



®

Terry Scully

President, Target Financial Services



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TARGET FINANCIAL SERVICES

MISSION

To deliver financial products and services that...

- Drive sales
- Deepen guest relationships
- Sustain outstanding profitability

REDCARDS



EXPECT MORE. PAY LESS.®

Differentiation

A large, light gray downward-pointing arrow is positioned below the 'Differentiation' header, pointing towards the list of bullet points.

- Brand extension
- Target retail focus
- Guest service

Value

A large, light gray downward-pointing arrow is positioned below the 'Value' header, pointing towards the list of bullet points.

- Rewards
 - Relevant
 - Achievable
- Competitive terms

RETAIL INTEGRATION



RETAIL INTEGRATION



a great score
winning savings on LCD HDTVs!



Over **\$70 savings!**
\$479
Olevia 32" class
720p LCD HDTV
Reg. 549.99, No. 2327.
Actual screen size is
31.5" diagonal.
• 42" Olevia 1080p
FULL HD LCD TV,
reg. 949.99, sale *898

Over **\$120 savings!**
\$928

40" Westinghouse 1080p LCD
HDTV with built-in DVD player that
upconverts standard DVDs to
1080p resolution. Reg. 1,049.99.
No. VK-40HS800.



Over **\$40 savings!**
\$269
19" TruTech® 720p
LCD HDTV with
built-in DVD player.
Reg. 309.99,
No. PLV31199GL

3-year Extended
Service Plans
for TVs available,
\$19-\$79
Screens are measured
diagonally, shown with
simulated picture.



Free \$10 Target GiftCard™
with purchase of any game below!
Quantities limited; no rain checks.



59⁹⁹ • Wii, 49.99
59⁹⁹ • Wii, 49.99
59⁹⁹ • Wii, 49.99

Get in the game!
Save 10% when
you open a
REDCard™
credit account*



The REDcards

For your purchase,
how about a great
gaming system?



179⁹⁹

Just **\$161.99** when you open
a REDcard credit account!
DS *Guitar Hero on Tour* bundle
with game system, game and
more. Quantity limited; no rain checks.



199⁹⁹

Just **\$179.99** when you open
a REDcard credit account!
PSP *Madden NFL 09* bundle
with game system, game and
more. Quantity limited; no rain checks.

*Some restrictions apply to savings. See Target.com/apply for details.
Excludes Target Check Card™, REDcard: Target® Visa® Credit Card
and Target Credit Card™. Subject to application approval.

Get in the game!
Save 10% when
you open a
REDCard™
credit account*



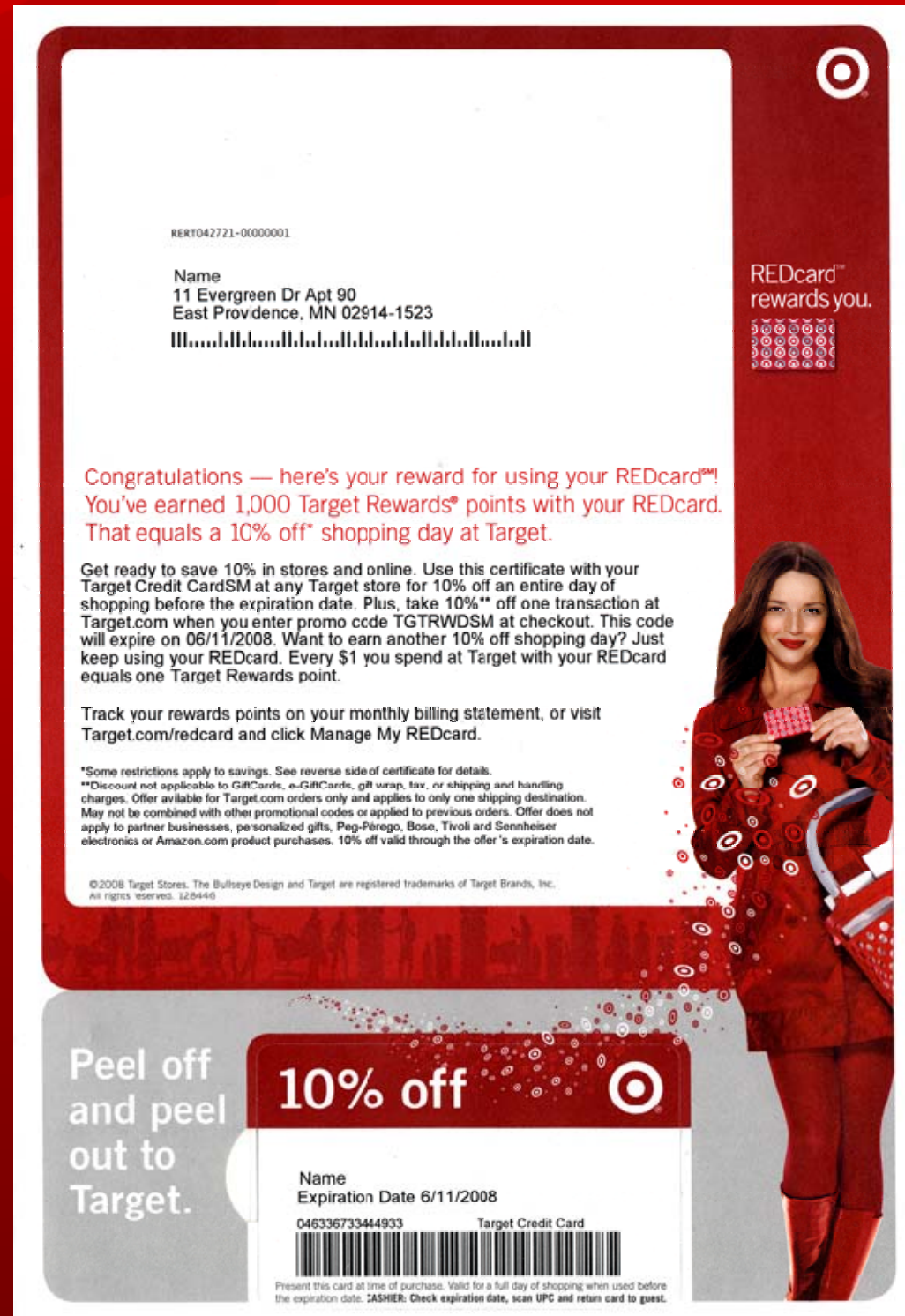
The REDcards

***** catch our Sunday ad delivered to your in-box. sign up at Target.com/weeklyad *****

57

***** flip the flap for more *****

RETAIL INTEGRATION



REKT042721-00000001

Name
11 Evergreen Dr Apt 90
East Providence, MN 02914-1523

REDcard™
rewards you.

Congratulations — here's your reward for using your REDcard™!
You've earned 1,000 Target Rewards® points with your REDcard.
That equals a 10% off* shopping day at Target.

Get ready to save 10% in stores and online. Use this certificate with your Target Credit CardSM at any Target store for 10% off an entire day of shopping before the expiration date. Plus, take 10%** off one transaction at Target.com when you enter promo code TGTRWDSM at checkout. This code will expire on 06/11/2008. Want to earn another 10% off shopping day? Just keep using your REDcard. Every \$1 you spend at Target with your REDcard equals one Target Rewards point.

Track your rewards points on your monthly billing statement, or visit Target.com/redcard and click Manage My REDcard.

*Some restrictions apply to savings. See reverse side of certificate for details.
**Discount not applicable to Gift Cards, e-Gift Cards, gift wrap, tax, or shipping and handling charges. Offer available for Target.com orders only and applies to only one shipping destination. May not be combined with other promotional codes or applied to previous orders. Offer does not apply to partner businesses, personalized gifts, Peg-Pérego, Bose, Tivoli and Sennheiser electronics or Amazon.com product purchases. 10% off valid through the offer's expiration date.

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Peel off and peel out to Target.

10% off

Name
Expiration Date 6/11/2008

046336733444933 Target Credit Card

Present this card at time of purchase. Valid for a full day of shopping when used before the expiration date. CASHIER: Check expiration date, scan UPC and return card to guest.



10% off

Name
Expiration Date 00/00/2008

046236974551067 Target Visa Credit Card

Present this card at time of purchase. Valid for a full day of shopping when used before the expiration date. CASHIER: Check expiration date, scan UPC and return card to guest.



**\$1.1
BILLION
IN SALES**

AVERAGE TRANSACTION AMOUNT – 2007



AFFINITY CARDS



...Not Pure Financial Products

TFS BUSINESS MODEL vs. OTHER BANK CARDS

**Portfolio
Differences**



- Lower average balances
- No teaser rates
- No balance transfers/
convenience checks

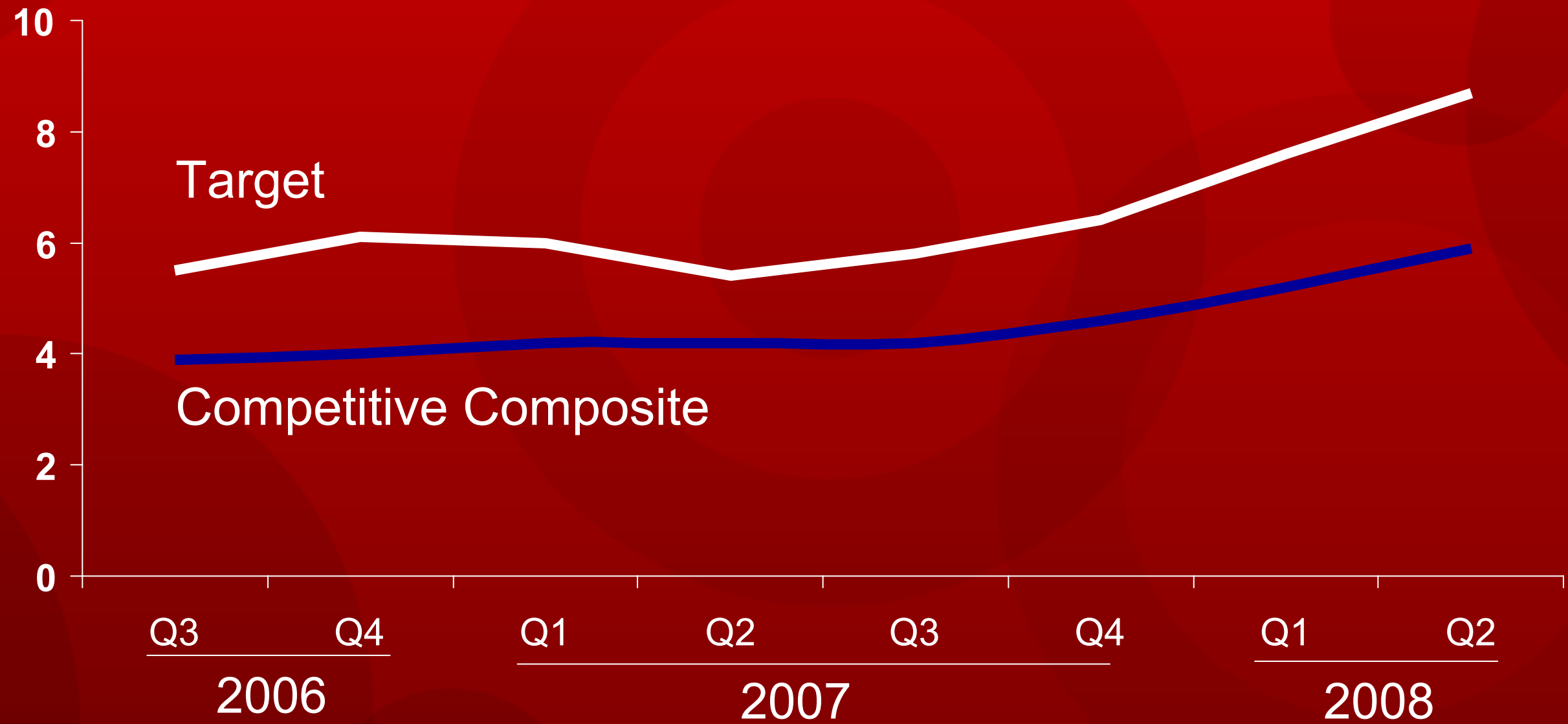
**Structural Cost
Efficiencies**



- Acquisition at Point of Sale
- Marketing synergies

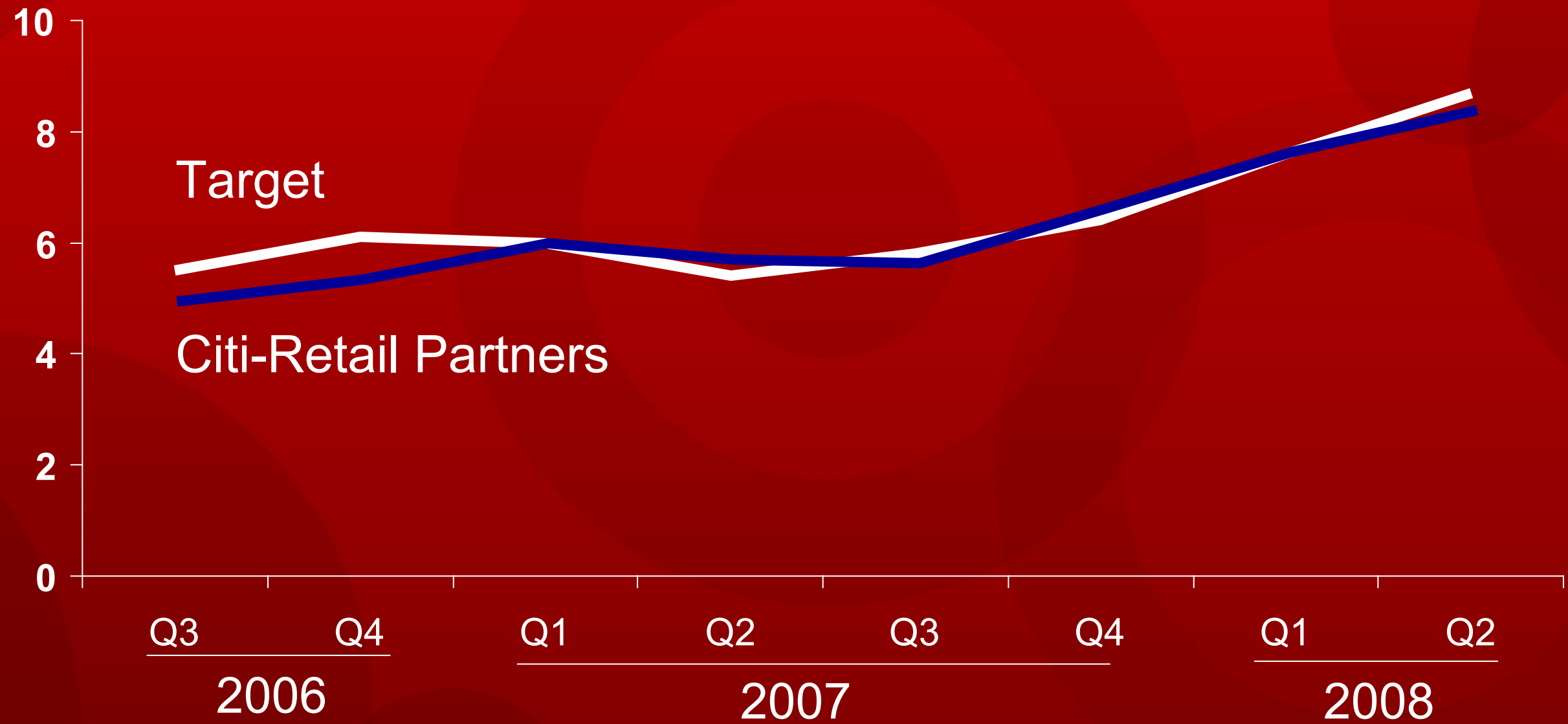
NET WRITE-OFF TRENDS

% Average Receivables



NET WRITE-OFF TRENDS

% Average Receivables





®

WRITE-OFF RATE

Incidence Rate



**% of Accounts
Written-Off**

X

Balance Ratio



**Ratio of Written-Off
Balance vs. Average**

WRITE-OFF RATE

	<u>Incidence Rate</u>		<u>Balance Ratio</u>		<u>Write-Off Rate</u>
Typical Industry Portfolio	4%	x	1x	=	4%
Low Average Balance Portfolio	4%	x	2x	=	8%

ROA TRENDS

% Average Receivables



CREDIT ENVIRONMENT

- Rising risk metrics
- Declining housing valuations in key markets
- Decreasing card industry profitability
- Tightening underwriting standards

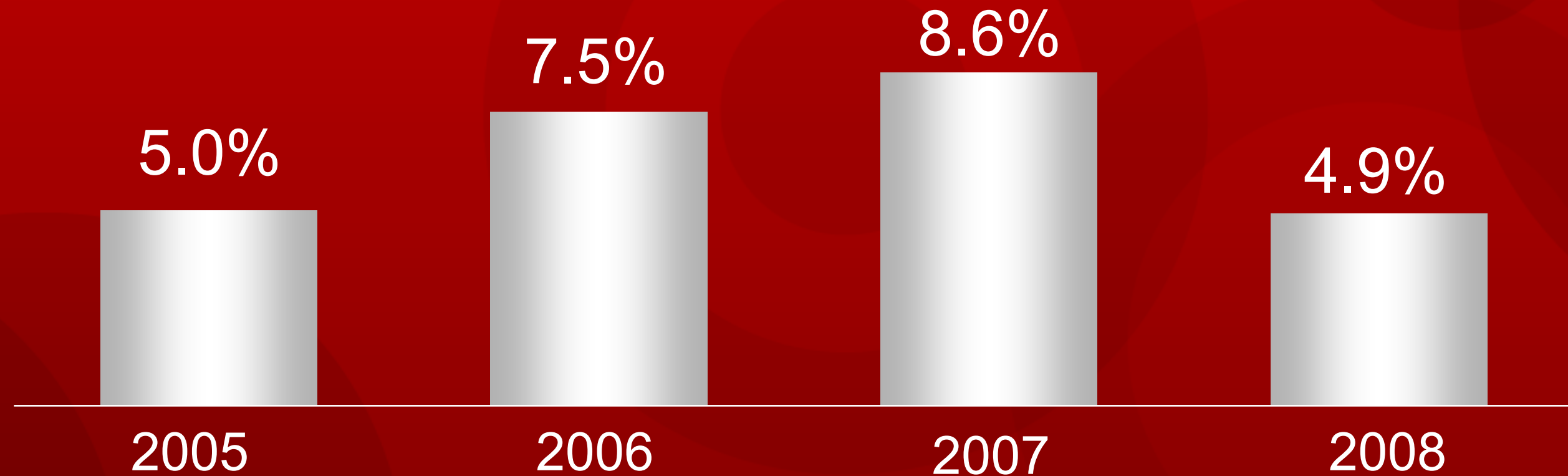
SPREAD TO LIBOR

- Portfolio revenues
 - Bad debt expense
 - Operating expense
 - LIBOR
-

= Spread to LIBOR

SPREAD TO LIBOR

YTD*



* Year to date through second quarter

SPREAD TO LIBOR OPPORTUNITIES

- Revenue
- Risk
- Operating expense

2008 TERMS CHANGE

- Alignment of revenue with risk environment
 - APR
 - Late Fee amount and assessment timing
- Alignment with other issuers

RISK MANAGEMENT

Acquisitions

- Approval
- Product Assignment
- Credit Line Assignment
- APR Assignment

Portfolio

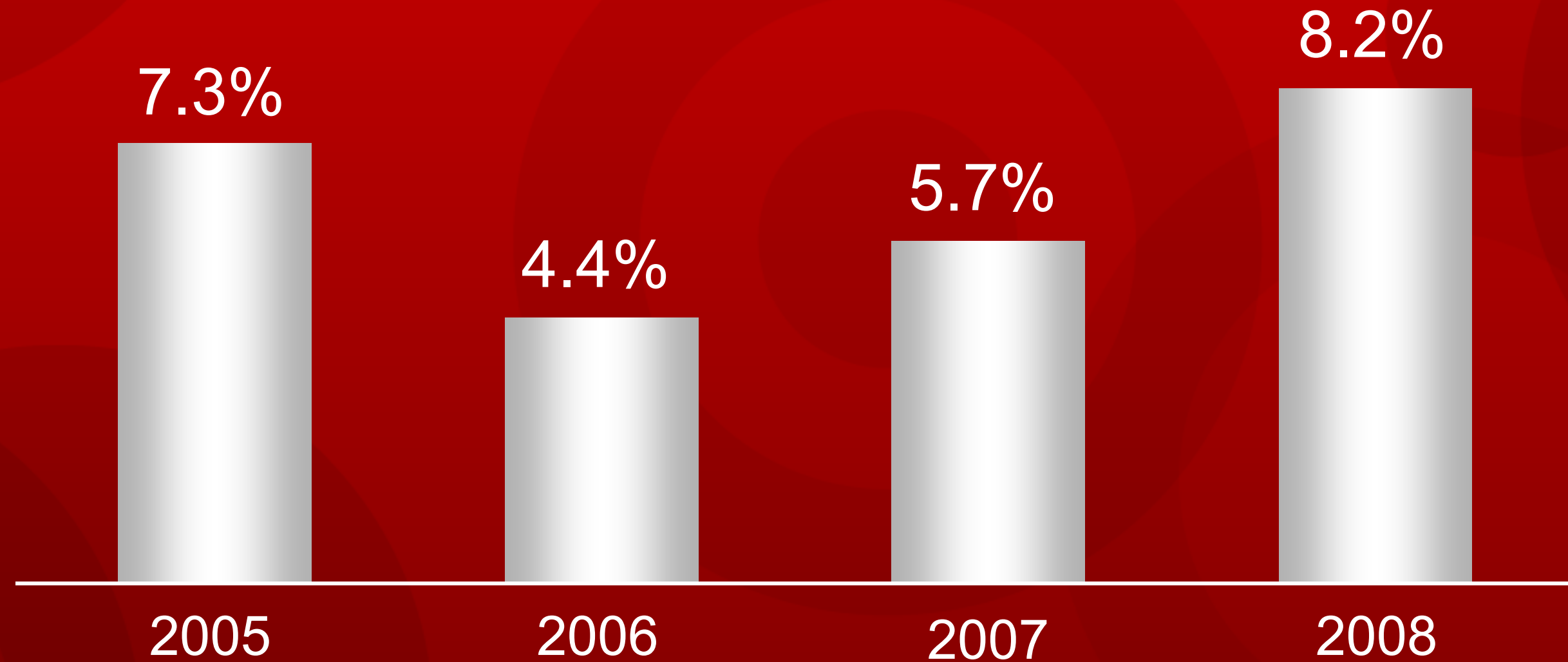
- Authorizations
- Line Increase & Decrease
- Product Upgrade
- Collections

Control & Reporting

- Model Development
- Implementation
- Documentation
- Risk Reporting

NET WRITE-OFF

YTD*



* Year to date through second quarter

KEY RISK MANAGEMENT STRATEGIES

- Updated scorecard models
- Credit line management
- Increased collections intensity

KEY RISK MANAGEMENT IMPACT

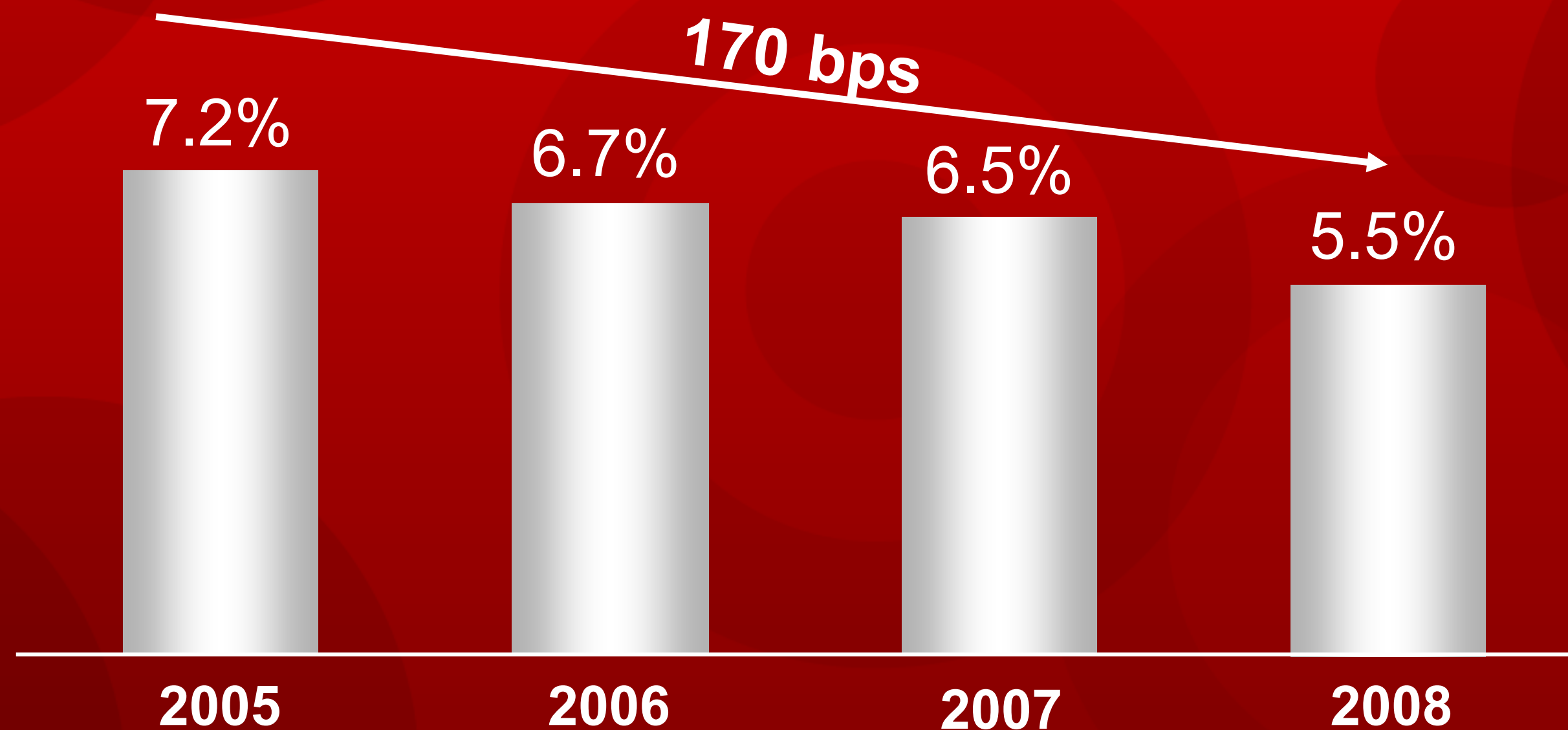
- New credit line assignment optimization
- Decrease credit lines
 - Active accounts
 - Inactive accounts

KEY RISK MANAGEMENT IMPACT

- New credit line assignment optimization
- Decrease credit lines
- Fewer credit line increases
- No 2008 product change
- Slower growth with higher quality receivables

OPERATING EXPENSE

YTD*



* Year to date through second quarter

SUMMARY

- Benefits to brand and retail segment
- Very difficult operating environment
- Aggressively managing our business to enhance Spread to LIBOR



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