




## Conference Call Transcript

### GE - GE Capital Investor Webcast

**Event Date/Time: Dec 07, 2010 / 06:00PM GMT**

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## PRESENTATION

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**Operator**

Good day, ladies and gentlemen and welcome to the GE Capital Investor Webcast. My name is Noelia and I will be your coordinator for today. (Operator Instructions). I would now like to turn the presentation over to your host for today's event, Mr. Trevor Schauenberg, Vice President of Investor Communications. Please proceed, Sir.

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**Trevor Schauenberg - General Electric - VP - Investor Communications**

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Great, thank you, Noelia. Good afternoon and welcome to our GE Capital Investor Webcast. The slides for this presentation are available via the webcast and they're available for download and printing on our website at [www.ge.com/investor](http://www.ge.com/investor). For today's webcast we have GE Vice Chairman and GE Capital CEO Mike Neal and several senior members from his GE Capital leadership team.

The team is going to spend the next hour or so taking you through the presentation and then we'll open up the lines for your questions. As always, elements of this presentation are forward-looking and are based on our best view of the world and our businesses as we see them today. As you know, the world can change and those elements can change, so please interpret them in that light. Now, I'd like to turn it over to our GE Vice Chairman and GE Capital CEO Mike Neal.

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Hey, thanks, Trevor. Good afternoon everyone and thank you for joining us today. I'd like to start today's update with a summary of the business and the key messages you're going to hear throughout this call. We believe we have a strong and advantaged business model and are well-positioned to compete. In some ways we are even more advantaged today due to changes we've seen in the competitive landscape over the last few years.

Our balance sheet is safer and stronger. We had \$66 billion of cash at the end of the third quarter and our ratios continue to improve. There will be a lot more to come on Basel III, but we believe we are well-positioned to meet the new guidelines in a capital efficient way.

We've talked in the past about a target of \$440 billion of ENI or ending net investment in 2012, and we're ahead of that plan. More importantly, our non-core assets are down, which has allowed us to grow our core business. Our team is excited to be back on offense. We have deep domain, and we are good at collateral. This helps us deliver value to our customers.

We'll spend some time today going through losses. We feel good about losses. They are lower than both the stress base case and our plan. We'll do a deeper dive on real estate. That business continues to be challenged, but losses are about what we had in our rollout for the year.

We've been working through the impact of Dodd-Frank. There are two key points here. Number one, our business model's intact and number two, the Fed will be our consolidated supervisor, and we are ready for that when it happens. And one last point, we talked at the beginning of the year about the need for upwards of an additional \$2 billion in capital from our parent. Due to our strong performance this year we do not expect there to be a capital requirement.

Here's a look at our performance this year. Liquidity and funding are strong. Commercial paper is down to \$41 billion versus the high of \$105 billion in the first quarter of 2008. We completed the pre-funding of 2010 in 2009, and we've done \$24 billion of long term funding so far this year for 2011. As I said earlier, our balance sheet is down \$40 billion so far this year and will be down another \$10 billion or so in the fourth quarter.

Cost continues to be a good story for us. We told you last year we were targeting another 5% of cost out. That number will end up being closer to 8%. I'll show you our Tier 1 common ratio in a minute. That continues to get better. Losses are better and that will translate into about \$3 billion of earnings this year versus \$1.7 billion last year. All-in this puts us in a good position for 2011.

Page Four is an update on funding and liquidity. We had a target of \$20 billion to \$25 billion of long term funding this year so we were right on plan. Kathy Cassidy, our Treasurer, is here and will walk you through what the next couple of years look like. Since 1/1, we've bought our ENI down by over \$40 billion. Bill Cary, our Chief Operating Officer, will show you how we've been able to grow our core business while we shrink the overall balance sheet.

Our CP is at about \$41 billion. If you look back to the fall of 2008, we had \$12 billion to \$15 billion of cash and about \$80 billion of CP. We ended the third quarter at \$66 billion of cash on hand and also had about \$52 billion of bank backup lines. So if you look at our coverage here, cash and backup lines were about 2.9 times CP. Our Tier 1 ratios compare favorably to banks. We were at 8.2% in 3Q, up from 7.6% at the end of last year. We feel good, really good, about our funding and capital.

I've shared this next page with you before so I'll only hit the high points. Our model remains the same, and it has continued to evolve as we've come out of the financial crisis. The vast majority of what we originate is through our sales force that calls on CFOs around the world. Our sales team has GE Capital on their business cards. We do not use intermediaries or brokers. This gives us the ability to act quickly and have good controls on price.

We have deep domain expertise, especially in health care and in energy, media and aircraft. That's one of the advantages of who we are. We have the breadth and knowledge of the GE industrial businesses in those areas as well as the financial expertise of GE capital. We know collateral. We are mainly a collateralized lender today just as we've always been. We've got an experienced risk management team with over 7,000 professionals around the world. Underwrite to hold remains core to our business model.

We're operationally focused. Jeff Bornstein, our CFO is here. He'll show you how we've been able to take out about \$4 billion of cost over the last two years. Lastly, we are match funded. We match assets and liabilities, fixed versus floating. For example, if we lend floating we borrow floating. Term duration, if we lend five years we borrow five years. We match currencies. This is an important differentiator for us.

On the next page we show you how we like playing in spaces that require high operating intensity and where we have specific industry or geographic domain. If you think about GE Capital in the future, we're going to compete with 15 to 20 core franchises. How do we define a core business? It's all the things I just talked about. It's where our domain differentiates us. It's where we have a great origination capability, where we have underwriting expertise. Businesses that are operationally intensive, businesses that are asset intensive, that require strong collateral, management, valuation expertise and have secondary markets for assets.

We're not a hedge fund or a private equity company. We manage assets and collateral. The businesses on the right of this page are businesses we have decades of experience in. We have a strong competitive advantage in deep domain expertise.

Page Seven shows our year-to-date volume. We've done \$253 billion globally through the third quarter, which is up about 15% versus last year. You can see some of the mid-market customers we work with on the right side of the page. We continue to underwrite new business at accretive ROIs. We've held at about 2.9% so far this year. We'll show you how that continues to improve our on-book margins.

We've continued to be a key provider of liquidity to the US economy. We've done over \$254 billion of new US commercial financing and have provided an additional \$221 billion of credit to close to 50 million US consumers since January of 2008. We're back on offense and are seeing good growth in volume.

On Page Eight we've got a look at how we're thinking about our normalized returns. Just to be clear, I'm not giving guidance here on a timeframe, but we're looking at the future. At the end of this year we'll have about \$480 billion of ENI. \$105 billion of that is in our red assets or runoff portfolio that Mark Begor manages for us. Our core business today is about \$375 billion. We will continue to run off our red book and that frees up capacity for us to continue to grow our core portfolio.

In the future we'll be a business with \$440 billion of ENI plus some potential growth depending on what is happening in the debt markets and GE's overall growth rates. We'll have a consumer business that is around a 2% return that will be 15% to 20% of the portfolio. We'll see our real estate business recover to a 1% to 2% ROI.

We plan to grow the verticals, GECAS and EFS to a little bit larger percent of our portfolio than today. We expect these businesses to be at a 2% to 3% ROI. That leaves us with about 45% to 50% of our portfolio in mid-market lending and leasing at good returns. All that adds up to a business that's about a 2% ROI.

We're not certain what the final Basel III requirements will be on Tier 1 common, but we expect they'll be in the 7% to 9% range. We're planning on meeting those requirements in a capital efficient way.

We've talked about restarting the dividend to our parent in 2012. That gets us to an ROE that's roughly in the 11% to 15% range. So there's a lot of variable to this, but we wanted to give you some insight into how we're thinking about the business going forward. We'll be smaller and more focused, but more profitable. This is how we see the world today. The business [blips] are directional and are subject to change as the world changes, but we're focused on growing our core portfolio and remixing our portfolio to a higher returning business.

Next, on Page Nine, we've got an update on Dodd-Frank. We spend a lot of time on this. As I said earlier, our business model remains intact. Today we are supervised by the OTS and the FDIC. But supervision for us will transfer to the Fed. We are ready for that when it happens. As you may have heard me say before, whatever the regulations are we will comply with them. I'm more concerned about regulations than the regulator.

We expect the impact of the Volcker Rule to be limited. We are not a trader. We have less than \$2 billion invested in private equity funds and those are in runoff. Rulemaking is ongoing so we'll need to wait and see, but at this point we don't see a big impact for us. I talked already about

the capital requirements. We've got this modeled into our plan. We are a much smaller player than most of the banks and derivatives. We use derivatives the old-fashioned way to hedge our risk. We are not in the business of derivatives. We are an end user.

We also don't see a big impact from holding a piece of securitizations. They are on-book today, and historically we have always held a continuing interest in our securitizations. So there will be more to come on this as the final rules are determined over the next 24 months, but this summarizes the impact as we see it today.

Lastly, on Page 10, I just wanted to pull this all together before I hand it off to Jeff Bornstein, who will give you an update on the financials. Earnings will be up this year to about \$3 billion, maybe a little better. We see good growth next year and in 2012. We've made a lot of progress on liquidity and capital and expect to keep cash somewhere in the prudent range and have Tier 1 common of 7% to 9%, again, depending on the final guidelines.

We'll have higher margins. We've increased margins from 4.6% last year to about 5% this year and should see some growth next year. Our returns will be north of our weighted average cost of capital in the 11% to 15% range. This should generate surplus capital. Again, we don't expect to fund the income maintenance agreement this year and are looking forward to starting the dividend back -- our dividend back in 2012. Lastly, we're going to stay true to our business model, leveraging our strategic connection with GE.

So here's the rest of the agenda, and as Trevor said earlier, we'll leave time for Q&A at the end. Jeff Bornstein, our CFO, will give you a financial update. Kathy Cassidy, our Treasurer, will then go through funding and liquidity. I'm happy to be able to introduce Ryan Zanin to you. He came on board over the summer as our new Chief Risk Officer after Jim Colica retired and brings a wealth of banking experience with him. Mark Begor runs our restructuring in our US retail business. He's going to give you an update on what we're seeing here in the US consumer business.

Ron Pressman, the CFO of our Real Estate business, will cover where we are and what we're seeing in that space. Bill Cary, our Chief Operating Officer, will talk more about how we're going back on offense and growing our core portfolio. I'll come back at the end, and then we'll open up the lines for Q&A. So with that, Jeff, I'll turn it over to you.

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

Thanks, Mike, and good afternoon, everybody. I'm going to start with an update on 2010 key performance metrics. First, we expect earnings to be about \$3 billion plus for the year. That's up substantially from 2009 and about a billion higher than our plan coming into the year. ENI is expected to end the year at about \$480 billion, which is a year ahead of the plan that we laid out at the end of 2008.

Losses and impairments, we expect 2010 to finish at about \$10.6 billion. That would be down a couple billion dollars versus 2009. And most businesses are running better than our plan with the exception of real estate, which is about what we expected. Costs are lower again, and will be down, as Mike said, almost \$4 billion since 2008. And we'll give you a deeper look at that in a moment.

Volume is improving at better than \$150 billion of on-book origination in 2010, up versus 2009, and the pipelines are growing and pricing remains attractive with ROIs well above 2% in most businesses. Volume, as a matter of fact in our Commercial Lending and Leasing business, is higher by more than 30% in 2010.

Portfolio margins have improved to about 5%, and Bill will take you through more details on margins as we look forward. Cost of funds are better with improving spreads and reserves appear to have peaked. And we estimate ending the year around 2.5% to 2.6% in reserve coverage. And I'll cover more detail on that in a moment. But I'd say all in all we feel the worst is behind us. The portfolio continues to improve and with it our financial performance. And we've got a solid base as we head into 2011.

On the next page is a brief snapshot of the individual segments' performance through the third quarter and versus our internal plan. First, Commercial Lending and Leasing earnings through three quarters were \$1 billion, well ahead of the plan -- well ahead of plan on better losses and improved pre-loss margins. And we expect that momentum to continue.

The Consumer businesses have also outperformed our plan, earning \$2.2 billion through three quarters. Our global banking business has performed well and our US consumer business is on pace to have their most profitable year ever, driven by the risk actions we took leading into and during the crisis and better pricing and better portfolio performance.

Real Estate continues to be a challenge and -- but there appears to be some signs of stabilization. The business lost \$1.3 billion through the third quarter and is on pace to perform as we expected and we planned. And Ron Pressman will provide an update later this afternoon. Aviation and Energy have been solid performers throughout the crisis and are performing as we expected to slightly better. So overall, we're on pace to deliver a solid year and well ahead of our plans and expectations.

Page 15, a quick update on losses and impairments, starting on the left 2009 losses and impairments totaled \$12.6 billion. And we expect 2010 to total about \$10.6 billion, in both cases below our base and adverse stress cases. Most every business outperformed their base case stress in 2010 with the exception of Real Estate which was on the stress cases we expected.

A couple of quick additional points, first, credit losses appear to be trending downward towards our average experience between 2003 and '07, absent some significant environmental change from here. Two, we currently expect 2011 losses and impairments to be substantially lower than 2010, and third, it appears that our cumulative losses from 2009 through 2011 will be less than our own stress scenarios and substantially less -- substantially lower than most other's worst case expectations.

On the next page, an update on delinquency and non-earnings, we expect mortgage, total consumer and equipment delinquencies to continue their momentum downwards in the fourth quarter. Real estate will likely be flat to up slightly. Having said that, absolute real estate delinquent dollars have been effectively flat at about \$2.3 billion to \$2.4 billion for the last three quarters.

On the right side of the page, non-earning assets were at \$12.3 billion at the end of the third quarter, down \$400 million from the second, but down \$800 million excluding the effects of foreign exchange. Year-over-year excluding exchange they're down almost \$2 billion.

As a percentage of financing receivables, non-earnings were down 27 basis points year-over-year. We expect to see further improvement in the fourth quarter and expect almost all businesses to participate. Overall, the portfolio continues to improve, and we think that will carry through to 2011.

Quick update on reserves. As you know, we ended the third quarter with \$9.1 billion of loss reserves or 2.69% of financing receivables. These levels represent about 15 months of write-offs in reserve. And as you can see, reserve levels were flat with the second quarter and down \$400 million versus the first quarter. We expect reserves to come down modestly at year-end through write-offs, and write-off levels will likely be higher in the fourth quarter versus the third quarter, as they normally are. But we expect credit losses through the income statement to continue to improve sequentially as they have in recent quarters.

As you think about 2011, we expect absolute dollars of reserves to decline as reserved accounts go to resolution, including write-off, but we expect a portfolio improvement we realized in 2010 to continue into 2011. And as a result, the amount of credit losses or incremental new reserves we will require will be less than 2010. So just to be clear, we're not expecting huge reserve throwbacks. We expect that the reserves we have posted over the last several years will be utilized mainly for write-offs as intended. The earnings improvement from lower losses on the income statement is primarily generated by not having to put up new reserves as fewer accounts go delinquent and/or non-earning.

A quick update on cost, we continue to deliver on SG&A costs as we restructure the business and operate with discipline, particular on discretionary costs. We expect SG&A to be down about \$800 million in 2010, and that puts us down cumulatively at about \$4 billion since the end of 2008. It's been a huge and important source of strength for us as we've worked through this crisis.

And we'll continue to be diligent managing our cost structure and drive productivity. We'll be opportunistic on restructuring where they make financial sense to us all while we continue to invest in our regulatory infrastructure and grow the front end of the business.

So then finally, on Page 19, I thought we'd take a quick look back on where we were in March of 2009 and how things have played out subsequently. As you recall there was quite a few areas of concern. Kind of starting with a portfolio here, our US consumer business, which Mark will give you an update on shortly has performed remarkably well and is on track to have its most profitable year in 60 years.

The UK mortgage business has been a lot of work, but has been profitable both in 2009 and '10. And we've reduced assets meaningfully since 2008. Real Estate has been more or less as we expected, a real challenge. But as Ron will walk through, we're beginning to see some signs of stabilization in the book.

Eastern European banks or JV banks have performed very well. And both GECAS and our middle market leverage finance businesses have been real sources of strength and have extended their competitive position since '08. As a matter of fact, our US leveraged finance business is also on track to have one of its best years ever in 2010.

And in Corporate Aircraft on the other hand has been an underperformer. And it's underperformed our expectations, but has stabilized and we're again leasing planes. And through the crisis this business, the corporate aircraft business as much as any has suffered from this negative political sentiment.

And then on the safe and secure plan, we said we'd reduce the size of the business and we're one year ahead of plan. We said we'd improve our capital ratios meaningfully and we have. And we believe we're in good shape going forward even under Basel III. We said we'd improve liquidity and funding risk and as Kathy will walk through in a moment, we've done exactly that.

And finally on regulatory, although there's still many details to be understood and rules to be made, we continue to work towards building a world class regulatory framework and team led by Dave Nason and the leadership team you have with you today. So with that, Kathy will give you an update on funding and liquidity.

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**Kathy Cassidy - General Electric - SVP, Treasurer**

This afternoon I plan to cover several topics, our cash plan, our capital metrics, our cost of funding and then wrap up with a few conclusions on why we feel our funding model remains both resilient and competitive. I'll start with sources and uses of cash.

Our focus over the last 24 months has been to build a substantial cash balance so that irrespective of volatility in the debt markets, we can safely navigate a few years of heavy debt maturities. This pre-funding strategy has served us well. We entered 2010 with \$69 billion of cash, raised almost \$25 billion of unsecured long-term debt and had higher cash flows than planned from asset sales, earnings and business shrinkage, which totaled \$41 billion. We easily handled our \$66 billion of long-term debt maturities and, in fact, managed down our CP balances despite strong demand so that we could hit our year-end cash target of roughly \$60 billion.

As we look to the future, we will continue to use our extensive liquidity stress models to determine the appropriate cash balances. For 2011 our planned long-term debt issuance will be in the \$25 billion to \$30 billion range. Additional business shrinkage, shown here as a broad range as well as earnings growth, will provide the bulk of our sources of funds for 2011.

Excluding the disposition of BAC, our Central American bank, we grew our alternative funding in 2010 and will continue to do so in '11 and '12. We will maintain flexibility on the size of our CP outstanding, keeping within our targeted range of \$40 billion to \$50 billion. This plan will cover our \$62 billion of maturity in 2011 while growing our 2011 year-end cash balance as we plan for heavy 2012 debt maturities of \$81 billion. As we look beyond 2012, our plan is to roughly match debt issuance with debt maturities and our cash balances should be in a \$40 billion to \$45 billion range.

On the next slide, you can see that our capital position at both the GECC and GECS level continues to strengthen as you look at both our Tier 1 common and Tier 1 ratios. This has been driven by our earnings growth and our ending net investment balances. These ratios should continue to improve as we execute our planned balance sheet shrinkage and earnings continue to rebound. In addition, we're not anticipating a dividend out of GE Capital in 2011.

GE Capital's ratios, as Mike and Jeff both mentioned, should not be materially affected by the proposed Basel III adjustments since we do not have a trading book, we have a deferred tax liability position versus a deferred tax asset, and we have no mortgage servicing rights. The impact of financial JVs is small for us as well, given the deductions already in our Basel I model and our planned sale of Garanti next year.

By next year, our Tier 1 common metric under Basel III should be well ahead of the targeted 7% laid out by the BIS for 2019. We expect to restore the GE Capital dividend in 2012 once we're comfortably in our range of 7% to 9% Tier 1 common. We will continue, of course, to closely monitor US regulatory developments, and we will remain well-capitalized.

On the next slide, as you'll see, the overall funding environment for GE Capital continues to improve. On the top left of the chart we show you point in time long-term debt spreads versus LIBOR. But since financial markets continue to be somewhat volatile, this doesn't tell the whole story. First, if you look at GECC spreads versus other major financial institutions over time, you can see on the bottom right that our spreads are basically at or below the spreads of the strongest institutions.

In addition, when you look at our average funding spreads versus LIBOR for 2010, we are across the board on every debt liability product we offer showing improvement. Whether it is our CD product offered by our US deposit taking institutions, whose spreads are down about 42 basis

points versus '09 averages, or our long-term debt spreads for five-year money. On an unguaranteed basis we've paid an average of LIBOR plus 240 during 2009. This year our average five-year issuance spread was only LIBOR plus 100, a decrease of 140 basis points.

The same is true for our ABS spreads in credit cards. What this means is that as our TLGP debt and fees associated with it runs off by 2012, and as we continue to replace maturing debt with lower spread debt, our cost of funds should continue to improve. Improving fundamentals and favorable technicals as we continue to take long-term debt supply out of the market should hopefully continue to drive spreads tighter.

So, on the next slide where does that leave us as we look forward? We said in 2008 that our goals were to be safe, secure and competitive. And we said that we could do this as a mostly wholesale funded institution. We recognized that we would have to make some changes to this model and we have. As we exit 2010 we're in very strong shape. Our long-term investment grade debt market share is roughly 2.5% today and it should decrease further in '11 and '12. We believe these levels are sustainable.

As a strong AA plus institution, we continue to have open access to all the major debt markets, and we have executed in nine of them during 2010. As you know, we entered 2010 with strong cash balances and an issuance plan of \$20 billion to \$25 billion to pre-fund about half of what we thought we'd need to meet our 2011 plan. We took advantage of strong market conditions and will close the year out at the higher end of the range.

Liquidity in the global CP market remains strong for us as well. We've lengthened our maturities and continue to see strong demand. We remain committed to running our program in the \$40 billion to \$50 billion range with bank backup lines of a similar amount. You will see the balances in our CP program fluctuate within this range as normal operating requirements change.

We will continue also to build out our alternative funding sources, mostly through deposit programs in our US ILC and thrift as well as in key international markets. Besides our deposit taking capability in our Eastern European banks, we've recently expanded our footprint into parts of Western Europe, notably Germany, France and Switzerland. Adjusted for the BAC disposition, which was almost entirely funded by deposits, our alternative funding grew slightly on a year-over-year basis and represents a growing percentage of our balance sheet funding.

We will maintain our strong liquidity position as we go forward. Our current cash on hand covers nearly 12 months of debt maturities. Our liquidity position is even stronger when you take into consideration our business cash flows from earnings and portfolio shrinkage. Taken together with strong parent support through the income maintenance agreement and our strong ratings, we believe that our funding model remains both resilient and competitive.

So next I'm going to turn it over to Ryan Zanin.

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**Ryan Zanin - General Electric - Chief Risk Officer - GE Capital**

Thanks, Kathy. On page 26 we kick off the portfolio update with a high level look at some of our key risk dynamics and provide our outlook across the major portfolio segments, starting with Real Estate. We know the sector is challenged and has experienced negative credit migration with a general lack of liquidity and relatively few market transactions. While the office market has seen pressure on both rates and occupancy, most recently we've observed that value declines across the broad portfolio have generally slowed.

Financing markets appear set to improve as indicated by the slow re-emergence of some CMBS activity. Our teams continue to focus on lease up execution and improving the value of the portfolio. Overall, it feels like we're seeing the bottom of this cycle, and we continue to work the portfolio to mitigate losses and enhance values. Ron Pressman will review the Real Estate portfolio in greater detail later in the presentation.

Our GECAS Aviation finance business has benefited from generally better operating environments, and improved results posted by most major airlines. We continue to utilize our redeployment capability and deep asset expertise to get ahead of any specific obligor weaknesses, managing both obligor risk and our fleet mix. The combination of better fundamentals and our strong competitive position lead us to an improving outlook on this business.

Across our Commercial Loans and Leasing businesses, we're seeing favorable credit migration in most of the portfolio with some consumer facing sectors continuing to see some pressure. Our senior secured position serves us well to mitigate losses, and we view the outlook in this sector as improving as well.

Our Consumer book has benefited meaningfully from early actions taken to tighten our risk appetite. We continue to be focused on diligently working the mortgage books through a variety of loss mitigation programs. Later Mark Begor will speak to the US consumer book in greater detail. But our overall assessment of consumer is improving. Finally our Energy Financial Services portfolio continues to be stable with largely contracted, hedged and long-lived assets holding up well through the cycle.

Turning to Page 27, we've highlighted the defunded assets exposure we have in Europe. Overall exposure is \$136 billion, with just \$21 billion related to exposure in the focus countries of Italy, Spain, Ireland, Portugal and Greece. Given our business model, we have minimal exposure to sovereign risk across Europe and in the higher risk-focused countries, just about \$300 million of sovereign risk split about equally between Italy and Greece. We've marked our Greek bond to fair market value in the second quarter.

Across our European platform, the Central and Eastern European banks are showing improved performance. Our Commercial Loans and Leasing business is largely a senior secured portfolio and is benefiting from favorable credit migration. And our risks are well diversified across a large commercial customer base. With minimal direct sovereign risk exposure, we focus our efforts on managing our direct client portfolios which by and large are showing improved performance.

Turning to Page 28, we drill down a little into our Central and Eastern European global banking portfolio. Our \$19 billion of receivables are primarily concentrated in our bank platforms in Poland, the Czech Republic and Hungary with product concentrations in mortgage, personal lending and exposures to small and medium sized enterprises.

Credit quality in the portfolio has shown some improvement, with losses having peaked in the fourth quarter of 2009 at \$262 million and sequentially reducing significantly to come in at \$134 million in the third quarter this year. Delinquency has improved in the third quarter and the business remains profitable, as it has every quarter through the crisis. We continue to watch for macroeconomic pressures in the region but feel comfortable that the portfolio risks are well contained.

Turning to Page 29, we highlight the continued significant reduction of our UK home lending exposure as receivables end the quarter at \$19.6 billion, down just about \$4.5 billion from the end of 2008. Our actions to curtail origination and devote significant additional resources to collection and loss mitigation have resulted in both an overall reduction of the portfolio balances and considerable reduction in credit costs and delinquencies.

Third quarter 2010 year-to-date credit costs of \$67 million are significantly better compared to \$740 million for the like period in 2009. We have aggressively managed the REO stock down from its peak of over 2,000 units in the second quarter of 2009 to just about 750 units as we close in on the fourth quarter.

HPI appears to be stabilizing after showing significant turnaround in the first and second quarter of this year. Overall our portfolio efforts appear to be paying off as we continue to watch key portfolio drivers of home prices and interest rates.

On Page 30, we highlight our Commercial Lending and Leasing portfolio. The \$183 billion of funded assets are split with just under 50% dedicated to equipment finance and a little less than a third in cash flow lending and 13% dedicated to asset-based lending and factoring. The portfolio benefits from a broad spread of risk across multiple industries and a wide and diverse middle market client base.

When we look at our portfolio performance as compared to Moody's broad measures, we see our portfolio has outperformed both in terms of actual default statistics and has performed significantly better with respect to our experience of Loss Given Default. A combination of client selection, product mix, our underwriting standards, the senior secured nature of our portfolio and operating rhythms dedicated to early problem identification have delivered strong and differentiated results in a difficult credit environment.

Turning to Page 31, we can see that the Commercial Loans and Leasing Americas business experienced a continued success with residual realization rates, where quarter-over-quarter strong collateral knowledge has allowed us to benefit from rates exceeding 110%. In the third quarter, each of our primary segments in health care, copiers and transportation enjoyed robust realization rates. The outlier is corporate aircraft sector, where a combination of the severity of recession and the public scrutiny of corporate use of private aircraft has led to increased inventories and depressed values across the sector. Overall, portfolio residual realization rates have proven to hold up well through the cycle.

Finally on Page 32, we outline the three fundamental pillars that support our approach to managing risk across the Company. First, it starts with strong underwriting skills, where we continue to have an underwrite to hold mentality. We benefit from taking a senior secured approach to commercial lending, and we stick to simple products and structures. We manage our concentration risks and benefit from domain expertise in specialty segments where GE has deep industry knowledge.

Second, our operating rhythms keep folks focused on intense portfolio management that allow us to engage early, to identify and work through problems, aligning and realigning people and other resources to where they can be most effective in mitigating loss. We are active portfolio managers, believing that early and intense engagement delivers the best risked outcomes.

Finally we've worked to enhance and intensify our rigor around the infrastructure and governance that support our risk practices. We've defined firm-wide risk appetites to tighten boundaries around concentration risk. We've improved the analytics that support portfolio reconnaissance and decisioning and we've reviewed and improved the policies and documentations underlying our approach to risk management. Overall, our continued focused approach to risk management has served us well through the cycle.

Next up is Ron Pressman, the CEO of our Real Estate businesses, who will update you on that business.

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**Ron Pressman - General Electric - President, CEO - GE Capital, Real Estate**

Thanks, Ryan, and good afternoon everyone. While the real estate markets have been challenging over the past two years, we've maintained three key goals, enhancing our portfolio but also reducing it over time, preserving our strong lending and investing franchise and building out a new and valuable format for investing in real estate as the sector recovers.

I'd like to start today's review with four highlights on our progress. First, we've endeavored to reduce the overall size of our portfolio in a prudent and patient manner. Today we've brought our total ending net investment down from a peak of \$93 billion in June of 2008 to \$74 billion as of the end of the third quarter. The majority of which was accomplished through active property management, collections and sales with the remainder of the reduction through depreciation and losses.

Second, our most recent valuation estimates result in a projected total embedded loss in our equity portfolio in the range of \$5 billion to \$5.5 billion by year-end 2010. It's down 20% plus with a peak of about \$7 billion in the depth of the crisis. No doubt this sector took a serious hit over the past 24 months. Roughly 40% to 45% peak to trough declines in property values in most major developed markets, in line with our valuations.

Some bright spots have emerged recently, like New York City, London and Paris but sustained improvement will depend on stronger macroeconomic performance and job creation. Third, we expect 2010 to be our toughest year for losses and resulting net income performance. As of the third quarter, we recorded a net loss of \$1.3 billion, driven by \$3.4 billion of depreciation losses and impairments. That said, we do have \$1.4 billion in year-to-date pre-tax earnings today, arising from our debt and investing platforms.

We currently see evidence that the macroeconomic trends that drove 2010 losses are stabilizing, which should lead to lower losses in 2011 and improved -- and an improved financial performance ahead for our business. However, we can expect a two-year lag between the start of strong GDP and job growth and ultimate rent and value increases.

Finally, we are leveraging our strong franchise to build a third party asset management business in both equity and debt products. So far, we've won new relationships with some 40 institutional clients and increased our committed assets under management to around \$7 billion.

We turn to our debt portfolio on the next page. At the end of the third quarter we had outstandings of \$42 billion, of which 95% is senior secured first mortgages. Considering the headwinds we've been through, our debt book still demonstrates a strong average 2.2 times debt service coverage and 83% loan-to-value net of reserves.

It is important to recall that we did not participate in land loans, did minimal construction lending, exited condo and retail lending early and maintained our CMBS underwriting discipline, all of which served to blunt the impact of the down cycle on our debt portfolio.

Our impaired loan population, on the right, includes loans with specific reserves, troubled debt restructures and non-earning loans. 72% of our impaired loan book continues to pay in accordance with contractual terms as our borrowers see long-term value in these properties. Our standard practice is to revalue every asset in our core portfolio twice a year, but we revalue the majority of our impaired assets quarterly.

We have substantially increased our reserves through this cycle. And our reserve coverage ratio has almost doubled over the past year. We record specific reserves whenever we believe the contractual payments on our loans are not fully recoverable, generally, when the principal outstanding is greater than the property value.

Our delinquencies continue to run well below the bank averages, mainly because we intentionally avoided the difficult sectors I noted earlier. As Jeff mentioned earlier, delinquency dollars have remained flat this year, but delinquency percent is up due to lower receivables overall. Considering the challenges in the market, we think our historic underwriting standards have held up reasonably well. What we did not anticipate was the sheer magnitude of the value erosion we've experienced.

Next -- on the next page we survey some key dynamics of our debt portfolio. A year ago we described our plan to reduce our exposure by some \$3 billion during the course of this year. We've exceeded our expectations by collecting nearly twice that amount, bringing our debt portfolio down by roughly \$8 billion or 16%.

With respect to maturities, as of the end of last year we had just over \$11 billion maturing over the course of 2010. Our resolution strategy is to collect the loan, where possible, extend the loan when the value of the property and the capability of the borrower warrant further time to work toward recovery and to foreclose when and where necessary. Overall, we expect the improving collections trend to continue into 2011.

We have extended and restructured many loans, so let's turn to 2010's loan modifications displayed on the bottom left. Our primary goal is preserving the safety and security of our portfolio. We have obtained \$0.5 billion in loan pay downs this year and \$200 million in increased pricing. Of the loans modified this year 96% are at or better than original contractual terms. And finally, market liquidity is slowly picking up, and we believe this trend will support our efforts to manage maturities and continue to reduce our overall exposure into 2011.

On the next page we display our equity portfolio. We remain primarily an all-cash investor in high quality real estate with a small per property average investment. Through the very active efforts of our asset managers we have held our occupancy steady in a declining global market. We have leased \$22 million square feet of space around the world through the third quarter, with spec leasing picking up versus last year.

We think that our strong leasing and asset management has helped improve our portfolio. For example, in the tough Tokyo market we've increased our occupancy 2% during 2010, even though the average market occupancy fell by 1%.

I mentioned at the outset that we update our estimate of the embedded value in our equity portfolio twice a year. At the end of last year we estimated an unrealized loss of about \$7 billion. Over the course of 2010 value declines and asset sales drove a roughly billion dollar increase in the unrealized loss offset by \$2.5 billion to \$3 billion of losses and depreciation, which we believe will result in an estimated \$5 billion to \$5.5 billion embedded unrealized loss at year-end. We still expect to absorb that loss by 2013 through our normal depreciation and realization of losses, absent any further movement in market values.

And finally, on the next page, we have consistently focused on the goals we've shared with you over the past few years, with prudent portfolio management and reduction our primary objectives. We're \$4 billion ahead of our expected portfolio reduction for the year. And our team is managing the portfolio well through a challenging cycle.

We have preserved our very strong lending and investing franchise through this volatility, which we are using as the foundation to build out an exciting third-party asset management business, focused on both debt and equity products, as our growth engine for the future. And now I'll turn it over to Mark Begor.

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**Mark Begor - General Electric - President, CEO, GE Capital, Retail Finance & Restructuring Operations**

Thanks, Ron. I'll start on Page 40 and give you an update on the US Consumer Business. Many of you are familiar with our business. At the end of the third quarter, \$41 billion worth of assets.

We have had two principal businesses in the US. One serves big retailers, serving both private label credit cards and retailer branded co-brand cards. And this is done with retailers like Walmart, JCPenney, Lowe's, Sam's Club, Brooks Brothers, Gap or about 30 others. And that's about 60% of our assets.

The other business is our sales finance business where we finance for retailers' big-ticket transactions in the furniture, flooring, appliance, electronics, power sports space. And this would be with retailers, many you know, some you don't because they're regional and in many cases very small businesses. But retailers like PC Richards, Ethan Allen, Rooms To Go, et cetera, are some of the partners that we have in the sales finance space.

Big geographic distribution, over 185,000 [bit] partners and points of distribution. You may recall they originate all our accounts through these retailers, so if you go into a Brooks Brothers or Gap this afternoon you'd be offered a new Gap card or Brooks Brothers card by the sales associate there. We would underwrite it and then approve the transaction if you met our credit criteria. And we'll originate about 16 million new accounts in 2010. And just during this call we'll originate 5,000 new accounts. So it's an active flow there.

We have 50 million active cardholders and average balance of a little over \$800. That's about 25% of what a bank card balance would be, which we like. When we do have a loss our severity is a lot lower which helps in our profitability. Average FICO is just a bit over 700 which is mid-market America and is about equivalent to what a bank card business would have. And, again, we like that in the space.

Right-hand side of the chart just talks about how we're critical to both retailers and consumers, and we believe, in this economic cycle more important than ever. If you start with retailers we have a very high penetration in many of our retail partners. Some over 50% which means one in two transactions are going on the GE card that's branded by the retailer. And it makes us very important to that retailer.

In 2010 we'll do over \$70 billion worth of retail sales. And if you think about that from a US retail standpoint there's only a couple of retailers, including Walmart, that would be larger than that. So we have real scale in how we're supporting our partners with that kind of sales.

We also do it at a lower cost. If you and I go in this afternoon to a retailer and swipe our Visa or Master Card it's going to cost that retailer 150 basis points of their margin. When they partner with us we're able to give them a rebate on every transaction that approaches 175 basis points. And for a retailer to get a swing of 3%, that could be a 30% increase in their margin. And we generate about \$1.2 billion just of savings through the interchange difference to our retail partners.

We're also critical to consumers. Consumers today want value. They still want to use our products. They're looking for discounts. They're looking for repeat purchase incentives and all of our products have these kind of incentives on them. Using Brooks Brothers as an example, every time you use the card you generate points. And if you generate enough points you can go back and get a free shirt or a suit. And those kind of value propositions are critically important to our retail partners to drive that repeat traffic. So we're very pleased with the position we have with both consumers and retailers.

If you flip to Slide 41, it just is a snapshot of the last weekend, the Thanksgiving weekend sales. The left side is industry data. You probably read it -- a lot of this, but you can see the green bars show foot traffic which is up about 10%, 210 million US consumers shopped over the Thanksgiving weekend. And they spent more which is good news. So the consumer wants to spend when they get value. The average spend was up 10% to \$370 per consumer.

In the bottom left you can see November same-store sales were up a very positive 6%, one of the strongest increases in a while. Again, reflecting our view that consumers want to shop and that they're looking for value.

The right-hand side just gives you some metrics on our results over the Thanksgiving weekend. We took in a little over 600,000 applications over that weekend which was up 15% over the prior year. But we're pleased that versus foot traffic -- it wasn't quite double, but we were well ahead of what the foot traffic was, which shows that our value propositions, that our offers and our in-store positioning and marketing with our retail partners is really paying off.

In the middle you see that we're keeping our approval rates tight. With unemployment still at the highest level we've seen in our lifetimes we're being very cautious about who we grant credit to, although we're up a couple of percents there. But you can see that we did drive new accounts to 350,000 new accounts -- 354,000 new accounts over the weekend which was up 16%.

And then the bottom there just shows we generated \$1 billion or processed \$1 billion worth of sales for our retail partners, which is up 15% versus the market. Same-store sales were up more in the 7% range. So it was a positive weekend for the industry. And we were very pleased that we were outperforming the industry and helping our partners grow.

Both Ryan and Jeff talked about the underwriting actions that we took, really starting in '07 and '08 when we first sign -- saw the first signs of the housing crisis, when we saw unemployment start to move up and we also saw our delinquencies start to move up. We tightened down quickly. And it's really paying off very positively to us.

So you can see in the top left, we cut approval rates by 20%, which is a very dramatic change in approval rates, meaning we raised our FICO score cutoffs. And they went up almost 50 points from a high -- low 700s to about 750. So we were very careful and are continuing to be careful about who comes in the door.

And then second, for those that we had accounts with, the 50 million active accounts, we did some very aggressive credit line decreases to cut Open to Buy. We took about \$162 billion out of our consumers' wallets, both to manage our losses, but to help them manage through this credit crisis. And then on top of that we added about 1,000 collectors. So we worked the accounts a lot harder.

The bottom left is one chart I've showed before in some of the analyst discussions, but it really is a huge deal for us. Historically, our business and bank cards move -- delinquencies move up and down with unemployment. If unemployment goes up our delinquencies and losses go up. And, conversely, when it goes down, our losses and delinquencies go down. And we've had an historical 1 to 1.1 relationship with unemployment.

And for the first time in the history of our business we broke that correlation. And you can see that in the gray-shaded area. And it's really a big deal. We're now tracking at 1 to 0.6. So even though unemployment continues to rise, we've been able to keep our delinquencies at a lower rate. And it's really paid off, as you can see on the right-hand side.

The right-hand side shows our loss rates that both Ryan and Jeff talked about, in 2008 \$4.5 billion worth of losses. We kept that flat in 2009 at \$4.5 billion, even with unemployment going from 7.4% up to 10% which is really a big deal. And we were about \$2.3 billion better than the adverse stress case which was a great performance.

In 2010, year-to-date, we're at \$2.4 billion which would compare to \$3.2 billion in 2009. So we're tracking well ahead of 2009. And we expect to end the year in about a \$3.3 billion range or being 1.2 or so better than 2009 with unemployment staying flat at a very, very high level, so really a big deal for us that these proactive actions have broken that correlation and allowed us to really manage the loss line in this very challenging US economy.

Page 43 just gives you a quick summary on the business. All these actions, as well as the actions on price and costs have really paid off on the bottom line. Last year \$650 million of earnings; year-to-date, \$1 billion of earnings which is the first time the business has been north of \$1 billion. And of course we still have the fourth quarter to go. And we expect the year to finish at more than double 2009.

Our return on investment is up dramatically also, up about 2x. And we're really pleased with our scale position in the US. We are the market leader in the retail card space. We think we're more important than ever to retailers and consumers. We're a big part of the retailer's sales. And consumers want to spend and want to spend where they're going get value.

We've done a great job adding new distribution. We've added about \$1.3 billion of new relationships year-to-date. And on top of that, you saw our announcement a few weeks ago, the Citibank acquisition which brought another 36 different retail relationships to us in the sales finance space and about \$2.1 billion of receivables. And that transaction is accretive in the fourth quarter.

Our deep domain in the loss in the business really helped with those early loss actions and paid off immensely. Pricing has also helped us. Our margins are up in 2010. While we've absorbed the impact of the Card Act and Kathy mentioned earlier that we're funding the business through our thrift in Utah. So we're really pleased with the strong execution of the business in 2010 in such a challenging economic environment. I'll turn it over to Bill Cary.

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**Bill Cary - General Electric - SVP, COO - GE Capital**

Great. Thanks a lot, Mark. That's a really great example of a business that fits with the future of GE Capital. It's got tremendous domain, long-term customer relationships, a real scale advantage and currently a very favorable, competitive dynamic. We're quite pleased with the performance there.

Now, turning to Page 45, in the next few slides I'm going give you a feel for how we're managing our balance sheet and business mix. We're making a clear effort to expand our core businesses, and you'll get a sense for the sustained volume pick up we're seeing and an updated look at our margins. As we've shown you before the earnings power of the portfolio continues to expand.

On Page 46 you can see the glide path we're targeting for the size and the overall mix of our balance sheet as we progress to 2012. We're shrinking both our red assets and our Real Estate portfolio. And in fact, we expect down close to \$80 billion in those two categories by the time we end 2011. At the same time we're growing the core part of GE Capital. The parts of the company Mike outlined earlier where we see real competitive advantage and capability.

These businesses will grow at double-digit rates over 2009 and will compose almost 70% of the total GE Capital balance sheet by the end of 2011. As we've discussed before, we're managing down the red assets through multiple runoffs, as well as through divestitures. On the runoffs, Ryan shared some insight into the progress we're making shrinking our lower returning mortgage portfolios in places like the UK. The strong performances of our restructuring teams are creating capacity to grow our company while delivering against the \$440 billion target.

Turning to Page 47, here's a brief update on our BD activity, where we've had similar success shrinking the red assets. Highlighted here are a few deals we've executed this year. We expect to close several in the remaining weeks of 2010, the largest of which is the sale of our 75% ownership stake in BAC, a Central American banking operation.

As we've said previously, this is an example of a high performing business that is run well, but doesn't fit with our longer term core business model. This is a win-win transaction. The team at BAC wins as they join with a high performing Latin American financial services leader, Grupa Aval, based out of Colombia. And we win as we complete a good deal. In fact, we will see a meaningful gain reported in discontinued operations when this closes.

In addition to the disc ops gain in the fourth quarter, we'll see a decline in continuing revenue and in deposit balances since we will deconsolidate BAC when we close the deal in the fourth quarter. Lastly, on disc ops, we're working a few additional divestitures that will partially or might partially offset the BAC gain here in Q4.

One final point on this page, not only are we delivering a reduction in our balance sheet, we're reducing the complexity of our operations as we exit subscale units in more volatile markets. So we're building a better business here. We've got a pretty full pipeline of similar transactions that we will close as we head towards the \$440 billion target in ending net investment.

Now, flipping to Page 48, this is a look at the growth of our core platforms. The top left of the page shows the momentum we're seeing in on-book volume growth. Obviously, we do see the impact of seasonality in the fourth quarter here, but activity levers are also -- levels are well up over 2009. You can see that specifically in the green parts of the bars which represent our core commercial activities globally.

The consumer numbers are skewed a bit, as they have experienced the largest impact from our balance sheet management activities, particularly in the mortgage space outside of the United States.

The bottom left of the page focuses on the Commercial Lending and Leasing operations of GE Capital. Businesses that you're familiar with, like copier leasing, floor planning and factoring in our businesses in Europe. And as you can see we've enjoyed sustained increases in new business volume, exceeding \$11 billion in the fourth quarter of 2010. Similarly, the pipeline or backlog of unfunded deals has continued to expand nicely. We've got over \$38 billion in unfunded transactions that our teams are working aggressively to close.

While we're seeing a solid pickup in new volume, we're also holding the line on pricing. The upper right side of the page gives you a sense of the life of deal returns or ROIs we booked year-to-date in 2010. All in all we see an improving picture here.

Now turning to Page 49, this gives you another look at this return impact. While the ROIs on the previous page represent fully loaded life of deal returns on investment, what you see here is the margins in the existing portfolio today. Think of this as the earnings calories, if you will, in the total portfolio. As you can see from the line chart in the upper right of the page, we've seen sustained margin improvement in both our commercial and consumer businesses and we expect that to continue.

The left side of Page 50 details the margins for the current new volume we're booking and compares that to the margin that exists for the assets that will roll off in 2010. For example, the consumer new volume in 2010 is at a margin of about 13%. That compares very favorably to the 2010 consumer runoff at about 9.5%. This means good things for the embedded profitability of our financing assets into 2011 and beyond.

Turning to Page 50, lastly I'll give you a few quick bullets on the efforts we deployed to ensure our customers and our other stakeholders have a clear view of our business. Late last year we launched a series of advertisements to showcase the value we deliver to economies around the world. We deployed the greatest effort here in the United States. We wanted people to know that we were open for business, that we were supporting the economy and delivering value for our customers and the communities where our people live and where they work.

You can see a couple of the ads on the bottom left of the slide, and on the top you can see the results. We've made great progress both in terms of awareness and importantly in the perception of GE Capital in the minds of future customers. In the bottom right you can see a select few of the customers where GE Capital has invested in their success. And while it's always challenging to drive direct correlation to this effort and financial

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impact, we've seen material increases in new business volume around the campaigns, and you'll see us do more of this in 2011. So with that quick look at the growth picture, I'll kick it back to Mike to wrap up.

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Great, thanks so much, Bill. Before I start, let me say that I misspoke earlier and introduced Ron Pressman as the CFO of Real Estate. He is the CEO of Real Estate, so I just wanted to clear that up. I've got just a couple more pages here. I'll start with 2011. Jeff walked you through this year already.

Our outlook for next year on Commercial Lending and Leasing is positive and is driven by lower losses and higher margins. We expect consumer to have another good year on better losses and margins as well. Ron gave you a good update on Real Estate. We're projecting losses to stabilize in a lower loss next year than this year as well. Aviation and Energy to continue to perform well, and we'll manage them with intensity as we go through the aviation cycle. Overall, we believe the businesses are well-positioned to deliver improved earnings in 2011 and feel pretty good about the year.

On the last page, I'll revisit the valuable franchise discussion that I took you through before. This is the GE Capital of the future. We see solid earnings growth. We will operate with more liquidity, more capital. We'll have a higher quality of earnings. Returns will be in the 11% to 15% range. We'll generate surplus capital, and we'll stay true to our business model, leveraging the strategic connection that we have with GE.

So with that, I'd like to say thank you, and thanks to the team here for pulling this together and thank you for joining us in today's discussion. So with that, Trevor, let's open it up to questions.

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**Trevor Schauenberg - General Electric - VP - Investor Communications**

Great, yes, thanks Mike and team. Noelia, let's open up the lines for Q&A.

## QUESTION AND ANSWER

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**Operator**

Thank you. (Operator instructions). Your first question comes from the line of Scott Davis from Morgan Stanley.

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**Scott Davis - Morgan Stanley - Analyst**

Hi, good afternoon. Thanks for doing this, guys. I've got a lot of questions here but I guess I've just got to stick to a couple key important ones. I mean, one of the key side effects of Basel is it's really going to take up the cost of your bank backup lines. Is there a certain level of CP that we should expect you guys to get down to that that becomes more optimal with this higher cost?

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Scott, I think I'll let Kathy take a shot at that. She's our Treasurer.

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**Kathy Cassidy - General Electric - SVP, Treasurer**

Thanks, Mike. Scott, the way we think about bank lines today is about half of them are actually done under our syndicated bank line structure which goes out into 2013. As of right now, we feel that we have very competitive rates and they're very attractive in terms of from a pricing point of view. We haven't heard a lot from the banks yet about re-pricing the lines, but it's something we'll have to weigh as we go forward.

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We've talked about our commercial paper in a range of about \$40 billion to \$50 billion, so we'll take a look and see if they re-price how much they will be, but you know the banks really kind of look at this as a -- part of an overall package that they provide for any company. And we certainly have a lot of activities with the banks. And so far we've been able to really keep our \$52 billion of backup lines, which are competitive from a pricing point of view, and just about the amount we'd like to have.

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**Scott Davis - Morgan Stanley - Analyst**

Okay, that's helpful, Kathy. My follow-up question is just on your cost structure. And you all have taken a lot of costs out, and I suppose what my real question is is that is your cost structure geared now towards your current ENI or where you plan on being in the next 12 to 24 months, meaning is there more cost to come out or are we pretty much -- well, you get the gist of the question anyway.

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Yes, Scott, let me just take a swing at that. As we said earlier we've taken out about \$4 billion and cost continues to come out this year. In fact, we're a little ahead of plan this year with it out to about 800. So we're trying to size the operation appropriately with where we're trying to go with it for '12. So we continue to work on cost and will continue to work on it in the future as well. Jeff, I don't know if you want to add to that?

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

Well, I think that we're obviously putting some cost structure in around regulatory or pay for that through productivity across the businesses. We're still going to be opportunistic around restructuring where we see opportunities to consolidate businesses and we see a real payback we'll continue to do that. I think from here most of the big dollar activity will be around as we shrink and dispositions. The cost structure with those dispositions will come out. So I don't think it ever ends. I think it's an evolving process.

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**Scott Davis - Morgan Stanley - Analyst**

Okay, thank you.

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**Operator**

Your next question comes from the line of John Inch from Merrill Lynch.

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**John Inch - Bank of America/Merrill Lynch - Analyst**

Thanks, good afternoon, everyone.

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Hi, John.

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

Good afternoon, John.

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**John Inch - Bank of America/Merrill Lynch - Analyst**

Hi, so Mike and team, as you shrink the book, and I guess I have a couple of questions. First to clarify, so there's no expected release of reserve to provision based on expected losses? I wanted to clarify that.

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And secondarily, so your provisions peaked, right, in '09? Let's say there's \$7.5 billion year this year. As you shrink the book, what's sort of a normalized level of provisions based on a shrunken book that you would expect? And Mike, what's the duration of the period to get there? Meaning, let's say, it's \$4 billion or \$3.5 billion. Do you get there over two years or do you get there more rapidly? How does this work?

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Yes, John, I'll let Jeff Bornstein answer that question.

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

Yes, I think -- best we can tell today we think losses have peaked, and I think provisions as a result of that are going to steadily come down. I think largely through write-offs. That's what they were put up for to begin with. It's very difficult to say that there won't be any provisions on our books that won't ultimately be necessary. We just don't see large amounts of that today. So we think that provision is going to come down as a result of accounts, as opposed to suddenly waking up and realizing we don't need a bunch of reserves.

I think on a normalized basis with a book that looks like the book Mike described at the front of his pitch, the future. And in a credit environment, loss environment that looks like 2005, '06 or '07, I would guesstimate that loss rates and as a result loss provisions would run somewhere between 140 and 160 basis points maybe. I can't tell you exactly when we're going to get back to that environment. It's getting better today. We hope it continues to get better even at an accelerated pace. I don't know exactly when we're going to get back to that kind of an environment though.

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**John Inch - Bank of America/Merrill Lynch - Analyst**

But it sounds like it's maybe two to three years. Is that the way -- kind of by the linear basis, or you get proportionately more of that benefit next year? Is that the way this works?

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

This is not like an amortizing activity. It requires actual losses and credit experience to actually improve through economic improvement. That companies get better. They don't go delinquent. New companies that aren't delinquent today don't become delinquent. So I can't draw a straight line anywhere for you. The environment's got to get better, and to the extent the environment -- the economy gets better to the point that it looks like '05, '06 and '07 credit environment, then we should end up in a place around there.

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**John Inch - Bank of America/Merrill Lynch - Analyst**

Well, if unemployment were to surprise in the US to the downside, I know that your trend has somewhat decoupled from unemployment, but would that be a potential catalyst to get your charge provisions lower sooner, still?

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

If that translates -- I think what you said was that unemployment surprise to the upside, good --

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**John Inch - Bank of America/Merrill Lynch - Analyst**

Right.

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

-- meaning the unemployment rate down.

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**John Inch** - *Bank of America/Merrill Lynch - Analyst*

Right, yes.

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**Jeff Bornstein** - *General Electric - SVP, CFO - GE Capital*

To the extent that that translated to improved portfolio performance that would have the effect of reducing provisions. More importantly it would have the effect of reducing the amount of new provisions through the income statement we would have to put up, more importantly.

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**John Inch** - *Bank of America/Merrill Lynch - Analyst*

Can I ask as a follow-up? As you shrink the book again to the 440 or whatever is ultimately going to be the right level, what are you thinking in terms of the targeted payout for dividend to parent when everything kind of normalizes? I know you suggested 2012 as the first year, but I think traditionally you've been kind of around the 45% to 55% payout threshold.

But if you're managing GE Capital as a much smaller book, right, to be about 30% to 40% of the total Company's earnings, does that not imply down the road a much higher dividend payout to parent of total earnings, like say 60% or something like that, over time?

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**Jeff Bornstein** - *General Electric - SVP, CFO - GE Capital*

Well, I think the initial premise of your question I think is right. I mean right now we're targeting to reinstate the income dividend, if you will, in 2012 to 45%. There's a lot that has to happen between now and then. I think longer term, once you get beyond 2012, if the profitability of the business continues to improve, et cetera, then at some point in the future we may be in a position from a capital perspective to dividend retained earnings beyond the current year income dividend.

But there's a lot we don't know around that. We still don't yet know what the capital requirement's going to be with our new regulator exactly, whether we're going to be systemic or not, what might or might not come with that. But within the range that we've articulated today, if we've got a Tier 1 common ratio requirement of 7% to 9% then at some point beyond 2012, in theory, we ought to be in a position to return some capital to the Company.

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**John Inch** - *Bank of America/Merrill Lynch - Analyst*

You mean above the 45% traditional run rate?

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**Jeff Bornstein** - *General Electric - SVP, CFO - GE Capital*

Above the 45% traditional run rate.

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**John Inch** - *Bank of America/Merrill Lynch - Analyst*

Right. Okay, thank you.

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**Operator**

Your next question comes from the line of Steven Winoker from Sanford Bernstein.

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**Steven Winoker** - *Sanford C. Bernstein - Analyst*

Good afternoon.

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Hey, Steven.

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**Steven Winoker - Sanford C. Bernstein - Analyst**

I just wanted to follow up on John's question for a second. The sequence -- what do you see as the sequence of events with the regulators such that you really are saying look this -- the dividend event is not until 2012. What is it that is preventing you from believing that that couldn't happen sooner?

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Well, I think, Steven, we built a business plan around reinstating it in '12. In terms of what our new regulator feels or doesn't in terms of our ability or his desire or her desire for us to do that, we don't know yet, but I think that the way we designed the plan is around returning it in '12, not in '11. We think that works from a mathematical standpoint here. I don't think there's anything that would preclude doing it earlier or later if the circumstances warranted it. But right now the business plan is around '12.

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**Steven Winoker - Sanford C. Bernstein - Analyst**

I guess for that business plan, given the amount of cash that you're sitting on until that point are you just -- is it conservatism also around the environment? Or again this is strictly just a regulatory interaction?

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

I don't know. I think we're playing today the way we think is prudent and safe and secure for the business. We've talked about that a lot, and we built a plan around starting reinstating the dividend in '12. I don't have anything more to say than that, do you Jeff?

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

I would just say listen, I think that's the right way to think about it. We're -- largely by the end of 2012 we'll be through paying off the TLGP debt. A lot of the cash we're carrying today is preparing ourselves to be in the right place in 2012. So from a prudence perspective I think the plan that we laid out makes a whole lot of sense, and at that point we'll have something like a year or 18 months under our belt with the Fed and the FDIC. And it's a plan that just makes a whole lot of sense.

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**Steven Winoker - Sanford C. Bernstein - Analyst**

Okay, and then on the ROE target that you talked about, 11% to 15% which is also, I guess, based off of the 2% ROI, to what extent do commercial real estate transactions, equity transactions and the return of those figure into the ROI target?

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Well, it does figure into it. I mean we are planning for Real Estate to have lower losses next year and to be better in '12. For us to have a return on equity in the high end of that range or an ROI up around two then we're going to need some profitability out of the Real Estate business, which we expect to start happening in '12, '13, that era.

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**Steven Winoker - Sanford C. Bernstein - Analyst**

Okay, and might I ask when you start thinking about that, is most of that range dictated by real estate or is it something else that's driving the range?

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**Jeff Bornstein** - *General Electric - SVP, CFO - GE Capital*

No, I think that --

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**Steven Winoker** - *Sanford C. Bernstein - Analyst*

Would it be leverage as well?

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**Jeff Bornstein** - *General Electric - SVP, CFO - GE Capital*

No. I think in the construct that Mike took you through in the future state we showed real estate at a 1% to 2% ROI. That certainly has some assumption in the out years that there will be some equity gains, but significantly remixed to debt and asset management. Because in the pure -- in the old equity gain model, that would have looked like 3%, 4% or 5% ROI, so that's not what we've kind of laid out for you here. It's much more conserved now.

For the entire portfolio to get to the two ROI basis and to get -- we definitely need the Real Estate business to turn itself around and contribute. But not nearly at the levels that equity played pre-crisis.

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**Steven Winoker** - *Sanford C. Bernstein - Analyst*

Great, thanks, and just one final, just I don't recall you saying anything or maybe an update on WMC or where that or Lake stand these days?

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**Mike Neal** - *General Electric - Vice Chairman, Chairman, CEO - GE Capital*

Maybe we'll take that two places, Mark, maybe you can comment on WMC and then Bill, maybe you can comment on Lake?

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**Mark Begor** - *General Electric - President, CEO, GE Capital, Retail Finance & Restructuring Operations*

Sure, I'll start. It's Mark Begor. I think you know that we've seen the repurchase requests come in from the banks declined dramatically over the last couple of years. There's been a lot of press out in the marketplace from how some other banks are having to deal with repurchase requests, and just a couple points to clarify.

First, on the robo-signer or foreclosure process we're not a servicer so we're not involved in that process at all. Second, there's been a lot of press around the GSEs sending loanbacks to the banks, and I think just as a reminder we didn't sell our mortgages to the GSEs so we're not involved in that process. And then the last one is there's been some press around insurance companies where the insured mortgage is getting involved in this and our mortgages, the vast majority, weren't insured.

Our biggest exposure was with early payment defaults or first payment defaults. Those are behind us. That happened right after the loan origination and we had a couple billion dollars worth of claims that we settled for \$1 billion, but that happened three or four years ago. What's still open for us is the reps and warrants that we did at origination. And as a reminder, Steven, our reps and warrants are around the origination. They don't rep unemployment if the homeowner lost their job sometime after they opened the mortgage or what happened with the home prices if they went down, which they obviously did.

The end of the third quarter we had outstanding reps and warrants of about \$250 million pending. That's down from over almost \$800 million at the end of the year. We still have claims coming in at \$50 million to \$90 million a quarter. We've got a 25-person team that reviews those on a loan-by-loan basis and refutes them.

If you've seen some of our results you know that we refute every loan, and we've had a success rate of defending that claim in GE's favor at well over 80%, close to 84%. So we feel like we have our arms around the WMC, and we've got a team that's continued to work on winding it down.

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**Bill Cary** - *General Electric - SVP, COO - GE Capital*

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Great, thanks, Mark. As it relates to Shinsei, of course, we spent a lot of time talking about that at the end of the third quarter. As you know, we took a charge at the end of the third quarter when we adjusted our approach to reserves from the low end of the range to our ultimate exposure that was at our best estimate levels. We took the reserves to \$1.7 billion. Again, there was a fair amount of activity increase in Japan around the Takefuji bankruptcy.

And based on everything we see today, the losses are performing more or less in line with what we outlined when we did the reserve charge in the third quarter. We don't, Steve, we don't expect to see any further book up in the fourth quarter.

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**Steven Winoker - Sanford C. Bernstein - Analyst**

Great, thank you.

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**Operator**

Your next question comes from the line of Bob Cornell from Barclays.

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Thanks, Bob.

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**Bob Cornell - Barclays Capital - Analyst**

Hi, everybody. How about a near-term question? I mean you talk about net income this year at \$3 billion. You did \$2.3 billion year-to-date. That suggests \$700 million in the fourth quarter, which is below the second or third quarter level. I mean -- and yet all the trends are positive in terms of net interest margin and so forth. So help us with a differentiation between what an operating result in the fourth quarter had been and what a net number might be ex divestitures and restructure, maybe sort of walk us through what the color is looking like in the fourth quarter?

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

I think, Bob, I said \$3 billion plus.

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**Bob Cornell - Barclays Capital - Analyst**

Yes, well help us anyway.

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

I think that we're going to be slightly better than \$3 billion. I don't know exactly. I mean we're going to do some restructuring in the quarter. There is going to be some dispositions, although largely most of the disposition activity we think, at least today, is going to happen in discontinued ops as opposed to continuing ops, but our best estimate today is that we'll be slightly better than \$3 billion.

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**Bob Cornell - Barclays Capital - Analyst**

Well, as part of the issue when you pull the BAC into disc op, is that going to restate the earlier nine months by some amount that flops also into disc op?

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

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It's everything that goes into disc ops we'll take out of the fourth quarter and the total year. You're correct.

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**Bob Cornell - Barclays Capital - Analyst**

So that would tend to -- if you put the -- what will be the nine-month result restated for the disc oping of BAC?

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

Well, for the year you're going to pull out about \$120 million of -- I'm sorry, \$175 million of pre-tax and just under \$100 million in net for the year.

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**Bob Cornell - Barclays Capital - Analyst**

Okay. I think we've got the idea, thank you.

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

Yes.

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**Operator**

Your next question comes from the line of Shannon O'Callaghan from Nomura.

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**Shannon O'Callaghan - Nomura Securities International - Analyst**

Good afternoon.

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Good afternoon.

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**Shannon O'Callaghan - Nomura Securities International - Analyst**

Hey, question on the \$50 billion to \$60 billion of expected cash at the end of '12. And I guess just what future cash level would be? I mean, you're at \$50 billion to \$60 billion there, and previously you were looking for \$25 billion to \$40 billion. So you're well ahead of plan. And then in '13 you're talking about \$40 billion to \$45 billion. I mean, that's still a pretty elevated number. What's your current thinking on the future required minimum cash balance that you would retain at GE Capital?

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Yes. Go ahead, Kathy.

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**Kathy Cassidy - General Electric - SVP, Treasurer**

Mike, I'll take that. It's Kathy. The way that we've thought about cash going forward is we've done some extensive work on our liquidity modeling as well as we've added back the FAS 167 receivables on to our books at the beginning of 2010. And as we look to the future, we think we're going to need somewhere in the \$40 billion to \$45 billion range.

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At the end of 2012 we have a pretty wide range there. We hope to be at the tighter end of it, but it all depends on maturities because we run our liquidity models on a daily basis. And so depending upon what's scheduled to mature in January that number may be up or down. But I think the way to think about it is as we go forward once we get through the big maturity payoffs in 2012, we'll be somewhere in the \$40 billion range or so.

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**Shannon O'Callaghan - Nomura Securities International - Analyst**

And that's just to have a bigger buffer for future events. I mean it used to obviously be well below that historically.

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**Kathy Cassidy - General Electric - SVP, Treasurer**

That's right. There -- one of the things that Basel III is looking at is putting in some liquidity requirements, and so we've done a lot of modeling on our liquidity. And we do some pretty extensive stress tests that's going to have to continue beyond the 2012 maturity bucket. So this reflects basically our broad thinking right now. We'll see as we get to 2012, but our broad thinking about how much cash we may have to carry given the results of our liquidity stress tests.

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

I think it's fair to say that there's a lot we don't know yet and this is all unfolding, and we've tried to build a plan here to be appropriate and prudent. So I think that's just how we're thinking about it.

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**Shannon O'Callaghan - Nomura Securities International - Analyst**

Okay. And then on the 440 plus, I mean I think you made the comment that the plus partly depended on the earnings of the parent as well. I mean does that mean if you're still 40% there or higher of total company earnings when you get to the 440 that you'll sort of dividend your surplus capital over to the parent until you get down to closer to 30?

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

I don't think we have anything anywhere near that granular in how we're thinking about '12. We have an ENI target to get to 440 and we've -- a couple of us talked about it, but we have a plan. We're actually we're ahead of that plan to get there. And at that point, roughly, we think we can grow the business post-440 at a rate that is the same as the rate that the total company is growing at. So that's how we're thinking about it, and we don't have anything more specific than that.

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**Shannon O'Callaghan - Nomura Securities International - Analyst**

Okay. And just last one on real estate, you mentioned the markets improving slightly and liquidity improving. I mean can the pace of the reduction -- you're down to \$74 million now, but obviously the future state of GE Capital as your division it has it much smaller than that. I mean is there going to be an opportunity to accelerate the shrink there now that markets and liquidity are a little better?

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Yes, I think we have shrunk quite a bit this year. I'll let Ron talk about this in a second, but I think we're just trying to be, again, prudent here in how we think about that here. We're bringing the size of the book down as it makes sense, mostly on the equity side. As things improve, we should be able to do that both with a better execution and maybe accelerate it a bit. I don't know. Ron, do you want to add anything to that?

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**Ron Pressman - General Electric - President, CEO - GE Capital, Real Estate**

Yes, I think our goal is fundamentally to maximize the value of our assets and then bring them to market in an appropriate manner, and we've been doing that. We have sold year-to-date almost a billion dollars of equity assets, and as I've mentioned today in some detail, collected a lot of debt. So we'll continue on that track.

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**Shannon O'Callaghan - Nomura Securities International - Analyst**

Okay. Thanks.

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**Operator**

Our next question comes from the line of Deane Dray from Citi.

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**Deane Dray - Citi Investment Research - Analyst**

Thank you. Good afternoon, everyone.

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Hi, Deane.

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**Deane Dray - Citi Investment Research - Analyst**

If we could follow up on Shannon's question and hear from Ron about what is the bias on shrinking the Real Estate portfolio with respect to the equity portfolio versus debt? It sounded like there was a bit more emphasis on the debt. But I thought you'd be more selective on winding down some of the equity positions?

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**Ron Pressman - General Electric - President, CEO - GE Capital, Real Estate**

Well, the debt progress as I discussed today has been driven by an improvement in liquidity in the debt markets, which has created an environment where we've been able to collect a larger population of loans than we might have anticipated coming into the year. That's very good news for the markets overall and actually for the equity markets because we have good debt liquidity. That will help improve the liquidity of equity sales in the future.

But the equity market is still very much bifurcated. There are -- there is a certain amount of liquidity in core assets in key 24/7 markets like New York, London, Washington, DC, well-occupied, great transparency to the future cash flow. There's not a lot of that kind of property out there. What is out there that's selling is selling quite liquidly and attracting a lot of debt.

Beyond that, the market is still very illiquid, and we were not, as you know, a core or core plus investor over time. That wasn't a population that would deliver the returns that we were seeking. We were more of a value-add investor, and that market's still quite slow. So what we're doing is maximizing the value of our assets through lease up programs and as we stabilize our assets, we take them to market for sale. So we don't see the pace necessarily increasing, but if the markets improve in terms of liquidity, we certainly will take advantage of it.

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**Deane Dray - Citi Investment Research - Analyst**

Great. And then, Mike, if we could get circle back on the dividend question again, and I think you made it very clear about the plan on the income dividend. But I was just curious, back on Slide 10 where you reference about generating surplus capital. Would there be any scenario as you wind down red assets, a scenario which that would free up capital for a special dividend?

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Yes, there certainly are -- there are scenarios that might do that. I think that, again, we have -- there's a lot of ways to think about the business as we bring it down. What we've tried to do is build a plan that's sort of right down the middle, and that's what we talked to. But obviously, if we shrink faster, if executions are better, then things like that would be on the table.

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**Deane Dray** - *Citi Investment Research - Analyst*

Okay. Thank you.

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**Mike Neal** - *General Electric - Vice Chairman, Chairman, CEO - GE Capital*

Yes.

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**Operator**

Your next question comes from the line of Christopher Glynn from Oppenheimer.

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**Christopher Glynn** - *Oppenheimer & Co. - Analyst*

Thanks. I'm looking at Slide 37 on the Commercial Real Estate equity portfolio here, and on the right side you have a 2010 walk and then below that you have a walk to 2013. But you switched the buckets a little, and I'm just wondering if you can reconcile the bottom versus the top a little bit more, some of the different pieces?

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**Ron Pressman** - *General Electric - President, CEO - GE Capital, Real Estate*

Well, basically if you look at the top we're -- we just spiked out sales and value declined. In the bottom we -- as I indicated in my comments, we assumed a static evaluation environment, so you don't have a positive or a negative. In fact, arguably, based on the trends around the world, you could see a modest improvement in values over the next three years. That might increase the pace of getting to equilibrium and the unrealized -- or the imbedded unrealized loss.

So if you look at the bottom -- really the bottom depreciation and losses, the \$5 billion in total is really comparable to your losses, FX and depreciation, orange up on the upper segment. So those are really equivalent.

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**Christopher Glynn** - *Oppenheimer & Co. - Analyst*

Okay and in the orange -- could you just maybe spike out the FX impact you expect this year?

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**Ron Pressman** - *General Electric - President, CEO - GE Capital, Real Estate*

The FX impact is pretty modest. The real differentiation there -- if we look at the total year, we're expecting depreciation of about a billion and losses of around \$2.2 billion for the year in equity.

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**Christopher Glynn** - *Oppenheimer & Co. - Analyst*

Okay, great. And then a pretty blunt question -- but do you expect to be a taxpayer net of your structural credits in 2011?

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**Jeff Bornstein** - *General Electric - SVP, CFO - GE Capital*

Yes.

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**Christopher Glynn** - *Oppenheimer & Co. - Analyst*

Okay.

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

We expect our tax rate to be positive in the sense that we will be paying taxes as opposed to negative, being a net creditor.

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**Christopher Glynn - Oppenheimer & Co. - Analyst**

And that's with the structural tax credit remaining in the -- I think you've said \$1.8 billion to \$2 billion or so annually?

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**Jeff Bornstein - General Electric - SVP, CFO - GE Capital**

Yes, I think we're thinking a little smaller than that next year, but on balance between pre-tax earnings and the structural credit, we believe today that we're going to be a taxpayer next year.

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**Christopher Glynn - Oppenheimer & Co. - Analyst**

Okay. Thank you very much.

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**Operator**

And your final question comes from the line of Julian Mitchell from Credit Suisse.

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**Alex Virgo - Credit Suisse - Analyst**

Hi, actually it's Alex Virgo on behalf of Julian. I just had a couple of questions. Could you talk maybe in the context of the core growth how that varies by region as the first question?

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Bill, do you want to do this.

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**Bill Cary - General Electric - SVP, COO - GE Capital**

Yes, sure. I think if you were to look broadly across the businesses the Asian markets continue to be pretty robust with the exception of Japan, which has been soft. So we've seen pretty good growth in Korea, in the ASEAN region, certainly, in Australia as well. And that's true for both commercial and consumer.

The US businesses have performed very well. As Mark outlined in the consumer space, you've seen the performance improvement that we've got both in terms of losses and also underlying credit sales. The lion's share of the Commercial Lending and Leasing uptick that we talked you through here, approaching 30%, has been experienced in the US as well. Europe has been a soft spot. Candidly, Western Europe in particular has been pretty flat year-on-year. Again, that varies a bit by product line, but sort of generically I would say the European markets are the weakest of the places where we compete.

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**Alex Virgo - Credit Suisse - Analyst**

And how do you think about it going forward? I suppose in terms of where you're planning on the growth?

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**Bill Cary - General Electric - SVP, COO - GE Capital**

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Well, the plan for '11 was really put together kind of with the current backdrop, so I would say by and large our teams are expecting sort of a similar profile for '11. Typically our folks are optimistic and so they will have planned for a greater improvement in '11 in the European markets. We may yet see some of that, but certainly this location the challenges that are kind of rolling through those markets today will make that tougher.

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

But Alex, when you think about what we do, how we do it, we have a direct origination team. We think the world is getting better. We are working right now to add more salespeople, commercial people to the front end of the business. We're doing that not with regard necessarily to the geography because we want to grow on all three poles. So we are staffing up.

I think the difference isn't going to be where we try. The difference is going to be in what ultimately the market environment is like in these markets, and for most of Asia pretty good with the exception maybe of Japan. North America is not bad for us right now, and Europe is a little softer, but we're going to try hard there, too.

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**Alex Virgo - Credit Suisse - Analyst**

Okay, thanks. And then finally just to pick up a question you -- I'm sorry, a comment you made on the business jet cycle, just wondered if you can give some color on how you think about that developing over the next couple of years? And then lastly just as a -- given that leasing companies generally were pretty vocal there against the Airbus next engine option, I was wondering if you could make any comments on that?

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

I didn't get the second part of that?

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**Trevor Schauenberg - General Electric - VP - Investor Communications**

The engine option on the Airbus?

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

Yes, okay. Yes. Yes. I would say on the business -- number one, the biz jet is not a huge business for us. I mean we have pretty good share in it. It went through a pretty tough cycle, I mean not just the financial crisis but the -- there was quite a bit of rhetoric around it that came from the administration and other places. The business fell out of favor. I think you watched the same newscast as I did on that. It caused some planes to get returned. We had some defaults in that space and it put pressure on residuals of the aircraft. So we've had a tough couple of years. It's getting better from that regard.

So again, not a big business for us but one that we've been in for a very long time and it is improving. I think the number of planes that we now have back is something like 40. So it's not a big number compared to what it was a couple of years ago. I may be off 10 one way or the other on that.

In terms of Airbus, we think that these things are part of the industry. We're busy today reviewing what the potential impact that might be on residuals. We think that's quite a way out in the future because these planes actually come out relatively slow. It'll be quite a while. Ryan, I don't know if you know the year, but when it reaches half the fleet it -- yes, so '17. And typically that's where it becomes a little bit more impactful on residuals. So we don't think that's a near term issue. And it's not new. It's happened other times.

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**Alex Virgo - Credit Suisse - Analyst**

Great. Thanks very much.

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**Mike Neal - General Electric - Vice Chairman, Chairman, CEO - GE Capital**

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Yes.

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**Trevor Schauenberg - General Electric - VP - Investor Communications**

Great, well that's our -- do you have any other questions there?

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**Operator**

No, sir, at this moment there are no other questions on the line.

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**Trevor Schauenberg - General Electric - VP - Investor Communications**

Okay, well, I'm glad we were able to cover all the questions in just about an hour and a half here today. Just a couple of housekeeping items, the replay will be available later on our website. As a reminder also we have an event next week. We'll be hosting our annual Outlook Investor Meeting with our Chairman and CEO Jeff Immelt on December 14th.

Please visit our investor website for information regarding this event. As always, JoAnna and I will be available for follow-up questions today, tomorrow and the rest of the week. This concludes today's event. Thank you very much.

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**Operator**

Thank you for your participation in today's conference. This concludes your presentation and you may now disconnect. Good day.

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