Second Quarter 2010 Results

July 22, 2010

Forward looking statements

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Second quarter earnings were $608MM or $1.33 per share, compared to $636MM or $1.40 per share in the first quarter

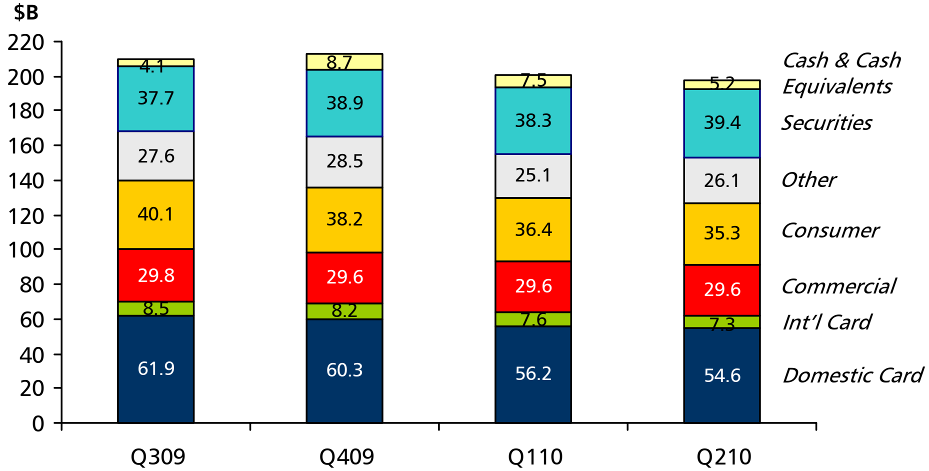
$MM	Q210	Q110	Change
Net Interest Income	3,097	3,228	(131)
Non Interest Income	807	1,061	(254)
Revenue	**3,904**	**4,289**	**(385)**
Marketing Expense	219	180	39
Operating Expense	1,781	1,667	114
Non-Interest Expense	**2,000**	**1,847**	**153**
Pre-Provision Earnings (before tax)	**1,904**	**2,442**	**(538)**
Net Charge-offs	1,717	2,018	(301)
Other	12	26	14
Allowance Build (Release)	(1,006)	(566)	440
Provision Expense	**723**	**1,478**	**(755)**
Pretax Income	**1,181**	**964**	**217**
Tax Expense	**369**	**244**	**125**
Operating Earnings (after tax)	**812**	**720**	**92**
Discontinued Operations, net of tax	(204)	(83)	(121)
Total Company (after tax)	**608**	**636**	(28)
EPS Available to Common Shareholders	$1.33	$1.40	($0.07)

Highlights

- Income from continuing operations up 13% quarter over quarter
- Revenue declined $385MM, or 9%
  - 4.5% decline in average loans
  - Stable net interest margin (NIM)
  - Decline in non-interest income primarily driven by:
    - lower one-time benefits than Q1 (mortgage I/O bond sale and securities sales)
    - Full quarter impact of reduced overlimit fees
- Non-Interest expenses up $153MM
  - Operating expense increased due to one-time expenses and infrastructure investments
  - Marketing expenses up $39MM
- Provision expense declined $755MM or 51%; charge offs down $301MM
- Rep & warranty expense of $404MM
  - $309MM in discontinued operations

The pace of loan contraction slowed in the quarter and funding costs continued to improve

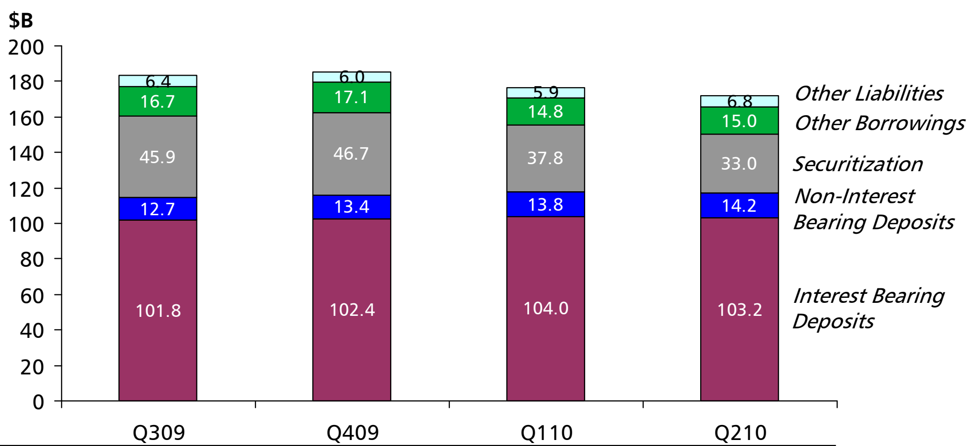
End of Period Assets[1]



Asset Highlights

- Consumer/Card loans down \$3.0B or 2.3%
  - \$2.0B decline in run-off portfolios
  - Charge-offs still elevated at \$1.7B
- Commercial commitments up ~\$500MM; loan balances stable

End of Period Liabilities[1]



	Q309	Q409	Q110	Q210
Cost of Interest Bearing Liabilities	2.28%	2.16%	1.96%	1.91%
Total Cost of Funds	2.05%	1.93%	1.76%	1.69%

Liability Highlights

- Cost of funds decreased to 1.69% in second quarter from 1.76% in the first quarter
- Continued shift to lower priced deposits
- Loan to deposit ratio at 1.08

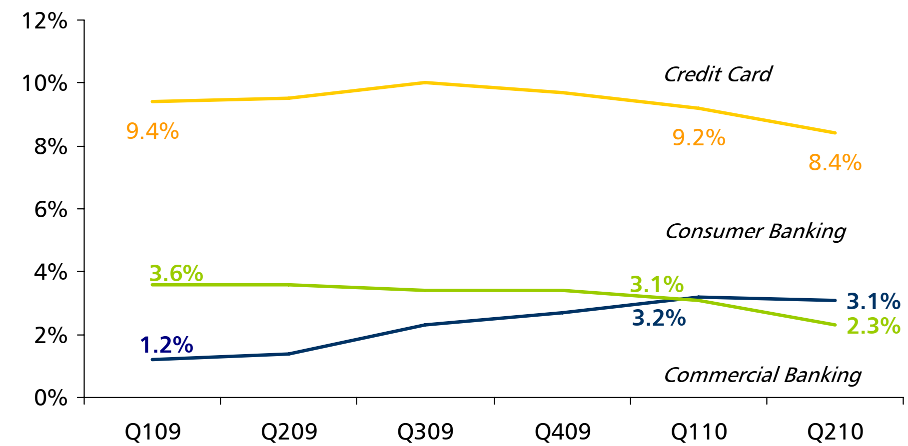
[1] Managed portfolio data Q3-Q409

Allowance coverage ratios remain high

Allowance Balance

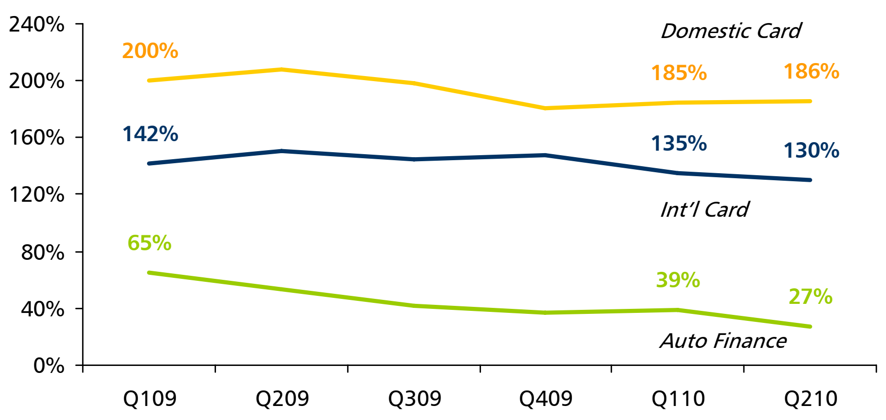
$MM	Q2'10	Q1 '10	Build/(Release)
Credit Card			
Domestic	$ 4,579	$ 5,162	$ (583)
International	530	612	(82)
Total Credit Card	$ 5,109	$ 5,774	$ (665)
Consumer Banking			
Auto	$ 365	$ 523	$ (158)
Other Consumer Banking	336	412	(76)
Total Consumer Banking	$ 701	$ 935	$ (234)
Commercial Banking	$ 882	$ 915	$ (33)
Other	$ 107	$ 128	$ (21)
Total Allowance	$ 6,799	$ 7,752	$ (953)

Allowance as % of Loans

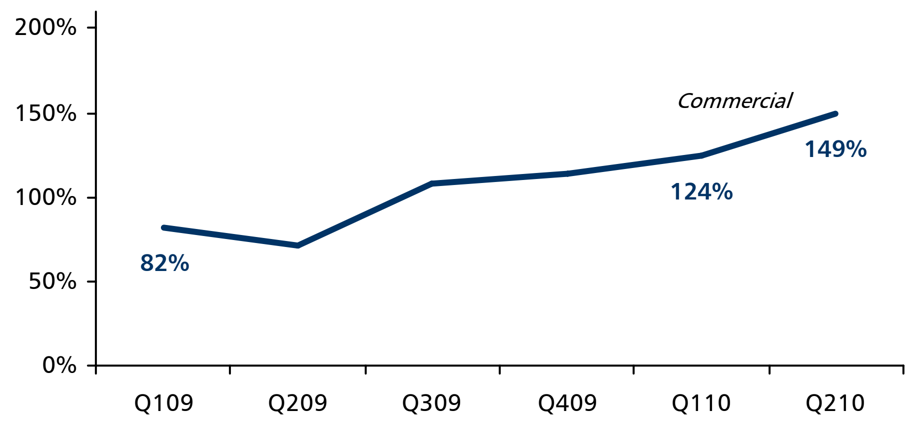


Total Company:	4.43%	4.44%	4.67%	4.55%	5.96%	5.35%

Allowance as % of Reported 30+ Delinquencies

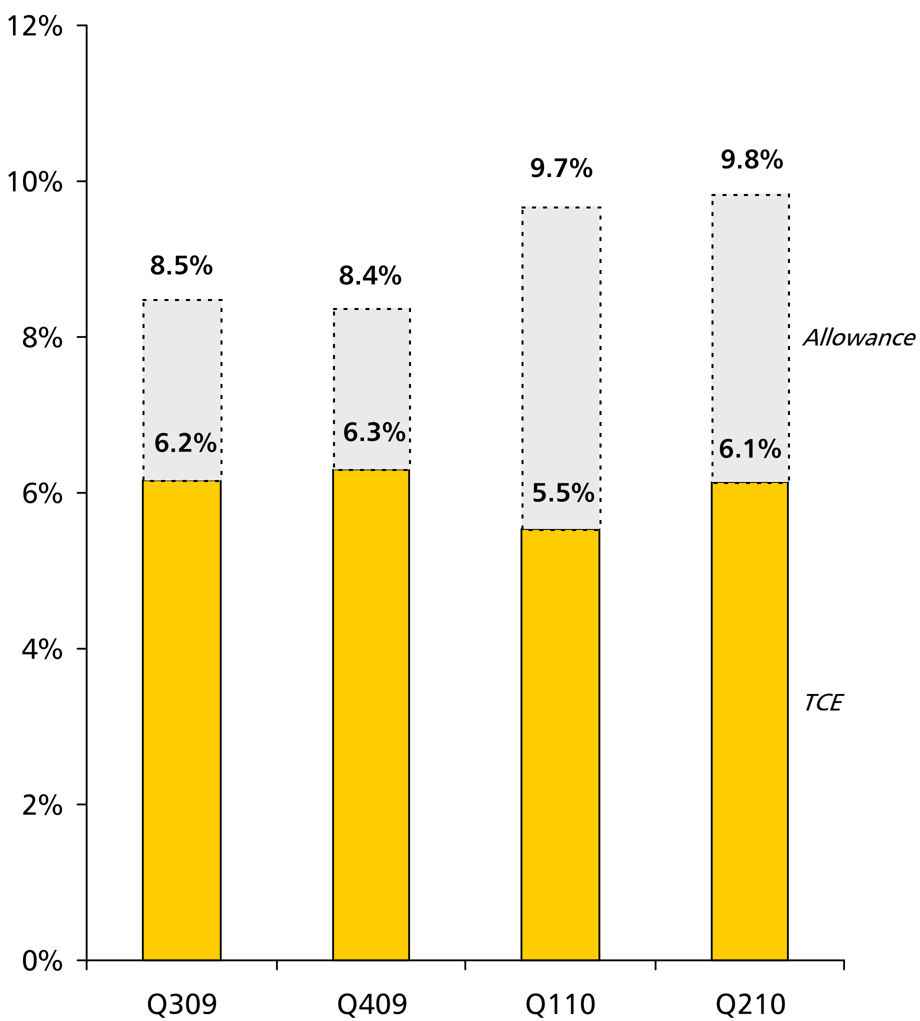


Commercial Lending Allowance as % of Non-Performing Loans

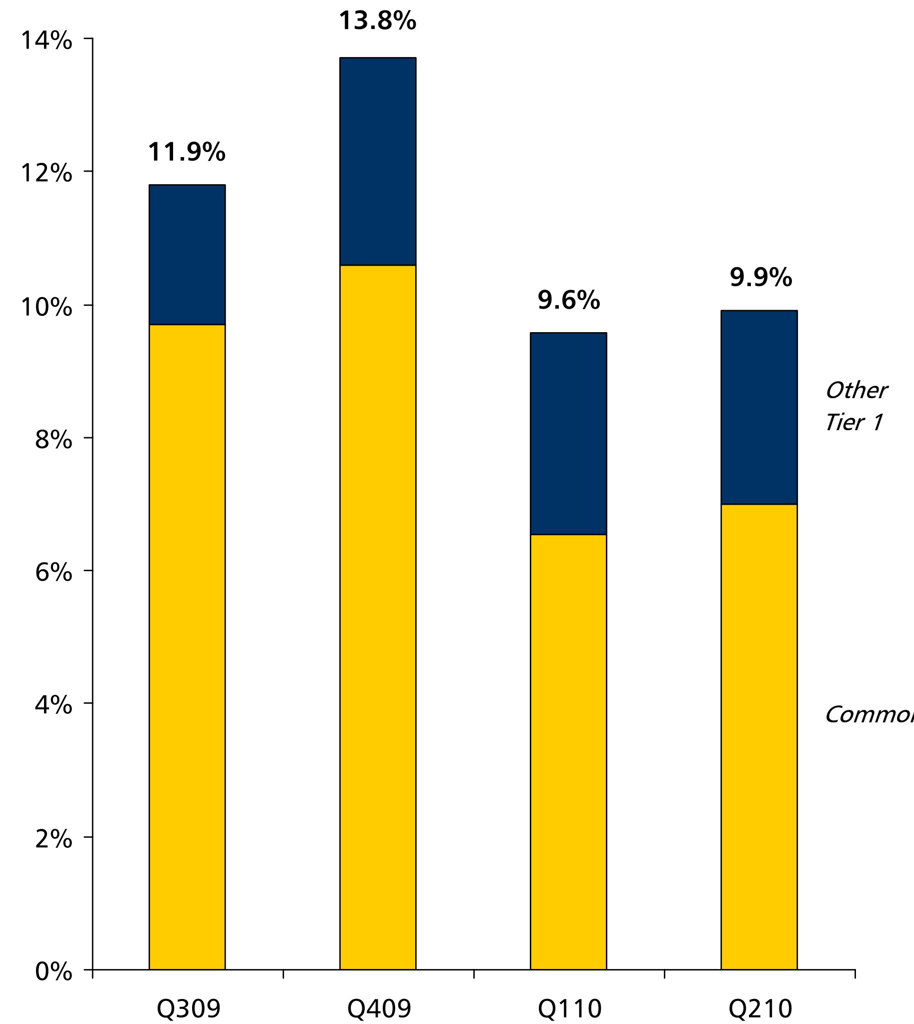


Our capacity to absorb risk remains high

Tangible Common Equity + Allowance to Tangible Managed Assets

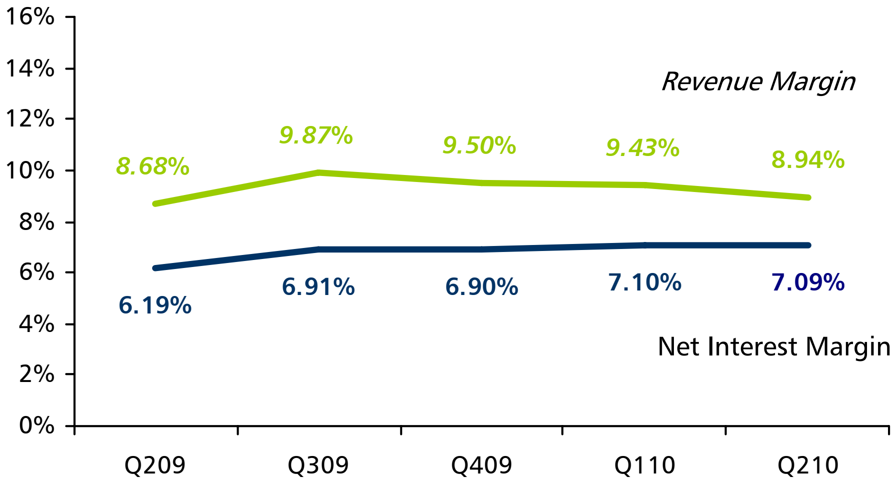


Tier 1 Capital to Risk Weighted Assets



NIM remained stable in the quarter, as modest funding cost improvements were offset by modest declines in asset yield

Margins as % of Managed Assets



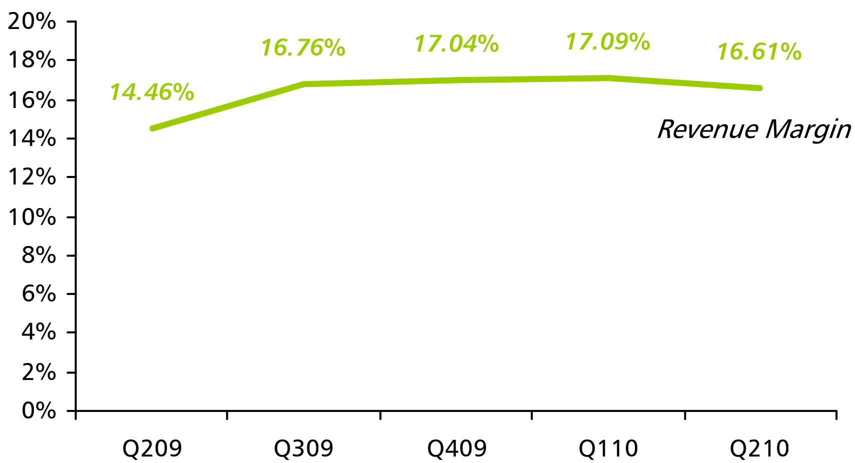
Funding costs improved modestly

- Favorable interest rates
- Mix shift from wholesale funding to bank deposits

Asset yields declined modestly

- Greater mix of investment securities vs. loans

Domestic Card Revenue Margin

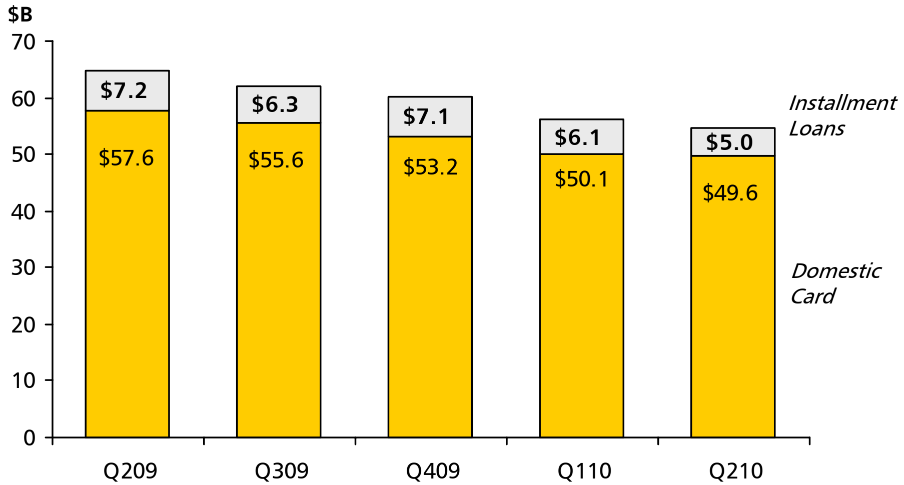


Domestic Card Revenue margin declined in Q210

- Decline in overlimit fees in non-interest income
- Expect quarterly Domestic Card revenue margin to decline to around 15% by early 2011

Loan balances continued to decline, but at a slower pace

Domestic Card



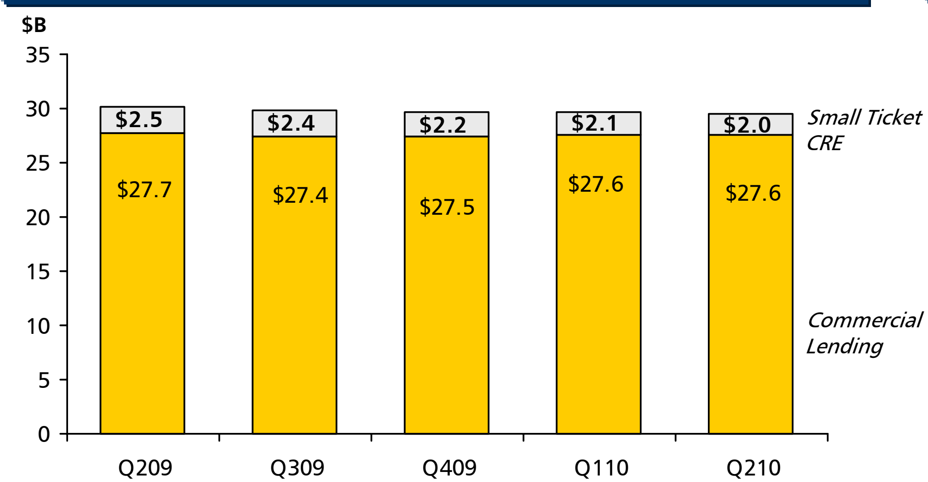
Commentary

- Expected run off continues in ILs, Mortgages, and Small ticket CRE
- Consumer and Commercial demand remains weak

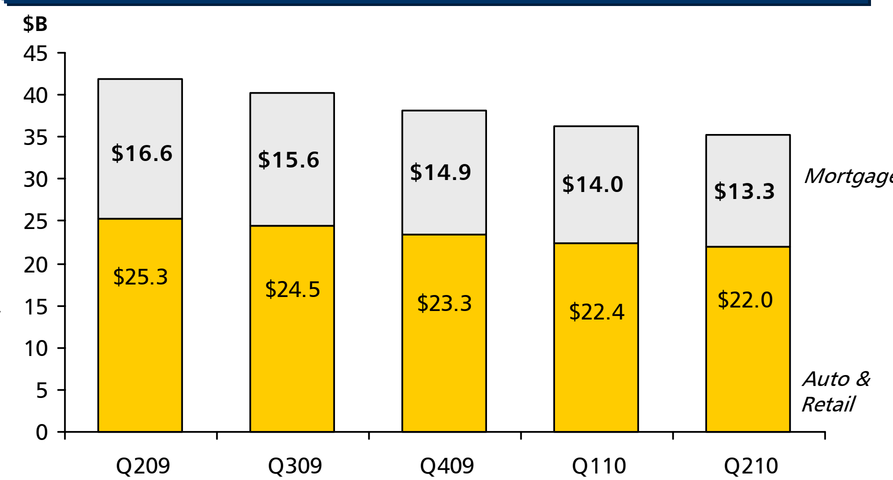
Partially offset by:

- Lower charge-offs
- Pockets of origination growth in Domestic Card, Auto Finance

Commercial Banking

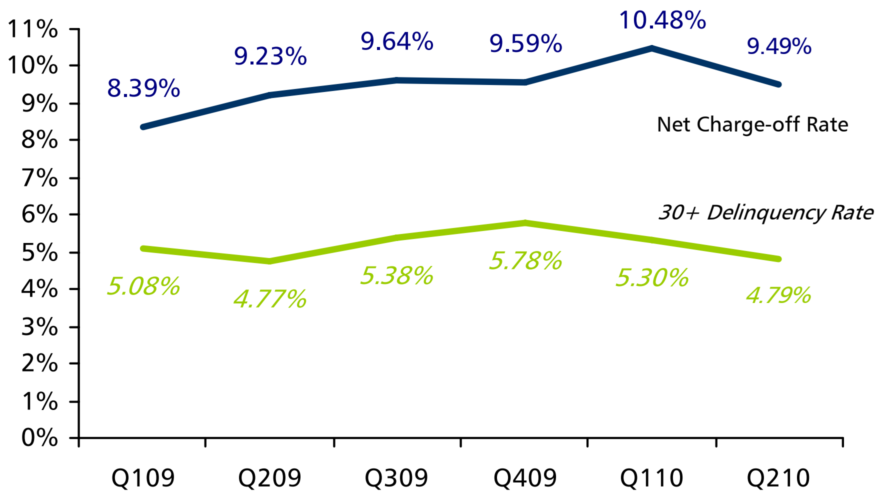


Consumer Banking

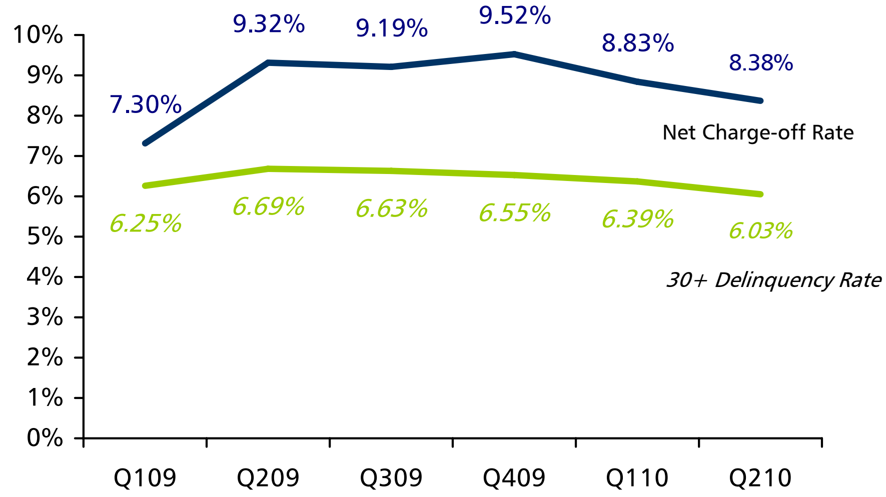


Charge-off rates improved across our consumer lending businesses

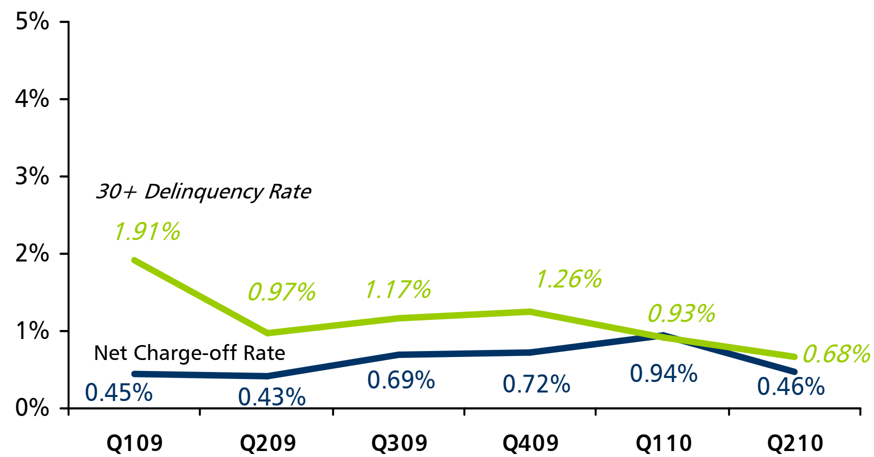
Domestic Credit Card ($55.3B*)



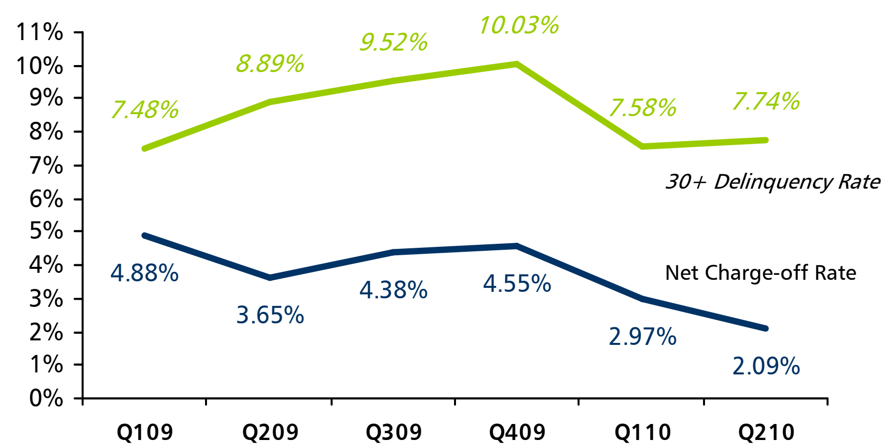
International Credit Card ($7.4B*)



Mortgage Credit ($13.6B*)



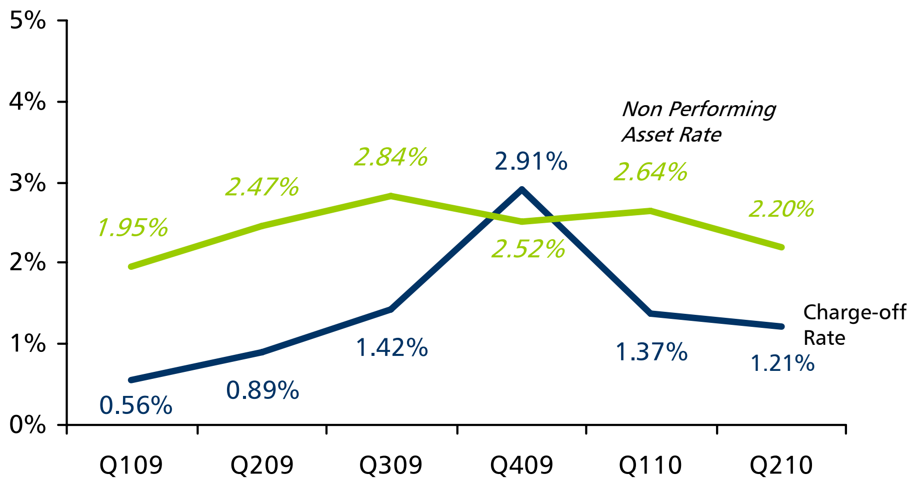
Auto Credit($17.3B*)



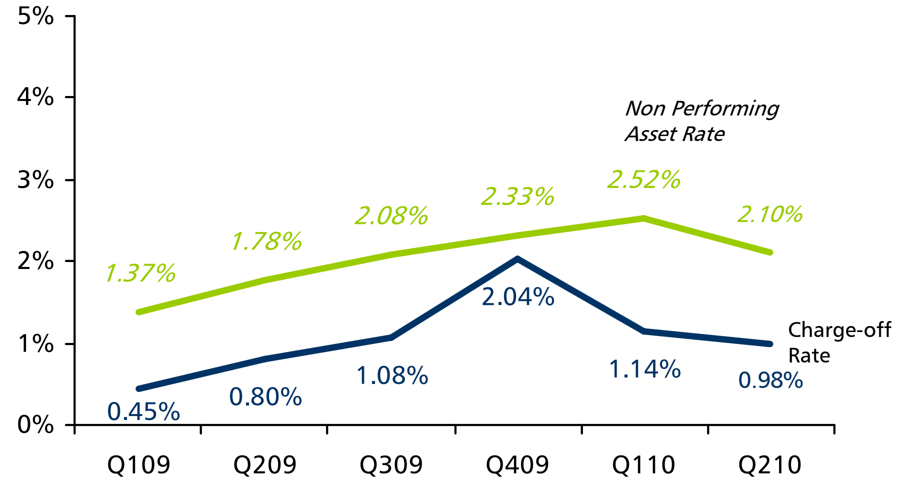
** Average assets for Q2*

Commercial Banking non-performing asset rates and charge-off rates improved

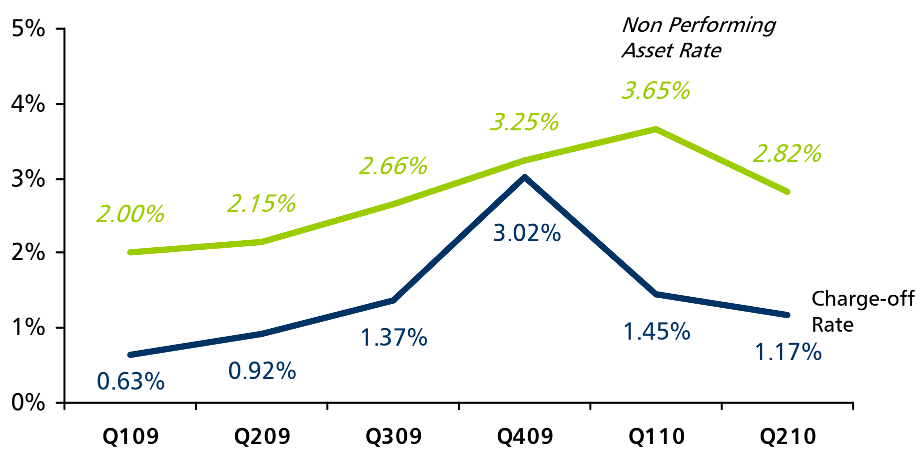
Total Commercial Banking ($29.6B*)



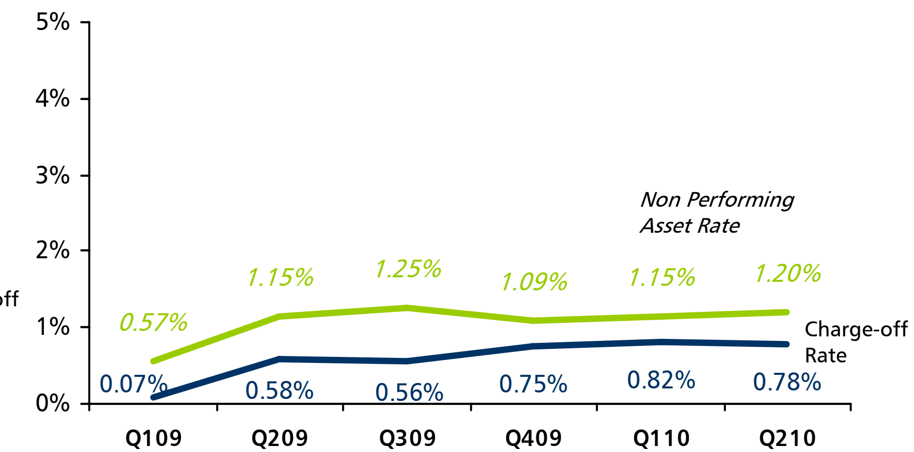
Total Commercial Lending Excluding Small Ticket CRE ($27.6B*)



Commercial & Multi Family ($13.6B*)



Middle Market ($10.2B*)



** Period end assets for Q2*

We remain well positioned to deliver significant shareholder value over the long term

Elevated Uncertainty

- Fragile economic recovery
- Consumer demand
- Regulatory risk

Near-Term Trends

- Expect lower pre-provision earnings into 2011
- Bottom line cushioned by lower provision expense
- Expect path to normalized earnings to become evident in quarterly results in 2011

Long-Term Value

- Businesses with sustainable, above-hurdle returns
- Positioned to grow as consumer demand returns
- Emerging opportunities in the aftermath of recession and regulatory reform
- Strong and resilient balance sheet

Appendix

Domestic Card profits increased, as the decline in pre-provision earnings was more that offset by lower provision expense

Domestic Card

(in millions)	Q2 2010	Q1 2010	Q2 2009
Earnings			
Net interest income	1,735	1,865	1,586
Non-interest income	560	618	795
Total revenue	2,295	2,483	2,381
Provision for loan and lease losses	675	1,096	1,336
Non-interest expenses	869	809	788
Income (loss) before taxes	751	578	257
Income taxes (benefit)	268	206	90
Net income (loss)	483	372	167
Selected Metrics			
Period end loans held for investment	54,628	56,228	64,760
Average loans held for investment	55,252	58,108	65,862
Loans held for investment yield	13.98%	14.78%	12.17%
Revenue Margin	16.61%	17.09%	14.46%
Net charge-off rate	9.49%	10.48%	9.23%
30+ day performing delinquency rate	4.79%	5.30%	4.77%
Purchase Volume	24,513	21,988	23,611

Highlights

- Pre-provision earnings declined, as expected
  - Lower loan balances
  - Expected decline in revenue margin
  - Higher non-interest expense
- Lower provision expense
  - Charge-offs improved from first quarter peak levels
  - Allowance release driven by lower balances and improving credit trends
- Delinquency rate improved 51 basis points from Q110
- Loans continued to decline, but at a slower pace
  - Loans down $1.6 billion vs. $4.1 billion first quarter decline
  - Continuing IL run off drove the second quarter decline
- Purchase volumes increased vs. Q110 and Q209

The International Card businesses posted another quarter of solid profitability, with stable revenue and improving credit metrics

International Card

(in million)	Q2 2010	Q1 2010	Q2 2009
Earnings			
Net interest income	242	248	211
Non-interest income	99	100	103
Total revenue	341	348	314
Provision for loan and lease losses	90	79	184
Non-interest expenses	133	105	122
Income (loss) before taxes	118	164	8
Income taxes (benefit)	33	47	2
Net income (loss)	85	117	6
Selected Metrics			
Period end loans held for investment	7,269	7,578	8,639
Average loans held for investment	7,427	7,814	8,328
Loans held for investment yield	16.21%	15.66%	13.40%
Revenue Margin	18.37%	17.81%	15.08%
Net charge-off rate	8.38%	8.83%	9.32%
30+ day performing delinquency rate	6.03%	6.39%	6.69%
Purchase Volume	2,057	1,936	2,136

Highlights

- Revenues relatively stable, with modest pressure from FX movements
- Non Interest expense increased, driven by $25 million charge related to the enactment of the Canada Goods and Services Tax
- Provision expenses increased modestly
  - Lower charge-offs
  - Smaller allowance release than Q1
- Delinquency rate improved 36 basis points from Q110
- Loans continued to decline, but at a slower pace
  - Loans down $309 million in the quarter, compared to $646 million first quarter decline
- Purchase volumes increased modestly

The Commercial Banking business returned to profitability, with increasing revenue and sharply lower provision expense

Commercial Banking

(in millions)

Earnings	Q2 2010	Q1 2010	Q2 2009
Net interest income	319	312	279
Non-interest income	60	42	49
Total revenue	379	354	328
Provision for loan and lease losses	62	238	122
Non-interest expenses	198	192	156
Income (loss) before taxes	119	(76)	50
Income taxes (benefit)	42	(27)	(17)
Net income (loss)	77	(49)	33

Selected Metrics	Q2 2010	Q1 2010	Q2 2009
Period end loans held for investment	29,575	29,612	30,175
Average loans held for investment	29,533	29,723	30,565
Loans held for investment yield	4.94%	5.03%	5.01%
Period end deposits	21,527	21,605	16,897
Average deposits	22,171	21,859	17,021
Deposit interest expense rate	0.67%	0.72%	0.77%
Core deposit intangible amortization	14	14	10
Net charge-off rate	1.21%	1.37%	0.89%
Non-performing loans as a % of loans HFI	2.04%	2.48%	2.33%
Non-performing asset rate	2.20%	2.64%	2.47%

Highlights

- Revenues increased modestly
  - NII up, driven by growth in average deposits, with lower deposit interest expense
  - Non-interest income, driven by growth in fee income
- Sharply lower provision expense, resulting from improving credit
  - Lower charge-offs and NPLs
  - Allowance release
  - Allowance as % of NPLs *increased*, despite the Q2 release
- Relatively stable loan balances, modest decline in loan yields
- Modest increase in average deposits, with improved deposit interest expense rate
- Non-performing asset rate improved 44 bps compared to Q110

Consumer Banking net income was flat, as the decline in pre-provision earnings was cushioned by lower provision expense

Consumer Banking

(in millions)

Earnings	Q2 2010	Q1 2010	Q2 2009
Net interest income	935	896	826
Non-interest income	162	316	226
Total revenue	1,097	1,212	1,052
Provision for loan and lease losses	(112)	50	202
Non-interest expenses	735	688	725
Income (loss) before taxes	474	474	125
Income taxes (benefit)	169	169	44
Net income (loss)	305	305	81
Selected Metrics			
Period end loans held for investment	35,313	36,383	41,848
Average loans held for investment	35,660	38,245	42,722
Loans held for investment yield	8.99%	8.96%	8.69%
Auto loan originations	1,765	1,343	1,342
Period end deposits	77,407	76,883	73,883
Average deposits	77,082	75,115	74,321
Deposit interest expense rate	1.18%	1.27%	1.76%
Core deposit intangible amortization	36	38	47
Net charge-off rate	1.47%	2.03%	2.23%
Non-performing loans as a % of loans HFI	1.82%	1.62%	1.08%
Non-performing asset rate	2.00%	1.76%	1.21%
30+ day performing delinquency rate	4.15%	4.13%	4.73%
Period end loans serviced for others	23,730	26,778	31,492

Highlights

- Revenues declined
  - NII up modestly, with growth in average deposits and lower deposit interest expense rate
  - Non Interest Income down, driven by absence of Q1 benefit from sale of I/O Bonds
- Significant improvement in provision expense
  - Lower charge-offs
  - Significant allowance release from improving outlook in all Consumer Banking businesses
- Non-interest expenses increased, driven by bank infrastructure investments
- Loans continued to decline, but at a slower pace
  - Loans down ~$1 billion, vs. ~$1.8 billion first quarter decline
  - Continuing mortgage run off drove the second quarter decline
- Auto originations increased 32%

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