FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

HOUSEHOLD INTERNATIONAL INC

CIK:**354964**| IRS No.: **363121988** | State of Incorp.:**DE** | Fiscal Year End: **1231**
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SIC: **6141** Personal credit institutions

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FORM 10-Q

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, 1994

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)

Registrant's telephone number, including area code: (708) 564-5000

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, 1994, there were 94,606,597 shares of registrant's common stock outstanding.

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Part 1. FINANCIAL INFORMATION

1.FINANCIAL STATEMENTS

Household International, Inc. and Subsidiaries

STATEMENTS OF INCOME

<TABLE>

<CAPTION>
All dollar amounts except per share data are stated in millions.

Three months ended March 31	1994	1993
Finance income	$616.1	$636.1
Interest income from noninsurance investment securities	31.7	31.9
Interest expense	257.4	312.5
Net interest margin	390.4	355.5
Provision for credit losses on owned receivables	174.1	173.8
Net interest margin after provision for credit losses	216.3	181.7
Securitization and servicing fee income	171.0	97.1
Insurance premiums and contract revenues	80.6	71.1
Investment income	138.5	138.3
Fee income	62.8	68.8
Other income	27.9	32.6
Total other revenues	480.8	407.9
Net interest margin after provision for credit losses and other revenues	697.1	589.6
Salaries and fringe benefits	164.3	149.6
Other operating expenses	283.1	216.5
Policyholders' benefits	130.1	132.6
Total costs and expenses	577.5	498.7
Income before income taxes	119.6	90.9
Income taxes	42.0	30.3
Net income	$ 77.6	$ 60.6
Earnings per common share:		
Net income	$ 77.6	$ 60.6
Preferred dividends	(6.9)	(7.1)
Earnings available to common shareholders	$ 70.7	$ 53.5
Average common and common equivalent shares (1)	97.0	89.0
Fully diluted earnings per common share (1)	$ .73	$ .60
Primary earnings per common share (1)	$ .74	$ .62
Dividends declared per common share (1)	$ .30	$ .29

(1) 1993 amount has been restated to reflect a two-for-one stock split in the form of a 100 percent stock dividend, effective October 15, 1993.

See notes to condensed financial statements.
/TABLE

Household International, Inc. and Subsidiaries

BALANCE SHEETS

<TABLE>
<CAPTION>
In millions.

	March 31, 1994	December 31, 1993
ASSETS		
Cash	$ 269.8	$ 317.4
Investment securities (fair value of $9,140.5 and $9,045.5)	9,014.3	8,795.1
Finance and banking receivables	19,285.6	19,563.0

Liquidating commercial assets	1,461.0	1,555.7
Deferred insurance policy acquisition costs	459.8	381.6
Acquired intangibles	462.3	473.4
Properties and equipment	447.3	434.3
Assets acquired through foreclosure	247.0	251.8
Other assets	1,266.5	1,189.2
Total assets	$32,913.6	$32,961.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Debt:		
Deposits	$ 7,274.8	$ 7,516.1
Commercial paper, bank and other borrowings	5,284.2	5,642.1
Senior and senior subordinated debt (with original maturities over one year)	9,540.8	9,113.8
Total debt	22,099.8	22,272.0
Insurance policy and claim reserves	6,225.9	6,064.2
Other liabilities	2,182.5	2,207.7
Total liabilities	30,508.2	30,543.9
Convertible preferred stock subject to mandatory redemption	19.2	19.3
Preferred stock	320.0	320.0
Common shareholders' equity:		
Common stock	113.3	113.3
Additional paid-in capital	338.9	337.3
Retained earnings	2,218.1	2,176.3
Foreign currency translation adjustments	(139.7)	(132.7)
Common stock in treasury	(453.6)	(456.4)
Unrealized gain (loss) on investments, net	(10.8)	40.5
Total common shareholders' equity	2,066.2	2,078.3
Total liabilities and shareholders' equity	$32,913.6	$32,961.5

See notes to condensed financial statements.
/TABLE

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>
In millions.

Three months ended March 31	1994	1993
<S>	<C>	<C>
CASH PROVIDED BY OPERATIONS		
Net income	$ 77.6	$ 60.6
Adjustments to reconcile net income to net cash provided by operations:		
Provision for credit losses on owned receivables	174.1	173.8
Insurance policy and claim reserves	89.7	46.5
Depreciation and amortization	66.1	57.3
Net realized (gains) losses from sales of assets	(37.1)	(2.6)
Deferred insurance policy acquisition costs	(19.8)	(18.7)
Other, net	178.6	(36.4)
Cash provided by operations	529.2	280.5
INVESTMENTS IN OPERATIONS		
Investment securities:		
Purchased	(1,320.3)	(850.7)
Matured	286.4	240.7
Sold	1,035.8	363.1
Short-term investment securities, net change	(312.7)	(84.8)
Receivables, excluding bankcard:		
Originated or purchased	(2,517.3)	(2,545.8)
Collected	1,862.9	1,720.8

Sold	138.7	454.8
Bankcard receivables:		
Originated or collected, net	(2,946.6)	(1,108.5)
Purchased	(514.0)	-
Sold	3,788.4	502.2
Properties and equipment purchased	(29.0)	(24.4)
Properties and equipment sold	1.7	.8
Cash decrease from investments in operations	(526.0)	(1,331.8)
FINANCING AND CAPITAL TRANSACTIONS		
Short-term debt, net change	(376.2)	319.4
Time certificates accepted	760.4	558.3
Time certificates paid	(931.9)	(729.6)
Senior and senior subordinated debt issued	1,182.7	1,051.9
Senior and senior subordinated debt retired	(723.6)	(471.2)
Policyholders' benefits paid	(119.4)	(97.2)
Cash received from policyholders	189.9	210.6
Shareholders' dividends	(35.8)	(34.8)
Issuance of common stock	3.7	281.1
Cash increase (decrease) from financing and capital transactions	(50.2)	1,088.5
Effect of exchange rate changes on cash	(0.6)	(9.7)
Increase (decrease) in cash	(47.6)	27.5
Cash at January 1	317.4	255.8
Cash at March 31	$ 269.8	$ 283.3
Supplemental cash flow information:		
Interest paid	$ 242.3	$ 298.9
Income taxes paid	$ 25.4	$ 8.0

See notes to condensed financial statements.
/TABLE

Household International, Inc. and Subsidiaries

BUSINESS SEGMENT DATA

<TABLE>
<CAPTION>
In millions.

Three months ended March 31	1994	1993
<S>	<C>	<C>
REVENUES		
Finance and Banking	$ 922.6	$ 884.5
Individual Life Insurance	171.5	165.0
Core Business	1,094.1	1,049.5
Liquidating Commercial Lines	34.5	26.4
Total	$1,128.6	$1,075.9
NET INCOME		
Finance and Banking	$ 73.3	$ 58.7
Individual Life Insurance	11.7	11.7
Corporate	(4.4)	(5.6)
Core Business	80.6	64.8
Liquidating Commercial Lines	(3.0)	(4.2)
Total	$ 77.6	$ 60.6
Return on average common shareholders' equity - Total (1)	13.4%	12.9%
Return on average common shareholders' equity - Core Business (1)	18.5%	18.3%
Return on average owned assets - Total (1)	.94%	.76%

Return on average owned assets - Core Business (1)	1.03%	.86%

(1) Annualized
</TABLE>
<TABLE>
<CAPTION>

Assets	March 31, 1994	December 31, 1993
<S>	<C>	<C>
Finance and Banking	$24,251.4	$24,362.5
Individual Life Insurance	7,118.3	6,959.0
Corporate	82.9	84.3
Core Business	31,452.6	31,405.8
Liquidating Commercial Lines	1,461.0	1,555.7
Total	$32,913.6	$32,961.5

Receivables owned	March 31, 1994	December 31, 1993
Finance and Banking	$19,062.2	$19,340.5
Liquidating Commercial Lines	1,105.9	1,189.9
Total	$20,168.1	$20,530.4

Receivables managed	March 31, 1994	December 31, 1993
Finance and Banking	$28,858.2	$29,168.3
Liquidating Commercial Lines	1,105.9	1,189.9
Total	$29,964.1	$30,358.2

See notes to condensed financial statements.
/TABLE

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies used in preparation of the quarterly condensed financial statements are consistent with accounting policies described in the notes to financial statements contained in Household International, Inc.'s (the "company") Annual Report on Form 10-K for its fiscal year ended December 31, 1993. The information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair statement of results for the interim periods. All such adjustments are of a normal recurring nature. Certain prior period amounts have been reclassified to conform with the current period's presentation.

2. INVESTMENT SECURITIES

Investment securities consisted of the following:
<TABLE>
<CAPTION>

In millions.	March 31, 1994		December 31, 1993	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<S>	<C>	<C>	<C>	<C>
TRADING INVESTMENTS				
Government securities and other	$ 161.1	$ 161.1	$ 108.8	$ 108.8
AVAILABLE-FOR-SALE INVESTMENTS				
Marketable equity securities:				
Common stocks	33.3	33.3	18.5	18.5
Preferred stocks	59.0	59.0	66.3	66.3

Corporate securities	1,901.9	1,901.9	2,047.1	2,047.1
Government securities	446.9	446.9	536.3	536.3
Mortgage-backed securities	2,064.6	2,064.6	1,983.9	1,983.9
Commercial paper	297.0	297.0	52.6	52.6
Other	256.1	256.1	295.2	295.2
Subtotal	5,058.8	5,058.8	4,999.9	4,999.9
HELD-TO-MATURITY INVESTMENTS				
Corporate securities	1,810.5	1,911.8	1,852.3	2,049.4
Government securities	45.0	45.8	34.5	36.7
Mortgage-backed securities	1,041.9	1,061.8	882.1	928.1
Mortgage loans on real estate	212.4	215.5	222.4	226.0
Policy loans	82.6	82.6	81.6	81.6
Other	487.1	488.2	494.6	496.1
Subtotal	3,679.5	3,805.7	3,567.5	3,817.9
Accrued investment income	114.9	114.9	118.9	118.9
Total investment securities	$9,014.3	$9,140.5	$8,795.1	$9,045.5

/TABLE

3. FINANCE AND BANKING RECEIVABLES

Finance and banking receivables consisted of the following:
<TABLE>
<CAPTION>

In millions.	March 31, 1994	December 31, 1993
<S>	<C>	<C>
First mortgage	$ 3,134.1	$ 3,534.1
Home equity	3,233.4	2,850.9
Other secured	843.2	875.4
Bankcard	3,997.5	4,356.9
Merchant participation	2,707.2	2,636.5
Other unsecured	4,382.4	4,320.8
Equipment financing and other	764.4	765.9
Receivables owned	19,062.2	19,340.5
Accrued finance charges	264.7	251.8
Credit loss reserve for owned receivables	(423.2)	(424.0)
Unearned credit insurance premiums and claims reserves	(116.6)	(117.5)
Amounts due and deferred from receivables sales	726.9	735.0
Reserve for receivables serviced with limited recourse	(228.4)	(222.8)
Total receivables owned, net	19,285.6	19,563.0
Receivables serviced with limited recourse	9,796.0	9,827.8
Receivables serviced with no recourse	16,596.7	15,229.4
Total receivables owned or serviced, net	$45,678.3	$44,620.2

The outstanding balance of receivables serviced with limited recourse consisted of the following:

In millions.	March 31, 1994	December 31, 1993
Home equity	$ 4,574.4	$ 5,029.5
Bankcard	4,971.6	4,485.7
Merchant participation	250.0	312.6
Total	$ 9,796.0	$ 9,827.8

The combination of receivables owned and receivables serviced with limited recourse, which the company considers its managed portfolio, is shown below:

In millions.	March 31, 1994	December 31, 1993
First mortgage	$ 3,134.1	$ 3,534.1

Home equity	7,807.8	7,880.4
Other secured	843.2	875.4
Bankcard	8,969.1	8,842.6
Merchant participation	2,957.2	2,949.1
Other unsecured	4,382.4	4,320.8
Equipment financing and other	764.4	765.9
Receivables managed	$28,858.2	$29,168.3

The outstanding balance of receivables serviced with no recourse consisted of the following:

In millions.	March 31, 1994	December 31, 1993
First mortgage	$15,421.3	$13,917.5
Other unsecured	1,175.4	1,311.9
Total	$16,596.7	$15,229.4

/TABLE

The amount due and deferred from receivables sales of $726.9 million at March 31, 1994 included unamortized excess servicing assets and funds established pursuant to the recourse provisions and holdback reserves for certain sales totaling $588.5 million. The amount due and deferred also included customer payments not yet remitted by the securitization trustee to the company. In addition, the company has made guarantees relating to certain securitizations of $281.3 million plus unpaid interest and has subordinated interests in certain transactions, which are recorded as receivables, for $136.6 million at March 31, 1994. The company maintains credit loss reserves pursuant to the recourse provisions for receivables serviced with limited recourse which are based on estimated probable losses under such provisions. These reserves totaled $228.4 million at March 31, 1994 and represent the company's best estimate of probable losses on receivables serviced with limited recourse.

See Note 5, "Credit Loss Reserves" for an analysis of credit loss reserves for receivables. See "Management's Discussion and Analysis" on pages 17 through 20 for additional information related to the credit quality of Finance and Banking receivables.

4. LIQUIDATING COMMERCIAL ASSETS

Liquidating commercial assets consisted of the following:
<TABLE>
<CAPTION>

In millions.	March 31, 1994	December 31, 1993
<S>	<C>	<C>
Receivables		
Commercial real estate	$ 270.9	$ 297.1
Highly leveraged acquisition finance and other	835.0	892.8
Receivables owned	1,105.9	1,189.9
Accrued finance charges	12.9	9.2
Reserve for credit losses	(170.8)	(172.9)
Total receivables owned, net	948.0	1,026.2
Real estate owned	249.7	256.6
Other assets	263.3	272.9
Total liquidating commercial assets	$1,461.0	$1,555.7

</TABLE>
See Note 5, "Credit Loss Reserves" for an analysis of credit loss reserves for receivables. See "Management's Discussion and Analysis" on pages 23 and 24 for additional information related to the credit quality of Liquidating Commercial Assets.

5. CREDIT LOSS RESERVES

<TABLE>
<CAPTION>
An analysis of credit loss reserves for the three months ended March 31 is as follows:

In millions.	1994	1993
<S>	<C>	<C>
Credit loss reserves for owned receivables at January 1	$ 621.9	$ 564.1
Provision for credit losses - owned receivables:		
Finance and Banking	150.1	159.5
Liquidating Commercial Lines	24.0	14.3
Total provision for credit losses - owned receivables	174.1	173.8
Owned receivables charged off:		
Finance and Banking	(177.7)	(165.3)
Liquidating Commercial Lines	(26.6)	(30.3)
Total owned receivables charged off	(204.3)	(195.6)
Recoveries on owned receivables:		
Finance and Banking	27.2	22.7
Liquidating Commercial Lines	.5	.2
Total recoveries on owned receivables	27.7	22.9
Credit loss reserves on receivables purchased, net	.4	3.4
Other, net	(.8)	(3.0)
TOTAL CREDIT LOSS RESERVES FOR OWNED RECEIVABLES AT MARCH 31	619.0	565.6
Credit loss reserves for receivables serviced with limited recourse at January 1	222.8	160.7
Provision for credit losses	61.9	49.5
Chargeoffs	(57.7)	(50.8)
Recoveries	1.7	1.3
Other, net	(.3)	3.3
TOTAL CREDIT LOSS RESERVES FOR RECEIVABLES SERVICED WITH LIMITED RECOURSE AT MARCH 31	228.4	164.0
TOTAL CREDIT LOSS RESERVES AT MARCH 31	$ 847.4	$ 729.6
Total credit loss reserves for owned receivables at March 31:		
Finance and Banking	$ 423.2	$ 363.2
Liquidating Commercial Lines	170.8	187.4
Corporate	25.0	15.0
TOTAL CREDIT LOSS RESERVES FOR OWNED RECEIVABLES AT MARCH 31	$ 619.0	$ 565.6
Total credit loss reserves for managed receivables at March 31:		
Finance and Banking	$ 651.6	$ 527.2
Liquidating Commercial Lines	170.8	187.4
Corporate	25.0	15.0
TOTAL CREDIT LOSS RESERVES FOR MANAGED RECEIVABLES AT MARCH 31	$ 847.4	$ 729.6

/TABLE

6. INCOME TAXES

Effective tax rates for the three months ended March 31, 1994 and 1993 of 35.1 and 33.3 percent, respectively, differ from the statutory federal income tax rate for the respective periods primarily because of the effects of (a) foreign loss carryforwards, (b) amortization of intangible assets, (c) state and local income taxes, (d) dividends received deduction applicable to term preferred stocks, (e) nondeductible dividends on preferred stock of subsidiaries, (f) noncurrent tax requirements and (g) leveraged lease tax benefits.

In the third quarter of 1993, new Federal tax legislation was enacted which resulted in the statutory income tax rate being increased from 34 percent to 35 percent retroactive to January 1, 1993. The effect of the new tax legislation is not reflected in the effective tax rate at March 31, 1993 as the increase in income tax expense was recorded as a year-to-date adjustment at September 30, 1993.

7. EARNINGS PER COMMON SHARE

<TABLE>
<CAPTION>
Computations of earnings per common share for the three months ended March 31 were as follows:

	1994		1993	
In millions, except per share data.	Primary	Fully Diluted	Primary	Fully Diluted
<S>	<C>	<C>	<C>	<C>
Earnings:				
Net income.	$77.6	$77.6	$60.6	$60.6
Preferred dividends	(7.5)	(6.9)	(8.2)	(7.1)
Net income available to common shareholders	$70.1	$70.7	$52.4	$53.5
Average shares (1):				
Common.	94.6	94.6	84.6	84.6
Common equivalents.	.6	2.4	.6	4.4
Total	95.2	97.0	85.2	89.0
Earnings per common share (1)	$ .74	$ .73	$ .62	$ .60

(1) 1993 amounts have been restated to reflect the two-for-one stock split in the form of a 100 percent stock dividend, effective October 15, 1993.
</TABLE>

Common share equivalents assume exercise of stock options, if dilutive. Fully diluted earnings per share computations also assume conversion of dilutive convertible preferred stock into common equivalents. Preferred stock is considered dilutive if its dividend rate per common share assuming conversion is less than primary earnings per common share.

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Consolidated Results of Operations

Net income for the first quarter of 1994 was $77.6 million, up 28 percent from $60.6 million in 1993. The improvement in consolidated net income primarily was due to increased earnings in the Finance and Banking segment. In addition, net income also benefited from reduced losses in the Liquidating Commercial Lines segment ("LCL") and lower corporate expenses. Earnings in the Individual Life Insurance segment were even with the prior year. Fully diluted earnings per share were $.73 per share in the quarter, up 22 percent from $.60 per share in 1993.

During the first quarter of 1994, the company's operations, financial position and profitability were affected by the following:

- The domestic consumer finance and credit card businesses increased earnings over the year-ago period. Domestic consumer finance earnings increased primarily due to wider interest spreads on variable rate products, growth in the managed portfolio and increased servicing fee income. In the third quarter of 1993, the company began servicing without recourse an unsecured consumer loan portfolio totaling approximately $1.2 billion at quarter end. The domestic bankcard business has grown substantially as a result of the company's association with the General Motors credit card ("GM Card") program which was initiated in the third quarter of 1992. GM Card receivable growth generated higher net interest margins and substantial fee income, offset somewhat by higher operating expenses related to servicing and increased provision for credit losses. Mortgage banking earnings were down significantly from the prior year period primarily due to a substantially lower owned portfolio, narrower spreads and write-downs of capitalized servicing rights.

- Collectively, the foreign businesses were profitable compared to a loss in the prior year first quarter. The United Kingdom operation earned $4.7 million in the first quarter of 1994, compared to a loss of $3.2 million in 1993 due largely to portfolio growth and lower credit costs. The United Kingdom operation launched the GM Card in that country in January 1994. At March 31, 1994 receivables totaled approximately $100 million and the number of accounts totaled 230 thousand. The Canadian operation reported a loss comparable to the prior year quarter and well below the loss in the immediately preceding quarter. The Australian operation remained profitable.

- Consumer two-months-and-over contractual delinquency ("delinquency") as a percent of managed consumer receivables was 3.61 percent, essentially flat compared to 3.58 percent at December 31, 1993. Total delinquent receivables fell $4.4 million since year end, but this improvement was not reflected in the delinquency percentage statistics due to the slight decrease in the managed consumer receivable portfolio. Delinquency levels remained below 1989 levels which was prior to the beginning of the recent economic downturn. The total consumer managed chargeoff ratio was unchanged since year end. Improvements in the foreign operations and other domestic products were offset by the anticipated rise in GM Card chargeoffs.

- Credit loss reserves as a percent of Finance and Banking managed receivables increased to 2.26 percent compared to 2.22 percent at December 31, 1993 and 1.95 percent at March 31, 1993. This ratio is expected to stabilize in 1994 despite anticipated future improvements in credit quality. Reserves for LCL receivables were essentially unchanged during the quarter despite an $84 million reduction in receivables, including $26 million in net chargeoffs. Credit loss reserves at March 31, 1994 as a percent of both LCL receivables and nonperforming loans increased over December 31, 1993 and March 31, 1993 levels.

- Managed Finance and Banking receivables (owned receivables plus those serviced with limited recourse) of the company's consumer businesses were essentially flat during the first quarter. The company typically experiences low levels of growth in the first

quarter primarily due to seasonal runoff in certain products, most notably bankcard and private-label credit cards. In addition, first mortgage receivables were down $400 million in the first quarter of 1994 due to continued high prepayment activity and the company's desire to maintain its pricing discipline on products it chooses to keep in portfolio. The foreign consumer portfolio grew 3 percent during the quarter primarily due to the introduction of the GM Card in the United Kingdom.

Managed Finance and Banking receivables were up 7 percent over the prior year quarter. Excluding the first mortgage portfolio, managed domestic receivables were up 16 percent over the prior year quarter. Furthermore, new volume for all products was up 59 percent compared to the first quarter of 1993 due to strong demand, especially for credit cards and unsecured loans. Excluding credit card new volume and first mortgages originated for subsequent sale to the secondary market, new originations were up 25 percent over the prior year. New growth was mostly offset by expected seasonal repayments in the credit card portfolios and higher than anticipated prepayment activity in the first mortgage and home equity portfolios.

Year-over-year growth in managed basis fee income outpaced growth in the managed Finance and Banking receivables portfolio primarily due to the shift in product mix towards credit card receivables, specifically the GM Card. Increased interchange fee income primarily was due to higher sales volumes for the company's domestic bankcard business, which were up approximately 60 percent over the prior year period.

The ratio of common and preferred shareholders' equity (including convertible preferred stock) to total assets was 7.31 percent, compared to 7.33 percent at December 31, 1993. Excluding the impact of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the ratio would have been 7.34 percent, up from 7.21 percent at December 31, 1993.

Consolidated Credit Loss Reserves

The company's credit portfolios and credit management policies have historically been divided into two distinct components - consumer and commercial. For consumer products, credit policies require effective portfolio management focusing on product type and specific portfolio risk factors. The consumer credit portfolio is diversified by product and geographic location. The commercial credit portfolio is monitored by individual transaction as well as being evaluated by overall risk factors. See Note 3, "Finance and Banking Receivables" and Note 4, "Liquidating Commercial Assets" in the accompanying financial statements for receivables by product type.

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Total managed credit loss reserves, which include reserves for recourse obligations for receivables sold, were as follows (in millions):

	March 31, 1994	December 31, 1993	March 31, 1993
Finance and Banking:			
Owned	$423.2	$424.0	$363.2
Serviced with limited recourse	228.4	222.8	164.0
Managed	651.6	646.8	527.2
Liquidating Commercial Lines	170.8	172.9	187.4
Corporate	25.0	25.0	15.0
Total	$847.4	$844.7	$729.6

Total owned and managed credit loss reserves as a percent of receivables were as follows:

	March 31, 1994	December 31, 1993	March 31, 1993
Owned:			
Finance and Banking	2.22%	2.19%	1.89%
Liquidating Commercial Lines	15.45	14.53	12.48
Total owned (1)	3.07%	3.03%	2.73%
Managed:			
Finance and Banking	2.26%	2.22%	1.95%
Liquidating Commercial Lines	15.45	14.53	12.48
Total managed (1)	2.83%	2.78%	2.56%

(1) Includes credit loss reserve of the Corporate Segment.

The level of reserves for consumer credit losses is based on delinquency and chargeoff experience by product and uncertainty associated with portfolio growth for which there is not clear experience. The level of reserves for commercial credit losses is based on a quarterly review process for all commercial credits and management's evaluation of probable future losses in the portfolio as a whole given its geographic and industry diversification and historical loss experience. The general credit loss reserve at the corporate level is maintained to strengthen overall credit loss reserves and is based upon management's evaluation of the receivable portfolio as a whole, including the geographic concentrations of receivables and unpredictability of ultimate potential exposure in individually large receivables in the Finance and Banking and Liquidating Commercial Lines segments. This reserve will be charged against segment operations in the future as it is used to absorb credit losses in those operations. Management also evaluates the potential impact of existing and anticipated national and regional economic conditions on the managed receivable portfolio when establishing consumer, commercial and corporate credit loss reserves. While management allocates significantly all reserves among the company's various products and segments, all reserves are considered to be available to cover total loan losses. See Note 5, "Credit Loss Reserves" in the accompanying financial statements for analyses of reserves.

FINANCE AND BANKING

Statements of Income

All dollar amounts are stated in millions.

Three months ended March 31	1994	1993
Finance income	$ 593.4	$ 604.4
Interest income from noninsurance investment securities	31.7	31.8
Interest expense	240.6	285.1
Net interest margin	384.5	351.1
Securitization and servicing fee income	171.0	97.1
Insurance premiums and contract revenues	41.8	39.6
Investment income	5.7	4.8
Fee income	62.4	68.6
Other income	16.6	38.1
Other revenues	297.5	248.2
Net interest margin and other revenues	682.0	599.3
Provision for credit losses on owned receivables	150.1	159.5
Costs and expenses:		
Operating expenses	400.0	331.3
Policyholders' benefits	20.2	20.5
Income taxes	38.4	29.3
Net income	$ 73.3	$ 58.7
Average receivables:		
Owned	$18,958.1	$18,883.0
Serviced with limited recourse	9,694.0	7,664.3
Average receivables managed	28,652.1	26,547.3
Serviced with no recourse	16,130.6	11,561.7
Average receivables owned or serviced	$44,782.7	$38,109.0
Return on average owned assets - annualized	1.20%	.98%

	March 31, 1994	December 31, 1993
End-of-period receivables:		
Owned	$19,062.2	$19,340.5
Serviced with limited recourse	9,796.0	9,827.8
Receivables managed	28,858.2	29,168.3
Serviced with no recourse	16,596.7	15,229.4
Receivables owned or serviced	$45,454.9	$44,397.7

End-of-period deposits.	$ 7,274.8	$ 7,516.1

/TABLE

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Overview

Domestic Finance and Banking earnings for the first quarter of 1994 increased to $71.0 million, up from $63.2 million in the year-ago period primarily due to improved operating results in the bankcard and consumer finance businesses, partially offset by lower year-over-year results in the mortgage banking operations as discussed earlier. The company anticipates year-over-year earnings improvements for the domestic consumer finance and credit card operations for the remainder of 1994 absent unforeseen circumstances. These earnings are expected to be offset somewhat by lower earnings in the consumer and mortgage banking businesses than those achieved in the prior year.

The operating results of the foreign businesses in the first quarter were sharply improved compared to the prior year period.

Receivables

As mentioned previously, the level of the company's managed domestic consumer portfolio, excluding first mortgages, was essentially flat in the first quarter, while the foreign consumer portfolios increased. See the Overview section of "Management's Discussion and Analysis" on page 11 for further discussion.

Receivables owned totaled $19.1 billion at March 31, 1994, down slightly from both December 31, 1993 and March 31, 1993. The level of owned receivables from quarter to quarter may vary depending on the timing and significance of securitization transactions in a particular period. In the first quarter of 1994, the company completed a securitization and sales of approximately $1 billion of GM Card receivables and purchased an interest representing $500 million of GM Card receivables which had been securitized and sold in 1993.

Since 1989, securitizations and sales of consumer receivables have been an important source of liquidity for the company. The company continues to service the securitized receivables after such receivables are sold and retains a limited recourse obligation. Securitizations impact the classification of revenues and expenses in the income statement. Amounts related to receivables serviced, including net interest margin, fee income, such as interchange fees, and provision for credit losses on receivables serviced with limited recourse are reported as a net amount in securitization and servicing fee income in the company's statements of income.

The company monitors its Finance and Banking segment on a managed basis as well as on the historical owned basis reflected in its statements of income. The managed basis assumes that the receivables securitized and sold are instead still held in the portfolio. Pro forma statements of income on a managed basis for the Finance and Banking segment for the three months ended March 31, 1994 and 1993 are presented on the following page. For purposes of this analysis, the results do not reflect the differences between the company's accounting policies for owned receivables and receivables serviced with limited recourse. Accordingly, net income on the pro forma managed basis equals net income on an historical owned basis.

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PRO FORMA MANAGED FINANCE AND BANKING STATEMENTS OF INCOME

<TABLE>
<CAPTION>

All dollar amounts are stated in millions. Three months ended March 31	1994	As a Percent, Annualized, of Average Managed Interest-Earning Assets	1993	As a Percent, Annualized, of Average Managed Interest-Earning Assets
<S>	<C>	<C>	<C>	<C>

Finance income	$876.9	11.3%	$849.7	11.9%
Interest income from noninsurance investment securities	31.7	.4	31.8	.4
Interest expense	346.0	4.4	380.2	5.3
Net interest margin	562.6	7.3	501.3	7.0
Servicing fee income	8.1	.1	(1.8)	-
Insurance premiums and contract revenues.	41.8	.5	39.6	.6
Investment income.	5.7	.1	4.8	.1
Fee income	109.1	1.4	66.8	.9
Other income	16.6	.2	38.1	.5
Other revenues	181.3	2.3	147.5	2.1
Net interest margin and other revenues	743.9	9.6	648.8	9.1
Provision for credit losses.	212.0	2.7	209.0	2.9
Costs and expenses:				
Operating expenses	400.0	5.2	331.3	4.7
Policyholders' benefits.	20.2	.3	20.5	.3
Income taxes	38.4	.5	29.3	.4
Net Income	$ 73.3	.9%	$ 58.7	.8%
Average receivables managed.	$28,652.1		$26,547.3	
Average noninsurance investments.	2,304.3		2,054.3	
Average managed interest-earning assets	$30,956.4		$28,601.6	

</TABLE>

The discussion below on revenues, where applicable, includes comparisons to amounts reported on the company's historical statements of income ("Owned Basis") as well as on the above pro forma statements of income ("Managed Basis").

Net interest margin

Net interest margin on an Owned Basis was $384.5 million for the first quarter of 1994, up from $351.1 million from the 1993 first quarter due to higher levels of interest-earning assets, an increase in higher yielding bankcard receivables and a reduction in lower yielding first mortgages. Net interest margin on an Owned Basis as a percent of average owned interest-earning assets was 7.2 percent annualized as compared with 7.0 percent in the prior quarter and 6.7 percent in the first quarter of 1993.

Net interest margin on a Managed Basis increased to $562.6 million from $501.3 million in the first quarter of 1993 and, as a percent of average managed interest-earning assets, increased to 7.3 percent compared with 7.2 percent in the fourth quarter of 1993 and 7.0 percent in the same year-ago period. Net interest margins on a Managed Basis are greater than on an Owned Basis because bankcard receivables, which have wider spreads, are a larger proportion of the portfolio serviced with limited recourse than of the owned portfolio.

Other revenues

Securitization and servicing fee income on an Owned Basis consists of two components: income associated with the securitization and sale of receivables and servicing fee income related to the servicing of first mortgage loans with no recourse and unsecured receivables. Securitization income on an Owned Basis, which includes net interest income, interchange and other fee income, and provision for credit losses related to receivables serviced with limited recourse, increased compared to the same year-ago period due to a higher level of securitized receivables outstanding. The components of securitization income are reclassified to the applicable line in the statements of income on a Managed Basis.

Servicing fee income increased over the first quarter of 1993, consistent with the serviced receivable portfolio growth. Average receivables serviced with no recourse increased to $16.1 billion at March 31, 1994, up from $11.6 billion in the same period in 1993. The portfolio of loans serviced with no recourse continued to grow primarily due to originations and sales of first mortgages to investors with servicing rights retained. Additionally, in the third quarter of 1993, the company began servicing an unsecured consumer loan portfolio totaling $1.2 billion at March 31, 1994. Servicing fee income was reduced by a $9 million pretax write-down of first mortgage capitalized servicing values in 1994 compared to a $7 million write-down in 1993. The company continually monitors overall market conditions and the effect on prepayments of first mortgage loans and on the carrying value of capitalized servicing rights. The carrying value is adjusted when appropriate.

Insurance premiums and contract revenues increased from the first quarter of 1993 due to higher sales of domestic specialty and credit insurance.

Fee income on an Owned Basis includes revenues from fee-based products such as bankcards, consumer banking deposits and private-label credit cards, as well as commission income from the company's brokerage business. Fee income was $62.4 million, down compared to $68.6 million in the first quarter of the prior year primarily due to lower interchange fees as a result of the securitizations of GM Card receivables beginning in the second quarter of 1993. Fee income on securitized receivables is transferred to securitization income upon sale. The decrease was partially offset by higher commission and other fee income. Fee income on a Managed Basis, which in addition to the items discussed above includes interchange and other fees related to receivables serviced with limited recourse, increased from $66.8 million in 1993 to $109.1 million in 1994 primarily due to GM Card receivable growth.

Provision for credit losses

The provision for credit losses for receivables on an Owned Basis totaled $150.1 million, down 6 percent from $159.5 million in the prior year period. The level of provision for credit losses on an Owned Basis may vary from quarter to quarter, depending on the significance of securitizations and sales of receivables in a particular period, as provision related to the securitized receivables is transferred to securitization and servicing fee income.

The provision for credit losses for receivables on a Managed Basis totaled $212.0 million, up slightly from $209.0 million in the first quarter of 1993. As a percent of managed interest-earning assets, the provision decreased to 2.7 percent from 2.9 percent in the first quarter of 1993, reflecting the underlying improvement in the credit quality of the managed portfolio, which experienced lower delinquency and chargeoffs in the first quarter of 1994 than in the first quarter of 1993. Total Finance and Banking managed reserves as a percent of managed receivables increased to 2.26 percent at March 31, 1994 compared to 2.22 percent at December 31, 1993 and 1.95 percent at March 31, 1993. See the following credit quality section for further discussion of factors affecting the provision for credit losses.

Expenses

Operating expenses, which the company defines as salaries and fringe benefits plus other operating expenses, were $400.0 million, up from $331.3 million in the first quarter of 1993 primarily due to increased costs associated with servicing the larger owned or serviced receivables portfolio and with marketing initiatives undertaken in 1994. Operating expenses as a percent of average receivables owned or serviced, annualized, increased to 3.57 percent compared to 3.48 percent in the first quarter of 1993.

Policyholders' benefits were $20.2 million, flat compared to the first quarter of 1993. The effective tax rate for the Finance and

Banking segment was 34.4 percent, compared to 33.3 percent in the first quarter of 1993.

Credit Quality

Overall credit quality statistics of the Finance and Banking portfolio in the first quarter of 1994 were essentially unchanged compared to year-end.

Delinquency

Delinquency levels are monitored for both receivables owned and receivables managed. The company looks at delinquency levels which include receivables serviced with limited recourse because this portfolio is subjected to underwriting standards comparable to the owned portfolio, is managed by operating personnel without regard to portfolio ownership and results in a similar credit loss exposure for the company.

<TABLE>
<CAPTION>
Two-Months-and-Over Contractual Delinquency (as a percent of managed consumer receivables):

	3/31/94	12/31/93	9/30/93	6/30/93	3/31/93
<S>	<C>	<C>	<C>	<C>	<C>
Domestic:					
First mortgage.	2.31%	1.42%	1.21%	1.15%	1.27%
Home equity	3.10	3.16	3.38	3.20	3.46
Other secured	1.62	1.38	1.83	3.20	2.80
Bankcard.	2.41	2.41	2.57	2.47	2.58
Merchant participation.	5.02	5.01	5.43	5.73	6.36
Other unsecured	6.48	6.63	7.23	7.46	7.53
Total domestic.	3.37	3.28	3.50	3.46	3.68
Foreign:					
Canada.	4.14	4.65	5.11	5.61	6.00
United Kingdom.	5.99	6.74	7.34	8.37	9.31
Australia	7.98	8.93	9.59	10.95	12.06
Total foreign	5.25	5.82	6.32	7.06	7.68
Total	3.61%	3.58%	3.85%	3.93%	4.24%

</TABLE>

Delinquency as a percent of managed consumer receivables increased slightly from the year-end level, as the decrease in the managed consumer receivable portfolio outpaced a $4.4 million decline in the amount of delinquent receivables. Total delinquent consumer receivables decreased from the year-end 1993 level despite an increase of $13.6 million related to first mortgage receivables in Southern California on which the company temporarily extended payment terms due to the January 1994 earthquake. The company believes that its ultimate exposure on the impacted first mortgage receivables is small. First mortgage, total domestic and total delinquency excluding the effect of these receivables would have been 1.72, 3.32 and 3.56 percent, respectively, in the first quarter of 1994. The continued aging of the GM Card portfolio also contributed to increased domestic delinquency. Despite this increase, the GM Card continued to have lower delinquency than expected. Increases in the first mortgage and GM Card portfolios were partially offset by improvements in other domestic and foreign portfolios, as described below.

The company believes delinquency will continue to improve. Further improvement, however, will depend on the extent and timing of improvement in economic conditions in the various countries and regional areas where the company operates, the composition of the managed receivables base, and the maturation of the GM Card portfolio.

Domestic Delinquency

First mortgage delinquency increased from December 1993 due to increased delinquency in Southern California caused by weak regional economic conditions and the effect of a temporary extension of payment terms granted to affected customers due to the recent earthquake. The company believes that this action will reduce the ultimate exposure on these receivables.

Home equity delinquency declined slightly compared to the previous quarter and was well below the year-ago level. This improvement was attributable to the higher quality of recently underwritten receivables, despite continued weak economic conditions in the western region.

The delinquency level for other secured receivables increased during the quarter, but did not impact total delinquency due to the small size of the portfolio.

Bankcard delinquency was flat compared to the year-end level. Improvement in the non-GM Card portfolio was offset by an increasing level of delinquent GM Card receivables resulting from the aging of the GM Card portfolio. The GM Card program has had a favorable impact on the bankcard delinquency percentages since its inception. However, as the GM Card receivables continue to age, the company expects GM Card delinquency to increase. This increase is expected to be more than offset by further improvement in the non-GM Card portfolio.

Merchant participation delinquency was essentially flat compared to December 31, 1993 and was well below the March 1993 level. The improvement from the prior year was due to tighter underwriting standards and a greater focus on association with low delinquency merchants.

Other unsecured receivables delinquency declined from December 1993. The decrease is attributable to an improvement in the quality of receivables recently originated coupled with improvements in the economy and reduced personal bankruptcies. Since chargeoff rates on unsecured loans are much higher than secured loans, this improvement is significant in evaluating potential future credit losses.

Foreign Delinquency

Delinquency levels in the three foreign countries in which the company operates showed improvement over year-end 1993 levels. Declining delinquency in the United Kingdom, which has a portfolio of primarily unsecured products, and Canada was due to an improvement in the overall quality of recently underwritten receivables. The United Kingdom ratio also benefited from the issuance of the GM Card there beginning in early 1994, as new accounts were added to the receivables base but had not yet contributed to delinquency. Excluding the impact of the GM Card portfolio, the United Kingdom delinquency ratio would have been 6.51 percent. Delinquency levels in Australia have also continued to improve; however, due to the relatively small size of the loan portfolio, the decrease had a relatively small impact on total delinquency for both the foreign operations and the company.

Nonperforming Assets

Nonperforming assets consisted of the following:
<TABLE>
<CAPTION>

In millions.	3/31/94	12/31/93	9/30/93	6/30/93	3/31/93
<S>	<C>	<C>	<C>	<C>	<C>
Nonaccrual managed receivables.	$517.6	$528.7	$ 565.4	$ 582.4	$ 635.0
Accruing managed receivables 90 or more days delinquent	215.6	207.3	198.5	205.5	187.7
Total nonperforming managed receivables	733.2	736.0	763.9	787.9	822.7
Real estate owned	165.7	168.9	193.1	199.2	200.0
Other assets acquired through foreclosure	81.3	82.9	84.4	85.9	78.2
Total nonperforming assets.	$980.2	$987.8	$1,041.4	$1,073.0	$1,100.9

Credit loss reserves for managed receivables as a percent of nonperforming managed receivables . .	88.8%	87.9%	76.6%	71.1%	64.1%

</TABLE>

Nonaccrual managed Finance and Banking receivables declined compared to year-end levels primarily due to continued improvement in the domestic consumer banking and Canadian operations.

Net Chargeoffs of Consumer Receivables

<TABLE>
<CAPTION>

Net Chargeoffs of Consumer Receivables (as a percent, annualized, of average consumer receivables managed):

	First Quarter 1994	Fourth Quarter 1993	Third Quarter 1993	Second Quarter 1993	First Quarter 1993
<S>	<C>	<C>	<C>	<C>	<C>
Domestic:					
First mortgage.	.46%	.21%	.59%	.40%	.20%
Home equity	1.20	1.17	.87	.98	.98
Other secured	.05	.64	3.11	3.51	(.07)
Bankcard.	4.22	3.99	3.78	3.43	4.20
Merchant participation.	3.91	4.26	4.44	4.02	4.57
Other unsecured	5.26	5.41	5.99	6.62	6.42
Total domestic.	2.97	2.82	2.78	2.66	2.75
Foreign:					
Canada.	2.89	3.86	2.83	2.83	3.18
United Kingdom.	2.96	4.07	4.62	5.55	6.72
Australia	2.74	3.77	2.61	3.38	5.21
Total foreign	2.90	3.92	3.38	3.73	4.46
Total	2.96%	2.96%	2.86%	2.81%	2.99%

</TABLE>

Net chargeoffs as a percent of average managed receivables for the 1994 first quarter were flat compared to the fourth quarter of 1993. Net chargeoffs on a dollar basis in the first quarter were $206.5 million, compared to $204.4 million in the fourth quarter of 1993. Improvements in other domestic products and in the foreign operations were offset by increased chargeoffs in the GM Card portfolio. Previous quarter chargeoff ratios benefited from growth in GM Card receivables which, due to their recent origination, had minimal chargeoffs. As the GM Card portfolio continues to age, the level of chargeoffs has risen resulting in an increase in both the chargeoff ratio and in total dollars charged off. However, GM chargeoff levels continue to be better than management's expectations.

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Overall foreign net chargeoffs in the first quarter of 1994 were lower than the fourth quarter of 1993. This decrease was caused by continued improvement in the United Kingdom and Canadian operations. Chargeoffs in Australia improved during the first quarter of 1994 and were below the first quarter 1993 levels. However, due to the size of the loan portfolio, Australia's chargeoffs did not significantly impact the overall chargeoff level of the company.

Chargeoffs are a lagging indicator of credit quality and generally reflect prior delinquency trends. However, growth associated with the GM Card portfolio has resulted in a shift in product mix toward bankcard receivables, which have higher chargeoff rates than secured receivables. Although GM Card chargeoffs remained better than management's expectations, they increased during the quarter, offsetting improvements in other categories. The company expects that chargeoffs associated with the GM Card will continue to increase as the portfolio matures. These increases are expected to be somewhat offset by further improvement in other domestic products and the foreign operations. However, future improvement in chargeoff trends may be impacted by factors such as the continued shift in product mix toward bankcard receivables, economic conditions, and the impact of personal bankruptcies. Consequently, the extent and timing of an overall improved chargeoff trend remains uncertain.

Net chargeoffs for first mortgage receivables increased in the first quarter of 1994 primarily due to the combination of the maturation of the portfolio and weak economic conditions in Southern California. Net chargeoffs for home equity loans were up slightly compared to the fourth quarter of 1993 and remained higher than the first quarter of 1993. Home equity loan chargeoffs continue to be impacted by weak economic conditions in the western region. Net chargeoffs of other secured receivables did not significantly impact total chargeoffs as these receivables represented approximately 3 percent of total managed receivables at March 31, 1994.

Bankcard net chargeoffs increased over the fourth quarter of 1993 and were flat compared to the first quarter of 1993. The increase was related to the anticipated aging of the GM Card portfolio which offset improvement in the non-GM Card portfolio. Merchant participation chargeoffs declined compared to both the prior quarter and prior year period due to the favorable performance of recently underwritten receivables. The chargeoff ratio for other unsecured receivables was below both the fourth quarter and first quarter of 1993.

INDIVIDUAL LIFE INSURANCE

Individual Life Insurance net income was $11.7 million, flat compared to the first quarter of 1993. Higher levels of contract revenues from individual life and annuity contracts were more than offset by increased operating expenses primarily due to higher commission expense and higher amortization of deferred insurance policy acquisition costs.

<TABLE>
<CAPTION>
Statements of Income

All dollar amounts are stated in millions.

Three months ended March 31	1994	1993
Investment income	$132.7	$133.5
Contract revenues	38.8	31.5
Total revenues	171.5	165.0
Costs and expenses:		
Policyholders' benefits	109.9	112.1
Operating expenses	43.3	35.0
Income taxes	6.6	6.2
Net income	$ 11.7	$ 11.7
Return on average assets - annualized	.68%	.77%

</TABLE>
<TABLE>
<CAPTION>

	March 31, 1994	December 31, 1993
Investment securities	$ 6,436.6	$ 6,358.0
Life insurance in-force	33,305.7	32,371.6

</TABLE>
Investment securities for the Individual Life Insurance segment totaled $6.4 billion, flat with the December 31, 1993 level. The Individual Life Insurance portfolio represented approximately 71 percent of the company's total investment portfolio at March 31, 1994. Higher-risk securities, which include non-investment grade bonds, common and preferred stocks, commercial mortgage loans and real estate, represented 7.1 percent of the insurance investment portfolio at March 31, 1994, flat with 7.0 percent at December 31,

1993.

At March 31, 1994 the market value for the insurance held-to-maturity investment portfolio was 104 percent of the carrying value compared to 108 percent at December 31, 1993. The decrease in market value over book value during the first three months of 1994 was mainly the result of the rising interest rate environment.

Investment income in the first quarter of 1994 was $132.7 million, consistent with the year-ago period as higher levels of investment securities were offset by lower yields. Contract revenues for the period also increased due to higher levels of insurance in-force.

Policyholders' benefits in the first quarter of 1994 were $109.9 million, down 2 percent over the same period in 1993 due to lower interest credited to policyholders caused by lower yields on investment securities.

Operating expenses in the first quarter of 1994 were $43.3 million, up 24 percent from the same period in 1993 due to higher commission expense and higher levels of deferred insurance policy acquisition cost amortization which resulted from increased gross profits from universal life and annuity contracts.

The effective tax rate was 36.1 percent for the first quarter of 1994 compared to 34.6 percent in the first quarter of 1993.

LIQUIDATING COMMERCIAL LINES

The net loss for the Liquidating Commercial Lines segment was $3.0 million compared to a net loss of $4.2 million in the first quarter of 1993.

<TABLE>
<CAPTION>
Statements of Operations

In millions. Three months ended March 31	1994	1993
<S>	<C>	<C>
Net interest margin	$ 10.7	$ 12.0
Other revenues.	11.8	(.1)
Net interest margin and other revenues.	22.5	11.9
Provision for credit losses	24.0	14.3
Operating expenses.	2.5	3.9
Income tax benefit.	(1.0)	(2.1)
Net loss.	$ (3.0)	$ (4.2)
Average receivables owned	$1,157.3	$1,547.6

</TABLE>
Net interest margin was essentially flat compared to the prior year as the effect of lower asset levels was offset by wider spreads. Increased other revenues primarily related to the company's 25 percent equity investment in a liquidating commercial joint venture made in June 1993 and fees received upon prepayment of several loans. Provision for credit losses was $24.0 million, up from $14.3 million in the first quarter of 1993. See page 12 in Management's Discussion and Analysis on Consolidated Credit Loss Reserves for factors impacting overall loss reserve levels. Operating expenses were $2.5 million, down from $3.9 million in the year-ago period principally due to lower write-downs and net expenses for real estate owned.

<TABLE>
<CAPTION>
Commercial Nonperforming Loans and Real Estate Owned:

In millions.	3/31/94	12/31/93	9/30/93	6/30/93	3/31/93
<S>	<C>	<C>	<C>	<C>	<C>
Real estate nonaccrual.	$ 49.3	$ 54.8	$ 79.6	$ 90.6	$ 80.1

Other nonaccrual.	151.1	173.9	164.1	246.9	264.2
Total nonaccrual.	200.4	228.7	243.7	337.5	344.3
Renegotiated.	29.2	28.7	17.3	34.9	85.3
Total nonperforming loans	229.6	257.4	261.0	372.4	429.6
Real estate owned	249.7	256.6	262.2	258.1	248.4
Total	$479.3	$514.0	$523.2	$630.5	$678.0
Credit loss reserves as a percent of nonperforming loans	74.4%	67.2%	71.2%	50.7%	43.6%

</TABLE>

Nonperforming commercial assets were $479.3 million, down compared to the December 1993 level. Nonaccrual loans decreased $28 million primarily due to chargeoffs taken in the quarter. Real estate owned decreased slightly compared to December 1993.

The company expects the longer term downward trend in nonperforming assets to continue, although it may stabilize in the near future before decreasing. In addition, comparisons between periods may be impacted by individual transactions which mask the overall trend. The company continues to estimate its ultimate loss exposure on nonperforming assets based on performance and specific reviews of individual loans and its outlook for economic conditions. Because the portfolio consists of a number of loans with relatively large balances, changes in individual borrower circumstances which currently are unforeseen have the potential to change the estimate of ultimate loss exposure in the future.

Management believes that commercial real estate markets began to stabilize in the second half of 1993. The level of future write-downs will continue to depend heavily on changes in overall market conditions as well as circumstances surrounding individual properties. To preserve value in liquidating the real estate owned portfolio over time, the company has segregated its portfolio into two categories. Properties in weak markets or with poor cash flow will be divested in an expeditious, orderly fashion. These properties, which have been written down an average of 53 percent, represented 18 percent of the commercial real estate owned portfolio at March 31, 1994. The average carrying value of a property in this portfolio at March 31, 1994 was approximately $2 million. Properties with positive and/or improved cash flows and in markets which, the company believes, have potential for improvement are being held for sale at prices which reflect this value and may, therefore, take longer to divest. Revenues on all commercial real estate properties, net of write-downs and carrying costs, were $.6 million in the first quarter of 1994 compared to net write-downs and carrying costs of $1.7 million in the same period in 1993.

Corporate

Corporate expenses, net of tax benefits, for the first quarter of 1994 were $4.4 million, below the $5.6 million in the comparable prior year period due to lower interest expense.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.4 Forms of Stock Option, Restricted Stock Rights and Performance Share Awards under the Household International Long-Term Executive Incentive Compensation Plan.

10.7 Executive Employment Agreement between the Company and D. C. Clark.

12 Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.

21 List of Household International subsidiaries.

(b) Reports on Form 8-K

During the first quarter of 1994, the Registrant filed a Current Report on Form 8-K dated February 1, 1994 reporting pursuant to Item 5, "Other Events" the financial results of Household International for the year ended December 31, 1993.

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 13, 1994

By: /s/ David A. Schoenholz
David A. Schoenholz,
Senior Vice President-
Chief Financial Officer
and on behalf of
Household International, Inc.

Exhibit Index

10.4	Forms of Stock Option, Restricted Stock Rights and Performance Share Awards under the Household International Long-Term Executive Incentive Compensation Plan.
10.7	Executive Employment Agreement between the Company and D. C. Clark.
12	Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.
21	List of Household International subsidiaries.

C:\WP51\BACK\10Q331.AS1 (5/11/94)

Exhibit 10.4

HOUSEHOLD INTERNATIONAL
NOTICE OF STOCK OPTIONS AND GRANT AGREEMENT

February 1, 1994

(Employee Name)
(Employee Social Security Number)
(Employee Home Address)

On February 1, 1994, the Compensation Committee of Household's Board of Directors granted you stock options under the Household International Long-Term Executive Incentive Compensation Plan as follows:

Date of Grant	02/01/94
Option Price Per Share	$33.3750
# of Shares Granted	(# of shares)

Enclosed for your signature are two(2) copies of the Stock Option Agreement which state the terms and conditions under which these options were granted. Please retain one copy for your files and return one signed copy of the Agreement by April 15, 1994, using the attached pre-addressed envelope, to:

Household International
ATTENTION: Office of the Secretary
2700 Sanders Road, 3 North
Prospect Heights, IL 60070

Sincerely,

John W. Blenke
Secretary and Assistant General Counsel

_____________________________________ ____________________
Employee's Signature Date

HOUSEHOLD INTERNATIONAL, INC.

HOUSEHOLD INTERNATIONAL 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 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 date hereof, to purchase, on the terms and conditions set forth herein and subject to the provisions set forth in 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 date hereof. At the close of said one-year period 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 date hereof, 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 Committee during the Employee's employment. If the Employee does not purchase the full number of shares which he or she is entitled to purchase hereunder in any of said years, then the Employee may purchase such shares at any subsequent time during the term thereof. The option shall be exercised by giving to 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, such notice to be accompanied by payment of the purchase price by cash or check to the order of the Company. Payment for the option may also 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 rules as have been established by the

Compensation Committee or Board of Directors and which are in effect at the time the option is exercised. The Compensation Committee or Board of Directors may rescind at any time 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 date hereof, 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 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 Compensation 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 date hereof.

4. 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.

5. 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.

6. Notice to the Company shall be addressed to the Company in care of its Secretary 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.

7. 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.

HOUSEHOLD INTERNATIONAL
NOTICE OF RESTRICTED STOCK RIGHTS AGREEMENT

February 1, 1994

(Employee Name)
(Employee Social Security Number)
(Employee Home Address)

On February 1, 1994, the Compensation Committee of Household's Board of Directors granted you restricted stock rights under the Household International Long-Term Executive Incentive Compensation Plan as follows:

Date of Grant	02/01/94
Price Per Share	$33.3750
# of Shares Granted	(# of shares)

Enclosed for your signature are two(2) copies of the Restricted Stock Rights Agreement which state the terms and conditions under which these rights were granted. Please retain one copy for your files and return one signed copy of the Agreement by April 15, 1994, using the attached pre-addressed envelope, to:

Household International

ATTENTION: Office of the Secretary
2700 Sanders Road, 3 North
Prospect Heights, IL 60070

Sincerely,

John W. Blenke
Secretary

_________________________________ __________________
Employee's Signature Date

HOUSEHOLD INTERNATIONAL, INC.

HOUSEHOLD INTERNATIONAL 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 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"), for a period of five (5) years from the date hereof (the "Restricted Period"), to receive on the terms and conditions set forth herein and subject to the provisions set forth in 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 issued under RSRs for one year from the date hereof. The 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, 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. 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 rights under any outstanding RSRs. This automatic forfeiture may be waived in whole or in part by the Committee in its sole discretion.

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

4. When an Employee shall be entitled to receive shares pursuant to RSRs, the Company shall issue the appropriate number of shares registered in the name of the Employee or his or her estate or administrator, as deemed appropriate by the Company.

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 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 its Secretary 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.

HOUSEHOLD INTERNATIONAL
NOTICE OF RESTRICTED STOCK RIGHTS AGREEMENT

February 1, 1994

(Employee Name)
(Employee Social Security Number)
(Employee Home Address)

On February 1, 1994, the Compensation Committee of Household's Board of Directors granted you restricted stock rights under the Household International Long-Term Executive Incentive Compensation Plan as follows:

Date of Grant	02/01/94
Price Per Share	$33.3750
# of Shares Granted	(# of shares)

Enclosed for your signature are two(2) copies of the Restricted Stock Rights Agreement which state the terms and conditions under which these rights were granted. Please retain one copy for your files and return one signed copy of the Agreement by April 15, 1994, using the attached pre-addressed envelope, to:

Household International
ATTENTION: Office of the Secretary
2700 Sanders Road, 3 North
Prospect Heights, IL 60070

Sincerely,

John W. Blenke
Secretary

___________________________________   ___________________
Employee's Signature   Date

HOUSEHOLD INTERNATIONAL, INC.

HOUSEHOLD INTERNATIONAL 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 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"), for a period of five (5) years from the date hereof (the "Restricted Period") and provided the price of the Company's Common Stock has increased at anytime during the Restricted Period at least 20% from the fair market value of said stock on the date of this Agreement (which is $33.375 per share)* (the "Performance Condition"), to receive on the terms and conditions set forth herein and subject to the provisions set forth in 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 issued under RSRs for one year from the date hereof or if the Performance Condition is not satisfied. The 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, 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

____

* such price to be adjusted accordingly as a result of any stock splits, stock dividends, reclassifications or corporate changes which materially affect the value of the Company's Common Stock.

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. 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 rights under any outstanding RSRs. This automatic forfeiture may be waived in whole or in part by the Committee in its sole discretion.

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

4. When an Employee shall be entitled to receive shares pursuant to RSRs, the Company shall issue the appropriate number of shares registered in the name of the Employee or his or her estate or administrator, as deemed appropriate by the Company.

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 share subject to an RSR, the Company will pay the Employee 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, provided, however, that any such dividends will be held by the Company, without interest, until the Performance Condition has been satisfied. At that time, all past and future amounts attributable to dividends paid or payable to holders of the Common Stock shall be paid to the employee by the Company as additional income, less applicable taxes.

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 its Secretary 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.

HOUSEHOLD INTERNATIONAL
NOTICE OF PERFORMANCE SHARE AWARD AGREEMENT

February 1, 1994

(Employee Name)
(Employee Social Security Number)
(Employee Home Address)

On February 1, 1994, the Compensation Committee of Household's Board of Directors granted you a performance share award under the Household International Long-Term Executive Incentive Compensation Plan as follows:

Date of Award	02/01/94
Price Per Share	$33.375
# of Shares	(# of shares)

Enclosed for your signature are two(2) copies of the Performance Share Award Agreement which state the terms and conditions under which these shares were awarded. Please retain one copy for your files and return one signed copy of the Agreement using the attached pre-addressed envelope.

Sincerely,

John W. Blenke
Secretary

__________________________________ ___________________
Employee's Signature Date

HOUSEHOLD INTERNATIONAL, INC.

HOUSEHOLD INTERNATIONAL LONG-TERM
EXECUTIVE INCENTIVE COMPENSATION PLAN

PERFORMANCE SHARE AWARD AGREEMENT

THIS AGREEMENT, dated February 1, 1994, 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 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 Performance Share Awards (the PSAs"), for a period of five (5) years from the date hereof (the "Restricted Period"), and provided the performance condition in the following paragraph is met, to receive, on the terms and conditions set forth herein and subject to the provisions set forth in the Incentive Plan, shares of the Common Stock of the Company as set forth in the cover sheet to this Agreement.

2. The PSA shares will vest from the date of this Agreement according to the following schedule: 25% on the third anniversary if a performance unit award payment is made with respect to the award granted for the three-year cycle 1994-1996, 25% on the fourth anniversary if a performance unit award payment is made with respect to the award granted in the three-year cycle 1995-1997, 50% on the fifth anniversary if a performance unit award payment is made with respect to the award granted for the three-year cycle 1996-1998. A holder of PSAs who fails to

remain continuously as an Employee of the Company or any subsidiary until some or all of the PSAs become vested in accordance with the preceding sentence will forfeit all such unvested shares and the rights of a holder of such shares without any payment of consideration by the Company, unless otherwise provided in his or her Employment Agreement or unless the Compensation Committee has waived this condition. 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.

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

4. As PSA shares vest, an Employee shall be entitled to receive the shares and the Company shall issue the appropriate number of shares registered in the name of the Employee or his or her estate or administrator, as deemed appropriate by the Company.

5. The holder of PSAs shall not be entitled to any of the rights of a holder of the Common Stock with respect to the shares subject to such PSAs prior to the issuance of such shares pursuant to the Plan. However, during the Restricted Period, for each share subject to an PSA, the Company will pay the Employee 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, provided, however, that any such dividends will be held by the Company without interest, until the Performance Condition has been satisfied or the Performance Condition has been waived by the Compensation Committee in its sole discretion. At that time, all past and future amounts attributable to dividends paid or payable to holders of the Common Stock shall be paid to the Employee by the Company as additional income, less applicable taxes.

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

7. Notice to the Company shall be addressed to the Company in care of its Secretary 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 PSA 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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January 3, 1994

Mr. Donald C. Clark
2700 Sanders Road
Prospect Heights, IL 60070

Dear Don:

SUBJECT: Employment Agreement

We wish you to remain in the employ of Household International, Inc. ("Household" or the "Corporation") and to provide you with fair and equitable treatment along with a competitive compensation package. Also, we wish to assure your continued attention to your duties without any possible distraction arising out of uncertain personal circumstances in a change in control environment. We recognize that in the event of a Change in Control of Household (as such term is defined herein) it is likely that your duties and responsibilities would be substantially altered.

1. At present you are employed by Household as Chairman of the Board and Chief Executive Officer. In that capacity you are entitled to the following:

   a. A minimum annual salary of $1,000,000;

   b. An annual bonus having a targeted value equal to 65% of your annualized salary as of the end of the period in which the bonus is earned. The amount of bonus for any year that you actually receive, if any, will depend on the achievement of the corporate and your individual goals established for that year and the terms of the Household International Corporate Executive Bonus Plan, and any successor or substitute plan or plans (the "Bonus Plan"). Your bonus will be prorated based on the number of elapsed months in the performance period in the case of death, permanent and total disability, or retirement under the Household Retirement Income Plan or any successor tax qualified defined benefit plan;

   c. An annual grant of any combination of performance unit awards and restricted stock rights under the Household International Long-Term Executive Incentive

Compensation Plan, and any successor or substitute plan or plans (the "Long-Term Plan"), having a targeted value of 40% of your then annual salary at the time of the grant. The performance unit awards are to be earned over a three year cycle, which will be prorated on the number of elapsed months in the performance period in the case of death, permanent and total disability or retirement under the Household Retirement Income Plan or any successor tax qualified defined benefit plan. Performance unit awards will be valued at their targeted value and restricted stock rights will be valued at the fair market value of stock at the date of grant; and

d. Other compensation, benefits and perquisites as described in, and in accordance with, Household's compensation, benefit and perquisite plans (the "Plans").

2. Subject to termination as provided herein, the term of this Agreement shall be for 18 whole calendar months, shall commence on the date hereof, and shall be "evergreen"; that is shall continue monthly as an 18 month term, unless the Corporation gives to you not less than 17 whole calendar months notice that the term as monthly continued shall not be so continued; provided further, that in no event shall the term be continued beyond your sixty-fifth birthday.

3. During your employment with Household you will devote your reasonably full time and energies to the faithful and diligent performance of the duties inherent in, and implied by, your executive position.

4. In consideration of your employment with Household, it is mutually agreed that:

a. In the event your employment with Household is terminated during the term of this Agreement by Household for any reason other than:

i. willful and deliberate misconduct which is detrimental in a significant way to the interests of the Corporation;

ii. death;

iii. inability, for reasons of disability, reasonably to perform your duties for 6 consecutive calendar months; or,

b. In the event that during the term of this Agreement you resign your position with Household because within 6 whole calendar months of your resignation one or more of the following events occurred to you:

i. your annual salary was reduced;

ii. your annual target bonus or the targeted value of any combination of performance unit awards and restricted stock rights calculated as provided in paragraph 1c was reduced and compensation equivalent in aggregate value was not substituted;

iii. your 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 your benefits under HSRIP were reduced;

iv. your other benefits or perquisites were reduced and such reductions were not uniformally applied with respect to all similarly situated employees;

v. you were reassigned to a geographical area outside of the Chicago, Illinois metropolitan area;

vi. any successor to the Corporation by acquisition of stock or substantially all of the assets, by merger or otherwise, failed to expressly adopt or otherwise repudiated this Employment Agreement; or

vii. you received written notice that your employment contract was not renewed;

Household shall be required, and hereby agrees, to make promptly a lump sum cash payment to you in an amount equal to 320% of your then annual salary (prior to any of the aforesaid reductions) (representing approximately the present value of what you would have received had your employment, compensation and participation in benefit plans, other than stock options, continued for the term of this employment contract); provided, however, if the term of this Agreement is less than 18 months because you are within 18 months of becoming age 65, the amount shall be multiplied by a fraction the numerator of which is the number of months left in the term, and the denominator of which is 18. This payment shall be in addition to all other compensation and benefits accrued to the date of termination of employment. Also, the Compensation Committee of Household's Board of Directors has determined

that you will be entitled to receive a portion of your bonus and performance unit awards for the performance periods in which your employment terminates. Such portion will be determined on the basis of the portion of the performance period elapsed as of your date of termination over the total performance period, and it will be assumed that individual and corporate target levels have been met.

5. It is further mutually agreed that:

a. should your employment be terminated pursuant to the provisions of paragraph 4a; or

b. should you resign your position for any reason

at any time within sixty (60) whole calendar months following a Change in Control of Household, Household or its successor shall pay to you the amounts (including the lump sum payment) described in paragraph 4 regardless of whether you are otherwise entitled to them under paragraph 4. In addition, Household or its successor shall promptly make a lump sum cash payment to you in an amount equal to 360% of your then annual salary (prior to any reduction).

For purposes of this Agreement, a Change in Control of Household shall be deemed to occur when and if:

i. any "person" (as the term is used in Section 13(d) and Section 14(d)(2) of the Securities Exchange Act of 1934) other than a trustee or other fiduciary of securities held under an employee benefit plan of Household becomes the beneficial owner, directly or indirectly, of securities of Household representing 20% or more of the combined voting power of Household's then outstanding securities; or

ii. persons who were directors of Household as of the effective date hereof, or successor directors nominated by those directors or by such successor directors cease to constitute a majority of the Board of Directors of Household or its successor by merger, consolidation or sale of assets.

6. You are not required to mitigate the amount of any payments to be made by Household pursuant to this Agreement by seeking other employment, or otherwise, nor shall the amount of any payments provided for in this Agreement be reduced by any compensation earned by you as the result of self-employment or your employment by another employer after the date of termination of your employment with Household.

7. Except as provided below, it is the intent and desire of Household that the salary, bonuses and other benefits provided for herein shall be paid to you without any diminution by reason of the assessment of any "golden parachute" excise tax pursuant to the Internal Revenue Code of 1986, as from time to time amended, (hereinafter the "Code"), or state law. Accordingly, in the event that any excise tax is assessed against you pursuant to the provisions of sections 280G and 4999 of the Code (or successor provisions) or comparable provisions of state law, whether with respect to any payments made to you pursuant to the provisions of this Agreement or payments otherwise arising out of your employment relationship, Household or any successor, upon notification of such assessment, shall promptly pay to you such amount as is necessary to provide you with the same after-tax benefit that you would have received had there been no "golden parachute" excise tax. For this purpose, Household or its successor shall assume that you are taxed at the highest individual federal and state income tax rates (without regard to Section 1(g) of the Code or successor provisions thereto).

However, if any part or all of the amounts to be paid to you constitute "parachute payments" within the meaning of section 280G(b)(2)(A) of the Code, and a reduction of the amount by 10% or less would totally avoid the imposition

of any excise tax, such amounts shall be reduced so that the aggregate present value of the amounts constituting such parachute payments will be equal to 299% of your "annualized includible compensation for the base period," as such term is defined in section 280G(d)(1) of the Code. For the purpose of this subparagraph, present value shall be determined in accordance with section 280G(d)(4) of the Code.

8. If a dispute arises regarding the termination of your employment or the interpretation or enforcement of this Agreement and you obtain a final judgment in your 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 your claim is settled by Household or its successor prior to the rendering of such a judgment, all reasonable legal and other professional fees and expenses incurred by you in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided for in this Agreement or in otherwise pursuing your claim will be promptly paid by Household or its successor with interest thereon at the highest statutory rate of your state of domicile for interest on judgments against private parties from the date of payment thereof by you to the date of reimbursement to you by Household or its successor.

9. You agree that you will not, without prior written consent of the Board of Directors of Household, during the term of or after the termination of your employment under this Agreement, directly or indirectly, disclose to any individual, corporation, or other entity (other than Household, or any subsidiary or affiliate thereof, or its officers, directors, or employees entitled to such information, or any other person or entity to whom such information is regularly disclosed in the normal course of Household's business), or use for your own benefit or for the benefit of such individual, corporation or other entity, any information whether or not reduced to written or other tangible form, which:

a. is not generally known to the public or in the industry;

b. has been treated by Household as confidential or proprietary; and

c. is of competitive advantage to Household and in the confidentiality of which Household has a legally protectible interest,

(such information being referred to herein as "Confidential Information"). Confidential Information which becomes generally known to the public or in the industry, or in the confidentiality of which Household ceases to have a legally protectible interest, shall cease to be subject to the restrictions of this paragraph.

10. This Agreement supersedes and replaces the Employment Agreement dated May 12, 1993, the Employment Agreement dated December 1, 1989, the Supplemental Employment Agreement dated September 9, 1987, and the Senior Executive Employment Agreement dated August 15, 1984,

between you and Household, all in furtherance of the objectives previously authorized and deemed by the Board of Directors of Household to serve the best interests of the Corporation.

11. Any successor to the Corporation, by acquisition of stock or substantially all of the assets, by merger or otherwise, shall be required to adopt and abide by the terms of this Agreement. This Agreement, and any rights to receive payments hereunder, may not be transferred, assigned or alienated by you.

12. All benefits under this Agreement shall be general obligations of the Corporation which shall not require the segregation of any funds or property. Notwithstanding the foregoing, in the discretion of the Corporation, the

Corporation may establish a grantor trust or other vehicle to assist it in meeting its obligations hereunder, but any such trust or other vehicle shall not create a funded account or security interest for you.

13. This Agreement may only be amended or terminated by written agreement, signed by both of the parties.

Our signatures below indicate our mutual agreement and acceptance of the foregoing terms and provisions, all as of the date first above set forth.

Sincerely,

HOUSEHOLD INTERNATIONAL, INC.

By: /s/ Raymond C. Tower

Raymond C. Tower
Chairman of the Compensation
Committee of the Board of Directors

/s/ Donald C. Clark

Donald C. Clark

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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. Three Months Ended March 31	1994	1993
Net income	$ 77.6	$ 60.6
Income taxes	42.0	30.3
Fixed charges:		
Interest expense (1)	259.1	314.3
Interest portion of rentals (2)	8.7	8.2
Total fixed charges	267.8	322.5
Total earnings as defined	$387.4	$413.4
Ratio of earnings to fixed charges	1.45	1.28
Preferred stock dividends (3)	$ 11.6	$ 12.4
Ratio of earnings to combined fixed charges and preferred stock dividends	1.39	1.23

(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 and 33.3 percent for March 31, 1994 and 1993, respectively.

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Exhibit 21

SUBSIDIARIES OF HOUSEHOLD INTERNATIONAL, INC.

As of December 31, 1993 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.

Names of Subsidiaries	Organized Under Laws of:	% Voting Stock Owned By Parent
Hamilton Investments, Inc.	Delaware	100%
Alpha Source Asset Management, Inc.	Delaware	100%
Craig-Hallum Corporation	Delaware	100%
Craig-Hallum, Inc.	Minnesota	100%
ProValue Investments, Inc.	Delaware	100%
Household Bank, f.s.b	U.S.	100%
Household Affinity Funding Corporation	Delaware	100%
Household Bank (SB), N.A.	U.S.	100%
Household Home Title Services, Inc.	California	100%
Household Investment Services, Inc.	California	100%
Household Insurance Services, Inc.	Illinois	100%
Housekey Financial Corporation	California	100%
Associations Service Corporation	Indiana	100%
Household Mortgage Services, Inc.	Delaware	100%
Security Investment Corporation	Maryland	100%
Household Credit Services, Inc.	Delaware	100%
Household Finance Corporation	Delaware	100%
HFC Funding Corporation	Delaware	100%
HFS Funding Corporation	Delaware	100%
Household Bank (Nevada), N.A.	U.S.	100%
Household Card Services, Inc.	Nevada	100%
Household Bank (Illinois), N.A.	U.S.	100%
Household Finance Receivables Corporation I	Delaware	100%
Household Finance Receivables Corporation II	Delaware	100%
Household Financial Services, Inc.	Delaware	100%
Household Group, Inc.	Delaware	100%
Alexander Hamilton Insurance Company of America	Illinois	100%
Alexander Hamilton Life Insurance Company of America	Michigan	100%
Alexander Hamilton Capital Management,	Michigan	100%

Inc.
Alexander Hamilton Insurance Agency, Inc. | Michigan | 100%

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Names of Subsidiaries	Organized Under Laws of:	% Voting Stock Owned By Parent
Alexander Hamilton Life Insurance Co. of America	Arizona	100%
First Alexander Hamilton Life Insurance Co.	New York	100%
Hamilton National Life Insurance Company	Michigan	100%
Cal-Pacific Services, Inc.	California	100%
Household Business Services, Inc.	Delaware	100%
Household Capital Markets, Inc.	Delaware	100%
Household Commercial Financial Services, Inc.	Delaware	100%
Business Realty Inc.	Delaware	100%
Business Lakeview, Inc.	Delaware	100%
Capital Graphics, Inc.	Delaware	100%
HCFS Business Equipment Corporation	Delaware	100%
HFC Commercial Realty, Inc.	Delaware	100%
Center Realty, Inc.	Delaware	100%
Com Realty, Inc.	Delaware	100%
G.C. Center, Inc.	Delaware	100%
Land of Lincoln Builders, 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%
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%

Names of Subsidiaries	Organized Under Laws of:	% Voting Stock Owned By Parent
Household Capital Investment Corporation	Delaware	100%
B&K Corporation	Michigan	94%
Household Commercial of California, Inc.	California	100%
Amstelveen FSC Ltd.	Bermuda	99%
Night Watch FSC Ltd.	Bermuda	100%
Overseas Leasing Two FSC, Ltd.	Bermuda	99%
Overseas Leasing Four FSC, Ltd.	Bermuda	99%
Overseas Leasing Five FSC, Ltd.	Bermuda	99%
Omni Products International, Inc.	Rhode Island	100%
Omni World Trading Company H.K. Ltd.	Hong Kong	99%
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 Industrial Loan Company	Washington	100%
Household Finance Realty Corporation of Nevada	Delaware	100%
Household Finance Corporation III	Delaware	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 Group Australia, Inc.	Delaware	100%
HFC of Australia, Ltd.	Victoria	100%
HFC Financial Services, Ltd.	NewSouthWales	100%
BFC Finance Limited	Victoria	100%
East Rock Finance Corporation Pty. Ltd.	Victoria	100%
Heritage General Insurance Ltd.	NewSouthWales	100%
Heritage Life Insurance Ltd.	NewSouthWales	100%
HFC Leasing Ltd.	NewSouthWales	100%
Household Building Society	Tasmania	100%
Inter City Lease Management Pty. Ltd.	NewSouthWales	100%
KeyJade Pty. Ltd.	NewSouthWales	100%

Household Industrial Finance Company	Minnesota	100%
Household Industrial Loan Co. of Kentucky	Kentucky	100%
Household Insurance Agency, Inc.	Nevada	100%
Household Recovery Services Corporation	Delaware	100%
Household Relocation Management, Inc.	Illinois	100%
Mortgage One Corporation	Delaware	100%
Mortgage Two Corporation	Delaware	100%

Names of Subsidiaries	Organized Under Laws of:	% Voting Stock Owned By Parent
Sixty-First HFC Leasing Corporation	Delaware	100%
Household Bank, N.A.	U.S.	100%
Household Receivables Funding Corporation	Nevada	100%
Household Receivables Funding Corporation II	Delaware	100%
Household Receivables Funding, Inc.	Delaware	100%
Household Financial Group, Ltd.	Delaware	100%
Household Global Funding, Inc.	Delaware	78%
Household International (U.K.) Limited	U.K.	100%
D.L.R.S. Limited	Cheshire	100%
HFC Bank plc	U.K.	100%
Hamilton Life Assurance Co. Limited	U.K.	100%
Hamilton Insurance Co. Limited	U.K.	100%
Hamilton Financial Planning Services Limited	U.K.	100%
HFC Pension Plan Limited	England	100%
Household Funding Limited	U.K.	100%
Household Investments Limited	England/Wales	100%
Household Leasing Limited	England	100%
Household Management Corporation Limited	England/Wales	100%
Household Overseas Limited	England	100%
Household International Netherlands, B.V.	Netherlands	100%
Household Financial Corporation Limited	Ontario	100%
Auto League of North America Limited	Canada	100%
HFC of Canada	Canada	100%
Household Realty Corporation Limited	Ontario	100%
Household Trust Company	Canada	100%
Merchant Retail Services Limited	Ontario	100%
Household Mexico, Inc.	Delaware	100%
Household de Mexico S.A. de C.V.	Mexico	99%
Household Reinsurance Ltd.	Bermuda	100%
Land of Lincoln Real Estate, Ltd.	Illinois	100%

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