.27	5.92	7.00
Total managed	3.74 %	3.71 %	3.56 %	3.41 %	3.47 %
Owned	3.43 %	3.26 %	3.12 %	2.98 %	3.01 %

Despite the weakening economy, managed net chargeoffs as a percent of average managed receivables increased only 3 basis points over the previous quarter. Substantially all of the increase in the quarter was due to worsening economic conditions.

Compared to the prior year quarter, the increase in the managed chargeoff ratio was primarily attributable to maturation in our MasterCard and Visa portfolio, the weakening economy and higher bankruptcy chargeoffs across all products.

HHS 03111426

The trends impacting owned net chargeoffs as a percent of owned receivables are generally consistent with those described above for our managed portfolio. Owned chargeoffs for our real estate secured and other unsecured products are comparable to managed chargeoffs. Chargeoffs for MasterCard and Visa and private label receivables on an owned basis are higher due to the difference in credit quality of the receivables which remain on our balance sheet. Chargeoffs for auto finance receivables on an owned basis are lower due to the predominantly unseasoned nature of the receivables which remain on balance sheet.

NONPERFORMING ASSETS

(In millions)	September 30, 2001	June 30, 2001	March 31, 2001	December 31, 2000	September 30, 2000
Owned assets:					
Nonaccrual receivables	$ 2,009.6	$ 1,855.2	$ 1,825.1	$ 1,678.7	$ 1,593.3
Accruing consumer receivables 90 or more days delinquent	806.6	743.6	669.3	649.4	604.6
Renegotiated commercial loans	-	12.3	12.3	12.3	12.3
Total nonperforming receivables	2,816.2	2,611.1	2,506.7	2,340.4	2,210.2
Real estate owned	363.0	365.2	350.2	337.1	336.9
Total nonperforming assets	$ 3,179.2	$ 2,976.3	$ 2,856.9	$ 2,677.5	$ 2,547.1
Credit loss reserves as a percent of nonperforming receivables	87.9%	91.0%	91.1%	90.2%	90.9%
Managed assets:					
Nonaccrual receivables	$ 2,429.4	$ 2,232.5	$ 2,200.6	$ 2,112.3	$ 1,984.1
Accruing consumer receivables 90 or more days delinquent	993.6	899.9	891.5	859.8	802.8
Renegotiated commercial loans	-	12.3	12.3	12.3	12.3
Total nonperforming receivables	3,423.0	3,144.7	3,104.4	2,984.4	2,799.2
Real estate owned	363.1	365.2	350.2	337.1	336.9
Total nonperforming assets	$ 3,786.1	$ 3,509.9	$ 3,454.6	$ 3,321.5	$ 3,136.1
Credit loss reserves as a percent of nonperforming receivables	103.9%	109.9%	107.6%	107.0%	106.7%

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

12 Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.

99.1 Debt and Preferred Stock Securities Ratings.

(b) Report on Form 8-K

During the third quarter of 2001, the Registrant filed the follow Current Reports on Form 8-K:

- Report filed July 18, 2001 with respect to the press release pertaining to the financial results of Household International, Inc. for the quarter ended June 30, 2001;
- Report filed August 1, 2001 with respect to exhibits to a registration statement on Form S-3 (Reg. No. 333-60510) for the offering of $1,220,793,000 Zero Coupon Convertible Senior Debentures due 2021; and
- Report filed September 25, 2001 with respect to exhibits to a registration statement on Form S-3 (Reg. No. 333-60510) for the offering of 12,000,000 Depositary Shares, each representing 1/40 of a share of 7.50% Cumulative Preferred Stock, Series 2001-A.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOUSEHOLD INTERNATIONAL, INC.
(Registrant)

Date: November 14, 2001

By: /s/ David A. Schoenholz
David A. Schoenholz
Group Executive -
Chief Financial Officer
and on behalf of
Household International, Inc.

HHS 03111429

Exhibit Index

12	Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.
99.1	Debt and Preferred Stock Securities Ratings.

EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(In millions)	Nine months ended September 30, 2001	2000
Net income	$ 1,374.6	$ 1,208.0
Income taxes	724.3	633.7
Income before income taxes	2,098.9	1,841.7
Fixed charges:		
Interest expense (1)	3,206.9	2,822.9
Interest portion of rentals (2)	45.2	40.0
Total fixed charges	3,252.1	2,862.9
Total earnings as defined	$ 5,351.0	$ 4,704.6
Ratio of earnings to fixed charges	1.65	1.64
Preferred stock dividends (3)	$ 11.5	$ 10.5
Ratio of earnings to combined fixed charges and preferred stock dividends	1.64	1.64

(1) For financial statement purposes, interest expense includes income earned on temporary investment of excess funds, generally resulting from over-subscriptions of commercial paper.

(2) Represents one-third of rentals, which approximates the portion representing interest.

(3) Preferred stock dividends are grossed up to their pretax equivalent based upon an effective tax rate of 34.5 percent for the nine months ended September 30, 2001 and 34.4 percent for the same period in 2000.

HHS 03111431

EXHIBIT 99.1

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

DEBT AND PREFERRED STOCK SECURITIES RATINGS

	Standard & Poor's Corporation	Moody's Investors Service	Fitch, Inc.
At September 30, 2001			
Household International, Inc.			
Senior debt	A	A3	A
Commercial paper	A-1	P-2	F-1
Preferred stock	BBB+	Baa2	A-
Household Finance Corporation			
Senior debt	A	A2	A+
Senior subordinated debt	A-	A3	A
Commercial paper	A-1	P-1	F-1
Household Bank, f.s.b.			
Senior debt	A	A2	A
Subordinated debt	A-	A3	A-
Certificates of deposit (long/short-term)	A/A-1	A2/P-1	A+/F-1
Thrift notes	A-1	P-1	F-1
Household Bank plc			
Senior debt	A	A2	A
Commercial paper	A-1	P-1	NR

NR – Not rated

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FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 1-8198

HOUSEHOLD INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	36-3121988
(State of Incorporation)	(I.R.S. Employer Identification No.)

2700 Sanders Road, Prospect Heights, Illinois 60070
(Address of principal executive offices) (Zip Code)

(847) 564-5000

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

At April 30, 2002, there were 456,518,617 shares of the registrant's common stock outstanding.

Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0232

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In millions, except per share data)	Three months ended March 31, 2002	2001
Finance and other interest income	$ 2,547.0	$ 2,430.3
Interest expense	938.8	1,106.8
Net interest margin	1,608.2	1,323.5
Provision for credit losses on owned receivables	923.0	703.6
Net interest margin after provision for credit losses	685.2	619.9
Securitization revenue	521.2	406.3
Insurance revenue	170.1	158.6
Investment income	46.2	41.8
Fee income	237.9	237.9
Other income	188.0	161.7
Total other revenues	1,163.4	1,006.3
Salaries and fringe benefits	445.3	377.6
Sales incentives	54.1	54.5
Occupancy and equipment expense	92.2	83.5
Other marketing expenses	148.4	135.2
Other servicing and administrative expenses	229.3	193.4
Amortization of acquired intangibles and goodwill	18.2	38.9
Policyholders' benefits	84.0	77.5
Total costs and expenses	1,071.5	960.6
Income before income taxes	777.1	665.6
Income taxes	266.1	233.8
Net income	$ 511.0	$ 431.8
EARNINGS PER COMMON SHARE		
Net income	$ 511.0	$ 431.8
Preferred dividends	(8.5)	(2.3)
Earnings available to common shareholders	$ 502.5	$ 429.5
Average common shares	456.8	466.0
Average common and common equivalent shares	462.1	472.0
Basic earnings per common share	$ 1.10	$ .92
Diluted earnings per common share	1.09	.91
DIVIDENDS DECLARED PER COMMON SHARE	$ .22	$ .19

See notes to interim condensed consolidated financial statements.

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Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share data)	March 31, 2002 (UNAUDITED)	December 31, 2001
ASSETS		
Cash	$ 436.3	$ 543.6
Investment securities	5,035.8	3,580.5
Receivables, net	78,624.3	79,263.5
Acquired intangibles, net	426.4	447.9
Goodwill	1,122.1	1,107.4
Properties and equipment, net	552.5	531.1
Real estate owned	459.4	398.9
Other assets	3,711.1	3,543.1
Total assets	$ 90,367.9	$ 89,416.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Debt:		
Deposits	$ 6,194.9	$ 6,562.3
Commercial paper, bank and other borrowings	7,731.7	12,024.3
Senior and senior subordinated debt (with original maturities over one year)	60,536.2	56,823.6
Total debt	74,462.8	75,410.2
Insurance policy and claim reserves	1,201.2	1,094.5
Other liabilities	4,010.3	3,277.7
Total liabilities	79,674.3	79,782.4
Company obligated mandatorily redeemable preferred securities of subsidiary trusts*	975.0	975.0
Preferred stock	843.2	455.8
Common shareholders' equity:		
Common stock, $1.00 par value, 750,000,000 shares authorized, 551,732,369 and 551,684,740 shares issued at March 31, 2002 and December 31, 2001, respectively	551.7	551.7
Additional paid-in capital	2,037.8	2,030.0
Retained earnings	9,599.5	9,197.4
Accumulated other comprehensive income (loss)	(395.6)	(732.4)
Less common stock in treasury, 95,524,297 and 94,560,437 shares at March 31, 2002 and December 31, 2001, respectively, at cost	(2,918.0)	(2,843.9)
Total common shareholders' equity	8,875.4	8,202.8
Total liabilities and shareholders' equity	$ 90,367.9	$ 89,416.0

* As described in note 8 to the condensed consolidated financial statements, the sole assets of the trusts are Junior Subordinated Deferrable Interest Notes issued by Household International, Inc. in November 2001, January 2001, June 2000, March 1998 and June 1995, bearing interest at 7.50, 8.25, 10.00, 7.25 and 8.25 percent, respectively, with principal balances of $206.2, $206.2, $309.3, $206.2 and $77.3 million, respectively, and due November 2031, January 2031, June 2030, December 2037 and June 2025, respectively.

See notes to interim condensed consolidated financial statements.

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Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In millions)	Three months ended March 31, 2002	2001
CASH PROVIDED BY OPERATIONS		
Net income	$ 511.0	$ 431.8
Adjustments to reconcile net income to cash provided by operations:		
Provision for credit losses on owned receivables	923.0	703.6
Insurance policy and claim reserves	115.8	46.2
Depreciation and amortization	61.4	83.1
Interest-only strip receivables, net change	(29.0)	(3.5)
Other, net	405.9	74.9
Cash provided by operations	1,988.1	1,336.1
INVESTMENTS IN OPERATIONS		
Investment securities:		
Purchased	(428.7)	(480.3)
Matured	147.2	120.2
Sold	190.3	143.3
Short-term investment securities, net change	(1,375.5)	59.2
Receivables:		
Originations, net	(9,747.4)	(8,848.5)
Purchases and related premiums	(184.9)	(137.3)
Sold	9,453.6	6,779.0
Properties and equipment purchased	(57.9)	(57.9)
Properties and equipment sold	1.5	1.6
Cash decrease from investments in operations	(2,001.8)	(2,420.7)
FINANCING AND CAPITAL TRANSACTIONS		
Short-term debt and demand deposits, net change	(4,260.8)	(435.8)
Time certificates, net change	(367.2)	139.9
Senior and senior subordinated debt issued	7,190.0	4,317.6
Senior and senior subordinated debt retired	(2,863.4)	(2,869.3)
Policyholders' benefits paid	(28.2)	(27.0)
Cash received from policyholders	16.9	14.3
Shareholders' dividends	(108.9)	(90.4)
Purchase of treasury stock	(100.0)	(398.3)
Issuance of common stock	32.0	4.4
Issuance of preferred stock	387.4	-
Issuance of company obligated mandatorily redeemable preferred securities of subsidiary trusts	-	200.0
Cash (decrease) increase from financing and capital transactions	(102.2)	855.4
Effect of exchange rate changes on cash	8.6	11.3
Decrease in cash	(107.3)	(217.9)
Cash at January 1	543.6	490.2
Cash at March 31	$ 436.3	$ 272.3
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 989.5	$ 1,040.2
Income taxes paid	23.6	102.2

See notes to interim condensed consolidated financial statements.

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Household International, Inc. and Subsidiaries

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Household International, Inc. ("Household") and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the three months ended March 31, 2002 should not be considered indicative of the results for any future quarters or the year ending December 31, 2002. Household and its subsidiaries may also be referred to in this Form 10-Q as "we," "us" or "our." These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2001.

2. INVESTMENT SECURITIES

Investment securities consisted of the following available-for-sale investments:

	March 31, 2002		December 31, 2001	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Corporate debt securities	$ 2,060.3	$1,987.4	$ 2,089.5	$ 2,054.0
Money market funds	1,681.5	1,681.5	342.3	342.3
Certificates of deposit	229.6	241.8	246.1	259.8
U.S. government and federal agency debt securities	234.8	232.2	217.0	217.8
Marketable equity securities	29.0	26.0	24.4	21.2
Other	762.7	785.3	611.6	638.9
Subtotal	4,997.9	4,954.2	3,530.9	3,534.0
Accrued investment income	81.6	81.6	46.5	46.5
Total available-for-sale investments	$ 5,079.5	$ 5,035.8	$ 3,577.4	$ 3,580.5

3. RECEIVABLES

Receivables consisted of the following:

(In millions)	March 31, 2002	December 31, 2001
Real estate secured	$ 45,628.9	$ 43,856.8
Auto finance	2,602.9	2,368.9
MasterCard*/Visa*	6,970.2	8,141.2
Private label	10,688.4	11,663.9
Personal non-credit card	13,213.0	13,337.0
Commercial and other	491.1	506.9
Total owned receivables	79,594.5	79,874.7
Accrued finance charges	1,515.3	1,559.8
Credit loss reserve for owned receivables	(2,876.6)	(2,663.1)
Unearned credit insurance premiums and claims reserves	(886.4)	(895.8)
Interest-only strip receivables	1,034.5	968.2
Amounts due and deferred from receivable sales	243.0	419.7
Total owned receivables, net	78,624.3	79,263.5
Receivables serviced with limited recourse	21,583.2	20,948.0
Total managed receivables, net	$ 100,207.5	$ 100,211.5

Interest-only strip receivables are reported net of our estimate of probable losses under the recourse provisions for receivables serviced with limited recourse. Our estimate of the recourse obligation totaled $1,269.9 million at March 31, 2002 and $1,148.3 million at December 31, 2001. Interest-only strip receivables also included fair value mark-to-market adjustments of $386.1 million at March 31, 2002 and $348.6 million at December 31, 2001.

Receivables serviced with limited recourse consisted of the following:

(In millions)	March 31, 2002	December 31, 2001
Real estate secured	$ 619.8	$ 861.8
Auto finance	4,012.7	4,026.6
MasterCard/Visa	9,378.3	9,254.0
Private label	2,634.0	2,150.0
Personal non-credit card	4,938.4	4,655.6
Total receivables serviced with limited recourse	$ 21,583.2	$ 20,948.0

* MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.

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The combination of owned receivables and receivables serviced with limited recourse, which we consider our managed portfolio, consisted of the following:

(In millions)	March 31, 2002	December 31, 2001
Real estate secured	$ 46,248.7	$ 44,718.6
Auto finance	6,615.6	6,395.5
MasterCard/Visa	16,348.5	17,395.2
Private label	13,322.4	13,813.9
Personal non-credit card	18,151.4	17,992.6
Commercial and other	491.1	506.9
Total managed receivables	$ 101,177.7	$ 100,822.7

4. CREDIT LOSS RESERVES

An analysis of credit loss reserves for the three months ended March 31 was as follows:

(In millions)	Three months ended March 31, 2002	2001
Owned receivables:		
Credit loss reserves at beginning of period	$ 2,663.1	$ 2,111.9
Provision for credit losses	923.0	703.6
Charge-offs	(778.6)	(588.1)
Recoveries	59.9	56.6
Other, net	9.2	(1.6)
Credit loss reserves for owned receivables at March 31	2,876.6	2,282.4
Receivables serviced with limited recourse:		
Credit loss reserves at beginning of period	1,148.3	1,082.3
Provision for credit losses	439.3	229.2
Charge-offs	(335.9)	(264.3)
Recoveries	23.1	16.2
Other, net	(4.9)	(5.6)
Credit loss reserves for receivables serviced with limited recourse at March 31	1,269.9	1,057.8
Total credit loss reserves for managed receivables at March 31	$ 4,146.5	$ 3,340.2

We maintain credit loss reserves to cover probable losses of principal, interest and fees, including late, overlimit and annual fees. Credit loss reserves are based on a range of estimates and intended to be adequate but not excessive. We estimate losses for consumer receivables based on delinquency status and past loss experience. In addition, we provide loss reserves on consumer receivables to reflect our assessment of portfolio risk factors which may not be fully reflected in the statistical calculation (which uses roll rates and migration analysis). These risk factors include bankruptcy trends, recent growth, product mix, economic conditions and current levels of charge-offs and delinquencies.

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5. ACQUIRED INTANGIBLES AND GOODWILL

Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS No. 142"). FAS No. 142 changed the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill recorded in past business combinations ceased upon adoption of the statement on January 1, 2002. We have completed the transitional goodwill impairment test required by FAS No. 142 and have concluded that none of our goodwill is impaired.

We do not hold any intangible assets which are not subject to amortization. Amortized acquired intangibles consisted of the following:

(In millions)	March 31, 2002	December 31, 2001
Purchased credit card relationships	$ 1,038.6	$ 1,038.6
Accumulated amortization	(612.2)	(590.7)
Purchased credit card relationships, net	$ 426.4	$ 447.9

Acquired intangible amortization expense totaled $18.2 million for the first quarter of 2002, $24.2 million for the first quarter of 2001 and $92.6 million for the twelve-months ended December 31, 2001. Estimated amortization expense associated with purchased credit card relationships for each of the following years is as follows:

(In millions) Year ended December 31,	
2002	$ 51.1
2003	43.7
2004	41.1
2005	36.7
2006	34.3

The following tables disclose the impact of goodwill amortization on net income and earnings per share for the periods indicated.

(In millions)	Three months ended March 31, 2002	2001
Reported net income	$ 511.0	$ 431.8
Add back: Goodwill amortization, net	—	11.6
Adjusted net income	$ 511.0	$ 443.4

	Three months ended March 31, 2002		2001	
	Basic	Diluted	Basic	Diluted
Reported earnings per share	$ 1.10	$ 1.09	$ .92	$ .91
Add back: Goodwill amortization, net	—	—	.02	.02
Adjusted earnings per share	$ 1.10	$ 1.09	$ .94	$ .93

There were no significant changes to our goodwill balance, either in total or by segment, during the current quarter.

6. INCOME TAXES

Our effective tax rate was 34.2 percent for the three months ended March 31, 2002 and 35.1 percent for the first three months of 2001. The effective tax rate differs from the statutory federal income tax rate primarily because of the effects of state and local income taxes and tax credits.

7. EARNINGS PER COMMON SHARE

Computations of earnings per common share for the three months ended March 31 were as follows:

(In millions, except per share data)	Three months ended March 31, 2002		Three months ended March 31, 2001	
	Diluted	Basic	Diluted	Basic
Earnings:				
Net income	$ 511.0	$ 511.0	$ 431.8	$ 431.8
Preferred dividends	(8.5)	(8.5)	(2.3)	(2.3)
Earnings available to common shareholders	$ 502.5	$ 502.5	$ 429.5	$ 429.5
Average shares outstanding:				
Common	456.8	456.8	466.0	466.0
Common equivalents	5.3	-	6.0	-
Average shares outstanding assuming dilution	462.1	456.8	472.0	466.0
Earnings per common share	$ 1.09	$ 1.10	$ 0.91	$ 0.92

8. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS

We have formed special purpose trusts for the purpose of issuing trust preferred securities. The sole assets of these trusts are Junior Subordinated Deferrable Interest Notes ("Junior Subordinated Notes") issued by Household. The following table summarizes our company obligated mandatorily redeemable preferred securities of subsidiary trusts ("Preferred Securities") and the related Junior Subordinated Notes:

(Dollar amounts are in millions)	Household Capital Trust VII ("HCT VII")	Household Capital Trust VI ("HCT VI")	Household Capital Trust V ("HCT V")	Household Capital Trust IV ("HCT IV")	Household Capital Trust I ("HCT I")
Preferred Securities:					
Interest rate	7.50%	8.25%	10.00%	7.25%	8.25%
Face value	$200	$200	$300	$200	$75
Issue date	November 2001	January 2001	June 2000	March 1998	June 1995
Junior Subordinated Notes:					
Principal balance	$206.2	$206.2	$309.3	$206.2	$77.3
Redeemable by issuer	November 2006	January 2006	June 2005	March 2003	June 2001
Stated maturity	November 2031	January 2031	June 2030	December 2037	June 2025

The Preferred Securities must be redeemed when the Junior Subordinated Notes are paid. The Junior Subordinated Notes have a stated maturity date, but are redeemable by Household, in whole or in part, beginning on the dates indicated above at which time the preferred securities are callable at par ($25 per Preferred Security) plus accrued and unpaid dividends. Dividends on the Preferred Securities are cumulative, payable quarterly in arrears, and are deferrable at Household's option for up to five years. Household cannot pay dividends on its preferred and common stocks during such deferments. The Preferred Securities have a liquidation value of $25 per preferred security. HCT I may elect to extend the

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maturity of its Preferred Securities to June 2044. Dividends on the Preferred Securities have been classified as interest expense in our statements of income.

HCT I, HCT IV, HCT V, HCT VI and HCT VII (collectively, "the Trusts") are wholly owned subsidiaries of Household. Household's obligations with respect to the Junior Subordinated Notes, when considered together with certain undertakings of Household with respect to the Trusts, constitute full and unconditional guarantees by Household of the Trust's obligations under the respective Preferred Securities. The Preferred Securities are classified in our balance sheet as company obligated mandatorily redeemable preferred securities of subsidiary trusts (representing the minority interests in the trusts) at their face and redemption amount of $975 million at both March 31, 2002 and December 31, 2001.

9. FORWARD PURCHASE AGREEMENTS

At March 31, 2002, we had agreements to purchase, on a forward basis, approximately 6 million shares of our common stock at a weighted-average forward price of $57.11 per share. The agreements expire at various dates through September 2002. These agreements may be settled either physically or on a net basis in shares of our common stock, at our option and consequently are accounted for as permanent equity. During the current quarter, we received 1.2 million shares at an average cost of $65.69 per share as a result of settlements under these forward contracts.

Under a net share settlement, if the price of our common stock falls below the forward price, we would be required to deliver common shares to the counterparty based upon the difference between the forward price and the then current stock price. Conversely, if the price of our common stock rises above the forward price, the counterparty would be required to deliver to us shares of our common stock based on the price difference. Based upon the closing price of our common stock of $56.80 per share at March 31, 2002, we would have been required to deliver approximately 32,600 shares of our common stock to net share settle these contracts at March 31, 2002. If our common stock price had been lower by $1 per share at March 31, 2002, we would have been required to deliver an additional 107,700 common shares to net share settle these contracts. Alternatively, if our common stock price had been higher by $1 per share at March 31, 2002, we would have received 71,300 shares of our common stock from the counterparty to net share settle the contracts. These agreements, however, contain limits on the number of shares to be delivered under a net share settlement, regardless of the price of our common stock. At March 31, 2002, the maximum number of common shares we would be required to deliver to net share settle the 6 million shares currently outstanding was 30.7 million shares.

10. COMPREHENSIVE INCOME

Comprehensive income was $847.8 million for the quarter ended March 31, 2002 and $131.2 million for the quarter ended March 31, 2001.

The components of accumulated other comprehensive income (loss) were as follows:

(In millions)	March 31, 2002	December 31, 2001
Unrealized losses on cash flow hedging instruments	$ (353.7)	$ (699.1)
Unrealized gains on investments and interest-only strip receivables	223.4	223.3
Foreign currency translation adjustments	(265.3)	(256.6)
Accumulated other comprehensive income (loss)	$ (395.6)	$ (732.4)

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11. NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS No. 144"). The adoption of FAS No. 144 did not have a significant impact on our operations.

12. SEGMENT REPORTING

We have three reportable segments: Consumer, Credit Card Services and International. Our Consumer segment consists of our consumer lending, mortgage services, retail services and auto finance businesses. Our Credit Card Services segment consists of our domestic MasterCard and Visa credit card business. Our International segment consists of our foreign operations in the United Kingdom and Canada. There has been no change in the basis of our segmentation or in the measurement of segment profit as compared with the presentation in our Annual Report on Form 10-K for the year ended December 31, 2001.

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Reportable Segments - Managed Basis

(In millions)	Consumer	Credit Card Services	International	All Other	Totals	Adjustments/ Reconciling Items	Managed Basis Consolidated Totals	Securitization Adjustments	Owned Basis Consolidated Totals
Three months ended March 31, 2002									
Net interest margin	$ 1,658.2	$ 429.1	$ 153.4	$ 23.8	$ 2,264.5	-	$ 2,264.5	$ (656.3) (5)	$ 1,608.2
Fee income	88.6	294.8	10.1	2.8	396.3	-	396.3	(158.4) (5)	237.9
Other revenues (1)	165.4	66.9	43.1	238.3	513.7	(47.6) (2)	466.1	375.4 (5)	841.5
Intersegment revenues	35.8	10.0	2.3	(.5)	47.6	(47.6) (2)	-	-	-
Provision for credit losses	921.0	370.6	62.1	33.1	1,386.8	(24.5) (3)	1,362.3	(439.3) (5)	923.0
Net income	307.2	97.4	25.8	95.2	525.6	(14.6)	511.0	-	511.0
Receivables	76,987.6	16,194.8	7,000.6	994.7	101,177.7	-	101,177.7	(21,583.2) (6)	79,594.5
Assets	79,184.6	17,781.4	8,314.8	16,142.2	121,423.0	(9,471.9) (4)	111,951.1	(21,583.2) (6)	90,367.9
Goodwill	857.6	248.7	1.0	14.8	1,122.1	-	1,122.1	-	1,122.1
Three months ended March 31, 2001									
Net interest margin	$ 1,351.0	$ 362.8	$ 152.9	$ (36.9)	$ 1,829.8	-	$ 1,829.8	$ (506.3) (5)	$ 1,323.5
Fee income	95.6	281.4	14.9	1.3	393.2	-	393.2	(155.3) (5)	237.9
Other revenues (1)	28.7	20.3	39.0	227.0	315.0	(56.5) (2)	258.5	432.4 (5)	690.9
Intersegment revenues	46.2	8.9	1.9	(.5)	56.5	(56.5) (2)	-	-	-
Provision for credit losses	577.3	296.7	55.0	3.3	932.3	.5 (3)	932.8	(229.2) (5)	703.6
Net income	278.4	59.5	46.4	83.6	467.9	(36.1)	431.8	-	431.8
Receivables	64,790.3	15,369.6	7,604.2	608.5	88,372.6	-	88,372.6	(19,567.0) (6)	68,805.6
Assets	67,336.6	16,937.4	8,808.6	14,591.1	107,673.7	(9,853.4) (4)	97,820.3	(19,567.0) (6)	78,253.3
Goodwill	875.6	259.0	1.0	15.5	1,151.1	-	1,151.1	-	1,151.1

(1) Net of policyholder benefits and excluding fees.
(2) Eliminates intersegment revenues.
(3) Eliminates bad debt recovery sales and reclassifies loss reserves between operating segments.
(4) Eliminates investments in subsidiaries and intercompany borrowings.
(5) Reclassifies net interest margin, fee income and loss provisions relating to securitized receivables to other revenues.
(6) Represents receivables serviced with limited recourse.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Household International, Inc. and Subsidiaries

FINANCIAL HIGHLIGHTS

(Dollar amounts are in millions, except per share data)	Three months ended March 31, 2002 (Unaudited)	Three months ended March 31, 2001 (Unaudited)
Net income	$ 511.0	$ 431.8
Diluted earnings per common share	1.09	.91
Net interest margin and other revenues (1)	2,687.6	2,252.3
Owned Basis Ratios:		
Return on average owned assets	2.26 %	2.21 %
Return on average common shareholders' equity	23.4	22.4
Net interest margin	7.87	7.60
Consumer net charge-off ratio	3.61	3.12
Reserves as a percentage of net charge-offs	100.1	107.4
Efficiency ratio (2)	36.7	39.2
Managed Basis Ratios:(3)		
Return on average managed assets	1.82 %	1.77 %
Net interest margin	8.79	8.22
Consumer net charge-off ratio	4.09	3.56
Reserves as a percentage of net charge-offs	100.5	107.1
Efficiency ratio (2)	31.6	35.6

(Dollar amounts are in millions)	March 31, 2002 (Unaudited)	December 31, 2001
Owned Basis:		
Total assets	$ 90,367.9	$ 89,416.0
Receivables	79,594.5	79,874.7
Common and preferred equity as a percentage of owned assets	10.75 %	9.68 %
Common and preferred equity and trust preferred securities as a percentage of owned assets (4)	11.83	10.77
Two-month-and-over contractual delinquency ratio	4.77	4.53
Reserves as a percentage of receivables	3.61	3.33
Reserves as a percentage of nonperforming loans	92.7	91.0
Managed Basis:(3)		
Total assets	$ 111,951.1	$ 110,364.0
Receivables	101,177.7	100,822.7
Common and preferred equity as a percentage of managed assets	8.68 %	7.85 %
Common and preferred equity and trust preferred securities as a percentage of managed assets (4)	9.55	8.73
Tangible equity to tangible managed assets (4)(5)	8.41	7.87
Two-month-and-over contractual delinquency ratio	4.63	4.46
Reserves as a percentage of receivables	4.10	3.78
Reserves as a percentage of nonperforming loans	108.3	105.0

(1) Net of policyholder benefits.

(2) Ratio of operating expenses to net interest margin and other revenues less policyholders' benefits.

(3) We monitor our operations and evaluate trends on both an owned basis as shown in our financial statements and on a managed basis. Managed basis reporting adjustments assume that securitized receivables have not been sold and are still on our balance sheet. Managed basis information is intended to supplement, and should not be considered a substitute for, owned basis reporting and should be read in conjunction with reported owned basis results.

(4) The ratio of common and preferred equity and trust preferred securities as a percentage of owned and managed assets and the ratio of tangible equity to tangible managed assets are non-GAAP ratios that are used by rating agencies as a measure to evaluate capital adequacy. These ratios may differ from similarly named measures presented by other companies. Because of its long-term nature and our ability to defer dividends, rating agencies consider trust preferred securities as equity in calculating these ratios.

(5) Tangible shareholders' equity includes trust preferred securities, preferred equity, and common shareholders' equity, excluding unrealized gains and losses on investments and cash flow hedging instruments, less acquired intangibles and goodwill. Tangible managed assets represents total managed assets less acquired intangibles, goodwill and derivative assets.

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BASIS OF REPORTING

This discussion should be read in conjunction with the unaudited condensed consolidated financial statements, notes and tables included elsewhere in this report and in the Household International, Inc. Annual Report on Form 10-K for the year ended December 31, 2001 (the "2001 Form 10-K") filed with the Securities and Exchange Commission. Management's discussion and analysis may contain certain statements that may be forward-looking in nature within the meaning of the Private Securities Litigation Reform Act of 1995. Our results may differ materially from those noted in the forward-looking statements. Forward-looking statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "may", "will", "should", "would" and "could". Forward-looking statements involve risks and uncertainties and are based on current views and assumptions. For a list of important factors that may affect our actual results, see our 2001 Form 10-K.

We monitor our operations and evaluate trends on a managed basis which assumes that securitized receivables have not been sold and are still on our balance sheet. We manage our operations on a managed basis because the receivables that we securitize are subjected to underwriting standards comparable to our owned portfolio, are serviced by operating personnel without regard to ownership and result in a similar credit loss exposure for us. In addition, we fund our operations, review our operating results and make decisions about allocating resources such as employees and capital on a managed basis. See Note 12, "Segment Reporting," to the accompanying condensed consolidated financial statements for additional information related to our results on a managed basis.

The following discussion of our financial condition and results of operations is presented on an owned basis of reporting unless specifically noted. On an owned basis of reporting, net interest margin, provision for credit losses and fee income resulting from securitized receivables are included as components of securitization revenue.

OPERATIONS SUMMARY

Our net income for the first quarter of 2002 increased 18 percent to $511.0 million, from $431.8 million a year ago. Diluted earnings per share was $1.09 in the first quarter compared to $.91 in the same period in 2001. Our improved results were due to strong revenue growth from an expanded net interest margin and higher receivable volume as well as higher income from our tax refund lending business. Our tax refund lending business contributed $.19 to our first quarter earnings per share, a 27 percent increase over the $.15 contribution in the year-ago quarter. Partially offsetting the revenue growth were higher credit loss provision, including provision greater than charge-offs of $204 million in the current quarter, and higher operating expenses that result from receivable growth. Our annualized return on average owned assets ("ROA") was 2.26 percent in the first quarter, compared to 2.21 percent in the same period in 2001.

SEGMENT RESULTS – MANAGED BASIS

Our Consumer segment reported net income of $307.2 million in the current quarter compared to $278.4 million in the year-ago quarter. Net interest margin, fee income and other revenues increased $436.9 million to $1.9 billion in the first quarter of 2002 as a result of strong receivable growth and higher securitization activity pursuant to our liquidity management plans. The higher revenues were partially offset by substantially higher credit loss provision and expenses. Our credit loss provision rose $343.7 million to $921.0 million as a result of increased levels of receivables and the continued weakened economy. In the first quarter, we recorded managed loss provision greater than charge-offs of $254.7 million which increased loss reserves. Higher salary expenses were the result of additional employees to support the increased receivable levels, additional collectors, and investments in the growth of our

businesses. Managed receivables grew to $77.0 billion at March 31, 2002, compared to $75.6 billion at December 31, 2001 and $64.8 billion at March 31, 2001. The managed receivable growth was driven by growth in all products with the strongest growth in our real estate secured receivables, which was partially offset by the sale of approximately $900 million of loans by our mortgage services business. Return on average managed assets ("ROMA") was 1.55 percent in the first quarter of 2002, compared to 1.66 percent in the year-ago quarter. The decline in the ratio reflects higher credit loss provision and the continued shift in our portfolio to lower margin real estate secured receivables.

Our Credit Card Services segment also reported improved results as net income increased to $97.4 million for the quarter, compared to $59.5 million for the year-ago quarter. The increase was due primarily to increased net interest margin which increased $66.3 million to $429.1 million as a result of higher receivable levels. Net interest margin as a percent of average receivables increased in the quarter as a result of lower funding costs and pricing floors on certain variable rate credit card products which capped rate reductions. Other revenues (excluding fee income and net of policyholder benefits) increased $46.6 million to $66.9 million for the current quarter primarily due to increases in securitization activity pursuant to liquidity management plans. Revenue growth was partially offset by an $73.9 million increase in credit loss provision and higher operating expenses associated with the higher receivable levels. In the first quarter, we recorded managed loss provision greater than charge-offs of $64.5 million to increase loss reserves. Managed receivables were $16.2 billion at March 31, 2002, compared to $17.2 billion at year-end 2001 and $15.4 billion at March 31, 2001. The decrease from year-end was due to normal seasonal runoff. ROMA improved to 2.14 percent for the quarter, compared to 1.39 percent for the prior year quarter.

Our International segment reported net income of $25.8 million for the first quarter compared to $46.4 million for the year-ago quarter. Net interest margin dollars were flat over the prior year, despite a substantial increase in net interest margin as a percent of average receivables, due to lower average receivables following the fourth quarter 2001 sale of the $1 billion Goldfish portfolio. A higher credit loss provision, increased marketing expense associated with portfolio growth initiatives and higher operating expenses associated with our branch expansion efforts contributed to the decline in net income. Managed receivables totaled $7.0 billion at March 31, 2002, compared to $7.2 billion at year-end 2001, and $7.6 billion at March 31, 2001. The decline in the quarter reflects normal seasonal runoff in our MasterCard and Visa and private label credit card portfolios. Compared to the prior year quarter, growth in real estate secured, private label and personal non-credit card receivables was offset by reductions in our MasterCard and Visa portfolio resulting from the Goldfish receivable sale. ROMA was 1.13 percent in the current year quarter and 2.13 in the prior year quarter, reflecting investments to grow our international businesses. These investments included higher marketing expenses and operating expenses as a result of our branch expansion efforts.

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BALANCE SHEET REVIEW

(All dollar amounts are stated in millions)	March 31, 2002	Increase (decrease) from prior year $	%	Increase (decrease) from prior quarter $	%
Real estate secured	$ 45,628.9	$ 8,942.1	24 %	$ 1,772.1	4 %
Auto finance	2,602.9	614.9	31	234.0	10
MasterCard*/Visa*	6,970.2	(478.3)	(6)	(1,171.0)	(14)
Private label	10,688.4	463.0	5	(975.5)	(8)
Personal non-credit card (1)	13,213.0	1,328.8	11	(124.0)	(1)
Commercial and other	491.1	(81.6)	(14)	(15.8)	(3)
Total owned receivables	$ 79,594.5	$ 10,788.9	16 %	$ (280.2)	- %

(1) Personal non-credit card receivables are comprised of the following:

(In millions)	March 31, 2002	December 31, 2001	March 31, 2001
Domestic personal unsecured	$ 6,379.2	$ 6,547.4	$ 6,324.2
UP personal unsecured	1,065.0	1,067.7	867.1
Personal homeowner loans	4,055.0	4,121.6	3,293.2
Foreign unsecured	1,713.8	1,600.3	1,399.7
Total personal non-credit card	$ 13,213.0	$ 13,337.0	$ 11,884.2

Receivables growth was a key contributor to our improved results. Owned receivables increased $10.8 billion, or 16 percent from a year ago, to $79.6 billion. Growth in dollars of receivables was strongest in our real estate secured portfolio, which increased 24 percent over the year-ago period. Growth in our real estate secured portfolio was balanced between our branch based consumer lending business and our mortgage services business. This growth was partially offset by the sale of approximately $900 million in whole loans by our mortgage services business in March 2002 pursuant to our liquidity management plans. Our auto finance business also reported strong, but controlled growth increasing receivables $615 million, or 31 percent while maintaining stringent underwriting criteria. A strong market, larger sales force, increased dealer penetration and strong Internet originations contributed to the growth in auto finance receivables. Growth in our MasterCard and Visa receivables during the year was more than offset by the December 2001 sale of the $1 billion Goldfish portfolio in the U.K. Private label receivables increased 5 percent to $10.7 billion primarily as a result of organic growth from existing merchants and a $725 million portfolio acquisition in the fourth quarter of 2001. Strong growth in our branches contributed to the growth in personal non-credit card receivables. These growth trends reflect increased securitization activity. We securitized $2.4 billion of receivables in the first quarter of 2002, as compared to $902 million in the first quarter of 2001.

Compared to December 31, 2001, growth in our real estate secured and auto finance portfolios were more than offset by the previously discussed sale of $900 million in real estate secured receivables and normal, seasonal run-off in our MasterCard and Visa and private label credit card portfolios. Increased securitization activity during the quarter also contributed to the decrease.

Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.77 percent at March 31, 2002, compared with 4.53 percent at December 31, 2001 and 4.36 percent at March 31, 2001. The annualized consumer owned charge-off ratio in the first quarter of 2002 was 3.61 percent, compared with 3.43 percent in the prior quarter and 3.12 percent in the year-ago quarter.

* MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.

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LIQUIDITY AND CAPITAL RESOURCES

We substantially strengthened our ratio of tangible equity to tangible managed assets to 8.41 percent at March 31, 2002 compared to 7.87 percent at December 31, 2001.

During the quarter, we issued $400 million of 7.60 percent cumulative preferred stock. Net proceeds from the issuance were $387.4 million. We also repurchased 1.6 million shares of our common stock, for a total of $100.0 million.

We accessed the debt capital markets during the quarter in accordance with our customary funding plans. Commercial paper, bank and other borrowings decreased to $7.7 billion at March 31, 2002 from $12.0 billion at year-end. Senior and senior subordinated debt (with original maturities over one year) increased to $60.5 billion from $56.8 billion at year-end.

In the quarter, we took a number of steps to reduce our reliance on short-term debt to strengthen our protection against market induced volatility. These steps included the following:

- We reduced our domestic outstanding commercial paper balance to $5.8 billion, a $2.9 billion reduction from December 31, 2001.
- We built a $1 billion investment security liquidity portfolio.
- We issued $2.5 billion of 5-year global debt.
- We issued £500 million of 10-year debt to investors in the U.K.
- We accelerated the timing of our securitization activity planned for later in the year. The composition of receivables securitized (excluding replenishments of certificateholder interests) was as follows:

	Three months ended March 31,	
(In millions)	2002	2001
MasterCard/Visa	$ 600.0	$ 73.2
Auto finance	425.0	378.8
Private label	500.0	–
Personal non-credit card	902.7	450.0
Total	$ 2,427.7	$ 902.0

- We established $5 billion in incremental conduit capacity for our real estate secured product. Consistent with previous transactions, draws on these facilities are structured as secured financings for accounting purposes.
- We issued securities backed by dedicated home equity loan receivables of $1.5 billion, including $500 million which was drawn on incremental conduit capacity which was put in place during the quarter. For accounting purposes, these transactions were structured as secured financings, therefore, the receivables and the related debt remain on our balance sheet. As of March 31, 2002, closed-end real estate secured receivables totaling $3.3 billion secured $2.8 billion of outstanding debt related to these transactions. At December, 31, 2001, closed-end real estate secured receivables totaling $1.7 billion secured $1.5 billion of outstanding debt related to these transactions.
- We sold approximately $900 million in real estate secured loans that were held by our mortgage services business.

Securitizations and secured financings of consumer receivables have been, and will continue to be, a source of liquidity for us. In a securitization, a designated pool of consumer receivables, typically MasterCard or Visa credit card, private label credit card, personal non-credit card or auto finance, is

removed from the balance sheet and transferred to an unaffiliated trust that is a qualifying special purpose entity ("QSPE") as defined by Statement of Financial Accounting Standards No. 140 ("SFAS No. 140) and therefore is not consolidated. Under the terms of the securitizations, we receive annual servicing fees on the outstanding balance of the securitized receivables and the rights to future residual cash flows on the sold receivables after the investors receive their contractual return. The estimated present value of these rights to future residual cash flows are recorded on our balance sheet at the time of sale as interest-only strip receivables, net of our recourse obligation to investors for failure of debtors to pay. Cash flows related to the interest-only strip receivables and servicing the receivables are collected over the life of the underlying securitized receivables.

In a secured financing, a designated pool of receivables, typically real estate secured, are transferred to a trust which sells interests to investors. Repayment of the debt issued by the trust is secured by the receivables transferred. The transactions are structured as secured financings under SFAS No. 140. Therefore, the receivables and the underlying debt of the trust remain on our balance sheet. Using this source of funding results in similar operating results and cash flows as issuing debt through alternative funding sources.

Our securitized receivables totaled $21.6 billion at March 31, 2002, compared to $20.9 billion at December 31, 2001. We believe the market for securities backed by receivables is a reliable, efficient and cost-effective source of funds. At March 31, 2002, securitizations represented 22 percent of the funding associated with our managed portfolio compared to 23 percent a year earlier.

Our banking subsidiaries are subject to the capital adequacy guidelines adopted by the Office of Thrift Supervision ("OTS"), Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") and are well capitalized. In the quarter, we made capital contributions to our banking subsidiaries of approximately $1.2 billion in response to the 2001 Guidance for Subprime Lending Programs issued by the OTS, OCC and FDIC. We currently do not anticipate the need for additional capital contributions to our banking subsidiaries.

RESULTS OF OPERATIONS

Unless noted otherwise, the following discusses amounts reported in our owned basis statements of income.

Net interest margin Our net interest margin on an owned basis was $1.6 billion for the first quarter of 2002, up 22 percent from $1.3 billion for the prior-year quarter. The increase was primarily due to receivables growth and lower funding costs resulting from easing in United States monetary policy in 2001.

Net interest margin as a percent of average interest-earning assets, annualized, was 7.87 percent in the first quarter of 2002 and 7.60 percent in the year-ago quarter. Lower funding costs were the primary reasons for the expansion over the prior year quarter, as we received the full benefit of 2001 interest rate reductions.

Our net interest margin on a managed basis includes finance income earned on our owned receivables as well as on our securitized receivables. This finance income is offset by interest expense on the debt recorded on our balance sheet as well as the contractual rate of return on the instruments issued to investors when the receivables were securitized. Managed basis net interest margin increased to $2.3 billion in the first quarter of 2002, up from $1.8 billion in the first quarter of 2001 primarily due to higher receivable levels and an expanded margin. Net interest margin as a percent of average managed interest-earning assets, annualized, was 8.79 percent in the current quarter, compared to 8.22 percent in the year-ago quarter. Lower funding costs were the primary driver of the increased margin.

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Net interest margin as a percent of receivables on a managed basis is greater than on an owned basis because auto finance and MasterCard and Visa receivables, which have wider spreads, are a larger portion of the off-balance sheet portfolio than of the owned portfolio, which primarily consists of lower margin real estate secured loans.

Provision for credit losses The provision for credit losses for receivables totaled $923.0 million for the first quarter of 2002, compared to $703.6 million in the prior-year quarter. The provision as a percent of average owned receivables, annualized, was 4.62 percent in the first quarter of 2002, compared to 4.10 percent in the first quarter of 2001. We recorded owned loss provision greater than charge-offs of $204 million during the first quarter. Receivables growth, increases in personal bankruptcy filings and uncertainty as to the timing and extent of an economic recovery contributed to a higher provision. The provision for credit losses may vary from quarter to quarter, depending on the product mix and credit quality of loans in our portfolio. See Note 4, "Credit Loss Reserves" to the accompanying condensed consolidated financial statements for further discussion of factors affecting the provision for credit losses.

Other revenues Total other revenues on an owned basis were $1.2 billion in the first quarter of 2002 and $1.0 billion in the first quarter of 2001 and included the following:

(In millions)	Three months ended March 31, 2002	2001
Securitization revenue	$ 521.2	$ 406.3
Insurance revenue	170.1	158.6
Investment income	46.2	41.8
Fee income	237.9	237.9
Other income	188.0	161.7
Total other revenues	$ 1,163.4	$ 1,006.3

Securitization revenue is the result of the securitization of our receivables and includes initial and replenishment gains on sale, net of our estimate of probable credit losses under the recourse provisions, as well as servicing revenue and excess spread. Securitization revenue was $521.2 million in the first quarter of 2002, compared to $406.3 million in the prior-year quarter. The increase was due to higher average securitized receivables as well as increases in the level of receivables securitized during the period as a result of our decision to accelerate the timing of securitization activity planned for later in the year. Securitization revenue will vary each period based on the level and mix of receivables securitized in that particular period (which will impact the gross initial gains and related estimated probable credit losses under the recourse provisions). It is also affected by the overall level and mix of previously securitized receivables (which will impact servicing revenue and excess spread). The estimate for probable credit losses for securitized receivables is also impacted by the level and mix of current period securitizations because, depending upon loss estimates and severities, securitized receivables with longer lives may result in higher over-the-life losses than receivables securitized with shorter lives.

Securitization revenue included the following:

(In millions)	Three months ended March 31, 2002	2001
Net initial gains	$ 74.4	$ 26.2
Net replenishment gains	124.2	95.0
Servicing revenue and excess spread	322.6	285.1
Total	$ 521.2	$ 406.3

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The change in our interest-only strip receivables, net of the related loss reserve and excluding the mark-to-market adjustment recorded in accumulated other comprehensive income (loss), was $29.0 million in the first quarter of 2002 compared to $3.5 million in the year-ago period.

Insurance revenue was $170.1 million in the first quarter of 2002 compared to $158.6 million in the year-ago period. The increase reflected increased sales on a larger receivables portfolio.

Investment income, which includes interest income on investment securities in the insurance business as well as realized gains and losses from the sale of investment securities, was $46.2 million in the first quarter of 2002, compared to $41.8 million in the year-ago period. The increase was primarily due to higher interest income, primarily resulting from higher average investment balances, partially offset by lower yields.

Fee income, which includes revenues from fee-based products such as credit cards, was $237.9 million in both the current and the year-ago quarter. Increases in our domestic MasterCard and Visa fee income was offset by decreases in the U.K. as a result of the fourth quarter 2001 sale of the $1 billion Goldfish credit card portfolio.

See Note 12, "Segment Reporting," to the accompanying condensed consolidated financial statements for additional information on fee income on a managed basis.

Other income, which includes revenue from our tax refund lending business, was $188.0 million in the first quarter of 2002, compared to $161.7 million in the prior-year period. Higher revenues from our seasonal tax refund lending business drove the increase in other income.

Expenses Total costs and expenses for the first quarter of 2002 were $1.1 billion compared to $1.0 billion in the comparable prior-year period. The increase was driven by higher compensation and other expenses to support our growing portfolio. Our owned basis efficiency ratio was 36.7 percent in the first quarter of 2002 compared to 39.2 percent in the comparable prior-year period.

Total costs and expenses included the following:

(In millions)	Three months ended March 31, 2002	2001
Salaries and fringe benefits	$ 445.3	$ 377.6
Sales incentives	54.1	54.5
Occupancy and equipment expense	92.2	83.5
Other marketing expenses	148.4	135.2
Other servicing and administrative expenses	229.3	193.4
Amortization of acquired intangibles and goodwill	18.2	38.9
Policyholders' benefits	84.0	77.5
Total costs and expenses	$ 1,071.5	$ 960.6

Salaries and fringe benefits for the first quarter of 2002 were $445.3 million compared to $377.6 million in the first quarter of 2001. The increase was primarily due to additional staffing at all businesses to support growth including sales, collections and service quality.

Sales incentives for the first quarter of 2002 were $54.1 million compared to $54.5 million in the comparable prior-year period. The decrease was due to lower new loan volume and the implementation of 2002 incentive plans in our branches which, generally, have higher volume requirements than the prior year plans.

HHS02135185

Occupancy and equipment expense for the first quarter of 2002 was $92.2 million compared to $83.5 million in the comparable prior-year period. The increase was primarily the result of higher repairs and maintenance costs as well as support facility growth, including new branches in the U.K. and Canada.

Other marketing expenses for the first quarter of 2002 were $148.4 million compared to $135.2 million in the same prior-year period. The increase was primarily due to increased credit card marketing initiatives, primarily in the U.K. MasterCard and Visa portfolio.

Other servicing and administrative expenses for the first quarter of 2002 were $229.3 million compared to $193.4 million in the comparable prior-year period. The increase was primarily due to higher collection, REO and consulting expenses.

Amortization of acquired intangibles and goodwill for the first quarter of 2002 was $18.2 million compared to $38.9 million in the comparable prior-year period. The decrease was primarily attributable to the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", on January 1, 2002. Amortization of goodwill recorded in past business combinations ceased upon adoption of the new accounting statement.

Policyholders' benefits for the first quarter of 2002 were $84.0 million compared to $77.5 million in the comparable prior-year period. The increase is consistent with the increase in insurance revenues resulting from the increased policy sales.

CREDIT LOSS RESERVES

Our consumer credit management policies focus on product type and specific portfolio risk factors. Our consumer credit portfolio is diversified by product and geographic location. See Note 3, "Receivables" in the accompanying condensed consolidated financial statements for receivables by product type and Note 4, "Credit Loss Reserves," for our credit loss reserve methodology and an analysis of changes in the credit loss reserves for the current and prior year quarter.

The following table sets forth owned basis credit loss reserves for the periods indicated:

(All dollar amounts are stated in millions)	March 31, 2002	December 31, 2001	March 31, 2001
Owned credit loss reserves	$ 2,876.6	$ 2,663.1	$ 2,282.4
Reserves as a percent of:			
Receivables	3.61%	3.33%	3.32%
Net charge-offs (1)	100.1	98.6	107.4
Nonperforming loans	92.7	91.0	91.1

(1) Quarter-to-date, annualized

Reserves as a percentage of receivables at March 31, 2002 reflect the impact of the weakened economy, higher levels of delinquency and charge-off, and the continuing uncertainty as to the ultimate impact the weakened economy will have on charge-off and delinquency levels.

For securitized receivables, we also record a provision for estimated probable losses that we expect to incur under the recourse provisions. The following table sets forth managed credit loss reserves for the periods indicated:

HHS02135186

(All dollar amounts are stated in millions)	March 31, 2002	December 31, 2001	March 31, 2001
Managed credit loss reserves	$ 4,146.5	$ 3,811.4	$ 3,340.2
Reserves as a percent of:			
Receivables	4.10%	3.78%	3.78%
Net charge-offs (1)	100.5	98.9	107.1
Nonperforming loans	108.3	105.0	107.6

(1) Quarter-to-date, annualized

CREDIT QUALITY

Delinquency – Owned Basis

Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):

	March 31, 2002	December 31, 2001	March 31, 2001
Real estate secured	2.88%	2.63%	2.55%
Auto finance	2.04	2.92	1.74
MasterCard/Visa	6.54	5.67	5.02
Private label	6.33	5.99	5.62
Personal non-credit card	9.60	9.04	8.79
Total Owned	4.77%	4.53%	4.36%

Delinquency as a percent of consumer receivables increased over both the previous and prior-year quarters. Compared to the previous quarter, all products except auto finance reported higher delinquencies principally as the result of the weakened economy. This increase was well within our expectations. The sequential decrease in auto finance delinquency is consistent with historical seasonal trends. Increases in MasterCard and Visa and private label delinquency also reflect lower levels of receivables due to normal seasonal run-off.

Compared to a year ago, all products reported higher delinquency rates primarily as a result of the weakened economy. These increases were partially offset by improved collections in our real estate secured, private label and personal non-credit card portfolios as a direct result of increasing the size of our collection staff, especially in our branch network. In our real estate secured portfolio, these increases were further offset by the benefits of the growing percentage of loans on which we hold a first lien position.

Net Charge-offs of Consumer Receivables – Owned Basis

Net Charge-offs of Consumer Receivables (as a percent, annualized, of average consumer receivables):

	March 31, 2002	December 31, 2001	March 31, 2001
Real estate secured	.65%	.64%	.43%
Auto finance	5.63	4.91	3.93
MasterCard/Visa	9.73	7.90	8.17
Private label	6.25	6.12	5.02
Personal non-credit card	7.71	6.97	6.12
Total Owned	3.61%	3.43%	3.12%
Real estate charge-offs and REO expense as a percent of average real estate secured receivables	1.05%	.94%	.77%

HHS02135187

The weakened economy drove the increase in charge-off ratios over both the previous and prior year quarters. The increase was consistent with our expectations. Loss severities in our auto finance portfolio improved slightly during the quarter. Reductions in average MasterCard and Visa receivables due to the fourth quarter 2001 sale of $1 billion in Goldfish receivables and normal seasonal run-off also contributed to the increase in the MasterCard and Visa charge-off ratio compared to the previous quarter.

Compared to the prior year quarter, the increase in the charge-off ratio was primarily attributable to the weakened economy. These increases were partially offset by improved collections in our real estate secured, private label and personal non-credit card portfolios as a direct result of increasing the size of our collection staff, especially in our branch network.

OWNED NONPERFORMING ASSETS

(In millions)	March 31, 2002	December 31, 2001	March 31, 2001
Nonaccrual receivables	$ 2,261.0	$ 2,079.5	$ 1,825.1
Accruing consumer receivables 90 or more days delinquent	839.3	844.1	669.3
Renegotiated commercial loans	1.3	2.1	12.3
Total nonperforming receivables	3,101.6	2,925.7	2,506.7
Real estate owned	459.4	398.9	350.2
Total nonperforming assets	$ 3,561.0	$ 3,324.6	$ 2,856.9
Credit loss reserves as a percent of nonperforming receivables	92.7%	91.0%	91.1%

HHS02135188

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.3 Household International Long-Term Incentive Compensation Plan.

10.5 Household International, Inc. 1996 Long-Term Executive Incentive Compensation Plan, as amended.

10.12 Executive Employment Agreement between Household International, Inc. and W. F. Aldinger.

10.13 Executive Employment Agreement between Household International, Inc. and G. D. Gilmer.

10.14 Executive Employment Agreement between Household International, Inc. and D. A. Schoenholz.

10.16 Executive Employment Agreement between Household International, Inc. and R. J. Fabiano.

10.17 Executive Employment Agreement between Household International, Inc. and S. N. Mehta.

12 Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.

99.1 Debt and Preferred Stock Securities Ratings.

(b) Reports on Form 8-K

During the first quarter of 2002, the Registrant filed the following Current Reports on Form 8-K:

- Report filed January 16, 2002 with respect to the press release pertaining to the financial results of Household International, Inc. for the quarter and year ended December 31, 2001.
- Report dated January 28, 2002 with respect to presentations to certain fixed income investors and analysts at various locations in Europe.
- Report dated March 13, 2002 with respect to presentations to certain fixed income investors in London, England.
- Report dated March 21, 2002 with respect to exhibits to a registration statement on Form S-3 (Reg. No. 333-60510) for the offering of 400,000 shares of 7.60% Cumulative Preferred Stock, Series 2002-A.

HHS02135189

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOUSEHOLD INTERNATIONAL, INC.
(Registrant)

Date: May 10, 2002

By: /s/ David A. Schoenholz
David A. Schoenholz
Vice Chairman -
Chief Financial Officer
and on behalf of
Household International, Inc.

HHS02135190

Exhibit Index

10.3	Household International Long-Term Incentive Compensation Plan.
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10.17	Executive Employment Agreement between Household International, Inc. and S. N. Mehta.
12	Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.
99.1	Debt and Preferred Stock Securities Ratings.

EXHIBIT 12

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

	Three months ended March 31,	
(In millions)	2002	2001
Net income	$ 511.0	$ 431.8
Income taxes	266.1	233.8
Income before income taxes	777.1	665.6
Fixed charges:		
Interest expense (1)	937.2	1,115.3
Interest portion of rentals (2)	16.4	14.9
Total fixed charges	953.6	1,130.2
Total earnings as defined	$ 1,730.7	$ 1,795.8
Ratio of earnings to fixed charges	1.81	1.59
Preferred stock dividends (3)	$ 12.9	$ 3.5
Ratio of earnings to combined fixed charges and preferred stock dividends	1.79	1.58

(1) For financial statement purposes, interest expense includes income earned on temporary investment of excess funds, generally resulting from over-subscriptions of commercial paper.

(2) Represents one-third of rentals, which approximates the portion representing interest.

(3) Preferred stock dividends are grossed up to their pretax equivalent based upon an effective tax rate of 34.2 percent for the three months ended March 31, 2002 and 35.1 percent for the same period in 2001.

EXHIBIT 99.1

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

DEBT AND PREFERRED STOCK SECURITIES RATINGS

At March 31, 2002	Standard & Poor's Corporation	Moody's Investors Service	Fitch, Inc.
Household International, Inc.			
Senior debt	A	A3	A
Commercial paper	A-1	P-2	F-1
Preferred stock	BBB+	Baa2	A-
Household Finance Corporation			
Senior debt	A	A2	A
Senior subordinated debt	A-	A3	A-
Commercial paper	A-1	P-1	F-1
Household Bank, f.s.b.			
Senior debt	A	A2	A
Subordinated debt	A-	A3	A-
Certificates of deposit (long/short-term)	A/A-1	A2/P-1	A+/F-1
Bank notes	A-1	P-1	F-1
Household Bank plc			
Senior debt	A	A2	A
Commercial paper	A-1	P-1	NR

NR – Not rated

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CONFORMED SUBMISSION TYPE: 10-Q
PUBLIC DOCUMENT COUNT: 7
CONFORMED PERIOD OF REPORT: 20020630
FILED AS OF DATE: 20020814

FILER:

COMPANY DATA:
COMPANY CONFORMED NAME: HOUSEHOLD INTERNATIONAL INC
CENTRAL INDEX KEY: 0000354964
STANDARD INDUSTRIAL CLASSIFICATION: PERSONAL CREDIT INSTITUTIONS [6141]
IRS NUMBER: 363121988
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: 10-Q
SEC ACT: 1934 Act
SEC FILE NUMBER: 001-08198
FILM NUMBER: 02731610

BUSINESS ADDRESS:
STREET 1: 2700 SANDERS RD
CITY: PROSPECT HEIGHTS
STATE: IL
ZIP: 60070
BUSINESS PHONE: 8475645000

MAIL ADDRESS:
STREET 1: 2700 SANDERS ROAD
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FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to _______________

Commission file number 1-8198

HOUSEHOLD INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	36-3121988
(State of Incorporation)	(I.R.S. Employer Identification No.)

2700 Sanders Road, Prospect Heights, Illinois 60070
(Address of principal executive offices) (Zip Code)

(847) 564-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required

to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

At July 31, 2002, there were 454,785,081 shares of the registrant's common stock outstanding.

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HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

Household International, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

<TABLE>
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(In millions, except per share data)	2002	Three months ended June 30, 2001	2002	Six months ended June 30, 2001
		(RESTATED)		(RESTATED)
<S>	<C>	<C>	<C>	<C>
Finance and other interest income	$2,609.9	$2,434.4	$5,145.6	$4,849.6
Interest expense	980.9	1,048.4	1,919.7	2,155.2
Net interest margin	1,629.0	1,386.0	3,225.9	2,694.4
Provision for credit losses on owned receivables	850.9	657.1	1,773.9	1,360.7
Net interest margin after provision for credit losses	778.1	728.9	1,452.0	1,333.7
Securitization revenue	523.4	397.4	1,041.7	800.5
Insurance revenue	177.5	159.3	347.6	317.9
Investment income	44.0	37.8	90.2	79.6
Fee income	190.3	223.5	406.8	435.6
Other income	95.3	49.4	283.3	211.1
Total other revenues	1,030.5	867.4	2,169.6	1,844.7
Salaries and fringe benefits	453.0	387.2	898.3	764.8
Sales incentives	67.6	73.6	121.7	128.1
Occupancy and equipment expense	93.3	83.7	185.5	167.2
Other marketing expenses	133.5	121.8	273.9	250.5
Other servicing and administrative expenses	204.1	173.0	435.8	368.7
Amortization of acquired intangibles and goodwill	12.6	39.0	32.4	79.6
Policyholders' benefits	87.4	73.1	171.4	150.6
Total costs and expenses	1,051.5	951.4	2,119.0	1,909.5

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Income before income taxes	757.1	644.9	1,502.6	1,268.9
Income taxes	249.7	221.6	504.2	440.1
Net income	$ 507.4	$ 423.3	$ 998.4	$ 828.8
EARNINGS PER COMMON SHARE				
Net income	$ 507.4	$ 423.3	$ 998.4	$ 828.8
Preferred dividends	(15.5)	(2.3)	(24.0)	(4.6)
Earnings available to common shareholders	$ 491.9	$ 421.0	$ 974.4	$ 824.2
Average common shares	456.3	463.0	456.6	464.5
Average common and common equivalent shares	461.2	469.6	461.5	470.8
Basic earnings per common share	$ 1.08	$ .91	$ 2.13	$ 1.77
Diluted earnings per common share	1.07	.90	2.11	1.75
DIVIDENDS DECLARED PER COMMON SHARE	$ .25	$ .22	$ .47	$ .41

</TABLE>

See notes to interim condensed consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<TABLE>
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(In millions, except share and per share data)	June 30, 2002	December 31, 2001
ASSETS		(RESTATED)
<S>	<C>	<C>
Cash	$ 346.6	$ 543.6
Investment securities	8,229.7	3,580.5
Receivables, net	82,133.0	79,263.5
Acquired intangibles, net	418.5	455.6
Goodwill	1,122.1	1,107.4
Properties and equipment, net	550.0	531.1
Real estate owned	456.7	398.9
Other assets	3,549.7	3,030.3
Total assets	$96,806.3	$88,910.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Debt:		
Deposits	$ 5,611.8	$ 6,562.3
Commercial paper, bank and other borrowings	3,598.7	12,024.3
Senior and senior subordinated debt (with original maturities over one year)	73,269.4	56,823.6
Total debt	82,479.9	75,410.2
Insurance policy and claim reserves	1,037.2	1,094.5
Other liabilities	2,809.8	3,132.5
Total liabilities	86,326.9	79,637.2
Company obligated mandatorily redeemable preferred securities of subsidiary trusts*	975.0	975.0
Preferred stock	843.2	455.8
Common shareholders' equity:		
Common stock, $1.00 par value, 750,000,000 shares authorized, 551,779,393 and 551,684,740 shares issued at June 30, 2002 and December 31, 2001, respectively	551.7	551.7
Additional paid-in capital	2,058.3	2,030.0
Retained earnings	9,597.3	8,837.5
Accumulated other comprehensive income (loss)	(605.3)	(732.4)
Less common stock in treasury, 95,154,527 and 94,560,437 shares at June 30, 2002 and December 31, 2001, respectively, at cost	(2,940.8)	(2,843.9)
Total common shareholders' equity	8,661.2	7,842.9
Total liabilities and shareholders' equity	$96,806.3	$88,910.9

</TABLE>

* As described in note 8 to the condensed consolidated financial statements, the sole assets of the trusts are Junior Subordinated Deferrable Interest Notes issued by Household International, Inc. in November 2001, January 2001, June 2000, March 1998 and June 1995, bearing interest at 7.50, 8.25, 10.00, 7.25 and 8.25 percent, respectively, with principal balances of $206.2, $206.2, $309.3, $206.2 and $77.3 million, respectively, and due November 2031, January 2031, June 2030, December 2037 and June 2025, respectively.

See notes to interim condensed consolidated financial statements.

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Household International, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>
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(In millions)	Six months ended June 30, 2002	2001
CASH PROVIDED BY OPERATIONS		(RESTATED)
<S>	<C>	<C>
Net income	$ 998.4	$ 828.8
Adjustments to reconcile net income to cash provided by operations:		
Provision for credit losses on owned receivables	1,773.9	1,360.7
Insurance policy and claim reserves	86.8	142.6
Depreciation and amortization	116.5	165.9
Interest-only strip receivables, net change	(58.8)	(1.0)
Other assets, excluding FAS No. 133	(60.7)	20.6
Other liabilities, excluding FAS No. 133	737.5	(167.9)
Other, net	82.3	24.2
Cash provided by operations	3,675.9	2,373.9
INVESTMENTS IN OPERATIONS		
Investment securities:		
Purchased	(2,817.3)	(1,023.8)
Matured	621.8	212.5
Sold	232.0	403.8
Short-term investment securities, net change	(2,585.3)	169.6
Receivables:		
Originations, net	(22,697.8)	(19,906.6)
Purchases and related premiums	(406.5)	(349.4)
Sold	18,603.4	14,621.2
Properties and equipment purchased	(84.4)	(104.6)
Properties and equipment sold	3.0	3.1
Cash decrease from investments in operations	(9,131.1)	(5,974.2)
FINANCING AND CAPITAL TRANSACTIONS		
Short-term debt and demand deposits, net change	(7,709.4)	494.6
Time certificates, net change	(951.8)	(710.6)
Senior and senior subordinated debt issued	19,811.9	11,301.7
Senior and senior subordinated debt retired	(5,747.4)	(7,177.1)
Policyholders' benefits paid	(214.0)	(49.1)
Cash received from policyholders	35.4	27.6
Shareholders' dividends	(238.5)	(194.4)
Purchase of treasury stock	(160.0)	(539.0)
Issuance of common stock	86.4	48.6
Issuance of preferred stock	387.4	-
Issuance of company obligated mandatorily redeemable preferred securities of subsidiary trusts	-	200.0
Cash increase from financing and capital transactions	5,300.0	3,402.3
Effect of exchange rate changes on cash	(41.8)	9.8
Decrease in cash	(197.0)	(188.2)
Cash at January 1	543.6	490.2
Cash at June 30	$ 346.6	$ 302.0
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 1,891.8	$ 2,020.3
Income taxes paid	469.0	607.4

</TABLE>

See notes to interim condensed consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Household International, Inc. ("Household") and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the three and six months ended June 30, 2002 should not be considered indicative of the

results for any future quarters or the year ending December 31, 2002. Household and its subsidiaries may also be referred to in this Form 10-Q as "we," "us" or "our." These unaudited condensed consolidated financial statements should be read in conjunction with the unaudited consolidated financial statements and footnotes included in our restated Annual Report on Form 10-K for the year ended December 31, 2001 which is included as Exhibit 99.4 to this Form 10-Q.

RESTATEMENT

Household International, Inc. has restated its consolidated financial statements for the years ended December 31, 1999, 2000 and 2001 and the first quarter ended March 31, 2002. We believe this Form 10-Q and the exhibits included herewith include all adjustments relating to the restatement for all such prior periods. The restatement relates to MasterCard/Visa co-branding and affinity credit card relationships and a marketing agreement with a third party credit card marketing company. All were part of our Credit Card Services segment. In consultation with our prior auditors, Arthur Andersen, LLP, we treated payments made in connection with these agreements that were entered into between 1992 and 1999 as prepaid assets and amortized them in accordance with the underlying economics of the agreements. Our current auditors, KPMG LLP, have advised us that, in their view, these payments should have either been charged against earnings at the time they were made or amortized over a shorter period of time. There is no significant change as a result of these adjustments on the prior period net earnings trends previously reported. The balance of retained earnings at December 31, 2001 has been restated from amounts previously reported to reflect a retroactive charge of $359.9 million, after tax, for these items. The principal executive officer and principal financial officer of Household have certified that this quarterly report fairly presents, in all material respects, the financial condition and results of operations of Household for the period ended June 30, 2002. Our independent auditors have reviewed the unaudited June 30, 2002 financial results and have provided us with the letter required by Statement of Auditing Standards No. 71. This letter is also attached to this Form 10-Q as Exhibit 99.5.

<PAGE>

2. INVESTMENT SECURITIES

Investment securities consisted of the following available-for-sale investments:

<TABLE>
<CAPTION>

	June 30, 2002		December 31, 2001	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<S>	<C>	<C>	<C>	<C>
Corporate debt securities	$ 2,034.1	$ 2,017.5	$ 2,089.5	$ 2,054.0
Money market funds	2,311.7	2,311.7	342.3	342.3
Certificates of deposit	201.8	206.8	246.1	259.8
U.S. government and federal agency debt securities	2,313.0	2,315.1	217.0	217.8
Marketable equity securities	31.6	25.1	24.4	21.2
Other	1,274.1	1,282.9	611.6	638.9
Subtotal	8,166.3	8,159.1	3,530.9	3,534.0
Accrued investment income	70.6	70.6	46.5	46.5
Total available-for-sale investments	$ 8,236.9	$ 8,229.7	$ 3,577.4	$3,580.5

</TABLE>

3. RECEIVABLES

Receivables consisted of the following:

<TABLE>
<CAPTION>

(In millions)	June 30, 2002	December 31, 2001
<S>	<C>	<C>
Real estate secured	$ 48,312.1	$ 43,856.8
Auto finance	2,362.6	2,368.9
MasterCard*/Visa*	6,880.7	8,141.2
Private label	10,827.1	11,663.9
Personal non-credit card	14,272.6	13,337.0
Commercial and other	482.8	506.9
Total owned receivables	83,137.9	79,874.7
Accrued finance charges	1,551.6	1,559.8
Credit loss reserve for owned receivables	(2,983.3)	(2,663.1)
Unearned credit insurance premiums and claims reserves	(878.0)	(895.8)
Interest-only strip receivables	1,012.2	968.2
Amounts due and deferred from receivable sales	292.6	419.7
Total owned receivables, net	82,133.0	79,263.5
Receivables serviced with limited recourse	22,322.7	20,948.0

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Total managed receivables, net	$ 104,455.7	$100,211.5

</TABLE>

Interest-only strip receivables are reported net of our estimate of probable losses under the recourse provisions for receivables serviced with limited recourse. Our estimate of the recourse obligation totaled $1,385.6 million at June 30, 2002 and $1,148.3 million at December 31, 2001. Interest-only strip receivables also included fair value mark-to-market adjustments which increased the balance by $334.1 million at June 30, 2002 and $348.6 million at December 31, 2001.

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<PAGE>

Receivables serviced with limited recourse consisted of the following:

<TABLE>
<CAPTION>

(In millions)	June 30, 2002	December 31, 2001
<S>	<C>	<C>
Real estate secured	$ 575.4	$ 861.8
Auto finance	4,518.2	4,026.6
MasterCard/Visa	9,905.8	9,254.0
Private label	2,649.9	2,150.0
Personal non-credit card	4,673.4	4,655.6
Total receivables serviced with limited recourse	$ 22,322.7	$ 20,948.0

</TABLE>

The combination of owned receivables and receivables serviced with limited recourse, which we consider our managed portfolio, consisted of the following:

<TABLE>
<CAPTION>

(In millions)	June 30, 2002	December 31, 2001
<S>	<C>	<C>
Real estate secured	$ 48,887.5	$ 44,718.6
Auto finance	6,880.8	6,395.5
MasterCard/Visa	16,786.5	17,395.2
Private label	13,477.0	13,813.9
Personal non-credit card	18,946.0	17,992.6
Commercial and other	482.8	506.9
Total managed receivables	$ 105,460.6	$ 100,822.7

</TABLE>

* MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of Visa USA, Inc.

4. CREDIT LOSS RESERVES

An analysis of credit loss reserves for the three and six months ended June 30 was as follows:

<TABLE>
<CAPTION>

(In millions)	Three months ended June 30, 2002	2001	Six months ended June 30, 2002	2001
<S>	<C>	<C>	<C>	<C>
Credit loss reserves for owned receivables:				
Credit loss reserves at beginning of period	$ 2,876.6	$ 2,282.4	$ 2,663.1	$ 2,111.9
Provision for credit losses	850.9	657.1	1,773.9	1,360.7
Charge-offs	(830.6)	(631.2)	(1,609.2)	(1,219.3)
Recoveries	65.0	58.0	124.9	114.6
Other, net	21.4	10.2	30.6	8.6
Credit loss reserves for owned receivables at June 30	2,983.3	2,376.5	2,983.3	2,376.5
Credit loss reserves for receivables serviced with limited recourse:				
Credit loss reserves at beginning of period	1,269.9	1,057.8	1,148.3	1,082.3
Provision for credit losses	427.5	277.7	866.8	506.9
Charge-offs	(353.1)	(274.5)	(689.0)	(538.8)
Recoveries	26.0	18.6	49.1	34.8
Other, net	15.3	.4	10.4	(5.2)
Credit loss reserves for receivables serviced with limited recourse at June 30	1,385.6	1,080.0	1,385.6	1,080.0
Total credit loss reserves for managed receivables				

at June 30	$ 4,368.9	$ 3,456.5	$ 4,368.9	$ 3,456.5

</TABLE>

We maintain credit loss reserves to cover probable losses of principal, interest and fees, including late, overlimit and annual fees. Credit loss reserves are based on a range of estimates and intended to be adequate but not excessive. We statistically estimate losses for consumer receivables based on

<PAGE>

delinquency and reage status and past loss experience. In addition, we provide loss reserves on consumer receivables to reflect our assessment of portfolio risk factors which may not be fully reflected in the statistical calculation (which uses roll rates and migration analysis). These risk factors include bankruptcy trends, recent growth, product mix, economic conditions and current levels of charge-offs and delinquencies.

5. ACQUIRED INTANGIBLES AND GOODWILL (RESTATED)

Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS No. 142"). FAS No. 142 changed the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill recorded in past business combinations ceased upon adoption of the statement on January 1, 2002. We have completed the transitional goodwill impairment test required by FAS No. 142 and have concluded that none of our goodwill is impaired.

We do not hold any intangible assets which are not subject to amortization. Amortized acquired intangibles consisted of the following:

<TABLE>
<CAPTION>

(In millions)	June 30, 2002	December 31, 2001
<S>	<C>	<C>
Purchased credit card relationships	$ 1,038.6	$ 1,038.6
Other intangibles	26.5	26.5
Accumulated amortization - purchased credit card relationships	(639.9)	(603.8)
Accumulated amortization - other intangibles	(6.7)	(5.7)
Acquired intangibles, net	$418.5	$ 455.6

</TABLE>

Acquired intangible amortization expense totaled $12.6 million for the quarter ended June 30, 2002, $24.2 million for the quarter ended June 30, 2001, $32.4 million for the six months ended June 30, 2002, $50.2 million for the six months ended June 30, 2001 and $99.0 million for the twelve months ended December 31, 2001.

Estimated amortization expense associated with our acquired intangibles for each of the following years is as follows:

(In millions) Year ending December 31,	
2002	$57.7
2003	50.3
2004	47.7
2005	43.3
2006	40.9

The following tables disclose the impact of goodwill amortization on net income and earnings per share for the periods indicated.

<TABLE>
<CAPTION>

(In millions)	Three months ended June 30, 2002	2001	Six months ended June 30, 2002	2001
<S>	<C>	<C>	<C>	<C>
Reported net income	$507.4	$423.3	$998.4	$ 828.8
Add back: Goodwill amortization, net	--	11.6	--	23.2
Adjusted net income	$507.4	$434.9	$998.4	$852.0

</TABLE>

<TABLE>
<CAPTION>

	Three months ended June 30, 2002		2001	
<S>	<C> Basic	<C> Diluted	<C> Basic	<C> Diluted

</TABLE>

<PAGE>

<TABLE>

Reported earnings per share	$ 1.08	$ 1.07	$.91	$.90
Add back: Goodwill amortization, net	--	--	.03	.03
Adjusted earnings per share	$ 1.08	$ 1.07	$.94	$.93

</TABLE>

<TABLE>

	2002		Six months ended June 30, 2001	
	Basic	Diluted	Basic	Diluted
Reported earnings per share	$ 2.13	$ 2.11	$ 1.77	$ 1.75
Add back: Goodwill amortization, net	--	--	.05	.05
Adjusted earnings per share	$ 2.13	$ 2.11	$ 1.82	$ 1.80

</TABLE>

There were no significant changes to our recorded amount of goodwill, either in total or by segment, during the quarter or six months ended June 30, 2002.

6. INCOME TAXES (RESTATED)

Our effective tax rate was 33.6 percent for the six months ended June 30, 2002 and 34.7 percent for the first six months of 2001. The effective tax rate differs from the statutory federal income tax rate primarily because of the effects of state and local income taxes and tax credits.

<PAGE>

7. EARNINGS PER COMMON SHARE (RESTATED)

Computations of earnings per common share for the three and six months ended June 30 were as follows:

<TABLE>

(In millions, except per share data)	Three months ended June 30, 2002		Three months ended June 30, 2001	
	Diluted	Basic	Diluted	Basic
Earnings:				
Net income	$ 507.4	$ 507.4	$ 423.3	$ 423.3
Preferred dividends	(15.5)	(15.5)	(2.3)	(2.3)
Earnings available to common shareholders	$ 491.9	$ 491.9	$ 421.0	$ 421.0
Average shares outstanding:				
Common	456.3	456.3	463.0	463.0
Common equivalents	4.9	-	6.6	-
Average shares outstanding assuming dilution	461.2	456.3	469.6	463.0
Earnings per common share, as restated	$ 1.07	$ 1.08	$ .90	$ .91
Earnings per common share, as reported	$ 1.08	$ 1.09	$ .93	$ .94

</TABLE>

<TABLE>

(In millions, except per share data)	Six months ended June 30, 2002		Six months ended June 30, 2001	
	Diluted	Basic	Diluted	Basic
Earnings:				
Net income	$ 998.4	$ 998.4	$ 828.8	$ 828.8
Preferred dividends	(24.0)	(24.0)	(4.6)	(4.6)
Earnings available to common shareholders	$ 974.4	$ 974.4	$ 824.2	$ 824.2

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Average shares outstanding:				
Common	456.6	456.6	464.5	464.5
Common equivalents	4.9	-	6.3	-
Average shares outstanding assuming dilution	461.5	456.6	470.8	464.5
Earnings per common share, as restated	$ 2.11	$ 2.13	$ 1.75	$ 1.77
Earnings per common share, as reported	$ 2.17	$ 2.19	$ 1.84	$ 1.86

</TABLE>

8. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS

We have formed special purpose trusts for the purpose of issuing trust preferred securities. The sole assets of these trusts are Junior Subordinated Deferrable Interest Notes ("Junior Subordinated Notes") issued by Household. The following table summarizes our company obligated mandatorily redeemable preferred securities of subsidiary trusts ("Preferred Securities") and the related Junior Subordinated Notes:

<TABLE>
<CAPTION>

(Dollar amounts are in millions)	Household Capital Trust VII ("HCT VII")	Household Capital Trust VI ("HCT VI")	Household Capital Trust V ("HCT V")	Household Capital Trust IV ("HCT IV")	Household Capital Trust I ("HCT I")
Preferred Securities:					
<S>	<C>	<C>	<C>	<C>	<C>
Interest rate	7.50%	8.25%	10.00%	7.25%	8.25%
Face value	$200	$200	$300	$200	$75
Issue date	November 2001	January 2001	June 2000	March 1998	June 1995
Junior Subordinated Notes:					
Principal balance	$206.2	$206.2	$309.3	$206.2	$77.3
Redeemable by issuer	November 2006	January 2006	June 2005	March 2003	June 2001
Stated maturity	November 2031	January 2031	June 2030	December 2037	June 2025

</TABLE>

The Preferred Securities must be redeemed when the Junior Subordinated Notes are paid. The Junior Subordinated Notes have a stated maturity date, but are redeemable by Household, in whole or in part,

<PAGE>

beginning on the dates indicated above at which time the preferred securities are callable at par ($25 per Preferred Security) plus accrued and unpaid dividends. Dividends on the Preferred Securities are cumulative, payable quarterly in arrears, and are deferrable at Household's option for up to five years. Household cannot pay dividends on its preferred and common stocks during such deferments. The Preferred Securities have a liquidation value of $25 per preferred security. HCT I may elect to extend the maturity of its Preferred Securities to June 2044. Dividends on the Preferred Securities have been classified as interest expense in our statements of income.

HCT I, HCT IV, HCT V, HCT VI and HCT VII (collectively, "the Trusts") are wholly owned subsidiaries of Household. Household's obligations with respect to the Junior Subordinated Notes, when considered together with certain undertakings of Household with respect to the Trusts, constitute full and unconditional guarantees by Household of the Trust's obligations under the respective Preferred Securities. The Preferred Securities are classified in our balance sheet as company obligated mandatorily redeemable preferred securities of subsidiary trusts (representing the minority interests in the trusts) at their face and redemption amount of $975 million at both June 30, 2002 and December 31, 2001.

9. FORWARD PURCHASE AGREEMENTS

At June 30, 2002, we had agreements to purchase, on a forward basis, approximately 6.1 million shares of our common stock with a weighted-average forward price of $55.63 per share. The agreements expire at various dates through June 2003. These agreements may be settled physically or on a net basis either in shares of our common stock or in cash, depending on the terms of the various agreements, at our option and consequently are accounted for as permanent equity. During the current quarter, we received 966,000 shares at an average cost of $62.11 per share as a result of settlements under these forward contracts.

Under a net share settlement, if the price of our common stock falls below the forward price, we would be required to deliver common shares to the counterparty based upon the difference between the forward price and the then current stock price. Conversely, if the price of our common stock rises above the forward price, the counterparty would be required to deliver to us shares of our common stock based on the price difference. Based upon the closing price of our common stock of $49.70 per share at June 30, 2002, we would have been required to deliver approximately 731,800 shares of our common stock to net share settle these contracts at June 30, 2002. If our common stock price had been lower by $1 per share at June 30, 2002, we would have been required to deliver an additional 141,000 common shares to net share settle these contracts. If our common stock price had been higher by $1 per share at June 30, 2002, we would have been

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required to deliver a total of 596,400 shares of our common stock to net share settle the contracts. These agreements, however, contain limits on the number of shares to be delivered under a net share settlement, regardless of the price of our common stock. At June 30, 2002, the maximum number of common shares we would be required to deliver to net share settle the 6.1 million shares currently outstanding was 31.5 million shares.

10. COMPREHENSIVE INCOME (RESTATED)

Comprehensive income was $297.7 million for the quarter ended June 30, 2002, $444.8 million for the quarter ended June 30, 2001, $1,125.5 million for the six months ended June 30, 2002, and $549.7 million for the six months ended June 30, 2001.

<PAGE>

The components of accumulated other comprehensive income were as follows:

<TABLE>
<CAPTION>

(In millions)	June 30, 2002	December 31, 2001
<S>	<C>	<C>
Unrealized losses on cash flow hedging instruments	$ (567.9)	$ (699.1)
Unrealized gains on investments and interest-only strip receivables	207.6	223.3
Foreign currency translation adjustments	(245.0)	(256.6)
Accumulated other comprehensive income (loss)	$ (605.3)	$ (732.4)

</TABLE>

11. NEW ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS No. 144"). The adoption of FAS No. 144 did not have a significant impact on our operations.

In the second quarter, we adopted the fair value method of accounting for our stock option and employee stock purchase plans in 2002. Under the guidance of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", ("FAS No. 123"), companies may either recognize stock-based compensation expense associated with these plans currently in income or disclose the pro forma impact of the expense. Pursuant to the requirements of FAS No. 123, options granted prior to January 1, 2002 continue to be accounted for under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," under which expenses for stock options are generally not recognized. The impact of adopting the expense recognition provisions of FAS No. 123 is not expected to have a significant impact on our future results of operations.

12. SEGMENT REPORTING (RESTATED)

We have three reportable segments: Consumer, Credit Card Services and International. Our Consumer segment consists of our consumer lending, mortgage services, retail services and auto finance businesses. Our Credit Card Services segment consists of our domestic MasterCard and Visa credit card business. Our International segment consists of our foreign operations in the United Kingdom and Canada. There has been no change in the basis of our segmentation or in the measurement of segment profit as compared with the presentation in our Annual Report on Form 10-K for the year ended December 31, 2001.

We allocate resources and provide information to management for decision making on a managed basis. Therefore, an adjustment is required to reconcile the managed financial information to our reported financial information in our consolidated financial statements. This adjustment reclassifies net interest margin, fee income and loss provision into securitization revenue.

<PAGE>

Reportable Segments - Managed Basis
<TABLE>
<CAPTION>

(In millions)	Consumer	Credit Card Services	International	All Other	Totals	Adjustments/ Reconciling Items
Three months ended June 30, 2002						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest margin	$ 1,718.9	$ 423.0	$ 154.1	$ (15.4)	$ 2,280.6	-
Fee income	84.3	256.5	13.1	1.4	355.3	-
Other revenues(1)	140.3	41.4	93.2	141.8	416.7	$ (53.1)(2)
Intersegment revenues	42.8	8.2	2.5	(.4)	53.1	(53.1)(2)
Provision for credit losses	841.5	346.8	88.8	.4	1,277.5	.9 (3)
Net income	363.5	65.9	56.1	56.3	541.8	(34.4)
Receivables	80,134.5	16,566.9	7,648.8	1,110.4	105,460.6	-
Assets	82,320.2	17,612.6	8,915.6	19,643.9	128,492.3	(9,363.3)(4)
Goodwill	857.6	248.7	1.0	14.8	1,122.1	-
Three months ended June 30, 2001						
Net interest margin	$ 1,398.2	$ 344.2	$ 146.5	$ (11.4)	$ 1,877.5	-

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Fee income	88.3	275.0	19.2	1.5	384.0	-
Other revenues(1)	82.8	30.4	44.6	105.6	263.4	$ (66.8)(2)
Intersegment revenues	54.7	10.6	2.0	(.5)	66.8	(66.8)(2)
Provision for credit losses	524.2	331.3	63.6	15.3	934.4	.4 (3)
Net income	363.2	36.7	34.8	31.2	465.9	(42.6)
Receivables	67,182.8	15,806.6	7,875.6	673.5	91,538.5	-
Assets	69,696.4	16,876.4	9,124.1	14,113.1	109,810.0	(9,499.7)(4)
Goodwill	864.8	255.6	1.1	15.2	1,136.7	-
Six months ended June 30, 2002						
Net interest margin	$ 3,377.1	$ 840.8	$ 307.5	$ 8.4	$ 4,533.8	-
Fee income	172.9	527.0	23.2	4.2	727.3	-
Other revenues(1)	305.7	108.3	136.3	380.1	930.4	$ (100.7)(2)
Intersegment revenues	78.6	18.2	4.8	(.9)	100.7	(100.7)(2)
Provision for credit losses	1,762.5	717.4	150.9	33.5	2,664.3	(23.6)(3)
Net income	670.7	143.3	81.9	151.5	1,047.4	(49.0)
Six months ended June 30, 2001						
Net interest margin	$ 2,749.2	$ 691.9	$ 299.4	$ (48.3)	$ 3,692.2	-
Fee income	183.9	527.2	34.1	2.8	748.0	-
Other revenues(1)	111.5	50.7	83.6	332.6	578.4	$ (123.3)(2)
Intersegment revenues	100.9	19.5	3.9	(1.0)	123.3	(123.3)(2)
Provision for credit losses	1,101.5	628.0	118.6	18.6	1,866.7	.9 (3)
Net income	641.6	69.9	81.2	114.8	907.5	(78.7)

</TABLE>

<TABLE>
<CAPTION>

	Managed Basis Consolidated Totals	Securitization Adjustments	Owned Basis Consolidated Totals
Three months ended June 30, 2002			
<S>	<C>	<C>	<C>
Net interest margin	$ 2,280.6	$ (651.6)(5)	$ 1,629.0
Fee income	355.3	(165.0)(5)	190.3
Other revenues(1)	363.6	389.2 (5)	752.8
Intersegment revenues	-	-	-
Provision for credit losses	1,278.4	(427.5)(5)	850.9
Net income	507.4	-	507.4
Receivables	105,460.6	(22,322.7)(6)	83,137.9
Assets	119,129.0	(22,322.7)(6)	96,806.3
Goodwill	1,122.1	-	1,122.1
Three months ended June 30, 2001			
Net interest margin	$ 1,877.5	$ (491.5)(5)	$ 1,386.0
Fee income	384.0	(160.5)(5)	223.5
Other revenues(1)	196.6	374.2 (5)	570.8
Intersegment revenues	-	-	-
Provision for credit losses	934.8	(277.7)(5)	657.1
Net income	423.3	-	423.3
Receivables	91,538.5	(19,783.7)(6)	71,754.8
Assets	100,310.3	(19,783.7)(6)	80,526.6
Goodwill	1,136.7	-	1,136.7
Six months ended June 30, 2002			
Net interest margin	$ 4,533.8	$(1,307.9)(5)	$ 3,225.9
Fee income	727.3	(320.5)(5)	406.8
Other revenues(1)	829.7	761.7 (5)	1,591.4
Intersegment revenues	-	-	-
Provision for credit losses	2,640.7	(866.8)(5)	1,773.9
Net income	998.4	-	998.4
Six months ended June 30, 2001			
Net interest margin	$ 3,692.2	$ (997.8)(5)	$ 2,694.4
Fee income	748.0	(312.4)(5)	435.6
Other revenues(1)	455.1	803.4 (5)	1,258.5
Intersegment revenues	-	-	-
Provision for credit losses	1,867.6	(506.9)(5)	1,360.7
Net income	828.8	-	828.8

</TABLE>

(1) Net of policyholder benefits and excluding fees.
(2) Eliminates intersegment revenues.
(3) Eliminates bad debt recovery sales and reclassifies loss reserves between operating segments.
(4) Eliminates investments in subsidiaries and intercompany borrowings.
(5) Reclassifies net interest margin, fee income and loss provisions relating to securitized receivables to other revenues.
(6) Represents receivables serviced with limited recourse.

<PAGE>

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Household International, Inc. and Subsidiaries

FINANCIAL HIGHLIGHTS (RESTATED)
<TABLE>

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<CAPTION>

(Dollar amounts are in millions, except per share data)	Three months ended June 30, 2002	Three months ended June 30, 2001	Six months ended June 30, 2002	Six months ended June 30, 2001
<S>	<C>	<C>	<C>	<C>
Net income	$ 507.4	$ 423.3	$ 998.4	$ 828.8
Diluted earnings per common share	1.07	.90	2.11	1.75
Net interest margin and other revenues(1)	2,572.1	2,180.3	5,224.1	4,388.5
Owned Basis Ratios:				
Return on average owned assets	2.18 %	2.14 %	2.18 %	2.11 %
Return on average common shareholders' equity	22.9	22.5	23.2	22.2
Net interest margin	7.62	7.74	7.72	7.63
Consumer net charge-off ratio, annualized	3.76	3.26	3.69	3.19
Reserves as a percentage of net charge-offs	97.4	103.7	100.5	107.6
Efficiency ratio(2)	37.5	40.3	37.3	40.1
Managed Basis Ratios:(3)				
Return on average managed assets	1.78 %	1.72 %	1.77 %	1.70 %
Net interest margin	8.55	8.27	8.64	8.21
Consumer net charge-off ratio, annualized	4.26	3.71	4.17	3.63
Reserves as a percentage of net charge-offs	100.0	104.2	102.8	107.4
Efficiency ratio(2)	32.1	35.7	32.0	35.9

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(Dollar amounts are in millions)	Owned Basis June 30, 2002	Owned Basis December 31, 2001	Managed Basis:(3) June 30, 2002	Managed Basis:(3) December 31, 2001
<S>	<C>	<C>	<C>	<C>
Total assets	$96,806.3	$88,910.9	$119,129.0	$109,858.9
Receivables	83,137.9	79,874.7	105,460.6	100,822.7
Common and preferred equity as a percentage of assets	9.82 %	9.33 %	7.98 %	7.55 %
Common and preferred equity and trust preferred securities as a percentage of assets(4)	10.83	10.43	8.80	8.44
Tangible equity to tangible managed assets(4)(5)	n/a	n/a	7.94	7.57
Two-month-and-over contractual delinquency ratio	4.61	4.53	4.53	4.46
Reserves as a percentage of receivables	3.59	3.33	4.14	3.78
Reserves as a percentage of performing loans	96.0	91.0	112.4	105.0

</TABLE>

(1) Net of policyholder benefits.

(2) Ratio of operating expenses to net interest margin and other revenues less policyholders' benefits.

(3) We monitor our operations and evaluate trends on both an owned basis as shown in our financial statements and on a managed basis. Managed basis reporting adjustments assume that securitized receivables have not been sold and are still on our balance sheet. Managed basis information is intended to supplement, and should not be considered a substitute for, owned basis reporting and should be read in conjunction with reported owned basis results.

(4) The ratio of common and preferred equity and trust preferred securities as a percentage of owned and managed assets and the ratio of tangible equity to tangible managed assets are non-GAAP ratios that are used by rating agencies as a measure to evaluate capital adequacy. These ratios may differ from similarly named measures presented by other companies. Because of its long-term nature and our ability to defer dividends, rating agencies consider trust preferred securities as equity in calculating these ratios.

(5) Tangible shareholders' equity includes trust preferred securities, preferred equity, and common shareholders' equity, excluding unrealized gains and losses on investments and cash flow hedging instruments, less acquired intangibles and goodwill. Tangible managed assets represents total managed assets less acquired intangibles, goodwill and derivative assets.

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RESTATEMENT

Household International, Inc. has restated its consolidated financial statements for the years ended December 31, 1999, 2000 and 2001 and the first quarter ended March 31, 2002. We believe this Form 10-Q and the exhibits included herewith include all adjustments relating to the restatement for all such prior periods. The restatement relates to MasterCard/Visa co-branding and affinity credit card relationships and a marketing agreement with a third party credit card marketing company. All were part of our Credit Card Services segment. In consultation with our prior auditors, Arthur Andersen, LLP, we treated payments made in connection with these agreements that were entered into between 1992 and 1999 as prepaid assets and amortized them in accordance with the underlying economics of the agreements. Our current auditors, KPMG LLP, have advised us that, in their view, these payments should have either been charged against earnings at the time they were made or amortized over a shorter period of time. We believe this is a good faith difference of opinion but we are following the advice of our current auditors. There is no significant change as a result of these adjustments on the prior period net earnings trends previously reported. The balance of retained

earnings at December 31, 2001 has been restated from amounts previously reported to reflect a retroactive charge of $359.9 million, after tax, for these items. The principal executive officer and principal financial officer of Household have certified that this quarterly report fairly presents, in all material respects, the financial condition and results of operations of Household for the period ended June 30, 2002. Our independent auditors have reviewed the unaudited June 30, 2002 financial results and have provided us with the letter required by Statement of Auditing Standards No. 71. This letter is also attached to this Form 10-Q as Exhibit 99.5.

This cumulative restatement relates to the following periods:

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	Restatements to Reported Income				% Change from Prior Period Net Income	
(Dollars in millions)	Pre-Tax	Tax Effect	After- Tax	% Change to Reported	As Reported	As Restated
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Q2 2002*	$ (9.7)	$ 3.6	$ (6.1)	(1.2)%	17.0%	20.0%
Q1 2002	(31.6)	11.6	(20.0)	(3.9)	18.3	21.0
6 months 2002	(41.3)	15.2	(26.1)	(2.5)	17.7	20.4
2001	(120.2)	44.3	(75.9)	(3.9)	13.1	13.3
2000	(110.9)	40.8	(70.1)	(4.1)	14.4	14.2
1999	(91.8)	33.7	(58.1)	(3.9)	28.5	28.3
1994-1998	(245.0)	89.2	(155.8)	(3.8)		

* Compared to that reported in our earnings release of July 17, 2002.
</TABLE>

The impact of these amounts to reported diluted earnings per share was as follows:

	As Reported	Restated
Q2 2002	$ 1.08	$1.07
Q1 2002	1.09	1.04
6 months 2002	2.17	2.11
2001	4.08	3.91
2000	3.55	3.40
1999	3.07	2.95

BASIS OF REPORTING

This discussion should be read in conjunction with the unaudited condensed consolidated financial statements, notes and tables included elsewhere in this report and in the restated Household International, Inc. Annual Report on Form 10-K for the year ended December 31, 2001 (the "2001 Form 10-K") which contains unaudited financial information for Household International, Inc. and is included as an exhibit to this Form 10-Q. We expect that we will file with the Securities and Exchange Commission an amended Form 10-K/A with audited financial information on or about August 31, 2002. Management's

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discussion and analysis may contain certain statements that may be forward-looking in nature within the meaning of the Private Securities Litigation Reform Act of 1995. Our results may differ materially from those noted in the forward-looking statements. Forward-looking statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intend", "may", "will", "should", "would" and "could". Forward-looking statements involve risks and uncertainties and are based on current views and assumptions. The factors that may affect our actual results are as follows:

- changes in laws and regulations, including attempts by local, state and national regulatory agencies or legislative bodies to control alleged "predatory" lending practices through broad initiatives aimed at lenders operating in the nonprime or subprime consumer market;

- increased competition from well-capitalized companies or lenders with access to government sponsored organizations for our consumer segment which may impact the terms, rates, costs or profits historically included in the loan products we offer or purchase;

- changes in accounting policies practices or standards, as they may be adopted by regulatory agencies and the Financial Accounting Standards Board;

- changes in overall economic conditions, including the interest rate environment in which we operate, the capital markets in which we fund our operations, the market values of consumer owned real estate throughout the United States, recession, employment and currency fluctuations;

- consumer perception of the availability of credit, including price competition in the market segments we target and the ramifications or

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ease of filing for personal bankruptcy;

. the effectiveness of models or programs to predict loan delinquency or loss and initiatives to improve collections in all business areas;

. continued consumer acceptance of our distribution systems and demand for our loan or insurance products;

. changes associated with, as well as the difficulty in integrating systems, operational functions and cultures, as applicable, of any organization or portfolio acquired by Household;

. a reduction of our short-term debt ratings by any of the nationally recognized statistical rating organizations that rate these instruments to a level that is below our current rating;

. the costs, effects and outcomes of regulatory reviews or litigation relating to our nonprime loan receivables or the business practices of any of our business units, including, but not limited to, additional compliance requirements;

. the costs, effects and outcomes of any litigation matter that is determined adversely to Household or its businesses;

. the ability to attract and retain qualified personnel to support the underwriting, servicing, collection and sales functions of our businesses;

. uncertainty with respect to the completion of the above referenced reaudit of the consolidated financial information of Household within the time period expected, including whether any further adjustments may be required;

. acceptance of the market place of our debt and equity to fund our businesses during the period prior to the issuance of the restated audited financial information and thereafter; and

. the inability of Household to manage any or all of the foregoing risks as well as anticipated.

We monitor our operations and evaluate trends on a managed basis which assumes that securitized receivables have not been sold and are still on our balance sheet. We manage our operations on a managed basis because the receivables that we securitize are subjected to underwriting standards comparable to our owned portfolio, are serviced by operating personnel without regard to ownership and result in a similar credit loss exposure for us. In addition, we fund our operations, review our operating results and make decisions about allocating resources such as employees and capital on a managed basis. See Note 12, "Segment Reporting," to the accompanying condensed consolidated financial statements for additional information related to our results on a managed basis.

The following discussion of our financial condition and results of operations is presented on an owned basis of reporting unless specifically noted. On an owned basis of reporting, net interest margin,

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provision for credit losses and fee income resulting from securitized receivables are included as components of securitization revenue.

OPERATIONS SUMMARY AND TRENDS

.. Our net income for the second quarter of 2002 increased 20 percent to $507.4 million, from $423.3 million a year ago. Net income for the first six months of 2002 was $998.4 million, compared to $828.8 million in the year-ago period. Diluted earnings per share was $1.07 in the second quarter and $2.11 for the first six months of 2002, compared to $.90 and $1.75 in the same periods in 2001. Our improved results were due to significant receivable and revenue growth. Partially offsetting the revenue growth were higher operating expenses as a result of portfolio growth and higher credit loss provision due to the economic environment. We anticipate that our cost of funds may increase during any period where we cannot fully access the global capital markets due to our lack of audited financial statements. Our credit loss provision was greater than charge-offs by $85.3 million in the current quarter and $289.6 million for the first six months of 2002. In addition, our year-to-date earnings included higher revenues from our tax refund lending business which contributed $.19 to our first quarter earnings per share, an increase of 27 percent over the $.15 contribution in the first quarter of 2001.

.. In the first half of the year, we took a number of steps as part of our liquidity management plans which reduced our reliance on short-term debt and strengthened our position against market induced volatility. These steps included establishing a $4.5 billion investment security liquidity portfolio, issuing long-term debt which lengthened the term of our funding, establishing $6 billion in incremental conduit capacity and issuing securities backed by dedicated home equity loan receivables of $2.8 billion. We intend to maintain, and may grow, our investment security liquidity portfolio to protect us from any liquidity concerns. This action may adversely impact our net earnings due to the lower return generated by these assets.

As we will not have audited financial statements until on or about August 31, 2002, our access to traditional funding sources through registered public offerings will be limited until September. Pending the completion of

the audit, we will suspend the issuance of unsecured debt and equity securities under our applicable shelf registrations. In any case, no significant issuances had been planned until September, 2002. We believe we have adequate sources of liquidity to continue to operate until audited financial statements have been prepared.

.. The regulatory environment in which we operate has been very challenging. As a result of the agitation of consumer activists, state regulators, including attorney generals, have requested information with respect to the policies, procedures and practices used by our consumer lending business in the origination of loans. We are in regular contact with these governmental agencies providing support for our business and responding to customer complaints. We believe state authorities will continue to target the nonprime and subprime credit market with new laws and regulations. We believe compliance with these new laws may increase our expenses and may reduce revenues. However, we do not expect that such compliance will have a material adverse affect on our business operations.

.. On July 22, 2002, the four federal bank regulatory agencies issued draft guidance for account management and loss allowance practices for credit card lending. The agencies have indicated that they intend to issue final guidance on August 16, 2002. As such, we do not yet know what the final form of the guidance will be. Based on the current draft, however, we do not expect the guidance to have a material adverse impact on our financial statements or the way we manage our business.

.. The New York Stock Exchange has recently adopted new corporate governance standards for all listed companies. Household currently meets and exceeds those standards. In addition, in the second quarter, we have adopted the fair value method of accounting for our stock options and employee stock purchase plans in 2002. Based on our historical issuances of stock options, we expect the impact of this change will not have a significant adverse affect on our future financial results.

.. The United States Congress is expected to consider the passage of a new bankruptcy bill. Although it should provide a more rationale approach to the consumer bankruptcy practice, if the bill is passed, we expect an increase in the number of personal bankruptcy filings during the period immediately prior to the effective date of the law. This action may cause our delinquency and charge-off ratios, foreclosures and related expenses to increase until the full effects of the legislation can be achieved.

SEGMENT RESULTS - MANAGED BASIS

Our Consumer segment reported net income of $363.5 million for the second quarter compared to $363.2 million in the year-ago quarter. Year-to-date, net income increased to $670.7 million compared to $641.6 million for the first six months of 2001. Net interest margin, fee income and other revenues increased $374.2 million, to $1.9 billion in the quarter and $811.0 million, to $3.9 billion year-to-date. Strong receivable growth and higher securitization activity, pursuant to our liquidity management plans, drove the increases. The higher revenues were partially offset by substantially higher credit loss provision and higher expenses. Our credit loss provision rose $317.3 million, to $841.5 million in the quarter and $661.0 million, to $1.8 billion year-to-date as a result of increased levels of receivables and the continued weak economy. We increased managed loss reserves by recording loss provision greater than charge-offs of $142.4 million in the quarter and $397.1 million year-to-date. Higher salary and operating expenses were the result of additional employees and operating costs to support the increased receivable levels, additional collectors and investments in the growth of our businesses. Managed receivables grew to $80.1 billion at June 30, 2002, from $77.0 billion at March 31, 2002 and $67.2 billion at June 30, 2001. The managed receivable growth was driven by growth in all products with the strongest growth in our real estate secured receivables. Return on average managed assets ("ROMA") was 1.81 and 1.68 percent in the second quarter and first six months of 2002 compared to 2.12 and 1.89 percent in the year-ago periods. The decline in the ratio reflects higher credit loss provision.

Our Credit Card Services segment reported improved results over the prior-year periods. Net income increased to $65.9 million for the second quarter compared to $36.7 million in the year-ago quarter. Year-to-date, net income increased to $143.3 million compared to $69.9 million for the first six months of 2001. The increase was due primarily to higher net interest margin, which increased $78.8 million, to $423.0 million in the quarter and $148.9 million, to $840.7 million year-to-date, as a result of higher receivable levels. Net interest margin as a percent of average receivables increased in both the quarter and year-to-date as a result of lower funding costs and pricing floors, which capped rate reductions on certain variable rate credit card products. Fee income decreased during both the quarter and year-to-date as improvements in early stage delinquency resulted in lower late fees. Revenue growth was partially offset by higher credit loss provision and higher operating expenses associated with the higher receivable levels. We increased managed loss reserves by recording loss provision greater than charge-offs of $16.3 million in the quarter and $80.8 million year-to-date. Managed receivables were $16.6 billion at June 30, 2002, $16.2 billion at March 31, 2002 and $15.8 billion at June 30, 2001. The increase in receivables during both the quarter and year reflects strong growth in our Household Bank branded base portfolio and controlled growth in our subprime portfolio. Our Union Privilege portfolio also reported year-over-year

growth. ROMA was 1.50 and 1.63 percent in the second quarter and first six months of 2002 compared to .88 and .84 percent in the year-ago periods.

Our International segment also reported improved results over prior-year periods. Net income increased to $56.1 million for the second quarter compared to $34.8 million in the year-ago quarter. Year-to-date, net income was $81.9 million compared to $81.2 million for the first six months of 2001. Net interest margin dollars increased modestly in both the quarter and year-to-date. Average receivables were lower in both the quarter and year-to-date as a result of the fourth quarter 2001 sale of the $1 billion Goldfish credit card portfolio. However, higher yields and lower funding costs resulted in the higher net interest margin dollars. Increased securitization activity contributed to the increase in other revenues during both the quarter and year-to-date. Revenue growth was partially offset by a higher credit loss provision and higher operating expenses associated with our branch expansion efforts. We increased managed loss reserves by recording loss provision greater than charge-offs of $29.8 million in the quarter and $34.5 million year-to-date. Managed receivables were $7.6 billion at June 30, 2002, $7.0 billion at March 31, 2002 and $7.9 billion at June 30, 2001. Receivable balances reflect positive foreign exchange impacts of approximately $500 million during the quarter and $475 million compared to prior year. Compared to the prior-year quarter, growth in real estate secured and personal non-credit card receivables was more than offset by reductions in our MasterCard and Visa portfolio resulting from the fourth quarter 2001 Goldfish receivable sale. ROMA was 2.68 and 1.96 percent in the second quarter and first six months of 2002 compared to 1.57 and 1.85 percent in the year-ago periods. The increases were primarily attributable to securitization transactions in the second quarter of 2002 and lower asset levels.

BALANCE SHEET REVIEW

<TABLE>
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(All dollar amounts are stated in millions)	June 30, 2002	Increase (decrease) from prior year $	Increase (decrease) from prior year %	Increase (decrease) from prior quarter $	Increase (decrease) from prior quarter %
<S>	<C>	<C>	<C>	<C>	<C>
Real estate secured	$ 48,312.1	$ 9,711.4	25 %	$ 2,683.2	6%
Auto finance	2,362.6	323.6	16	(240.3)	(9)
MasterCard*/Visa*	6,880.7	(1,035.0)	(13)	(89.5)	(1)
Private label	10,827.1	497.1	5	138.7	1
Personal non-credit card (1)	14,272.6	1,960.7	16	1,059.6	8
Commercial and other	482.8	(74.7)	(13)	(8.3)	(2)
Total owned receivables	$ 83,137.9	$ 11,383.1	16 %	$ 3,543.4	4%

</TABLE>

(1) Personal non-credit card receivables are comprised of the following:

<TABLE>
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(In millions)	June 30, 2002	March 31, 2002	June 30, 2001
<S>	<C>	<C>	<C>
Domestic personal unsecured	$ 6,710.3	$ 6,379.2	$ 6,364.4
Union Plus personal unsecured	1,193.7	1,065.0	894.3
Personal homeowner loans	4,393.2	4,055.0	3,690.9
Foreign unsecured	1,975.4	1,713.8	1,362.3
Total personal non-credit card	$ 14,272.6	$ 13,213.0	$ 12,311.9

</TABLE>

* MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of Visa USA, Inc.

Receivables growth was a key contributor to our improved results. To support capital levels and maintain acceptable debt ratings, we expect to control receivable growth with portfolio sales for the remainder of 2002. In this manner, we do not anticipate our business operations will be adversely affected.

Compared to June 30, 2001, owned receivables increased $11.4 billion, or 16 percent, to $83.1 billion. Receivable growth was strongest in our real estate secured portfolio, which increased 25 percent over the June 2001 level and was balanced between our branch-based consumer lending business and our mortgage services business. This growth was partially offset by the sale of approximately $900 million in whole loans by our mortgage services business in March 2002 pursuant to our liquidity management plans. Our auto finance business increased receivables $324 million, or 16 percent while maintaining consistent underwriting criteria. A strong and

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rational market, larger sales force, increased dealer penetration and strong Internet originations contributed to the growth in auto finance receivables. In our MasterCard and Visa portfolio, growth in our Union Privilege, subprime and Household Bank branded base portfolios, was more than offset by the December 2001 sale of the $1 billion Goldfish portfolio in the United Kingdom and higher

securitization levels. Private label receivables increased 5 percent to $10.8 billion primarily as a result of organic growth from existing merchants and a $725 million portfolio acquisition in the fourth quarter of 2001. Personal non-credit card receivables increased 16 percent to $14.3 billion with the strongest rate of growth in our prime-based Union Plus personal unsecured portfolio. Our branches also generated strong personal non-credit card growth, especially in our personal homeowner loan portfolio which grew at a rate almost four times faster than that of our domestic personal unsecured portfolio. Receivable growth was partially offset by securitization activity. During the twelve months ended June 30, 2002, we securitized $7.6 billion of receivables including $3.0 billion of auto finance receivables, $1.3 billion of MasterCard and Visa receivables, $1.0 billion of private label receivables and $2.3 billion of personal non-credit card receivables.

Compared to March 31, 2002, receivables grew $3.5 billion or an annualized 18 percent. Growth in real estate secured and personal non-credit card receivables was the result of good consumer demand which generated strong volume in our branch-based consumer lending and mortgage services businesses. In our auto finance and MasterCard and Visa portfolios, receivable growth was more than offset by higher securitization levels. During the second quarter, we securitized $1.9 billion of receivables including $925.0 million of auto finance receivables, $613.4 million of MasterCard and Visa receivables and $450.0 million of personal non-credit card receivables.

Owned consumer two-months-and-over contractual delinquency as a percent of owned consumer receivables was 4.61 percent at June 30, 2002, compared with 4.77 percent at March 31, 2002 and 4.48 percent at June 30, 2001. The annualized consumer owned charge-off ratio in the second quarter of 2002 was 3.76 percent, compared with 3.61 percent in the prior quarter and 3.26 percent in the year-ago quarter.

LIQUIDITY AND CAPITAL RESOURCES

Our ratio of tangible equity to tangible managed assets of 7.94 percent at June 30, 2002 was substantially higher than the 7.57 percent level at December 31, 2001. Compared to March 31, 2002, the ratio decreased 16 basis points. The March ratio was impacted by the timing of a $400 million, 7.60 percent cumulative preferred stock issuance. As a result of our restatement and its impact on our capital position, we have committed to increase our capital levels to a target of 8.50 percent by December 31, 2002. This level is higher than our current stated target of 8.00 to 8.25 percent. Initiatives to achieve this target will include suspension of our stock buy-back program, portfolio sales to control growth and issuance of capital securities as necessary. We do not believe this capital plan will materially impact our business operations or future prospects.

We purchased 966,000 shares of our common stock for a total of $60 million during the quarter and 2.6 million shares for a total of $160 million during the first six months of 2002. The amount of shares we repurchase is based on market conditions, other investment opportunities for growth and capital targets.

We accessed the debt capital markets in accordance with our customary funding plans with a goal to reduce dependence on the potentially volatile commercial paper markets. Commercial paper, bank and other borrowings decreased $4.1 billion from March 31, 2002 and $8.4 billion from year-end 2001 to $3.6 billion at June 30, 2002 as we took advantage of the current low interest rate environment for long-term debt. We expect outstanding commercial paper to increase in future quarters. Senior and senior subordinated debt (with original maturities over one year) increased to $73.3 billion from $56.8 billion at year-end.

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Pending the completion of the audit, we will suspend the issuance of unsecured debt and equity securities under our applicable shelf registrations. In any case, no significant issuances had been planned until September, 2002. We believe we have adequate sources of liquidity which are available to support the temporary loss of this funding.

In the first half of the year, we took a number of steps to reduce our reliance on short-term debt to strengthen our protection against market induced volatility. These steps included the following:

.. At June 30, 2002, our investment security liquidity portfolio totaled $4.5 billion, a $3.5 billion increase over March 31, 2002.

.. We issued senior debt with original maturities greater than 5 years of $3.6 billion in the quarter and $6.8 billion year-to-date. These issuances reduced our reliance on short-term debt in the currently volatile debt markets. During the current quarter, we issued (euro)3 billion in Euro bonds and $2.5 billion in U.S. dollar-denominated global debt. During the first quarter of 2002, we issued (pound)500 million of 10-year debt to investors in the U.K. and $2.5 billion in U.S. dollar-denominated global debt.

.. We continued to actively access the securitization market as part of liquidity management actions to limit reliance on short-term unsecured debt in potentially volatile markets. The composition of receivables securitized (excluding replenishments of certificateholder interests) was as follows:

<TABLE>
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	Three months ended June 30,		Six months ended June 30,	
(In millions)	2002	2001	2002	2001

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<S>

	<C>	<C>	<C>	<C>
Auto finance	$ 925.0	$ 595.0	$ 1,350.0	$ 973.8
MasterCard/Visa	613.4	78.0	1,213.4	151.2
Private label	--	--	500.0	--
Personal non-credit card	450.0	698.6	1,352.7	1,148.6
Total	$ 1,988.4	$ 1,371.6	$ 4,416.1	$ 2,273.6

</TABLE>

.. We established $6 billion in incremental conduit capacity (including $1 billion established in the second quarter) for our real estate secured product. Consistent with previous transactions, draws on these facilities are structured as secured financings for accounting purposes. At June 30, 2002, our undrawn conduit lines totaled $6.7 billion and included $5.5 billion of undrawn capacity on the real estate lines put in place in 2002.

.. We issued securities backed by dedicated home equity loan receivables of $1.3 billion in the second quarter of 2002 and $2.8 billion year-to-date. For accounting purposes, these transactions were structured as secured financings. Therefore, the receivables and the related debt remain on our balance sheet. As of June 30, 2002, closed-end real estate secured receivables totaling $4.3 billion secured $3.8 billion of outstanding debt related to these transactions. At December 31, 2001, closed-end real estate secured receivables totaling $1.7 billion secured $1.5 billion of outstanding debt related to these transactions.

.. We sold approximately $900 million in real estate secured loans that were held by our mortgage services business during the first quarter of 2002.

Securitizations and secured financings of consumer receivables have been, and will continue to be, a source of liquidity for us. In a securitization, a designated pool of consumer receivables, typically MasterCard or Visa credit card, private label credit card, personal non-credit card or auto finance, is removed from the balance sheet and transferred to an unaffiliated trust that is a qualifying special purpose entity ("QSPE") as defined by Statement of Financial Accounting Standards No. 140 ("FAS No. 140") and therefore is not consolidated. Under the terms of the securitizations, we receive annual servicing fees on the outstanding balance of the securitized receivables and the rights to future residual cash flows on

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the sold receivables after the investors receive their contractual return. The estimated present value of these rights to future residual cash flows are recorded on our balance sheet at the time of sale as interest-only strip receivables, net of our recourse obligation to investors for failure of debtors to pay. Cash flows related to the interest-only strip receivables and servicing the receivables are collected over the life of the underlying securitized receivables.

In a secured financing, a designated pool of receivables, typically real estate secured, are transferred to a wholly-owned special purpose subsidiary which assigns the receivables to a trust which sells interests to investors. Repayment of the debt issued by the trust is secured by the receivables transferred. The transactions are structured as secured financings under FAS No. 140. Therefore, the receivables and the underlying debt of the trust remain on our balance sheet. Using this source of funding results in similar operating results and cash flows as issuing debt through alternative funding sources.

Our securitized receivables totaled $22.3 billion at June 30, 2002, compared to $20.9 billion at December 31, 2001. We believe the market for securities backed by receivables is a reliable, efficient and cost-effective source of funds. At June 30, 2002, securitizations represented 21 percent of the funding associated with our managed portfolio compared to 23 percent a year earlier. We believe we will be able to continue to access this market throughout 2002.

Regulatory Matters

Our banking subsidiaries are subject to the capital adequacy guidelines adopted by the Office of Thrift Supervision ("OTS"), Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") and are well capitalized. In the first quarter of 2002 we made capital contributions to our banking subsidiaries of approximately $1.2 billion in response to the 2001 Guidance for Subprime Lending Programs issued by the OTS, OCC and FDIC. We currently do not anticipate the need for significant additional capital contributions to our banking subsidiaries. On July 1, 2002 we combined all of our credit card banks into a single credit card banking subsidiary of Household Finance Corporation. We believe the combination of the banks will streamline and simplify our regulatory process as well as optimize capital and liquidity management. As part of this combination, we confirmed our financial support for our credit card bank and have designated approximately half of our $4.5 billion liquidity investment security portfolio to enhance liquidity in this subsidiary.

State regulatory agencies, including the attorney generals of certain states, have been focusing on the origination policies, procedures and practices of our consumer lending business. We have responded to all customer complaints brought to us by these authorities and believe those that may be valid have been limited to isolated situations. We expect that these complaints, which are part of an organized effort by certain consumer activists, will continue to be a focus for regulatory authorities as long as there is an effort to induce industry-wide changes for certain practices that are common in the nonprime consumer lending industry. These practices include the imposition of prepayment

penalties and mandatory arbitration clauses. We intend to continue to support these practices as they are a justifiable and reasonable business practice.

RESULTS OF OPERATIONS

Unless noted otherwise, the following discusses amounts reported in our owned basis statements of income.

Net interest margin: Net interest margin on an owned basis was $1.6 billion for the second quarter of 2002, up 18 percent from $1.4 billion for the prior-year quarter. Net interest margin on an owned basis for the first six months of 2002 was $3.2 billion, up from $2.7 billion in the prior-year period. The increases were primarily due to receivables growth and lower funding costs resulting from easing in United States monetary policy in 2001.

<PAGE>

Net interest margin as a percent of average owned interest-earning assets, annualized, was 7.62 percent in the quarter and 7.72 percent in the first six months of 2002, compared to 7.74 and 7.63 percent in the year ago periods. The decrease in the quarter was due to an increase in the percentage of real estate secured receivables in our portfolio as well as a larger liquidity-related investment portfolio. Both real estate secured receivables and the liquidity-related investment portfolio have lower margins than our other products. These reductions were partially offset by lower funding costs.

Our net interest margin on a managed basis includes finance income earned on our owned receivables as well as on our securitized receivables. This finance income is offset by interest expense on the debt recorded on our balance sheet as well as the contractual rate of return on the instruments issued to investors when the receivables were securitized. Managed basis net interest margin increased $400 million, to $2.3 billion in the second quarter of 2002, and $840 million, to $4.5 billion year-to-date, primarily due to higher receivable levels and an expanded margin.

Net interest margin as a percent of average managed interest-earning assets, annualized, was 8.55 percent in the current quarter and 8.64 percent in the first six months of 2002, compared to 8.27 and 8.21 percent in the year-ago periods. The net interest margin on a managed basis is greater than on an owned basis because the managed basis portfolio includes relatively more auto finance, MasterCard and Visa and personal non-credit card loans, which have higher yields. Lower funding costs were the primary driver of the increased margin.

Provision for credit losses The provision for credit losses for receivables for the second quarter of 2002 totaled $850.9 million, compared to $657.1 million in the prior-year quarter. The provision for the first six months of 2002 was $1.8 billion, compared to $1.4 billion in the year-ago period. The provision as a percent of average owned receivables, annualized, was 4.15 percent in the second quarter of 2002, compared to 3.71 percent in the second quarter of 2001. We recorded owned loss provision greater than charge-offs of $85.3 million during the second quarter and $289.6 million during the first six months of 2002. Receivables growth, increases in personal bankruptcy filings and uncertainty as to the timing and extent of an economic recovery contributed to a higher provision. The provision for credit losses may vary from quarter to quarter, depending on the product mix and credit quality of loans in our portfolio. See Note 4, "Credit Loss Reserves" to the accompanying condensed consolidated financial statements for further discussion of factors affecting the provision for credit losses.

Other revenues Total other revenues were $1.0 and $2.2 billion for the second quarter and first six months of 2002, compared to $867.4 million and $1.8 billion for the same periods in 2001 and included the following:

<TABLE>
<CAPTION>

(In millions)	Three months ended June 30, 2002	Three months ended June 30, 2001 (RESTATED)	Six months ended June 30, 2002	Six months ended June 30, 2001 (RESTATED)
<S>	<C>	<C>	<C>	<C>
Securitization revenue	$ 523.4	$ 397.4	$ 1,041.7	$ 800.5
Insurance revenue	177.5	159.3	347.6	317.9
Investment income	44.0	37.8	90.2	79.6
Fee income	190.3	223.5	406.8	435.6
Other income	95.3	49.4	283.3	211.1
Total other revenues	$ 1,030.5	$ 867.4	$ 2,169.6	$1,844.7

</TABLE>

Securitization revenue is the result of the securitization of our receivables and includes initial and replenishment gains on sale, net of our estimate of probable credit losses under the recourse provisions, as well as servicing revenue and excess spread. Securitization revenue was $523.4 million and $1.0 billion for the second quarter and first six months of 2002, compared to $397.4 and $800.5 million for the same periods in 2001. The increases were due to higher average securitized receivables as well as increases in the level of receivables securitized during both the quarter and year-to-date. Securitization

<PAGE>

HHT 0017128

revenue will vary each period based on the level and mix of receivables securitized in that particular period (which will impact the gross initial gains and related estimated probable credit losses under the recourse provisions). It is also affected by the overall level and mix of previously securitized receivables (which will impact servicing revenue and excess spread). The estimate for probable credit losses for securitized receivables is also impacted by the level and mix of current period securitizations because, depending upon loss estimates and severities, securitized receivables with longer lives may result in higher over-the-life losses than receivables securitized with shorter lives.

Securitization revenue included the following:

<TABLE>
<CAPTION>

(In millions)	Three months ended June 30, 2002	Three months ended June 30, 2001 (RESTATED)	Six months ended June 30, 2002	Six months ended June 30, 2001 (RESTATED)
<S>	<C>	<C>	<C>	<C>
Net initial gains	$ 73.8	$ 39.9	$ 148.2	$ 66.2
Net replenishment gains	127.0	102.6	251.2	197.6
Servicing revenue and excess spread	322.6	254.9	642.3	536.7
Total	$ 523.4	$ 397.4	$ 1,041.7	$ 800.5

</TABLE>

The increase (decrease) in our interest-only strip receivables was $29.8 and $58.8 million in the second quarter and first six months of 2002 compared to $(2.5) and $1.0 million in the year-ago periods. These changes are net of the related loss reserve and exclude the mark-to-market adjustment recorded in accumulated other comprehensive income.

Insurance revenue was $177.5 and $347.6 million in the second quarter and first six months of 2002 compared to $159.3 and $317.9 million in the year-ago periods. The increases reflected increased sales on a larger receivable portfolio.

Investment income, which includes interest income on investment securities in the insurance business as well as realized gains and losses from the sale of investment securities, was $44.0 and $90.2 million in the second quarter and first six months of 2002 compared to $37.8 and $79.6 million in the year-ago periods. The increases were primarily due to higher interest income, primarily resulting from higher average investment balances, partially offset by lower yields.

Fee income, which includes revenues from fee-based products such as credit cards, was $190.3 and $406.8 million in the second quarter and first six months of 2002, compared to $223.5 and $435.6 million in the year-ago periods. Improvements in early stage delinquencies resulted in lower late fees in our credit card businesses. The fourth quarter 2001 sale of the $1 billion Goldfish credit card portfolio in the U.K. also contributed to the decreases.

See Note 12, "Segment Reporting," to the accompanying condensed consolidated financial statements for additional information on fee income on a managed basis.

Other income, which includes revenue from our tax refund lending business, was $95.3 and $283.3 million in the second quarter and first six months of 2002 compared to $49.4 and $211.1 million in the prior-year periods. Higher revenues, including higher collections, from our seasonal tax refund lending business as well as increased revenues from our mortgage banking subsidiary drove the increases in other income.

Expenses Total costs and expenses for the second quarter and first six months of 2002 were $1.1 and $2.1 billion compared to $951.4 million and $1.9 billion in the comparable prior-year periods. The

<PAGE>

increases were driven by higher compensation and other expenses to support our growing portfolio. Our owned basis efficiency ratio was 37.5 and 37.3 percent in the second quarter and first six months of 2002 compared to 40.3 and 40.1 percent in the comparable prior-year periods.

Total costs and expenses included the following:

<TABLE>
<CAPTION>

(In millions)	Three months ended June 30, 2002	Three months ended June 30, 2001 (RESTATED)	Six months ended June 30, 2002	Six months ended June 30, 2001 (RESTATED)
<S>	<C>	<C>	<C>	<C>
Salaries and fringe benefits	$ 453.0	$ 387.2	$ 898.3	$ 764.8
Sales incentives	67.6	73.6	121.7	128.1
Occupancy and equipment expense	93.3	83.7	185.5	167.2
Other marketing expenses	133.5	121.8	273.9	250.5
Other servicing and administrative expenses	204.1	173.0	435.8	368.7
Amortization of acquired intangibles and goodwill	12.6	39.0	32.4	79.6
Policyholders' benefits	87.4	73.1	171.4	150.6

Total costs and expenses	$ 1,051.5	$ 951.4	$ 2,119.0	$ 1,909.5

</TABLE>

Salaries and fringe benefits for the second quarter and first six months of 2002 were $453.0 and $898.3 million compared to $387.2 and $764.8 million in the second quarter and first six months of 2001. The increases were primarily due to additional staffing at all businesses to support growth including sales, collections and service quality.

Sales incentives for the second quarter and first six months of 2002 were $67.6 and $121.7 million compared to $73.6 and $128.1 million in the comparable prior-year periods. The decreases were due to the implementation of 2002 incentive plans in our branches which, generally, have higher volume requirements than the prior-year plans.

Occupancy and equipment expense for the second quarter and first six months of 2002 was $93.3 and $185.5 million compared to $83.7 and $167.2 million in the comparable prior-year periods. The increases were primarily the result of higher repairs and maintenance costs.

Other marketing expenses for the second quarter and first six months of 2002 were $133.5 and $273.9 million compared to $121.8 and $250.5 million in the comparable prior-year periods. The increases were primarily due to increased credit card marketing initiatives, primarily in our domestic MasterCard and Visa portfolios.

Other servicing and administrative expenses for the second quarter and first six months of 2002 were $204.1 and $435.8 million compared to $173.0 and $368.7 million in the comparable prior-year periods. The increases were primarily due to higher collection, REO, legal and consulting expenses.

Amortization of acquired intangibles and goodwill for the second quarter and first six months of 2002 was $12.6 and $32.4 million compared to $39.0 and $79.6 million in the comparable prior-year periods. The decreases were primarily attributable to the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", on January 1, 2002. Amortization of goodwill recorded in past business combinations ceased upon adoption of the new accounting statement.

<PAGE>

Policyholders' benefits for the second quarter and first six months of 2002 were $87.4 and $171.4 million compared to $73.1 and $150.6 million in the comparable prior-year periods. The increases are consistent with the increase in insurance revenues resulting from the increased policy sales.

CREDIT LOSS RESERVES

Our consumer credit management policies focus on product type and specific portfolio risk factors. Our consumer credit portfolio is diversified by product and geographic location. See Note 3, "Receivables" in the accompanying condensed consolidated financial statements for receivables by product type and Note 4, "Credit Loss Reserves," for our credit loss reserve methodology and an analysis of changes in the credit loss reserves.

The following table sets forth owned basis credit loss reserves for the periods indicated:

<TABLE>
<CAPTION>

(All dollar amounts are stated in millions)	June 30, 2002	March 31, 2002	June 30, 2001
<S>	<C>	<C>	<C>
Owned credit loss reserves	$ 2,983.3	$ 2,876.6	$ 2,376.5
Reserves as a percent of:			
Receivables	3.59%	3.61%	3.31%
Net charge-offs (1)	97.4	100.1	103.7
Previous 12-months' net charge-offs	106.9	110.8	114.8
Nonperforming loans	96.0	92.7	91.0

</TABLE>
(1) Quarter-to-date, annualized

Reserves as a percentage of receivables at June 30, 2002 reflect continuing uncertainty as to the ultimate impact the weak economy will have on charge-off and delinquency levels. Compared to March 31, 2002, reserve levels also reflect lower delinquency.

For securitized receivables, we also record a provision for estimated probable losses that we expect to incur under the recourse provisions. The following table sets forth managed credit loss reserves for the periods indicated:

<TABLE>
<CAPTION>

(All dollar amounts are stated in millions)	June 30, 2002	March 31, 2002	June 30, 2001
<S>	<C>	<C>	<C>
Managed credit loss reserves	$ 4,368.9	$ 4,146.5	$ 3,456.5
Reserves as a percent of:			
Receivables	4.14%	4.10%	3.78%
Net charge-offs (1)	100.0	100.5	104.2
Previous 12-months' net charge-offs	110.4	112.2	113.9

Nonperforming loans	112.4	108.3	109.9

</TABLE>
(1) Quarter-to-date, annualized

Managed basis reserve ratios are somewhat higher than comparable owned basis ratios because our managed portfolio includes a lower percentage of real estate secured receivables, which historically have had lower credit losses than our other products.

CREDIT QUALITY

<PAGE>

Delinquency - Owned Basis

Two-Months-and-Over Contractual Delinquency (as a percent of consumer receivables):

<TABLE>
<CAPTION>

<S>	June 30, 2002 <C>	March 31, 2002 <C>	June 30, 2001 <C>
Real estate secured	2.78%	2.88%	2.59%
Auto finance	2.99	2.04	2.35
MasterCard/Visa	6.13	6.54	4.80
Private label	6.19	6.33	6.54
Personal non-credit card	9.12	9.60	8.79
Total Owned	4.61%	4.77%	4.48%

</TABLE>

Compared to the previous quarter, all products except auto finance reported lower delinquencies which was well within our expectations. The biggest improvement was in our MasterCard and Visa portfolio especially in the subprime portfolio. The sequential increase in auto finance delinquency is consistent with historical seasonal trends.

Compared to a year ago, the weakened economy negatively affected delinquency rates for all products. These increases were partially offset in our real estate secured and personal non-credit card portfolios and more than offset in our private label portfolio by improved collections. The improved collections were a direct result of increasing the size of our collection staff, especially in our branch network.

Net Charge-offs of Consumer Receivables - Owned Basis

Net Charge-offs of Consumer Receivables (as a percent, annualized, of average consumer receivables):

<TABLE>
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<S>	June 30, 2002 <C>	March 31, 2002 <C>	June 30, 2001 <C>
Real estate secured	.85%	.65%	.48%
Auto finance	4.80	5.63	3.26
MasterCard/Visa	9.94	9.73	8.33
Private label	5.86	6.25	5.25
Personal non-credit card	8.59	7.71	6.84
Total Owned	3.76%	3.61%	3.26%
Real estate charge-offs and REO expense as a percent of average real estate secured receivables	1.23%	1.05%	.78%

</TABLE>

The weak economy drove the increase in charge-off ratios over both the previous and prior year quarters. These increases were consistent with our expectations. Higher bankruptcy charge-offs, contributed to increases in the charge-off ratios for our real estate secured, MasterCard and Visa and personal non-credit card portfolios during the quarter. Charge-offs in our personal non-credit card portfolio increased more than our other products because our typical personal non-credit card customer is less resilient and, therefore, more exposed to the recent economic downturn. Improvements in our auto finance and private label portfolios during the quarter were primarily attributable to reductions in bankruptcy charge-offs. The auto finance ratio also reflects positive seasonal trends.

Compared to the prior-year quarter, our net charge-off ratio increased 50 basis points, primarily due to the weak economy. These increases were partially offset by improved collections in our real estate secured, private label and personal non-credit card portfolios as a direct result of increasing the size of our collection staff, especially in our branch network.

The increases in real estate charge-offs and REO expense as a percent of average real estate secured receivables were the result of the seasoning of our portfolios, higher loss severities, especially in second lien mortgages, and higher bankruptcy filings.

HHT 0017131

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OWNED NONPERFORMING ASSETS

<TABLE>
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(In millions)	June 30, 2002	March 31, 2002	June 30, 2001
<S>	<C>	<C>	<C>
Nonaccrual receivables	$ 2,356.4	$ 2,261.0	$ 1,855.2
Accruing consumer receivables 90 or more days delinquent	750.6	839.3	743.6
Renegotiated commercial loans	1.4	1.3	12.3
Total nonperforming receivables	3,108.4	3,101.6	2,611.1
Real estate owned	456.7	459.4	365.2
Total nonperforming assets	$ 3,565.1	$ 3,561.0	$ 2,976.3
Credit loss reserves as a percent of nonperforming receivables	96.0%	92.7%	91.0%

</TABLE>

REAGE STATISTICS - MANAGED BASIS

Our credit policies for consumer loans permit the reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationships and ensure maximum collections. The tables below summarize reaging statistics in our managed basis domestic portfolio as of June 30, 2002 and December 31, 2001.

<TABLE>
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Total Reaged by Reage Period - Domestic Portfolio (Managed Basis)	June 30, 2002	December 31, 2001
<S>	<C>	<C>
Never reaged	83.3%	83.1%
Reaged:		
Reaged in the last 6 months	7.4	9.0
Reaged in the last 7-12 months	5.1	3.6
Previously reaged	4.2	4.3
Total ever reaged	16.7	16.9
Total	100.0%	100.0%

Total Reaged by Product - Domestic Portfolio (Managed Basis)	June 30, 2002	December 31, 2001
Real estate secured	19.1%	20.0%
Auto finance	15.9	15.0
MasterCard/Visa	3.4	3.2
Private label	10.5	11.1
Personal non-credit card	27.1	27.2
Total	16.7%	16.9%

</TABLE>

The percentage of our domestic, managed basis portfolio which has ever been reaged at June 30, 2002 has declined slightly compared to December 31, 2001.

<PAGE>

Item 4. Submission of Matters to a Vote of Security Holders

Our Annual Meeting of Stockholders was held on Tuesday, May 14, 2002, for the purpose of (1) electing directors; (2) voting on a shareholder proposal relating to a special executive compensation review; and (3) ratifying the appointment of KPMG LLP as our public accountants. The voting results were as follows:

Each of the following persons received the number of votes set out after his or her name and were elected directors to hold office for the ensuing year and until their successors shall be elected and shall qualify:

	FOR	WITHHELD
W. F. Aldinger	404,175,073	4,281,846
R. J. Darnall	404,100,255	4,356,663
G. G. Dillon	394,433,513	14,023,405
A. Disney	404,144,851	4,312,067
J. Edwardson	402,307,350	6,149,568
J. D. Fishburn	396,204,192	12,252,726
C. F. Freidheim, Jr.	404,149,414	4,307,504
J. H. Gilliam, Jr.	404,141,110	4,315,809
L. E. Levy	400,555,121	7,901,797
G. A. Lorch	404,090,054	4,366,864

J. D. Nichols	404,078,248	4,378,670
J. B. Pitblado	402,302,758	6,154,160
L. M. Renda	402,273,817	6,183,101
S. J. Stewart	404,212,179	4,244,739

The stockholder proposal relating to a special executive compensation review was defeated by the following vote:

For	109,655,384
Against	249,372,306
Abstain	6,996,059
Broker non-vote	42,433,170

The appointment of KPMG LLP as our public accountants for the year 2002 was ratified by the following vote:

For	396,739,945
Against	9,931,063
Abstain	1,785,911

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<PAGE>

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

12 Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.

99.1 Debt and Preferred Stock Securities Ratings.

99.2 Certification of Chief Executive Officer.

99.3 Certification of Chief Financial Officer.

99.4 Restated Form 10-K of Household International, Inc. for the year ended December 31, 2001, which contains unaudited consolidated financial information and will amend and supplement the Form 10-K of Household International, Inc. for the year ended December 31, 2001 that was filed with the Securities and Exchange Commission on March 13, 2002.

99.5 Letter from KPMG LLP re: Statement of Auditing Standards Number 71.

(b) Report on Form 8-K

During the second quarter of 2002, we filed the following Current Reports on Form 8-K:

. Report filed April 8, 2002 with respect to the 2001 financial and statistical review ("factbook") containing certain financial detail with respect to Household International, Inc. and certain of our subsidiaries.

. Report filed April 9, 2002 with respect to presentations to investors at our annual Financial Relations Conference.

. Report filed April 17, 2002 with respect to the press release pertaining to our financial results for the quarter ended March 31, 2002.

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<PAGE>

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOUSEHOLD INTERNATIONAL, INC.

(Registrant)

Date: August 14, 2002

By: /s/ David A. Schoenholz

David A. Schoenholz
President -
Chief Operating Officer (also as principal financial officer)
and on behalf of
Household International, Inc.

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<PAGE>

Exhibit Index

12 Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.

99.1 Debt and Preferred Stock Securities Ratings.

99.2 Certification of Chief Executive Officer.

99.3 Certification of Chief Financial Officer.

99.4 Restated Form 10-K of Household International, Inc. for the year ended December 31, 2001, which contains unaudited consolidated financial information and will amend and supplement the Form 10-K of Household International, Inc. for the year ended December 31, 2001 that was filed with the Securities and Exchange Commission on March 13, 2002.

99.5 Letter from KPMG LLP re: Statement of Auditing Standards Number 71.

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EXHIBIT 12

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

<TABLE>
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(In millions)	Six months ended June 30, 2002	Six months ended June 30, 2001 (RESTATED)
Net income	$ 998.4	$ 828.8
Income taxes	504.2	440.1
Income before income taxes	1,502.6	1,268.9
Fixed charges:		
Interest expense (1)	1,917.2	2,168.7
Interest portion of rentals (2)	33.4	29.8
Total fixed charges	1,950.6	2,198.5
Total earnings as defined	$ 3,453.2	$ 3,467.4
Ratio of earnings to fixed charges	1.77	1.58
Preferred stock dividends (3)	$ 36.2	$ 7.1
Ratio of earnings to combined fixed charges and preferred stock dividends	1.74	1.57

</TABLE>

(1) For financial statement purposes, interest expense includes income earned on temporary investment of excess funds, generally resulting from over-subscriptions of commercial paper.

(2) Represents one-third of rentals, which approximates the portion representing interest.

(3) Preferred stock dividends are grossed up to their pre-tax equivalent based upon an effective tax rate of 33.6 percent for the six months ended June 30, 2002 and 34.7 percent for the same period in 2001.

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EXHIBIT 99.1

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

DEBT AND PREFERRED STOCK SECURITIES RATINGS

<TABLE>
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At June 30, 2002	Standard & Poor's Corporation	Moody's Investors Service	Fitch, Inc.
Household International, Inc.			
Senior debt	A	A3	A
Commercial paper	A-1	P-2	F-1
Preferred stock	BBB+	Baa2	A-
Household Finance Corporation			
Senior debt	A	A2	A
Senior subordinated debt	A-	A3	A-
Commercial paper	A-1	P-1	F-1
Household Bank, f.s.b.			
Senior debt	A	A2	A
Subordinated debt	A-	A3	A-
Certificates of deposit (long/short-term)	A/A-1	A2/P-1	A+/F-1
Bank notes	A-1	P-1	F-1
Household Bank plc			
Senior debt	A	A2	A
Commercial paper	A-1	P-1	NR

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NR - Not rated

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Exhibit 99.2

CERTIFICATION PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Household International, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, William F. Aldinger, Chairman and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William F. Aldinger

William F. Aldinger
Chairman and Chief Executive Officer
August 14, 2002

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Exhibit 99.3

CERTIFICATION PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Household International, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, David A. Schoenholz, President and Chief Operating Officer (as Principal Financial Officer) of the Company, certify pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David A. Schoenholz

David A. Schoenholz
President and Chief Operating Officer
August 14, 2002

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Exhibit 99.4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

RESTATED UNAUDITED FORM 10-K

(Mark One)

<TABLE>
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[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
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For the fiscal year ended December 31, 2001

OR

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[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
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For the transition period from__________ to__________

Commission file number 1-8198

Household International, Inc.
(Exact name of registrant as specified in its charter)

<TABLE>
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Delaware	36-3121988
(State of incorporation)	(I.R.S. Employer Identification No.)
2700 Sanders Road Prospect Heights, Illinois	60070
(Address of principal executive offices)	(Zip Code)

</TABLE>

Registrant's telephone number, including area code: (847) 564-5000
Securities registered pursuant to Section 12(b) of the Act:

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Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	New York Stock Exchange and Chicago Stock Exchange
Series A Junior Participating Preferred Stock Purchase Rights (attached to and transferable only with the Common Stock)	New York Stock Exchange
5% Cumulative Preferred Stock	New York Stock Exchange
$4.50 Cumulative Preferred Stock	New York Stock Exchange
$4.30 Cumulative Preferred Stock	New York Stock Exchange
Depositary Shares (each representing one-fortieth share of 8 1/4% Cumulative Preferred Stock, Series 1992-A, no par, $1,000 stated value)	New York Stock Exchange
Depositary Shares (each representing one-fortieth share of 7.50% Cumulative Preferred Stock, Series	

2001-A, no par, $1,000 stated value)	New York Stock Exchange
Guarantee of 8.25% Preferred Securities of Household Capital Trust I	New York Stock Exchange
Guarantee of 7.25% Preferred Securities of Household Capital Trust IV	New York Stock Exchange
Guarantee of 10.00% Preferred Securities of Household Capital Trust V	New York Stock Exchange
Guarantee of 8.25% Preferred Securities of Household Capital Trust VI	New York Stock Exchange
Guarantee of 7.50% Preferred Securities of Household Capital Trust VII	New York Stock Exchange

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Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting common stock held by nonaffiliates of the registrant at March 8, 2002 was approximately $27.347 billion. The number of shares of the registrant's common stock outstanding at March 8, 2002 was 456,539,863.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's 2001 Annual Report to Shareholders for the fiscal year ended December 31, 2001: Parts I, II and IV.

Certain portions of the registrant's definitive Proxy Statement for its 2002 Annual Meeting of Stockholders: Part III.

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PART I.

Item 1. Business.

General

Household International, Inc. (''Household'') is principally a non-operating holding company. Household's subsidiaries primarily provide middle-market consumers with several types of loan products in the United States, the United Kingdom and Canada. Household and its subsidiaries (including the operations of Beneficial Corporation (''Beneficial'') which we acquired in 1998) may also be

referred to in this Form 10-K as ''we,'' ''us'' or ''our.'' We offer real estate secured loans, auto finance loans, MasterCard/*/ and Visa/*/ credit cards, private label credit cards, tax refund anticipation loans, retail installment sales finance loans and other types of unsecured loans, as well as credit and specialty insurance products. At December 31, 2001, we had approximately 32,000 employees and over 50 million active customer accounts.

Household was created as a holding company in 1981 as a result of a shareholder approved restructuring of Household Finance Corporation (''HFC''), which was established in 1878. Our operational focus is on those areas of consumer financial services that we believe offer us the best opportunity to achieve appropriate risk-adjusted returns on our capital. From late 1994 through 1997 we exited from several businesses that were providing insufficient returns on our investment, such as our first mortgage origination and servicing business in the United States and Canada, our individual life and annuity business, our consumer branch banking business, and our student loan business. Since 1997 we have:

- strengthened our branch-based consumer lending operation and private label credit card businesses with selected acquisitions, including Transamerica Financial Services Holding Company in 1997 and Beneficial in 1998;
- expanded into the United States nonprime auto lending industry, principally with the acquisition of ACC Consumer Finance Corporation in 1997;
- repositioned our United States MasterCard and Visa credit card business to de-emphasize undifferentiated credit card programs and focus on co-branded and affinity relationships. In addition, we initiated secured and unsecured credit card programs to target nonprime consumers through the acquisition of Renaissance Holdings, Inc. in 2000;
- developed additional distribution channels for our products, such as through the Internet and co-branding opportunities with retail merchants and service providers, and;
- created a business to acquire nonconforming mortgage loans originated by unaffiliated third party lenders and to originate loans through third party brokers. This business allows us to access new customers and leverage our origination and servicing capabilities in the United States.

2001 Developments. The following business developments occurred during 2001:

- As a result of the adverse economic environment experienced in the United States, we emphasized credit management to mitigate credit losses in the consumer loan products we offer. To accomplish this goal we:
  - focused on growth in real estate secured loans, which historically have had a lower loss rate as compared to our other loan products;
  - increased the number of collectors within our business units to 5,000;
  - reduced "open-to-buy" credit lines of selected customers in our United States MasterCard and Visa credit card business;
  - strengthened real-time monitoring of account performance and our risk modeling capabilities to better predict future account performance; and
  - tightened loan underwriting standards by raising required credit scores.

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* MasterCard is a registered trademark of MasterCard International, Incorporated and VISA is a registered trademark of VISA USA, Inc.

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- We continued to take advantage of consolidation in the consumer lending industry by purchasing portfolios of consumer receivables. These portfolio purchases permit us to access additional customers for cross-selling opportunities to facilitate growth.
- We expanded our mortgage services business and increased our presence in the United States non-conforming mortgage lending market to take advantage of reduced competition.
- We strengthened all of our capital ratios through cash generation of $2.7 billion from our businesses and the issuance of preferred securities. We emphasized our commitment to maintaining our current investment grade ratings.
- We continued the diversification of our funding base by issuing real estate secured asset-backed securities and expanding our presence globally with offerings in Japan, Australia and Europe.
- We completed the transfer of the receivables and account relationships associated with the Goldfish credit card program in the United Kingdom to our joint venture partner, Centrica. The transfer was made pursuant to a negotiated agreement providing for the orderly termination of this co-branding relationship.
- We developed and published responsible lending best practice initiatives to evidence our commitment to ensure that our customers are treated fairly in their relationships with Household. Throughout 2002 we will continue to monitor our business practices and will make modifications, as appropriate, to keep Household as a leader in efforts to eliminate "predatory" lending practices throughout the United States.

At December 31, 2001, consumers residing in the state of California account

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for 15% of our managed United States receivables. We also have significant concentrations of managed consumer receivables in Florida (7%), New York (7%), Texas (6%), Ohio (5%) and Pennsylvania (5%). No other state accounts for 5% or more of our receivables.

Our summary financial information is set forth in Item 6, "Selected Financial Data" below.

Operations

Our operations are divided into three reportable segments: Consumer, Credit Card Services, and International. Our Consumer segment includes our consumer lending, mortgage services, retail services and auto finance businesses. Our Credit Card Services segment includes our domestic MasterCard and Visa credit card business. Our International segment includes our foreign operations in the United Kingdom and Canada. Information about businesses or functions that are not significant or involve multiple segments, such as our insurance services, refund lending, direct lending and commercial operations, as well as our corporate and treasury activities, are included under the ''All Other'' caption within our segment disclosure.

We monitor our operations and evaluate trends on a managed basis which assumes that securitized receivables have not been sold and are still on our balance sheet. We manage our operations on a managed basis because the receivables that we securitize are subjected to underwriting standards comparable to our owned portfolio, are serviced by operating personnel without regard to ownership and result in a similar credit loss exposure for us. In addition, we fund our operations, review our operating results and make decisions about allocating resources, such as employees and capital, on a managed basis.

General

Across all reportable segments, we generally serve nonconforming or nonprime consumers. Such customers are individuals who have limited credit histories, modest income, high debt-to-income ratios or have experienced credit problems caused by occasional delinquencies, prior chargeoffs or other credit related actions. These customers generally have higher delinquency and credit loss probabilities and are charged a higher interest rate to compensate us for the additional risk. In our MasterCard and Visa business, our retail services business and our mortgage services business we also serve prime consumers either through co-branding relationships or mortgage brokers.

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We have taken substantial measures to enhance the profitability and improve operational control of our businesses. We use our centralized underwriting, collection and processing functions to adapt our credit standards and collection efforts to national or regional market conditions. Our underwriting, loan administration and collection functions are supported by highly automated systems and processing facilities. Our centralized collection system is augmented by personalized early collection efforts. Maximizing our technology and otherwise streamlining our operations and reducing our costs has enabled us to improve our efficiency through specialization and economies of scale and allows us to operate more efficiently than most of our competitors.

We service each customer with a focus to understand that customer's personal financial needs. We recognize that individuals may not be able to timely meet all of their financial obligations. Our goal is to assist consumers in transitioning through financially difficult times in order to expand that customer's relationship with Household. As a result, our policies are designed to be flexible to maximize the collectibility of our loans while not incurring excessive collection expenses on loans that have a high probability of being ultimately uncollectible. Cross-selling of products, proactive credit management, "hands-on" customer care and targeted product marketing are means we use to retain customers and grow our business.

Consumer

Our consumer lending business is one of the largest subprime home equity originators in the United States as ranked by Inside B&C Lending. This business has approximately 1,400 branches located in 46 states, 3.2 million open customer accounts, $39.5 billion in managed receivables and 13,000 employees. It is marketed under both the HFC and Beneficial brand names, each of which caters to a slightly different type of customer in the middle-market population. Both brands offer secured and unsecured loan products, such as first and second lien position closed-end mortgage loans, open-end home equity loans, personal non-credit card loans, including personal homeowner loans (a secured high loan-to-value product that we underwrite and treat like an unsecured loan), and sales finance contracts. These products are marketed through our retail branch network, direct mail, telemarketing, strategic alliances and Internet sourced applications and leads.

Our mortgage services business purchases nonconforming first and second lien position residential mortgage loans, including open-end home equity loans, from a network of over 200 unaffiliated third party lenders (i.e., correspondents). This business has approximately $18.1 billion in managed receivables, 240,000 active customer accounts and 1,600 employees. These purchases are either "flow" acquisitions (i.e., loan by loan) or "bulk" acquisitions (i.e., pools of loans), and are made based on our specific underwriting guidelines. We offer forward commitments to selected correspondent lenders to strengthen our relationship with these lenders and to create a sustainable growth channel for this business. Decision One Mortgage Company, LLC, a subsidiary of Household, was purchased in 1999 to assist us in understanding the product needs of mortgage brokers and trends in the mortgage lending industry. Through 19 branch

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locations, Decision One directly originates mortgage loans sourced by mortgage brokers.

According to The Nilson Report, our retail services business is the second largest provider of third party private label credit cards in the United States based on managed receivables outstanding. Our retail services business has over 65 active merchant relationships with approximately $11.6 billion in managed receivables, 9.9 million active customer accounts and 2,200 employees. Approximately 32 percent of our retail services receivables are in the furniture industry, 30 percent are in the consumer electronics industry, 16 percent are in the powersports vehicle (snowmobiles, personal watercraft, ATV's and motorcycles) industry and approximately 13 percent are in the home products or home improvement industry. These products are generated through merchant retail locations, merchant catalog and telephone sales, application displays, direct mail and Internet applications.

Our auto finance business purchases, from a network of approximately 4,500 active dealer relationships, retail installment contracts of consumers who do not have access to traditional, prime-based lending sources. We also originate and refinance auto loans through direct mail solicitations, alliance partners and the Internet. This business has approximately $6.4 billion in managed receivables and 2,000 employees. Approximately 75% of our auto finance receivables are secured by "used" vehicles versus "new" vehicles. We have focused on the

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development of Internet options (the HAF Superhighway) for our dealer network to create a mechanism to enable these dealers to process customer applications and receive automated credit decisions in minutes. Coupled with a centralized underwriting and funding business model, we believe the use of the HAF Superhighway will enable our auto finance business to respond more quickly and provide better service than our competitors.

Credit Card Services

Our Credit Card Services business includes our MasterCard and Visa receivables in the United States, including The GM Card(R), the AFL-CIO Union Plus(R) ("UP") credit card, a Household Bank branded card, and the Orchard Bank card. According to The Nilson Report this business is the eighth largest issuer of MasterCard or Visa credit cards in the United States (based on receivables) with approximately $17.2 billion in managed receivables, 19.9 million customer accounts and 5,000 employees. The GM Card(R), a co-branded credit card issued as part of our alliance with General Motors Corporation ("GM"), enables customers to earn discounts on the purchase or lease of a new GM vehicle. The UP card program with the AFL-CIO provides benefits and services to members of approximately 60 national and international labor unions. The Household Bank and Orchard Bank branded credit cards offer specialized credit card products to consumers underserved by traditional providers or are marketed in conjunction with merchant relationships established through our retail services business.

Our MasterCard and Visa business is generated primarily through direct mail, telemarketing, Internet applications, application displays, promotional activity associated with our affinity and co-branding relationships, mass-media advertisement (The GM Card(R)), and merchant relationships sourced through our retail services business. We also cross-sell our credit cards to our existing consumer lending and retail services customers as well as our refund lending customers.

Although our relationships with GM and the AFL-CIO enable us to access a proprietary customer base, in accordance with our agreements with these institutions Household owns all receivables originated under the programs and is responsible for all credit and collection decisions as well as the funding for the programs. These programs are not dependent upon any payments, guarantees or credit support from these institutions. As a result, we are not directly dependent upon GM or the AFL-CIO for any specific earnings stream associated with these programs. We believe we have a strong working relationship with GM and the AFL-CIO and we do not anticipate, and are not aware of, any event that has occurred, or is expected to occur in the near term, that would allow the parties to these agreements to terminate their relationship.

International

Our United Kingdom business is a mid-market consumer lender focusing on customer service through its branch locations, and consumer electronics through its retail finance operations. This business offers secured and unsecured lines of credit, secured and unsecured closed-end loans, retail finance products, insurance products and credit cards (including the GM Card(R) from Vauxhall and marbles(TM), an Internet enabled credit card). We operate in England, Scotland, Wales, Northern Ireland, and the Republic of Ireland. In 2001 we opened an office in Hungary to facilitate the expansion plans of one of our U.K. merchant alliances. We expect to continue our expansion into Central Europe with this alliance in 2002 with operations in the Czech Republic and Poland. Loans held by our United Kingdom operation are originated through a branch network consisting of 155 HFC and 62 Beneficial Finance branches, merchants, direct mail, broker referrals and the Internet. This business has approximately $5.8 billion in managed receivables and 3,800 employees.

Our Canadian business was acquired by Household in 1933 and offers consumer real estate secured and unsecured lines of credit, secured and unsecured closed-end loans, insurance products, revolving credit, private label credit cards and retail finance products to middle- to low income families. In addition, through its trust operations, our Canadian business accepts deposits. These products are marketed through 109 branch offices in 10 provinces, direct

mail, telemarketing, 95 merchant relationships and the Internet. This business has approximately $1.4 billion in managed receivables, 680,000 customer accounts and 930 employees.

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All Other

Through our insurance services operation, Household offers credit life, credit accident, health and disability, unemployment, property, term life, collateral protection and specialty insurance products to our customers. Such products currently are offered throughout the United States and Canada and are targeted toward those customers typically under-insured by traditional sources. The purchasing of insurance products are never a condition to any credit or loan granted by Household. Insurance is directly written by or reinsured with one or more of our subsidiaries.

Our refund lending business is one of the largest providers of consumer tax refund lending in the United States. We have approximately 3,500 tax preparer relationships covering approximately 12,000 outlets (including 9,000 H&R Block locations). We provide loans to customers who are entitled to tax refunds and who electronically file their income tax returns with the Internal Revenue Service. This business is seasonal with most revenues generated in the first three months of each calendar year. The majority of customers who use this product are renters with household incomes of less than $25,000 who are entitled to refunds of greater than $2,000. In 2001 we originated approximately 6.4 million accounts and generated a loan volume of approximately $8.4 billion.

Direct lending was formed to find new markets for Household's existing consumer loan and loan-related products, develop new product offerings, and test alternative (i.e., non-branch) distribution channels. The areas of specific focus for direct lending include the Internet, alliance programs with other lenders to provide nonprime/nonconforming products to their customers, direct mail initiatives and non-homeowners. Direct lending has approximately $360 million in managed receivables and 140 employees.

Our commercial operations are very limited in scope and are expected to continue to decline. They manage the liquidation of the commercial loan receivables which were part of our commercial lending portfolio that was discontinued in the early 1990's. They also selectively invest in tax advantaged low income housing projects to support community home ownership initiatives while allowing us to obtain federal or state tax benefits. We have approximately $440 million in managed receivables and 15 employees in this group.

Funding

As a financial services organization, we must have access to funds at competitive rates, terms and conditions to be successful. As of March 13, 2002, Household's long-term debt, together with that of HFC, Beneficial, and our Canadian and U.K. subsidiaries, as well as the preferred stock of Household, have been assigned investment grade ratings by all nationally recognized statistical rating organizations that rate such instruments. These organizations have also rated the commercial paper of HFC in their highest rating category. For a detailed listing of the ratings that have been assigned to Household and our significant subsidiaries as of March 13, 2002, see Exhibit 99(b) to this Form 10-K. Although one nationally recognized statistical rating organization downgraded the long-term debt of HFC in March 2002 to the corresponding levels of the other agencies, we believe this downgrade will not have any meaningful impact on our ability to fund our operations. We are committed to maintaining our current investment grade ratings.

We have funded our operations globally and domestically, using a combination of capital market debt and equity, deposits and securitizations. Although we have in the past utilized our banking subsidiaries as a means to provide deposit funding to support some of our operations, due to recent regulatory requirements for additional capital to support nonprime and subprime lending activities, we do not believe that such sources will be actively utilized in the near term. We do not anticipate that the reduction in the use of our banking subsidiaries as a funding vehicle for our businesses will have any material effect on our operations or our ability to timely fund our operations, or will materially increase the costs associated with our funding. We will continue to fund our operations in the global capital markets, primarily through the use of securitizations, commercial paper, bank lines, medium-term notes and long-term debt. We also will continue to use derivative financial instruments to hedge our currency and interest rate risk exposure. A description of our use of derivative financial instruments,

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including interest rate swaps, foreign exchange contracts, and other quantitative and qualitative information about our market risk is set forth in our Management's Discussion and Analysis of Financial Condition and Results of Operations ("2001 MD&A") under the caption "Risk Management", and Footnotes 10 and 14 of our unaudited consolidated financial statements ("2001 Financial Statements"), included in this Restated Form 10-K. We also maintain an investment portfolio which at year-end 2001 was approximately $3.6 billion. Approximately $2.1 billion of such investment securities were held by our insurance subsidiaries.

Securitizations and secured financings of consumer receivables have been, and will continue to be, a significant source of our liquidity. During 2001, we securitized approximately $5.5 billion of receivables compared to $7.0 billion

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in 2000 and $5.2 billion in 1999. We securitize auto finance, MasterCard and Visa credit card, private label credit card and personal non-credit card receivables. In addition, during 2001 and 1999 we issued securities backed by dedicated real estate secured receivables in transactions structured for accounting purposes as secured financings. The aggregate balance of the real estate secured receivables supporting those transactions was $1.6 billion in 2001 and $530 million in 1999. Based on our current investment grade ratings, we have no reason to believe that we will not be able to timely access the securitization and secured funding markets to support our operations.

In the securitizations and secured financing transactions, Household sells a dedicated pool of receivables to a wholly-owned bankruptcy remote special purpose entity for cash, which, in turn, assigns the receivables to an unaffiliated trust that is a qualifying special purpose entity under Statement of Financial Accounting Standards No. 125 and/or 140, as applicable. Household continues to service the receivables and receives a servicing fee.

In connection with each transaction, we obtain opinions from nationally known law firms that the transfer of the receivables to the special purpose entity qualifies as a "true sale" for legal purposes and that the entity would not be "substantively consolidated" into any bankruptcy estate of the transferor.

Generally, in connection with these transactions we utilize credit enhancement to obtain the highest investment grade ratings on the securities to be issued by the securitization trust. Although many forms of enhancement are available, we typically assign loans in excess of the principal balance of the securities to be issued by the trust. Cash flow from this "overcollateralization" and servicing fees to be paid to us in connection with the transaction may be used to reduce the outstanding balance of these securities and/or may be used to fund a cash account that is available to make payments on the securities in the event monthly collections on the receivables are insufficient to pay the investors their contractual return. Therefore, our recourse is limited to our rights to future cash flows and any subordinated interests we may retain. At December 31, 2001, we had $968.2 million in interest-only strip receivables at-risk should these transactions not perform as expected. Based on historical performance, we do not anticipate any material loss due to performance of any securitized or secured funding pool of receivables.

The limited operations of each securitization trust are administered by an unaffiliated financial institution and are governed by a trust agreement that limits the trust's permissible activities to those defined in the agreement. The holders of the securities issued by each trust have the right to pledge or transfer their interests.

Additional information on our sources and availability of funding are incorporated by reference to the "Liquidity and Capital Resources" and "Asset Securitizations" sections of our 2001 MD&A.

Regulation and Competition

Regulation

Consumer Lending. Our consumer finance businesses operate in a highly regulated environment. These businesses are subject to laws relating to discrimination in extending credit, use of credit reports, privacy matters, disclosure of credit terms and correction of billing errors. They also are subject to certain regulations and

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legislation that limit their operations in certain jurisdictions. For example, limitations may be placed on the amount of interest or fees that a loan may bear, the amount that may be borrowed, the types of actions that may be taken to collect or foreclose upon delinquent loans or the information about a customer that may be shared. Our consumer branch lending offices are generally licensed in those jurisdictions in which they operate. Such licenses have limited terms but are renewable, and are revocable for cause. Failure to comply with these laws and regulations may limit the ability of our licensed lenders to collect or enforce loan agreements made with consumers and may cause Household to be liable for damages and penalties.

There has been a significant amount of legislative activity, nationally, locally and at the state level, aimed at curbing lending abuses deemed to be "predatory". A predatory loan or lending practice is not a legally defined term and does not have a commonly recognized definition. Most legislative activity in this area targets certain abusive practices such as loan "flipping" (making a loan to refinance another loan where there is no tangible benefit to the borrower), fee "packing" (addition of unnecessary, unwanted and unknown fees to a borrower), "equity stripping" (lending without regard to the borrower's ability to repay or making it impossible for the borrower to refinance with another lender), and outright fraud. Household does not condone or endorse any of these practices. We are working with regulators and consumer groups to create appropriate safeguards to eliminate these abusive practices while allowing middle-market borrowers to continue to have unrestricted access to credit for personal purposes, such as the purchase of homes, automobiles, and consumer goods. As part of this effort we have adopted a set of lending best practice initiatives. These initiatives, which may be modified from time-to-time, are discussed at our corporate web site, www.household.com under the heading "Customer Commitment". Notwithstanding these efforts, it is possible that broad legislative initiatives will be passed which will impose additional costs and rules on our businesses. Although we have the ability to react quickly to new laws and regulations, it is too early to estimate the effect, if any, these activities will have on us in a particular locality or

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nationally.

Banking Institutions. Household has banking institutions that are chartered by either the Office of Thrift Supervision (''OTS'') or the Office of the Comptroller of the Currency ("OCC"). Since deposits maintained at our banking institutions are insured by the Federal Deposit Insurance Corporation ("FDIC"), the FDIC also has jurisdiction over those institutions and is actively involved in reviewing the financial and managerial strength of our banking subsidiaries. Household is also a thrift holding company and is subject to regulation by the OTS. Our banking institutions primarily originate receivables in our MasterCard and Visa credit card business, our private label business and our refund lending business. In addition, our thrift originates certain first mortgage loans. The use of these institutions improves our operational efficiencies as they are able to offer loan products with common characteristics across the United States. Generally, these banking institutions sell the receivables they originate to non-banking affiliates (also subsidiaries of Household) so that Household can manage all of its customers with uniform policies, regardless through which legal entity a loan was made. In addition, this structure allows us to better manage the levels of regulatory capital required to be maintained at these banking institutions.

Our banking institutions are subject to capital requirements, regulations and guidelines imposed by the OTS, OCC and FDIC. For example, these institutions are subject to federal regulations concerning their general investment authority as well as their ability to acquire financial institutions, enter into transactions with affiliates and pay dividends. Such regulations also govern the permissible activities and investments of any subsidiary of a bank.

We have been advised by the OTS, OCC and FDIC that in accordance with their 2001 Guidance for Subprime Lending Programs, they will impose additional capital requirements on institutions which hold nonprime or subprime assets that will be greater than the historical levels we have maintained at our banking institutions. Household and HFC have agreed with these regulators to maintain the regulatory capital of our institutions at these specified levels. To better manage the capital levels that will be imposed, we have submitted to the OCC an application to combine our three credit card banks into one nationally chartered institution and are evaluating alternatives to reduce the size of our thrift institution. We do not expect that any of these actions will have a material adverse effect on our business or our financial condition.

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Our banking institutions are also subject to the Federal Deposit Insurance Corporation Improvement Act of 1991 (''FDICIA'') and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (''FIRREA''). Among other things, FDICIA creates a five-tiered system of capital measurement for regulatory purposes, places limits on the ability of depository institutions to acquire brokered deposits, and gives broad powers to federal banking regulators, in particular the FDIC, to require undercapitalized institutions to adopt and implement a capital restoration plan and to restrict or prohibit a number of activities, including the payment of cash dividends, which may impair or threaten the capital adequacy of the insured depository institution. Federal banking regulators may apply corrective measures to an insured depository institution, even if it is adequately capitalized, if such institution is determined to be operating in an unsafe or unsound condition or engaging in an unsafe or unsound activity. In addition, federal banking regulatory agencies have adopted safety and soundness standards governing operational and managerial activities of insured depository institutions and their holding companies regarding internal controls, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation. Under FIRREA, the FDIC may assess an affiliated insured depository institution for the estimated losses incurred by the FDIC upon the default of any affiliated insured institution.

Our principal United Kingdom subsidiary (HFC Bank plc) is subject to oversight and regulation by the U.K. Financial Services Authority ("FSA"). We have indicated our intent to the FSA to maintain the regulatory capital of this institution at specified levels. We do not anticipate that any capital contribution will be required for our United Kingdom bank in the near term.

Insurance. Our credit insurance business is subject to regulatory supervision under the laws of the states in which it operates. Regulations vary from state to state but generally cover licensing of insurance companies, premium and loss rates, dividend restrictions, types of insurance that may be sold, permissible investments, policy reserve requirements, and insurance marketing practices.

Competition

The consumer financial services industry in which we operate is highly fragmented and intensely competitive. We generally compete with banks, thrifts, insurance companies, credit unions, mortgage lenders and brokers, finance companies, securities brokers and dealers, and other domestic and foreign financial institutions in the United States, Canada and the United Kingdom. We compete by expanding our customer base through portfolio acquisitions or alliance and co-branding opportunities, offering a variety of consumer loan products, maintaining a strong service orientation, aggressively controlling expenses to be a low cost producer, and using data segmentation skills to identify cross-selling opportunities between business units.

Cautionary Statement on Forward-Looking Statements

Certain matters discussed throughout this Form 10-K or in the information incorporated herein by reference constitutes forward-looking statements within

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the meaning of the Private Securities Litigation Reform Act of 1995. In addition, we may make or approve certain statements in future filings with the Securities and Exchange Commission, in press releases, or oral or written presentations by representatives of Household that are not statements of historical fact and may also constitute forward-looking statements. Words such as "believe", "expects", "estimates", "targeted", "anticipates", "goal" and similar expressions are intended to identify forward-looking statements but should not be considered as the only means through which these statements may be made. These matters or statements will relate to our future financial condition, results of operations, plans, objectives, performance or business developments and will involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements. Forward-looking statements are based on our current views and assumptions and speak only as of the date they are made. Household undertakes no obligation to update any forward-looking statement to reflect subsequent circumstances or events.

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The important factors, many of which are out of our control, which could affect our actual results and could cause our results to vary materially from those expressed in public statements or documents are:

- changes in laws and regulations, including attempts by local, state and national regulatory agencies or legislative bodies to control alleged "predatory" lending practices through broad initiatives aimed at lenders operating in the nonprime or subprime consumer market;
- increased competition from well-capitalized companies or lenders with access to government sponsored organizations for our consumer segment which may impact the terms, rates, costs, or profits historically included in the loan products we offer or purchase;
- changes in accounting policies, practices or standards, as they may be adopted by regulatory agencies and the Financial Accounting Standards Board;
- changes in overall economic conditions, including the interest rate environment in which we operate, the capital markets in which we fund our operations, the market values of consumer owned real estate throughout the United States, recession, employment and currency fluctuations;
- consumer perception of the availability of credit, including price competition in the market segments we target and the ramifications or ease of filing for personal bankruptcy;
- the effectiveness of models or programs to predict loan delinquency or loss and initiatives to improve collections in all business areas;
- continued consumer acceptance of our distribution systems and demand for our loan or insurance products;
- changes associated with, as well as the difficulty in integrating systems, operational functions and cultures, as applicable, of any organization or portfolio acquired by Household;
- a reduction of our short-term debt ratings by any of the nationally recognized statistical rating organizations that rate these instruments to a level that is below our current rating;
- the costs, effects and outcomes of regulatory reviews or litigation relating to our nonprime loan receivables or the business practices of any of our business units, including, but not limited to, additional compliance requirements;
- the costs, effects and outcomes of any litigation matter that is determined adversely to Household or its businesses;
- the ability to attract and retain qualified personnel to support the underwriting, servicing, collection and sales functions of our businesses; and
- the inability of Household to manage any or all of the foregoing risks as well as anticipated.

Item 2. Properties.

Our operations are located throughout the United States, in 10 provinces in Canada and in the United Kingdom with principal facilities located in Anaheim, California; Dallas, Texas; New Castle, Delaware; Brandon, Florida; Jacksonville, Florida; Tampa, Florida; Chesapeake, Virginia; Virginia Beach, Virginia; Elmhurst, Illinois; Hanover, Maryland; Bridgewater, New Jersey; Las Vegas, Nevada; Charlotte, North Carolina; Portland, Oregon; Pomona, California; Prospect Heights, Illinois; Salinas, California; San Diego, California; Wood Dale, Illinois; London, Kentucky; Sioux Falls, South Dakota; North York, Ontario, Canada; Birmingham, United Kingdom and Windsor, Berkshire, United Kingdom. We expect to establish an additional operations

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center in India in 2002 to support our credit card services business. We do not anticipate the costs for staffing and creating this center will be material to

our financial results.

Substantially all branch offices, divisional offices, corporate offices, regional processing and regional servicing center space are operated under lease with the exception of the headquarters building for our United Kingdom operations, our processing facility in Tampa, Florida, a credit card processing facility in Las Vegas, Nevada and a facility in London, Kentucky. We believe that such properties are in good condition and meet our current and reasonably anticipated needs.

Item 3. Legal Proceedings.

We are parties to various legal proceedings resulting from ordinary business activities relating to our current and/or former operations. Certain of these actions are or purport to be class actions seeking damages in very large amounts. These actions assert violations of laws and/or unfair treatment of consumers. Due to the uncertainties in litigation and other factors, we cannot assure you that we will ultimately prevail in each instance. We believe that we have meritorious defenses to these actions and any adverse decision should not materially affect our consolidated financial condition.

During the past several years, the press has widely reported certain industry related concerns which may impact us. Some of these involve the amount of litigation instituted against finance and insurance companies operating in the states of Alabama and Mississippi and the large awards obtained from juries in those states. Like other companies in this industry, some of our subsidiaries are involved in a number of lawsuits pending against them in Alabama and Mississippi, many of which relate to the financing of merchandise. The Alabama and Mississippi cases generally allege inadequate disclosure or misrepresentation of financing terms. In many suits, other parties are also named as defendants. Unspecified compensatory and punitive damages are sought. Several of these suits purport to be class actions or have multiple plaintiffs. The judicial climate in Alabama and Mississippi is such that the outcome of all of these cases is unpredictable. Although our subsidiaries believe they have substantive legal defenses to these claims and are prepared to defend each case vigorously, a number of such cases have been settled or otherwise resolved for amounts that in the aggregate are not material to our operations. Appropriate insurance carriers have been notified of each claim, and a number of reservations of rights letters have been received. Certain of these claims have been partially covered by insurance.

Household has also been named in purported class actions by consumer groups (such as AARP and ACORN) claiming that our loan products or our lending policies and practices are unfair or misleading to consumers. We do not believe that any of these legal actions has merit or will result in a material financial impact on Household. We do expect, however, that these consumer groups will continue to target Household in the media and with legal actions to pressure Household and the nonprime lending industry into accepting concessions that would more heavily regulate the nonprime lending industry. (See "Regulation and Competition" above.)

We have developed and implemented compliance functions to monitor our operations to comply with all applicable laws, rules and regulations. In November 2001, litigation was instituted by California regulators asserting that they believed we had overcharged certain California customers who obtained loans from Household. We confirmed with this regulator that unintentional errors had occurred and entered into a settlement agreement for full refunds of the improper charges as well as a payment to the state in the amount of $8.9 million. The amounts paid pursuant to this agreement, as well as the other conditions we agreed to, did not and will not have a material adverse impact on our financial condition or our business operations. As a result of this incident, we have reviewed our compliance function and implemented certain changes, including requiring that our compliance officer for our consumer lending business report directly to senior management. Although exam reports from other regulatory bodies may, from time-to-time, cite specific issues relating to a specific loan, we do not believe, and we are not aware of, any unaddressed systemic issue affecting our compliance with any state or federal lending laws within any of our businesses.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

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PART II.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

As of March 8, 2002 there were 19,089 record shareholders of Household's common stock.

Household International, Inc.
and Subsidiaries

Common and Preferred Stock Information

Household International common stock is listed on the New York and Chicago stock exchanges. We also have unlisted trading privileges on the Boston, Pacific and Philadelphia stock exchanges. Call and put options are traded on the American Stock Exchange, Pacific Stock Exchange and Chicago Board of Options Exchange.

<TABLE>
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Stock	Ticker Symbol	Dividends Declared 2001	2000	Features	Redemption Features
Common	HI	$ .85	$ .74	Quarterly dividend rate increased to $.22 effective 7/15/01	N/A
5% Cumulative Preferred	HI + PRM	$2.50	$2.50	Nonconvertible	Redeemable at our option
$4.50 Cumulative Preferred	HI + PRN	$4.50	$4.50	Nonconvertible	Redeemable at our option
$4.30 Cumulative Preferred	HI + PRO	$4.30	$4.30	Nonconvertible	Redeemable at our option
8 1/4% Cumulative Preferred, Series 1992-A Depositary Shares representing 1/40 share of 8 1/4% Cumulative Preferred Stock, Series 1992-A	HI + PRZ	$2.0625	$2.0625	Nonconvertible	Cannot be redeemed prior to 10/16/2002. Redeemable at our option after 10/15/2002 in whole or in part at $25.00 per depositary share plus accrued and unpaid dividends.
7.50% Cumulative Preferred, Series 2001-A Depositary Shares representing 1/40 share of 7.50% Cumulative Preferred Stock, Series 2001-A/1/	HI + PRS	$0.4896	N/A	Nonconvertible	Cannot be redeemed prior to 9/27/2006. Redeemable at our option after 9/26/2006 in whole or in part at $25.00 per depositary share plus accrued and unpaid dividends.

</TABLE>
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Stock	Net Shares Outstanding 2001	2000	Shareholders of Record 2001	2000	2001 Market Price High	Low	2000 Market Price High	Low
Common	457,124,303	471,019,659	19,226	19,468	$69.98	$48.00	$57.44	$29.50
5% Cumulative Preferred	407,718	407,718	1,183	1,254	41.50	30.00	37.00	29.00
$4.50 Cumulative Preferred	103,976	103,976	242	269	66.20	56.75	65.25	50.00
$4.30 Cumulative Preferred	836,585	836,585	513	542	63.00	53.25	62.63	50.00
8 1/4% Cumulative Preferred, Series 1992-A	2,000,000	2,000,000	201	228	27.50	24.50	26.63	25.25
7.50% Cumulative Preferred, Series 2001-A/1/	12,000,000	N/A	15	N/A	25.87	23.00	-	-

/1/Issued September 27, 2001.
</TABLE>

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Household International, Inc.
and Subsidiaries

Common and Preferred Stock Information (continued)

<TABLE>
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Year ended December 31, unless otherwise indicated	2001	2000	1999	1998	1997
Market Value Share of Common Stock (High-Low prices on NYSE)					
First Quarter	62.00-52.00	39.19-29.50	46.69-38.69	47.79-37.71	36.08-28.33
Second Quarter	69.98-57.45	48.19-37.63	52.31-42.00	52.56-41.67	39.15-26.21
Third Quarter	69.49-48.00	57.44-41.00	50.19-36.19	53.69-35.25	43.33-36.15
Fourth Quarter	61.40-51.29	56.94-43.88	48.00-35.81	40.50-23.00	43.21-36.13
Yearly range	69.98-48.00	57.44-29.50	52.31-35.81	53.69-23.00	43.33-26.21
Year-end close	57.94	55.00	37.25	39.63	42.54
Composite common shares traded	563,070,100	408,751,400	390,575,200	454,878,500	302,551,200
Average daily volume	2,270,444	1,622,029	1,549,902	1,805,073	1,195,854
Shares Outstanding at December 31					
Common	457,124,303	471,019,659	467,911,445	483,137,739	485,351,517
5% Cumulative Preferred/2/	407,718	407,718	407,718	407,718	-
$4.50 Cumulative Preferred/2/	103,976	103,976	103,976	103,976	-
$4.30 Cumulative Preferred/2/	836,585	836,585	836,585	836,585	-
8 1/4% Cumulative Preferred, Series 1992-A/1/	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
7.50% Cumulative Preferred, Series 2001 A/1, 3/	12,000,000				
7.35% Preferred, Series 1993-A/1/	-	-	-	-	4,000,000
Shareholders of Record at December 31					
Common	19,226	19,468	19,991	20,584	10,239
5% Cumulative Preferred/2/	1,183	1,254	1,363	1,329	-
$4.50 Cumulative Preferred/2/	242	269	288	283	-
$4.30 Cumulative Preferred/2/	513	542	592	380	-
8 1/4% Cumulative Preferred, Series 1992-A/1/	201	228	258	309	356
7.50% Cumulative Preferred, Series 2001-A/1, 3/	15	-	-	-	-
7.35% Preferred, Series 1993-A/1/	-	-	-	-	247

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Total	21,380	21,761	22,492	22,885	10,842

</TABLE>

/1/ Per depositary share.

/2/ The 5%, $4.50 and $4.30 Cumulative Preferred Stock was issued by Household to replace Beneficial preferred stock outstanding at the time of the merger. The information presented for these preferred shares is for the period subsequent to the merger.

/3/ Issued September 27, 2001.

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Item 6. Selected Financial Data.

Exhibit 13

Household International, Inc. and Subsidiaries
SELECTED FINANCIAL DATA AND STATISTICS
(UNAUDITED and RESTATED)

<TABLE>
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All dollar amounts except per share data are stated in millions.	2001	2000	1999	1998(1)	1997(1)
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Income Data-Year Ended December 31					
Net interest margin and other revenues	$ 9,606.5	$ 7,905.4	$ 6,616.4	$ 6,294.7	$ 5,966.9
Provision for credit losses on owned receivables	2,912.9	2,116.9	1,716.4	1,516.8	1,493.0
Operating expenses	3,572.6	3,027.3	2,513.0	2,653.5	2,864.9
Policyholders' benefits	302.6	261.7	258.1	238.2	255.9
Merger and integration related costs	--	--	--	1,000.0	--
Income taxes	970.8	868.9	700.6	404.4	444.2
Net income	$ 1,847.6	$ 1,630.6	$ 1,428.3	$ 481.8(2)	$ 908.9
Per Common Share Data					
Basic earnings	$ 3.97	$ 3.44	$ 2.98	$ .96	$ 1.90
Diluted earnings	3.91	3.40	2.95	.94(2)	1.86
Dividends declared	.85	.74	.68	.60	.54
Book value	18.69	16.28	13.33	12.47	12.42
Average number of common and common equivalent shares outstanding(3)	468.1	476.2	481.8	496.4	479.1
Selected Financial Ratios					
Owned Basis:					
Return on average owned assets	2.26%	2.35%	2.55%	.96%(2)	1.97%
Return on average common shareholders' equity	24.1(4)	23.2	23.2	7.6(2)	17.0
Total shareholders' equity as a percent of owned assets(5)	10.43(4)	11.15	11.21	12.55	13.94
Net interest margin	7.85	7.68	7.74	7.22	7.08
Efficiency ratio	38.4	39.6	39.5	60.3(2)	50.2
Consumer net charge-off ratio	3.32	3.18	3.67	3.76	3.39
Reserves as a percent of receivables	3.33	3.14	3.36	3.92	4.25
Reserves as a percent of net charge-offs	110.5	109.9	101.1	112.6	126.7
Reserves as a percent of nonperforming loans	91.0	90.2	87.5	100.3	113.2
Common dividend payout ratio	21.7	21.7	23.1	63.8(2)	29.0
Managed Basis:(6)					
Return on average managed assets	1.83	1.85	1.92	.66(2)	1.34
Tangible shareholders' equity to tangible managed assets(7)(5)	7.57	7.13	6.76	6.91	6.77
Common and preferred equity and trust preferred securities as a percent of managed assets(5)	8.44(4)	8.81	8.48	9.13	9.14
Net interest margin	8.44	8.05	8.19	7.78	7.67
Efficiency ratio	34.3	34.5	33.9	50.4(2)	41.9
Consumer net charge-off ratio	3.73	3.64	4.13	4.29	3.84
Reserves as a percent of receivables	3.78	3.65	3.72	3.99	3.99
Reserves as a percent of net charge-offs	110.7	111.1	98.2	94.4	109.8
Reserves as a percent of nonperforming loans	105.0	107.0	100.1	109.5	115.5

</TABLE>

(1) On June 30, 1998, Household merged with Beneficial Corporation ("Beneficial"), a consumer finance holding company. In connection with the merger, Household issued approximately 168.4 million shares of its common stock and three series of preferred stock. The transaction was accounted for as a pooling of interests and, accordingly, the consolidated financial statements for all periods prior to the merger have been restated to include the financial results of Beneficial.

(2) Excluding merger and integration related costs of $751.0 million after-tax and the $118.5 million after-tax gain on sale of Beneficial's Canadian operations, net operating income was $1,114.3 million, diluted operating earnings per share was $2.21, the return on average owned assets was 2.22 percent, the return on average common shareholders' equity was 1.79 percent, the owned basis efficiency ratio was 45.2 percent, the dividend payout ratio was 27.1 percent, the return on average managed assets was 1.54 percent and the managed basis efficiency ratio was 37.6 percent.

(3) Share repurchases pursuant to our share repurchase program totaled 17.4 million shares ($916.3 million) in 2001, 5.4 million shares ($209.3 million) in 2000 and 16.8 million shares ($712.9 million) in 1999. Shares repurchased to fund various employee benefit programs totaled 5.0 million shares ($203.0 million) in 1999 and 10.5 million shares ($412.0 million) in 1998.

(4) On January 1, 2001, we adopted Statement of Financial Accounting Standards

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No. 133, "Accounting for Derivative Financial Instruments and Hedging Activities," which requires unrealized gains and losses on cash flow hedging instruments to be recorded in shareholders' equity, net of tax. These unrealized gains and losses represent timing differences and will result in no net economic impact to our earnings. Excluding unrealized gains and losses on cash flow hedging instruments in 2001, return on average common shareholders' equity was 23.3 percent, total shareholders' equity as a percentage of owned assets was 10.98 percent and total shareholders' equity as a percentage of managed assets was 8.88 percent.

(5) The ratio of common and preferred equity and trust preferred securities as a percentage of owned and managed assets and the ratio of tangible equity to tangible managed assets are non-GAAP ratios that are used by rating agencies as a measure to evaluate capital adequacy. These ratios may differ from similarly named measures presented by other companies. Because of its long-term nature and our ability to defer dividends, rating agencies consider trust preferred securities as equity in calculating these ratios.

(6) We monitor our operations and evaluate trends on both an owned basis as shown in our historical financial statements and on a managed basis. Managed basis reporting adjustments assume that securitized receivables have not been sold and are still on our balance sheet. See page 3 for further information on managed basis reporting.

(7) Tangible shareholders' equity consists of total shareholders' equity, excluding unrealized gains and losses on investments and cash flow hedging instruments, less acquired intangibles and goodwill. Tangible managed assets represents total managed assets less acquired intangibles and goodwill and derivative assets.

(8) In 2001, we sold approximately $1 billion of credit card receivables as a result of discontinuing our participation in the Goldfish credit card program and purchased a $725 million private label portfolio. In 2000, we acquired real estate secured portfolios totaling $3.7 billion. In 1998, we sold $1.9 billion of non-core MasterCard and Visa receivables and also sold Beneficial's German and Canadian operations which had net receivables of $272 million and $775 million, respectively.

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Household International, Inc. and Subsidiaries
SELECTED FINANCIAL DATA AND STATISTICS
(UNAUDITED and RESTATED)
(CONTINUED)

<TABLE>
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All dollar amounts except per share data are stated in millions.	2001	2000	1999	1998(1)	1997(1)
<S>	<C>	<C>	<C>	<C>	<C>
Owned Basis Balance Sheet Data at December 31					
Total assets	$ 88,910.9	$ 76,309.2	$ 60,451.8	$ 52,647.7	$ 46,638.5
Receivables:(8)					
Domestic:					
Real estate secured	$ 42,473.8	$ 33,920.0	$ 23,571.7	$ 17,474.1	$ 12,348.5
Auto finance	2,368.9	1,850.6	1,233.5	805.0	487.5
MasterCard/Visa	6,966.7	5,846.9	4,146.6	5,327.8	5,523.4
Private label	9,853.4	8,671.5	8,546.7	8,051.0	7,457.0
Personal non-credit card	11,736.7	9,950.3	7,469.8	5,573.3	5,018.7
Commercial and other	505.2	596.3	804.5	844.0	1,249.6
Total domestic	$ 73,904.7	$ 60,835.6	$ 45,772.8	$ 38,075.2	$ 32,084.7
Foreign:					
Real estate secured	$ 1,383.0	$ 1,259.7	$ 1,090.2	$ 1,218.6	$ 1,437.7
MasterCard/Visa	1,174.5	2,206.7	2,167.8	1,852.4	1,351.3
Private label	1,810.5	1,675.8	1,573.0	1,515.0	1,899.9
Personal non-credit card	1,600.3	1,377.8	1,681.8	1,535.3	1,804.4
Commercial and other	1.7	2.3	3.8	9.4	104.0
Total foreign	$ 5,970.0	$ 6,522.3	$ 6,516.6	$ 6,130.7	$ 6,597.3
Total owned receivables:					
Real estate secured	$ 43,856.8	$ 35,179.7	$ 24,661.9	$ 18,692.7	$ 13,786.2
Auto finance	2,368.9	1,850.6	1,233.5	805.0	487.5
MasterCard/Visa	8,141.2	8,053.6	6,314.4	7,180.2	6,874.7
Private label	11,663.9	10,347.3	10,119.7	9,566.0	9,356.9
Personal non-credit card	13,337.0	11,328.1	9,151.6	7,108.6	6,823.1
Commercial and other	506.9	598.6	808.3	853.4	1,353.6
Total owned receivables	$ 79,874.7	$ 67,357.9	$ 52,289.4	$ 44,205.9	$ 38,682.0
Deposits	$ 6,562.3	$ 8,676.9	$ 4,980.0	$ 2,105.0	$ 2,344.2
Commercial paper, bank and other borrowings	12,024.3	10,787.9	10,777.8	9,917.9	10,666.1
Senior and senior subordinated debt	56,823.6	45,053.0	34,887.3	30,438.6	23,736.2
Company obligated mandatorily redeemable preferred securities of subsidiary trusts	975.0	675.0	375.0	375.0	175.0
Preferred stock	455.8	164.4	164.4	164.4	264.5
Common shareholders' equity(3)	7,842.9	7,667.2	6,237.0	6,065.6	6,060.4
Managed Basis Balance Sheet at December 31(6)					
Total assets	$ 109,858.9	$ 96,558.7	$ 79,890.7	$ 72,349.6	$ 71,117.0
Managed receivables:(8)					

Real estate secured	$ 44,718.6	$ 36,637.5	$ 26,935.5	$ 22,330.1	$ 19,824.8
Auto finance	6,395.5	4,563.3	3,039.8	1,765.3	883.4
MasterCard/Visa	17,395.2	17,583.4	15,793.1	16,610.8	19,211.7
Private label	13,813.9	11,997.3	11,269.7	10,377.5	10,381.9
Personal non-credit card	17,992.6	16,227.3	13,881.9	11,970.6	11,505.1
Commercial and other	506.9	598.6	808.3	853.4	1,353.6
Total managed receivables	$ 100,822.7	$ 87,607.4	$ 71,728.3	$ 63,907.7	$ 63,160.5

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Household International, Inc. and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations

Household International, Inc. ("Household") is principally a non-operating holding company. Through its subsidiaries, Household provides middle-market consumers with real estate secured loans, auto finance loans, MasterCard* and Visa* credit cards, private label credit cards and personal non-credit card loans. We also offer tax refund anticipation loans ("RAL's") in the United States and credit and specialty insurance products in the United States, United Kingdom and Canada. Household may also be referred to in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") as "we", "us", or "our". Our operations are divided into three reportable segments: Consumer, Credit Card Services and International. Our Consumer segment consists of our consumer lending, mortgage services, retail services and auto finance businesses. Our Credit Card Services segment consists of our domestic MasterCard and Visa credit card business. Our International segment consists of our foreign operations in the United Kingdom ("U.K.") and Canada. At December 31, 2001, our owned receivables totaled $79.9 billion.

RESTATEMENT

Household International, Inc. has restated its consolidated financial statements for the years ended December 31, 1999, 2000 and 2001. We believe this Form 10-K and the exhibits included herewith include all adjustments relating to the restatement for all such prior periods. The restatement relates to MasterCard/Visa co-branding and affinity credit card relationships and a marketing agreement with a third party credit card marketing company. All were part of our Credit Card Services segment. In consultation with our prior auditors, Arthur Andersen LLP, we treated payments made in connection with these agreements that were entered into between 1992 and 1999 as prepaid assets and amortized them in accordance with the underlying economics of the agreements. Our current auditors, KPMG LLP, have advised us that, in their view, these payments should have either been charged against earnings at the time they were made or amortized over a shorter period of time. We believe this is a good faith difference of opinion but are following the advice of our current auditors. There is no significant change as a result of these adjustments on the prior period net earnings trends previously reported. The balance of retained earnings at December 31, 1998 has been restated from amounts previously reported to reflect a retroactive charge of $155.8 million, after tax, for these items.

The cumulative restatement relates to the following periods:
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	Restatements to Reported Income			% Change from Prior Period Net Income		
Dollar amounts are stated in millions.	Pre-Tax	Tax Effect	After Tax	% Change to Reported	As Reported	As Restated
<S>	<C>	<C>	<C>	<C>	<C>	<C>
2001	$(120.2)	$44.3	$ (75.9)	(3.9)%	13.1%	13.3%
2000	(110.9)	40.8	(70.1)	(4.1)	14.4	14.2
1999	(91.8)	33.7	(58.1)	(3.9)	28.5	28.3
1994-1998	(245.0)	89.2	(155.8)	(3.8)		

</TABLE>

The impact of these amounts to reported diluted earnings per share was as follows:
<TABLE>
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	As Reported	Restated
<S>	<C>	<C>
2001	$4.08	$3.91
2000	3.55	3.40
1999	3.07	2.95

</TABLE>

We monitor our operations and evaluate trends on a managed basis which assumes that securitized receivables have not been sold and are still on our balance sheet. We manage our operations on a managed basis because the receivables that we securitize are subjected to underwriting standards comparable to our owned portfolio, are serviced by operating personnel without regard to ownership and

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result in a similar credit loss exposure for us. In addition, we fund our operations, review our operating results and make decisions about allocating resources such as employees and capital on a managed basis. See "Asset Securitizations" on pages 23 to 24 and Notes 5, "Asset Securitizations," and 21, "Segment Reporting," to the accompanying consolidated financial statements for additional information related to our businesses and our securitizations.

The following discussion of our financial condition and results of operations is presented on an owned basis of reporting. On an owned basis of reporting, net interest margin, provision for credit losses and fee income resulting from securitized receivables are included as components of securitization revenue.

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Critical Accounting Policies

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. We follow accounting guidance promulgated by the AICPA Accounting and Audit Guide for Finance Companies versus bank regulatory accounting pronouncements as we are not a bank holding company. Based on the specific customer segment we serve, we believe the policies used are appropriate and fairly present the financial position of Household.

The significant accounting policies used in preparation of our financial statements are more fully described in Note 1 to the consolidated financial statements on pages 42 to 46. Certain critical accounting policies are complex and involve significant judgment by our management, including the use of estimates and assumptions which affect the reported amounts of assets, liabilities, revenues and expenses. As a result, changes in these estimates and assumptions could significantly affect our financial position or our results of operations. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, the following involve a high degree of judgment and complexity in the preparation of our consolidated financial statements:

*MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.

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Provision and Credit Loss Reserves Provision for credit losses on owned receivables is made in an amount sufficient to maintain credit loss reserves at a level considered adequate to cover probable losses of principal, interest and fees, including late, overlimit and annual fees, in the existing owned portfolio. Probable losses are estimated for consumer receivables based on contractual delinquency and historical loss experience. For commercial loans, probable losses are calculated using estimates of amounts and timing of future cash flows expected to be received on loans. In addition, loss reserves on consumer receivables are maintained to reflect our judgment of portfolio risk factors, such as economic conditions, bankruptcy trends, product mix, geographic concentrations and other similar items. Charge-off and customer account management policies are also considered when establishing loss reserve requirements to ensure appropriate allowances exist for products with longer charge-off periods and for customers benefiting from account management decisions. Loss reserve estimates are reviewed periodically and adjustments are reported in earnings when they become known. The use of different estimates or assumptions could produce different provisions for credit losses.

Receivables Sold and Serviced With Limited Recourse and Securitization Revenue Upon sale, securitized receivables are removed from the balance sheet and a gain on sale is recognized for the difference between the carrying value of the receivables and the adjusted sales proceeds. The adjusted sales proceeds includes cash received and the present value estimate of future cash flows to be received over the lives of the sold receivables. Future cash flows are based on estimates of prepayments, the impact of interest rate movements on yields of receivables and securities issued, delinquency of receivables sold, servicing fees and estimated probable losses under the recourse provisions based on historical experience and estimates of expected future performance. These future cash flows are recorded in the form of an interest-only strip receivable. Our interest-only strip receivables are reported at fair value using discounted cash flow estimates as a separate component of receivables, net of our estimate of probable losses under the recourse provisions. Cash flow estimates include estimates of prepayments, the impact of interest rate movements on yields of receivables and securities issued, delinquency of receivables sold, servicing fees and estimated probable losses under the recourse provisions. Unrealized gains and losses are recorded as adjustments to common shareholders' equity in accumulated other comprehensive income, net of income taxes. Any decline in the value of our interest only strip receivable, which is deemed to be other than temporary, is charged against current earnings. The key assumptions used to value interest-only strip receivables represent our best estimate and the use of different estimates or assumptions could produce different financial results.

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Financial Condition and Results of Operations

Operations Summary

.. Our net income increased 13 percent in 2001 to $1.8 billion, compared to $1.6 billion in 2000 and $1.4 billion in 1999. Strong revenue growth, driven by significant receivable growth across all businesses, was the key to our improved results in both years. Partially offsetting the revenue growth were higher operating expenses as a result of the receivable growth, increased investments in sales and collection personnel, and higher technology spending. The provision for credit losses also increased in both years as a result of portfolio growth and uncertain economic conditions. Our diluted earnings per share increased 15 percent in 2001 to $3.91, compared to $3.40 in 2000 and $2.95 in 1999.

.. Owned receivables grew 19 percent to $79.9 billion in 2001. Growth was strongest in our consumer lending and mortgage services businesses, especially in our real estate secured portfolio, and in our auto finance and private label businesses. We anticipate that owned receivable growth for 2002, as a percentage, will be less than 2001 as we remain cautious as a result of the current economic environment and we move to securitize additional receivables to manage our liquidity position.

.. Our return on average common shareholders' equity ("ROE") was 24.1 percent in 2001, compared to 23.2 percent in both 2000 and 1999. Our return on average owned assets ("ROA") was 2.26 percent in 2001, compared to 2.35 percent in 2000 and 2.55 percent in 1999. The slight decrease in our ROA in 2001 reflects the shift in our portfolio mix to lower margin, real estate secured receivables which historically have produced lower losses than unsecured products.

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.. Our owned net interest margin was 7.85 percent in 2001, compared to 7.68 percent in 2000 and 7.74 percent in 1999. In 2001, the increase was primarily due to lower funding costs as a result of easing in United States monetary policy during the year. Fed fund rates were reduced 11 times for a total of 475 basis points during 2001. In 2000, the decrease reflects our continuing shift to lower margin real estate secured receivables and higher interest costs due to higher interest rates. In 2002, we expect net interest margin as a percent of receivables to be higher on average than in 2001 as we benefit from the full-year impact of the 2001 rate reductions. We expect some minor contraction late in the year as we believe the Federal Reserve will raise rates.

.. Our owned consumer charge-off ratio was 3.32 percent in 2001, compared to 3.18 percent in 2000 and 3.67 percent in 1999. Our delinquency ratio was 4.53 percent at December 31, 2001, compared to 4.26 percent at December 31, 2000. Both ratios were negatively affected in 2001 by the weakening economy. We expect the economy to remain weak and total portfolio charge-offs to increase through the first two or three quarters of 2002. We expect the economy to recover slowly and charge-offs to decline modestly in the latter part of the year.

.. During 2001, we recorded owned loss provision greater than charge-offs of $502.9 million, increasing our owned loss reserves to an all-time high of $2.7 billion. Loss provision reflected our continued receivable growth, recent increases in personal bankruptcy filings and continued uncertainty over the impact of the weakening economy on charge-off and delinquency trends.

.. Our owned basis efficiency ratio was 38.4 percent in 2001, 39.6 percent in 2000 and 39.5 percent in 1999. The efficiency ratio is the ratio of operating expenses to the sum of our net interest margin and other revenues less policyholders' benefits. The ratios for both years reflect investments in personnel, technology and marketing. In 2001, these additional costs were offset by growth in net revenues. In 2000, the ratio included higher e-commerce costs.

Segment Results - Managed Basis

The following summarizes operating results for our reportable operating segments for 2001 compared to 2000 and 1999. See Note 21, "Segment Reporting," to the accompanying consolidated financial statements for additional segment information.

.. Our Consumer segment reported net income of $1.3 billion in 2001, compared to $1.3 billion in 2000 and $1.0 billion in 1999. Net interest margin, fee income and other revenues increased $1.0 billion to $6.6 billion in 2001 as a resuslt of strong receivable growth. The higher revenues were primarily offset by higher credit loss provision and spending. Our credit loss provision rose $.6 billion to $2.6 billion as a result of increased levels of receivables and the weakening economy. During 2001, we recorded managed loss provision greater than charge-offs of $.4 billion to increase loss reserves. Higher salary expenses, including higher sales incentive compensation, were the result of increased receivable levels, additional collectors, and investments in the growth of our businesses. Managed receivables grew to $75.6 billion at year-end 2001, up 20 percent from $63.1 billion in 2000 and $49.4 billion in 1999. The managed receivable growth was driven by solid growth in all products with the strongest growth in our real estate secured receivables. In 2000, in addition to strong organic growth, we took advantage of consolidation in the home equity industry by acquiring two real estate secured portfolios totaling $3.7 billion. Return on average managed assets ("ROMA") was 1.88 percent in 2001, compared to 2.16 percent in 2000 and 2.11 percent in 1999. The decline in the ratios reflect higher loan loss provision and the continued shift in our portfolio to lower margin real estate secured receivables.

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.. Our Credit Card Services segment also reported improved results as net income increased to $291.7 million in 2001, compared to $144.6 million in 2000 and $94.7 million in 1999. These increases were due primarily to increased net interest margin and higher fee income which increased $.5 billion to $2.6 billion from higher levels of receivables. Net interest margin as a percent of average receivables increased sharply in 2001 as a result of lower funding costs and pricing floors on certain variable rate credit card products which capped rate reductions. This growth was partially offset by higher credit loss provision which increased $.1 billion to $1.2 billion and increased operating expenses, particularly salary expenses associated with the higher receivable levels. Marketing expenses were also higher in 2001 as a result of increased marketing initiatives for almost all of our credit card products. Managed receivables grew to $17.2 billion at year-end 2001, compared to $16.0 billion in 2000 and $13.9 billion in 1999. Growth in the AFL-CIO's Union Plus/R/ ("UP") portfolio, our affinity card relationship with the AFL-CIO labor federation, and our nonprime portfolio, which includes both the subprime Renaissance and the near prime Household Bank branded base portfolios, drove the increase in loans. The increase in nonprime receivables reflects the continued benefits of the February 2000 purchase of Renaissance Holdings, Inc. ("Renaissance") for approximately $300 million in common stock and cash. We did, however, deliberately slow the pace of growth in our Renaissance portfolio in early 2001 in anticipation of the weakening economy. Average GM Card(R) receivables increased in both 2001 and 2000 as we continued to benefit from the March 2000 launch of the new GM Card(R). We added over 600,000 new GM Card(R) accounts in both years. We continue to work with GM on initiatives to promote increased card usage and enhance the potential for future growth. Credit card growth in both years was partially offset by attrition in our legacy undifferentiated Household Bank branded portfolio on which we have limited marketing efforts. ROMA improved to 1.72 percent, compared to .92 percent in 2000 and .64 percent in 1999.

.. Our International segment reported net income of $204.1 million in 2001, compared to $230.1 million in 2000 and $218.7 million in 1999. Net income in 2001 includes negative foreign exchange impacts of $8.8 million. The decrease in 2001 net income reflects lower net interest margin as a percentage of receivables in the U.K. and higher salaries and occupancy costs associated with our branch expansion efforts. The decline in the net interest margin ratio was due to lower yields on private label receivables and a change in the portfolio mix. These decreases were partially offset by higher insurance revenues and higher other income resulting from payment by Centrica to discontinue our participation in the joint Goldfish credit card program as described below. In 2000, higher revenues as a result of receivable growth were only partially offset by higher salary expense. Managed receivables totaled $7.2 billion at year-end 2001, compared to $7.8 billion in 2000 and $7.6 billion in 1999. In 2001, the strongest growth was in our real estate secured and private label portfolios. This growth was offset by reductions in our MasterCard and Visa portfolio resulting from the discontinuation of the Goldfish program and the related sale of approximately $1.0 billion in receivables. In 2000, the strongest growth was in our MasterCard and Visa portfolio in the United Kingdom. Marbles(TM), our Internet-based credit card that was launched in October 1999, was the primary contributor to the growth. ROMA was 2.36 percent in 2001, compared to 2.71 percent in 2000 and 2.57 percent in 1999.

In August 2001, we reached agreement with Centrica, our partner in marketing the Goldfish credit card, to discontinue our participation in the joint credit card program. As part of this agreement, in December 2001, we sold approximately $1.0 billion in credit card receivables to Centrica and received a payment of $72 million from the former joint venture partner which was partially offset by $40 million in costs, including the write-off of our investment in the joint venture as well as other capitalized costs directly related to our exit from the program. We will continue to service the receivables on an interim basis, for a fee, until Centrica's systems and platforms are in place. After the conversion, which we expect in the second half of 2002, we will receive a remaining payment of $50 million. The settlement agreement and ongoing effects will not have a material impact on future earnings.

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Balance Sheet Review

Owned assets totaled $88.9 billion at December 31, 2001 and $76.3 billion at year-end 2000. Owned receivables may vary from period to period depending on the timing and size of securitization transactions. We had initial securitizations of $5.5 billion of receivables in 2001 and $7.0 billion in 2000. We refer to securitized receivables that are serviced for investors and are not on our balance sheet as our off-balance sheet portfolio.

Receivables growth has been a key contributor to our 2001 results. The strongest growth was in our real estate secured portfolio. Growth in our owned portfolio is shown in the following table:

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All dollar amounts are stated	Increase (Decrease) in 2001/2000	Increase (Decrease) in 2000/1999

in millions	December 31, 2001	$	%	$	%
Owned receivables:					
Real estate secured	$ 43,856.8	$ 8,677.1	25%	$ 10,517.8	43%
Auto finance	2,368.9	518.3	28	617.1	50
MasterCard/Visa	8,141.2	87.6	1	1,739.2	28
Private label	11,663.9	1,316.6	13	227.6	2
Personal non-credit card (1)	13,337.0	2,008.9	18	2,176.5	24
Commercial and other	506.9	(91.7)	(15)	(209.7)	(26)
Total	$ 79,874.7	$ 12,516.8	19%	$ 15,068.5	29%

</TABLE>

(1) Personal non-credit card receivables included PHL's of $4.1 billion at December 31, 2001 and $3.0 billion at December 31, 2000.

.. Real estate secured receivables increased $8.7 billion to $43.9 billion during 2001 as a result of growth in our HFC and Beneficial branches and mortgage services business. During 2001, we increased our branch sales force by almost 750 account executives and increased the focus on training, motivating and retaining our account executives. These efforts, combined with the centralized lead management and point of sale system in our branches, resulted in higher productivity per account executive and were a primary driver of the receivable growth. Reduced competition also contributed to the growth in both our branch and our mortgage service businesses. During 2001, we also tightened underwriting and increased our emphasis on first lien mortgages.

Our auto finance business reported strong, but controlled, growth during 2001, increasing receivables by $.5 billion to $2.4 billion at December 31, 2001, while raising cutoff scores and maintaining stringent underwriting criteria. A strong market, larger and more efficient sales force, increased dealer penetration and strong Internet originations also contributed to the growth. During 2001, we also securitized $2.6 billion of auto finance receivables as compared to $1.9 billion in 2000.

MasterCard and Visa receivables increased slightly to $8.1 billion during 2001. Our UP portfolio reported strong growth due to new accounts and balance transfers. Our nonprime portfolio, which includes both the subprime Renaissance and the near-prime new Household Bank branded base portfolios, also grew. Growth was offset by the sale of the approximately $1.0 billion Goldfish credit card portfolio in the U.K. and continued attrition, as expected, in our legacy undifferentiated Household Bank branded base portfolio. During 2001, we also securitized $.3 billion (excluding replenishments) of MasterCard and Visa receivables as compared to $2.0 billion in 2000.

Private label receivables increased 13 percent to $11.7 billion during 2001. Growth was primarily due to organic growth by existing merchants, but was also attributable to the addition of new merchants and a $725 million portfolio acquisition in the fourth quarter. Focused marketing efforts, including formation of dedicated marketing teams for our larger merchants, and focused use of promotions, especially for our mid-size merchants, contributed to the organic growth. Strong sales growth by several of our larger merchants also contributed to the increase in receivables. During 2001 and 2000, we securitized $.5 billion (excluding replenishments) of private label receivables.

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Personal non-credit card receivables increased 18 percent due to growth in our domestic consumer finance branches. As mentioned earlier, in 2001, we increased our branch sales force by almost 750 account executives and increased our focus on training, motivating and retaining our account executives. Our centralized lead management and point of sale system and improved customer retention also contributed to our strong branch growth.

Personal non-credit card receivables are comprised of the following:

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In millions. At December 31	2001	2000
Domestic personal unsecured	$ 6,547.4	$ 6,180.8
UP personal unsecured	1,067.7	779.9
Personal homeowner loans	4,121.6	2,989.6
Foreign unsecured	1,600.3	1,377.8
Total	$ 13,337.0	$ 11,328.1

</TABLE>

Personal unsecured loans (cash loans with no security) are made to customers who do not qualify for a real estate secured or personal homeowner loan ("PHL"). The average personal unsecured loan is approximately $5,000 and 80 percent of the portfolio is closed-end with terms ranging from 12 to 60 months. The UP personal unsecured loans are part of our affinity relationship with the AFL-CIO and are underwritten similar to other personal unsecured loans. The average PHL is approximately $15,000. PHL's typically have terms of 120 or 180 months and are subordinate lien, home equity loans with high (100 percent or more) combined loan-to-value ratios which we underwrite, price and classify as

unsecured loans. Because recovery upon foreclosure is unlikely after satisfying senior liens and paying the expenses of foreclosure, we do not consider the collateral as a source for repayment in our underwriting. Historically, these loans have performed better from a credit loss perspective than traditional unsecured loans as consumers are more likely to pay secured loans than unsecured loans in times of financial distress. During 2001, we deliberately slowed growth in the personal unsecured product and emphasized growth in PHL's. During 2001, we also securitized $2.1 billion of personal non-credit card receivables as compared to $2.6 billion in 2000.

.. We reach our customers through many different distribution channels and our growth strategies vary across product lines. The consumer lending business originates real estate and personal non-credit card products through its retail branch network, direct mail, telemarketing, strategic alliances and Internet applications. The mortgage services business originates and purchases real estate secured volume primarily through brokers and correspondents. Private label credit card volume is generated through merchant promotions, application displays, Internet applications, direct mail and telemarketing. Auto finance loan volume is generated primarily through dealer relationships from which installment contracts are purchased. Additional auto finance volume is generated through direct lending which includes alliance partner referrals, Internet applications and direct mail. MasterCard and Visa loan volume is generated primarily through direct mail, telemarketing, Internet applications, application displays, promotional activity associated with our co-branding and affinity relationships, mass media advertisements (GM Card(R)) and merchant relationships sourced through our retail services business. We also supplement internally-generated receivable growth with portfolio acquisitions.

We also are active in cross-selling more products to our existing customers. This opportunity for receivable growth results from our broad product array, recognized brand names, varied distribution channels, and large, diverse customer base. As a result of these cross-selling initiatives, we increased our products per customer by almost 20 percent in 2001. Products per customer is a measurement of the number of products held by an individual customer whose borrowing relationship with Household is considered in good standing. Products include all loan and insurance products.

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From time to time we offer customers with outstanding personal non-credit card loans who meet our current underwriting standards the opportunity to convert their loans into real estate secured loans. This enables our customers to have access to additional credit at lower interest rates. This also reduces our potential loss exposure and improves our portfolio performance as previously unsecured loans become secured in nature. We converted approximately $400 million of personal non-credit card loans into real estate secured loans in 2001 and $350 million in 2000. It is not our practice to re-write or reclassify any delinquent secured loans (real estate or auto) into personal non-credit card loans.

The Internet is also an increasingly important distribution channel and is enabling us to expand into new customer segments, improve delivery in indirect distribution and serve current customers in a more cost-effective manner. Receivables originated via the Internet were $3.3 billion at December 31, 2001, a 450 percent increase over December 31, 2000. At December 31, 2001, over 925,000 accounts were originated or serviced via the Internet. We are currently accepting loan applications via the Internet for all of our products and have the ability to serve our customers entirely on-line or in combination with our other distribution channels.

.. The owned consumer two-months-and-over contractual delinquency ratio was 4.53 percent at December 31, 2001, compared to 4.26 percent at December 31, 2000. The owned consumer net charge-off ratio was 3.32 percent in 2001, compared to 3.18 percent in 2000 and 3.67 percent in 1999. As expected, delinquency and charge-off ratios increased during 2001. We expect manageable increases in both delinquency and charge-off to continue during the first two or three quarters of 2002 and then decline modestly in the latter part of the year.

.. Our owned credit loss reserves were $2.7 billion at December 31, 2001, compared to $2.1 billion at December 31, 2000. Credit loss reserves as a percent of owned receivables were 3.33 percent at December 31, 2001, compared to 3.14 percent at year-end 2000.

.. In connection with our share repurchase program, we repurchased 17.4 million shares of our common stock for a total of $916.3 million during 2001. Since announcing our share repurchase program in March 1999, we have repurchased 39.6 million shares for a total of $1.8 billion. On May 9, 2001, we announced a new two year $2 billion common stock repurchase program. This new program went into effect on January 1, 2002 and replaced the $2 billion stock repurchase program which expired on December 31, 2001.

.. Our total shareholders' equity (including company obligated mandatorily redeemable preferred securities of subsidiary trusts and excluding unrealized gains and losses on cash flow hedging instruments in 2001) to owned assets ratio was 11.22 percent at December 31, 2001, compared to 11.15 percent at December 31, 2000.

Results of Operations

Unless noted otherwise, the following discusses amounts reported in our owned

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basis statements of income.

Net Interest Margin Our net interest margin on an owned basis increased to $5.8 billion in 2001, up from $4.7 billion in 2000 and $3.8 billion in 1999. Growth in average interest-earning assets resulted in higher net interest margin dollars in both years. In 2001, the increase was also due to lower funding costs, partially offset by an ensuing reduction in the rates we charge to our customers. The Federal Reserve reduced interest rates 11 times for a total of 475 basis points during 2001. In 2000, better pricing was partially offset by higher interest costs. In 2000, the Federal Reserve raised interest rates 3 times for a total of 100 basis points. In 2002, we expect net interest margin as a percent of receivables to be higher on average than in 2001 as we benefit from the full-year impact of the 2001 rate reductions. We expect some minor contraction late in the year as we believe the Fed will raise rates.

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As a percent of average interest-earning assets, net interest margin was 7.85 percent in 2001, 7.68 percent in 2000 and 7.74 percent in 1999. On a percentage basis, net interest margin in both years was impacted by a shift in the portfolio to lower margin real estate secured receivables. In 2001, the impact of this shift was more than offset by lower interest costs. In 2000, higher interest costs also contributed to the decrease in the ratio.

Our net interest margin on a managed basis includes finance income earned on our owned receivables as well as on our securitized receivables. This finance income is offset by interest expense on the debt recorded on our balance sheet as well as the contractual rate of return on the instruments issued to investors when the receivables were securitized. Managed basis net interest margin increased to $7.9 billion in 2001, up from $6.4 billion in 2000 and $5.5 billion in 1999. As a percent of average managed interest-earning assets, net interest margin was 8.44 percent in 2001, 8.05 percent in 2000 and 8.19 percent in 1999. Receivable growth contributed to the dollar increases in both years. The increase in the ratio in 2001 was primarily the result of lower interest costs. The decrease in the ratio in 2000 reflects the continued shift in the portfolio to lower margin real estate secured receivables and higher interest costs due to increases in interest rates, partially offset by improved pricing in our MasterCard and Visa portfolio.

Net interest margin as a percent of receivables on a managed basis is greater than on an owned basis because auto finance and MasterCard and Visa receivables, which have wider spreads, are a larger portion of the off-balance sheet portfolio than of the owned portfolio, which primarily consists of lower margin real estate secured loans.

We are able to adjust our pricing on many of our products, which reduces our exposure to changes in interest rates. During 2001, we benefited from reductions in funding costs, which were greater than the corresponding reduction in pricing. At December 31, 2001 and 2000, we estimated that our after-tax earnings would decline by about $77 and $81 million, respectively, following a gradual 200 basis point increase in interest rates over a twelve month period.

See the net interest margin tables on pages 33 to 35 for additional information regarding our owned basis and managed basis net interest margin.

Provision for Credit Losses The provision for credit losses includes current period net credit losses and an amount which we believe is sufficient to maintain reserves for losses of principal, interest and fees, including late, overlimit and annual fees, at a level that reflects known and inherent losses in the portfolio.

At December 31, 2001, our owned loss reserve was at an all-time high, despite a continued shift in our portfolio mix to real estate secured loans. During 2001, we recorded owned loss provision $502.9 million greater than charge-offs. Loss provision in 2001 reflected our continued receivable growth, recent increases in personal bankruptcy filings, and continued uncertainty over the impact of the weakening economy on charge-off and delinquency trends. Additionally, growth in our receivables and portfolio seasoning ultimately result in a higher dollar loss reserve requirement. Loss provision was $195.5 million greater than charge-offs in 2000, primarily due to receivable growth. Loss provisions are based on an estimate of inherent losses in our loan portfolio. See "Credit Loss Reserves" for further discussion and overall methodology for determining loss provision and loss reserves.

The provision for credit losses totaled $2.9 billion in 2001, compared to $2.1 billion in 2000 and $1.7 billion in 1999. Receivables growth in both years and a weakened economy in 2001 contributed to a higher provision. The provision for credit losses may vary from year to year, depending on a variety of factors including the amount of securitizations in a particular period, economic conditions and historical delinquency roll-rates of our loan products and our product vintage analyses.

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As a percent of average owned receivables, the provision was 4.00 percent, compared to 3.50 percent in 2000 and 3.59 percent in 1999. In 2001, the increase in this ratio reflects higher charge-offs, including bankruptcy charge-offs, and additions to loss reserves, both resulting from the weakening economy. In 2000, the decline in this ratio reflects improved credit quality as secured loans, which have a lower loss experience, represented a larger percentage of our owned portfolio. This decline came in spite of an increase in overall charge-off dollars as a result of receivable growth in the prior year. Run-off of our legacy undifferentiated Household Bank branded MasterCard and Visa portfolio,

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which had higher loss rates, also contributed to the decline in 2000.

See the "Analysis of Credit Loss Reserves Activity" on pages 31 and 32 for additional information regarding our owned basis and managed basis loss reserves.

Other Revenues Total other revenues on an owned basis were $3.8 billion in 2001, $3.2 billion in 2000 and $2.8 billion in 1999 and included the following:

<TABLE>
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In millions. Year ended December 31	2001 (RESTATED)	2000 (RESTATED)	1999 (RESTATED)
<S>	<C>	<C>	<C>
Securitization revenue	$ 1,762.9	$ 1,459.3	$ 1,365.8
Insurance revenue	662.4	561.2	534.6
Investment income	167.7	174.2	168.8
Fee income	903.5	760.2	546.2
Other Income	322.5	228.8	223.8
Total other revenues	$ 3,819.0	$ 3,183.7	$ 2,839.2

</TABLE>

Securitization revenue is the result of the securitization of our receivables and includes initial and replenishment gains on sale, net of our estimate of probable credit losses under the recourse provisions, as well as servicing revenue and excess spread. Securitization revenue was $1.8 billion in 2001, compared to $1.5 billion in 2000 and $1.4 billion in 1999. The increases were due to higher average securitized receivables and changes in the mix of receivables included in these transactions. Securitization revenue will vary each year based on the level and mix of receivables securitized in that particular year (which will impact the gross initial gains and related estimated probable credit losses under the recourse provisions) as well as the overall level and mix of previously securitized receivables (which will impact servicing revenue and excess spread). The estimate for probable credit losses for securitized receivables is impacted by the level and mix of current year securitizations because securitized receivables with longer lives may require a higher over-the-life loss provision than receivables securitized with shorter lives depending upon loss estimates and severities.

Securitization revenue included the following:
<TABLE>
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In millions. Year ended December 31	2001 (RESTATED)	2000 (RESTATED)	1999 (RESTATED)
<S>	<C>	<C>	<C>
Net initial gains	$ 165.7	$ 170.1	$ 111.1
Net replenishment gains	407.5	328.4	254.1
Servicing revenue and excess spread	1,189.7	960.8	1,000.6
Total	$ 1,762.9	$ 1,459.3	$ 1,365.8

</TABLE>

Certain securitization trusts, such as credit cards, are established at fixed levels and require frequent sales of new receivables into the trust to replace receivable run-off.

The change in our interest-only strip receivables, net of the related loss reserve and excluding the mark-to-market adjustment recorded in accumulated other comprehensive income, was $100.6 million in 2001, $59.0 million in 2000 and $34.0 million in 1999.

See Note 1, "Summary of Significant Accounting Policies," and Note 5 "Asset Securitizations," to the consolidated financial statements for further information on asset securitizations.

Insurance revenue was $662.4 million in 2001, $561.2 million in 2000 and $534.6 million in 1999. The increases reflect increased sales on a larger loan portfolio and improved customer acceptance and retention rates. During 2001, we announced that we will discontinue the sale of single premium credit insurance on real estate secured receivables in favor of offering a fixed monthly premium insurance product. The rollout of this insurance product began in the fourth quarter of 2001 and was substantially completed in the first quarter of 2002. This change is not expected to have a material impact on our results of operations for 2002.

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Investment income includes interest income on investment securities in the insurance business as well as realized gains and losses from the sale of investment securities. Investment income was $167.7 million in 2001, $174.2 million in 2000 and $168.8 million in 1999. In 2001, the decrease was primarily due to lower interest income, primarily resulting from lower yields, partially offset by higher average investment balances. In 2000, the increase was primarily due to higher interest income, primarily resulting from higher average investment balances and higher yields.

Fee income includes revenues from fee-based products such as credit cards. Fee

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income was $903.5 million in 2001, $760.2 million in 2000 and $546.2 million in 1999. The increases were primarily due to higher credit card fees. Fee income will also vary from year to year depending upon the amount of securitizations in a particular period.

See Note 21, "Segment Reporting," to the accompanying consolidated financial statements for additional information on fee income on a managed basis.

Other income, which includes revenue from our refund lending business, was $322.5 million in 2001, $228.8 million in 2000 and $223.8 million in 1999. RAL income was $198.3 million in 2001, $132.7 million in 2000 and $130.6 million in 1999. The increase in 2001 also reflects income of $32 million, net of costs directly related to our exit from the Goldfish credit card program, in connection with the agreement with Centrica to discontinue our participation in the program.

Costs and Expenses Total costs and expenses increased 18 percent to $3.9 billion in 2001, compared to $3.3 billion in 2000 and $2.8 billion in 1999. Expenses on an owned basis are the same as expenses on a managed basis. Higher expenses were the result of higher receivable levels and increased operating, technology, marketing, and personnel spending directly related to the receivable growth. Acquisitions during the first half of 2000 also contributed to increased expenses over the prior years. Our efficiency ratio was 38.4 percent in 2001, compared to 39.6 percent in 2000 and 39.5 percent in 1999.

Total costs and expenses included the following:

<TABLE>
<CAPTION>
In millions.

Year ended December 31	2001	2000	1999
<S>	<C> (RESTATED)	<C> (RESTATED)	<C> (RESTATED)
Salaries and fringe benefits	$ 1,597.2	$ 1,312.1	$ 1,048.7
Sales incentives	273.2	203.6	145.9
Occupancy and equipment expense	337.4	306.6	270.9
Other marketing expenses	490.4	443.6	346.9
Other servicing and administrative expenses	716.8	595.0	550.6
Amortization of acquired intangibles and goodwill	157.6	166.4	150.0
Policyholders' benefits	302.6	261.7	258.1
Total costs and expenses	$ 3,875.2	$ 3,289.0	$ 2,771.1

</TABLE>

Salaries and fringe benefits were $1.6 billion in 2001, $1.3 billion in 2000 and $1.0 billion in 1999. The increases were primarily due to additional staffing at all businesses, including the impact of acquisitions. In 2001, we increased sales, collection, customer service and technology staffing levels at all businesses to support our growth. Branch expansion efforts in the United Kingdom and Canada also contributed to the increase in 2001. In 2000, additional staffing to support growth and collection efforts in our consumer lending business, which contributed to increased recoveries and collections and improved the portfolio performance of our receivables, also contributed to the increase over the prior year. Growth in our credit card business, including the impact of acquisitions, also contributed to the increase in 2000.

Sales incentives were $273.2 million in 2001, $203.6 million in 2000 and $145.9 million in 1999. The increases were primarily due to higher sales volumes in our branches.

Occupancy and equipment expense was $337.4 million in 2001, $306.6 million in 2000 and $270.9 million in 1999. The increases were primarily due to growth in our support facilities. In 2001, we also added new branches in the United Kingdom and Canada. In 2000, we opened a new call center in Tampa, Florida and acquired other facilities in the first half of the year. These facilities have supported our receivable growth.

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Other marketing expenses include payments for advertising, direct mail programs and other marketing expenditures. These expenses were $490.4 million in 2001, $443.6 million in 2000 and $346.9 million in 1999. The increases were primarily due to increased credit card marketing initiatives, largely in the U.S. MasterCard and Visa portfolio.

Other servicing and administrative expenses were $716.8 million in 2001, $595.0 million in 2000 and $550.6 million in 1999. In 2001, the increase was primarily due to higher collection and consulting expenses, REO and fraud losses, and costs associated with privacy mailings to comply with new legislation. In 2000, the increase was primarily due to e commerce initiatives and increased costs resulting from the acquisition of Renaissance and two real estate secured loan portfolios.

Amortization of acquired intangibles and goodwill was $157.6 million in 2001, $166.4 million in 2000 and $150.0 million in 1999. In 2001, the decrease was attributable to reductions in acquired intangibles. In 2000, the increase was attributable to higher goodwill amortization resulting from the Renaissance acquisition. Upon adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" on January 1, 2002, amortization of goodwill recorded in past business combinations ceased. The adoption is expected to increase net income by approximately $45 million, or $.10 per share, annually.

Policyholders' benefits were $302.6 million in 2001, $261.7 million in 2000 and $258.1 million in 1999. The increases are consistent with the increase in insurance revenues resulting from increased policy sales.

Income taxes. The effective tax rate was 34.4 percent in 2001, 34.8 percent in 2000 and 32.9 percent in 1999.

Credit Quality

Delinquency and Charge-offs Our delinquency and net charge-off ratios reflect, among other factors, changes in the mix of loans in our portfolio, the quality of our receivables, the average age of our loans, the success of our collection efforts, bankruptcy trends and general economic conditions. Real estate secured receivables, which have a significantly lower charge-off rate than unsecured receivables, represented 55 percent of our total owned receivables at December 31, 2001 and 52 percent at December 31, 2000. The levels of personal bankruptcies also have a direct effect on the asset quality of our overall portfolio and others in our industry.

Our credit and portfolio management procedures focus on risk-based pricing and effective collection efforts for each loan. We have a process which we believe gives us a reasonable basis for predicting the credit quality of new accounts. This process is based on our experience with numerous marketing, credit and risk management tests. We also believe that our frequent and early contact with delinquent customers, as well as policies designed to manage customer relationships, such as reaging delinquent accounts to current in specific situations, are helpful in maximizing customer collections.

We have been preparing for an economic slowdown since late 1999. Throughout 2000 and 2001, we emphasized real estate secured loans which historically have a lower loss rate as compared to our other loan products, grew sensibly, tightened underwriting policies, reduced unused credit lines, strengthened risk model capabilities and invested heavily in collections capability by adding over 2,500 collectors. As a result, 2001 charge-off and delinquency performance has been well within our expectations.

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Our consumer charge-off and nonaccrual policies vary by product as follows:

<TABLE>
<CAPTION>

Product	Charge-off Policy	Nonaccrual Policy
<S>	<C>	<C>
Real estate secured	Carrying values in excess of net realizable value are charged off at the time of foreclosure or when settlement is reached with the borrower.	Interest income accruals are suspended when principal or interest payments are more than 3 months contractually past due and resumed when the receivable becomes less than 3 months contractually past due.
Auto finance	Carrying values in excess of net realizable value are charged off at the earlier of the following: . the collateral has been repossessed and sold, . the collateral has been in our possession for more than 90 days, or . the loan becomes 150 days contractually delinquent.	Interest income accruals are suspended when principal or interest payments are more than 2 months contractually past due and resumed when the receivable becomes less than 2 months contractually past due.
MasterCard and Visa	Charged off at 6 months contractually delinquent.	Interest accrues until charge-off.
Private label	Charged off at 9 months contractually delinquent.	Interest accrues until charge-off.
Personal non-credit card	Charged off at 9 months contractually delinquent and no payment received in 6 months, but in no event to exceed 12 months.	Interest income accruals are suspended when principal or interest payments are more than 3 months contractually delinquent. For PHL's, interest income accruals resume if the receivable becomes less than three months contractually past due. For all other personal non-credit card receivables, interest income is recorded as collected.

</TABLE>

Charge-offs may occur sooner for certain consumer receivables involving a bankruptcy.

Our charge off policies focus on maximizing the amount of cash collected from a customer while not incurring excessive collection expenses on a customer who will likely be ultimately uncollectible. We believe our policies are responsive to the specific needs of the customer segment we serve. Our real estate and auto finance charge-off policies consider customer behavior in that initiation of foreclosure or repossession activities often prompts repayment of delinquent balances. Our collection procedures and charge-off periods, however, are designed to avoid ultimate foreclosure or repossession whenever it is reasonably economically possible. Our MasterCard and Visa charge-off policy is consistent with credit card industry practice. Charge-off periods for our personal non-credit card and private label products were designed to be responsive to our customer needs and may be longer than bank competitors who serve a different market. Our policies have been consistently applied and there have been no

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significant changes to any of our policies during any of the periods reported. Our loss reserve estimates consider our charge-off policies to ensure appropriate reserves exist for products with longer charge-off lives. We believe our charge-off policies are appropriate and result in proper loss recognition.

Our policies for consumer receivables permit reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationships and maximize collections.

See "Credit Quality Statistics" on pages 29 and 30 for further information regarding owned basis and managed basis delinquency, charge-offs and nonperforming loans.

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Consumer Two-Month-and-Over Contractual Delinquency Ratios - Owned Basis
<TABLE>
<CAPTION>

	2001 Quarter End				2000 Quarter End			
	4	3	2	1	4	3	2	1
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate secured	2.63%	2.71%	2.59%	2.55%	2.58%	2.71%	2.64%	2.90%
Auto finance	2.92	2.43	2.35	1.74	2.46	1.96	1.84	1.90
MasterCard/Visa	5.67	5.22	4.80	5.02	4.90	4.89	4.30	4.17
Private label	5.99	6.57	6.54	5.62	5.60	5.64	5.81	6.03
Personal non-credit card	9.04	8.75	8.79	8.79	7.99	7.77	8.23	9.10
Total Owned	4.53%	4.58%	4.48%	4.36%	4.26%	4.29%	4.25%	4.58%

</TABLE>

See "Credit Quality Statistics - Managed Basis" on page 30 for additional information regarding our managed basis credit quality.

Our consumer delinquency ratios at year-end remained stable compared to the third quarter and increased modestly compared to the prior year. These increases were within our expectations. All products were negatively affected by the weakening economy during the fourth quarter. The increase in auto finance delinquency also reflects historical seasonal trends. These increases were partially offset by decreases in real estate secured delinquency due to improved collections. The sequential quarter comparison benefited from seasonal receivable growth in MasterCard and Visa and private label receivables, as well as a private label portfolio acquisition in the quarter. Additionally, our MasterCard and Visa portfolio was negatively impacted by the December removal of the Goldfish accounts, which had very low delinquency.

Compared to a year ago, the weakening economy contributed to higher delinquency ratios in all products. In our real estate secured portfolio, these increases were partially offset by benefits from the growing percentage of loans on which we hold a first lien position as these loans have lower delinquency rates than other loans. Though delinquency in our total MasterCard and Visa portfolio increased over the prior year due in part to the removal of the Goldfish accounts, delinquency in our subprime portfolio improved. During 2001, we improved underwriting selection criteria in our subprime MasterCard and Visa portfolio by building systems which better exclude certain high-risk customers from solicitations.

Consumer Net Charge-off Ratios - Owned Basis
<TABLE>
<CAPTION>

	Full Year 2001	2001 Quarter Annualized				Full Year 2000	2000 Quarter Annualized				Full Year 1999
		4	3	2	1		4	3	2	1	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate secured	.52%	.64%	.51%	.48%	.43%	.42%	.39%	.39%	.44%	.48%	.51%
Auto finance	4.00	4.91	3.72	3.26	3.93	3.29	3.90	2.88	2.90	3.42	3.42
MasterCard/Visa	8.17	7.90	8.28	8.33	8.17	6.55	7.36	5.99	6.32	6.48	7.95
Private label	5.59	6.12	5.94	5.25	5.02	5.34	5.03	5.18	5.46	5.70	5.60
Personal non-credit card	6.81	6.97	7.27	6.84	6.12	7.02	5.82	7.05	7.85	7.64	6.50
Total Owned	3.32%	3.43%	3.43%	3.26%	3.12%	3.18%	2.98%	3.01%	3.27%	3.53%	3.67%

</TABLE>

See "Credit Quality Statistics - Managed Basis" on page 30 for additional information regarding our managed basis credit quality.

During the fourth quarter, our net charge-off ratios continued to be impacted by the weakening economy. Higher loss severities on repossessed vehicles due to a weak market for used cars and historical seasonal trends also contributed to the increases in our auto finance portfolio. We expect improvement in the used car market in 2002. However, we expect the economy to remain weak and total portfolio charge-offs to increase through the first two or three quarters of 2002. We expect the economy to recover slowly and charge-offs to decline modestly in the latter part of the year.

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The increases in charge-off ratios for the year also reflect the weakening economy. These increases were partially offset by improved collections in our real estate secured, private label and personal non-credit card portfolios as a direct result of increasing the size of our collection staff, especially in our branch network. The increase in the auto finance ratio was due in part to higher loss severities on repossessed vehicles. The increase in the MasterCard and Visa ratio reflects a higher percentage of subprime receivables in the portfolio. Though subprime charge-off rates declined throughout 2001, these receivables continue to have higher loss rates than other MasterCard and Visa receivables.

Our total 2001 net charge-off ratios reflected the positive impact of the growing percentage of real estate secured receivables, which have a lower charge-off ratio than other products, in our portfolio. Assuming 1999 product mix, net charge-offs would have been approximately 45 basis points higher in 2001 and 30 basis points higher in 2000.

In 2000, all products, except personal non-credit card loans, reported improved charge-off ratios compared to 1999. Our MasterCard and Visa portfolio reported the strongest improvement in 2000 as a result of significant decreases in charge-off dollars in our legacy undifferentiated Household Bank and GM portfolios and in bankruptcy charge-offs. Charge-off dollars for all products were up in 2000.

In February, 1999, the four federal banking regulatory agencies revised their guidelines for classification of credit based on delinquency status and mandated specified timeframes for recognizing losses in consumer loan portfolios. These regulatory policy changes, which apply only to products within our banking subsidiaries and became effective October 1, 2000, did not result in a significant modification to any of our established reaging or charge-off policies. Therefore, the application of the new rules did not have a material impact on our financial statements or the way we manage our businesses.

Credit Loss Reserves We maintain credit loss reserves to cover probable losses of principal, interest and fees, including late, overlimit and annual fees. Credit loss reserves are based on a range of estimates and intended to be adequate but not excessive. We estimate losses for consumer receivables based on delinquency status and past loss experience. In addition, we provide loss reserves on consumer receivables to reflect our assessment of portfolio risk factors which may not be fully reflected in the statistical calculation which uses roll rates and migration analysis. These risk factors include bankruptcy trends, recent growth, product mix, economic conditions, and current levels in charge-off and delinquency. While our credit loss reserves are available to absorb losses in the entire portfolio, we specifically consider the credit quality and other risk factors for each of our products, which include real estate secured, auto finance, Master Card and Visa and private label credit cards and personal non-credit cards. We recognize the different inherent loss characteristics and risk management/collection practices in each of these products. Charge-off and customer account management policies are also considered when establishing loss reserve requirements to ensure the appropriate reserves exist for products with longer charge-off periods and for customers benefiting from account management decisions. We also consider key ratios such as reserves to nonperforming loans and reserves as a percentage of charge-offs in developing our loss reserve estimate. Loss reserve estimates are reviewed periodically and adjustments are reported in earnings when they become known. These estimates are influenced by factors outside of our control, such as economic conditions and consumer payment patterns. As a result, there is uncertainty inherent in these estimates, making it reasonably possible that they could change.

At December 31, 2001, our owned loss reserve was at an all-time high, despite a continued shift in our portfolio mix to secured loans. During 2001, we recorded owned loss provision $502.9 million greater than charge-offs. Loss provision in 2001 reflected our continued receivable growth, recent increases in personal bankruptcy filings, and continued uncertainty over the impact of the weakening economy on charge-off and delinquency trends. Additionally, growth in our receivables and portfolio seasoning ultimately result in a higher loss reserve requirement. Loss provision was $195.5 million greater than charge-offs in 2000, primarily due to receivable growth. Loss provisions are based on an estimate of inherent losses in our loan portfolio.

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The following table sets forth owned basis credit loss reserves for the periods indicated:

<TABLE>
<CAPTION>
All dollar amounts are stated in millions.

At December 31	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Owned credit loss reserves	$ 2,663.1	$ 2,111.9	$ 1,757.0	$ 1,734.2	$ 1,642.1
Reserves as a percent of receivables	3.33%	3.14%	3.36%	3.92%	4.25%
Reserves as a percent of net charge-offs	110.5	109.9	101.1	112.6	126.7
Reserves as a percent of nonperforming loans	91.0	90.2	87.5	100.3	113.2

</TABLE>

Reserves as a percentage of receivables in 2001 reflect the impact of the weakened economy, higher levels of delinquency and charge-off, and the continuing uncertainty as to the ultimate impact the weakened economy will have on delinquency and charge-off levels. We began to see evidence of a weakening

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economy in the first half of the year as delinquencies began to rise and bankruptcy filings increased. This resulted in higher charge-offs beginning in the second quarter. The combination of these risk factors, partially offset by a higher mix of real estate secured receivables, which have lower credit losses, resulted in higher loss provisions in 2001.

Over the past five years, our loan portfolio has experienced a dramatic shift in product mix to real estate secured receivables. The trend in reserves as a percentage of receivables from 1997 through 2000 reflects the impact of a growing percentage of secured loans which have lower loss rates than unsecured loans and, beginning in 1999 and continuing into 2000, improving credit quality trends. This trend also benefited in 1999 and 2000 from the continued run-off of our undifferentiated Household Bank branded MasterCard and Visa portfolio. Real estate secured receivables represented 55 percent of our receivables at December 31, 2001 compared to 36 percent at December 31, 1997. The impact of this shift to real estate secured receivables is significant. Holding average receivable mix constant to 1997 levels would have resulted in approximately a $980 million increase in charge-off during 2001 based on 2001 owned charge-off ratios.

For securitized receivables, we also record a provision for estimated probable losses that we expect to incur under the recourse provisions. The following table sets forth managed credit loss reserves for the periods indicated:

<TABLE>
<CAPTION>
All dollar amounts are stated in millions.

At December 31	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Managed credit loss reserves	$ 3,811.4	$ 3,194.2	$ 2,666.6	$ 2,548.1	$ 2,523.0
Reserves as a percent of managed receivables	3.78%	3.65%	3.72%	3.99%	3.99%
Reserves as a percent of managed net charge-offs	110.7	111.1	98.2	94.4	109.8
Reserves as a percent of nonperforming loans	105.0	107.0	100.1	109.5	115.5

</TABLE>

See the "Analysis of Credit Loss Reserves Activity" on pages 31 and 32 for additional information regarding our owned basis and managed basis loss reserves.

Geographic Concentrations The state of California accounts for 15 percent of our managed domestic consumer portfolio and is the only state with more than 10 percent of this portfolio. Because of our centralized underwriting collections and processing functions, we can quickly change our credit standards and intensify collection efforts in specific locations. We believe this lowers risks resulting from such geographic concentrations.

Our foreign consumer operations located in the United Kingdom and Canada accounted for 6 percent and 1 percent, respectively, of managed consumer receivables at December 31, 2001.

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Owned Nonperforming Assets

<TABLE>
<CAPTION>
All dollar amounts are stated in millions.

At December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Nonaccrual receivables	$ 2,079.5	$ 1,678.7	$ 1,444.6
Accruing consumer receivables 90 or more days delinquent	844.1	649.4	550.4
Renegotiated commercial loans	2.1	12.3	12.3
Total nonperforming receivables	2,925.7	2,340.4	2,007.3
Real estate owned	398.9	337.1	271.5
Total nonperforming assets	$ 3,324.6	$ 2,677.5	$ 2,278.8

</TABLE>

The increase in nonaccrual receivables is attributable to increases in our real estate secured, auto finance and personal non-credit card portfolios. Accruing receivables 90 or more days delinquent includes MasterCard and Visa and private label credit card receivables, consistent with industry practice. The increase in total nonperforming assets is consistent with and attributable to growth in our owned portfolio.

Liquidity and Capital Resources

Our subsidiaries use cash to originate loans, purchase loans or investment securities and acquire businesses. Their sources of cash include the collection of receivable balances; maturities or sales of investment securities; proceeds from the issuance of debt and deposits and from the securitization of consumer receivables; and cash provided by operations.

The following table summarizes our contractual cash obligations by period due:

<TABLE>

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In millions. At December 31, 2001	2002	2003	2004	2005	2006	Thereafter	Total
Long-term debt:							
Time certificates of deposit	$ 2,025.5	$ 1,307.3	$1,528.2	$ 837.3	$ 208.1	$ 410.3	$ 6,316.7
Senior and senior subordinated Debt	10,492.5	9,980.0	5,800.9	5,970.0	6,652.0	17,928.2	56,823.6
Total long-term debt	12,518.0	11,287.3	7,329.1	6,807.3	6,860.1	18,338.5	63,140.3
Operating leases:							
Minimum rental payments	150.9	128.6	110.7	92.8	82.6	330.0	895.6
Minimum sublease income	(21.4)	(21.6)	(22.0)	(22.3)	(22.2)	(77.7)	(187.2)
Total operating leases	129.5	107.0	88.7	70.5	60.4	252.3	708.4
Other Long-Term Obligations:							
Company obligated mandatorily redeemable preferred securities of subsidiary trust	-	-	-	-	-	975.0	975.0
Total Contractual Obligations	$12,647.5	$11,394.3	$7,417.8	$6,877.8	$6,920.5	$19,565.8	$64,823.7

</TABLE>

We also enter into commitments to meet the financing needs of our customers. In most cases, we have the ability to reduce or eliminate these open lines of credit. As a result, the amounts below do not necessarily represent future cash requirements:

<TABLE>
<CAPTION>

In billions. At December 31	2001
MasterCard and Visa and private label credit cards	$ 99.4
Other consumer lines of credit	4.7
Open lines of credit	$ 104.1

</TABLE>

At December 31, 2001, our mortgage services business had commitments with numerous correspondents to purchase up to $1.1 billion of real estate secured receivables, subject to availability based on underwriting guidelines specified by our mortgage services business. These commitments have terms of up to one year and can be renewed upon mutual agreement.

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In managing capital, we develop targets for the ratio of equity to managed assets based on discussions with rating agencies, reviews of regulatory requirements and competitor capital positions, credit loss reserve strength, risks inherent in the portfolio and projected operating environment, and acquisition objectives. We also specifically consider the level of intangibles arising from completed acquisitions. A primary objective of our capital management is to maintain investment grade ratings from rating agencies in order to have acceptable funding costs as well as greater access to a variety of funding sources. Targets include capital levels against both owned and managed assets. Our targets may change from time to time to accommodate changes in the operating environment or any of the other considerations listed above.

Consolidated capital ratios at year end 2001 and 2000 were consistent with our targets. Those ratios, as well as our 2002 target for tangible shareholders' equity to tangible managed assets, are as follows:

<TABLE>
<CAPTION>

At December 31	2001	2000	2002 Targets
	RESTATED)	(RESTATED)	
Tangible shareholders' equity to tangible managed assets	7.57%	7.13%	8.00-8.25%
Common and preferred equity and trust preferred securities as a percent of owned assets(2)	10.98(1)	11.15	
Common and preferred equity and trust preferred securities as a percent of managed assets(2)	8.88(1)	8.81	

</TABLE>

(1) Excluding the impact of FAS No. 133.

(2) The ratio of common and preferred equity and trust preferred securities as a percentage of owned and managed assets and the ratio of tangible equity to tangible managed assets are non-GAAP ratios that are used by rating agencies as a measure to evaluate capital adequacy. These ratios may differ from similarly named measures presented by other companies. Because of its long-term nature and our ability to defer dividends, rating agencies consider trust preferred securities as equity in calculating these ratios.

Parent Company Household International, Inc. is the holding or parent company that owns the outstanding stock of its subsidiaries. The parent company's main

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source of funds is cash received from its subsidiaries in the form of dividends and intercompany borrowings. The parent company received dividends from its subsidiaries of $673 million in 2001 and $648 million in 2000. Dividends from subsidiaries are managed to ensure subsidiaries are adequately capitalized. In addition, the parent company receives cash from third parties by issuing debt, preferred stock and common stock.

At December 31, 2001, the parent company had $400 million in committed back-up lines of credit that it can use on short notice. These lines are available either to the parent company or its subsidiary, Household Finance Corporation ("HFC"). None of these back-up lines were drawn upon in 2001. These lines of credit expire in 2003 and do not contain financial material adverse change clauses that could restrict availability. The only financial covenant contained in the terms of the parent company's credit agreements is the maintenance of minimum shareholders' equity of $2.0 billion.

The parent company has a number of obligations to meet with its available cash. It must be able to service its debt and meet the capital needs of its subsidiaries. It also must pay dividends on its preferred stock and may pay dividends to its common stockholders. The parent company paid $406.6 million in common and preferred dividends to shareholders in 2001 and $358.9 million in 2000. The parent company anticipates its common stock dividend payout ratio in 2002 to be comparable to prior years.

At various times, the parent company will make capital contributions to its subsidiaries to comply with regulatory guidance, support receivable growth, maintain acceptable investment grade ratings at the subsidiary level, or provide funding for long-term facilities and technology improvements. In 2001, the parent company made capital contributions of $50 million to subsidiaries, compared to $550 million in 2000. The primary reasons for the larger contribution in 2000 were to support receivable growth and maintain acceptable investment grade ratings. We expect our subsidiaries will continue to need additional capital contributions in 2002. We anticipate that these amounts will exceed the amounts contributed in prior years. We have been advised by the Office of Thrift Supervision ("OTS"), Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") that in accordance with their 2001 Guidance for Subprime Lending Programs, they will impose additional capital requirements on institutions which hold nonprime or subprime assets which we expect will be greater than the historical levels we have maintained at these subsidiary institutions. We do not believe the additional capital needs of any subsidiary will have a material adverse impact on our financial position or our business operations.

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In August 2001, the parent company issued zero-coupon convertible debt securities. The convertible debt securities are due 2021, have a 1 percent yield to maturity and have a principal amount at maturity of approximately $1.2 billion. We must pay contingent interest on the securities beginning in 2006 if our common stock price reaches certain levels. The holders of the securities have the right to require us to repurchase the securities on various dates beginning in August 2002 and ending in August 2016 or if certain "fundamental changes" as described in the prospectus supplement occur. "Fundamental changes" include, among other things, an exchange offer, liquidation, merger and recapitalization. The holders of the securities may convert each $1,000 of securities, subject to adjustment, into 9.022 shares of Household common stock if our stock price reaches $99.87 for 20 trading days in a consecutive 30 trading day period. We may redeem the securities, in whole or in part, at any time after August 1, 2006.

In September 2001, the parent company issued $300 million of 7.50 percent cumulative preferred stock. In addition, we issued company obligated mandatorily redeemable preferred securities (representing the minority interest in the trust) ("trust preferred securities") of $400 million in 2001 and $300 million in 2000. In December 2001, $100 million of 8.70 percent trust preferred securities were redeemed.

During 2001, we repurchased 17.4 million shares of our common stock for a total of $916.3 million. During 2000, 5.4 million shares were repurchased for a total of $209.3 million. On May 9, 2001, we announced a new common stock repurchase program. This new program enables us to repurchase up to an additional $2 billion of our outstanding common shares. This new program went into effect on January 1, 2002 and replaced the $2 billion stock repurchase program which expired on December 31, 2001. Pursuant to these programs, repurchases are made from time to time in the open market depending upon market conditions, other investment opportunities for growth and capital targets.

At December 31, 2001, we had agreements to purchase, on a forward basis, approximately 6.5 million shares of our common stock at a weighted-average forward price of $59.14 per share. The agreements have terms of up to one year. These agreements may be settled either physically or on a net basis in shares of our common stock, at our option.

Subsidiaries We have three major subsidiaries: HFC, Household Bank, f.s.b. ("the Bank"), and Household Global Funding ("Global"). These subsidiaries use cash to originate loans, purchase loans or investment securities or acquire businesses. Their sources of cash include the collection of receivable balances, maturities or sales of investment securities, proceeds from the issuance of debt and deposits and from the securitization of receivables, capital contributions from the parent company, and cash provided by operations.

HFC HFC funds its operations by collecting receivable balances; issuing commercial paper, medium-term debt, and long-term debt primarily to wholesale investors; securitizing consumer receivables; and receiving capital contributions from its parent.

HFC domestically markets its commercial paper primarily through an in-house sales force. HFC's outstanding commercial paper totaled $8.8 billion at December 31, 2001 and $8.7 billion at December 31, 2000. HFC actively manages the level of commercial paper outstanding to ensure availability to core investors and proper use of any excess capacity within internally-established targets.

HFC markets domestic medium-term notes through investment banks and its in-house sales force. A total of $8.0 billion of domestic medium-term notes were issued in 2001, including $788 million of InterNotesSM, a retail-oriented medium-term note program. In 2000, $9.9 billion of domestic medium-term notes were issued. During 2001, HFC also issued $7.0 billion of U.S. dollar, global long-term debt with a weighted-average original maturity of 8.14 years. Long-term debt issuances in 2000 totaled $4.8 billion and had a weighted-average original maturity of 6.98 years. These long-term issuances lengthened the term of HFC's funding, reduced reliance on commercial paper and securitizations, and preserved liquidity.

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We issued securities backed by dedicated home equity loan receivables of $1.6 billion in 2001 and $.5 billion in 2000. For accounting purposes, these transactions were structured as secured financings, therefore the receivables and the related debt remain on our balance sheet. At December 31, 2001, closed-end real estate secured receivables totaling $1.7 billion secured $1.5 billion of outstanding debt related to these transactions. At December 31, 2000, closed-end real estate secured receivables totaling $.4 billion secured $.4 billion of outstanding debt.

To obtain a broader investment base, HFC periodically issues debt in foreign markets. During 2001, $2.0 billion in notes were issued in these foreign markets, including Euro, Japanese yen and Australian dollar denominated issuances, compared to $2.1 billion in 2000. In order to eliminate future foreign exchange risk, currency swaps were used to convert the notes to U.S. dollars at the time of issuance.

HFC had committed back-up lines of credit totaling $10.1 billion at December 31, 2001, of which $400 million was also available to its parent company. None of these back-up lines were drawn upon in 2001. In addition, none of these lines contained a financial material adverse change clause which could restrict availability. HFC's back-up lines expire on various dates through 2005. The most restrictive financial covenant contained in the terms of HFC's credit agreements is the maintenance of minimum shareholder's equity of $3.6 billion.

At December 31, 2001, HFC had facilities with commercial and investment banks under which it may securitize up to $12.6 billion of receivables. The conduit facilities are renewable on an annual basis at the banks' option. At December 31, 2001, $10.3 billion of receivables were securitized under these programs. The amount available under the facilities will vary based on the timing and volume of public securitization transactions. We expect to significantly increase the amounts available under these conduit programs in 2002 to protect our ability to operate efficiently in a cautionary capital market. Through existing bank lines, conduit facilities and new debt issuances, we believe we would continue to have more than adequate sources of funds if one or more of these facilities were unable to be renewed.

The Bank The Bank funds its operations through collection of receivable balances, contributions of capital and various wholesale funding sources including federal funds borrowings and bank notes. The Bank has also used retail certificates of deposit, domestic and Euro medium-term notes and underwritten senior debt. Additionally, the Bank has historically funded the RAL program under its agreement with HFC.

During 2001, the Bank began selling bank notes through an in-house sales force. Bank notes outstanding at year-end were $831 million. The Bank also issued $115 million in retail certificates of deposit in 2001 and $3.2 billion in 2000. The Bank's outstanding deposits totaled $6.8 billion at December 31, 2001 and $7.4 billion at December 31, 2000.

The Bank is subject to the capital adequacy guidelines adopted by the OTS and is well capitalized. Although we have utilized the Bank in the past as a means of providing deposit funding to support our operations, due to recent regulatory requirements for additional capital to support nonprime and subprime lending activities, it is doubtful that such sources will be actively utilized in the near term. We have been advised by the OTS, OCC and the FDIC that in accordance with their 2001 Guidance for Subprime Lending Programs, they will impose additional capital requirements on institutions which hold nonprime or subprime assets which we expect will be greater than the historical levels we have maintained at these subsidiary institutions. We have agreed with the OTS to maintain the regulatory capital of the Bank at these levels. We expect to reduce the size of the Bank to better manage the capital requirements for the Bank. We do not expect that any of these actions will have a material adverse effect on our operations, our ability to timely fund our operations, or will materially increase the costs associated with our funding.

Global Global includes our foreign subsidiaries in the United Kingdom and Canada. Global's assets were $7.3 billion at year-end 2001 and $7.8 billion at year-end 2000. Consolidated shareholders' equity includes the effect of translating our foreign subsidiaries' assets, liabilities and operating results from their local currency into U.S. dollars. We periodically enter into foreign exchange contracts to hedge portions of our investment in foreign subsidiaries.

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Each foreign subsidiary conducts its operations using its local currency. While each foreign subsidiary usually borrows funds in its local currency, both our United Kingdom and Canadian subsidiaries have borrowed funds directly in the United States capital markets. This allowed the subsidiaries to achieve a lower cost of funds than that available at that time in their local markets. These borrowings were converted from U.S. dollars to their local currencies using currency swaps at the time of issuance. Net realized gains and losses in foreign currency swap transactions were not material to our results of operations or financial position in any of the years presented.

Our United Kingdom operation is funded with wholesale deposits, short and intermediate-term bank lines of credit, long-term debt and securitizations of receivables. Deposits were $490.7 million at December 31, 2001 and $1.7 billion at December 31, 2000. Short-term borrowings at year-end 2001 were $717.4 million compared to $722.3 million a year ago. Long-term debt at year-end 2001 was $2.8 billion compared to $2.4 billion a year earlier.

At December 31, 2001, $2.1 billion of the United Kingdom's total debt was guaranteed by the parent company and $1.9 billion was guaranteed by HFC. HFC receives a fee for providing the guarantee. Committed back-up lines of credit for the United Kingdom were approximately $3.1 billion at December 31, 2001 of which $.8 billion was used. These lines have varying maturities through 2007.

At December 31, 2001, the UK had facilities with commercial banks under which it may securitize up to $.3 billion of receivables. The conduit facilities are renewable on an annual basis at the banks' option. At December 31, 2001, $.3 billion of receivables were securitized under these programs. The amount available under the facilities will vary based on the timing and volume of public securitization transactions. Through existing bank lines and new debt issuances, we believe we would continue to have more than adequate sources of funds if one or more of these facilities were unable to be renewed.

Our Canadian operation is funded with commercial paper, intermediate debt and long-term debt. Intermediate and long-term debt totaled $851.1 million at year-end 2001 compared to $749.2 million a year ago. Committed back-up lines of credit for Canada were approximately $436 million at December 31, 2001. None of these back-up lines were used in 2001. At December 31, 2001, approximately $35 million of the Canadian subsidiary's total debt was guaranteed by the parent company and $1.2 billion was guaranteed by HFC. Both the parent company and HFC receive a fee for providing the guarantees.

Investment Ratings As a financial services organization, we must have access to funds at competitive rates, terms and conditions to be successful. At December 31, 2001, the long-term debt of the parent company, HFC, Beneficial and our Canadian and U.K. subsidiaries and the preferred stock of the parent company have been assigned investment grade ratings by all nationally recognized statistical rating organizations that rate such instruments. These organizations have also rated the commercial paper of HFC in their highest rating category. Although one nationally recognized statistical rating organization recently downgraded the long-term debt of HFC to the corresponding levels of the other agencies, we believe this downgrade will not have any meaningful impact on our ability to fund our operations. With our back-up lines of credit and securitization programs, we believe we have sufficient funding capacity to refinance maturing debts and fund our growth.

Capital Expenditures We made capital expenditures of $175 million in 2001 and $174 million in 2000.

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Asset Securitizations

From time to time, we securitize consumer receivables. In a securitization, a designated pool of receivables is removed from the balance sheet and transferred to an unaffiliated trust that is a qualifying special purpose entity ("QSPE") under Statement of Financial Accounting Standards No. 125 and/or 140, as applicable. The QSPE funds its receivable purchase through the issuance of securities to investors, entitling them to receive specified cash flows during the life of the securities. The securities are collateralized by the underlying receivables transferred to the QSPE. Under the terms of the securitizations, we receive annual servicing fees on the outstanding balance of the securitized receivables and the rights to future residual cash flows arising after the investors receive their contractual return. These rights to further residual cash flows are recorded on our balance sheet as interest-only strip receivables, net of our recourse obligation to investors for failure of debtors to pay. Our recourse is limited to our rights to future cash flows and any subordinated interests that we may retain.

Securitizations and secured financings of consumer receivables have been, and will continue to be, a source of liquidity for us. We believe the market for securities issued by an investment grade issuer and backed by receivables is a reliable and cost-effective source of funds. Securitizations represented 22 percent of the funding associated with our managed portfolio at December 31, 2001, compared to 24 percent at December 31, 2000 and 28 percent at December 31, 1999.

The following table summarizes the composition of receivables securitized (excluding replenishments of certificateholder interests) during the year:

<TABLE>
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In billions.	2001	2000	1999

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<S>	<C>	<C>	<C>
MasterCard/Visa	$.3	$2.0	$1.8
Auto finance	2.6	1.9	1.4
Private label	.5	.5	.5
Personal non-credit card	2.1	2.6	1.5
Total	$5.5	7.0	$5.2

</TABLE>

Certain securitization trusts, such as credit cards, are established at fixed levels and due to the revolving nature of the underlying receivables require the sale of new receivables into the trust to replace receivable runoff. These replenishments totaled $24.7 billion in 2001, $21.0 billion in 2000 and $20.3 billion in 1999.

The following table summarizes the expected amortization of our securitizations by type:

<TABLE>
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In millions.

At December 31, 2001	2002	2003	2004	2005	2006	Thereafter	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate secured	$ 295.1	$ 304.8	$ 217.9	$ 44.0	-	-	$ 861.8
Auto finance	1,256.4	1,211.4	712.4	846.4	-	-	4,026.6
MasterCard/Visa	4,449.9	1,314.2	1,392.9	2,007.1	$ 89.9	-	9,254.0
Private label	336.5	1,001.8	811.7	-	-	-	2,150.0
Personal non-credit card	2,238.0	1,219.9	707.0	247.4	136.6	$ 106.7	4,655.6
Total	$ 8,575.9	$ 5,052.1	$ 3,841.9	$ 3,144.9	$ 226.5	$ 106.7	$ 20,948.0

</TABLE>

At December 31, 2001, the expected weighted-average remaining life of these transactions was 1.7 years.

We issued securities backed by dedicated home equity loan receivables of $1.6 billion in 2001 and $.5 billion in 2000. For accounting purposes, these transactions were structured as secured financings, therefore, the receivables and the related debt remain on our balance sheet. Real estate secured receivables included closed-end real estate secured receivables totaling $1.7 billion at December 31, 2001 and $.4 billion at December 31, 2000 which secured the outstanding debt related to these transactions.

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The securities issued with our securitizations may payoff sooner than originally scheduled if certain events occur. For MasterCard and Visa, private label, real estate secured and personal non-credit card securitizations, early payoff of the securities begins if the annualized portfolio yield drops below a base rate or if certain other events occur. For certain auto securitizations, early payoff of securities may occur if established delinquency or loss levels are exceeded. We do not presently believe that any early payoff will take place. If early payoff occurred, our funding requirements would increase. These additional requirements could be met through new securitizations, issuance of various types of debt or borrowings under existing back-up lines of credit. We believe we would continue to have more than adequate sources of funds if an early payoff event occurred.

At December 31, 2001, HFC and the U.K. had facilities with commercial and investment banks under which they may securitize up to $12.9 billion of receivables. The facilities are renewable on an annual basis at the banks' option. At December 31, 2001, $10.6 billion of receivables were securitized under these programs. The amount available under the facilities will vary based on the timing and volume of public securitization transactions. Through existing bank lines and new debt issuances, we believe we would continue to have more than adequate sources of funds if one or more of these facilities were unable to be renewed.

Risk Management

We have a comprehensive program to address potential financial risks, such as liquidity, interest rate, currency and credit risk. The Finance Committee of the Board of Directors sets acceptable limits for each of these risks annually and reviews the limits semi-annually. We maintain an overall risk management strategy that uses a variety of interest rate and currency derivative financial instruments to mitigate our exposure to fluctuations caused by changes in interest rates and currency exchange rates. We manage our exposure to interest rate risk primarily through the use of interest rate swaps, but also use forwards, futures, options, and other risk management instruments. We manage our exposure to currency risk primarily through the use of currency swaps. We do not speculate on interest rate or foreign currency market exposure and we do not use exotic or leveraged derivative financial instruments.

Because we are predominantly capital markets funded, our ability to ensure continuous access to these markets and maintain a diversified funding base is important in meeting our funding needs. We have never experienced funding difficulties. Over the past two years, we have worked with a number of investment banks to identify and implement the strategic initiatives required to enhance future market access. Our ability to issue debt at competitive prices is influenced by rating agencies' views of our credit quality, liquidity, capital

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and earnings. As a result, we maintain close working relationships with each rating agency to secure the highest possible rating on our debt and asset backed securities. Additionally, access to capital markets is dependent upon a well-informed investor base. We maintain a comprehensive, direct marketing program to ensure our investors receive consistent and timely information regarding our financial performance. The ability to fund our operations, however, can be influenced by factors outside of our control such as the events of September 11, 2001 and the Russian financial crisis that occurred in the fall of 1998. In both of these situations, we adjusted our debt issuance plans as the debt markets changed and readily achieved our funding goals. Our contingency funding plans contemplate short and long-term market interruptions resulting from both general market events and Household specific events. Any shortfalls created by these interruptions could be mitigated through access to alternative sources of secured funding, asset sales and/or reductions in receivable growth rates. We currently are not aware of any trends or events that will result in or that are reasonably likely to result in a material change in our liquidity.

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Interest rate risk is defined as the impact of changes in market interest rates on our earnings. We use simulation models to measure the impact of changes in interest rates on net interest margin. The key assumptions used in these models include expected loan payoff rates, loan volumes and pricing, cash flows from derivative financial instruments and changes in market conditions. These assumptions are based on our best estimates of actual conditions. The models cannot precisely predict the actual impact of changes in interest rates on our earnings because these assumptions are highly uncertain. We validate the accuracy of our models by comparing actual results to those previously predicted by the model. At December 31, 2001, our interest rate risk levels were substantially below those allowed by our existing policy.

We estimate that our after-tax earnings would decline by about $77 million at December 31, 2001 and $81 million at December 31, 2000 following a gradual 200 basis point increase in interest rates over a twelve month period and would increase by about $72 million at December 31, 2001 and $78 million at December 31, 2000 following a gradual 200 basis point decrease in interest rates. These estimates include the impact of the derivative positions we have entered into. As a result, the decline in our earnings following a gradual 200 basis point increase would be higher had those derivative positions not been entered into. These estimates also assume we would not take any corrective action to lessen the impact and, therefore, exceed what most likely would occur if rates were to change.

We generally fund our assets with liabilities that have similar interest rate features. This initially reduces interest rate risk. Over time, however, customer demand for our receivable products shifts between fixed rate and floating rate products, based on market conditions and preferences. These shifts result in different funding strategies and produce different interest rate risk exposures. We use derivative financial instruments, principally swaps, to manage these exposures, as well as our liquidity position. Generally, we use derivatives that are either effective hedges, of which 92 percent qualify for the short-cut method of accounting under FAS No. 133, or are short-term (less than one year) economic hedges which offset the economic risk inherent in our balance sheet. As a result, we do not believe that using these derivatives will result in a material mark-to-market income adjustment in any period.

The primary exposure on our interest rate swap portfolio is credit risk. Credit risk is the risk that the counterparty to a transaction fails to perform according to the terms of the contract. We control the credit (or repayment) risk in derivative instruments through established credit approvals, risk control limits and ongoing monitoring procedures. Counterparty limits have been set and are closely monitored as part of the overall risk management process. These limits ensure that we do not have significant exposure to any individual counterparty. Based on peak exposure at December 31, 2001, substantially all of our derivative counterparties were rated AA- or better. Certain swap agreements require that payments be made to, or received from, the counterparty when the fair value of the agreement reaches a certain level. We have never suffered a loss due to counterparty failure.

We also use interest rate futures, interest rate forwards and purchased options to reduce interest rate risk. We use these instruments to hedge interest rate changes on our variable rate assets and liabilities. For example, short-term borrowings expose us to interest rate risk because the interest rate we must pay to others may change faster than the rate we receive from borrowers on the assets our borrowings are funding. Futures, forwards and options are used to fix our interest cost on these borrowings at a desired rate and are held until the interest rate on the variable rate asset or liability changes. We then terminate, or close out, the derivative financial instrument. These terminations are necessary because the date the interest rate changes is usually not the same as the expiration date of the derivative contracts.

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Foreign currency exchange risk refers to the potential changes in current and future earnings or capital arising from movements in foreign exchange rates. We enter into foreign exchange rate forward contracts and currency swaps to minimize currency risk associated with changes in the value of foreign-denominated assets or liabilities. Currency swaps convert principal and interest payments on debt issued from one currency to another. For example, we may issue Euro-denominated debt and then execute a currency swap to convert the obligation to U.S. dollars. We also have foreign subsidiaries located in the United Kingdom and Canada. Our foreign currency exchange risk on these investments is limited to the unhedged portion of the net investment in our

foreign subsidiaries. We periodically enter into foreign exchange contracts to hedge portions of our investments in foreign subsidiaries. At December 31, 2001, we estimate we would experience a decrease in common shareholders' equity, net of tax, of approximately $45.7 million compared to a decrease of approximately $56.8 million, net of tax, at December 31, 2000 as a result of a 10 percent depreciation in our unhedged capital exposure in foreign subsidiaries to the U.S. dollar position. Additionally, we believe that the potential loss in net income associated with a 10 percent adverse change in the British pound/U.S. dollar or Canadian dollar/U.S. dollar exchange rate would not be material to us.

See Note 10 to the accompanying consolidated financial statements, "Derivative Financial Instruments and Concentrations of Credit Risk," for additional information related to interest rate risk management and Note 14, "Fair Value of Financial Instruments," for information regarding the fair value of certain financial instruments.

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Household International, Inc.
Glossary of Terms

Acquired Intangibles and Goodwill - Intangible assets represent the market value premium attributable to our credit card accounts in excess of the aggregate outstanding managed credit card loans acquired. Goodwill represents the purchase price over the fair value of identifiable assets acquired less liabilities assumed from business combinations.

Affinity Credit Card - A MasterCard or Visa account jointly sponsored by the issuer of the card and an organization whose members share a common interest (e.g., the AFL-CIO Union Plus (UP) Credit Card Program).

Auto Finance Loans - Closed-end loans secured by a first lien on a vehicle.

Co-Branded Credit Card - A MasterCard or Visa account that is jointly sponsored by the issuer of the card and another corporation (e.g., the GM Card(R)). The account holder typically receives some form of added benefit for using the card.

Common Dividend Payout Ratio - Dividends declared per common share divided by net income per share.

Consumer Net Charge-off Ratio - Net charge-offs of consumer receivables divided by average consumer receivables outstanding.

Contractual Delinquency - A method of determining aging of past due accounts based on the status of payments under the loan.

Efficiency Ratio - Ratio of operating expenses to net interest margin and other revenues less policyholders' benefits.

Fee Income - Income associated with interchange on credit cards and late and other fees from the origination or acquisition of loans.

Foreign Exchange Contract - A contract used to minimize our exposure to changes in foreign currency exchange rates.

Futures Contract - An exchange-traded contract to buy or sell a stated amount of a financial instrument or index at a specified future date and price.

Interchange Fees - Fees received for processing a credit card transaction through the MasterCard or Visa network.

Interest-only Strip Receivables - Represent our contractual right to receive interest and other cash flows from our securitization trusts after the investors receive their contractual return.

Interest Rate Swap - Contract between two parties to exchange interest payments on a stated principal amount (notional principal) for a specified period. Typically, one party makes fixed rate payments, while the other party makes payments using a variable rate.

LIBOR - London Interbank Offered Rate. A widely quoted market rate which is frequently the index used to determine the rate at which we borrow funds.

Liquidity - A measure of how quickly we can convert assets to cash or raise additional cash by issuing debt.

Managed Basis - Method of reporting whereby net interest margin, other revenues and credit losses on securitized receivables are reported as if those receivables were still held on our balance sheet.

Managed Receivables - The sum of receivables on our balance sheet and those that we service for investors as part of our asset securitization program.

MasterCard and Visa Receivables - Receivables generated through customer usage of MasterCard and Visa credit cards.

Net Interest Margin - Interest income from receivables and noninsurance investment securities reduced by interest expense.

Nonaccrual Loans - Loans on which we no longer accrue interest because ultimate collection is unlikely.

Nonprime Accounts - Accounts held by individuals who have limited credit histories, modest income, high debt-to-income ratios or have experienced credit problems caused by occasional delinquencies, prior charge-offs or other credit

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related actions. These customers generally have higher delinquency and credit loss probabilities and are charged a higher interest rate to compensate us for the additional risk.

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Options - A contract giving the owner the right, but not the obligation, to buy or sell a specified item at a fixed price for a specified period.

Owned Receivables - Receivables held on our balance sheet.

Personal Homeowner Loan ("PHL") - A real estate loan that has been underwritten and priced as an unsecured loan. These loans are reported as personal non-credit card receivables.

Personal Non-Credit Card Receivables - Unsecured lines of credit or closed-end loans made to individuals.

Private Label Credit Card - A line of credit made available to customers of retail merchants evidenced by a credit card bearing the merchant's name.

Products Per Customer - A measurement of the number of products held by an individual customer whose borrowing relationship with Household is considered in good standing. Products include all loan and insurance products.

Real Estate Secured Loan - Closed-end loans and revolving lines of credit secured by first or second liens on residential real estate.

Receivables Serviced with Limited Recourse - Receivables we have securitized and for which we have some level of potential loss if defaults occur.

Refund Anticipation Loan ("RAL") Program - A cooperative program with H&R Block Tax Services, Inc. and certain of its franchises, along with other independent tax preparers, to provide loans to customers entitled to tax refunds and who electronically file their returns with the Internal Revenue Service.

Return on Average Common Shareholders' Equity - Net income less dividends on preferred stock divided by average common shareholders' equity.

Return on Average Managed Assets - Net income divided by average managed assets.

Return on Average Owned Assets - Net income divided by average owned assets.

Risk Adjusted Revenue - Managed net interest margin plus other revenues less managed securitization revenue and managed net charge-offs divided by average managed interest-earning assets.

Secured Financing - The process where interests in a dedicated pool of financial assets, such as real estate secured receivables, are sold to investors. Typically, the receivables are transferred to a trust that issues interests that are sold to investors. The receivables and related debt remain on our balance sheet.

Securitization - The process where interests in a dedicated pool of financial assets, such as credit card, auto or personal non-credit card receivables, are sold to investors. Typically, the receivables are sold to a trust that issues interests that are sold to investors. The receivables are then removed from our owned basis balance sheet.

Securitization Revenue - Includes income associated with the current and prior period securitizations and sales of receivables with limited recourse. Such income includes gains on sales, net of our estimate of probable credit losses under the recourse provisions, servicing income and excess spread relating to those receivables.

Tangible Equity to Tangible Managed Assets (TETMA) - Tangible shareholders' equity consists of total shareholders' equity, excluding unrealized gains and losses on investments and cash flow hedging instruments, less acquired intangibles and goodwill. Tangible managed assets represents total managed assets less acquired intangibles and goodwill and derivative assets.

Total Shareholders' Equity - Includes company obligated mandatorily redeemable preferred securities of subsidiary trusts, preferred stock and common shareholders' equity.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information required by this Item is incorporated by reference to the "Liquidity and Capital Resources", "Asset Securitizations" and "Risk Management" sections of our 2001 MD&A.

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Item 8. Financial Statements and Supplementary Data.

When audited, our 2001 Financial Statements will meet the requirements of Regulation S-X. The 2001 Financial Statements and supplementary financial information specified by Item 302 of Regulation S-K, are set forth below.

Household International, Inc. and Subsidiaries

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CREDIT QUALITY STATISTICS - OWNED BASIS

<TABLE>
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All dollar amounts are stated in millions. At December 31, unless otherwise indicated.	2001	2000	1999	1998	1997
Owned Two-Month-and-Over Contractual Delinquency Ratios					
Real estate secured	2.63%	2.58%	3.10%	3.95%	3.66%
Auto finance	2.92	2.46	2.02	2.90	1.48
MasterCard/Visa	5.67	4.90	3.59	5.09	3.55
Private label	5.99	5.60	6.09	6.03	5.60
Personal non-credit card	9.04	7.99	9.06	8.24	7.55
Total consumer	4.53%	4.26%	4.82%	5.31%	4.87%
Ratio of Owned Net Charge-offs to Average Owned Receivables for the Year					
Real estate secured	.52%	.42%	.51%	.60%	.49%
Auto finance	4.00	3.29	3.42	4.11	2.99
MasterCard/Visa	8.17	6.55	7.95	5.90	4.99
Private label	5.59	5.34	5.60	5.52	4.56
Personal non-credit card	6.81	7.02	6.50	6.52	4.88
Total consumer	3.32	3.18	3.67	3.76	3.39
Commercial	2.10	2.69	.93	.52	1.66
Total	3.31%	3.18%	3.63%	3.69%	3.34%
Nonaccrual Owned Receivables					
Domestic:					
Real estate secured	$ 906.8	$ 685.6	$ 532.5	$ 486.5	$378.4
Auto finance	69.2	45.5	24.9	23.3	-
Private label	38.6	47.6	58.1	29.0	25.0
Personal non-credit card	834.4	632.0	545.8	297.9	283.6
Foreign	215.3	226.0	236.7	178.3	189.1
Total consumer	2,064.3	1,636.7	1,398.0	1,015.0	876.1
Commercial and other	15.2	42.0	46.6	49.1	62.9
Total	$2,079.5	$1,678.7	$1,444.6	$1,064.1	$939.0
Accruing Owned Receivables 90 or More Days Delinquent					
Domestic:					
MasterCard/Visa	$ 352.4	$ 272.0	$ 140.2	$ 264.0	$148.7
Private label	462.2	355.1	386.7	366.6	319.6
Foreign	29.5	22.3	23.5	21.8	31.3
Total	$ 844.1	$ 649.4	$ 550.4	$ 652.4	$499.6
Real Estate Owned					
Domestic	$ 394.7	$ 333.5	$ 268.1	$ 249.5	$200.0
Foreign	4.2	3.6	3.4	4.4	12.8
Total	$ 398.9	$ 337.1	$ 271.5	$ 253.9	$212.8
Renegotiated Commercial Loans	$ 2.1	$ 12.3	$ 12.3	$ 12.3	$ 12.4

</TABLE>

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Household International, Inc. and Subsidiaries
CREDIT QUALITY STATISTICS--MANAGED BASIS

<TABLE>

All dollar amounts are stated in millions. At December 31, unless otherwise indicated.	2001	2000	1999	1998	1997
Managed Two-Month-and-Over Contractual Delinquency Ratios					
Real estate secured	2.68%	2.63%	3.27%	3.67%	3.69%
Auto finance	3.16	2.55	2.43	2.29	2.09
MasterCard/Visa	4.10	3.49	2.78	3.75	3.10
Private label	5.48	5.48	5.97	6.20	5.81
Personal non-credit card	8.87	7.97	8.81	7.94	7.81
Total consumer	4.46%	4.20%	4.66%	4.90%	4.64%
Ratio of Managed Net Charge-offs to Average Managed Receivables for the Year					
Real estate secured	.53%	.45%	.58%	.63%	.64%
Auto finance	5.31	4.80	4.96	5.39	4.60
MasterCard/Visa	6.63	5.58	6.66	5.95	5.55
Private label	5.18	5.35	5.65	5.65	4.62
Personal non-credit card	6.79	6.97	6.52	6.97	5.48
Total consumer	3.73	3.64	4.13	4.29	3.84
Commercial	2.10	2.69	.93	.52	1.66
Total	3.72%	3.63%	4.09%	4.24%	3.80%
Nonaccrual Managed Receivables					
Domestic:					
Real estate secured	$ 940.8	$ 734.1	$ 626.9	$ 550.8	$ 492.1
Auto finance	201.8	116.2	73.9	40.3	-

Private label	38.6	47.6	58.1	29.0	25.0
Personal non-credit card	1,106.3	902.0	828.8	559.5	565.2
Foreign	263.5	270.4	278.3	210.5	219.7
Total consumer	2,551.0	2,070.3	1,866.0	1,390.1	1,302.0
Commercial and other	15.2	42.0	46.6	49.1	62.9
Total	$ 2,566.2	$ 2,112.3	$ 1,912.6	$ 1,439.2	$ 1,364.9
Accruing Managed Receivables 90 or More Days Delinquent					
Domestic:					
MasterCard/Visa	$ 527.4	$ 420.3	$ 286.4	$ 436.2	$ 401.5
Private label	503.2	417.2	430.0	416.6	375.0
Foreign	29.5	22.3	23.5	21.8	31.3
Total	$ 1,060.1	$ 859.8	$ 739.9	$ 874.6	$ 807.8

</TABLE>

<PAGE>

Household International, Inc. and Subsidiaries
ANALYSIS OF CREDIT LOSS RESERVES ACTIVITY - OWNED RECEIVABLES

<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Total Owned Credit Loss Reserves at January 1	$ 2,111.9	$ 1,757.0	$ 1,734.2	$ 1,642.1	$ 1,398.4
Provision for Credit Losses	2,912.9	2,116.9	1,716.4	1,516.8	1,493.0
Charge-offs					
Domestic:					
Real estate secured	(194.0)	(123.2)	(103.8)	(82.8)	(46.3)
Auto finance	(94.3)	(61.3)	(39.4)	(29.7)	(6.4)
MasterCard/Visa	(645.4)	(432.1)	(477.8)	(454.1)	(415.8)
Private label	(590.9)	(536.9)	(547.7)	(471.4)	(407.9)
Personal non-credit card	(893.2)	(723.5)	(534.6)	(464.4)	(384.6)
Foreign	(237.0)	(232.7)	(233.9)	(206.4)	(197.6)
Total consumer	(2,654.8)	(2,109.7)	(1,937.2)	(1,708.8)	(1,458.6)
Commercial and other	(12.2)	(17.1)	(10.1)	(7.5)	(26.8)
Total owned receivables charged off	(2,667.0)	(2,126.8)	(1,947.3)	(1,716.3)	(1,485.4)
Recoveries					
Domestic:					
Real estate secured	4.4	4.7	7.5	2.6	3.0
Auto finance	1.5	1.5	1.2	.8	.3
MasterCard/Visa	52.0	24.9	34.7	33.3	46.9
Private label	60.6	54.0	74.3	56.8	47.4
Personal non-credit card	75.6	62.4	45.3	36.7	38.0
Foreign	62.5	57.5	46.6	43.2	50.9
Total consumer	256.6	205.0	209.6	173.4	186.5
Commercial and other	.4	.4	.3	2.2	3.3
Total recoveries on owned receivables	257.0	205.4	209.9	175.6	189.8
Other, net	48.3	159.4	43.8	116.0	46.3
Owned Credit Loss Reserves					
Domestic:					
Real estate secured	284.4	172.9	149.2	185.3	172.4
Auto finance	77.3	51.0	39.1	27.8	14.6
MasterCard/Visa	593.4	540.8	304.4	387.7	290.4
Private label	499.4	425.2	487.2	472.5	396.2
Personal non-credit card	1,031.9	734.2	568.9	457.6	499.4
Foreign	137.1	141.6	143.1	142.7	179.2
Total consumer	2,623.5	2,065.7	1,691.9	1,673.6	1,552.2
Commercial and other	39.6	46.2	65.1	60.6	89.9
Total Owned Credit Loss Reserves at December 31	$ 2,663.1	$ 2,111.9	$ 1,757.0	$ 1,734.2	$ 1,642.1
Ratio of Owned Credit Loss Reserves to:					
Net charge-offs	110.5%	109.9%	101.1%	112.6%	126.7%
Receivables:					
Consumer	3.31	3.10	3.30	3.85	4.12
Commercial	7.12	7.43	7.70	8.34	9.14
Total	3.33%	3.14%	3.36%	3.92%	4.25%
Nonperforming Loans:					
Consumer	90.3%	90.3%	86.9%	99.3%	110.5%
Commercial	278.7	85.4	116.8	139.0	200.7
Total	91.0%	90.2%	87.5%	100.3%	113.2%

</TABLE>

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Household International, Inc. and Subsidiaries
ANALYSIS OF CREDIT LOSS RESERVES ACTIVITY - MANAGED RECEIVABLES

All dollar amounts are stated in millions.	2001	2000	1999	1998	1997
Total Managed Credit Loss Reserves at January 1	$ 3,194.2	$ 2,666.6	$ 2,548.1	$ 2,523.0	$ 2,109.0
Provision for Credit Losses	4,018.4	3,252.4	2,781.8	2,716.0	2,620.6
Charge-Offs					
Domestic:					
Real estate secured	(202.4)	(139.9)	(134.1)	(118.8)	(106.3)
Auto finance	(286.7)	(188.4)	(120.4)	(70.0)	(13.6)
MasterCard/Visa	(1,147.9)	(880.7)	(1,020.8)	(1,166.2)	(1,106.7)
Private label	(640.2)	(605.6)	(598.3)	(544.3)	(436.0)
Personal non-credit card	(1,196.2)	(1,030.6)	(821.6)	(797.9)	(639.8)
Foreign	(282.2)	(275.8)	(281.4)	(250.0)	(225.8)
Total consumer	(3,755.6)	(3,121.0)	(2,976.6)	(2,947.2)	(2,528.2)
Commercial and other	(12.2)	(17.0)	(10.0)	(7.5)	(26.8)
Total managed receivables charged off	(3,767.8)	(3,138.0)	(2,986.6)	(2,954.7)	(2,555.0)
Recoveries					
Domestic:					
Real estate secured	4.4	4.7	7.5	4.4	5.8
Auto finance	4.0	4.0	2.8	2.1	.6
MasterCard/Visa	81.1	49.8	68.4	82.0	94.8
Private label	62.3	57.0	77.0	65.0	50.0
Personal non-credit card	100.9	79.2	61.2	51.6	50.3
Foreign	71.9	69.0	54.1	47.2	52.8
Total consumer	324.6	263.7	271.0	252.3	254.3
Commercial and other	.4	.3	.3	2.2	3.3
Total recoveries on managed receivables	325.0	264.0	271.3	254.5	257.6
Other, net	41.6	149.2	52.0	9.3	90.8
Managed Credit Loss Reserves					
Domestic:					
Real estate secured	303.8	195.9	172.8	244.1	235.7
Auto finance	448.8	323.8	242.4	133.2	49.7
MasterCard/Visa	901.5	849.0	612.6	689.9	704.9
Private label	630.9	599.4	603.7	541.5	462.1
Personal non-credit card	1,263.6	957.5	761.6	685.5	759.6
Foreign	223.2	222.4	208.4	193.3	221.1
Total consumer	3,771.8	3,148.0	2,601.5	2,487.5	2,433.1
Commercial and other	39.6	46.2	65.1	60.6	89.9
Total Managed Credit Loss Reserves at December 31	$ 3,811.4	$ 3,194.2	$ 2,666.6	$ 2,548.1	$ 2,523.0
Ratio of Managed Credit Loss Reserves to:					
Net charge-offs	110.7%	111.1%	98.2%	94.4%	109.8%
Receivables:					
Consumer	3.77	3.62	3.68	3.94	3.92
Commercial	7.12	7.43	7.70	8.34	9.14
Total	3.78%	3.65%	3.72%	3.99%	3.99%
Nonperforming Loans:					
Consumer	104.5%	107.4%	98.8%	109.0%	113.7%
Commercial	278.7	85.4	116.8	139.0	200.7
Total	105.0%	107.0%	100.1%	109.5%	115.5%

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Household International, Inc. and Subsidiaries
NET INTEREST MARGIN - 2001 COMPARED TO 2000 (OWNED BASIS) (RESTATED)

All dollar amounts are stated in millions.	Average Outstanding (1) 2001	Average Outstanding (1) 2000	Average Rate 2001	Average Rate 2000	Finance and Interest Income/ Interest Expense 2001	Finance and Interest Income/ Interest Expense 2000	Variance	Increase/(Decrease) Due to: Volume Variance (2)	Increase/(Decrease) Due to: Rate Variance (2)
Receivables:									
Real estate secured	$38,850.4	$30,682.5	11.6%	12.0%	$ 4,516.1	$3,684.3	$ 831.8	$ 952.8	$ (121.0)
Auto finance	2,319.1	1,818.9	15.3	16.7	354.0	303.6	50.4	78.0	(27.6)
MasterCard/Visa	8,138.3	7,126.5	13.8	14.3	1,121.3	1,021.1	100.2	147.5	(47.3)
Private label	10,516.4	9,981.7	13.4	14.3	1,405.3	1,432.2	(26.9)	74.4	(101.3)
Personal non-credit card	12,486.0	10,194.7	20.2	21.0	2,525.1	2,140.7	384.4	465.9	(81.5)
Commercial and other	554.8	693.5	2.3	5.0	13.0	34.7	(21.7)	(5.9)	(15.8)

Total receivables	72,865.0	60,497.8	13.6	14.2	9,934.8	8,616.6	1,318.2	1,712.8	(394.6)
Noninsurance investments	894.1	973.4	3.0	3.5	26.5	34.0	(7.5)	(2.6)	(4.9)
Total interest-earning assets (excluding insurance investments)	$73,759.1	$61,471.2	13.5%	14.1%	9,961.3	$8,650.6	$1,310.7	$1,680.7	$ (370.0)
Insurance investments	3,006.2	2,733.6							
Other assets	4,825.8	5,161.7							
Total Assets	$81,591.1	$69,366.5							
Debt:									
Deposits	$ 7,953.2	$ 7,757.5	6.3%	6.2%	$ 498.6	$ 484.0	$ 14.6	$ 12.3	$ 2.3
Commercial paper	9,221.1	9,828.7	4.1	6.3	376.3	621.2	(244.9)	(36.4)	(208.5)
Bank and other borrowings	2,240.1	2,099.7	3.9	5.5	86.9	116.5	(29.6)	7.4	(37.0)
Senior and senior subordinated debt with original maturities over one year	50,018.2	39,387.9	6.4	6.9	3,212.0	2,707.2	504.8	692.0	(187.2)
Total debt	$69,432.6	$59,073.8	6.0%	6.7%	$4,173.8	$3,928.9	$ 244.9	$ 675.3	$ (430.4)
Other liabilities	3,432.6	2,603.7							
Total liabilities	72,865.2	61,677.5							
Preferred securities	1,136.9	701.9							
Common shareholders' equity	7,589.0	6,987.1							
Total Liabilities and Shareholders' Equity	$81,591.1	$69,366.5							
Net Interest Margin - Owned Basis (3)(5)			7.9%	7.7%	$5,787.5	$4,721.7	$1,065.8	$ 1,005.4	$ 60.4
Interest Spread - Owned Basis (4)			7.5%	7.4%					

</TABLE>

(1) Nonaccrual loans are included in average outstanding balances.
(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total interest variance. For total receivables, total interest-earning assets and total debt, the rate and volume variances are calculated based on the relative weighting of the individual components comprising these totals. These totals do not represent an arithmetic sum of the individual components.
(3) Represents net interest margin as a percent of average interest-earning assets.
(4) Represents the difference between the yield earned on interest-earning assets and the cost of the debt used to fund the assets.
(5) The net interest margin analysis includes the following for foreign businesses:

	2001	2000	1999
Average interest-earning assets	$ 6,988.7	$ 6,639.1	$ 6,433.3
Average interest-bearing liabilities	5,973.3	5,765.5	5,138.5
Net interest margin	431.2	467.7	494.9
Net interest margin percentage	6.2%	7.0%	7.7%

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Household International, Inc. and Subsidiaries
NET INTEREST MARGIN - 2000 COMPARED TO 1999 (OWNED BASIS) (RESTATED)

<TABLE>
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All dollar amounts are stated in millions.	Average Outstanding (1) 2000	1999	Average Rate 2000	1999	Finance and Interest Income/ Interest Expense 2000	1999	Increase/(Decrease) Due to: Variance	Volume Variance (2)	Rate Variance (2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Receivables:									
Real estate secured	$30,682.5	$21,679.1	12.0%	11.6%	$3,684.3	$2,513.1	$1,171.2	$ 1,043.7	$ 12.0
Auto finance	1,818.9	1,119.8	16.7	18.6	303.6	207.8	95.8	129.7	(33.9)
MasterCard/Visa	7,126.5	6,270.8	14.3	11.8	1,021.1	739.2	281.9	104.8	177.1
Private label	9,981.7	9,486.2	14.3	13.6	1,432.2	1,289.8	142.4	67.4	75.0
Personal non-credit card	10,194.7	8,434.9	21.0	20.2	2,140.7	1,705.4	435.3	355.8	79.5
Commercial and other	693.5	809.6	5.0	8.0	34.7	65.1	(30.4)	(9.3)	(21.1)
Total receivables	60,497.8	47,800.4	14.2	13.6	8,616.6	6,520.4	2,096.2	1,692.1	288.6
Noninsurance investments	973.4	975.0	3.5	3.4	34.0	33.4	.6	(.1)	.7
Total interest-earning assets (excluding insurance investments)	$61,471.2	$48,775.4	14.1%	13.4%	$8,650.6	$6,553.8	$2,096.8	$ 1,713.5	$383.3
Insurance investments	2,733.6	2,596.9							
Other assets	5,161.7	4,671.1							
Total Assets	$69,366.5	$56,043.4							
Debt:									
Deposits	$7,757.5	$ 3,037.3	6.2%	5.5%	$ 484.0	$ 168.4	$ 315.6	$ 261.7	$ 53.9
Commercial paper	9,828.7	8,620.3	6.3	5.2	621.2	451.7	169.5	63.3	106.2

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Bank and other borrowings	2,099.7	1,426.7	5.5	5.0	116.5	70.8	45.7	33.4	12.3
Senior and senior subordinated debt with original maturities over one year	39,387.9	32,954.1	6.9	6.3	2,707.2	2,085.7	621.5	407.2	214.3
Total debt	$59,073.8	$46,038.4	6.7%	6.0%	$3,928.9	$2,776.6	$1,152.3	$ 765.6	$386.7
Other liabilities	2,603.7	3,359.9							
Total liabilities	61,677.5	49,398.3							
Preferred securities	701.9	539.4							
Common shareholders' equity	6,987.1	6,105.7							
Total Liabilities and Shareholders' Equity	$69,366.5	$56,043.4							
Net Interest Margin - Owned Basis (3)(5)			7.7%	7.7%	$4,721.7	$3,777.2	$ 944.5	$ 947.9	$ (3.4)
Interest Spread - Owned Basis (4)			7.4%	7.4%					

</TABLE>

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Household International, Inc. and Subsidiaries

NET INTEREST MARGIN - 2001 COMPARED TO 2000 AND 1999 (MANAGED BASIS) (RESTATED)

Net Interest Margin on a Managed Basis As receivables are securitized rather than held in our portfolio, net interest margin is reclassified to securitization revenue. We retain a substantial portion of the profit inherent in the receivables while increasing liquidity. The comparability of net interest margin between periods may be impacted by the level and type of receivables securitized. Net interest margin on a Managed Basis includes finance income earned on our owned receivables as well on our securitized receivables. This finance income is offset by interest expense on the debt recorded on our balance sheet as well as the contractual rate of return on the instruments issued to investors when the receivables were securitized.

<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	Average Outstanding(1)			Average Rate			Finance and Interest Income/Interest Expense		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Receivables:									
Real estate secured	$40,049.6	$32,530.2	$24,574.5	11.6%	12.0%	11.6%	$ 4,650.2	$ 3,906.5	$ 2,847.5
Auto finance	5,323.5	3,842.3	2,370.4	17.5	18.3	19.0	929.5	702.5	449.6
MasterCard/Visa	17,282.8	16,111.2	15,295.7	14.0	14.6	13.1	2,411.3	2,348.3	1,996.6
Private label	12,260.6	11,194.2	10,255.9	13.5	14.4	13.6	1,655.8	1,613.5	1,398.7
Personal non-credit card	17,013.8	14,760.8	13,008.6	20.0	20.5	19.6	3,407.8	3,019.5	2,555.8
Commercial and other	554.9	693.5	809.6	2.3	5.0	8.0	13.0	34.7	65.0
Total receivables	92,485.2	79,132.2	66,314.7	14.1	14.7	14.0	13,067.6	11,625.0	9,313.2
Noninsurance investments	894.1	973.4	975.0	3.0	3.5	3.4	26.5	34.0	33.4
Total interest-earning assets (excluding insurance investments)	$93,379.3	$80,105.6	$67,289.7	14.0%	14.6%	13.9%	$13,094.1	$11,659.0	$ 9,346.6
Total debt	$89,052.8	$71,274.4	$64,552.7	5.9%	7.3%	5.9%	$ 5,212.8	$ 5,212.7	$ 3,836.5
Net Interest Margin - Managed Basis (3)				8.4%	8.1%	8.2%	$ 7,881.3	$ 6,446.3	$ 5,510.1
Interest Spread - Managed Basis (4)				8.1%	7.3%	8.0%			

	Increase/(Decrease) Due to:					
	2001 Compared to 2000			2000 Compared to 1999		
	Variance	Volume Variance(2)	Rate Variance(2)	Variance	Volume Variance(2)	Rate Variance(2)
Receivables:						
Real estate secured	$ 743.7	$ 876.8	$ (133.1)	$ 1,059.0	$ 955.4	$103.6
Auto finance	227.0	259.9	(32.9)	252.9	269.1	(16.2)
MasterCard/Visa	63.0	169.7	(106.7)	351.7	121.1	230.6
Private label	42.3	147.9	(105.6)	214.8	135.3	79.5
Personal non-credit card	388.3	452.4	(64.1)	463.7	358.4	105.3
Commercial and other	(21.7)	(5.9)	(15.8)	(30.3)	(8.4)	(21.9)
Total receivables	1,442.6	1,900.8	(458.2)	2,311.8	1,873.6	438.2
Noninsurance investments	(7.5)	(2.6)	(4.9)	.6	(.1)	.7
Total interest-earning assets						

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(excluding insurance investments)	$1,435.1	$ 1,882.1	$ (447.0)	$ 2,312.4	$ 1,872.3	$440.1
Total debt	$ .1	$ 1,156.1	$(1,156.0)	$ 1,376.2	$ 834.0	$542.2
Net Interest Margin - Managed Basis (3)	$1,435.0	$ 726.0	$ 709.0	$ 936.2	$ 1,038.3	$(102.1)
Interest Spread - Managed Basis (4)						

</TABLE>

(1) Nonaccrual loans are included in average outstanding balances.
(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total interest variance. For total receivables, total interest-earning assets and total debt, the rate and volume variances are calculated based on the relative weighting of the individual components comprising these totals. These totals do not represent an arithmetic sum of the individual components.
(3) Represents net interest margin as a percent of average interest-earning assets.
(4) Represents the difference between the yield earned on interest-earning assets and cost of the debt used to fund the assets.

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Household International, Inc. and Subsidiaries
SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) (RESTATED)

<TABLE>
<CAPTION>

All dollar amounts except per share data are stated in millions.	2001 - Three Months Ended				2000 - Three Months Ended			
	Dec.	Sept.	June	March	Dec.	Sept.	June	March
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Finance and other interest income	$2,590.0	$2,521.7	$2,434.4	$2,415.2	$2,402.2	$2,258.0	$2,073.5	$1,916.9
Interest expense	983.4	1,035.2	1,048.4	1,106.8	1,117.0	1,057.2	933.0	821.7
Net interest margin	1,606.6	1,486.5	1,386.0	1,308.4	1,285.2	1,200.8	1,140.5	1,095.2
Provision for credit losses on owned receivables	829.3	722.9	657.1	703.6	574.8	524.4	495.6	522.1
Net interest margin after provision for credit losses	777.3	763.6	728.9	604.8	710.4	676.4	644.9	573.1
Securitization revenue	511.3	451.1	397.4	403.1	391.2	376.1	351.7	340.3
Insurance revenue	175.3	169.2	159.3	158.6	147.7	146.7	131.8	135.0
Investment income	45.8	42.3	37.8	41.8	47.0	43.9	42.5	40.8
Fee income	232.2	235.7	223.5	212.1	221.9	201.3	180.8	156.2
Other income	59.9	51.5	49.4	161.7	33.5	30.1	31.9	133.3
Total other revenues	1,024.5	949.8	867.4	977.3	841.3	798.1	738.7	805.6
Salaries and fringe benefits	424.1	408.3	387.2	377.6	355.5	333.0	321.5	302.1
Sales incentives	71.0	74.1	73.6	54.5	50.3	53.1	57.4	42.8
Occupancy and equipment expense	84.1	86.1	83.7	83.5	77.1	78.4	75.6	75.5
Other marketing expenses	120.4	119.5	121.8	128.7	98.6	100.3	118.2	126.5
Other servicing and administrative expenses	174.0	174.1	173.0	195.7	124.1	137.3	145.3	188.3
Amortization of acquired intangibles and goodwill	39.0	39.0	39.0	40.6	40.5	40.5	40.6	44.8
Policyholders' benefits	74.5	77.5	73.1	77.5	63.4	67.1	64.3	66.9
Total costs and expenses	987.1	978.6	951.4	958.1	809.5	809.7	822.9	846.9
Income before income taxes	814.7	734.8	644.9	624.0	742.2	664.8	560.7	531.8
Income taxes	281.5	249.2	221.6	218.5	266.2	230.0	192.4	180.3
Net income	$ 533.2	$ 485.6	$ 423.3	$ 405.5	$ 476.0	$ 434.8	$ 368.3	$ 351.5
Basic earnings per common share	$ 1.14	$ 1.05	$ .91	$ .87	$ 1.01	$ .92	$ .77	$ .74
Diluted earnings per common share	1.13	1.03	.90	.85	.99	.91	.77	.75
Dividends declared	.22	.22	.22	.19	.19	.19	.19	.17
Weighted average common and common equivalent shares outstanding	463.2	467.7	469.6	472.0	476.1	477.6	477.0	474.0

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<PAGE>

Household International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

<TABLE>

In millions, except per share data. Year ended December 31	2001	2000	1999
	(RESTATED)	(RESTATED)	(RESTATED)

HHT 0017175

<S>	<C>	<C>	<C>
Finance and other interest income	$ 9,961.3	$ 8,650.6	$ 6,553.8
Interest expense	4,173.8	3,928.9	2,776.6
Net interest margin	5,787.5	4,721.7	3,777.2
Provision for credit losses on owned receivables	2,912.9	2,116.9	1,716.4
Net interest margin after provision for credit losses	2,874.6	2,604.8	2,060.8
Securitization revenue	1,762.9	1,459.3	1,365.8
Insurance revenue	662.4	561.2	534.6
Investment income	167.7	174.2	168.8
Fee income	903.5	760.2	546.2
Other income	322.5	228.8	223.8
Total other revenues	3,819.0	3,183.7	2,839.2
Salaries and fringe benefits	1,597.2	1,312.1	1,048.7
Sales incentives	273.2	203.6	145.9
Occupancy and equipment expense	337.4	306.6	270.9
Other marketing expenses	490.4	443.6	346.9
Other servicing and administrative expenses	716.8	595.0	550.6
Amortization of acquired intangibles and goodwill	157.6	166.4	150.0
Policyholders' benefits	302.6	261.7	258.1
Total costs and expenses	3,875.2	3,289.0	2,771.1
Income before income taxes	2,818.4	2,499.5	2,128.9
Income taxes	970.8	868.9	700.6
Net income	$ 1,847.6	$ 1,630.6	$ 1,428.3
Earnings Per Common Share			
Net income	$ 1,847.6	$ 1,630.6	$ 1,428.3
Preferred dividends	(15.5)	(9.2)	(9.2)
Earnings available to common shareholders	$ 1,832.1	$ 1,621.4	$ 1,419.1
Average common shares	462.0	471.8	477.0
Average common and common equivalent shares	468.1	476.2	481.8
Basic earnings per common share	$ 3.97	$ 3.44	$ 2.98
Diluted earnings per common share	$ 3.91	$ 3.40	$ 2.95

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<TABLE>
<CAPTION>

In millions, except share data. At December 31	2001	2000
	(RESTATED)	(RESTATED)
<S>	<C>	<C>
Assets		
Cash	$ 543.6	$ 490.2
Investment securities	3,580.5	3,259.0
Receivables, net	79,263.5	67,161.7
Acquired intangibles and goodwill, net	1,563.0	1,719.7
Properties and equipment, net	531.1	517.6
Real estate owned	398.9	337.1
Other assets	3,030.3	2,823.9
Total assets	$ 88,910.9	$ 76,309.2
Liabilities and Shareholders' Equity		
Debt:		
Deposits	$ 6,562.3	$ 8,676.9
Commercial paper, bank and other borrowings	12,024.3	10,787.9
Senior and senior subordinated debt (with original maturities over one year)	56,823.6	45,053.0
Total debt	75,410.2	64,517.8
Insurance policy and claim reserves	1,094.5	1,106.6
Other liabilities	3,132.5	2,178.2
Total liabilities	79,637.2	67,802.6
Company obligated mandatorily redeemable preferred securities of subsidiary trusts*	975.0	675.0
Preferred stock	455.8	164.4
Common shareholders' equity:		
Common stock, $1.00 par value, 750,000,000 shares authorized; 551,684,740 and 551,100,165 shares issued at December 31, 2001 and 2000, respectively	551.7	551.1
Additional paid-in capital	2,030.0	1,926.0
Retained earnings	8,837.5	7,396.5
Accumulated other comprehensive income	(732.4)	(214.7)

	December 31, 2001	December 31, 2000
Less common stock in treasury, 94,560,437 and 80,080,506 shares at December 31, 2001 and 2000, respectively, at cost	(2,843.9)	(1,991.7)
Total common shareholders' equity	7,842.9	7,667.2
Total liabilities and shareholders' equity	$ 88,910.9	$ 76,309.2

</TABLE>

* The sole assets of the trusts are Junior Subordinated Deferrable Interest Notes issued by Household International, Inc. in November 2001, January 2001, June 2000, March 1998 and June 1995, bearing interest at 7.50, 8.25, 10.00, 7.25 and 8.25 percent, respectively, with principal balances of $206.2, $206.2, $309.3, $206.2 and $77.3 million, respectively, and due November 15, 2031, January 30, 2031, June 30, 2030, December 31, 2037, and June 30, 2025, respectively. The $103.1 million Junior Subordinated Deferrable Interest Notes issued in June 1996 were redeemed in December 2001.

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
<TABLE>
<CAPTION>

In millions. Year ended December 31	2001 (RESTATED)	2000 (RESTATED)	1999 (RESTATED)
<S>	<C>	<C>	<C>
Cash Provided by Operations			
Net income	$ 1,847.6	$ 1,630.6	$ 1,428.3
Adjustments to reconcile net income to net cash provided by operations:			
Provision for credit losses on owned receivables	2,912.9	2,116.9	1,716.4
Insurance policy and claim reserves	204.2	36.6	76.1
Depreciation and amortization	314.7	308.1	298.2
Deferred income tax provision	(6.1)	46.1	(.6)
Interest-only strip receivables, net change	(100.6)	(59.0)	(34.0)
Other, net	344.8	108.3	(231.6)
Cash provided by operations	5,517.5	4,187.6	3,254.0
Investments in Operations			
Investment securities:			
Purchased	(1,744.2)	(804.4)	(1,431.7)
Matured	481.9	451.5	792.5
Sold	686.3	238.4	732.5
Short-term investment securities, net change	255.9	(47.8)	(111.1)
Receivables:			
Originations, net	(46,324.7)	(39,930.6)	(32,888.1)
Purchases and related premiums	(1,577.4)	(4,162.8)	(2,571.6)
Sold	32,293.6	26,919.2	25,249.8
Acquisition of business operations	-	(87.1)	(43.4)
Properties and equipment purchased	(175.2)	(173.8)	(139.8)
Properties and equipment sold	20.3	16.3	29.1
Cash decrease from investments in operations	(16,083.5)	(17,581.1)	(10,381.8)
Financing and Capital Transactions			
Short-term debt and demand deposits, net change	1,300.9	182.0	839.1
Time certificates, net change	(2,118.6)	3,219.7	2,961.6
Senior and senior subordinated debt issued	21,172.0	21,608.3	11,281.3
Senior and senior subordinated debt retired	(9,107.0)	(11,152.0)	(6,870.6)
Policyholders' benefits paid	(85.7)	(117.6)	(126.9)
Cash received from policyholders	60.4	60.2	63.0
Shareholders' dividends	(406.6)	(358.9)	(332.1)
Issuance of company obligated mandatorily redeemable preferred securities of subsidiary trusts	400.0	300.0	-
Redemption of company obligated mandatorily redeemable preferred securities of subsidiary trusts	(100.0)	-	-
Issuance of preferred stock	291.4	-	-
Purchase of treasury stock	(916.3)	(209.3)	(915.9)
Issuance of common stock	121.8	64.4	45.0
Cash increase from financing and capital transactions	10,612.3	13,596.8	6,944.5
Effect of exchange rate changes on cash	7.1	16.3	(3.5)
Increase (decrease) in cash	53.4	219.6	(186.8)
Cash at January 1	490.2	270.6	457.4
Cash at December 31	$ 543.6	$ 490.2	$ 270.6
Supplemental Cash Flow Information:			
Interest paid	$ 4,511.2	$ 3,920.6	$ 2,757.6
Income taxes paid	979.5	689.9	337.6
Supplemental Noncash Investing and Financing Activities:			
Common stock issued for acquisition	$ -	$ 209.4	$ 15.0

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN PREFERRED STOCK
AND COMMON SHAREHOLDERS' EQUITY (UNAUDITED)

<TABLE>
<CAPTION>

All amounts except per share data are stated in millions.	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (1)	Common Stock in Treasury	Total Common Shareholders' Equity
		Common Shareholders' Equity					
				(RESTATED)			(RESTATED)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1998	$ 164.4	$ 544.1	$1,652.5	$5,184.4	$ (145.1)	$(1,014.5)	$ 6,221.4
Cumulative adjustment related to restatement				(155.8)			(155.8)
Balance at December 31, 1998, as restated	164.4	544.1	1,652.5	5,028.6	(145.1)	(1,014.5)	6,065.6
Net income				1,428.3			1,428.3
Other comprehensive income, net of tax:							
Unrealized losses on investments and interest-only strip receivables, net of reclassification adjustment					(93.7)		(93.7)
Foreign currency translation adjustments					(18.1)		(18.1)
Total comprehensive income							1,316.5
Cash dividends:							
Preferred at stated rates				(9.2)			(9.2)
Common, $.68 per share				(322.9)			(322.9)
Exercise of stock options		6.1	103.0			(51.2)	57.9
Issuance of common stock		.2	25.3			19.5	45.0
Purchase of treasury stock						(915.9)	(915.9)
Balance at December 31, 1999	164.4	550.4	1,780.8	6,124.8	(256.9)	(1,962.1)	6,237.0
Net income				1,630.6			1,630.6
Other comprehensive income, net of tax:							
Unrealized gains on investments and interest-only strip receivables, net of reclassification adjustment					95.1		95.1
Foreign currency translation adjustments					(52.9)		(52.9)
Total comprehensive income							1,672.8
Cash dividends:							
Preferred at stated rates				(9.2)			(9.2)
Common, $.74 per share				(349.7)			(349.7)
Exercise of stock options		.5	20.7			30.6	51.8
Issuance of common stock		.2	124.5			149.1	273.8
Purchase of treasury stock						(209.3)	(209.3)
Balance at December 31, 2000	164.4	551.1	1,926.0	7,396.5	(214.7)	(1,991.7)	7,667.2
Net income				1,847.6			1,847.6
Other comprehensive income, net of tax:							
Cumulative effect of change in accounting principle (FAS No. 133)					(241.4)		(241.4)
Unrealized losses on cash flow hedging instruments, net of reclassification adjustment					(457.7)		(457.7)
Unrealized gains on investments and interest-only strip receivables, net of reclassification adjustment					199.5		199.5
Foreign currency translation adjustments					(18.1)		(18.1)
Total comprehensive income							1,329.9
Cash dividends:							
Preferred at stated rates				(15.5)			(15.5)
Common, $.85 per share				(391.1)			(391.1)
Issuance of preferred stock	291.4						-
Exercise of stock options		.5	31.2			15.2	46.9
Issuance of common stock		.1	72.8			48.9	121.8
Purchase of treasury stock						(916.3)	(916.3)
Balance at December 31, 2001	$ 455.8	$ 551.7	$2,030.0	$8,837.5	$ (732.4)	$(2,843.9)	$ 7,842.9

</TABLE>

(1) Accumulated other comprehensive income includes the following:

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000	1999	1998
<S>	<C>	<C>	<C>	<C>
Unrealized losses on cash flow hedging instruments	$ (699.1)	-	-	-

Unrealized gains (losses) on investments and interest-only strip receivables:				
Gross unrealized gains (losses)	351.7	$ 41.6	$ (109.8)	$ 34.0
Income tax expense (benefit)	128.4	17.8	(38.5)	11.6
Net unrealized gains (losses)	223.3	23.8	(71.3)	22.4
Cumulative adjustments for foreign currency translation adjustments	(256.6)	(238.5)	(185.6)	(167.5)
Total	$ (732.4)	$(214.7)	$ (256.9)	$ (145.1)

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN PREFERRED STOCK
AND COMMON SHAREHOLDERS' EQUITY (Continued)
<TABLE>
<CAPTION>

		Common Stock		
Shares Outstanding	Preferred Stock	Issued	In Treasury	Net Outstanding
<S>	<C>	<C>	<C>	<C>
Balance at December 31, 1998	1,398,279	544,124,170	(60,986,431)	483,137,739
Exercise of common stock options		6,083,549	(791,681)	5,291,868
Issuance of common stock		223,338	1,055,566	1,278,904
Purchase of treasury stock			(21,797,066)	(21,797,066)
Balance at December 31, 1999	1,398,279	550,431,057	(82,519,612)	467,911,445
Exercise of common stock options		516,823	1,531,458	2,048,281
Issuance of common stock		152,285	6,321,263	6,473,548
Purchase of treasury stock			(5,413,615)	(5,413,615)
Balance at December 31, 2000	1,398,279	551,100,165	(80,080,506)	471,019,659
Issuance of preferred stock	300,000			
Exercise of common stock options		548,744	1,466,979	2,015,723
Issuance of common stock		35,831	1,450,484	1,486,315
Purchase of treasury stock			(17,397,394)	(17,397,394)
Balance at December 31, 2001	1,698,279	551,684,740	(94,560,437)	457,124,303

</TABLE>

Comprehensive Income
We adopted FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," on January 1, 2001. The adoption was accounted for as a cumulative effect of a change in accounting principle. The table below discloses reclassification adjustments and the related tax effects allocated to each component of other comprehensive income (expense) including the adoption of FAS No. 133 and unrealized gains (losses) on cash flow hedging instruments in 2001, unrealized gains (losses) on investments and interest-only strip receivables and foreign currency translation adjustments.

<TABLE>
<CAPTION>
In millions.

Year ended December 31	Before-Tax	Tax (Expense) Benefit	Net-of-Tax
<S>	<C>	<C>	<C>
1999			
Unrealized gains (losses) on investments and interest-only strip receivables:			
Net unrealized holding losses arising during the period	$(134.4)	$ 46.8	$ (87.6)
Less: Reclassification adjustment for gains realized in net income	(9.4)	3.3	(6.1)
Net unrealized losses on investments and interest-only strip receivables	(143.8)	50.1	(93.7)
Foreign currency translation adjustments	(23.4)	5.3	(18.1)
Other comprehensive expense	$(167.2)	$ 55.4	$(111.8)
2000			
Unrealized gains (losses) on investments and interest-only strip receivables:			
Net unrealized holding gains arising during the period	$ 152.2	$ (56.6)	$ 95.6
Less: Reclassification adjustment for gains realized in net income	(.8)	.3	(.5)
Net unrealized gains on investments and interest-only strip receivables	151.4	(56.3)	95.1
Foreign currency translation adjustments	(75.3)	22.4	(52.9)
Other comprehensive income	$ 76.1	$ (33.9)	$ 42.2
2001			
Unrealized gains (losses) on cash flow hedging instruments:			
Cumulative effect of change in accounting principle (FAS No. 133)	$ (376.6)	$ 135.2	$(241.4)
Net losses arising during the period	(1,137.0)	408.2	(728.8)
Less: Reclassification adjustment for losses realized in net income	422.9	(151.8)	271.1

Net losses on cash flow hedging instruments	(1,090.7)	391.6	(699.1)
Unrealized gains (losses) on investments and interest-only strip receivables:			
Net unrealized holding gains arising during the period	321.3	(114.5)	206.8
Less: Reclassification adjustment for gains realized in net income	(11.2)	3.9	(7.3)
Net unrealized gains on investments and interest-only strip receivables	310.1	(110.6)	199.5
Foreign currency translation adjustments	(28.2)	10.1	(18.1)
Other comprehensive expense	$ (808.8)	$ 291.1	$(517.7)

</TABLE>
The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Household International, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (UNAUDITED)

Household International, Inc. and subsidiaries ("Household") is a leading provider of consumer lending products to middle-market consumers in the United States, United Kingdom and Canada. Household may also be referred to in these notes to the consolidated financial statements as "we," "us" or "our." Our lending products include real estate secured loans, auto finance loans, MasterCard* and Visa* credit cards, private label credit cards and personal non-credit card loans. We also offer tax refund anticipation loans in the United States and credit and specialty insurance in the United States, the United Kingdom and Canada. We have three reportable segments: Consumer, Credit Card Services, and International. Our Consumer segment consists of our branch-based consumer lending, mortgage services, retail services, and auto finance businesses. Our Credit Card Services segment consists of our domestic MasterCard and Visa credit card business. Our International segment consists of our foreign operations in the United Kingdom ("U.K.") and Canada.

RESTATEMENT

Household International, Inc. has restated its consolidated financial statements for the years ended December 31, 1999, 2000 and 2001. We believe this amended Form 10-K and the exhibits included herewith include all adjustments relating to the restatement for all such prior periods. The restatement relates to MasterCard/Visa co-branding and affinity credit card relationships and a marketing agreement with a third party credit card marketing company. All were part of our Credit Card Services segment. In consultation with our prior auditors, Arthur Andersen LLP, we treated payments made in connection with these agreements that were entered into between 1992 and 1999 as prepaid assets and amortized them in accordance with the underlying economics of the agreements. Our current auditors, KPMG LLP, have advised us that, in their view, these payments should have either been charged against earnings at the time they were made or amortized over a shorter period of time. There is no significant change as a result of these adjustments on the prior periods net earnings trends previously reported. The balance of retained earnings at December 31, 1998 has been restated from amounts previously reported to reflect a retroactive charge of $158.8 million, after tax, for these items.

The cumulative restatement relates to the following periods:
<TABLE>
<CAPTION>

	Restatements to Reported Income				% Change from Prior Period Net Income	
Dollar amounts are stated in millions.	Pre-Tax	Tax Effect	After Tax	% Change to Reported	As Reported	As Restated
<S>	<C>	<C>	<C>	<C>	<C>	<C>
2001	$(120.2)	$44.3	$ (75.9)	(3.9)%	13.1%	13.3%
2000	(110.9)	40.8	(70.1)	(4.1)	14.4	14.2
1999	(91.8)	33.7	(58.1)	(3.9)	28.5	28.3
1994-1998	(245.0)	89.2	(155.8)	(3.8)		

</TABLE>

The impact of these amounts to reported diluted earnings per share was as follows:
<TABLE>
<CAPTION>

	As Reported	Restated
<S>	<C>	<C>
2001	$4.08	$3.91
2000	3.55	3.40
1999	3.07	2.95

</TABLE>

1. Summary of Significant Accounting Policies

Basis of Presentation The consolidated financial statements include the accounts of Household International, Inc. and all subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain prior year amounts have been reclassified to conform with the current year's presentation.

The preparation of financial statements in conformity with generally accepted

accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Securities We maintain investment portfolios (comprised primarily of debt securities) in both our noninsurance and insurance operations. Our entire investment securities portfolio was classified as available-for-sale at December 31, 2001 and 2000. Available-for-sale investments are intended to be invested for an indefinite period but may be sold in response to events we expect to occur in the foreseeable future. These investments are carried at fair value. Unrealized holding gains and losses on available-for-sale investments are recorded as adjustments to common shareholders' equity in accumulated other comprehensive income, net of income taxes. Any decline in the fair value of investments which is deemed to be other than temporary is charged against current earnings.

Cost of investment securities sold is determined using the specific identification method. Interest income earned on the noninsurance investment portfolio is classified in the statements of income in net interest margin. Realized gains and losses from the investment portfolio and investment income from the insurance portfolio are recorded in investment income. Accrued investment income is classified with investment securities.

Receivables Receivables are carried at amortized cost. Finance income is recognized using the effective yield method. Premiums and discounts on purchased receivables are recognized as adjustments to the yield of the related receivables. Origination fees are deferred and amortized to finance income over the estimated life of the related receivables, except to the extent they offset directly related lending costs. MasterCard and Visa annual fees are netted with direct lending costs, deferred, and amortized on a straight-line basis over one year. Net deferred annual fees related to these receivables totaled $90.3 million at December 31, 2001 and $63.4 million at December 31, 2000.

Insurance reserves and unearned premiums applicable to credit risks on consumer receivables are treated as a reduction of receivables in the balance sheets, since payments on such policies generally are used to reduce outstanding receivables.

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Provision and Credit Loss Reserves Provision for credit losses on owned receivables is made in an amount sufficient to maintain credit loss reserves at a level considered adequate to cover probable losses of principal, interest and fees, including late, overlimit and annual fees, in the existing owned portfolio. Probable losses are estimated for consumer receivables based on contractual delinquency status and historical loss experience. For commercial loans, probable losses are calculated using estimates of amounts and timing of future cash flows expected to be received on loans. In addition, loss reserves on consumer receivables are maintained to reflect our judgment of portfolio risk factors, such as economic conditions, bankruptcy trends, product mix, geographic concentrations and other similar items. Charge-off and customer account management policies are also considered when establishing loss reserve requirements to ensure appropriate allowances exist for products with longer charge-off periods and for customers benefiting from account management decisions. Loss reserve estimates are reviewed periodically and adjustments are reported in earnings when they become known. As these estimates are influenced by factors outside our control, such as consumer payment patterns and economic conditions, there is uncertainty inherent in these estimates, making it reasonably possible that they could change.

Our charge-off policy for consumer receivables varies by product. Unsecured receivables are written off at the following stages of contractual delinquency: MasterCard and Visa-6 months; private label-9 months; and personal non-credit card-9 months and no payment received in 6 months, but in no event to exceed 12 months. For real estate secured receivables, carrying values in excess of net realizable value are charged off at the time of foreclosure or when settlement is reached with the borrower. For loans secured by automobiles, carrying values in excess of net realizable value are charged off at the earlier of repossession and sale of the collateral, the collateral being in our possession for more than 90 days, or the loan becoming 150 days contractually delinquent. Charge-offs may occur sooner for certain consumer receivables involving a bankruptcy. Our policies for consumer loans permit reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationships and ensure maximum collections. Commercial receivables are written off when it becomes apparent that an account is uncollectible.

Nonaccrual Loans Nonaccrual loans are loans on which accrual of interest has been suspended. Interest income is suspended on real estate secured, personal non-credit card and commercial loans when principal or interest payments are more than three months contractually past due. For MasterCard and Visa and private label credit card receivables, interest continues to accrue until the receivable is charged off. For auto finance receivables, accrual of interest income is discontinued when payments are more than two months contractually past due. Accrual of income on nonaccrual real estate secured and personal homeowner loans ("PHL's") is resumed if the receivable becomes less than three months contractually delinquent and on auto finance loans when the loan becomes less than two months contractually delinquent. Interest on nonaccrual personal non-credit card receivables other than PHL's is recorded as collected. Accrual of income on nonaccrual commercial loans is resumed if the loan becomes contractually current. Cash payments received on nonaccrual commercial loans are either applied against principal or reported as interest income, according to our judgment as to the collectibility of principal.

HHT 0017181

Receivables Sold and Serviced with Limited Recourse and Securitization Revenue Certain real estate secured, auto finance, MasterCard and Visa, private label and personal non-credit card receivables have been securitized and sold to investors with limited recourse. We have retained the servicing rights to these receivables. Recourse is limited to our rights to future cash flow and any subordinated interest that we may retain. Upon sale, the receivables are removed from the balance sheet and a gain on sale is recognized for the difference between the carrying value of the receivables and the adjusted sales proceeds. The adjusted sales proceeds include cash received and the present value estimate of future cash flows to be received over the lives of the sold receivables. Future cash flows are based on estimates of prepayments, the impact of interest rate movements on yields of receivables and securities issued, delinquency of receivables sold, servicing fees and other factors. The resulting gain is also adjusted by a provision for estimated probable losses under the recourse provisions based on historical experience and estimates of expected future performance. Gains on sale net of recourse provisions, servicing income and excess spread relating to securitized receivables are reported in the accompanying consolidated statements of income as securitization revenue.

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In connection with these transactions, we record an interest-only strip receivable, representing our contractual right to receive interest and other cash flows from our securitization trusts. Our interest-only strip receivables are reported at fair value using discounted cash flow estimates as a separate component of receivables net of our estimate of probable losses under the recourse provisions. Cash flow estimates include estimates of prepayments, the impact of interest rate movements on yields of receivables and securities issued, delinquency of receivables sold, servicing fees and estimated probable losses under the recourse provisions. Unrealized gains and losses are recorded as adjustments to common shareholders' equity in accumulated other comprehensive income, net of income taxes. Our interest-only strip receivables are reviewed for impairment quarterly or earlier if events indicate that the carrying value may not be recovered. Any decline in the fair value of the interest-only strip receivable which is deemed to be other than temporary is charged against current earnings.

In September 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a Replacement of FASB Statement No. 125" ("FAS No. 140"). FAS No. 140 revised the standards for accounting for securitizations and requires certain disclosures. We adopted the nondisclosure related provisions of FAS No. 140 as required on April 1, 2001. The adoption did not have a significant effect on our operations.

Properties and Equipment, Net Properties and equipment are recorded at cost, net of accumulated depreciation and amortization. For financial reporting purposes, depreciation is provided on a straight-line basis over the estimated useful lives of the assets which generally range from 3 to 40 years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease. Maintenance and repairs are expensed as incurred.

Repossessed Collateral Real estate owned is valued at the lower of cost or fair value less estimated costs to sell. These values are periodically reviewed and reduced, if necessary. Costs of holding real estate, and related gains and losses on disposition, are credited or charged to operations as incurred as a component of operating expense. Repossessed vehicles, net of loss reserves when applicable, are recorded at the lower of the estimated fair market value or the outstanding receivable balance.

Insurance Insurance revenues on revolving credit insurance policies are recognized when billed. Insurance revenues on the remaining insurance contracts are recorded as unearned premiums and recognized into income based on the nature and terms of the underlying contracts. Liabilities for credit insurance policies are based upon estimated settlement amounts for both reported and incurred but not yet reported losses. Liabilities for future benefits on annuity contracts and specialty and corporate owned life insurance products are based on actuarial assumptions as to investment yields, mortality and withdrawals.

Acquired Intangibles and Goodwill Acquired intangibles consist of acquired credit card relationships which are amortized on a straight-line basis over their estimated useful lives. These lives vary by portfolio and initially ranged from 4 to 15 years. Goodwill represents the purchase price over the fair value of identifiable assets acquired less liabilities assumed from business combinations and was amortized on a straight-line basis over periods not exceeding 25 years through December 31, 2001. Acquired intangibles are reviewed for impairment using discounted cash flows and goodwill using undiscounted cash flows whenever events indicate that the carrying amounts may not be recoverable. We consider significant and long-term changes in industry and economic conditions to be our primary indicator of potential impairment. Impairment charges, when required, are calculated using discounted cash flows.

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In July 2001, the FASB issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("FAS No. 141") and No. 142, "Goodwill and Other Intangible Assets" ("FAS No. 142"). FAS No. 141 eliminated the pooling of interests method of accounting and requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. We had no acquisitions during 2001 which were affected by FAS No. 141. FAS No. 142 changed the accounting for goodwill from an amortization method to an

impairment-only approach. Amortization of goodwill recorded in past business combinations ceased upon adoption of the statement on January 1, 2002. The adoption is expected to increase net income by approximately $45 million, or $.10 per share, annually.

Treasury Stock We account for repurchases of common stock using the cost method with common stock in treasury classified in the balance sheets as a reduction of common shareholders' equity. Treasury stock is reissued at average cost.

Derivative Financial Instruments Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS No. 133"), as amended. Under FAS No. 133, all derivatives are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, we designate the derivative as a fair value hedge, a cash flow hedge, a hedge of a net investment in a foreign operation, or a non-hedging derivative. Fair value hedges include hedges of the fair value of a recognized asset or liability and certain foreign currency hedges. Cash flow hedges include hedges of the variability of cash flows to be received or paid related to a recognized asset or liability and certain foreign currency hedges. Changes in the fair value of derivatives designated as fair value hedges, along with the change in fair value on the hedged asset or liability that is attributable to the hedged risk, are recorded in current period earnings. Changes in the fair value of derivatives designated as cash flow hedges, to the extent effective as a hedge, are recorded in accumulated other comprehensive income and reclassified into earnings in the period during which the hedged item affects earnings. Changes in the fair value of derivatives used to hedge our net investment in foreign subsidiaries, to the extent effective as a hedge, are recorded in common shareholders' equity as a component of the cumulative translation adjustment account within accumulated other comprehensive income. Changes in the fair value of derivative instruments not designated as hedging instruments and ineffective portions of changes in the fair value of hedging instruments are recognized in other income in the current period.

We formally document all relationships between hedging instruments and hedged items. This documentation includes our risk management objective and strategy for undertaking various hedge transactions, as well as how hedge effectiveness and ineffectiveness will be measured. This process includes linking derivatives to specific assets and liabilities on the balance sheet. We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, we discontinue hedge accounting prospectively.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective hedge, the derivative will continue to be carried on the balance sheet at its fair value, with changes in its fair value recognized in current period earnings. For fair value hedges, the formerly hedged asset or liability will no longer be adjusted for changes in fair value and any previously recorded adjustments to the carrying value of the hedged asset or liability will be amortized in the same manner that the hedged item affects income. For cash flow hedges, amounts previously recorded in accumulated other comprehensive income will be reclassified into income as earnings are impacted by the variability in the cash flows of the hedged item.

If the hedging instrument is terminated early, the derivative is removed from the balance sheet. Accounting for the adjustments to the hedged asset or liability or adjustments to accumulated other comprehensive income are the same as described above when a derivative no longer qualifies as an effective hedge.

<PAGE>

If the hedged asset or liability is sold or extinguished, the derivative will continue to be carried on the balance sheet at its fair value, with changes in its fair value recognized in current period earnings. The hedged item, including previously recorded mark-to-market adjustments, is derecognized immediately as a component of the gain or loss upon disposition.

The adoption of FAS No. 133 on January 1, 2001 was accounted for as a cumulative effect of a change in accounting principle. The impact of the adoption was not material to earnings and reduced common shareholders' equity by $241.4 million. The adjustment to common shareholders' equity was recorded as a component of accumulated other comprehensive income and was made to recognize at fair value all derivatives that were designated as cash flow hedging instruments. During 2001, approximately $119 million in derivative losses associated with the transition adjustment were reclassified into earnings. These losses were offset by decreased interest expense associated with the variable cash flows of the hedged items and resulted in no economic impact to our earnings. Derivative gains associated with the transition adjustment reclassified into earnings during 2001 were not material.

Foreign Currency Translation We have foreign subsidiaries located in the United Kingdom and Canada. The functional currency for each foreign subsidiary is its local currency. Assets and liabilities of these subsidiaries are translated at the rate of exchange in effect on the balance sheet date; income and expenses are translated at the average rate of exchange prevailing during the year. Resulting translation adjustments are accumulated in common shareholders' equity as a component of accumulated other comprehensive income.

We periodically enter into forward exchange contracts to hedge our investment in foreign subsidiaries. After-tax gains and losses on contracts to hedge foreign currency fluctuations are accumulated in common shareholders' equity as a component of accumulated other comprehensive income. Effects of foreign currency

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translation in the statements of cash flows are offset against the cumulative foreign currency adjustment, except for the impact on cash. Foreign currency transaction gains and losses are included in income as they occur.

Stock-Based Compensation We account for stock option and stock purchase plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). In accordance with APB 25, no compensation expense is recognized for stock options issued.

Income Taxes Federal income taxes are accounted for utilizing the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Investment tax credits generated by leveraged leases are accounted for using the deferral method.

2. Business Combinations, Acquisitions and Divestitures

On February 7, 2000, we purchased all of the outstanding capital stock of Renaissance Holdings, Inc. ("Renaissance"), a privately held issuer of secured and unsecured credit cards to subprime customers, for approximately $300 million of our common stock and cash. The acquisition provided us with an established platform for growing the subprime credit card business and expanding our product offerings to customers and prospects in our other businesses. The acquisition was accounted for as a purchase and, accordingly, Renaissance's operations have been included in our results of operations since February 7, 2000.

In August 1999, we acquired all of the outstanding capital stock of Decision One Mortgage Company LLC ("Decision One") for approximately $60 million in common stock and cash. Decision One originates loans through a 30-state broker network and packages them for sale to investors. The acquisition was accounted for as a purchase and, accordingly, earnings from Decision One have been included in our results of operations subsequent to the acquisition date.

<PAGE>

3. Investment Securities

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000
<S>	<C>	<C>
Available-For-Sale Investments		
Corporate debt securities	$ 2,054.0	$ 1,873.5
Money market funds	342.3	436.6
Certificates of deposit	259.8	319.2
U.S. government and federal agency debt securities	217.8	173.5
Marketable equity securities	21.2	24.9
Other	638.9	390.3
Subtotal	3,534.0	3,218.0
Accrued investment income	46.5	41.0
Total investment securities	$ 3,580.5	$ 3,259.0

</TABLE>

Proceeds from the sale of available-for-sale investments totaled approximately $.7 billion in 2001, $.2 billion in 2000 and $.7 billion in 1999. Gross gains of $12.9 million in 2001, $2.2 million in 2000 and $12.1 million in 1999 and gross losses of $1.7 million in 2001, $1.4 million in 2000 and $2.7 million in 1999 were realized on those sales.

The gross unrealized gains (losses) on available-for-sale investment securities were as follows:
<TABLE>
<CAPTION>

In millions. At December 31	2001 Amortized Cost	2001 Gross Unrealized Gains	2001 Gross Unrealized Losses	2001 Fair Value	2000 Amortized Cost	2000 Gross Unrealized Gains	2000 Gross Unrealized Losses	2000 Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Corporate debt securities	$ 2,089.5	$ 31.3	$ (66.8)	$ 2,054.0	$ 1,948.5	$ 17.4	$ (92.4)	$ 1,873.5
Money market funds	342.3	-	-	342.3	436.6	-	-	436.6
Certificates of deposit	246.1	13.7	-	259.8	319.2	-	-	319.2
U.S. government and Federal agency debt Securities	217.0	2.0	(1.2)	217.8	173.7	1.6	(1.8)	173.5
Marketable equity Securities	24.4	-	(3.2)	21.2	25.8	-	(.9)	24.9
Other	611.6	28.6	(1.3)	638.9	390.1	.6	(.4)	390.3
Total available-for-sale Investments	$ 3,530.9	$ 75.6	$ (72.5)	$ 3,534.0	$ 3,293.9	$ 19.6	$ (95.5)	$ 3,218.0

</TABLE>

See Note 14, "Fair Value of Financial Instruments," for further discussion of the relationship between the fair value of our assets, liabilities and off-balance sheet financial instruments.

Contractual maturities of and yields on investments in debt securities were as follows:

<TABLE>
<CAPTION>

All dollar amounts are Stated in millions. At December 31, 2001	Corporate Debt Securities			U.S. Government and Federal Agency Debt Securities		
	Amortized Cost	Fair Value	Yield(1)	Amortized Cost	Fair Value	Yield(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Due within 1 year	$ 49.8	$ 50.5	5.1%	$ 44.6	$ 44.7	7.6%
After 1 but within 5 years	806.7	817.3	5.7	84.6	85.6	5.7
After 5 but within 10 years	392.6	394.2	6.5	64.7	64.7	5.1
After 10 years	840.4	792.0	7.0	23.1	22.8	6.0
Total	$ 2,089.5	$ 2,054.0	6.4%	$ 217.0	$217.8	5.9%

</TABLE>
(1) Computed by dividing annualized interest by the amortized cost of respective investment securities.

<PAGE>

4. Receivables

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000
<S>	<C>	<C>
Real estate secured	$ 43,856.8	$ 35,179.7
Auto finance	2,368.9	1,850.6
MasterCard/Visa	8,141.2	8,053.6
Private label	11,663.9	10,347.3
Personal non-credit card	13,337.0	11,328.1
Commercial and other	506.9	598.6
Total owned receivables	79,874.7	67,357.9
Accrued finance charges	1,559.8	1,302.6
Credit loss reserve for owned receivables	(2,663.1)	(2,111.9)
Unearned credit insurance premiums and claims reserves	(895.8)	(725.2)
Interest-only strip receivables	968.2	636.5
Amounts due and deferred from receivable sales	419.7	701.8
Total owned receivables, net	79,263.5	67,161.7
Receivables serviced with limited recourse	20,948.0	20,249.5
Total managed receivables, net	$100,211.5	$ 87,411.2

</TABLE>

Foreign receivables included in owned receivables were as follows:

<TABLE>
<CAPTION>

In millions. At December 31	United Kingdom			Canada		
	2001	2000	1999	2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate secured	$ 924.6	$ 857.1	$ 751.0	$ 458.4	$ 402.6	$ 339.2
MasterCard/Visa	1,174.5	2,206.7	2,167.8	-	-	-
Private label	1,284.8	1,234.6	1,145.6	525.7	441.2	427.4
Personal non-credit Card	1,217.5	1,000.3	1,310.8	382.8	377.5	371.0
Commercial and other	.3	.8	1.1	1.4	1.5	2.7
Total	$ 4,601.7	$ 5,299.5	$ 5,376.3	$ 1,368.3	$ 1,222.8	$ 1,140.3

</TABLE>

Foreign managed receivables represented 7 and 9 percent of total managed receivables at December 31, 2001 and 2000, respectively.

The outstanding balance of receivables serviced with limited recourse consisted of the following:

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000
<S>	<C>	<C>
Real estate secured	$ 861.8	$ 1,457.8
Auto finance	4,026.6	2,712.7
MasterCard/Visa	9,254.0	9,529.8
Private label	2,150.0	1,650.0
Personal non-credit card	4,655.6	4,899.2
Total	$ 20,948.0	$ 20,249.5

</TABLE>

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The combination of receivables owned and receivables serviced with limited recourse, which we consider our managed portfolio, is shown below:

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000
Real estate secured	$ 44,718.6	$ 36,637.5
Auto finance	6,395.5	4,563.3
MasterCard/Visa	17,395.2	17,583.4
Private label	13,813.9	11,997.3
Personal non-credit card	17,992.6	16,227.3
Commercial and other	506.9	598.6
Total	$100,822.7	$ 87,607.4

</TABLE>

<PAGE>

We maintain facilities with third parties which provide for the securitization of receivables on a revolving basis totaling $12.9 billion, of which $10.6 billion were utilized at December 31, 2001. The amount available under these facilities will vary based on the timing and volume of public securitization transactions.

Contractual maturities of owned receivables were as follows:

<TABLE>
<CAPTION>

In millions. At December 31, 2001	2002	2003	2004	2005	2006	There- after	Total
Real estate secured	$ 11,951.9	$ 8,588.8	$ 6,260.9	$ 4,530.3	$ 3,376.7	$ 9,148.2	$ 43,856.8
Auto finance	38.3	74.5	233.2	559.1	1,039.9	423.9	2,368.9
MasterCard/Visa	939.9	830.1	701.8	639.3	544.3	4,485.8	8,141.2
Private label	5,782.3	2,280.3	701.3	414.2	276.2	2,209.6	11,663.9
Personal non-credit card	3,336.1	2,392.9	1,930.9	1,506.7	1,178.9	2,991.5	13,337.0
Commercial and other	43.6	44.8	58.2	39.9	35.4	285.0	506.9
Total	$ 22,092.1	$ 14,211.4	$ 9,886.3	$ 7,689.5	$ 6,451.4	$ 19,544.0	$ 79,874.7

</TABLE>

A substantial portion of consumer receivables, based on our experience, will be renewed or repaid prior to contractual maturity. The above maturity schedule should not be regarded as a forecast of future cash collections. The ratio of annual cash collections of principal to average principal balances, excluding credit card receivables, approximated 55 percent in 2001 and 58 percent in 2000.

The following table summarizes contractual maturities of owned receivables due after one year by repricing characteristic:

<TABLE>

In millions. At December 31, 2001	Over 1 But Within 5 years	Over 5 years
Receivables at predetermined interest rates	$ 27,241.4	$ 9,985.6
Receivables at floating or adjustable rates	10,997.2	9,558.4
Total	$ 38,238.6	$ 19,544.0

</TABLE>

Nonaccrual owned consumer receivables totaled $2,064.3 million and $1,636.7 million at December 31, 2001 and 2000, respectively, including $215.3 million and $226.0 million, respectively, relating to foreign operations. Interest income that would have been recorded in 2001 and 2000 if such nonaccrual receivables had been current and in accordance with contractual terms was approximately $315.8 million and $260.4 million, respectively, including $34.6 million and $38.2 million, respectively, relating to foreign operations. Interest income that was included in net income for 2001 and 2000, prior to these loans being placed on nonaccrual status, was approximately $173.5 million and $143.9 million, respectively, including $16.4 million and $19.9 million, respectively, relating to foreign operations. For an analysis of reserves for credit losses, see our "Analysis of Credit Loss Reserves Activity" on pages 31 and 32 on an owned and managed basis.

Interest-only strip receivables are reported net of our estimate of probable losses under the recourse provisions for receivables serviced with limited recourse. Our estimate of the recourse obligation totaled $1,148.3 million at December 31, 2001 and $1,082.3 million at December 31, 2000. Interest-only strip receivables also included fair value mark-to-market adjustments of $348.6 million at year-end 2001 and $117.5 million at year-end 2000.

Amounts due and deferred from receivable sales include certain assets

established under the recourse provisions for certain receivable sales, including funds deposited in spread accounts, offset by net customer payments owed to the securitization trustee. Net customer payments owed to the securitization trustee totaled $27.0 million at December 31, 2001 and $61.2 million at December 31, 2000.

<PAGE>

5. Asset Securitizations

We sell auto finance, MasterCard and Visa, private label and personal non-credit card receivables in various securitization transactions. We continue to service and receive servicing fees on the outstanding balance of securitized receivables. We also retain rights to future cash flows arising from the receivables after the investors receive their contractual return. We have also, in certain cases, retained other subordinated interests in these securitizations. These transactions typically result in the recording of an interest-only strip receivable which represents the value of the future residual cash flows from securitized receivables. The investors and the securitization trusts have only limited recourse to our assets for failure of debtors to pay. That recourse is limited to our rights to future cash flow and any subordinated interest we retain. Servicing assets and liabilities are not recognized in conjunction with our securitizations since we receive adequate compensation relative to current market rates to service the receivables sold. See Note 1, "Summary of Significant Accounting Policies," for further discussion on our accounting for interest-only strip receivables.

Securitization revenue includes income associated with the current and prior period securitization and sale of receivables with limited recourse. Such income includes gains on sales, net of our estimate of probable credit losses under the recourse provisions, servicing income and excess spread relating to those receivables.

Net initial gains, which represent gross initial gains net of our estimate of probable credit losses under the recourse provisions, and the key economic assumptions used in measuring the net initial gains from securitizations completed during the years ended December 31, 2001 and 2000 were as follows:

<TABLE>
<CAPTION>

<S>	MasterCard/ Visa <C>	Personal Non-Credit Card <C>	Private Label <C>	Auto Finance <C>	Total <C>
2001					
Net initial gains (in millions)	$ 7.3	$ 36.0	$ 13.1	$ 109.3	$ 165.7
Key economic assumptions:(1)					
Weighted-average life (in years)	.38	1.23	.85	2.20	
Payment speed	93.59%	52.33%	67.06%	34.20%	
Expected credit losses (annual rate)	5.08	7.34	5.49	4.79	
Discount rate on cash flows	9.00	11.00	10.00	10.00	
Cost of funds	6.15	4.24	5.73	4.54	
2000					
Net initial gains (in millions)	$ 43.7	$ 37.5	$ 8.5	$ 80.4	$ 170.1
Key economic assumptions:(1)					
Weighted-average life (in years)	.41	1.28	.93	2.06	
Payment speed	92.62%	52.01%	63.97%	35.98%	
Expected credit losses (annual rate)	5.48	6.87	6.60	5.38	
Discount rate on cash flows	9.00	11.00	10.00	10.00	
Cost of funds	5.88	6.67	6.36	7.12	

</TABLE>

(1) Weighted-average annual rates for securitizations entered into during the period for securitizations of loans with similar characteristics.

Certain securitization trusts, such as credit cards, are established at fixed levels and require frequent sales of new receivables into the trust to replace receivable run-off. These replenishments totaled $24.7 billion in 2001 and $21.0 billion in 2000. Net gains (gross gains less estimated credit losses under the recourse provisions) related to these replenishments were calculated using weighted-average assumptions consistent with those used for calculating gains on initial securitizations and totaled $407.5 million in 2001 and $328.4 million in 2000.

<PAGE>

Cash flows received from securitization trusts were as follows:

<TABLE>
<CAPTION>

In millions. Year ended December 31 <S>	MasterCard/ Visa <C>	Personal Non-Credit Card <C>	Private Label <C>	Auto Finance <C>	Real Estate Secured <C>	Total <C>
2001						
Proceeds from initial securitizations	$ 261.1	$2,123.6	$ 500.0	$2,573.9	-	$ 5,458.6
Servicing fees received	182.9	90.6	34.9	84.9	$ 12.0	405.3
Other cash flow received on retained interests (1)	789.0	181.1	157.9	111.9	67.5	1,307.4
2000						

Proceeds from initial securitizations	$1,925.0	$2,637.4	$ 500.0	$1,912.6	-	$ 6,975.0
Servicing fees received	179.7	91.3	24.2	60.7	$ 18.5	374.4
Other cash flow received on retained interests (1)	645.5	177.4	57.4	80.4	81.5	1,042.2

</TABLE>

(1) Other cash flows include all cash flows from interest-only strip receivables, excluding servicing fees.

Our interest-only strip receivables are reported at fair value using discounted cash flow estimates.

At December 31, 2001, the sensitivity of the current fair value of the interest-only strip receivables to an immediate 10 percent and 20 percent unfavorable change in assumptions are presented in the table below. These sensitivities are based on assumptions used to value our interest-only strip receivables at December 31, 2001.

<TABLE>
<CAPTION>

Dollar amounts are stated in millions.	MasterCard/ Visa	Personal Non-Credit Card	Private Label	Auto Finance	Real Estate Secured
<S>	<C>	<C>	<C>	<C>	<C>
Carrying value (fair value) of interest-only strip Receivables	$ 267.2	$ 335.4	$ 55.1	$ 285.7	$ 24.8
Weighted-average life (in years)	.57	1.19	.79	1.87	1.53
Payment speed assumption (annual rate)	83.82%	45.62%	69.66%	38.90%	25.95%
Impact on fair value of 10% adverse change	$ (22.2)	$ (23.2)	$ (5.4)	$ (26.2)	$ (1.4)
Impact on fair value of 20% adverse change	(41.6)	(45.7)	(9.2)	(59.9)	(2.8)
Expected credit losses (annual rate)	5.21%	7.41%	5.49%	6.83%	1.55%
Impact on fair value of 10% adverse change	$ (23.0)	$ (36.5)	$ (8.4)	$ (25.1)	$ (1.4)
Impact on fair value of 20% adverse change	(46.0)	(72.9)	(16.9)	(50.1)	(2.7)
Discount rate on residual cash flows (annual rate)	9.00%	11.00%	10.00%	10.00%	13.00%
Impact on fair value of 10% adverse change	$ (3.0)	$ (3.0)	$ (0.3)	$ (6.9)	$ (0.5)
Impact on fair value of 20% adverse change	(6.1)	(6.0)	(0.7)	(13.6)	(1.0)
Variable returns to investors (annual rate)	5.09%	3.53%	4.62%	5.42%	3.58%
Impact on fair value of 10% adverse change	$ (23.3)	$ (19.3)	$ (7.5)	$ (0.2)	$ (3.3)
Impact on fair value of 20% adverse change	(46.6)	(38.1)	(14.9)	(0.3)	(6.5)

</TABLE>

These sensitivities are hypothetical and should not be considered to be predictive of future performance. As the figures indicate, the change in fair value based on a 10 percent variation in assumptions cannot necessarily be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the residual cash flow is calculated independently from any change in another assumption. In reality, changes in one factor may contribute to changes in another (for example, increases in market interest rates may result in lower prepayments) which might magnify or counteract the sensitivities. Furthermore, the estimated fair values as disclosed should not be considered indicative of future earnings on these assets.

Static pool credit losses are calculated by summing actual and projected future credit losses and dividing them by the original balance of each pool of asset. Due to the short term revolving nature of MasterCard and Visa, personal non-credit card and private label receivables, the weighted-average percentage of static pool credit losses is not considered to be materially different from the weighted-average charge-off assumptions used in determining the fair value of our interest-only strip receivables in the table above. At December 31, 2001, static pool credit losses for auto finance loans securitized in 2001 were estimated to be 10.0 percent and for auto finance loans securitized in 2000 were estimated to be 11.0 percent.

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Receivables information by product including delinquency and net charge-offs for our managed and serviced with limited recourse portfolios were as follows:

<TABLE>
<CAPTION>

	2001		2000	
In millions At December 31	Receivables Outstanding	Delinquent Receivables	Receivables Outstanding	Delinquent Receivables
<S>	<C>	<C>	<C>	<C>
Managed receivables:				
Real estate secured	$ 44,718.6	2.68%	$ 36,637.5	2.63%
Auto finance	6,395.5	3.16	4,563.3	2.55
MasterCard/Visa	17,395.2	4.10	17,583.4	3.49
Private label	13,813.9	5.48	11,997.3	5.48
Personal non-credit card	17,992.6	8.87	16,227.3	7.97
Total consumer	100,315.8	4.46	87,008.8	4.20
Commercial and other	506.9	1.58	598.6	2.10
Total managed receivables	$100,822.7	4.44%	$ 87,607.4	4.18%

Receivables serviced with limited recourse:

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Real estate secured	$ (861.8)	5.00%	$ (1,457.8)	4.01%
Auto finance	(4,026.6)	3.29	(2,712.7)	2.61
MasterCard/Visa	(9,254.0)	2.73	(9,529.8)	2.30
Private label	(2,150.0)	2.69	(1,650.0)	4.72
Personal non-credit card	(4,655.6)	8.36	(4,899.2)	7.90
Total receivables serviced with limited recourse	(20,948.0)	4.18	(20,249.5)	4.02
Owned consumer receivables	$ 79,874.7	4.53%	$ 67,357.9	4.26%

</TABLE>
<TABLE>
<CAPTION>

In millions At December 31	2001 Average Receivables	 Net Charge-offs	2000 Average Receivables	 Net Charge-offs
<S>	<C>	<C>	<C>	<C>
Managed receivables:				
Real estate secured	$ 40,049.6	.53%	$ 32,530.2	.45%
Auto finance	5,323.5	5.31	3,842.3	4.80
MasterCard/Visa	17,282.8	6.63	16,111.2	5.58
Private label	12,260.6	5.18	11,194.2	5.35
Personal non-credit card	17,013.8	6.79	14,760.8	6.97
Total consumer	91,930.3	3.73	78,438.7	3.64
Commercial and other	554.9	2.10	693.5	2.69
Total managed receivables	$ 92,485.2	3.72%	$ 79,132.2	3.63%
Receivables serviced with limited recourse:				
Real estate secured	$ (1,199.2)	.70%	$ (1,847.6)	.90%
Auto finance	(3,004.4)	6.32	(2,023.5)	6.16
MasterCard/Visa	(9,144.6)	5.27	(8,984.7)	4.81
Private label	(1,744.2)	2.72	(1,212.5)	5.42
Personal non-credit card	(4,527.8)	6.74	(4,566.1)	6.86
Total receivables serviced with limited recourse	(19,620.2)	5.26	(18,634.4)	5.11
Owned consumer receivables	$ 72,865.0	3.32%	$ 60,497.8	3.18%

</TABLE>

We issued securities backed by dedicated home equity loan receivables of $1.6 billion in 2001 and $.5 billion in 2000. For accounting purposes, these transactions were structured as secured financings, therefore, the receivables and the related debt remain on our balance sheet. Real estate receivables included closed-end real estate secured receivables totaling $1.7 billion at December 31, 2001 and $.4 billion at December 31, 2000 which secured the outstanding debt related to these transactions.

6. Properties and Equipment, Net

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000	Depreciable Life
<S>	<C>	<C>	<C>
Land	$ 8.1	$ 8.1	-
Buildings and improvements	574.7	519.6	10 - 40 years
Furniture and equipment	878.4	844.5	3 - 10
Total	1,461.2	1,372.2	
Accumulated depreciation and amortization	930.1	854.6	
Properties and equipment, net	$ 531.1	$ 517.6	

</TABLE>

<PAGE>

Depreciation and amortization expense totaled $139.7 million in 2001, $135.8 million in 2000 and $130.4 million in 1999.

7. Deposits

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31	2001 Amount	 Weighted-Average Rate	2000 Amount	 Weighted-Average Rate
<S>	<C>	<C>	<C>	<C>
Domestic				
Time certificates	$ 6,000.7	6.8%	$ 6,925.3	6.7%
Savings accounts	33.7	2.1	25.0	2.9
Demand accounts	36.3	.4	14.6	2.1
Total domestic deposits	6,070.7	6.7	6,964.9	6.7

Foreign				
Time certificates	316.0	5.7	1,529.5	6.1
Savings accounts	54.1	3.1	56.2	3.2
Demand accounts	121.5	3.9	126.3	5.1
Total foreign deposits	491.6	5.0	1,712.0	5.9
Total deposits	$ 6,562.3	6.6%	$ 8,676.9	6.5%

</TABLE>

At December 31, 2001, domestic time certificates included carrying value adjustments totaling $24.7 million relating to derivative financial instruments.

Average deposits and related weighted-average interest rates were as follows:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. Year ended December 31	2001 Average Deposits	2001 Weighted-Average Rate	2000 Average Deposits	2000 Weighted-Average Rate	1999 Average Deposits	1999 Weighted-Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Domestic						
Time certificates	$ 6,468.5	6.5%	$ 6,278.4	6.7%	$1,857.0	6.1%
Savings and demand accounts	119.7	.6	53.2	1.5	12.1	1.4
Total domestic deposits	6,588.2	6.4	6,331.6	6.6	1,869.1	6.1
Foreign						
Time certificates	1,172.8	5.7	1,243.7	4.5	967.7	4.8
Savings and demand accounts	192.2	4.5	182.2	4.5	200.5	4.4
Total foreign deposits	1,365.0	5.5	1,425.9	4.5	1,168.2	4.7
Total deposits	$ 7,953.2	6.3%	$ 7,757.5	6.2%	$3,037.3	5.5%

</TABLE>

Interest expense on total deposits was $498.6 million in 2001, $484.0 million in 2000 and $168.4 million in 1999. Interest expense on domestic deposits was $423.7 million in 2001, $419.7 million in 2000 and $113.4 million in 1999.

Maturities of time certificates in amounts of $100,000 or more were:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31, 2001	Domestic	Foreign	Total
<S>	<C>	<C>	<C>
3 months or less	$ 29.0	$ 211.0	$ 240.0
Over 3 months through 6 months	17.9	30.2	48.1
Over 6 months through 12 months	41.9	39.3	81.2
Over 12 months	143.3	35.4	178.7
Total	$ 232.1	$ 315.9	$ 548.0

</TABLE>

Contractual maturities of time certificates within each interest rate range were as follows:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31, 2001	2002	2003	2004	2005	2006	There-after	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest Rate							
Less-than 4.00%	$ 71.8	$ 28.7	-	-	-	-	$ 100.5
4.00% - 5.99%	427.9	187.9	$ 123.4	$ 16.5	$ 18.5	$ 46.8	821.0
6.00% - 7.99%	1,525.8	1,090.7	1,404.8	820.8	189.6	363.5	5,395.2
Total	$ 2,025.5	$ 1,307.3	$ 1,528.2	$ 837.3	$ 208.1	$ 410.3	$ 6,316.7

</TABLE>

<PAGE>

8. Commercial Paper, Bank and Other Borrowings

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. At December 31	Commercial Paper	Bank and Other Borrowings	Total
<S>	<C>	<C>	<C>
2001			
Balance	$ 9,141.2	$ 2,883.1	$ 12,024.3
Highest aggregate month-end balance			13,926.4
Average borrowings	9,221.1	2,240.1	11,461.2

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Weighted-average interest rate:			
At year-end	2.0%	2.6%	2.2%
Paid during year	4.1	3.9	4.0
2000			
Balance	$ 9,371.5	$ 1,416.4	$ 10,787.9
Highest aggregate month-end balance			12,581.6
Average borrowings	9,828.7	2,099.7	11,928.4
Weighted-average interest rate:			
At year-end	6.6%	6.6%	6.6%
Paid during year	6.3	5.5	6.2
1999			
Balance	$ 8,822.2	$ 1,955.6	$ 10,777.8
Highest aggregate month-end balance			11,454.6
Average borrowings	8,620.3	1,426.7	10,047.0
Weighted-average interest rate:			
At year-end	5.6%	5.6%	5.6%
Paid during year	5.2	5.0	5.2

</TABLE>

Outstanding balances at December 31, 2001, 2000 and 1999 included commercial paper obligations of foreign subsidiaries of $374.7 million, $360.9 million and $359.4 million, respectively, and bank and other borrowings of $713.6 million, $722.3 million and $903.1 million, respectively.

Interest expense for commercial paper, bank and other borrowings totaled $463.2 million, $737.7 million and $522.5 million for 2001, 2000 and 1999, respectively.

We maintain various bank credit agreements primarily to support commercial paper borrowings. At December 31, 2001 and 2000, we had committed back-up lines and other bank lines of $13.6 billion and $13.0 billion, respectively, of which $12.8 billion and $12.3 billion, respectively, were unused. Formal credit lines are reviewed annually and expire at various dates from 2002 to 2006. Borrowings under these lines generally are available at a surcharge over LIBOR. None of these lines contain material adverse change clauses which could restrict availability. Annual commitment fee requirements to support availability of these lines at December 31, 2001 totaled $10.7 million.

9. Senior and Senior Subordinated Debt (With Original Maturities Over One Year)
<TABLE>
<CAPTION>
All dollar amounts are stated in millions.

At December 31	2001	2000
<S>	<C>	<C>
Senior Debt		
Zero-coupon convertible debt securities; due 2021	$ 1,004.2	-
3.50% to 4.99%; due 2002 to 2009	1,679.4	$ 11.5
5.00% to 6.49%; due 2002 to 2013	13,223.6	10,169.2
6.50% to 6.99%; due 2002 to 2013	8,368.1	4,203.6
7.00% to 7.49%; due 2002 to 2023	4,679.5	4,959.3
7.50% to 7.99%; due 2002 to 2019	4,695.3	4,173.5
8.00% to 8.99%; due 2002 to 2010	3,711.9	3,892.5
9.00% and greater; due 2001	-	253.3
Variable interest rate debt; 1.89% to 3.53%; due 2002 to 2034	19,383.1	17,244.2
Senior Subordinated Debt		
6.50% to 8.45%; due 2002 to 2003	179.1	259.7
Unamortized discount	(100.6)	(113.8)
Total senior and senior subordinated debt	$ 56,823.6	$ 45,053.0

</TABLE>

Senior and senior subordinated debt included $1.5 billion of debt secured by $1.7 billion of real estate secured receivables at December 31, 2001. At December 31, 2000, senior and senior subordinated debt included $.4 billion of debt secured by $.4 billion of real estate secured receivables.

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At December 31, 2001, senior and senior subordinated debt also included carrying value adjustments totaling $391.1 million relating to derivative financial instruments and a foreign currency translation adjustment of $(356.6) million relating to our foreign denominated debt.

Weighted-average interest rates were 5.1 and 6.9 percent at December 31, 2001 and 2000, respectively. Interest expense for senior and senior subordinated debt was $3,212.0 million, $2,707.2 million and $2,085.7 million for 2001, 2000 and 1999, respectively. The most restrictive financial covenant contained in the terms of our debt agreements are the maintenance of a minimum shareholders' equity of $2.0 billion for Household International, Inc., and the maintenance of a minimum shareholder's equity of $3.6 billion for Household Finance Corporation ("HFC"), a wholly owned subsidiary of Household. Debt denominated in a foreign currency is included in the applicable rate category based on the effective U.S. dollar equivalent rate as summarized in Note 10.

In August 2001, the parent company issued zero-coupon convertible debt securities. The convertible debt securities are due 2021, have a 1 percent yield to maturity and have a principal amount at maturity of approximately $1.2 billion. We must pay contingent interest on the securities beginning in 2006 if

our common stock price reaches certain levels. The holders of the securities have the right to require us to repurchase the securities on various dates beginning in August 2002 and ending in August 2016 or if certain "fundamental changes" as described in the prospectus supplement occur. "Fundamental changes" include, among other things, an exchange offer, liquidation, merger and recapitalization. The holders of the securities may convert each $1,000 of securities, subject to adjustment, into 9.022 shares of Household common stock if our stock price reaches $99.87 for 20 trading days in a consecutive 30 trading day period. We may redeem the securities, in whole or in part, at any time after August 1, 2006.

Maturities of senior and senior subordinated debt were:

<TABLE>

In millions. At December 31, 2001	
2002	$ 10,492.5
2003	9,980.0
2004	5,800.9
2005	5,970.0
2006	6,652.0
Thereafter	17,928.2
Total	$ 56,823.6

</TABLE>

10. Derivative Financial Instruments and Concentrations of Credit Risk

In the normal course of business and in connection with our asset/liability management program, we enter into various transactions involving derivative financial instruments. These instruments primarily are used to manage our exposure to fluctuations in interest rates and currency exchange rates. We do not serve as a financial intermediary to make markets in any derivative financial instruments. We have a comprehensive program to address potential financial risks such as liquidity, interest rate, currency and credit risk. The Finance Committee of the Board of Directors sets acceptable limits for each of these risks annually and reviews the limits semiannually. For further information on our strategies for managing interest rate and foreign exchange rate risk, see the "Risk Management" section within our Management's Discussion and Analysis of Financial Condition and Results of Operations.

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Objectives for Holding Derivative Financial Instruments We generally fund our assets with liabilities that have similar interest rate features. Over time, however, customer demand for our receivable products shifts between fixed rate and floating rate products, based on market conditions and preferences. These shifts result in different funding strategies and produce different interest rate risk exposures. We maintain an overall risk management strategy that uses a variety of interest rate and currency derivative financial instruments to mitigate our exposure to fluctuations caused by changes in interest rates and currency exchange rates. We manage our exposure to interest rate risk primarily through the use of interest rate swaps, but also use forwards, futures, options, and other risk management instruments. We manage our exposure to currency risk primarily through the use of currency swaps. We do not speculate on interest rate or foreign currency market exposure and we do not use exotic or leveraged derivative financial instruments.

Interest rate swaps are contractual agreements between two counterparties for the exchange of periodic interest payments generally based on a notional principal amount and agreed-upon fixed or floating rates. The majority of our interest rate swaps are used to manage our exposure to changes in interest rates by converting floating rate assets or debt to fixed rate or by converting fixed rate assets or debt to floating rate. We have also entered into currency swaps to convert both principal and interest payments on debt issued from one currency to the appropriate functional currency.

Forwards and futures are agreements between two parties, committing one to sell and the other to buy a specific quantity of an instrument on some future date. The parties agree to buy or sell at a specified price in the future, and their profit or loss is determined by the difference between the arranged price and the level of the spot price when the contract is settled. We have both interest rate and foreign exchange rate forward contracts and interest rate futures contracts. We use foreign exchange rate forward contracts to reduce our exposure to foreign currency exchange risk. Interest rate forward and futures contracts are used to hedge resets of interest rates on our floating rate assets and liabilities. Cash requirements for forward contracts include the receipt or payment of cash upon the sale or purchase of the instrument.

Purchased options grant the purchaser the right, but not the obligation, to either purchase or sell a financial instrument at a specified price within a specified period. The seller of the option has written a contract which creates an obligation to either sell or purchase the financial instrument at the agreed-upon price if, and when, the purchaser exercises the option. We use caps to limit the risk associated with an increase in rates and floors to limit the risk associated with a decrease in rates.

Market and Credit Risk By utilizing derivative financial instruments, we are exposed to varying degrees of credit and market risk.

Market risk is the possibility that a change in interest rates or foreign

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exchange rates will cause a financial instrument to decrease in value or become more costly to settle. We mitigate this risk by establishing limits for positions and other controls.

Credit risk is the possibility that a loss may occur because the counterparty to a transaction fails to perform according to the terms of the contract. We control the credit (or repayment) risk in derivative instruments through established credit approvals, risk control limits and ongoing monitoring procedures. Our exposure to credit risk for futures is limited as these contracts are traded on organized exchanges. Each day, changes in futures contract values are settled in cash. In contrast, swap agreements and forward contracts have credit risk relating to the performance of the counterparty. Additionally, certain swap agreements require that payments be made to, or received from, the counterparty when the fair value of the agreement reaches a certain level. Derivative financial instruments are generally expressed in terms of notional principal or contract amounts which are much larger than the amounts potentially at risk for nonpayment by counterparties. We have never suffered a loss due to counterparty failure.

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Fair Value and Cash Flow Hedges To manage our exposure to changes in interest rates, we enter into interest rate swap agreements and currency swaps which have been designated as fair value or cash flow hedges under FAS No. 133. The critical terms of interest rate swaps are designed to match those of the hedged items, enabling the application of the shortcut method of accounting as defined by FAS No. 133 for 92 percent of the notional amounts of such interest rate swaps. To the extent that the critical terms of the hedged item and the derivative are not identical, hedge ineffectiveness is reported in earnings during the current period as a component of other income. Although the critical terms of currency swaps are designed to match those of the hedged items, FAS No. 133 does not allow shortcut method accounting for this type of hedge. Therefore, there may be minimal ineffectiveness which is reported in current period earnings.

Fair value hedges include interest rate swaps which convert our fixed rate debt or assets to variable rate debt or assets and currency swaps which convert debt issued from one currency into pay variable debt of the appropriate functional currency. Hedge ineffectiveness associated with fair value hedges was a gain of $.1 million, net of tax, in 2001 and was recorded as other income. During 2001, all of our fair value hedges were associated with debt. At December 31, 2001, we had recorded fair value adjustments for open fair value hedges which decreased the carrying value of our debt by $85.7 million.

Cash flow hedges include interest rate swaps which convert our variable rate debt or assets to fixed rate debt or assets and currency swaps which convert debt issued from one currency into pay fixed debt of the appropriate functional currency. At December 31, 2001, we had $699.1 million of losses on derivative instruments designated as cash flow hedges, net of taxes, in accumulated other comprehensive income. We expect $392 million of currently unrealized net losses, after taxes, will be reclassified to earnings within one year, however, these unrealized losses will be offset by decreased interest expense associated with the variable cash flows of the hedged items and will result in no net economic impact to our earnings. Hedge ineffectiveness associated with cash flow hedges reported in 2001 in the other income line was immaterial.

At December 31, 2001, $97.2 million of derivative instruments, at fair value, were recorded in other assets and $1,615.4 million in other liabilities.

Deferred gains resulting from termination of derivatives were $551.7 million and $44.1 million and deferred losses from termination of derivatives were $72.1 million and $63.0 million at December 31, 2001 and 2000, respectively. Amortization of net deferred gains totaled $43.6 million in 2001 and $14.8 million in 2000. The weighted-average amortization period associated with the deferred gains was 6.2 years and 5.1 years at December 31, 2001 and 2000, respectively. The weighted-average amortization period for the deferred losses was 5.3 years and 5.8 years at December 31, 2001 and 2000, respectively. At December 31, 2001, net deferred gains and losses increased the carrying value of our deposits and senior and senior subordinated debt by $24.7 million and $476.8 million, respectively, and decreased accumulated other comprehensive income by $21.9 million.

Hedges of Net Investments in Foreign Operations We use forward-exchange contracts to hedge our net investments in foreign operations. The purpose of these hedges is to protect against adverse movements in exchange rates. For the year ended December 31, 2001, $8.9 million of net gains, net of tax, related to these derivatives were included in accumulated other comprehensive income.

Non-Qualifying Hedging Activities We use forward rate agreements, interest rate caps, exchange traded futures, and some interest rate swaps which were not designated as hedges under FAS No. 133. These financial instruments are economic hedges that are not linked to specific assets and liabilities that appear on our balance sheet and do not qualify for hedge accounting. The primary purpose of these derivatives is to minimize our exposure to changes in interest rates. During 2001, we recognized $.2 million, net of tax, in net fair value losses on derivatives which were not designated as hedges. These losses were reported as other income.

<PAGE>

Derivative Financial Instruments The following table summarizes derivative financial instrument activity in 2001, 2000 and 1999:
<TABLE>

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<CAPTION>

In millions.	Exchange Traded: Interest Rate Futures Contracts: Purchased	Sold	Options: Purchased	Written	Non-Exchange Traded: Interest Rate Swaps	Currency Swaps
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999						
Notional amount, 1998	$ 70.0	-	$ 544.0	-	$ 13,715.6	$ 4,406.3
New contracts	5,743.0	$ (4,725.0)	1,158.0	$ (50.0)	18,734.2	2,070.2
Matured or expired contracts	(1,013.0)	25.0	(949.0)	-	(2,894.5)	(723.8)
Terminated contracts	-	-	-	-	(1,796.4)	(80.0)
In-substance maturities (1)	(4,700.0)	4,700.0	(50.0)	50.0	-	-
Notional amount, 1999	$ 100.0	$ -	$ 703.0	$ -	$ 27,758.9	$ 5,672.7
Fair value, 1999 (2)	$ (.1)	$ -	$ -	$ -	$ (125.3)	$ (319.2)
2000						
Notional amount, 1999	$ 100.0	-	$ 703.0	-	$ 27,758.9	$ 5,672.7
New contracts	21,715.0	$(20,321.0)	1,300.0	$ (300.0)	15,451.0	3,047.4
Matured or expired contracts	(1,494.0)	-	(1,403.0)	-	(13,733.0)	(767.2)
Terminated contracts	-	-	(600.0)	300.0	(3,768.6)	(655.0)
In-substance maturities (1)	(20,321.0)	20,321.0	-	-	-	-
Notional amount, 2000	$ -	$ -	$ -	$ -	$ 25,708.3	$ 7,297.9
Fair value, 2000 (2)	$ -	$ -	$ -	$ -	$ 258.8	$ (532.9)
2001						
Notional amount, 2000	-	-	-	-	$ 25,708.3	$ 7,297.9
New contracts	$ 36,675.0	$(22,706.0)	$ 4,750.0	-	22,259.0	2,481.6
Matured or expired contracts	(21,850.0)	300.0	-	-	(7,651.3)	(919.5)
Terminated contracts	-	-	(2,750.0)	-	(9,832.7)	(165.6)
In-substance maturities (1)	(13,406.0)	13,406.0	-	-	-	-
Notional amount, 2001	$ 1,419.0	$ (9,000.0)	$ 2,000.0	$ -	$ 30,483.3	$ 8,694.4
Fair value, 2001 (2):						
Fair value hedges	-	-	-	-	$ (152.9)	$ 67.2
Cash flow hedges	-	-	-	-	(348.1)	(1,084.6)
Non-hedging derivatives	$ .4	$ (3.4)	$ .4	-	3.4	-
Total	$ .4	$ (3.4)	$ .4	$ -	$ (497.6)	$(1,017.4)

</TABLE>

<TABLE>
<CAPTION>

In millions.	Non-Exchange Traded: Foreign Exchange Rate Contracts: Purchased	Sold	Interest Rate Forward Contracts: Purchased	Sold	Caps and Floors
<S>	<C>	<C>	<C>	<C>	<C>
1999					
Notional amount, 1998	$ 9.8	$ (1,249.9)	$ 2,261.9	$ (87.0)	$ 3,037.8
New contracts	2,089.9	(1,479.3)	6,946.7	(1,242.0)	2,089.4
Matured or expired contracts	(116.6)	171.5	(5,759.4)	666.4	(442.1)
Terminated contracts	(18.8)	13.8	(207.7)	593.4	(1,231.1)
In-substance maturities (1)	(1,846.2)	1,846.2	-	-	-
Notional amount, 1999	$ 118.1	$ (697.7)	$ 3,241.5	$ (69.2)	$ 3,454.0
Fair value, 1999 (2)	$ .5	$ 4.9	$ 6.4	$ -	$ 4.8
2000					
Notional amount, 1999	$ 118.1	$ (697.7)	$ 3,241.5	$ (69.2)	$ 3,454.0
New contracts	1,828.9	(1,798.3)	4,158.3	(163.1)	2,550.6
Matured or expired contracts	(85.6)	398.6	(6,818.5)	232.3	(3,019.7)
Terminated contracts	-	-	(133.4)	-	(309.4)
In-substance maturities (1)	(1,852.3)	1,852.3	-	-	-
Notional amount, 2000	$ 9.1	$ (245.1)	$ 447.9	$ -	$ 2,675.5
Fair value, 2000 (2)	$ .3	$ (2.8)	$ (.3)	$	$ (2.7)
2001					
Notional amount, 2000	$ 9.1	$ (245.1)	$ 447.9	-	$ 2,675.5
New contracts	9,347.4	(10,325.0)	2,074.5	-	3,481.8
Matured or expired contracts	(51.3)	172.5	(1,991.4)	-	(2,297.7)
Terminated contracts	-	-	(31.4)	-	(847.0)
In-substance maturities (1)	(9,196.1)	9,196.1	-	-	-
Notional amount, 2001	$ 109.1	$ (1,201.5)	$ 499.6	$ -	$ 3,012.6
Fair value, 2001 (2):					
Fair value hedges	-	-	-	-	-

Cash flow hedges	$ 2.5	$ (1.3)	-	-	-
Non-hedging derivatives	-	-	$ (1.6)	-	$ (.2)
Total	$ 2.5	$ (1.3)	$ (1.6)	$ -	$ (.2)

</TABLE>

(1) Represent contracts terminated as the market execution technique of closing the transaction either (a) just prior to maturity to avoid delivery of the underlying instrument or (b) at the maturity of the underlying items being hedged.

(2) (Bracketed) unbracketed amounts represent amounts to be (paid) received by us had these positions been closed out at the respective balance sheet date. Bracketed amounts do not necessarily represent risk of loss as the fair value of the derivative financial instrument and the items being hedged must be evaluated together. See Note 14, "Fair Value of Financial Instruments," for further discussion of the relationship between the fair value of our assets and liabilities.

<PAGE>

We operate in three functional currencies, the U.S. dollar, the British pound and the Canadian dollar. The U.S. dollar is the functional currency for exchange-traded interest rate futures contracts and options. Non-exchange traded instruments are restated in U.S. dollars by country as follows:

<TABLE>
<CAPTION>

In millions.	Interest Rate Swaps	Currency Swaps	Foreign Exchange Rate Contracts Purchased	Foreign Exchange Rate Contracts Sold	Interest Rate Forward Contracts Purchased	Interest Rate Forward Contracts Sold	Other Risk Management Instruments
1999							
United States	$ 25,916.7	$ 4,258.2	$ 113.0	$ (697.7)	-	-	$ 2,701.5
Canada	374.1	223.0	5.1	-	$ 245.5	$ (67.6)	-
United Kingdom	1,468.1	1,191.5	-	-	2,996.0	(1.6)	752.5
	$ 27,758.9	$ 5,672.7	$ 118.1	$ (697.7)	$ 3,241.5	$ (69.2)	$ 3,454.0
2000							
United States	$ 23,734.5	$ 5,751.6	$ 6.7	$ (245.1)	-	-	$ 2,352.9
Canada	274.8	121.0	2.4	-	$ 313.5	-	-
United Kingdom	1,699.0	1,425.3	-	-	134.4	-	322.6
	$ 25,708.3	$ 7,297.9	$ 9.1	$ (245.1)	$ 447.9	-	$ 2,675.5
2001							
United States	$ 28,405.2	$ 7,259.8	$ 109.1	$ (1,199.5)	-	-	$ 2,989.9
Canada	287.5	-	-	(2.0)	$ 499.6	-	-
United Kingdom	1,790.6	1,434.6	-	-	-	-	22.7
	$ 30,483.3	$ 8,694.4	$ 109.1	$ (1,201.5)	$ 499.6	-	$ 3,012.6

</TABLE>

The table below reflects the items hedged using interest rate swaps at December 31, 2001. The critical terms of the interest rate swap have been designed to match those of the related asset or liability.

<TABLE>
<CAPTION>

In millions.	
Investment securities	$ 16.8
Commercial paper, bank and other borrowings	618.2
Senior and senior subordinated debt	29,848.3
Total items hedged using interest rate swaps	$ 30,483.3

</TABLE>

The following table summarizes the maturities and related weighted-average receive/pay rates of interest rate swaps outstanding at December 31, 2001:

<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	2002	2003	2004	2005	2006	2007	Thereafter	Total
Pay a fixed rate/receive a floating rate:								
Notional value	$ 9,955.7	$ 8,228.7	$ 763.1	$1,040.2	$ -	$ -	$ -	$19,987.7
Weighted-average receive rate	2.18%	2.44%	2.91%	3.62%	-	-	-	2.39%
Weighted-average pay rate	5.47	4.99	5.20	6.02	-	-	-	5.29
Pay a floating rate/receive a fixed rate:								
Notional value	$ 95.7	-	$ 10.2	$ 247.5	$ 140.5	$1,479.2	$8,522.5	$10,495.6
Weighted-average receive rate	6.69%	-	4.96%	5.91%	5.88%	7.45%	6.67%	6.75%
Weighted-average pay rate	2.09	-	2.04	2.60	2.18	3.92	3.32	3.36
Total notional value	$10,051.4	$ 8,228.7	$ 773.3	$1,287.7	$ 140.5	$1,479.2	$8,522.5	$30,483.3

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Total weighted-average rates on swaps:								
Receive rate	2.23%	2.44%	2.93%	4.06%	5.88%	7.45%	6.67%	3.89%
Pay rate	5.44	4.99	5.15	5.37	2.18	3.92	3.32	4.63

</TABLE>

The floating rates that we pay or receive are based on spot rates from independent market sources for the index contained in each interest rate swap contract, which generally are based on either 1-, 3- or 6-month LIBOR. These current floating rates are different than the floating rates in effect when the contracts were initiated. Changes in spot rates impact the variable rate information disclosed above. However, these changes in spot rates also impact the interest rate on the underlying assets or liabilities. We use derivative financial instruments to hedge the interest rate inherent in balance sheet assets and liabilities, which manages the volatility of net interest margin resulting from changes in interest rates on the underlying hedged items. Had we not utilized these instruments, owned net interest margin would have increased by 13 basis points in 2001, decreased by 5 basis points in 2000 and increased by 1 basis point in 1999.

<PAGE>

Concentrations of Credit Risk A concentration of credit risk is defined as a significant credit exposure with an individual or group engaged in similar activities or affected similarly by economic conditions.

Because we primarily lend to consumers, we do not have receivables from any industry group that equal or exceed 10 percent of total managed receivables at December 31, 2001 and 2000. We lend nationwide, with the following geographic areas comprising more than 10 percent of total managed domestic receivables at December 31, 2001: California-15 percent; Southwest (AZ, AR, LA, NM, OK, TX)-11 percent; Midwest (IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI)-22 percent; Middle Atlantic (DE, DC, MD, NJ, PA, VA, WV)-14 percent; Northeast (CT, ME, MA, NH, NY, RI, VT)-11 percent; and Southeast (AL, FL, GA, KY, MS, NC, SC, TN)-18 percent.

11. Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts

The following table summarizes our company obligated mandatorily redeemable preferred securities of subsidiary trusts ("Preferred Securities") and the related Junior Subordinated Notes:
<TABLE>
<CAPTION>

All dollar amounts are stated in millions.	Household Capital Trust VII ("HCT VII")	Household Capital Trust VI ("HCT VI")	Household Capital Trust V ("HCT V")	Household Capital Trust IV ("HCT IV")	Household Capital Trust I ("HCT I")
<S>	<C>	<C>	<C>	<C>	<C>
Preferred Securities:					
Interest rate	7.50%	8.25%	10.00%	7.25%	8.25%
Face value	$200	$200	$300	$200	$75
Issue date	November 2001	January 2001	June 2000	March 1998	June 1995
Junior Subordinated Notes:					
Principal balance	$206.2	$206.2	$309.3	$206.2	$77.3
Redeemable by Issuer	November 8, 2006	January 30, 2006	June 8, 2005	March 19, 2003	June 30, 2000
Stated maturity	November 15, 2031	January 30, 2031	June 30, 2030	December 31, 2037	June 30, 2025

</TABLE>

The Preferred Securities are classified in our balance sheet as company obligated mandatorily redeemable preferred securities of subsidiary trusts (representing the minority interests in the trusts) at their face and redemption amount of $975 million at December 31, 2001 and $675 million at December 31, 2000. Household Capital Trust II was redeemed for $100 million in December 2001.

The Preferred Securities must be redeemed when the Junior Subordinated Notes are paid. The Junior Subordinated Notes have a stated maturity date, but are redeemable by Household, in whole or in part, beginning on the dates indicated above at which time the Preferred Securities are callable at par ($25 per Preferred Security) plus accrued and unpaid dividends. Dividends on the Preferred Securities are cumulative, payable quarterly in arrears, and are deferrable at Household's option for up to five years. Household cannot pay dividends on its preferred and common stocks during such deferments. The Preferred Securities have a liquidation value of $25 per preferred security.

HCT I, HCT IV, HCT V, HCT VI and HCT VII (collectively, "the Trusts") are wholly owned subsidiaries of Household. Household's obligations with respect to the Junior Subordinated Notes, when considered together with certain undertakings of Household with respect to the Trusts, constitute full and unconditional guarantees by Household of the Trust's obligations under the respective Preferred Securities.

12. Preferred Stock

<TABLE>
<CAPTION>
All dollar amounts are stated in millions.
At December 31

<S>	2001 <C>	2000 <C>
7.50% Preferred Stock, 12,000,000 depositary shares (1)	$ 291.4	-
$4.30 Preferred Stock, 836,585 shares	83.6	$ 83.6
$4.50 Preferred Stock, 103,976 shares	10.4	10.4
5.00% Preferred Stock, 407,718 shares	20.4	20.4
8.25% Preferred Stock, Series 1992-A, 2,000,000 depositary shares (1)	50.0	50.0
Total preferred stock	$ 455.8	$ 164.4

(1) Depositary share represents 1/40 share of preferred stock.
</TABLE>

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Dividends on the 7.50 percent preferred stock are cumulative and payable quarterly. We may, at our option, redeem in whole or in part the 7.50 percent preferred stock on any date after September 26, 2006, for $25 per depositary share plus accrued and unpaid dividends. This stock has a liquidation value of $25 per depositary share.

Dividends on the $4.30 preferred stock are cumulative and payable semiannually. We may, at our option, redeem in whole or in part the $4.30 preferred stock for $100 per share plus accrued and unpaid dividends. This stock has a liquidation value of $100 per share plus accrued and unpaid dividends in the event of an involuntary liquidation or $100 in the event of a voluntary liquidation.

Dividends on the $4.50 preferred stock are cumulative and payable semiannually. We may, at our option, redeem in whole or in part the $4.50 preferred stock for $103 per share plus accrued and unpaid dividends. This stock has a liquidation value of $100 per share.

Dividends on the 5.00 percent preferred stock are cumulative and payable semiannually. We may, at our option, redeem in whole or in part the 5.00 percent preferred stock for $50 per share plus accrued and unpaid dividends. This stock has a liquidation value of $50 per share.

Dividends on the 8.25 percent preferred stock, Series 1992-A, are cumulative and payable quarterly. We may, at our option, redeem in whole or in part the 8.25 percent preferred stock, Series 1992-A, on any date after October 15, 2002, for $25 per depositary share plus accrued and unpaid dividends. This stock has a liquidation value of $25 per depositary share.

Holders of all issues of preferred stock are entitled to payment before any capital distribution is made to common shareholders. The holders of the $4.30, $4.50 and 5.00 percent preferred stocks will be entitled to vote with the holders of our common stock on all matters. Each issue of preferred stock is also entitled to vote, as a class separate from our common stock, to elect two directors if dividends for a specified period shall be in arrears, until the dividends in arrears are paid in full.

Household's Board of Directors has adopted a resolution creating an Offering Committee of the Board with the power to authorize the issuance and sale of one or more series of preferred stock. The Offering Committee has the authority to determine the particular designations, powers, preferences and relative, participating, optional or other special rights (other than voting rights which shall be fixed by the Board of Directors) and qualifications, limitations or restrictions of such issuance. At December 31, 2001, up to 8.2 million shares of preferred stock were authorized for issuance.

13. Forward Purchase Agreements and Junior Preferred Share Purchase Rights

At December 31, 2001, we had agreements to purchase, on a forward basis, approximately 6.5 million shares of our common stock at a weighted-average forward price of $59.14 per share. The agreements have terms of up to one year. These agreements may be settled either physically or on a net basis in shares of our common stock, at our option. We account for these agreements in accordance with EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled In, a Company's Own Stock". As a result, we initially measure these forward contracts at fair value and report them as permanent equity. Subsequent changes in their fair value are not recognized.

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In 1996, Household issued one preferred share purchase right (a "Right") for each outstanding share of common stock of the company. Under certain conditions, each Right may be exercised to purchase one three-thousandth of a share of a new series of junior participating preferred stock at an exercise price of $100 per one three-thousandth of a share, subject to further adjustment. The Rights may be exercised only after the earlier of: (a) a public announcement that a party or an associated group acquired 15 percent or more of Household's common stock and (b) ten business days (or later date as determined by the Board of Directors of Household) after a party or an associated group initiates or announces its intention to make an offer to acquire 15 percent or more of Household's common stock. The Rights, which cannot vote or receive dividends, expire on July 31, 2006, and may be redeemed by Household at a price of $.0033 per Right at any time prior to expiration or acquisition of 15 percent of Household's common stock.

14. Fair Value of Financial Instruments

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We have estimated the fair value of our financial instruments in accordance with Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" ("FAS No. 107"). Fair value estimates, methods and assumptions set forth below for our financial instruments are made solely to comply with the requirements of FAS No. 107 and should be read in conjunction with the financial statements and notes in this Annual Report.

A significant portion of our financial instruments do not have a quoted market price. For these items, fair values were estimated by discounting estimated future cash flows at estimated current market discount rates. Assumptions used to estimate future cash flows are consistent with management's assessments regarding ultimate collectibility of assets and related interest and with estimates of product lives and repricing characteristics used in our asset/liability management process. All assumptions are based on historical experience adjusted for future expectations. Assumptions used to determine fair values for financial instruments for which no active market exists are inherently judgmental and changes in these assumptions could significantly affect fair value calculations.

As required under generally accepted accounting principles, a number of other assets recorded on the balance sheets (such as acquired credit card relationships) and other intangible assets not recorded on the balance sheets (such as the value of consumer lending relationships for originated receivables and the franchise values of our business units) are not considered financial instruments and, accordingly, are not valued for purposes of this disclosure. We believe there is substantial value associated with these assets based on current market conditions and historical experience. Accordingly, the estimated fair value of financial instruments, as disclosed, does not fully represent our entire value, nor the changes in our entire value.

The following is a summary of the carrying value and estimated fair value of our financial instruments:
<TABLE>
<CAPTION>

In millions. At December 31	2001 Carrying Value	2001 Estimated Fair Value	2001 Difference	2000 Carrying Value	2000 Estimated Fair Value	2000 Difference
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:						
Cash	$ 543.6	$ 543.6	-	$ 490.2	$ 490.2	-
Investment securities	3,580.5	3,580.5	-	3,259.0	3,259.0	-
Receivables	79,263.5	81,219.0	$ 1,955.5	67,161.7	67,672.4	$ 510.7
Total	83,387.6	85,343.1	1,955.5	70,910.9	71,421.6	510.7
Liabilities:						
Deposits	(6,562.3)	(6,838.9)	(276.6)	(8,676.9)	(8,691.9)	(15.0)
Commercial paper, bank and other borrowings	(12,024.3)	(12,024.3)	-	(10,787.9)	(10,787.9)	-
Senior and senior subordinated debt	(56,823.6)	(58,326.9)	(1,503.3)	(45,053.0)	(44,637.8)	415.2
Insurance reserves	(1,094.5)	(1,345.9)	(251.4)	(1,106.6)	(1,336.8)	(230.2)
Total	(76,504.7)	(78,536.0)	(2,031.3)	(65,624.4)	(65,454.4)	170.0
Other:						
Derivative financial instruments	(1,518.2)	(1,518.2)	-	80.1	(279.6)	(359.7)
Commitments to extend credit and guarantees	-	51.6	51.6	-	48.9	48.9
Total	(1,518.2)	(1,466.6)	51.6	80.1	(230.7)	(310.8)
Total	$ 5,364.7	$ 5,340.5	$ (24.2)	$ 5,366.6	$ 5,736.5	$ 369.9

</TABLE>

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<PAGE>

Cash: Carrying value approximates fair value due to cash's liquid nature.

Investment securities: Investment securities are classified as available-for-sale and are carried at fair value on the balance sheets. Fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Receivables: The fair value of adjustable rate receivables approximates carrying value because interest rates on these receivables adjust with changing market interest rates. The fair value of fixed rate consumer receivables was estimated by discounting future expected cash flows at interest rates which approximate the rates that would achieve a similar return on assets with comparable risk characteristics.

Receivables also includes our interest-only strip receivables. The interest-only strip receivables are carried at fair value on our balance sheets. Fair value is based on an estimate of the present value of future cash flows associated with securitizations of certain real estate secured, auto finance, MasterCard and Visa, private label and personal non-credit card receivables.

Deposits: The fair value of our savings and demand accounts equaled the carrying amount as stipulated in FAS No. 107. The fair value of gross fixed rate time certificates was estimated by discounting future expected cash flows at interest

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rates that we offer on such products at the respective valuation dates.

Commercial paper, bank and other borrowings: The fair value of these instruments approximates existing carrying value because interest rates on these instruments adjust with changes in market interest rates due to their short-term maturity or repricing characteristics.

Senior and senior subordinated debt: The estimated fair value of our gross fixed rate debt instruments was determined using either quoted market prices or by discounting future expected cash flows at interest rates offered for similar types of debt instruments. Carrying value is typically used to estimate the fair value of floating rate debt.

Insurance reserves: The fair value of insurance reserves for periodic payment annuities was estimated by discounting future expected cash flows at estimated market interest rates at December 31, 2001 and 2000. The fair value of other insurance reserves is not required to be determined in accordance with FAS No. 107.

Derivative financial instruments: As of January 1, 2001, all derivative financial instruments are carried at fair value on the balance sheet. Where practical, quoted market prices were used to determine fair value of these instruments. For non-exchange traded contracts, fair value was determined using accepted and established valuation methods (including input from independent third parties) which consider the terms of the contracts and market expectations on the valuation date for forward interest rates (for interest rate contracts) or forward foreign currency exchange rates (for foreign exchange contracts). We enter into foreign exchange contracts to hedge our exposure to currency risk on foreign denominated debt. We also enter into interest rate contracts to hedge our exposure to interest rate risk on assets and liabilities, including debt. As a result, decreases/increases in the fair value of derivative financial instruments which have been designated as effective hedges are offset by a corresponding increase/decrease in the fair value of the individual asset or liability being hedged. See Note 10, "Derivative Financial Instruments and Concentrations of Credit Risk," for additional discussion of the nature of these items.

Commitments to extend credit and guarantees: These commitments were valued by considering our relationship with the counterparty, the creditworthiness of the counterparty and the difference between committed and current interest rates.

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15. Leases

We lease certain offices, buildings and equipment for periods of up to 25 years. The leases expire at various dates through 2019 and have various renewal options. The office space leases generally require us to pay certain operating expenses. Net rental expense under operating leases was $124.9 million in 2001, $107.6 million in 2000 and $89.4 million in 1999.

We have a lease obligation on a former office complex which has been subleased through 2010, the end of the lease period. The sublessee has assumed our future rental obligations on this lease.

Future net minimum lease commitments under noncancelable operating lease arrangements were:
<TABLE>
<CAPTION>

In millions. At December 31, 2001	Minimum Rental Payments	Minimum Sublease Income	Net
<S>	<C>	<C>	<C>
2002	$ 150.9	$ 21.4	$ 129.5
2003	128.6	21.6	107.0
2004	110.7	22.0	88.7
2005	92.8	22.3	70.5
2006	82.6	22.2	60.4
Thereafter	330.0	77.7	252.3
Net minimum lease commitments	$ 895.6	$ 187.2	$ 708.4

</TABLE>

16. Incentive Compensation and Stock Option Plans

Household's executive compensation plans provide for issuance of nonqualified stock options and restricted stock rights ("RSR's"). Stock options permit the holder to purchase, under certain limitations, Household's common stock at the market value of the stock on the date the option is granted. Employee stock options generally vest equally over four years and expire 10 years from the date of grant. RSR's entitle an employee to receive a stated number of shares of Household's common stock if the employee satisfies the conditions set by the Compensation Committee for the award. A total of 4.3 million and 4.0 million RSR's were outstanding at December 31, 2001 and 2000, respectively. Total compensation cost recognized for RSR's was $45.4 million, $24.4 million and $12.4 million in 2001, 2000 and 1999, respectively. Shares of our common stock reserved for stock plans were 34.9 million at December 31, 2001 and 38.9 million at December 31, 2000.

Non-employee directors annually receive options to purchase shares of

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Household's common stock at the stock's fair market value on the day the option is granted. Director options have a term of ten years and one day, fully vest six months from the date granted, and once vested are exercisable at any time during the option term.

Common stock data for the stock option plans is summarized as follows:
<TABLE>
<CAPTION>

	2001		2000		1999	
	Shares	Weighted-Average Price per Share	Shares	Weighted-Average Price per Share	Shares	Weighted-Average Price per Share
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning Of year	16,687,142	$ 31.09	16,068,326	$ 26.30	21,600,569	$ 21.14
Granted	3,080,400	57.16	2,812,469	48.80	2,311,500	44.78
Exercised	(2,015,723)	17.26	(2,056,064)	12.89	(7,805,549)	17.48
Expired or canceled	(1,535)	28.22	(137,589)	36.84	(38,194)	31.45
Outstanding at end Of year	17,750,284	$ 37.19	16,687,142	$ 31.09	16,068,326	$ 26.30
Exercisable at end of year	11,502,384	$ 29.44	11,134,642	$ 24.10	11,023,619	$ 19.64
Weighted-average fair value of options granted		$ 18.25		$ 19.65		$ 19.65

</TABLE>

<PAGE>

The following table summarizes information about stock options outstanding at December 31, 2001:
<TABLE>
<CAPTION>

Range of Exercise Prices	Options Outstanding: Number Outstanding	Options Outstanding: Weighted-Average Remaining Life	Options Outstanding: Weighted-Average Exercise Price	Options Exercisable: Number Outstanding	Options Exercisable: Weighted-Average Exercise Price
<S> <C>	<C>	<C>	<C>	<C>	<C>
$ 6.65 - $ 10.00	303,089	.54 years	$ 8.25	303,089	$ 8.25
$ 10.01 - $ 20.00	4,000,974	2.85 years	14.28	4,000,225	14.27
$ 20.01 - $ 30.00	491,185	5.46 years	24.02	489,959	24.01
$ 30.01 - $ 40.00	4,887,188	6.13 years	36.12	4,367,938	36.07
$ 40.01 - $ 50.00	4,957,448	8.28 years	47.33	2,318,673	46.83
$ 50.01 - $ 57.16	3,110,400	9.84 years	57.10	22,500	51.38

</TABLE>

Household maintains an Employee Stock Purchase Plan (the "ESPP"). The ESPP provides a means for employees to purchase shares of Household's common stock at 85 percent of the lesser of its market price at the beginning or end of a one-year subscription period.

We account for options and shares issued under the ESPP in accordance with APB 25, pursuant to which no compensation cost has been recognized. Had compensation cost been determined consistent with FAS No. 123, "Accounting for Stock-Based Compensation," our net income and earnings per share, on a pro forma basis, would have been as follows:

<TABLE>
<CAPTION>

In millions, except per share data. Year ended December 31	2001 Diluted	2001 Basic	2000 Diluted	2000 Basic	1999 Diluted	1999 Basic
	(RESTATED)	(RESTATED)	(RESTATED)	(RESTATED)	(RESTATED)	(RESTATED)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings available to common shareholders:						
As reported	$ 1,832.1	$ 1,832.1	$1,621.4	$1,621.4	$ 1,419.1	$ 1,419.1
Pro forma	1,804.2	1,804.2	1,600.4	1,600.4	1,402.6	1,402.6
Earnings per share:						
As reported	$ 3.91	$ 3.97	$ 3.40	$ 3.44	$ 2.95	$ 2.98
Pro forma	3.85	3.91	3.36	3.39	2.91	2.94

</TABLE>

The pro forma compensation expense included in the table above may not be representative of the actual effects on net income for future years.

The fair value of each option granted was estimated as of the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions:

<TABLE>
<CAPTION>

	2001	2000	1999

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<S>	<C>	<C>	<C>
Risk-free interest rate	3.62%	5.74%	5.84%
Expected dividend yield	1.44	1.49	1.65
Expected life	5 years	5 years	5 years
Expected volatility	34.3%	42.8%	46.9%

</TABLE>

The Black-Scholes model uses different assumptions that can significantly effect the fair value of the options. As a result, the derived fair value estimates cannot be substantiated by comparison to independent markets.

17. Employee Benefit Plans

Household sponsors several defined benefit pension plans covering substantially all of its U.S. and non-U.S. employees. At December 31, 2001, plan assets included an investment in 1,112,546 shares of Household's common stock with a fair value of $64.5 million.

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Pension income for defined benefit plans, primarily due to the overfunded status of the domestic plan, included the following components:
<TABLE>
<CAPTION>

In millions. Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Service cost - benefits earned during the period	$(26.9)	$(22.6)	$(28.7)
Interest cost on projected benefit obligation	(37.4)	(33.2)	(31.0)
Expected return on assets	101.6	87.9	80.4
Amortization of transition asset	.9	1.4	1.2
Recognized gains (losses)	-	(.2)	4.1
Pension income	$ 38.2	$ 33.3	$ 26.0

</TABLE>

The assumptions used in determining the benefit obligation and pension income of the domestic defined benefit plans at December 31 are as follows:

<TABLE>
<CAPTION>

	2001	2000	1999
<S>	<C>	<C>	<C>
Discount rate	7.5%	8.25%	8.0%
Salary increase assumption	4.0	4.0	4.0
Expected long-term rate of return on plan assets	10.0	10.0	10.0

</TABLE>

A reconciliation of beginning and ending balances of the projected benefit obligation of the defined benefit pension plans is as follows:

In millions. Year ended December 31	2001	2000
Benefit obligation at beginning of year	$555.1	$547.9
Service cost	26.9	22.6
Interest cost	37.4	33.2
Actuarial losses	112.0	14.9
Foreign currency exchange rate changes	(3.2)	(4.4)
Plan amendments	9.2	.2
Benefits paid	(59.6)	(59.3)
Benefit obligation at end of year	$677.8	$555.1

A reconciliation of beginning and ending balances of the fair value of plan assets associated with the defined benefit pension plans is as follows:

In millions. Year ended December 31	2001	2000
Fair value of plan assets at beginning of year	$1,058.8	$ 926.5
Actual return on plan assets	(136.6)	195.4
Foreign currency exchange rate changes	(3.5)	(4.8)
Employer contributions	.7	1.0
Benefits paid	(59.6)	(59.3)
Fair value of plan assets at end of year	$ 859.8	$1,058.8

The funded status of defined benefit pension plans was as follows:

In millions. At December 31	2001	2000
Funded status	$ 182.0	$ 503.7
Unrecognized net actuarial loss (gain)	257.5	(98.1)
Unamortized prior service cost	3.7	(6.1)

Prepaid pension cost	$ 443.2	$ 399.5

We also sponsor a non-qualified supplemental retirement plan. This plan, which is unfunded, provides eligible employees defined pension benefits outside the qualified retirement plan based on average earnings, years of service and age at retirement. At December 31, 2001 and 2000, the projected benefit obligation was $41.5 million and $28.6 million, respectively. Pension expense related to the supplemental retirement plan was $10.0 million, $5.1 million and $7.2 million in 2001, 2000 and 1999, respectively.

<PAGE>

We also sponsor various 401(k) savings plans and profit sharing plans for employees meeting certain eligibility requirements. Under these plans, each participant's contribution is matched by the company in Household common stock up to a maximum of 6 percent of the participant's compensation. For 2001, 2000 and 1999, total expense for these plans was $56.7 million, $47.0 million and $39.1 million, respectively.

We have several plans which provide medical, dental and life insurance benefits to retirees and eligible dependents. These plans cover substantially all employees who meet certain age and vested service requirements. We have instituted dollar limits on our payments under the plans to control the cost of future medical benefits.

The net postretirement benefit cost included the following:

<TABLE>
<CAPTION>

In millions. Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Service cost-benefits earned during the period	$ (3.2)	$ (3.4)	$ (4.3)
Interest cost on accumulated postretirement benefit obligation	(11.1)	(10.3)	(9.4)
Amortization of transition obligation	(6.6)	(6.7)	(6.3)
Amortization of prior service cost	1.7	1.4	1.7
Recognized actuarial gain	3.1	2.8	1.2
Net periodic postretirement benefit cost	$ (16.1)	$ (16.2)	$ (17.1)

</TABLE>

A reconciliation of the beginning and ending balances of the accumulated postretirement benefit obligation is as follows:
<TABLE>
<CAPTION>

In millions. Year ended December 31	2001	2000
<S>	<C>	<C>
Benefit obligation at beginning of year	$ 161.0	$ 160.5
Service cost	3.2	3.4
Interest cost	11.1	10.3
Foreign currency exchange rate changes	(.4)	-
Actuarial losses (gains)	29.4	(9.1)
Plan amendments	-	4.7
Benefits paid	(7.5)	(8.8)
Benefit obligation at end of year	$ 196.8	$ 161.0

</TABLE>

Our postretirement benefit plans are funded on a pay-as-you-go basis. A reconciliation of the components of the accrued postretirement benefit obligation is as follows:

<TABLE>
<CAPTION>

In millions. At December 31	2001	2000
<S>	<C>	<C>
Funded status	$ 196.8	$ 161.0
Unamortized prior service cost	17.2	18.1
Unrecognized net actuarial gain	31.4	72.1
Unamortized transition obligation	(75.0)	(80.6)
Accrued postretirement benefit obligation	$ 170.4	$ 170.6

</TABLE>

The assumptions used in determining the benefit obligation and cost of such plans at December 31 are as follows:

<TABLE>
<CAPTION>

	2001	2000	1999

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<S> <C> <C> <C>

Discount rate	7.5%	8.25%	8.0%
Salary increase assumption	4.0	4.0	4.0

</TABLE>

A 9.8 percent annual rate of increase in the gross cost of covered health care benefits was assumed for 2002. This rate of increase is assumed to decline gradually to 5.35 percent in 2008.

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Assumed health care cost trend rates have an effect on the amounts reported for health care plans. A one-percentage point change in assumed health care cost trend rates would increase (decrease) service and interest costs and the postretirement benefit obligation as follows:

<TABLE>
<CAPTION>

In millions.	One Percent Increase	One Percent Decrease
<S>	<C>	<C>
Effect on total of service and interest cost components	$ .6	$ (.6)
Effect on postretirement benefit obligation	8.1	(7.6)

</TABLE>

18. Income Taxes (RESTATED)

Total income taxes were:
<TABLE>
<CAPTION>

In millions. Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Provision for income taxes related to operations	$ 970.8	$ 868.9	$ 700.6
Income taxes related to adjustments included in common shareholders' equity:			
Unrealized gain (loss) on investments, net	110.6	56.3	(50.1)
Unrealized losses on cash flow hedging instruments	(391.6)	-	-
Foreign currency translation adjustments	(10.1)	(22.4)	(5.3)
Exercise of stock based compensation	(35.5)	(23.5)	(89.1)
Total	$ 644.2	$ 879.3	$ 556.1

</TABLE>

Provisions for income taxes related to operations were:
<TABLE>
<CAPTION>

In millions. Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Current			
United States	$ 907.1	$ 710.8	$ 633.8
Foreign	69.8	112.0	67.4
Total current	976.9	822.8	701.2
Deferred			
United States	(3.9)	52.5	(1.4)
Foreign	(2.2)	(6.4)	.8
Total deferred	(6.1)	46.1	(.6)
Total income taxes	$ 970.8	$ 868.9	$ 700.6

</TABLE>

The significant components of deferred income tax provisions attributable to income from operations were:
<TABLE>
<CAPTION>

In millions. Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Deferred income tax provision	$ 11.1	$ 48.7	$ (16.4)
Adjustment of valuation allowance	(11.8)	(8.4)	20.7
Change in operating loss carryforwards	16.8	5.8	(4.9)
Deferred income tax provision	$ (6.1)	$ 46.1	$ (.6)

</TABLE>

Income before income taxes were:
<TABLE>
<CAPTION>

In millions. Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>

United States	$2,540.5	$2,162.8	$1,838.9
Foreign	277.9	336.7	290.0
Total income before income taxes	$2,818.4	$2,499.5	$2,128.9

</TABLE>

<PAGE>

<TABLE>
<CAPTION>
Effective tax rates are analyzed as follows:

Year ended December 31	2001	2000	1999
<S>	<C>	<C>	<C>
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in rate resulting from:			
State and local taxes, net of federal benefit	2.8	2.7	2.4
Tax credits	(2.7)	(1.5)	(.9)
Other	(.6)	(1.4)	(3.6)
Effective tax rate	34.5%	34.8%	32.9%

</TABLE>

Provision for U.S. income taxes had not been made at December 31, 2001 and 2000 on $267.5 million and $300.6 million, respectively, of undistributed earnings of foreign subsidiaries. Determination of the amount of unrecognized deferred tax liability related to investments in foreign subsidiaries is not practicable.

In addition, provision for U.S. income taxes had not been made at December 31, 2001 on $80.1 million of undistributed earnings of life insurance subsidiaries accumulated as policyholders' surplus under tax laws in effect prior to 1984. If this amount were distributed, the additional income tax payable would be approximately $28 million.

Our U.S. savings and loan subsidiary has credit loss reserves for tax purposes that arose in years beginning before December 31, 1987 in the amount of $55.3 million. The amount of deferred tax liability on the aforementioned credit loss reserves not recognized totaled $20.5 million at December 31, 2001. Because these amounts would become taxable only in the event of certain circumstances which we do not expect to occur within the foreseeable future, no deferred tax liability has been established for these items.

At December 31, 2001, we had net operating loss carryforwards for tax purposes of $11.3 million, of which $1.7 million expire in 2004; $2.4 million expire in 2005; $2.1 million expire in 2006; and $5.1 million expire in 2019. We also had foreign tax credit carryforwards of $.5 million which expire in 2004.

Temporary differences which gave rise to a significant portion of deferred tax assets and liabilities were as follows:

<TABLE>
<CAPTION>
In millions.

At December 31	2001	2000
Deferred Tax Liabilities		
<S>	<C>	<C>
Receivables sold	$ 837.7	$ 822.2
Leveraged lease transactions, net	393.9	385.4
Deferred loan origination costs	103.3	35.7
Pension plan assets	154.2	142.5
Fee income	147.3	78.3
Other	214.0	213.9
Total deferred tax liabilities	$ 1,850.8	$ 1,678.0
Deferred Tax Assets		
Credit loss reserves	$ 1,208.8	$ 1,128.3
Market value adjustments	277.4	-
Other	522.0	421.0
Total deferred tax assets	2,008.2	1,549.3
Valuation allowance	(.5)	(12.3)
Total deferred tax assets net of valuation allowance	2,007.7	1,537.0
Net deferred tax asset (liability)	$ 156.9	$ (141.0)

</TABLE>

The deferred tax asset valuation allowance relates entirely to foreign tax credit carryforwards. Due to the limited carryforward period and limitations under U.S. tax laws with respect to foreign tax credit utilization, management believes it is more likely than not that the deferred tax asset will not be realized. The current period net change in the valuation allowance reflects the current utilization of prior carryforwards. A 100 percent valuation allowance has been established relating to the remaining carryforwards available.

<PAGE>

19. Earnings Per Common Share (RESTATED)

In millions, except per share data. Year ended December 31	2001 Diluted	2001 Basic	2000 Diluted	2000 Basic	1999 Diluted	1999 Basic
Earnings						
Net income	$ 1,847.6	$ 1,847.6	$ 1,630.6	$ 1,630.6	$ 1,428.3	$ 1,428.3
Preferred dividends	(15.5)	(15.5)	(9.2)	(9.2)	(9.2)	(9.2)
Earnings available to Common shareholders	$ 1,832.1	$ 1,832.1	$ 1,621.4	$ 1,621.4	$ 1,419.1	$ 1,419.1
Average Shares						
Common	462.0	462.0	471.8	471.8	477.0	477.0
Common equivalents	6.1	-	4.4	-	4.8	-
Total restated	468.1	462.0	476.2	471.8	481.8	477.0
Earnings per common share, as restated	$ 3.91	$ 3.97	$ 3.40	$ 3.44	$ 2.95	$ 2.98
Earnings per common share, as reported	$ 4.08	$ 4.13	$ 3.55	$ 3.59	$ 3.07	$ 3.10

20. Commitments and Contingent Liabilities

In the ordinary course of business there are various legal proceedings pending against us. Management believes the aggregate liability, if any, resulting from such actions would not have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, as the ultimate resolution of these proceedings is influenced by factors that are outside of our control, it is reasonably possible our estimated liability under these proceedings may change.

See Note 15 for discussion of lease commitments.

21. Segment Reporting (RESTATED)

We have three reportable segments: Consumer, Credit Card Services, and International. Our segments are managed separately and are characterized by different middle-market consumer lending products, origination processes, and locations. Our Consumer segment consists of our consumer lending, mortgage services, retail services, and auto finance businesses. Our Credit Card Services segment consists of our domestic MasterCard and Visa credit card business. Our International segment consists of our foreign operations in the United Kingdom ("U.K.") and Canada. The Consumer segment provides real estate secured, automobile secured and personal non-credit card loans. Loans are offered with both revolving and closed-end terms and with fixed or variable interest rates. Loans are originated through branch locations, correspondents, mortgage brokers, direct mail, telemarketing, independent merchants or automobile dealers. The Credit Card Services segment offers MasterCard and Visa credit cards throughout the United States primarily via strategic affinity and co-branding relationships, direct mail, and our branch network to subprime customers. The International segment offers secured and unsecured lines of credit and secured and unsecured closed-end loans primarily in the United Kingdom and Canada. In addition, the United Kingdom operation offers MasterCard and Visa credit cards and credit insurance in connection with all loan products. We also cross sell our credit cards to existing real estate secured, private label and tax services customers. All segments offer products and service customers through the Internet. The All Other caption includes our insurance and tax services and commercial businesses, as well as our corporate and treasury activities, each of which falls below the quantitative threshold tests under Statement of Financial Accounting Standards No. 131 for determining reportable segments.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. For segment reporting purposes, intersegment transactions have not been eliminated. We generally account for transactions between segments as if they were with third parties. We evaluate performance and allocate resources based on income from operations after income taxes and returns on equity and managed assets.

We allocate resources and provide information to management for decision making on a managed basis. Therefore, an adjustment is required to reconcile the managed financial information to our reported financial information in our consolidated financial statements. This adjustment reclassifies net interest margin, fee income and loss provision into securitization revenue. Certain segment information previously presented on an owned basis has been restated to a managed basis.

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Reportable Segments - Managed Basis

In millions. Managed Basis	Consumer	Credit Card Services	International	All Other	Totals

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<S>	<C>	<C>	<C>	<C>	<C>
For the year ended December 31, 2001:					
Net interest margin	$ 5,829.0	$ 1,496.8	$ 592.5	$ (37.0)	$ 7,881.3
Fee income	368.5	1,106.5	60.5	6.7	1,542.2
Other revenues (1)	357.5	99.4	209.5	553.6	1,220.0
Intersegment revenues	190.4	38.2	8.4	(2.7)	234.3
Provision for credit losses	2,550.3	1,167.3	226.9	72.3	4,016.7
Depreciation and amortization	64.5	117.2	23.7	109.3	314.7
Income tax expense (benefit)	840.5	188.3	65.2	(36.8)	1,057.2
Segment net income (loss)	1,327.7	291.7	204.1	173.7	1,997.2
Receivables	75,640.8	17,178.5	7,157.5	845.9	100,822.7
Total segment assets	78,698.8	18,370.2	8,375.2	14,116.7	119,560.9
Expenditures for long-lived assets (7)	17.0	4.5	27.8	125.9	175.2
For the year ended December 31, 2000:					
Net interest margin	$ 4,851.6	$ 1,179.1	$ 594.1	$ (178.5)	$ 6,446.3
Fee income	348.6	972.3	61.0	5.6	1,387.5
Other revenues (1)	401.7	114.3	244.6	414.7	1,175.3
Intersegment revenues	192.0	32.7	5.2	-	229.9
Provision for credit losses	1,978.4	1,066.2	233.6	(27.4)	3,250.8
Depreciation and amortization	78.4	129.9	20.2	79.6	308.1
Income tax expense (benefit)	796.5	101.8	98.6	(43.1)	953.8
Segment net income (loss)	1,271.3	144.6	230.1	131.3	1,777.3
Receivables	63,067.0	15,977.3	7,847.0	716.1	87,604.4
Total segment assets	65,822.3	17,316.8	9,017.5	14,164.3	106,320.9
Expenditures for long-lived assets (7)	29.1	283.1	37.7	100.5	450.4
For the year ended December 31, 1999:					
Net interest margin	$ 4,043.3	$ 991.3	$ 614.0	$ (138.5)	$ 5,510.1
Fee income	350.6	720.3	54.1	3.3	1,128.3
Other revenues (1)	207.4	63.8	184.0	474.5	929.7
Intersegment revenues	124.0	17.2	3.4	-	144.6
Provision for credit losses	1,598.6	912.4	247.7	(.4)	2,758.3
Depreciation and amortization	80.8	114.4	17.5	67.7	280.4
Income tax expense (benefit)	625.6	66.5	59.4	10.6	762.1
Segment net income (loss)	991.5	94.7	218.7	230.0	1,534.9
Receivables	49,399.0	13,854.8	7,618.8	855.7	71,728.3
Total segment assets	51,840.1	15,192.1	8,846.0	14,000.7	89,878.9
Expenditures for long-lived assets (7)	78.9	5.8	45.6	64.4	194.7

</TABLE>
<TABLE>
<CAPTION>

In millions. Managed Basis	Adjustments/ Reconciling Items		Managed Basis Consolidated Totals	Securitization Adjustments		Owned Basis Consolidated Totals
<S>	<C>		<C>	<C>		<C>
For the year ended December 31, 2001:						
Net interest margin	-		$ 7,881.3	$ (2,093.8)	(6)	$ 5,787.5
Fee income	-		1,542.2	(638.9)	(6)	903.3
Other revenues (1)	$ (234.3)	(2)	985.7	1,627.1	(6)	2,612.8
Intersegment revenues	(234.3)	(2)	-	-		-
Provision for credit losses	1.7	(3)	4,018.4	(1,105.5)	(6)	2,912.9
Depreciation and amortization	-		314.7	-		314.7
Income tax expense (benefit)	(86.5)	(4)	970.7	-		970.7
Segment net income (loss)	(149.6)		1,847.6	-		1,847.6
Receivables	-		100,822.7	(20,948.0)	(8)	79,874.7
Total segment assets	(9,702.0)	(5)	109,858.9	(20,948.0)	(8)	88,910.9
Expenditures for long-lived assets (7)	-		175.2	-		175.2
For the year ended December 31, 2000:						
Net interest margin	-		$ 6,446.3	$ (1,724.6)	(6)	$ 4,721.7
Fee income	-		1,387.5	(627.4)	(6)	760.1
Other revenues (1)	$ (229.9)	(2)	945.4	1,216.5	(6)	2,161.9
Intersegment revenues	(229.9)	(2)	-			-
Provision for credit losses	1.6	(3)	3,252.4	(1,135.5)	(6)	2,116.9
Depreciation and amortization	-		308.1	-		308.1
Income tax expense (benefit)	(84.8)	(4)	869.0	-		869.0
Segment net income (loss)	(146.7)		1,630.6	-		1,630.6
Receivables	-		87,607.4	(20,249.5)	(8)	67,357.9
Total segment assets	(9,762.2)	(5)	96,558.7	(20,249.5)	(8)	76,309.2
Expenditures for long-lived assets (7)	-		450.4	-		450.4
For the year ended December 31, 1999:						
Net interest margin	-		$ 5,510.1	$ (1,732.9)	(6)	$ 3,777.2
Fee income	-		1,128.3	(582.3)	(6)	546.0
Other revenues (1)	$ (144.6)	(2)	785.1	1,249.8	(6)	2,034.9
Intersegment revenues	(144.6)	(2)	-	-		-
Provision for credit losses	23.5	(3)	2,781.8	(1,065.4)	(6)	1,716.4
Depreciation and amortization	-		280.4	-		280.4
Income tax expense (benefit)	(61.5)	(4)	700.6	-		700.6
Segment net income (loss)	(106.6)		1,428.3			1,428.3
Receivables	-		71,728.3	(19,438.9)	(8)	52,289.4
Total segment assets	(9,988.2)	(5)	79,890.7	(19,438.9)	(8)	60,451.8
Expenditures for long-lived assets (7)	-		194.7	-		194.7

</TABLE>

(1) Net of policyholder benefits and excluding fees.
(2) Eliminates intersegment revenues.
(3) Eliminates bad debt recovery sales between operating segments.
(4) Tax benefit associated with items comprising adjustments/reconciling items.
(5) Eliminates investments in subsidiaries and intercompany borrowings.
(6) Reclassifies net interest margin fee income and loss provisions relating to securitized receivables to other revenues.

(7) Includes goodwill associated with purchase business combinations and capital expenditures.
(8) Represents receivables serviced with limited recourse.

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Managed Receivables

The following summarizes our managed receivables, which includes both our owned receivables and receivables serviced with limited recourse.

In millions.

At December 31	2001	2000	1999
Real estate secured	$ 44,718.6	$ 36,637.5	$ 26,935.5
Auto finance	6,395.5	4,563.3	3,039.8
MasterCard/Visa	17,395.2	17,583.4	15,793.1
Private label	13,813.9	11,997.3	11,269.7
Personal non-credit card	17,992.6	16,227.3	13,881.9
Commercial and other	506.9	598.6	808.3
Total	$ 100,822.7	$ 87,607.4	$ 71,728.3

Geographic Data

The following summarizes our owned basis assets, revenues and income before income taxes by material country:

	Identifiable Assets			Long-Lived Assets (1)		
In millions.	2001	2000	1999	2001	2000	1999
United States	$81,715.9	$68,520.6	$52,589.3	$1,995.8	$2,121.2	$1,989.5
United Kingdom	5,709.6	6,401.3	6,486.6	93.1	109.6	91.7
Canada	1,379.4	1,246.6	1,188.2	5.2	6.5	5.8
Other	106.0	140.7	187.7	-	-	.2
Total	$88,910.9	$76,309.2	$60,451.8	$2,094.1	$2,237.3	$2,087.2

(1) Includes properties and equipment, net of accumulated depreciation, and goodwill, net of accumulated amortization.

	Revenues			Income Before Income Taxes		
In millions.	2001	2000	1999	2001	2000	1999
United States	$12,526.0	$10,556.9	$8,184.4	$2,540.5	$2,162.1	$1,838.9
United Kingdom	1,014.4	1,059.9	995.0	206.4	274.1	223.9
Canada	220.2	194.4	178.2	48.4	41.3	39.4
Other	19.7	23.1	35.4	23.1	22.0	26.7
Total	$13,780.3	$11,834.3	$9,393.0	$2,818.4	$2,499.5	$2,128.9

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Management's Report

To the Shareholders of Household International, Inc.

Household International's management is responsible for the preparation, integrity and fair presentation of its published financial statements. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and, as such, include amounts based on judgments and estimates made by management. Management also prepared other information included in the annual report and is responsible for its accuracy and consistency with the financial statements.

The consolidated financial statements have been audited by an independent accounting firm, [   ], which has been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the board. Management believes that representations made to the independent auditors during their audit were valid and appropriate.

Management maintains a system of internal controls over the preparation of its published financial statements. These controls are designed to provide reasonable assurance to the company's Board of Directors and officers that the

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financial statements have been fairly presented in accordance with generally accepted accounting principles. The Board, operating through its audit committee which is composed entirely of non-executive directors, provides oversight to the financial reporting process.

Internal auditors monitor the operation of the internal control system and actions are taken by management to respond to deficiencies as they are identified. Even effective internal controls, no matter how well designed, have inherent limitations, such as the possibility of human error or of circumvention or overriding of controls, and the consideration of cost in relation to benefit of a control. Further, the effectiveness of an internal control can change with circumstances.

Household International's management periodically assesses the internal controls for adequacy. Based upon these assessments, Household International's management believes that, in all material respects, its internal controls relating to preparation of consolidated financial statements as of December 31, 2001 functioned effectively during the year ended December 31, 2001.

Management has long recognized its responsibility for conducting the company's affairs in a manner which is responsive to the interest of employees, shareholders, investors and society in general. This responsibility is included in the statement of policy on ethical standards which provides that the company will fully comply with laws, rules and regulations of every community in which it operates and adhere to the highest ethical standards. Officers, employees and agents of the company are expected and directed to manage the business of the company with complete honesty, candor and integrity.

William F. Aldinger	David A. Schoenholz
Chairman and	President
Chief Executive Officer	Chief Operating Officer

August 14, 2002

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

The Audit Committee of the Board of Directors of Household International, Inc. annually considers and recommends to the Board the selection of Household's independent public accountants. As recommended by Household's Audit Committee, Household's Board of Directors on March 12, 2002 decided to no longer engage Arthur Andersen LLP ("Andersen") as Household's independent public accountants and engaged KPMG LLP to serve as Household's independent public accountants for 2002. The appointment of KPMG LLP was presented to Household's stockholders for ratification at the 2002 Annual Meeting. KPMG LLP was ratified as our auditors for 2002.

Andersen's reports on Household's consolidated financial statements for the two most recent fiscal years ended December 31, 2001 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During Household's two most recent fiscal years and through the date of this Form 10-K, there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen's satisfaction, would have caused them to make reference to the subject matter in connection with their report on Household's consolidated financial statements for such years; and there were no reportable events, as listed in Item 304(a)(1)(v) of Regulation S-K.

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Household has provided Andersen with a copy of this disclosure. Attached as Exhibit 16 is a copy of Andersen's letter, dated March 13, 2002, stating its agreement with such statements.

During Household's two most recent fiscal years and through the date of this Form 10-K, Household did not consult KPMG LLP regarding any of the matters or reportable events listed in Items 304(a)(2)(i) and (ii) of Regulation S-K.

PART III.

Item 10. Directors and Executive Officers of the Registrant.

Executive Officers of the Registrant.

The following information on our senior executive policy-making officers is included pursuant to Item 401(b) of Regulation S-K.

William F. Aldinger, age 54, joined Household in September 1994 as President and Chief Executive Officer. In May 1996 he was appointed our Chairman and Chief Executive Officer. Mr. Aldinger served as Vice Chairman of Wells Fargo Bank and a Director of several Wells Fargo subsidiaries from 1986 until joining us. Mr. Aldinger is also a director of Household Finance Corporation (one of our subsidiaries), Illinois Tool Works Inc. and MasterCard International, Incorporated.

Gary D. Gilmer, age 52, was appointed Vice Chairman--Consumer Lending in 2002 after having served as Group Executive--Consumer Lending since 1998. Mr. Gilmer joined Household Finance Corporation in 1972 and has served in various capacities in our consumer lending, retail services and insurance services

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businesses, most recently as Managing Director and Chief Executive Officer of our United Kingdom operations.

David A. Schoenholz, age 50, was appointed Vice Chairman--Chief Financial Officer in 2002. He has responsibility for our Mortgage Services, Direct Lending and United Kingdom businesses. He was appointed Group Executive--Chief Financial Officer, effective January 2000, having previously served as Executive Vice President--Chief Financial Officer since 1996, Senior Vice President--Chief Financial Officer since 1994, and Vice President--Chief Accounting Officer since 1993. He joined Household in 1985 as Director--Internal Audit.

Rocco J. Fabiano, age 45, was appointed Group Executive--Retail Services, Refund Lending, Auto Finance and Insurance Services in January 2002, having joined us in 1997 as a result of our acquisition of ACC Consumer Finance Corporation where he served as Chairman and Chief Executive Officer since 1993.

Siddharth N. Mehta, age 43, was appointed Group Executive--Credit Card Services and Canada in 2002. He joined Household in June 1998 as Group Executive--Credit Card Services. Prior to joining Household, Mr. Mehta was Senior Vice President of Boston Consulting Group in Los Angeles and co-leader of Boston Consulting Group Financial Services Practice in the United States.

Kenneth M. Harvey, age 41, was appointed Executive Vice President--Chief Information Officer in 2002. He was our Managing Director--Chief Information Officer since 1999, having previously served in various systems and technology areas with Household since 1989.

Colin P. Kelly, age 59, was appointed Executive Vice President--Administration in 2002 after having served as Senior Vice President--Administration since January 2000. Mr. Kelly previously acted as our Senior Vice President--Human Resources since 1996, and Vice President--Human Resources since 1988. Mr. Kelly joined Household Finance Corporation in 1965.

Kenneth H. Robin, age 55, was appointed Corporate Secretary in 1998 and Senior Vice President--General Counsel in 1996, having previously served as Vice President--General Counsel since 1993. He joined Household in 1989 as Assistant General Counsel--Financial Services. Prior to joining Household, Mr. Robin held various positions in the legal departments of Citicorp and Citibank, N.A. from 1977 to 1989.

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Sandra L. Derickson, age 47, joined Household as Managing Director--Retail Services in 2000. Prior to joining Household, Mrs. Derickson was employed with GE Capital Services Corp. since 1975, most recently as President and General Manager of GE Capital Auto Financial Services.

Adrian L. Hill, age 43, was appointed Managing Director--United Kingdom, in 1998. Mr. Hill began his career with HFC Bank plc in 1989 as Director--Treasury, serving as Chief Financial Officer from 1990 to 1995 and Chief Operating Officer from 1995 until his current appointment.

There are no family relationships among our executive officers. The term of office of each named executive officer is at the discretion of the Board of Directors.

Additional information required by this Item is incorporated by reference to "Nominees For Director" and "Shares of Household Stock Beneficially Owned by Directors and Executive Officers" in our definitive Proxy Statement for our 2002 Annual Meeting of Stockholders (the "2002 Proxy Statement").

Item 11. Executive Compensation.

Information required by this Item is incorporated by reference to "Executive Compensation", "Employment Agreements", "Savings--Stock Ownership and Pension Plans", "Incentive and Stock Option Plans", and "Director Compensation" in our 2002 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Information required by this Item is incorporated by reference to "Shares of Household Stock Beneficially Owned by Directors and Executive Officers" and "Security Ownership of Certain Beneficial Owners" in our 2002 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

Information required by this Item is incorporated by reference to "Incentive and Stock Option Plans" and "Employment Agreement with Larry Bangs" in our 2002 Proxy Statement.

PART IV.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Financial Statements.

The consolidated restated unaudited financial statements listed below are incorporated by reference herein pursuant to Item 8. Financial Statements and Supplementary Data of this Form 10-K.

Household International, Inc. and Subsidiaries:

Consolidated Statements of Income for the Three Years Ended December 31, 2001. (Unaudited)

Consolidated Balance Sheets, December 31, 2001 and 2000. (Unaudited)

Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2001. (Unaudited)

Consolidated Statements of Changes in Preferred Stock and Common Shareholders' Equity for the Three Years Ended December 31, 2001. (Unaudited)

Notes to Consolidated Financial Statements. (Unaudited)

Selected Quarterly Financial Data (Unaudited).

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(b) Reports on Form 8-K.

For the three months ended December 31, 2001, Household filed one Current Report on Form 8-K on October 17, 2001.

<TABLE>

<C>	<S>
(c) Exhibits.	
3(i)	Restated Certificate of Incorporation of Household International, Inc. as amended (incorporated by reference to Exhibit 3(i) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2001).
3(ii)	Bylaws of Household International, Inc. as amended January 30, 2001 (incorporated by reference to Exhibit 3(ii) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
4(a)	Rights Agreement dated as of July 9, 1996, between Household International, Inc. and Harris Trust and Savings Bank, as Rights Agent (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K dated July 9, 1996).
4(b)	Standard Multiple-Series Indenture Provisions for Senior Debt Securities of Household Finance Corporation dated as of June 1, 1992 (incorporated by reference to Exhibit 4(b) to the Registration Statement on Form S-3 of Household Finance Corporation, No. 33-48854).
4(c)	Indenture dated as of December 1, 1993 for Senior Debt Securities between Household Finance Corporation and The Chase Manhattan Bank (National Association), as Trustee (incorporated by reference to Exhibit 4(b) to the Registration Statement on Form S-3 of Household Finance Corporation, No. 33-55561 filed on September 20, 1994).
4(d)	The principal amount of debt outstanding under each other instrument defining the rights of Holders of our long-term senior and senior subordinated debt does not exceed 10 percent of our total assets. Household agrees to furnish to the Securities and Exchange Commission, upon request, a copy of each instrument defining the rights of holders of our long-term senior and senior subordinated debt.
10.1	Household International, Inc. 1998 Key Executive Bonus Plan (incorporated by reference to Exhibit 10.1 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2001).
10.2	Household International, Inc. Corporate Executive Bonus Plan (incorporated by reference to Exhibit 10.2 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2001).
10.3	Household International, Inc. Long-Term Executive Incentive Compensation Plan, as amended (incorporated by reference to Exhibit 10.3 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2001).
10.4	Forms of stock option and restricted stock rights agreements under the Household International, Inc. Long-Term Executive Incentive Compensation Plan (incorporated by Reference to Exhibit 10.4 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
10.5	Household International, Inc. 1996 Long-Term Executive Incentive Compensation Plan, as amended (incorporated by reference to Exhibit 10.5 of our Annual Report on Form 10-K405 for the fiscal year ended December 31, 2001).
10.6	Forms of stock option and restricted stock rights agreements under the Household International, Inc. 1996 Long-Term Executive Incentive Compensation Plan (incorporated by reference to Exhibit 10.6 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2000).

</TABLE>

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<TABLE>

<C>	<S>
10.7	Household International, Inc. Deferred Fee Plan for Directors (incorporated by reference to Exhibit 10.7 of our Annual Report Form 10-K for the fiscal year ended December 31, 1999).
10.8	Household International, Inc. Deferred Phantom Stock Plan for Directors (incorporated by reference to Exhibit 10.8 of our Annual Report Form 10-K for the fiscal year ended December 31, 1999).
10.9	Household International, Inc. Non-Qualified Deferred Compensation Plan for Executives, as Amended (incorporated by reference to Exhibit 10.9 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.10	Household International, Inc. Non-Qualified Deferred Compensation Plan for Stock Option Exercises (incorporated by reference to Exhibit 10.10 of our Annual Report on Form 10 K405 for the fiscal year ended December 31, 2001).
10.11	Household International, Inc. Non-Qualified Deferred Compensation Plan for Restricted Stock Rights (incorporated by reference to Exhibit 10.11 of our Annual Report on Form 10-K405 for the fiscal year ended December 31, 2001).
10.12	Executive Employment Agreement between Household International, Inc. and W.F. Aldinger (incorporated by reference to Exhibit 10.10 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.13	Executive Employment Agreement between Household International, Inc. and G.D. Gilmer (incorporated by reference to Exhibit 10.12 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.14	Executive Employment Agreement between Household International, Inc. and D.A. Schoenholz (incorporated by reference to Exhibit 10.13 of our Annual Report on Form 10-K

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	the fiscal year ended December 31, 1998).
10.15	Executive Employment Agreement between Household International, Inc. and L.N. Bangs (incorporated by reference to Exhibit 10.11 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.16	Executive Employment Agreement between Household International, Inc. and R.J. Fabiano (incorporated by reference to Exhibit 10.15 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
10.17	Executive Employment Agreement between Household International, Inc. and S.N. Mehta (incorporated by reference to Exhibit 10.14 of our Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.18	Amended and Restated Supplemental Executive Retirement Plan for W.F. Aldinger (incorporated by reference to Exhibit 10.16 of our Form 10-K for the fiscal year ended December 31, 2000).
10.19	Beneficial Corporation 1990 Non-qualified Stock Option Plan (incorporated by reference to Exhibit 4.4 of Beneficial Corporation's Form S-8 filed on April 23, 1996, File No. 333-02737).
10.20	Amendment to Beneficial Corporation 1990 Non-qualified Stock Option Plan (incorporated by reference to Exhibit 4.2 of Beneficial Corporation's Form S-8 filed July 1, 1998, File No. 333-58291).
11	Statement of Computation of Earnings per Share.
12	Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.
16	Letter re change in certifying accountant. (incorporated by reference to Exhibit 16 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2001).
21	List of our subsidiaries (incorporated by reference to Exhibit 21 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2001).

</TABLE>

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<TABLE>

<C>	<S>
24	Power of Attorney, included on page 18 hereof.
99(a)	Annual Report on Form 11-K for the Household International, Inc. Tax Reduction Investment Plan (incorporated by reference to Exhibit 99a of our Annual Report on Form 10-K for the fiscal year ended December 31, 2001).
99(b)	Ratings of Household International, Inc. and its significant subsidiaries.

</TABLE>

We will furnish copies of the exhibits referred to above to our stockholders upon receiving a written request therefor. We charge fifteen cents per page for providing these copies. Requests should be made to Household International, Inc., 2700 Sanders Road, Prospect Heights, Illinois 60070, Attention: Corporate Secretary.

(d) Schedules.

I--Condensed Financial Information of Registrant (unaudited).

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Household International, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this, the 14th day of August, 2002.

HOUSEHOLD INTERNATIONAL, INC.

By:

W.F. Aldinger, Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Household International, Inc. and in the capacities on the 14th day of August, 2002.

Signature	Title
(W.F. Aldinger)	Chairman and Chief Executive Officer and Director (as principal executive officer)
(R.J. Darnall)	Director
(A. Disney)	Director
(G.G. Dillon)	Director
(J.A. Edwardson)	Director

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Director
- -----------------------------
(J.D. Fishburn)

<PAGE>

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Signature	Title
<S>	<C>
- ----------------------------- (C.F. Freidheim, Jr.)	Director
- ----------------------------- (J.H. Gilliam, Jr.)	Director
- ----------------------------- (L.E. Levy)	Director
- ----------------------------- (G.A. Lorch)	Director
- ----------------------------- (J.D. Nichols)	Director
- ----------------------------- (J.B. Pitblado)	Director
- ----------------------------- (L.M. Renda)	Director
- ----------------------------- (S.J. Stewart)	Director
- ----------------------------- (D.A. Schoenholz)	President--Chief Operating Officer (also the principal financial officer)
- ----------------------------- S. L. McDonald	Senior Vice President--Chief Accounting Officer

</TABLE>

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EXHIBIT INDEX

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Exhibit No.	Document Description
<C>	<S>
3(i)	Restated Certificate of Incorporation of Household International, Inc. as amended (incorporated by reference to Exhibit 3(i) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2001).
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4(c)	Indenture dated as of December 1, 1993 for Senior Debt Securities between Household Finance Corporation and The Chase Manhattan Bank (National Association), as Trustee (incorporated by reference to Exhibit 4(b) to the Registration Statement on Form S-3 of Household Finance Corporation, No. 33-55561 filed on September 20, 1994).
4(d)	The principal amount of debt outstanding under each other instrument defining the rights of holders of our long term senior and senior subordinated debt does not exceed 10 percent of our total assets. Household agrees to furnish to the Securities and Exchange Commission,upon request, a copy of each instrument defining the rights of holders of our long-term senior and senior subordinated debt.
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10.5	Household International, Inc. 1996 Long-Term Executive Incentive Compensation Plan, as amended (incorporated by reference to Exhibit 10.5 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2001).
10.6	Forms of stock option and restricted stock rights agreements under the Household International, Inc. 1996 Long-Term Executive Incentive Compensation Plan (incorporated by reference to Exhibit 10.6 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
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</TABLE>

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<TABLE>
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Exhibit No.	Document Description
10.10	Household International, Inc. Non-Qualified Deferred Compensation Plan for Stock Option Exercises (incorporated by reference to Exhibit 10.10 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2001).
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99(b)	Ratings of Household International, Inc. and its significant subsidiaries.

</TABLE>

<PAGE>

SCHEDULE I

HOUSEHOLD INTERNATIONAL, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF INCOME
(UNAUDITED AND RESTATED)
(In millions)

<TABLE>
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	Year ended December 31		
	2001	2000	1999
Equity in earnings of subsidiaries....	$2,002.1	$1,688.2	$1,467.1
Other income.........................	37.7	34.6	32.5
Total income...................	2,039.8	1,722.8	1,499.6
Expenses:			

Administrative	181.7	89.1	68.8
Interest	106.7	61.3	50.6
Total expenses	288.4	150.4	119.4
Income before income tax benefit	1,751.4	1,572.4	1,380.2
Income tax benefit	96.2	58.2	48.1
Net income	$1,847.6	$1,630.6	$1,428.3
Total comprehensive income	$1,329.9	$1,672.8	$1,316.5

</TABLE>

See accompanying note to condensed financial statements.

<PAGE>

SCHEDULE I (continued)

HOUSEHOLD INTERNATIONAL, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED BALANCE SHEETS
(UNAUDITED AND RESTATED)
(In millions)

<TABLE>
<CAPTION>

	December 31	
	2001	2000
Assets		
Cash	$ 1.6	$ --
Investments in and advances to (from) subsidiaries	10,317.4	8,850.5
Other assets	505.8	447.9
Total assets	$10,824.8	$9,298.4
Liabilities and Shareholders' Equity		
Commercial paper	$ --	$ 292.3
Senior debt (with original maturities over one year)	1,179.2	185.0
Total debt	1,179.2	477.3
Other liabilities	371.9	314.5
Total liabilities	1,551.1	791.8
Company obligated mandatorily redeemable preferred securities of subsidiary trusts*	975.0	675.0
Preferred stock	455.8	164.4
Common shareholders' equity	7,842.9	7,667.2
Total liabilities and shareholders' equity	$10,824.8	$9,298.4

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* The sole assets of the trusts are Junior Subordinated Deferrable Interest Notes issued by Household International, Inc. in November 2001, January 2001, June 2000, March 1998 and June 1995, bearing interest at 7.50, 8.25, 10.00, 7.25 and 8.25 percent, respectively, with principal balances of $206.2, $206.2, $309.3, $206.2 and $77.3 million, respectively, and due November 15, 2031, January 30, 2031, June 30, 2030, December 31, 2037 and June 30, 2025, respectively. The $103.1 million Junior Subordinated Deferrable Interest Notes issued in June 1996 were redeemed in December 2001.

See accompanying note to condensed financial statements.

<PAGE>

SCHEDULE I (continued)

HOUSEHOLD INTERNATIONAL, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED AND RESTATED)
(In millions)

<TABLE>
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	Year ended December 31		
	2001	2000	1999
<S>	<C>	<C>	<C>

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Cash used in operations			
Net income	$ 1,847.6	$ 1,630.6	$ 1,428.3
Adjustments to reconcile net income to net cash used in operations:			
Equity in earnings of subsidiaries	(2,002.1)	(1,688.2)	(1,467.1)
Other operating activities	107.7	(.1)	(7.8)
Cash used in operations	(46.8)	(57.7)	(46.6)
Investment in Operations			
Dividends from subsidiaries	673.3	648.0	1,160.5
Investment in and advances to (from) subsidiaries, net	(686.1)	(282.5)	8.7
Other investing activities	(11.8)	(.8)	2.5
Cash provided by (used in) investment operations	(24.6)	364.7	1,171.7
Financing and Capital Transactions			
Net change in commercial paper and bank borrowings	(292.3)	(105.4)	82.1
Retirement of senior debt	(10.0)	--	(89.7)
Issuance of senior debt	985.0	--	85.6
Shareholders' dividends	(406.6)	(358.9)	(332.1)
Issuance of company obligated mandatorily redeemable preferred securities of subsidiary trusts	400.0	300.0	--
Redemption of company obligated mandatorily redeemable preferred securities of subsidiary trusts	(100.0)	--	--
Issuance of preferred stock	291.4	--	--
Purchase of treasury stock	(916.3)	(209.3)	(915.9)
Issuance of common stock	121.8	64.4	45.0
Cash increase (decrease) from financing and capital transactions	73.0	(309.2)	(1,125.0)
Increase (decrease) in cash	1.6	(2.2)	.1
Cash at January 1	--	2.2	2.1
Cash at December 31	$ 1.6	$ --	$ 2.2

</TABLE>

See accompanying note to condensed financial statements.

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SCHEDULE I (continued)

HOUSEHOLD INTERNATIONAL, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTE TO CONDENSED FINANCIAL STATEMENTS OF REGISTRANT

The condensed financial statements of Household International, Inc. have been prepared on a parent company unconsolidated basis.

In August 2001, Household issued zero-coupon convertible debt securities. The convertible debt securities are due 2021, have a 1 percent yield to maturity and have a principal amount at maturity of approximately $1.2 billion. Household must pay contingent interest on the securities beginning in 2006 if Household's common stock price reaches certain levels. The holders of the securities have the right to require Household to repurchase the securities on various dates beginning in August 2002 and ending in August 2016 or if certain "fundamental changes" as described in the prospectus supplement occur. "Fundamental changes" include, among other things, an exchange offer, liquidation, merger and recapitalization. The holders of the securities may convert each $1,000 of securities, subject to adjustment, into 9.022 shares of Household common stock if Household's stock price reaches $99.87 for 20 trading days in a consecutive 30 trading day period. Household may redeem the securities, in whole or in part, at any time after August 1, 2006.

Household has guaranteed payment of certain long-term debt obligations of Household Financial Corporation Limited ("HFCL"), a Canadian subsidiary. The amount of guaranteed debt outstanding at HFCL was $35 million at December 31, 2002 and $.3 billion at December 31, 2000.

Household has also guaranteed payment of certain debt obligations (excluding certain deposits) of Household International (U.K.) Limited ("HIUK"). The amount of guaranteed debt outstanding at HIUK was approximately $2.1 at December 31, 2001 and $2.2 billion at December 31, 2000.

<PAGE>

EXHIBIT 11

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE
(UNAUDITED AND RESTATED)
(In millions, except per share data.)

<TABLE>
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Year ended December 31	2001 Diluted	2001 Basic	2000 Diluted	2000 Basic	1999 Diluted	1999 Basic
	(RESTATED)	(RESTATED)	(RESTATED)	(RESTATED)	(RESTATED)	(RESTATED)
Earnings:						
Net income	$ 1,847.6	$ 1,847.6	$ 1,630.6	$ 1,630.6	$ 1,428.3	$ 1,428.3
Preferred dividends	(15.5)	(15.5)	(9.2)	(9.2)	(9.2)	(9.2)
Earnings available to common shareholders	$ 1,832.1	$ 1,832.1	$ 1,621.4	$ 1,621.4	$ 1,419.1	$ 1,419.1
Average shares:						
Common	462.0	462.0	471.8	471.8	477.0	477.0
Common equivalents	6.1	-	4.4	-	4.8	-
Total	468.1	462.0	476.2	471.8	481.8	477.0
Earnings per common shares, as restated	$ 3.91	$ 3.97	$ 3.40	$ 3.44	$ 2.95	$ 2.98
Earnings per common shares, as reported	$ 4.08	$ 4.13	$ 3.55	$ 3.59	$ 3.07	$ 3.10

</TABLE>

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EXHIBIT 12

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND
TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(UNAUDITED and RESTATED)
(All dollar amounts are stated in millions.)

<TABLE>
<CAPTION>

Year ended December 31	2001	2000	1999	1998	1997
Net income	$ 1,847.6	$ 1,630.6	$ 1,428.3	$ 481.8	$ 908.9
Income taxes	970.8	868.9	700.6	404.4	444.2
Income before income taxes	2,818.4	2,499.5	2,128.9	886.2	1,353.1
Fixed charges:					
Interest expense (1)	4,196.7	3,943.8	2,782.2	2,530.8	2,367.9
Interest portion of rentals (2)	64.4	52.9	45.4	56.8	53.4
Total fixed charges	4,261.1	3,996.7	2,827.6	2,587.6	2,421.3
Total earnings as defined	$ 7,079.5	$ 6,496.2	$ 4,956.5	$ 3,473.8	$ 3,774.4
Ratio of earnings to fixed charges (3)	1.66	1.63	1.75	1.34	1.56
Preferred stock dividends (4)	$ 23.6	$ 14.1	$ 13.8	$ 23.0	$ 25.3
Ratio of earnings to combined fixed charges and preferred stock dividends (3)	1.65	1.62	1.74	1.33	1.54

</TABLE>

(1) For financial statement purposes, interest expense includes income earned on temporary investment of excess funds, generally resulting from over-subscriptions of commercial paper.

(2) Represents one-third of rentals, which approximates the portion representing interest.

(3) The 1998 ratios have been negatively impacted by the one-time merger and integration related costs associated with our merger with Beneficial Corporation ("Beneficial"). Excluding Beneficial merger and integration related costs of $751 million after tax, our ratio of earnings to fixed charges was 1.73 percent and our ratio of earnings to combined fixed charges and preferred stock dividends was 1.71 percent.

(4) Preferred stock dividends are grossed up to their pre-tax equivalents.

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EXHIBIT 99.1

HOUSEHOLD INTERNATIONAL, INC. AND SUBSIDIARIES

DEBT AND PREFERRED STOCK SECURITIES RATINGS

<TABLE>
<CAPTION>

	Standard & Poor's Corporation	Moody's Investors Service	Fitch, Inc.

Household International, Inc.			
<S>	<C>	<C>	<C>
Senior debt	A	A3	A
Commercial paper	A-1	P-2	F-1
Preferred stock	BBB+	Baa2	A-
Household Finance Corporation			
Senior debt	A	A2	A
Senior subordinated debt	A-	A3	A-
Commercial paper	A-1	P-1	F-1
Household Bank, f.s.b.			
Senior debt	A	A2	A
Subordinated debt	A-	A3	A-
Certificates of deposit (long/short-term)	A/A-1	A2/P-1	A+/F-1
Bank notes	A-1	P-1	F-1
Household Bank plc			
Senior debt	A	A2	A+
Commercial paper	A-1	P-1	NR

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NR - Not rated

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Exhibit 99.5

Independent Accountants' Review Report

The Board of Directors and Shareholders
Household International, Inc.:

We have reviewed the condensed consolidated balance sheet of Household International, Inc. and subsidiaries as of June 30, 2002, and the related condensed consolidated statements of income for the three and six-month periods ended June 30, 2002 and cash flows for the six-month period ended June 30, 2002. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have not audited any consolidated financial statements of Household International, Inc. and subsidiaries as of any date or for any period.

/s/ KPMG LLP

Chicago, Illinois
August 14, 2002

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-----END PRIVACY-ENHANCED MESSAGE-----

2700 Sanders Road
Prospect Heights, IL 60070

News Release

Contact

Craig A. Streem, Vice President -- Corporate Relations and Communications (847 564-6053), or
Celeste M. Murphy, Director -- Investor Relations (847 564-7568),
both of Household International

Household Reports Record First Quarter Results; 11th Consecutive Record Quarter

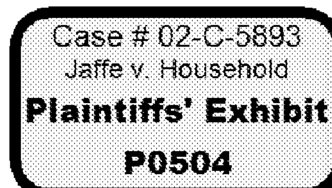
- Earnings Per Share Increase 17%, to $.91
- Net Income Rises 16%, to $432 Million
- Receivables Up 17% Over First Quarter of '00 to $88 Billion

Prospect Heights, IL, April 18, 2001 -- Household International (NYSE: HI) today reported that earnings per share rose 17 percent to a first quarter record of $.91, from $.78 a year ago. Net income increased to $431.8 million, up 16 percent from $372.9 million in the first quarter of 2000. This quarter marked the 11th consecutive quarter of record results.

William F. Aldinger, Household's chairman and chief executive officer, said, "Our outstanding results reflect the sustainability and earnings power of our franchise. Receivables and revenues grew nicely in the quarter. At the same time, credit quality remained stable and we strengthened our balance sheet. We also repurchased 8.8 million shares in the quarter.

"All of our businesses are performing well and have great momentum," Aldinger added. "Our tax refund lending business enjoyed a very successful tax season and exceeded our expectations. This business contributed $.15 to our first quarter earnings per share, an increase of 25 percent over the $.12 contribution in the year-ago quarter.

"We are very comfortable with our ability to achieve our receivable and earnings per share growth targets for 2001." Aldinger concluded, " I look forward to another record year."



Receivable Growth
The company's managed portfolio totaled $88.4 billion, or 17 percent above the prior-year level, with all consumer products contributing to the year-over-year increase. Growth was strongest in the real estate secured portfolio, which was up 23 percent over the year-ago period.

On a sequential basis, managed receivables grew $765 million, or an annualized 3.5 percent, as robust growth in the real estate secured portfolio offset the seasonal runoff in the company's credit card portfolios. Excluding the effect of foreign exchange translation, growth in the quarter was $1.2 billion, or an annualized 5.4 percent.

Revenues
Revenues increased over $316 million, or 15 percent, from a year ago led by higher receivable volume, higher fee income and increased tax refund anticipation loan revenues. Revenues, excluding securitization related revenues, rose 19.4 percent.

Managed net interest margin of $1.8 billion increased 20 percent from the prior year due to strong receivable volume. Household's managed net interest margin percent equaled 8.22 percent compared to 8.31 percent a year ago and up from 8.01 percent in the fourth quarter of 2000. The company's first quarter net interest margin benefited from lower funding costs resulting from recent easing in monetary policy.

Total other managed revenues, excluding securitization related revenues, rose 17.7 percent over the year-ago level. Insurance revenues increased 17.5 percent, primarily reflecting increased sales on a larger loan portfolio. Managed fee income increased $60 million, or 18 percent, compared to the first quarter of 2000, principally reflecting higher levels of credit card fees. Higher revenues from the company's tax refund lending business drove the 21 percent increase in other income.

The company's risk adjusted revenue (managed net revenues less securitization revenues and chargeoffs) expanded to 8.11 percent from 7.82 percent a year ago.

Operating Expenses
Operating expenses increased 13 percent from a year ago, as the company invested in sales and collection personnel to support its growing portfolio. Household's efficiency ratio was 35.6 percent in the first quarter compared to 36.2 percent a year ago.

Compared to the fourth quarter of 2000, operating expenses increased 18 percent, also reflecting the increased investment in sales and collection personnel, and sharply higher marketing expenses. This quarter's expense level also includes higher seasonal expenses related to the tax refund anticipation loan business.

Credit Quality and Loss Reserves
At March 31, the managed delinquency ratio (60+days) was 4.25 percent, compared to 4.43 percent a year ago and 4.20 percent at December 31, 2000. The annualized managed net chargeoff ratio for the first quarter was 3.56 percent, a 44 basis points improvement from the year-ago quarter and up modestly from 3.41 percent in the prior quarter.

The company's credit loss reserves increased $146 million during the quarter. Managed credit loss reserves totaled over $3.3 billion at March 31, up $479 million from a year ago. The ratio of reserves-to-managed receivables was 3.78 percent at March 31, compared to 3.65 percent at the end of 2000 and 3.79 percent a year ago. Reserves-to-nonperforming loans were 107.6 percent at March 31 compared to 107.0 percent at December 31, 2000 and 105.9 percent a year ago.

Capital
The ratio of tangible equity to tangible managed assets improved to 7.54 percent at March 31, compared to 7.41 percent at December 31, 2000 and 6.94 percent a year earlier.

In connection with its $2 billion share repurchase program, announced on March 9, 1999, Household bought back 8.8 million shares in the first quarter, totaling $398.3 million. During the first quarter the company entered into agreements with third parties to purchase, on a forward basis, approximately 780 thousand shares of common stock at a weighted average price of $55 per share.

Notice of Live Webcast
Household will broadcast its first quarter earnings teleconference call over the Internet on its website at www.household.com. The call will begin at 9:00 am Central Daylight Time on April 18, 2001. A replay will also be available shortly after the end of the call.

Household's businesses are leading providers of consumer loans, credit cards, auto finance and credit insurance products in the United States, United Kingdom and Canada. In the United States, Household's largest business, founded in 1878, operates under the two oldest and most recognized names in consumer finance - HFC and Beneficial. Household is also one of the nation's largest issuers of private label and general purpose credit cards, including the GM Card® and the AFL-CIO's Union Privilege card. For more information, visit the company's web site at www.household.com.

This press release contains certain estimates and projections that may be forward-looking in nature, as defined by the Private Securities Litigation Reform Act of 1995. A variety of factors may cause actual results to differ materially from the results discussed in these forward-looking statements. Factors that might cause such a difference are discussed in Household International's Annual Report on Form 10-K, filed with the SEC.

# # #

Household International, Inc.

Quarterly Financial Supplement

HOUSEHOLD

March 31, 2001 - Quarterly Highlights

Summary Managed Income Statement ($ millions)	Three Months Ended 03/31/01	12/31/00	03/31/00	% Change from Prior Qtr.	Year
Managed-basis net interest margin and other revenues (1)	$ 2,481.5	$ 2,434.7	$ 2,165.2	1.9 %	14.6 %
Managed-basis provision for credit losses (1)	932.8	917.0	816.2	1.7	14.3
Operating expenses	883.1	748.9	783.5	17.9	12.7
Income before income taxes	665.6	768.8	565.5	(13.4)	17.7
Income taxes	233.8	276.1	192.6	(15.3)	21.4
Net income	$ 431.8	$ 492.7	$ 372.9	(12.4) %	15.8 %

Common Stock Data	03/31/01	12/31/00	03/31/00	Qtr.	Year
Basic earnings per common share	$ .92	$ 1.05	$ .79	(12.4) %	16.5 %
Diluted earnings per common share	.91	1.03	.78	(11.7)	16.7
Average common shares (millions)	466.0	471.1	470.5	(1.1)	(1.0)
Average common and equivalent shares (millions)	472.0	476.1	474.0	(0.9)	(0.4)
Common stock price:					
High	$ 62.00	$ 56.94	$ 39.19	8.9 %	58.2 %
Low	52.00	43.88	29.50	18.5	76.3
Period end	59.24	55.00	37.31	7.7	58.8
Dividends declared per common share	$ .19	$ .19	$ .17	- %	11.8 %
Book value per common share	17.23	16.88	14.78	2.1	16.6

Key Ratios	03/31/01	12/31/00	03/31/00	Qtr.	Year
Return on average common shareholders' equity	21.6 %	25.4 %	22.0 %	(15.0) %	(1.8) %
Return on average owned assets	2.21	2.61	2.37	(15.3)	(6.8)
Return on average managed assets	1.77	2.09	1.82	(15.3)	(2.7)
Managed efficiency ratio	35.6	30.8	36.2	15.6	(1.7)
Managed net interest margin	8.22	8.01	8.31	2.6	(1.1)
Total shareholders' equity as a percent of managed assets	9.24	9.07	8.94	1.9	3.4
Tangible equity to tangible managed assets	7.54	7.41	6.94	1.8	8.6

(1) To aid analysis, net interest margin, other revenues, and provision for credit losses are presented on a pro forma managed basis as if receivables securitized and sold with limited recourse were held in the portfolio. Policyholders' benefits have been netted against other revenues.

HHS 02914124

Household International, Inc.

Consolidated Statements of Income - Owned Basis

Three Months

($ millions)	Three Months Ended 03/31/01	Three Months Ended 12/31/00	Three Months Ended 03/31/00	% Change from Prior Qtr.	% Change from Prior Year
Finance and other interest income	$ 2,430.3	$ 2,415.6	$ 1,924.9	0.6 %	26.3 %
Interest expense	1,106.8	1,117.0	821.7	(0.9)	34.7
Net interest margin	1,323.5	1,298.6	1,103.2	1.9	20.0
Provision for credit losses on owned receivables	703.6	574.8	522.1	22.4	34.8
Net interest margin after provision for credit losses	619.9	723.8	581.1	(14.4)	6.7
Securitization revenue	406.3	394.7	346.4	2.9	17.3
Insurance revenue	158.6	147.7	135.0	7.4	17.5
Investment income	41.8	47.0	40.8	(11.1)	2.5
Fee income	237.9	234.4	179.3	1.5	32.7
Other income	161.7	33.5	133.3	100+	21.3
Total other revenues	1,006.3	857.3	834.8	17.4	20.5
Salaries and fringe benefits	377.6	355.5	302.1	6.2	25.0
Sales incentives	54.5	50.3	42.8	8.3	27.3
Occupancy and equipment expense	83.5	77.1	75.5	8.3	10.6
Other marketing expenses	135.2	104.3	133.1	29.6	1.6
Other servicing and administrative expenses	193.4	122.8	186.8	57.5	3.5
Amortization of acquired intangibles and goodwill	38.9	38.9	43.2	-	(10.0)
Policyholders' benefits	77.5	63.4	66.9	22.2	15.8
Total costs and expenses	960.6	812.3	850.4	18.3	13.0
Income before income taxes	665.6	768.8	565.5	(13.4)	17.7
Income taxes	233.8	276.1	192.6	(15.3)	21.4
Net income	431.8	492.7	372.9	(12.4)	15.8
Preferred dividends	(2.3)	(2.3)	(2.3)	-	-
Earnings available to common shareholders	$ 429.5	$ 490.4	$ 370.6	(12.4) %	15.9 %
Effective tax rate	35.1 %	35.9 %	34.1 %	(2.2) %	2.9 %

Balance Sheet Data

($ millions)	03/31/01	12/31/00	03/31/00
Owned assets	$ 78,253.3	$ 76,706.3	$ 64,991.4
Managed assets	97,820.3	96,955.8	84,248.7
Managed receivables	88,372.6	87,607.4	75,447.3
Debt	65,164.0	64,517.8	54,040.5
Trust originated preferred securities	875.0	675.0	375.0
Preferred stock	164.4	164.4	164.4
Common shareholders' equity	7,616.7	7,951.2	6,989.3
Total shareholders' equity as a percent of managed assets	9.24 %	9.07 %	8.94 %
Tangible equity to tangible managed assets	7.54	7.41	6.94

Household International, Inc.

Consolidated Statements of Income - Managed Basis

Securitizations and sales of consumer receivables are a source of liquidity for us. We continue to service the securitized receivables after such receivables are sold and we retain a limited recourse obligation. Securitizations impact the classification of revenues and expenses in the statement of operations. When reporting on a managed basis, net interest margin, provision for credit losses, fee income, and securitization related revenue related to receivables sold are reclassified from securitization revenue into the appropriate caption.

Three Months

($ millions)	Three Months Ended 03/31/01	(1)	12/31/00	(1)	03/31/00	(1)	% Change from Prior Qtr.	Year
Finance and other interest income	$ 3,246.8	14.58 %	$ 3,183.5	14.78 %	$ 2,645.7	14.41 %	2.0 %	22.7 %
Interest expense	1,417.0	6.36	1,457.1	6.77	1,120.2	5.10	(2.8)	26.5
Net interest margin	1,829.8	8.22 %	1,726.4	8.01 %	1,525.5	8.31 %	6.0	19.9
Provision for credit losses	932.8		917.0		816.2		1.7	14.3
Net interest margin after provision for credit losses	897.0		809.4		709.3		10.8	26.5
Insurance revenue	158.6		147.7		135.0		7.4	17.5
Investment income	41.8		47.0		40.8		(11.1)	2.5
Fee income	393.2		404.0		332.8		(2.7)	18.1
Securitization related revenue/(expense)	(26.1)		139.5		64.7		(100)+	(100)+
Other income	161.7		33.5		133.3		100+	21.3
Total other revenues	723.2		771.7		706.6		(5.5)	3.2
Operating expenses and policyholders' benefits	960.6		812.3		850.4		18.3	13.0
Income before income taxes	665.6		768.8		565.5		(13.4)	17.7
Income taxes	233.8		276.1		192.6		(15.3)	21.4
Net income	$ 431.8		$ 492.7		$ 372.9		(12.4) %	15.8 %
Average managed receivables:								
Real estate secured	$ 37,338.5		$ 35,934.4		$ 27,657.1		3.9 %	35.0 %
Auto finance	4,682.9		4,455.4		3,194.4		5.1	46.6
MasterCard/Visa (2)	17,119.7		16,833.7		15,669.8		1.7	9.3
Private label	12,013.2		11,552.4		11,171.5		4.0	7.5
Other unsecured	16,366.9		15,880.1		13,885.0		3.1	17.9
Commercial and other	581.5		620.0		770.0		(6.2)	(24.5)
Total	88,102.7		85,276.0		72,347.8		3.3	21.8
Average noninsurance investments	525.0		464.9		657.9		12.9	(20.2)
Other interest-earning assets	448.5		442.5		426.0		1.4	5.3
Average managed interest-earning assets	$ 89,076.2		$ 86,183.4		$ 73,431.7		3.4 %	21.3 %

(1) % Columns: comparison to average managed interest-earning assets, annualized.
(2) MasterCard and Visa are registered trademarks of MasterCard International, Incorporated and VISA USA Inc., respectively.

Summary of Securitization Related Revenue/(Expense)

($ millions)	Three Months Ended 03/31/01	12/31/00	03/31/00
Gross gains	$ 105.9	$ 279.4	$ 164.4
Amortization	(132.0)	(139.9)	(99.7)
Securitization related revenue/(expense)	(26.1)	139.5	64.7
Over-the-life provision on new transactions	79.7	217.3	122.0
Net effect of securitization activity	$ (105.8)	$ (77.8)	$ (57.3)
Receivables securitized	$ 902.0	$ 2,793.4	$ 1,472.0

Household International, Inc.

Receivables Analysis

End of Period Managed Receivables

($ millions)	3/31/01	12/31/00	3/31/00	% Change from Prior Qtr.	% Change from Prior Year
Real estate secured	$ 38,004.8	$ 36,637.5	$ 30,844.5	3.7 %	23.2 %
Auto finance	4,800.8	4,563.3	3,403.2	5.2	41.1
MasterCard/Visa	16,570.2	17,583.4	15,512.3	(5.8)	6.8
Private label	11,875.4	11,997.3	11,007.6	(1.0)	7.9
Other unsecured	16,548.7	16,227.3	13,934.1	2.0	18.8
Commercial and other	572.7	598.6	745.8	(4.3)	(23.2)
Managed portfolio	$ 88,372.6	$ 87,607.4	$ 75,447.3	0.9 %	17.1 %

Receivables (% of Managed Portfolio)

	3/31/01	12/31/00	3/31/00
Real estate secured	43.0 %	41.8 %	40.9 %
Auto finance	5.4	5.2	4.5
MasterCard/Visa	18.8	20.1	20.5
Private label	13.4	13.7	14.6
Other unsecured (1)	18.7	18.5	18.5
Commercial and other	0.7	.7	1.0
Total	100.0 %	100.0 %	100.0 %

End of Period Receivables ($ millions)

	3/31/01	12/31/00	3/31/00	% Change from Prior Qtr.	% Change from Prior Year
Owned receivables:					
Real estate secured	$ 36,686.8	$ 35,179.7	$ 28,816.0	4.3 %	27.3 %
Auto finance	1,938.0	1,850.6	1,439.7	7.4	38.1
MasterCard/Visa	7,448.5	8,053.6	6,505.4	(7.5)	14.5
Private label	10,225.4	10,347.3	9,857.6	(1.2)	3.7
Other unsecured	11,884.2	11,328.1	8,825.7	4.9	34.7
Commercial and other	572.7	598.6	745.6	(4.3)	(23.2)
Total owned receivables	68,805.6	67,357.9	56,190.0	2.1	22.5
Accrued finance charges	1,322.5	1,302.6	957.5	1.5	38.1
Credit loss reserve for owned receivables	(2,282.4)	(2,111.9)	(1,909.7)	8.1	19.5
Unearned credit insurance premiums and claims reserves	(767.8)	(725.2)	(558.1)	5.9	37.6
Amounts due and deferred from receivables sales	2,342.5	2,420.6	2,367.7	(3.2)	(1.1)
Reserve for receivables serviced with limited recourse	(1,057.8)	(1,082.3)	(951.4)	(2.3)	11.2
Total owned receivables, net	68,362.6	67,161.7	56,096.0	1.8	21.9
Receivables serviced with limited recourse:					
Real estate secured	1,318.0	1,457.8	2,028.5	(9.6)	(35.0)
Auto finance	2,812.8	2,712.7	1,963.5	3.7	43.3
MasterCard/Visa	9,121.7	8,529.8	9,006.9	(4.3)	1.3
Private label	1,650.0	1,650.0	1,150.0	-	43.5
Other unsecured	4,664.5	4,899.2	5,108.4	(4.8)	(8.7)
Total receivables serviced with limited recourse	19,567.0	20,249.5	19,257.3	(3.4)	1.6
Total managed receivables, net	$ 87,929.5	$ 87,411.2	$ 75,353.3	0.6 %	16.7 %

(1) Personal homeowner loans are real estate secured loans that have been underwritten and priced as unsecured loans. Personal homeowner loans are included in the other unsecured line, and comprise 4.7% of Household's total managed portfolio at 3/31/01, 4.4% at 12/31/00, and 3.6% at 3/31/00.

Household International, Inc.

Credit Quality/Credit Loss Reserves

Two-Months-and-Over Contractual Delinquency

As a percent of managed consumer receivables, excludes commercial	3/31/01	12/31/00	3/31/00
Real estate secured	2.61 %	2.63 %	2.99 %
Auto finance	1.79	2.55	1.52
MasterCard/Visa	3.68	3.49	3.06
Private label	5.50	5.48	5.94
Other unsecured	8.37	7.97	8.58
Total	4.25 %	4.20 %	4.43 %

Quarter-to-Date Chargeoffs, Net of Recoveries

As a percent of average managed consumer receivables, annualized, excludes commercial			
Real estate secured	.44 %	.41 %	.52 %
Auto finance	5.15	5.22	5.25
MasterCard/Visa	6.27	5.83	5.69
Private label	5.08	5.06	5.65
Other unsecured	6.27	5.92	7.41
Total	3.56 %	3.41 %	4.00 %

Nonperforming Assets

($ millions)			
Nonaccrual managed receivables	$ 2,200.6	$ 2,112.3	$ 1,934.2
Accruing managed receivables 90 or more days delinquent	891.5	859.8	755.0
Renegotiated commercial loans	12.3	12.3	12.3
Total nonperforming managed receivables	3,104.4	2,984.4	2,701.5
Real estate owned	350.2	337.1	301.0
Total nonperforming assets	$ 3,454.6	$ 3,321.5	$ 3,002.5
Managed credit loss reserves as a percent of nonperforming managed receivables	107.6 %	107.0 %	105.9 %

Credit Loss Reserves

($ millions)	03/31/01		12/31/00		03/31/00	
Reserves for owned receivables at beginning of quarter	$ 2,111.9		$ 2,009.2		$ 1,757.0	
Provision for credit losses	703.6		574.8		522.1	
Chargeoffs, net of recoveries	(531.5)		(490.3)		(482.2)	
Other, net	(1.6)		18.2		112.8	
Reserves for owned receivables at end of quarter	2,282.4	3.32 %(1)	2,111.9	3.14 %(1)	1,909.7	3.40 %(1)
Credit loss reserves for receivables serviced with limited recourse at beginning of quarter	1,082.3		976.8		909.6	
Provision for credit losses	229.2		342.2		294.1	
Chargeoffs, net of recoveries	(248.1)		(231.6)		(249.8)	
Other, net	(5.6)		(5.1)		(2.5)	
Credit loss reserves for receivables serviced with limited recourse at end of quarter	1,057.8	5.41 %(1)	1,082.3	5.34 %(1)	951.4	4.94 %(1)
Total managed credit loss reserves at end of quarter	$ 3,340.2	3.78 %(1)	$ 3,194.2	3.65 %(1)	$ 2,861.1	3.79 %(1)

(1) % Columns: comparisons to appropriate receivables.

2700 Sanders Road
Prospect Heights, IL 60070

News Release

Household Reports Record Second Quarter Results; 12th Consecutive Record Quarter

- Earnings Per Share Increase 16%, to $.93
- Net Income Rises 14%, to $439 Million
- Receivables Up 15%, to $91.5 Billion
- Revenues Grow 19%

Prospect Heights, IL, July 18, 2001 -- Household International (NYSE: HI) today reported record earnings per share of $.93, up 16 percent from a year ago. Net income rose 14 percent, to $439.0 million, from $383.9 million for the second quarter of 2000.

William F. Aldinger, Household's chairman and chief executive officer, said, "We had a terrific quarter – our 12th consecutive quarter of record results. Given the softening economic environment, I am particularly pleased with our ability to consistently deliver strong, quality earnings.

"Results for the quarter were excellent," Aldinger added. "We enjoyed strong receivable and revenue growth compared to a year ago, with all of our businesses performing well. In addition, delinquency was stable in the quarter, while chargeoffs rose modestly, consistent with our expectations. We further strengthened our balance sheet and passed the halfway point in our share repurchase goal for the year.

"Our strong performance to date has positioned us well to achieve another record year in 2001," Aldinger concluded.

Receivable Growth
The company's managed portfolio grew 15 percent above the prior year, to $91.5 billion. All consumer products contributed to the increase, with the strongest growth in the real estate secured portfolio. This portfolio was up 17 percent over the year-ago period and comprises 43.5 percent of the total managed portfolio.

On a sequential basis, managed receivables grew $3.2 billion, or an annualized 14 percent, led by strong growth in the HFC and Beneficial branch network.

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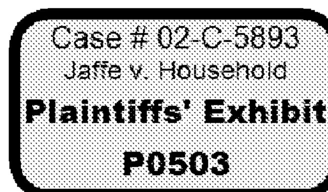

Revenues
Led by higher receivable volume and a wider net interest margin, managed net revenues grew $395 million, or 19 percent, from a year ago.

Household's managed net interest margin of $1.9 billion increased 19 percent from the prior year. The managed net interest margin percent widened to 8.34 percent from 8.17 percent a year ago and 8.22 percent in the first quarter. The increase was driven by lower funding costs.

Managed fee income increased $43 million, or 12 percent, compared to the second quarter of 2000, principally reflecting higher levels of credit card fees. Other income increased over the prior year but declined from the first quarter level, which benefited from seasonal tax refund lending revenues.

The company's risk adjusted revenue (managed net revenues less securitization revenues and chargeoffs) expanded to 7.53 percent from 7.37 percent a year ago.

Operating Expenses
Operating expenses rose 16 percent from a year ago, driven by higher sales incentives as well as increases in compensation and other costs to support the company's growing portfolio. Higher technology spending also contributed to the increase. Household's efficiency ratio was 35.5 percent in the second quarter, essentially flat with the first quarter and improved from 36.5 percent a year ago.

Credit Quality and Loss Reserves
At June 30th, the managed delinquency ratio (60+days) was 4.27 percent, stable with 4.25 percent in the first quarter. The managed delinquency ratio a year ago was 4.16 percent . The annualized managed net chargeoff ratio for the second quarter was 3.71 percent, essentially unchanged from the year-ago quarter and up modestly from 3.56 percent in the first quarter. Virtually all of the increase in the quarter was due to higher bankruptcy filings in the MasterCard/Visa and other unsecured portfolios.

The company increased its credit loss reserves by $116 million during the quarter. Managed credit loss reserves exceeded $3.4 billion at June 30th, up $508 million from a year ago. The ratio of reserves-to-managed receivables was 3.78 percent at June 30th, unchanged from the first quarter level and up from 3.69 percent a year ago. Reserves-to-nonperforming loans were 109.9 percent at June 30th compared to 107.6 percent at March 31st and 113.0 percent a year ago.

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Capital
The ratio of tangible equity to tangible managed assets improved to 7.61 percent at June 30th, compared to 7.54 percent at March 31st and 7.23 percent a year earlier.

In connection with its $2 billion share repurchase program, announced on March 9, 1999, Household bought back 2.3 million shares in the second quarter, totaling $141 million. During the second quarter Household entered into agreements with third parties to purchase, on a forward basis, approximately 2.3 million shares of common stock at a weighted average price of $64.86 per share.

For the first six months of the year, the company has repurchased 11.1 million shares under the program. Household also announced during the second quarter a new $2 billion stock repurchase program, which will go into effect the earlier of the completion of the current program or December 31, 2001.

Notice of Live Webcast
Household will broadcast its second quarter earnings teleconference call over the Internet on its website at www.household.com. The call will begin at 9:00 am Central Daylight Time on July 18, 2001. A replay will also be available shortly after the end of the call.

Household's businesses are leading providers of consumer loans, credit cards, auto finance and credit insurance products in the United States, United Kingdom and Canada. In the United States, Household's largest business, founded in 1878, operates under the two oldest and most recognized names in consumer finance - HFC and Beneficial. Household is also one of the nation's largest issuers of private label and general purpose credit cards, including the GM Card® and the AFL-CIO's Union Plus card. For more information, visit the company's web site at www.household.com.

This press release contains certain estimates and projections that may be forward-looking in nature, as defined by the Private Securities Litigation Reform Act of 1995. A variety of factors may cause actual results to differ materially from the results discussed in these forward-looking statements. Factors that might cause such a difference are discussed in Household International's Annual Report on Form 10-K, filed with the SEC.

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Household International, Inc.

Quarterly Financial Supplement

HOUSEHOLD

June 30, 2001 - Quarterly Highlights

Summary Managed Income Statement	Three Months Ended			% Change from Prior	
($ millions)	06/30/01	03/31/01	06/30/00	Qtr.	Year
Managed-basis net interest margin and other revenues (1)	$ 2,487.2	$ 2,481.5	$ 2,092.5	0.2 %	18.9 %
Managed-basis provision for credit losses (1)	934.8	932.8	744.3	0.2	25.6
Operating expenses	882.7	883.1	762.8	-	15.7
Income before income taxes	669.7	665.6	585.4	0.6	14.4
Income taxes	230.7	233.8	201.5	(1.3)	14.5
Net income	$ 439.0	$ 431.8	$ 383.9	1.7	14.4

Common Stock Data	06/30/01	03/31/01	06/30/00	Qtr.	Year
Basic earnings per common share	$ .94	$ .92	$ .80	2.2 %	17.5 %
Diluted earnings per common share	.93	.91	.80	2.2	16.3
Average common shares (millions)	463.8	466.2	473.3	(0.6)	(2.2)
Average common and equivalent shares (millions)	469.6	472.2	477.0	(0.5)	(1.6)
Common stock price:					
High	$ 69.98	$ 62.00	$ 48.19	12.9	45.2
Low	57.45	52.00	36.00	10.5	59.6
Period end	66.70	59.24	41.56	12.6	60.5
Dividends declared per common share	$ .22	$ .19	$ .19	15.8	15.8
Book value per common share	17.94	17.23	15.28	4.1	17.4

Key Ratios	06/30/01	03/31/01	06/30/00	Qtr.	Year
Return on average common shareholders' equity	21.4 %	21.6 %	21.5 %	(0.9) %	(0.5) %
Return on average owned assets	2.21	2.21	2.27	-	(2.6)
Return on average managed assets	1.78	1.77	1.78	0.6	-
Managed efficiency ratio	35.5	35.6	36.5	(0.3)	(2.7)
Managed net interest margin	8.34	8.22	8.17	1.5	2.1
Total shareholders' equity as a percent of managed assets	9.28	9.24	9.06	0.4	2.4
Tangible equity to tangible managed assets	7.61	7.54	7.23	0.9	5.3

(1) To aid analysis, net interest margin, other revenues, and provision for credit losses are presented on a pro forma managed basis as if receivables securitized and sold with limited recourse were held in the portfolio. Policyholders' benefits have been netted against other revenues.

Year to Date Highlights

Summary Managed Income Statement	Six Months Ended		% Change
($ millions)	06/30/01	06/30/00	
Managed-basis net interest margin and other revenues (1)	$ 4,968.7	$ 4,257.7	16.7 %
Managed-basis provision for credit losses (1)	1,867.6	1,560.5	19.7
Operating expenses	1,765.8	1,546.3	14.2
Income before income taxes	1,335.3	1,150.9	16.0
Income taxes	464.5	394.1	17.9
Net income	$ 870.8	$ 756.8	15.1

Common Stock Data	06/30/01	06/30/00	% Change
Basic earnings per common share	$ 1.86	$ 1.59	17.0 %
Diluted earnings per common share	1.84	1.58	16.5
Average common shares (millions)	464.5	471.8	(1.6)
Average common and equivalent shares (millions)	470.8	475.5	(1.0)
Common stock price:			
High	$ 69.98	$ 48.19	45.2
Low	52.00	29.50	76.3
Period end	66.70	41.56	60.5
Dividends declared per common share	$ .41	$ .36	13.9

Key Ratios	06/30/01	06/30/00	% Change
Return on average common shareholders' equity	21.5 %	21.8 %	(1.4) %
Return on average owned assets	2.21	2.32	(4.7)
Return on average managed assets	1.77	1.80	(1.7)
Managed efficiency ratio	35.6	36.3	(2.2)
Managed net interest margin	8.28	8.24	0.5

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Household International, Inc.

Consolidated Statements of Income - Owned Basis

Three Months

($ millions)	Three Months Ended 06/30/01	03/31/01	06/30/00	% Change from Prior Qtr.	Year
Finance and other interest income	$ 2,451.2	$ 2,430.3	$ 2,083.4	0.9 %	17.7 %
Interest expense	1,048.4	1,106.8	933.0	(5.3)	12.4
Net interest margin	1,402.8	1,323.5	1,150.4	6.0	21.9
Provision for credit losses on owned receivables	657.1	703.6	495.6	(6.6)	32.6
Net interest margin after provision for credit losses	745.7	619.9	654.8	20.3	13.9
Securitization revenue	400.6	406.3	355.6	(1.4)	12.7
Insurance revenue	159.3	158.6	131.8	0.4	20.9
Investment income	37.8	41.8	42.5	(9.6)	(11.1)
Fee income	232.7	237.9	195.9	(2.2)	18.8
Other income	49.4	161.7	31.9	(69.4)	54.9
Total other revenues	879.8	1,006.3	757.7	(12.6)	16.1
Salaries and fringe benefits	387.2	377.6	321.5	2.5	20.4
Sales incentives	73.6	54.5	57.4	35.0	28.2
Occupancy and equipment expense	83.7	83.5	75.6	0.2	10.7
Other marketing expenses	129.0	135.2	125.3	(4.6)	3.0
Other servicing and administrative expenses	171.7	193.4	144.1	(11.2)	19.2
Amortization of acquired intangibles and goodwill	37.5	38.9	38.9	(3.6)	(3.6)
Policyholders' benefits	73.1	77.5	64.3	(5.7)	13.7
Total costs and expenses	955.8	960.6	827.1	(0.5)	15.6
Income before income taxes	669.7	665.6	585.4	0.6	14.4
Income taxes	230.7	233.8	201.5	(1.3)	14.5
Net income	439.0	431.8	383.9	1.7	14.4
Preferred dividends	(2.3)	(2.3)	(2.3)	-	-
Earnings available to common shareholders	$ 436.7	$ 429.5	$ 381.6	1.7 %	14.4 %
Effective tax rate	34.4 %	35.1 %	34.4 %	(2.0) %	- %

Six Months

($ millions)	Six Months Ended 06/30/01	06/30/00	% Change
Finance and other interest income	$ 4,881.5	$ 4,008.3	21.8 %
Interest expense	2,155.2	1,754.7	22.8
Net interest margin	2,726.3	2,253.6	21.0
Provision for credit losses on owned receivables	1,360.7	1,017.7	33.7
Net interest margin after provision for credit losses	1,365.6	1,235.9	10.5
Securitization revenue	806.9	702.0	14.9
Insurance revenue	317.9	266.8	19.2
Investment income	79.6	83.3	(4.4)
Fee income	470.6	375.2	25.4
Other income	211.1	165.2	27.8
Total other revenues	1,886.1	1,592.5	18.4
Salaries and fringe benefits	764.8	623.6	22.6
Sales incentives	128.1	100.2	27.8
Occupancy and equipment expense	167.2	151.1	10.7
Other marketing expenses	264.2	258.4	2.2
Other servicing and administrative expenses	365.1	330.9	10.3
Amortization of acquired intangibles and goodwill	76.4	82.1	(6.9)
Policyholders' benefits	150.6	131.2	14.8
Total costs and expenses	1,916.4	1,677.5	14.2
Income before income taxes	1,335.3	1,150.9	16.0
Income taxes	464.5	394.1	17.9
Net income	870.8	756.8	15.1
Preferred dividends	(4.6)	(4.6)	-
Earnings available to common shareholders	$ 866.2	$ 752.2	15.2 %
Effective tax rate	34.8 %	34.2 %	1.8 %

Balance Sheet Data

($ millions)	06/30/01	03/31/01	06/30/00
Owned assets	$ 80,977.6	$ 78,253.3	$ 70,469.7
Managed assets	100,761.3	97,820.3	89,035.9
Managed receivables	91,538.5	88,372.6	79,945.0
Debt	67,792.1	65,164.0	59,076.4
Trust originated preferred securities	875.0	875.0	675.0
Preferred stock	164.4	164.4	164.4
Common shareholders' equity	7,896.4	7,616.7	7,224.7
Total shareholders' equity as a percent of managed assets	9.28 %	9.24 %	9.06 %
Tangible equity to tangible managed assets	7.61	7.54	7.23

Household International, Inc.

Consolidated Statements of Income - Managed Basis

Securitizations and sales of consumer receivables are a source of liquidity for us. We continue to service the securitized receivables after such receivables are sold and we retain a limited recourse obligation. Securitizations impact the classification of revenues and expenses in the statement of operations. When reporting on a managed basis, net interest margin, provision for credit losses, fee income, and securitization related revenue related to receivables sold are reclassified from securitization revenue into the appropriate caption.

Three Months

($ millions)	Three Months Ended 06/30/01	(1)	03/31/01	(1)	06/30/00	(1)	% Change from Prior Qtr.	Year
Finance and other interest income	$ 3,216.8	14.17 %	$ 3,246.8	14.58 %	$ 2,839.6	14.54 %	(0.9) %	13.3 %
Interest expense	1,322.5	5.83	1,417.0	6.38	1,244.8	6.37	(6.7)	6.2
Net interest margin	1,894.3	8.34 %	1,829.8	8.22 %	1,594.8	8.17 %	3.5	18.8
Provision for credit losses	934.8		932.8		744.3		0.2	25.6
Net interest margin after provision for credit losses	959.5		897.0		850.5		7.0	12.8
Insurance revenue	159.3		158.6		131.8		0.4	20.9
Investment income	37.8		41.8		42.5		(9.6)	(11.1)
Fee income	396.3		393.2		353.3		0.8	12.2
Securitization related revenue	23.2		(26.1)		2.5		100+	100+
Other income	49.4		161.7		31.9		(69.4)	54.9
Total other revenues	666.0		729.2		562.0		(8.7)	18.5
Operating expenses and policyholders' benefits	955.8		960.6		827.1		(0.5)	15.6
Income before income taxes	669.7		665.6		585.4		0.6	14.4
Income taxes	230.7		233.8		201.5		(1.3)	14.5
Net income	$ 439.0		$ 431.8		$ 383.9		1.7	14.4
Average managed receivables:								
Real estate secured	$ 38,779.6		$ 37,338.5		$ 31,912.0		3.9 %	21.5 %
Auto finance	4,947.9		4,682.9		3,602.6		5.7	37.3
MasterCard/Visa (2)	16,969.9		17,119.7		15,748.2		(0.9)	7.8
Private label	11,971.1		12,013.2		10,964.8		(0.4)	9.2
Other unsecured	16,691.5		16,366.9		14,154.5		2.0	17.9
Commercial and other	566.9		581.5		719.5		(2.5)	(21.2)
Total	89,926.9		88,102.7		77,101.6		2.1	16.6
Average noninsurance investments	420.9		525.0		563.0		(19.8)	(25.2)
Other interest-earning assets	454.6		448.5		431.2		1.4	5.4
Average managed interest-earning assets	$ 90,802.4		$ 89,076.2		$ 78,095.8		1.9 %	16.3 %

Six Months

($ millions)	Six Months Ended 03/31/01	(1)	06/30/00	(1)	% Change
Finance and other interest income	$ 6,463.6	14.37 %	$ 5,485.3	14.48 %	17.8 %
Interest expense	2,739.5	6.09	2,365.0	6.24	15.8
Net interest margin	3,724.1	8.28 %	3,120.3	8.24 %	19.4
Provision for credit losses	1,867.6		1,560.5		19.7
Net interest margin after provision for credit losses	1,856.5		1,559.8		19.0
Insurance revenue	317.9		266.8		19.2
Investment income	79.6		83.3		(4.4)
Fee income	789.5		686.1		15.1
Securitization related revenue	(2.9)		67.2		(100+)
Other income	211.1		165.2		27.8
Total other revenues	1,395.2		1,268.6		10.0
Operating expenses and policyholders' benefits	1,916.4		1,677.5		14.2
Income before income taxes	1,335.3		1,150.9		16.0
Income taxes	464.5		394.1		17.8
Net income	$ 870.8		$ 756.8		15.1
Average managed receivables:					
Real estate secured	$ 38,059.1		$ 29,784.5		27.8 %
Auto finance	4,815.4		3,398.5		41.7
MasterCard/Visa (2)	17,044.8		15,709.0		8.5
Private label	11,992.1		11,068.1		8.3
Other unsecured	16,529.2		14,019.8		17.9
Commercial and other	574.2		744.8		(22.9)
Total	89,014.8		74,724.7		19.1
Average noninsurance investments	474.4		610.5		(22.3)
Other interest-earning assets	451.5		428.6		5.3
Average managed interest-earning assets	$ 89,940.7		$ 75,763.8		18.7 %

(1) % Columns: comparison to average managed interest-earning assets, annualized.
(2) MasterCard and Visa are registered trademarks of MasterCard International, Incorporated and VISA USA Inc., respectively.

Summary of Securitization Related Revenue

($ millions)	Three Months Ended 06/30/01	03/31/01	06/30/00
Gross gains	$ 160.4	$ 105.9	$ 93.8
Amortization	(137.2)	(132.0)	(94.3)
Securitization related revenue	23.2	(26.1)	2.5
Over-the-life provision on new transactions	120.4	79.7	72.3
Net effect of securitization activity	$ (97.2)	$ (105.8)	$ (69.8)
Receivables securitized	$ 1,371.6	$ 902.0	$ 1,004.0

($ millions)	Six Months Ended 06/30/01	06/30/00
Gross gains	$ 266.3	$ 261.2
Amortization	(269.2)	(194.0)
Securitization related revenue	(2.9)	67.2
Over-the-life provision on new transactions	200.1	194.3
Net effect of securitization activity	$ (203.0)	$ (127.1)
Receivables securitized	$ 2,273.6	$ 2,476.0

Household International, Inc.

Receivables Analysis

End of Period Managed Receivables

($ millions)	06/30/01	03/31/01	06/30/00	% Change from Prior Qtr.	% Change from Prior Year
Real estate secured	$ 39,806.5	$ 38,004.8	$ 33,964.7	4.7 %	17.2 %
Auto finance	5,159.6	4,800.8	3,850.8	7.5	34.0
MasterCard/Visa	17,043.4	16,570.2	15,887.3	2.9	7.3
Private label	11,980.0	11,875.4	10,951.3	0.9	9.4
Other unsecured	16,991.5	16,548.7	14,597.2	2.7	16.4
Commercial and other	557.5	572.7	693.7	(2.7)	(19.6)
Managed portfolio	$ 91,538.5	$ 88,372.6	$ 79,945.0	3.6 %	14.5 %

Receivables (% of Managed Portfolio)

	06/30/01	03/31/01	06/30/00
Real estate secured	43.5 %	43.0 %	42.5 %
Auto finance	5.6	5.4	4.8
MasterCard/Visa	18.6	18.8	19.8
Private label	13.1	13.4	13.7
Other unsecured (1)	18.6	18.7	18.3
Commercial and other	.6	.7	.9
Total	100.0 %	100.0 %	100.0 %

End of Period Receivables ($ millions)

	06/30/01	03/31/01	06/30/00	% Change from Prior Qtr.	% Change from Prior Year
Owned receivables:					
Real estate secured	$ 38,600.7	$ 36,686.8	$ 32,168.5	5.2 %	20.0 %
Auto finance	2,039.0	1,988.0	1,753.7	2.6	16.3
MasterCard/Visa	7,915.7	7,448.5	7,013.7	6.3	12.9
Private label	10,330.0	10,225.4	9,801.3	1.0	5.4
Other unsecured	12,311.9	11,884.2	9,947.9	3.6	23.8
Commercial and other	557.5	572.7	693.7	(2.7)	(19.6)
Total owned receivables	71,754.8	68,805.6	61,378.8	4.3	16.9
Accrued finance charges	1,418.6	1,322.5	1,093.1	7.3	29.8
Credit loss reserve for owned receivables	(2,376.5)	(2,282.4)	(1,986.5)	4.1	19.6
Unearned credit insurance premiums and claims reserves	(832.4)	(767.8)	(593.7)	8.4	40.2
Amounts due and deferred from receivables sales	2,325.3	2,342.5	2,192.8	(0.7)	6.0
Reserve for receivables serviced with limited recourse	(1,080.0)	(1,057.8)	(961.7)	2.1	12.3
Total owned receivables, net	71,209.8	68,362.6	61,122.8	4.2	16.5
Receivables serviced with limited recourse:					
Real estate secured	1,205.8	1,318.0	1,796.2	(8.5)	(32.9)
Auto finance	3,120.6	2,812.8	2,097.1	10.9	48.8
MasterCard/Visa	9,127.7	9,121.7	8,873.6	0.1	2.9
Private label	1,650.0	1,650.0	1,150.0	-	43.5
Other unsecured	4,679.6	4,664.5	4,649.3	0.3	0.7
Total receivables serviced with limited recourse	19,783.7	19,567.0	18,566.2	1.1	6.6
Total managed receivables, net	$ 90,993.5	$ 87,929.6	$ 79,689.0	3.5 %	14.2 %

(1) Personal homeowner loans are real estate secured loans that have been underwritten and priced as unsecured loans. Personal homeowner loans are included in the other unsecured line, and comprise 4.9% of Household's total managed portfolio at 06/30/01, 4.7% at 03/31/01, and 3.8% at 06/30/00.

Credit Quality/Credit Loss Reserves

Two-Months-and-Over Contractual Delinquency

As a percent of managed consumer receivables, excludes commercial.	06/30/01	03/31/01	06/30/00
Real estate secured	2.83 %	2.61 %	2.72 %
Auto finance	2.09	1.79	1.99
MasterCard/Visa	3.60	3.68	3.14
Private label	5.66	5.50	5.77
Other unsecured	8.43	8.37	7.92
Total	4.27 %	4.25 %	4.18 %

Quarter-to-Date Chargeoffs, Net of Recoveries

As a percent of average managed consumer receivables, annualized, excludes commercial.			
Real estate secured	.48 %	.44 %	.47 %
Auto finance	4.47	5.15	4.28
MasterCard/Visa	6.82	6.27	5.57
Private label	5.09	5.08	5.43
Other unsecured	8.82	8.27	7.68
Total	3.71 %	3.56 %	3.74 %

Nonperforming Assets

($ millions)			
Nonaccrual managed receivables	$ 2,232.5	$ 2,200.8	$ 1,841.8
Accruing managed receivables 90 or more days delinquent	899.9	891.5	753.9
Renegotiated commercial loans	12.3	12.1	12.3
Total nonperforming managed receivables	3,144.7	3,104.4	2,608.0
Real estate owned	365.2	350.2	323.6
Total nonperforming assets	$ 3,509.9	$ 3,454.6	$ 2,931.6
Managed credit loss reserves as a percent of nonperforming managed receivables	109.9 %	107.6 %	113.0 %

Credit Loss Reserves

($ millions)	06/30/01		03/31/01		06/30/00	
Reserves for owned receivables at beginning of quarter	$ 2,282.4		$ 2,111.9		$ 1,909.7	
Provision for credit losses	657.1		703.6		498.8	
Chargeoffs, net of recoveries	(573.2)		(531.5)		(474.0)	
Other, net	10.2		(1.6)		55.2	
Reserves for owned receivables at end of quarter	2,376.5	3.31 %(1)	2,282.4	3.32 %(1)	1,988.5	3.24 %(1)
Credit loss reserves for receivables serviced with limited recourse at beginning of quarter	1,057.8		1,082.3		951.4	
Provision for credit losses	277.7		229.2		248.7	
Chargeoffs, net of recoveries	(255.9)		(248.1)		(241.9)	
Other, net	0.4		(5.8)		3.5	
Credit loss reserves for receivables serviced with limited recourse at end of quarter	1,080.0	5.48 %(1)	1,057.8	5.41 %(1)	961.7	3.18 %(1)
Total managed credit loss reserves at end of quarter	$ 3,456.5	3.78 %(1)	$ 3,340.2	3.78 %(1)	$ 2,948.2	3.69 %(1)

(1) % Columns: comparisons to appropriate receivables.

2700 Sanders Road
Prospect Heights, IL 60070

News Release

Household Reports Highest Quarterly Net Income in its 123-Year History

Thirteenth Consecutive Record Quarter

- Earnings Per Share Increases 14%, to $1.07
- Net Income Rises to $504 Million
- Receivables Up 15%, to $95.7 Billion
- Revenues Grow 19%

Prospect Heights, IL, October 17, 2001 -- Household International (NYSE: HI) today reported the highest quarterly net income in the company's 123-year history and its thirteenth consecutive record quarter. Earnings per share of $1.07 rose 14 percent from $.94 the prior year. Net income increased 12 percent, to $504 million, from $451 million in the third quarter of 2000.

"Household's performance this year has been outstanding, even as the economy has continued to weaken," said William F. Aldinger, chairman and chief executive officer. "The third quarter was no exception. Receivable and revenue growth were strong, and credit performance was within our expectations. We further strengthened our balance sheet and continued to repurchase shares.

"All of our businesses contributed to our excellent results this quarter," Aldinger added. "Our product diversity and variety of distribution channels give us the flexibility to react to changes in the credit environment and consumer demand.

"The strength of our franchise gives me confidence that we will achieve the high end of our earnings target of 13 to 15 percent EPS growth for the year," Aldinger concluded.

Receivable Growth
The company's managed portfolio grew to $95.7 billion at the end of the third quarter, up 15 percent from the prior year. Despite the slowing economy, all consumer products reported solid growth. Growth in the real estate secured portfolio was strongest, with a 19 percent increase from a year ago. This portfolio comprises nearly 44 percent of total managed receivables. The company believes this provides important protection in an environment of weaker consumer credit and higher bankruptcy levels.

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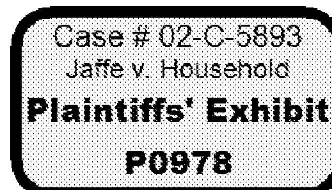

On a sequential basis, managed receivables grew over $4 billion, or an annualized 18 percent, led by strong growth in loan products sold through the HFC and Beneficial branch network.

Revenues
Managed net revenues grew $422 million, or 19 percent, from a year ago. An expanded net interest margin, increased fee income and higher receivable volume drove the increase.

Compared to a year ago, Household's managed net interest margin grew $381 million, or 23 percent, to $2 billion. The company's managed net interest margin percent widened to 8.57 percent from 7.95 percent a year ago. Lower funding costs were the primary driver of the expansion.

Managed fee income increased $28 million, or 7 percent, compared to the third quarter of 2000, principally reflecting higher levels of credit card fees.

The company's risk adjusted revenue (managed net revenues less securitization revenues and chargeoffs) expanded to 7.72 percent from 7.45 percent a year ago.

Operating Expenses
Operating expenses rose 21 percent from a year ago, as the company added sales and collection personnel to support its growing portfolio. Higher levels of sales incentives, marketing and technology spending also drove the increase. Household's efficiency ratio was 34.3 percent in the third quarter, compared to 33.8 percent a year ago.

Credit Quality and Loss Reserves
At September 30th, the managed delinquency ratio (60+days) was 4.43 percent, compared to 4.27 percent in the second quarter and 4.21 percent a year ago. The sequential increase was across all products and was well within company expectations. The annualized managed net chargeoff ratio for the third quarter was 3.74 percent, up slightly from 3.71 percent in the second quarter. The managed net chargeoff ratio was 3.47 percent in the prior-year quarter.

Managed credit loss reserves increased by $99 million during the quarter, to $3.6 billion. Compared to a year ago, credit loss reserves were up $569 million. The ratio of reserves-to-managed receivables was 3.72 percent at September 30th, compared to 3.58 percent a year earlier. Reserves-to-nonperforming loans were 103.9 percent at September 30th, compared to 106.7 percent a year ago.

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Capital
The ratio of tangible equity to tangible managed assets improved to 7.82 percent at September 30th, from 7.33 percent a year earlier. On September 27, 2001, Household issued $300 million of 7.50 percent cumulative preferred stock.

In connection with its $2 billion share repurchase program, announced on March 9, 1999, Household bought back 4.1 million shares in the third quarter, totaling $237 million. For the first nine months of the year, the company has repurchased 15.2 million shares under the program.

At September 30th, Household had agreements with third parties to purchase, on a forward basis, approximately 5.7 million shares of common stock at a weighted average price of $63.17 per share.

Notice of Live Webcast
Household will broadcast its third quarter earnings teleconference call over the Internet on its website at www.household.com. The call will begin at 8:30 a.m. Central Daylight Time on October 17, 2001. A replay will also be available shortly after the end of the call.

Household's businesses are leading providers of consumer loan, credit cards, auto finance and credit insurance products in the United States, United Kingdom and Canada. In the United States, Household's largest business, founded in 1878, operates under the two oldest and most recognized names in consumer finance - HFC and Beneficial. Household is also one of the nation's largest issuers of private label and general purpose credit cards, including The GM Card® and the AFL-CIO's Union Plus® card. For more information, visit the company's web site at www.household.com.

This press release contains certain estimates and projections that may be forward-looking in nature, as defined by the Private Securities Litigation Reform Act of 1995. A variety of factors may cause actual results to differ materially from the results discussed in these forward-looking statements. Factors that might cause such a difference are discussed in Household International's Annual Report on Form 10-K, filed with the SEC.

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both of Household International

Household International, Inc.

Quarterly Financial Supplement

HOUSEHOLD

September 30, 2001 - Quarterly Highlights

Summary Managed Income Statement

($ millions)	Three Months Ended 9/30/01	6/30/01	9/30/00	% Change from Prior Qtr.	Year
Managed-basis net interest margin and other revenues (1)	$ 2,635.7	$ 2,487.2	$ 2,213.4	6.0 %	19.1 %
Managed-basis provision for credit losses (1)	966.8	934.8	774.9	3.4	24.8
Operating expenses	905.3	882.7	747.7	3.0	21.1
Income before income taxes	763.6	669.7	690.8	14.0	10.5
Income taxes	259.8	230.7	239.6	12.6	8.4
Net income	$ 503.8	$ 439.0	$ 451.2	14.8	11.7

Common Stock Data

	9/30/01	6/30/01	9/30/00	Qtr.	Year
Basic earnings per common share	$ 1.09	$ .94	$ .95	16.0 %	14.7 %
Diluted earnings per common share	1.07	.93	.94	15.1	13.8
Average common shares (millions)	461.3	463.0	472.4	(0.4)	(2.3)
Average common and equivalent shares (millions)	467.7	469.6	477.8	(0.4)	(2.1)
Common stock price:					
High	$ 69.43	$ 69.98	$ 57.44	(0.7)	21.0
Low	48.00	57.45	41.00	(16.4)	17.1
Period end	56.38	66.70	56.63	(15.5)	(0.4)
Dividends declared per common share	$ .22	$ .22	$ .19	-	15.8
Book value per common share	18.59	17.94	16.00	3.6	16.2

Key Ratios

	9/30/01	6/30/01	9/30/00	Qtr.	Year
Return on average common shareholders' equity	23.6 %	21.4 %	24.2 %	10.3 %	(2.5) %
Return on average owned assets	2.42	2.21	2.48	10.0	(2.4)
Return on average managed assets	1.96	1.78	1.98	10.1	(1.0)
Managed efficiency ratio	34.3	35.5	33.8	(3.4)	1.5
Managed net interest margin	8.57	8.34	7.95	2.8	7.8
Total shareholders' equity as a percent of managed assets	9.39	9.28	9.08	1.2	3.6
Tangible equity to tangible managed assets	7.82	7.61	7.33	2.8	6.7

(1) To aid analysis, net interest margin, other revenues, and provision for credit losses are presented on a pro forma managed basis as if receivables securitized and sold with limited recourse were held in the portfolio. Policyholders' benefits have been netted against other revenues.

Year to Date Highlights

Summary Managed Income Statement

($ millions)	Nine Months Ended 9/30/01	9/30/00	% Change
Managed-basis net interest margin and other revenues (1)	$ 7,604.4	$ 6,471.1	17.5 %
Managed-basis provision for credit losses (1)	2,834.4	2,335.4	21.4
Operating expenses	2,671.1	2,294.0	16.4
Income before income taxes	2,098.9	1,841.7	14.0
Income taxes	724.3	633.7	14.3
Net income	$ 1,374.6	$ 1,208.0	13.8

Common Stock Data

	9/30/01	9/30/00	% Change
Basic earnings per common share	$ 2.95	$ 2.54	16.1 %
Diluted earnings per common share	2.91	2.52	15.5
Average common shares (millions)	463.5	472.1	(1.8)
Average common and equivalent shares (millions)	469.7	476.2	(1.4)
Common stock price:			
High	$ 69.98	$ 57.44	21.8
Low	48.00	29.50	62.7
Period end	56.38	56.63	(.4)
Dividends declared per common share	$ .63	$ .55	14.5

Key Ratios

	9/30/01	9/30/00	% Change
Return on average common shareholders' equity	22.2 %	22.6 %	(1.8) %
Return on average owned assets	2.28	2.38	(4.2)
Return on average managed assets	1.84	1.87	(1.6)
Managed efficiency ratio	35.1	35.5	(1.1)
Managed net interest margin	8.38	8.13	3.1

Household International, Inc.

Consolidated Statements of Income - Owned Basis

Three Months

($ millions)	Three Months Ended 9/30/01	6/30/01	9/30/00	% Change from Prior Qtr.	Year
Finance and other interest income	$ 2,536.6	$ 2,451.2	$ 2,270.4	3.5 %	11.7 %
Interest expense	1,035.2	1,048.4	1,057.2	(1.3)	(2.1)
Net interest margin	1,501.4	1,402.8	1,213.2	7.0	23.8
Provision for credit losses on owned receivables	722.9	657.1	524.4	10.0	37.9
Net interest margin after provision for credit losses	778.5	745.7	688.8	4.4	13.0
Securitization revenue	454.3	400.6	379.9	13.4	19.6
Insurance revenue	169.2	159.3	146.7	6.2	15.3
Investment income	42.3	37.8	43.9	11.9	(3.6)
Fee income	250.6	232.7	216.2	7.7	15.9
Other income	51.5	49.4	30.1	4.3	71.1
Total other revenues	967.9	879.8	816.8	10.0	18.5
Salaries and fringe benefits	408.3	387.2	333.0	5.4	22.6
Sales incentives	74.1	73.6	53.1	0.7	39.5
Occupancy and equipment expense	86.1	83.7	78.4	2.9	9.8
Other marketing expenses	127.1	129.0	108.2	(1.5)	17.5
Other servicing and administrative expenses	172.3	171.7	136.0	0.3	26.7
Amortization of acquired intangibles and goodwill	37.4	37.5	39.0	(0.3)	(4.1)
Policyholders' benefits	77.5	73.1	67.1	6.0	15.5
Total costs and expenses	982.8	955.8	814.8	2.8	20.6
Income before income taxes	763.6	669.7	690.8	14.0	10.5
Income taxes	259.8	230.7	239.6	12.6	8.4
Net income	503.8	439.0	451.2	14.8	11.7
Preferred dividends	(2.9)	(2.3)	(2.3)	26.1	26.1
Earnings available to common shareholders	$ 500.9	$ 436.7	$ 448.9	14.7 %	11.6 %
Effective tax rate	34.0 %	34.4 %	34.7 %	(1.2) %	(2.0) %

Nine Months

($ millions)	Nine Months Ended 9/30/01	9/30/00	% Change
Finance and other interest income	$ 7,418.1	$ 6,278.7	18.1 %
Interest expense	3,190.4	2,811.9	13.5
Net interest margin	4,227.7	3,466.8	21.9
Provision for credit losses on owned receivables	2,083.6	1,542.1	35.1
Net interest margin after provision for credit losses	2,144.1	1,924.7	11.4
Securitization revenue	1,261.2	1,081.9	16.6
Insurance revenue	487.1	413.5	17.8
Investment income	121.9	127.2	(4.2)
Fee income	721.2	591.4	21.9
Other income	262.6	195.3	34.5
Total other revenues	2,854.0	2,409.3	18.5
Salaries and fringe benefits	1,173.1	956.6	22.6
Sales incentives	202.2	153.3	31.9
Occupancy and equipment expense	253.3	229.5	10.4
Other marketing expenses	391.3	366.8	6.7
Other servicing and administrative expenses	537.4	466.9	15.1
Amortization of acquired intangibles and goodwill	113.8	121.1	(6.0)
Policyholders' benefits	228.1	198.3	15.0
Total costs and expenses	2,899.2	2,492.3	16.3
Income before income taxes	2,098.9	1,841.7	14.0
Income taxes	724.3	633.7	14.3
Net income	1,374.6	1,208.0	13.8
Preferred dividends	(7.5)	(6.9)	8.7
Earnings available to common shareholders	$ 1,367.1	$ 1,201.1	13.8 %
Effective tax rate	34.5 %	34.4 %	0.3 %

Balance Sheet Data

($ millions)	9/30/01	6/30/01	9/30/00
Owned assets	$ 85,177.3	$ 80,977.6	$ 73,728.6
Managed assets	105,244.2	100,781.3	92,596.1
Managed receivables	95,655.1	91,538.5	83,453.9
Debt	71,676.5	67,792.1	61,900.5
Trust originated preferred securities	875.0	875.0	675.0
Preferred stock	455.8	164.4	164.4
Common shareholders' equity	7,922.8	7,896.4	7,550.4
Total shareholders' equity as a percent of managed assets	9.39 %	9.28 %	9.06 %
Tangible equity to tangible managed assets	7.82	7.61	7.33

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Consolidated Statements of Income - Managed Basis

Securitizations and sales of consumer receivables are a source of liquidity for us. We continue to service the securitized receivables after such receivables are sold and we retain a limited recourse obligation. Securitizations impact the classification of revenues and expenses in the statement of operations. When reporting on a managed basis, net interest margin, provision for credit losses, fee income, and securitization related revenue related to receivables sold are reclassified from securitization revenue into the appropriate caption.

Three Months

($ millions)	Three Months Ended 9/30/01	(1)	6/30/01	(1)	9/30/00	(1)	% Change from Prior Qtr.	Year
Finance and other interest income	$ 3,304.8	13.99 %	$ 3,216.8	14.17 %	$ 3,033.9	14.67 %	2.7 %	8.9 %
Interest expense	1,280.7	5.42	1,322.5	5.83	1,390.6	6.72	(3.2)	(7.9)
Net interest margin	2,024.1	8.57 %	1,894.3	8.34 %	1,643.3	7.95 %	6.9	23.2
Provision for credit losses	966.8		934.8		774.9		3.4	24.8
Net interest margin after provision for credit losses	1,057.3		959.5		868.4		10.2	21.8
Insurance revenue	169.2		159.3		146.7		6.2	15.3
Investment income	42.3		37.8		43.9		11.9	(3.6)
Fee income	407.9		396.3		380.3		2.9	7.3
Securitization related revenue	18.2		23.2		36.2		(21.6)	(49.7)
Other income	51.5		49.4		30.1		4.3	71.1
Total other revenues	689.1		666.0		637.2		3.5	8.1
Operating expenses and policyholders' benefits	982.8		955.8		814.8		2.8	20.6
Income before income taxes	763.6		669.7		690.8		14.0	10.5
Income taxes	259.8		230.7		239.6		12.6	8.4
Net income	$ 503.8		$ 439.0		$ 451.2		14.8	11.7
Average managed receivables:								
Real estate secured	$ 40,779.9		$ 38,779.8		$ 34,617.3		5.2 %	17.8 %
Auto finance	5,507.8		4,947.9		4,118.3		11.3	33.8
MasterCard/Visa (2)	17,361.4		16,964.9		16,193.1		2.3	7.2
Private label	12,178.2		11,971.1		11,088.1		1.7	9.8
Other unsecured	17,261.5		16,691.5		15,123.7		3.4	14.1
Commercial and other	545.4		566.9		664.3		(3.8)	(17.9)
Total	93,634.8		89,526.9		81,803.4		4.1	14.5
Average noninsurance investments	395.1		420.9		471.4		(6.1)	(16.2)
Other interest-earning assets	460.7		454.8		436.7		1.3	5.5
Average managed interest-earning assets	$ 94,489.8		$ 90,802.4		$ 82,711.5		4.1 %	14.2 %

(1) % Columns: comparison to average managed interest-earning assets, annualized.

(2) MasterCard and Visa are registered trademarks of MasterCard International, Incorporated and VISA USA Inc., respectively.

Nine Months

($ millions)	Nine Months Ended 9/30/01	(1)	9/30/00	(1)	% Change
Finance and other interest income	$ 9,768.4	14.24 %	$ 8,519.2	14.54 %	14.7 %
Interest expense	4,020.2	5.86	3,755.8	6.41	7.0
Net interest margin	5,748.2	8.38 %	4,763.6	8.13 %	20.7
Provision for credit losses	2,834.4		2,335.4		21.4
Net interest margin after provision for credit losses	2,913.8		2,428.2		20.0
Insurance revenue	487.1		413.5		17.8
Investment income	121.9		127.2		(4.2)
Fee income	1,187.4		1,058.4		12.3
Securitization related revenue	15.3		103.4		(85.2)
Other income	262.8		195.3		34.5
Total other revenues	2,084.3		1,905.8		9.4
Operating expenses and policyholders' benefits	2,899.2		2,492.3		16.3
Income before income taxes	2,098.9		1,841.7		14.0
Income taxes	724.3		633.7		14.3
Net income	$ 1,374.6		$ 1,208.0		13.8
Average managed receivables:					
Real estate secured	$ 38,968.0		$ 31,395.4		24.1 %
Auto finance	5,048.2		3,638.0		38.7
MasterCard/Visa (2)	17,150.4		15,870.3		8.1
Private label	12,054.1		11,074.8		8.8
Other unsecured	16,773.2		14,287.7		18.8
Commercial and other	564.6		718.1		(21.4)
Total	90,554.8		77,084.3		17.5
Average noninsurance investments	447.9		564.1		(20.6)
Other interest-earning assets	454.6		431.3		5.4
Average managed interest-earning assets	$ 91,457.1		$ 78,079.7		17.1 %

Summary of Securitization Related Revenue

($ millions)	Three Months Ended 9/30/01	6/30/01	9/30/00
Gross gains	$ 152.4	$ 160.4	$ 142.5
Amortization	(134.2)	(137.2)	(106.3)
Securitization related revenue	18.2	23.2	36.2
Over-the-life provision on new transactions	113.9	120.4	101.4
Net effect of securitization activity	$ (95.7)	$ (97.2)	$ (65.2)
Receivables securitized	$ 1,191.9	$ 1,371.8	$ 1,705.8

($ millions)	Nine Months Ended 9/30/01	9/30/00
Gross gains	$ 418.7	$ 403.7
Amortization	(403.4)	(300.3)
Securitization related revenue	15.3	103.4
Over-the-life provision on new transactions	314.0	295.7
Net effect of securitization activity	$ (298.7)	$ (192.3)
Receivables securitized	$ 3,465.5	$ 4,181.8

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Household International, Inc.

Receivables Analysis

End of Period Managed Receivables

($ millions)	9/30/01	6/30/01	9/30/00	% Change from Prior Qtr.	% Change from Prior Year
Real estate secured	$ 41,930.9	$ 39,806.5	$ 35,289.0	5.3 %	18.8 %
Auto finance	5,869.2	5,159.6	4,329.5	13.8	35.6
MasterCard/Visa	17,303.7	17,043.4	16,376.8	1.5	5.7
Private label	12,386.4	11,988.0	11,278.0	3.4	9.8
Other unsecured	17,631.5	16,991.5	15,538.3	3.8	13.5
Commercial and other	533.4	557.5	642.3	(4.3)	(17.0)
Managed portfolio	$ 95,655.1	$ 91,538.5	$ 83,453.9	4.5 %	14.6 %

Receivables (% of Managed Portfolio)

	9/30/01	6/30/01	9/30/00
Real estate secured	43.8 %	43.5 %	42.3 %
Auto finance	6.1	5.6	5.2
MasterCard/Visa	18.1	18.6	19.6
Private label	13.0	13.1	13.5
Other unsecured (1)	18.4	18.6	18.6
Commercial and other	0.6	0.6	.8
Total	100.0 %	100.0 %	100.0 %

End of Period Receivables ($ millions)

	9/30/01	6/30/01	9/30/00	% Change from Prior Qtr.	% Change from Prior Year
Owned receivables:					
Real estate secured	$ 40,822.3	$ 38,600.7	$ 33,595.1	5.8 %	21.5 %
Auto finance	2,340.1	2,039.0	1,917.7	14.8	22.0
MasterCard/Visa	8,066.9	7,915.7	7,203.0	1.9	12.0
Private label	10,736.4	10,330.0	10,128.0	3.9	6.0
Other unsecured	13,089.6	12,311.9	11,100.3	6.3	17.9
Commercial and other	533.4	557.5	642.3	(4.3)	(17.0)
Total owned receivables	75,588.7	71,754.8	64,586.4	5.3	17.0
Accrued finance charges	1,512.4	1,418.6	1,187.2	6.6	27.4
Credit loss reserve for owned receivables	(2,476.6)	(2,376.5)	(2,009.2)	4.2	23.3
Unearned credit insurance premiums and claims reserves	(888.2)	(832.4)	(646.0)	6.7	37.5
Amounts due and deferred from receivables sales	2,430.4	2,325.3	2,231.2	4.5	8.9
Reserve for receivables serviced with limited recourse	(1,078.4)	(1,080.0)	(976.8)	(0.1)	10.4
Total owned receivables, net	75,088.3	71,209.8	64,372.8	5.4	16.6
Receivables serviced with limited recourse:					
Real estate secured	1,108.6	1,205.8	1,693.9	(8.1)	(34.6)
Auto finance	3,529.1	3,120.6	2,411.8	13.1	46.3
MasterCard/Visa	9,236.8	9,127.7	9,173.8	1.2	.7
Private label	1,650.0	1,650.0	1,150.0	-	43.5
Other unsecured	4,541.9	4,679.6	4,438.0	(2.9)	2.3
Total receivables serviced with limited recourse	20,066.4	19,783.7	18,867.5	1.4	6.4
Total managed receivables, net	$ 95,154.7	$ 90,993.5	$ 83,240.3	4.6 %	14.3 %

(1) Personal homeowner loans are real estate secured loans that have been underwritten and priced as unsecured loans. Personal homeowner loans are included in the other unsecured line, and comprise 4.8% of Household's total managed portfolio at 09/30/01, 4.9% at 06/30/01, and 4.1% at 09/30/00.

Household International, Inc.

Credit Quality/Credit Loss Reserves

Two-Months-and-Over Contractual Delinquency

As a percent of managed consumer receivables, excludes commercial	9/30/01	6/30/01	9/30/00
Real estate secured	2.74 %	2.63 %	2.77 %
Auto finance	2.54	2.09	2.19
MasterCard/Visa	3.91	3.60	3.48
Private label	5.88	5.66	5.67
Other unsecured	8.51	8.43	7.72
Total	4.43 %	4.27 %	4.21 %

Quarter-to-Date Chargeoffs, Net of Recoveries

As a percent of average managed consumer receivables, annualized, excludes commercial	9/30/01	6/30/01	9/30/00
Real estate secured	.52 %	.48 %	.41 %
Auto finance	4.84	4.47	4.45
MasterCard/Visa	6.75	6.82	5.23
Private label	5.13	5.09	5.28
Other unsecured	7.00	6.82	7.05
Total	3.74 %	3.71 %	3.47 %

Nonperforming Assets

($ millions)	9/30/01	6/30/01	9/30/00
Nonaccrual managed receivables	$ 2,429.4	$ 2,232.5	$ 1,984.1
Accruing managed receivables			
90 or more days delinquent	993.6	899.9	802.8
Renegotiated commercial loans	-	12.3	12.3
Total nonperforming managed receivables	3,423.0	3,144.7	2,799.2
Real estate owned	363.1	365.2	336.9
Total nonperforming assets	$ 3,786.1	$ 3,509.9	$ 3,136.1
Managed credit loss reserves as a percent			
of nonperforming managed receivables	103.9 %	109.9 %	106.7 %

Credit Loss Reserves

($ millions)	9/30/01		6/30/01		9/30/00	
Reserves for owned receivables						
at beginning of quarter	$ 2,375.5		$ 2,282.4		$ 1,986.5	
Provision for credit losses	722.9		657.1		524.4	
Chargeoffs, net of recoveries	(630.2)		(573.2)		(474.8)	
Other, net	7.4		10.2		(26.8)	
Reserves for owned receivables at end of quarter	2,475.6	3.28 %(1)	2,376.5	3.31 %(1)	2,009.2	3.11 %(1)
Credit loss reserves for receivables serviced						
with limited recourse at beginning of quarter	1,080.0		1,057.8		961.7	
Provision for credit losses	243.9		277.7		250.5	
Chargeoffs, net of recoveries	(240.4)		(255.9)		(229.3)	
Other, net	(5.1)		0.4		(6.1)	
Credit loss reserves for receivables serviced						
with limited recourse at end of quarter	1,078.4	5.37 %(1)	1,080.0	5.46 %(1)	976.8	5.18 %(1)
Total managed credit loss reserves at end of quarter	$ 3,555.0	3.72 %(1)	$ 3,456.5	3.78 %(1)	$ 2,986.0	3.58 %(1)

(1) % Columns: comparisons to appropriate receivables.

2700 Sanders Road,
Prospect Heights, IL 60070

News Release

Household Reports Record Quarterly and Full-Year Net Income

Highest Quarterly and Annual Net Income in Company History
Fourteenth Consecutive Record Quarter

- Fourth Quarter Earnings Per Share Rises 14%, to $1.17
- Fourth Quarter Net Income Increases to $549 Million
- Receivables Up $5.2 Billion in the Quarter, to $100.8 Billion

- Full Year Earnings Per Share of $4.08, Up 15%
- Full Year Net Income of $1.9 Billion
- Revenues Grow 18% for the Year

Prospect Heights, IL, January 16, 2002 -- Household International (NYSE: HI) today reported fourth quarter earnings per share of $1.17, its fourteenth consecutive record quarter. Fourth quarter earnings per share rose 14 percent from $1.03 the prior year. Net income in the fourth quarter increased 11 percent, to an all-time quarterly record of $549 million.

For the full year, Household reported earnings per share of $4.08, representing a 15 percent increase from $3.55 in 2000. Net income for 2001 totaled $1.9 billion, also an all-time high, 13 percent above $1.7 billion earned in 2000.

"Household's fourth quarter results were simply outstanding," said William F. Aldinger, chairman and chief executive officer, "demonstrating the tremendous strength and earnings power of the Household franchise. Receivable and revenue growth exceeded our expectations while credit indicators weakened only modestly in a tough economic environment. Recognizing the importance of a strong balance sheet, we provided $154 million in excess of owned chargeoffs, bringing our reserves to their highest level ever."

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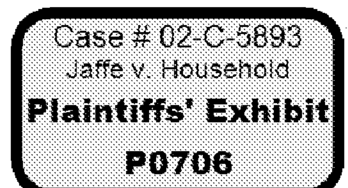

Commenting on the full-year results, Aldinger added, "In 2001, we demonstrated that our business model generates superior results in a weak economy as well as in the strong economic periods of previous years. Exceptional revenue growth of 18 percent more than offset the increases in credit losses during the year. We further strengthened our balance sheet while investing in sales and marketing to position our franchise for sustainable growth in the future. We are well-positioned to deliver 13 to 15 percent EPS growth for 2002."

Fourth Quarter Review

Receivable Growth
At December 31, 2001, the company's managed portfolio reached $100.8 billion, up $5.2 billion, or 5.4 percent, from the third quarter. Growth was strong across all products. The real estate secured portfolio increased the most, up $2.8 billion in the quarter. This portfolio comprises over 44 percent of total managed receivables.

During the quarter, the company purchased a private label credit card portfolio totaling approximately $725 million at December 31, 2001. In addition, the company sold approximately $1 billion in MasterCard/Visa receivables in the United Kingdom to Centrica, its former partner in the Goldfish Card program, as part of a settlement agreement.

Revenues
Fourth quarter managed net revenues grew $506 million, or 21 percent, from a year ago. An expanded net interest margin and higher receivable volume drove the increase.

Household's managed net interest margin for the fourth quarter was $2.2 billion, an increase of $466 million, or 27 percent, compared to a year ago. The company's managed net interest margin percent widened to 8.85 percent from 8.01 percent a year ago. Lower funding costs were the primary reasons for the expansion.

Managed fee income increased $17 million, or 4 percent, compared to the fourth quarter of 2000, principally reflecting higher levels of credit card fees.

The company's risk adjusted revenue (managed net revenues less securitization revenues and chargeoffs) expanded to 7.79 percent from 7.60 percent a year ago.

Operating Expenses
Operating expenses rose 22 percent from a year ago, driven by higher payroll costs for sales personnel and collectors, higher sales incentives, and increased marketing and technology spending. Household's efficiency ratio was 31.2 percent in the fourth quarter, compared to 30.8 percent a year ago.

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Credit Quality and Loss Reserves
At December 31st, the managed delinquency ratio (60+days) was 4.46 percent, up 3 basis points from 4.43 percent in the third quarter. The managed delinquency ratio was 4.20 percent a year ago. The annualized managed net chargeoff ratio for the fourth quarter was 3.90 percent, up 16 basis points from 3.74 percent in the third quarter. The managed net chargeoff ratio in the year-ago quarter was 3.41 percent.

Managed credit loss reserves increased by $256 million during the quarter, to $3.8 billion. Compared to year-end 2000, credit loss reserves were up $617 million. The ratio of reserves-to-managed receivables was 3.78 percent at December 31, 2001 compared to 3.72 percent at September 30th and 3.65 percent a year earlier. Reserves-to-nonperforming loans were 105 percent at December 31st, compared to 104 percent at September 30th and 107 percent a year ago.

Capital
The company strengthened its ratio of tangible equity to tangible managed assets to 7.87 percent at December 31st, from 7.82 percent at September 30th and 7.41 percent a year earlier.

In connection with its $2 billion share repurchase program, announced on March 9, 1999, Household bought back 2.2 million shares in the fourth quarter, totaling $140 million.

The company's new, two-year $2 billion share repurchase program went into effect on January 1, 2002. At December 31st, Household had agreements with third parties to purchase, on a forward basis, approximately 6.5 million shares of common stock at a weighted average price of $59.14 per share.

Full Year Highlights
- Managed receivables were up over $13 billion, or 15 percent, in 2001, with the most robust growth in real estate secured receivables.
- Managed revenues increased $1.6 billion, or 18 percent, driven by a strong net interest margin. The company's full-year net interest margin expanded 40 basis points, to 8.50 percent.
- Operating expenses grew 18 percent in 2001, as the company grew its sales and collection staff to support its growing portfolio. The company also invested in technology, e-commerce and marketing to strengthen its franchise for the future. Household's 2001 efficiency ratio was 34.0 percent compared to 34.2 percent for 2000.
- Credit losses grew moderately during 2001, with the full-year managed chargeoff ratio increasing 9 basis points, to 3.73 percent. The company strengthened its balance sheet throughout the year, providing $503 million to reserves in excess of owned chargeoffs.
- Risk adjusted revenue for 2001 improved to 7.78 percent from 7.55 percent in 2000.
- During 2001, the company repurchased 17.4 million shares, totaling $916 million.

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Notice of Live Webcast
Household will broadcast its fourth quarter earnings teleconference call over the Internet on its website at www.household.com. The call will begin at 9:00 a.m. Central Standard Time on January 16, 2002. A replay will also be available shortly after the end of the call.

About Household
Household's businesses are leading providers of consumer loan, credit cards, auto finance and credit insurance products in the United States, United Kingdom and Canada. In the United States, Household's largest business, founded in 1878, operates under the two oldest and most recognized names in consumer finance - HFC and Beneficial. Household is also one of the nation's largest issuers of private label and general purpose credit cards, including The GM Card® and the AFL-CIO's Union Plus® card. For more information, visit the company's web site at www.household.com.

This press release contains certain estimates and projections that may be forward-looking in nature, as defined by the Private Securities Litigation Reform Act of 1995. A variety of factors may cause actual results to differ materially from the results discussed in these forward-looking statements. Factors that might cause such a difference are discussed in Household International's Annual Report on Form 10-K, filed with the SEC.

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both of Household International

Household International, Inc.

Quarterly Financial Supplement

December 31, 2001 - Quarterly Highlights

Summary Managed Income Statement ($ millions)	Three Months Ended 12/31/01	09/30/01	12/31/00	% Change from Prior Qtr.	Year
Managed-basis net interest margin and other revenues (1)	$ 2,940.4	$ 2,635.7	$ 2,434.7	11.6 %	20.8 %
Managed-basis provision for credit losses (1)	1,184.0	966.8	917.0	22.5	29.1
Operating expenses	916.8	905.3	748.9	1.3	22.4
Income before income taxes	839.6	763.6	768.8	10.0	9.2
Income taxes	290.7	259.8	276.1	11.9	5.3
Net income	$ 548.9	$ 503.8	$ 492.7	9.0	11.4

Common Stock Data	12/31/01	09/30/01	12/31/00	Qtr.	Year
Basic earnings per common share	$ 1.18	$ 1.09	$ 1.05	8.3 %	12.4 %
Diluted earnings per common share	1.17	1.07	1.03	9.3	13.6
Average common shares (millions)	457.7	461.3	471.1	(0.8)	(2.8)
Average common and equivalent shares (millions)	463.2	467.7	476.1	(1.0)	(2.7)
Common stock price:					
High	$ 61.40	$ 69.49	$ 56.94	(11.6)	7.8
Low	51.29	48.00	43.88	6.9	16.9
Period end	57.94	56.38	55.00	2.8	5.3
Dividends declared per common share	$ .22	$ .22	$ .19	-	15.8
Book value per common share	19.47	18.59	16.88	4.7	15.3

Key Ratios	12/31/01	09/30/01	12/31/00	Qtr.	Year
Return on average common shareholders' equity	24.3 %	23.6 %	25.4 %	5.1 %	(2.4) %
Return on average owned assets	2.51	2.42	2.61	3.7	(3.8)
Return on average managed assets	2.04	1.96	2.09	4.1	(2.4)
Managed efficiency ratio	31.2	34.3	30.8	(9.0)	1.3
Managed net interest margin	8.85	8.57	8.01	3.3	10.5
Risk adjusted revenue	7.37	7.82	7.31	(5.8)	0.8
Total shareholders' equity as a percent of managed assets	9.37	9.39	9.07	(0.2)	3.3
Tangible equity to tangible managed assets	7.87	7.82	7.41	0.6	6.2

(1) To aid analysis, net interest margin, other revenues, and provision for credit losses are presented on a pro forma managed basis as if receivables securitized and sold with limited recourse were held in the portfolio. Policyholders' benefits have been netted against other revenues.

Full Year Highlights

Summary Managed Income Statement ($ millions)	Twelve Months Ended 12/31/01	12/31/00	% Change
Managed-basis net interest margin and other revenues (1)	$ 10,544.8	$ 8,905.8	18.4 %
Managed-basis provision for credit losses (1)	4,018.4	3,252.4	23.6
Operating expenses	3,587.9	3,042.9	17.9
Income before income taxes	2,938.5	2,610.5	12.6
Income taxes	1,015.0	909.8	11.6
Net income	$ 1,923.5	$ 1,700.7	13.1

Common Stock Data	12/31/01	12/31/00	% Change
Basic earnings per common share	$ 4.13	$ 3.59	15.0 %
Diluted earnings per common share	4.08	3.55	14.9
Average common shares (millions)	462.0	471.8	(2.1)
Average common and equivalent shares (millions)	468.1	476.2	(1.7)
Common stock price:			
High	$ 69.98	$ 57.44	21.8
Low	48.00	29.50	62.7
Period end	57.94	55.00	5.3
Dividends declared per common share	$ .85	$ .74	14.9

Key Ratios	12/31/01	12/31/00	% Change
Return on average common shareholders' equity	22.9 %	23.4 %	(2.1) %
Return on average owned assets	2.34	2.44	(4.1)
Return on average managed assets	1.89	1.93	(2.1)
Managed efficiency ratio	34.0	34.2	(0.6)
Managed net interest margin	8.50	8.10	4.9
Risk adjusted revenue	7.59	7.23	5.0

Consolidated Statements of Income - Owned Basis

Three Months

($ millions)	Three Months Ended 12/31/01	09/30/01	12/31/00	% Change from Prior Qtr.	Year
Finance and other interest income	$ 2,602.5	$ 2,536.6	$ 2,415.6	2.6 %	7.7 %
Interest expense	983.4	1,035.2	1,117.0	(5.0)	(12.0)
Net interest margin	1,619.1	1,501.4	1,298.6	7.8	24.7
Provision for credit losses on owned receivables	829.3	722.9	574.8	14.7	44.3
Net interest margin after provision for credit losses	789.8	778.5	723.8	1.5	9.1
Securitization revenue - net	514.4	454.3	394.7	13.2	30.3
Insurance revenue	175.3	169.2	147.7	3.6	18.7
Investment income	45.8	42.3	47.0	8.3	(2.6)
Fee income	245.7	250.6	234.4	(2.0)	4.8
Other income	59.9	51.5	33.5	16.3	78.8
Total other revenues	1,041.1	967.9	857.3	7.6	21.4
Salaries and fringe benefits	424.1	408.3	355.5	3.9	19.3
Sales incentives	71.0	74.1	50.3	(4.2)	41.2
Occupancy and equipment expense	84.1	86.1	77.1	(2.3)	9.1
Other marketing expenses	128.0	127.1	104.3	0.7	22.7
Other servicing and administrative expenses	172.2	172.3	122.8	(0.1)	40.2
Amortization of acquired intangibles and goodwill	37.4	37.4	38.9	-	(3.9)
Policyholders' benefits	74.5	77.5	63.4	(3.9)	17.5
Total costs and expenses	991.3	982.8	812.3	0.9	22.0
Income before income taxes	839.6	763.6	768.8	10.0	9.2
Income taxes	290.7	259.8	276.1	11.9	5.3
Net income	548.9	503.8	492.7	9.0	11.4
Preferred dividends	(8.0)	(2.9)	(2.3)	100+	100+
Earnings available to common shareholders	$ 540.9	$ 500.9	$ 490.4	8.0 %	10.3 %
Effective tax rate	34.6 %	34.0 %	35.9 %	1.8 %	(3.6) %

Twelve Months

($ millions)	Twelve Months Ended 12/31/01	12/31/00	% Change
Finance and other interest income	$ 10,020.6	$ 8,694.3	15.3 %
Interest expense	4,173.8	3,928.9	6.2
Net interest margin	5,846.8	4,765.4	22.7
Provision for credit losses on owned receivables	2,912.9	2,116.9	37.6
Net interest margin after provision for credit losses	2,933.9	2,648.5	10.8
Securitization revenue - net	1,775.6	1,476.6	20.2
Insurance revenue	662.4	561.2	18.0
Investment income	167.7	174.2	(3.7)
Fee income	966.9	825.8	17.1
Other income	322.5	228.8	41.0
Total other revenues	3,895.1	3,266.6	19.2
Salaries and fringe benefits	1,597.2	1,312.1	21.7
Sales incentives	273.2	203.6	34.2
Occupancy and equipment expense	337.4	306.6	10.0
Other marketing expenses	519.3	470.9	10.3
Other servicing and administrative expenses	709.6	589.7	20.3
Amortization of acquired intangibles and goodwill	151.2	160.0	(5.5)
Policyholders' benefits	302.6	261.7	15.6
Total costs and expenses	3,890.5	3,304.6	17.7
Income before income taxes	2,938.5	2,610.5	12.6
Income taxes	1,015.0	909.8	11.6
Net income	1,923.5	1,700.7	13.1
Preferred dividends	(15.5)	(9.2)	68.5
Earnings available to common shareholders	$ 1,908.0	$ 1,691.5	12.8 %
Effective tax rate	34.5 %	34.9 %	(1.1) %

Balance Sheet Data

($ millions)	12/31/01	09/30/01	12/31/00
Owned assets	$ 89,416.0	$ 85,177.8	$ 76,706.3
Managed assets	110,384.0	105,244.2	96,955.8
Managed receivables	100,822.7	95,655.1	87,607.4
Debt	75,410.2	71,676.5	64,517.8
Trust originated preferred securities	975.0	875.0	675.0
Preferred stock	455.8	455.8	164.4
Common shareholders' equity	8,202.8	7,922.8	7,951.2
Total shareholders' equity as a percent of managed assets	9.37 %	9.39 %	9.87 %
Tangible equity to tangible managed assets	7.87	7.82	7.41

Consolidated Statements of Income - Managed Basis

Securitizations and sales of consumer receivables are a source of liquidity for us. We continue to service the securitized receivables after such receivables are sold and we retain a limited recourse obligation. Securitizations impact the classification of revenues and expenses in the statement of operations. When reporting on a managed basis, net interest margin, provision for credit losses, fee income, and securitization related revenue related to receivables sold are reclassified from securitization revenue into the appropriate caption.

Three Months

($ millions)	Three Months Ended						% Change from Prior	
	12/31/01	(1)	09/30/01	(1)	12/31/00	(1)	Qtr.	Year
Finance and other interest income	$ 3,385.0	13.66 %	$ 3,304.8	13.99 %	$ 3,183.5	14.76 %	2.4 %	6.3 %
Interest expense	1,192.6	4.81	1,280.7	5.42	1,457.1	6.77	(6.9)	(18.2)
Net interest margin	2,192.4	8.85 %	2,024.1	8.57 %	1,726.4	8.01 %	8.3	27.0
Provision for credit losses	1,184.0		966.8		917.0		22.5	29.1
Net interest margin after provision for credit losses	1,008.4		1,057.3		809.4		(4.6)	24.6
Insurance revenue	175.3		169.2		147.7		3.6	18.7
Investment income	45.6		42.3		47.0		8.3	(2.8)
Fee income	421.1		407.9		404.0		3.2	4.2
Securitization related revenue	120.4		18.2		139.5		100+	(13.7)
Other income	59.9		51.5		33.5		16.3	78.8
Total other revenues	822.5		689.1		771.7		19.4	6.6
Operating expenses and policyholders' benefits	991.3		982.8		812.3		0.9	22.0
Income before income taxes	839.6		763.6		768.8		10.0	9.2
Income taxes	290.7		259.8		276.1		11.9	5.3
Net income	$ 548.9		$ 503.8		$ 492.7		9.0	11.4
Average managed receivables:								
Real estate secured	$ 43,300.4		$ 40,778.9		$ 35,934.4		6.2 %	20.5 %
Auto finance	6,155.5		5,507.6		4,455.4		11.8	38.2
MasterCard/Visa (2)	17,680.3		17,361.4		16,833.7		1.8	5.0
Private label	12,880.0		12,178.2		11,552.4		5.8	11.5
Other unsecured	17,735.4		17,281.5		15,880.1		2.7	11.7
Commercial and other	525.7		545.4		620.0		(3.6)	(15.2)
Total	98,277.3		93,634.0		85,276.0		5.0	15.2
Average noninsurance investments	402.4		395.1		464.9		1.8	(13.4)
Other interest-earning assets	466.5		460.7		442.5		1.3	5.4
Average managed interest-earning assets	$ 99,146.2		$ 94,489.8		$ 86,183.4		4.9 %	15.0 %

Twelve Months

($ millions)	Twelve Months Ended				% Change
	12/31/01	(1)	12/31/00	(1)	
Finance and other interest income	$ 13,153.4	14.08 %	$ 11,702.7	14.61 %	12.4 %
Interest expense	5,212.8	5.58	5,212.7	6.51	-
Net interest margin	7,940.6	8.50 %	6,490.0	8.10 %	22.4
Provision for credit losses	4,018.4		3,252.4		23.6
Net interest margin after provision for credit losses	3,922.2		3,237.6		21.1
Insurance revenue	662.4		561.2		18.0
Investment income	167.7		174.2		(3.7)
Fee income	1,618.5		1,470.4		10.1
Securitization related revenue	135.7		242.9		(44.1)
Other income	322.5		228.8		41.0
Total other revenues	2,906.8		2,677.5		8.6
Operating expenses and policyholders' benefits	3,890.5		3,304.6		17.7
Income before income taxes	2,938.5		2,610.6		12.6
Income taxes	1,015.0		909.8		11.6
Net income	$ 1,923.5		$ 1,700.7		13.1
Average managed receivables:					
Real estate secured	$ 40,049.6		$ 32,530.2		23.1 %
Auto finance	5,323.5		3,842.3		38.5
MasterCard/Visa (2)	17,282.8		16,111.2		7.3
Private label	12,260.6		11,194.2		9.5
Other unsecured	17,013.6		14,760.8		15.3
Commercial and other	554.9		693.5		(20.0)
Total	92,485.2		79,132.2		16.9
Average noninsurance investments	436.5		539.3		(19.1)
Other interest-earning assets	457.6		434.1		5.4
Average managed interest-earning assets	$ 93,379.3		$ 80,105.6		16.6 %

(1) % Columns: comparison to average managed interest-earning assets, annualized.

(2) MasterCard and Visa are registered trademarks of MasterCard International, Incorporated and VISA USA Inc., respectively.

Summary of Securitization Related Revenue

($ millions)	Three Months Ended		
	12/31/01	09/30/01	12/31/00
Gross gains (1)	$ 244.5	$ 152.4	$ 273.4
Amortization	(124.1)	(134.2)	(133.9)
Securitization related revenue	120.4	18.2	139.5
Over-the-life provision on new transactions (2)	183.5	113.9	217.3
Net effect of securitization activity - managed basis	$ (63.1)	$ (95.7)	$ (77.8)
Net gain on receivables securitized (1) - (2)	$ 61.0	$ 38.5	$ 62.1
Receivables securitized:			
Auto finance	668.1	732.0	545.0
MasterCard/Visa	-	109.9	650.0
Private label	500.0	-	500.0
Other unsecured	825.0	350.0	1,098.4
Total	$ 1,993.1	$ 1,191.9	$ 2,793.4

($ millions)	Twelve Months Ended	
	12/31/01	12/31/00
Gross gains (1)	$ 663.2	$ 683.1
Amortization	(527.5)	(440.2)
Securitization related revenue	135.7	242.9
Over-the-life provision on new transactions (2)	497.5	513.0
Net effect of securitization activity - managed basis	$ (361.8)	$ (270.1)
Net gain on receivables securitized (1) - (2)	$ 165.7	$ 170.1
Receivables securitized:		
Auto finance	2,573.9	1,912.6
MasterCard/Visa	261.1	1,925.0
Private label	500.0	500.0
Other unsecured	2,123.6	2,637.4
Total	$ 5,458.6	$ 6,975.0

Receivables Analysis

End of Period Managed Receivables

($ millions)	12/31/01	09/30/01	12/31/00	% Change from Prior Qtr.	% Change from Prior Year
Real estate secured	$ 44,718.6	$ 41,930.9	$ 36,637.5	6.6 %	22.1 %
Auto finance	6,395.5	5,869.2	4,563.3	9.0	40.2
MasterCard/Visa	17,395.2	17,303.7	17,583.4	0.5	(1.1)
Private label	13,813.9	12,386.4	11,997.3	11.5	15.1
Other unsecured	17,992.6	17,631.5	16,227.3	2.0	10.9
Commercial and other	506.9	533.4	598.6	(5.0)	(15.3)
Managed portfolio	$ 100,822.7	$ 95,655.1	$ 87,607.4	5.4 %	15.1 %

Receivables (% of Managed Portfolio)

	12/31/01	09/30/01	12/31/00
Real estate secured	44.4 %	43.8 %	41.8 %
Auto finance	6.3	6.1	5.2
MasterCard/Visa	17.3	18.1	20.1
Private label	13.7	13.0	13.7
Other unsecured (1)	17.8	18.4	18.5
Commercial and other	.5	.6	.7
Total	100.0 %	100.0 %	100.0 %

End of Period Receivables ($ millions)

	12/31/01	09/30/01	12/31/00	% Change from Prior Qtr.	% Change from Prior Year
Owned receivables:					
Real estate secured	$ 43,856.8	$ 40,822.3	$ 35,179.7	7.4 %	24.7 %
Auto finance	2,368.9	2,340.1	1,850.6	1.2	28.0
MasterCard/Visa	8,141.2	8,066.9	8,053.6	0.9	1.1
Private label	11,663.9	10,736.4	10,347.3	8.6	12.7
Other unsecured	13,337.0	13,089.6	11,328.1	1.9	17.7
Commercial and other	506.9	533.4	598.6	(5.0)	(15.3)
Total owned receivables	79,874.7	75,588.7	67,357.9	5.7	18.6
Accrued finance charges	1,559.8	1,512.4	1,302.6	3.1	19.7
Credit loss reserve for owned receivables	(2,663.1)	(2,476.6)	(2,111.9)	7.5	26.1
Unearned credit insurance premiums and claims reserves	(895.8)	(888.2)	(725.2)	0.9	23.5
Amounts due and deferred from receivables sales	2,536.2	2,430.4	2,420.6	4.4	4.8
Reserve for receivables serviced with limited recourse	(1,148.3)	(1,078.4)	(1,082.3)	6.5	6.1
Total owned receivables, net	79,263.5	75,088.3	67,161.7	5.6	18.0
Receivables serviced with limited recourse:					
Real estate secured	861.8	1,108.6	1,457.8	(22.3)	(40.9)
Auto finance	4,026.6	3,529.1	2,712.7	14.1	48.4
MasterCard/Visa	9,254.0	9,236.8	9,529.8	0.2	(2.9)
Private label	2,150.0	1,650.0	1,650.0	30.3	30.3
Other unsecured	4,656.6	4,541.9	4,899.2	2.5	(5.0)
Total receivables serviced with limited recourse	20,948.0	20,066.4	20,249.5	4.4	3.4
Total managed receivables, net	$ 100,211.5	$ 95,154.7	$ 87,411.2	5.3 %	14.7 %

(1) Personal homeowner loans are real estate secured loans that have been underwritten and priced as unsecured loans. Personal homeowner loans are included in the other unsecured line, and comprise 4.7% of Household's total managed portfolio at 12/31/01, 4.8% at 09/30/01, and 4.4% at 12/31/00.

Credit Quality/Credit Loss Reserves

Two-Months-and-Over Contractual Delinquency

As a percent of managed consumer receivables, excludes commercial.	12/31/01	09/30/01	12/31/00
Real estate secured	2.68 %	2.74 %	2.63 %
Auto finance	3.16	2.54	2.55
MasterCard/Visa	4.10	3.91	3.49
Private label	5.48	5.88	5.48
Other unsecured	8.87	8.51	7.97
Total	4.46 %	4.43 %	4.20 %

Quarter-to-Date Chargeoffs, Net of Recoveries

As a percent of average managed consumer receivables, annualized, excludes commercial			
Real estate secured	.65 %	.52 %	.41 %
Auto finance	6.52	4.84	5.22
MasterCard/Visa	6.69	6.75	5.83
Private label	5.40	5.13	5.06
Other unsecured	7.05	7.00	5.92
Total	3.90 %	3.74 %	3.41 %

Nonperforming Assets

($ millions)	12/31/01	09/30/01	12/31/00
Nonaccrual managed receivables	$ 2,566.2	$ 2,429.4	$ 2,112.3
Accruing managed receivables 90 or more days delinquent	1,062.2	993.6	872.1
Total nonperforming managed receivables	3,628.4	3,423.0	2,984.4
Real estate owned	399.0	363.1	337.1
Total nonperforming assets	$ 4,027.4	$ 3,786.1	$ 3,321.5
Managed credit loss reserves as a percent of nonperforming managed receivables	105.0 %	103.9 %	107.0 %

Credit Loss Reserves

($ millions)	12/31/01		9/30/01		12/31/00	
Reserves for owned receivables at beginning of quarter	$ 2,476.6		$ 2,376.5		$ 2,009.2	
Provision for credit losses	829.3		722.9		574.8	
Chargeoffs, net of recoveries	(675.1)		(630.2)		(480.3)	
Other, net	32.3		7.4		18.2	
Reserves for owned receivables at end of quarter	2,663.1	3.33 %(1)	2,476.6	3.28 %(1)	2,111.9	3.14 %(1)
Credit loss reserves for receivables serviced with limited recourse at beginning of quarter	1,078.4		1,080.0		976.8	
Provision for credit losses	354.7		243.9		342.2	
Chargeoffs, net of recoveries	(288.2)		(240.4)		(231.6)	
Other, net	3.4		(5.1)		(5.1)	
Credit loss reserves for receivables serviced with limited recourse at end of quarter	1,148.3	5.48 %(1)	1,078.4	5.37 %(1)	1,082.3	5.34 %(1)
Total managed credit loss reserves at end of quarter	$ 3,811.4	3.78 %(1)	$ 3,555.0	3.72 %(1)	$ 3,194.2	3.65 %(1)

(1) % Columns: comparisons to appropriate receivables.

2700 Sanders Road,
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News Release

Household Reports Record First Quarter Net Income

Fifteenth Consecutive Record Quarter

- First Quarter Earnings Per Share Rises 20%, to $1.09
- First Quarter Net Income Increases to $511 Million
- Managed Receivables Up 14.5%, to $101.2 Billion

Prospect Heights, IL – April 17, 2002 -- Household International (NYSE: HI) today reported first quarter earnings per share of $1.09, its fifteenth consecutive record quarter. First quarter earnings per share rose 20 percent from $.91 the prior year. Net income in the first quarter increased 18 percent, to a record $511 million.

"Household turned in a very strong first quarter," said William F. Aldinger, Household's chairman and chief executive officer, "resulting from excellent results in our seasonal tax refund loan business and solid profitability in our other businesses despite the relatively weak economy. In addition to delivering record results this quarter, we strongly added to our capital and reserve levels and further enhanced liquidity. We remain committed to maintaining a strong balance sheet and maximum financial flexibility.

"Our credit quality performance was well within our expectations in light of the continued weakness in the economy," Aldinger continued. "We anticipate a very manageable credit environment for the remainder of the year."

Aldinger concluded, "We are off to a great start, and I am comfortable with our ability to meet our 13 to 15 percent earnings per share growth target for 2002."

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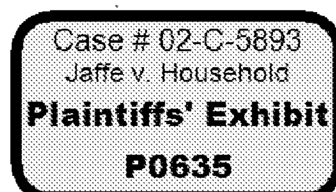

Receivable Growth
At March 31, 2002, the company's *managed basis* portfolio, which includes loans that the company has securitized, grew $12.8 billion, or 14.5 percent, from a year ago, to $101.2 billion. The real estate secured portfolio grew the most, increasing $8.2 billion from a year-ago. Growth was balanced between the consumer lending and mortgage services businesses. In the first quarter, the company demonstrated the liquidity of this portfolio by selling approximately $900 million in whole loans and completing secured financing transactions for $1.5 billion, including a $500 million draw on a new real estate secured conduit facility.

Compared to the fourth quarter of 2001, *managed basis* receivables increased $355 million. Growth in the real estate secured book was offset by typical, seasonal runoff of credit card balances and the above mentioned whole loan sale.

The company's *owned basis* portfolio totaled $79.6 billion, at the end of the first quarter, an increase of $10.8 billion or 16 percent, from the level of a year ago. Growth in the real estate secured portfolio was strongest, with an increase of $8.9 billion. Compared to year-end 2001, the *owned basis* portfolio declined $280 million.

Revenues
Net revenues for the company's *owned basis* portfolio grew $442 million, or 19 percent, from a year ago. An expanded net interest margin and higher receivable volume drove the increase.

Household's *owned basis* net interest margin for the first quarter was $1.6 billion, an increase of $285 million, or 22 percent, compared to a year ago. An expanded net interest margin percentage and higher receivable volume drove the increase. The company's *owned basis* net interest margin percent widened to 7.87 percent from 7.60 percent a year ago. Lower funding costs were the primary reasons for the expansion, as the company received the full benefit of 2001 interest rate reductions.

The first quarter *managed basis* net interest margin rose $435 million from a year ago, to $2.3 billion. The *managed basis* net interest margin percentage widened to 8.79 percent in the first quarter from 8.22 percent in the prior year. The net interest margin on a managed basis is greater than on an owned basis because the managed basis portfolio includes relatively more unsecured loans, which have higher yields.

Fee income, on both an *owned* and *managed basis*, was unchanged compared to the first quarter of 2001. In the fourth quarter of 2001, Household sold $1 billion of MasterCard/Visa receivables in the United Kingdom.

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Securitization revenue increased $115 million, or 28 percent, from the prior year. The company securitized over $2.4 billion of receivables in the quarter, compared to $900 million in the year ago quarter. The company accelerated its level of securitizations in the first quarter as part of a number of liquidity management actions to reduce reliance on short-term unsecured debt in potentially volatile markets.

Other income increased $26 million, or 16 percent, driven by higher revenues from the company's seasonal tax refund lending business.

Operating Expenses

Operating expenses rose 12 percent from a year ago, driven by higher compensation and other costs to support the company's growing portfolio. Household's *managed basis* efficiency ratio was 31.6 percent in the first quarter, compared to 35.6 percent a year ago.

Credit Quality and Loss Reserves

At March 31st, the *managed basis* delinquency ratio (60+days) was 4.63 percent, up 17 basis points from 4.46 percent at year-end 2001 and up 38 basis points from 4.25 percent a year ago. The annualized *managed basis* net charge-off ratio for the first quarter of 4.09 percent increased 19 basis points from 3.90 percent in the fourth quarter of 2001. The *managed basis* net charge-off ratio in the year-ago quarter was 3.56 percent. The company monitors trends on a managed basis because the receivables that it securitizes are subjected to underwriting standards comparable to the owned basis portfolio, are serviced by operating personnel without regard to ownership and result in similar credit exposure for the company.

The *owned basis* delinquency ratio at March 31st was 4.77 percent, compared to 4.53 percent at December 31st and 4.36 percent a year ago. The annualized *owned basis* charge-off ratio for the first quarter was 3.61 percent compared to 3.43 percent in the previous quarter and 3.12 percent a year ago.

Managed basis credit loss reserves totaled $4.1 billion at March 31st. *Managed basis* credit loss reserves as a percent of *managed basis* receivables was 4.10 percent, compared to 3.78 percent at both year-end 2001 and a year ago. *Managed basis-reserves-to-managed-nonperforming loans* were 108 percent, up from 105 percent at year end and flat with a year ago. Managed basis credit loss reserves include a provision for estimated probable losses the company expects to incur under recourse provisions on securitized receivables.

Owned basis credit loss reserves increased by $214 million during the first quarter, to $2.9 billion. The ratio of *owned basis reserves-to-owned receivables* of 3.61 percent at March 31st was higher than 3.33 percent at December 31, 2001 and 3.32 percent a year earlier. *Owned basis reserves-to-owned-nonperforming* loans were 93 percent at March 31st, compared to 91 percent at both December 31st and a year ago.

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Liquidity and Capital
During the quarter, Household accessed the debt capital markets to fund its operations in routine fashion. Recently, the company also took a number of steps to further improve liquidity management and provide additional flexibility in the event of potential future volatility in the financial markets. The company reduced its outstanding domestic commercial paper balance to $5.8 billion at March 31st, a $2.9 billion reduction from year-end levels. In addition, the company established a $1 billion investment liquidity portfolio, sold about $900 million of real estate loans and added $5 billion of incremental conduit capacity for its real estate secured product. Currently, the company's total undrawn conduit capacity is $5.4 billion. Domestic commercial paper backstop facilities are $10.1 billion, none of which have ever been drawn.

The company substantially strengthened its ratio of tangible equity to tangible managed assets to 8.41 percent at March 31st, from 7.87 percent at December 31st and 7.54 percent a year earlier. During the quarter, Household issued $400 million of preferred stock.

The company's new, two-year $2 billion share repurchase program went into effect on January 1, 2002. In connection with this program, Household bought back 1.6 million shares in the first quarter, totaling $100 million.

At March 31st, Household had agreements with third parties to purchase, on a forward basis, approximately 6 million shares of common stock at a weighted average price of $57.11 per share.

Notice of Live Webcast
Household will broadcast its first quarter earnings teleconference call over the Internet on its website at www.household.com. The call will begin at 9:00 a.m. Central Daylight Time on April 17, 2002. A replay will also be available shortly after the end of the call.

About Household
Household's businesses are leading providers of consumer loan, credit cards, auto finance and credit insurance products in the United States, United Kingdom and Canada. In the United States, Household's largest business, founded in 1878, operates under the two oldest and most recognized names in consumer finance - HFC and Beneficial. Household is also one of the nation's largest issuers of private label and general purpose credit cards, including The GM Card® and the AFL-CIO's Union Plus® card. For more information, visit the company's web site at www.household.com.

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This press release contains certain estimates and projections that may be forward-looking in nature, as defined by the Private Securities Litigation Reform Act of 1995. A variety of factors may cause actual results to differ materially from the results discussed in these forward-looking statements. Factors that might cause such a difference are discussed in Household International's Annual Report on Form 10-K, filed with the SEC.

# # #

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both of Household International

Household International, Inc.

Quarterly Financial Supplement

March 31, 2002 - Quarterly Highlights

Summary Owned Income Statement ($ millions)	Three Months Ended 3/31/02	12/31/01	3/31/01	% Change from Prior Qtr.	Year
Owned-basis net interest margin and other revenues	$ 2,771.6	$ 2,660.2	$ 2,329.8	4.2 %	19.0 %
Owned-basis provision for credit losses	923.0	829.3	703.6	11.3	31.2
Total costs and expenses	1,071.5	991.3	960.6	8.1	11.5
Income before income taxes	777.1	839.6	665.6	(7.4)	16.8
Income taxes	266.1	290.7	233.8	(8.5)	13.8
Net income	$ 511.0	$ 548.9	$ 431.8	(6.9) %	18.3 %

Common Stock Data	3/31/02	12/31/01	3/31/01	Qtr.	Year
Basic earnings per common share	$ 1.10	$ 1.18	$ .92	(6.8) %	19.6 %
Diluted earnings per common share	1.09	1.17	.91	(6.8)	19.8
Average common shares (millions)	456.8	457.7	466.0	(0.2)	(2.0)
Average common and equivalent shares (millions)	462.1	463.2	472.0	(0.2)	(2.1)
Common stock price:					
High	$ 60.90	$ 61.40	$ 62.00	(0.8) %	(1.8) %
Low	43.50	51.29	52.00	(15.2)	(16.3)
Period end	56.80	57.94	59.24	(2.0)	(4.1)
Dividends declared per common share	$ .22	$ .22	$ .19	- %	15.8 %
Book value per common share	20.23	19.47	17.23	3.9	17.4

Selected Financial Ratios	3/31/02	12/31/01	3/31/01	Qtr.	Year
Owned Basis					
Return on average common shareholders' equity	23.4 %	26.5 %	22.4 %	(11.7) %	4.5 %
Return on average owned assets	2.26	2.51	2.21	(10.0)	2.3
Net interest margin	7.87	8.21	7.60	(4.1)	3.6
Common and preferred equity as a percentage of owned assets	10.75	9.68	9.94	11.1	8.1
Common and preferred equity and trust preferred securities as a percentage of owned assets (1)	11.83	10.77	11.06	9.8	7.0
Managed Basis					
Return on average managed assets	1.82 %	2.04 %	1.77 %	(10.8) %	2.8 %
Efficiency ratio	31.6	31.2	35.6	1.3	(11.2)
Net interest margin	8.79	8.85	8.22	(0.7)	6.9
Common and preferred equity as a percentage of managed assets	8.68	7.85	7.95	10.6	9.2
Common and preferred equity and trust preferred securities as a percentage of managed assets (1)	9.55	8.73	8.85	9.4	7.9
Tangible equity to tangible managed assets (1)	8.41	7.87	7.54	6.9	11.5

(1) Represents a non-GAAP measure which may differ from similarly named measures presented by other companies.

Consolidated Statements of Income - Owned Basis

Three Months

	Three Months Ended			% Change from Prior	
($ millions)	3/31/02	12/31/01	3/31/01	Qtr.	Year
Finance and other interest income	$ 2,547.0	$ 2,602.5	$ 2,430.3	(2.1) %	4.8 %
Interest expense	938.8	983.4	1,106.8	(4.5)	(15.2)
Net interest margin	1,608.2	1,619.1	1,323.5	(0.7)	21.5
Provision for credit losses on owned receivables	923.0	829.3	703.6	11.3	31.2
Net interest margin after provision for credit losses	685.2	789.8	619.9	(13.2)	10.5
Securitization revenue	521.2	514.4	406.3	1.3	28.3
Insurance revenue	170.1	175.3	158.6	(3.0)	7.3
Investment income	46.2	45.8	41.8	0.9	10.5
Fee income	237.9	245.7	237.9	(3.2)	-
Other income	188.0	59.9	161.7	100+	16.3
Total other revenues	1,163.4	1,041.1	1,006.3	11.7	15.6
Salaries and fringe benefits	445.3	424.1	377.6	5.0	17.9
Sales incentives	54.1	71.0	54.5	(23.8)	(0.7)
Occupancy and equipment expense	92.2	84.1	83.5	9.6	10.4
Other marketing expenses	148.4	128.0	135.2	15.9	9.8
Other servicing and administrative expenses	229.3	172.2	193.4	33.2	18.6
Amortization of acquired intangibles and goodwill	18.2	37.4	38.9	(51.3)	(53.2)
Policyholders' benefits	84.0	74.5	77.5	12.8	8.4
Total costs and expenses	1,071.5	991.3	960.6	8.1	11.5
Income before income taxes	777.1	839.6	665.6	(7.4)	16.8
Income taxes	266.1	290.7	233.8	(8.5)	13.8
Net income	511.0	548.9	431.8	(6.9)	18.3
Preferred dividends	(8.5)	(8.0)	(2.3)	6.3	100+
Earnings available to common shareholders	$ 502.5	$ 540.9	$ 429.5	(7.1) %	17.0 %
Effective tax rate	34.2 %	34.6 %	35.1 %	(1.2) %	(2.6) %

Securitization Revenue

	Three Months Ended		
($ millions)	3/31/02	12/31/01	3/31/01
Net initial gain	$ 74.4	$ 61.1	$ 26.2
Net replenishment gains	124.2	102.5	95.0
Servicing revenue and excess spread	322.6	350.8	285.1
Total	$ 521.2	$ 514.4	$ 406.3
Receivables Securitized:			
Auto finance	$ 425.0	$ 868.1	$ 378.8
MasterCard/Visa	600.0	-	73.2
Private label	500.0	500.0	-
Personal non-credit card	902.7	625.0	450.0
Total	$ 2,427.7	$ 1,993.1	$ 902.0

Household International, Inc.

Credit Quality/Credit Loss Reserves - Owned Basis

Two-Months-and-Over Contractual Delinquency

As a percent of owned consumer receivables, excludes commercial.	3/31/02	12/31/01	3/31/01
Real estate secured	2.88 %	2.63 %	2.55 %
Auto finance	2.04	2.92	1.74
MasterCard/Visa	6.54	5.67	5.02
Private label	6.33	5.99	5.62
Personal non-credit card	9.60	9.04	8.79
Total	4.77 %	4.53 %	4.36 %

Quarter-to-Date Charge-offs, Net of Recoveries

As a percent of average owned consumer receivables, annualized, excludes commercial.	3/31/02	12/31/01	3/31/01
Real estate secured	.65 %	.64 %	.43 %
Auto finance	5.63	4.91	3.93
MasterCard/Visa	9.73	7.90	8.17
Private label	6.25	6.12	5.02
Personal non-credit card	7.71	8.97	6.12
Total	3.61 %	3.43 %	3.12 %
Real estate charge-offs and REO expense as a % of average owned real estate secured receivables	1.05 %	0.94 %	0.77 %

Credit Loss Reserves

($ millions)	3/31/02		12/31/01		3/31/01	
Reserves for owned receivables at beginning of quarter	$ 2,663.1		$ 2,478.6		$ 2,111.9	
Provision for credit losses	923.0		829.3		703.6	
Charge-offs, net of recoveries	(718.7)		(675.1)		(531.5)	
Other, net	9.2		32.3		(1.6)	
Reserves for owned receivables at end of quarter	$ 2,876.6	3.61 %(1)	$ 2,663.1	3.33 %(1)	$ 2,282.4	3.32 %(1)

Nonperforming Assets

($ millions)	3/31/02	12/31/01	3/31/01
Nonaccrual owned receivables	$ 2,261.0	$ 2,079.5	$ 1,825.1
Accruing owned receivables 90 or more days delinquent	840.6	845.2	681.6
Total nonperforming owned receivables	3,101.6	2,925.7	2,506.7
Real estate owned	459.4	398.9	350.2
Total nonperforming assets	$ 3,561.0	$ 3,324.6	$ 2,856.9
Owned credit loss reserves as a percent of nonperforming owned receivables	92.7 %	91.0 %	91.1 %

(1) % Columns: comparisons to appropriate receivables.

Balance Sheet Data

($ millions)	3/31/02	12/31/01	3/31/01
Owned assets	$ 90,367.9	$ 89,416.9	$ 78,253.3
Owned receivables	79,594.5	79,874.7	68,805.6
Managed assets	111,951.1	110,364.0	97,820.3
Managed receivables	101,177.7	100,822.7	88,372.6
Debt	74,462.8	75,410.2	65,164.0
Trust originated preferred securities	975.0	975.0	875.0
Preferred stock	843.2	455.8	164.4
Common shareholders' equity	8,875.4	8,202.8	7,616.7

Household International, Inc.

Receivables Analysis

End of Period Receivables ($ millions)

	3/31/02	12/31/01	3/31/01	% Change from Prior Qtr.	% Change from Prior Year
Owned receivables:					
Real estate secured	$ 45,828.9	$ 43,856.8	$ 36,686.8	4.0 %	24.4 %
Auto finance	2,602.9	2,368.9	1,988.0	9.9	30.9
MasterCard/Visa (1)	6,970.2	8,141.2	7,448.5	(14.4)	(6.4)
Private label	10,688.4	11,663.9	10,225.4	(8.4)	4.5
Personal non-credit card	13,213.0	13,337.0	11,884.2	(0.9)	11.2
Commercial and other	491.1	506.9	572.7	(3.1)	(14.2)
Total owned receivables	79,594.5	79,874.7	68,805.6	(0.4)	15.7
Accrued finance charges	1,515.3	1,559.8	1,322.5	(2.9)	14.6
Credit loss reserve for owned receivables	(2,876.6)	(2,663.1)	(2,282.4)	8.0	26.0
Unearned credit insurance premiums and claims reserves	(886.4)	(895.8)	(767.8)	(1.0)	15.4
Interest-only strip receivables (2)	1,034.5	968.2	741.4	6.8	39.5
Amounts due and deferred from receivables sales	243.0	419.7	543.3	(42.1)	(55.3)
Total owned receivables, net	78,624.3	79,263.5	68,362.6	(0.8)	15.0
Receivables serviced with limited recourse:					
Real estate secured	619.8	861.8	1,318.0	(28.1)	(53.0)
Auto finance	4,012.7	4,026.6	2,812.8	(0.3)	42.7
MasterCard/Visa	9,378.3	9,254.0	9,121.7	1.3	2.8
Private label	2,634.0	2,150.0	1,650.0	22.5	59.6
Personal non-credit card	4,938.4	4,655.6	4,664.5	6.1	5.9
Total receivables serviced with limited recourse	21,583.2	20,948.0	19,557.0	3.0	10.3
Total managed receivables, net	$ 100,207.5	$ 100,211.5	$ 87,929.6	- %	14.0 %

End of Period Managed Receivables

($ millions)	3/31/02	(3)	12/31/01	(3)	3/31/01	(3)	% Change from Prior Qtr.	% Change from Prior Year
Real estate secured	$ 46,248.7	45.7 %	$ 44,718.6	44.4 %	$ 36,004.8	43.0 %	3.4 %	21.7 %
Auto finance	6,615.6	6.5	6,395.5	6.3	4,800.8	5.4	3.4	37.8
MasterCard/Visa	16,348.5	16.2	17,395.2	17.3	16,570.2	18.8	(6.0)	(1.3)
Private label	13,322.4	13.2	13,813.9	13.7	11,875.4	13.4	(3.6)	12.2
Personal non-credit card (4)	18,151.4	17.9	17,992.6	17.8	16,548.7	18.7	0.9	9.7
Commercial and other	491.1	.5	506.9	.5	572.7	.7	(3.1)	(14.2)
Managed portfolio	$ 101,177.7	100.0 %	$ 100,622.7	100.0 %	$ 88,372.6	100.0 %	0.4 %	14.5 %

(1) MasterCard and Visa are registered trademarks of MasterCard International, Incorporated and VISA USA Inc., respectively.
(2) The change in interest-only strip receivables, net of the related loss reserve and excluding the mark-to-market adjustment recorded in accumulated other comprehensive income, was $29.0 million at 3/31/02, $54.3 million at 12/31/01, and $3.5 million at 3/31/01. Our estimate of the recourse obligation totaled $1,269.8 million at 3/31/02, $1,148.3 million at 12/31/01, and $1,057.8 million at 3/31/01.
(3) % of managed portfolio.
(4) Personal non-credit card receivables are comprised of the following:

	3/31/02	12/31/01	3/31/01
Domestic personal unsecured	$ 9,547.1	$ 9,593.1	$ 9,162.2
Union Plus personal unsecured	1,065.0	1,067.7	867.1
Personal homeowner loans	4,926.4	4,749.2	4,165.4
Foreign unsecured	2,612.9	2,582.6	2,354.0
Total	$ 18,151.4	$ 17,992.6	$ 16,548.7

Supplemental Managed Basis Information

Securitizations and sales of consumer receivables are a source of liquidity for us. We continue to service the securitized receivables after such receivables are sold and we retain a limited recourse obligation. Securitizations impact the classification of revenues. When reporting on a managed basis, net interest margin, provision for credit losses, fee income and securitization related revenue related to receivables sold are reclassified from securitization revenue into the appropriate caption.

Three Months

($ millions)	Three Months Ended 3/31/02	(1)	12/31/01	(1)	3/31/01	(1)	% Change from Prior Qtr.	Year
Finance and other interest income	$ 3,388.5	13.15 %	$ 3,385.0	13.66 %	$ 3,245.8	14.58 %	0.1 %	4.4 %
Interest expense	1,124.0	4.36	1,192.6	4.81	1,417.0	6.36	(5.8)	(20.7)
Net interest margin	2,264.5	8.79 %	2,192.4	8.85 %	1,829.8	8.22 %	3.3	23.8
Provision for credit losses	1,362.3		1,184.0		932.8		15.1	46.0
Net interest margin after provision for credit losses	$ 902.2		$ 1,008.4		$ 897.0		(10.5) %	0.6 %
Insurance revenue	$ 170.1		$ 175.3		$ 158.6		(3.0) %	7.3 %
Investment income	46.2		45.8		41.8		0.9	10.5
Fee income	396.3		421.1		393.2		(5.9)	0.8
Securitization revenue	145.8		120.4		(26.1)		21.1	100+
Other income	188.0		59.9		161.7		100+	16.3
Total other revenues	$ 946.4		$ 822.5		$ 729.2		15.1 %	29.8 %
Average managed receivables:								
Real estate secured	$ 45,800.7		$ 43,300.4		$ 37,338.5		5.8 %	22.7 %
Auto finance	6,530.6		6,155.5		4,682.9		6.1	39.5
MasterCard/Visa	16,890.8		17,680.3		17,119.7		(4.5)	(1.3)
Private label	13,621.4		12,980.0		12,013.2		5.8	13.4
Personal non-credit card	18,030.3		17,735.4		16,366.9		1.7	10.2
Commercial and other	496.5		525.7		581.5		(5.6)	(14.6)
Total	101,370.3		98,277.3		88,102.7		3.1	15.1
Average noninsurance investments	1,178.6		402.4		525.0		100+	100+
Other interest-earning assets	538.3		466.5		448.5		15.4	20.0
Average managed interest-earning assets	$ 103,087.2		$ 99,146.2		$ 89,076.2		4.0 %	15.7 %

(1) % Columns: comparison to average managed interest-earning assets, annualized.

Household International, Inc.

Credit Quality/Credit Loss Reserves Information - Managed Basis

Two-Months-and-Over Contractual Delinquency

As a percent of managed consumer receivables, excludes commercial.	3/31/02	12/31/01	3/31/01
Real estate secured	2.93 %	2.68 %	2.61 %
Auto finance	2.51	3.16	1.79
MasterCard/Visa	4.39	4.10	3.68
Private label	5.82	5.48	5.58
Personal non-credit card	9.02	8.87	8.37
Total	4.63 %	4.46 %	4.25 %

Quarter-to-Date Charge-offs, Net of Recoveries

As a percent of average managed consumer receivables, annualized, excludes commercial.			
Real estate secured	.65 %	.65 %	.44 %
Auto finance	6.70	6.52	5.15
MasterCard/Visa	7.17	6.69	6.27
Private label	5.57	5.40	6.08
Personal non-credit card	7.86	7.05	6.27
Total	4.09 %	3.90 %	3.56 %
Real estate charge-offs and REO expense as a % of average managed real estate secured receivables	1.05 %	0.93 %	0.77 %

Nonperforming Assets

($ millions)			
Nonaccrual managed receivables	$ 2,722.6	$ 2,566.2	$ 2,200.6
Accruing managed receivables 90 or more days delinquent	1,105.6	1,062.2	903.8
Total nonperforming managed receivables	3,828.2	3,628.4	3,104.4
Real estate owned	459.4	398.9	350.2
Total nonperforming assets	$ 4,287.6	$ 4,027.3	$ 3,454.6
Managed credit loss reserves as a percent of nonperforming managed receivables	108.3 %	105.0 %	107.6 %

Credit Loss Reserves

($ millions)	3/31/02		12/31/01		3/31/01	
Reserves for managed receivables at beginning of quarter	$ 3,811.4		$ 3,555.0		$ 3,194.2	
Provision for credit losses	1,362.3		1,184.0		932.8	
Charge-offs, net of recoveries	(1,031.5)		(963.3)		(779.6)	
Other, net	4.3		35.7		(7.2)	
Reserves for managed receivables at end of quarter	$ 4,146.5	4.10 %(1)	$ 3,811.4	3.78 %(1)	$ 3,340.2	3.78 %(1)

(1) % Columns: comparisons to appropriate receivables.

2700 Sanders Road
Prospect Heights, IL 60070

News Release

Household Reports Record Second Quarter Results on Strong Receivables Growth

Sixteenth Consecutive Record Quarter

- Second Quarter Earnings Per Share of $1.08, Up 16%
- Managed Receivables of $105 Billion, Up 15%

Prospect Heights, IL – July 17, 2002 -- Household International (NYSE: HI) today reported second quarter earnings per share increased 16 percent to $1.08, from $.93 the prior year. These results mark Household's sixteenth consecutive record quarter. Second quarter net income increased 17 percent, to a record $514 million.

"Our results this quarter were fueled by ongoing strong demand for our loan products," said William F. Aldinger, Household's chairman and chief executive officer. "Growth this quarter was strong, while we have maintained our conservative underwriting criteria. Recognizing that the U.S. economy has yet to demonstrate a sustained rebound, we continued to maintain strong levels of reserves and capital. In addition, we continued our focus on liquidity management during the quarter, given the potential for volatility in the capital markets."

Aldinger concluded, "The company's operating performance has been very strong in the first half of 2002, and, although the economic environment is likely to remain uncertain, we believe our businesses are well-positioned for the remainder of the year."

Receivable Growth
At June 30, 2002, the company's *managed basis* portfolio, which includes loans that the company has securitized, totaled $105.5 billion, an increase of $13.9 billion, or 15 percent, from a year ago. The strongest growth came in the real estate secured portfolio, with an increase of $9.1 billion from a year ago. Growth was balanced between the company's branch-based consumer lending and mortgage services businesses.

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Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P0788

Compared to the first quarter, *managed basis* receivables rose $4.3 billion, led by strong growth in the real estate secured product line.

The company's *owned basis* portfolio totaled $83.1 billion at June 30, 2002, an increase of $11.4 billion, or 16 percent, from a year ago and $3.5 billion, or 4 percent, compared to the end of the first quarter. Growth in the real estate secured portfolio drove the increase from both prior periods.

Revenues

Net revenues for the company's *owned basis* portfolio grew $393 million, or 17 percent, from the year-ago quarter.

Household's *owned basis* net interest margin for the second quarter increased $235 million, or 17 percent, to $1.6 billion. The increase was due to a larger receivable portfolio partially offset by a decrease in the company's *owned basis* net interest margin percent to 7.66 percent from 7.83 percent a year ago. The slight decrease was due to a relative increase in real estate secured receivables and a larger liquidity-related investment portfolio. Spreads on the investment portfolio are lower than those for the loan portfolio.

The second quarter *managed basis* net interest margin rose $395 million, or 21 percent, from a year ago, to $2.3 billion. The *managed basis* net interest margin percentage widened to 8.58 percent in the second quarter from 8.34 percent in the prior year. The net interest margin on a managed basis is greater than on an owned basis because the managed basis portfolio includes relatively more unsecured loans, which have higher yields. Lower funding costs benefited the net interest margin percentage on both an owned and managed basis.

Compared to the first quarter, the net interest margin on both an *owned* and *managed basis* declined primarily due to the above-mentioned increase in the company's portfolio of investments maintained for liquidity purposes.

Fee income, on both an *owned* and *managed basis*, was below the level of both the second quarter of 2001 and the first quarter of 2002. Improvements in early stage delinquencies resulted in lower late fees in the company's credit card businesses.

Securitization revenue, on an *owned basis*, increased $126 million, or 31 percent, from the prior year. The company continued to actively access the securitization market in the second quarter as part of liquidity management actions to limit reliance on short-term unsecured debt in potentially volatile markets. The company securitized nearly $2 billion of receivables in the quarter, compared to $1.4 billion in the year ago quarter. In addition, Household completed real estate secured financing transactions of $1.25 billion during the quarter.

Other income, on both an *owned* and *managed basis*, increased $46 million, or 93 percent, from the prior year. Higher collections in the company's tax refund lending business as well as increased revenues from the company's mortgage banking subsidiary caused the increase. Other income was $93 million lower than the first quarter, which included seasonal revenues from the company's tax refund lending business.

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Operating Expenses
Operating expenses rose 10 percent from a year ago, driven by higher compensation, marketing and other costs to support the company's growing portfolio. Household's *managed basis* efficiency ratio was 32.2 percent in the second quarter, compared to 35.5 percent a year ago.

Credit Quality and Loss Reserves
The company monitors trends on a managed basis because the receivables that it securitizes are subjected to underwriting standards comparable to the owned basis portfolio, are serviced by operating personnel without regard to ownership and result in similar credit exposure for the company.

At June 30th, the *managed basis* delinquency ratio (60+days) was 4.53 percent, down 10 basis points from 4.63 percent at the end of March, led by improvement in the MasterCard/Visa portfolio. The managed basis delinquency ratio was 4.27 percent a year ago. The annualized *managed basis* net charge-off ratio for the second quarter of 4.26 percent was 17 basis points higher than the first quarter and 55 basis points higher than a year ago.

The *owned basis* delinquency ratio at June 30th was 4.61 percent, compared to 4.77 percent at March 31st and 4.48 percent a year ago. The annualized *owned basis* net charge-off ratio for the second quarter was 3.76 percent compared to 3.61 percent in the previous quarter and 3.26 percent a year ago.

Managed basis credit loss reserves totaled $4.4 billion at June 30th. *Managed basis* credit loss reserves as a percent of *managed basis* receivables equaled 4.14 percent, up from 4.10 percent at March 31st and 3.78 percent a year ago. *Managed basis* reserves-to-managed-nonperforming loans were 112 percent, up from 108 percent at the end of March and 110 percent a year ago. Managed basis credit loss reserves include a provision for estimated probable losses the company expects to incur under recourse provisions on securitized receivables.

Owned basis credit loss reserves totaled $3.0 billion at June 30th, an increase from $2.9 billion at March 31st. The ratio of *owned basis* reserves-to-owned receivables was 3.59 percent at June 30th, compared to 3.61 percent at March 31st and 3.31 percent a year earlier. *Owned basis* reserves-to-owned-nonperforming loans were 96 percent at June 30th, compared to 93 percent at the end of March and 91 percent a year ago. Owned basis reserve ratios are somewhat lower than comparable managed basis ratios because of the greater mix of real estate secured receivables in the owned portfolio which have lower credit losses.

Liquidity and Capital
During the quarter, Household continued to access the debt capital markets to fund its operations in routine fashion. The company also actively accessed the securitization markets, completing $1.25 billion in real estate secured financings and securitizing nearly $2 billion in other receivables. An additional $1 billion liquidity facility, backed by real estate secured receivables, was established in the quarter. Additionally, the company increased its investment liquidity portfolio to $4.5 billion from $1 billion at the end of March which provides additional flexibility in the event of potential volatility in the financial markets.

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The company maintained strong levels of capital. At June 30th, its ratio of tangible equity to tangible managed assets was 8.24 percent, compared to 8.41 percent at March 31st and 7.61 percent a year earlier.

In connection with its $2 billion share repurchase program, Household bought back 966,000 shares in the second quarter, totaling $60 million. At June 30th, Household had agreements with third parties to purchase, on a forward basis, approximately 6.1 million shares of common stock at a weighted average price of $55.63 per share.

Notice of Live Webcast
Household will broadcast a live teleconference call over the Internet on its website at www.household.com to discuss its second quarter results. The call will begin at 9:00 a.m. Central Daylight Time on July 17, 2002. A replay will also be available shortly after the end of the call.

About Household
Household's businesses are leading providers of consumer loan, credit cards, auto finance and credit insurance products in the United States, United Kingdom and Canada. In the United States, Household's largest business, founded in 1878, operates under the two oldest and most recognized names in consumer finance - HFC and Beneficial. Household is also one of the nation's largest issuers of private label and general purpose credit cards, including The GM Card® and the AFL-CIO's Union Plus® card. For more information, visit the company's web site at www.household.com.

This press release contains certain estimates and projections that may be forward-looking in nature, as defined by the Private Securities Litigation Reform Act of 1995. A variety of factors may cause actual results to differ materially from the results discussed in these forward-looking statements. Factors that might cause such a difference are discussed in Household International's Annual Report on Form 10-K, filed with the SEC.

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both of Household International.

Household International, Inc.

Quarterly Financial Supplement

HOUSEHOLD

June 30, 2002 - Quarterly Highlights

Summary Owned Income Statement ($ millions)	Three Months Ended 06/30/02	03/31/02	06/30/01	% Change from Prior Qtr.	Year
Owned-basis net interest margin and other revenues	$ 2,675.5	$ 2,771.6	$ 2,282.6	(3.5) %	17.2 %
Owned-basis provision for credit losses	850.9	923.0	657.1	(7.8)	29.5
Total costs and expenses	1,057.8	1,071.5	955.8	(1.3)	10.7
Income before income taxes	766.8	777.1	659.7	(1.3)	14.5
Income taxes	253.3	266.1	230.7	(4.8)	9.8
Net income	$ 513.5	$ 511.0	$ 439.0	0.6 %	17.0 %
Common Stock Data					
Basic earnings per common share	$ 1.09	$ 1.10	$ .94	(0.9) %	16.0 %
Diluted earnings per common share	1.08	1.09	.93	(0.9)	16.1
Average common shares (millions)	456.3	456.8	463.0	(0.1)	(1.4)
Average common and equivalent shares (millions)	461.2	462.1	469.6	(0.2)	(1.8)
Common stock price:					
High	$ 63.25	$ 60.90	$ 69.98	3.9 %	(9.6) %
Low	47.06	43.50	57.45	8.2	(18.1)
Period end	49.70	56.80	66.70	(12.5)	(25.5)
Dividends declared per common share	$ .25	$ .22	$ .22	13.6 %	13.6 %
Book value per common share	21.06	20.23	17.94	4.1	17.4
Selected Financial Ratios					
Owned Basis					
Return on average common shareholders' equity	22.2 %	23.4 %	22.4 %	(5.1) %	(0.9) %
Return on average owned assets	2.20	2.26	2.21	(2.7)	(0.5)
Net interest margin	7.66	7.87	7.83	(2.7)	(2.2)
Common and preferred equity as a percentage of owned assets	10.16	10.75	9.95	(5.5)	2.1
Common and preferred equity, and trust preferred securities as a percentage of owned assets (1)	11.16	11.83	11.03	(5.7)	1.1
Managed Basis					
Return on average managed assets	1.79 %	1.82 %	1.78 %	(1.6) %	0.6 %
Efficiency ratio	32.2	31.6	35.5	1.9	(9.3)
Net interest margin	8.58	8.79	8.34	(2.4)	2.9
Common and preferred equity as a percentage of managed assets	8.26	8.68	8.00	(4.8)	3.3
Common and preferred equity, and trust preferred securities as a percentage of managed assets (1)	9.08	9.55	8.87	(4.9)	2.4
Tangible equity to tangible managed assets (1)	8.24	8.41	7.61	(2.0)	8.3

(1) Represents a non-GAAP measure which may differ from similarly named measures presented by other companies.

Year-to-Date Highlights

Summary Owned Income Statement ($ millions)	Six Months Ended 06/30/02	06/30/01	% Change
Owned-basis net interest margin and other revenues	$ 5,447.1	$ 4,612.4	18.1 %
Owned-basis provision for credit losses	1,773.9	1,360.7	30.4
Total costs and expenses	2,129.3	1,916.4	11.1
Income before income taxes	1,543.9	1,335.3	15.6
Income taxes	519.4	464.5	11.8
Net income	$ 1,024.5	$ 870.8	17.7 %
Common Stock Data			
Basic earnings per common share	$ 2.19	$ 1.86	17.7 %
Diluted earnings per common share	2.17	1.84	17.9
Average common shares (millions)	456.6	464.5	(1.7)
Average common and equivalent shares (millions)	461.5	470.8	(2.0)
Common stock price:			
High	$ 63.25	$ 69.98	(9.6) %
Low	43.50	52.00	(16.3)
Period end	49.70	66.70	(25.5)
Dividends declared per common share	$ .47	$ .41	14.6 %
Selected Financial Ratios			
Owned Basis			
Return on average common shareholders' equity	22.8 %	22.4 %	1.8 %
Return on average owned assets	2.23	2.21	0.9
Net interest margin	7.77	7.72	0.6
Managed Basis			
Return on average managed assets	1.81 %	1.77 %	2.3 %
Efficiency ratio	31.9	35.5	(10.1)
Net interest margin	8.65	8.28	4.8

Household International, Inc.

Consolidated Statements of Income - Owned Basis

Three Months

($ millions)	Three Months Ended 06/30/02	Three Months Ended 03/31/02	Three Months Ended 06/30/01	% Change from Prior Qtr.	% Change from Prior Year
Finance and other interest income	$ 2,618.5	$ 2,547.0	$ 2,451.2	2.8 %	6.8 %
Interest expense	980.9	938.8	1,048.4	4.5	(6.4)
Net interest margin	1,637.6	1,608.2	1,402.8	1.8	16.7
Provision for credit losses on owned receivables	850.9	923.0	657.1	(7.8)	29.5
Net interest margin after provision for credit losses	786.7	685.2	745.7	14.8	5.5
Securitization revenue	526.2	521.2	400.6	1.0	31.4
Insurance revenue	177.5	170.1	159.3	4.4	11.4
Investment income	44.0	46.2	37.8	(4.8)	16.4
Fee income	194.9	237.9	232.7	(18.1)	(16.2)
Other income	95.3	188.0	49.4	(49.3)	92.9
Total other revenues	1,037.9	1,163.4	879.8	(10.8)	18.0
Salaries and fringe benefits	453.0	445.3	387.2	1.7	17.0
Sales incentives	67.6	54.1	73.6	25.0	(8.2)
Occupancy and equipment expense	93.3	92.2	83.7	1.2	11.5
Other marketing expenses	141.5	148.4	129.0	(4.6)	9.7
Other servicing and administrative expenses	202.5	229.3	171.7	(11.7)	17.9
Amortization of acquired intangibles and goodwill	12.5	18.2	37.5	(31.3)	(66.7)
Policyholders' benefits	87.4	84.0	73.1	4.0	19.6
Total costs and expenses	1,057.8	1,071.5	955.8	(1.3)	10.7
Income before income taxes	766.8	777.1	669.7	(1.3)	14.5
Income taxes	253.3	266.1	230.7	(4.8)	9.8
Net income	513.5	511.0	439.0	0.5	17.0
Preferred dividends	(15.5)	(8.5)	(2.3)	82.4	100+
Earnings available to common shareholders	$ 498.0	$ 502.5	$ 436.7	(0.9) %	14.0 %
Effective tax rate	33.0 %	34.2 %	34.4 %	(3.5) %	(4.1) %

Securitization Revenue

($ millions)	Three Months Ended 06/30/02	Three Months Ended 03/31/02	Three Months Ended 06/30/01
Net initial gain	$ 73.8	$ 74.4	$ 29.9
Net replenishment gains	127.0	124.2	102.6
Servicing revenue and excess spread	325.4	322.6	268.1
Total	$ 526.2	$ 521.2	$ 400.6
Receivables Securitized:			
Auto finance	$ 925.0	$ 425.0	$ 595.0
MasterCard/Visa	613.4	600.0	78.0
Private label	-	500.0	-
Personal non-credit card	450.0	902.7	698.6
Total	$ 1,988.4	$ 2,427.7	$ 1,371.6

Six Months

($ millions)	Six Months Ended 06/30/02	Six Months Ended 06/30/01	% Change
Finance and other interest income	$ 5,165.5	$ 4,881.5	5.8 %
Interest expense	1,919.7	2,155.2	(10.9)
Net interest margin	3,245.8	2,726.3	19.1
Provision for credit losses on owned receivables	1,773.9	1,360.7	30.4
Net interest margin after provision for credit losses	1,471.9	1,365.6	7.8
Securitization revenue	1,047.4	808.9	29.8
Insurance revenue	347.6	317.9	9.3
Investment income	90.2	79.6	13.3
Fee income	432.8	470.6	(8.0)
Other income	283.3	211.1	34.2
Total other revenues	2,201.3	1,886.1	16.7
Salaries and fringe benefits	898.3	764.8	17.5
Sales incentives	121.7	128.1	(5.0)
Occupancy and equipment expense	185.5	167.2	10.9
Other marketing expenses	289.9	264.2	9.7
Other servicing and administrative expenses	431.8	365.1	18.3
Amortization of acquired intangibles and goodwill	30.7	76.4	(59.8)
Policyholders' benefits	171.4	150.6	13.8
Total costs and expenses	2,129.3	1,915.4	11.1
Income before income taxes	1,543.9	1,335.3	15.6
Income taxes	519.4	464.5	11.8
Net income	1,024.5	870.8	17.7
Preferred dividends	(24.0)	(4.6)	100+
Earnings available to common shareholders	$ 1,000.5	$ 866.2	15.5 %
Effective tax rate	33.6 %	34.8 %	(3.4) %

Securitization Revenue

($ millions)	Six Months Ended 06/30/02	Six Months Ended 06/30/01
Net initial gain	$ 148.2	$ 66.2
Net replenishment gains	251.2	197.6
Servicing revenue and excess spread	648.0	543.1
Total	$ 1,047.4	$ 806.9
Receivables Securitized:		
Auto finance	$ 1,350.0	$ 973.8
MasterCard/Visa	1,213.4	151.2
Private label	500.0	-
Personal non-credit card	1,352.7	1,148.6
Total	$ 4,416.1	$ 2,273.6

Household International, Inc.

Credit Quality/Credit Loss Reserves - Owned Basis

Two-Months-and-Over Contractual Delinquency

As a percent of owned consumer receivables, includes commercial.	06/30/02	03/31/02	06/30/01
Real estate secured	2.78 %	2.88 %	2.59 %
Auto finance	2.99	2.04	2.35
MasterCard/Visa	6.13	6.54	4.80
Private label	6.19	6.33	6.54
Personal non-credit card	9.12	9.60	8.79
Total	4.61 %	4.77 %	4.48 %

Quarter-to-Date Charge-offs, Net of Recoveries

As a percent of average owned consumer receivables, annualized, excludes commercial.	06/30/02	03/31/02	06/30/01
Real estate secured	.85 %	.65 %	.48 %
Auto finance	4.80	5.63	3.26
MasterCard/Visa	9.94	9.73	8.33
Private label	5.86	6.25	5.25
Personal non-credit card	8.59	7.71	6.84
Total	3.76 %	3.51 %	3.26 %
Real estate charge-offs and REO expense as a percent of average owned real estate secured receivables	1.23 %	1.05 %	.78 %

Credit Loss Reserves

($ millions)	06/30/02		03/31/02		06/30/01	
Reserves for owned receivables at beginning of quarter	$2,876.6		$2,663.1		$2,282.4	
Provision for credit losses	850.9		923.0		657.1	
Charge-offs, net of recoveries	(765.6)		(718.7)		(573.2)	
Other, net	21.4		9.2		10.2	
Reserves for owned receivables at end of quarter	$2,983.3	3.59 % (1)	$2,876.6	3.61 % (1)	$2,376.5	3.31 % (1)

Nonperforming Assets

($ millions)	06/30/02	03/31/02	06/30/01
Nonaccrual owned receivables	$2,356.4	$2,261.0	$1,855.2
Accruing owned receivables 90 or more days delinquent	752.0	840.6	755.9
Total nonperforming owned receivables	3,108.4	3,101.6	2,611.1
Real estate owned	456.7	459.4	365.2
Total nonperforming assets	$3,565.1	$3,561.0	$2,976.3
Owned credit loss reserves as a percent of nonperforming owned receivables	96.0 %	92.7 %	91.0 %

(1) % Columns: comparisons to appropriate receivables.

Balance Sheet Data

($ millions)	06/30/02	03/31/02	06/30/01
Owned assets	$97,345.5	$90,367.9	$80,977.6
Owned receivables	83,137.9	79,594.5	71,754.8
Investment securities	8,229.7	5,835.8	3,471.0
Managed assets	119,668.2	111,951.1	100,761.3
Managed receivables	105,460.6	101,177.7	91,538.5
Debt	82,479.9	74,462.8	67,792.1
Trust originated preferred securities	975.0	975.0	875.0
Preferred stock	843.2	843.2	164.4
Common shareholders' equity	9,047.3	8,875.4	7,896.4

Receivables Analysis

End-of-Period Receivables

($ millions)	06/30/02	03/31/02	06/30/01	% Change from Prior Qtr.	% Change from Prior Year
Owned receivables:					
Real estate secured	$ 48,312.1	$ 45,628.9	$ 38,600.7	5.9 %	25.2 %
Auto finance	2,362.6	2,602.9	2,039.0	(9.2)	15.9
MasterCard/Visa (1)	6,880.7	6,970.2	7,915.7	(1.3)	(13.1)
Private label	10,827.1	10,688.4	10,330.0	1.3	4.8
Personal non-credit card	14,272.6	13,213.0	12,311.9	8.0	15.9
Commercial and other	482.8	491.1	557.5	(1.7)	(13.4)
Total owned receivables	83,137.9	79,594.5	71,754.8	4.5	15.9
Accrued finance charges	1,551.6	1,515.3	1,418.6	2.4	9.4
Credit loss reserve for owned receivables	(2,983.3)	(2,876.6)	(2,376.5)	3.7	25.5
Unearned credit insurance premiums and claims reserves	(878.0)	(886.4)	(832.4)	(0.9)	5.5
Interest-only strip receivables (2)	1,012.2	1,034.5	826.2	(2.2)	22.5
Amounts due and deferred from receivables sales	292.6	243.0	419.1	20.4	(30.2)
Total owned receivables, net	82,133.0	78,624.3	71,209.8	4.5	15.3
Receivables serviced with limited recourse:					
Real estate secured	575.4	619.8	1,205.6	(7.2)	(52.3)
Auto finance	4,518.2	4,012.7	3,120.6	12.6	44.8
MasterCard/Visa	9,905.8	9,378.3	9,127.7	5.6	8.5
Private label	2,649.9	2,634.0	1,650.0	0.6	60.6
Personal non-credit card	4,673.4	4,938.4	4,679.6	(5.4)	(0.1)
Total receivables serviced with limited recourse	22,322.7	21,583.2	19,783.7	3.4	12.8
Total managed receivables, net	$104,455.7	$100,207.5	$ 90,993.5	4.2 %	14.8 %

End-of-Period Managed Receivables

($ millions)	06/30/02	(3)	03/31/02	(3)	06/30/01	(3)	% Change from Prior Qtr.	% Change from Prior Year
Real estate secured	$ 48,887.5	46.4 %	$ 46,248.7	45.7 %	$ 39,806.5	43.5 %	5.7 %	22.8 %
Auto finance	6,880.8	6.5	6,615.6	6.5	5,159.6	5.6	4.0	33.4
MasterCard/Visa	16,786.5	15.9	16,348.5	16.2	17,043.4	18.6	2.7	(1.5)
Private label	13,477.0	12.8	13,322.4	13.2	11,980.0	13.1	1.2	12.5
Personal non-credit card (4)	18,946.0	18.0	18,151.4	17.9	16,991.5	18.6	4.4	11.5
Commercial and other	482.8	0.4	491.1	0.5	557.5	0.6	(1.7)	(13.4)
Managed portfolio	$ 105,460.6	100.0 %	$ 101,177.7	100.0 %	$ 91,538.5	100.0 %	4.2 %	15.2 %

(1) MasterCard and Visa are registered trademarks of MasterCard International, Incorporated and VISA USA Inc., respectively.

(2) The change in our interest-only strip receivables, net of the related loss reserve and excluding the mark-to-market adjustment recorded in accumulated other comprehensive income was $29.8 million at 06/30/02, $20.0 million at 03/31/02, and $(2.5) million at 06/30/01. Our estimate of the recourse obligation totaled $1,385.6 million at 06/30/02, $1,259.9 million at 03/31/02, and $1,080.0 million at 06/30/01.

(3) % of managed portfolio

(4) Personal non-credit card receivables are comprised of the following:

	06/30/02	03/31/02	06/30/01
Domestic personal unsecured	$ 9,711.0	$ 9,547.1	$ 9,173.6
Union Plus personal unsecured	1,193.7	1,065.0	894.3
Personal homeowner loans	5,157.5	4,926.4	4,455.1
Foreign unsecured	2,883.8	2,612.9	2,468.5
Total	$ 18,946.0	$ 18,151.4	$ 16,991.5

Supplemental Managed Basis Information

Securitizations and sales of consumer receivables are a source of liquidity for us. We continue to service the securitized receivables after such receivables are sold and we retain a limited recourse obligation. Securitizations impact the classification of revenues. When reporting on a managed basis, net interest margin, provision for credit losses, fee income, and securitization revenue related to receivables sold are reclassified from securitization revenue into the appropriate caption.

Three Months

($ millions)	Three Months Ended 06/30/02	(1)	03/31/02	(1)	06/30/01	(1)	% Change from Prior Qtr.	Year
Finance and other interest income	$ 3,426.8	12.94 %	$ 3,388.5	13.15 %	$ 3,216.8	14.17 %	1.1 %	6.5 %
Interest expense	1,137.5	4.26	1,124.0	4.36	1,322.5	5.83	1.2	(14.0)
Net interest margin	2,289.3	8.58 %	2,264.5	8.79 %	1,894.3	8.34 %	1.1	20.9
Provision for credit losses	1,278.4		1,362.3		934.8		(6.2)	36.8
Net interest margin after provision for credit losses	$ 1,010.9		$ 902.2		$ 959.5		12.0 %	5.4 %
Insurance revenue	$ 177.5		$ 170.1		$ 159.3		4.4 %	11.4 %
Investment income	44.0		46.2		37.8		(4.8)	16.4
Fee income	362.7		396.3		396.3		(8.5)	(8.5)
Securitization revenue	134.2		145.8		23.2		(8.0)	100+
Other income	95.3		188.0		49.4		(49.3)	92.9
Total other revenues	$ 813.7		$ 946.4		$ 666.0		(14.0) %	22.2 %
Average managed receivables:								
Real estate secured	$ 47,562.1		$ 45,809.7		$ 38,779.8		3.8 %	22.6 %
Auto finance	6,684.9		6,530.6		4,947.9		2.4	35.1
MasterCard/Visa	16,730.5		15,896.8		16,969.9		(0.5)	(1.4)
Private label	13,385.5		13,621.4		11,971.1		(1.7)	11.8
Personal non-credit card	18,393.1		18,030.3		16,691.5		2.0	10.2
Commercial and other	491.5		496.5		566.9		(1.0)	(13.3)
Total	103,247.6		101,370.3		89,926.9		1.9	14.8
Average noninsurance investments	2,950.4		1,178.6		420.9		100+	100+
Other interest-earning assets	558.3		538.3		454.6		3.7	22.8
Average managed interest-earning assets	$ 106,756.3		$ 103,087.2		$ 90,802.4		3.6 %	17.6 %

(1) % Columns: comparison to average managed interest-earning assets, annualized.

Six Months

($ millions)	Six Months Ended 06/30/02	(1)	06/30/01	(1)	% Change
Finance and other interest income	$ 6,815.3	12.99 %	$ 6,463.6	14.37 %	5.4 %
Interest expense	2,261.5	4.31	2,739.5	6.09	(17.4)
Net interest margin	4,553.8	8.68 %	3,724.1	8.28 %	22.3
Provision for credit losses	2,640.7		1,867.6		41.4
Net interest margin after provision for credit losses	$ 1,913.1		$ 1,856.5		3.0 %
Insurance revenue	$ 347.6		$ 317.9		9.3 %
Investment income	90.2		79.6		13.3
Fee income	759.0		789.5		(3.9)
Securitization revenue	280.0		(2.5)		100+
Other income	283.3		211.1		34.2
Total other revenues	$ 1,760.1		$ 1,395.2		26.2 %
Average managed receivables:					
Real estate secured	$ 46,681.4		$ 38,059.1		22.7 %
Auto finance	6,607.7		4,815.4		37.2
MasterCard/Visa	16,810.7		17,044.8		(1.4)
Private label	13,503.5		11,992.1		12.6
Personal non-credit card	18,211.7		16,529.9		10.2
Commercial and other	493.9		574.2		(14.0)
Total	102,308.9		89,014.8		14.9
Average noninsurance investments	2,064.5		474.4		100+
Other interest-earning assets	548.3		451.5		21.4
Average managed interest-earning assets	$ 104,921.7		$ 89,940.7		16.7 %

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Household International, Inc.

Credit Quality/Credit Loss Reserves Information - Managed Basis

Two-Months-and-Over Contractual Delinquency

As a percent of managed consumer receivables, excludes commercial.	06/30/02	03/31/02	06/30/01
Real estate secured	2.82 %	2.93 %	2.63 %
Auto finance	3.18	2.51	2.09
MasterCard/Visa	3.90	4.39	3.60
Private label	5.85	5.82	5.66
Personal non-credit card	8.06	9.02	8.43
Total	4.53 %	4.83 %	4.27 %

Quarter-to-Date Charge-offs, Net of Recoveries

As a percent of average managed consumer receivables, annualized, excludes commercial.	06/30/02	03/31/02	06/30/01
Real estate secured	.86 %	.65 %	.48 %
Auto finance	6.17	6.70	4.47
MasterCard/Visa	7.54	7.17	6.82
Private label	6.38	5.67	5.09
Personal non-credit card	8.56	7.86	6.82
Total	4.26 %	4.09 %	3.71 %
Real estate charge-offs and REO expense as a percent of average managed real estate secured receivables	1.23 %	1.05 %	.77 %

Credit Loss Reserves

($ millions)	06/30/02		03/31/02		06/30/01	
Reserves for managed receivables at beginning of quarter	$ 4,146.5		$ 3,811.4		$ 3,340.2	
Provision for credit losses	1,278.4		1,362.3		934.6	
Charge-offs, net of recoveries	(1,092.7)		(1,031.5)		(829.1)	
Other, net	36.7		4.3		10.6	
Reserves for managed receivables at end of quarter	$ 4,368.9	4.14 % (1)	$ 4,146.5	4.10 % (1)	$ 3,456.5	3.78 % (1)

Nonperforming Assets

($ millions)	06/30/02	03/31/02	06/30/01
Nonaccrual managed receivables	$ 2,877.6	$ 2,722.6	$ 2,232.5
Accruing managed receivables 90 or more days delinquent	1,008.8	1,105.6	912.2
Total nonperforming managed receivables	3,886.4	3,828.2	3,144.7
Real estate owned	456.7	459.4	365.2
Total nonperforming assets	$ 4,343.1	$ 4,287.6	$ 3,509.9
Managed credit loss reserves as a percent of nonperforming managed receivables	112.4 %	108.3 %	109.9 %

(1) % Columns: comparisons to appropriate receivables.

Reage Statistics

Our credit policies for consumer loans permit the reset of the contractual delinquency status of an account to current, subject to certain limits, if a predetermined number of consecutive payments has been received and there is evidence that the reason for the delinquency has been cured. Such reaging policies vary by product and are designed to manage customer relationships and ensure maximum collections. The below table summarizes the percent of the domestic portfolio outstanding as of the dates indicated by time period the reage was given or by product.

Total Domestic Portfolio

	06/30/02	12/31/01
Never reaged	81.3 %	83.1 %
Reaged in the last 6 months	7.4	9.0
Reaged in the last 7-12 months	5.1	3.5
Previously reaged	4.2	4.3
Total ever reaged	18.7	16.9
Total	100.0 %	100.0 %

Total Reaged by Product

	06/30/02	12/31/01
Real estate secured	19.1 %	20.0 %
Auto finance	15.9	15.0
MasterCard/Visa	3.4	3.2
Private label	10.5	11.1
Personal non-credit card	27.1	27.2
Total	16.7 %	16.9 %

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Prospect Heights, IL [illegible]

News Release

Household International Certifies Accuracy of SEC Filings in 2002

Reaffirms Business Outlook for Balance of the Year

Restates Certain Prior Period Accounts

Prospect Heights, IL, August 14, 2002 — Household International, Inc. (NYSE:HI) announced today that the company's chairman and chief executive officer, William F. Aldinger, and its president and chief operating officer, David A. Schoenholz (as the company's principal financial officer), had certified under oath to the accuracy of the company's most recent SEC filings. Copies of the signed certifications are available on the company's website at www.household.com.

Commenting on the company's recent results, Aldinger said, "Household's results for the year-to-date have been fueled by strong demand for our loan products throughout our businesses. Our loan underwriting approach continues to be conservative in these times of economic uncertainty, and we remain committed to strong reserve and capital levels. The company's operating performance in the first half of the year has been very strong, and our businesses are well-positioned for the remainder of the year."

Aldinger continued, "Household has undergone a thorough review of our financial statements and related accounting policies in conjunction with our new auditors, KPMG LLP. As part of this review, we have determined to adopt certain revisions to the accounting treatment of our Mastercard/Visa co-branding and affinity credit card relationships, and a credit card marketing agreement with a third party. We are restating earnings to reflect the cumulative impact of the adjusted items over the period in which the adjustments are applicable as determined in consultation with our new auditors at KPMG. The restatement associated with these matters has the effect of reducing second quarter earnings per share by $.01, or approximately 1 percent, and EPS for the six months ended June 30, 2002 by $.06, or 2.8 percent, versus what was reported in the company's earnings release of July 17, 2002. These changes are not expected to have any significant impact on our future results of operations."

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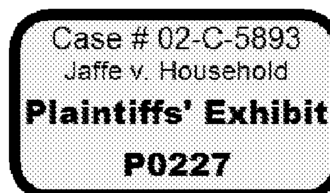

The cumulative restatement relates to the following periods:

Net Income Effect of Restatement
Dollar amounts in millions.

	Restatement Amount*	%	% Change from Prior Year As Reported	% Change from Prior Year As Restated
Second quarter, 2002	$ (6.1)	(1.2)%	17.0%	20.0%
First quarter, 2002	(20.0)	(3.9)	18.3	21.0
Six months ended June 30, 2002	(26.1)	(2.5)	17.7	20.5
Full year 2001	(75.9)	(3.9)	13.1	13.3
Full year 2000	(70.1)	(4.1)	14.4	14.2
Full year 1999	(58.1)	(3.9)	28.5	28.3
Years 1994 -1998	(155.8)	(3.8)		
Total effect	$ (386.0)			

*Represents the difference between Net Income as originally reported and as restated for the respective periods.

Additional detail is available in a supplemental schedule attached to this press release.

Commenting further on the restatement, Aldinger added, "These matters relate to accounting for complex co-branded, affinity and credit card marketing agreements, which were discussed with, and approved by, our prior auditors. It clearly is a good faith difference of opinion."

Aldinger further said, "The restatement, while disappointing, is small relative to the results we have reported over the period 1993 through 2001, as well as to the earnings growth trend that we have recorded. As restated, our earnings over the affected period have grown by a compounded rate of 22 percent, which is the same as the growth rate as originally reported. Further, these changes have no effect on our business model, cash flow or our on-going operations."

In the second quarter Household also announced that it was adopting the fair value method of accounting for stock options and employee stock purchase plans, commencing in 2002. The impact of this change is not expected to have a significant effect on the company's future results of operations.

Household has filed a restated Form 10-Q for the period ended March 31, 2002 and included as an exhibit to its Form 10-Q for the period ended June 30, 2002, a restated Form 10-K for the year-ended December 31, 2001 containing unaudited financial information. Household expects KPMG to complete the audit of the restated financials contained in the Form 10-K on or about August 31, 2002. Pending the completion of the audit, Household has suspended the issuance of unsecured debt and equity securities under its applicable shelf registrations. In any case, no significant issuances had been planned until September, 2002.

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Household will hold a conference call today, August 14, 2002, at 8:30 a.m. Eastern Daylight Time, to answer questions from the investment community. The call will be available live on our website at www.household.com, and will be available for replay until August 28, 2002. A telephonic replay will also be available beginning today at noon Eastern Daylight Time through midnight, August 16, 2002 at 719-457-0820, confirmation code 619668.

About Household

Household's businesses are leading providers of consumer loan, credit cards, auto finance and credit insurance products in the United States, United Kingdom and Canada. In the United States, Household's largest business, founded in 1878, operates under the two oldest and most recognized names in consumer finance - HFC and Beneficial. Household is also one of the nation's largest issuers of private label and general purpose credit cards, including The GM Card® and the AFL-CIO's Union Plus® card. For more information, visit the company's web site at www.household.com.

This press release contains certain estimates and projections that may be forward-looking in nature, as defined by the Private Securities Litigation Reform Act of 1995. A variety of factors may cause actual results to differ materially from the results discussed in these forward-looking statements. Factors that might cause such a difference are discussed in Household International's Quarterly Report on Form 10-Q for the period ended June 30, 2002, filed with the SEC.

# # #

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Megan Hayden, Manager -- Corporate Communications: 847-291-2101
of Household International.

Household International, Inc.

Restatement Effects

HOUSEHOLD

Six Months Ended June 30, 2002

Selected Financial Data ($ millions, except per share data)	As Reported	Restated	% Change	% Change from Prior Year Reported	% Change from Prior Year Restated
Owned assets	$97,343.5	$96,806.3	(0.6) %	22.2 %	20.2 %
Common and preferred equity	9,890.4	9,504.4	(3.9)	22.7	22.9
Common and preferred equity, and trust preferred securities (1)	10,865.4	10,478.4	(3.6)	21.6	21.7
Net income	1,021.5	998.4	(2.5)	17.7	20.5
Diluted earnings per common share	$ 2.17	$ 2.11	(2.8) %	17.9 %	20.6 %

Six Months Ended June 30, 2001

Selected Financial Data ($ millions, except per share data)	As Reported	Restated	% Change
Owned assets	$ 80,977.6	$ 80,526.6	(0.6) %
Common and preferred equity	8,060.8	7,734.8	(4.0)
Common and preferred equity, and trust preferred securities (1)	8,935.8	8,603.8	(3.6)
Net income	870.8	828.8	(4.8)
Diluted earnings per common share	$ 1.84	$ 1.75	(4.9) %

For the Year Ended 2001

Selected Financial Data ($ millions, except per share data)	As Reported	Restated	% Change	% Change from Prior Year Reported	% Change from Prior Year Restated
Owned assets	$89,416.0	$88,910.9	(0.6) %	16.6 %	16.5 %
Common and preferred equity	8,651.6	8,293.7	(4.2)	6.7	6.0
Common and preferred equity, and trust preferred securities (1)	9,631.6	9,273.7	(3.7)	9.6	9.0
Net income	1,923.5	1,847.8	(3.9)	13.1	13.3
Diluted earnings per common share	$ 4.08	$ 3.91	(4.2) %	14.9 %	15.0 %

For the Year Ended 2000

Selected Financial Data ($ millions, except per share data)	As Reported	Restated	% Change	% Change from Prior Year Reported	% Change from Prior Year Restated
Owned assets	$ 76,709.3	$ 76,309.2	(0.5) %	26.3 %	26.2 %
Common and preferred equity	8,115.6	7,831.8	(3.5)	22.7	22.3
Common and preferred equity, and trust preferred securities (1)	8,790.6	8,506.8	(3.2)	25.8	25.5
Net income	1,700.7	1,633.8	(4.1)	14.4	14.2
Diluted earnings per common share	$ 3.55	$ 3.40	(4.2) %	15.8 %	15.3 %

For the Year Ended 1999

Selected Financial Data ($ millions, except per share data)	As Reported	Restated	% Change
Owned assets	$60,749.4	$60,451.8	(0.5) %
Common and preferred equity	6,615.3	6,401.4	(3.2)
Common and preferred equity, and trust preferred securities (1)	6,990.3	6,776.4	(3.1)
Net income	1,486.4	1,428.3	(3.9)
Diluted earnings per common share	$ 3.07	$ 2.95	(3.9) %

For the Year Ended 1998 (2)

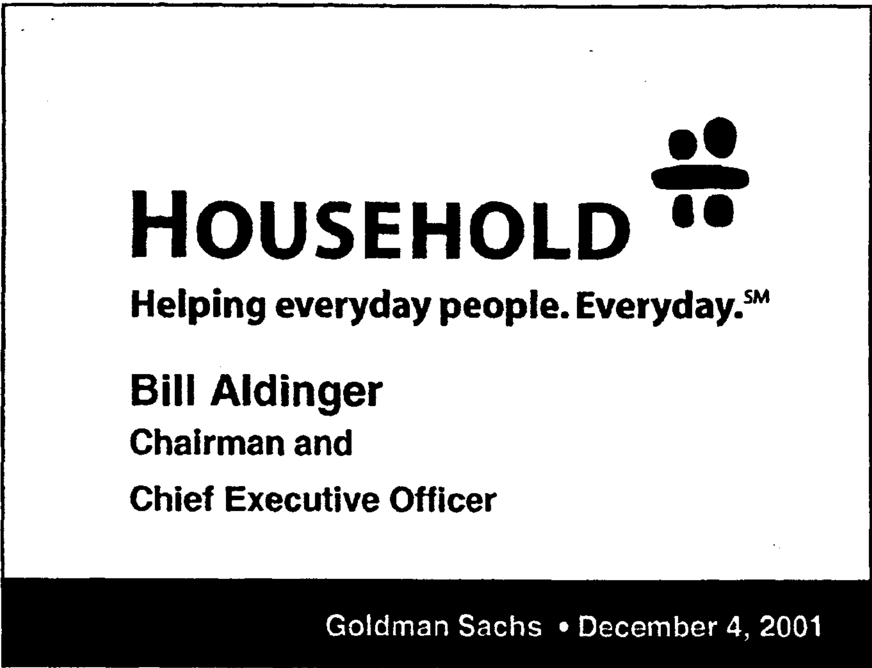
Selected Financial Data ($ millions, except per share data)	As Reported	Restated	% Change
Common and preferred equity	$ 6,385.8	$ 6,233.0	(2.4) %
Common and preferred equity, and trust preferred securities (1)	6,760.8	6,605.0	(2.3)

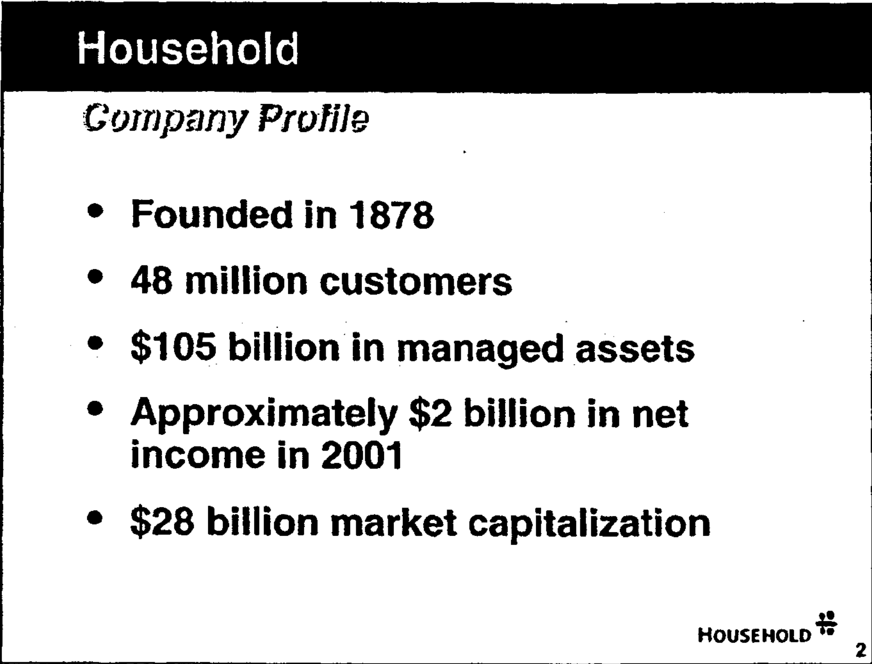
(1) Represents a non-GAAP measure which may differ from similarly named measures presented by other companies.

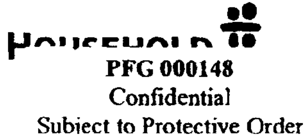
(2) Restated common and total equity as of December 31, 1998 includes a cumulative charge to common equity of $155.6 million, net of tax, related to restatements associated with the accounting treatment of our MasterCard/Visa co-branding and affinity credit card relationships and a credit card marketing agreement with a third party. All were a part of our Credit Card Services segment.

REPORTER: LORRIE L. MARCHANT, RPR, CRR, CSR NO. 10523
EXHIBIT: 80
Witness: Aldinger
Date: 1-29-2007 # of pages: 14

Goldman Sachs Presentation
December 4, 2001







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Case # 02-C-5893
Jaffe v. Household
Plaintiffs' Exhibit
P1248

Goldman Sachs Presentation
December 4, 2001

Diversified Consumer Lender

- **Multiple products**
- **Multiple distribution channels**
  - Over 40% of receivables originated through partners
  - Well known brands – Best Buy, GMCard®
- **Broad geographic reach**
- **Strong market share in all businesses**

Consumer Focus

Characteristics of Consumer Market

- **Our core customer is middle income market**
  - Average income of $45,000-$60,000 per year
- **60% of our portfolio is prime**
- **44% of portfolio is real estate secured**
  - 72% in first lien position

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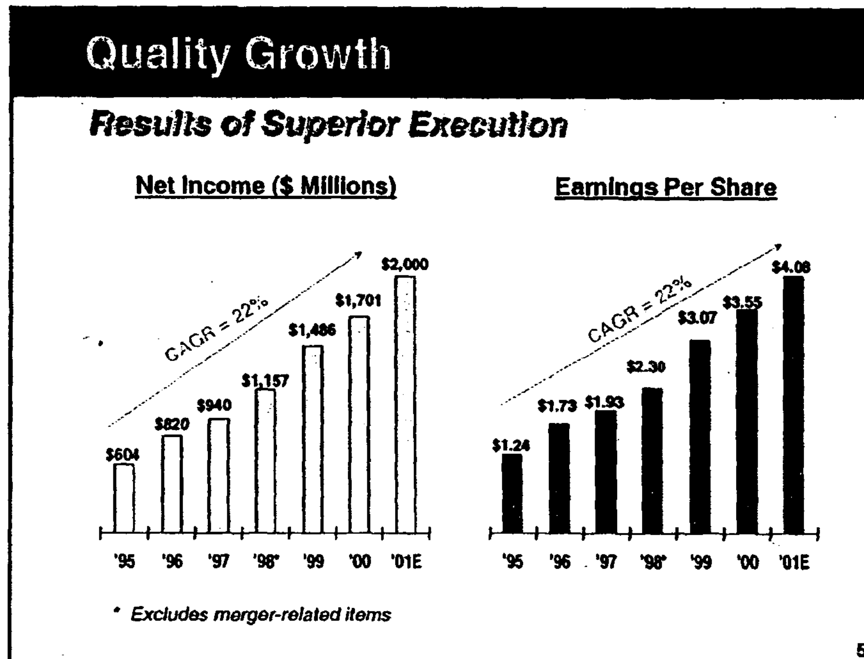

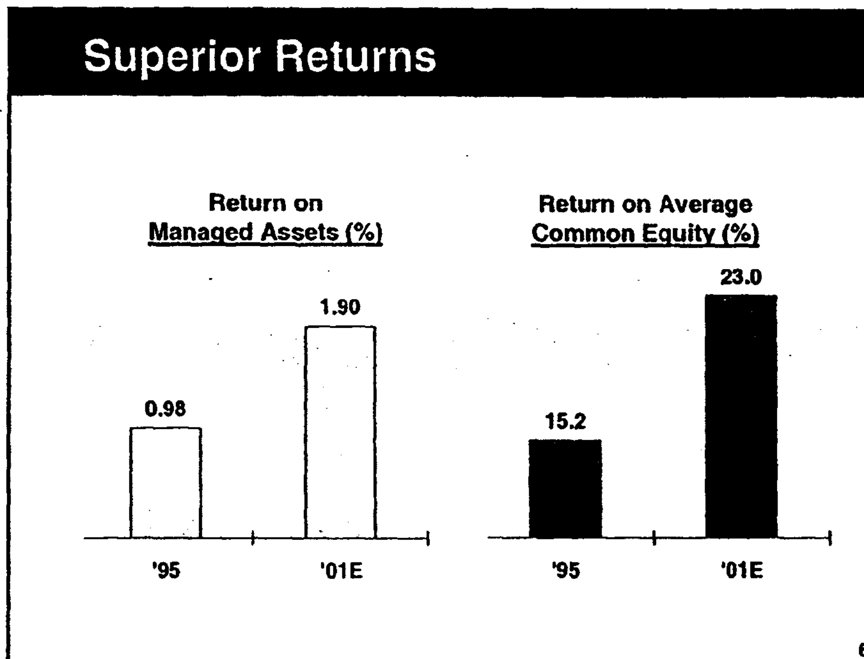

Goldman Sachs Presentation
December 4, 2001

"Ahead of the Curve"

- **Manufactured Housing**
- **Commercial Lending**
- **Low Margin Credit Card Loans**

7

2001 Credit Losses

We Are Not Immune to a Softening Economy

- **Losses up 3 consecutive quarters**
- **Up 33 basis points through 3Q**
- **Expect to be up in 4Q and into 2002**

8

Goldman Sachs Presentation
December 4, 2001

Why are Household's Credit Losses Better?

- **Prudent growth rates**
- **Lower risk portfolio mix**
- **Better credit skills**

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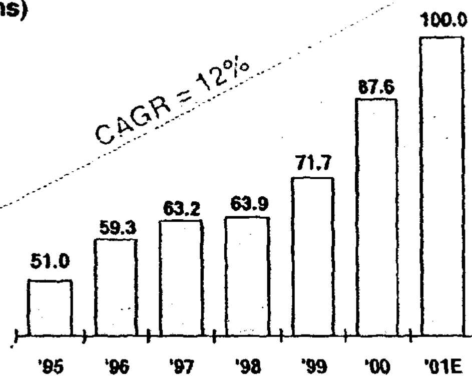
Prudent Growth



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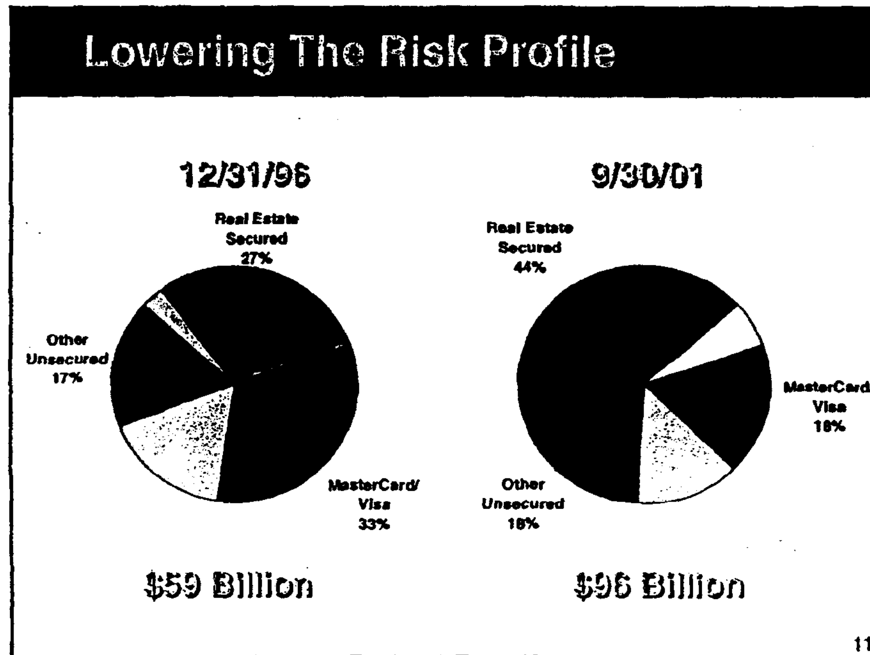
December 4, 2001



Why are HI's Real Estate Losses Lower?

- 72% of real estate portfolio is first lien versus 53% in '96
- Centralized underwriting
- Centralized appraisal control
- No broker loans in branches
- Real estate values in our market are holding up

HOUSEHOLD 12

Goldman Sachs Presentation
December 4, 2001

Better Credit Skills

Prepared for Slowdown Over Last 2 Years

- Emphasized real estate secured loans
- Doubled collectors
- Raised cutoff scores
- Reduced credit lines in U.S. credit card businesses
- Eliminated unsecured loans to renters in U.S. HFC and Beneficial branches
- Continuous strengthening of risk modeling capabilities
- Real-time monitoring of account performance

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Are Household Reserves Adequate?

- Reserves at an all-time high of $3.6 billion
- Grown reserves by $2.1 billion since 1996
- Reserve ratio increased from 3.50% in '96 to 3.72% at 9/01
- Built reserves for 9 consecutive quarters
- Over the last 12 months:
  - Added $430 million of owned provision in excess of chargeoff ($.58 per share)
  - Reserves now at 107% of chargeoff

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Goldman Sachs Presentation
December 4, 2001

Capital Growth

- **TETMA increased from 6.20% at 12/96 to 7.82% at 9/01**
- **Generated $7.7 billion in capital from cash flow in last 5 years**
- **Will generate $2.8 billion in 2001 to fund:**
  - Dividends
  - Receivable growth
  - Stock buybacks
  - TETMA increases
- **Maintain stable "A" rating**

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EPS Target

[illegible], we established a goal of 13-15% EPS growth for the three-year period: 2000-2002

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Goldman Sachs Presentation
December 4, 2001

Household's Performance in Strong Economy

2000

- **Receivables growth 22%**
- **Margins narrowed**
- **Chargeoffs improved**
- **Reserves increased $525 million**
- **Expenses up 20%**
- **Buybacks of $200 million**
- **EPS growth 16%**

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Household's Performance in Weak Economy

[illegible] Months 2001

- **Receivables up 12%**
- **Margins expanded**
- **Losses increased**
- **Reserves increased $360 million, ratios up**
- **Expenses up 16%**
- **Buybacks of $775 million**
- **EPS growth 15%**

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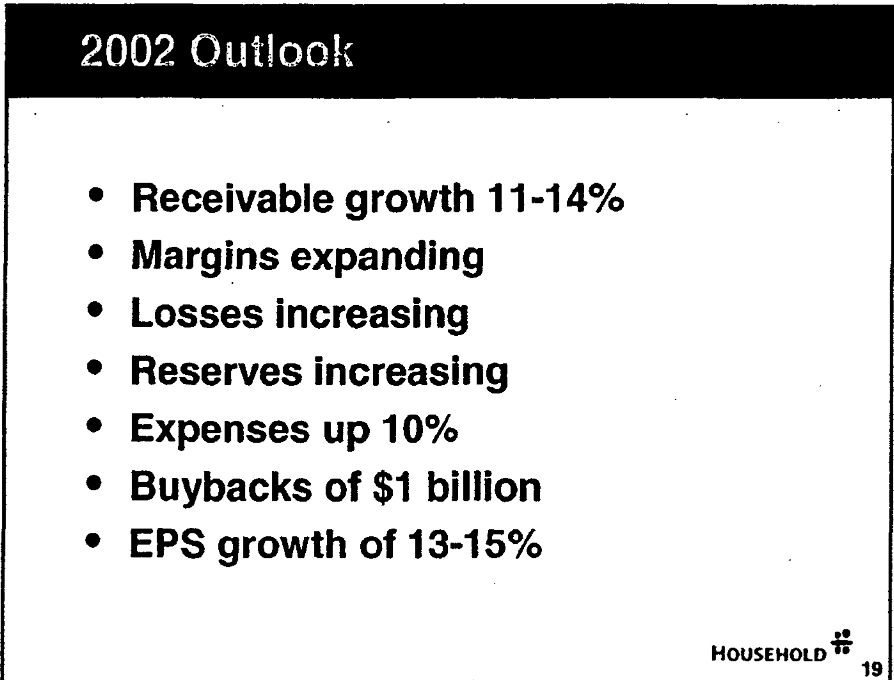
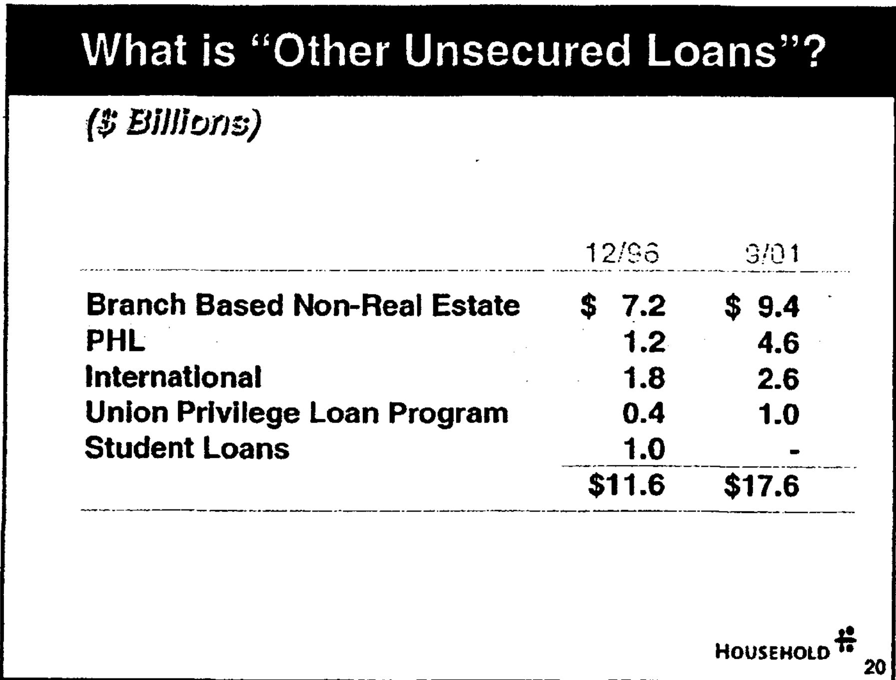
December 4, 2001





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Have Household's Accounting Policies Impacted Results?

- **Conformed unsecured loan and private label chargeoff policies to industry standards in 1996**
- **No significant changes made since 1996**
- **Chargeoff policies are appropriate for our target market and result in proper loss recognition**
- **All policies have been consistently applied and realistically report results**

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Has Household "Hidden" Changes in Accounting Policies?

"Before we leave credit quality let me review one of the changes we've adopted in 1996 in our HFC consumer finance business.

As Bill will review with you, throughout 1995, we have been focused on better servicing our core customer. After extensive testing in 1995 we are returning to a recency chargeoff policy for HFC unsecured loans in the U.S. and Canada. We are not making any changes for secured or credit card loans. Delinquency will continue to be reported on a contractual basis.

Previously, we charged-off unsecured loans which were 9 months contractually past due. Going forward, accounts will be charged-off when an account is 9 months contractually past due and where essentially no payment has been made in 6 months.

The combined recency and contractual basis is fairly standard in the consumer finance industry."

D. Schoenholz
1/96 Investor Conference Call

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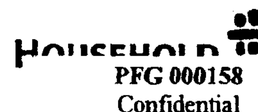

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December 4, 2001

Has Household "Hidden" Changes in Accounting Policies?

"The application of the new procedure did not have a significant impact on the company's delinquency statistics in the first quarter of 1996, but positively impacted the first quarter chargeoff ratio by 8 basis points."

Household's 1Q '96 10-Q
In May 1996

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Has Household "Hidden" Changes in Accounting Policies?

"Another area that I'm enthusiastic about is moving to recency for our HFC unsecured loans. This is more consistent with the rest of the industry and our core customers' expectations. By the way of background, I asked our team to test recency in a few markets during 1995. The results were very good; we are collecting more cash, the promises kept percent improved, our collectors are more productive, and most importantly, our customers are happier. That's why we are implementing the change in 1996."

W. F. Aldinger
1/96 Investor Conference Call

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December 4, 2001

Have Household's Accounting Policies Impacted Results?

- Conformed unsecured loan and private label chargeoff policies to industry standards in 1996
- No significant changes made since 1996
- Chargeoff policies are appropriate for our target market and result in proper loss recognition
- All policies have been consistently applied and realistically report results

25

Summary

- 6 years – 22% EPS growth*
- Superior ROE and ROMA
- Fortress balance sheet
- Lowest cost producer in industry
- Best technology and people
- Strong cash flow to support profitable growth and share repurchase

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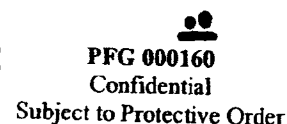

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Certain matters discussed today may constitute forward-looking statements within the meaning of the Private Litigation Reform act of 1995 and as such may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Household to be materially different from those that have been expressed or applied. These forward-looking statements are based on the views and assumptions of Household as of today and they may not be correct for any subsequent date. You should review the list of important factors that could affect Household's results included in our filings with the SEC.

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Goldman Sachs • December 4, 2001

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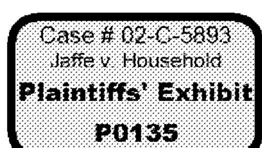

Dave Schoenholz

Vice Chairman – Chief Financial Officer

Financial Relations Conference • April 9, 2002

AGENDA

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

HOUSEHOLD

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

HOUSEHOLD

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

HOUSEHOLD

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

HOUSEHOLD

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

HOUSEHOLD

2001 OPERATING PERFORMANCE

An Outstanding Year

	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 Managed Assets	1.89%		1.93%
Managed Efficiency Ratio	34.0%		34.2%
TETMA	7.87%		7.41%
Managed Charge-off Ratio	3.73%		3.64%
Managed Reserve Ratio	3.78%		3.65%

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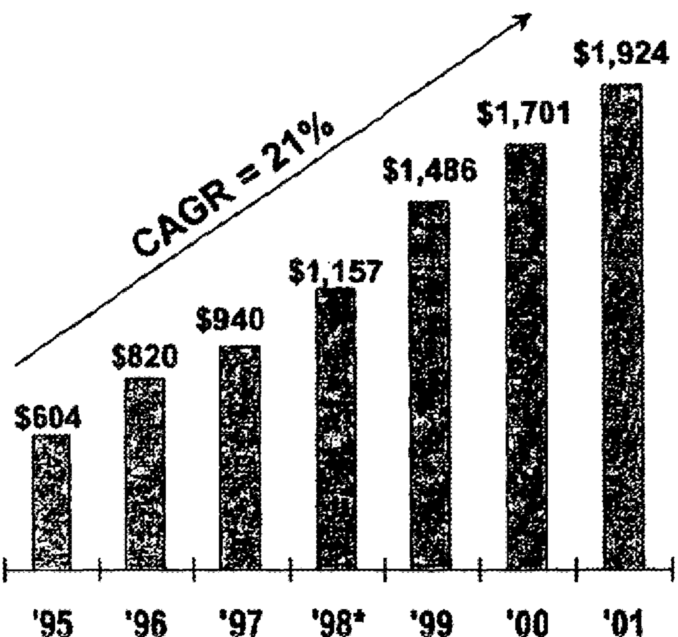
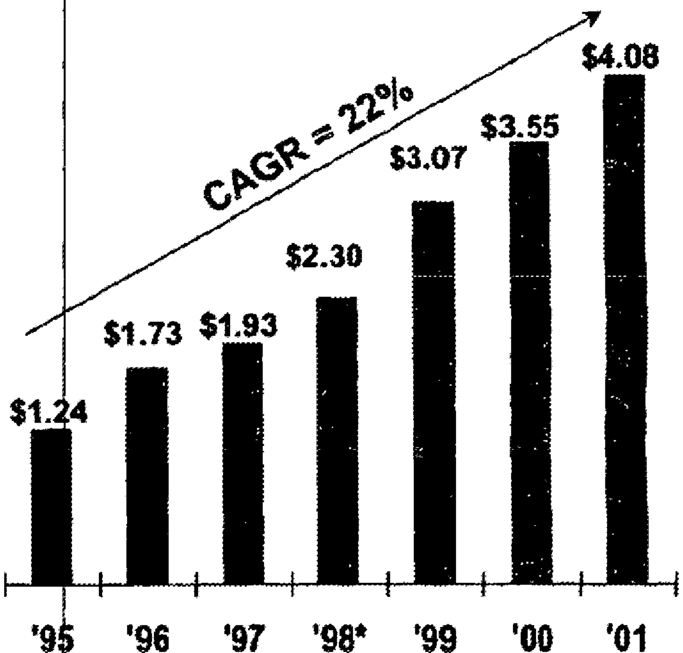
CONSISTENT EARNINGS GROWTH

Results of Superior Execution





* *Excludes merger-related items*

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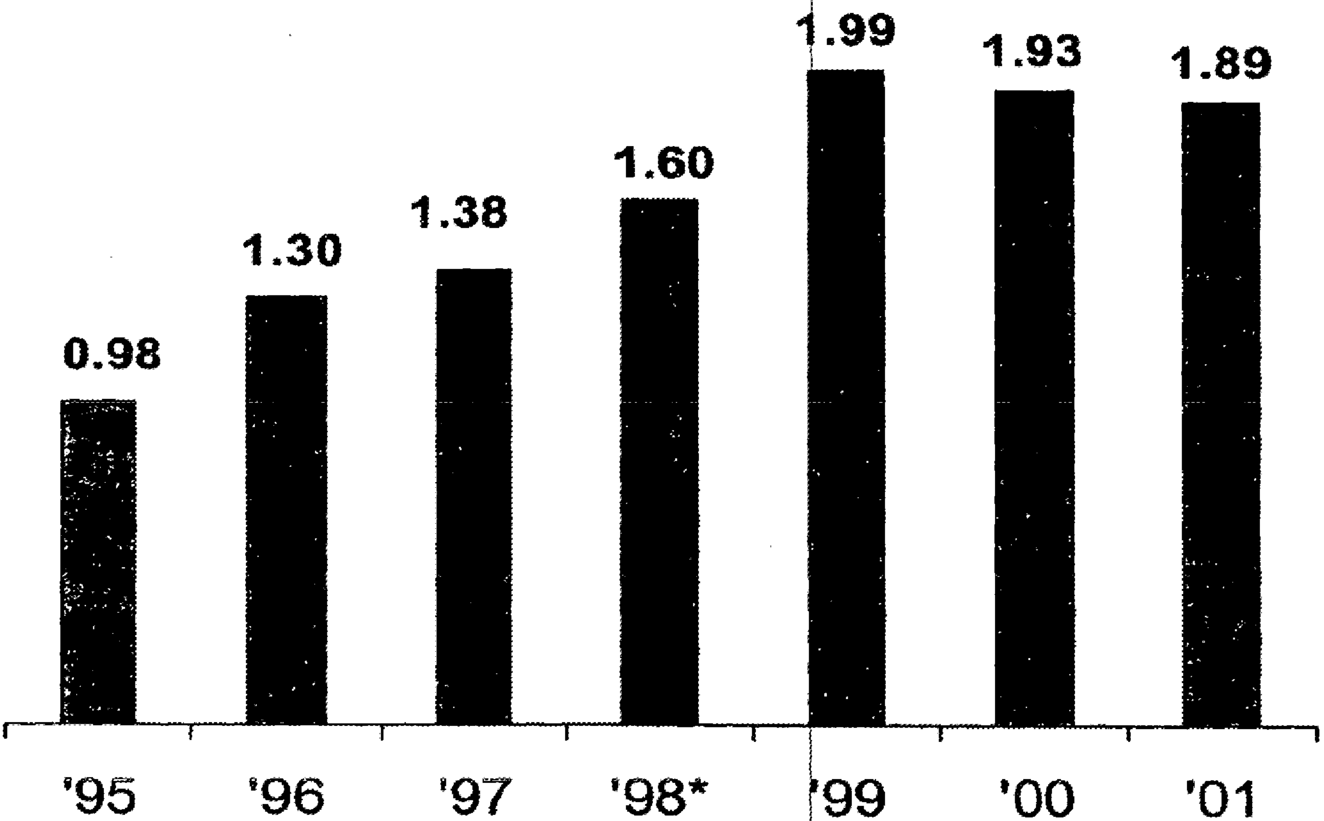
SUPERIOR RETURNS

Return on Managed Assets (%)



* *Excludes merger-related items*

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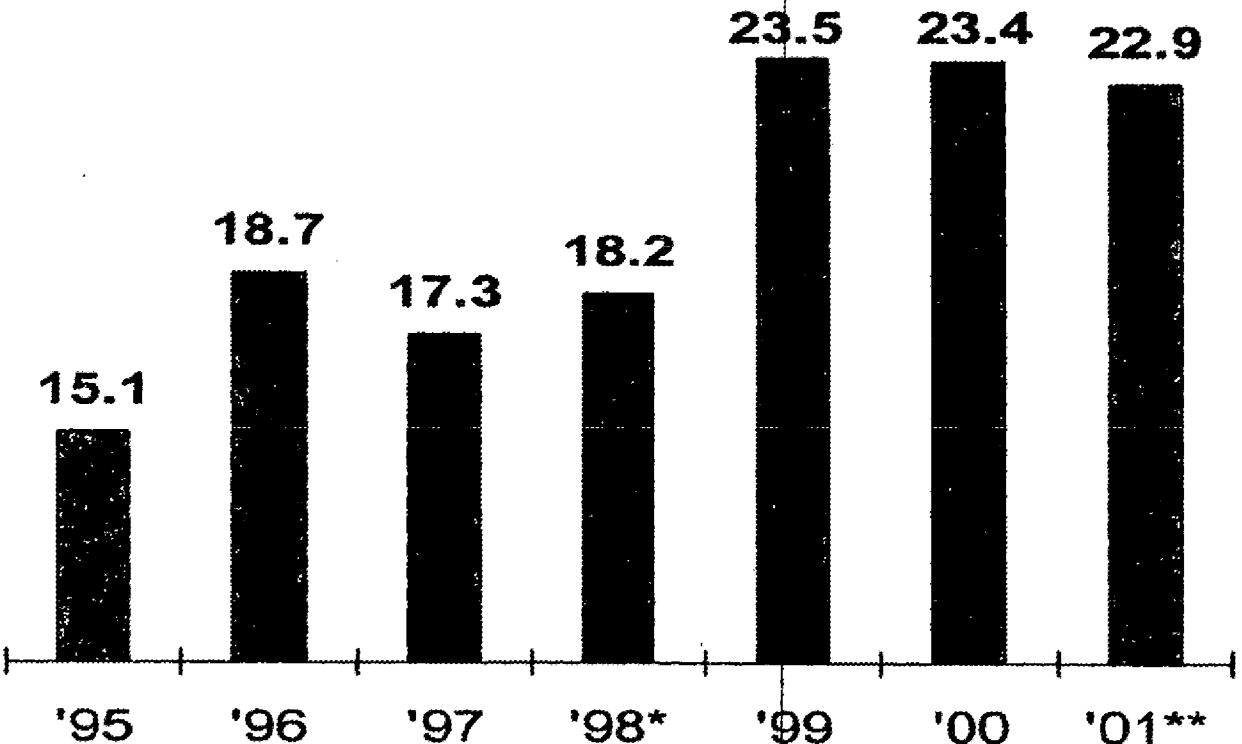
SUPERIOR RETURNS

Return on Average Common Equity (%)



* ***Excludes merger-related items***
** ***Excludes unrealized gains and losses on cash flow hedging instruments***

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HHS 01883527

MANAGED RECEIVABLES

Solid Growth

		% Change From Prior	
$ Millions	12/31/01	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*

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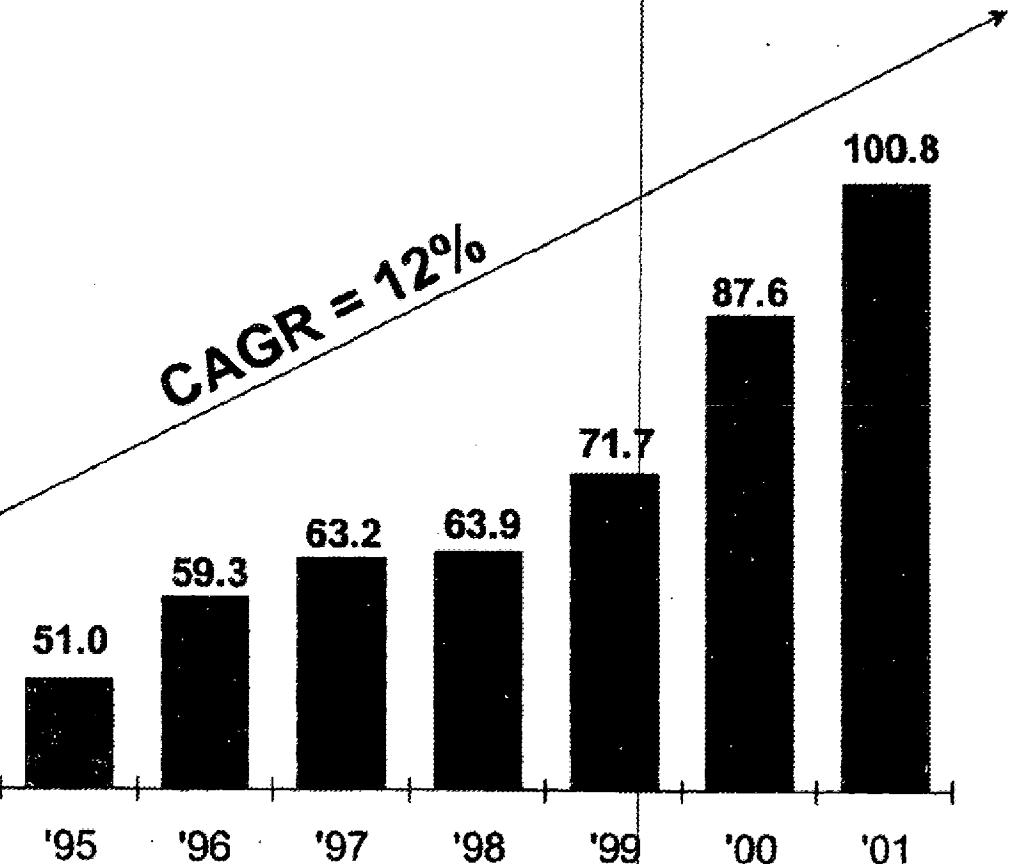
HHS 01883528

PRUDENT GROWTH

Managed Receivables ($ Billions)



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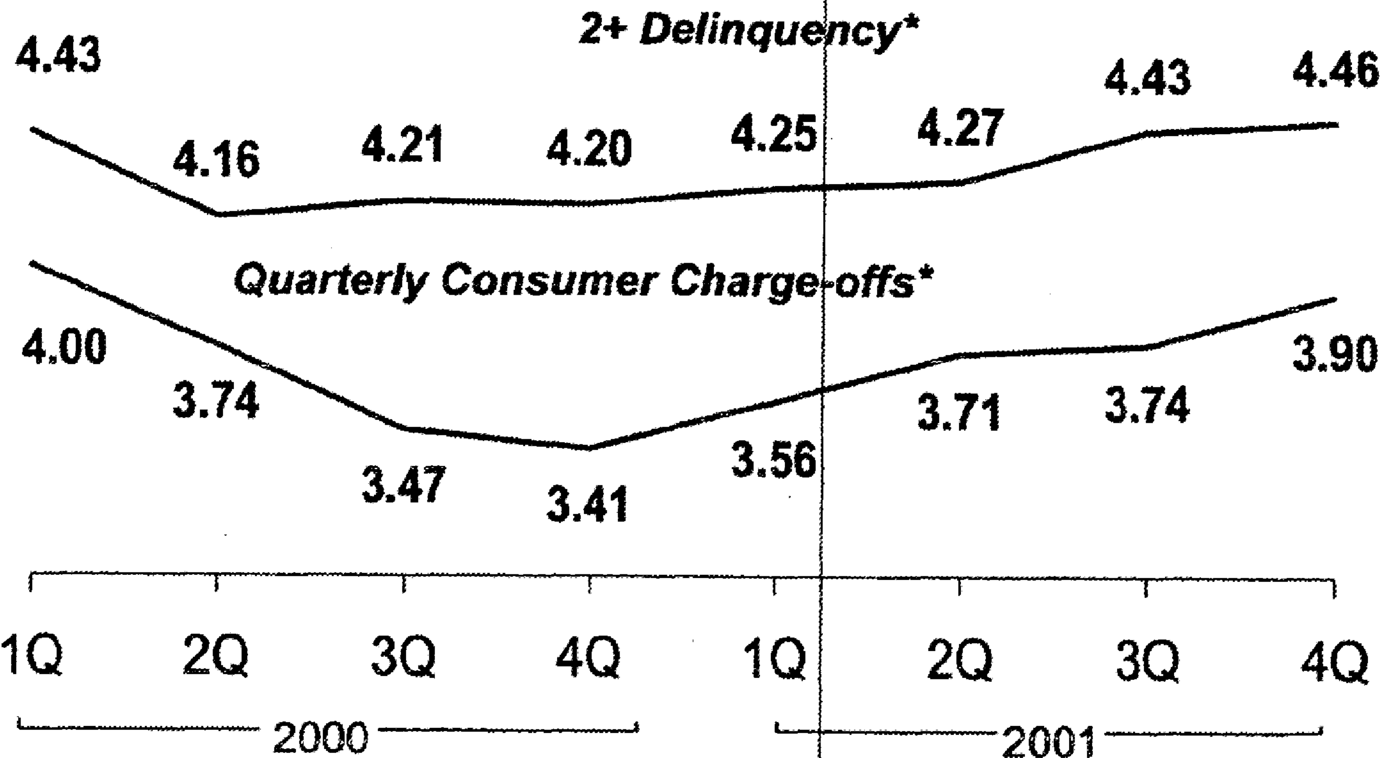
CREDIT QUALITY TREND

Manageable, Modest Increases



* *Managed basis*

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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*

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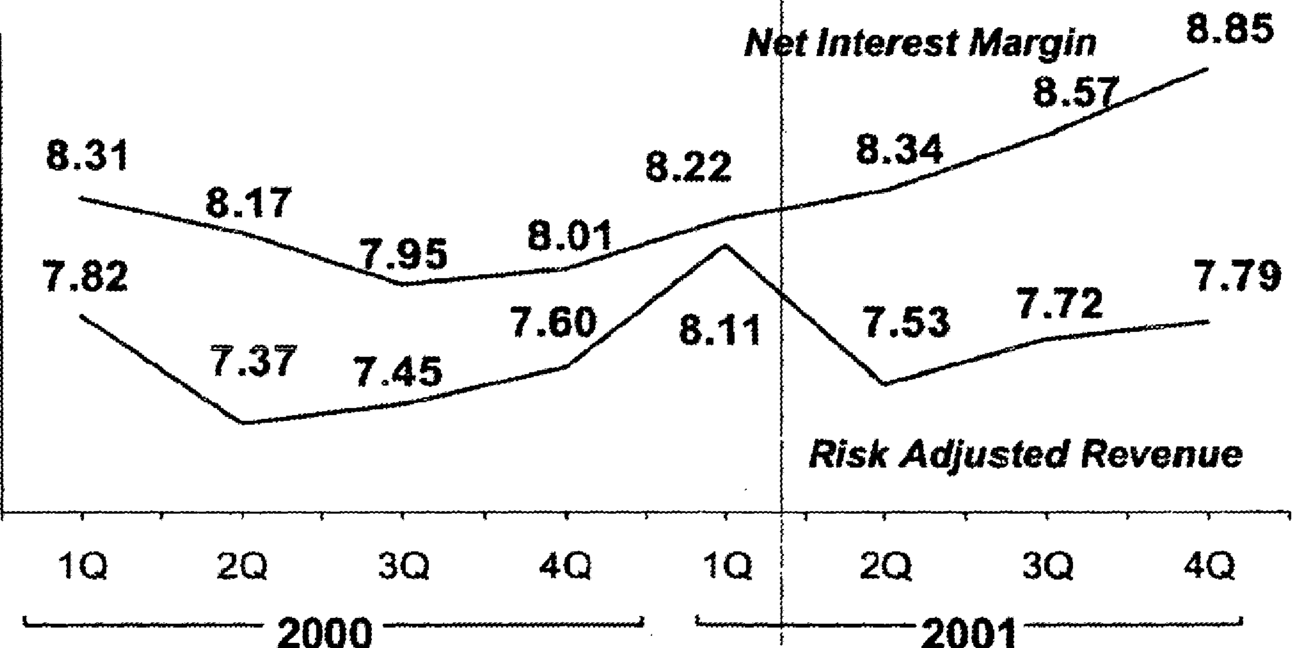
HHS 01883531

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*

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INVESTING FOR THE FUTURE

- Investment spending
- Building reserves
- Growing capital base

HHS 01883533

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 8 new retail merchants
  - Cross-sell initiatives with key partners

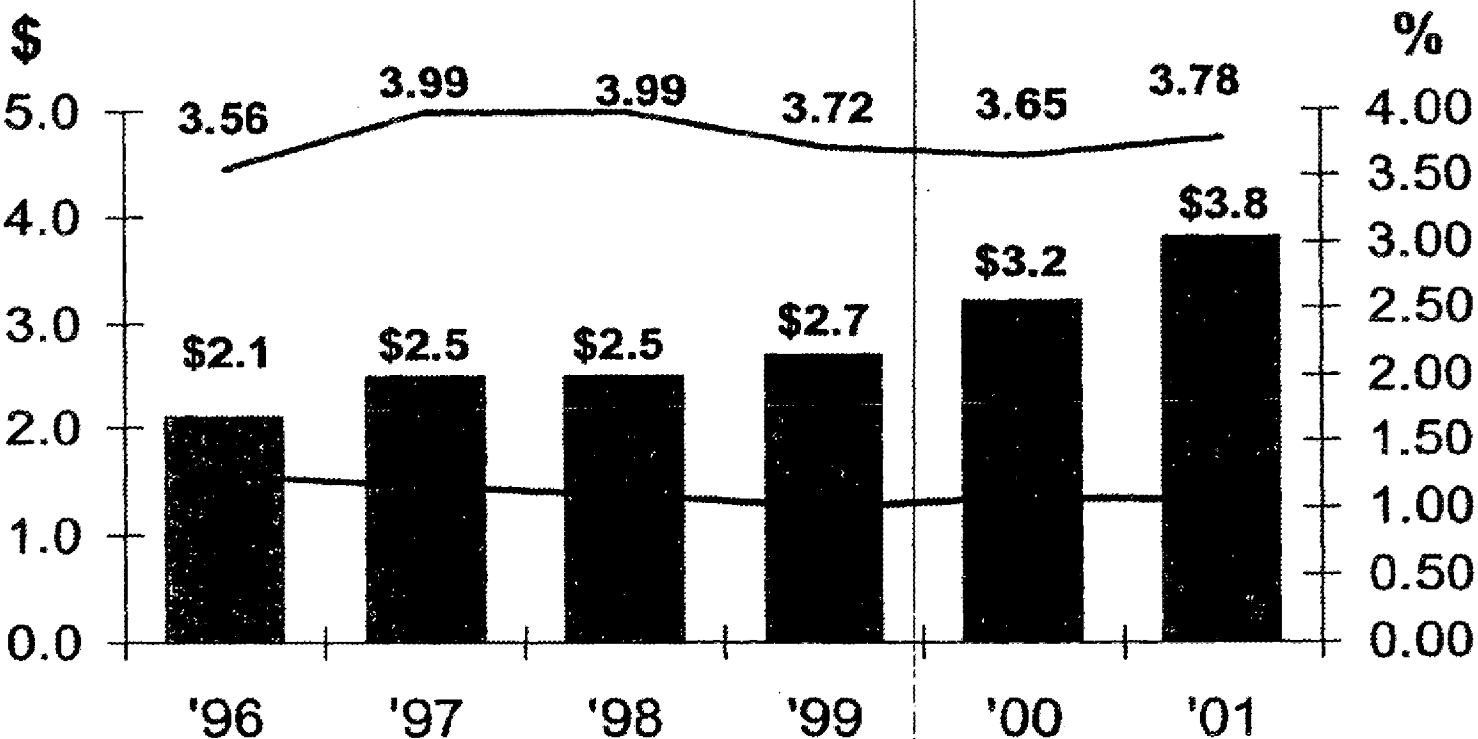
BUILDING RESERVES

- 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

HHS 01883535

STRONG BALANCE SHEET

Managed Reserves



HHS 01883536

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%

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AGENDA

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

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VIEW OF THE ECONOMY IN 2002

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

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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

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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

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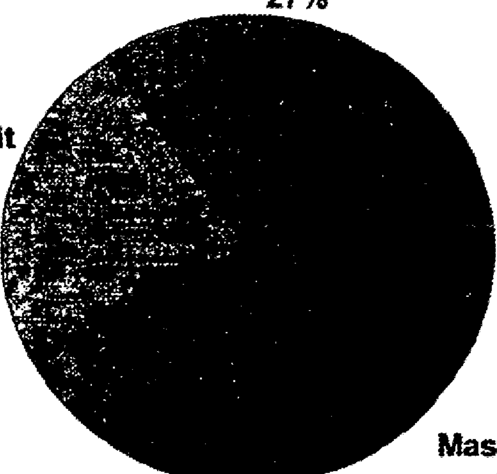
LOWERING THE RISK PROFILE

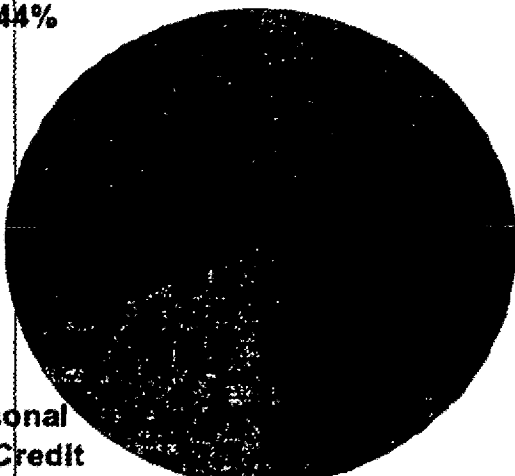
Key Driver of Our Credit Performance

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

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CAPITAL TARGETS

	2001	2002 Target
Tangible Common-to-Tangible Managed Assets	6.55%	6.55% to 6.65%
Tangible Equity-to-Tangible Managed Assets	7.87%	8.00% to 8.25%
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

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AGENDA

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

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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

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CURRENT INVESTOR TOPICS

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

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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
Credit Loss 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
Loss 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	$ 460.0	$ 636.5	$ 968.2

* *Reserve for securitized receivables*

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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
Credit Loss 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

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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

HOUSEHOLD

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: - 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%

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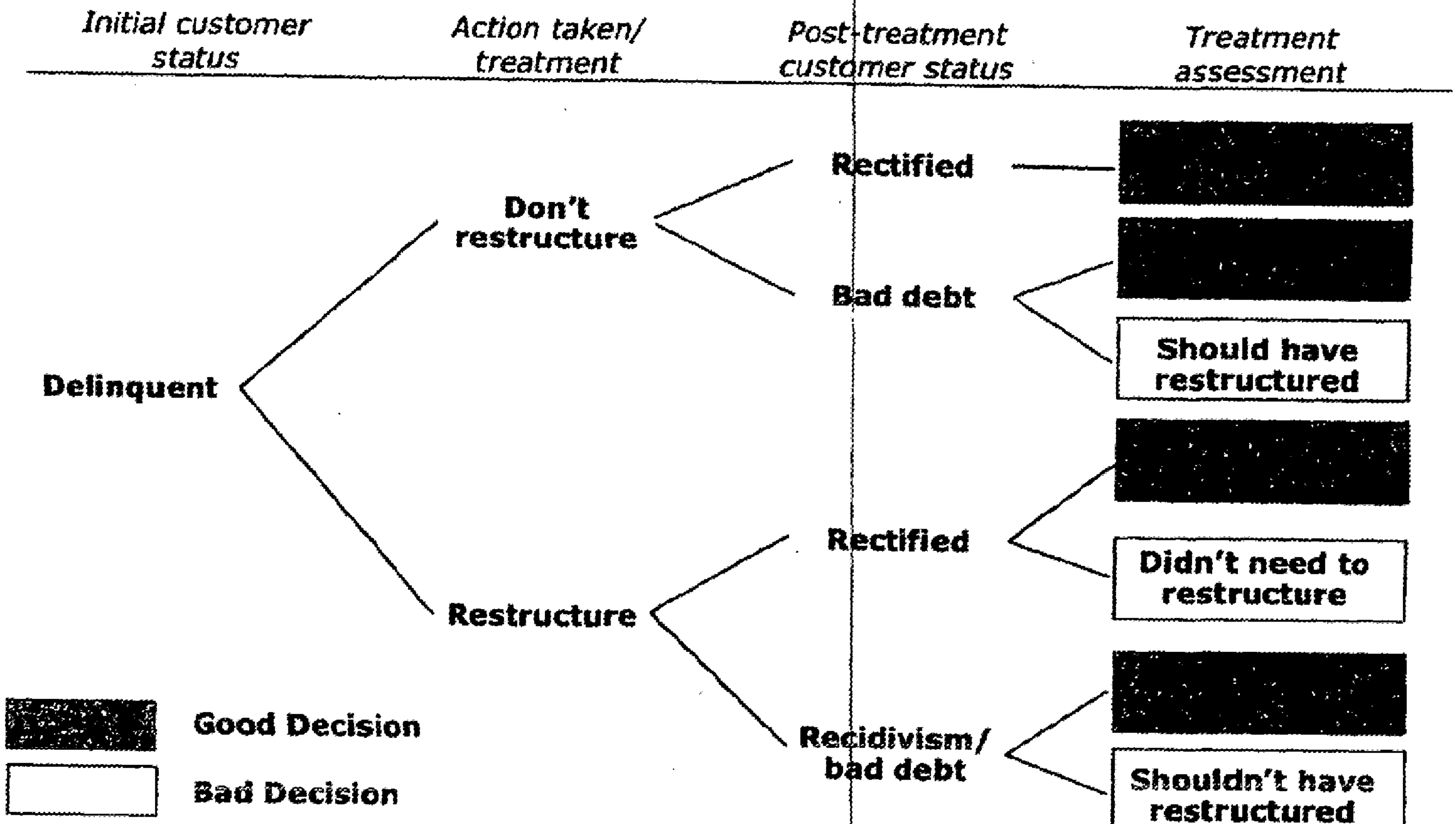
REAGE POLICIES

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

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TOTAL HOUSEHOLD

Reaged Portfolio

$ Millions	12/31/01 %	12/31/01 $	12/31/00 %	12/31/00 $
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**

HOUSEHOLD

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**

HOUSEHOLD

AUTO FINANCE

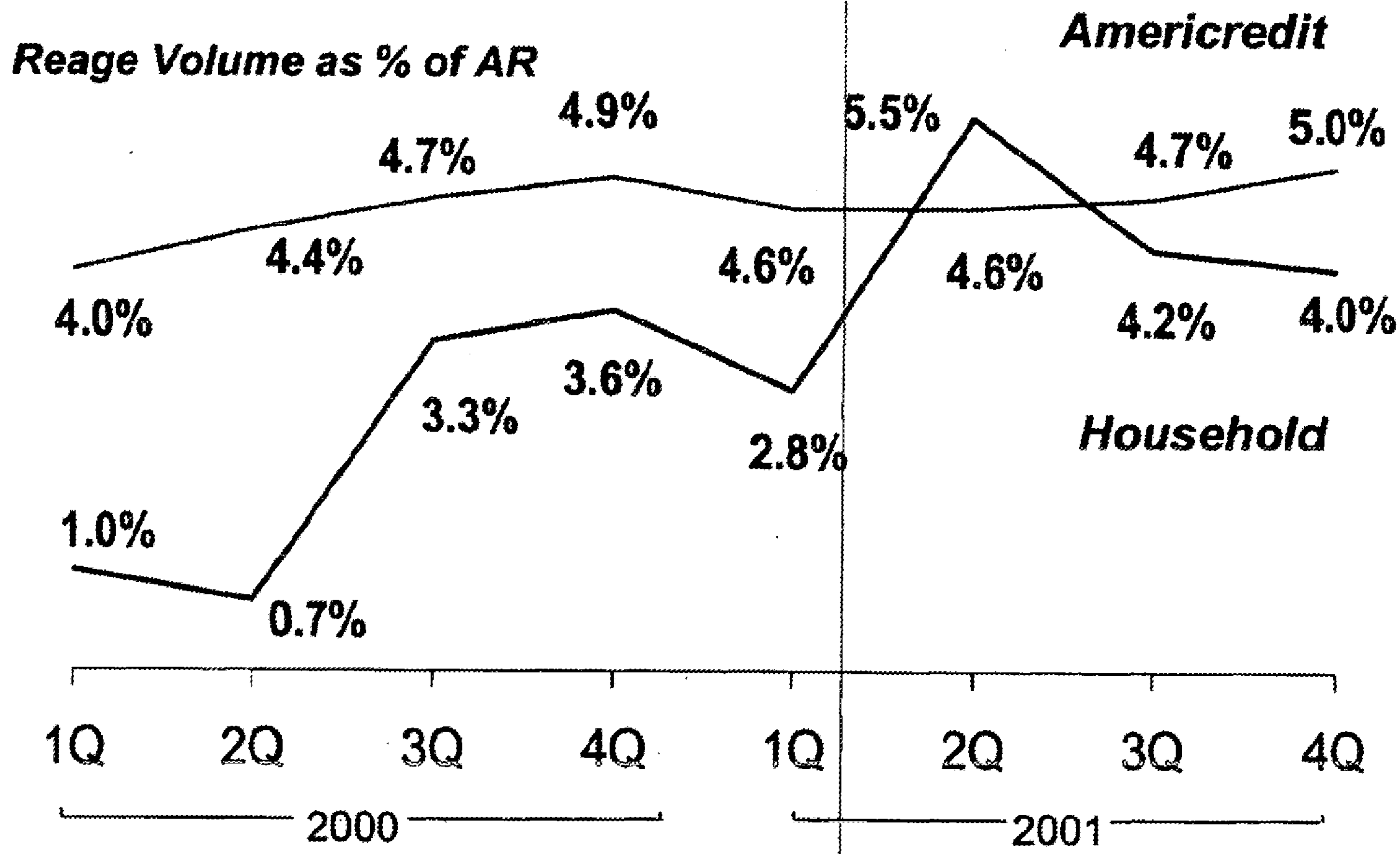
Reaged Portfolio

	12/31/01		12/31/00	
$ Millions	**%**	**$**	**%**	**$**
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**

HOUSEHOLD

AUTO FINANCE

Quarterly Trends in Reaging



MASTERCARD/VISA

Reaged Portfolio

$ Millions	12/31/01 %	12/31/01 $	12/31/00 %	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
~~otal reaged~~	~~3.2%~~	~~$512~~	~~2.7%~~	~~$409~~
CLS		580	> 132m	376m

Slated

702-243-1232

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PRIVATE LABEL

Reaged Portfolio

	12/31/01		12/31/00	
$ Millions	**%**	**$**	**%**	**$**
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**

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PERSONAL NON-CREDIT CARD

Reaged Portfolio

	12/31/01		12/31/00	
$ Millions	**%**	**$**	**%**	**$**
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**

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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*

back to del

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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

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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
	$2,623.5	**3.31%**	**110.5%**	**13**
	$2,065.7	**3.10%**	**109.9%**	**13**

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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

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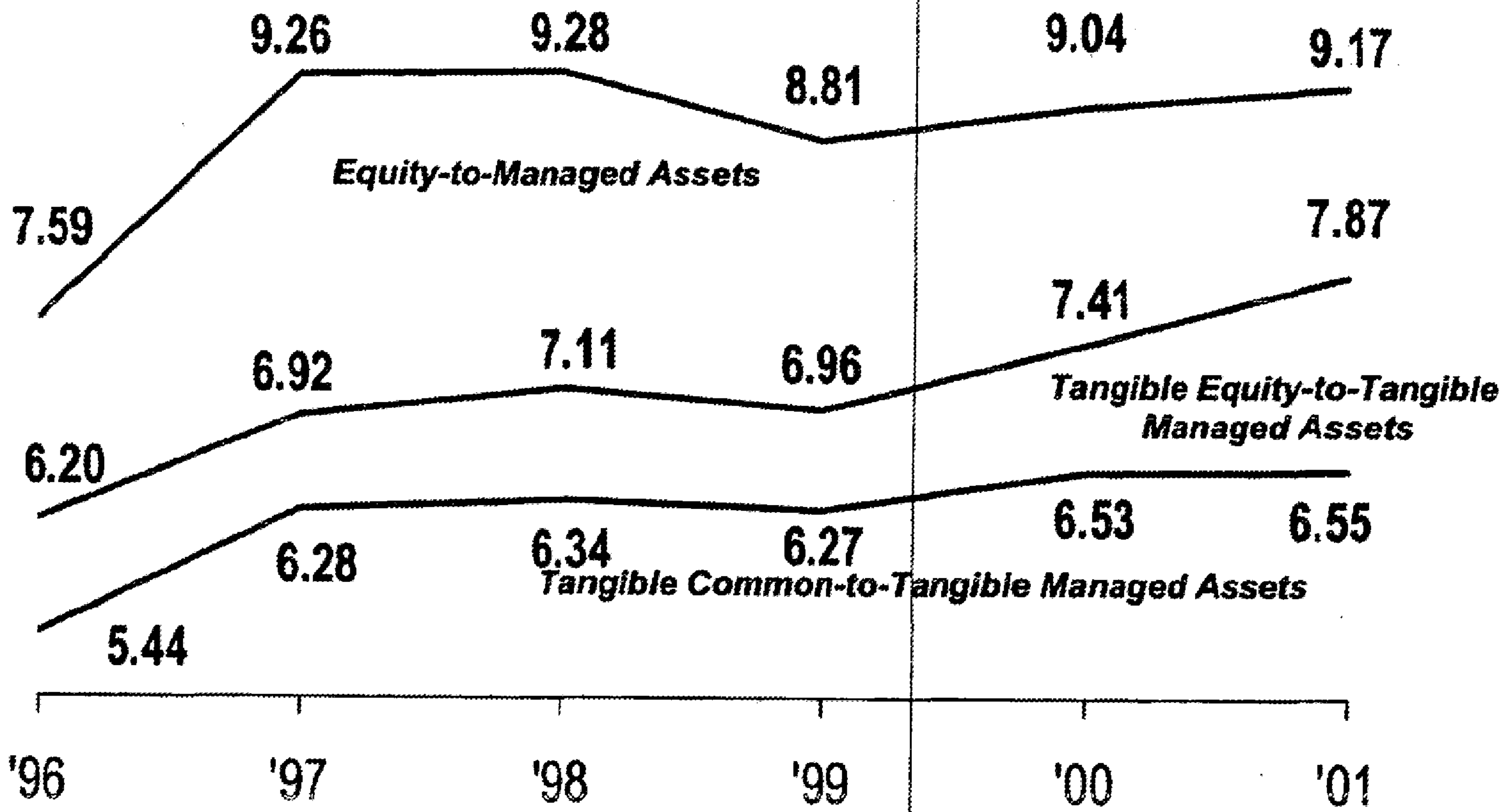
SUPPLEMENTAL INFORMATION

GROWING CAPITAL BASE

Capital Ratios (%)



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

HOUSEHOLD

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**

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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

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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

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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 non accrual at 2 months contractually delinquent at which time estimate of uncollectible interest is reversed

HOUSEHOLD

HOUSEHOLD INTERNATIONAL

Moderator: Edgar Ancona
April 9, 2002
8:15 am CT

Operator: Good day everyone and welcome to this Household International Financial Relations Conference Call. Today's call is being recorded. At this time we will go live to the Marriott O'Hare where the presentation will begin shortly. Please stand by.

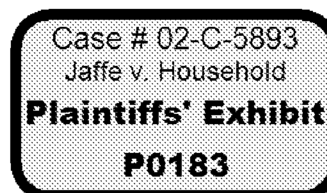
Man: Ladies and gentlemen, please take your seats. Our program will begin shortly.

Ladies and gentlemen, please welcome Edgar Ancona.

Edgar Ancona: Good morning and welcome to the 2002 Edition of Household Financial Relations Conference. Glad that you could all be here. It's no surprise to everybody that as you look around that this is the all time attendance record and I think we had people sit in the aisle and some people standing and all of that.

So, you know, thanks very much for attending. I assume that the number of people here indicates the interest that you have in a lot of the issues that we're going to talk about today so I'll be very, very brief and go through a few things, reminders.

One is for those of you who stayed overnight in the hotel and have not checked out, please do that. Second is there's cards like this located at your place. If you could please fill in questions



as they come up, we have an hour dedicated to Q&A at the end of the presentation and during the coffee breaks somebody will be around picking them up. If you just past them down to the end of the aisle, that will help things.

So one again -- and also please write legibly as I have to read these things and it's hard sometimes to read people's writing. In addition, there is a conference survey in front of you. To make this conference better every year, we rely on your input so please fill that in.

Finally, for those of you who have questions, there's an information center that can take messages, do faxes and that sort of thing out in the hall behind you.

And with that, let me introduce Dave Schoenholz who's going to lead today's presentations off.

Dave Schoenholz: Well I always like to just add my welcome to today's presentations. Thank you for your interest in Household. We have a very full day today so we'll just kind of get into it.

I was planning on covering three things -- talk about an overview of 2001, talk briefly about what the outlook is for 2002 and then to talk about some current investor topics that seems to be on everybody's mind and really want to just kind of get those on the table and make sure all of your questions are addressed.

So if we start with 2001 and today you're going to hear a lot about the various businesses that we have and what I'd like to do is to briefly set the stage talking about some of the key attributes that are common to all of those businesses.

And the first key theme is obviously that we are "only a consumer lender." We don't do commercial products, we don't do investment or saving products but we are a consumer lender whose core customer is the middle income market.

We have 50 million customers, which is a lot. The average income of those customers is 45,000 to $60,000 a year so these are very solid folks. We would consider ourselves to be a full spectrum lender across all consumers. Some of them we would consider to be prime; some we would consider to be near prime; some we would consider to be sub prime.

I think as we go through the day today to hopefully give you a sense that we are not, just "a sub prime lender." Now it's important to recognize though that many of our customers do vary from a traditional bank type customer, primarily in their behavior patterns and their propensity to use credit

Now just like we have a lot of customers, we have a lot of products. We offer secured loans and unsecured loans and we can offer those on a closed in basis or a revolving basis. We can offer those in terms of a fixed interest rate or a revolving interest rate. We offer auto loans, credit cards and credit card products, retail finance products, insurance and then our tax refund lending business.

Now just like we have a lot of products we have a lot of channels. We have 1,700 branches across the country, in the UK and Canada. We have a lot of merchant and partner locations through which we can offer our products, we have about 4,000 auto dealerships who've been very active in terms of direct response channels whether it's direct mail, telesales or the Internet.

Now although we are "only a consumer lender" there's a lot of diversity in this business model and that gives us the opportunity to focus on different products, different channels depending on what the economic conditions might be, depending on what the competitive conditions might be or depending on how consumer demand might change.

And I think that diversity and that flexibility is very important in distinguishing us from other lenders in "the specialty finance space." And hopefully today you'll get an appreciation for that diversity because I think in many ways that's what drives the consistency of earnings and the sustainability of earnings.

Now just like there's a lot of diversity in the business model though there are some things that are common across the board. One, we get strong market share in all of the businesses where we compete. That's a prerequisite.

Two, we have strong brands and partnerships, partnership skills. What many people don't realize is that about 40% of our portfolio is originated through third party distribution sources, whether that's co-branding arrangements, merchant arrangements or through car dealers, correspondents or the like.

We are a low cost producer and that efficiency gives us flexibility in good times and in bad times, strong, strong brand sales focus and a very strong customer service focus.

Very good in terms of technology -- I think some of you were to see that last night and then also superior analytics whether that's in the account acquisition portfolio management side or in the risk side.

If I may focus now specifically on some 2001 accomplishments and metrics and quite simply I think 2001 was probably the best year in Household's history. We met the high end of our earnings target, which was 13 to 15% EPS. We exceeded our receivables growth target, which was 11 to 14%, we built up our credit loss reserves to all time highs, we managed our share buyback program but at the same time managed it in such a way that we actually increased capital levels and we also continued investment for the future.

You can see here that in terms of net income, $1.9 billion. That was up 13% from 1.7 billion in the prior year. That translates into EPS of 408. That was up 15%. Receivables growth, 15% – now that is all organic growth in 2001, a bit lower than in 2000 when we acquired about $4 billion of portfolios.

Very strong return on assets, very strong return on equity, stable efficiency ratios -- we continued to spend for future growth beyond 2001. Our (CATLER) ratio which is tangible equity, tangible managed assets, increased. Charge off pretty stable and reserve ratios up.

Now the good income growth and EPS growth in 2001 was really just a continuation of what we've seen over the last several years and what this chart shows is the compound annual growth rate and net income, which would be on your left, and comparing that to the compound growth rate in the EPS.

You see there that they're roughly comparable at 21, 22%. Very good growth and I think it's important that the EPS growth and the net income growth rates were about the same because that tells you that you're not growing EPS solely through share buybacks but you're growing EPS through actually growing the business.

The other point I'd make off this chart that we're pretty proud of is if you look at the absolute amount of net income, about 1.9 billion, that's over three times what it was six years ago. So we've done a good job at increasing the absolute size, scale of this business and today you have a business that throws off a lot of aggregate profitability and a lot of capital.

We've not sacrificed though returns in order to get that growth. And this chart shows you return on managed assets. And the first point I'd make, starting in 1995 we've doubled it up to the 99 timeframe.

Now that doubling did not come from taking on more risk or dealing in higher risk, more risky businesses. It really came by getting rid of low return businesses where we were subscale and really just weren't a player and by really focusing on a few key businesses and executing against those businesses.

You can see that it's come down a little bit over the last couple years. That's largely as we continue to spend for the future and have focused more on real estate secured products that have a slightly lower return. Going forward, I would say that kind of the sweet spot for return on managed assets is right around that 1.9% range.

Now this -- that translates, that return on managed assets translates into these types of return on equities. You can see over the last three years, very consistent -- right around 23%. The big increase in 99 versus 98 was the first full year after the Beneficial acquisition.

Talk a bit about receivables growth -- very good growth in 2001. We ended the year over $100 billion in receivables. You can see that was about a 15% year over year. The most significant growth, the 22%, is in the real estate secured portfolio, 22% on a big portfolio.

Now the auto portfolio grew very rapidly in percentage terms but coming off of a smaller base. I would comment on the Visa MasterCard portfolio that that reflects the sell of our Goldfish branded portfolio in the UK. For those of you who are not familiar with that, we had a relationship with (Centrica), the old British gas, to market co-branded credit cards under the Goldfish brand. We terminated that partnership in 2001, sold those accounts and if you were to exclude that the Visa MasterCard portfolio grew at about 4-1/2%.

Over the last six years we've grown receivables at a compound annual growth rate of 12%. I think that's a very good tradeoff between good solid top line growth driving earnings and very

prudent growth though with respect to managing credit quality and making sure that it doesn't get away from you.

Let me switch to credit quality trends. And like everybody else, we had some increases in delinquency and charge offs in 2001. The top line is delinquency. You can see an increase each quarter. The 4.46 is a little misleading because that includes seasonal benefits from ramping up the Visa MasterCard portfolio, so if you factor that out, that on a seasonally adjusted basis it probably would have been about 4.55.

Still very manageable and you can see that charge offs ticked up each quarter. We'll talk more about credit extensively.

You see here the full year statistics by product compared 01 to 2000 in terms of delinquency in charge offs and generally pretty consistent across all products.

A couple comments in terms of charge offs -- if we look at auto charge offs you see it's up pretty much and that was really what drove on the prior chart the increase in the overall HI portfolio in the fourth quarter. Now we were no different form the rest of the world that in the fourth quarter kind of post 9/11, problems with higher loss severities in the used car markets, we had much higher charge offs.

We also had some internal problems in that business in terms of collection management but in January we replaced several key people in that business and Rocco Fabiano will talk more about kind of where we are in that business today.

I would kind of at a high level tell you that although charge offs will be high in the first quarter, very manageable and I think we are well on the way towards getting that thing well buttoned up.

The other comment I would make in terms of Visa MasterCard, you can see that charge offs are up a bunch, related to bankruptcy that we were no different from the rest of the industry in that and some maturation of our sub prime renaissance portfolio.

We started 01 at about 1.4 billion. We grew it to 1.7 -- didn't grow it rapidly because of concerns about the economy but still as that portfolio matures that will impact the overall credit statistics.

Now the flip side of higher delinquency and higher charge offs is really higher margin. And you can see that we benefited from that tremendously in 2001 related to the 11 Fed rate cuts and up each quarter.

The bottom line, kind of the yellow color line is risk adjusted revenue, which tells you that even after which takes our margin and revenues and then subtract charge offs, that even on a risk adjusted basis, we are increasing our returns and if you were to look at each quarter in 2001 on a year over year basis to 2000, you will see steady improvement in each quarter.

The big spike in the middle of the graph is the impact of our RAL, seasonal RAL business in the first quarter.

As I talked about, we spent for the future and I'll cover each of these topics. We'll talk first about where we have been spending to ensure that we have growth in 2002, 2003 and the first area is in people.

Significantly, Gary and his business added 545 sales people in the branches. That was done fourth quarter, early first quarter. Those people are in place, they're trained, they're productive and really looking for that to drive growth in 2002 and beyond.

In the UK we opened 34 branches under the Beneficial name and I'll talk about the UK a little bit later this morning. But really to allow us to capture another segment of the market that we were not effectively capturing before; then across all businesses we added a whole boatload of collectors and I'll talk a little bit more about that.

E-commerce has continued to be a focus. We are very proud. Ken Harvey, who is our CIO, has been a very good leader in that area. We've actually broke even in terms of profitability in 2001, which feel very good about. Probably the highlight of that is SuperHighway.com, which is a Web based internet protocol front end system in the auto business and Rocco will talk more about that.

In terms of technology we made investments in the branches, primarily in broadening the bandwidth to allow for improvements in workflow, largely imaging. We also added a second data center so we are now at six signet capability of uptime, which is very important as you deal with merchants, Visa, MasterCard and others. It really has become a 24 by 7 business for us.

And then finally in partnering -- continue the focus on adding new merchants and specifically for existing partners getting into cross sale initiatives. Probably the best two best examples -- co-branded Visa MasterCard with Best Buy. Best Buy's our largest merchant partner. And then second, we do a real estate program with MBNA generating substantial volumes too. It's a homerun both for them and us.

Switching gears a little bit to the balance sheet and looking at managed loss reserves -- we added to those reserves, brought them up to an all time high in dollars, increased the reserve ratios.

And then focusing on our own loss provision, what we did is against operating cash earnings provided loss reserves in excess of charge offs to the tune of about $500 million. That translates

to 70 cents a share and I think you can see a very high quality of earnings in 2001 as we built that balance sheet.

See that graphically here -- big increase in dollars, increase in ratios. Switch to capital as it relates to the balance sheet, and this chart's got lots and lots of numbers but let me try to explain it because I think there's some relevant points here.

In the top line history shows gap net income. Now our cash net income is higher than gap net income but let's, to keep it simple, gap net income. Next line is other equity that we have put into the business, either through equity issuances, through employee benefit programs, that type of thing, to get a subtotal at total equity that this business has provided over the last six years.

And if you add all those lines across that comes up to about $10-1/2 billion, which is a pretty big number -- about $2.7 billion just in 2001. So then you say well what did you use all that capital for.

The first point is we paid dividends and if you run the arithmetic you can see you have a declining pay out ratio. We de-levered the company during this time period and at the bottom you'll see two capital measures. One is total equity -- total tangible equity to total managed assets and then total common equity to total managed assets.

In the first case we went from 6.2% to 7.9; in the second 5.4 to 6.6. Then we used that capital to either grow the business or buy back stock. And it gives you a little bit of an insight into how we have managed the buyback program. And let me ask you to look at 99 and the cells that compare growth and acquisitions and the stock buyback program.

And you see in 99 we did about 450 million of capital, invested 450 million for growth and about 915 to buy back stock. Now look in 2000. Also we had a whole lot more growth opportunities,

much more capital to grow the business, support the business and a whole lot less capital focused on buying back stock -- in 2001 a bit more of a balance.

Going forward, as we administer our buyback program, we will balance it against growth opportunities in the business and also make sure that we have the right capital ratios in the business.

Talk about 2002 and start that with what do we think the economic outlook looks like. It's based on a cautious view. We think there'll be weakness, at least for the next couple quarters, unemployment peaking somewhere about 6-1/2%.

Personal bankruptcies are going to continue to increase. We see the consumer under stress. And then towards the end of the year though have, basing our projections on the Fed starting to increase interest rates.

Now against that backdrop we're looking at EPS growth of 13 to 15%. Because we're going to benefit this year from the new accounting rule where you don't have to amortize goodwill -- that gives us the benefit of about ten cents a share -- we clearly would expect to be at the higher end of that range this year.

You're going to have managed receivables growth 11 to 14%, margins expanding just from the full year affect of what you saw rates increase in 2001, losses increasing and I'll talk more about that.

Expenses of 10% -- and that is substantially less than what we've seen in the last couple of years. We've invested heavily in players and developing the platform and quite honestly want to provide some additional flexibility in 2002 by having lower spending just in case demand weakens or credit losses get higher.

Reserves will be up. Capital will be up. And on the chart we talk about buybacks up to 1 billion and I would emphasize the up to. I think today our expectation is that we will not get to that number and in the first quarter we substantially scaled back the buyback program in this environment to build capital ratios and make sure that we have a fortress balance sheet.

Now let's talk some about credit and our credit statistics in 2000 really have been pretty good. And a lot of people ask well, you know, why are they so good. And the skeptics will say well, it's an accounting type of thing and we'll talk about the whole accounting type of thing in a bit.

But the reality is that we got ready for it. We planned for it and we got prepared and so there really is no mystery towards it. The first point is we diversified the portfolio and I'll talk more about this but we specifically lowered the risk profile of the portfolio.

We've built up our risk capabilities, added a whole bunch of new people in terms of risk who could bring new science and new ideas to the company. Across the board we've tightened credit and underwriting policies.

And Bobby Mehta's Visa MasterCard business took a big step about cutting open divides. So you lowered your continuant liability and we went from having one of the lowest utilization rates to one of the highest utilization rates and by that reducing our exposure.

Did a lot of work in terms of bankruptcy. Can't eliminate it, can't control it but you can mitigate the impacts of that and finally we added about 2,500 collectors on a base of about 2,500. So that was a lot -- increased call times, increased contacts with the customers.

This is an important chart and what it does, it compares the composition of our portfolio at the end of 96 to the end of 2001. And I'd make a couple points. One, you can see it grew a bunch -- $42 billion -- and two, that the mix changed a lot.

Now at the end of 96 real estate's secured portfolio was 27%. At the end of 01 it was 44%. If you just do the math on that that tells you that $29 billion of the growth came from real estate secured products so that's about two-thirds.

If you look at Visa MasterCard, it was 33% of the portfolio down to 17% and the unsecured loans, personal non-credit card loans -- pretty flat, 19%, 18%. And what's key about that is real estate loans charge off at about 1%. Credit card loans charge off about 6 or 7% -- big difference.

If you were to take the 96 mix and use the 2001 loss rates by product, our charge offs for 2001 would have been higher by about 20%. We had $3.4 billion of charge offs so that's a big number.

So kind of a summary of 2002 credit, we expect some increases in delinquency and charge off early in the year, expect those to be very manageable. We would expect to see them improving in the second part of the year.

And we'll see -- you'll clearly see reserve dollars increasing and over the year, depending on the outcome reserve, the ratio stable. Clearly, in the early part of the year you'll see increasing loss reserve ratios.

Finally, talk about capital -- on the prior chart we showed that how capital was increasing over the last several years. Our plan is to further increase capital in 2002. These are the ratios. I won't go through all of them but when we release earnings next week you'll see us at the high end of those capital ratios.

Okay. I want to switch to current investor topics and this is kind of the laundry list of things that we were going to talk about. Clearly during Q&A we'll talk about whatever you want to talk about.

But post Enron, you know, there's been this big focus on transparency of financial reporting, transparency of disclosures. Clearly we've had some questions raised about some of our practices.

Now in the past I've always thought that what we've disclosed was appropriate and was very thorough but what I've also learned over the last four or five months is that what I think is really pretty irrelevant about this. And what we -- it's a sad realization but it's true.

And what we really need to do is focus more on giving investors the information they want and our objective is just to take this whole transparency issue off the table and let people focus on the fundamentals of the company.

So specifically going to talk about securitizations, credit management policies, reserve adequacy and then finally just touch briefly on liquidity although Edgar will go through that in quite a bit of detail.

Now let's start with kind of owned or managed and just to make sure we have a common definition -- owned just means all the balance sheet, all the receivables on our balance sheet; managed includes those receivables but also includes those that we've securitized and kept credit recourse.

Now we run the company on a managed basis and our credit exposure to those receivables is about virtually identical whether it's on balance sheet or off balance sheet. All of our credit policies are absolutely identical. Somebody in our collections center wouldn't know if an account is on balance sheet or off balance sheet.

But -- and quite honestly, I mean, we've -- securitization is important to us in terms of funding but our view -- my view is just another form of financing that's got some kind of quirky accounting. So we really do run the company on a managed basis.

Having said that, the SEC has come back and said well, we really think you should limit your managed basis disclosures and focus for investors on an owned basis of accounting. And if you'll see in our 10K, we've made some differences.

At their insistence we eliminated a managed basis income statement. So going forward, this is how we're going to present data. Securitization related impacts will only be on owned basis and quite honestly, I think that's a good thing. I think we created some inadvertent confusion by talking about securitization on a managed basis and on an own basis.

There'll be certain ratios that we will talk both owned and managed. Personally, I think the managed issues as it relates to credit quality, delinquency, that type of thing, is the most important.

And then certain things managed only, efficiency and capital ratios because when we look at capital adequacy we really do need to put capital on those off balance sheet receivables.

Talk about securitizations -- and I think there are two questions about the accounting. I'm not going to talk about the funding aspects of that. Edgar will deal with that. But I think there are two questions. What's the impact on your gap earnings? How much future cash flow have you brought forward? And two, is there a surprise potential? Do you have an IO strip on your books that might get written off? So we're going to talk about each of those.

This chart summarizes the gap impact. In 2000 the pretax change in our net IO strip that ran through (QNO) was $59 million. If you work the math, that translates to eight cents a share. That was 2.2% of our total reported EPS.

In 2001 the comparable number was 14 cents a share for 3.4% of our reported EPS. Going forward we will report comparable numbers like this and let investors make their own decision on whether they think that's significant in evaluating the earnings potential of the company.

Now this is another complicated chart but I do want to talk about the composition of the IO strip. And this is a roll forward of it. And when I talked on the prior page about the net IO strip I meant net of a gross IO strip. By that I mean that is the net present value of future cash flows pre-credit cost that have been discounted back to today.

And then there's a reserve to cover those future credit costs. Some of the difference between those two would be the net IO strip. Now as on the side, when you talk -- if you look at reserves for us, credit loss reserves, you're going to have to consider our on balance sheet credit loss reserves and our off balance sheet credit loss reserves. That will be our total managed credit loss reserves.

So here you can see at the beginning of 99 we had a, excuse me, a net IO strip of 426 million. We had add a change, net change in the gross part, we had a net change in the reserve part, net net 34 million pretax flow through income.

In 2000 if you look at the comparable number you can see that $59 million that I referred to on a prior chart, that the accounting rules changed in 2000 and they said now you have to mark market that IO strip but that mark to market flows through equity, it doesn't flow through earnings.

So you can see we had a total $200 million increase in the net IO strip. Now the analysts who provided all the stuff for the variance article looked at that 200 and said all of that flows through earnings. That's (dispatchly) not true.

If you roll forward to 2001 you're going to see a total of 300 million increase in the IO strip of which 100 million flowed through earnings, 200 million just through equity.

Now some people will say well, I also want to compare the IO strip to your capital levels. To do that analytically I think you have to take that number after tax. That's about $600 million, total cap of about $9.6 billion.

Talk about the composition of that IO strip -- at the top line you can see it by product. That's the gross part, then the reserve part. Net IO strip before mark to market, you add the mark to market and that's the 968 that we talked about.

Now in evaluating the potential for a surprise, if you look back at history and you say the people who've had IO strip write downs generally are those people who had longer gaited assets like home equity loans, First Plus, Money Store, Manufactured Housing, Green Tree, that type of thing.

Our longer dated asset IO strip before mark to market is $9 million and we don't have an exposure for a write down. We have actually structured all of our real estate securitizations to be structured as a financing to keep it on balance sheet for accounting purposes just so we don't have an IO strip issue.

The biggest part of our securitization process is on MasterCard Visa, which is the shortest life, less than a year of cash flows. And you can see that's the $9 billion out of the total amount of securitized receivables.

So I would tell you that we are highly confident that we do not have an exposure for write down of the IO strip. I take some comfort in the fact that we have a substantial positive mark to market to the extent that people have said are your accounting assumptions aggressive. I don't think you could have that positive mark to market and have aggressive accounting assumptions.

Okay, we're going to switch to credit management policies. Now I start with an overview comment and say that our policies we set appropriate for each customer segment. And I think that's particularly important when we're talking about a finance company type of customer because they do vary from bank like customers and their policies should be more responsive to their specific needs.

So to that extent, some of our charge off periods may be longer than a bank and I don't think that should come as a surprise into our business model and dealing with those customers is very different than that of a bank.

The last point is what is absolutely critical though. Charge offs don't drive earnings. What drives earnings is your loss provisioning affects and loss reserving policies.

And our loss provisioning and how we analyze loss reserves, explicitly taking into consideration the fact that you might have longer charge off periods and that you have certain re-aging policies.

Here are the charge off policies by product. I'm not going to go through them. But they're included for your reference. I would just point out the bottom policy. And this is for personal non-credit card. It is nine months -- an account is charged off when it's nine months contractually delinquent and no payment has been received in the last six months but in no event should be longer than 12 months contractually past due.

Now that 12 months was 18 months. That was the big thing in the variance article. We charged -- and quite honestly, it was a stupid policy for us to have -- but we charged off in December everything over 12 months up to 18 months. That was $25 million. And I put that on a base that we charged of $3.4 billion last year.

Now, if we now look at the recent CPs, you say well what's the difference between nine month contractual up to 12 -- that's $15 million, 15. And quite honestly, if I had been thinking more clearly in December we would have just charged that off too. So we will clean that up at some point.

But as you look at these policies, I think the (recentcy) component is not a big deal in evaluating this.

We've had questions on our charge off policies related to real estate loans and specifically well, how much flows through charge off and how much flows through REO expense. We've broken it out both components so you can see that. Going forward we will break out both components.

The finance company accounting rules specifically dictate some stuff that goes into charge offs, some that goes into REO. Bank rules generally have it all go through charge offs.

Now let me talk about re-aging to make sure that we have a common definition of what we mean by re-aging. So if an account, excuse me, if a customer becomes delinquent and they make some payments but they can't become current, completely current, they can't resolve all of the delinquency that in certain circumstances we might take some of those remaining delinquent payments, put them at the end of the contract and consider them to be contractually current and not report them to the credit bureau as well.

Now there is a presumption I think in a lot of ways that if you re-age an account that's a bad thing and that's an evidence of loss net account and building up risk in the portfolio. And to some extent that may be true, particularly perhaps in the prime world; not necessarily so true in the finance company world.

I think our preference would be never to re-age accounts. But the reality is our customers in the finance company world are sometimes sloppy payers. I mean, they are not the most pristine discipline in terms of some of their credit.

And so to them our re-age policies are an integral part of the value proposition that we offer them and they pay for that. So our rates compared to bank rates are 300, 400 basis points higher.

Now the analogy isn't perfect but in some ways to those customers that when we sell them a loan product we're also selling them at an option and that option says that if you get yourself into a little bit of trouble we will provide some understanding within the constraints of good business judgment. And that is an integral part of this value proposition that is different than a bank's business model.

Re-age policies are not intended to for credit losses. They are intended to allow customers to kind of get over this bump in the road type of issue and it's important that it allows us not to report them as delinquent to the credit bureau.

A lot of these people are in credit establishment periods or credit rehabilitation periods so the ability to not damage their credit bureau rating is an important part of this optionality or this value proposition.

There is some internal benefits in that it allows you to work at higher risk accounts and I think a key point is that it's been done consistently and they vary by product as we'll see.

Now this is a daunting chart to go through but I think it's important so please bear with me. And what I want to do is use the example of a real estate customer who's delinquent and what are our options in dealing with that customer.

Now the real estate portfolio is the biggest portfolio. About 75% of the people who get restructured are one payment down when they get restructured and by that I mean they've been making payments, they get delinquent, they start resuming making payments but they can't make two payments; they can make one monthly payment but they can't make two monthly payments.

So they now present them at the part of the decision to turn in their delinquent. And what are our options? Let's say we don't restructure those guys and we say okay, you got there, you solve it. Now if they can rectify it on their own, that's a good outcome for us; we're okay with that.

Now let's say they can't rectify it on their own and they go to bad debt. Now to the extent that the guy was inherently a weak credit and it was just, he was going to go to bad debt anyways and you push them into -- and therefore you let it go into foreclosure and so forth, that's also a good outcome for us. The guy was inherently a bad credit.

To the extent that somebody just needed a little bit of help and could have continued paying with some purveyance, if we push them into foreclosure when we should have restructured them, that's a bad outcome and in some ways that's also a violation of kind of the initial understanding when we underwrote the loan.

On the other hand, let's say we restructure the loan. If it gets rectified because of the restructure and that's a good outcome. If it gets rectified but it turns out we really didn't need to do that, that's not a great outcome but that's not the end of the earth, that's not terrible.

But let's say we restructure it and you have recidivism; in other words, you have a repeat offender and they go bad. Even if they charge off, if you get more cash out of the guy, that can be a good outcome, even if they charge off.

On the other hand, the guy's a deadbeat and he just goes straight through, we should have never restructured them and we made a mistake.

So it's in that context that we look at these restructuring decisions. Now there are a lot of controls about restructuring accounts because you want to minimize those bad outcomes and you want to maximize those good outcomes.

So there's certain criteria. We've included the restructure policies in the back of the book. We're not going to go through those but there are certain criteria. We also have kind of a statistical test and learn environment to see what's the best way to navigate through that decision tree.

Collectors are paid on how much cash they collected and promises paid. So they don't get paid on re-ages so we have no misalignment of incentives and only the most experienced collectors can do that.

And then the final point I think is very important, excuse me, that from an accounting point of view, a financial reporting point of view, we don't have the normal accrual of income during that time period if an account has been restructured.

So let's talk and look and some statistics. And what this chart says is at the end of 01 16.9% of the portfolio had been restructured compared to 14.3% outstanding at the end of 2000. Now the fact that 16.9 is higher than 14.3 doesn't mean that we have changed our policies are have loosened our policies.

What it does mean in that a period of economic stress more customers are under stress in qualifying. Now the difference between those two ratios is an 18% increase and to put that in perspective, we have GDP growth, which fell by 75% during that time period, we have bankruptcy filings that were up by over 20% during that time period and you had an increase in unemployment insurance claims of about 36% in that time period.

So the way to read this chart says at the end of 01 9.4% of the portfolio had had only one re-age and had been re-aged in the last 12 months. 3.2% of the portfolio had only one re-age but had been re-aged prior to the last 12 months. 4.3% of the portfolio had multiple re-ages.

Now if you take the total re-ages as 100% that tells you the accounts in the portfolio that had been re-aged once counts to 75% of that total. Conversely 25% of the people who had been re-aged will have been re-aged more than once. And clearly the more you re-age it, the more you get to this argument that you have a weaker product clearly.

If you take the 25%, now there's 100%. Two-thirds of those people have been re-aged twice. Another 20% have been re-aged three times and the rest would have been more than three times.

So if you work the arithmetic backwards what it will tell you is that about 1/2 of 1% of the portfolio has been re-aged more than three times. It's a small number.

If we look at the real estate product, 20% in total, 12% re-aged only once the last 12 months. You can see a little bit of an increase in the multiple re-ages in a down time; have worked more with customers to avoid foreclosure as a way of reducing loss severity and trying to keep people in their homes.

The auto portfolio is the one portfolio where you'll see a substantial increase in the amount of re-ages and that's coming in those that have been re-aged once in the last 12 months.

And this chart shows the trend. Now it goes back by quarter to early 2000 and on the top as a reference point we've included (AmeriCredit) just to try to provide some industry context of this.

We had the re-age policy and we just basically didn't use it. There was an attitude of let's just go get the car and not work with the borrower; let's focus on the collateral.

And we said well maybe that's not the smartest idea to reduce losses, particularly as we expanded the percentage of the portfolio that consisted of better quality borrowers. So you say okay, let's focus more on the borrower a little bit more than just the collateral and you can see that it went up per quarter like 3.3, 3.6.

It went down, went up quite a bit in the second quarter, come down in the third and fourth quarter. Going forward, I think you can see a quarterly target of about 3 to 4% and Rocco is going to go through in more detail talking specifically about the economics of this decision as it relates to getting more cash out of the borrower versus the change in the value of the underlying collateral.

MasterCard Visa don't re-age much at all. Consistent between years, very close to the FFIDC guidelines. Private label -- very consistent between years, actually down a bit. Personal line of credit card up a bit and again, this is the customer in the portfolio where you have it most under stress. You could also see this is the portfolio where you have the most multiple re-ages.

And the trends on this chart -- one of the reasons we added the $500 million 70 cents of share of loss provision in 2001.

Now let's move away from how much did we re-age to how did they perform after they re-aged and this data shows you recidivism statistics at the end of 01 and the end of 2000 at a 12 month observation. So this is how these accounts performed 12 months after they were re-aged.

And you can see generally it's pretty consistent except for the personal non-credit card. The way to read this chart is, let's take real estate as an example, 12 months later 13% of the people went bad. They either charged off or were two plus delinquent. Conversely 87% of them remained good.

Auto – 37% went bad, 63% remained good. If you take the highest recidivist portfolio of 42%, that still says 58% of the people remained good and of the 42% you got more cash out of it. So generally these, I think the economics bear out for the re-age approach.

So to summarize, we think the policies are appropriate for our unique business model, they've been consistently applied, they're controlled well. Importantly, loss reserves and provisioning are properly set so there's not a build up of risk in the portfolio. There is not this building surprise potential in the portfolio. And our goal in this area is to continue to provide greater transparency and we'll figure out exactly what that means.

Switch to similar topic in reserves – this chart shows you owned reserves at the end of 2001, reserves by product, reserve ratios to receivables, reserves to charge off ratios and the number of months of charge off in reserves.

A couple points -- you could, I think it's important when you look at the reserve ratio, let's say for real estate compared to personal non-credit card, it really underscores the importance of that change in portfolio mix that we talked about earlier.

The other thing I would encourage you to do is to take that number of months charge off and compare that to our charge off period and that will give you some measure of coverage.

Now coverage in total for the portfolio constant between years. In the appendix we've included a similar chart like this for 2000 so you can do it however you want to. I would point out that personal non-credit card coverage increased in 2001 versus 2000.

And finally talk briefly about liquidity -- Edgar is going to talk about this in detail but I wanted to make a couple overall points. One, liquidity management is a strategic issue for Household. We understand absolutely that we are a capital market sensitive company. We understand absolutely that we are a rating agency sensitive company and take that very seriously.

Funding is well diversified and I think Edgar will show you some statistics on that. Underscore absolutely that we've never had and we don't foresee a funding problem. Back in February when there was some rumors about that, those truly were just rumors and we were not having problems.

Having said that, kind of in this environment we think it's important to be belt and suspenders and so in the first quarter we've done some significant things to strengthen liquidity position that we already thought was pretty good.

We added additional conduit capacity, $5 billion secured by real estate lines. We securitized or sold, did a full loan sale, total of all of those, $2-1/2 billion. Those securitizations again accounted for as a financing going back to that earlier chart, did that in part to address very quickly (Fitches) published comments about well, can you monotize your real estate collateral and I think we showed that we could monotize it very well.

And then finally, we reduced commercial paper outstanding. We ended the year about 9 billion; we're down to about 5, 5-1/2 billion.

So with that, I conclude my remarks and Edgar, why don't you take over.

Edgar Ancona: Well thank you, Dave. Usually treasury comes at the end. I guess it's been a very interesting year on the treasury side and for some reason I've been moved up and I think a lot of it revolves around liquidity risk and people's interest in our liquidity risk management process and what are we doing.

First all, I'd like to talk a minute about interest rate risk steps, traditionally what everybody was concerned about until probably the last three, four months. Then I'll talk quickly about what we did in 2001 and talk a bit about 2002 in terms of funding plans and in addition kind of what our objectives are.

Rate risk -- you know, those of you that have followed the company for a long time know that we have a very limited appetite for interest rate risk. The primary driver of our interest rate risk is that most consumers want to borrow fixed. Traditionally people like to have the certainty of what a payment is rather than be exposed to floating unless there's some major funding advantage to them in terms of cost of funds.

The other side of this from a credit process, we would prefer the customers are fixed because then you don't have the payment shock issue. So we tend to have customers who want to borrow fixed and then we need to fund that and to reduce the interest rate risk mix match. Obviously we can't be an all floating rate funder.

We measure interest rate risk in lots of different ways. You know, from a treasury practice point of view we primarily look at the existing balance sheet, shock it to standard deviations. We also

view the same kind of analysis relative to a forecasted balance sheet to get some idea of what sensitivity of earnings over a longer period might be.

We talk about the gradual 200 basis point rate rise and a lot of that has to do with the way we communicate. I think that's a common way people talk about it is either the gradual 100 or gradual 200 basis point increase in rates.

And we do a lot of what if scenarios. Clearly the yield curves don't move up and down and they each move around a set changes and ideas. Curves get steeper, get flatter so we try and look at all those things as well.

And we also focus on prime (LIBOR). That's not, you know -- well, we do have particularly in credit cards a significant portion that is index to prime.

In terms of gradual 200 basis point rate rise, the treasury did nothing. Rates gross grew 200 basis points. Over a 12 month period, what's the EPS impacts? It's only 17 cents; a small number relative to I think Consensus earnings forecast and if prime (LIBOR) risk, a widening of the spread -- the spread is just under about 290 now -- by about 20 basis points.

So probably reflect almost historical type widening or narrowing rather of the spread. That's worth about a nickel.

Primary method that we use to get our liability slide in line with our applet slide is to use the swaps, typically plain vanilla. We've got about $45 billion of notional derivative exposure. It's concentrated with about 40 banks. The top ten are about 70%.

We really do focus very much on something that's gotten a lot of attention lately which is counter party exposure. 99% of the counter parties are better rated than Household and almost 90% are Double A or better rated -- so strong group of counter parties that we deal with.

You know, as I said before, derivatives work to move that interest rate mismatch and so to line things up. The additional significant area we use those is that as many of you are aware, as part of an investor diversification program. We borrow a lot as far as currencies and clearly we don't want to take any currency risk.

At the time we price a bond deal on a foreign currency we lock in our exposure. So that's another significant use of derivatives. We've got no exposure to leveraged or exotic derivatives so there's no, you know, reverse floater type positions or any of those kinds of things and nor have there been.

I mean, that's kind of once again back to this, you know, very little interest rate risk, low treasury risk type of approach.

FAS 133 was adopted in 2001 and virtually all of our derivative instruments qualified as hedges so therefore there's no significant mark to market component in our income in a period to period basis.

Now because what we do in terms of funding is really try and find the cheapest cost of funding. Sometimes it's fixed rate funding; sometimes it's floating rate funding, swapped back to fixed.

That choice under FAS 133 is actually an important choice. And the vast majority of the swaps we have, about 70% are what we call cash flow hedges. So they're taking floating rate liabilities and swapping them into fixed rate, effectively fixed rate liabilities.

That in an economic sense therefore it's as if we did a fixed rate funding at the time that we had originally entered into the transaction and that fixed rate funding, the all end cost to us is less than the alternative, the fixed rate solution would have been.

However, under FAS 133 in terms of cash flow hedges, what tends to happen is if the floating rate liability has no mark to market, there is a mark to market that flows through the equity account although our comprehensive income on the swap. So that's where the negative mark to market that some people have guessed about in terms of is an unrealized equity market, $700 million as of the end of the year.

That is the cost that we as a company have paid of wanting to have no interest rate risk, having done these received, I mean, gotten rid of the floating rate liability and turned them into paid fixed liabilities if you will effectively and having rates flow around us and so that those gives a negative mark now in that fixed swap because in today's world, if you market it today, we would have paid less if we were locking in today.

About $400 million of that negative mark flows through in the next year and most of the rest of it in the following two to three years. In an earnings impact though there's no change because the floating, underlying floating rate liability is now at a lower cost than it otherwise would have been.

The real, I think, thing everybody wants to talk about though this year and post-Enron, post-CIT, post lost of other things plus downgrades to the autos and just market events has been liquidity risk and that's a new thing for us.

It has been though all along the primary focus of treasury. And before we get into it and I'm going to spend most of today talking about the current liability position, where we see things, how do we measure it, how do we describe it. I think there's really two questions we've always tried to answer.

One is can we get today funded. The other one is can we get tomorrow funded and what about the company two, three, four, five years from now. As Dave indicated, we really do know and understand the issues around being a capital markets funded company. And for the past three plus years we've been working with actually many of you in this room in trying to understand what the issues are, could we fund ourselves, could we fund ourselves if we grew actually at a much faster rate than we've been growing.

I think the answer -- the uniform answer has been yes and the real issues have been about some of the detail implementation and it's really to focus on the same things we traditionally have focused on which is increase the sources of investors either by focusing alternative product offerings, expanding the investor base, broadening the geographic reach, focusing more on ABS.

But that uniformly the answer that's come back from us as smart people is yes, not an issue, do what you've been doing, just do more of it.

I think the events of 9/11 as well as some of the events around CIT and others have gotten us to that position quicker. We've really started to focus a lot on alternative product offerings the most significant this year.

Dave talked about the ABS conduit usage for real estate as opposed to just for credit cards and some of the other loans we had in the past. We've really also, we've added significantly the retail MTN base, which I'll talk about. We've broadened the investor base, continue to work at reaching more and more investors in the markets we're in.

But we've also expanded the geographic distribution. I think the real success story would be that in December we did an extensive marketing trip into non-Japan Asia and ended up with big participation in our first dollar global of this past year.

Dave talked about reduction of commercial paper, an important thing, an important thing I think many people in the market place have focused on. And at the end of the year we ended with about $8-1/2 billion at yearend in CP outstanding.

As of the end of this quarter we had about $5.8 billion. Two important things to note about that -- in the past we never ran a liquidity investment portfolio. As of the end of the quarter we were running about $1 billion short term liquidity portfolio against the CP book. So what we were really trying to do is keep the investor base out there happy having a sizable enough program but then offsetting that with short term investments.

So we really had, if you will, a net CP outstanding of about $4.8 billion. That's about where we are today. So it's, you know, about not quite half but getting close to about half of what we would have been.

The other thing is we've blanked for the maturity. Traditionally if you look at a CP, any CP program, the longest maturities tend to be our balance at the end of the year. And that's because there's lot of, you know, funding uncertainty the first few weeks of January, people on vacation, sometimes strange things happen in the market and also a lot in the last of December.

So we tend to run a lot of elongated paper traditionally at that time of year. And yet we've now expanded from 29 to 33 days. We probably at this time of year would have otherwise been, in prior years been running something like a 23 day average line.

I think -- so we've shrunk the CP book. We intend to run a smaller CP book for the foreseeable future here. But despite that we're still in the market place trying to roll over a key $10 billion in committed back stocks.

And I think we try to do that for two reasons. We know it's, you know, additional money that we're spending but first, we think that's a strong demonstration of why credit providers, people who are experts in evaluating our company from a credit sense, that they're willing to commit their money.

And second, I also view the credit back stops, if you will, as a fire insurance program. No intention ever of hitting them but it's another option in terms of liquidity that no, that if something we could never foresee happens that there's also that option that is available. So $10 billion is our goal in maintaining that.

In addition we focused a lot on non, getting the focus from rating agencies in the market on tapping back stops, we focused on developing another source of backstop liquidity. This is being the ABS conduit area.

We've currently got about $5.4 billion of un-drawn conduit capacity. I would expect that number to grow as the year goes on. Interestingly that 5.4 is greater than the net CP outstanding amount of 4.8.

In terms of balance sheet, I think Dave covered this stuff. To a certain extent we've really tried to focus on the use of ABS and I think that's gotten a lot of attention in the marketplace and certainly some of the autos are using the ABS market as well. Lots of issuers, ABS investors, ABS spreads have been very good, ABS investor interest has grown dramatically.

You're going to see us double ABS issuance this year from something like 7 billion last year to, you know, sort of in the 14 area this year.

Already in the first quarter, particularly relative to real estate, the category that we had done less securitization of and re-emphasize we don't take gains on -- real estate securitizations are

structured so that we don't. We securitized $1 billion of branch originated product in the first quarter.

We also drew on one of the real estate conduits we had, the notion of $1/2 billion. We actually did a whole loan sale, once again to demonstrate I think more than anything just that we have liquidity, that people will buy our product out there for $900 million. And as I said, worked on establishing a large number of real estate backed conduits.

Two other points I'd like to make on securitization -- one is that we have the ability and have plans to and have done it in the past to securitize all product categories in the company. And the second thing is we don't share a portfolio. So portfolios that are securitized are representative portfolios of the underlying assets that we're originating.

On the unsecured side, you know, what's our liquidity approach? It's to continue to emphasize the things that those of you who followed us over the years know are kind of the hallmarks, the trademarks of our program.

First is that diversifying the investor base, second extending maturities and third is focusing on what the investor wants. And in this environment what the investor wants is large liquid deals.

In the first quarter issuance, $2-1/2 billion of five year globals, 246 investors. As I indicated before, large participation out of non-Japan Asia. Did $1/2 billion worth of ten year sterling, one of the larger deals done by a non-UK issuer; went very well.

We've issued 1-1/2 billion of retail MTNs as part of an ongoing program. I'll talk about that more in a minute -- $1 billion of institutional MTNs and in fact, although it's really a small amount of money, threw it up here because it's a new market -- actually did about $50 million in (Czech Corona).

It sounds a lot better if you talk about it in the local currency where the notional amount was 2 billion.

Rating agencies -- Dave already talked about this but our company, Dave, Bill, everybody in the company is committed to maintaining our current rating. We understand how important that is, particularly in today's market.

We meet regularly with each agency, not just as part of annual reviews but have them in to see the businesses. You know, credit cards and auto clearly are their favorite stops in this environment.

We also have regular dialog outside of meetings. The last thing I want to do is be responsible for the rating agency relationship. We've had many surprises on their part so we regularly talk to them about developments in the company and whatever else is going around.

I think we've taken the negative comments that (Fitch) had, particularly about our real estate, the liquidity of our real estate portfolio, very seriously, as you can see from some of the things we've already done in the first quarter and you'll see more of that as the year goes on.

The retail note program -- I think this year we've become convinced that this is a different market than it's been in the past. In the past I think it was a nice to have. It was something out there. We started a retail note program last year.

But I think what's happened is a large number of issues has started the focus on this program and so the fact that there's many names, many options. We now know there's going to be lots of opportunity, regular issuance. And so then I think what we've had is the stock broker community

has started to focus on this program, knows that it's going to only be there so they can talk to clients.

So we think this a product that's here to stay. It certainly got some attraction as we have an aging population. People are worried about either college expense or retirement, both things which, you know, maybe once upon, you know, a couple years ago we thought the stock market was going to the moon. Now we realize that sometimes it can down as well and it's certainly volatile.

So if you're trying to plan for future spending of fixed income, a 7% coupon is predictable over a period of time, actually does have attraction. And so we think there's real rates to this market on a go forward basis.

We started the retail and hand program. A simple bullet maturity last year did in three quarters of the year about three-quarters of a billion dollar, introduced a callable product this year so we write various things -- typically 10s, 15s and 20s.

We've written 1-1/2 billion in the first quarter, did almost $200 million last week. So that's a program that's continuing to go here.

The most interesting thing from my point of view aside from the investor diversification point of view is that it gives me a great deal of flexibility as an AL manager. I've got a liability that's got an average life of 11 years if I want it but I can call it and shorten it up for three years.

So a great deal of funding flexibility in terms of restructuring the balance sheet if we want to down the road.

Liquidity risk management -- I think just to tell you quickly, it is an important part of the planning process that starts with the budgeting process. It's incorporated into everything we do. I think the only interesting change from prior years is it used to be we would look at the funding plans every week but they've kind of sort of stayed the same as in some major significant event and now virtually every week we've been adjusting things as the market changes.

Certain kinds of market seem more open, more -- and other ones seem a little bit more closed.

The most difficult thing in describing liquidity management from my point of view and I think maybe from investor's point of view in asking the questions is how do you measure it.

I mean, it's very easy, I think, in a manufacturing company where, you know, there's hard assets. It's not just -- everything isn't just cash. The way we've tried to answer it I think is to what we call maximum treat of outflow, but basically to say let's take a look at the current balance sheet; let's not worry about what's going to happen in the future. Let's run off the assets, run off the liabilities kind of as we expect them to run off.

And then let's see what the end cash needs are. And we'll include in there interest expense, interest income, you know, operating expense, all those kind of things. But let's get to a number and see do we have -- are we relatively matched, are we not relatively matched. And we'll take a look at that in a minute.

Before doing that, I also want to say we also focus on debt maturity profile. It sounds like a very simple thing but one of the, you know, the nightmares somebody should have in treasury is they did a five year deal, two years later they do a three year deal; those deals both mature in the same week and all the sudden what you thought was, you know, well smooth ladder wasn't really.

And as we know, you know, 9/11 drove home I think that liquidity prices can be, you know, occur in a day. They don't take weeks or months or something to develop. So that's something we really do manage in terms of timing of issuance.

NCO for help book consolidated this as management, it includes securitizations -- it is up here on the screen and in your book. I would point out one typo that there should be brackets around the 1.8 under year two.

What have we done here? Well, if you look at across the top 1999, what you'd say is in the first month we had 10.7% of the liabilities coming due and then in year one and just in year one looking at it, it was 8.1; year two 7.7, 5.6.

If you look at what's happened over time -- and by the way, we also measure other interim periods -- if you look at it over time what you've seen is the short term component of the book as a percentage of the total is half of what it was. So it has shrunk largely driven by decreased reliance on the percentage terms and now in an absolute sense as well on commercial paper as a funding source.

In addition you see though that increasingly out and so that as we stand today, actually in year two if we just stopped doing business and let everything run off as it was, when we actually would get cash in the door over the transom in years two, years three, years four and years five, obviously have to repay it some time in years seven, eight, nine, ten.

I think this shows the extent to which we have extended maturities relative to our asset book. A couple of comments I'd make -- one is it's been expensive. To term out, we have actually had to sacrifice current earnings to pay up for liquidity. So the company is invested.

But what you can also see is a good company's invested over a number of years in doing this. The second thing is we've continued to improve so what you see where we were in 2000, we made progress in 2001 in further extensions and find ourselves here in 2002 with basically a very well matched book. If anything, kind of liabilities longer than assets.

So we've been, bottom line takeaway, we've been focused on liquidity for a long time. We've been managing it, we think, very effectively and have been willing to invest dollars to do that. So it's not just in lip service.

We also look at contingency funding and, you know, everybody has a different scene about, you know, it's the end of the world or whatever. What I will tell you is we have focused on short and long term scenarios, everything from a downgrade to funding constraints as we experienced in the first quarter, although we had done plans about that earlier.

And I think what I would tell in almost all the scenarios, in virtually anything that's plausible, we don't end up having to tackle back, tap into our CP back stops. So what we do between ABS conduits, our ability to sell whole loans, our ability to access other markets, we are able to keep going with the business and without tackling the back stops.

So we feel very good on the contingency funding side. We also do all kinds of other analyses, general part process. We certainly, for instance, would never do an acquisition or contemplate acquiring a portfolio or a business or anything like that without thinking seriously about the liquidity impacts of it.

In terms of the funding review, just to give you a slice of the balance sheet, there's almost no subordinated debt. You can see that we were reliant largely on debt funding. I think what we will say over time is that securitization's going to grow as a percentage of that; CP is probably going

to decrease over time even if over time the absolute numbers were to increase a year or two from now.

There are details in the appendix about a lot of our funding activity in 2001. So I think at an oversight point of view what I'd tell you, balance sheet grew about $13 billion in terms of managed funding of which $6 billion was five years or longer and we really did focus on the large liquid global deals.

Keep talking about broadening investor base -- to give you some sense of the activity, in 2001 we met with 444 debt investors in individual one on ones for small group meetings. So it's not like a meeting like this.

Continue to really focus on Japan and Australia in building those investor basis through issuance in those markets -- a pattern I expect to continue. I spoke at eight different large forum fixed income conferences.

We also increased the ABS issuance with nine transactions. Did about $7 billion, which was almost double what it had been the prior year. And now let me look at 2002, first and foremost what are my five key objectives for the year?

One is to maintain the credit ratings; second is to drive fairly priced transactions. All this investor marketing and all of the other outreach and broadening we do I think really at the end of the day could all be undone or proved to be very successful depending on how investor's experience is with our product.

So the thing we really want to do is do fairly priced deals; not give away the store, but certainly deals that perform well, you know, once the person, the investor actually owns the product.

Continue to focus on large US dollar global issues as our primary single largest funding source; I think that's what the market wants. We've talked already about increasing the reliance on an issuance of a public ABS transaction so moving a bit away from conduits towards public deals.

We've talked, I think had an argument about reducing CP. Continuing to broaden worldwide investor marketing programs so discuss, we have Asia I think is going to get us back there. I think you're going to see continued focus on European investors. And we see Europe as a market that is still just starting to understand spread product, understanding buying credit and we think that being in front of people's faces telling the story is going to get us on the buy list and get us some more credit out of that market than we've gotten so far.

And continue to focus on working on warehouse lines relative to real estate. We've got a bank deal in the market we're rolling over about $5.4 billion. Some at about 1 billion in five years, $4-1/2 billion of 364 days. I would expect basically input we've gotten so far from many of you in this room that that will be, we will be successful in that event and we're trying to keep the five year amount still outstanding to roll that into new five year and keep the 364 day where it is.

Nine banks have already committed. Actually it's more since that nine but it gives some idea that I think that deal is in good shape. We've got two small deals relative to the UK and Canada.

On short term debt, I think we've talked about CP. I would expect CP to average 5-1/2 to $6 billion and this -- for the full year this would include the affect of maybe an $8 billion beginning of the year. So think about a $5 billion net of investments average number for the year.

And relatively small programs in the UK and Canada – my goal there is to keep them big enough that investors are interested in those programs.

Securitizations -- of the $14 billion, the vast majority of that will be in public transactions. Net gains are comparable to prior years. Once again, the big growth is going to be in real estate. In real estate we don't take gains; therefore the math works pretty easily.

And continue to diversify to increase our conduit capacity for real estate and I think we really focus on real estate as that's continued to grow.

Two small securitizations planned out in the UK. Debt issuance -- a number of people have asked me what are our debt issuance plans for the rest of the year. Before I do that one thing people have also asked about the convert.

In an analytical sense for funding purposes we're planning on the convert being put. I'm going to assume that, you know, the stock price is going to perform and all those other great things are going to happen and so it won't be but then that'll be a pleasant surprise.

Full year retail MDNs, you know, 5 to $8 billion. We're kind of on a run rate of six plus and, you know, I think eight is, you know, if you just said well we did 200 in the past week, you know, 200 times 50 is probably beyond the end of this one. So somewhere in the 5 to $8 billion area.

Full year institutional debt issue is, I don't know, 23, 24, $25 billion. We've done 4.2 already, as we talked about. What's going to constitute the rest of the funding for the year, you know, three large liquid globals here in the US, significant amount of institutional MDN issuance although down from prior years, at least two large liquid Euro transactions.

Many of you know we've already announced that we're going to be doing one in a couple of weeks. Foreign currency offerings, which would include Japan, Australia and the UK.

Derivative activity -- obviously as consumers continue to borrow fixed, we're going to continue to have to swap some floating rate debt into fixed so we're thinking something in the order of about $20 billion of notion derivative activity. Some of it foreign currency swapping so that 2 billion out of foreign currency denominated as well as another 2 billion let's say of Euros. That's going to be a fair amount of that. And then in addition, just plain vanilla US dollar swapping.

Really focused on managing FAS 133 risk. So we're not -- we're looking for great ideas on that front but we certainly are pretty conservative in the approach that we're going to take.

One other question we've gotten is about bank restructuring and everyone's aware I think that there were sub prime capital guidelines that were put out there by the regulators at the end of last year.

In response to that, in the first quarter we put just under $1.2 billion of capital into various number of our banks. We don't contemplate any additional significant equity contributions. We don't believe anything will be necessary. We think obviously over time we hope that the flow actually comes the other way.

I think also to -- as part of that effort to manage capital effectively, we're in the process of restructuring. Many of you are aware we have filed for permission to merge some of our credit card banks. And I think the end result of it is going to be it's going to simplify what you -- our lives but it's also going to simplify your lives and what you see and what card products are resonate in what bank.

I think any changes we make are not going to impact funding nor I think even more importantly for both us and for you we don't expect any material impact on how we operate our business as a result of that.

Finally, you know, I'd kind of like to close as I do every year with what's important, what we will endeavor to provide for you and what we're looking for in relationships.

First and foremost, I think we continue and will continue to provide access to senior management to any of our investors, any of our financial partners. Want to be very responsive to investor inquiry. I think that the worst kind of question out there by an investor is one that goes unanswered.

So as many of you are aware, we'll answer just about anything. If we don't know the answer we'll get it for you as quickly as possible. We really do want to consider proprietary new ideas. We don't invent the ideas here and so the only way you can get new ideas obviously in the company is from the outside.

Merits in terms of financial business in terms of bond deals, whatever, are awarded based on merit. And we really are, particularly in this environment looking to strengthen, further strengthen credit relationships we've got and start new ones with others.

What are we looking for in our relationships? Provision of credit -- provision of credit in many different ways is very important to us. I think the ability to execute the products that matter to us so debt, ABS and equity. I think also do -- we are very concerned with financial vendors satisfying something that is important to our investor clientele. That's quality research and by that I'm not talking about puff pieces or pieces that come out once a deal is mandated or something like that but regular coverage that's thoughtful, understands the industry, understands the issue.

Looking for active secondary markets for. The number one -- okay, it should be no surprise to anyone, the number one concern on the fixed income side investors have is market making and pricing and size of market making that people do.

We're looking; we audit market making and trading in our bonds. On the part of -- in the dealer community that's an important thing for us. We're looking at expanding the investor base. It's obviously much easier to expand an investor base with folks who you know that we don't know than us calling them on a cold basis.

We're looking for MNA ideas, derivatives, quality and obviously -- and finally I think as a efficiency leader we are interested in competitively priced fee based services.

So with that I'd like to thank you. Just, I think we're going to take a short coffee break now. I want to remind you please fill in Q&A cards and leave them on your desk and look forward to seeing you in a couple minutes.

Man: Ladies and gentlemen, please join us back in the room at 9:50, 9:50 please.

Ladies and gentlemen, please take your seats. Ladies and gentlemen, please take your seats. Ladies and gentlemen, please take your seats. The program will begin shortly. Ladies and gentlemen, please take your seats. Our program will begin shortly.

Ladies and gentlemen, please welcome Gary Gilmer, Vice Chairman Consumer Lending and President HFC Beneficial.

Gary Gilmer: Well, good morning. We have a few vacant seats still to be filled as people are coming back. Thank you for that, as well. Let me get this thing moving forward here. Obviously, Dave, you have rigged this. There we go.

Here is the – here are the things I'm going to be covering today: the business and the customer overview, the results as it relates to 2001. Then I'm going to talk about some of the challenges

that we had last year in some degree of detail. And then I'll spend a few minutes talking about the 2002 outlook.

First, let me remind you of what our business, my part of the business is. It's the 1,400 branches branded as Beneficial and HFC out there. We've got about 13,000 or so people who work in this network and that counts the 4,000 or so people who work in our seven processing centers across the country.

The customers that we serve today are not materially different from the customers that we served several years ago. Dave did a great job of describing sort of the broad spectrum of the customers that we serve at HI. The customers that we serve in the branch network certainly fit into that group.

There are people with some spotty credit but they're good and decent people who indeed will pay their bills. Perhaps unlike you or I they don't always pay 12 in a row but they will get there if they are treated the right way.

And so we've built a business over the last 125 years on understanding who these people are and treating them the right way.

2001 results -- I think we had a great year and some of these numbers should support that. Volumes were up 18% over what we produced in 2000. The receivables increased about $5-1/2 billion. The secured growth represented about 99% of what we did last year in terms of growth.

And that has been the case over the last two or three years. Dave eluded to that earlier when he talked about the interest that we had in terms of -- that we put forth in terms of strengthening the portfolio.

Revenues increased 11% for the full year. And at the same time we kept good control over our spending. Our efficiency ratio in the branch network last year was less than 30%; in fact, it was 29%.

Net charge offs were a little better than they were the year before at about -- indeed about 19 basis points better and the (ROMA) and ROEs were somewhat better than the composite numbers at the HI levels.

Now, I'm going to sort of break here and ask Tom Detelich to come up. Tom, if you'd come up and join me. Tom's going to talk a bit. Tom manages or has the responsibility for at least 1,400 branch offices and all the activities that go in the sales side of the business. It's such an important part of what we do, I thought it'd be appropriate, as we did last year, to ask Tom to come up and tell you about what's going on in that branch network. And then I'll come up after he finishes to talk about the rest of the things that I had mentioned earlier. So Tom.

Tom Detelich: Thank you, Gary, and good morning. As I thought about my presentation for this morning I couldn't help but draw kind of a stark contrast between the branch network and our consumer lending business and some of the businesses and companies that have made the headlines lately.

I don't think we've been any more different than these companies have built their businesses on intellectual capital and intangible assets.

We have 1,400 branches in 46 states around the country originating nearly 25,000 real estate and personal home owner loans every single month -- a tremendously valuable asset. And it's that asset, the branch network, that I'm going to talk about for the next few minutes.

Specifically, I'm going to talk about how we drive growth and profitability in the branch network and then speak to these topics: optimizing the branch number, make sure we have the right branches in the right locations, how we drive productivity in our sales force, how we manage our expenses -- of course, the expense of branch network -- how we maximize the output of that very valuable asset and then some important words about quality assurance.

As I said, we have just under actually 1,400 branches and two brands -- the Beneficial brand and the HFC brand. That number has been roughly flat over the last three years, since 1999 in the merger with Beneficial.

It will remain relatively flat in 2002. But behind that single number is the fact that there's a good deal of rationalization that goes on in the branch network all the time -- opening branches in strong markets, closing and consolidating in weaker markets.

That's not going to be any different in 2002 although we are taking the precision and efficiency of that optimization to another level. Last year in a, maybe inappropriately named, project called the Gas Project, we found a way to take market data and create a number of potential indicators for all of the markets where we operate our branches.

We looked at 1,400 branches and literally hundreds of markets. And then we compared those market potential indicators to the actual performance of the branches. Where both were high we tagged those markets for expansion. Where the market potential was low and unfortunately we lived up to that potential, we tagged those branches or those markets for consolidation closing.

The net amount of that is we'll stay relatively flat but we'll move our branches into continually growing improving markets and closing the less profitable markets.

That kind of – there we go -- that kind of branch optimization has contributed to a 12% growth in branch productivity. That is measured as the increase in branch growth per month. 12% in 2001 and we expect a pretty strong growth number increase in 2002 as well.

Net branch productivity increases were also assisted by an increase in our sales productivity. You can increase sales productivity two ways -- you can grow the size of your sales force or you can improve the productivity of each of your sales executives.

In 2001 we did both. We added to our sales force, as Dave mentioned earlier, about 541 account executives in the fourth quarter of last year and the first quarter of this year to show we do indeed have some intellectual capital here. We put those account executives in our very best markets.

We've also on an annual basis will reallocate our sales force, our existing account executives across our 16 divisions taking the highest performing divisions, increasing the sales force and sometimes even contracting in the lower performing sales divisions.

Branch optimization, sales optimization both contributing to productivity. In fact, the individual productivity of 2001 was up 12% assisted by these three things: improved sales training, improved leads and lead management and improved products.

I've talked about these in the past so in the interest of time I won't spend a lot of time. I will say Gary's going to mention some changes in our best practices about our products. I would say pay attention to those. We think that some of those product changes have tremendous customer value additions and we think that's going to help the productivity of 2002.

This is a good picture of all I've been talking about so far. The line across the top is the number of branches in our network and as you can see, it's relatively flat. The yellow bar is our sales force and the white or the lighter colored bar there is our sales staff and management.

And as you can see, we've maintained relatively flat branches and staff and management while we've invested in revenue producing sales force. In fact, we've added 1,100 sales executives since 1999, about a 20% increase.

You can imagine that there's a strong profitability leverage in this kind of formula. In fact, in managing our expenses, growing the sales force while keeping our branch network and our fixed cost low or flat has helped us with our efficiency ratios.

We've also coming into this year had about $1 billion in what I call non-core customers. That's customers that have low opportunity for up sale. We serviced those in a centralized environment, lower cost environment.

This year we've added another billion and taken that up to $2 billion basically driving or keeping the branches from being clawed with customers who we don't have much opportunity to up sale, allowing the branches to focus on the higher opportunity customers.

This is an opportunity that we'll continue to look at throughout this year and next year, looking for opportunities to both increase efficiency of the sales force and keep our expenses down in branches.

Adding to our efficiency is the development of a couple of lower cost lead sources. Direct mail, as you know, which is a traditional source for new customers, relatively expensive -- we'll continue to do that but adding these lower cost lead sources, developing partnerships and cross selling. I'll talk more about those in a minute.

These things have contributed, that I've been talking about, contributed to a 70 basis point reduction in our efficiency ratio last year and we expect to see a similar -- now that is just in the branch network -- we expect to see that, a similar reduction in 2002.

While I believe we are as efficient as possible, the branch network is still a very expensive asset of ours. It's extremely important that we maximize the output of new products and loans to maintain the profitability -- very important.

The traditional approach is to drive as many customers into those branches as possible. Very important to do, but we found other ways to maximize this output of our branches and that is to leverage the branch to build relationships with the customers of other business units in HI as well as with strategic partners, partnerships, strategic alliances and cross selling.

Now we'll talk about a couple examples of these. Dave has already mentioned our partnership with MBNA. This is where we leverage our branches to help MBNA make home equity loans to their customers. Virtually a start up business three years ago; today it's going to be, or this year it's going to be about a $1 billion.

Internet partnerships -- also virtually zero business three years ago. By partnering with some of the integrators like Get Smart Lending Tree as well as our own internet, our Web pages like HFC.com and Beneficial.com, this business has grown to be about a $600 billion business -- $600 million business in 2002 -- a good example of how partnerships are driving business through the branch.

Cross selling is also important to us. Again, using our branches to sell -- cross sell two ways: one, to sell our products to customers of other HI business units as well as to sell other HI products to the customers who come into our branches.

And here are a couple examples of each. Last year we sold 59,000 loans to the customers of the Private Label business by selling our products to their customers. We've also sold nearly 136,000 credit cards, excuse me, to customers of ours who walk into our branches for our traditional products -- again, cross selling other business unit products to our customers.

We are also further developing partnerships with these two business units within HI in the same way that we've been able to partnership with MBNA, selling our products first on their side and then leveraging the branches to fulfill that relationship.

I'd like to just conclude by talking a little bit about quality assurance. Gary's going to talk a good deal about it so I'll be very brief. I just want to say that today the controls in our branches are at their strongest in our history, at least in the 26 years that I've been in this business.

This past year we've strengthened our controls by doing a number of things including adding quality assurance people in the branches and in our centers. We've tightened up our quality assurance systems so that we leave little chance for human error. And then we've added a good deal of testing to test any inadvertent, excuse me, human error that may occur out of the branches.

All in all, I'm very pleased with the quality assurance steps that we've taken in the past and our current controls. This year I believe is going to be a wonderful year. All of the trends in the business and the branch are pulling it upward and I expect another record year.

I'll now turn the floor back to Gary.

Gary Gilmer: Thank you, Tom. I hope that gives you some idea of what's going on in our branch network. Obviously it's a big driver as it relates to asset growth at HI and certainly the driver as it relates to asset growth in the HFC Beneficial world.

Now I want to talk about some of the other challenges that we encountered last year and I'll start by talking about the economic challenge and indeed we had an economic challenge last year.

No surprise to any of you, the economy slowed down, unemployment rose and that had some affect on our business. But the fact of the matter is we have been forecasting an economic downturn since 1998. We were absolutely right. In the absolute we were a bit wrong in the timing but nevertheless at long last we got it right.

As such though we started preparing for this some time ago. This points out, beginning in 2000 and indeed, to be more accurate, even earlier than that we started to tighten our underwriting criteria in a very general sense. I'm talking about unsecured and secured, less focus on renters, more focus on homeowners.

And as I mentioned earlier in the presentation, certainly a lot more focus on the real estate secured side of the business; so much so in fact, virtually 99% at least of the growth that we've had in the last two or three years has come from the real estate side of the business.

If you recall Dave's pie chart, that's had quite a dramatic affect on shifting assets from the more risky side and higher charge off side, so the more conservative lower charge off side.

We've also added 675 collectors in consumer lending and I use the word collectors in a very broad sense because collectors are not just collectors in our business. I mean, they're counselors, they're partners, they're work out specialists, they're a little bit of everything. So the word collector just doesn't quite capture it and I think that is particularly true during an economic downturn.

Moving onto something that's near and dear to my heart, this certainly was a year of heightened regulatory scrutiny. As you all have heard and have read, certainly we have had our fair share of that.

This is not really new for us though. I guess I should sort of start there. If you go back to the very beginnings of our company, back into the 1920s as a matter of fact, Household has always been out front -- it certainly was in those days as well -- in taking the lead in strengthening consumer protection.

So this is, in some sense of the word, some of the things we're going to talk about here are just other iterations of things that we have done forever and forever, to include the (HOPA) changes that took place in the early 1990s. We were the only consumer finance company to step forward and support that.

Yes indeed we did take some heat in the industry because they thought those changes, those restrictions were too draconian, but nevertheless we thought they were the right things to do and so we stepped forward and supported those.

If you'll recall last year, about February of last year in fact, we appointed the Blue Ribbon Committee. We've sense expanded that. A good cross section of people across the country we asked to come in and to help us to think through all the things that we do, all the things that we might do, any changes that we might make to improve our products and strengthen our controls. They've been quite valuable in helping us in that regard.

We also launched the groundbreaking best practices early last year and you will recall that, I would hope -- quite a bit of fanfare on that, quite a bit of publicity around that.

We felt that that was the right thing to do for a lot of reasons. Number one, being the largest sub prime lender in the country, we think we have some responsibility and indeed some opportunity to influence the behavior of the sub prime industry.

While I think it is certainly true that most of the things that we've heard about as it relates to bad behavior in sub prime are actually quite a small percentage of the total and relatively confined to a small group of people; but nevertheless, when something goes wrong in sub prime lending -- of course we are a big player in sub prime lending and we can get tarred with that brush and we took the opportunity there to step out front and establish these new benchmark behaviors, if you will, to try and influence the market.

And most of the things, I guess it's fair to say that we announced at that time, had really always been part of what we had done within our company. But, you know, that's not enough from time to time.

We've got to make sure that not only is it what we do but that the rest of the world understands that it is indeed what we do and that hopefully would influence some of the behaviors of others in the industry and I believe it's fair to say that we accomplished that objective.

In addition to that sort of general public stand on that sort of thing, we put together a comprehensive program to send our senior executive team out to meet with, talk with, explain our processes to the people who make decisions that have some impact on our business.

That's with the regulators, the legislators and others who would be in a position to make a difference and we met with great, I believe, great results there. We have established contact with just about everybody in the world, certainly in the legislative arena, who would have a reason to wonder about these things, who would have a reason to know about these things, who would need to be educated in order to make good decisions and indeed we got a good reception.

We've created some high impact partnerships with community groups such as NCRC. We've been very positively received. We're very pleased with that partnership. We're moving forward on a lot of fronts.

And indeed I should mention -- I did mention but just to follow up on some of the legislators that we've joined forces with such as the Congressional Black Caucus – we've got some good partnerships going with them and we're rolling out programs along the way.

In February of this year we rolled out our most recent best practices and I'm going to spend a couple of minutes talking about those. As Tom said, a lot of customer value in those things but there are also some questions that I've gotten about what does it mean relative to your business model, is this going to change the profitability of the organization or drive you in a different direction.

So maybe I can take a minute to explain and answer some of those things. The first thing is kind of a slam dunk, it's a simplified one page disclosure. I don't know how many of you have closed a real estate transaction lately but even if you think you understand all of the detail around a real estate transaction, once you stare in the face of a stack of papers about two inches thick you can get lost and certainly dis-focused pretty doggone fast.

So we've developed a one page disclosure that says to a customer, here are the five or six, seven things that you need to think about and understand very clearly in addition to all of the, of course, required disclosures before you close this real estate transaction.

And so it's in plain English. It's not hard to understand but it does hit the points that are most important. Also we've put some additional verbal disclosures -- by the way, some of these things

are launched, some of these things will be launched over the next several weeks and months. In any event, by the third quarter we should have all of these things in place.

The second bullet being verbal disclosures around direct mails loans. We want to make sure that when a customer gets a direct mail solicitation or a direct mail loan from us they take it to the bank and cash it or however they transfer that from, you know, sort of paper to money that they understand exactly what they're doing.

We have all of the disclosures that one could imagine attached to that but there's nothing like having one of our employees get on a phone and talk to one of these customers to explain the details around that and there's a couple of reasons for that.

One is we want to make absolutely sure they understand what they're buying and the other thing is it's a great opportunity for us to get a customer on the phone and talk to them about the other products and services that we sell. Again, we think that's the right thing to do.

The other groundbreaking, the third groundbreaking thing that we're doing is the 100% satisfaction guarantee. This is a pretty simple concept. We don't want anybody to buy a product from us unless they're completely satisfied with it.

Now indeed it is true that there are all sorts of disclosures that are required, there's all sorts of cooling off periods that are required before a customer can take a loan and that's particularly true as it relates to a real estate loan and that's all well and good.

But we want to make sure beyond that, after they go home, after they have time to think about it, after they have time to talk to their lawyer if they want to although they should have already had an opportunity to do that, after they have time to talk to their brother-in-law, whoever, we give them an additional ten days.

If they don't like the transaction after an additional ten days, bring the money back and we'll call it quits. We'll eat the cost of an appraisal. We'll eat the cost of a title search. We'll eat any cost associated with that. Just bring the money back and we will cancel the transaction.

What do we expect to happen from that? Really nothing when you think about it. If we do a good job upfront of telling every one of our customers exactly what the terms and conditions of the loan are and indeed we do that, we do that not only through all the disclosures that I talked about, the required disclosures and the simplified forms that we give and we actually ask our real estate loan customers to do two things subsequent to that.

One is to complete survey form. It's got about five or six simple questions on it and says did you, you know, did you understand what the interest rate was, did you know there was a prepayment penalty on this. If you bought some insurance did you realize it was optional. All those kinds of things they have to physically check off.

And then we take the next step of having each and every one of these customers listen to a video. So we had a video put together in both Spanish and English so that regardless of what one customer might hear or thinks they hear among the 1,400 branches that we have out there -- and remember, it is a bit of a challenge to make sure you have absolute uniformity among 1,400 branches.

We think we do. We have training programs to ensure that we do but let's just assume that somebody doesn't follow the rules on that. Then you watch this video and the video is consistent 100% of the time. It's very short but it's really to the point. Did you understand this, did you ask about that, do you know that this or that is optional?

So that is sort of the backup guarantee. So I don't expect anything to come of the 100% but if it does, so be it. I don't want anybody to buy a product from any of our companies and certainly not HFC or Beneficial that they don't want ten days later. That's a bad proposition for us and it's a bad proposition for the customer.

Prepayment penalties are a hot item in sort of the sub prime market, I guess the market in general but certainly the sub prime market. We believe that pre-payment penalties are appropriate. Certainly in the sub prime market we believe that prepayment penalties actually offer a benefit to the customer in this regard.

It certainly cuts down on the unscrupulous flipping -- you've heard that term, flipping -- of loans by I'll say a broker or any company for that matter who may have no regard for the well being of the customer but simply wants to roll the account over.

Well, it gets to be a little bit tougher when they try to pay off the old account if there is a prepayment penalty to be dealt with. The other side of that is it costs us something north of $3,000 to generate a real estate loan. We think it's fair that if we sign up to spend the $3,000 to generate the real estate loan and to borrow the funds that Edgar talked about to fund that, that the customer stick to the proposition, at least for some reasonable period of time.

If they decide not to do that, that's okay. That's the way it works in America but who's going to pay for that. It shouldn't be all the other people among our customers who stay with us for some reasonable period of time. So we think that is not an unreasonable approach.

But we do believe that customers should have a choice in that matter. So we've come up with and are launching just that, a choice. A customer can come and take a loan from us with a prepayment penalty at a lower rate or without a prepayment penalty at a higher rate.

At the end of the day it doesn't matter much to us because it comes out in the wash, but. So at any rate, that's the fourth thing.

The fifth thing is we've placed pricing restrictions in terms of limiting our points. Let me talk about that for a minute.

We said in our release, and indeed it is true, that we're going to limit the total number of points to five. That would be three origination points, a maximum of three origination points and two discount points.

Now prior to that announcement we had allowed a limit of seven. So therefore of course the quick math, Edgar, is we're too short there, right. But understanding that the components in the pricing of a loan transaction are more than just the points. It's the base rate plus or minus the points.

The more points you charge the lower the rate. The fewer points you charge, the higher the rate. The problem with points in the sub prime market today is really one of perception, it's one of options.

So while we believe and indeed it is true that there are some benefits to many customers to charging higher points perhaps without limitation, although we did have a seven point limitation, the object of the matter suggested that we ought to change this and indeed we have changed it. So that was the driving mechanism behind that.

The -- one, two, three, four, five -- sixth thing that we did was enhance our pay right rewards system. What we -- and we have had, I say enhancements, we've had a pay right rewards program in place for two or three years and I think we've got a very good handle on exactly how it works and what the positive aspects of that are.

In the new pay right rewards program we have told our customers and will tell our customers that if you make your payments on time described as within 30 days of the time they are due, so it's not so tight that if you forget to mail one or the post office is tardy you're blown out of the system, but if you mail your payments within 30 days of that -- if you do that every year, at the end of each 12 month period for 12 years we will give you a 25 basis point reduction in your rate.

So that comes to 300 basis points. Now one of the questions that I got was, you know, from people and it's a good question is well wait a minute, so you're going to make a loan in the sub prime market at X at a sub prime rate and then sort of 12 years down the road here you're going to have a loan that is sort of materially different, at least as it relates to the way it is priced.

And the answer to that is of course. And the other comment I would make to that is I hope to heck every one of them take advantage of that because if you think about it for a minute.

If we make a loan -- and by the way, the way our loans are made order of magnitude 4, 500 basis points over prime, 600 basis points in some cases -- and I have a customer who by definition is no longer a sub prime customer by behavioral definition because they have made -- what would that be, 12 years worth of, 12 times 12, 144, see you're not the only math whiz we have here -- 144 payments in a row, by definition they're really not a sub prime customer any more. They really are a prime customer.

So I've sort of got two choices as I think through what's going to happen to the relationship that I have with this customer over the next 12 years, I'm either going to recognize that we've done a great job in solving this customer's problems and rehabilitating them to the point to where they become a prime customer or one of my competitors is going to recognize that I've done a great job in rehabilitating this customer and therefore will pay me off.

And so we've done the math 1,000 ways from Sunday and the greatest thing in the world that could happen to us is that this program will be an overwhelming success. By success, I say everybody's going to take advantage of it.

Now they're not but if they did, sort of financially at least on the mind set of some, worst case is we knock a homerun. Not that I feel strongly about any of that but I do.

Now, let me talk about California lawsuit, which I take very personally. We were, as it said here, unexpectedly sued by the California Department of Corporations in December of last year for overcharging customers and that was true.

We were guilty of overcharging customers. Let me be quick to point out that we were not willfully overcharging customers, but we did it. Talk about all the reasons behind that and believe me, I could spend the rest of the day explaining to you how that happened. I guess that's not so important.

The question is, what'd you do about it and what does it mean. And by the way, those errors, if you just sort of look at the two top bullets here, were overwhelmingly confined to unsecured loans.

The two biggest categories -- now there were five or six categories -- included an overcharge for late fees for somehow our system and so we have to go back to some person -- the system just doesn't wake up in the middle of the night and do this thing all by itself -- but somehow our system got coded for a 15% maximum late charge instead of a $15 maximum late charge and that meant that any customer with a payment of more than $100 was being overcharged. Any customer with a payment less than $100 was being undercharged.

We also had an issue around some administrative fees, which more specifically in the state of California if you make an unsecured loan to a customer at $2,500 or less then you can charge a $50 administrative fee and if it's more than $2,500 you can charge a $75 administrative fee.

And our system was rounding by $1 in here in some cases so that the $2,500 and under was actually thrown into the -- I mean, 25 and over was thrown -- no, I had it right the first time -- and under was thrown in the 25 and over and we were overcharging people.

And so we had to fix that and we did fix that and we paid about $3-1/2 million in customer refunds, which is a nit, which is absolutely nothing. Somebody actually asked me if, you know, this is sort of part of our business model one time.

He said okay, so now you can't overcharge people; how does that affect your business model. Well let me tell you that our business model was never based on overcharging people. As a matter of fact, we were undercharging thousands of people.

So if we had a business model that was built on overcharging people we had the lousiest execution that one could imagine. Again, not that I feel strongly about that.

But anyway, here's what's happened. I should put in the top bullet on top of all of these right here that the first thing that happened was an incredible amount of embarrassment but I'll just admit that to you now.

We settled a lawsuit; we significantly increased the number of people that we have working on these kinds of things, particularly in key compliance areas. We launched a myriad of employee training programs to make sure that everything we do, we do the right way.

And I say that in the context of the millions and millions and millions of transactions. I can get Ken; Ken can always -- Ken Harvey, our CIO -- can tell me how many gazillions of transactions we put across the system every day and believe me it is millions and millions. Every time somebody touches a button out there, there is an opportunity for an error.

We have as many systemic blocks and audits and so forth as one could imagine. But, you know, when you think about it we're dealing with hundreds of thousands of loans, millions of transactions and each one represents an opportunity.

So I don't know that we'll ever be absolutely perfect but I can tell you this -- we will never deliberately do anything wrong and when we do something wrong, you know, we'll break both legs to make sure that we get it fixed and we get it fixed right away.

In addition, when I say break both legs -- we can sort of get to the last bullet there too I guess, talking about compensation to discourage compliance failure. And I say to discourage compliance failure as opposed to encourage compliance adherence because this is what -- compliance is what we do, I mean, it's what pay, it's what we come to work every day. I expect people to comply with the rules and so that's kind of table steak.

If you don't comply with the rules here, you know, depending on the severity and we have a very low tolerance here for failure, I mean, you've got sort of one option and that is really go to work for somebody else.

So that's California. Now let me talk a little bit about 2002 outlook and hopefully it won't be materially different from what Dave talked about earlier because our outlook should be relatively in sync, Dave.

The economic circumstances of our customers we think are going to improve throughout the year. We've already seen some evidence of that in the early buckets of delinquency coming out, as a matter of fact sort of started in the second half of January.

We saw improvement in February; we saw improvement in March. I certainly expect to see further improvement in April. I believe the competition is going to hold steady and continue to be rational. That's a pretty doggone positive comment to make about the outlook for 2002.

We have been in circumstances before when we were standing up here talking about irrational competition. You know, any time that we are competing with people who are sort of kamikazes I worry about that. When we're competing against big well run well managed rational companies, then I think we're going to do just fine in that environment.

I think our opportunities for growth are going to continue to be excellent. Tom talked about the opportunities for growth in our branch network. They're about as good as I've seen.

We've got more than an adequate supply of leads to get to. The question is how many of them can we get to and how quickly can we get those converted onto our books.

Now we expect another year's growth of double digit growth in assets and in revenue. That is not really any different from what we've seen in the last several years. I believe our margins are going to hold up well. I think we have some elasticity to move up if we need to do that.

Back to this sort of competition point that I made earlier, not only is it rational but it is somewhat less intense. Indeed, it is less intense than it has been and has been in a while.

When I started to work with this company 25 to 31 years ago there was a consumer finance company on every corner. And you can see, as you well know, the consolidation's been very

clear and very steady so that when you sort of sit back in your chair today and talk about who is in -- think about who is the sub prime market today, well you quickly, you know, lead to what (City Financial) is in and then there's a bit of a pause in the thought process and you're trying to come up with, you know, of course, Household and then who's number three. Well, you know, you can come up with those.

But certainly it takes a little more thought than it did a few years ago. So we believe that it in itself offers some pricing elasticity. We're going to continue to be more efficient in the years ahead than we are today.

And if you recall earlier I talked about the fact that we had a 29% efficiency ratio already on the books. I believe that is as good as -- in fact, I believe it is better than anybody else in this industry.

Delinquency ratios are going to behave pretty well. We think they'll be relatively flat to the end of last year. In other words, December of last year, December of this year are going to be relatively flat. We're talking about a difference of a handful of basis points one way or the other.

Charge offs are going to be higher this year than they were last year. That is nothing more than a consequence of the economic downturn that we saw and that was particularly true post 9/11. We had about four or five months post 9/11 where our delinquency, particularly in the early buckets, started to fork up.

Now that is roll through in the year 2002 and you will see that in the first, second and third quarters, some lessening in the third quarters and you will improvement in the charge off numbers in the fourth quarter.

Now, before you jump up and run out and not worry too much about that, again I'm talking about measured in basis points -- certainly manageable and certainly manageable within the context of the fact that we've had a fattened margin.

So what does that mean for 2002? I think it's going to be another record year. I think we've got good momentum, we've got good people, we've got a good branch network out there, we've got as many or more leads than we can get to and you heard Tom's comments relative to that.

So I think 2002 is going to be the best year that we've ever had in the consumer finance division.

So with that, Dave, I think you're up again. Thank you very much.

Dave Schoenholz: Well, I'm back but not in my CFO role -- in my operating role and I absolutely promise I won't talk any thing more about accounting, re-ages, nothing like that. Actually talk about -- three of our businesses report to me and talk about two of those today, the first one being our mortgage service business.

The biggest part of this business is to buy non-conforming residential real estate loans from a series of correspondents. The second part of that business is that we have a mortgage banking subsidiary called Decision One that we acquired in 99 and they acquire loans from mortgage brokers.

Now in terms of the correspondent business, we acquired almost $8 billion in 2001, had a net gain in the portfolio of about $3-1/2 billion. Decision One originated $3 billion. About 40% of that $3 billion ended up in Household's portfolio. The other 60% of that origination was sold in essence to our competitors in the industry.

At the end of the year we had about $18 billion in the portfolio consisting primarily of A, A Minus types of borrowers. Almost largely first mortgage loans with a weighted average LTV at origination of about 88%. It's a good return business earning over 20% return.

Now if we talked about competitive landscape I'd really echo a lot of what Gary has talked about in that industry consolidation has led to fewer more rational players, better pricing. You can see the list of the competitors on the list.

Those would also be the people that Decision One would sell part of their production to. I think it's key that a lot of the banks have withdrawn from this space, the most notable being Bank of America when they made the decision to get rid of (EquiCredit).

(EquiCredit) had a portfolio of about $25 billion, which is a lot, and so those customers still had to go somewhere. There is demand at the street level that will be satisfied somewhere even if they choose not to do them.

Now to the flipside, we had seen the GSEs coming more into this space and buying deeper. What's interesting though is a lot of the correspondents don't want to get too close to the GSEs. They don't want to get too dependent on them, in part because of fear of their buying power. So today I think there's probably that is less of a competitive threat over time than I would have thought perhaps 18, 24 months ago.

Talk briefly about the business model and the way we run the business results in this being a sustainable long term distribution channel that can still take advantage of inefficiencies in this market.

Now how we do that is really by focusing on fewer deeper relationships with correspondents. We try to make ourselves important to them and conversely they become important to us.

And we do that by things like forward flow commitments so they know they have a way of releasing their production. We work with them jointly to design products. We help them with their system support. We help them with our buying power in terms of getting appraisal services, fraud detection services.

And we're actually experimenting with closing loans on our dock so we can do dock prep for them, do it right the first time in dealing with some of those issues.

Very centralized approach to the business, centralized at the front end, centralized on the back end and heavy focus on credit quality.

Now, lots of concerns in this space -- can you do it right? I think that we do do it right and talk a little bit about the focus on credit quality. First point very key -- 100% of the loans we buy we re-underwrite and that is very different from other people in this space.

We have a field staff of loan underwriters, largely ex-HFC Beneficial branch people who work out of their homes, who are on the road for key forward flow relationships. We put people on site in the correspondent's office and I think that is a big difference.

The other thing is that our philosophy is we focus first and foremost on the borrower's ability to pay secondarily on the collateral and as a result you have the ability to use certain scoring models specifically focused on the customer's handling of their real estate secured debt.

It's kind of evidence of the selectivity of for every $100 or every 100 loans that somebody would snip us or bid, we actually only end up buying about 75% of those loans and obviously the other 25% have to go somewhere. So we have focused very much on keeping this a high quality portfolio that performs very well.

The final point on this chart is that we have been able to get primarily first lean loans and a high preponderance of prepayment penalties, which really does help improve the performance of that product.

In terms of some of the financial metrics, receivables were up 25% in 2001 to about 18 billion. Net income increased 34%. This is getting to be a big business. Return on assets up 9% or nine basis points to just under 170 basis points.

Our combined REO and charge off ratio up to about 78 basis points and the efficiency ratio continues to improve as we build the business. Today it's at about a 28% efficiency ratio.

2001 we did a number of good things, particularly additional focus on the credit quality in the portfolio. We hired two very senior people on the back end side, each of which had over 25 years worth of experience. We hired a bunch of collectors to make sure that we're getting through the call queues appropriately and working with the customers appropriately.

And we also started changing and tweaking the underwriting focus to focus more on higher (FICO) types of customers. We entered into more forward agreements with people. We now have ten at the end of the year.

We're taking D1 and expanding their branch network, particularly on the West Coast. And the last point is particularly important in that I think you can add value in this business not just by acquiring loans but making sure you can keep those loans.

So we've started the development of retention scores and reducing attrition and I was pleased that last year our annual prepayment speed, average monthly prepayment speed averaged about 2.3%, which is really quite good.

2002 we want to grow income 20%. We will grow receivables less than that in part due to a whole loan sale that Edgar mentioned earlier. Obviously heavy focus on credit quality, managing attrition.

And I think the last point on this chart is particularly important in that, as Edgar talked about, we wanted to make sure we can demonstrate the market receptivity in the liquidity sense of the collateral that we're generating. According to that we've created a $2 billion conduit in the first quarter. We will securitize a portion of this portfolio later in the year. And we did a whole loan sale in the first quarter, executed in about 25 days and resulting in a nice gain.

Switch to the UK -- the UK business model is kind of a micro model of what we do in the US across all of the our businesses. We're one of the largest consumer finance companies with $4 billion in receivables. We have about three million customers.

We have a major -- we are a major provider in terms of broker induced second mortgages. We don't do first mortgage products in the UK. We are the second largest provider of point of sale retail finance. We have a whole bunch of branches and actually are a major issuer of credit cards working through Affinity relationships and our own proprietary brand of the Marbles credit card.

You can see here the composition of the portfolio. It is well balanced. The branch network in the UK focuses primarily on unsecured credit, which compare and contrast to what Gary does here in the States. The big reason for that is you don't have the same bankruptcy types of problems in the UK and the tax code is such that it doesn't incent people in the same way towards secured borrowing.

Having said that, secured growth is a big way to grow this portfolio. I'd like to comment briefly on the types of customers we serve and at your left would be kind of a lower credit quality customer,

less price sensitive. At the higher end and your right would be a higher credit quality customer, more price sensitive.

Our point of sale retail finance really covers the full spectrum. That provides feeder product for our Beneficial branch, which would be at the lowest end of that spectrum, then the HFC branch, which would be more kind of near prime and then also into our direct lending programs, which are truly for prime based customers, more price sensitive but different credit attributes.

Secured lending mirrors what we do on the both branch networks. Credit cards is a full spectrum, near prime and prime and then credit card protection really across all the customer groups.

Operating environment in the UK in 2001 was actually pretty good in terms of employment, inflation, interest rates and so forth. And in part because of that environment you saw very competitive market pressures on the high street and in credit cards, prime credit cards including the impact of a number of the US monolines that have gone over into that space.

Less competitive in the niche markets where we participate -- so it's still a very good market. Expectation for 2002 to continue to be pretty good in terms of consumer demand and the economy.

Second to the last bullet is important and talks -- in talking about increasing regulatory focus. For those of you who follow the UK you're aware that the FSA has come in place and has really positioned themselves to be a consumer advocate.

Actually we think that will play to our favor. As Gary talked about, we think we do do the business the right way and actually welcome the fact that we think that regulation will drive out some people who don't do the business the right way. And I find that I've commented on the bankruptcy loss.

If we take a look at the financial metrics, they're a bit confusing and you can see in absolute terms net income 125 million pounds, down from net income in 2000. Now in 2000 we had about a 15 million pound settlement from branded infringement litigation with HSVC.

And for those of you who were at last year's meeting if you remember (Adrian Skills) impassioned plea on branding, I think that was what it was born out of.

This year we settled our (Centrica) relationship. As we disclosed, we had about a 15 million pound settlement net of our costs with them. We invested that heavily though in re -- in the business and to grow the business including kind of re-launching our Marbles credit card.

Run rate of the business year to year pretty comparable. Receivables down -- if you added back the Goldfish portfolio, we'd be up by 6% and that points to the challenge in this business is to grow this portfolio. Very good returns -- high return business -- very good credit quality and you can see the increase in the efficiency ratio related to the spending I talked about.

In 2001 we started a couple of branch -- or a couple initiatives for growth. We opened 34 Beneficial branches which would really extend the customer base, again on that spectrum to the left. We substantially increased our central lending operation, which would expand that customer base -- again, on that graph to the right.

Focus heavily on secured product, converted our credit card systems so as we go forward we are now on one common platform and began to see some European expansion in central Europe.

Looking ahead to 2002, the issue in this business is to grow it through a number of initiatives. Expanding Beneficial and HFC, we're actually going to re-brand 19 HFC offices to Beneficial, currently plan to open up somewhere five to ten new branches this year.

A big focus on secured products so you can take and have larger loan size as a way of increasing the portfolio. Re-energize the Marble brand -- we have launched heavily in the first quarter and early response to that is actually quite good.

Looking to innovate in the retail finance area. Our major store partner there is (Dickson Store Group) and we'll be rolling out a store card with them and also expanding direct channels -- all of that while maintaining the focus on credit quality.

Final point -- I would just talk a little bit about our central European operations. Very small, decision to go into Hungary, Czech Republic and Poland and to do that in conjunction with (Dickson Store Group), which is our main merchant partner.

So as they are opening up retail presence in those countries we've agreed that we will go and provide financing for them. We opened up Hungary in February. We now have I think 11 people making loans. We will open up Czech Republic in the fourth quarter and the current plan is to open up in Poland in the first quarter.

So we're planting some seeds for the future that clearly will be quite small going forward.

Now with that, I'm going to have -- introduce Rocco Fabiano. Rocco is our group executive for retail finance.

Rocco Fabiano: Thanks Dave. Good morning. The retail finance group consists of four businesses -- our retail services business, which is a private level credit card business, the auto business and our refund lending business. I'll talk about each of those three businesses today, the three largest. The group also includes the insurance services business, which I will not cover today.

2001 was a great year for the retail finance group. We generated net income of a little over $1/2 billion, which was up 25% year over year. Receivables were also up 25% and our charge off numbers were generally flat. I mean, we had a small increase in both delinquency and flat number in charge offs with a small increase in delinquency.

And our efficiency ratio increased roughly 80 basis points so we're about 3% on the base of 26% so also generally very efficient businesses.

And let's turn to each of the businesses. First of all, the largest of those, our private label business, which is the retail services business. We are the second largest third party provider in the industry. We ended the year with receivables of about $11.6 billion, pardon me, in what is generally about an $85 billion market.

And we -- I think what's interesting about this business is we cover potentially the broadest spectrum of consumers. Depending on which merchant we're working with and what type of promotional product we have out there, we might see a true sub prime customer, we certainly will see super prime customers who will be going for same as cash promotions and so forth. So it's one of our businesses with the broadest spectrum of customers.

The mix of the businesses and the merchants we support is well diversified. Our two largest segments are the furniture retailers and consumer electronics, each of which is about one-third of the portfolio but as you can see, we are also active in home products, recreational vehicles, which is power sports as well as other businesses.

And I think one of the previous slides mentioned we have about -- there we go -- we have about 60 merchants and some of the largest merchants our shown here, our largest merchant being Best Buy and Yamaha is also a very sizable merchant within the portfolio.

The key to this business is our merchant partners. We really have two sets of customers. Actually in all of the businesses, which I have affording me, we have two customers -- we have our partner and then we have our partner's customers or our customer's customer, both of which are tremendously important to us.

I think our success in the retail services has been our support of our merchant partners. It's our job to help them finance their customers, whether that transaction is done over the internet, it's done through catalog sales or of course, predominately in their stores.

We have the ability to support them point of sale on all those locations and make instant credit decisions for them. In addition to that, one of the competitive advantages, pardon, we have as Household that we can say yes to a broader spectrum of those customers than can most of our competitors.

We are effective in the sub prime, we are effective in the near prime and we certainly can finance the prime customers. So our objective because of the breadth of experience we have across a broad spectrum of credit quality is we think we could help our merchants say yes, excuse me, to more of their customers than can our competition, which helps us to be particularly successful in this segment.

In dealing with our customer's customer, the consumer who buys the product, we think we're best in class. We consistently provide top quality service for our merchants. We consistently get good feedback as to how we deal with our customers, which obviously is also key for us continuing to win business as we move forward.

2001 retail services had an excellent year. We generated net income, or increased net income of about 10%, an 18% increased in managed receivables of which approximately 12% was organic.

So in an industry which by most estimates grew 7 to 8% last year, we were able to generate receivables growth of about 12% organically.

In addition we added a couple of new partners significantly amongst those as sort of a Sears business which brought the overall receivables up to 18%.

Last year at this time, particularly in the retail services area, we spent a lot of time talking about some of the things we were going to do in the credit area in anticipation of a softening economy. I won't go through those now but I will say they were generally very successful.

As you see, our delinquency and charge off numbers both increased over 2001 -- pardon me, increased in 2001. We had a particularly good year in those areas.

We saw a little decrease in our efficiency ratio and it was a 29 basis point increase because those investments in our credit processes and our question processes cost a little bit of money but it paid off very well in what was as we've talked about several times now was an economy that softened and we're very pleased with how that performed.

If we look to 2002, to a great extent it's more of the same. As I mentioned, we did very well in terms of organic growth with our existing partners. We hope to add additional -- gain market share by adding additional partners and this year we added partners such as Microsoft, QVC and as I mentioned Sears.

We'd like to be able to add additional partners along that line in 2002. We think we're well on our way to doing that. So adding new partnerships as well as continuing to focus on organic growth of our existing merchants is essential to the business and again we don't want to lose focus on that which was a big part of our success in 2001 which is continuing to improve upon our fraud controls, our credit control processes and our collection operations.

So we again expect to have a great year in 2002.

Turn to the next business which is auto finance -- I'm going to spend a little more time on auto finance. Auto finance -- our business is generally done through the financing of contracts, indirect financing through auto dealers. That's 90% of the business. They're all new car franchise dealers.

An additional 10% of the business comes directly from the consumer. That is through alliance relationships, direct mail campaigns over the internet and that's roughly 10% of our business and it's a great book of business. It's a challenge to continue to expand that.

The dealer business -- much of our success has been driven by the success of SuperHighway.com. I think some of you may have had an opportunity to go up and see it demonstrated yesterday at corporate headquarters.

It's a system that can compete with any system out there available to the dealers. I think we give more information back to the dealers in terms of what contracts they have with us for funding, when they'll be funding and to the extent they're not ready to be funded why they're not ready to be funded.

So it's a system that's had tremendous success at the dealer front. It's really helped us gain some share and in fact today roughly 70% of all our fundings come through SuperHighway. So it's a very successful platform for us to deal with our dealers.

The industry itself is generally very rational. We continue to benefit from in an environment where the economy's a little tougher and there's certainly concerns on the part of the banks, they

continue to tighten up. More of the better quality credits flow through to the sub prime sector in which we participate.

(AmeriCredit) and Capital One are our largest competitors. (AmeriCredit) particularly continues to be a very good competitor and as any of you who track Capital One's numbers, they've been very aggressive in this market. So we certainly go head to head with those two businesses.

But it's still generally a very rational market. Ford, as I think you know, has pulled back from sub prime a little bit so again, the market continues to expand as the available market to us continues to expand.

And a point I would make here is, because we get this question particularly because of some of (AmeriCredit) having come close to a little bit of their triggers, we really don't have trigger exposure in our business by the structure of our deals. That's just not an issue for us.

In 2001 we did a lot of things right and I would probably start at the bottom here by looking at our borrowers. We really don't make a decision based heavily on (FICO) but it's a metric many of us understand so as you see in terms of looking at the quality of the borrower we put on the books in 2001, that borrower generally improved.

There were a higher percentage of home owners, they made more money, and to the extent you use (FICO) as some indicator of credit quality our (FICOs) generally improved and we pretty much saw a month to month of (FICO) go up every month in 2001.

What we also saw in 2001 is the captives were very aggressive in promoting new vehicle financing. So not surprisingly we saw a higher percentage of used vehicles, which we finance, because the new vehicles were to a greater extent going to the captives.

And as such, you saw a shift as you can see there from 29 to 24% of our business were used vehicles. Loan to values didn't really change but because of the higher percentage of used vehicles we also saw a little bit higher average mileage.

As you would also expect, since we were financing a little bit older vehicle, the percentage of our extended terms came down and in fact you saw, well, 42% of our business in 2000 had extended terms; only 34% didn't in 2001.

We also had some problems in 2001 part of which was driven by used vehicle prices. As many of you know, used vehicle prices have been very stable over the years and as you can see from the graph here of the value of used vehicles in 1999 and in 2000, petty consistent. 2001 a number of things happened -- we had a high volume of vehicles coming off lease. That's just when all of the leasing programs were popular a number of years ago, the inventory sort of floated the options.

We had a dramatic slowdown in business travel. As many of you know, a lot of the rental car companies took their fleets to auctions, sold them in mass driving down prices. And obviously the 0% financing programs that were the rage at this time both drove up the demand for shifted customers who were traditional used car buyers to new cars but also as they turned in their old vehicles increased the supply of used cars so that clearly drove down the resale value of the used vehicles we had to sale at auction, which drove up our severities.

As you can see this, October was the worst monthly roughly at 110 as measured by (Manheim). March the number was just under 115; February I think was just over 115.

So the market has come back. It's not quite to the 2000 levels but to about the 1990 level. And so in the fourth quarter, as we'll see here in a minute, we saw a significant -- we had generally seen the typical seasonality of the industry in the first three quarters of the year. In the fourth year we saw a rather dramatic spike in charge offs and they increased up to the 650 level.

We also saw an increase in delinquencies in that quarter as well. As I think Dave mentioned, as we said at the outset or at the end of the year, we really felt it would be a fourth quarter and a first quarter issue in terms of charge off number. We don't really see anything having changed. We feel very confident and I'll talk about a couple of changes we made; very comfortable with our numbers moving beyond that.

If you look at the static pool data -- we pulled the data off our Web sites -- we really on the static pool level we're not seeing dramatic changes. You can still -- it's a little earlier on some of the first half of 2001 pools obviously to draw a conclusion.

But all indications are you've seen the improvements from 97 and 98 and the 99, 2000, 2001 trends are all pretty consistent with one another.

The improvements we've made -- as we say, some, a great deal of the problems we had in the fourth quarter were self inflicted or, pardon me, were due to the severity but some of them were self inflicted.

We didn't -- because we had 15 years of very stable used car prices we didn't spend a lot of time focusing on how efficient we were in moving our vehicles to auction and how getting the best price at auction.

We also in that period put in the new (PAL) models for auto that didn't work as effectively as it might have. So because of that we made a number of changes within auto in the fourth quarter and first quarter this year.

We brought in a new head of the business, (Walter Manazez), who came from our credit card operation. We also brought in a new head of collections, (John O'Brien), who came from the

HFC Beneficial group. So as we continue to add Household type tools for the collection operations in auto, we're also adding people who know how to manage those tools and take advantage of those tools.

And really since that time we've already seen tremendous improvements. The right party contacts or how effective we are in speaking -- when we make a phone call -- how effective we are in actually talking to the borrower as opposed to talking to a message machine or somewhere other than our borrower, we have doubled our right party contacts.

We have also decreased talk time. So the amount of time our collectors spend on the phone has been halved so that essentially doubles the productivity of our collectors. So we've already seen a tremendous amount of improvement there based on some of the changes that the new management has put in place and we've obviously done some other things including moving some shifts and simplifying some incentive plans.

Dave also talked a little bit about the extensions for all of the businesses and I pulled some data specifically for auto. And as you will recall from one of the slides Dave put forward, if you look 12 months after an extension 63 -- in the case of auto -- 63% of the borrowers are still paying us.

And if you look, auto's a little more complicated relative to say a credit card business because in a credit card business additional cash is generally always good.

In the auto business you have two dynamics -- you have a car depreciating and you have additional cash coming in and if a car actually depreciates more rapid -- particularly rapidly, what happens is even though you get more cash you may still come out behind. If it took me six months to get another $500 but my vehicle depreciated $1,000 in that six months, it was not a good tradeoff for us in auto.

So it's important to look at the comparison of the depreciation of the vehicle relative to the additional cash that we brought in. And what you see is the left hand column there, which is charged off accounts, if we say okay let's not talk about the 63% of the accounts that were still paying at the end of the 12 months, let's talk about these 37% that didn't, at the end of 12 months they had actually gone to charge off.

And then you can compare and so okay they did charge off but we got some additional payments. How many payments did we get from those customers? And now let's compare that to how much additional depreciation we saw in the vehicle while we were working with that customer on the extension.

What you'll find is that for 2001 basically what happened is we -- the net present value of that, pardon me, actually it's for 2001 -- you can see we're taking 2000, September of 2000 extensions as of February of 2002. We actually wrote off on a, pardon me -- we collected $5.7 million but the depreciation was 2.9 million.

So even on those accounts that didn't make the 12 months, what we did is we ended up net ahead about $2.8 million. On this sample also if we said all right, now let's assume on the 63% that are still performing, what has happened -- what if all of those accounts on March 1 decided that they would go to charge off, what is the comparison of the cash we've already collected on those accounts versus the depreciation that we've incurred on those accounts.

And as you can see we'd be ahead roughly $18 million. And that's really how our models look at this as we look at each individual extension.

The business overall, despite the fact that we had some challenges in the credit area -- as we say our charge offs were up about 50 basis points and our delinquencies were up about 60 basis points for the year -- we still generated a 28% increase in our, in net income.

And even in a relatively difficult year our return on assets dropped 19 basis points. It's still a substantial return on assets that's within that business.

For 2002, again it's very much a continuing what we began in the fourth quarter of 2001. We need to continue to improve our collection capabilities. The auto business as being one of the smaller businesses, operates on a different systems platform, traditionally is operated on a different systems platform than our other businesses so we continue to take some of the collection tools that the other Household businesses have and migrate those to the auto business and they continue to become very effective tools for the auto team there.

We continue to manage our growth. In the fourth quarter of last year we really expected to see about a 30% growth level. What happened was all the 0% financing drove a tremendous amount of traffic into the auto dealers. Many of those people didn't qualify, obviously didn't qualify for 0% financing and we got a lot of that business based on the increase of traffic.

So we actually saw in the fourth quarter about a 40% increase year over year. So we have continued to tighten -- we've continued to push through some price increases and push up some score cut offs because we think that with our growth rate we would expect to see more in the 20 to 30% range.

So we continue to tighten as we continue to be surprised by how much business there is out there.

We obviously want to continue to expand SuperHighway. It's one of our lead competitive advantages. It's one of our most unique features and it's one of our best ways to control the business. So we're obviously going to continue to expand SuperHighway in 2002 while staying on top of our credit issues.

And as I mentioned earlier, we had to some extent taken for granted our asset disposition aspect of the business that we would simply take our cars, take them to the auction. We didn't really invest a lot of technology in that.

What we did was basically in the fourth quarter of 2001 did is stress test the system and we found that there's a lot of value we're leaving on the table by more effectively managing the auction process and the asset disposition process.

So we've made a lot of changes there, continue to invest in that process and I think that will help us take a lot of value to the bottom line. I think we estimate we can get about another $150 per vehicle by the way we manage the auction and the auction process.

And the final point I would make for us in 2002 is the auto business, again having traditionally been a smaller business, has not -- we have not focused as much on the cross sale opportunity there as we have some of the other businesses.

And I talked to someone the other night -- if you look at the private label business, which has 10, 12 million customers, we have about nine million on the books, we touch a whole bunch of customers we don't actually finance -- it's very easy to get excited about cross selling to that 12 million.

In the auto business today you're talking about maybe 600,000 customers. So it's still a growing business, still relatively small but I think it's now at a size where we think we can really take advantage of some of the cross sale opportunities.

Turn to the final business which I cover today which is our refund lending business. Refund lending business in 2001, we processed about $13 billion in refund anticipation loans and refund anticipation checks.

The distinction between the two products, and many of you know this, but the distinction between the two is a loan, the refund anticipation loan we actually lend the money at the time the return is filed, we lend the money for the three to five week period it takes for the IRS to pay the return.

The refund anticipation check we do not extend a credit. We simply permit the customer to accelerate their return. Many of these customers don't have banking accounts; therefore, they can't take advantage of the direct deposit capabilities that the IRS offers so we set up what amounts to a direct deposit capability for those customers.

We don't take any credit risk on these loans; we simply expedite the return and give that customer an ability to take advantage of the expedited return processing offered by the IRS.

So between those two we did about $13 billion in 2001. Obviously our largest partner there is H&R Block and we think we have a real competitive advantage in terms of our scoring ability relative to the two or three competitors we have in this sector. We consistently outperform our competition in our ability to score these refunds and that's given us tremendous advantage as we move into the year and I'll talk a little bit about that when we talk about new products.

The refund lending business tends to get some bad press. I guess there was a lawsuit against Block in New York, which although it didn't get that much attention nationally, definitely I know a lot of you saw.

And the retractors of this business like to talk about the APR and they like to assume that for this customer the way that that customer gets financing is they simply write a check on their home equity line of credit.

The reality is the competing product for these customers is they're going to bounce a check or they're going to may be late on their mortgage or they're going to go get a payday loan. That's the alternative source of financing for these customers.

So I thought it was important to sort of talk about what we charge on the product relative to those customers. And I've pulled some numbers together. We can argue about them but I'll tell you they're directionally correct.

The RAL customers typically bounce on average more than one check a month. Many of them bounce multiple checks a month and they're always on the verge of losing their checking account.

If you consider a $20 fee for a bounced check and the $20 fee that the party who received the check is going to charge and you say it's a $100 check which is probably conservative here, it cost them about, that's about a $40 financing transaction for that seven to ten days.

If you look at the late payment on a sub prime credit card, average payment $80 using the $29 late fee, which in today's market is actually low, the cost of making that late payment's roughly $36 per 100.

Payday loan typically takes $20 out of 100. Even if you go to the mortgage or installment contract that has a 5% late payment fee, the bottom line is customers -- these customers routinely pay anywhere from $3 to $40 for a short term borrowing facility.

The Refund Anticipation Loan in 2001, our average fee was $63 and our average loan was $2,200. So our cost is about $3 per hundred for these customers.

And so, as I said, our retractors like to focus on gee, this is your fee for a three to five week loan but these customers are getting three to five week loans all the time in the form of paying their mortgage late, form of over drafting on their checking account. And if you look at it that way this is a very cost effective mechanism for those customers and that's why the program is as successful as it is.

The business in 2001 was again, a great year. Net income was up about 60%. Volume was right where we -- where it had been in the previous year although we saw a little bit of additional shift to the RAC from the RAL product and the delinquencies were up a little bit because of an earned income tax credit audit that took place that year.

But as you can see, because of our scoring capabilities we're able to manage that very effectively and that's why we saw the 60% increase in net income.

This year we're really looking to extend the product line, particularly to lever off those scoring capabilities. So we are testing and rolled out on a very small scale a balance due product. About 20% of the tax returns which we see people actually owe money and so we're looking at a way to extend a loan to them.

In fact, we've tested our same as cash promotions on a refund lending to give them the ability to borrow to make that payment. We've also tested an instant RAL, which is a slightly expedited RAL even beyond the traditional RAL product.

The final product to the next line is the advanced RAL. What we're looking at is we have customers who come in every year as soon as they can to take out a RAL and really what they're doing is paying off debts they incurred during the holiday shopping season.

So we're saying is there a way to make a loan to that customer December 1 and then have them pay that off with a RAL in February, March or April and extend the term of that loan, extend the profitability for us and extend the value proposition for the customer.

So that also was tested this year. And continue to add distribution points and I would have to say we feel extremely good about the 2002 season for RAL as well.

And the bottom line is at the group level we increased net income 25% last year and we hope to exceed a 20% income growth this year.

So with that, I guess then it's a break next, right Edgar, so if we can come back in 15 minutes -- 10 minutes okay. So we'll take a break now.

Man: Ladies and gentlemen, please welcome Bobby Mehta, Group Executive Credit Card Services and Canada.

Bobby Mehta: Good morning. And we're in the home stretch so I'll try and keep it brief and to the point and I guess to take (Steve Rocco's) point from last year which is that I'm the only one standing between you and Q&A. So this is the last of the broadcast sessions and then you'll get to hear answers to questions that you really want to hear the answers to.

But I wanted to do was quickly go through two businesses -- credit card services and Canada -- and give you an overview of each of them.

Starting with credit card services, as you know, we participate across the credit spectrum in both the prime and the non prime segments. Each of those segments of the business, while they have some commonality, have some very different competitive characteristics.

Most of you I know are familiar with them, but the market in 2001 was continued to be characterized by hyper-competition I would call it as was evidenced through sub 1% response rates to direct mail.

There was continuous consolidation in the business and really everything we saw continued to underscore the fact that success in the prime business requires a differentiated value proposition and really reinforced in many ways the decision we made in 1998 to exit the undifferentiated prime business and really refocus our efforts and energies around the differentiated value propositions of both General Motors, the co-branded programs and Union Privilege, which is our Affinity program.

Moving onto the non prime business, it's a business and a segment that in some ways we have seen some lessening of competition in the 2001 timeframe. The manifestation of that lessening in competition hasn't yet come to past just because of the events of 9/11. We haven't seen that yet in the response rates, et cetera, but I anticipate that as competition does lessen in the segment, the position that we have built and the position we've built in this market, particularly with the acquisition and integration of Renaissance will continue to bear fruit.

This is a segment of the business again where we are able to differentiate the business and differentiate ourselves through -- someone's playing tricks on me, okay -- we are able to differentiate ourselves through superior customer care.

These are customers who call us and call us more frequently. These are customers who need constant financial counseling, they need to be constantly reminded of their obligations to pay.

And our ability to really focus and the results we've had by focusing on customer care really acts to keep the customers engaged in the value proposition, engaged in the program and ultimately leads to virtuous behavior, which is good payment history, lower delinquencies, et cetera.

This is also a segment where with the (gator) and analytics that we acquired with Renaissance and the building and enhancement of that data and analytics that we've done in the last couple of years, I believe we really have a competitively advantaged position with respect to underwriting account management, account origination, et cetera.

Moving onto our business mix, about 80% of our portfolio is really characterized as prime and sub prime comprising General Motors, Union Privilege and the Union Privilege loan program.

Our non prime business characterized by Household Bank, which is really our near prime offering, and Orchard Bank, which is the brand we go to market with in our sub prime business, is approximately 17% of the portfolio, about a little over two billion in receivables.

And our non strategic assets, these are -- this is a portfolio that we, this is the remainder of the portfolio that we sold in 1998, which is essentially a run off book and really a book that from my perspective is showing very stable credit performance. The key takeaway is 80% of our book is prime; about 20% is non prime.

Moving on to 2001 results -- we really had a terrific 2001. Our net income increased 71% in 2001 relative to 2000, really driven by three factors. First was the growth in our non prime and sub prime books where we saw good increases in fee income as a result of that growth.

Second, stable credit performance relative to what we had forecast and relative to the maturation of the books; and thirdly, the expansion in net interest margin really caused by the floors that we have in our customer disclosures.

So as the Fed reduced rates, the rates that we -- we essentially got to keep the benefit of those reduced rates and not having had to pass them onto the customer.

As a result of that, we might particularly as a result of the rate, one might expect or a logical question may be did we see higher than expected customer attrition. And the fact of the matter is we did not; we did not see high customer attrition and but we got the benefit clearly from a net income standpoint.

Receivables increased a little over 7%, all organic growth and a result I'm personally very proud of particularly given the jolt to the economy as a result of 9/11 and really a very tepid fourth quarter as a consequence of that.

Risk adjusted revenue increased by 32 basis points and return on assets increased by 78 basis points to over 2% after tax. I was asked a question several years ago, what was the return (ROMA) targets for this business and at that point I said somewhere between 1.75 and 2% would be the (ROMA) targets we'd be shooting for. In 2001 we were able to exceed those targets.

On delinquency and charge offs, you can look at the numbers. Delinquency increased by 60 basis points and charge off by 100 basis points. And one can, looking at the numbers, just plain flat out may look and create some concerns.

I think when you just aggregate the numbers though they become much more explainable. From a charge off perspective about 30 basis points of that charge off increase is what we would attribute to the economy. About 70 basis points of that increase in charge off is really the maturation of our non prime book.

So this is something that we have absolutely expected and we had priced for and you could see that because we increased our risk adjusted revenue while actually being able to absorb that increase in charge offs.

So the increase in both in delinquency ratio and charge off ratio were for the most part as a function of the maturation of our non prime book and something that we absolutely had anticipated, we had forecast for and managed to.

We also increased our efficiency ratio substantially by close to 300 basis points. As we continue to build efficiencies, particularly in the non prime business as we completed the integration of Renaissance into the rest of credit card services in 2001.

Key accomplishments really to sustain -- we sustained our profitable growth momentum. We did that by really focusing on new account origination but also targeted retention and dollars building programs. Our (Balanced Stars) programs in 2001 performed better than they've ever performed.

We continue to focus on business development. I'll talk a little bit more about that later. We essentially brought home what I would call an integrated internet strategy. We today have about two million customers that have signed up for online customer care, one million customers who've signed up for online bill payment.

We get about -- we have over 400 million in internet originated receivables, not originated through banner advertisements I might add, but really using the internet as a channel for origination.

And as a result of having to engineer our processes to accommodate online customer care, we are getting substantial cost and effectiveness benefits in our offline processes and we have taken significant dollars of cost savings to the bottom line as a result of having to re-engineer our offline

processes to accommodate online customer care. And that's been actually a very unexpected benefit from my perspective of our internet strategy.

We continue to enhance our sales and service culture. And in 2001 I think we really took sales to the next level. You've all heard a lot of press about adverse publicity and maybe possible restrictions around outbound telemarketing.

A lot of our fee based services in 1999, 80% of our fee based services in 1999 were sold by outbound telemarketing. Today we've significantly shifted that mix of business much more to the inbound and selling products to customers when they call up for a service request or a service question and we put technology and analytics in place to do that on a much more targeted basis and we will continue to make investments behind that whole initiative in 2002 and beyond.

Clearly in 2001 risk and loss mitigation were really the name of the game. We adapted our risk and underwriting strategies and essentially created a whole focus around loss mitigation where we were focused on mitigating losses, not just when an account was one payment past due or two payments past due but really focus on loss mitigation all the way from the very front end from originations to activation to usage and then all the way through the credit cycle.

I'll talk again a little bit more about some specific initiatives a little later on. Stepping back then and as a prelude to talking a little bit about the business in 2002, what we've tried to do is to articulate what is our strategy for consistent growth.

You've heard many of us talk about our partnership approach. 80% of our receivables in credit card services are really originated through two major partnerships. Our whole organization is attuned and focused on how to work with partners and how to see every initiative, every action through two lenses -- our partner's lenses and our customer's lenses.

And I believe in credit card services we do a very, very good job of doing that. We've also integrated, as I said, Renaissance and the Renaissance underwriting capabilities as product expertise so we now have a full spectrum lending capability.

We essentially have a profitable credit card for virtually every consumer. And we are taking that full spectrum lending capability back to our partners in GM and UP but also to expand our business through direct mail and also to expand our business by leveraging HI channels.

What do I mean by the HI franchise? I mean channels, I mean products and I mean partnerships. From a channel perspective we continue to grow and focus on the ((inaudible)) branches program, we continue to use our sister business units from a cross sell perspective to originate new accounts, we continue to -- we are continuing -- we are leveraging some of our sister companies products for cross sell to prime, and sub prime and non prime customer basis.

And in many ways most importantly, working with our retail services business units to really leverage their part of the relationships, their merchant relationships for a MasterCard product that is complementary to the private label product.

We launched in that context in late 2000 the Best Buy relationship. We now have 600,000 customers and close to $200 million of receivables out of the Best Buy relationship at a very low and I would say competitively advantaged cost per account.

And lastly, the first three legs of the strategy enable us to acquire new customers and obviously keep them engaged to the value propositions that we have but in this competitive environment we continue to focus, as I said earlier, on customer care and sales to existing customers as a way to continue to enrich and extend the relationship that we have with them.

Within that context, let me talk briefly about each of the businesses. The GM card, obviously the largest automotive rewards program. We've had, you know, it's a mature and profitable program and mature in terms of obviously from a growth perspective. It's a strong value proposition and that's really the reason why we see industry leading levels, low levels of customer attrition.

The new product that we introduced in 2000 continues to perform well and is driving incremental sales. We have significantly increased the new account production and we originated 650,000 accounts in 2001.

And the GM program to date has accounted for really 3.2 million automobile redemptions and we continue to track at about 11% -- 11 to 12% of all the GM North American sales as we have the card and the points accrued on the card plays some role in financing or paying for that vehicle sale.

In addition to direct mail we are also expanding the channels through which we originate new customers. The GM internet site actually gives us very high quality customers unlike the experience of some issuers from banner ads and internet originated accounts. We are also expanding our presence in the dealer and the events channels in conjunction with GM and the marketing events that they sponsor.

We've also expanded the GM relationship into the retail services business unit and as you'll see in the annual report, we have signed late 2001 exclusive private label relationships with Goodwrench and Saturn to provide financing for vehicle service.

And so it's again an indication of the strength of the partnerships and indication that we are capping and investigating all modes of identifying how to grow that relationship.

The UP relationship continues to be very strong. We've had good profitable growth in the relationship and sufficed to say our relationship with our partners as well as the UP, the (FLACIO) and the major internationals has never been better.

In our non prime business we've controlled our growth in both receivables and accounts. In our sub prime business we have grown in the low 20% range. In our near prime business we've grown more rapidly than that but from a very small base.

I talked about our full spectrum lending partnership with Best Buy and we're expanding that to other private label retail merchants. Rhodes, one of private label's largest retailers have also signed up and we expect several more -- and we expect to bring several more retailers online this year.

And to provide focus really in this whole area, within credit card services we've created a separate unit to really focus on non direct mail channels from growing the business and really leveraging our full spectrum lending capabilities.

Also as a result of Best Buy we've had and learned and great deal from underwriting and modeling and scorecard perspective for the non-direct mail channels and we'll continue to optimize and build our international capital and competitive advantage as a result of that in that business and based on that really pursue new relationships.

And we want to leverage the full spectrum lending capability and go off to new relationships that span both the prime and the non prime areas that on an overall blended basis allow us to earn the required rates of return in a business to justify the capital that we've got to put behind it.

Acquisitions to be a much more opportunistic strategy. We've looked at a lot of them and obviously haven't like any of them.

Risk management -- again, a lot, you know, you've had a lot of discussion from previous speakers about risk management. We focus on risk based pricing. We focus on optimizing line assignments really around credit line utilization. We have a lot of testing and a lot of models but really we try and balance our models with good judgment and experienced management so that we're not a black box shop and we continue to invest behind data and people.

So what does all that mean? In 2001 we significantly reduced credit lines and new originations to account for risk. Our average credit line is $5,000 relative to the industry average of about $8,100.

We've improved our geographic segmentation, particularly with respect to suppressing areas of the country that were particularly prone to bankruptcies. We have continued to implement more sophisticated scoring tools for both account management and origination to ensure that not only do we model responsive risk but also revenue activation and usage that enables us to really identify and bring in accounts that we know will activate and behave profitably.

We continue obviously to focus and refine and update in particular our bankruptcy modeling tools. In 2001, while the industry had over 20% increase in bankruptcy filings, our increase in bankruptcy filings was significantly below that in the mid teens.

So again, that just continuously demonstrates the value that we see and the investment clearly that we've made behind that.

By reducing the credit lines and focusing on credit line utilization we've also reduced our contingent liability and what we've done in particular -- in the last point I'm particularly proud of is that we've really taken a lesson we learned in our sub prime business where in the sub prime business we focused on collections really as part of customer care.

So we've got -- we are in essence having collections by (talk offs) with high risk current customers who call in to customer service. We've really exported with appropriate adaptation that whole methodology and mindset into our prime business as well. And that's one of the reasons why I think we continue to see good credit and credit and delinquency performance.

In short then, our objective for 2002 is to continue our growth momentum in UP and GM, to continue our prudent growth in our sub prime.

Let me jump down to the second to last point -- continue to conservatively manage credit quality. That in some ways is really job one, two and three. Continue to focus on business development, leverage our full spectrum lending capabilities and our partnering skills and leveraging the HI franchise that I talked about earlier.

Continue to expand cross sell as well as take sales to the next level and we have some pretty ambitious goals around that in 2002, which I'm hoping I'll get to talk about next year.

In a nutshell that's credit card. Let me move on to Canada. HFC Canada is really in some ways a microcosm of again the US business with the exception that we don't do credit cards in Canada. We've been serving middle market consumers since 1922 and we do it through a variety of channels:

110 branches, an indirect mortgage business as well as a private label credit card business with over 80 merchants. Our biggest merchant in Canada is (The Brick). We also have a number of US merchants that are obviously big players in Canada as well like Yamaha and Polaris.

The Canadian Consumer Finance Market, not the private label market, is about Canadian $7 billion in receivables. We are a significant player at about $1-1/2 billion in receivables in consumer finance.

The Canadian market and the Canadian economy really follow the US economy and so we've just seen some of the same economic trends that we have seen in the US.

And from a competitive standpoint really in addition to us in Canada -- or let me step back. The industry in Canada has consolidated following much the same pattern as the US and we have two real competitors in Canada -- (City Financial) and (Trump Canada), which is a division of Wells Fargo.

2001 was a stellar year for Canada from a financial basis. Net income went up 24%, receivables grew at a very healthy 19%, risk adjusted revenue and return on assets were both up. You can see the delinquency ratio increased slightly but only slightly by five basis points. The charge off ratio improved and the efficiency ratio was essentially flat. Again, very, very good performance in 2001.

Growth initiatives for 2002 -- we are going to continue, we see opportunities to open new branches. We will open somewhere between three and ten branches in 2002. We will target and find new private label merchants and there's a good pipeline of new merchants that we see.

We have continued to develop an indirect business channel which is much like some of the areas of model services that Dave covered. Basically because of the regulatory issues in Canada as well as where the banks play, we essentially have a very advantaged position in underwriting home equity and mortgage loans in areas of the market or ratios that banks are not permitted to do in Canada and we've got a number of good relationships in Canada with some of the leading banks and also mimicking the MBNA program in Canada that we have in the US.

And we see that as a strong foundation to really grow and leverage our product capability and grow a new channel of business.

We are also increasing our product offerings to customers and we're looking at offering a first mortgage product in our branch networks. And lastly, we are exporting US technology to Canada. The lead management system that many of you may have seen, some of the systems that private label and retail services has been leveraged as developed here in the US, we are leveraging and getting the benefits of those in Canada in 2002.

From a credit management standpoint once again, in a softening economy, a soft economy, credit management is job one, two and three and we are really exporting aggressively a lot of the intellectual capital we have in all of the adjacent businesses and related businesses in the US to Canada from our consumer lending business to our private label business and also from the credit card business.

So our objective for 2002, we expect to have double digit receivable and income growth in Canada, continue to strengthen the retail business and go after new merchants to continue to build scale in that business. We expect to see stable credit quality and continue to maintain our best in class efficiency ratio.

So for both credit card services and Canada I would say the outlook for 2002 is bullish, was bullish when we did the plan for 2002 and the first several months of the year have done nothing, in fact, except reinforce that.

So thanks very much. I think we are now going to do a Q&A so Edgar, I'll turn it over to you.

Edgar Ancona: If you give us one minute we're going to set up a table up here and get all the previous speakers up and then we'll go over some Q&A. This will give you a chance to get any last minute questions down to the front here to (Celeste). It'll be about a minute.

Hey guys, all right, I think we're probably about ready to get going. I know we're still sorting out a few last minute questions over here that just arrived to the front. While people are getting seated I think I can answer three of them very quickly which is one, are you going to replace Arthur Andersen. I think we've already done that one.

Two, how do you calculate the residual value of leased auto portfolio? To be honest, I'd have no idea and it doesn't matter because we don't finance with leases on the auto business.

And the third is, do any of our directors, officers or managers have any interest in the special purpose entities and it mentions securitizations. And for those of you that are aware we do securitizations, do create special purpose vehicles. That's kind of a requirement that you're bankruptcy proof but there's no financial participation on the part of anybody in the company in that.

With that, let me start by starting with a few of these questions. I think many of them, and I'll start maybe with some of the things and Gary seems to have gotten the largest stack so maybe we'll get through one or two of those first.

One of them and maybe Bill would like to talk about it as well is on the -- and I'm combining a number of these -- but on the back ends of some of the issues we faced in California, are there issues in other states and how do we know they're not or what steps are we as a company taking to ensure that those things don't happen.

Gary Gilmer: Okay, well you have to understand that we do operate in 46 states and indeed it is true that we operate under 46 sets of rules and all of them are different. It would certainly be impossible for me to tell you that we don't have issues in any other states.

We do every day have an issue in some state or some other state. As it relates to the issues similar to those in California, I can tell you to my knowledge we don't have anything like what we had in California. That doesn't mean that we don't have an issue some place else that we don't need to take care of or one won't come up tomorrow or one won't come up next year.

That is part and parcel to what we do. It is part and parcel to handling 3-1/2 million customers and using 13-1/2 thousand people to do that. I think the important thing to note is that, as I said at the presentation earlier today, when and if we ever find anything wrong with anything that we do we take swift corrective action to make sure that that gets fixed.

I saw one of the other questions earlier just to skip ahead a little bit, Ed, here relative to well, you know, will there be another law suit. I don't know if there'll be another lawsuit. There could be a lawsuit tomorrow. There could never be another lawsuit. We've had lawsuits over the last 125 years. I suppose we'll have some in the future.

I don't know of any that are imminent but it'd be wrong for me to suggest to you that there could never be one. I think the risk that we need to -- we need to sort of quantify the risk of the business that we're in as it relates to that question.

I think there is headline risk associated with that. I mean, any time you read anything about anybody and let's face it, in today's (retigous) world and particularly post-Enron and all the things that we're seeing in the newspapers today, you know, there is clearly a headline risk.

But we need to balance that off against the financial risk. I don't think we have any material financial risk whatsoever. You know, that's my opinions and it's the best answer that I can give you.

I think that we do things the right way in this company. I think we've always done things the right way, not that we've done them perfectly. I think the actions that we have taken in the last year, two or three certainly give us the high ground as it should and as we should seize to defend against any allegation whatsoever.

So I can tell you that, you know, we are doing the right thing every day as it relates to our customers with our without regard to any activity that might come down the road from any activist group or any lawsuit. So I don't, you know, I don't lose a lot of sleep on that point. Do you want to add anything to that?

Man: No, I think you covered it well, Gary.

Edgar Ancona: Okay. Gary, maybe we could just continue on this as maybe Gary, Dave and a sort of corporate view as well which is on real estate, can we give a better definition to our real estate portfolio in terms of first versus second liens, some sense of fixed floating.

And two other questions on that would be how do we see that the credit worthiness of the customers has changed over time if it has at all and then a final sort of corollary on the real estate has been are we worried about any specific part of the country relative to where we are lending. So are there bubbles in California, or whatever?

Gary Gilmer: I think Dave's the only guy up here that can remember that many questions.

Edgar Ancona: Okay, well.

Dave Schoenholz: Well, now I've forgot them all. I think if we talk about the composition of the portfolio you need to break it down between the real estate loans originated in Gary's branch business and the real estate loans originated in the mortgage business.

The branch business is predominately fixed rate loans, whether it's first or second. The mortgage business is probably about 60 to 65% fixed rate loans with the rest of those being arms with various terms.

In terms of the credit quality of the borrowers, I think you've seen generally a migration upward. I have made the specific comment as it related to the mortgage business that we have absolutely booked to somewhat higher credit quality borrowers.

I think that's particularly important because we lend as a general matter of philosophy looking to the quality of the borrower first and to the collateral second. So you will see that we will tend to lend at higher LTDs, whether it's in the branches or in the mortgage business than other "BC lenders" might.

With regards to geographic concentrations, our portfolio's extremely well diversified. We don't have any specific geographic concentrations. We look at the area in kind of northern California, you've seen some inflation in those housing values. But I point out that that's really not for our borrower.

I mean, the average loan size that we have is 150, somewhere 125, $175,000. These are not the people whose homes have been impacted most by the types of inflation pressures we've seen.

And so to the extent that there's kind of this unstated concern that you had dot com bubble economy types of things, that is really not an issue for us.

Gary Gilmer: Oh, and the other question was around the percentage of our portfolio that was secured by personal lien position. Oh that...

Dave Schoenholz: I think what we've talked about is predominately today first lien I think blended over all about 70%; a little bit higher in the mortgage business, a little bit lower in Gary's business.

Edgar Ancona: Rocco, why don't -- there's a couple of questions here on auto, specifically which is that anecdotal reports suggest your auto sub prime competition -- from your auto sub prime competition -- suggest that while you accept the right risk your pricing is significantly lower than that. Do you see this -- do you think you're leaving something on the table?

Rocco Fabiano: Well, you know, gee, I think all my competition price is too low. You know, I mean it's pretty hard to make a comparison. I mean, I'm pleased that the anecdotal evidence is they think we're making the right credit decision because, you know, you'd expect your competition to think that you should push your prices up.

You know, the reality is we're out there competing. In this business every dealer submits -- it's a little strong statement -- on a regular basis dealers submit that contract to five sources. And like all of us, we go where we get our best execution.

And so for every contract we compete with, four or five other lenders for those loans; it's either on a fax button, they hit one button on a fax machine and it broadcasts it to five lending sources or they put it into Dealer Track and SuperHighway and they get four or five bids.

And our job is to price those individual deals as effectively as we can and those we win we hope we've priced properly and gotten the right deals. And those that we don't win we think that somebody else overpaid for those.

And so we're constantly going head to head. Our job is to have the best models out there, value the credit risk better than our competition. And if we do that we think we can price more effectively and win more deals.

Now, you know, I would suspect on those deals I win my competition would tell you I priced too aggressively and on the deals they win I would be inclined to tell you they priced too aggressively.

Man: Well I would just comment that the ROA on this business is north of what the company ROA is. The returns on any level risk adjusted basis, et cetera, are terrific. And so we don't have any question about our pricing policies and I'm very comfortable we're pricing correctly in the marketplace.

Edgar Ancona: Bill, there are a number of questions here relative to acquisitions including what acquisition plans do you see. Given what's just happened, are you surprised no acquisitions were made this past year? And then particularly somebody further said that last year you indicated an interest in Japan and is this still the case?

Bill Aldinger: Well, a couple of questions there – first of all, I expected to see a lot of portfolio opportunities last year. Whenever the economy gets weaker we tend to see a lot more portfolios come up.

And so I thought last year a larger percentage of our growth would be from purchases. It didn't pan out that way. And in fact, what we saw was fewer opportunities and those we saw we didn't like – we didn't like because of the pricing or because of the risk profile.

So we were fairly cautious last year on doing portfolio acquisitions. As for Canada -- I mean, as for Japan, we have looked at Japan for a couple of years. We continue to think that it's a great opportunity if we can get in at the right price.

We know our biggest competitors, both GE and (City Financial) have made a ton of money there and have great business models. We'd love to be there with them but we're late in the game and I'm not prepared to just pay up this late in the stage when looking at our PE ratios to what I'd have to pay there; we just didn't do it. So the answer is for now we're not looking at Japan although that could change at some point.

With regard to other acquisitions, I feel the same way. We can make our projected earnings growth that we've talked about here today just doing the fundamentals well. We don't need an acquisition to reach our targets and so I'm being very careful about acquisitions, particularly when I think our currency is cheap.

So I think to sum it up, we're likely to do portfolio acquisitions if they come up this year, probably not huge ones, probably not many. Not likely to do a major acquisition in or out of the country this year based upon our current PE and what we see out there today and we want to stick to the fundamentals unless a great opportunity presents itself.

Edgar Ancona: Okay. A couple of questions here on best practices -- first, Dave, relative to the mortgage services business, you know, how do you ensure that best practices are practiced in a world where you're dealing with brokers and correspondents and third parties that you don't have control over.

Dave Schoenholz: Well that's a good question but I'd go back a little bit to what I said and there's no question you don't have complete control but there is the way we run the business model is you

do have heavy influence and we're focused on participating with fewer people, having deeper relationships.

Before somebody can be a broker and get deals, Decision One we deal with or a correspondent at the mortgage business to deal with we go through an extensive counter party review making sure in terms of our own due diligence, financial due diligence, regulatory due diligence and checking any appropriate licensing requirements, whether there have been any litigations involved with the people.

And we update those no less frequently than annually. Now that gives you a sense that you think you're dealing with the right people. You can't -- that doesn't give you an absolute assurance that they're doing the right thing every day.

The other thing I would point to though in a process sense is I made the comment that we re-underwrite 100% of the loans and that's not done just for credit. That is also done for compliance and to make sure that those loans conform to our policies.

In terms of product best practices, what we do in the mortgage side is very similar to what Gary does in terms of making sure that the loan doesn't represent something that's been flipped, that's there's a tangible benefits test for the borrower, that there are limits on points and fees, that there are reasonable prepayment penalties.

Actually prepayment penalty structure is similar to what we have in the retail side. And so I feel -- you can never be 100% sure, but I think we've done everything we can possibly do to make sure we're doing the business the right way and again, focusing on doing it in a very centralized, very controlled fashion with people who we think are good folks.

Edgar Ancona: Gary, on the best practices side, somebody here evidently doesn't like your best practices thinking that you're going to both reduce profitability and encourage activist to continue to raise the hurdle on best practices. I don't know what your comments would be on that front.

Gary Gilmer: That's obviously not coming from a Acorn member of the audience as they would take a different view. Well, I mean, the fact of the matter is that as I said earlier, a lot of the things that we have announced -- not all, but a lot of the things that we have announced has been pretty well standard business practice for us for a long time.

The announcing of those does put them in concrete and put them in the public eye and I think we get, you know, the benefit of the sort of public reaction from that.

I also believe that the decisions that we've made though have been the right decisions for the customer and they've been the right decisions for our business. You know, at the end of the day we haven't changed anything that would materially affect the profitability of the loans that we make.

I mean, we're going to make loans to people at rates that reflect the risk with appropriate concern for our shareholders. I mean, that's not going to change, you know, regardless of what happens.

But the fact of the matter is I think it would be inappropriate for us to ignore the environment in which we're in today. And so particularly if we are already doing these things or these things or certainly the added things that we do are the right things to do for our customers, we should move forward with that.

And so we have and we will. But it's not going to change the business model. We're not going to change the focus of the customers that we've been serving for the last 125 years. It's what we do, it's what we do well, it's what we do profitably.

And every loan that we make today as was the case five years ago, ten years ago, has to meet certainly profitability hurdles or we just don't make the loan.

Edgar Ancona: Okay. Bill, a question for you – what is your philosophy on stock options and what role do they play in the compensation at HI?

Bill Aldinger: Well, on stock options we've taken a different tact than many of the companies. We only give out stock options to about 40 people in the whole company. And my view is that I want to give those to those who have the broadest impact on the company and to give them a lot so they have a lot at stake in the game.

And then we have restricted shares for a couple hundred people where we think they not only get a chance to ride the upside, they have a lot less downside. They work as golden handcuffs.

So we have sort of split our compensation approach two ways. The large segment of the management team has restricted shares. A smaller segment has options. And I think that when I'm out with investors what I've actually had fed back to me is how have you given out so few options.

The answer is because we have a smaller group. And I'm comfortable with the amount we give. I think we have less than 2% of the stock -- Dave, you may know the exact number -- but it's a low percentage of the outstanding and options, lower than anybody in financial services because we restrict it to a small group.

So we're comfortable that it works and we're not about to change it.

Edgar Ancona: Okay. Dave, a couple of questions relative to the banks and the questions are one, what is the capital requirements, the new capital requirements that we talked about relative to sub prime. And then the second part of that would be what do you envision the impact of that being on the company or what is the impact of that in the company.

Dave Schoenholz: Well the capital guidelines are left to the regulators' discretion. So they are not hard and fast rules that you can mechanically apply. The fact that we've put in about $1.2 billion of extra capital into the banks reflected the discussions we had with the regulators.

I'd echo Edgar's point that we don't expect to put in more capital and I actually would expect to have some down streaming back to the parent.

In terms of the impact on the parent, that is in part why we have looked at higher capital ratios. That is in part why we went into the market in the first quarter for preferred stock.

Some of that capital infusion will be done in the form of sub debt. So it will have a slightly higher coupon but it won't really reflect hard core equity. And, you know, there will be some additional cost to that but certainly nothing significant that would impact our ability to run the business the way it is today or to hit the numbers that we've talked about.

Edgar Ancona: Okay. While we're on the subject of capital a couple of questions basically focused on what do you believe or how do you determine the optimal level of capital in the company; how do you manage it, securitized or owned; and do you see leverage decreasing, increasing and could you comment on that?

Dave Schoenholz: Well, capital is kind of like, you know, religion in politics -- there's no exact answer and when you talk a lot to the fixed income people they say you can never have enough. When you talk to some of the equity people and they say, you know, this is too much.

And so you have to try to find the right blend. We have adopted increasingly a risk based approach to capital by product type. I think that is particularly important to the fact that we are growing more heavily real estate secured product that has lower capital requirements and lower risk attributes.

And at the same time you have, you know, sub prime assets such as the Renaissance card which do have significantly broader capital draws.

So we're adopting that. That risk based approach is consistent or ends up in the types of targets that we've talked about today. Those capital targets over the last couple years have continued to increase. A few years ago we were talking (tetmo) 7 to 7-1/2 and then 7-1/2 to 7-3/4 and then 7-3/4 to 8 and then today we talked 8 and 8-1/4.

I think in this environment you should not expect a decrease in those capital types of targets and at least for the business mix we have today I think those are good targets but we'll have to evaluate them going forward.

Finally, with respect to owned versus managed, our view is that we really kind of look through that distinction. When we securitize a receivable, it gives you some relief as it relates to overall liquidity but it doesn't really give you relief as it relates to credit or operating types of risk.

And so our view is that we need to have the same type of capital, whether it's on balance sheet or off which is why when we talk today we really do focus on capital ratios related to managed assets.

Edgar Ancona: Maybe as a follow up or subsequent, another version maybe of capital is loan loss reserve. In this weakening economy with higher bankruptcies and general uncertainties, what's the view relative to building loan loss reserves.

Dave Schoenholz: Well, as I said earlier, there's no question that we will be increasing reserves and dollars and at least early in the year we will be increasing reserves as a percentage.

The flip side to increasing reserve ratios is that portfolio mix question that we talked about and that is you build real estate secured portfolio that has a reserve requirement, you know, in round numbers of 1% versus unsecured at 8 or 9%, that will skew the overall reserve ratios.

But you will see when we release earnings next week that reserve ratios will be up in anticipation of kind of a continued cautious view on the economy.

Edgar Ancona: Bill, another sort of relative to the efficiency ratio, where do you expect things in 2002 and longer term?

Bill Aldinger: Well I think our view today is that we're already the most efficient company in financial services and we don't need to push that line down at the moment. I think what you've seen over the last two years is we, instead of pushing that line down, made significant investments in the future, in technology, in people, incentives and so forth.

We had over 18% growth in expenses last year and so our target right now is to be about where we are today. Now that could change. We could push it down further but we think the operating model works well right where we are today.

Edgar Ancona: Okay. Rocco, a question on retail services which is how do you make money during the same as cash promotional periods and particularly in the area where customers pay off their balances at the end of the promotional period?

Rocco Fabiano: The retail services has a huge team. I would think it's about 35 people who actually price all of these transactions. And we solve for -- we're required in hurdle rate however we do that business.

In the case of same as cash you may have instances where the merchant pays us a discount to cover that cost of funds. The reality is there's a spot sort of in the middle of the credit curve of the customers we really want on a same as cash promotion.

At the extreme high end of the (FICO) scores if you will, that customer is going to pay us off the day before they start -- we start accruing interest so we're not particularly excited about that customer and there's some customers at the bottom end of the (FICO) scores where the credit risk is sufficiently high, we're a little uncertain about financing them.

We really need to meet all of our merchants' needs so part of the process is we evaluate the through the door population, what's going to be the mix of those customers and how many of those are going to be the customers in the middle who are likely to pay us and revolve.

And if we think that's a good portion of that population then we really won't require much from the dealer because we'll be able to generate our returns on interest income and other types of fee income. If that's a relatively small portion of the overall population, then we will actually require a discount.

So in some instances for maybe a 12 month same as cash promotion on furniture manufacturers that we might actually buy that credit at 85 cents on the dollar because the merchant is paying us a discount to cover perhaps a portion of the credit risk and certainly the cost of money.

Edgar Ancon: Dave, a detailed question on your presentation. You had talked about the fact that e-commerce had broken even. What exactly did you mean?

Dave Schoenholz: I meant that on a run rate basis in the fourth quarter the revenues that we were generating off of receivables generated through various Web sites was more than offsetting the web development costs as well as the operating cost.

Man: I would just add to that that -- so therefore, all of the cost savings we've incurred are not reflected in that calculation. So when you're saving service cost and credit card note of businesses, that's all gravy.

Edgar Ancona: Okay. A number of questions on re-age -- I think starting and maybe Gary, there's several of them relative to your business but just, who can authorize a re-age and you had talked about experienced collectors. What exactly is an experienced collector.

Gary Gilmer: Well, you know, we have certain levels of authority and we've leased that levels of authority divided out sort of by rank, experience. We've leased these various levels of authority by stops in the system that won't allow people to take certain actions that they have not been authorized to take.

In terms of, you know, what is an experienced collector, we don't necessarily grade that by how long a collector has been on the job. Certainly with us we hire collectors outside of the company who have had experience. In fact, they have to be -- go through certain training and have to be certified as having certain experience, having certain knowledge, having the wherewithal, the

capability of good judgment to make certain decisions. And once they do reach that threshold then they're given the authority.

Edgar Ancona: Okay. There's a lot of questions here about re-aging history and, you know, do we have additional detailed history that we were talking about. And I think also in addition, do we have some view of what maybe re-age levels will be or what's going to determine them in the future.

Gary Gilmer: I'm sure we have re-age history. We have history on just about everything that moves and we have a good system that tracks these things. As it relates to, you know, where we are today relative to where we would be in the future in terms of re-aging, I mean, certainly we have policies and procedures that limit us as to what we can do on certain accounts and that ought to be the case and Dave did talk about that some this morning.

As it relates to whether or not we would expect to re-age more or less within the confines of the policy going forward, I think we'd have to look at the economic circumstances as a key driver of that.

As the economy gets better, you know, I think we would see fewer re-ages rather than more. If the economy were to really tank we might see more, again within the confines of the policy.

Remembering again just, you know, not to take the re-age out of context. The idea here is to maximize cash flow and so we look very carefully at the results of what we are doing to ensure that at the end of the day we are better off for having re-aged than not re-aged and we'll continue to employ that policy.

Dave explained and I mentioned that our customers -- and think it's very important that we differentiate our customers from perhaps the customers at a bank -- you know, when we go into

the transaction, when we -- day one going into the transaction with one of our customers, we understand very clearly who we're dealing with and what we're dealing with.

And over the years we've gathered enough information and history to know how to do that. Now one of the key components of that dealing is to know how to price the deal.

So back to what we were talking about earlier, we've got real estate loan customers that are booked at 400 basis points or some number like that, higher than prime. They buy something from that, they should get something from that and in part that something they get should be some empathy, some help, you know, sort of to cross the next bump in the road.

And indeed we do that. That is part of our business model and part of our success in this industry in dealing with these customers is knowing when and what and how to do that. And so these re-ages will move from time to time depending on the economic circumstances.

Edgar Ancona: There seem to be more questions relative to the unsecured side. Is there a difference maybe between PHL and unsecured and your view about readings around that or sort of just treat all unsecured or the same or?

Gary Gilmer: Want me to take that? Okay, I'm on overtime now, Bill. Yes, we do look at those. When you look at the other, all other unsecured statistics and the published information that you would see, that would include PHL product and unsecured product.

And we do that -- even though those two products are quite different -- we do that so as to distinguish between our fully secured regular real estate portfolio, which is the preponderance of what we do and our PHL product where we don't do a full blown appraisal.

Now we do a title search to make sure that we know what our position is but those products are different. We wouldn't want to mislead you into thinking that our PHL product was identical to our regular real estate secured product because they're not.

There are losses in the PHL portfolio, 3-1/2 to 4%. The losses in our fully secured real estate portfolio, as Dave mentioned this morning, somewhere under 1%.

Now we consider all of those facts in our re-aging policies and processes and assets. We do treat them somewhat differently in the collection phase and the fact of the matter is just to look at that, just in one simple example would be to think about the bankruptcy performance, which is something we all deal with every day.

Something north of 60% of the PHL customers that we have on the books, in the case of bankruptcy reaffirmed – either reaffirmed in a formal sentence or continued to pay. Either way, it doesn't matter to us.

You look at that on the unsecured portfolio, in other words the non-PHL portfolio, and you're going to get that number down to single digits. So obviously they perform differently and we would treat them somewhat differently.

Edgar Ancona: I think a general Household question here – what percentage of your core customers do you believe are sub prime and do you see this growing kind of over time, shrinking, direction on what's going to happen.

Dave Schoenholz: Let me take that. I think it's hard to get those definitions but we've tried to take an approach at it by looking at segmenting the portfolio in two variables. One is the frequency or the probability of an event of default, the frequency of that.

And then the second variable would be the severity of the loss if you do have a probability of default. And just a little science, let's say, low, medium and high on each of those variables and put those into different categories.

So first lien, close and first lien positions, if you look at that, we would think would be as an example of the prime time of product. Renaissance, credit card or some of Rocco's lower tier in the auto portfolio would be a sub prime category.

And if you stratify it that way we have 60% -- about 60%, 65%, would be prime, largely because of first lien mortgages, GM, credit cards and UP credit cards and portions of the retail finance business. You have probably 20% odd that would be near prime with the rest, you know, 15, 20% would be true sub prime.

Edgar Ancona: Okay. Dave, while I've got you, on the UK how does the net interest margin on credit card portfolio and HFC Bank UK compare to the net interest margin on the same thing in the US?

Dave Schoenholz: It depends really by product. I think on balance we would tend to have higher margins in the UK because you tend to have a higher revolver percent to some of the portfolios than you would have here.

I think the other point I would make is that we have consciously scaled back in the Visa MasterCard area in the UK in part because of the extreme almost irrational competition including some of the US monolines as well as UK competitors such as (EGG) and that type of thing.

The Goldfish portfolio, which we agreed to terminate had a very, very low revolver percent, very low yields, which is one of the reasons we decided to get out of that. So what we are in is probably has higher returns.

Edgar Ancona: I'll answer this other one on the UK which is did they hit any of their back CB backstops and the answer is no. We though however, as a matter of fact, are ordinarily financed in our UK operations by some bank lines that are intended to be drawn but no, we have not hit any backstops there.

The GSEs, just several expanded questions on as the notion being that when interest rates are going up and as a result the GSEs are generating less volume from refinancing, do we expect them to be a bigger competitor in either the branch or the HMS businesses?

Gary Gilmer: Yes, as it relates to the branch network I tend to view the GSEs as not really a competitor and I don't mean this to sound boastful at all but the fact of the matter is our strength in the sort of GSE race is our origination capability. They don't originate loans and we do.

And we don't have to sell loans and so we've sort of got a core capability there that they don't. It is true that they have a funding advantage over us. There's no question about that but we have, I think we've demonstrated over time that, you know, we're able to charge a rate that's appropriate for the risk and we are able to keep that risk on the balance sheet or securitize it as the case may be.

Dave Schoenholz: I think in the mortgage I would expect them to be somewhat less of an influence in a rising rate environment just because when you have a huge re-fi waves and then partial response to issues, concerns about credit for lending and so forth you see a number of people running all production through DU, as an example, and they would be surprised what Fannie might buy.

To the extent that you have less refinance activity I think you will have less that's directly pointed towards them.

Edgar Ancona: I think this is a sort of a portfolio migration question. I think largely it may be directed at you, Gary, which talks about the fact that -- four of them basically talk about the fact that as we continue to cross sell people and in fact try and work with some relatively weaker and unsecured customers and particularly focus on reps trying to cross sell them, are we concerned about the direction in terms of credit quality for the overall portfolio?

Gary Gilmer: No, absolutely not. I mean we are very careful at managing the credit process. Number one, we're very careful at who we bring through the door to begin with. For example, just using direct mail as one of the channels that we use in addition to all of the cross selling that we've been talking about for the last few days, we use sophisticated set of models to ensure that we queue the right customers up.

The right customers have the right -- both the right credit profile and to include the right propensity to borrow. So we have that going for us at the front end.

In terms of controlling the credit quality beyond that and of course most the beginning of every relationship, almost every relationship for us, is in our branch network. So there's sort of two ways that we control that credit quality.

On the front end, as I mentioned, we make sure that we're queuing up the right customer to get into the branch network to begin with. And then on the backend we do all of the underwriting, all of the credit decision, everything related to the pricing of the loan is segregated from the branch network altogether.

So our branch managers, as an example, as the example, have no authority to book a loan and therefore really limited input as it relates to the credit quality, so.

The decentralized, rather the centralized model that we use today, which is quite remarkably different from what we used, 10, 15 years ago, is a bit of a firewall in that regard.

Edgar Ancona: Okay. Bill, the question for you which is as the economy improves do you expect to see at the macro level some major changes in terms of products that the company emphasizes versus what it's doing today.

Bill Aldinger: No, I don't. I think we have the right mix of products today. I think that it's possible we would step up a little bit more on the unsecured and the credit card as things get better. But I don't see the mix changing dramatically over the next certainly two years.

Edgar Ancona: Okay. Dave, question on the IO that you talked about. When you positively mark to market the IO strip what fundamental changes drove the positive mark to market?

Dave Schoenholz: Say it again. I didn't hear...

Edgar Ancona: Okay. What is it that drove the positive mark on IO strip?

Dave Schoenholz: I think there are a variety of issues. First off, let me just comment -- somebody came up to me during the break and said they've heard that a number of people didn't know what an IO strip was and just to make sure we're on the same page, the interest only strip related to securitization, accounting and would really reflect that net present value of future cash flows.

You have a variety of issues. We've set intentionally very conservative assumptions when we take an issue of gains on sale. As I go back to the point that we run our business on a managed basis as if we were a portfolio lender.

So we take very conservative assumptions with respect to credit, prepayments fees, everything else. And so when you look at actual experience we actually get some "actuarial gain." We also had some benefit just from a falling rate environment as it would relate to the underlying bonds on the securitized portfolio.

Edgar Ancona: And I guess that sort of a detailed question here has been that at least in some cases the loss levels used in calculations in the 10K were -- have decreased, I guess, in the last year relative to where they may have been the prior year. I think auto in specific was referenced.

Dave Schoenholz: Well, I'm not sure I understand the question but as an overall point, particularly as it relates to auto, you know, we've talked consistently about the fact that our cumulative loss curves and all the securitizations that we remain comfortable with those, that they were underwritten originally with sufficient headroom to allow some deterioration. And would echo the point that Rocco made earlier that we don't really have kind of that trigger risk.

Edgar Ancona: I think another question on securitizations which is more general which is if you don't take gains on sale and real estate, why do you take gains on sale in other products?

Dave Schoenholz: The securitization accounting is very form driven. I mean, it's not substance driven. It's very form driven and so in the real estate transactions, which tend to be closed and amortizing type of deals, you can structure it with respect to clean up calls and so forth, not to take gains.

Over time we will look at different structures on other types of securitizations and to see if that makes sense. But today the form of the transactions for private label, Visa, MasterCard and auto have been such that they do qualify.

Edgar Ancona: I think on disclosure there's basically a simple question I think based on your first slide there -- will we continue to receive managed income states for analytical purposes?

Dave Schoenholz: Well, we are not going to present a full blown managed income statement. You'll see in the supplement next week I think we will give you enough data that you can construct that fairly easily for your own purposes and if there are issues in you pulling in that together we -- (Craig), (Celeste), others will be glad to help you sort that out. So I don't think it will be quite as straightforward as it perhaps has been in the past but I think you can get there.

Edgar Ancona: Excuse me, and then will you continue to give DTL re-aging statistics as part of disclosures in the future?

Dave Schoenholz: As I said before, we're going to look at how to take the transparency issue off the table and that probably involves putting some re-aged statistics out there. I don't want to commit exactly in what form that's going to be. The data that we presented today is not yet productionalized in a way that we could do that just routinely.

We do have the data for internal purposes but it takes a little bit of kind of common data definitions across all the business to get there. I do think we will end up with some kind of periodic disclosure on re-age activity though.

Edgar Ancona: Gary, unfortunately there's some more here for you. How do you control the quality of the loans from MBNA? They recently told investors they sell off these loans because they are not attractive.

Gary Gilmer: Who asked that question? Well first off, you know, we underwrite every one of them so that's number one. I had not heard that statement but I guess it sort of makes the market when somebody thinks something is more valuable to somebody else. Without that none of us would every buy or sell anything.

But the fact of the matter is we are very pleased and I think our partners at MBNA are very pleased with the relationship that we have. I think it's profitable for both parties. It's grown remarkably over the last two or three years and we'll book about $1 billion worth of that business this year and I can assure you it meets every one of our profitability hurdles.

Dave Schoenholz: I would just comment to that, you know, MBNA does not have the capability or the infrastructure to originate underwrite secured loans. So what might not be attractive on a pure unsecured business can make a dynamite loan on a secured basis.

Edgar Ancona: Gary, one other question -- this is relative to branch compensation. Are people incented or compensated to produce better quality loans and is there a tie to credit quality or loan performance in that calculation?

Gary Gilmer: Yes. Our district manager level and up have a profitability component in their compensation program and, you know, those are the first level supervisory personnel in the branch network and they obviously are driving the credit quality for that perspective so and it hits their pocketbook if they don't.

But just to reiterate what I said earlier about the way we control our credit quality, we deliver the lease to the branches. We've already sorted out the quality of those people before they ever see them, number one.

Number two, even after that happens and an application is developed then goes completely off the radar screen in the branch as it relates to the rest of the processing. So that all of the underwriting, the work up, the checks to include both the title work and indeed the appraisal are completely out of the hands of the branch network.

So we have pretty firm wall there to control that quality and I think our statistics suggest that that works pretty well.

Edgar Ancona: Okay. Rocco, a couple questions here on auto -- what has been the impact, I guess, of the Millennium product on credit performance and in fact on returns and could you please explain further the price increases and the increased underwriting you talked about?

Rocco Fabiano: Sure. The Millennium product was, I mean, it's simplistic. I guess right today we have, we define the programs within auto as tiers one through six and it's just basically a way to describe our pricing across the credit spectrum of anywhere from a low rate of maybe as low as roughly 11% up to an effective yield of about 25%.

And those are broken into tiers because it's easier to communicate that to the dealers. And the Millennium program was kind of a first step in that direction which was really adding the tiers one through three which were the better credit quality tiers.

And we've been very pleased with the performance of that program. The -- I think the other half of the question was some of the changes we've made which was as I mentioned, we continue to be surprised by the volumes.

I mean, the market continues -- people continue to pull out of the sector -- banks, some of the leasing companies had an impact when they got out. Others have tightened up. So we continue to be surprised by the strength of the business flow we're seeing.

So it's an ideal time to re-price and tighten up your credit score. So what we have done is we've pushed through some price increases, particularly in the highest risk components of the business.

As Dave mentioned, we're continually more judicious about how we allocate capital and that's pushing up the required returns in the highest risk segments and we're passing that through to the dealers. So that's generated some price increases, as I say, particularly on the tiers five and six which are the highest risk components.

In addition to that, one way to take advantage of more business than you really anticipated is to increase your cut off scores. So we've also increased the cut off scores. So for each of those tiers or many of those tiers it requires a higher score. Not a (FICO) score; that's not what we use, but it's an internal score of the same concept to be approved for those programs. Those are the types of changes we've made.

Edgar Ancona: I think there's a couple questions here, Dave, relative to real estate coverage, particularly if you add back REO expenses, how does that compare, you know, two things -- one, loss has arisen compared to banks and second is when you add the REO expenses back, should there be higher reserves as a result of that?

Dave Schoenholz: What was the first one?

Man: ((inaudible)).

Dave Schoenholz: Well, I can't really comment about how our residential real estate statistics compare to commercial banks. I would just say that, you know, our sense is it performs extremely well. With regard to REO, the question is should we be reserving for that?

There are different rules for banks and different rules for finance companies and I think there is a premise there. We just need to be a little careful. We're not a bank. Our business model is a bit different and we need to make sure that the accounting policies are appropriate for the business we're in and we somehow don't kind of throw the baby out with the bathwater.

If we were to reserve for REO, just the statistics I threw up there -- in 2001 it was about $120 million cost and so if you were to have, let's say, 12 months coverage of that that would be a one time issue and you put that in the context of we have reserves at $3.8 billion. So I don't think that's a big issue one way or the other.

Edgar Ancona: One more question, Dave -- relative to this sale of loans in response to the (Fitch), the whole loan sale of the first quarter, was there a gain on the sale?

Dave Schoenholz: Just to put it in context, I had a couple of other people ask me about that -- we don't want to be in the business of originating loans and then having whole loan sales. We think that, you know, keep originating them, putting them in the portfolio, keeping in the servicing is the right business model.

But we did it in the first quarter in response to liquidity management concerns to keep getting commercial paper levels down and also quite honestly to address the (Fitch's) point. From the time we decided to do the sale to the time we closed was about 25 days and we did have a net gain on it. It cleared all the premiums and cost that we had on the books.

Edgar Ancona: There's one contingency funding question here I'll take which is that somebody asked why we didn't talk as we did in the past about accessing bank backstops and talking about contingency funding as a percentage of bank backstops.

I think the world has changed from a year ago and there is certainly a market perception that that's a high negative event, whether it is or not. And certainly CIT has, I think, driven that home to the marketplace.

So our view is to construct a contingency funding plan that does not access bank backstops. And so if you talk about the significant increase in contingency funding available for warehouses or conduits as well as the absolute basically having of the commercial paper outstanding -- you know, we're now carrying an investment portfolio as well -- so that actual having, you know, taking $5 billion if you will out of that CP number in fact really dramatically reduces what you'd have to fund in 90 days.

So we can cover the 90 days. We're not just going to talk about it in a way that a lot of people have indicated to us is not a way we should be talking about it.

I think I want to end with a final sort of set of questions, Bill, really are around Household as an ongoing independent company. People talk about, you know, the recent perceived difficulties in funding and the stock price, sort of, not having continued to appreciate.

And so questions are what is your view about staying independent versus being acquired and if you talk about independence does that necessarily force you to require additional acquisitions of some sort?

Bill Aldinger: Well, let me start by saying that every year in November we do a plan for the board. We lay out three alternatives which one would be what does the operating plan look like for the next three years. And we've done that and we're very comfortable we can achieve that without any major acquisitions -- very good 13 to 15% EPS growth.

I would remind everybody while we all talk about getting big in financial services, Household at yearend was 93rd in market cap in the country and 38th I think in profitability. So a top Fortune 100 company last year and top 38 or 40 in profitability.

So number one, A plan is operate the company as is, add some small acquisitions in terms of portfolios along the way. We're pretty comfortable we could achieve that 13 to 15% EPS growth.

As I mentioned earlier today Plan B, if you will, would be do we do a major transforming acquisition to give us more diversification and so forth. And I think what I said to you earlier today is that's not on the radar screen certainly in the next 12 months. We don't have to do it and I'm not comfortable at our PE paying up for something at this point.

And I think the third one, the alternative we lay out is should we merge with a bigger company. There are probably six or seven worldwide that potentially could be a fit. I think if we were to do that we'd look at a number of things -- what's the strength of the currency, does it give us a broader diversified mix of earnings, does it give us improved funding and potentially better return for our shareholders.

And I think there is some companies out there that fit that mold and it's possible we'd look at that at the right time. We don't have to do it but it's an option we look at and it may be if we don't see our stock price move then over a period of time we'd look more aggressively at that.

Edgar Ancona: With that, I think that does it on the questions. I assume there's some that we haven't answered probably out there if that's the case. I'd like to thank you all for attending. Lunch is served across in (CMD). For those of you running to the airport -- we've actually finished on time -- their busses leave every 15 minutes from out in front.

So with that, thanks very much. Look forward to seeing you all next year.

END

1 IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
2 EASTERN DIVISION
3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 2, 2009
Defendants.) 9:45 a.m.
9
VOLUME 4
10 TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury
11
12 APPEARANCES:
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ROBBINS LLP
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         24   A.  He was a consultant for Household.
02:12:42 25   Q.  Not an employee?
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          1   A.  No.
          2   Q.  So if you were drawing a table of organization -- do you
          3   know what a table of organization is?
          4   A.  Yes.
02:12:49  5   Q.  If you were drawing a table of organization for Household,
          6   where would you put him on it?
          7   A.  Well, you could put him on a dotted line to Mr. Gilmer or
          8   something like that.  Sometimes you see consultants on there
          9   or not at all.
02:13:01 10   Q.  Not at all or a dotted line.  What does a dotted line
         11   usually mean?
         12   A.  Well, that they're either not an employee or they are
         13   reporting sort of outside the framework.
         14   Q.  And on this table of organization of Household as you
02:13:14 15   understand it, where would you put Mr. Aldinger?
         16   A.  Above Mr. Gilmer.
         17   Q.  At the top?
         18   A.  Yes.
         19   Q.  You certainly wouldn't put Mr. Kahr at the same level as
02:13:34 20   Mr. Aldinger, would you?
         21   A.  Well, I mean, you asked me where you would put him on an
         22   org chart.  And I would think it would only make sense if he's
         23   not an employee to put him on a dotted line reporting to
         24   Mr. Aldinger or Mr. Gilmer because I think he was actually
02:13:51 25   hired to promote the growth for the finance --
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          1   Q.  For giving advice?
          2   A.  Consumer finance.
          3            Yes.
          4   Q.  By giving advice, not by running the company?
02:13:57  5   A.  No, no.  And that's not what I'm saying.
          6   Q.  Now, you read to the jury from Plaintiffs' Exhibit 1388,
          7   which is in evidence, which is an article about Mr. Kahr's
          8   company, Providian, in the San Francisco Chronicle.
          9            Do you remember that?
02:14:18 10   A.  Yes.
         11   Q.  That's the article that's up there on the screen now.
         12            And this article says various negative things about
         13   Mr. Kahr, correct?
         14   A.  Yes.
02:14:29 15   Q.  And the point of that was to say that when Household
         16   engaged Mr. Kahr, they should have been aware of these things?
         17            MR. DROSMAN:  Objection, calls for speculation.
         18            THE COURT:  Overruled.
         19   BY THE WITNESS:
02:14:50 20   A.  So -- can you ask me the question again?
         21   BY MR. KAVALER:
         22   Q.  Sure.  The point of your reading from this article was to
         23   suggest that when Household engaged Mr. Kahr as a consultant,
         24   they should have been aware of its contents?
02:15:02 25   A.  Are you saying the contents of the article?
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7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
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Defendants.) 9:45 a.m.
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         19    operation.  Customer service and that sort of thing.  So upon
11:46:42 20    my arrival in 1998, that was sort of the way the business was
         21    set up.  And in round numbers, there were probably -- I won't
         22    get this exactly right, but there were several thousand
         23    employees.  I would guess probably 8,000 employees or so in
         24    total at that time.
11:46:57 25    Q.  And you're saying 8,000 people in consumer lending that

                              Gilmer - direct
                                                                      970

          1    reported ultimately to you?
          2    A.  That is correct.  And that did not include, Mr. Dowd, a
          3    goodly number of employees at home office, support-level kinds
          4    of people, quality assurance kinds of people, training, human
11:47:14  5    resources.  A goodly number of employees working there as
          6    well.
          7    Q.  And during 1998, Household acquired Beneficial; is that
          8    correct, sir?
          9    A.  That is -- that is true.
11:47:24 10    Q.  That was in addition --
         11    A.  I believe --
         12    Q.  I'm sorry, sir.
         13    A.  No, I just -- I was going to say I think that was around
         14    June or July of 1998.
11:47:32 15    Q.  By this time, you were already running consumer lending at
         16    Household?
         17    A.  That's true.
         18    Q.  And when you acquired Beneficial, you added about another
         19    thousand branches; is that fair to say?
11:47:42 20    A.  That's right.  So that when we finished the
         21    consolidation -- because some branches were consolidated and
         22    put together -- we had about 1,400 or 1,500 or so branches.  I
         23    believe it was in 46 states.  And we had six operating centers
         24    to support those branches across the United States.  And
11:48:04 25    probably 15,000 or so employees.

                              Gilmer - direct
                                                                      971

          1    Q.  And, sir, was consumer lending also called United States
          2    consumer finance?
          3    A.  Yes, it was.
          4    Q.  And those two words were used interchangeably?
11:48:17  5    A.  Yes, they were.
          6    Q.  And did you report directly to Mr. Aldinger during this
          7    time from 1998 to 2002?
          8    A.  I did.
          9    Q.  And there was nobody between you and he?  He was your
11:48:27 10    boss?
         11    A.  That is correct.
         12    Q.  Now, is it fair to say, sir, that during -- towards the
         13    end of 1998, you believed Household's stock was undervalued;
         14    is that correct?
11:48:40 15    A.  I'm sure -- I'm sure I did.  I don't remember the exact
         16    dates, but yes.
         17    Q.  And you believe --
         18    A.  That's a fair --
         19    Q.  I'm sorry.
11:48:47 20    A.  That's a fair assessment.
         21    Q.  And is it fair to say, sir, that you believed that
         22    Household's stock was undervalued at that time because you
         23    believed that the market would not believe that Household
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11
12 APPEARANCES:
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ROBBINS LLP
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          7              MR. DOWD:  Apparently earlier I forgot to move into
          8     evidence 759 and 763.  I just move those in.
          9              THE COURT:  Plaintiffs'?
02:28:17 10              MR. DOWD:  Plaintiffs' -- no, Defendants' 759 and
         11     Defendants' 763.
         12              THE COURT:  763?
         13              MR. DOWD:  Yes, your Honor.  759 and 763.
         14              THE COURT:  Sorry about my hearing.
02:28:36 15              Okay.  759 and 763 are admitted.
         16              MR. DOWD:  Thank you, your Honor.
         17       (Said exhibits were received in evidence.)
         18              MR. BURKHOLZ:  Your Honor, the protocol for jury
         19     binders to be provided to the jury?
02:28:54 20              THE COURT:  Objection?
         21              MR. KAVALER:  Have we seen this?
         22              MR. BURKHOLZ:  Yes.
         23              MR. KAVALER:  If we seen it, your Honor, I have no
         24     objection.
02:29:02 25              THE COURT:  If you have seen it, then --
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          1              MR. KAVALER:  If we have seen it, we have no
          2     objection.  I am told we have seen it.
          3              THE COURT:  All right.  They may be --
          4              MR. KAVALER:  Is this for the next witness?
02:29:08  5              MR. BURKHOLZ:  It is.
          6              MR. KAVALER:  I am sorry.  We have seen this.  Yes,
          7     your Honor.
          8              THE COURT:  They may be passed out.
          9              Ladies and gentlemen, you are receiving copies of the
02:29:15 10     exhibits that are about to be used.  Not only will they be
         11     shown on the screen, if they are shown on the screen, but you
         12     will have the actual exhibits with you.  It's just for the
         13     purpose of convenience.  It's nothing special about these
         14     exhibits over any others.
02:29:28 15              Do we know who the next witness is?
         16              MR. BURKHOLZ:  Yes, your Honor.  Megan Hayden-Hakes.
         17              THE COURT:  Step right up there, ma'am.
         18              Remain standing and raise your right hand, please.
         19             MEGAN HAYDEN-HAKES, PLAINTIFFS' WITNESS, SWORN
02:30:53 20                         DIRECT EXAMINATION
         21     BY MR. BURKHOLZ:
         22     Q.  Good afternoon.
         23     A.  Hi.
         24     Q.  Can you please state your name for the record.
02:30:56 25     A.  Megan Hayden-Hakes.
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          1     Q.  We have never met before, correct?
          2     A.  Correct.
          3     Q.  You graduated from college in 1997, correct?
          4     A.  Yes.
02:31:05  5     Q.  And your first job was in public relations at Edelman &
          6     Company?
          7     A.  Yes.
          8     Q.  And your job included writing press releases and media
          9     research, correct?
02:31:14 10     A.  Among other things, yes.
         11     Q.  What were the other things you did?
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         12    A.  Worked with reporters based on stories about my clients.
         13    Q.  And then you moved to Denver in 1998 to work for another
         14    PR firm, correct?
02:31:29 15    A.  Correct.
         16    Q.  And then you moved back to Chicago and worked for
         17    Edelman & Company, correct?
         18    A.  Yes.
         19    Q.  And Household was a client of Edelman at that time in
02:31:38 20    1999; isn't that correct?
         21    A.  Correct.
         22    Q.  In July 2001, you took the job at Household as director of
         23    corporate communications; isn't that correct?
         24    A.  Correct.
02:31:46 25    Q.  And reported to a Mr. Craig Streem; is that correct?

                              Hayden-Hakes - direct
                                                                        1493

          1    A.  Yes.
          2    Q.  And his job was director of investor relations at that
          3    time?
          4    A.  Vice president of investor relations, I believe.
02:31:57  5    Q.  And he also had another part of his job title at that
          6    time, director of communications?
          7    A.  You are asking me about Craig's job title?
          8    Q.  Yes.
          9    A.  Yeah.  Whether that was his formal title or not, I can't
02:32:09 10    tell you, but it was part of his responsibilities.
         11    Q.  Okay.  And part of his responsibilities was talking to
         12    analysts, correct?
         13    A.  Yes.
         14    Q.  And part of your responsibility was to talk to the media,
02:32:18 15    correct?
         16    A.  Yes.
         17    Q.  And you worked at Household from July 2001 until October
         18    2002, correct?
         19    A.  Yes.
02:32:28 20    Q.  And is it fair to say that both yourself and Mr. Streem
         21    spoke to the media on behalf of Household during that time?
         22    A.  Yes.
         23    Q.  Now, as part of your job duties, you reviewed articles
         24    that discussed Household; isn't that correct?
02:32:42 25    A.  Can you restate that?  I am sorry.

                              Hayden-Hakes - direct
                                                                        1494

          1    Q.  As part of your job duties from July 2001 until
          2    October 2002, you reviewed any articles that were out in the
          3    media regarding Household?
          4    A.  Yes.
02:32:53  5    Q.  And you searched the Internet, read newspaper articles,
          6    different newspapers that came out during that time to find
          7    out what was being said about Household?
          8    A.  Yes.
          9    Q.  You also got media clippings from Edelman, the PR firm?
02:33:07 10    A.  Yes.
         11    Q.  During that time you reviewed quotes that were attributed
         12    to yourself on behalf of Household; isn't that correct?
         13    A.  Yes.
         14    Q.  You wanted to make sure that the quotes were accurate,
02:33:18 15    correct?
         16    A.  Correct.
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         10   Q.  I'm asking --
         11   A.  -- a variety of people.
         12   Q.  I'm sorry to interrupt, but I'm asking specifically
         13   regarding conversations with Mr. Aldinger, the CEO of this
         14   company.
03:39:02 15            You're not telling me you didn't have conversations
         16   with him during this time period right after the DFI report
         17   came out and when the press is going to write a story about it
         18   and the stock's going down.  You didn't have any conversations
         19   with him regarding what should I tell the press what the story
03:39:15 20   is regarding the situation?
         21   A.  I don't remember.  I mean this literally was six,
         22   seven years ago.  I -- I can't recall specific conversations I
         23   had within a very limited period of time.
         24   Q.  But it would have been your practice, wouldn't it, to,
03:39:28 25   when a situation came up like this, to talk to the CEO and say
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Hayden-Hakes - direct

1528

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          1   what do I tell the investing public out there?  What should I
          2   tell the media regarding this situation?  That would have been
          3   your practice, right?
          4   A.  Well, I don't talk to the -- part of my job had nothing to
03:39:41  5   do with talking to investors.
          6   Q.  Right, but you know that investors rely on statements made
          7   to the public or that are issued through media articles.  You
          8   understood that at the time, didn't you?
          9   A.  Sure, among many other audiences.
03:39:52 10   Q.  Okay.  And you're not telling me you didn't talk to
         11   Mr. Aldinger during this time to say what are we going to tell
         12   the media regarding this situation?  Our stock's going down;
         13   the situation in Bellingham, we're acknowledging it; and the
         14   analysts are wondering whether this is a nationwide problem
03:40:07 15   that's going to affect our earnings.  You're not telling me
         16   you didn't talk to him about this, are you?
         17   A.  I'm not telling you whether I did or didn't.  Again, I
         18   want to be very truthful here.  I can't tell you specifically
         19   a conversation I had in a very limited time period.
03:40:17 20            I had many conversations with many different people
         21   over the months that I worked at Household.
         22   Q.  What about Mr. Aldinger, did you talk to him regarding how
         23   to talk to the media?
         24   A.  Many times.
03:40:27 25   Q.  Right.  And during this time period, that would have been
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Hayden-Hakes - direct

1529

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          1   your practice, right, to talk to him about what to say to the
          2   media regarding this situation?
          3   A.  I'd have to speculate to tell you whether I did or didn't
          4   talk to him in this very specific period of time.
03:40:39  5            I mean had I had many conversations with Mr. Aldinger
          6   over the period of time that I worked at Household?  Yes.
          7   Q.  Right.
          8            And this was an important time, wasn't it?  I mean
          9   you had a situation where the effective rate was being
03:40:50 10   acknowledged to be used by the company in Washington state in
         11   one branch they're telling the public.  I mean you would have
         12   talked to him about this situation at that time.  That would
         13   have been your practice, right?
         14   A.  Again, I mean I would -- I would assume so, but I can't
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03:41:04 15 confirm for you whether I did or didn't.
16 Q. You just don't have a recollection, right?
17 A. I have no recollection.
18 Q. But that would have been your practice, right?
19 A. Ideally that would be my practice.
03:41:27 20 Q. Let me show the witness what we've marked as Plaintiffs'
21 1447 for identification. Copy for counsel.
22 MR. BURKHOLZ: This is an article in the July 2nd
23 Oregonian entitled "High-Cost Home Loans Rise." Your Honor,
24 I'd offer it for -- into evidence.
03:41:53 25 MR. KAVALER: Same limiting instruction, your Honor,

1 another newspaper article.
2 THE COURT: It will be admitted with a limiting
3 instruction.
4 (Plaintiffs' Exhibit 1447 received in evidence with a
5 limiting instruction.)
6 BY MR. BURKHOLZ:
7 Q. Feel free to read the article. I'm going to focus your
8 attention on the second half of the article which deals with
9 Household.
03:42:08 10 A. Do you want me to read the whole article?
11 Q. Feel free to, but I'm just going to -- I'm going to point
12 you to the second page, so if you can turn to that page.
13 A. Okay.
14 Q. Why don't you read that, that first half of that page to
03:42:19 15 yourself.
16 A. The first half of page 2.
17 Q. Yes.
18 A. I've read the first half.
19 Q. Okay. Let's look at the third paragraph. It reads, "Jim
03:43:29 20 Krueger, who retired June 21st as consumer and mortgage
21 lending program manager in the state's Division of Finance and
22 Corporate Securities, says he saw a pattern in Household loans
23 in which the company would write two separate loans -- one a
24 refinance loan, and the second an equity-backed line of credit
03:43:48 25 that apparently consolidates the home buyer's consumer debt."

1 Then further on, the next paragraph, it says,
2 "Krueger said he found that in a majority of cases that the
3 combined debt exceeded the value of the home and that the
4 loans contained prepayment penalties. He says he knows of no
03:44:07 5 other companies that impose prepayment penalties on line of
6 credit loans."
7 Do you see that?
8 A. I do.
9 Q. Then it continues to say -- read, "Household International
03:44:17 10 officials deny any pattern of wrongdoing and say the company
11 is open to changes in its lending practices if they are
12 harmful to consumers. 'We've made mistakes,' said Megan
13 Hayden, spokeswoman for the Prospects Heights, Illinois
14 company. 'Is there a companywide pattern of abuse?
03:44:37 15 Absolutely not.'"
16 Do you see that?
17 A. I do.
18 Q. And that was an accurate quote that you made at that time,
19 correct?

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1 IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
2 EASTERN DIVISION
3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 9, 2009
Defendants.) 9:55 a.m.
9
VOLUME 8
10 TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury
11
12 APPEARANCES:
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9 CAHILL, GORDON & REINDEL LLP

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         19              MR. KAVALER:  Nothing further, your Honor.
01:26:53 20              THE COURT:  You may step down, sir.
         21              Call your next.
         22              MR. BURKHOLZ:  Plaintiffs call Craig Streem.
         23        (Brief pause.)
         24              THE COURT:  Step up there, sir.  Remain standing and
01:28:00 25    raise your right hand.
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Streem - direct

1626

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          1        (Witness sworn.)
          2              THE COURT:  Be seated.
          3              You want those documents up there?
          4              MR. BURKHOLZ:  I don't.
          5             CRAIG ALAN STREEM, PLAINTIFFS' WITNESS, SWORN
          6                           DIRECT EXAMINATION
          7    BY MR. BURKHOLZ:
          8    Q.  Sir, can you state your name for the record.
          9    A.  Yes, Craig Alan Streem.
01:28:25 10    Q.  And you had your deposition taken in this case, correct?
         11    A.  Yes.
         12    Q.  And you were represented by the lawyers for the defendants
         13    at that deposition, correct?
         14    A.  Yes.
01:28:33 15    Q.  And you're represented here today by the same law firm,
         16    aren't you?
         17    A.  Yes.
         18    Q.  Now, you worked at Household from 1996 to 2003; isn't that
         19    correct?
01:28:41 20    A.  Yes.
         21    Q.  And what were your job duties during the time period -- or
         22    job titles during the time period of 1999 to 2002?
         23    A.  I can't remember specifically when -- the dates when
         24    transitions occurred.  But at one point, I was vice president
01:28:59 25    of investor relations.  And then subsequent to that, I was
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Streem - direct

1627

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          1    vice president, investor relations -- or corporate relations
          2    and communications, excuse me.
          3    Q.  And you got that additional job title sometime in the
          4    spring of 2001; is that correct?
01:29:11  5    A.  I don't recall exactly when that happened.
          6    Q.  Was it around the time that Ms. Megan Hayden-Hakes came on
          7    board --
          8    A.  Yes.
          9    Q.  -- at the company?
01:29:19 10              And she took over -- or she took on the task of being
         11    one of the corporate spokespersons for the company?
         12    A.  Yes.
         13    Q.  But you continued to talk to the media still, correct?
         14    A.  Yes.
01:29:28 15    Q.  In fact, you spoke to Business Week at the end of 2001.
         16    Do you remember that?
         17    A.  I remember speaking to a reporter from Business Week, but
         18    I could not tell you exactly when that was.
         19    Q.  Now, as the VP of investor relations, you reported
01:29:45 20    directly to Mr. Schoenholz, the CFO, correct?
         21    A.  Yes.
         22    Q.  And you also reported to Mr. Aldinger, didn't you?
         23    A.  At another point I did, yes.
         24    Q.  Do you recall when that was?
01:29:56 25    A.  I don't recall the transition date, no.
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1717

1 IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
2 EASTERN DIVISION
3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 13, 2009
Defendants.) 9:00 a.m.
9
VOLUME 9
10 TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury
11
12 APPEARANCES:
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02:19:04 20    Q.  Good afternoon, sir.
         21    A.  Hi.
         22    Q.  Could you state your name for the record, please, and
         23    spell your last name?
         24    A.  My name is David Schoenholz.  It's spelled
02:19:16 25    S-c-h-o-e-n-h-o-l-z.

                            Schoenholz - direct
                                                                  1876

          1    Q.  And, sir, you graduated from Duke University in 1977; is
          2    that right?
          3    A.  That's not correct.  I graduated from Duke in 1973.
          4    Q.  1973.
02:19:27  5             And, then, after that time you got a Master's in
          6    Business Administration from Harvard; is that correct?
          7    A.  I got a MBA from Harvard in 1977; and, then, I got a
          8    Certificate of Christian Studies from Trinity Evangelical
          9    Community School in 2005.
02:19:47 10    Q.  Okay.
         11             And, sir, when you graduated from Duke, off and on
         12    you worked for Arthur Andersen for the next nine years or so;
         13    is that fair?
         14    A.  Correct.
02:19:58 15    Q.  And what was the business of Arthur Andersen at that time?
         16    A.  They were a public accounting and auditing firm.
         17    Q.  And did you do audit work, sir?
         18    A.  I did.
         19    Q.  And you left Andersen as an Audit Manager; is that right?
02:20:12 20    A.  That's correct.
         21    Q.  And you came to Household in 1985 as the Director of
         22    Corporate Audit; is that correct?
         23    A.  That's correct.
         24    Q.  And a couple of years later you were promoted to the
02:20:24 25    Corporate Controller of Household International; is that

                            Schoenholz - direct
                                                                  1877

          1    right?
          2    A.  Correct.
          3    Q.  And you served in that role between 1987 and 1989; is that
          4    correct?
02:20:31  5    A.  I -- I -- am he not sure exact times, but that's generally
          6    correct.
          7    Q.  It sounds about right?
          8    A.  About right.
          9    Q.  Okay.
02:20:40 10             And in 1993, you became the Chief Accounting Officer
         11    at Household; is that right?
         12    A.  I think I became Chief Accounting Officer closer to '90.
         13    I think I became the Chief Financial Officer around '93.
         14    Q.  Okay.
02:20:57 15             And --
         16    A.  I'm not absolutely sure on the dates.
         17    Q.  I'm sorry, sir, can you keep your voice up a little bit?
         18    You're a little hard to hear.  Sorry.
         19             So, at some point around '93 or '94, you became the
02:21:10 20    Chief Financial Officer at Household; is that right?
         21    A.  Correct.
         22    Q.  And you stayed the Chief Financial Officer until the end
         23    of 2002; is that right?
         24    A.  Mid-2002.
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02:21:21 25 Q. Mid-2002.

1 And, then, what did your title change to at that
2 time?
3 A. I became the Chief Operating Officer.
4 Q. Okay.
02:21:26 5 And, in the middle of 2002, were you also given some
6 role as the Chief Operating Officer as being put in charge of
7 Consumer Lending?
8 A. Tom Detelich, beginning in August of 2002, then, reported
9 to me, correct.
02:21:48 10 Q. Okay.
11 So, in other words, Mr. Detelich ran Consumer
12 Lending, but reported to you in that role as the COO; is that
13 right?
14 A. That's correct.
02:21:57 15 Q. And that, I take it, was after Mr. Gilmer's retirement?
16 A. Correct.
17 Q. Now, let me take you to this period when you were the
18 Chief Financial Officer; and, in particular, between 1999 and
19 the summer of 2002.
02:22:10 20 All right, sir?
21 A. Okay.
22 Q. Let me ask you: Were you responsible as the Chief
23 Financial Officer of Household for the company's external
24 financial reporting?
02:22:19 25 A. Correct.

1 Q. Okay.
2 And when we say "financial reporting," did that
3 include the filing of 10-Ks and 10-Qs with the SEC, for
4 example?
02:22:29 5 A. That was in my scope of responsibility.
6 Q. As the CFO?
7 A. As CFO.
8 Q. Did you also have administrative oversight for the
9 Internal Audit Department?
02:22:44 10 A. I think throughout that entire period I did, although
11 maybe in 2002 that shifted over to Mr. Aldinger.
12 Q. Okay.
13 And I take it you also had some role, as the CFO,
14 with respect to the company's treasury practices; is that
02:23:02 15 right?
16 A. The treasurer reported to me and I worked with him on
17 those treasury functions.
18 Q. Okay.
19 And the treasurer, during that time period, was Edgar
02:23:11 20 Ancona; is that correct?
21 A. Yes.
22 Q. And, sir, in addition to these other responsibilities as
23 the CFO, did you also have some oversight over your investor
24 relations activities at the company?
02:23:27 25 A. For most of that time, I believe Craig Streem reported to

1 me. Subsequently, he then reported to Mr. Aldinger.
2 Q. Okay.
3 And Mr. Streem testified here last week; is that
4 correct?
02:23:41 5 A. Correct.
6 Q. So, at certain times during that period Mr. Streem, you
7 were his boss?
8 A. Correct.
9 Q. Sir, I'd like to show you a series of documents today.
02:24:03 10 MR. DOWD: I hand what's been marked as Plaintiffs'
11 176 to counsel. I'll also hand you a copy of Plaintiffs' 176.
12 (Document tendered to counsel and the witness.)
13 BY MR. DOWD:
14 Q. I ask you to take a look at that, if you would, please,
02:24:15 15 sir.
16 (Brief pause.)
17 BY MR. DOWD:
18 Q. Sir, I'll ask you, generally, you have seen Plaintiffs'
19 Exhibit 176 before; have you not, sir?
02:25:16 20 A. I believe so.
21 Q. Okay.
22 And that is a document entitled, "Household
23 International Quality of Accounting Policies Applied and
24 Financial Reporting," dated November 13, 2000; is that right,
02:25:29 25 sir?

Schoenholz - direct

1881

1 A. Correct.
2 MR. DOWD: Your Honor, at this time I'd offer
3 Plaintiffs' 176.
4 THE COURT: It will be admitted.
5 (Plaintiffs' Exhibit No. 176 received in evidence.)
6 BY MR. DOWD:
7 Q. And, Mr. Schoenholz, plaintiffs' Exhibit 176 -- this
8 Quality of Accounting Policies document -- that was a document
9 that was prepared by Mr. McDonald; is that right?
02:25:46 10 A. I believe so.
11 Q. And Mr. McDonald was the Controller of Household during
12 this time period; is that right?
13 A. Right.
14 Q. Okay.
02:25:53 15 And in the organization there's the Controller; and,
16 then, he would report to you as the Chief Financial Officer;
17 is that right?
18 A. Correct.
19 Q. Okay.
02:26:00 20 And this was a document that was prepared for
21 discussions between Household's Audit Committee of the Board
22 of Directors and its outside auditors; is that correct?
23 A. Correct.
24 Q. Okay.
02:26:16 25 And it was -- you were required to prepare such a

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1 document for these discussions pursuant to certain accounting
2 professional standards; is that right?
3 A. Correct.
4 Q. And I take it this document was prepared in or about
02:26:30 5 November, 2000; is that right, sir?

1 Q. You put it in your 10-K because you wanted investors to
2 have information about your re-age policy, right?
3 A. We put it in our 10-K to provide general information on
4 our re-age policy, with the knowledge that within about three
03:50:57 5 weeks, we were going to have another SEC document filed with
6 more information about re-age.
7 Q. Okay. And, sir, Mr. McDonald called your re-aging
8 policies significant accounting policies in Exhibit 694,
9 didn't he, sir?
03:51:15 10 A. That's how he characterized them to the audit committee.
11 Q. So when Mr. McDonald, the controller of the company, who
12 reported directly to you, talked to the audit committee, when
13 he wrote them this document, he told them our re-aging policy
14 is a significant accounting policy, right?
03:51:32 15 A. That's what he said.
16 Q. And when he described that accounting policy in November
17 of 2001, he said, a predetermined number of consecutive
18 payments have been received, a certain behavior score is
19 attained or the delinquency reason has been cured based on
03:51:48 20 product; isn't that right?
21 A. That's what it says.
22 Q. Okay. And so he said consecutive payments, behavior score
23 obtained or the reason for the delinquency is cured, right?
24 A. That's correct.
03:52:02 25 Q. But four months later, when you disclosed it to the

1 public, you said consecutive payments and the reason for the
2 delinquency has been cured, right?
3 A. That's what it says.
4 Q. Okay. And, sir, you were also aware at this time, were
03:52:18 5 you not, that Household re-aged certain loans automatically;
6 isn't that correct?
7 A. What do you mean automatically?
8 Q. Automatically. What does that mean to you, sir? You give
9 me your definition.
03:52:34 10 A. I think -- what it does not mean, let's start with that.
11 What automatic did not mean is that loans were restructured
12 that didn't meet established criteria or that were
13 restructured without regard to any of that criteria.
14 What automatic meant was that if loans met a certain
03:52:59 15 criteria as established by the operating people in each of the
16 businesses by product and if collectors, as they talked to
17 those delinquent customers -- because the policy was that all
18 collectors would talk to delinquent customers -- and if they
19 didn't block a restructure, that the credit risk people could
03:53:23 20 program it such that that transaction for a restructure would
21 be done in an automated fashion, as opposed to manually
22 entering the transaction.
23 Q. Sir, you're not telling me as you sit here today that you
24 guys didn't re-age without talking to the customer in certain
03:53:41 25 circumstances during this period, are you?

1 A. What I'm telling you is that our policy said that,
2 under -- my understanding, under all circumstances, that a
3 collector would talk to a delinquent customer, would document
4 those discussions on the customer's record before an account

03:54:04 5 was re-aged.
6 Q. Well, let's see what you said about that a little while
7 later, all right, sir.
8 Let me ask you: Did there come a time that you
9 changed this 10-K?
03:54:21 10 A. Well, as --
11 THE COURT: When you say this 10-K, which one are you
12 referring to?
13 MR. DOWD: I'm sorry, your Honor. We're referring to
14 Defendants' 852. I apologize to the Court.
03:54:28 15 THE COURT: Which is for what year?
16 MR. DOWD: That's December 31, 2001.
17 BY THE WITNESS:
18 A. Say again, please.
19 BY MR. DOWD:
03:54:39 20 Q. Yes, sir.
21 Was there a time that you reissued this 10-K to
22 correct or to amend this disclosure about your re-age
23 practices?
24 A. Well, we already talked about the fact that in the summer
03:54:55 25 of 2002, we reissued the 10-K. And the language that was

1 included in the first version and reviewed by our -- by Arthur
2 Andersen and the language included in the second version,
3 which was reviewed by KPMG, was the same language. I believe
4 in 2003, the company revised the language in the 10-K in
03:55:25 5 connection with the HSBC acquisition.
6 Q. Okay. Let me just ask you to back up a little bit.
7 You said the language was looked at by Arthur
8 Andersen. These aren't Arthur Anderson's financial
9 statements, right? They're your financial statements, aren't
03:55:41 10 they, sir?
11 A. When I -- when I signed these financial statements --
12 Q. Sir, just answer my question. Are they your financial
13 statements, Household's, or Anderson's financial statements?
14 A. They're the financial statements of Household
03:55:54 15 International.
16 Q. And Household International's financial statements are the
17 responsibility of management of Household International to get
18 it right; isn't that right?
19 A. In discharging -- yes. And in discharging that
03:56:06 20 responsibility, I relied on business unit and corporate office
21 financial people and credit risk people who had more detailed
22 knowledge than I did; and I relied on their informed
23 professional judgment. And I also relied on the fact that our
24 auditors would have reviewed that language.
03:56:34 25 Q. Okay. Sir, but they were your responsibility? You were

1 the guy who signed them, right?
2 A. No question.
3 Q. Okay. Sir, I'll show you what's been marked as
4 Plaintiffs' Exhibit 1267. I'd ask you to take a look at that
03:56:48 5 if you would.
6 (Tendered.)
7 BY MR. DOWD:
8 Q. Sir, do you recognize Plaintiffs' Exhibit 1267 to be a
9 copy of a document entitled form 10-K/A for Household

03:57:25 10 International for the period ended December 31, 2001?
11 A. That's what it says.
12 Q. Okay.
13 MR. DOWD: Your Honor, I'd offer Plaintiffs' Exhibit
14 1267 if I could.
03:57:36 15 THE COURT: It will be admitted.
16 BY MR. DOWD:
17 Q. Okay. I just want to make sure I get this straight, sir.
18 You had filed Defendants' 852, a 10-K for the period that
19 ended December 31, 2001, you filed that in the regular course
03:57:49 20 in March of 2002; is that right?
21 A. Correct.
22 Q. Okay. And then a year later, in March of 2003, you filed
23 an amended version of that 10-K; is that correct, sir?
24 A. Where does it say it was filed a year later?
03:58:07 25 Q. It's March of 2003, isn't it, sir?

1 If you'd like, you can look at your signature on the
2 document on page 705, the very last page of the exhibit.
3 A. Yes.
4 Q. Okay. And so, first you signed Defendants' 852 in March
03:58:44 5 of 2002, right?
6 A. Correct.
7 Q. Then you signed a whole new version of that document for
8 the same period in March of 2003; is that right?
9 A. Correct.
03:58:55 10 Q. Let's take a look at what you said about your re-aging
11 policies in Plaintiffs' Exhibit 1267.
12 And I'd ask you to turn, sir, to the page that ends
13 with the Bates range TEL000552.
14 Do you have that page in front of you, sir?
03:59:32 15 A. I do.
16 Q. And this one says, Our account management policies and
17 practices for consumer receivables include collection
18 strategies that permit us to reset the contractual delinquency
19 status of an account to current in certain circumstances; is
03:59:50 20 that right?
21 A. Correct.
22 Q. And you say, We are amending our disclosures of our
23 restructuring policies to include the following disclosures.
24 Do you see that?
03:59:59 25 A. I do.

1 Q. When you said you were amending your disclosure, you meant
2 we're telling you something different from what we told you
3 back in March of 2002; isn't that right, sir?
4 A. That's what it says.
04:00:11 5 Q. Okay. And this time when you reported on these policies,
6 you say, In numerous instances, Household accepts one or zero
7 payments prior to resetting the delinquency status.
8 Do you see that?
9 A. I do.
04:00:25 10 Q. And that meant you were taking one or zero payments before
11 you'd re-age; isn't that right?
12 A. I think there were certain circumstances in which that was
13 true.
14 Q. Okay. And you went on to say, In many instances, we

04:00:38 15 restructure delinquent accounts automatically.
16 Do you see that?
17 A. It does say that.
18 Q. It goes on to say, In the case of automatic restructures,
19 no prior contact is required with the customer to determine if
04:00:52 20 the cause of the delinquency has been cured; is that right?
21 A. That's correct.
22 Q. You go on to say, These account management policies and
23 practices vary from product to product and are continually
24 being tested and refined and may change from time to time and
04:01:10 25 period to period; is that right?

1 A. Correct.
2 Q. And then you go on to describe certain account management
3 policies and practices, including but not limited to
4 restructure or re-aging of accounts, forbearance agreements,
04:01:22 5 extended payment plans, modification arrangements, consumer
6 credit counseling accommodations, loan rewrites and
7 deferments; is that right?
8 A. That's correct.
9 Q. So you conceded here in March of 2003 that what you had
04:01:38 10 said about consecutive payments being required in March of
11 2002 wasn't accurate; isn't that right?
12 MR. SLOANE: Objection, your Honor, argumentative.
13 THE COURT: Overruled.
14 BY THE WITNESS:
04:01:50 15 A. Say again, please.
16 BY MR. DOWD:
17 Q. You can answer.
18 A. Ask the question again, please.
19 Q. What I'm saying to you is, you admitted here in March of
04:01:56 20 2003 that what you had said in March of 2002 about consecutive
21 payments wasn't accurate; isn't that right?
22 A. Based on the information we had in 2002, I believe what
23 was said in 2002 was materially correct.
24 Q. Okay. But still, you filed this new do-over version of
04:02:20 25 the 10-K in March of 2003 where you said zero or one payment

1 as opposed to consecutive; is that right?
2 A. That's what it says.
3 Q. And that is different from what you told people in March
4 of 2002; isn't that right?
04:02:33 5 A. That is different.
6 Q. Okay. And it was, according to your controller of the
7 company, a significant accounting policy; is that right?
8 A. That's what he said.
9 Q. Okay. And then, sir, you went on to talk about this
04:02:44 10 automatic restructures or re-aging. And you said, in 2003,
11 that you didn't need -- there was no contact with the customer
12 required; is that right?
13 A. That's what it says.
14 Q. Okay. And, yet, in 2002, the first time you issued this
04:03:06 15 10-K, you said that you had to determine that the reason for
16 the delinquency had been cured; isn't that right?
17 A. That's not what we said. We said there was evidence.
18 Q. That the reason for the delinquency had been cured?
19 A. Correct.

04:03:18 20 Q. Okay. But then when you redid that same document a year
21 later, after the relevant time period in this case, you
22 said -- you admitted that no prior contact is required with
23 the customer to determine if the cause of the delinquency has
24 been cured; is that right?
04:03:39 25 A. That's what it says.

1 Q. Sir, I'd like to show you what's been marked as
2 Plaintiffs' Demonstrative Exhibit 123 and ask you to take a
3 look at that if you would.
4 Plaintiffs' Demonstrative Exhibit 123.
04:04:28 5 Just bear with us for a moment. Apparently Mr. Abel
6 and Mr. Torres are having some troubles today.
7 (Brief pause.)
8 BY MR. DOWD:
9 Q. Okay. Sir, I'd ask you to take a look at what's been
04:05:15 10 marked as Plaintiffs' Demonstrative Exhibit 123.
11 And you can actually bring up the end of that slide
12 if you'd like if that's easier.
13 Sir, can you see that up there on your screen?
14 A. I can.
04:05:26 15 Q. Sir, this is a document -- or a demonstrative exhibit that
16 compares what you said in the original 10-K, which has been
17 marked as Defendants' 852, and what you said in the amended
18 10-K/A that's been marked as Plaintiffs' Exhibit 1267.
19 Do you see that?
04:05:42 20 A. I do.
21 Q. Again, looking at this document, you originally said, Our
22 policies permit reset of the contractual delinquency status of
23 an account to current, subject to certain limits, if a
24 predetermined number of consecutive payments has been
04:05:54 25 received; is that right?

1 A. That's what it says.
2 Q. And then in the amended one a year later, you said, In
3 numerous instances, Household accepts one or zero payments
4 prior to resetting the delinquency status; is that right?
04:06:05 5 A. That's what it says.
6 Q. Okay. In the original one, you said, And there is
7 evidence that the reason for the delinquency has been cured;
8 is that right?
9 A. That's what it says.
04:06:14 10 Q. A year later you told people, in the case of automatic
11 restructures, No prior contact is required with the customer
12 to determine if the cause of the delinquency has been cured;
13 is that right?
14 A. That's what it says.
04:06:25 15 Q. In the original 10-K, you didn't mention any of these
16 variations of loan quality management techniques or whatever
17 we want to call them; is that right?
18 A. I take exception to the word concealment.
19 Q. Sure. Let's put that aside. That's my word, not yours.
04:06:42 20 I understand that.
21 But you didn't mention these loan management
22 techniques, did you?
23 A. Correct.
24 Q. Okay. And then a year later, when you were amending this

04:06:52 25 10-K in March of 2003, you listed a whole bunch of account

1 management policies; is that right?
2 A. There are.
3 Q. And all of those things, re-aging, forbearance,
4 extensions, modifications, loan rewrites, deferments, those
04:07:09 5 were all being used during 2001; isn't that right?
6 A. Say that again, please.
7 Q. Sure. All these account management policies, they were
8 being used in 2001, right? That's why you put them in this
9 amended 10-K?
04:07:29 10 A. My understanding at the time of the original March of 2002
11 disclosure is that the -- except for the re-aging of accounts,
12 I was -- didn't have a knowledge of the other ones or if I did
13 have that knowledge, it was that they were very small. I
14 think when they were subsequently disclosed in March of 2003,
04:07:58 15 they were disclosed; and my belief is that they were --
16 indicated that they were very, very small.
17 Q. All right, sir. But you were aware of the re-aging at the
18 time; is that right?
19 A. Clearly the re-aging, without question.
04:08:10 20 Q. Sir, I'd like to show you what's been marked as
21 Plaintiffs' Exhibit 649. Ask you to take a look at that if
22 you would.
23 (Tendered.)
24 (Brief pause.)
04:08:22 25 BY MR. DOWD:

1 Q. Have you had a chance to review Plaintiffs' Exhibit 649?
2 A. I have.
3 Q. And is this a copy of an e-mail from Paul Makowski to
4 yourself and others at Household International, dated January
04:09:14 5 3, 2002?
6 A. It's to Sandy Derickson and then there's a copy to myself
7 and others.
8 MR. DOWD: I'd offer Plaintiffs' Exhibit 649 at this
9 time, your Honor.
04:09:28 10 THE COURT: It will be admitted.
11 BY MR. DOWD:
12 Q. Sir, just so we understand each other, Mr. Makowski at
13 this time was the managing director and chief credit officer
14 in corporate credit management; is that correct?
04:09:40 15 A. Correct.
16 Q. Who did he report to?
17 A. Me.
18 Q. And his -- the subject of his e-mail is re-age policy; is
19 that correct, sir?
04:09:50 20 A. Correct.
21 Q. And he goes on to say, One of our policies that creates,
22 quote, headline risk, close quote, is the one-payment re-age.
23 Did you see that?
24 A. I do.
04:10:00 25 Q. And, sir, did you have an understanding of what

1 Mr. Makowski meant when he said headline risk?
2 A. Generally, the concept of headline risk was that the
3 outside world, whether that could be analysts or regulators or
4 community groups, could misinterpret policies that had
04:10:43 5 appropriate internal business purposes. And I think that's --
6 I think that's what he would have meant by headline risk.
7 Q. That was your understanding at the time?
8 A. Correct.
9 Q. Okay. And what he was saying is, one of the policies that
04:10:59 10 creates this risk is one-payment re-ages, right?
11 A. That's what it says.
12 Q. He's saying, if people find out about the one-payment
13 re-ages, if the analysts find out about it, that could create
14 headline risk; is that right?
04:11:13 15 A. That's what he's saying.
16 Q. And you received this in January 2002; is that right?
17 A. I did. It's dated January 2002, yes.
18 Q. You don't have any reason to doubt that you received it,
19 do you, sir?
04:11:26 20 A. I don't.
21 Q. Okay. And, sir, despite what Mr. Makowski says here, two
22 months later when you issued that 10-K for the period ended
23 December 31, 2001, you didn't disclose the one-payment re-age,
24 did you?
04:11:44 25 A. As I told you before -- no, we did not. And as I told you

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1 before, I didn't think it was a material disclosure. I
2 thought it was materially correct. And I think my conclusion
3 that it wasn't a material disclosure was borne out
4 subsequently by the facts.
04:12:03 5 Q. Okay. Sir, let me ask you this though: You might have
6 thought that it wasn't material at the time, but Mr. Makowski
7 thought that it created headline risk; isn't that right?
8 A. That's what his note says.
9 Q. So he thought if it got out, this one age repayment
04:12:21 10 policy, that you could end up in the headlines about it; isn't
11 that right?
12 A. I wouldn't say that. I think that's an overstatement of
13 that.
14 Q. Sir, you talked a little bit about the fact that you were
04:12:50 15 going to make certain additional disclosures in April of 2002;
16 is that right?
17 A. That's correct.
18 Q. Okay. And were you specifically talking about there, sir,
19 a financial relations conference that Household sponsored?
04:13:08 20 A. Yes.
21 Q. Okay. And that conference took place on or about April 9,
22 2002; is that right, sir?
23 A. It was in early April. I don't remember the exact date.
24 Q. Okay. Let's take a look at a document and see if it
04:13:22 25 helps.

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1 Sir, I'll show you what's been marked as Plaintiffs'
2 Exhibit 183. I'd ask you to take a look at that if you would.
3 (Tendered.)
4 (Brief pause.)
04:13:53 5 BY MR. DOWD:

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           6   Q.  Sir, do you recognize Plaintiffs' Exhibit 183 to be a copy
           7   of a transcript of the Household International financial
           8   relations conference call; is that right?
           9   A.  It seems to be.
04:14:17  10   Q.  Okay.  And, sir, there's nothing unusual about you guys
          11   preparing a transcript or having a transcript prepared of a
          12   conference call; is that right?
          13   A.  Correct.
          14   Q.  Okay.  And it notes the moderator is Edgar Ancona; is that
04:14:31  15   correct?
          16   A.  Correct.
          17   Q.  And I believe you told me earlier that he was the
          18   treasurer of the company; is that right?
          19   A.  Correct.
04:14:37  20   Q.  And does this refresh your recollection that the financial
          21   relations conference that you had referred to earlier took
          22   place on April 9, 2002?
          23   A.  It appears to be.
          24   Q.  Sir, you were present in person at this financial
04:14:50  25   relations conference; is that right?

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           1   A.  Yes.
           2   Q.  And in addition to yourself, was Mr. Gilmer there?
           3   A.  I think so.
           4   Q.  Okay.  Was Mr. Aldinger there?
04:15:03   5   A.  Yes.
           6   Q.  And tell me a little bit about this financial relations
           7   conference.  Was it held in a public place?  Where was it
           8   held?  A hall?  How did it work?
           9   A.  It was a gathering of bankers, commercial bankers,
04:15:23  10   investment bankers, equity analysts, fixed-income analysts,
          11   generally people who followed Household in the financial
          12   community.  It was held in the Chicago area at a conference
          13   room in a hotel.
          14   Q.  Okay.  And I take it this is like a conference room that
04:15:51  15   you guys from Household rented; is that right?
          16   A.  Right.
          17   Q.  About how many of these bankers and financial analysts and
          18   other people that followed Household, about how many of them
          19   were there that day?
04:16:01  20   A.  My guess is it was close to 400.
          21   Q.  Okay.  And these people were all there to listen to
          22   yourself and Mr. Aldinger make presentations, among other
          23   things; is that right?
          24   A.  Among other things.
04:16:12  25   Q.  Okay.  Did people also get to listen in on the phone that

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           1   day?
           2   A.  I believe under the SEC regulations, under the fair
           3   disclosure regulations, that it was like Web cast or
           4   simulcast.
04:16:27   5   Q.  Okay.  So, in other words, in addition to these 400 people
           6   who were in the room, there were other people that follow
           7   Household, as you put it, investment analysts, bankers, people
           8   like that, that could also watch what you were saying?
           9   A.  Correct.
04:16:42  10   Q.  Now, sir, I'd ask you to turn to the page that ends with
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11 the Bates range 300 in Plaintiffs' Exhibit 183.
12 MR. DOWD: Your Honor, I'd offer Plaintiffs' Exhibit
13 183 at this time.
14 THE COURT: It will be admitted.
04:17:18 15 BY MR. DOWD:
16 Q. Sir, have you found the page that ends with the Bates
17 range 300?
18 A. I did.
19 Q. I'd refer you specifically to the very bottom of that page
04:17:31 20 and ask you to take a look at that.
21 (Brief pause.)
22 BY THE WITNESS:
23 A. Correct.
24 BY MR. DOWD:
04:17:41 25 Q. Okay. And, sir, this portion of the transcript, this was

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1 part of the presentation that you made back on April 9, 2002,
2 at this gathering of analysts and investment bankers; is that
3 right?
4 A. I made a presentation on re-age. I -- I mean, if you
04:18:01 5 want, I can go through this in detail. I don't know if this
6 is that transcript or not, but I did make a presentation on
7 re-age at that meeting.
8 Q. Okay. And this appears to be consistent with what you
9 said at that meeting; isn't that right, sir?
04:18:13 10 A. Certainly that paragraph.
11 Q. Okay. And, sir -- and just for your comfort maybe, this
12 document was produced from the company's files. So it's not
13 something I pulled out of somewhere, all right?
14 A. Okay.
04:18:23 15 Q. And, as you said, you talked about re-aging policies; is
16 that right?
17 A. Correct.
18 Q. Okay. And, in fact, at the very bottom of page 300 in the
19 transcript, you give a definition of re-aging; is that right?
04:18:46 20 A. Correct.
21 Q. Okay. And you say, If an account -- if a customer becomes
22 delinquent and they make some payments, but they can't become
23 current, completely current, they can't resolve all of the
24 delinquency, that in certain circumstances, we might take some
04:19:01 25 of these -- those remaining delinquent payments, put them at

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1 the end of the contract and consider them to be contractually
2 current and not report them to the credit bureau as well.
3 Is that right?
4 A. That's correct.
04:19:14 5 Q. Now, I'd ask you to turn to the very next page of the
6 transcript, at page 301. And about the -- I believe it's the
7 fifth full paragraph down. It starts, Re-age policies.
8 Do you see that?
9 A. Correct.
04:19:31 10 Q. And it says -- and, again, this was you speaking at the
11 time; is that right? These are the remarks you made; is that
12 right?
13 A. That would be a transcript of those, correct.
14 Q. Okay. And it says, Re-age policies are not intended
04:19:44 15 for -- to for credit losses. They are intended to allow

16 customers to kind of get over this bump in the road type of
17 issue. And it's important that it allows us not to report
18 them as delinquent to the credit bureau.
19 Is that right?
04:19:58 20 A. Yeah. I think that's a typo. I think it's supposed to
21 say re-age policies are not intended to defer credit losses,
22 would be my guess in that first sentence.
23 Q. To defer credit losses; is that right?
24 A. I would think so.
04:20:14 25 Q. I think that's probably what happens sometimes when people

1 take a transcript down. I think you'd agree with me, you
2 might have said "defer" and somebody typed "to for," right?
3 A. Right.
4 Q. And, sir, let me ask you: In this part where you were
04:20:32 5 talking about getting people over the bump in the road, did
6 you mention anything about automatic re-ages at this time?
7 A. Did not.
8 Q. Did you say anything like you said in March of 2003 about
9 how sometimes you re-aged without contacting the customer?
04:20:47 10 A. It's my understanding at this time that that was not our
11 policy.
12 Q. Okay. But in March of 2003, you admitted that you re-aged
13 without contacting the customer, is that right, at times?
14 A. At times, that's what that disclosure said.
04:21:04 15 Q. Okay. But you didn't say that back in April of 2002; is
16 that right?
17 A. The -- the quote that you just said here was really trying
18 to talk to the business purpose of re-age. And I think you've
19 heard testimony about how that was an inherent part of the
04:21:23 20 value proposition for customers and unique to the customer
21 base at Household. And I think that's what this is responsive
22 to.
23 Q. Right. You were trying to tell these people, hey, we
24 re-age when a customer hits a bump in the road and we're just
04:21:35 25 helping the customer out, right?

1 A. I think what we were telling them is that re-age was an
2 operating policy of the company, no different than a
3 collection strategy or underwriting, that was an integral part
4 of how the company ran the business and was consistent with
04:21:55 5 the type of customers we dealt with and was intended to
6 provide flexibility to those customers when they needed that
7 flexibility. I think that's what we were trying to do.
8 Q. Okay. But we agree that you didn't say anything about
9 automatic re-aging on this day; is that right?
04:22:11 10 A. I don't think I did.
11 Q. And you didn't say anything about re-aging without
12 contacting the customer on this day, did you?
13 A. I didn't think that was the case, and I didn't say that.
14 Q. Okay. A little further down on that same page, page 301,
04:22:28 15 there's a paragraph that begins, There is some internal
16 benefits, in that, it allows you to work at higher risk
17 accounts. And I think a key point is that it's been done
18 consistently, and they vary by product as we'll see.
19 Do you see that?
04:22:44 20 A. I do.

21 Q. And you were still talking about re-aging there; is that
22 right?
23 A. Correct.
24 Q. Okay. And one of the points that you were trying to make
04:22:50 25 this day was that you had consistently re-aged? It was a

1 consistent practice; is that right?
2 A. I think what this says is that the basic approach to
3 re-age, the basic philosophy for re-age and the basic degree
4 of reliance on re-age as it relates to collection management
04:23:14 5 was consistent, although we did point out in one case -- it
6 was in the audit portfolio -- where they had put a greater
7 degree of reliance on -- they called them extensions, and we
8 disclosed that.
9 Q. But, sir, you agree with me, the point you were trying to
04:23:35 10 make is that your re-age policies had been done consistently,
11 right?
12 A. Correct.
13 Q. They might vary by product, but they had been done
14 consistently; isn't that right?
04:23:45 15 A. Correct.
16 Q. When you said consistently, did you mean over the last
17 year or two?
18 A. I'm not sure what the time frame was quite honestly that I
19 was referring to, but it would have been over the last couple
04:24:08 20 of years probably.
21 Q. That's what you meant when you said consistently, right?
22 A. Correct.
23 Q. Okay. You know, when we were looking at Plaintiffs'
24 Exhibit 1267 before, the amended 10-K that was filed in March
04:24:21 25 of 2003, remember that document?

1 A. I do.
2 Q. We looked at some of the language in there. And in that
3 document, you said, referring to re-aging, These account
4 management policies and practices vary from product to product
04:24:37 5 and are continually being tested and refined and may change
6 from time to time and period to period; isn't that right?
7 A. That's -- can you point me to that?
8 Q. Sure. It's in Plaintiffs' 1267. It's the amended 10-K/A.
9 A. I've got that.
10 Q. You've got it there?
11 And I'm looking at the page that ends with the Bates
12 range 552.
13 (Brief pause.)
14 BY THE WITNESS:
04:25:09 15 A. Correct.
16 BY MR. DOWD:
17 Q. Okay. And so when you amended your 10-K for the period
18 December 31, 2001, you said, We change our re-age policies;
19 isn't that right?
04:25:21 20 A. We say there, Continually being tested and refined and may
21 change from time to time.
22 Q. And period to period, right?
23 A. And period to period, correct.
24 Q. And you meant during the period in 2001 and 2000; isn't
04:25:35 25 that right?

1 A. Could have been.
2 Q. Okay. And so when you stood up at this financial
3 relations conference and told people that you had been
4 re-aging consistently over the years, that wasn't right, was
04:25:48 5 it, sir?
6 A. I think it was right. I don't think -- as I said, these
7 are operating policies; and operating policies are going to
8 evolve over time and in different economic situations.
9 So for instance, in 2001, the company was -- or the
04:26:06 10 country was in a recession. You would be more liberal with
11 customers in 2001 in terms of re-aging accounts than you might
12 have been in 1999 or in 2000. The fact that you're testing or
13 refining those operating polices as it relates to consistency
14 in terms of financial disclosures, I don't think those are
04:26:32 15 inconsistent. And the policies over this time period were --
16 the approach was generally consistent, the philosophy was
17 generally consistent and the extent and reliance on that type
18 of procedure was generally consistent.
19 Q. Well, let me ask you this, sir: When you stood up there
04:26:59 20 in April of 2002 in front of this room full of 400 people and
21 more over this simulcast, you didn't say to them, hey, you
22 know what, we change our restructure policies from time to
23 time. For example, ladies and gentlemen, if we're in a
24 recession in the year 2001, we may restructure more liberally
04:27:23 25 than we had in 2000 or '99. You didn't say that, did you?

1 A. I said later in that exhibit -- or, excuse me, later in
2 that presentation -- because we disclosed --
3 Q. Just answer my question. Did you say what I said?
4 A. Can you repeat exactly what you said?
04:27:38 5 Q. Yes, sir.
6 Did you tell them, hey, we change our restructure
7 policies from time to time, from period to period. So, for
8 example, ladies and gentlemen, in the year 2001, if we're in a
9 recession, we might be far more liberal or more liberal with
04:27:56 10 our customers in terms of restructuring. Did you say that?
11 A. I don't think I said what you said.
12 Q. Okay. In fact, what you said was, the key point is that
13 it, re-aging, has been done consistently; isn't that right?
14 A. That's what it says.
04:28:19 15 Q. Sir, I'd ask you to turn to the page that ends with the
16 Bates range 303 if you could.
17 You got that in front of you?
18 A. I do.
19 Q. Okay. Good. I'd ask you to turn to the -- I think it's
04:28:41 20 the fifth paragraph there. Do you see that, sir?
21 Collectors are paid on how much cash they collected
22 and promises paid.
23 A. Correct.
24 Q. That's still you talking to these 400 people in this hotel
04:28:54 25 conference room, right?

1 A. Correct.

2 Q. And you said, Collectors are paid on how much cash they
3 collected and promises paid. So they don't get paid on
4 re-ages. So we have no misalignment of incentives, and only
04:29:06 5 the most experienced collectors can do that.
6 That's what you told the people; is that right?
7 A. Apparently.
8 Q. Did you tell anyone that day that collectors were paid for
9 moving an account from the two-plus to current regardless of
04:29:20 10 whether they collected cash?
11 A. I don't think I would have said that. I think this is
12 what I would have said.
13 Q. Okay.
14 MR. DOWD: Is this a good spot to stop, your Honor?
04:29:33 15 THE COURT: Sure. Let us break for the day.
16 That's it for today, ladies and gentlemen. We thank
17 you for your attention. Remind you, you're not to discuss the
18 case with anyone or allow anyone to discuss it with you.
19 You're not to listen to, view or read any articles or news
04:29:51 20 stories that may come about. And please continue to use the
21 elevators on that side of the building.
22 Have a good evening. We'll see you tomorrow at the
23 same time.
24 (Jury out.)
04:30:25 25 THE COURT: You may step down, sir.

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1 Do we have anything that you folks wish to take up?
2 MR. DOWD: Not that I'm aware of, your Honor.
3 THE COURT: All right. I'd like to remind you that
4 I've -- I'm expecting to receive from you a -- I don't know if
04:30:51 5 revised is the proper word, but hopefully a thinner version of
6 jury instructions after you've had a chance to review the
7 Court's instructions for discussion purposes, so that,
8 hopefully this week at some point, we can get down to talking
9 about jury instructions with someone.
04:31:17 10 MR. KAVALER: Your Honor, do you have any view as to
11 when you'll be available to discuss them with us?
12 THE COURT: I've been mulling that over in the back
13 of my mind, and I think it's going to have to be on a Friday.
14 I just don't see any way around it. I think you folks are
04:31:36 15 going to have to delegate a person or party to do that. And
16 I'm available starting this Friday and any time thereafter.
17 And I'd like to get started on it as soon as possible because
18 I think we're -- because we have such a tight schedule with
19 the time we're using with the jury, we're really running out
04:32:00 20 of conferencing time quickly.
21 MR. KAVALER: Friday would be fine, your Honor.
22 THE COURT: Anything else?
23 MR. DOWD: No, your Honor.
24 THE COURT: Okay. Have a good day, ladies and
25 gentlemen.

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1 (Trial adjourned until April 14, 2009, at 9:00 a.m.)

1 IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
2 EASTERN DIVISION
3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 14, 2009
Defendants.) 8:45 a.m.
9
VOLUME 10
10 TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury
11
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         16   10,000.
         17            Do you see that column?
         18   A.  I do.
         19   Q.  And in this category -- it used to be in 2000, that you
09:18:28 20   could only restructure once every six months for HFC accounts;
         21   is that right?
         22   A.  Correct.
         23   Q.  But in 2001, you could restructure once every four months;
         24   is that right?
09:18:38 25   A.  That's what it says.
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          1   Q.  That's looser, isn't it, sir?
          2   A.  Yes.  And that could well be the type of example if -- in
          3   a different economic environment.
          4   Q.  It's looser, right?
09:18:55  5   A.  Yes, sir.
          6   Q.  Sir, when we -- I'd ask you to go back to Plaintiffs' 183.
          7   And when we left off, we were looking at this section about --
          8   A.  Which one is that?
          9   Q.  183 is the Financial Relations Conference.
09:19:09 10   A.  Yeah.
         11   Q.  And turn to the page that ends 303.  Okay.
         12            And you were again talking about certain charts that
         13   you had prepared; is that right?
         14   A.  Yes, sir.
09:19:23 15   Q.  And I'd ask you, sir, to -- I'm going to show you what's
         16   been marked as Plaintiffs' Exhibit 135.
         17     (Tendered.)
         18   BY MR. DOWD:
         19   Q.  Sir, Plaintiffs' Exhibit 135 is entitled Household, Dave
09:19:57 20   Schoenholz, Vice Chairman, Chief Financial Officer, Financial
         21   Relations Conference, April 9, 2002.
         22            Do you see that?
         23   A.  I do.
         24   Q.  Okay.
09:20:05 25            MR. DOWD:  Your Honor, at this time I would offer
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          1   Plaintiffs' 135.
          2            THE COURT:  It will be admitted.
          3   BY MR. DOWD:
          4   Q.  And, Mr. Schoenholz, you recognize Plaintiffs' 135 as the
09:20:15  5   charts you actually used while you were making your
          6   presentation at the Financial Relations Conference on April 9,
          7   2002; is that right?
          8   A.  I believe so.
          9   Q.  Okay.  And, sir, I'd ask you, for example, to turn to the
09:20:26 10   page that ends with the Bates range 557 if you would.
         11            And there's a section there entitled Re-age policies;
         12   is that right?
         13   A.  Yes.
         14   Q.  Okay.  And the third bullet point down, you have that
09:20:46 15   reference to bumps in the road; is that right?
         16   A.  Yes.
         17   Q.  And then in the fifth bullet point down, you have
         18   reference to policies being consistently applied; is that
         19   right?
09:20:55 20   A.  That's correct.
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21 Q. Okay. And so I take it, sir, what was going on on April
22 9, 2002, is that in this big hotel conference room, you were
23 talking; and as you were talking, you would also show slides
24 to these 400 or so people that were gathered; is that right?
09:21:09 25 A. I believe -- well, I haven't looked through all this. But

1 I believe these were part of a PowerPoint presentation that
2 was on a screen.
3 Q. Okay. Sir, I'd ask you to turn to the page that ends with
4 the Bates range 3560, 560, if you would.
09:21:38 5 Do you have that page in front of you, sir?
6 A. I do.
7 MR. SLOANE: Your Honor, this exhibit, which has been
8 marked, has certain parts of it that appear to be blocked out
9 and are not as in the original. I don't know if Mr. Dowd
09:21:50 10 intends to show him any of these pages, but I note that, for
11 example, page --
12 THE COURT: When you say this exhibit blocked out and
13 are not as in the original, I'm not sure what --
14 MR. SLOANE: Well, they're blackened in the copy that
09:22:05 15 Mr. Dowd has offered in evidence, and they are not blackened
16 in the original. There's writing in them in the original.
17 (Brief pause.)
18 MR. DOWD: Your Honor, I think it looks like counsel
19 is looking at a different version of the document. And I
09:22:43 20 believe this is the way it was produced, as far as I know, the
21 one --
22 MR. SLOANE: Your Honor, it's just a photocopy
23 problem. The document they offered is one which has
24 blackened-out areas where there's writing in them.
09:22:56 25 THE COURT: What is it you folks want me to do?

1 MR. SLOANE: Well, I want him to produce a document
2 that actually has the original writing in it so that the
3 witness can look at the entire document as it appeared at the
4 time.
09:23:10 5 THE COURT: Well, I guess that depends on which
6 version of this document was the version that was designated
7 as an exhibit for this trial, the version you're now referring
8 to or the version counsel has.
9 MR. SLOANE: I believe, your Honor, there are two
09:23:27 10 documents which are the same document. The one which is
11 Plaintiffs' Exhibit 725, which is not the one that is being
12 shown to the witness, does not have that photocopying problem.
13 THE COURT: And when that was listed in the exhibit
14 list, was there an objection by either side that there were
09:23:46 15 two different versions of the same document, some with writing
16 and some without? Did anybody object to that?
17 MR. SLOANE: I --
18 MR. DOWD: No, your Honor, no one objected.
19 THE COURT: Why don't you let him answer the question
09:24:00 20 I'm asking him.
21 MR. SLOANE: My understanding, your Honor, is that
22 when it was listed in the exhibit list, it didn't have that
23 blackened-out version.
24 If he's not going to ask any questions about the
09:24:10 25 pages that are blackened out and he doesn't need the witness

1 to go to it, I'm happy to let him proceed. I don't want to
2 interrupt his examination.
3 THE COURT: That doesn't help me any, does it?
4 Because I don't know the answers to any of those questions.
09:24:22 5 Well, I guess -- let's --
6 MR. DOWD: Your Honor --
7 THE COURT: Let's ask the jury to go back in the jury
8 room. Carole, take the jury back in the jury room. And we'll
9 produce the list of documents that was originally shown, and
09:24:37 10 we'll get it ironed out. Let's go.
11 (Jury out.)
12 MR. SLOANE: Your Honor, I think there's a simple
13 solution to this.
14 THE COURT: I'm sorry?
09:25:12 15 MR. SLOANE: I think there's a simple solution to
16 this.
17 THE COURT: Those are always welcome.
18 MR. SLOANE: If Mr. Dowd, just for completeness
19 purposes, would use the version that has the stuff that's not
09:25:24 20 blacked out by the Xeroxing, I think it will obviate the
21 problem.
22 THE COURT: I assume there's some reason for that
23 stuff being blacked out by the Xeroxing.
24 MR. SLOANE: No, I don't think so, your Honor. I
09:25:33 25 think it's just literally a Xeroxing problem.

1 MR. DOWD: We turned it over to them on a PDF. If
2 they were going to raise these issues, there was a time for
3 it. The document he wants me to use has the witness'
4 handwritten notes all over it, which I didn't want to use.
09:25:52 5 THE COURT: See, I knew there was a reason for the
6 blackouts.
7 MR. DOWD: No, no, no. We didn't black them out on
8 that document, your Honor. There's a clean copy, and then
9 there was a second copy that they produced that has the
09:26:00 10 witness' handwritten notes.
11 THE COURT: Let's back up. This document is what?
12 MR. DOWD: Your Honor, it's -- what it is is a -- the
13 chart of the exhibits that this gentleman used while he was
14 making his presentation.
09:26:13 15 THE COURT: Now, he used this actual document?
16 MR. DOWD: Yes, it's the one he actually used. It's
17 the one that went up on the screen.
18 THE COURT: Where did you get it?
19 MR. DOWD: I got it from the defendants.
09:26:22 20 THE COURT: And when you got it from them, was it in
21 the same condition as what you're showing him or did it have
22 the handwriting on it?
23 MR. DOWD: No, it's in the same condition as I'm
24 showing it to him.
09:26:30 25 THE COURT: So it had things blacked out?

1 MR. DOWD: Well, I assume that what it is is when

2 they --
3 THE COURT: Don't assume.
4 MR. DOWD: Fine. Yeah, I mean, the only one I can
09:26:39 5 see, it's a dark photocopy. I don't know what to say.
6 THE COURT: So when you got the exhibit from them, it
7 had portions blacked out?
8 MR. DOWD: Yes, there were portions that you couldn't
9 read on pages that I'm not using.
09:26:52 10 THE COURT: Why don't you check with your co-counsel.
11 MR. BROOKS: It's not blacked out, Judge. It's just
12 a photocopy issue. You can see -- if I can approach and give
13 you the document?
14 THE COURT: Sure.
09:27:03 15 MR. BROOKS: And, Peter, what page are you looking
16 at?
17 MR. SLOANE: Well, I'm looking at what is page 358 on
18 the version your Honor has.
19 THE COURT: 358. Is there a Bates number?
09:27:27 20 MR. SLOANE: The Bates number is at the bottom. It's
21 01883558.
22 May I just hand up one other document, your Honor?
23 THE COURT: What I have here is a sheet of paper with
24 that Bates number on it with the title The Restructuring
09:28:02 25 Decision that contains a chart. It looks like -- actually it

1 looks like the NCAA basketball tournament chart, but not
2 nearly as interesting. There are -- at the last line or
3 segment under treatment assessment, there are -- one, two,
4 three, four, five, six -- seven boxes. Four of those boxes
09:28:29 5 are just black as if somebody had blacked them out with a
6 Magic Marker.
7 All right. What did you want to say about this?
8 MR. SLOANE: Your Honor, if I may. I just want to
9 hand up what is --
09:28:52 10 MR. DOWD: Your Honor, it's exactly the way it was
11 produced to us.
12 MR. SLOANE: I want to hand up, for the record, it's
13 HHS 03128993, which has the same page on it, which makes clear
14 that the original does not have blacked-out portions. That
09:29:09 15 happens to have the witness' handwriting on it, but the
16 original did not have any blacked-out boxes.
17 THE COURT: So what are you objecting to, the boxes
18 being blacked out or the fact that the handwriting in this
19 version that you've given me is not contained in the version
09:29:27 20 that --
21 MR. SLOANE: No, I have no problem with the
22 handwriting. I'll show the witness the handwritten version.
23 I just have an objection to the fact that there are
24 blacked-out versions, and the original clearly wasn't blacked
09:29:39 25 out.

1 THE COURT: So the blacked-out boxes apparently have
2 the word "optimized" or "optimized treatment" or "improved
3 NPB" typed in, which can't be seen in the version being used
4 with the witness.
09:29:58 5 MR. SLOANE: Correct, your Honor.
6 THE COURT: That's what you're objecting to?

7 MR. SLOANE: Yes, your Honor.
8 THE COURT: Is there a reason for that?
9 MR. DOWD: Your Honor, we used the document as it was
09:30:04 10 produced to us by the defendants. If we can't read it, it's
11 because they gave us a lousy copy. I don't know what else to
12 say about that.
13 I don't have a problem -- counsel sounds like he's
14 going to put in the one with the handwriting; and they'll see
09:30:17 15 everything. Heck, I'll put it in if you want. But I'd like
16 to use the clean copy so that it's easier to see for the jury.
17 And none of the pages I'm using have any black-outs on them.
18 THE COURT: It doesn't look like this?
19 MR. DOWD: No, I'm saying the ones that I'm going to
09:30:32 20 direct the witness through as we examine him.
21 THE COURT: You're not going to use this page?
22 MR. DOWD: No. And that's the way it was produced to
23 us.
24 THE COURT: None of the pages you're going to use
09:30:38 25 have the blacked-out portions?

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1 MR. DOWD: No.
2 THE COURT: Do you have an objection then?
3 MR. SLOANE: Yes, your Honor. I think if the witness
4 needs to look at the whole document to answer any question,
09:30:46 5 he's entitled to do that. If he's looking at the document, he
6 can't see the blacked-out portions.
7 THE COURT: Do you need to see these portions to be
8 able to look at this document?
9 THE WITNESS: If he's not going to ask me that page,
09:30:58 10 then --
11 THE COURT: You don't need it?
12 THE WITNESS: I don't need that. On that page, I
13 would like to see it.
14 MR. SLOANE: Fair enough.
09:31:05 15 MR. DOWD: Your Honor, you know, we produced all
16 these things to the defendants. They have them on a disk.
17 There was a time to raise these issues, instead of
18 interrupting the examination of a witness. It's unfair.
19 THE COURT: Well, I guess that depends on what issue
09:31:17 20 they're raising. If the issue they're raising is that the
21 document you're using is not the one you presented, then it's
22 got to be raised now. And I can't know that until I ask these
23 questions. Because as soon as I ask questions, you folks are
24 all over the place arguing all sorts of stuff I don't really
09:31:31 25 need to know. My questions, maybe they weren't perfect

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1 questions, but they were intended to get to whether the
2 objection was that the document being used was different from
3 the one that had been presented during the pretrial
4 conference.
09:31:44 5 MR. DOWD: It's not.
6 THE COURT: If that question had been answered by
7 both sides quickly, I could have ruled on this objection very
8 quickly; but it wasn't, so we did this instead.
9 Let me give these documents back to you folks. And
09:32:00 10 then, Carole, please bring the jury back out.
11 MR. DOWD: And, your Honor, we also -- of the pages

12 I'm using, I have a couple of blow-ups so that they're easier
13 to see. Counsel can take a look at those. They're identical
14 to what the witness saw. Just to make it easier to read. And
09:32:13 15 these are the pages we're going to really refer to.
16 THE COURT: They don't have any blacked-out sections
17 on them, right?
18 MR. DOWD: No.
19 THE COURT: Okay. So the objection --
20 MR. DOWD: They're just the pages blown up so he can
21 see them.
22 MR. SLOANE: As long as the witness does not need to
23 see any of the blacked-out pages, I'm fine with that.
24 THE COURT: He said he doesn't, so there's no need to
09:32:28 25 worry about that.

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1 MR. SLOANE: Fair enough. Thank you, your Honor.
2 THE COURT: Okay.
3 (Jury in.)
4 MR. DOWD: May I proceed, your Honor?
09:34:00 5 THE COURT: You may proceed.
6 BY MR. DOWD:
7 Q. Mr. Schoenholz, I think when we left off, we were looking
8 at Plaintiffs' Exhibit 135, the PowerPoint presentation from
9 the April 9 conference, right?
09:34:09 10 A. Correct.
11 Q. Now, I'd ask you to turn to the page that bears the Bates
12 range -- ends with the range 3560 if you could.
13 Do you have that in front of you?
14 A. I do.
09:34:21 15 Q. And that page is entitled Total Household Re-age
16 Portfolio; is that correct, sir?
17 A. It is.
18 Q. All right. And, sir, this was a chart that you used that
19 day; is that correct?
09:34:35 20 A. That's correct.
21 MR. DOWD: Your Honor, can we have the switch? I'm
22 sorry.
23 BY MR. DOWD:
24 Q. Sir, this was information that you presented to these
09:34:53 25 financial analysts and others back on April 9, right?

Schoenholz - direct

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1 A. Yes.
2 Q. Okay. And what you were doing here was providing
3 information about Household's loan portfolio; is that correct?
4 A. That's correct.
09:35:06 5 Q. Okay. And, specifically, you were trying to explain to
6 people the amount of Household's portfolio that had been
7 re-aged prior to this time; is that right?
8 A. That's correct.
9 Q. And this was the first time you had presented this type of
09:35:21 10 information to the markets; is that correct?
11 A. That's correct.
12 Q. Okay. And so, for example, sir, if we could just look
13 through the chart a little bit, you have an entry for December
14 31, 2000.
09:35:34 15 Do you see that?
16 A. I do.

17 Q. Okay. And then you have an entry for December 31, 2001;
18 is that right?
19 A. Yes.
09:35:42 20 Q. And you were trying to show how the re-age portfolio had
21 changed between 2000, 2001; is that right?
22 A. That was one purpose of the chart.
23 Q. Okay. And so, for example, sir, on the left-hand side,
24 you have dollars in millions; is that right?
09:35:57 25 A. Yes.

1 Q. And you have an entry called re-aged once; is that right?
2 A. That's correct.
3 Q. Okay. And so the information you presented here was, in
4 that section, how many -- or what percentage of your portfolio
09:36:11 5 included loans that had been re-aged one time; is that right?
6 A. That's correct.
7 Q. And you broke down that -- those percentages by the ones
8 that had been re-aged for the first time in the last 12
9 months; is that right?
09:36:24 10 A. Yes.
11 Q. Okay. That's the last 12 months, and it was 9.4 percent;
12 is that right, sir?
13 A. That's what it says.
14 Q. Okay. And then you presented information on the
09:36:34 15 percentage of the portfolio which had been re-aged prior to
16 the last 12 months but only once; is that right?
17 A. That's what it says.
18 Q. Okay. And that's the 3.2 percent; is that right?
19 A. Yes.
09:36:45 20 Q. So, in other words, these are the loans that -- the
21 percentage of the loan portfolio that had been re-aged one
22 time prior to the end of 2001; is that right?
23 A. Let me say it slightly different. I'm not sure -- what
24 that was was the loans as of December 31, as of that point in
09:37:10 25 time, that were in the portfolio that had been re-aged one

1 time.
2 Q. Okay. And then you have a second entry on the left-hand
3 side that says multiple re-age; is that right?
4 A. That's correct.
09:37:21 5 Q. Okay. And the multiple re-age were loans in the portfolio
6 that had been re-aged more than once, right?
7 A. That's what that says.
8 Q. Whether that be two times, three times or four times,
9 right?
09:37:31 10 A. Correct.
11 Q. Okay. And the percentage of the loans that -- that had
12 been multiple re-aged, as you told these investors in April of
13 '02, was 4.3 percent; is that right?
14 A. That's correct.
09:37:44 15 Q. And then at the end, you just add up everything that's
16 been re-aged, whether once or more than once, and you say it
17 was 16.9 percent of your portfolio; is that right?
18 A. That's correct.
19 Q. Okay. And then it has a number next to that. It says
09:37:58 20 15,829. That's actually $15.8 billion; is that right?
21 A. That's correct.

11 Household. And I was concerned that he wrote a lot of memos
12 and there was language in there that could be looked at as
13 inflammatory; and, if some operating person in the future
14 could find one of these memos, given the fact how large the
01:29:16 15 company was and how many offices and how many people, and
16 could misconstrue those memos as somehow being endorsed by
17 Household senior management. And I didn't think that was a
18 risk that we should take.
19 Q. If you wanted no one to know about all the Kahr memos,
01:29:39 20 would you have written this document, sir (indicating)?
21 A. If I wanted to hide some destruction or something, I
22 certainly would not have documented that in a memo to the
23 files.
24 Q. Now, Mr. Dowd also showed you Plaintiffs' Exhibit 1026.
01:30:01 25 MR. SLOANE: Can I have that up on the board, please?

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1 (Brief pause.)
2 BY MR. SLOANE:
3 Q. I think he mentioned this was from you to Kenneth Robin.
4 Who was Mr. Robin at the time?
01:30:15 5 A. Mr. Robin was the General Counsel of the company.
6 Q. Now, there came a time, did there not, sir, when you
7 decided -- that is, Household decided -- that Mr. Kahr's
8 services were no longer needed by Household; is that right?
9 A. Correct.
01:30:38 10 Q. And why was that?
11 A. Well, Mr. Kahr came in and his job was to come up with
12 ideas and he did that. And I think that we had learned
13 everything we could learn from Mr. Kahr.
14 I think he became increasingly difficult to work
01:31:05 15 with; that people throughout the businesses did not want to
16 work with Mr. Kahr; and, became concerned just kind of his
17 tone and how it reflected or did not reflect well on what we
18 were trying to achieve in Household. So, we decided it was
19 time to terminate the relationship.
01:31:26 20 Q. And in sending this e-mail -- which is Plaintiffs' Exhibit
21 1026 -- to Mr. Robin, what was your purpose?
22 A. Well, I had earlier indicated I thought we should destroy
23 the Kahr memos -- his memorandum. This talks about e-mails;
24 but, quite honestly, all of Mr. Kahr's memos or e-mails and
01:31:49 25 all of his e-mails or memorandum. So, it's one and the same

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1 thing.
2 And policies of record retention, record destruction
3 were controlled by the Office of General Counsel. And, so, my
4 note to Mr. Robin was he should take charge of that. And that
01:32:10 5 was no different from what I had asked him to do in that
6 memorandum a year earlier.
7 Q. That was -- you wanted the memos destroyed; is that right?
8 A. Yes.
9 Q. But you thought that was something that should be done or
01:32:22 10 decided by the Legal Department; isn't that correct?
11 A. Absolutely.
12 Q. Let's go back, if we can.
13 You were the CFO -- Chief Financial Officer -- of
14 Household; is that right?
01:32:38 15 A. Through most of the class period.

16 Q. Yeah.
17 And what were your duties? What were your
18 responsibilities as the Chief Financial Officer of Household?
19 A. Well, I was responsible for the accounting; financial
01:32:56 20 reporting; budgeting and forecasting; strategic planning; tax,
21 all of the treasury functions, which would have included risk
22 management funding, asset liability management, cash
23 management.
24 I was responsible, I think throughout all of that
01:33:25 25 time, the Corporate Credit Risk function reported to me. I

1 think, through all that time, our Information Technology Group
2 reported to me. And I also had Investor Relations reported to
3 me, as well as kind of the administrative responsibility for
4 the internal audit function.
01:33:47 5 Q. Did you view your responsibilities as being to the
6 plaintiffs' investors in this case?
7 A. Oh, of course.
8 Q. Did you also view your responsibilities as including
9 responsibilities to the borrowers -- to the people that
01:34:04 10 Household lent money to?
11 A. I mean, indirectly, as an officer of the company, I wanted
12 to make sure that we did what was the right thing for the
13 customers. Because if you didn't do the right thing for the
14 customers, you couldn't do the right thing for the
01:34:20 15 shareholders.
16 But I was not a front-end direct interface with the
17 customers, given my responsibilities.
18 Q. Let me show you a document.
19 MR. SLOANE: May I approach, your Honor?
01:34:34 20 THE COURT: Yes.
21 BY MR. SLOANE:
22 Q. It's been previously marked as Plaintiffs' Exhibit 1115.
23 (Document tendered to counsel and the witness.)
24 BY MR. SLOANE:
01:34:49 25 Q. Would you tell the Court and the jury what that document

1 is?
2 A. Say, again, please?
3 Q. Tell the Court and the jury, please, what that is.
4 A. This is an e-mail -- well, it's two e-mails. The first
01:35:03 5 e-mail is November 19th of '01. And it's from me to Paul
6 Makowski. And it says, "We should look at the economic and
7 net present value analysis behind all of our re-age policy
8 -- "
9 Q. Before you read it, Mr. Schoenholz, let me just offer it
01:35:20 10 into evidence.
11 MR. SLOANE: Your Honor, I offer Plaintiffs' Exhibit
12 1115 into evidence. I don't believe there's an objection to
13 this.
14 THE COURT: It will be admitted.
01:35:29 15 (Plaintiffs' Exhibit No. 1115 received in evidence.)
16 MR. SLOANE: Can we publish that on the board,
17 please?
18 (Brief pause.)
19 BY MR. SLOANE:
01:35:32 20 Q. Now, you started to explain it. Please go ahead.

21 A. Well, in this time frame, I was asking Mr. Makowski to get
22 more involved with looking at our re-age policies, which has
23 traditionally been delegated and were the responsibilities of
24 the various business units.
01:35:54 25 And what I'm telling him to do is look at the

1 economic and net present value analysis behind our re-age
2 policies, and that our criteria is that we wanted to do the
3 right thing for the customer and make a good economic
4 decision.
01:36:11 5 The re-age policies really benefitted both the
6 customers and benefitted the investors.
7 Q. So, your concern was, with what you wrote here -- "I want
8 to make sure we're doing the right thing for the customer and
9 making a good economic decision" -- is that right?
01:36:29 10 A. Of course.
11 Q. And when you said making -- or when you said -- "making a
12 good economic decision," what did you mean?
13 A. Well, I mean, we were responsible for increasing the
14 return to the shareholders. And if you did restructures or
01:36:49 15 re-ages correctly, you would increase cash flow; you would
16 reduce the ultimate credits losses the company would have; you
17 could reduce your cost of collections; you could improve
18 customer relationships, which would benefit investors over the
19 long-term.
01:37:08 20 And, so, we wanted to do the right thing for the
21 customer, but only in a way that made -- was also a right
22 business decision for the investors.
23 Q. The investors being the plaintiffs in this case; is that
24 right?
01:37:22 25 A. That's correct.

1 Q. Now, counsel asked you about a big stack of documents that
2 are piled up here (indicating) on the table -- various 10-Ks
3 and 10-Qs and other public filings. Do you recall that?
4 A. I do.
01:37:39 5 Q. Now, would you explain to the jury and to the Court the
6 process by which --
7 MR. SLOANE: Let me withdraw that.
8 BY MR. SLOANE:
9 Q. Did you write those documents?
01:37:52 10 A. I did not.
11 Q. Would you explain to the Court and to the jury what was
12 the process by which those documents were created?
13 A. Let me start with the 10-K document because that's a more
14 comprehensive document.
01:38:10 15 Q. Let me interrupt you one second.
16 MR. SLOANE: Your Honor, we have a demonstrative
17 exhibit, 802-01. May we publish that on the board, please?
18 I don't believe there's any objection to it.
19 THE COURT: If there's no objection, yes.
20 BY MR. SLOANE:
21 Q. Perhaps this can serve as an aid to the jury and to you,
22 Mr. Schoenholz.
23 So, why don't you walk us through this document, if
24 you would.
01:38:38 25 A. Okay.

1 Well, in this time frame, what it means is that the
2 10-K draft would have been initially prepared, generated by
3 the Corporate Controller's group with input from Investor
4 Relations, from the Treasury Department, from the Credit Risk
01:38:59 5 Department, clearly on the types of disclosures we've been
6 talking about would be drafted by the Credit Risk people; and,
7 also, would include initial input from the external auditors.
8 It would then be reviewed, after it was actually
9 drafted, by other people in the Corporate Controller's group.
01:39:17 10 I think that says "Internal Audit."
11 A draft would then go to Mr. McDonald, who was the
12 Chief Accounting Officer.
13 Q. Mr. McDonald was the person that Mr. Dowd asked you about
14 in connection with certain of the exhibits you saw this
01:39:32 15 morning?
16 A. Yes, sir.
17 He would then review the draft thoroughly, provide
18 his input, his comments, his direction, at which time he would
19 then circulate a 10-K document to all of those people listed:
01:39:46 20 Basically, senior business unit, operating managers, as well
21 as financial managers and functional heads within the
22 corporate office.
23 They were charged with reviewing the 10-K,
24 particularly as it related to disclosures that they had
01:40:07 25 specific informed knowledge on. They provided their input

1 back to what we had was called a Disclosure Committee. And
2 that Disclosure Committee consisted -- my recollection is it
3 consisted -- of McDonald; the treasurer; representatives of
4 the legal group that were, like, the SEC experts; as well as
01:40:32 5 some people -- a couple business unit financial people -- I
6 believe.
7 They would take it, digest it, come up with a draft
8 that they were happy with. There would be then kind of a
9 summary meeting with Aldinger, myself, McDonald, and that says
01:40:51 10 Schwartz, who was kind of the SEC counsel in this time frame,
11 to talk about any issues, anything that we needed to revolve
12 at a higher level.
13 KPMG, the auditors, would then review that draft.
14 Although they had provided input at the very beginning part of
01:41:10 15 the process, but they would review it and, in essence, sign
16 off on that as part of their audit processes. That would
17 include reviewing the MD&A and all those types of disclosures,
18 as well.
19 I would then get a draft and I'd review it very
01:41:27 20 carefully; generally, kind of in the late December time frame
21 and, then, probably updated in the late January time frame.
22 It would go to Mr. Aldinger. Mr. Aldinger would take
23 and review it and provide whatever comments he had. Then we
24 provided a draft of the 10-K to the Audit Committee generally
01:41:52 25 at the end of January for a meeting when the auditors would

1 present the results of their audit.

2 Mr. McDonald would take and talk about the financial
3 statements.
4 Prior to the meeting with the Audit Committee, we had
01:42:10 5 a separate advanced meeting -- this is pre-Audit Committee
6 meeting -- with Mr. Levy, who was the Chairman of the of Audit
7 Committee.
8 Mr. Levy was a retired senior technical partner with
9 KPMG and was a very -- truly an expert in this area of
01:42:29 10 financial reporting and disclosures.
11 He wanted to have a -- he wanted to have a -- private
12 advanced meeting with myself, McDonald, the internal auditors,
13 the external auditors. And then he would meet privately just
14 with the internal auditors and privately just with the
01:42:48 15 external auditors, would get his input and then present it to
16 the Audit Committee and then get their input.
17 Q. Let me be sure I understand this.
18 Did all of the 10-Ks and 10-Qs, after July 30, 2002,
19 go through this same process?
01:43:11 20 A. That's correct.
21 Q. Now, what was the process -- what's the significance of
22 the July 30, 2002, date, in your mind?
23 A. That was when Sarbanes-Oxley came in.
24 Q. What does that mean?
01:43:23 25 A. Sarbanes-Oxley was legislation introduced on creating a

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1 requirement for the Senior Chief Executive Officer and
2 principal Financial Officer. So, in essence, certify
3 financial statements that were filed with the SEC.
4 And in response to that requirement to have that
01:43:47 5 certification, we created a sub-certification process that, in
6 essence, that had everybody in the business -- and there were,
7 I don't know, 40 or 50 people -- had to certify, in essence,
8 to Mr. Aldinger and myself the same things that we would have
9 to certify to the outside world.
01:44:10 10 That's why July -- that's the significance of July
11 30.
12 Q. So, that was after July 30th, after this law got passed;
13 is that right?
14 A. Right.
01:44:19 15 Q. What was the process like before this law got passed?
16 A. It was, essentially, the same process. The difference
17 would be there wasn't a formal certification process and we
18 didn't have a formal disclosure committee. So, it was more
19 like McDonald -- it would be the same where he would send it
01:44:38 20 out to the different business units and the functional heads,
21 but he would get the input back himself and working with his
22 department, giving it to KPMG; and, then, really are the rest
23 of the process was the same.
24 Q. Now, when you signed these documents -- these 10-Ks or
01:44:59 25 10-Qs that Mr. Dowd showed you -- did you draw any comfort or

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1 reliance on this process?
2 A. Of course.
3 I mean, I couldn't be aware of every detail or
4 everything. So, I clearly reformed -- relied -- on kind of
01:45:20 5 the informed -- the judgments of informed -- professionals;
6 whether those were people internally or externally, I would

1 IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
2 EASTERN DIVISION
3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 15, 2009
Defendants.) 8:55 a.m.
9
VOLUME 11
10 TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury
11
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23 A. Really, the two sets of rules that would govern how a
24 public company would, in fact, report.
02:34:25 25 So, the first one -- the upper left-hand corner -- is

1 something known as "Generally Accepted Accounting Principles."
2 That's one set of rules.
3 And, basically, any set of financial statements --
4 public companies, small company, whatever -- unless it's
02:34:42 5 indicated otherwise, has to be in accordance with generally
6 accepted accounting principles, which is also known by its
7 acronym, usually -- at least by accountants -- as GAAP,
8 G-A-A-P.
9 Q. So, in other words, anybody who is doing financial
02:35:01 10 statements has to make sure that those financial statements
11 are presented under these GAAP rules; is that fair?
12 A. That's correct.
13 Q. Okay.
14 And can you tell us about any other requirements that
02:35:13 15 public companies face in connection with preparing their
16 financial statements?
17 A. Sure.
18 Well, public companies -- first of all, public
19 companies -- also have to follow GAAP. But, over and beyond
02:35:24 20 that, the SEC has certain requirements over and beyond GAAP,
21 such that public companies have to follow GAAP and maybe some
22 other requirements.
23 And, in fact, engrained in the SEC regulations is a
24 statement that says, in essence -- I'm not quoting, but -- any
02:35:45 25 financial statements not presented in accordance with GAAP are

1 considered to be false and misleading. Something like that.
2 Q. Now, sir, who is responsible for preparing the financial
3 statements at a company like Household?
4 A. The company, specifically; and, more specifically than
02:36:05 5 that, the senior management of the company is ultimately
6 responsible.
7 Q. Okay.
8 And have you prepared a demonstrative to show us that
9 concept, as well?
02:36:15 10 A. I have.
11 Q. Okay.
12 And could we please pull up Plaintiffs' Demonstrative
13 Exhibit 110.
14 (Brief pause.)
15 BY MR. DOWD:
16 Q. And, sir, do you recognize Plaintiffs' Exhibit 110?
17 A. I do.
18 Q. And what does that show us?
19 A. Well, this is, also, I believe, right out of Household's
02:36:38 20 10-K, although I don't remember precisely what year. I
21 believe it's the '01 10-K, also.
22 And it's a -- the paragraph on the top is blown up;
23 it's actually a -- letter to the shareholders that goes, at
24 that point in time went in, the 10-Ks. And I'll just read it.
02:37:00 25 "Household International's management is responsible

1 for the preparation, integrity and fair presentation of its
2 published financial statements."
3 So, it's saying management's responsible for the
4 financial statements.
02:37:15 5 And, then, the second line is, "The consolidated
6 financial statements have been prepared in accordance with
7 GAAP."
8 That's that thing I mentioned before.
9 Q. Okay.
02:37:25 10 And, then, sir, is this something that gets signed
11 off by the officers of the company?
12 A. It does.
13 Q. And have you included an example of that, as well, within
14 Plaintiffs' Demonstrative 110?
02:37:37 15 A. Yes.
16 Again, blown up the bottom part of that sheet in the
17 background, and it's signed by the CEO, Mr. Aldinger in this
18 case and Mr. Schoenholz, who is the CFO. So, they're the ones
19 that they're referring to above where it says, "Management has
02:37:57 20 responsibilities."
21 Q. All right.
22 And now, sir, let's go back to your three opinions,
23 if we could.
24 MR. DOWD: And I'd ask that we pull up, again,
02:38:05 25 Plaintiffs' Demonstrative 107.

1 (Brief pause.)
2 BY MR. DOWD:
3 Q. And, sir, your first opinion in this case related to
4 Household's failure to disclose certain information; is that
02:38:18 5 right?
6 A. Yes.
7 Q. Okay.
8 And what is that first opinion?
9 A. Well, that Household failed to disclose certain
02:38:26 10 information that was required about improper lending
11 practices, if the company had engaged in such.
12 Q. Okay.
13 And, sir, are you a -- you know, you're an expert in
14 accounting, I take it. Do you consider yourself to be an
02:38:43 15 expert in the area of predatory lending or improper lending
16 practices?
17 A. I believe I know what it is, but the answer is no, I'm
18 not. I'm an accountant.
19 Q. Okay.
02:38:53 20 And were you asked to make certain assumptions in
21 connection with your opinion regarding predatory lending?
22 A. I was.
23 Q. Okay.
24 And tell us about that.
02:39:01 25 A. I was asked to assume that the -- that the -- company

1 engaged in improper lending practices; and, therefore, what
2 were the reporting responsibilities of the company, as a
3 result of that.

1 IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
2 EASTERN DIVISION
3 LAWRENCE E. JAFFE PENSION PLAN,)
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4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 16, 2009
Defendants.) 9:18 a.m.
9
VOLUME 12
10 TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury
11
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22 not disclosed to investors, and that was yet another reason
23 that I concluded that investors didn't have full information.
24 MR. BURKHOLZ: Your Honor, I'm ready to get
04:17:32 25 into another document.

1 THE COURT: I think that's a good place to stop, yes.
2 All right. We're done with the testimony for the
3 day, ladies and gentlemen, and we have just enough time for
4 the attorneys each to take six minutes in summing up the
04:17:46 5 week's testimony.
6 Sir, you may step down.
7 THE WITNESS: Thank you, your Honor.
8 THE COURT: Counsel?
9 MR. DOWD: Thank you, your Honor.
04:18:08 10 Circle the wagons, remember that saying from old
11 western movies? They circled the wagons.
12 Well, in this case, ladies and gentlemen, they've
13 circled the wagons, right? You heard all these witnesses that
14 used to work at the company, still work at its successor
04:18:28 15 company, and who represents them? Those guys, the same
16 lawyers that represent Mr. Gilmer, Mr. Schoenholz,
17 Mr. Aldinger and the company. Think about that.
18 You saw Ms. Hayden-Hakes, Streem, Schneider, Hicks,
19 Detelich, Rybak. All these people testified. Do you know who
04:18:52 20 represents me? The same lawyers that represent the company.
21 They circled the wagons. They built a wall. And
22 what happened this week in this courtroom? One person wasn't
23 inside the wall.
24 When they circled those wagons, she was already gone,
04:19:11 25 and you heard her testify this week, Ms. Markell, Helen Elaine

1 Markell.
2 And what was the story that she told? What was her
3 testimony that she gave under oath from this witness stand?
4 It was a lot different from stuff you're hearing from these
04:19:27 5 people that are inside those wagons, isn't it?
6 She said to you, you know what they did? They set
7 targets for these delinquency numbers, for these two-plus
8 numbers. They set targets, and they told you you've got to
9 get there no matter what.
04:19:42 10 And she told Mr. Schoenholz, you know, you're using
11 this re-aging stuff, you're using it to mask the true
12 delinquency numbers. That's what she said to Mr. Schoenholz.
13 He even admitted, reluctantly, on the witness stand
14 that they'd had that conversation, ladies and gentlemen. So
04:20:03 15 think about it.
16 She talks about how they set these targets, how the
17 people that she worked with, were they fundamentally
18 dishonest? No. When defense counsel asked her the question,
19 she said they were dishonest about those two-plus numbers.
04:20:17 20 That I know they were dishonest about. Think about that,
21 ladies and gentlemen.
22 They set the targets. You had to meet them come heck
23 or high water. That's what they told you. That's what
24 happens with these two-plus numbers. Once somebody comes out
04:20:34 25 from inside those wagons, you hear a very different story

1 about this company and what it did.
2 And is it any different from what we heard about
3 predatory lending, where Mr. Gilmer sets these targets at
4 15 percent growth? And you know what happens? People got to
04:20:50 5 do whatever it takes, and these guys know it. They're the
6 ones setting the targets. They're the ones turning a blind
7 eye when Elaine Markell says we're doing something wrong.
8 No, they knew, ladies and gentlemen. They knew that
9 Lew Walter was training on effective rate. They knew Dennis
04:21:07 10 Hueman was training on effective rate. And you know what?
11 Nothing happened to those guys. You know why? Because they
12 just kept growing, because the scam tactics that they used is
13 how they generated that growth.
14 Think about that. That's the type of organization
04:21:23 15 that we're talking about.
16 Well, let's talk about a couple other things you
17 heard this week. And my time is pretty short, so I'll try to
18 keep it simple.
19 You heard them admit that they made false statements,
04:21:35 20 ladies and gentlemen. They admitted it. The 2001 10-K, that
21 Defendants' Exhibit 852, they told everybody re-age. First
22 time they talk about these re-aging policies in the Qs and the
23 Ks, they say, oh, yeah, you know what? It's got to be
24 consecutive payments and we know that the reason for the
04:21:53 25 delinquency has been cured.

1 They knew that wasn't true. Mr. Schoenholz got
2 e-mails that said they were using one payment. There were
3 other documents that showed they were using one payment. He
4 knew that wasn't true when he signed the 10-K.
04:22:07 5 And then the reason for the delinquency is cured when
6 you're doing some of them automatically, when you're not
7 contacting the customer.
8 Ladies and gentlemen, he admitted the statement was
9 false. That's why they had to re-issue that 10-K a year later
04:22:21 10 and change all the language because it was false.
11 He admitted that he had this huge financial relations
12 conference on April 9th, 2002, 400 people there, broadcast all
13 over the United States to other people that were interested.
14 And what kind of numbers did he give them? He gave them false
04:22:40 15 numbers, ladies and gentlemen.
16 He forgot to tell them about $3 billion in loans that
17 had been re-aged more than once. 3 billion. Then he didn't
18 tell them -- he didn't tell them about the recidivism
19 statistics. He didn't tell them how much of these re-aged
04:22:55 20 loans get re-aged again and again. And he tells you, oh, gee,
21 I didn't know that. Somebody made a mistake.
22 You're talking to 400 people all across the country
23 and you make a mistake? This is no mistake, ladies and
24 gentlemen. Just like it was no mistake when he said
04:23:10 25 consecutive payments and he knew it was one payment a month

1 before that. It was no mistake.
2 And what happens in his story? He has to say

1 IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
2 EASTERN DIVISION
3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 20, 2009
Defendants.) 9:00 a.m.
9
VOLUME 14
10 TRANSCRIPT OF PROCEEDINGS - TRIAL
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6 (Brief pause.)
7 THE COURT: Remain standing, sir. Raise your right
8 hand.
9 (Witness sworn.)
03:58:34 10 THE COURT: Be seated.
11 WILLIAM ALDINGER, PLAINTIFFS' WITNESS, SWORN
12 DIRECT EXAMINATION
13 BY MR. DROSMAN:
14 Q. Good afternoon, Mr. Aldinger.
03:58:44 15 A. Good afternoon.
16 Q. Please state your name and spell your last name.
17 A. William Aldinger, A-l-d-i-n-g-e-r.
18 Q. We've never met before, correct, sir?
19 A. That's correct.
03:58:53 20 Q. Now, you graduated from City College of New York in 1969;
21 is that right?
22 A. That's correct.
23 Q. And you got a law degree from Brooklyn Law School in 1975,
24 correct?
03:59:02 25 A. That's correct.

Aldinger - direct
2981

1 Q. You worked at Wells Fargo Bank from 1986 to 1994, right?
2 A. That's correct.
3 Q. And at the time you left Wells Fargo, you were vice
4 chairman of Wells Fargo, correct?
03:59:14 5 A. Correct.
6 Q. Now, you knew Kovacevich, Mr. Kovacevich, while you were
7 at Wells Fargo; is that right?
8 A. He wasn't at Wells Fargo when I was at Wells Fargo.
9 Q. You met Mr. Kovacevich subsequently; is that right?
03:59:30 10 A. I met him subsequently, yes.
11 Q. When did you meet Mr. Kovacevich?
12 A. Mid '90s.
13 Q. So in 2002, how long had you known Mr. Kovacevich?
14 A. Five or six years.
03:59:49 15 Q. In 1994, you went to work for Household; is that right?
16 A. That's correct.
17 Q. And you were hired at Household as the president and CEO,
18 right?
19 A. Yes.
04:00:01 20 Q. And CEO is the chief executive officer, correct, sir?
21 A. That's correct.
22 Q. And you worked as the president and chief executive
23 officer of Household from 1994 -- I'm sorry -- from 1994 to
24 1996; is that correct?
04:00:15 25 A. That's correct.

Aldinger - direct
2982

1 Q. And then in 1996, you became the chairman of the board of
2 directors of Household; is that right?
3 A. That's correct.
4 Q. And you continued to work as the CEO, the chief executive
04:00:25 5 officer, of Household after you became chairman of the board,
6 right?
7 A. Yes.
8 Q. In fact, you were CEO and chairman of the board of
9 Household during the entire period 1999 through 2002, correct?
04:00:37 10 A. Yes.

11 Q. As the CEO of Household, you were the highest-ranking
12 corporate officer of the company; is that right?
13 A. That's correct.
14 Q. And as the CEO of Household, you were the executive who
04:00:48 15 was ultimately responsible for all aspects of Household; is
16 that right?
17 A. That's correct.
18 Q. Now, in 1998, you were the CEO, right?
19 A. That's -- yes, I was.
04:01:00 20 Q. And you brought Gary Gilmer -- you know who Gary Gilmer
21 is, right?
22 A. Yes, I do.
23 Q. He's one of your co-defendants in this case?
24 A. Yes, he is.
04:01:08 25 Q. And you brought Gary Gilmer back from the United Kingdom,

1 from England, and put him in charge of Household consumer
2 finance, correct?
3 A. Yes, I did.
4 Q. You chose Mr. Gilmer to run HFC, correct?
04:01:19 5 A. That's correct.
6 Q. And that was after you spoke to Mr. Gilmer about the
7 position, right?
8 A. Yes, I did.
9 Q. You also retained Andrew Kahr on behalf of Household,
04:01:28 10 didn't you?
11 A. I introduced Andrew Kahr to the company, yes.
12 Q. That wasn't my question, sir. My question was: You also
13 retained Andrew Kahr on behalf of Household, correct?
14 A. Well, I don't want to split hairs with you. I'm perfectly
04:01:40 15 happy to say I brought him into the company. Which one of us
16 hired him doesn't matter. I supported it. So, yeah.
17 Q. So, sir, I'm just curious. Did you retain Andrew Kahr --
18 A. The company --
19 Q. -- or not?
04:01:51 20 A. -- retained Andrew Kahr. And I did not specifically
21 recall being the person to do that. Happy to take credit. I
22 brought him in. I just want to get the facts right.
23 Q. So your testimony here is you don't recall that you
24 retained Andrew Kahr on behalf of Household? Is that your
04:02:08 25 testimony?

1 A. That's correct.
2 Q. Okay. Mr. Aldinger, you do admit that in late 1998 or
3 early 1999, you and Mr. Schoenholz decided to hire Andrew
4 Kahr, right?
04:02:19 5 A. Yes.
6 Q. In fact, before you hired Andrew Kahr, you and
7 Mr. Schoenholz had a meeting with Mr. Kahr, didn't you?
8 A. That -- probably.
9 Q. And at that meeting, Mr. Kahr demanded that he be
04:02:32 10 accountable only to you; is that correct?
11 A. I don't remember that. I heard that the other day in
12 testimony. I don't remember that.
13 Q. But you don't disagree with that testimony, do you?
14 A. Well, I have to tell you I do disagree with the testimony
04:02:44 15 in the sense that Andrew Kahr was a consultant. And no

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         8   Q.  And mortgage services was another one of your business
         9   units, right?
04:26:37 10  A.  Yes, it was.
        11   Q.  Then if you look at the mortgage services paragraph --
        12   it's very short, just two paragraphs -- I mean two sentences,
        13   the second sentence reads, The business is increasing
        14   collector incentives.
04:26:48 15           Do you see that?
        16   A.  I do.
        17   Q.  Then it reads, Also, my team has identified a number of
        18   opportunities that will have a quick impact on bringing the
        19   variance down.
04:26:57 20           Do you see that?
        21   A.  Yes.
        22   Q.  And you understood what variance meant, didn't you, sir?
        23   A.  Yes.
        24   Q.  You understood that it meant variance from the -- with the
04:27:07 25  two-plus target to the actual two-plus numbers, right, sir?
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         1   A.  Right.
         2   Q.  And there was a variance between that number that they
         3   were trying to bring down in mortgage services, right?
         4   A.  That's what it sounds like.
04:27:17  5  Q.  And you understood that, right, sir?
         6   A.  That's what I'm seeing here.
         7   Q.  And then, finally, under general, it says, In addition to
         8   the initiatives I've described, there are a number of projects
         9   underway to further reduce delinquency and losses.
04:27:35 10           Do you see that?
        11   A.  I do.
        12   Q.  And you understood that at this time, that was a focus,
        13   right, reducing that two-plus number?
        14   A.  It's always a focus to try to keep credit losses down.
04:27:45 15  And if you can reduce two-plus, you can reduce credit losses.
        16   And so they appear to be doing common things.  They had
        17   collectors and have other things they can do.
        18   Q.  And specifically we read several instances in which
        19   they're using that skip-a-pay program, right, to drive the
04:28:03 20  two-plus number down, right?
        21   A.  That's what it says, yes.
        22   Q.  Collector incentives, right?
        23   A.  Yes.
        24   Q.  To drive that two-plus number down, right?
04:28:10 25  A.  Yes.
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         1   Q.  Remove that variance between two-plus target and two-plus
         2   number, right, sir?
         3   A.  That's what the goal was.
         4   Q.  Okay.  Let's talk about some of Household's press
04:28:26  5  releases.
         6            Sir, you understood that Household issued press
         7   releases during the 1999 to 2002 time period, correct?
         8   A.  Yes.
         9   Q.  Okay.  And, in fact, you reviewed the press releases
04:28:53 10  before they were issued, didn't you, sir?
        11   A.  Yes.
        12   Q.  And you reviewed them because they were statements by the
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13 company, correct, sir?
14 A. That's correct.
04:29:04 15 Q. Okay. And let's talk about, for example, the third
16 quarter of 1999 press release. I'll show you what's been
17 marked as Plaintiffs' Exhibit 506 for identification.
18 A copy to counsel.
19 (Tendered.)
04:29:29 20 BY MR. DROSMAN:
21 Q. You recognize this press release, right, sir?
22 A. I do.
23 Q. And this was the press release that was issued on October
24 1999, right?
04:29:47 25 A. Yes.

1 Q. It was issued by Household International, correct?
2 A. That's correct.
3 Q. And this was reporting the third quarter 1999 results for
4 Household International, correct?
04:29:56 5 A. That's correct.
6 MR. DROSMAN: Plaintiffs offer Exhibit 506 into
7 evidence.
8 THE COURT: Admitted.
9 BY MR. DROSMAN:
04:30:05 10 Q. And in your press release, you report the earnings result
11 for Household International, correct?
12 A. Yes.
13 Q. And you report that because that's an important number to
14 investors, correct?
04:30:14 15 A. Yes.
16 Q. You report the EPS results to investors for your third
17 quarter 1999, right?
18 A. Yes.
19 Q. You reported EPS -- EPS, by the way, is earnings per
04:30:24 20 share, right?
21 A. That's right.
22 Q. You reported EPS results because that was an important
23 number for investors, correct?
24 A. Yes.
04:30:30 25 Q. And you reported the two-plus delinquency statistic or

1 ratio to investors as well in this press release, didn't you?
2 A. I don't know that. I would have to read that.
3 Q. Take a look at the second page of the press release, page
4 ending 430. Do you see the heading Credit Quality and Loss
04:30:48 5 Reserves?
6 A. I do.
7 Q. Okay. Look at the last sentence there. It says, The
8 managed delinquency ratio, paren, 60-plus days, was 4.89
9 percent at September 30, compared with 4.72 percent at June 30
04:31:06 10 and 4.96 percent a year ago.
11 Do you see that?
12 A. I do.
13 Q. So you were reporting the two-plus delinquency ratio to
14 investors in this press release, weren't you, sir?
04:31:19 15 A. Yes.
16 Q. And you did that because it was an important metric to
17 investors, didn't you, sir?

3013

1 IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
2 EASTERN DIVISION
3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 21, 2009
Defendants.) 9:00 a.m.
9
VOLUME 15
10 TRANSCRIPT OF PROCEEDINGS - TRIAL
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3015

1 THE CLERK: 02 C 5893, Jaffe v. Household
2 International, Incorporated.
3 MR. DROSMAN: Good morning, your Honor.
4 MR. KAVALER: Good morning, your Honor.
09:03:24 5 THE COURT: Good morning.
6 Folks, we've already told the jury, but I have a
7 naturalization proceeding I have to preside over right now.
8 It should take about ten minutes. I'll be back here then and
9 we'll start the proceedings at that time. I apologize, but
09:03:34 10 there's nothing -- I tried to get out of it. There's no way I
11 can get out of it.
12 (Recess taken.)
13 THE CLERK: 02 C 5893, Jaffe v. Household.
14 THE COURT: Ready for the jury?
09:31:55 15 MR. BURKHOLZ: Your Honor, one issue before we rest
16 today. We wanted a clarification from the Court on something.
17 We have a statement of uncontested facts that the parties
18 stipulated to as part of the March 30 PTO. Then we modified
19 that on -- I'm sorry, January 30, 2009. Then we modified that
09:32:17 20 on March 25, 2009. And the question is do we have to publish
21 it to the jury since, in the document, it clearly says that
22 the uncontested facts will become a part of the evidentiary
23 record in the case. It may be read to the jury by the Court
24 or any party. So before we rest, we wanted to understand the
09:32:40 25 protocol of what we're supposed to do.

3016

1 THE COURT: Well, it's really a question of your
2 trial strategy. I mean, I can say it's part of the record
3 from now until the sun no longer comes up. If the jury
4 doesn't know the stipulated facts, they can't take those facts

09:33:01 5 into account in their deliberations. So unless you feel that
6 the facts have somehow come into -- come before the jury in
7 some other way during the course of the trial, the only way to
8 get them before the jury is to publish the stipulation to the
9 jury.
09:33:16 10 Now, most likely what I suspect is that some of those
11 facts have already been testified to in one form or another
12 and some haven't. And how you want to get the remainder of
13 those facts to the jury is pretty much up to you. You're
14 clearly entitled -- both sides are clearly entitled to publish
09:33:36 15 all or any part of the stipulated facts you wish to publish to
16 the jury. If you want me to publish the facts to the jury, I
17 will do that, although why you as a trial attorney would want
18 anyone else to publish facts to the jury is beyond me; but
19 that's entirely up to you.
09:33:53 20 MR. BURKHOLZ: Thank you, your Honor.
21 MR. KAVALER: Your Honor, my only comment is I don't
22 know what he has got in his hand there. I'm a little leery
23 because I have a feeling this involves that same stipulation
24 which has attached to it a document which has been revised
09:34:05 25 several times, which is a listing of some statements which

3017

1 used to be called false statements and then became statements
2 and has been the subject of a lot of controversy as to what
3 the stipulation actually says. I would just like to know what
4 it is before it gets read.
09:34:18 5 MR. BURKHOLZ: It's the document that I gave to
6 Mr. Kavaler on the 25th of March. It's the revised statement
7 of uncontested facts.
8 MR. KAVALER: That may well be the document he gave
9 to me a month ago. I just would like to know before he reads
09:34:32 10 it to the jury what it is because I have a bad feeling about
11 this.
12 MR. BURKHOLZ: Well, I don't know what the bad
13 feeling is. We stipulated to the document.
14 MR. KAVALER: Well, the bad feeling is we stipulated
09:34:35 15 to what we stipulated to. And there have been a lot of
16 manifestations to the fact that there's been a
17 misunderstanding of what we stipulated to.
18 It's the same document with the same schedule. I
19 pass on what has transpired since then in light of what your
20 Honor said last Friday, in light of the evidence. But all we
21 ever stipulated to is -- this has been the subject of the
22 normal conversation, is those statements were made by -- I'm
23 sorry, I'm not reading from the stipulation. There are things
24 we stipulated to. If you're going to read them in some other
25 context such as the grouping and whatnot, we objected to it.

3018

1 We made that clear throughout.
2 MR. BURKHOLZ: This is the document stipulated to.
3 We attached only the documents we stipulated to on March 5,
4 2009. There are other statements that came in in the case
5 through Hayden-Hakes and Streem and Mr. Aldinger and the
6 December 5 statement. They are not included in that
7 attachment. Those are only the statements that Household made
8 in their Ks and Qs and press releases, which have been
9 stipulated to by the defendants.
10 MR. KAVALER: The problem is -- here's the exact
11 language of the stipulation he's talking about. It's

12 uncontested fact number 11, The, quote, in connection with the
13 purchase or sale of any security, close quote, requirement is
14 satisfied as to each statement set forth in Exhibit A,
15 attached.
16 As to certain other statements present at trial for a
17 basis of their claims does not require the plaintiffs to prove
18 or the jury to find that in connection with the -- there's no
19 statement about accuracy. There's no statement about grouping
20 anything other than what it says. It says what it says. If
21 we're going to do that, it seems to me you have to explain to
22 the jury what it means to be -- to satisfy the requirement of
23 "in connection with." This is another example of no deed goes
24 unpunished. We agreed to a lot of things because they're
25 true, reserving the right to argue they're not relevant.

3019

1 Counsel has acted as though we have waived our rights.
2 THE COURT: You're making this awfully complicated.
3 Keep on going and you'll probably have me stipulating -- well,
4 you have a stipulation of facts. If the stipulation that you
5 both prepare is unintelligible to the jury, then either you
6 can choose not to use it or you can sit down and try to work
7 out a version that makes sense to the jury and still retains
8 only what you agreed to and nothing more. If you can't work
9 that out, I guess I'll try to work something out by virtue of
10 making a ruling.
11 Why don't you draft whatever you intend to say to the
12 jury and show it to him and see if it -- see if he objects.
13 As far as the stipulation that the requirement is
14 satisfied, I don't think it's necessary because the rulings
15 I've made so far are that we're not going to tell the jury
16 anything about the "in connection requirement" because it's
17 been stipulated to, therefore, they don't need to see that
18 anything was done in connection or not in connection with the
19 sale.
20 Why don't you put down in writing what it is you
21 intend to read to the jury when you publish this and then
22 we'll rule on something concrete and specific.
23 MR. BURKHOLZ: Thank you, your Honor.
24 (Brief recess.)
09:54:03 25 THE COURT: I think we can actually maybe get

Aldinger - direct

3020

1 started.
2 Are you ready?
3 MR. DROSMAN: Yes, your Honor.
4 MR. KAVALER: Ready, your Honor.
09:54:39 5 MR. MILLER: Judge, can we have the switch, please?
6 (Jury in.)
7 THE COURT: Good morning, ladies and gentlemen. I
8 apologize for the delay, but a series of things seemed to
9 intervene. But welcome back. We're ready to proceed now.
09:55:48 10 Sir, you understand that you're still under oath.
11 THE WITNESS: Yes, I do.
12 THE COURT: Proceed, counsel.
13 MR. DROSMAN: Thank you, your Honor.
14 WILLIAM ALDINGER, PLAINTIFF'S WITNESS, PREVIOUSLY SWORN
15 DIRECT EXAMINATION - Resumed
16 BY MR. DROSMAN:
17 Q. Mr. Aldinger, when we broke for the day yesterday, we were

18 discussing a press release.
19 Do you recall that?
09:55:57 20 A. I do.
21 Q. And that was the press release Household International
22 released on October 19, 1999?
23 A. That's my recollection.
24 Q. Do you have that in front of you, sir?
09:56:04 25 A. I do.

Aldinger - direct

3021

1 Q. Okay.
2 And that was for the third quarter of 1999; is that
3 right? Household's results?
4 A. I'm looking for it here, but I assume so.
09:56:14 5 Q. Do you have the hard copy in front of you, sir?
6 A. I do.
7 Oh, it says third quarter. I see that.
8 Q. And you were quoted in this press release; is that right?
9 A. That's right.
09:56:23 10 Q. In the second paragraph of the press release, you're
11 quoted; is that correct?
12 A. That's correct.
13 Q. And you said, "Our quarter reflects excellent performance
14 in all our businesses, with the key drivers being accelerating
09:56:37 15 internal receivable and revenue growth," right?
16 A. Yes.
17 Q. Okay.
18 And this press release also contains financial
19 results; doesn't it, sir?
09:56:46 20 A. Yes, it does.
21 Q. In fact, there's a chart at the back of the press release
22 that sort of summarizes the financial results, correct?
23 A. There is one, yes.
24 Q. And your Chief Financial Officer, Mr. Schoenholz, would
09:57:01 25 have reviewed the press release before it was issued by

Aldinger - direct

3022

1 Household International, correct?
2 A. That's right.
3 Q. And we also talked about how the press release contains
4 Household International's two-plus delinquency statistics,
09:57:12 5 correct?
6 A. That's correct.
7 Q. And you told me that the reason that the two-plus
8 statistics are in the press release is because that was an
9 important metric or number for investors, correct?
09:57:21 10 A. That's correct.
11 Q. And if you turn to -- do you have a document we looked at,
12 as well, it's Exhibit 461? It's a memo to you from Mr. Gilmer
13 dated January 18th, 1999.
14 Do you have that in front of you?
09:57:36 15 A. Yes, I do.
16 Q. Okay.
17 And this was a memo that Mr. Gilmer wrote to you
18 regarding the operating results at HFC, correct?
19 A. That's correct.
09:57:45 20 Q. A results memo, right?
21 A. Yes. A monthly memo.
22 Q. And this wasn't the only monthly memo that you received

23 from Mr. Gilmer, was it?
24 A. No, he would routinely send me monthly memos.
09:57:57 25 Q. In fact, you received them in 2000, correct?

1 A. Yes.
2 Q. 2001, as well, right?
3 A. Yes.
4 Q. And if you'd turn to the page of that monthly memo that
09:58:04 5 Mr. Gilmer sent you ending 333.
6 And the heading on the top of that page -- are you
7 there yet?
8 A. I'm not there yet.
9 Q. Just let me know when you get there.
09:58:25 10 A. I will.
11 (Brief pause.)
12 BY THE WITNESS:
13 A. I'm there.
14 BY MR. DROSMAN:
09:58:34 15 Q. And you see the heading? It's underlined in a larger font
16 at the top of the page?
17 A. I do.
18 Q. And it's entitled, "Key Performance Measures HFC Consumer
19 Credit Quality."
09:58:45 20 Do you see that?
21 A. Yes, I do.
22 Q. And, then, if you look, there's a box below that; and, at
23 the top of the box, there's a heading "Two-Plus
24 Delinquencies."
09:58:52 25 Do you see that?

1 A. Yes, I see that.
2 Q. And you understood the two-plus delinquency was a key
3 performance measure, don't you?
4 A. It was a measure, yeah.
09:58:59 5 Q. You don't understand it was a key performance measure?
6 A. Well, it's important, but I don't know that I'd call it
7 one of the key. The key for me would be reserves and revenues
8 and expenses and things that hit the bottom line.
9 Q. You understood that Mr. Gilmer entitled it a key
09:59:13 10 performance measure, right?
11 A. Well, yes, he did, you're right.
12 Q. Okay.
13 And this was a memo that you received, right?
14 A. Absolutely.
09:59:19 15 Q. You read, correct?
16 A. Yeah.
17 Q. And you saw the two-plus delinquency, at least according
18 to Mr. Gilmer, was a key performance measure, right, sir?
19 A. Yes.
09:59:27 20 Q. And Mr. Gilmer performed -- reported this key performance
21 measure, the two-plus delinquency number, in the other growth
22 memos that you received, right?
23 A. I don't know. I'd have to see that.
24 Q. Okay.
09:59:38 25 Why don't we take a look at some other memos that

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         11   accrual timing and recognition differences are in keeping with
         12   FASB Statement of Concepts No. 3 concerning accrual accounting
         13   and expenses."
         14            Do you see that?
10:31:06 15   A.  Yes.
         16   Q.  And you understand that the FASB Statement of Concepts No.
         17   3 is part of the generally accepted accounting principles or
         18   what we refer to as GAAP, right?
         19   A.  I believe so.
10:31:15 20   Q.  Okay.
         21            And, then, it continues:  "The unique and complex
         22   terms of the UP and GM programs result in numerous deferred
         23   expenses and income."
         24            Do you see that?
10:31:27 25   A.  I do.
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Aldinger - direct

3056

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          1   Q.  And the UP refers to Union Privilege, right?
          2   A.  That's correct.
          3   Q.  And the GM refers to General Motors, right?
          4   A.  That's correct.
10:31:34  5   Q.  These were the -- these were two of the three credit card
          6   affinity relationships that Household ended up restating --
          7   A.  Yes.
          8   Q.  -- several years later, correct?
          9   A.  Actually, we didn't restate the credit card relationships.
10:31:47 10   We restated the expenses related to those --
         11   Q.  Okay.
         12   A.  -- whether they should be lumped in one place or spread
         13   out over several years.  That was the issue.
         14   Q.  Right.
10:31:54 15            And those --
         16   A.  Yeah.
         17   Q.  You restated the expenses related to the UP contract,
         18   correct?
         19   A.  That's correct.
10:31:59 20   Q.  And the GM contract, correct?
         21   A.  That's correct.
         22   Q.  And, then, it continues:  "In several cases, the timing
         23   and recognition of certain fees (expenses) differ materially
         24   from actual cash payments."
10:32:13 25            Correct?
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Aldinger - direct

3057

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          1   A.  That's what it says.
          2   Q.  And this was a document, like you told me, that had been
          3   received by Household in 1998, correct?
          4   A.  That's correct.
10:32:20  5   Q.  I'll show you what's been marked as Plaintiffs' Exhibit
          6   1248 for identification.
          7       (Document tendered to counsel and the witness.)
          8   BY MR. DROSMAN:
          9   Q.  Mr. Aldinger, you recognize Plaintiffs' Exhibit 1248,
10:32:58 10   right?
         11   A.  Yes, I do.
         12   Q.  And this was a presentation that you made, wasn't it?
         13   A.  Yes, it was.
         14   Q.  On December 4th, 2001, correct?
10:33:05 15   A.  That's what it says, yes.
```

16 MR. DROSMAN: Plaintiffs offer Exhibit 1248 into
17 evidence.
18 THE COURT: It's admitted.
19 (Plaintiffs' Exhibit No. 1248 received in evidence.)
20 BY MR. DROSMAN:
21 Q. You made this -- these are PowerPoint slides, right?
22 A. That's correct.
23 Q. And what you do is you'd show up at this Goldman Sachs
24 conference and you'd give a PowerPoint presentation to the
10:33:24 25 folks there, right?

Aldinger - direct

3058

1 A. That's right.
2 Q. These were big institutional investors and analysts,
3 right?
4 A. That's right.
10:33:28 5 Q. Okay.
6 And this was the presentation that you gave on
7 December 4th, 2001, right?
8 A. Certainly the front page of it. I haven't looked at the
9 rest, but I assume it is.
10:33:37 10 Q. You don't have any reason to believe that this is an
11 inaccurate representation of what you gave?
12 A. I would -- I don't. I don't have any reason to believe
13 that.
14 Q. Okay.
10:33:45 15 Go ahead, if you would, and turn to the -- there's
16 small print "PFG." Do you see that Bates number down at the
17 bottom right?
18 A. Yes, I do.
19 Q. Turn to the page ending 158, if you would.
10:34:05 20 And the top slide there --
21 A. I'm not there yet.
22 Q. Okay. Let me know when you arrive.
23 (Brief pause.)
24 BY THE WITNESS:
10:34:24 25 A. I'm there.

Aldinger - direct

3059

1 BY MR. DROSMAN:
2 Q. Okay.
3 The top slide there, you ask the question, "Have
4 Household's accounting policies impacted results?" Right?
10:34:31 5 A. That's right.
6 Q. And, then, you proceeded to answer that question to all of
7 the investors and analysts present, correct?
8 A. That's right.
9 Q. And in the third bullet point, you wrote, "Chargeoff
10:34:41 10 policies are appropriate for our target market and result in
11 proper loss recognition," right?
12 A. That's right.
13 Q. And that's what you told folks, right?
14 A. Yes.
10:34:49 15 Q. And, then, you said, "All policies have been consistently
16 applied and realistically report results," right?
17 A. That's right.
18 Q. And when you said "policies" there, you were telling folks
19 about your accounting policies, weren't you?
10:35:00 20 A. Yes.

04:27:00 25 Q. Now, when you say 15,000 people in Consumer Lending, how

1 many people worked for the entire company?
2 A. About 33,000.
3 Q. How many of those ultimately were you responsible for?
4 A. 33,000.
04:27:10 5 Q. Mr. Gilmer was responsible for how many?
6 A. I believe about 15.
7 Q. Okay.
8 A. And I'm sure he'll tell me later I'm wrong, but I think
9 I'm pretty close.
04:27:18 10 Q. You're pretty sure about the 33,000.
11 A. I am very sure about that.
12 Q. And all the problems we've heard about for the last few
13 weeks about things which counsel calls predatory lending, they
14 weren't in the Credit Card Services Unit over there, were
04:27:33 15 they?
16 A. They were not.
17 Q. They weren't in the Private Label Credit Card Unit over
18 there, were they?
19 A. They were not.
04:27:38 20 Q. They weren't in the Auto Finance Unit over here, were
21 they?
22 A. No, they weren't.
23 Q. They weren't in the Mortgage Services Unit over here, were
24 they?
04:27:45 25 A. No.

1 Q. And they weren't in the International Unit over here, were
2 they?
3 A. That's right.
4 Q. All the testimony in this case about those problems is
04:27:50 5 centered on Consumer Lending Unit.
6 A. That's correct.
7 Q. And what were your responsibilities with regard to all of
8 these businesses, Mr. Aldinger?
9 A. Well, if I looked at dividing my time, basically I would
04:28:14 10 manage the operating managers of those businesses. The guys
11 who ran the businesses would report to me.
12 I'd also work with the staff units, the CFO, who
13 worked on all of our financials; the head of human resources,
14 who looked at all the people issues throughout the company;
04:28:31 15 our technology department, which, as I mentioned, was very
16 large. We spent $500 million a year on that. And then our
17 general counsel would report to me as well.
18 So those are my internal duties. And then my what I
19 call my external duties would be working with the board of
04:28:47 20 directors, working with investors, working with rating
21 agencies, working with sometimes legislative and regulatory
22 bodies as well.
23 And so I was sort of 30 percent outside and
24 70 percent inside.
04:29:01 25 Q. And Mr. Aldinger, did you from time to time communicate

1 with all of your employees at one time?
2 A. I did.
3 Q. Let me show you what's been marked as Defendants' 321,
4 copy to counsel, copy to you, Mr. Aldinger. It's headed
04:29:27 5 Household International Statement of Business Principles. Do
6 you know what that is?
7 A. Excuse me. Sorry.
8 Yes, it's the Household International Statement of
9 Business Principles.
04:29:43 10 Q. And is this sent out over your name to all employees?
11 A. Yes, it is.
12 Q. How frequently?
13 A. I believe it's annually.
14 Q. Why?
04:29:52 15 A. Because we want to remind them of our core values.
16 Q. And your core values are set forth in this document?
17 A. Yes, they are.
18 MR. KAVALER: Your Honor, I offer 321, Defendants'
19 321 in evidence.
04:30:06 20 THE COURT: It will be admitted without objection.
21 (Defendants' Exhibit 321 received in evidence.)
22 MR. KAVALER: Thank you, your Honor.
23 BY MR. KAVALER:
24 Q. Now, Mr. Aldinger, let's just look through the first page
04:30:14 25 of this, and I think we'll be at quitting time.

1 "Dear fellow employee." Did this go to all 33,000
2 people?
3 A. Yes, it did.
4 Q. And it came from you?
04:30:22 5 A. Yes.
6 Q. "Dear fellow employee: The most valuable assets of
7 Household International and its subsidiaries (the
8 'corporation') are its people and the principles for which
9 they and the corporation stand. The character of our
04:30:37 10 employees past and present, together with the corporation's
11 philosophies, have earned the corporation the highest of
12 reputations since Household Finance Corporation's founding
13 more than 100 years ago. It is this reputation for integrity
14 that is the basis for all our business endeavors. It is the
04:30:56 15 result of continued dedication and commitment to the highest
16 ethical standards in our relationships with each other, with
17 individuals outside the organization, and with other
18 organizations.
19 "As a corporation sensitive to the human and social
04:31:10 20 impact of our operations and by resolution of Household
21 International, Inc. board of directors, 'it is the policy of
22 the corporation to conduct its business in full compliance
23 with the laws and regulations of every community in which it
24 operates and to adhere to the highest ethical standards. To
04:31:30 25 these ends, the officers, employees and agents of the

1 corporation and subsidiary companies are expected and directed
2 to manage the business of the corporation with complete
3 honesty, candor and integrity.'
4 "As you work for Household International, Inc. or a
04:31:47 5 subsidiary company, we entrust our reputation to you. Our

1 IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
2 EASTERN DIVISION
3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 22, 2009
Defendants.) 9:10 a.m.
9
VOLUME 16
10 TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury
11
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         22   re-aging after you read the Barron's article?  That really
         23   wasn't true; was it, sir?
         24   A.  I didn't say that.
12:00:30 25   Q.  Okay.
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          1            You knew investors were nervous about re-aging after
          2   you read the Barron's article; didn't you, sir?
          3   A.  Investors were concerned about a number of issues raised
          4   in the Barron's article.
12:00:37  5            Now --
          6   Q.  And when you read the Barron's article --
          7   A.  -- I'd like to re-read it because, again, the thing that
          8   stands out in my mind is what I referred to about the
          9   accounting policy changes.  That's what I focused on for
12:00:49 10   Goldman Sachs.  That was the most important thing for me.
         11            Now, if I could read the article and be -- get
         12   specific about what you're referring to, I'd like to see it.
         13   It would help me be more effective.
         14   Q.  Sir, I'm not asking --
12:00:59 15   A.  It's nine years ago.
         16   Q.  -- you about the article.
         17            I'm asking you after you read the article, you
         18   understood that investors were nervous about re-aging, right?
         19   A.  Yes, I did.
12:01:07 20   Q.  Okay.
         21            You were worried about the investors' reaction to the
         22   Barron's article; weren't you, sir?
         23   A.  Absolutely.
         24   Q.  So, you did this Goldman Sachs dog and pony show; and,
12:01:22 25   then, you go ahead and you call up the Chairman of KPMG,
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          1   right?
          2            MR. KAVALER:  I object to the form, your Honor.
          3            I object to the form.
          4            THE COURT:  What form is that?
12:01:33  5            MR. KAVALER:  "Dog and pony show."
          6            THE COURT:  Sustained.
          7   BY MR. DROSMAN:
          8   Q.  You did a presentation at Goldman Sachs; didn't you, sir?
          9   A.  Yes, I did.
12:01:41 10   Q.  And, then, you call the Chairman of KPMG, correct?
         11   A.  Actually, no.
         12   Q.  You didn't call up the Chairman of KPMG?
         13   A.  No.  I think he -- I think he -- called me, is -- I think
         14   he called me.
12:01:52 15   Q.  Okay.
         16            If you would, turn to your deposition testimony,
         17   Pages 30 -- Page 39.
         18   A.  Okay.
         19            Page 30?
12:02:06 20   Q.  Page 39.
         21   A.  39.
         22   Q.  Look at 39, at Line 3.
         23            Question:  "When you retained KPMG, was there a
         24   meeting that was held?"
12:02:20 25            Answer:  "I think it was more a phone call from me to
```

1 the Chairman of KPMG, in my recollection, who was Gene
2 O'Kelly. And, then, they made the rest of arrangements of
3 picking the partners, picking the people who would do it,
4 defining the thing and working with Dave and whoever they
12:02:36 5 needed to work with in the businesses.
6 "At that point, I backed out of it. I was not
7 involved in the study at all until it was completed."
8 Do you see that?
9 A. I do.
12:02:47 10 Q. I read that correctly, right, sir?
11 A. You did.
12 I was wrong. I'd forgotten.
13 Q. This was in 2003, right?
14 A. It would have been early 2003.
12:02:56 15 Q. Okay.
16 And your memory was better --
17 A. I'm sorry, no, it would have been early 2002.
18 Q. No, I'm talking about the deposition. All right?
19 A. Oh, the deposition. 2003.
12:03:05 20 Q. So, you personally called the Chairman of KPMG, right?
21 A. Yes.
22 Q. And the KPMG Chairman's name was Gene O'Kelly, right?
23 A. That's correct.
24 Q. And you told Mr. O'Kelly, "Give us some facts on
12:03:19 25 re-aging," didn't you?

1 A. That's what it says.
2 Q. Sir, I'm not referring to any document. I'm just asking
3 you a question.
4 You told Mr. O'Kelly, "Give us some facts on
12:03:29 5 re-aging," didn't you?
6 A. I need to look at that.
7 Where -- would you refer me back to where you were
8 reading here?
9 Q. Sir, I'm asking you a question. I'm not referring to a
12:03:37 10 document. Do you understand that?
11 A. Well, then, let me tell you, basically, Gene O'Kelly, I
12 asked --
13 MR. DROSMAN: Your Honor, I move to strike.
14 THE COURT: It will be stricken.
12:03:44 15 Just listen to the question, sir, and try to answer
16 the question you're being asked, as specifically as you
17 possibly can.
18 BY MR. DROSMAN:
19 Q. And you told Mr. O'Kelly when you called him on the
12:03:54 20 phone -- he's the Vice-Chairman of KPMG -- "Give us some facts
21 on re-aging"?
22 That's what you told him, right?
23 A. I'm looking for that to refresh my recollection.
24 Q. Sir, can you answer the question?
12:04:06 25 A. Would you -- where is it here (indicating)? I want to --

1 Q. Sir, I'm asking you a question. I'm not referring to a
2 document. Okay? I'm asking you a question.

1 THE COURT: If there's an objection, you have to
2 wait, and when I'm telling you to wait, you have to wait.
3 Now your objection, please.
4 MR. KAVALER: Objection to the form of the question.
01:28:12 5 He transposed the witness's statement "I don't know that I'd
6 say that" into a "you don't know that they'd say that."
7 THE COURT: Well, I'll overrule the objection at this
8 point in time, but just ask questions.
9 MR. DROSMAN: Sure.
01:28:23 10 THE COURT: You don't need to repeat the answers.
11 MR. DROSMAN: That's fine, your Honor.
12 BY MR. DROSMAN:
13 Q. You know that KPMG didn't validate any of the information
14 contained in here, right?
01:28:30 15 A. That's my impression.
16 Q. Okay. Instead they accepted Household's representations,
17 right?
18 A. I suppose. I guess that's right.
19 Q. Well, sir, I don't want you to guess.
01:28:41 20 A. Well --
21 Q. They accepted Household's representations, didn't they?
22 A. I believe they did.
23 Q. So you provided KPMG with information about the re-aging
24 practices, and they wrote it down, right?
01:28:50 25 A. That's what it looks like.

1 Q. Turn to page ending 223.
2 A. Are we going to put it up?
3 Q. You see these are overall observations. You remember you
4 reviewed this with Mr. Kavaler yesterday?
01:29:20 5 A. Yes, I do.
6 Q. You testified you took great comfort in these overall
7 observations. Do you remember that?
8 A. I do.
9 Q. Okay. So let's take a look at the second bullet point
01:29:28 10 down. It says, "Except as described herein, Household
11 International policies are consistent with peer practices."
12 Do you see that?
13 A. Yes.
14 Q. So you must have read that, right? You did read that,
01:29:39 15 didn't you?
16 A. Yes, I did.
17 Q. On March 12th, 2002, is that right?
18 A. Yes, I did.
19 Q. 9:00 a.m.?
01:29:45 20 A. At some point, yes.
21 Q. At some point around that?
22 A. Maybe 9:05.
23 Q. And you must have read that and said, well, except as
24 described herein, what does that mean, right?
01:29:54 25 A. Absolutely.

1 Q. Okay. And then you looked at the information that we just
2 looked at to determine what wasn't consistent with Household's

3 peers, right?
4 A. That's not my recollection.
01:30:04 5 Q. You didn't do that, right?
6 A. No, I think it's -- I think it's in the summary.
7 There's -- they answer their comment there, as I recall. So I
8 think if we go later in this document, we'll have an answer to
9 that.
01:30:17 10 Q. Where Household's policies were not consistent with its
11 peers?
12 A. Yeah, I believe there's a short comment on that is my
13 recollection if we could find it.
14 Q. So March 12th, 2002, was significant for a reason other
01:30:33 15 than the fact that KPMG provided you with this benchmarking
16 study, right?
17 A. Well, it was a board meeting.
18 Q. And there was a 10-K that you filed on that day?
19 A. I didn't remember it was filed exactly on that day, but --
01:30:47 20 Q. You provided your annual report to investors on that day,
21 didn't you, sir?
22 A. I didn't remember that, but I'll accept that.
23 Q. You signed that report, didn't you?
24 A. Absolutely.
01:30:55 25 Q. And you reviewed it before you signed it, didn't you?

Aldinger - redirect

3437

1 A. I did.
2 Q. You looked at every page, didn't you, sir?
3 A. Well, I looked at every -- mostly, yes.
4 Q. Were there some pages you skipped, sir?
01:31:03 5 A. No, I looked at every page.
6 Q. Okay. Why don't I show you what's been marked as -- in
7 evidence as Defendants' Exhibit 852.
8 A. Are we done with the other one?
9 Q. For the time being. You can put it aside.
01:31:38 10 You understand that this was the 10-K that Household
11 filed on March 12th, 2002, is that right?
12 A. I do.
13 Q. Okay. And you signed it, you said?
14 A. Yes, I did.
01:31:51 15 Q. And if you'd turn with me, would you, to page ending 798.
16 Are you on page 798?
17 A. I'm almost there.
18 Q. Okay.
19 A. I'm at 798.
01:32:25 20 Q. You see the second paragraph of text, do you see that?
21 A. I do.
22 Q. And it reads, "Our policies for consumer receivables
23 permit reset of the contractual delinquency status of an
24 account to current, subject to certain limits, if a
01:32:43 25 predetermined number of consecutive payments has been received

Aldinger - redirect

3438

1 and there is evidence that the reason for the delinquency has
2 been cured."
3 Do you see that?
4 A. I do.
01:32:53 5 Q. And there Household was setting forth its re-aging
6 policies, right?
7 A. That's one of them.

8 Q. I'm sorry?
9 A. Yeah, that's one of them, I assume.
01:33:02 10 Q. What do you mean that's one of them?
11 A. One of the statements in there. I assume there are more
12 than one statement in the whole document.
13 Q. That was the policy that Household told investors that you
14 used to re-age loans, right?
01:33:12 15 A. That's what it says.
16 Q. Okay. You needed two things, correct?
17 A. That's what it says.
18 Q. You needed consecutive payments, right?
19 A. That's what it says.
01:33:20 20 Q. And consecutive, you understand that means more than one,
21 don't you, sir?
22 A. I think I do.
23 Q. Okay. So at least two, right?
24 A. Right.
01:33:26 25 Q. Okay. And then you told investors that the reason for the

1 delinquency has been cured. You wouldn't re-age a loan unless
2 that happened, right?
3 A. That's what it says.
4 Q. Well, that's what you told investors, right?
01:33:36 5 A. Well, I signed the document, so I'm accountable for what's
6 in it; but I have to say that in reading that, I didn't
7 micromanage what those little pieces said.
8 I relied on the input from the people who do this
9 every day and the process we put in place; but I'm accountable
01:33:54 10 because I signed it, but I can assure you that I didn't, you
11 know, I didn't focus on the detail of this.
12 Q. You didn't focus on the detail -- you didn't focus on the
13 detail of this re-aging, is that your testimony, sir?
14 A. That's correct, like I read -- what I focused on are the
01:34:13 15 large financial issues the most and the C and D we do to the
16 investment community, and I look at the rest and I read the
17 rest; but I certainly don't, you know, look at that in detail
18 and try to contrast it with something to see if it's right.
19 Q. Okay. So you weren't focused on the re-aging policies
01:34:30 20 when you put together the 10-K, right?
21 A. I wasn't focused on the details of that. I relied on our
22 team to do it. We have a full financial team. We have a full
23 back-up of people who do this, and it's looked at by our
24 outside auditors as well before I sign it. And so I relied on
01:34:47 25 the expertise of people who do this for a living, but I'm

1 accountable because I signed it.
2 Q. This was the nitty-gritty, right, sir? Is that right?
3 A. Look at the size of the report. Do you expect me to know
4 every word of the report and memorize it?
01:35:01 5 Q. Well, for $24 million, sir, aren't you expected to know
6 what's in the report?
7 A. I know what's in the report generally, but I'm not -- I'm
8 not knowledgeable about these kinds of details to the nth
9 degree. I'm just not knowledgeable to this level.
01:35:13 10 Q. Right, because you just went out and commissioned a big
11 benchmarking study through KPMG, right?
12 A. And I got a response that was helpful to me and the board,

13 yes.
14 Q. Right, and you didn't read, according to your testimony,
01:35:24 15 some of the report that you received from KPMG?
16 A. That's correct, that's correct. I went with the
17 high-level view.
18 Q. Right. Some of the report that would have been directly
19 relevant to this particular 10-K, right, sir?
01:35:33 20 A. Yes.
21 Q. Okay. So you also said that you had to have evidence that
22 the reason for the delinquency had been cured, right?
23 A. That's what it says.
24 Q. And you didn't tell investors that you actually re-aged
01:35:46 25 with one payment, did you?

1 A. Not there.
2 Q. You didn't tell investors that you actually re-aged
3 automatically, did you?
4 A. It doesn't say that.
01:35:55 5 Q. Okay. You know that this was materially false and
6 misleading, don't you?
7 A. I understand it was incorrect at the time.
8 Q. My question is, sir, you understand that this is
9 materially false and misleading, correct?
01:36:09 10 A. You could say that.
11 Q. No, sir. I'm asking you a question.
12 Do you understand that this is materially false and
13 misleading?
14 A. I'll accept that characterization.
01:36:21 15 Q. Is that a yes, sir?
16 A. Yes.
17 Q. Let's take a look at a document that's Exhibit 1267 for
18 identification, Plaintiffs'.
19 You know what this is, right, sir?
01:36:54 20 A. Yes, I do.
21 MR. DROSMAN: This is Plaintiffs' Exhibit 1267. We
22 move it into evidence if it's not already in.
23 It's in evidence, your Honor. I apologize.
24 BY MR. DROSMAN:
01:37:09 25 Q. This is your 10-K/A, right?

1 A. That's correct.
2 Q. And the 10-K stands for 10-K, and the A stands for
3 amended, right?
4 A. That's correct.
01:37:17 5 Q. This is a 10-K that you filed in March of 2003, right?
6 A. That's correct.
7 Q. Okay. And it contains some different information about
8 your re-aging, doesn't it?
9 A. Yes, it does.
01:37:29 10 Q. It contains the correct information, doesn't it?
11 A. It contains revised and correct information.
12 Q. Okay. And you waited a year, right, because this is
13 March 19th, 2003, is that right?
14 A. It is.
01:37:41 15 Q. So you waited a year to tell investors the truth about
16 your re-aging, is that right, sir?
17 A. That's when we filed the return. I guess that would be

1 IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
2 EASTERN DIVISION
3 LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of itself and all)
4 others similarly situated,)
)
5 Plaintiff,)
)
6 vs.) No. 02 C 5893
)
7 HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Chicago, Illinois
8) April 30, 2009
Defendants.) 8:41 a.m.
9
VOLUME 22
10 TRANSCRIPT OF PROCEEDINGS - TRIAL
BEFORE THE HONORABLE RONALD A. GUZMAN, and a jury
11
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21 cards.
22 That falls at his door, too, doesn't it, ladies and
23 gentlemen? But let's not think he's just a bean counter and
24 that's the only thing he's responsible for. We saw his
09:17:57 25 involvement in predatory lending, didn't we, ladies and

1 gentlemen? He's one of the two guys, him and Aldinger, that
2 met with Andrew Kahr when they needed growth. He was one of
3 the two guys that met with him. He was one of the two people
4 with Mr. Gilmer that was in charge of Mr. Kahr's initiatives.
09:18:11 5 And we'll talk about those later on this morning.
6 But he was deeply involved in predatory lending. And
7 he knew it was bad, didn't he, ladies and gentlemen? How did
8 we know he knew it was bad? Because in March of 2001, he
9 ordered the destruction of the Kahr memos, didn't he? That
09:18:27 10 tells you what's going on in his head, doesn't it?
11 He knew about the predatory lending. There's no
12 question about that.
13 And then beyond that, ladies and gentlemen, he lied.
14 He lied to investors and he did it at times in spectacular
09:18:43 15 fashion. We'll talk about it as we go through this case. But
16 the 2001 10-K that came out in March of 2002, we spent a lot
17 of time talking to you about that. They start to explain
18 their re-aging.
19 In their Qs, in their Ks is the first time it
09:19:00 20 appears, and they say consecutive payments and the reason for
21 the delinquency has been cured. Okay? Ladies and gentlemen,
22 you saw the evidence in this case. Mr. Schoenholz knew that
23 wasn't true. He knew it wasn't true when he signed that 10-K.
24 It was a lie, ladies and gentlemen. He and Mr. Aldinger
09:19:18 25 signed it. And we'll talk about that again.

1 And then again, April 2002, he tells you, oh, we
2 wanted to get more information about re-aging to our
3 investors. But when he went out there and he's talking to 400
4 people and God knows how many other people that are watching
09:19:34 5 on TV, you know what, ladies and gentlemen, he lied. He lied
6 about his multiple re-ages.
7 He gave phony numbers. He left out $3 billion in
8 loans that had been re-aged multiple times. And then he came
9 back and he talked about recidivism, about multiple re-ages
09:19:51 10 and how people did after they got re-aged. Remember he tried
11 to leave those people with the impression that it was this
12 bump-in-the-road concept. We helped a guy over the bump in
13 the road and then he was able to make his payments after that,
14 but he lied. He lied.
09:20:05 15 We saw the documents that showed the numbers were
16 much higher than Mr. Schoenholz told that day in terms of the
17 people that got re-aged again. And we'll go back over that.
18 But these are spectacular lies, ladies and gentlemen. They're
19 unbelievable that they thought they could get away with this.
09:20:22 20 So when you think about Mr. Schoenholz, don't just
21 stick him in the accounting. He's in it up to his eyeballs in
22 the re-aging and predatory lending, isn't he?
23 Let's talk about Mr. Gilmer. Mr. Gilmer came into
24 this courtroom, he sat on this witness stand, and he wanted
09:20:38 25 you to think he was the personification of the American dream,

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1 didn't he? He wanted to tell you about how he started out as
2 an account executive down in South Carolina and he fought his
3 way all the way to the top until he was running a $40 billion
4 business, and he wanted you to think that. American dream.
09:20:54 5 But you know what, ladies and gentlemen? Then he got
6 on the witness stand and he started saying other stuff. He
7 started telling you he believed in the company and that's why
8 he bought the stock. But, ladies and gentlemen, we showed you
9 he wasn't buying stock. Those were stock options that he got
09:21:10 10 for free as part of his compensation.
11 What he really did during the relevant time period
12 was sell. He profited $3 million in stock sales. When he got
13 up and he told you he believed in the company and bought
14 stock, that was a lie in this courtroom, wasn't it, ladies and
09:21:27 15 gentlemen?
16 I mean, I'm not the smartest guy in the world, I'll
17 be the first to admit it, but we all see through that, don't
18 we? We understand. He's trying to paint a picture, but the
19 picture isn't true, is it? Think about it, ladies and
09:21:40 20 gentlemen. He's a salesman. He couldn't wait to get on that
21 witness stand. You know why? Because salesmen sell. They
22 sell a nice act to most. And he tried to sell you that story,
23 but we showed you that that story wasn't true, that it was a
24 lie. It may have a been a sales pitch like effective rate,
09:21:58 25 but it wasn't the truth, ladies and gentlemen.

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1 And what did he say? We saw the real Gary Gilmer who
2 set growth objectives that were unreachable for his people,
3 and he forced them to reach those levels, didn't he? And he
4 forced them, by doing that, to cross the line again and again
09:22:16 5 with these predatory practices and he knew, didn't he, ladies
6 and gentlemen? That was the real Mr. Gilmer.
7 But what about my clients? They didn't get the
8 American dream out of this company. This is a nightmare. The
9 stock went from 60 or 70 all the way down to 28. I mean,
09:22:33 10 they're the ones that lost money. They're the ones that got
11 hurt. And let's talk about some of the other people, the
12 collateral damage caused by these defendants.
13 You saw Mr. Schneider come in here. He seemed like a
14 nice enough guy. He testified for the company. At the end of
09:22:49 15 the day, he said they made me a scapegoat. Everybody knew
16 about these regulator reports, but they forced Schneider to
17 retire. I mean, you've got to be kidding me. The guy was a
18 scapegoat just like he said. They needed to dump stuff on
19 somebody. That's the kind of people you're dealing with.
09:23:08 20 Think about Elaine Markell, ladies and gentlemen.
21 She wanted to have a piece of that American dream, too, didn't
22 she? She lands this great job at Household. It's going to be
23 fantastic for her. And she gets in trouble.
24 Why does she get in trouble, ladies and gentlemen?
09:23:21 25 Because she has the audacity to want to tell the truth. Think

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1 about that. All she wanted to do was tell the truth. And

2 instead they told her, no, no, no. At this company, you've
3 got to fudge the numbers. She told you -- all these people,
4 Friedrich reported directly to Schoenholz, and they said they
09:23:42 5 set these targets for the delinquency numbers of two-plus and
6 you had to reach them or else. It was their way or the
7 highway, wasn't it, ladies and gentlemen? That's what was
8 going on here.
9 And she even appealed directly to Mr. Schoenholz and,
09:23:55 10 you know, it was funny. I asked him, did anybody ever tell
11 you you were using the re-aging to mask your delinquency? And
12 he hesitated on the witness stand, you know? He knew Markell
13 was coming and he had to say, okay, Elaine Markell told me
14 that.
09:24:09 15 She told him, ladies and gentlemen, and it didn't
16 matter because Mr. Schoenholz knew. He knew they were using
17 the re-aging and these other concealment techniques to mask
18 the two-plus numbers, to mask how bad their loan quality was.
19 He understood that. He didn't need Elaine Markell to tell him
09:24:27 20 that.
21 And what happened to her? Because she wanted to tell
22 the truth to a rating agency, these guys put her in the
23 penalty box. She wasn't allowed to go to that meeting, was
24 she? Why? Because she wanted to tell the truth. These are
09:24:43 25 the kind of issues we're dealing with, ladies and gentlemen,

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1 and that's sort of a big picture.
2 What I'd like to do is start in the nitty-gritty.
3 Let's talk a little bit about some of the timing of some of
4 the events that you've heard in this case.
09:25:07 5 So we put together, ladies and gentlemen, a timeline
6 that just sort of walks through some of the issues in this
7 case. So let's talk about that a little bit. We start out
8 here, ladies and gentlemen, in December 1998, and we talked
9 about this time frame, didn't we?
09:25:23 10 We talked about the fact that in December 1998, you
11 know, Gilmer is there, he's worried about growth and, in
12 particular, he's worried about the stock price, isn't he? He
13 wants to drive that stock price up. And those are those two
14 memos that you saw. I showed them in the opening statements.
09:25:42 15 And you'll have all the exhibits back in the jury room.
16 You'll be able to look at them and see them for yourself. I
17 won't go through them again.
18 And Aldinger and Schoenholz in this time frame, late
19 '98/early '99, they also bring in Andrew Kahr, the
09:25:54 20 opportunistic growth specialist I think is how they describe
21 him. So they bring Mr. Kahr in. These guys' job is to do one
22 thing, it's to drive growth. That's what they're trying to
23 do.
24 Let's think about that. What did they do? Well,
09:26:07 25 ladies and gentlemen, they had everybody engage in predatory

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1 practices. That's the evidence you've heard in this case.
2 That's what drove that growth. It wasn't good, solid work.
3 It wasn't a hustle. It was predatory practices.
4 Let's just take a look at one document that we used
09:26:23 5 early on in the case, I believe, that talks about the quality
6 assurance and control back in 1999. And if we cold look at

7 Plaintiffs' 717.
8 Plaintiffs' 717 was an internal audit plan that was
9 given to Mr. Schoenholz. He admitted that he read these
09:26:40 10 internal audit plans every year. And what does it tell us?
11 It tells us about their plan for the year coming in. And they
12 say during the first quarter of 1999, HFC will transfer branch
13 audit and training responsibilities to the district sales
14 managers from the quality assurance and control group.
09:27:03 15 Okay. They say that QAC has been performing these
16 functions, this audit and training. That had been done by
17 quality people, by quality assurance people. But now who are
18 they going to turn this over to? They're going to turn it
19 over to the DSMs, to the sales guys. That's who is going to
09:27:22 20 be responsible for audit? That's who is going to be
21 responsible for training?
22 But we know what happened with that. Guys like
23 Dennis Hueman got put in charge of training, didn't he? So
24 let's take a look.
09:27:34 25 What did they tell Mr. Schoenholz back here in the

1 beginning of the relevant time period or before the relevant
2 time period? They said the transfer of these audit
3 responsibilities back to DSMs creates additional risk, as
4 aggressive 1999 loan growth objectives can operate in direct
09:27:49 5 contrast to loan quality objectives.
6 What are they telling you? They're telling you, if
7 you give the sales guys control of audit and training, you
8 know what, you're going to have problems with loan quality
9 because those guys, they're the sellers. They're not worried
09:28:07 10 about how good the loan is. They just want to sell it.
11 Because under Mr. Gilmer's scheme, they are going to
12 get paid to make loans, aren't they? And they don't just tell
13 this to Mr. Schoenholz once, they tell it to Mr. Schoenholz
14 twice. Go a little later in the document and it says, in
09:28:21 15 early, I think it's 1999, the QAC audit and training will be
16 transferred to the DSMs following DSM training and
17 certification. The transfer of these responsibilities back to
18 the DSMs creates additional risk in the branches because loan
19 growth objectives can operate in direct contrast to loan
09:28:43 20 quality objectives.
21 So what are they telling Mr. Schoenholz here, ladies
22 and gentlemen? What was the message that he got? The message
23 was you've got aggressive 1999 loan growth objectives. We
24 know where those came from. Mr. Gilmer, right? All his
09:28:58 25 direct reports are supposed to tell him how much you grew last

1 month, how much are you going to grow next month? He's the
2 guy who set these aggressive growth targets.
3 And now they're saying at the same time, Schoenholz,
4 Aldinger and Gilmer, they're going to transfer the auditing
09:29:12 5 and the training to the sales guys, and they say that's a
6 risk. Sales guys don't care about loan quality. Sales guys
7 care about making loans because Mr. Gilmer is going to give
8 them compensation based on the number of loans. Think about
9 that, ladies and gentlemen. This wasn't an asset. They were
09:29:29 10 being told way back when this is a problem for you.
11 And so what happens, ladies and gentlemen? Let's

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         12   take a look at the chart.  You bring these guys in, get rid of
         13   stuff like QAC; you leave it in other people's hands.  What
         14   happens?  You have Lew Walter out there.  He's doing the
09:29:47 15   effective training.  He did it in five of the six regions of
         16   the country that year, didn't he?  That's because they let it
         17   happen, ladies and gentlemen.  They put the foxes in charge of
         18   the hens.  It's that simple.  Didn't they?
         19             So what ends up happening?  These practices, these
09:30:01 20   predatory practices that we've been talking about, they start
         21   to take root, don't they?  And that's what drives their
         22   growth.  It's the predatory practices that drive their growth
         23   upwards that allows them to report higher and higher income
         24   and EPS, isn't it?
09:30:16 25             And so what happens?  Investors, Wall Street people
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          1   look at that and they see these things start to take root.
          2   They just see the growth.  They don't know it's being
          3   generated by the foxes in charge of the henhouse, do they?
          4             So what happens?  The stock price goes up, ladies and
09:30:32  5   gentlemen.  They just go flying up when you get to 2000.  Once
          6   they start re-aging and these predatory practices, they show
          7   growth and the stock just goes jetting up.  I mean, it hits as
          8   high as something like 68, $69, and it started down here in
          9   the 40s.
09:30:49 10             So think about that, ladies and gentlemen.  It took
         11   root.  And once those predatory practices took root, they were
         12   able to make more loans, weren't they?  Effective rates trick
         13   people.  You get them to take a loan they shouldn't have
         14   taken.  Okay.  And that's what drives that growth and that's
09:31:05 15   what drives the stock price up.
         16             So, ladies and gentlemen, you say to yourself, well,
         17   you know, that's great.  You know, plaintiffs' counsel is
         18   telling me that's what happened.  Well, let's take a look at
         19   what the multistate working group of attorney generals told
09:31:19 20   them in the summer of 2002.  It just ain't me, ladies and
         21   gentlemen.  It's not just me.
         22             Let's look at what the AGs told them.  And you'll
         23   recall this is Plaintiffs' Exhibit 550, and it's dated August
         24   of 2002.  It was a letter from David Huey up in the Washington
09:31:38 25   attorney general's office on behalf of -- I think it's 13 or
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          1   15 attorney generals that are investigating Household.
          2             And he writes a letter.  It goes to Ms. Curtin and
          3   it's forwarded on to others at the company, including
          4   Ms. Sodeika, who was here, Ms. Hayden-Hakes, Mr. Detelich.
09:31:54  5   And what does he say on the last page of this exhibit?  He
          6   tells them, We note that several of the most insidiously
          7   deceptive sales practices which attracted regulatory attention
          8   to Household, practices at the outset, relate to products and
          9   practices initiated by Household in 1999.
09:32:13 10             1999, that's when they started engaging in what he
         11   calls insidiously deceptive sales practices.  Then he says,
         12   Industry figures indicate that since 1999, Household's
         13   originations have nearly doubled.  The number of loans they
         14   made, the number of deceptive loans they made, the number of
09:32:31 15   predatory loans they made have doubled after these practices
         16   got put in place in '99.  And he says, almost assuredly the
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17 misleading sales practices the states have identified have
18 contributed to that growth.
19 It's not just us, ladies and gentlemen. It's not
09:32:48 20 just us. They were telling these guys, look, we investigated
21 it. We see what happened here. You put in these deceptive
22 practices. The practices allowed you to double the number of
23 loans you were making. That's what drove this growth. And
24 that growth, that phony growth built on deceptive practices,
09:33:08 25 that growth increased the stock price, didn't it, ladies and

1 gentlemen? It's not just us. That's what the attorney
2 generals told them, too.
3 So let's take a look a little bit at the other part
4 of this equation. All through the relevant time period,
09:33:23 5 ladies and gentlemen -- and I'm sorry. I know this is a
6 little tough to see. I'll try to walk you through these
7 boxes.
8 All through the relevant period, they're talking,
9 aren't they? Every quarter Household has got a Q. Every year
09:33:34 10 they got a 10-K that comes out. And every time they put one
11 of those things out, right before it, they put out a press
12 release that basically has the same information. They just
13 keep talking, and they're telling people about their growth.
14 They're telling people about how great their loan quality is,
09:33:48 15 showing them those two-plus numbers that we know they forgot
16 to tell people about, all that re-aging that was going on.
17 That wasn't in those Qs and Ks, but they tell them
18 about that. They put in the phony numbers from the credit
19 card accounting, don't they? These are the statements that
09:34:03 20 they make. Their conduct and their statements go hand in
21 hand, ladies and gentlemen.
22 As they put out these press releases, I mean, these
23 are the things, combined with their practices, that drive the
24 stock price up during this period.
09:34:17 25 Let's talk a little bit about false and misleading

1 statements. Let's talk a little bit about your job as jurors.
2 If we could, I would like to pull up Plaintiffs' Demonstrative
3 165. And, ladies and gentlemen, the Court is going to
4 instruct you with the jury instructions. At any time we're
09:34:33 5 talking about jury instructions, I'm just going to tell you
6 flat out, you listen to the Court, to Judge Guzman. He's the
7 boss, not me. So he gets it right. I do my best, but you
8 listen to him. He's the final word. He's the only word.
9 So we look at the elements of 10b-5. Right? 10b-5
09:34:50 10 is just that part of the securities laws that you're here to
11 decide. And it says, Defendants made a false statement of
12 fact or omitted a fact that was necessary, in light of the
13 circumstances, to prevent a statement that was made from being
14 false and misleading.
09:35:03 15 So what are we talking about? We're talking about
16 false statements. We're talking about omissions. Where they
17 said one thing and they forget to tell you the rest, that's an
18 omission, right?
19 And so what do we have to prove? We have to prove a
09:35:14 20 false statement or omission. We think we've proved that to
21 you, ladies and gentlemen. We think we proved to you that all

22 these statements that we say are false are indeed false based
23 on what you heard from that witness stand.
24 What else do we have to show? We have to show it's
09:35:29 25 material. It's got to matter to an investor. It's got to be

1 something that they think is important in making a decision.
2 That's all. That's what materiality is. It's a simple
3 concept, right? Everybody does it every day. People tell you
4 something. Some things are important, some things you care
09:35:42 5 about, and some things you don't. That's materiality.
6 Let's get to state of mind, knowingly or reckless.
7 We have to show that the defendants acted knowingly or
8 recklessly. That's one of the things we'll be talking about
9 as we continue today.
09:35:53 10 And then finally we've got to show that a substantial
11 factor -- those statements were a substantial factor in
12 causing the plaintiffs' economic loss. That's why you had
13 Dr. Fischel here, to try to explain to you if there's a false
14 statement, this is what happens with the stock price. We'll
09:36:09 15 come back to that as well.
16 I do want to talk to you about a couple of things
17 that relate to these jury instructions. The first is, you're
18 going to see sometimes in the jury instructions something
19 about plaintiffs purchased stock. All right.
09:36:20 20 Now, we didn't put a plaintiff on the witness stand
21 because it wasn't an issue in this case. As this case is set
22 up, we don't have to put a plaintiff on the witness stand. In
23 fact, we didn't have to show you that anybody purchased the
24 stock just because the way this case is set up.
09:36:36 25 So don't be confused by that. That's not an issue.

1 And Mr. Kavaler, or whoever else closes for the defendants, is
2 not going to suggest that. You should just assume for
3 purposes of your analysis that people purchased during the
4 class period.
09:36:48 5 I think Mr. Schoenholz admitted it, so you saw that,
6 but that's why you don't have individual purchases before you.
7 That's why the plaintiff didn't testify, just so you
8 understand that. Don't get confused by that. The class is
9 everybody who bought between July 30, '99, and October 11,
09:37:04 10 2002.
11 All right. Now, let's talk about one other thing.
12 They're going to tell you that we have the burden of proof,
13 all right, as the plaintiffs. And that's true, you know?
14 It's a burden that we welcome, and we think it's a burden
09:37:17 15 we've met, but it's our burden of proof.
16 And what is the burden of proof? Preponderance of
17 the evidence. Now again, listen to the Court. But it's going
18 to say something like, is it more probably true than not true.
19 That's going to be what a preponderance is. There's going to
09:37:33 20 be some more in there, so listen carefully. But that's the
21 basic concept, more probably true than not true.
22 So what is it not, the burden of proof? It ain't
23 reasonable doubt, ladies and gentlemen. It is not reasonable
24 doubt. Okay. There's even a standard called clear and
09:37:50 25 convincing evidence. It's not that either. It's just more

1 probably true than not true.
2 When you're back there in that room and you're
3 talking to each other, you should be thinking, did those
4 plaintiffs tip that scale. That's really all it is. Did we
09:38:04 5 tip that scale a little bit in our favor? Because that's the
6 preponderance of the evidence and that's how you have to judge
7 the evidence in this case.
8 Now, let's talk about some other things on the
9 timeline. You know, you're going to hear that there were
09:38:19 10 consumer groups -- I told you this in the opening -- as early
11 as April of 2000, you had ACORN and people complaining about
12 Household. But what you have to remember at the same time is,
13 Household kept denying it, didn't they? They're saying they
14 weren't engaged in predatory lending. The people who should
09:38:38 15 have known best kept denying it.
16 And it ends up reaching a crescendo later on when you
17 get all the attorneys generals involved, after they've done
18 their investigations, after they've consulted with their
19 regulators where it just becomes a crescendo that tells you
09:38:51 20 they were predatory lenders. And that does happen.
21 But early on there were people asking questions.
22 Think in your own mind, how many times did Household deny it?
23 You're going to get a false statement chart. You can count it
24 up. I think it's at least 12 times just on the statements we
09:39:05 25 allege that are predatory lending, so think about that.

1 Now, let's talk a little bit about the March 2001
2 time frame, ladies and gentlemen. What happens in March 2001?
3 Well, you get -- their K goes out, and it's got false
4 statements about the two-plus, about predatory lending, about
09:39:24 5 credit card accounting that we allege.
6 Now, what else happens in March 2001? Schoenholz
7 orders the destruction of the Kahr memos, doesn't he? March
8 2001, look at where that is on that timeline. It's early.
9 It's way before the end. Why does he do that? He finds out
09:39:41 10 about this Providian company, all the problems they've been
11 having. All those got exacerbated by Mr. Kahr's memos.
12 What's going on, ladies and gentlemen? By March 2001
13 Schoenholz sees the end coming, doesn't he? He knows they're
14 going to get in trouble for this predatory lending stuff. He
09:40:02 15 knows he's going to be just like Providian, and he's sitting
16 on a pile of Kahr memos. And so as early as March of 2001, he
17 sees the end coming and he orders the destruction of the Kahr
18 memos, doesn't he?
19 Let's talk a little bit later. May of 2001. Let's
09:40:17 20 talk about that. By now, ladies and gentlemen, they've been
21 engaged in these deceptive practices, '99, 2000, beginning of
22 2001. What starts to happen? People start to realize, hey, I
23 got taken by these guys. These guys lied to me when I got my
24 loan. Isn't that what starts to happen? It just sort of
09:40:38 25 comes in. People are starting to complain.

1 And let's take a look, if we can, at the Carla Madura
2 memo from May of 2001 and see what she told Mr. Gilmer back on

3 May 25, 2001.
4 It's -- she's summing up the March and April attorney
09:40:54 5 general, Better Business Bureau and regulatory complaints.
6 And this is Plaintiffs' 794. And what does she do? She tells
7 them, hey, we're getting complaints about loan terms, you
8 know. We're getting these complaints, and like 25 percent of
9 them are all about this thing where people think they got a
09:41:14 10 rate of 7 or 7-1/2 percent and they didn't.
11 And she says -- she describes it and she says
12 effective rate. That's what she puts in her memo. She puts
13 it in quotes, effective rate. It's not like this was a secret
14 to the people getting this memo. They knew about the
09:41:30 15 effective rate. She puts it in quotes. She says it's
16 becoming more widespread. Seven of them have gotten up to
17 AGs, Better Business Bureau or regulators already.
18 Widespread; not the State of Washington, widespread.
19 The complaints start to come in, don't they? And so
09:41:47 20 let's see. The defendants tell you, oh, it's only seven
21 complaints. Ms. Sodeika came in. She did a huge
22 investigation after the media was talking about the effective
23 rate, after all the regulators were telling them they engaged
24 in the effective rate, and she said this isn't that many.
09:42:01 25 You saw the e-mails, ladies and gentlemen. You saw

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1 the memos. You understand that the DGMs, the guys running
2 these districts, they weren't even inputting all the
3 complaints they got. They tried to fix it down there before
4 it got to an AG or the Better Business Bureau.
09:42:15 5 And they even said in one of these e-mails, you don't
6 want to drive those customers to those people. No, no, no.
7 Attorneys general, regulators, Better Business Bureau, that
8 gets these guys a little concerned. That starts getting too
9 close to the real people that matter to them, not the
09:42:30 10 customers, not just their customers. They try to take care of
11 them. They just don't log in the complaints.
12 But, again, let's see what the people at the company
13 are saying. If we could bring up Plaintiffs' 798.
14 Plaintiffs' 798 is an e-mail that was written by Ned Hennigan.
09:42:46 15 Now, let's think about where Mr. Hennigan fit into the company
16 because he didn't come and testify, but there was evidence
17 about where he fit in.
18 You have Gary Gilmer. He's in charge of consumer
19 lending. Right beneath him is Detelich. You saw him testify.
09:43:01 20 He was the managing director of sales. He was in charge of
21 all of the sales guys, right beneath Gilmer. And then who was
22 under Mr. Detelich? He had three guys, three guys that ran
23 the three regions of the country, Hennigan, O'Han and Eden.
24 Those were the three guys that reported to Detelich who
09:43:19 25 reports directly to Mr. Gilmer.

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1 So Mr. Hennigan is way up. He's one of the top four
2 sales guys in this entire company. And you know what, ladies
3 and gentlemen? He's writing an e-mail about deceptive
4 practices. He's going to do some training, apparently, and he
09:43:34 5 talks about deceptive practices and he says, It's
6 communicating through written or verbal means something other
7 than what is legal or contractually correct. That's in that

8 first sentence there. And he goes on to say, In other words,
9 deceptive and unethical.
09:43:48 10 Okay. It doesn't sound like Mr. Hennigan had much
11 problem with figuring out what was a predatory practice.
12 Everybody wants to get up here and tell you, it's in the eye
13 of the beholder. No, it wasn't. It was deceptive and
14 unethical. He got it, didn't he? It was a simple thing
09:44:03 15 before you were sitting on a witness stand in a lawsuit,
16 wasn't it?
17 Now, what does he talk about? He talks about the
18 evidence that the company was engaged in these practices, and
19 he says AG, Better Business Bureau and regulatory complaints
09:44:17 20 that were reported in March and April reference term issues.
21 What's he talking about? He's talking about
22 Ms. Madura's memo. He got it, too. He's talking about just
23 what she was talking about: March and April AG, Better
24 Business Bureau and regulatory complaints. She sent it out in
09:44:36 25 May, didn't she, ladies and gentlemen? She said there were

1 seven complaints, 25 percent.
2 That's exactly what he's talking about in his e-mail
3 a month later. And what does he say about it? He says seven
4 complaints cited that the customer was promised a 7 or 7-1/2
09:44:53 5 percent rate, and he writes down equivalent rate. You get it,
6 ladies and gentlemen. They use those words interchangeably.
7 You heard it, equivalent rate, effective rate, same thing,
8 same exact thing.
9 And here's Mr. Hennigan's report. She tells him
09:45:07 10 about effective rate. He knows it. It's equivalent rate.
11 They all know the game. They all know the scam, don't they?
12 They may have different names, but they all know the game that
13 they play. So what does he say? What does he say about it?
14 "And these are only the complaints that made it to
09:45:21 15 this level." And then he puts three exclamation points at the
16 end. So when these people come in and tell you that that was
17 every complaint when Ms. Madura wrote her memo, Mr. Hennigan
18 knew, didn't he? He said those are the only ones that got all
19 the way up there.
09:45:39 20 He's telling you right in this document, it's the tip
21 of the iceberg. Equivalent rate, effective rate, they're
22 pretty familiar with those words. You know why? Because they
23 knew Mr. Walter had been out training on the effective rate.
24 Heck, Dennis Hueman was doing the same kind of scam in the
09:45:56 25 other regions.

1 So, ladies and gentlemen, let's keep moving on. What
2 does Mr. Gilmer do? What does he do about this? Well, you
3 would think that he would have ordered an immediate effective
4 rate investigation, right? Let's get to the bottom of this
09:46:08 5 and find out what's going on. Let's find out how many
6 customers have been hurt. Does he do that in 2001? No,
7 ladies and gentlemen, he doesn't do that in 2001.
8 I asked Ms. Sodeika when she was on the witness
9 stand, I said, Can I see a copy of the report you did in 2001
09:46:22 10 when you found out about Ms. Madura's stuff? She goes, oh,
11 there is no report from 2001.
12 Why was there no report from 2001, ladies and

13 gentlemen? Because they didn't care in 2001, ladies and
14 gentlemen. They didn't have the media splashing articles like
09:46:38 15 they did in the summer of 2002 about them using the effective
16 rate. They didn't have state attorney generals telling them
17 you owe us money; you've got to make refunds because of this
18 effective rate. Those things hadn't happened.
19 So what did they do instead? Instead of ordering an
09:46:53 20 investigation, Mr. Gilmer orders the purge, the blitz purge.
21 You heard Ms. Sodeika on the stand. They don't like that
22 word, blitz purge. It sounds bad, doesn't it? It is bad,
23 isn't it?
24 So she says to me, well, you can call it that. I
09:47:08 25 said, I didn't call it that; you called it that. And I showed

1 her the e-mail where she called it a blitz purge. And you'll
2 see others in their documents that refer to it as a blitz
3 purge, because that's what they did, ladies and gentlemen.
4 They got rid of the evidence.
09:47:20 5 Isn't that what Mr. Gilmer wanted? He wasn't worried
6 about unauthorized training and unauthorized videos. He was
7 worried about whatever was in those files that showed them
8 doing the effective rate, and Lord knows what other things
9 they were up to. All right?
09:47:34 10 We've seen Ms. Ghiglieri testify about some of them.
11 So that's what he does. He says get rid of it. Get rid of it
12 all. And so let's take a look. He sends out this big e-mail
13 telling people, you know, we've got to do the right thing
14 here, get rid of unauthorized things.
09:47:50 15 Well, what happens? Let's take a look at Plaintiffs'
16 796. He apparently gets a bunch of e-mails back from people
17 saying, yeah, yeah, yeah, okay, we're on top of it, right?
18 Well, he also gets one from Mr. Hennigan again, doesn't he?
19 And what does Mr. Hennigan tell him in Plaintiffs'
09:48:04 20 798? He writes him back and he says, Gary, I just finished
21 reading the affirmatives sent back to you from each of my DGMs
22 suggesting that all is well. Mr. Hennigan is the regional
23 general manager of those DGMs, 16. Some of them report
24 directly to him. And he says, I'm sure they believe all is in
09:48:21 25 compliance, albeit the facts would suggest that in many cases

1 they are not.
2 Okay. So here's the RGM telling Gilmer, you've got
3 to be kidding me? People are writing me back saying
4 everything's okay? It isn't okay, is it, ladies and
09:48:39 5 gentlemen? It's not okay. That's what he's telling them.
6 So what did Mr. Gilmer do when he got this? And
7 Mr. Gilmer said he was going to fire Dennis Hueman but never
8 did. He did nothing. I said, did you get back to Hennigan?
9 No. He didn't care, ladies and gentlemen. Let's take him at
09:48:54 10 his word. He said he knew what was going on in his branches.
11 That's what he said on the witness stand. You bet he did. He
12 knew exactly what was going on in those branches just like he
13 said. He didn't need Mr. Hennigan telling him all wasn't
14 well. He knew all wasn't well.
09:49:07 15 And how did those DSMs and others interpret this
16 blitz purge order that came from the very top? Well, let's
17 take a look at Plaintiffs' 796. It's an e-mail from Beth

18 Hansgen. She was a DSM, a district sales manager, not a DGM,
19 but that intervening level above the branch people.
09:49:23 20 And what does she tell her people two weeks later?
21 She says, Check all the PCs in your office to see if there are
22 any letters that have been written by account executives to
23 customers. These are unauthorized letters that must be
24 deleted immediately. Please make sure your AEs know the
09:49:41 25 consequences. This is serious and you need to be a hundred

1 percent sure your AEs understand.
2 Now, tell me something, ladies and gentlemen. This
3 ain't about getting rid of unauthorized training materials.
4 It's about getting rid of all the letters you ever wrote to a
09:49:58 5 customer. Why? Because you didn't want that evidence out
6 there, ladies and gentlemen. You didn't want it when we came
7 looking for it. That's what's going on here. They blitz
8 purged, get rid of it.
9 They don't investigate it and try to figure out which
09:50:12 10 customers got taken, which customers got screwed. No, they
11 don't try to do that. They blitz purge, get rid of the
12 correspondence. Shouldn't you have been looking at that
13 correspondence and saying, which ones of these people got
14 presented the effective rate? That's what you should have
09:50:26 15 done. But instead you just get rid of it, don't you, ladies
16 and gentlemen?
17 Let's take a look. What's going on? We get to June
18 2001, the Hueman video. You know what, ladies and gentlemen?
19 You've seen so much about the Dennis Hueman video and Dennis
09:50:41 20 Hueman, I promise I ain't even going to talk to you about it
21 this morning, okay?
22 You saw that thing. You know, Mr. Gilmer said it was
23 despicable, I think were his words. He said if I had seen
24 that five years ago, I would have fired him, didn't he?
09:50:53 25 Except that Mr. O'Han got on the witness stand later and said,

1 yeah, Detelich and Gilmer called me and said they'd watched
2 the Hueman video. Well, he didn't fire him, did he? That's
3 another story, another lie you heard on the witness stand.
4 So put that aside. And let's move on. What happens
09:51:10 5 next? There's one thing I want to point out to you on the
6 stock chart, and Professor Bajaj touched on it. You've got a
7 big drop in here. That's the September 11, 2001, drop, ladies
8 and gentlemen. The whole market got hit.
9 And that's why Professor Fischel doesn't include any
09:51:25 10 part of that in the lawsuit, in the damages for our clients,
11 because that's something the whole market got hit by, an
12 event. So you'll see that despite Dr. Bajaj's testimony, the
13 stock rallied after that. Household came back. They came
14 back.
09:51:40 15 And so what do we have? We have the disclosure
16 period. What did Fischel do? He told you what he did. He
17 said, I do a statistical analysis and I try to figure out
18 what's the first date where I can see Household moving
19 different from its peers and different from the stock market
09:51:56 20 in general, right? He does a statistical analysis to figure
21 that out.
22 And he says it's November 14, 2001, the California

23 lawsuit. And he says during this time frame, information
24 comes out about Household. He says specific disclosures --
09:52:09 25 he's got 14 of them that are statistically significant. Then

1 he says as to the other disclosures, the leakage model, he
2 says, it was like a drum beat coming out every day. Just a
3 drum beat coming out every day.
4 And so what else is going on during this time period,
09:52:25 5 ladies and gentlemen? Well, you get investors asking a lot of
6 questions about re-aging, don't you? When Mr. Aldinger was on
7 the witness stand, he conceded they were nervous about it and
8 he went out and ordered that KPMG study. We'll talk about
9 that later as well.
09:52:39 10 So, ladies and gentlemen, then you've got the
11 statements that are unquestionably false and misleading.
12 March 2002 10-K, they put in information about re-aging and
13 what did you hear from Mr. Aldinger? It was materially false
14 and misleading. That's what he told you, right? March 2002.
09:52:55 15 April 2002, Schoenholz goes to that FRC conference
16 with all those people and he gives false statements, doesn't
17 he, about the re-aging and about the recidivism. He makes
18 false statements. So you say to yourself, geez, why are they
19 making all those false statements right there back to back in
09:53:13 20 March and April 2002?
21 That's an interesting question, isn't it? Why are
22 they making those statements in that time period? You know
23 why, ladies and gentlemen? Aldinger is meeting with Wells
24 Fargo, isn't he? That's when he's trying to get his deal done
09:53:27 25 for over 60 bucks a share. He's trying to get out. He's

1 meeting with Wells Fargo, and that's one of the reasons that
2 they're lying.
3 April 2002 is that Washington DFI report. You heard
4 testimony, I think from Ms. Hakes or Mr. Streem, about them
09:53:42 5 seeking an injunction to try to keep that report secret. All
6 right.
7 We go on. May of 2002, Wells Fargo finally gets to
8 look at the books, don't they? They get to go inside the
9 company and look at those books. They see what our clients
09:53:54 10 never saw, don't they? And when they see that, ladies and
11 gentlemen, they just walk away. Huh-huh. They don't want any
12 part of Household.
13 And then what happens after that, ladies and
14 gentlemen? Well, you get -- more information comes out about
09:54:05 15 predatory lending with the attorneys generals. People are
16 speculating on how much people are going to have to pay.
17 You get another thing that happens. August 2002,
18 that's when they finally restate for their credit card
19 accounting, the phony credit card accounting, and that affects
09:54:23 20 everything all the way back. Every 10-Q, every 10-K, every
21 press release is false, absolutely false. They admitted it
22 was false when they restated it. That's the income. That's
23 their earnings per share. That's what they admitted in that
24 restatement. So that information comes out.
09:54:37 25 All this information starts to come out, doesn't it?

1 Wells Fargo finds out about the re-aging issues. Information
2 starts to -- continues to get out as it started in the
3 beginning of November 2001.
4 And where do we end up, ladies and gentlemen? What
09:54:52 5 happens in August 2002? Boy, they get rid of the rest of
6 those Kahr memos. Those AGs are sniffing around now, sending
7 them all sorts of correspondence that we saw, and they're
8 worried about that. You saw Aldinger and Schoenholz were both
9 on the next one where they say, gee, get rid of the e-mails,
09:55:08 10 too. By the way, cut off Kahr's e-mail account. We don't
11 need any new ones coming in. They don't want that stuff
12 sitting in their files when those AGs come after them, do
13 they?
14 So what ultimately happens, ladies and gentlemen?
09:55:18 15 You see that in September 2002, Mr. Ancona, the treasurer of
16 the company, says 350 we might be able to do, 350 million.
17 500 million is a risk to the company. Ultimately, they settle
18 with the AGs for 484 million. And you know it's material,
19 ladies and gentlemen. There's no question about that. You
09:55:35 20 saw the e-mail from the treasurer of the company saying 500
21 million would be a risk to the company. A risk. Okay.
22 There's no question of that announcement.
23 What ends up happening at the end? They lose Wells
24 Fargo. Those guys are off the hook after they see the due
09:55:51 25 diligence material, don't they? Mr. Schoenholz testified,

1 ultimately we sold the company to HSBC for about $30 per
2 share. Think about that, ladies and gentlemen. Think about
3 that.
4 I'm not a damages expert, okay. I'm not a
09:56:07 5 statistician. I don't even know if I ever took an economics
6 course, so I'm not the best guy in the world to explain
7 damages. I mean, I'll do my best today. But I'll tell you
8 one thing, I can look at this chart and tell you what
9 happened.
09:56:18 10 I can see that they were trying to peddle this
11 company for over $60 a share to Wells Fargo. Stock was
12 trading up here as high as 68, $69. And then as that truth
13 came out, that truth came out about two-plus and re-aging and
14 predatory lending and credit card -- phony credit card
09:56:39 15 accounting, what happened? That stock went down, down, down
16 and down. And they ended up selling it for 30.
17 Well, I'm not an economist. I'm not a damages
18 expert, but I know that 50, 66 minus 30 leaves me with a stock
19 drop of somewhere between 30, 36, $37, doesn't it? You can
09:57:05 20 see when you look at a stock chart what happened to this
21 company as the truth started to get into the market. The
22 stock got killed as the truth came out. That's why we're
23 here.
24 And so putting aside damages experts testifying to
09:57:19 25 you, you can see it, can't you? It's as plain as day. It's

1 just a matter of quantifying how much of it related
2 specifically to these issues as opposed to the market
3 generally or their industry. That's why we had Dr. Fischel

4 testify.
09:57:34 5 Ladies and gentlemen, that's sort of an overview of
6 the timing of this. But let's take a look at some of the
7 specific issues that you're going to have to address as we go
8 through this, so we'll get rid of the timeline. We're
9 apparently getting rid of Mr. Kavaler as well.
09:57:51 10 (Laughter.)
11 MR. DOWD: Let's talk about the first one of these
12 things, predatory lending. All right. We spent a lot of time
13 early in the case talking to you about predatory lending.
14 And, you know, there's no question. It's deceptive, illegal.
09:58:21 15 Those are the issues you're dealing with, deceptive or
16 illegal.
17 And when we're talking about predatory lending and
18 statements about predatory lending, I want you to think about
19 something. All right. What was a constant? A constant in
09:58:33 20 this case is that the defendants and Household spokespersons
21 denied that Household engaged in predatory lending practices.
22 All the time. While they're sitting on the witness stand, all
23 the time they denied predatory lending, didn't they? That's
24 what's fought back. That's what's competed about other news
09:58:53 25 coming out.

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1 So you'll see when you go through those false
2 statements -- and we put them all into evidence --
3 Mr. Aldinger, Mr. Gilmer, Mr. Schoenholz, they all personally
4 made statements in newspapers denying predatory lending, each
09:59:07 5 one of them. Those are all on your false statement charts.
6 And then they made other statements that we say are
7 false in the 10-Ks and all their press releases where they
8 talk about growth. They talk about growth, but they didn't
9 talk about the predatory lending that generated that growth.
09:59:22 10 And that's going to be up to you. When you see those
11 statements that they made, do you believe they had a duty to
12 tell everybody the rest of that, to tell them the part they
13 omitted. Oh, by the way, we got growth but it ain't
14 sustainable and we can't keep it going because it's all based
09:59:39 15 on predatory and deceptive practices. Those are the types of
16 statements they made directly. So then you have Ms.
17 Hayden-Hakes and Mr. Streem, and they made statements, didn't
18 they, ladies and gentlemen? Now, when Hayden-Hakes and Streem
19 were making statements, they're Household's corporate
09:59:55 20 spokespersons, aren't they? When they speak, it's Household
21 speaking. And that's an important thing.
22 It would be a curious system of laws we have where
23 you could say, gee, we had Ms. Hakes make all the statements
24 and she might not have known all the details about predatory
10:00:15 25 lending and, therefore, we've lied, but it's okay. That ain't

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1 the law, ladies and gentlemen. That ain't the law, and the
2 judge is going to tell you that. He's going to explain to you
3 that when she speaks, she's speaking as Household. And if the
4 people at Household -- if those people knew that those
10:00:32 5 statements were false when she was making them, Household is
6 on the hook for that.
7 And you're going to hear that if the defendants
8 furnished information, provided information that went into

9 those statements, if they approved those statements, you're
10:00:45 10 going to find they're on the hook for those statements, too.
11 So bear that in mind. Just because you let Hayden-Hakes or
12 Streem do the talking, you don't get out of it. Okay. That's
13 an important thing you'll hear in the jury instructions.
14 Let's talk about some of the other issues that we
10:01:00 15 heard in this case. Let's start and take a look at a couple
16 of the statements Ms. Hayden-Hakes made, because these are the
17 kind of statements you're going to have to deal with. We'll
18 take a look at Plaintiffs' Exhibit -- I think it's 1446,
19 ladies and gentlemen. It's a May 2002 article that was in the
10:01:15 20 American Banker.
21 Okay. So it's about the company seeking an
22 injunction to prevent the release of a Washington DFI report,
23 which is Exhibit 290. And you see what Ms. Hakes says. She
24 tells -- she tells the newspaper that some customers in
10:01:31 25 Bellingham may indeed have been justified in their confusion

1 about the rate of their loan. But Household took full and
2 prompt responsibility, ladies and gentlemen. They're always
3 going to say they do, don't they? And then they say Household
4 is satisfied that this situation was localized to the
10:01:45 5 Bellingham branch.
6 Come on, ladies and gentlemen. May of 2002,
7 localized to the Bellingham branch? They knew that was a lie
8 then, didn't they? They knew they were doing effective rates
9 back in 1999. They knew about those complaints back in 2001.
10:02:00 10 Mr. Hennigan didn't know this was a lie? Mr. Gilmer didn't
11 know this was a lie? Of course they did. Of course they did.
12 You've seen -- you've seen the evidence. You've seen the
13 regulators' reports. They knew, ladies and gentlemen. They
14 knew it had nothing to do with just being limited to
10:02:14 15 Bellingham. That was a lie when they said it.
16 Let's take a look at another one. Let's take a look
17 at Plaintiffs' 1447 if we can. It's another statement. It's
18 like about a month later, July 2002.
19 And it's in the Oregonian. And now Ms. Hayden speaks
10:02:34 20 again. She says, We've made mistakes. Is there a companywide
21 pattern of abuse? Absolutely not. Ladies and gentlemen, the
22 evidence in this case has shown you a companywide pattern of
23 abuse.
24 By the time they're making these statements, they
10:02:47 25 know that the regulators were all over them. They know the

1 attorney generals were all over them. They know that these
2 people had found, yeah, you did engage in a nationwide pattern
3 of abuse. It's not just me saying it. It's not just
4 Mr. Burkholz or Mr. Drosman saying it. The AGs were telling
10:03:01 5 them, ladies and gentlemen. The regulators were telling them.
6 They knew when they made this statement that it was false.
7 They all knew. And, again, if you say Ms. Hakes seemed like a
8 nice lady and maybe she didn't know, doesn't get them off the
9 hook. When Hakes speaks, Household speaks. It's that simple.
10:03:17 10 Now, let's talk a little bit more about some of the
11 evidence of predatory lending. I'll try to go through this
12 quickly because I think you've heard an awful lot about it.
13 Ms. Ghiglieri testified. She testified that

14 Household engaged in widespread predatory lending practices.
15 She was a witness that was on the stand the longest in this
16 case. I think altogether she was up there for nine, ten hours
17 between direct and cross.
18 And she walked you through all those predatory
19 practices that the company engaged in, didn't she? So what
10:03:44 20 did the defendants say? They bring in Mr. Bley, and they say,
21 well, gee, you know Cathy Ghiglieri, she was a bank regulator.
22 She was a bank regulator and we're a thrift company, you know,
23 so her testimony should be discounted somehow.
24 Think about that, ladies and gentlemen. I'm sure
10:04:02 25 where you're from it's just like where I'm from, okay. If

1 it's deceptive and unlawful, it's deceptive and unlawful
2 everywhere, isn't it? I mean, there's no confusion about
3 that. She told us the same rules about stuff like that apply.
4 You can't just say we're a thrift company so it's okay to lie.
10:04:21 5 That's just a phony story to begin with.
6 And then ask yourself this: If she didn't know what
7 she was talking about, how come the defendants called her when
8 they were looking for an expert? They weren't worried about
9 her being a bank regulator then, were they? No, not at all.
10:04:38 10 That's just to try to throw you off the scent, like many of
11 the things that you've heard in this case.
12 Let's take a look at those practices and we'll try to
13 do it quickly. Let's take a look at the practices that
14 Ms. Ghiglieri referred to. She talked about effective and
10:04:55 15 equivalent rate. We'll talk about that as we go through this.
16 She talked about insurance packing. She talked about failure
17 to properly disclose things to customers. She talked about
18 excessive points and fees, loan splitting, prepayment
19 penalties, loan flipping, and finally equity stripping and
10:05:07 20 closing the back door, which kind of ties together.
21 She walked you through all that stuff. She showed
22 you regulator reports that talked about it. It wasn't just
23 her. She was basing it on the evidence she saw in their
24 files, what they knew, what they were told. That's what she
10:05:20 25 based it on, their e-mails, their internal documents. So,

1 ladies and gentlemen, let's talk about these pretty quickly.
2 All right. What we've done here is we've put up
3 exhibit numbers. So if you want, you can try to write them
4 down. It may be helpful, but we're going to go through it
10:05:34 5 pretty quickly. You're going to see all these things when you
6 get back there because there's a host of exhibits that relate
7 to the effective or equivalent rate.
8 And you know what effective and equivalent rate is.
9 It was the presentation they used to mislead customers about
10:05:47 10 their rates, wasn't it? And that's the list of the exhibits
11 that relate to it. And, again, we'll come back to effective
12 rate.
13 There's one thing I want to talk to you about
14 effective rate before we move on. You know, when you
10:05:58 15 hoodwinked somebody with an effective rate presentation and
16 got them to take a loan, you didn't just get them to take the
17 loan, did you? Because 75 percent of the time, that turned
18 into insurance, too, didn't it? Points and fees, everything

19 else.
10:06:13 20 So when you use the effective rate, it doesn't just
21 affect that loan. They pack on a bunch of other dough on top
22 of it because they peddle you the insurance, other things like
23 that. That's how they drove that growth, through stuff like
24 effective rate because they were able to give them other
10:06:29 25 products, too, on top of it.

1 So let's take a look at the next one: Insurance
2 packing. They included insurance on loans when the customer
3 had not requested it and didn't know about it, when they
4 pressured customers to purchase insurance by falsely
10:06:45 5 representing it was required or when the customer came into
6 the closing and telling them we'll have to redo the loan
7 papers and you'll have to come back.
8 These are all things the regulators found. They're
9 in those documents that you'll see. And insurance packing,
10:06:58 10 think about what Mr. Gilmer did. He gave people commissions
11 to sell insurance. He set targets of 75 percent. And there
12 was a document we showed with Ms. Sodeika last week. They
13 were actually hitting at that range. They were selling that
14 much insurance to people on these loans, okay.
10:07:13 15 He was the one who put those practices into place.
16 And yet I showed him a letter that he got from one of the
17 federal regulators. It was very early on in the trial. I
18 think it's OTS. They wrote him a letter about their review,
19 their audit of some branches down in Fort Worth and Dallas.
10:07:29 20 It was a -- it was about the Household Bank. And it
21 said in there like, hey, you know, your people are telling
22 people a lot of weird stuff about insurance down here.
23 They're telling people, yeah, you can get double insurance.
24 They're putting a lot of pressure on people to buy insurance.
10:07:46 25 And from talking to these people, we find out you're giving

1 them commissions to add insurance.
2 And they were like, is that a good idea? I mean, I
3 don't know if they came out and said is that a good idea, but
4 they say, we'd like some more information and feedback as to
10:08:00 5 why you're paying people commission to sell insurance.
6 It was people like Mr. Gilmer that put these things
7 into place. They set targets for insurance. They did do
8 insurance packing. They were warned by regulators about the
9 danger of paying commissions for stuff like that. They didn't
10:08:15 10 care, though, because it drove growth. They didn't care that
11 their people were lying to customers, did they?
12 So let's move on. Failure to properly disclose. You
13 heard a lot about this one, ladies and gentlemen. This is the
14 good faith estimate forms. It's where they tell you zero to
10:08:32 15 $6,000, zero to $7,000 on that good faith estimate form that
16 they have to give.
17 They knew they were always going to be at the upper
18 end of that range. They knew that, but they tried to mislead
19 you when you went in to get the loan, didn't they? And that's
10:08:45 20 what they were trying to do. That's the issue with regard to
21 failure to properly disclose. We're putting the exhibit
22 numbers down there.
23 Excessive points and fees. This is the whole issue

24 of discount points. And there's some very good descriptions
10:09:00 25 of it in some of the regulator reports. There's one in the

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1 Washington DFI report and there's some in some of the other
2 reports as well.
3 This is the whole concept where they told you, you
4 know, well, you could pay seven points, $7,000 on a $100,000
10:09:11 5 loan, and then that will get you a better rate. But it didn't
6 get you a better rate. They were charging seven points to
7 everybody they could. It was a game.
8 There was no negotiation as they described it or as
9 Ms. Ghiglieri described it. There was no negotiation with the
10:09:28 10 customer over the rate they were getting. They were trying to
11 stick everybody with seven unless it was a state where they
12 could only charge five and then they stuck you with five.
13 There weren't discount points.
14 We even saw one of their policy documents that's
10:09:38 15 coming into evidence where they say you're supposed to charge
16 everybody seven, seven and a half, and then they say five in a
17 state that limits you to five. So they weren't giving these
18 people a choice on their rates. These weren't discount
19 points, and that's one of the things the regulators found.
10:09:52 20 Loan splitting. That's where you walk in there to
21 get a loan and the next thing you know, you've got two loans.
22 The second loan is to pay for all the insurance, points, fees
23 and costs; and on that one, you can pay up to 24 percent on
24 that second loan when you went in there to get that one loan.
25 That's loan splitting.

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1 Prepayment penalties. You've really got two issues
2 here. They hid prepayment penalties without accurately
3 disclosing them to customers. Secondly, they had this whole
4 game with AMTPA, the Parity Act, where they wanted to claim
10:10:22 5 that one of their products, the pay right rewards, qualified
6 as an alternative mortgage so that they could charge
7 prepayment penalties in states that prohibit it. Ultimately,
8 the states came back and said, no, no, no, you can't be doing
9 that. You can't be doing that. Okay? Not in my state. That
10:10:38 10 doesn't qualify as an alternative loan product.
11 And so ultimately they lost on that one. And you'll
12 see that in the information from the AGs as well.
13 Loan flipping. Loan flipping is just turning that
14 loan again and again and again; getting guys in there, getting
10:10:54 15 them a new loan. Again, that eats furthers and further and
16 further. And every time you get a new loan, you pay more
17 points, fees, cost of insurance. You'll read about that in
18 those regulator reports as well.
19 Equity stripping and blocking the back door. That's
10:11:08 20 the whole idea, wasn't it, ladies and gentlemen? They try to
21 strip any equity you've got in the house and try to block the
22 back door with stuff like prepayment penalties. And that's
23 all just to keep you there, to prevent attrition, as they call
24 it.
10:11:18 25 But what happens is they use all these practices, all

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         1    these practices to drive that phony growth, don't they?
         2              So what else do we see, ladies and gentlemen?  We see
         3    the regulators.  The regulator reports, we put a list up here
         4    for them and you'll see that when you get back in there and
10:11:38  5    look at the exhibits.  The regulators kept warning Household
         6    about it.
         7              We did a lot of them with Mr. Gilmer, you know, where
         8    we showed him regulator reports, a lot with Ms. Ghiglieri.
         9    They were showed all these documents.  They were being told
10:11:48 10    they were improper.  Okay?  They didn't care.  Because all
        11    they cared about was growth in the stock price, phony growth
        12    generated by the predatory practices.
        13              And you heard Mr. Cross.  We played him on a
        14    videotaped deposition, the Washington regulator.  Remember
10:12:01 15    that guy?  And he even told you at one point during his
        16    testimony, he said something like, well, customers come in and
        17    complain.  You know, at first you go to the company and they
        18    say, oh, that's hogwash.  And he goes, you're kind of inclined
        19    to believe them because it's like a big company and then
10:12:14 20    you've got some customer complaining.  But then it just kept
        21    being the same stuff.  People were telling the same stories.
        22              And then what happened?  Washington was finding these
        23    things and so were people in other parts of the country, so
        24    were other regulators and attorneys general, and it built.  It
10:12:29 25    built from 12 states telling them you're engaging in predatory
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         1    practices to 15 to over 20 to over 25 to ultimately where they
         2    ended up with all of them.  So, ladies and gentlemen, take a
         3    look at those regulator reports as you go through these
         4    issues.
10:12:42  5              Let's talk a little bit more about predatory lending.
         6    I want you to know that, you know, we had the -- Household was
         7    investigated by the attorney generals.  They found widespread
         8    and pervasive predatory practices.  They ended up settling for
         9    484 million.
10:12:59 10              You know, ladies and gentlemen, that 484, that's just
        11    to show you that this was a material issue.  I mean, this
        12    wasn't some joke.  I mean, 484, as Mr. Ancona put it, was a
        13    risk to the company, 500 million.  So you understand that this
        14    was material.  This was important.  All right?
10:13:14 15              Let's take a look at Plaintiffs' -- I think it's 516.
        16    And this is just an example.  This is a memo that came from
        17    Mr. Huey.  He was the guy in the Washington AG's office who
        18    was talking on behalf of these other AGs.  I think at this
        19    point there were 13 or 15 states that were dealing with
10:13:31 20    Household.
        21              And he sends it to Ms. Curtin.  She forwards it on to
        22    others at the company.  Let's take a look at what he was
        23    telling these people.
        24              This is June of 2002, ladies and gentlemen.  And he
10:13:47 25    tells them a number of states through their AG's offices,
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         1    through their financial regulatory agencies, have been
         2    investigating Household residential mortgage practices.  These
         3    investigations have revealed Household engages in widespread
         4    lending patterns and practices that violate both state and
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10:14:02 5 federal law.
6 Then he goes through them, ladies and gentlemen. He
7 talks about these significant patterns and practices. He says
8 they're national in scope, not confined to a single branch
9 office. Then he walks through them one after another.
10:14:16 10 Splitting loans, that's those side loans, ladies and
11 gentlemen. He talks about misrepresenting the loan fees. He
12 talks about this discount fee issue, the discount fees.
13 Then he goes on to talk at the top of the second page
14 about the good faith estimate being too great. I mean, when
10:14:33 15 you're telling people zero to $7,000, it ain't right. That's
16 what he's telling them.
17 Then he talks about misrepresenting the rate of
18 interest. There he's talking about effective rate and issues
19 like that. He talks about flipping in the next one,
10:14:46 20 equity-based lending, flipping. He talks about packing
21 insurance, single premium credit insurance. Then he goes on
22 to talk about imposing prepayment penalties.
23 You need to look at these documents, ladies and
24 gentlemen. But when you look at them, think, it ain't just us
10:15:01 25 saying it. These are attorney generals from 12 to 15 states

1 telling these guys, we've done investigations and this is
2 what's going on out there. It ain't just us.
3 Let's take a look -- look a little bit further. We
4 talk about materiality. Well, ladies and gentlemen, you know,
10:15:17 5 we know the 484. Mr. Devor testified in this case -- he was
6 our expert in accounting -- and he said that he's seen
7 internal company documents where they estimate the refunds at
8 3.2 billion. That's what he said, okay, for these practices.
9 We know the number ended up lower than that ultimately when
10:15:36 10 they settled, but he talked about loan splitting,
11 misrepresenting fees, misrepresenting interest, insurance
12 packing and prepayment penalties.
13 So we know, ladies and gentlemen, we know that this
14 was a material issue, that this was far widespread, that we
10:15:51 15 weren't talking about 47 complaints. And how did he come up
16 with that? Well, we didn't show the documents to Mr. Devor,
17 but they came in later in the evidence. All right.
18 And if we can pull up plaintiffs' demonstratives,
19 you'll see. There's a Plaintiffs' Exhibit 681 that came into
10:16:09 20 evidence, ladies and gentlemen. 681 was an estimate of AG
21 costs, and it was a document prepared July 2002. That's what
22 the string says on it at the bottom.
23 And that document estimates -- contains estimates of
24 AG costs, Household figuring out how much they were going to
10:16:33 25 owe on these things. Okay. It talks about side loans. You

1 can see it in the upper left-hand corner, side loans. Points.
2 Interest rates. Equity-based lending. Single premium credit
3 insurance. Prepayment penalties.
4 And they list the numbers out there in millions. 217
10:16:53 5 million for side loans. Over a billion for points. Over 1.2
6 billion for interest rate. Over 66 million for this
7 equity-based lending. Over -- I believe it's 460 million for
8 the single premium credit insurance. And prepayment
9 penalties, 161 million.

10:17:12 10 So you say, okay, well, this is just a piece of paper
11 in their files, right? No. Mr. Devor told you he relied on
12 it. But where does it come from? How do you tie it to this
13 stuff?
14 Ladies and gentlemen, when you get back there, you
10:17:24 15 take that Exhibit 681 and you compare it to Exhibit 516, the
16 one that came from the attorney generals. And you'll see, as
17 we go to the next exhibit, they tracked right down. The AGs
18 list out all those practices we just talked about in that
19 exhibit, splitting loans, misrepresenting loan fees,
10:17:44 20 misrepresenting rate of interest, engaging in equity-based
21 lending, packing single premium credit insurance, imposing
22 prepayment penalties.
23 And it's obvious that they're figuring out what the
24 costs are as to how much they think they are on the hook for
10:17:58 25 that. But the evidence is uncontroverted for Mr. Devor. He

1 told you it was 3.2 billion. You didn't hear anybody say
2 anything else. They didn't call an accountant to tell you
3 anything else.
4 So let's keep talking, ladies and gentlemen. We'll
10:18:12 5 spend a couple of minutes now talking about, I believe, the
6 effective rate. Let's talk about the effective rate. You
7 heard Mr. O'Han. He testified that Walter and Hueman, they
8 provided nationwide effective rate training.
9 I want to talk to you about it, because these guys
10:18:26 10 keep talking about the tone at the top, right? They sent out
11 those memos that say don't do anything bad. Okay. Let's talk
12 about the tone at the top we really saw at this company.
13 Let's bring up Plaintiffs' Demonstrative 174. So
14 let's take a look at effective rate. This shows you that
10:18:44 15 starting back in 1998, Aldinger brings Gilmer back from the
16 United Kingdom to focus on growth. Then right after that,
17 they go out and they get Andrew Kahr. Andrew Kahr is going to
18 come in, the opportunistic growth consultant.
19 And so they come up with their initiatives, right?
10:19:02 20 And what is one of the initiatives that Mr. Kahr and
21 Mr. Gilmer come up with? It's to offer biweekly payment loans
22 to reduce the effective rate, the APR, the annual percentage
23 rate, effective rate.
24 Let's take a look at Plaintiffs' Exhibit 347. This
10:19:19 25 document was received in evidence during the course of the

1 trial, and it was a handwritten memo from a Paul Creatura. He
2 was Sodeika to Gilmer before Sodeika. Okay? He was like the
3 top guy, like the assistant.
4 And he sent them this memo. And what does he send
10:19:35 5 them a memo about? He sends them a memo about the meeting
6 that he had -- the meeting that they had with Andrew Kahr. If
7 you look at the top of it, it says, Meeting with Andrew Kahr
8 12/18.
9 If you go to the bottom, it talks about reducing
10:19:47 10 attrition. One of the things they talk about is offer
11 biweekly payment loans to reduce effective APR, effective
12 rate, and make our mortgage terms much more competitive.
13 That's one of the ideas they noodled when they got together,
14 Kahr and Gilmer, effective rate. That's what they were

10:20:05 15 talking about, the biweekly program to quote people effective
16 rates. It came right from the top. There ain't no doubt
17 about it.
18 Let's take a look at Plaintiffs' 348. If you get to
19 348, it's a memo of January 27, 1999, from Mr. Gilmer. It
10:20:22 20 goes to Aldinger. It goes to Schoenholz. It goes to all the
21 top guys at this company.
22 And he talks about the 60 initiatives that Kahr came
23 up with and the ten that they selected for further review as
24 of this point. And let's take a look. There's no question.
10:20:35 25 It goes to Aldinger. It goes to Schoenholz. It's for their

1 consideration. Okay.
2 We go to number eight, and what is number eight,
3 ladies and gentlemen? Number eight is offer biweekly payment
4 loans to reduce effective APR and make our mortgage terms more
10:20:52 5 competitive. Effective rate. You're going to tell people if
6 you pay twice a week, 26 times a year, oh, boy, your effective
7 rate is much better. It's going to be down around 7 percent.
8 It's not going to be the 12 percent you're actually paying.
9 It's going to be this effective rate. And that was their
10:21:07 10 idea, to make your loans look more competitive by quoting
11 people this effective rate.
12 This thing didn't come from Lew Walter and Dennis
13 Hueman. This thing came right from the tone at the top,
14 Mr. Gilmer, Mr. Kahr, Mr. Schoenholz, Mr. Aldinger. They got
10:21:25 15 it. They approved it. So what happens after that? Let's go
16 back to that kind of pyramid thing if we can.
17 So we go back to that, ladies and gentlemen, the
18 biweekly payment initiative for possible immediate
19 implementation. You bet they implemented it. So what happens
10:21:42 20 after that? They train, don't they? They go out there and
21 they train employees in all five divisions on how to give the
22 effective rate presentation.
23 You know that. Lew Walter trained on it, didn't he?
24 Lew Walter gave the training in five to six regions in '99.
10:21:59 25 Hueman was still doing it a couple of years later, because

1 they trained on the effective rate. Why? Because it came
2 from the top, biweekly effective APR, make it look more
3 competitive. That's what was going on here, ladies and
4 gentlemen.
10:22:11 5 And let's take a look. What happened next? You know
6 that they started to sell these things. Let's take a look at
7 Plaintiffs' 903 if we can for a second. And this is in 2001.
8 Mr. Pinto, he was one of the DGMs, you heard that, right? He
9 sends to O'Han what O'Han described as pages out of the Lew
10:22:33 10 Walter training from '99, the same training Mr. O'Han attended
11 and, again, he was one of these regional general managers all
12 the way at the top eventually. Okay.
13 These were pages out of Lew Walter's training. And
14 that is in evidence, too. What does it do? Biweekly versus
10:22:49 15 30 years, finding the 30-year equivalent to HFC's biweekly
16 program. Here's the training materials they gave. If you
17 look at the bottom, what's the number in the example? 7.33
18 percent.
19 They were telling you exactly what to tell people.

10:23:03 20 Tell them the effective rate. Get the number down. Do the
21 game on playing the biweekly payments and you end up at 7.33
22 percent. Sell them that. It will look more competitive.
23 And here's the beauty of it, ladies and gentlemen.
24 What else did Mr. Pinto send to Mr. O'Han? He sent him the
10:23:19 25 next page in the training book. And what's that? It's the

1 same thing. Except guess what, this one is blank, isn't it?
2 Do you know why it's blank, ladies and gentlemen? So that
3 when you went to your training, to your seminar, you could go
4 back to your home office and have a blank one that you could
10:23:36 5 use with the customer.
6 So when these people stand here and tell you that
7 this was unauthorized training, it came right from the top,
8 ladies and gentlemen. Those three defendants and Mr. Kahr
9 figured out the scam, then they sent it down the ranks, their
10:23:53 10 boys trained on it, and then they went out and sold it.
11 And they were still selling it in 2001 to all those
12 customers, weren't they? You saw it. Mr. O'Han was up there.
13 He was getting e-mails from all over the country saying we're
14 selling this effective rate thing. There wasn't any doubt
10:24:06 15 about it, ladies and gentlemen. It came right from the top.
16 And then what happens? Go back to the pyramid again.
17 Then the customers start to complain, don't they,
18 ladies and gentlemen? Get down to the second to the last rung
19 here. Customers start to complain like Ms. Madura's memo
10:24:21 20 where people start to realize, hey, I got taken. And then all
21 of a sudden they start to complain. And then what happens
22 after that? The attorneys general show up in 2002, right?
23 And what's one of the things they find? If we can go
24 back to that Plaintiffs' 516. What do they tell Household?
10:24:38 25 They tell them on the second page, they absolutely describe

1 the exact effective rate scam.
2 Another example of this practice is the promotion of
3 biweekly payment program. Biweekly payment program. Hey,
4 where did we hear that? We heard that from Mr. Kahr and
10:24:57 5 Mr. Gilmer, didn't we? Then it goes on to describe the exact
6 effective rate scam with the biweekly payments.
7 So, ladies and gentlemen, when these guys get up here
8 and they want to tell you how they set the tone at the top,
9 you bet they set the tone at the top, and the tone was use
10:25:11 10 that effective rate scam. That was one of the things they
11 came up with, and then they spread it out until it was all
12 over there. And ultimately, in the summer of 2002, the AGs
13 were all over them on it. And you can look at those
14 documents. That was one of the things they were calculating
10:25:27 15 when they were doing that, ultimately figuring out the numbers
16 for the settlement.
17 So, ladies and gentlemen, that's predatory lending.
18 I want to move on to the two-plus area, because that's another
19 important issue that you're going to deal with. Okay?
10:25:52 20 So let's talk about two-plus. Now, you remember what
21 two-plus is, right? Two-plus is these numbers they report in
22 all their Ks, all their Qs, all their press releases. And
23 what they're supposed to show is loan quality. They're
24 supposed to show what percentage of their loans are more than

10:26:17 25 60 days delinquent, at least.

1 That's what you think it shows when they report it to
2 you. But they forget to tell you about all this re-aging.
3 They don't throw all that in there. They don't tell you
4 they're changing their policies all the time.
10:26:31 5 But let's take a look at it. It appears in the Qs
6 and the Ks, and you'll be able to find it because it gives you
7 that Bates number on the bottom and the exhibit number for all
8 the false statements that relate to the Qs and Ks on this
9 issue.
10:26:42 10 And you'll see it right there. It's a chart. It
11 looks like that most of the time, two months and over. That's
12 what we're talking about. And so was it an important metric
13 to investors, ladies and gentlemen? You betcha. How do you
14 know it was an important metric? First of all, it was in all
10:26:56 15 the 10-Qs, all the 10-Ks, all the press releases.
16 If it wasn't important, how come they kept telling us
17 about it? Mr. Schoenholz, Mr. Aldinger, they conceded on the
18 witness stand. They ended up saying, hey, yeah, it was an
19 important metric and investors cared about it. And as
10:27:12 20 Mr. Devor, I think, summed it up, he said, hey, it's a loan
21 company. The quality of their loans, that's pretty important.
22 So there's no question about it.
23 We can even take a look for a second at Plaintiffs'
24 481. That's a memo that Mr. Gilmer wrote to Mr. Aldinger, and
10:27:25 25 it's his monthly report. And you can see on the very first

1 page of his monthly report, it tells him about the two-plus
2 delinquency numbers. Then he comes back to it a little later
3 in the report. Two-plus -- it's got its own section, two-plus
4 delinquency. All right?
10:27:41 5 So when he's reporting to Mr. Aldinger, two-plus is
6 one of the main things he's telling him about. And later
7 again in the document, there's a chart where he charts out
8 two-plus delinquency. And when you get there, you'll see that
9 he calls it, I think, a key performance metric.
10:27:58 10 So there's no question when we're talking about
11 two-plus that this is important. It's an important metric.
12 It's something that people care about inside the company,
13 outside the company.
14 Now, let's talk a little bit about what Household
10:28:08 15 says. Household says that, you know, they used re-aging and
16 these other techniques. They were just trying to help a dude
17 through the bump in the road. Isn't that their story? We're
18 just trying to help our customers.
19 Well, ladies and gentlemen, the evidence that came in
10:28:20 20 in this case shows you that -- I'm not telling them there may
21 not be some customers that got help and I'm sure there were,
22 but they weren't doing it for their customers. They were
23 doing it for themselves. That's why they were doing it.
24 And let's just run through if we can real quick a
10:28:35 25 couple of exhibits that I think demonstrate that point. So

1 we'll take a look at Plaintiffs' 654. If you look at
2 Plaintiffs' Exhibit 654, it's an e-mail that goes to
3 Mr. Schoenholz, and Mr. Makowski eventually forwards another
4 e-mail, September 2001, and this is the one where they say,
10:28:54 5 For maximum benefit to year-end, retail services should
6 perform the re-aging between the customer cycle date and
7 month-end with a sweep at the month-end. That will ensure
8 that all September re-ages will be unable to reach two-plus at
9 year-end.
10 They're not worried about the customers there, are
11 they, ladies and gentlemen? They're worried about making sure
12 they get the those re-ages done so that nobody shows up in
13 that two-plus number at year-end. We all know it. You can
14 see it. Okay.
10:29:18 15 They're also talking about changing their policies
16 with re-aging and retail services, and they talk about
17 consumer lending and changing its re-aging policies. They
18 were changing their policies all the time. Another thing they
19 kept denying.
10:29:33 20 But you can see. They're doing sweeps, okay? You
21 don't even care who the customer is. You're doing sweeps to
22 try to keep that two-plus number down. Let's take a look at
23 313. More of the same. This is a document that went to
24 Aldinger and Schoenholz in the summer of 2001 from
10:29:45 25 Mr. Makowski.

Dowd - closing

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1 And he talks about credit card services. He proposed
2 a one-time, across-the-board skip-a-pay program for September.
3 Why? It would reduce year-end delinquency. The same thing
4 with retail services. He's going to help the business develop
10:29:59 5 a skip-a-pay program that will run and reduce the year-end
6 delinquency rate.
7 Now, if he cared about customers, how come he's not
8 writing an e-mail to say, gee, Mike Dowd can't make his loan
9 payment next month, so you know what? We're going to try to
10:30:12 10 skip a pay for him. No. They're doing massive skip-a-pay
11 programs, massive re-aging, because it ain't about the
12 customer. It's about keeping that two-plus number down. It's
13 about reporting a false two-plus number because you hide the
14 people that are doing poorly. You hide the people that would
10:30:28 15 show the loan quality wasn't good.
16 Let's take a look at one more. The same stuff.
17 Plaintiffs' 102. And there's more. They're all up here on
18 these charts. You can look at them.
19 Now, you've got one going to the credit committee
10:30:39 20 dated April of 2000. It says, A strategic decision was made
21 for 2000. We're going to use restructures more aggressively
22 than before. And in general, the number of accounts
23 restructured in January and February of 2002 were two to three
24 times greater than in December 1999. The resulting two-plus
10:30:55 25 percentage for January and February was positively impacted.

Dowd - closing

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1 That's what he's telling you. It's the same stuff,
2 ladies and gentlemen. They're not doing it for the customer.
3 They're not. They're doing it for themselves. All right?
4 And more importantly, as Mr. Devor said to you, if
10:31:10 5 I'm looking at those two-plus numbers, okay, I see what the

6 number is in 1999. But then when I see the number in the
7 first quarter of 2000, I don't know that the credit committee
8 and Mr. Aldinger and Mr. Schoenholz have decided that they are
9 going to restructure two or three times more in the next year.
10:31:28 10 I don't know that I'm comparing apples to oranges
11 when I look at those Qs and Ks and press releases, do I? I
12 don't have any idea, ladies and gentlemen. That's why it's
13 important. Okay.
14 And it also talks about them changing their policies
10:31:41 15 in those documents. And you saw that, ladies and gentlemen.
16 They didn't do this re-aging consistently. They were changing
17 it all the time.
18 Let's take a look at 118. All right. In this one,
19 Mr. Peters talks about how they blew their delinquency
10:31:54 20 numbers. Okay. And he says it was because we had a lack of
21 restructures. So what we're doing is we're changing the
22 restructure policy back. We're going to switch the policy
23 back to the old policy. And that's the only way we can get
24 back to our Q1 plan numbers. Okay. They weren't doing it for
10:32:10 25 the customer, ladies and gentlemen. They were doing it for

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1 them. All right.
2 And then finally you can take a look at documents
3 like this, restructure policy summaries. It was also
4 Plaintiffs' 598, a letter that was written by their lawyers.
10:32:23 5 And it talks about all these restructure changes. It talks
6 about the differences between 2000 and 2001.
7 Between 2000 and 2001, they made it easier to
8 restructure. They go from you've got to be 30 days late to
9 now you only have to be 27 days late so they can restructure
10:32:40 10 more people. 95 percent of two standard payments. How about
11 95 percent of one standard payment and you sign up for EZ Pay.
12 They changed it from you can only be restructured
13 every six months to now you can do it every four months. Why?
14 That way you could re-age a guy three times in a year instead
10:32:57 15 of only two times in a year. All these things, these policies
16 were changed.
17 And you know what, ladies and gentlemen, on all this
18 stuff, you know it. You know it because you heard Ms. Markell
19 testify. They set targets for the two-plus number for the
10:33:10 20 delinquency. They set those targets. And come hell or high
21 water, you had to meet them. So you just restructured more
22 people. You re-aged more people. You skip a pay. You did
23 whatever you had to do to keep that number lower.
24 And that made that number phony, ladies and
10:33:24 25 gentlemen, because you weren't telling people what they needed

Dowd - closing

4495

1 to know, that Mr. Makowski was going to do a one-time
2 skip-a-pay, that Mr. Makowski was going to change the
3 restructuring policy.
4 And how do you know these guys were aware of it.
10:33:35 5 Come on. You know they were. Even Mr. Rybak said it was for
6 the customer, but then he went on and said, the other
7 reason -- one of the other reasons we did it was to bring the
8 two-plus number down. He even admitted it. Ms. Markell, her
9 testimony alone tells you, but we'll see more.
10:33:50 10 So let's take a look quickly if we can at the

11 re-aging sort of timeline. And, again, I apologize if you
12 can't see it too well. 1999 to 2001, Household didn't talk
13 about the re-aging and consumer techniques, account management
14 techniques in their 10-Qs, 10-Ks and press releases. They
10:34:08 15 didn't put it in there.
16 So you didn't know you were comparing apples to
17 oranges. You didn't know how many of these loans had been
18 re-aged. You just didn't know. They weren't telling you the
19 truth. They weren't telling you the whole truth that you
10:34:18 20 needed to know to evaluate their statements, were they?
21 So you get to late 2001. Mr. Aldinger conceded that
22 at this point, you get the investors asking questions about
23 re-age practices, right? So he initiates the KPMG benchmark
24 study, doesn't he? All right. And he calls directly to
10:34:37 25 Mr. O'Kelly. Remember that? He calls him directly on the

1 phone, the top guy at one of the top accounting firms in the
2 world.
3 He calls him up and he asks him about the
4 benchmarking study. So what happens? In March 2002, ladies
10:34:49 5 and gentlemen, they issue that 10-K, that false and materially
6 misleading 10-K according to Mr. Aldinger. Why is it false?
7 Because it says in there, We re-age if we get consecutive
8 payments and we know that the reason for the delinquency has
9 been cured. That's what he tells you, right? Okay.
10:35:09 10 Both those things. And he knew both things weren't
11 true, ladies and gentlemen. When they signed that 10-K that
12 day, they knew that that was a lie. There was no question
13 about it. All right.
14 Aldinger and Schoenholz, they signed this thing. But
10:35:24 15 they weren't alone. Mr. Gilmer knew, too. You're going to go
16 through and you're going to see, ladies and gentlemen, that
17 they got this benchmarking study. I think it's Plaintiffs'
18 1224. There's also a defendants' exhibit number on it.
19 And, you know, this study that Mr. Aldinger
10:35:38 20 personally commissioned but claims that he didn't read the
21 whole thing because it was too nitty-gritty or it was nit and
22 gnat for Mr. Aldinger, right? This thing came to them before
23 March 12. Mr. Schoenholz saw drafts of it.
24 And you heard testimony that there was a board of
10:35:54 25 directors meeting on March 12 -- you even saw the board

1 minutes -- where they say Schoenholz and the guys from the
2 audit committee met with the government regulators the day
3 before to talk about the benchmarking study. There's no
4 question that when they signed that 10-K on March 12, they
10:36:07 5 knew what was in there. They knew what was in this study.
6 Okay?
7 What was in this study, ladies and gentlemen? When
8 you flip through it, do you know what you're going to see? We
9 restructure automatically. They call them extensions,
10:36:20 10 re-ages, restructures. We do it automatically. We do it on
11 one payment. We don't require two payments. We don't require
12 consecutive. That's what was in this document.
13 You flip through it, ladies and gentlemen, and you
14 tell me if Mr. Aldinger and Mr. Schoenholz can sit there with
10:36:33 15 a straight face and tell you they didn't know. But you know

16 what, ladies and gentlemen? You know. You know that they
17 knew.
18 Let's just take a look at Plaintiffs' 649 for a
19 second, January 2002. Again, Plaintiffs' 649. And this is an
10:36:51 20 e-mail that Mr. Schoenholz received, ladies and gentlemen. He
21 got it in January of 2002. Mr. Makowski, the chief credit
22 officer, reports directly to him, Subject, our re-age policy.
23 One of the policies that creates headline risk is the
24 one-payment re-age.
10:37:10 25 Come on, ladies and gentlemen. Mr. Schoenholz is

1 seriously going to sit on this witness stand and tell you that
2 when he signed that 10-K he didn't know they were doing one
3 payment re-ages? This isn't the only document that says this.
4 There's a ton of them that say it, ladies and gentlemen.
10:37:23 5 These guys absolutely knew, but people were asking questions
6 and they decided to lie. That's what happened here. The
7 evidence was there for it. Mr. Aldinger admitted it was a
8 materially false and misleading statement.
9 Your Honor, did you want to take a break?
10:37:38 10 THE COURT: This is a good time to take a break.
11 We'll take a 15-minute break, ladies and gentlemen.
12 (Jury out.)
13 THE COURT: Recess for 15 minutes.
14 (Recess taken.)
10:53:33 15 THE COURT: Ready?
16 MR. DOWD: Yes, your Honor.
17 THE COURT: Okay. Bring them out.
18 (Jury in.)
19 THE COURT: Counsel, you may resume.
10:55:12 20 MR. DOWD: Yes, your Honor. All set.
21 BY MR. DOWD:
22 Ladies and gentlemen, when we left off we were
23 talking about that March, 2002, 10-K, the one with consecutive
24 payments and the reasons for the delinquencies been cured,
10:55:32 25 right? That is this is the one Aldinger said on the witness

1 stand was materially false and misleading.
2 So, what happened with this? Well, eventually,
3 ladies and gentlemen, as you know, they had to amend that
4 10-K. A whole year later -- March 2003, long after some of my
10:55:49 5 clients bought stock in between March, 2002, and October,
6 2002 -- they put out a new 10-K. Okay? It's Plaintiffs'
7 1267. You take a look.
8 Now they say what they should have been saying all
9 along. They go back and in their 10-K that goes out, it says
10:56:07 10 that they re-age; and, they say, "In numerous instances,
11 Household accepts one or zero payments prior to resetting the
12 delinquency status."
13 They knew that, ladies and gentlemen. They knew that
14 in March, 2002. They knew it all along.
10:56:21 15 It goes on to say, "In many instances, we
16 restructured delinquent accounts automatically."
17 It goes on to say they don't have to require prior
18 contact with the customer. It's automatic.
19 Nobody's checking with somebody to see if they had a
10:56:36 20 bump in the road. Nothing like that. Automatic. Okay?

21 And, so, when they came clean, they came clean a year
22 later.
23 I don't know why they waited a whole year to tell
24 people the truth, but they did. Okay? That's why
10:56:49 25 Mr. Aldinger had to tell you it was a false and misleading

1 statement in March of 2002.
2 It got corrected in March of 2003, didn't it?
3 Now, let's just take a real quick look at Plaintiffs'
4 Demonstrative 123. That was that chart that we showed you a
10:57:05 5 bunch of times. I think you saw it during Mr. Schoenholz's
6 testimony, Mr. Devor's and others. Okay?
7 Originally, they said you needed the consecutive
8 payments before they could re-age somebody. Then they come
9 clean. They say one or zero payments in many instances, not
10:57:19 10 consecutive, right?
11 Second, the reason -- the evidence that the reason --
12 for the delinquency "has been cured." That's what they said
13 in March, 2002.
14 March, 2003, "Case automatic restructures. No prior
10:57:33 15 contact is required." And they knew that.
16 You saw Schoenholz getting the e-mail about the one
17 payment. You saw that KPMG study. And you're going to see
18 other evidence as you look through the exhibits. There was no
19 doubt they knew they were doing one-payment restructures all
10:57:45 20 along. They knew they were changing the policies all along.
21 And then they go on to describe some of the account
22 management techniques, as well. That was the March, 2002,
23 10-K, and that's why that's materially false and misleading,
24 as Mr. Aldinger admitted.
10:57:59 25 Now, let's talk April, 2002. Remember there was this

1 Financial Relations Conference or something they called it,
2 FRC. Mr. Schoenholz said, "Yeah, we wanted to get the word
3 out there to more people. We wanted to tell people about our
4 re-aging; we wanted to set the record straight, give people
10:58:13 5 more information, because we know they knew investors were
6 nervous about this. Okay?
7 And he said there were 400 people there -- all these
8 Wall Street analysts, investors. And then they were beaming
9 it nationwide to other people that wanted to watch it, as
10:58:26 10 well.
11 Mr. Schoenholz got up that day, ladies and gentlemen,
12 and he made false statement after false statement after false
13 statement. Okay?
14 First, he talked about the fact that their policies
10:58:39 15 on re-aging were consistently applied. You know they weren't.
16 That was a lie when he said that, ladies and gentlemen. He
17 knew they weren't.
18 Even Mr. Gilmer said, "Re-Aging policies, yeah,
19 Schoenholz has to be involved in changes to re-aging
10:58:53 20 policies." He knew they weren't consistently applied. And
21 you're going to see it in the documents as you look through
22 them. They changed those policies.
23 We talked about a couple of them over here
24 (indicating) that shows they changed the policies.
10:59:03 25 And Ms. Markell told you they changed them daily,

1 weekly, monthly. The policies were always changing because
2 you had to hit those numbers. That's what she told you.
3 Okay? The policies weren't consistent.
4 Then he tells people, "We were reward collectors. We
10:59:17 5 were reward collectors for collecting cash. That's how we're
6 making sure that we're getting this stuff done." Okay?
7 And what did you find out when Ms. Markell testified?
8 You found out that if they were rewarded collectors, not for
9 collecting cash -- not just for collecting cash -- they were
10:59:32 10 rewarded collectors for moving somebody from the two-plus
11 bucket -- the delinquent bucket -- back to current.
12 You didn't have to collect cash, as long as you got
13 somebody out of that two-plus number through a re-age, a
14 rewrite, whatever it was. Okay? As long as they could report
10:59:50 15 that phoney two-plus number and keep it low so people would
16 think their loans had top quality, they gave you a bonus on
17 that.
18 We saw an e-mail between two of the guys down there
19 in Mortgage Services where they say -- about their collectors,
11:00:02 20 they say -- "These guys are using it like heroin. They're
21 just moving people from two-plus to current."
22 And that was the phrase the guy used, "like heroin."
23 Okay?
24 So, you know that wasn't true.
11:00:13 25 But let's take a look at the two biggest lies that he

1 told that day. Okay?
2 I tell you they're lies. We tell you they're lies.
3 What do the defendants say? "It's just a big mistake.
4 Another big mistake that Household made." Okay?
11:00:27 5 Let's take a look at them. Take a look at
6 Plaintiffs', I think it's, 175.
7 Now, this was a chart that comes out of Plaintiffs'
8 Exhibit 135. And there's actually a transcript -- I think
9 it's 183 -- of what Mr. Schoenholz said that day.
11:00:41 10 This is April 9th, 2002, with the 400 people that are
11 watching -- going to get more information.
12 So, he talks about their re-aging, right? The first
13 time he says that he gives these numbers, so people know out
14 of their the many deep hundred billion dollars of loans, how
11:00:58 15 many of them have been re-aged. Important information that
16 he's giving these people.
17 What does he tell people? He says that about -- he
18 says, "First of all, let's talk about loans that have been
19 re-aged just once."
11:01:08 20 And he says, "In the last 12 months -- that's about
21 9.4 percent of our loans -- about $8.8 billion," because they
22 have a little less than a hundred billion out there.
23 Then he says, "Loans that have been re-aged once, but
24 before the last 12 months, that was about 3.2 percent, $2.9
11:01:25 25 billion," right? That's what he tells people. So, just

1 re-aged once.

2 Now, he's just getting people over the bump in the
3 road. The nice guy was in the hospital, couldn't make his
4 payments and the company just got that guy through the bump in
11:01:35 5 the road by re-aging him that one time.
6 The guy lost his job. They re-aged him that one
7 time. That's the story they want to spin. They're not
8 telling you about month-end sweeps. They're not telling you
9 about change in the policies, special restructures, all the
11:01:50 10 other stuff we saw. They wanted to leave everybody with that
11 impression -- that false impression -- that they're helping
12 people get over the bump in the road. Okay?
13 Then he goes down and he says, "Multiple re-age,
14 people who re-aged more than once, these are people that
11:02:04 15 really have problems paying their loans back," aren't they?
16 People that got re-aged multiple times, not just a bump in the
17 road.
18 These people just got creative month after month,
19 right? Multiple re-ages, not a bump in the road.
11:02:17 20 And he tells people 4.3 percent of the loans -- about
21 $4 billion -- will fall into that category.
22 What do we find out?
23 Well, when we look through the documents in this
24 case, ladies and gentlemen, we get information from
11:02:29 25 Mr. Makowski.

1 See, Mr. Makowski had to sign a certification at some
2 point after that. Okay? And apparently Mr. Makowski didn't
3 want to be a defendant in this case. So, when he signed his
4 certification, he said -- and this is -- I believe it's
11:02:45 5 Plaintiffs' Exhibit 188; he said -- "The information
6 Schoenholz gave that day about the multiple re-ages, it was
7 false. The statistics are wrong."
8 And how were they wrong, ladies and gentlemen? Well,
9 when you look at those multiple re-age ones -- the guys that
11:03:01 10 were re-aged more than one time, the worst performing
11 customers -- Mr. Schoenholz told everybody it was $4 billion
12 in loans. What was the real number? $7 billion in loans,
13 almost twice as bad. Those are their worst performing
14 customers.
11:03:15 15 So, there you go. You're presenting to 400 people,
16 this incredibly important conference that's being beamed all
17 over the nation. He didn't make a mistake -- a $3 billion
18 mistake.
19 And, of course, it's a $3 billion mistake that if you
11:03:29 20 told the truth, you would have looked a heck of a lot worse,
21 wouldn't you?
22 And, then, Mr. Kavaler wants to show the experts --
23 he wants to show them -- how the stock bumped up the day after
24 April 9th. You bet it bumped up. Schoenholz lied to
11:03:40 25 everybody. He put them to sleep. That's item stock bumped up

1 that day because they lied. They gave false reassurance to
2 people. They said "4 billion" when it was "$7 billion" in
3 loans -- 7 billion -- that had been re-aged multiple times.
4 But that wasn't the only lie he told that day. We've
11:03:59 5 talked about three of them now. Let's take a look at another
6 lie that he made.

7 Recidivism statistics by product.
8 Now, you remember this, ladies and gentlemen. You
9 can look at that transcript. I believe the transcript is --
11:04:12 10 of what he said that day, the charts are 135 and the
11 transcript, I believe, is out of 183 -- Plaintiffs' 183.
12 Okay?
13 So, now he's trying to tell people, "This re-aging,
14 it works. We get people through the bump in the road."
11:04:27 15 That's what he's trying to tell these 400 people that are
16 gathered to watch. All right?
17 So, he's going to talk about recidivism; people that
18 got re-aged again and again. Recidivism. That's what he
19 wants to talk about.
11:04:39 20 So, what does he tell people? He says, "You know, we
21 took a look back and we looked at the people that we re-aged
22 and we followed them through a year later; and, you know,
23 what, ladies and gentlemen? That re-aging worked, didn't it?
24 We got these people through a bump in the road."
11:04:53 25 That's what he was telling these people. He says,

1 "Real estate secured. When we re-aged those people, only 13
2 percent of them went delinquent, again." Okay? "They got out
3 of the hospital. They got their job back. And only 13
4 percent of them went delinquent, again."
11:05:07 5 He's trying to say, "Re-Aging works. We did it for
6 the customer."
7 87 percent of those real estate loans that had been
8 re-aged stayed good. That's what he told people that day.
9 That's what he told you those statistics mean.
11:05:19 10 Well, you know, what, ladies and gentlemen? He went
11 through the auto finance, MasterCard, Visa, private label,
12 Visa credit card, non-credit card. Okay? He went through all
13 of them. And he showed you these recidivism numbers. But you
14 can bet he is talking about that 13 percent. And you can see
11:05:35 15 it in the transcript. He's trying to tell people, "The Loans
16 stayed good. Re-aged got him over the bump. He stayed good
17 87 percent of the time."
18 Well, when we looked at the documents, ladies and
19 gentlemen, what did we find? We found Plaintiffs' Exhibit 79.
11:05:49 20 And this (indicating) is Plaintiffs' Exhibit 79. And
21 you're going to see that in this document, when you look at
22 it, it was a document that went to Mr. Pantelis -- who
23 reported to Makowski -- when you look at that document, you're
24 going to see that it's got the exact same numbers that
11:06:04 25 Schoenholz gave -- that 13 percent for real estate secured --

1 13.1. You're going to see those numbers in this same
2 document.
3 But what else is in this document? This document
4 says, "Hey, wait a minute. When he said that, Schoenholz
11:06:18 5 forgot to include the people who got re-aged, again, in that
6 year." Okay?
7 So, he's telling you, "We re-age somebody here
8 January 1st, 2001," and you get to January 1st, 2002, and he
9 says, "Only 13 percent of those people have gone delinquent,
11:06:40 10 again. 87 percent got through the bump in the road and they
11 were on time making their payments." That's what he's telling

12 people, right?
13 And the reality is that during that year, a host of
14 those people went delinquent, again, and they got re-aged
11:06:57 15 again. And he didn't tell anybody that.
16 Now, how can you say the loans stayed good -- 87
17 percent stayed good -- when people got re-aged, again? He
18 left that out. He didn't tell people that.
19 Now, what does Plaintiffs' 79 show you? It shows you
11:07:15 20 that when you look at that real estate total and it says,
21 "Recidivism after 12 months, reporting two-plus in chargeoffs,
22 added back subsequently re-aged accounts to delinquency
23 stats," okay? Putting back in the people who went delinquent,
24 again, putting them back into the numbers. Okay? What does
11:07:35 25 that show? That shows that 53.9 percent of the people went

1 bad. 53.9 percent, not 13. 53.9.
2 It was a lie, ladies and gentlemen. You'll see those
3 numbers for each of these other categories.
4 So, when Mr. Schoenholz said that, it was a lie. He
11:07:53 5 was trying to imply that the re-aging had helped, that it had
6 worked and it wasn't. Their own documents show it wasn't.
7 And it was important because they're trying to spin their bump
8 in the road story. And the reality is all they were doing was
9 re-aging people using these other techniques to keep that
11:08:13 10 two-plus number lower and not telling you they were doing it.
11 Even when they came out and made statements about it, they
12 lied to people.
13 So, ladies and gentlemen, that's April 9th, 2002.
14 Mr. Schoenholz absolutely makes false statements about a host
11:08:29 15 of things. Guess who is sitting there? Aldinger and Gilmer.
16 They're watching.
17 And you'll remember there's another exhibit, I think
18 it's Plaintiffs' Exhibit 1100, where Mr. Rybak gives -- sends
19 -- an e-mail to Mr. Gilmer on April 4th, just a few days
11:08:43 20 before this, telling him, "We've been misleading investors."
21 Telling him that, "We said this stuff about one payment and it
22 wasn't -- or consecutive payments and it wasn't -- true."
23 Mr. Gilmer had that in his mind as he sat and watched
24 Mr. Schoenholz lie to people. He knew that, too.
11:08:59 25 Now, ladies and gentlemen, let's take a look, as we

1 move through the re-aging, at what did Wells Fargo say? What
2 did they see when they got to see the books and records my
3 clients never got to saw -- never got to see?
4 Let's take a look at Plaintiffs' 1338. These are
11:09:15 5 documents out of Wells Fargo's files. You heard Todd May
6 testify by videotaped deposition -- the guy from Wells Fargo
7 -- and it says in here, "They did their due diligence and they
8 found that Blazer -- " and that's what they were calling
9 Household, you'll remember, in this proposed merger -- "that
11:09:32 10 Household's historical accounting policies and extensive
11 re-aging of delinquent accounts delayed loss recognition -- "
12 it means they just kept re-aging people instead of writing
13 them off, right? They just kept re-aging them.
14 " -- delayed loss recognition and produced a bubble
11:09:46 15 of latent credit loss." Sweeping everything under the rug,
16 right? Sooner or later it's going to explode. And that's

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1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
2
3 In the Matter of:)
4) File No. C-03571-A
5 HOUSEHOLD INTERNATIONAL)
6 WITNESS: William F. Aldinger
7 PAGES: 1 through 113
8 PLACE: Securities and Exchange Commission
9 175 West Jackson Blvd., #900
10 Chicago, IL 60604
11 DATE: Thursday, December 18, 2003
12
13 The above-entitled matter came on for hearing, pursuant
14 to notice, at 9:18 a.m.
15
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21
22
23
24 Diversified Reporting Services, Inc.
25 (202) 467-9200

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1 C O N T E N T S
2

	WITNESSES		EXAMINATION
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4	William F. Aldinger		4
5			
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1 PROCEEDINGS
2 MR. MCALLISTER: We are on the record at 9:17 on
3 December 18th, 2003. Mr. Aldinger, would you please raise
4 your right hand.
5 Whereupon,
6 WILLIAM F. ALDINGER,
7 was called as a witness and, having been first duly sworn,
8 was examined and testified as follows:
9 EXAMINATION
10 BY MR. MCALLISTER:
11 Q Please state and spell your name for the record.
12 A My name is William F. Aldinger. That's A-l-d as in
13 David, i-n-g-e-r.
14 Q Mr. Aldinger, my name is Kent McAllister. I'm an
15 attorney with the Enforcement Division of the Securities and
16 Exchange Commission. With me is Delia Helpingstine. She is
17 an accountant. John Sikora, who is an Assistant Director,
18 will be joining us shortly.
19 Your testimony today has been requested by the
20 staff as a part of a formal investigation in the matter of
21 Household International, Inc., Commission No. C-3571, to
22 determine whether there have been violations of federal
23 securities laws. However, the facts developed in this
24 investigation may constitute violations of other federal or
25 state, civil or criminal laws. The purpose of today's

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1 Did I get nine?
2 MR. SLOANE: 8.
3 THE WITNESS: 8; I'm missing somebody then. Let me
4 think about that for a second. Sandy, Bobby, Ken -- senility
5 is setting in here. I'm drawing a blank. I'm just blanking
6 right now.
7 BY MR. MCALLISTER:
8 **Q Does Stephen McDonald report to you?**
9 A No, Steve reports to Dave Schoenholz.
10 **Q Does the -- it's my understanding that since the**
11 **merger of HSPC you brought in a CFO.**
12 A Yes, we have. We brought in a CFO from HSPC or
13 background is from HSPC by the name of Simon Penny. And I
14 guess that would be my other report, of course, Simon. Thank
15 you. And Simon now would have Steve reporting directly to
16 him today.
17 **Q Has the direct reports to you changed since --**
18 **outside of Mr. Penny, has the direct reports changed since**
19 **the merger with HSPC?**
20 A There have been no changes at Household direct
21 reports, but I've assumed a couple of additional people.
22 Martin Glynn, who really runs all of the banks for HSPC in
23 the U.S., reports to me. And, again, not in the Household
24 realm. And also Vince Mancuso is the head of Audit for
25 really the combined institution reports to me. And so I

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1 picked up two additional people today in running the HSPC
2 businesses as well.
3 **Q In terms of your responsibilities, did they change**
4 **with the merger with HSPC?**
5 A Yes, they did. If you look at the combined company
6 now after the HSPC merger, today we have about 50,000 people
7 instead of 31,000 people. We would have another billion
8 dollars of earnings, another 400 branches, presence in
9 Canada. And so it is a broader, bigger, more diverse role
10 right now than I had before because I basically have all the
11 Household stuff plus all the HSPC stuff that was resident in
12 the U.S.
13 **Q Is it fair to say that you run the North American**
14 **operations of HSPC?**
15 A Yes.
16 **Q Do you have any indirect reports, any dotted lines**
17 **reports to you?**
18 A No, there are a number of people who work for
19 people who work for me that I see and interact with but they
20 don't report to me indirectly or directly.
21 **Q And who do you report to?**
22 A John Bond. And he is the Chairman of HSPC
23 worldwide.
24 **Q Anybody else?**
25 A No.

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1 **Q In your role as the CEO of Household, does that**
2 **include either preparing or coordinating the preparation or**
3 **viewing filings with the Commission?**
4 A Well, you used a, I guess, a broad combination of
5 things. I would say that I obviously signed the statement.
6 I don't prepare the statements. And the way our process
7 works, and it's a very well defined process which was put
8 together by Ken Robin, our general counsel, is essentially
9 each of these very different businesses has a CFO. And that
10 CFO would work with his business manager and together they
11 would put their data together for the business. And then
12 that series of businesses, of which there are seven or eight
13 businesses, five are major businesses, would come together
14 with the Controller of the company and also then would be
15 reviewed by the CFO.
16 General counsel staff would review the preparation
17 of the details. Our auditors sign off on it. And after that
18 point is when I get it to review and ultimately sign.
19 **Q When you say auditors --**
20 A Outside auditors; inside and outside do, both. So
21 it's a very rigorous process that we have to prepare the
22 documents.
23 **Q And what are your responsibilities in terms of**
24 **reviewing the filings with the Commission?**
25 A Well, I review all the papers that are going to be

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1 filed. I read everything. And obviously if I found
2 something I didn't think was right, I would make that point
3 known. People would change it. But beyond that essentially
4 I rely heavily on the people who prepare this and have the
5 intimate knowledge of day to day about the business.
6 **Q Do you at any time direct certain aspects of the**
7 **preparation of the filings with the Commission?**
8 A Never.
9 **Q How often do you -- in connection with your review**
10 **of the filings of the Commission, how often have you seen**
11 **something that you think needed to be reworked or changed in**
12 **any way?**
13 A I can't recall specifically ever having changed
14 anything.
15 **Q Do you have any other responsibilities with respect**
16 **to reviewing Commission filings?**
17 A I do not.
18 **Q And when I say Commission filings, I'm referring to**
19 **10K and 10Q's. Is that your understanding?**
20 A That's my understanding.
21 MR. KAVALER: I just want to be clear. When you
22 use the word responsibility, you mean as a business matter
23 not as a legal matter.
24 MR. MCALLISTER: Correct.
25 BY MR. MCALLISTER:

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1 Q Have you ever seen any of the documents that was
2 associated with that process?
3 A Ever is a hard one for me to answer. I don't
4 recall seeing any. It just wouldn't have been my style to go
5 into the details and do that.
6 Q Okay.
7 MR. MCALLISTER: I'm going to take -- let's go off
8 the record.
9 (Off the record at 9:55 a.m.)
10 (On the record at 10:08 a.m.)
11 MR. MCALLISTER: We are back on the record and
12 while we were off the record we were talking about what has
13 been marked as Exhibit 88 and provided that to Mr. Aldinger
14 and counsel. And we discussed if we can -- on Page 29, the
15 second paragraph from the bottom that starts off with, our
16 policies for consumer receivables permit reset of the
17 contractual delinquency. That paragraph. If we can
18 stipulate that that first sentence in the paragraph is the
19 same as in the 10K that was filed on March 13th. Exhibit 88
20 is the 2001 10K that was filed on August 27th. And also in
21 the second quarter 10Q of 2002 and the third quarter 10Q that
22 was filed in 2002.
23 The discussion also focused on the second sentence
24 of that paragraph which starts off with, such a re-aging
25 policies vary by product and are designed to manage customer

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1 relationships and maximize collections. There is some
2 variation in that second sentence and some of the filings.
3 And to the extent we need to discuss those, I have copies of
4 that and we can make those exhibits and talk about them.
5 Is that a fair representation of what we discussed
6 off the record?
7 THE WITNESS: It is.
8 BY MR. MCALLISTER:
9 Q Having said that, Mr. Aldinger, in that paragraph
10 on Page 29 of Exhibit 88, that first sentence stating, our
11 policies for consumer receivables permit reset of the
12 contractual delinquency status of an account to current
13 subject to certain limits if a predetermined number of
14 consecutive payments has been received and there is evidence
15 that the reason for the delinquency has been cured.
16 Do you see that?
17 A I do.
18 Q What was the purpose of that disclosure?
19 A The purpose of the disclosure I assume was to do a
20 disclosure. To provide data and evidence or information for
21 investors.
22 Q And this question, I guess, relates specifically to
23 when the 10K, 2001 10K was first filed and for this
24 particular filing, this 10KA, which is Exhibit 88. Before
25 the 2001 10K was filed in March and before this Exhibit 88

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1 was filed in August, 2002, did you review these documents?
2 A Yes. I always review the documents and read the
3 entire submission.
4 Q And as part of the review process, did you have any
5 discussions with anybody concerning that language that we
6 just read that appears on Page 29 of Exhibit 88?
7 A I do not recall having any discussion with anyone
8 about that paragraph.
9 Q Did you ask anybody about that language?
10 A I don't recall raising any questions about the
11 document. As I think we talked earlier, I read the
12 submissions and it's a hundred pages and I read through it.
13 And if I find something that doesn't look right, I raise it
14 and would expect it to be changed. But as we talked about
15 earlier, we've got, each business is different from the other
16 business. Each product is different from the other product.
17 And essentially I have to rely on the CFO's and the business
18 manager and then ultimately our CFO and our accountants and
19 our auditors and our lawyers and collectively, when it gets
20 to me, I expect the document is right. And then unless
21 something appears individually wrong when I read it, I'm not
22 going to overrule or second guess anybody.
23 So, I don't recall ever focusing on this specific
24 paragraph, though I acknowledge I've read the whole thing.
25 My view at the time was we were doing really good state of

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1 the art disclosures and that was the intent. Not to, to be
2 as correct as we can be. Period.
3 Q The 10K that was filed on March 13th, the
4 difference between that filing and this filing, which is
5 Exhibit 88, which was filed in August 2002, the difference
6 between those two is in the 10KA, Exhibit 88, there's a
7 restatement. Is that correct?
8 A An earning's restatement.
9 Q Yes.
10 A Yes.
11 Q And between the two documents, substantively that's
12 the only difference between the two documents; that the
13 reason for this 10KA being filed was for the restatement.
14 A I honestly don't recall that.
15 Q Sitting here -- at the time that this was filed in
16 August of 2002, did you know why this language was included
17 in the filing?
18 A I did not.
19 Q Do you know why, sitting here today do you know why
20 it was included?
21 A I don't specifically know why it was included.
22 Q In 2002 when this exhibit was being prepared, when
23 the 2001 10K was being prepared, did you direct anybody to
24 include language like this in the filing?
25 A I did not.

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

LAWRENCE E. JAFFE PENSION PLAN,
on behalf of Itself and All
Others Similarly Situated,
Plaintiffs,
CASE NO. 02 C 5893
vs.
HOUSEHOLD INTERNATIONAL, INC.,
et al.,

Defendants.
__________________/

---oOo---
VIDEOTAPED DEPOSITION OF WILLIAM F. ALDINGER
Volume I (Pages 1 - 270)
Monday, January 29, 2007
---oOo---

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1 yes.
2 Q. Okay. Can you tell me the specifics of any of
3 those conversations?
4 A. No.
5 (Marked for identification purposes,
6 Exhibit 31.)
7 MR. BAKER: Let's mark this next in order,
8 while you're looking at that.
9 (Marked for identification purposes,
10 Exhibit 32.)
11 BY MR. BAKER: Q. If I could direct your
12 attention to the second page of Exhibit 31. The second
13 to last set of questions and answers that starts, Our
14 analysts and investors differentiating us from those
15 organizations involved in predatory pricing practices,
16 do you see that?
17 A. M-hm.
18 Q. Okay. The second sentence of that says,
19 Sophisticated analysts and investors understand that we
20 do not support any type of predatory pricing.
21 Do you see that?
22 A. Yes, I do.
23 Q. Do you believe that's an accurate statement as
24 of that time?
25 A. I do.

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1 Q. Okay. And did you make it clear to the
2 analysts and investors that you met with that Household
3 did not support any type of predatory pricing?
4 A. I did.
5 Q. And if we could look at Exhibit 32, again, I
6 think you testified earlier that Ms. Hicks was your
7 administrative assistant?
8 A. That's correct.
9 Q. Okay. And your initials are WFA; is that
10 correct?
11 A. Yes.
12 Q. Okay. The second page of this document, in the
13 message section, if you could read that, it talks about
14 Household's official statement on the issue of predatory
15 lending.
16 A. Yes.
17 Q. Do you see that?
18 A. M-hm.
19 Q. And then there's -- the following is a
20 statement on predatory lending that's apparently dated
21 September 14th, 2000.
22 Do you see that?
23 A. I do.
24 Q. Okay. Were you aware that there was an
25 official statement on predatory lending by Household?

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1 A. Yes. Clearly I got the -- I got this note in
2 advance of it going out.
3 And I'd like to read it again. It's been
4 awhile.
5 Q. Sure.
6 A. Okay.
7 Q. And did you have any role in helping draft this
8 statement?
9 A. I'm not sure that -- no, I did not have a role
10 in drafting it, but I certainly reviewed it. And -- and
11 I agree with it.
12 Q. Do you know if this statement was shared with
13 individuals outside of Household?
14 A. This statement was shared -- in this case, the
15 memo was to the -- to the board members of Household.
16 And do -- so what do you mean? What's your
17 question?
18 Q. Do you know if this document, this statement on
19 predatory lending, the one that we're looking at, was
20 shared with people outside of Household, in other words,
21 press or -- because it references --
22 A. It probably was not shared with the press.
23 Q. Okay.
24 A. I would be surprised if it were shared with the
25 press. Because ACORN, as you know, is the --

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1 MR. KAVALER: Do you know the answer to his
2 question?
3 THE WITNESS: No. The answer is "no." I don't
4 know the answer, but I assume that was.
5 MR. KAVALER: That's what I thought.
6 BY MR. BAKER: Q. What is ACORN?
7 A. They're an activist group. They're the one
8 that's accused of voting fraud recently.
9 (Reporter clarification.)
10 THE WITNESS: They are an activist group who
11 takes positions, sometimes supposedly for the consumer.
12 They've also been accused of voter fraud recently.
13 BY MR. BAKER: Q. Did Household issue press
14 releases with respect to activities by ACORN?
15 A. I don't recall.
16 Q. Okay. Do you recall if you reviewed any such
17 press releases?
18 A. If they went out, I probably would have
19 reviewed them.
20 Q. But you don't happen to know if this happened
21 to be --
22 A. I don't know if that went out. I would be
23 surprised if that was a press release, but it could have
24 been. I just don't recall.
25 You know, this -- when we talk about lessons

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

LAWRENCE E. JAFFE PENSION PLAN,
on behalf of Itself and All
Others Similarly Situated,
Plaintiffs,

CASE NO. 02 C 5893

vs.

HOUSEHOLD INTERNATIONAL, INC.,
et al.,

Defendants.
______________________/

---oOo---

VIDEOTAPED DEPOSITION OF WILLIAM F. ALDINGER
Volume II (Pages 271 - 495)
Tuesday, January 30, 2007

---oOo---

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1 record, and we're not going to sit here and mislead the
2 witness and we're not going to sit here and abuse the
3 witness.
4 MR. BAKER: The witness has said how far he's
5 reviewed the document.
6 MR. KAVALER: Correct.
7 MR. BAKER: And so I'd like him to go through,
8 as a base, just to find out as preliminary as to whether
9 reviewing the document is helping him -- helping refresh
10 his recollection.
11 MR. KAVALER: He just told it did, Mr. Baker.
12 MR. BAKER: Okay.
13 MR. KAVALER: Try listening to him.
14 MR. BAKER: Okay.
15 MR. KAVALER: He said reading it is helping him
16 to remember.
17 BY MR. BAKER: Q. Okay. Continue reading,
18 Mr. Aldinger.
19 MR. KAVALER: Excellent suggestion. Great
20 idea.
21 MR. BAKER: Okay. Why don't we change the
22 tape.
23 THE VIDEOGRAPHER: Here marks the end of
24 Videotape No. 1, Volume II, in the deposition of
25 William Aldinger. We're going off the record at 10:55.

1 (Recess taken, from 10:55 to 11:02.)
2 THE VIDEOGRAPHER: Here marks the beginning of
3 Videotape 2, Volume II, in the deposition of
4 William Aldinger. The time is 11:02.
5 THE WITNESS: Okay. I read through it.
6 BY MR. BAKER: Q. Okay. Does that --
7 reviewing this document help you recall the conversation
8 with Mr. Levy?
9 A. It does.
10 Q. Okay. And what can you recall about that
11 discussion?
12 A. I think we discussed the points outlined in
13 this -- in this discussion memorandum. And I think our
14 view, along with Lou Levy's, was that we strongly
15 disagreed with KPMG's view of this. Arthur Andersen
16 strongly disagreed -- disagreed with their view on this.
17 Our lawyers strongly disagreed with them on it as.
18 And as you know, later, we -- and Lou Levy, by
19 the way, having been the Citigroup partner, senior
20 person of head a audit at KPMG, pretty smart guy,
21 strongly disagreed.
22 So I think we all felt that KPMG had a wrong
23 view on this. But in the end, their view prevailed.
24 That's what I recall.
25 Q. Do you recall whether, during this discussion

1 with Mr. Levy, the decision was reached to restate?
2 A. I don't know if it was in this conversation or
3 some later conversation. All I know is that at some
4 point we restated based upon KPMG's views of the credit
5 card relationships here.
6 Q. Okay. Household put out a press release
7 regarding the restatement.
8 Were you aware of that?
9 A. I -- well, I assume we did.
10 Q. Would you have any role in reviewing that
11 release prior to its issuance?
12 A. I probably would have reviewed it, yes.
13 Q. Okay.
14 (Marked for identification purposes,
15 Exhibit 109.)
16 BY MR. BAKER: Q. Have you had a chance to
17 look at Exhibit 109?
18 A. I've read it.
19 Q. Okay. And this document is a draft press
20 release; is that right?
21 A. That's what it says.
22 Q. Okay. Now, in this draft, there is various
23 quotes that are attributed to you.
24 Do you see that?
25 A. I do.

1 Q. Okay. In general, what was the process with
2 respect to generation of these quotes? If you can
3 recall.
4 A. Well, somebody would write them in the -- in
5 the investor relations communications group, and if they
6 looked like it fit my way of saying it, I would approve
7 them.
8 Now, this is a draft. I assume we have a final
9 copy.
10 Q. I'm sure there is someplace.
11 A. Because it isn't full, and there are some
12 things left out here.
13 Q. Okay. I was just more interested in your
14 role -- in exploring your role in the draft press
15 releases.
16 A. No. Typically, they would be written, and I
17 would either approve or disapprove or make an
18 adjustment. But, by and large, they were written by our
19 staff.
20 Q. Okay. Do you recall having any discussions
21 with anyone about the draft press release for the
22 restatement?
23 A. I do not.
24 MR. BAKER: Let's mark this next in order.
25 ///

Page 1

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of Itself and All)
Others Similarly Situated,)
Plaintiffs,)
vs.) No. 02 C 5893
HOUSEHOLD INTERNATIONAL, INC.,)
et al.,)
Defendants.) Volume 1

The videotaped deposition of GARY GILMER, taken before Richard H. Dagdigian, Illinois CSR No. 084-000035, Notary Public, Cook County, Illinois, pursuant to the Federal Rules of Civil Procedure for the United States District Courts pertaining to the taking of depositions, at Suite 3200, 30 North LaSalle Street, Chicago, Illinois, commencing at 9:06 a.m. on the 11th day of January 2007.

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Page 4

1 I N D E X
2 January 11, 2007
3 THE WITNESS EXAMINATION BY COUNSEL FOR
4 PLAINTIFFS DEFENDANTS
5 GARY GILMER
6 (By Mr. Baker) 16
7
8
9 GILMER DEPOSITION EXHIBITS

	NUMBER	DESCRIPTION	PAGE
10			
11	Exhibit 1	3/5/03 SEC Transcript of Gary	18
12		Gilmer	
13	Exhibit 2	Gary Gilmer Work History and	23
14		Org. Charts	
15	Exhibit 3	Multi-page document titled	33
16		"Capturing Profit Improvement	
17		Opportunitis at Beneficial"	
18	Exhibit 4	Multi-page document titled	65
19		"Employment Agreement"	
20	Exhibit 5	Memo dated 1/30/01 from Bill	67
21		Aldinger to Gary Gilmer	
22	Exhibit 6	Document titled "Proposed Bonus	68
23		Pool Concept"	
24			

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1 other.
2 Q Okay. Do you recall having discussions
3 with Mr. Creatura or Mr. Vozar about financial
4 targets for upcoming calendar years?
5 A I don't remember any specific meeting, no,
6 I do not.
7 Q Were the numbers of targets provided by Mr.
8 Schoenholz used for developing the next calendar
9 year's operating plan?
10 A In these documents?
11 Q Yeah.
12 A Should we take one year and look at it?
13 Q Sure, why don't we take one year and look
14 at it.
15 A Which exhibit?
16 Q Why don't we start with Exhibit 28.
17 A 28.
18 Q Before you go far, Mr. Gilmer, am I
19 correct, if you look at the second page of this
20 document, the heading up on the left says "Household
21 International Financial Targets"; do you see that?
22 A That is correct.
23 Q And right below it says "HFC"?
24 A That is correct.

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1 Q And that's a reference to the business unit
2 that we have been discussing -- the Consumer Lending
3 Business Unit?
4 A I'm sorry, say that again?
5 Q That is a reference to the Consumer Lending
6 Business Unit?
7 A I would assume it to be, yes. I would
8 assume that to be the case.
9 Q Okay. And sticking with that page that we
10 were looking at for --
11 A I'm sorry, page two?
12 Q Yes. For calendar year 2000, net income,
13 there is a figure 931.6, do you see that?
14 A I do indeed.
15 Q The question I was asking is, would that
16 number have been imported by you to shoot as the net
17 income for the 2000 operating plan for the Consumer
18 Lending Business Unit?
19 A Not necessarily.
20 Q Okay. Would there be some discussion back
21 and forth?
22 A Could well have been. I mean, I don't
23 remember -- I don't remember August of 1999, but I
24 can't imagine there would be circumstances where I

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1 would just be mailing a document, and it had a number
2 on it, and it said this is a target, and have that
3 become my target.
4 I mean, I can't imagine that there wouldn't
5 be lots of input and discussion with lots of people.
6 So whether this ultimately became the
7 number -- we can look in the files and determine
8 that, but I don't remember that this was a number
9 that we used or not.
10 MR. BAKER: Let's mark in next in order.
11 (Gilmer Deposition Exhibit
12 No. 31 was marked as
13 requested.)
14 MR. OWEN: Are we done with these?
15 MR. BAKER: For now. Let's keep out
16 Exhibit 28 a little bit longer here.
17 I've handed you what in the production is
18 two documents and, consistent with my practice
19 previously, where there is a page -- a break between
20 two documents, I've included a slip sheet that has no
21 Bates number.
22 A Okay. I have Exhibit 31 now.
23 Q Okay. Now, if we go to the third page of
24 this document, again it looks -- it talks about

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1 original plan presentation?
2 A Yes.
3 MS. BEST: What Bates number are you on, Cam?
4 MR. BAKER: 59, the third page in.
5 BY MR. BAKER:
6 Q The plan presentation is not the actual
7 operating plan, is it?
8 A The plan presentation?
9 Q This document, this plan presentation that
10 we are looking at, this is not the actual operating
11 plan; the operating plan is much thicker?
12 A I don't know if it is or not.
13 Q Okay.
14 A I don't know what's in here.
15 Q Do you want to -- do you want to look
16 through it and determine if it's the operating plan
17 itself?
18 A I'm struggling here to find out if this was
19 my presentation or if this was somebody else's
20 presentation.
21 Do you have some cover letter or something
22 that --
23 Q Hang on. I do know this document was
24 produced from the Household files. But according to

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of Itself and All)
Others Similarly Situated,)
Plaintiffs,)
vs.) No. 02 C 5893
HOUSEHOLD INTERNATIONAL, INC.,)
et al.,) Volume 2
Defendants.)

The continued videotaped deposition of GARY GILMER, taken before Richard H. Dagdigian, Illinois CSR No. 084-000035, Notary Public, Cook County, Illinois, pursuant to the Federal Rules of Civil Procedure for the United States District Courts pertaining to the taking of depositions, at Suite 3200, 30 North LaSalle Street, Chicago, Illinois, commencing at 9:06 a.m. on the 12th day of January 2007.

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1 I N D E X
2 January 12, 2007
3 THE WITNESS EXAMINATION BY COUNSEL FOR
4 PLAINTIFFS DEFENDANTS
5 GARY GILMER
6 (By Mr. Baker-resumed) 319
7
8
9 GILMER DEPOSITION EXHIBITS

Line	NUMBER	DESCRIPTION	PAGE
10			
11	Exhibit 81	Memo dated 8/13/99 from Pete	319
12		Sesterhenn to Gary Gilmer	
13	Exhibit 82	Communication dated 5/18/99 from	324
14		Gary Gilmer to Bill Aldinger	
15	Exhibit 83	Communication dated 9/16/99 from	335
16		Gary Gilmer to Bill Aldinger	
17	Exhibit 84	Communication dated 10/15/99 from	336
18		Gary Gilmer to Bill Aldinger	
19	Exhibit 85	Communication dated 11/16/99 from	339
20		Gary Gilmer to Bill Aldinger	
21	Exhibit 86	E-mail dated 11/15/99 from	340
22		Gary Gilmer to Walt Rybak	
23	Exhibit 87	E-mail dated 7/9/99 from	342
24		Gary Gilmer to David Little	

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1 A As I said, I don't remember signing it, but
2 there is every reason to believe I did, based on the
3 document I read today, and I would never sign any
4 document containing any information unless I believed
5 it to be true. And that would include this document.
6 Q Okay. Do you recall whether, to confirm
7 the accuracy of the statement, you undertook any
8 inquiry into members of your staff such as Mr. Vozar,
9 Mr. Rybak, as to the accuracy of this statement?
10 MR. OWEN: Objection to the form of the
11 question, vague and ambiguous.
12 A Would you please restate the question?
13 BY MR. BAKER:
14 Q Do you recall if you had any discussions
15 prior to signing this document with members of your
16 staff including Mr. Vozar and/or Mr. Rybak about the
17 accuracy of this particular statement?
18 A No, no, I don't. This appears to be
19 perhaps hundreds of pages of statements in here, so I
20 don't remember with respect to one statement or any
21 or all. I don't recall that.
22 Q Okay.
23 A I don't know what I did in that respect.
24 Q Do you recall if you reviewed the entire

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1 document prior to signing it?
2 A Again, I don't recall signing it. So, I
3 guess, by definition I wouldn't recall.
4 MR. BAKER: Let's mark this next in order.
5 (Gilmer Deposition Exhibit
6 No. 149 was marked as
7 requested.)
8 BY MR. BAKER:
9 Q Mr. Gilmer, this document has your "G"?
10 MS. BEST: Sorry, we have a technical
11 difficulty here.
12 MR. OWEN: Okay. Wait.
13 BY MR. BAKER:
14 Q Mr. Gilmer, is this your "G" on the first
15 page of this document?
16 A Yes, it is, I believe.
17 Q Okay. Do you recall whether you reviewed
18 this document in its entirety? I should say other
19 than in preparation for this deposition.
20 A No, and I'm sure you don't want me to read
21 this entire document, hopefully.
22 Q No, I don't think we have time.
23 A All right. Is my signature on here
24 someplace?

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1 Q I don't believe it is. I think the only
2 indication that you reviewed it is the "G" there.
3 A No, I would not recall.
4 Q Did you have any role in certifying the
5 accuracy of information contained in filings with the
6 SEC such as 10-K's and 10-Q's during the time period
7 we are talking about, 1999 to 2002?
8 A With respect to what?
9 Q Certifying the accuracy of filings with the
10 SEC such as 10-K's and 10-Q's?
11 A With respect to my business unit, or
12 Household International, or --
13 Q Well, there is two kind of filings we
14 looked at. We looked at one for Household Finance
15 Corporation.
16 A Right.
17 Q And it appears at least that you signed the
18 one that we looked at.
19 A That is correct.
20 Q So that takes care of that. So let's focus
21 on Household International, during the time period
22 1999 to 2002, did you have any role in certifying the
23 accuracy of information contained in HI as opposed to
24 Household -- HI's filings with the SEC such as 10-K's

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1 and 10-Q's?
2 A I don't think I would have, unless someone
3 had requested that I look at a particular section and
4 certify it.
5 And I don't recall that happening. But,
6 generally speaking, documents at the Household
7 International level were outside of my area, and I
8 don't think I would have done that.
9 Now, it could well be -- my recollection is
10 very vague on this, but it seemed to me that we
11 changed the policy at some point in this time period,
12 requiring certification of certain things by certain
13 executives.
14 And I don't remember what they were. I
15 feel very comfortable that we would have been in
16 compliance with whatever that was.
17 Q Have you ever heard of the Sarbanes-Oxley
18 certifications or Sabs?
19 A Yes, yes, I have.
20 Q Is that what you are talking about?
21 A The policies I am talking about may have
22 been associated with that. It may have been a
23 requirement off the back of that.
24 I don't know. Those are technical legal

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

LAWRENCE E. JAFFE PENSION PLAN,)
on behalf of Itself and All)
Others Similarly Situated,)
Plaintiffs,)
vs.) No. 02 C 5893
HOUSEHOLD INTERNATIONAL, INC.,)
et al.,)
Defendants.) Volume No. 1

The videotape deposition of DAVID A. SCHOENHOLZ, taken before Richard H. Dagdigian, Illinois CSR No. 084-000035, Notary Public, Cook County, Illinois, pursuant to the Federal Rules of Civil Procedure for the United States District Courts pertaining to the taking of depositions, at 311 South Wacker Drive, Suite 1800, Conference Room II, Chicago, Illinois, commencing at 9:08 a.m. on the 28th of February 2007.

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1 I N D E X
2 February 28, 2007
3 THE WITNESS EXAMINATION BY COUNSEL FOR
4 PLAINTIFFS DEFENDANTS
5 DAVID A. SCHOENHOLZ
6 (By Mr. Brooks) 10
7
8 SCHOENHOLZ DEPOSITION EXHIBITS

Line	NUMBER	DESCRIPTION	PAGE
9-11	Exhibit 1	Document titled "Management Organization - David A. Schoenholz"	21
12-13	Exhibit 2	Memo dated 1/27/99 from Gary Gilmer to Bill Aldinger, etc.	45
14-15	Exhibit 3	Communication dated 3/2/99 from Andrew Kahr to Joe Vozar	52
16-17	Exhibit 4	Communication dated 1/29/99 from David Schoenholz to Distribution	53
18-19	Exhibit 5	Communication dated 3/22/99 from Andrew Kahr to Joe Vozar	54
20-21	Exhibit 6	Memo dated 3/18/99 from Randy Raup to Bill Aldinger, etc.	56
22-23	Exhibit 7	E-mail chain dated 10/21/99 from Joe Vozar to P. A. Carlson	60

24

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1 A Friedrich -- Friedrich's reports.
2 Q Did you generally add additional
3 information to Friedrich's reports?
4 A Add or subtract. I mean, Doug's reports
5 tended to be more detailed, and there would be
6 certain -- and my reports to Bill tended to be
7 shorter and were kind of at a different level.
8 (Schoenholz Deposition Exhibit
9 No. 49 was marked as
10 requested.)
11 BY MR. BROOKS:
12 Q Did you include -- before we look at
13 Exhibit 49, did you include information in your
14 Mortgage Services reports to Mr. Aldinger that wasn't
15 included in Mr. Friedrich's reports to you?
16 A I would include observations or comments or
17 opinions.
18 Q Exhibit 49 is HHS 03128993 through 9057.
19 Is this the presentation that you gave at
20 the April 9th, 2002 Financial Relations Conference?
21 A I believe so.
22 Q Throughout this document, on most of the
23 pages, there are handwritten notes.
24 Were those notes written to guide you in

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1 your presentation?
2 A Those were my notes.
3 Q Right.
4 A And that I would have -- the way I prepared
5 to give this presentation, since I didn't use a
6 script, prior to the presentation, I would go through
7 and write myself notes and review the notes before I
8 gave the presentation.
9 Q So these notes were on the document prior
10 to the presentation, correct.
11 Withdrawn.
12 Did anyone besides you or -- and Mr.
13 Aldinger make any presentation on behalf of Household
14 at the FRC?
15 A Yes.
16 Q Who else did?
17 A The various group executives. At this
18 conference, my recollection is that you had Gary
19 Gilmer, Rocco Fabiano, Bobby Mehta; I don't know if
20 Sandy Derickson presented or not. I just don't
21 recall.
22 And then Edgar Ancona also would have
23 presented, and Craig Streem also made some comments,
24 to my recollection.

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1 Q Did anyone provide information regarding
2 restructures other than you at this conference?
3 A I don't believe so.
4 Q Following your presentation, there was a
5 discussion -- a question and answer session, correct?
6 A That's correct.
7 Q And was Mr. Aldinger present for that
8 session?
9 A Correct.
10 Q Were the various group executives present
11 for that session?
12 A Correct.
13 Q Did all of them participate in the question
14 and answer session?
15 MR. OWEN: I object to the form of the
16 question.
17 A My general recollection is everybody was
18 available to take questions and provide answers.
19 I don't recall if everyone got a question.
20 Generally Bill liked to handle most of the questions.
21 BY MR. BROOKS:
22 Q Was everybody sitting up on a stage
23 responding to questions during the question and
24 answer session?

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1 A I don't recall. My general recollection is
2 that Aldinger had the microphone, and that if
3 somebody else -- he wanted somebody else to answer a
4 question, he would kind of -- we were all either
5 sitting right off stage or we were standing off
6 stage, and he would give you the microphone and ask
7 you to take that question.
8 Q Turning to page 28, which is the page
9 ending 020 on the Bates number, is this the beginning
10 of your -- well, strike that.
11 Turning to the page ending 028, is this the
12 beginning of your discussion on reage and charge-off
13 policies?
14 A Yes.
15 Q And on the next page, the
16 second handwritten note down beginning, "Our
17 policies" -- could you read for me what that says?
18 A "Our policies are set by customer segment
19 for what is most appropriate".
20 Q And at the bottom, there is some
21 handwritten notes regarding reserves.
22 Did you explain at the Financial Relations
23 Conference how the company's reserve methodologies
24 accounted for restructures?