

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
SEC Accession No. **0000708481-95-000005**

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FILER

NORWEST FINANCIAL INC

CIK: **708481** | IRS No.: **421186565** | State of Incorporation: **IA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **002-80466** | Film No.: **95536241**
SIC: **6141** Personal credit institutions

Business Address
206 EIGHTH ST
DES MOINES IA 50309
5152432131

Form 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Under Section 13
of the Securities Exchange Act of 1934

For Quarter Ended March 31, 1995 Commission file number 2-80466

Norwest Financial, Inc.
(Exact name of registrant as specified in its charter)

Iowa
(State or other jurisdiction of
incorporation or organization)

42 1186565
(I.R.S. Employer
Identification No.)

206 Eighth Street, Des Moines, Iowa
(Address of principal executive offices)

50309
(Zip Code)

Registrant's telephone number, including area code (515) 243-2131

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 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 the number of shares outstanding of each of the issuer's classes of

common stock, as of the latest practicable date. Common Stock (without par value): 1,000 shares outstanding as of May 1, 1995.

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 with the reduced disclosure format.

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PART I. FINANCIAL INFORMATION

NORWEST FINANCIAL, INC.

Consolidated Balance Sheets (Unaudited)

(Thousands of Dollars)

	March 31, 1995	December 31, 1994
Assets		
Cash and cash equivalents	\$ 106,584	\$ 63,496
Marketable securities	637,682	570,314
Finance receivables:		
Consumer:		
Loans	2,990,646	2,854,971
Sales finance	1,314,078	1,225,389
Other	367,508	258,469
Commercial	495,655	500,270
Total finance receivables	5,167,887	4,839,099
Less allowance for credit losses	144,268	135,952
Finance receivables - net	5,023,619	4,703,147
Notes receivable - affiliate	144,483	376,886
Property and equipment (at cost, less		

accumulated depreciation of \$85,098 for 1995 and \$81,030 for 1994)	59,195	58,342
Deferred income taxes	57,405	63,387
Other assets	162,599	289,170
 Total assets	 \$6,191,567	 \$6,124,742

See accompanying notes to consolidated financial statements.

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NORWEST FINANCIAL, INC.

Consolidated Balance Sheets (Unaudited)

(Thousands of Dollars)

Liabilities and Stockholder's Equity	March 31, 1995	December 31, 1994
Loans payable - short-term:		
Commercial paper	\$1,201,138	\$1,549,067
Affiliates	38,929	35,946
Other		201,977
Unearned insurance premiums and commissions	129,587	128,812
Insurance claims and policy reserves	34,174	32,287
Accrued interest payable	66,733	53,759
Other payables to affiliates	25,734	4,705
Other liabilities	181,747	208,498
Long-term debt:		
Senior	3,311,059	2,797,623
Subordinated	300,750	295,000
 Total long-term debt	 3,611,809	 3,092,623
 Total liabilities	 5,289,851	 5,307,674

Stockholder's equity:

Common stock without par value (authorized 1,000 shares, issued 1,000 shares)	3,855	3,855
Additional paid in capital	90,766	71,413
Retained earnings (note 2)	817,402	764,295
Foreign currency translation adjustment	(7,911)	(8,029)
Net unrealized holding loss on marketable securities	(2,396)	(14,466)
Total stockholder's equity	901,716	817,068
Total liabilities and stockholder's equity	\$6,191,567	\$6,124,742

See accompanying notes to consolidated financial statements.

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NORWEST FINANCIAL, INC.

Statements of Consolidated Earnings (Unaudited)

(Thousands of Dollars)

	Three Months Ended March 31,	
	1995	1994
Income:		
Finance charges and interest	\$268,075	\$232,875
Insurance premiums and commissions	27,817	24,128
Other income (note 3)	26,383	22,692
Total income	322,275	279,695
Expenses:		
Operating expenses	114,224	106,703

Interest and debt expense	79,431	60,419
Provision for credit losses	30,314	25,146
Insurance losses and loss expenses	9,553	7,170
Total expenses	233,522	199,438
Earnings before income taxes	88,753	80,257
Income taxes	31,776	28,109
Net earnings	\$ 56,977	\$ 52,148

See accompanying notes to consolidated financial statements.

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NORWEST FINANCIAL, INC.

Statements of Consolidated Cash Flows (Unaudited)
Increase (Decrease) in Cash and Cash Equivalents

(Thousands of Dollars)

Three Months Ended March 31,

<TABLE>

<CAPTION>

<S>

Cash flows from operating activities:

	1995	1994
	<C>	<C>
Net earnings	\$ 56,977	\$ 52,148
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Provision for credit losses	30,314	25,146
Depreciation and amortization	6,364	7,000
Deferred income taxes	3,054	(6,636)
Other assets	3,016	(2,143)
Unearned insurance premiums and commissions	(778)	1,959

Insurance claims and policy reserves	970	598
Accrued interest payable	12,197	12,880
Other payables to affiliates	18,564	44,836
Other liabilities	(32,228)	(6,453)
Net cash flows from operating activities	98,450	129,335
Cash flows from investing activities:		
Finance receivables:		
Principal collected	1,208,168	1,105,532
Receivables originated or purchased	(1,273,225)	(1,135,518)
Proceeds from sales of marketable securities	8,612	20,277
Proceeds from maturities of marketable securities	12,375	45,837
Purchase of marketable securities	(37,422)	(84,259)
Net additions to property and equipment	(3,004)	(4,418)
Net decrease in note receivable - affiliate	51,197	30,922
Contributed subsidiaries received, net of cash and cash equivalents	2,477	
Other	122,421	33,621
Net cash flows from investing activities	91,599	11,994
Cash flows from financing activities:		
Net decrease in loans payable - short-term	(546,923)	(221,987)
Proceeds from issuance of long-term debt:		
Senior	450,000	307,409
Subordinated		20,000
Repayments of long-term debt:		
Senior	(38)	(154,984)
Dividends paid	(50,000)	(40,000)
Net cash flows from financing activities	(146,961)	(89,562)
Net increase in cash and cash equivalents	43,088	51,767
Cash and cash equivalents beginning of period	63,496	80,762
Cash and cash equivalents end of period	\$ 106,584	\$ 132,529

</TABLE>

See accompanying notes to consolidated financial statements.

in accordance with the accounting policies set forth in Norwest Financial, Inc.'s 1994 Annual Report on Form 10-K and should be read in conjunction with the Notes to Consolidated Financial Statements therein. In the opinion of management, all adjustments (none of which were other than normal recurring accruals) necessary to present fairly the financial statements for the periods presented have been included.

1. Principles of Consolidation.

The consolidated financial statements include the accounts of Norwest Financial, Inc. (the "Company") and subsidiaries. Intercompany accounts and transactions are eliminated. The Company is a wholly owned subsidiary of Norwest Financial Services, Inc. which is a wholly-owned subsidiary of Norwest Corporation.

2. Dividend Restrictions.

Certain long-term debt instruments restrict payment of dividends on and acquisitions of the Company's common stock. In addition, such debt instruments and many of the Company's bank credit agreements contain certain requirements as to maintenance of net worth (as defined). Approximately \$216 million of consolidated retained earnings was unrestricted at March 31, 1995.

3. Interest Income from Marketable Securities and Cash Equivalents.

Interest and dividends from marketable securities and cash equivalents were \$11.6 million and \$8.5 million for the quarters ended March 31, 1995 and 1994, respectively.

4. Statements of Consolidated Cash Flows

Effective January 1, 1995, Norwest Financial Services, Inc. made a capital contribution, without consideration, to the Company of the outstanding common stock of Community Credit Co. and Dial National Bank. These capital contributions have been accounted for in a manner similar to a pooling of interests, except that results of prior periods have not been restated. Community Credit Co. and Dial National Bank had assets of \$326,491,000 and liabilities of \$261,345,000 at the time of the contribution.

5. Reclassifications.

Certain amounts in the 1994 financial statements have been reclassified to conform to the presentation used in the 1995 financial statements.

NORWEST FINANCIAL, INC.

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

Effective January 1, 1995, Norwest Financial Services, Inc. made a capital contribution, without consideration, to the Company of the outstanding common stock of Community Credit Co. and Dial National Bank (the "Contributed Subsidiaries"). These capital contributions to the Company have been accounted for in a manner similar to a pooling of interests, except that results of prior periods have not been restated.

Norwest Financial's total income (revenue) increased 15% for the first three months (\$322.3 million in the first three months of 1995 compared with \$279.7 million in the first three months of 1994). Total income increased 10% excluding the Contributed Subsidiaries.

Income from finance charges and interest also increased 15% for the first three months (\$268.1 million in the first three months of 1995 compared with \$232.9 million in the first three months of 1994). Income from finance charges and interest increased 9% excluding the Contributed Subsidiaries. Changes in income from finance charges and interest result primarily from (1) changes in the amount of finance receivables outstanding and (2) changes in the rate of charge on those receivables. In total, average finance receivables outstanding in the first three months of 1995 increased 15% from the first three months of 1994; average consumer receivables outstanding increased 17% while average commercial receivables outstanding remained the same.

Three Months Ended March 31,

Rate of charge on finance receivables:	1995	1994
Consumer	21.47%	21.66%
Commercial	14.85	14.22
Total	20.83	20.83

The increase in income from finance charges and interest was due to growth in average finance receivables outstanding. The increase in average finance receivables was due primarily to regular business activity combined with the increase due to the Contributed Subsidiaries. Excluding the Contributed Subsidiaries, average finance receivables increased 8%.

Insurance premiums and commissions increased 15% (\$27.8 million in the first three months of 1995 compared with \$24.1 million in the first three months of 1994). Changes in insurance premiums and commissions generally correspond to changes in average consumer finance loans outstanding (those secured by real estate and not secured by real estate). Average consumer finance loans

outstanding increased 11% in the first three months of 1995 compared with the first three months of 1994. Insurance losses and loss expenses increased 33% (\$9.6 million in the first three months of 1995 compared with \$7.2 million in the first three months of 1994). Insurance losses and loss expenses were lower in 1994 due to a change in Canadian reinsurance agreements. The Contributed Subsidiaries did not have a significant effect on insurance premiums and commissions and insurance losses and loss expenses.

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NORWEST FINANCIAL, INC.

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

Other income increased 16% (\$26.4 million in the first three months of 1995 compared with \$22.7 million in the first three months of 1994). An increase in investment income accounted for the majority of the increase. Other income would have increased 12% excluding the Contributed Subsidiaries.

Operating expenses increased 7% (\$114.2 million in the first three months of 1995 compared with \$106.7 million in the first three months of 1994). Operating expenses increased 3% excluding the Contributed Subsidiaries.

Interest and debt expense increased 31% (\$79.4 million in the first three months of 1995 compared with \$60.4 million in the first three months of 1994). Interest and debt expense would have increased 24% excluding the Contributed Subsidiaries. Changes in interest and debt expense result primarily from (1) changes in the amount of borrowings outstanding due to funding requirements for receivables and (2) changes in the cost of those borrowings. Average total outstanding borrowings in the first three months of 1995 including borrowing from affiliates increased 17% from the first three months of 1994.

Three Months Ended March 31,

Costs of funds:	1995	1994
Short-term	6.27%	3.59%
Long-term	6.96	7.07
Total	6.75	6.02

Changes in average debt outstanding generally correspond to changes in average finance receivables outstanding. Average finance receivables increased 15% from the first three months of 1994.

Provision for credit losses increased 21% (\$30.3 million in the first three months of 1995 compared with \$25.1 million in the first three months of 1994). Provision for credit losses increased 16% excluding the Contributed

Subsidiaries. Net write-offs as a percentage of average net receivables outstanding increased to .57% in the first three months of 1995 compared with .54% in the first three months of 1994.

Federal and state income taxes increased 13% (\$31.8 million in the first three months of 1995 compared with \$28.1 million in the first three months of 1994). The increase was due primarily to the increase in earnings before income taxes. The effective tax rate was 35.8% for the first three months of 1995 and 35.0% the first three months of 1994.

The Company and one of its Canadian subsidiaries maintain bank lines of credit and revolving credit agreements to provide an alternative source of liquidity to support the commercial paper borrowings. At March 31, 1995, lines of credit and revolving credit agreements totaling \$1,148 million were being maintained at 34 unaffiliated banks. None of this credit was in use at the time.

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NORWEST FINANCIAL, INC.

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

The Company and one of its Canadian subsidiaries obtain long-term debt capital primarily from (i) the issuance of debt securities to the public through underwriters on a firm-commitment basis, (ii) the issuance of debt securities to institutional investors, and (iii) term borrowings from commercial banks. The Company also obtains long-term debt from the issuance of medium-term notes (which may have maturities ranging from nine months to 30 years) through underwriters (acting as agent or principal).

Norwest Financial anticipates the continued availability of borrowed funds, at prevailing interest rates, to provide for Norwest Financial's growth in the foreseeable future. Funds are also generated internally from payments of principal and interest received on Norwest Financial's finance receivables.

PART II. OTHER INFORMATION

NORWEST FINANCIAL, INC.

Item 5. Other Information.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratios of earnings to fixed charges of Norwest Financial, Inc. and its subsidiaries for the periods indicated:

Three Months Ended March 31, 1995	1994	1993	1992	1991	1990
2.08	2.26	2.22	2.02	1.74	1.70

The ratios of earnings to fixed charges have been computed by dividing net earnings plus fixed charges and income taxes by fixed charges. Fixed charges consist of interest and debt expense plus one-third of rentals (which is deemed representative of the interest factor).

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

Exhibit (12) Computation of ratios of earnings to fixed charges for the years ended December 31, 1994, 1993, 1992, 1991 and 1990 and the three months ended March 31, 1995.

(b) Reports on 8-K.

No reports on Form 8-K were filed during the quarter for which this report is filed.

S I G N A T U R E S

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.

NORWEST FINANCIAL, INC.

Date: May 1, 1995

By

Robert W. Bettle
Vice President and Controller
(Principal Accounting Officer)

NORWEST FINANCIAL, INC.

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

Exhibit (12)

<TABLE>

<CAPTION>

Three
Months
Ended
March 31,
1995

Years Ended December 31,

(Thousands of Dollars)

		1994	1993	1992	1991	1990
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net earnings	\$ 56,977	\$223,340	\$203,297	\$164,204	\$130,880	\$115,366
Add:						
Fixed charges:						
Interest including amortization of debt expense	79,431	259,605	242,440	236,337	255,075	242,151
One-third of rentals*	2,497	9,747	10,146	8,207	7,209	6,583
Total fixed charges	81,928	269,352	252,586	244,544	262,284	248,734
Provision for income taxes	31,776	116,900	104,228	84,334	63,985	58,119
Total net earnings, fixed charges and income taxes - "Earnings"	\$170,681	\$609,592	\$560,111	\$493,082	\$457,149	\$422,219
Ratio of earnings to fixed charges	2.08	2.26	2.22	2.02	1.74	1.70

</TABLE>

*One-third of rentals is deemed representative of the interest factor.

<TABLE> <S> <C>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NORWEST FINANCIAL INC AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<FN>
<F1>NORWEST FINANCIAL INC HAS A NON-CLASSIFIED BALANCE SHEET SO THIS INFORMATION IS UNAVAILABLE.

<F2>INCLUDES \$1.2 BILLION OF SHORT-TERM LOANS.
</FN>

</TABLE>