

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

COMMERCIAL CREDIT CO

CIK: **201499** | IRS No.: **520883351** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-06594** | Film No.: **94528341**
SIC: **6141** Personal credit institutions

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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 1-6594

COMMERCIAL CREDIT COMPANY
(Exact name of registrant as specified in its charter)

Delaware 52-0883351
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer
Identification No.)

300 St. Paul Place, Baltimore, Maryland 21202
(Address of principal executive offices) (Zip Code)

(410) 332-3000
(Registrant's telephone number, including area code)

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

The registrant is an indirect wholly owned subsidiary of The Travelers Inc. As of the date hereof, one share of the registrant's Common Stock, \$.01 par value, was outstanding.

REDUCED DISCLOSURE FORMAT

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1) (a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM 10-Q WITH THE REDUCED DISCLOSURE FORMAT.

Commercial Credit Company and Subsidiaries

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Commercial Credit Company and Subsidiaries
Condensed Consolidated Statement of Income (Unaudited)
(In millions of dollars)

| Three months ended March 31, | 1994 | 1993 |
|--|---------|---------|
| ----- | | |
| Revenues | | |
| Finance related interest and other charges | \$245.6 | \$232.1 |
| Insurance premiums | 90.4 | 83.2 |
| Net investment income | 17.5 | 19.0 |
| Equity in income of old Travelers | - | 10.0 |
| Other income | 30.8 | 45.4 |
| ----- | | |
| Total revenues | 384.3 | 389.7 |
| ----- | | |
| Expenses | | |
| Interest | 93.2 | 87.8 |
| Policyholder benefits and claims | 55.7 | 51.6 |
| Insurance underwriting, acquisition and operating | 23.9 | 22.8 |
| Non-insurance compensation and benefits | 46.2 | 41.4 |
| Provision for credit losses | 38.8 | 34.9 |
| Other operating | 39.3 | 37.3 |
| ----- | | |
| Total expenses | 297.1 | 275.8 |
| ----- | | |
| Income before income taxes, minority interest and cumulative effect of changes in accounting principles | 87.2 | 113.9 |
| Provision for income taxes | 30.9 | 38.6 |
| ----- | | |
| Income before minority interest and cumulative effect of changes in accounting principles | 56.3 | 75.3 |
| Minority interest, net of income taxes | (3.7) | (8.2) |
| Cumulative effect of changes in accounting principles, net of income taxes | - | (5.8) |
| ----- | | |
| Net income | \$ 52.6 | \$ 61.3 |
| ===== | | |

See Notes to Condensed Consolidated Financial Statements.

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<TABLE><CAPTION>

Commercial Credit Company and Subsidiaries
Condensed Consolidated Statement of Financial Position
(In millions of dollars, except per share amounts)

| | March 31, 1994 | December 31, 1993 |
|---|----------------|-------------------|
| <S> | <C> | <C> |
| Assets | (Unaudited) | |
| Cash and cash equivalents | \$ 16.2 | \$25.6 |
| Investments: | | |
| Fixed maturities: | | |
| Available for sale (1994, cost - \$818.3; 1993, market - \$784.1) | 798.2 | 752.5 |
| Held to maturity (market \$19.3 and \$35.0) | 18.6 | 33.7 |
| Equity securities (1994, cost - \$284.7; 1993, market - \$368.5) | 288.2 | 300.0 |
| Mortgage loans | 211.0 | 205.1 |
| Short-term and other | 140.6 | 246.7 |
| Total investments | 1,456.6 | 1,538.0 |
| Consumer finance receivables | 6,482.4 | 6,383.1 |
| Allowance for losses | (170.4) | (167.5) |
| Net consumer finance receivables | 6,312.0 | 6,215.6 |
| Other receivables | 557.1 | 560.9 |
| Deferred policy acquisition costs | 28.1 | 26.7 |
| Cost of acquired businesses in excess of net assets | 104.9 | 105.8 |
| Other assets | 407.4 | 421.1 |
| Total assets | \$8,882.3 | \$8,893.7 |
| Liabilities | | |
| Certificates of deposit | \$ 62.9 | \$ 56.7 |
| Short-term borrowings | 2,482.8 | 2,206.1 |
| Long-term debt | 3,726.0 | 3,969.8 |
| Total debt | 6,271.7 | 6,232.6 |
| Insurance policy and claims reserves | 904.6 | 894.7 |
| Accounts payable and other liabilities | 613.3 | 655.7 |
| Total liabilities | 7,789.6 | 7,783.0 |
| Stockholder's equity | | |
| Common stock (\$.01 par value; authorized shares: 1,000; share issued: 1) | - | - |
| Additional paid-in-capital | 142.3 | 94.7 |
| Retained earnings | 950.3 | 1,002.6 |
| Other | 0.1 | 13.4 |
| Total stockholder's equity | 1,092.7 | 1,110.7 |
| Total liabilities and stockholder's equity | \$8,882.3 | \$8,893.7 |
| See Notes to Condensed Consolidated Financial Statements | | |

</TABLE>

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Commercial Credit Company and Subsidiaries
Condensed Consolidated Statement of Cash Flows (Unaudited)
(In millions of dollars)

<TABLE><CAPTION>

| Three months ended March 31, | 1994 | 1993 |
|--|---------|----------|
| <S> | <C> | <C> |
| Cash Flows From Operating Activities | | |
| Income before income taxes, minority interest and cumulative effect of changes in accounting principle | \$ 87.2 | \$ 113.9 |
| Adjustments to reconcile income before income taxes, minority interest and | | |

| | | |
|---|---------|---------|
| cumulative effect of changes in accounting principle to net cash provided by | | |
| (used in) operating activities: | | |
| Amortization of deferred policy acquisition costs and value of insurance in force | 12.8 | 13.7 |
| Additions to deferred policy acquisition costs | (14.2) | (13.9) |
| Provision for credit losses | 38.8 | 34.9 |
| Undistributed equity earnings of affiliates | -- | (6.4) |
| Changes in: | | |
| Insurance policy and claims reserves | 9.9 | 1.8 |
| Other assets and liabilities | 61.0 | 65.4 |
| Other, net | (88.4) | (30.2) |
| ----- | | |
| Net cash provided by (used in) operations | 107.1 | 179.2 |
| Income taxes paid | (8.6) | (8.8) |
| ----- | | |
| Net cash provided by (used in) operating activities | 98.5 | 170.4 |
| ----- | | |
| Cash Flows From Investing Activities | | |
| Net change in credit card receivables | 9.1 | 19.8 |
| Loans originated or purchased | (684.0) | (541.0) |
| Loans repaid or sold | 523.6 | 485.4 |
| Purchases of investments | (299.7) | (346.8) |
| Proceeds from sales of investments | 238.9 | 274.7 |
| Proceeds from maturities of investments | 123.7 | 67.7 |
| Other, net | (8.6) | (6.4) |
| ----- | | |
| Net cash provided by (used in) investing activities | (97.0) | (46.6) |
| ----- | | |
| Cash Flows From Financing Activities | | |
| Dividends paid | (50.0) | (40.0) |
| Issuance of long-term debt | -- | 200.0 |
| Payments of long-term debt | (243.8) | (22.1) |
| Net change in short-term borrowings | 276.7 | (266.7) |
| Net change in savings accounts, certificates and deposits | 6.2 | |
| ----- | | |
| Net cash provided by (used in) financing activities | (10.9) | (128.8) |
| ----- | | |
| Change in cash and cash equivalents | (9.4) | (5.0) |
| Cash and cash equivalents at beginning of period | 25.6 | 22.0 |
| ----- | | |
| Cash and cash equivalents at end of period | \$ 16.2 | \$17.0 |
| ===== | | |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for interest | \$ 89.1 | \$ 72.7 |
| ===== | | |
| See Notes to Condensed Consolidated Financial Statements | | |

</TABLE>

Commercial Credit Company and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions of dollars)

1. Basis of Presentation

Commercial Credit Company (the Company) is a wholly owned subsidiary of CCC Holdings, Inc. which is a wholly owned subsidiary of The Travelers Inc. (the Parent). The condensed consolidated financial statements include the accounts of the Company and its subsidiaries.

The accompanying condensed consolidated financial statements as of March 31, 1994 and for the three month period ended March 31, 1994 and 1993 are unaudited. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation have been reflected. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

Certain financial information that is normally included in financial statements prepared in accordance with generally accepted accounting principles but is not required for interim reporting purposes has been condensed or omitted.

FAS 115. Effective January 1, 1994, the Company adopted

Statement of Financial Accounting Standards No. 115 (FAS 115), "Accounting for Certain Investments in Debt and Equity Securities," which addresses accounting and reporting for investments in equity securities that have a readily determinable fair value and for all debt securities. Debt securities that the Company has the positive intent and ability to hold to maturity have been classified as "held to maturity" and have been reported at amortized cost. Securities that are not classified as "held to maturity" have been classified as "available for sale" and are reported at fair value, with unrealized gains and losses, net of income taxes, charged or credited directly to stockholder's equity. Initial adoption of this standard resulted in a net increase of \$80.8 (net of taxes) to net unrealized gains on investment securities in stockholder's equity.

2. Consumer Finance Receivables

Consumer finance receivables, net of unearned finance charges of \$617.9 and \$613.0 at March 31, 1994 and December 31, 1993, respectively, consisted of the following:

| | March 31, 1994 | December 31, 1993 |
|----------------------------------|----------------|-------------------|
| | ----- | ----- |
| Real estate-secured loans | \$2,757.8 | \$2,705.8 |
| Personal loans | 2,563.3 | 2,495.2 |
| Credit cards | 684.6 | 697.1 |
| Sales finance and other | 439.1 | 443.7 |
| | ----- | ----- |
| Consumer finance receivables | 6,444.8 | 6,341.8 |
| Accrued interest receivable | 37.6 | 41.3 |
| Allowance for credit losses | (170.4) | (167.5) |
| | ----- | ----- |
| Net consumer finance receivables | \$6,312.0 | \$6,215.6 |
| | ===== | ===== |

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Notes to Condensed Consolidated Financial Statements (continued)

3. Debt

The Company issues commercial paper directly to investors and maintains unused credit availability under its bank lines of credit at least equal to the amount of its outstanding commercial paper. At March 31, 1994 and December 31, 1993, short-term borrowings consisted of commercial paper totaling \$2,482.8 and \$2,206.1, respectively. The Company may borrow under its revolving credit facility at various interest rate options and compensates the banks for the facilities through commitment fees. The Parent and the Company have agreements with certain banks totaling \$800 whereby the Parent, with the consent of the Company, may assign certain amounts (swing facilities) to the Company for specific periods of time. At March 31, 1994, \$550 of the swing facility was allocated to the Company.

At March 31, 1994, the Company had committed and available revolving credit facilities of \$2,670, of which \$250 expires in 1994, \$920 expires in 1995 and \$1,500 expires in 1997.

Long-term debt, including its current portion, totaled \$3,726.0 and \$3,969.8 at March 31, 1994 and December 31, 1993, respectively.

4. Related Party Transactions

On December 31, 1993, the Parent acquired the approximately 73% it did not already own of The Travelers Corporation (old

Travelers), by means of a merger of old Travelers into the Parent. As a result of the merger, the Company's investment in the common stock of old Travelers, which through that date had been carried on the equity basis of accounting, was exchanged for 7.2 million shares of common stock of the Parent at a ratio of 0.80423 of a share of the Parent common stock for each share of old Travelers common stock. At December 31, 1993, the investment was reflected at a carrying amount of \$211.3. On March 31, 1994, 6.3 million of the Company's shares of the Parent's common stock were exchanged for 2,342 shares of Convertible Adjustable Rate Series Y Preferred Stock of the Parent, with a liquidation value of \$100,000 per share, which is redeemable at the option of the holder at certain times and callable by the Parent at certain times. The preferred stock had a value equal to the market value of the common shares at the time the exchange was agreed upon. Subsequently 550 shares of preferred stock were distributed to the Parent as a dividend. The balance of common shares, which are held by an insurance subsidiary, will be exchanged upon receipt of regulatory approval.

The Company recorded \$0.7 and \$1.4 for the three months ended March 31, 1994 and 1993, respectively, of dividend income on its investment in the Parent's Cumulative Redeemable Preferred Stock, Series Z. The Company's investment in such stock was \$100.0 at March 31, 1994 and \$200.0 at March 31, 1993.

To facilitate cash management the Company has entered into an agreement with the Parent under which the Company or the Parent may borrow from the other party at any time an amount up to the greater of \$50.0 or 1% of the Company's consolidated assets. The agreement may be terminated by either party at any time. The interest rate to be charged on borrowings outstanding will be equivalent to an appropriate market rate.

Item 2. MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS

Consolidated Results of Operations

| | Three Months Ended March 31, | |
|--|------------------------------|---------|
| | ----- | |
| | 1994 | 1993 |
| (in millions, except per share amounts) | | |
| Revenues | \$384.3 | \$389.7 |
| | ===== | ===== |
| Income before cumulative effect of changes in accounting principles | \$52.6 | \$67.1 |
| | ===== | ===== |
| Net income | \$52.6 | \$61.3 |
| | ===== | ===== |

Results of Operations

Commercial Credit Company's earnings for the quarter ended March 31, 1994 include reported after-tax net investment portfolio gains of \$1.0 million, compared to \$6.8 million of after-tax net investment portfolio gains in the prior year period. Also included in earnings for 1993 is an after-tax charge of \$3.4 million resulting from the adoption of Statement of Financial Accounting Standards No. 112 (FAS 112), "Employers' Accounting for Postemployment Benefits," and an after-tax charge of \$2.4 million resulting from the adoption of Statement of Financial Accounting Standards No. 106 (FAS 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Excluding these items and the after-tax equity in earnings of old Travelers of \$7.5 million in 1993, earnings for the three months ended March 31, 1994 decreased slightly by \$1.2 million, or 2%, over the 1993 period, reflecting primarily lower earnings from Insurance Services offset by improved performance at Consumer Finance Services.

The following discussion presents in more detail each segment's performance.

Segment Results for the Three Months Ended March 31, 1994 and 1993

Consumer Finance Services

| (\$ in millions) | Three Months Ended March 31, | | | |
|---------------------------|------------------------------|------------|----------|------------|
| | 1994 | | 1993 | |
| | Revenues | Net income | Revenues | Net income |
| Consumer Finance Services | \$299.3 | \$51.2 | \$284.1 | \$48.0 |

The 6% increase in Consumer Finance net income in the first quarter of 1994 over the same period last year reflects a continued growth in receivables outstanding to \$6.445 billion. During the first three months of 1994, 31 new branch offices were added, bringing the total to 799 at March 31, 1994. About 40 more offices are planned to be opened by year-end 1994.

Charge-offs remained at low levels for the 1994 period -- 2.26% versus 2.61% in the prior year quarter -- while the 60+ day delinquencies hit a record low of 2.00% versus 2.36%.

The average yield on the portfolio declined to 15.22% from 15.91%, although net margins rose to 8.51%. This reflects a shift in product mix toward more variable rate loans and lower funding costs.

<TABLE><CAPTION>

| <S> | As of, and for, the Three Months Ended March 31, | |
|---|---|-------------|
| | <C> 1994 | <C> 1993 |
| Allowance for losses as % of consumer finance receivables | 2.64% | 2.87% |
| Charge-off rate | 2.26% | 2.61% |
| 60 + days past due on a contractual basis as % of gross consumer finance receivables at quarter end | 2.00% | 2.36% |

</TABLE>

Insurance Services

<TABLE><CAPTION>

| (In millions) | Three Months Ended March 31, | | | |
|---------------------------------|------------------------------|-------------------|-----------------|-------------------|
| | 1994 | | 1993 | |
| <S> | <C> Revenues | <C> Net income | <C> Revenues | <C> Net income |
| Gulf property and casualty* | \$74.4 | \$ 7.4 | \$84.8 | \$16.4 |
| Minority interest - Gulf | - | (3.7) | - | (8.2) |
| Other | 0.6 | 0.6 | 1.4 | (0.3) |
| Total Insurance Services | \$75.0 | \$ 4.3 | \$86.2 | \$ 7.9 |

</TABLE>

* Net income includes \$9.0 of reported investment portfolio gains in 1993.

Operating earnings for the 1994 period for Gulf remained about even with the prior year period, and continued to reflect emphasis on the higher margin specialty businesses, particularly financial services. Gulf's combined ratio was 97.2% for the quarter ended March 31, 1994 versus 96.4% in the quarter last year.

<TABLE><CAPTION>
Corporate and Other

| <S> (In millions) | Three Months Ended March 31, | | | |
|-------------------------------|------------------------------|------------|----------|------------|
| | <C> 1994 | <C> | <C> | <C> |
| | Revenues | Net income | Revenues | Net income |
| Corporate and other | | \$ (2.9) | | \$ 3.7 |
| Equity in income of Travelers | | - | | 7.5 |
| Total Corporate and Other | \$10.0 | \$ (2.9) | \$19.4 | \$11.2 |

</TABLE>

The decline in Corporate and Other net income for 1994 is primarily attributable to higher net interest costs in the 1994 period.

Liquidity and Capital Resources

The Company issues commercial paper directly to investors and maintains unused credit availability under committed revolving credit agreements at least equal to the amount of commercial paper outstanding. As of March 31, 1994, the Company had unused credit availability of \$2.670 billion. The Company may borrow under its revolving credit facilities at various interest rate options and compensates the banks for the facilities through commitment fees.

The Company maintains public debt shelf registrations and as of May 13, 1994 had \$850 million available for debt offerings.

Recent Accounting Standards

FAS 114

Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," describes how impaired loans should be measured when determining the amount of a loan loss accrual. The Statement also amends existing guidance on the measurement of restructured loans in a troubled debt restructuring involving a modification of terms. The Company has not yet determined the impact, if any, this statement will have on its financial statements. The Statement has an effective date of January 1, 1995.

PART II - OTHER INFORMATION

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

(a) Exhibits:

See Exhibit Index.

(b) Reports on Form 8-K:

The Company did not file any Current Reports on Form 8-K during the quarter ended March 31, 1994.

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EXHIBIT INDEX

<TABLE><CAPTION>

| Exhibit Number | Description of Exhibit | Filing Method |
|-------------------|---|------------------|
| ----- | ----- | ----- |
| <S> | <C> | <C> |
| 4.01.1 | Indenture, dated as of December 1, 1986 (the "Indenture"), between the Company and Citibank, N.A., relating to the Company's debt securities, incorporated by reference to Exhibit 4.01 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988 (File No. 1-6594). | |
| 4.01.2 | First Supplemental Indenture, dated as of June 13, 1990, to the Indenture, incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K dated June 13, 1990 (File No. 1-6594). | |
| | The total amount of securities authorized pursuant to any other instrument defining rights of holders of long-term debt of the Company does not exceed 10% of the total assets of the Company and its consolidated subsidiaries. The Company will furnish copies of any such instrument to the Securities and Exchange Commission upon request. | |
| 10.01 | \$1,500,000,000 Three Year Credit Agreement dated as of February 24, 1994 among the Company, the Banks party thereto and Morgan Guaranty Trust Company of New York, as Agent, incorporated by reference to Exhibit 10.01 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (File No. 1-6594) | |
| 12.01 | Computation of Ratio of Earnings to Fixed Charges. | Electronic |

</TABLE>

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SIGNATURES

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.

Commercial Credit Company

Date: May 13, 1994

By /s/ William R. Hofmann

William R. Hofmann
Vice President
(Principal Financial Officer)

Commercial Credit Company and Subsidiaries
 Computation of Ratio of Earnings to Fixed Charges
 (In millions of dollars, except for ratio)

<TABLE><CAPTION>

| | Three months ended March 31, | |
|--|------------------------------|---------|
| | 1994 | 1993 |
| <S> | <C> | <C> |
| Income before income taxes, minority interest and cumulative effect of changes in accounting principle | \$87.2 | \$113.9 |
| Elimination of undistributed equity earnings | (0.1) | (6.4) |
| Pre-tax minority interest | (5.1) | (11.9) |
| Interest expense | 93.2 | 87.8 |
| Portion of rentals deemed to be interest | 2.3 | 2.9 |
| | ---- | ---- |
| Earnings available for fixed charges | \$177.5 | \$186.3 |
| | ===== | ===== |
| Fixed charges | | |
| - - - - - | | |
| Interest incurred | \$93.2 | \$87.8 |
| Portion of rentals deemed to be interest | 2.3 | 2.9 |
| | ---- | ---- |
| Fixed charges | \$95.5 | \$90.7 |
| | ===== | ===== |
| Ratio of earnings to fixed charges | 1.86x | 2.05x |
| | ===== | ===== |

</TABLE>