UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal quarter ended March 31, 2003

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 0-27559

Textron Financial Corporation
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**05-6008768**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

40 Westminster Street, P.O. Box 6687, Providence, R.I. 02940-6687
(401) 621-4200
(Address and telephone number of Principal Executive Offices)

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 ☐

All of the shares of common stock of the registrant are owned by Textron Inc.

TEXTRON FINANCIAL CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

TEXTRON FINANCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2003 AND 2002
(Unaudited)

	2003	2002
	(In thousands)	
Revenues		
Finance charges and discounts	$111,316	$105,145
Rental revenues on operating leases	7,713	7,064
Other income	31,699	31,867
	150,728	144,076
Expenses		
Interest	45,294	46,298
Selling and administrative	47,284	40,976
Provision for losses	29,737	30,375
Depreciation of equipment on operating leases	4,538	3,545
	126,853	121,194
Income before income taxes, distributions on preferred securities and cumulative effect of change in accounting principle	23,875	22,882
Income taxes	7,964	8,349
Distributions on preferred securities (net of tax benefits of $184 and $201, respectively)	364	357
Income before cumulative effect of change in accounting principle	15,547	14,176
Cumulative effect of change in accounting principle (net of tax benefit of $8,278)	—	(15,372)
Net income (loss)	$ 15,547	$ (1,196)

See notes to condensed consolidated financial statements (unaudited).

Item 1. *Financial Statements (Continued)*

TEXTRON FINANCIAL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2003	December 28, 2002
	(Dollars in thousands)	
Assets		
Cash and equivalents	$ 5,021	$ 21,287
Finance receivables, net of unearned income:		
Installment contracts	1,870,700	1,827,797
Revolving loans	1,697,631	1,366,064
Distribution finance receivables	1,071,859	792,323
Golf course and resort mortgages	946,361	962,459
Leveraged leases	461,790	460,163
Finance leases	348,819	346,844
Total finance receivables	6,397,160	5,755,650
Allowance for losses on receivables	(168,829)	(166,510)
Finance receivables — net	6,228,331	5,589,140
Equipment on operating leases — net	240,681	255,055
Goodwill	180,843	180,843
Other assets	620,756	608,003
Total assets	$7,275,632	$6,654,328
Liabilities and shareholder's equity		
Liabilities		
Accrued interest and other liabilities	$ 425,757	$ 345,270
Amounts due to Textron Inc.	22,927	23,471
Deferred income taxes	417,639	398,199
Debt	5,376,272	4,839,621
Total liabilities	6,242,595	5,606,561
Textron Financial and Litchfield obligated mandatory redeemable preferred securities of trust subsidiary holding solely Litchfield junior subordinated debentures	26,818	26,950
Shareholder's equity		
Common stock $100 par value (4,000 shares authorized; 2,500 shares issued and outstanding)	250	250
Capital surplus	573,676	573,676
Investment in parent company preferred stock	(25,000)	(25,000)
Accumulated other comprehensive loss	(9,782)	(14,637)
Retained earnings	467,075	486,528
Total shareholder's equity	1,006,219	1,020,817
Total liabilities and shareholder's equity	$7,275,632	$6,654,328

See notes to condensed consolidated financial statements (unaudited).

Item 1. *Financial Statements (Continued)*

TEXTRON FINANCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2003 AND 2002
(Unaudited)

	2003	2002
	(In thousands)	
Cash flows from operating activities:		
Income before cumulative effect of change in accounting principle	$ 15,547	$ 14,176
Adjustments to reconcile income to net cash provided by operating activities:		
Provision for losses	29,737	30,375
Deferred income tax provision	17,630	3,526
Depreciation	8,525	7,167
Increase (decrease) in accrued interest and other liabilities	7,359	(36,574)
Amortization	2,346	2,792
Noncash gains on securitizations	—	(7,595)
Other	(1,696)	11,694
Net cash provided by operating activities	79,448	25,561
Cash flows from investing activities:		
Finance receivables originated or purchased	(2,118,266)	(1,889,968)
Finance receivables repaid	1,586,295	1,536,477
Proceeds from receivable sales, including securitizations	1,842	190,201
Proceeds from disposition of operating leases and other assets	17,666	16,041
Purchase of assets for operating leases	(7,649)	(21,743)
Proceeds from real estate owned	669	1,761
Other capital expenditures	(4,886)	(6,686)
Other investments	32,377	265
Net cash used in investing activities	(491,952)	(173,652)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	200,000	407,370
Principal payments on long-term debt	(75,180)	(402,692)
Net increase in commercial paper	348,652	787,995
Net decrease in other short-term debt	(7,743)	(542,442)
Principal payments on nonrecourse debt	(33,831)	(34,091)
Net (decrease) increase in amounts due to Textron Inc.	(544)	3,444
Capital contributions from Textron Inc.	2,252	2,252
Dividends paid to Textron Inc.	(37,252)	(55,252)
Net cash provided by financing activities	396,354	166,584
Effect of exchange rate changes on cash	(116)	—
Net (decrease) increase in cash	(16,266)	18,493
Cash and equivalents at beginning of period	21,287	18,489
Cash and equivalents at end of period	$ 5,021	$ 36,982

See notes to condensed consolidated financial statements (unaudited).

Item 1. ***Financial Statements (Continued)***

TEXTRON FINANCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (Unaudited)

	Common Stock	Capital Surplus	Investment In Parent Company Pref. Stock	Accumulated Other Compre-hensive Loss	Retained Earnings	Total
Balance December 29, 2001	$250	$573,676	$(25,000)	$(18,793)	$479,222	$1,009,355
Comprehensive income:						
Net income	—	—	—	—	60,306	60,306
Other comprehensive income (loss), net of income taxes:						
Unrealized net gains on interest-only securities	—	—	—	9,601	—	9,601
Unrealized net losses on hedge contracts	—	—	—	(1,893)	—	(1,893)
Foreign currency translation adjustments	—	—	—	(3,552)	—	(3,552)
Other comprehensive income	—	—	—	4,156	—	4,156
Comprehensive income	—	—	—	—	—	64,462
Capital contributions from Textron Inc.	—	9,010	—	—	—	9,010
Dividends to Textron Inc.	—	(9,010)	—	—	(53,000)	(62,010)
Balance December 28, 2002	250	573,676	(25,000)	(14,637)	486,528	1,020,817
Comprehensive income:						
Net income	—	—	—	—	15,547	15,547
Other comprehensive income (loss), net of income taxes:						
Unrealized net gains on hedge contracts	—	—	—	3,953	—	3,953
Foreign currency translation adjustments	—	—	—	2,222	—	2,222
Unrealized net losses on interest-only securities	—	—	—	(1,320)	—	(1,320)
Other comprehensive income	—	—	—	4,855	—	4,855
Comprehensive income	—	—	—	—	—	20,402
Capital contributions from Textron Inc.	—	2,252	—	—	—	2,252
Dividends to Textron Inc.	—	(2,252)	—	—	(35,000)	(37,252)
Balance March 31, 2003	$250	$573,676	$(25,000)	$ (9,782)	$467,075	$1,006,219

See notes to condensed consolidated financial statements (unaudited).

TEXTRON FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Basis of Presentation

The financial statements should be read in conjunction with the financial statements included in Textron Financial Corporation's Annual Report on Form 10-K for the year ended December 28, 2002. The accompanying unaudited consolidated financial statements include the accounts of Textron Financial Corporation (Textron Financial or the Company) and its subsidiaries. All significant intercompany transactions are eliminated. The consolidated financial statements are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of Textron Financial's consolidated financial position at March 31, 2003 and December 28, 2002, and its consolidated results of operations and cash flows for each of the respective three-month periods ended March 31, 2003 and 2002. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. Certain prior year balances have been reclassified to conform to the current year presentation.

Note 2. Other Income

	Three Months Ended	
	March 31, 2003	March 31, 2002
	(In thousands)	
Servicing fees	$ 7,424	$ 5,516
Securitization gains	4,746	7,595
Investment income	4,738	4,465
Prepayment gains	2,713	1,711
Late charges	2,252	2,275
Syndication gains	920	1,495
Other	8,906	8,810
Total other income	$31,699	$31,867

The Other component of Other income includes custodial fees, commitment fees, residual gains, insurance fees and other miscellaneous fees, which are primarily recognized as income when received.

Note 3. Allowance for Losses on Receivables

	Three Months Ended March 31, 2003	Twelve Months Ended December 28, 2002
	(In thousands)	
Balance at beginning of period	$166,510	$143,756
Provision for losses	29,737	138,542
Receivable charge-offs	(29,973)	(138,862)
Recoveries	2,555	10,971
Acquisitions and other	—	12,103
Balance at end of period	$168,829	$166,510

Note 4. Managed and Serviced Finance Receivables

Textron Financial manages finance receivables for a variety of investors, participants and third-party portfolio owners.

Item 1. ***Financial Statements (Continued)***

TEXTRON FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) — (Continued)

	March 31, 2003	December 28, 2002
	(In thousands)	
Total managed and serviced finance receivables	$ 9,575,268	$ 9,395,778
Nonrecourse participations	(524,250)	(435,393)
Third-party portfolio servicing	(349,067)	(515,546)
SBA sales agreements	(54,518)	(55,913)
Total managed finance receivables	8,647,433	8,388,926
Securitized receivables	(2,250,273)	(2,633,276)
Owned finance receivables	$ 6,397,160	$ 5,755,650

Nonrecourse participations consist of undivided interests in loans originated by Textron Financial, primarily in vacation interval resorts and golf finance, which are sold to independent investors.

Third-party portfolio servicing largely relates to finance receivable portfolios of resort developers, third-party securitization servicing as well as private label bank and leasing company portfolio servicing.

Owned receivables include approximately $38 million of finance receivables that were unfunded at March 31, 2003, as a result of holdback arrangements. The corresponding liability is included in Accrued interest and other liabilities on Textron Financial's Condensed Consolidated Balance Sheets.

Note 5. Loan Impairment

Textron Financial periodically evaluates finance receivables, excluding homogeneous loan portfolios and finance leases, for impairment. A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impairment is measured by comparing the fair value of a loan to its carrying cost. Fair value is based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or, if the loan is collaterally dependent, at the fair value of the collateral. If the fair value of the loan is less than its carrying amount, the Company establishes a reserve based on this difference. This evaluation is inherently subjective, as it requires estimates, including the amount and timing of future cash flows expected to be received on impaired loans, that may differ from actual results.

The Company suspends the accrual of interest income for accounts that are contractually delinquent by more than three months, unless collection is not doubtful. In addition, detailed reviews of loans may result in earlier suspension if collection is doubtful. Cash payments on nonaccrual accounts, including finance charges, generally are applied to reduce principal. The Company had $180.4 million of nonaccrual finance receivables at March 31, 2003, compared to $181.6 million at December 28, 2002. Nonaccrual finance receivables resulted in Textron Financial's revenues being reduced by approximately $4.7 million and $3.8 million for the first three months of 2003 and 2002, respectively. No interest income was recognized using the cash basis method. Excluding homogeneous loan portfolios and finance leases, the Company had impaired loans of $124.8 million and $122.1 million at March 31, 2003 and December 28, 2002, respectively. Impaired loans with identified reserve requirements were $116.8 million and $109.9 million at March 31, 2003 and December 28, 2002, respectively. The allowance for losses on receivables related to impaired loans with identified reserve requirements was $39.3 million and $32.7 million at March 31, 2003 and December 28, 2002, respectively. The average recorded investment in impaired loans during the first three months of 2003 was $123.4 million compared to $61.6 million in the corresponding period in 2002.

Item 1. ***Financial Statements (Continued)***

TEXTRON FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) — (Continued)

Note 6. Goodwill

On December 30, 2001, Textron Financial adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which required companies to stop amortizing goodwill and certain intangible assets with indefinite useful lives and requires an annual review for impairment. All existing goodwill as of December 30, 2001 was required to be tested for impairment on a reporting unit basis with the adoption of this standard. Goodwill is considered to be impaired when the net book value of a reporting unit exceeds its estimated fair value. Fair values were established using a discounted cash flow methodology.

Upon adoption, Textron Financial recorded an after-tax transitional impairment charge of $15.4 million ($23.7 million, pre-tax) in the second quarter of 2002, which was retroactively recorded in the first quarter of 2002. This charge is included in the caption "Cumulative effect of change in accounting principle, net of income taxes" in Textron Financial's Condensed Consolidated Statements of Income. This after-tax charge related to the Franchise Finance division within the Other segment and was primarily the result of decreasing loan volumes and an unfavorable securitization market.

Note 7. Other Assets

	March 31, 2003	December 28, 2002
	(In thousands)	
Retained interests in securitizations	$207,256	$257,147
Investment in equipment residuals	106,568	115,394
Interest-only securities	77,453	92,798
Fixed assets — net	51,869	50,196
Repossessed assets and properties	48,880	36,234
Other long-term investments	23,706	24,104
Other	105,024	32,130
Total other assets	$620,756	$608,003

The Investment in equipment residuals represents the remaining equipment residual values principally with Textron golf and turf equipment lease payments that were securitized in 2002, 2001 and 2000.

The cost of fixed assets is being depreciated using the straight-line method based on the estimated useful lives of the assets.

Item 1. *Financial Statements (Continued)*

TEXTRON FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) — (Continued)

Note 8. Debt and Credit Facilities

	March 31, 2003	December 28, 2002
	(In thousands)	
Short-term debt:		
Commercial paper	$1,221,049	$ 872,397
Other short-term debt	36,212	43,955
Total short-term debt	1,257,261	916,352
Long-term debt:		
5.65% — 5.95% notes; due 2003 to 2007	1,156,995	1,152,682
6.00% — 6.84% notes; due 2003 to 2009	613,076	595,836
7.13% — 7.37% notes; due 2003 to 2007	838,969	837,545
Variable rate notes; due 2003 to 2007	1,509,971	1,337,206
Total long-term debt	4,119,011	3,923,269
Total debt	$5,376,272	$4,839,621

The weighted average interest rates on short-term borrowings have been determined by relating the annualized interest cost to the daily average dollar amounts outstanding. The combined weighted average interest rate was 1.60% during the three months ended March 31, 2003, and 1.48% at March 31, 2003.

Interest on Textron Financial's variable rate notes is predominately tied to the three-month LIBOR for U.S. dollar deposits. The weighted average interest rate on these notes, before consideration of the effect of interest rate exchange agreements, was 2.12% at March 31, 2003.

The fair value adjustment to designated fixed rate debt in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was $66 million and $67 million at March 31, 2003 and December 28, 2002, respectively.

Textron Financial has bank lines of credit of $1.5 billion, of which $500 million expires in the third quarter of 2003 and $1.0 billion expires in 2006. Textron Financial's lines of credit, including the $100 million line of credit with Textron, not reserved as support for commercial paper or utilized for letters of credit at March 31, 2003, were $358 million. The Company also maintains a C$50 million committed facility under which it can borrow an additional C$50 million on an uncommitted basis. At March 31, 2003, the Company had used C$35 million of the committed portion of the facility. Textron Financial also has a $25 million multi-currency facility, of which $12 million remains unused at March 31, 2003. Both the Canadian and multi-currency facilities expire in the third quarter of 2003. Textron Financial generally pays fees in support of these lines.

Through its subsidiary, Textron Financial Canada Funding Corp. (Textron Canada Funding), the Company may periodically issue debt securities. Textron Financial owns 100% of the common stock of Textron Canada Funding. Textron Canada Funding is a financing subsidiary of Textron Financial with no operations, revenues or cash flows other than those related to the issuance, administration and repayment of debt securities that are fully and unconditionally guaranteed by Textron Financial.

Securitizations are an important source of liquidity for Textron Financial and involve the periodic transfer of finance receivables to qualified special purpose trusts. At March 31, 2003, and December 28, 2002, the

Item 1. ***Financial Statements (Continued)***

TEXTRON FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) — (Continued)

outstanding amount of debt issued by these qualified special purpose trusts was $2.0 billion and $2.3 billion, respectively.

The terms of certain of the Company's loan agreements and credit facilities, under the most restrictive covenant, limit the payment of dividends to $355.0 million at March 31, 2003. In the first quarter of 2003, Textron Financial declared and paid dividends of $37.3 million.

Note 9. Textron Financial and Litchfield Obligated Mandatory Redeemable Preferred Securities of Trust Subsidiary Holding Solely Litchfield Junior Subordinated Debentures

Prior to Textron Financial's acquisition of Litchfield on November 3, 1999, a trust, sponsored and wholly-owned by Litchfield, issued to the public $26.2 million of mandatory redeemable preferred securities (Preferred Securities). The trust subsequently invested in $26.2 million aggregate principal amount of Litchfield 10% Series A Junior Subordinated Debentures (Series A Debentures), due 2029. The Series A Debentures are the sole asset of the trust. The amounts due to the trust under the Series A Debentures and the related income statement amounts have been eliminated in Textron Financial's consolidated financial statements.

The Preferred Securities were recorded by Textron Financial at the fair value of $28.6 million as of the acquisition date and the fair value adjustment is being amortized through June 2004.

The Preferred Securities accrue and pay cash distributions quarterly at a rate of 10% per annum. The trust's obligations under the Preferred Securities are fully and unconditionally guaranteed by Litchfield, including, without limitation, all obligations arising under the Declaration Trust, the Trust Preferred Securities, the Indenture, the Debentures and the ancillary agreements entered into in connection with the foregoing. The trust will redeem all of the outstanding Preferred Securities when the Series A Debentures are paid at maturity on June 30, 2029, or otherwise become due. Litchfield will have the right to redeem 100% of the principal plus accrued and unpaid interest on or after June 30, 2004.

As a result of the acquisition, Textron Financial has agreed to make payments to the holders of the Preferred Securities, when due, to the extent not paid by or on behalf of the trust or the subsidiary.

Note 10. Accumulated Other Comprehensive Loss and Comprehensive Income

Accumulated other comprehensive loss is as follows:

	Three Months Ended	
	March 31, 2003	March 31, 2002
	(In thousands)	
Beginning of period	$(14,637)	$(18,793)
Foreign currency translation adjustments	2,222	—
Net deferred gain on hedge contracts, net of income taxes of $2,092 and $1,183, respectively	3,487	1,972
Amortization of deferred loss on terminated hedge contracts, net of income taxes of $280 and $545, respectively	466	907
Net deferred loss on interest-only securities, net of income tax benefits of $792 and $810, respectively	(1,320)	(1,350)
End of period	$ (9,782)	$(17,264)

Item 1. ***Financial Statements (Continued)***

TEXTRON FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) — (Continued)

Comprehensive income is summarized below:

	Three Months Ended	
	March 31, 2003	March 31, 2002
	(In thousands)	
Net income (loss)	$15,547	$(1,196)
Other comprehensive income	4,855	1,529
Comprehensive income	$20,402	$ 333

Note 11. Contingencies

There are pending or threatened lawsuits and other proceedings against Textron Financial and its subsidiaries. Some of these suits and proceedings seek compensatory, treble or punitive damages in substantial amounts. These suits and proceedings are being defended by, or contested on behalf of, Textron Financial and its subsidiaries. On the basis of information presently available, Textron Financial believes any such liability would not have a material effect on Textron Financial's financial position or results of operations.

Note 12. New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" (FIN 46). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. Management is currently evaluating the impact of the adoption of FIN 46 and does not anticipate that it will have a material effect on Textron Financial's results of operations or financial position.

Note 13. Financial Information about Industry Segments

During the third quarter of 2002, the Company made a strategic decision to realign its business units into seven operating segments based on the markets serviced and the products offered: Aircraft Finance, Asset-Based Lending, Distribution Finance, Golf Finance, Resort Finance, and Structured Capital. In addition, the Company maintains an Other segment that includes franchise finance, media finance and small business finance in addition to liquidating portfolios related to a strategic realignment of the Company's business and product lines in 2001. As a result of these segment changes, the financial information for March 31, 2002, has been recast reflecting the realignment of the segments.

Item 1. ***Financial Statements (Continued)***

TEXTRON FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) — (Continued)

	Three Months Ended	
	March 31, 2003	March 31, 2002
	(In thousands)	
Revenues		
Distribution Finance	$ 37,400	$ 19,461
Golf Finance	19,588	15,928
Resort Finance	18,954	22,382
Aircraft Finance	18,751	23,208
Asset-Based Lending	14,370	14,924
Structured Capital	8,814	8,512
Other	32,851	39,661
Total revenues	$150,728	$144,076
Income (loss) before income taxes, distributions on preferred securities and cumulative effect of change in accounting principle (1) (2)		
Distribution Finance	$ 13,259	$ 6,648
Golf Finance	6,049	4,082
Resort Finance	6,201	10,383
Aircraft Finance	(1,498)	1,881
Asset-Based Lending	3,605	894
Structured Capital	7,429	5,629
Other	(11,170)	(6,635)
Total income before income taxes, distributions on preferred securities and cumulative effect of change in accounting principle	$ 23,875	$ 22,882

	March 31, 2003	December 28, 2002
	(In thousands)	
Finance assets (3)		
Aircraft Finance	$1,304,172	$1,216,144
Resort Finance	1,144,096	1,052,734
Distribution Finance	1,053,793	841,118
Golf Finance	964,544	964,271
Structured Capital	582,634	581,207
Asset-Based Lending	460,780	521,067
Other	1,591,685	1,359,841
Total finance assets	$7,101,704	$6,536,382

(1) Interest expense is allocated to each segment in proportion to its net investment in finance assets. Net investment in finance assets includes deferred income taxes, security deposits and other specifically identified liabilities. The interest allocated matches, to the extent possible, variable rate debt with variable rate finance assets and fixed rate debt with fixed rate finance assets.

Item 1. ***Financial Statements (Continued)***

TEXTRON FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) — (Continued)

(2) Indirect expenses are allocated to each segment based on the use of such resources. Most allocations are based on the segment's proportion of net investment in finance assets, headcount, number of transactions, computer resources and senior management time.

(3) Finance assets include: finance receivables; equipment on operating leases, net of accumulated depreciation; repossessed assets and properties; retained interests in securitizations; interest-only securities; investment in equipment residuals; and short and long-term investments (some of which are classified in Other assets on Textron Financial's Condensed Consolidated Balance Sheets).

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

TEXTRON FINANCIAL CORPORATION

Financial Condition

Liquidity and Capital Resources

Textron Financial Corporation (Textron Financial or the Company) uses a broad base of financial resources for its liquidity and capital needs. Cash is provided from operations and several sources of borrowings, including the issuance of commercial paper and other short-term debt, sales of medium and long-term debt in the U.S. and foreign public and private markets and junior subordinated borrowings under a $100 million line of credit with Textron Inc. (Textron). For liquidity purposes, Textron Financial has a policy of maintaining sufficient unused lines of credit to support its outstanding commercial paper. Textron Financial has bank lines of credit of $1.5 billion, of which $500 million expires in the third quarter of 2003 and $1.0 billion expires in 2006. The $500 million facility includes a one-year term out option, effectively extending its expiration into 2004. None of these lines of credit were used at March 31, 2003, or December 28, 2002. Textron Financial also maintains a C$50 million committed facility, under which it can borrow an additional C$50 million on an uncommitted basis. At March 31, 2003, Textron Financial had used C$35 million of the committed portion of the facility. Textron Financial also has a $25 million multi-currency facility, of which $12 million remains unused at March 31, 2003. Both the Canadian and multi-currency facilities expire in the third quarter of 2003. Lines of credit, including the $100 million line of credit with Textron, not reserved as support for commercial paper or utilized for letters of credit were $358 million at March 31, 2003, compared to $716 million at December 28, 2002. The decrease in the unreserved portion of the lines of credit is principally attributable to growth in Distribution Finance and the liquidation of the small business finance receivable securitization conduit.

Under a shelf registration statement filed with the Securities and Exchange Commission, Textron Financial may issue public debt securities in one or more offerings up to a total maximum offering of $3.0 billion. Under this facility, Textron Financial issued $200 million of term notes during the first quarter of 2003 that mature in 2005. The proceeds from these issuances were used to refinance maturing commercial paper and long-term debt at par. At March 31, 2003, Textron Financial had $900 million available under this facility.

Securitizations remain an important source of funding for the Company. During the first quarter of 2003, Textron Financial continued to utilize a revolving securitization conduit to fund a portfolio of Distribution Finance receivables. Textron Financial did not enter into any term securitization transactions during the quarter. Cash collections on prior period securitization gains were $10.2 million and $12.3 million, for the three-month periods ended March 31, 2003 and March 31, 2002. Textron Financial anticipates that it will enter into additional securitization transactions during the remainder of 2003.

During the first quarter of 2003, Textron Financial's short and long-term debt credit ratings were downgraded from F1 to F2 and from A to A−, respectively, by Fitch, and the Company was placed on CreditWatch with negative implications by Standard & Poor's. The economic environment and its potential impact on the financial performance of the Company's finance receivable portfolios were listed as contributing factors. While the actions of the rating agencies caused the Company's cost of capital to increase, it did not result in any loss of access to capital. Further downgrades in Textron Financial's ratings could increase borrowing spreads or limit its access to the commercial paper, securitization and long-term debt markets. In addition, Textron Financial's $1.5 billion revolving bank line of credit agreements contain certain financial covenants that Textron Financial needs to comply with to maintain its ability to borrow under the facilities. Textron Financial was in full compliance with such covenants at March 31, 2003.

Textron Financial believes that it has adequate credit facilities and access to credit markets to meet its long-term financing needs.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)***

Cash flows provided by operations were $79 million during the first quarter of 2003, compared to $26 million in the corresponding period last year. The increase was due principally to the timing of payments of accrued interest and other liabilities and an increase in the deferred income tax provision.

Cash flows used in investing activities were funded primarily from the collection of receivables and through the issuance of debt. The decrease in proceeds from receivable sales largely reflects the decline in securitization activity during the first quarter of 2003.

Textron Financial declared and paid dividends to Textron of $37.3 million during the first quarter of 2003, compared to $55.3 million of dividends declared and paid during the corresponding period of 2002. The decrease in 2003 was due to the retention of capital to support finance receivable growth.

Because the finance business involves the purchase and carrying of receivables, a relatively high ratio of borrowings to net worth is customary. Debt as a percentage of total capitalization was 84% at March 31, 2003, up from 83% at December 28, 2002. Textron Financial's ratio of earnings to fixed charges was 1.52x for the three months ended March 31, 2003, compared to 1.49x for the corresponding three months in 2002. Commercial paper and Other short-term debt as a percentage of total debt was 23% at March 31, 2003, compared to 19% at December 28, 2002. Textron Financial has a policy of matching the duration of its assets with its debt. Changes in short and long-term debt are directly related to the duration of Textron Financial's assets and liabilities.

Finance Assets

Textron Financial's financing activities are confined almost exclusively to secured lending and leasing to commercial markets. Management believes that the portfolio avoids excessive concentration of risk through diversification across geographic regions, industries and types of collateral, and among borrowers.

Total finance assets, which includes finance receivables, equipment on operating leases — net of accumulated depreciation, repossessed assets and properties, retained interests in securitizations, interest-only securities, investment in equipment residuals and other long-term investments (some of which are classified in Other assets on Textron Financial's Condensed Consolidated Balance Sheets), were $7.1 billion at March 31, 2003, up 9% from $6.5 billion at December 28, 2002. The increase in finance assets was mostly due to Distribution Finance ($213 million), net of a revolving securitization conduit, small business finance within the Other segment ($164 million), which was the result of a voluntary termination and liquidation of a revolving securitization conduit through a receivables repurchase, Resort Finance ($91 million), and Aircraft Finance ($88 million).

Finance receivable additions for the first quarter of 2003 were $2.1 billion, compared to $1.9 billion in the corresponding period last year. The majority of the growth in finance receivable additions was from Distribution Finance ($188 million).

Nonperforming Assets

Nonperforming assets, which includes independent and nonrecourse captive finance assets, as a percentage of finance assets decreased to 3.23% ($229 million) at March 31, 2003, from 3.33% ($218 million) at December 28, 2002. The $11 million increase in nonperforming assets at March 31, 2003, compared to December 28, 2002, was due to increases in Resort Finance ($15 million) and the Other segment ($20 million), partially offset by a decrease in Golf Finance ($8 million), Asset-Based Lending ($13 million) and Distribution Finance ($2 million). The Other segment represents 25% of owned receivables and 45% of nonperforming assets at March 31, 2003. The Company believes that nonperforming assets will generally be in the range of 2% to 4% of finance assets depending on economic conditions. The Company expects modest improvements in portfolio quality as it liquidates portfolios included in the Other segment. However, a prolonged economic downturn could have a negative effect on the Company's overall portfolio quality.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)***

Interest Rate Sensitivity

Textron Financial's mix of fixed and floating rate debt is continuously monitored by management and is adjusted, as necessary, based on evaluations of internal and external factors.

Management's strategy of matching interest-sensitive assets with interest-sensitive liabilities limits Textron Financial's risk to changes in interest rates, and includes entering into interest rate exchange agreements. At March 31, 2003, interest-sensitive assets in excess of interest-sensitive liabilities were $734 million, net of $1.3 billion of interest rate exchange agreements on long-term debt and $322 million of interest rate exchange agreements on finance receivables. However, classified within interest-sensitive assets are approximately $715 million of floating rate loans with rate floors that are generally 162 basis points above the rate that would otherwise be applicable with reference to the benchmark index (predominately the prime rate). As a consequence, these assets have become interest-insensitive, and will remain so until the prime rate increases by more than 162 basis points. The Company's match-funded position at March 31, 2003, inclusive of the effects of the rate floors was consistent with year-end 2002.

Management believes that its asset/liability management policy provides adequate protection against interest rate risks. Increases in interest rates, however, could have an adverse effect on interest margin. Variable rate receivables are generally tied to changes in the prime rate offered by major U.S. banks or LIBOR. Changes in short-term borrowing costs generally precede changes in variable rate receivable yields. Textron Financial assesses its exposure to interest rate changes using an analysis that measures the potential loss in net income, over a twelve-month period, resulting from a hypothetical change in interest rates of 100 basis points across all maturities occurring at the outset of the measurement period (sometimes referred to as a "shock test"). Textron Financial also assumes in its analysis that prospective receivable additions will be match funded, existing portfolios will not prepay and all other relevant factors will remain constant. This shock test model, when applied to Textron Financial's asset and liability position at March 31, 2003, indicates that an increase in interest rates of 100 basis points would have a beneficial impact on Textron Financial's net income and cash flows for the following twelve-month period, whereas, a decrease in interest rates of 100 basis points reduces Textron Financial's net income and cash flow by $3.2 million for the following twelve-month period, excluding the effects of the rate floors that mitigate this exposure.

Financial Risk Management

Textron Financial's results are affected by changes in U.S. and, to a lesser extent, foreign interest rates. As part of managing this risk, Textron Financial enters into interest rate exchange agreements. Textron Financial's objective of entering into such agreements is not to speculate for profit, but generally to convert variable rate debt into fixed rate debt and vice versa. The overall objective of Textron Financial's interest rate risk management is to achieve a prudent balance between floating and fixed rate debt. These agreements do not involve a high degree of complexity or risk. Textron Financial does not trade in interest rate exchange agreements or enter into leveraged interest rate exchange agreements.

Textron Financial manages its foreign currency exposure by funding most foreign currency denominated assets with liabilities in the same currency. The Company may enter into foreign currency exchange agreements to convert foreign currency denominated assets and liabilities into functional currency denominated assets and liabilities. In addition, as part of managing its foreign currency exposure, Textron Financial may enter into foreign currency forward exchange contracts. The objective of such agreements is to manage any remaining exposure to changes in currency rates. The notional amounts of outstanding foreign currency forward exchange contracts were nominal.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)***

Results of Operations

For the three months ended March 31, 2003 vs. March 31, 2002

Revenues

First quarter 2003 revenues increased by $6.7 million, or 4.6%, compared to the corresponding period in 2002. The increase in revenues principally reflects higher finance charges and discounts ($6.2 million) due to a higher level of average finance receivables ($5.6 million). The higher level of average finance receivables ($348 million) was primarily due to growth in Distribution Finance.

Interest Expense

First quarter 2003 interest expense decreased by $1.0 million, or 2.2% on 1.7% higher average debt outstanding. The lower interest expense reflects a decrease in the average borrowing rate to 3.65% from 3.79%, primarily attributable to a lower interest rate environment and the maturity of higher cost debt.

Interest Margin

Textron Financial's earnings are influenced by the interest margin earned on finance receivables (i.e., revenues earned less interest expense on borrowings and operating lease depreciation).

Interest margin increased $6.7 million, or 8 basis points (6.87% versus 6.79%) for the first quarter of 2003 compared to the corresponding period in 2002. The increase in interest margin was primarily due to higher finance charges and discounts from higher average finance receivables and higher receivable pricing, and a lower borrowing cost.

Selling and Administrative Expenses

Selling and administrative expenses of $47.3 million increased $6.3 million in the first quarter of 2003 compared to the corresponding period in 2002. The increase in 2003 principally reflects higher legal and collection expenses ($4.0 million) and higher telecommunication expense ($0.9 million). Selling and administrative expenses as a percentage of average managed and serviced finance receivables were 2.05% (on an annualized basis) in the first quarter of 2003, compared to 1.79% in 2002.

Provision for Losses

The provision for losses of $29.7 million for the first quarter of 2003 decreased from $30.4 million for the corresponding period in 2002. The decrease reflects slightly lower net charge-offs.

Although management believes it has made adequate provision for anticipated losses, realization of these assets remains subject to uncertainties. Subsequent evaluations of nonperforming assets, in light of factors then prevailing, including economic conditions, may require additional increases in the allowance for losses for such assets.

Operating Results by Segment

Segment income below represents income before special charges, income taxes, distributions on preferred securities and cumulative effect of change in accounting principle.

Distribution Finance income increased $6.6 million reflecting higher interest margin ($15.2 million), offset by higher operating expenses ($4.6 million) and higher provision for losses ($4.0 million). The higher interest margin was principally due to higher average finance assets ($405 million).

Golf Finance income increased $2.0 million reflecting higher interest margin ($3.2 million) due to higher fee income ($2.0 million) and higher average finance assets ($81 million). This increase in interest margin was partially offset by higher operating expenses ($1.1 million).

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)***

Resort Finance income decreased $4.2 million primarily reflecting lower interest margin ($3.7 million) and higher operating expenses ($0.6 million). The decrease in interest margin largely reflects lower pricing despite higher average finance assets ($92 million).

Aircraft Finance income decreased by $3.4 million largely reflecting lower interest margin ($3.8 million). The decrease in interest margin is primarily due to a write-down of retained interests in securitized assets ($2.2 million) reflecting lower expected realization on defaulted assets within the trust, the inability to pass on higher relative borrowing costs related to an increase in interest rate spreads to benchmark borrowing rates (such as U.S. Treasury rates and LIBOR) and a decrease in average finance assets ($43 million).

Asset-Based Lending income increased $2.7 million primarily reflecting lower provision for loan losses ($3.2 million).

Structured Capital income increased $1.8 million primarily reflecting lower provision for loan losses ($1.4 million).

Other segment income decreased $4.5 million reflecting lower interest margin ($4.3 million) on lower average finance assets ($139 million), and higher operating expenses ($0.8 million), partially offset by lower provision for losses ($0.6 million).

Income Before Cumulative Effect of Change in Accounting Principle

First quarter 2003 income before cumulative effect of change in accounting principle was $15.5 million, $1.4 million or 9.7% higher than the corresponding period in 2002. The increase reflects higher interest margin ($6.7 million), a lower provision for losses ($0.6 million) and a lower effective tax rate, offset by higher selling and administrative expenses ($6.3 million).

Selected Financial Ratios

	Three Months Ended	
	March 31, 2003	March 31, 2002
Net interest margin as a percentage of average net investment (1)	6.87%	6.79%
Return on average equity (2)	6.20%	5.75%
Return on average assets (3)	0.91%	0.86%
Ratio of earnings to fixed charges	1.52x	1.49x
Selling and administrative expenses as a percentage of average managed and serviced finance receivables (4)	2.05%	1.79%
Operating efficiency ratio (5)	46.8%	43.5%
Net charge-offs as a percentage of average finance receivables	1.84%	1.98%
	March 31, 2003	Dec. 28, 2002
60+ days contractual delinquency as a percentage of finance receivables (6)	2.90%	2.88%
Nonperforming assets as a percentage of finance assets (7)	3.23%	3.33%
Allowance for losses on receivables as a percentage of finance receivables	2.64%	2.89%
Allowance for losses as a percentage of nonaccrual finance receivables	93.6%	91.7%
Total debt to tangible shareholder's equity (8)	6.44x	5.66x

(1) Represents revenues earned less interest expense on borrowings and operating lease depreciation as a percentage of average net investment. Average net investment includes finance receivables plus operating leases, less deferred taxes on leveraged leases.

(2) Return on average equity excludes the cumulative effect of change in accounting principle.

(3) Return on average assets excludes the cumulative effect of change in accounting principle.

(4) Average managed and serviced finance receivables include owned receivables, receivables serviced under securitizations, participations and third-party portfolio servicing agreements.

(5) Operating efficiency ratio is selling and administrative expenses divided by net interest margin.

(6) Delinquency excludes captive receivables with recourse to Textron. Captive receivables represent third-party finance receivables originated in connection with the sale or lease of Textron manufactured products. Percentages are expressed as a function of total Textron Financial independent and nonrecourse captive receivables.

(7) Finance assets include: finance receivables; equipment on operating leases, net of accumulated depreciation; repossessed assets and properties; retained interests in securitizations; interest-only securities; investment in equipment residuals; and short and long-term investments (some of which are classified in Other assets on Textron Financial's Condensed Consolidated Balance Sheets). Nonperforming assets include independent and nonrecourse captive finance assets.

(8) Tangible shareholder's equity equals Shareholder's equity, excluding Accumulated other comprehensive income or loss, less Goodwill.

New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" (FIN 46). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. Management is currently evaluating the impact of the adoption of FIN 46 and does not anticipate that it will have a material effect on Textron Financial's results of operations or financial position.

Forward-looking Information

Certain statements in this Form 10-Q and other oral and written statements made by Textron Financial from time to time are forward-looking statements, including those that discuss strategies, goals, outlook or other nonhistorical matters; or project revenues, income, returns or other financial measures. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: (a) changes in worldwide economic and political conditions that impact interest and foreign exchange rates; (b) the occurrence of further downturns in customer markets to which Textron products are sold or supplied and financed or where Textron Financial offers financing; (c) the ability to control costs and successful implementation of various cost reduction programs; (d) the ability to maintain portfolio credit quality; (e) Textron Financial's access to debt financing at competitive rates; (f) access to equity in the form of retained earnings and capital contributions from Textron; and (g) uncertainty in estimating contingent liabilities and establishing reserves tailored to address such contingencies.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

For information regarding Textron Financial's Quantitative and Qualitative Disclosure About Market Risk, see "Interest Rate Sensitivity" and "Financial Risk Management" in Item 2 of this Form 10-Q.

Item 4. ***Controls and Procedures***

Within the 90 days prior to the date of this report, Textron Financial carried out an evaluation, under the supervision and with the participation of Textron Financial's management, including its Chairman and Chief Executive Officer (the "CEO") and its Executive Vice President and Chief Financial Officer (the "CFO"), of the effectiveness of the design and operation of Textron Financial's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934 (the "Act")). Based upon that evaluation, the CEO and CFO concluded that Textron Financial's disclosure controls and procedures are effective in providing reasonable assurance that (a) the information required to be disclosed by Textron Financial in the reports that it files or submits under the Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (b) such information is accumulated and communicated to Textron Financial's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There have been no significant changes in Textron Financial's internal controls or in other factors that could significantly affect these controls subsequent to the date the CEO and CFO completed their evaluation.

PART II. OTHER INFORMATION

TEXTRON FINANCIAL CORPORATION

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

(a) Exhibits

4.1 Indenture dated as of December 9, 1999, between Textron Financial Corporation and SunTrust Bank (formerly known as Sun Trust Bank, Atlanta), (including form of debt securities). Incorporated by reference to Exhibit 4.1 to Amendment No. 2 to Textron Financial Corporation's Registration Statement on Form S-3 (No. 333-88509).

4.2 Indenture dated as of November 30, 2001, between Textron Financial Canada Funding Corp. and SunTrust Bank, guaranteed by Textron Financial Corporation. Incorporated by reference to Exhibit 4.2 to amendment No. 1 to Textron Financial Corporation's Registration Statement on Form S-3 (No. 333-72676).

12 Computation of Ratios of Earnings to Fixed Charges

99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 2003.

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.

Date: May 6, 2003

TEXTRON FINANCIAL CORPORATION

/s/ THOMAS J. CULLEN

Thomas J. Cullen
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATIONS

I, Stephen A. Giliotti, Chairman and Chief Executive Officer of Textron Financial Corporation (the "Company") certify that:

1. I have reviewed this quarterly report on Form 10-Q of Textron Financial Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 6, 2003

/s/ STEPHEN A. GILIOTTI

Stephen A. Giliotti
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Textron Financial and will be retained by Textron Financial and furnished to the Securities and Exchange Commission or its staff upon request.

I, Thomas J. Cullen, Executive Vice President and Chief Financial Officer of Textron Financial Corporation (the "Company") certify that:

1. I have reviewed this quarterly report on Form 10-Q of Textron Financial Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 6, 2003

/s/ THOMAS J. CULLEN

Thomas J. Cullen
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Textron Financial and will be retained by Textron Financial and furnished to the Securities and Exchange Commission or its staff upon request.