GE Capital Investor Meeting
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Corporate Speakers

- Jeff Bornstein General Electric SVP, CFO
- Keith Sherin General Electric Vice Chairman, Chairman, CEO - GE Capital
- Bill Cary General Electric COO - GE Capital
- Mark Begor General Electric CEO - GE Capital Real Estate
- Rich Laxer General Electric CEO - GE Capital International
- Dan Henson General Electric CEO - GE Capital Americas
- Ryan Zanin General Electric Chief Risk Officer - GE Capital
- Kathy Cassidy General Electric Treasurer - GE Capital
- Robert Green General Electric CFO - GE Capital
- Trevor Schauenberg General Electric Vice President, Investor Communications

Participants

- Steve Winoker Sanford Bernstein Analyst
- Rupal Bhansali Ariel Investments Analyst
- Jeff Sprague Vertical Research Analyst
- Deane Dray Citigroup Analyst
- Steve Tusa JPMorgan Analyst
- S. O'Callaghan Nomura Analyst
- Andrew Obin BofA/Merrill Lynch Analyst
- Dave MacGown Morgan Stanley Analyst
- Nigel Coe Morgan Stanley Analyst
- Ron Fisher US Steel Pension Fund Analyst
- Brian Monteleone Barclays Capital Analyst
- Matt Vetto Douglas C. Lane & Assoc. Analyst
- John Inch Deutsche Bank Analyst

PRESENTATION

Trevor Schauenberg: Good morning, and welcome everyone to our GE Capital Investor Day and webcast. Just as a reminder, today will be recorded for the webcast available on our website. That's www.ge.com/investor. So we'll be able to have the replay later today and tomorrow. The hosts for today's session are our CEO and Vice Chairman, Keith Sherin for GE Capital, and also our CFO, and Senior Vice President of GE, Jeff Bornstein.

Today we're going to present for about 1.5 hours, and then have time for q and a, and then for the people in the room, and we have a full house here, which is great, we'll have the reception, and kind of meet with and mingle with leadership afterwards.

As always, some of this presentation are forward-looking and based on the world as we see it today and our businesses we see them today. That world can change, so please interpret in that light. I'll waste no further ado, and just introduce our CFO, Jeff Bornstein.

Jeff Bornstein: Thank you, and thank you for being here this morning. I'm going to start with just a really quick kick-off here, four or five points, and then I'm going to turn it over to Keith and the team.

First is the fourth quarter remains on track, we do expect to do restructuring in the fourth quarter, and we expect that to be offset with gains that we see here in the fourth quarter. I think that's moving the ball forward on simplification, and funding the opportunities we see around simplification. So we feel really good about that.

You're going to hear this morning from Keith and the team, we are planning on selling our retail finance business in a two step process. It's both capital and tax efficient, and we think this is a pretty interesting idea, and Keith is going to walk you through kind of whys and wherefores, and how we think that made sense and the rationale. It also moves us closer to the commitment we've made around getting our share count down to 9 billion to 9.5 billion shares by the end of 2015.

With that, we'll end up with a mix in the company that's consistent and on strategy with what we've communicated with 70% of our company being a high-tech industrial company, and a competitively advantaged specialty finance company that's about 30% of the company. So it does achieve exactly what we've laid out over the last couple of years with investors.

We continue to stress simplification. We think it's one of the bigger initiatives we have going in the company, and after Keith and the team gets done, I'll get back up and talk a little bit more about what we mean by simplification. But we think there's a ton of opportunity here, and we're establishing a goal by 2016 to get SG&A as a percentage of industrial sales down to 12%.

And then lastly, I'll walk you through some of the mechanics of this after the team gets done. But we expect, notwithstanding the loss of earnings associated with selling the retail business, to grow earnings on a company-wide basis in 2014 and 2015, that without the benefit of any gain associated with the transaction. So, I'll walk you through some of those details after Keith and team get done.

So with that, I'll turn it over to Keith.

Keith Sherin: Thanks. Thank you, Jeff. I'd like to welcome everybody here to Norwalk. We haven't had a GE Capital meeting in over a year, so it's great to have you all hear. The team and I are excited to be able to give you an update. We've got a really thorough presentation. As we get into it, I'm going to cover a little bit of strategy and operations, and then I'll take you through the agenda of what the main body of the material is this morning.

The first point that I want to make is just GE Capital is a great business, and it's a valuable part of GE. Even under the strategy from the Board of Directors and the management team, our objective is to get down to 30% of the earnings, as Jeff said. We have in that framework still, we're still going to be a substantial part of the company. We're an important part of the capital allocation plans that the parent has, obviously, to be able to distribute capital back up from GE Capital to help GE with its dividends, M&A, and buyback. We get a tremendous amount of synergy between GE and GE Capital.

I know you know a lot of them, but obviously we benefit greatly from the credit support of the parent, which is important to help us to borrow money efficiently, so we're able to earn a return above our cost of capital. But we also benefit a lot from the domain expertise back and forth. And that's really the core focus of what GE Capital is going to be focused on as we go forward, the middle market, and things that are connected to GE.

We look at a place like GECAS, our aviation services business, that is a better business because of the affiliation with GE Aircraft Engines, and I think GE Aircraft Engines has been more successful over time because of the great support that they get from the leasing company, and that applies to what we do in healthcare. It applies to what we do in energy financial services, and we're going to do more in oil and gas as we go forward. So I think a lot of synergies between the two.

And as most of you know, I think we file a consolidated tax return. So we file one tax return, where GE and GE Capital file together, and what we're able to do is we're able to shelter GE's pre-tax income with some of the deductions from GE Capital, the interest deductions and other timing deductions, and that creates substantial economics for the company on an annual basis. We not only save cash and actually have income, it's a real economics annually year after year after year a big number. So that's an important part of the combination of the two.

We're safe and secure. We're a senior secured lender, and we're going to be a big part of the company going forward even as we get a little smaller here with the announcements today.

So, I'll tell you what, I'm going to cover our -- and you're going to hear all through the morning, our strategic priorities, first starting with our financial commitments, delivering on our goals. We're having a pretty good year from our earnings perspective. I'll update you on that. Robert will go through the details. We continue to be smaller. I'll give you a little bit about our size and Bill and Robert will also talk about where we're going from an ENI perspective, Ending Net Investment. We're continuing to make dividends up to the parent, up to $6.5 billion this year. Again, Robert will show you where we are with that, and Kathy will too as well.

The big announcement today for us is that we are formally announcing that we are exiting the North American retail business. We're going to do that through an IPO, and we're going to file a registration statement in 2014, and then we're going to follow that with an IPO later in '14, and then ultimately have a tax efficient split up, as Jeff said, and I'll cover a page on that to give you the details.

And as a result of that, we do expect our earnings to be down a little bit in '14. Two things on retail. Number one, we're going to be selling up to 20% of it to third-party investors, so that will result in a little lower earnings. And the second piece is we're going to have to invest to create infrastructure, so that Margaret and her team can have a standalone business with all the infrastructure that they'll need to run that company as a separate public company, and that's going to cost some money.

And then the second piece that's affecting us as we go into '14 and into '15 is we've had tremendous gains in our real estate portfolio as we've exited the equity portfolio. We see those gains declining in '14 and '15, and we're going to have to deal with that. And I'll show you the numbers. We're actually going to give you specific guidance about how we think the operation is going to perform to help you model that.

We're going to continue to build on our financial strength. We have strong capital ratios. That's important to us. Kathy's going to cover liquidity, and our capital position, sort of the debt outlook, and I think we're in great shape there. We're ahead of our targets on commercial paper. We're going to be down under $30 billion at the end of this year. So, we continue to bring our short-term financing down. And we continue to grow alternate funding, and even without the retail business, we'll continue to grow alternative funding across the rest of the portfolio.

In terms of growing the valuable core franchise, you're going to hear all about that today. Bill is going to talk about our focus on growth. You're going to hear from our business leaders, Mark and Dan and Rich, who all are going to talk about what we're doing in the middle market, and how we're connected to GE. I think it's a great story. We've got a lot of volume that we're originating, and our sales are starting to be offset by the core origination versus collections, which is a nice place to be as we're sort of reaching an equilibrium on ENI, except for the one big transaction.

And then finally, the whole team is focused on driving shareholder value. We're excited to be a third of the company's earnings. We want to return capital back to the parent. Everyone is focused on it, and we're going to continue to have strong returns above our cost of equity on a tangible basis, and we're building out a world-class regulatory infrastructure. That's something that's very important to us as we go forward, and you'll here more about that from Ryan today.

Everybody knows the environment. I'll just touch on it quickly. For us in the US, we're seeing a pretty good market. I mean less than 3% GDP, but we're seeing a good, strong housing market. Things that are connected to alternative energy, gas and liquids is very strong. Commercial aviation is strong for us. Unemployment coming down a little bit, not as fast as anyone would like, and clearly the stock market has had a pretty good year, as companies have shown that they can grow their earnings through cost control, and good, reasonable growth in this environment.

We're still dealing with a fiscal uncertainty. Unfortunately, we're going to have to watch another episode of what happens to the debt limit now in early '14. That was disruptive, I think, and we're going to have to see what happens as the Fed tapering takes hold with interest rates and economic activity. So we'll have to deal with that. But overall, the economic activity in the US is okay. We wish it were a little bit better, but it's okay from a business perspective.

In Europe, we've had 6 quarters of declining GDP, and then in the second quarter we saw it tick up a little bit. You're going to hear from Rich today about how we feel about our business in Europe. We think -- we hope it's bottomed. So at the end of the day, we're going to have very slow growth there, but as the banks look at the capital requirements that may create some opportunities for us, and we'll be looking to see whether we can accumulate assets at attractive returns. And so, that's something that we're watching.

And then in Asia, I was in Japan a couple weeks ago. There's just a tremendous amount of enthusiasm for Abenomics, and obviously there's a lot of QE going on in Japan, and we'll see whether that turns and is followed by regulatory reforms that create real growth in the economy as they try to reflate their economy. And Australia's okay, 2.5% GDP growth, a big market for us, and Rich will show you some of what we're doing there.

So overall for us in the developed market, slow growth, some uncertainty from a fiscal perspective, and what we have to do is we have to really drive organic growth with our growth programs, and that's what you'll hear about from our leadership teams this morning.

So, third quarter year-to-date we've had a pretty good year, $5.6 billion of earnings last year, $5.7 billion third quarter year-to-date this year. Our ENI's down almost $40 billion, so a substantial in the total balance sheet has continued. It's starting to bottom out as I said. And pretty good volume, Bill will cover that, but 5% on book volume growth, and we expect the performance third quarter year-to-date continue in the fourth quarter here.

Now this is an update on the fourth quarter. At the third quarter earnings, Jeff Bornstein gave a sort of a forecast for the fourth quarter for GE Capital. He said that our run rate would be about $2 billion of net income in the fourth quarter, and we're going to be $2 billion plus as we look at the current framework. So, we're on track for what Jeff said plus a little bit.

And there's going to be several non-operational items that occur in the quarter, and I wanted to give you an indication of where those were going. We don't have all of these finalized by any means, but just directionally what's happening.

As you saw, we completed the IPO of our Swiss financial business in October. The team did a great job. We sold a little under 70% of that business, and we'll have a substantial gain we'll record from that transaction in the fourth quarter. The vast majority of that gain is going to show up on the tax line. We have significant tax benefits from the transaction. So, we're going to have a large tax benefit, which will result overall in GE Capital with a negative tax rate in the fourth quarter.

In addition, you know we're selling our remaining stake in our bank in Thailand. We have tendered our shares in that process. That tender will close, hopefully, mid-December. So it's not closed yet, but if everything goes according to plan, we'll close in mid-December, and we'll have a significant gain, several hundred million dollars from that transaction.

And then there's a number of items that we're evaluating, as I said, that aren't finalized yet. As we look at the fourth quarter, we're evaluating several portfolio actions, where if we can decide to exit certain parts of the portfolio that will improve our economics and our returns over time, we're going to do that. We're going to have lower gains in the fourth quarter.

If you look just in the real estate business, if you look at third quarter year-to-date from what Mark and his team have done, if you get into the fourth quarter, we're probably not going to have equity gains from sales

in the fourth quarter, so the fourth quarter for real estate will be more at sort of a debt business run rate, and Mark will show you that in a few minutes, what the debt business is performing at.

And then finally, we're going to evaluate the disc-ops charges in the fourth quarter. You all know that we're watching all the time the grey-zone claims in Japan from the consumer liability. The claims continue to come down, but they're not coming down as fast as our original model assumptions are, and so we're going to re-evaluate that in the fourth quarter.

And in WMC, we have entered into some settlement discussions in the fourth quarter here with some of the active claims, the pending claims that you see us report on. And so, we're going to take the information that we learned from those settlements, and see how that applies to the overall reserve requirements on the mortgage business.

So just aside this, I think a way to put this in perspective. Number one, for the total year for GE Capital we are going to have continuing earnings, net income from GE Capital above what we earned in 2012. So continuing earnings for the total year will be above what we earned in '12, and on the bottom line, continuing earnings less the discontinued charges, we will also be above, on a net basis, what we earned in 2012. So, that will help you aside these things. They're in the context of that framework that we're going to grow both our continuing net income, as well as our net income after disc-ops. And we'll give you more information on that, obviously, as we go through the fourth quarter details.

Now if you step back and take a look at what GE Capital has been doing over the last five years from the financial crisis. In early 2009, we laid out a framework for you where we said that we were going to get to $440 billion ending net investment by the end of '12. And you know, we exceeded that goal. We ended at $418 billion. The team has done a fantastic job of reducing the overall size of GE Capital, and more importantly, exiting the non-core assets.

We've done over $108 billion in non-core reduction over that period. We've reduced our global mortgage exposures by 60%. We're continuing to run that down, and we will continue to re-mix non-core into core. We've reduced the global real estate business by almost the same amount over that period, and more importantly, significantly reduced the equity book. Mark will show you that today.

In our portfolio actions over that period, including the Swiss gain, we'll generate over $3 billion in gains, which have helped us to redeploy capital into various parts of the world, and exit other platforms that are non-strategic. That's been really terrific for us.

And we've done some acquisitions over the period. The largest one was MetLife, which in a way has helped to be able to announce that we're going to IPO the retail finance business. That deposit platform went into the consumer bank, and will help us with the IPO of retail.

So, it will increase our volume, but over the last 5 years $170 billion reduction size, and a significant reduction in non-core. And if you look at the financial metrics that go with that reduction, not only did we reduce the overall size of GE Capital, but we dramatically changed the funding profile of the business. We've reduced our long-term debt significantly, and we're reduced our commercial paper balances significantly.

And we've also reduced the amount that we need to refinance on an annual basis. So, our long-term debt maturities are significantly down. And the amount of new long-term debt that we need to issue is significantly down, and Kathy's going to give you an update on that, on how we're progressing on that. We continue to make really positive progress there.

Our alternative funding has grown dramatically. We've done a lot with deposits in the banks, and outside the US in the banks. That's been very positive. Our cash and liquidity is obviously incredibly strong, and we meet all of the liquidity requirements externally from a stress test perspective, and that's been great.

And our capital levels are obviously a lot stronger. So, not only have we shrunk GE Capital, but if you look at capital levels, funding levels, and liquidity, all dramatically stronger over this 5-year period.

So the next step for us is, really, the announcement this morning that we're going to exit the North America retail finance business. And before I get into the details of this chart, I really want to make 3 points. First, this is an excellent business. Margaret Keane and her team do a great job running this business. You can see on the right side what's included in here. We've got our private label credit card business. We've got our sales finance support business, where we finance -- or help thousands of retailers support their end-user sales.

And then we've got a care credit business, where we do both healthcare and veterinary finance. It's a little over $50 billion of receivables, and it's highly profitable as you look at the bottom of the chart, $2.2 billion of net income. So Margaret and her team do a great job. It's a great business.

Number two, we think it's a good time to exit this business, and this is the right business for GE to exit in terms of changing its portfolio in GE Capital. The capital markets are pretty strong, as you all know. We'll have to see as we get into 2014, hopefully, they'll continue to be sort of where they are today, and with that -- our success will depend on the market conditions at the time. But right now, the outlook is that we're in a pretty good place to be able to take a business like this public.

And from a business perspective, when we look at the overall position we have in credit cards, and we look at the synergies that we get between our commercial finance businesses and the rest of GE, we just don't see that in the consumer finance space. And so, it's less synergistic for us, and so we've decided that this is the asset, and we've had hundreds and hundreds of people working on this for several months to be able to get to this point, where we can make this announcement publicly, that we have the confidence that we'll be able to do and execute the plan that we are laying out here for you this morning.

The third point I've got to make is that from a regulatory perspective we absolutely are restricted on what we can announce about this business before we take it public, before we file our registration statement. We're not going to be able to give you any forecast data. We're not going to give you any valuation data, and you've just got to respect that those are the rules, and we appreciate that as we go through the conversation up to the point where we file that registration statement.

So, now let me get into the mechanics of what we're planning on. You saw we filed an 8-K this morning. Our objective is that we're going to file a registration statement in the first quarter of 2014 to take this business public. We're going to follow that as near as we can after the filing, and after the regulatory reviews with an IPO of up to 20% of the business, and we are going to leave the capital that we raise from the IPO inside of the retail finance business to help prepare it to have the capital it will need to be a separate public company.

So, we're going to IPO about 20%, somewhere up to 20%. We're gong to leave that capital in the business, and we're going to run it as a company owned by GE majority owned, with a minority shareholder, and let it season in the stock market over some period of time, and we're going to build the capability to operate as a separate public company over that period of time.

And then our plan today is in 2015, we will exchange the remaining 80% plus of the retail finance business that we haven't taken public, we'll give it basically to the parent of GE, and the parent of GE will exchange it for GE shares in a very tax-efficient transaction, a split-off. GE shareholders will exchange their GE shares for the remainder of that 80% plus of retail finance, and it will be 100% separate public company outside of the GE family.

So, that's the plan today. Now it's obviously subject to the market conditions, and it's subject to several regulatory approvals, which we're have to just work through the process on. We obviously, as I said, we've had hundreds of people working on this so that we got to the point where we could announce this today.

But there's a tremendous amount of work activity still to be completed to make all this happen, and it's subject to both those approvals and the market conditions.

So for us, this is the final last step, the biggest step, remaining in the transformation of the portfolio of GE Capital. When we get done with this, we'll be down in the strategic $300 billion to $350 billion of ENI. We'll be focused, the majority of the business focused on the middle market and things that are connected to GE. And we'll still have about $50 billion in non-core assets that Bill is going to show you some of what we're doing to continue to run this off, and put proceeds of that back into the core business.

But this is a huge step for us. We think the time is right. We think this is the right business. It's an efficient way to return capital from GE Capital, and over time this will be EPS neutral, and Jeff Bornstein is going to show you that from the effects of both the buyback, when we do the split-off, as well as the other restructuring that the company is planning to do, and Jeff is going to take you through that later in the presentation.

So, this is a very important strategic goal for the team, and we're excited about it. Margaret and her team are really working hard, and ready to go.

So what does that mean for GE Capital going forward? We're going to continue to be focused on the middle market, as I said. This is our sweet spot. You can see the leading franchises we have on the left side of this page, and you're going to hear about them this morning. But whether it's GECAS or healthcare finance, mid-market sponsor, or equipment finance, or our factoring business in Europe, we just have terrific franchises in the middle market. And we’ve got great market positions. We've got great opportunities for growth.

And on the right side, you can see the financial profile. Now normally, we give you just pluses and minuses. In some ways, we thought this was maybe just too challenging for us to kind of do pluses and minuses, and describe where we think we're going, and we just decided to put an approximately point estimate for the earnings impact.

So, going from 2013, where we're at $7.7 billion plus, you can see that number one, we're going to have a little less retail finance, as I said. We'll be selling 20% of the company, so we'll be losing those earnings for whatever period that company is public. In addition, we'll be building infrastructure to have this be a separate public company. It's quite a significant expense build that we're planning on to create that capability to be a separate standalone company.

Non-core, most of those are the real estate equity gains that we've realized this year. Mark and his team are going to earn more than $1.6 billion, $1.7 billion this year. Just one transaction, the 30 Rock transaction alone, was over $500 million. Those just aren't going to repeat at that level. So they're going to decline somewhat in 2014, and continue to decline in 2015, based on the forecast we see today.

And then the big change, we're going to grow our core in '14, and grow our core in '15. But the big change that you're going to see in '15 then is the exit of the remainder of the retail finance business, which will bring us back to about 30% of GE's income, $300 billion to $350 billion of ENI. And then a real focus on that middle market and the core of the strength of GE Capital.

So, we're going -- our plan is that will be a pivot to growth. We'll be going from reducing the size overall, and the earnings contribution of GE Capital overall. From 2015 forward, our objective will be to grow our ENI, our ending net investment, and our earnings in line with GE Industrial, and keep those ratios sort of in line as we go forward, and that's what our team is focused on.

We're going to return capital to parent. We're going to maintain our strong regulatory capital and our liquidity. But really it's going to be a complete focus on the middle market as we move forward here.

So, when you look at the size, as I said, we'll be going down to the $300 billion to $350 billion. You can see the percents here of what we have in the core. Lending leasing will be up over half of the business. The Connected to GE Verticals, healthcare, aviation and energy, will be 20% to 25%. Real estate debt, Mark is going to talk about it, say it will be 10% to 15%, as we continue to run off debt equity, and the consumer will be down significantly as we exit the retail finance business, and over time de-emphasize our capital allocation to consumer.

In terms of our operating priorities, we've got to execute on this project on retail finance. We have a tremendous team on it. As I said, we're making real progress. We feel pretty good about it, but a lot of work to do. So, we want to return $20 billion to $30 billion to the parent, and Robert will show you the details of that between the dividends and this exchange. Our returns, we're putting incremental capital today at excellent returns, and Bill is going to show you that across the portfolio. And each of the three business leaders who talk are going to show you what they're doing about returns. That's going really well.

We're going to build out a world-class regulatory infrastructure. It's a massive investment. We're committed to it. Ryan is going to cover that a little bit today, and all of us are dedicated to it. We're going to deliver about one-third of the company's income, and we're looking forward to the point where we can pivot to growth in line with Industrial.

So, we just have a tremendous business here. I'm excited to have the team talking to you about it. And with that, here's the agenda. Bill is going to kick it off and talk about growth, and give you a business update on where we are on some of the verticals. Real estate, Mark is going to give you an update on. Rich Laxer is here from Europe, and he's got now all of international. We put Europe and the Asian businesses together under Rich, so he has all that business. He'll give you that update. We're going to do -- Dan is going to cover the Americas, which is the core middle market. You really get a feel for the type of activity we do with customers.

Ryan, Kathy, and Robert are going to give you a functional view on treasury risk and financials. And then I'm going to come back up and give a quick summary page before we get into Jeff to talk about the overall GE stuff.

So with that, Bill. It's all you.

Bill Cary: Thanks a lot, Keith. Hardy morning, everybody. Thanks for making the trek to Norwalk here on a sunny Friday afternoon -- Friday morning. I'm going to give you just a couple of updates on the business mix of GE Capital and the portfolio.

And Keith showed you a version of this chart in terms of the size of the portfolio and how we've shifted the mix of GE Capital over the last four or five years. Obviously, we entered the crisis with a balance sheet that was significantly larger than we are today. We've successfully shrunk the balance sheet in a very capital efficient, and earnings efficient way, down to about $385 billion at the end of the third quarter of this year. But more importantly, we've shifted the mix.

And as you can see, we entered the crisis with almost a third of our portfolio in activities that today we would define as non-core. We really shrunk that dramatically, and now over 85% of our book, are in things, activities, places, markets, products that we like a lot, and we think we can -- that we can grow successfully.

We have worked hard to focus our businesses on big markets where there are profit pool that allow us to earn at a reasonable return on capital. We have focused on building scaled platforms in those markets that will get the benefits of size, and the market presence, as well the cost efficiency associated with that. And we have leveraged -- worked hard to leverage the strengths that we think are unique to GE Capital, and I'm going to take you through a few of those in some detail in a slide or two here.

And then lastly, and most importantly of course, is focus on a place where we can earn a good return, and be able to deliver through cycles a 2% plus return on investment, is really kind of a bright line that we use across the businesses.

As we think about the competitive advantages within GE Capital, we actually think we've got many competitive advantages as part of our business and business mix. I highlight 4 for you here. And that first one, we've talked a lot about with you over the years, and that's our direct origination force. We've probably got the largest direct to business origination force in the space, thousands of originators around the world, talking directly to our customers. We rarely go-to-market through intermediaries. So it's our sales people talking to our clients about their needs.

But it's more than just the salespeople. It's all the folks that support them in that effort. It's dedicated underwriting teams. It's dedicated legal teams. And so, when we do a deal with one of our clients, it's our salespeople. It's our risk people. It's our documentation, and it's our relationship. So we don't have to share that with others.

We also work hard to leverage what we think is a unique domain within the businesses, and we've invested aggressively in places like franchise finance, building on our inventory finance business, our sponsor -- mid-market sponsor finance business is a very powerful franchise for us here in the United States. And of course, we've got the connections with the GE businesses in healthcare, and energy, and aviation that provide real advantage for us, both in terms of market access, but our ability to understand and to prudently take risk in those platforms.

Speaking of risk, I think the other thing that you know about us if you follow GE Capital for a period of time, is we're very comfortable operating assets. It comes from our industrial heritage. We are a business that knows how to operate assets. We're prepared to take asset-based financing, manage collaterals, and work those collaterals through good cycles and bad cycles. And Ryan will show you the output of our recent efforts around that, but I can tell you that the trends continue to be going in the right direction as it relates to our credit quality, and what that means for losses.

And then lastly, we are a unique financial services enterprise. We are nested inside this tremendous industrial company that's got great technology, great global presence, great market risk -- market reach, and an innovative culture that really drives the success, we think, across GE and GE Capital. That operational headset occupies everything that we do around this place.

So it's part of our culture. It's the way we run the businesses, and it's also something that we worked hard to try and bottle, if you will. To deliver to our customers in a way that our financial services competitors just can't do. We call it Access GE, and I'll talk more about that in a slide or two.

In terms of activity, Keith gave you kind of the headline for '13, we see on book volume in the $200 billion range. Obviously, we've got 5 or 6 weeks of the quarter yet to go here, so deals to close. But if we hit those numbers it will put us up about 6% year-on-year in terms of total on book volume. So clearly at a growth rate that exceed the underlying economic environments where we compete. Dan and Rich will show you their ability to take share in their markets, and you'll get a sense for some of that breadth.

As you can see, the consumer business will be up this year, as will the verticals. We'll be up about $3 billion, we think, in terms of the GE Capital verticals. The commercial businesses right now, we're calling about flat. So, $43 billion in funded on book volume in '13. The numbers at the end will show you for the three quarters year-to-date are a little bit faster than that. But you may recall, we had a really tremendous fourth quarter in '12 last year, and so we're up against some tough comps for that. So, again, about flat.

As you can see in the upper right-hand corner of this slide, we're not reaching for volume. We're hitting our objectives around pricing, and returns. I'll show you margin rates in a slide or two here. But you can see that returns on investment are north of 2%, pretty much everywhere we operate with the exception of a challenging economic environment in Europe, which are still quite good, actually, at a 1.8%.

And then lastly, you can see we continue to build our pipeline here. That's sort of a close approximation from backlog. Obviously, not all of that is committed. But we feel pretty good about our ability to convert that pipeline into financings in the fourth quarter, the remaining part of the fourth quarter of '13, and early '14.

The other thing I wanted to just touch on, and this is something that we haven't talked with you as much about, but probably should have, and that is sort of a more expansive look at the commercial businesses of GE Capital. And you'll recognize the $43 billion of on book volume in lending and leasing in '13, we just touched on that. But there's also $250 odd billion of commercial volume that our businesses touch across the world for our customers, mostly in the trade finance areas.

So we do working capital financing, inventory and receivables finance in Europe, working capital finance and distribution finance here in the United States, as well as in markets in Asia. And that's up slightly, as you can see. In aggregate, we think our total commercial originations will be up 3% or so percent for '13.

So what I'd like to do now is give you just sort of two customer examples that we think highlight some of the uniqueness of our business model in GE Capital. And maybe this, for those of you that follow GE aggressively, this will be sort of an obvious example. But we've got a tremendous synergy between what we do in GE Capital and what we do in GE Healthcare.

And this is an example of our customer that's not too far from here on Long Island. It's a health system that's got about 45,000 employees. They operate 16 hospitals through the geography. They've been customers of GE Capital and GE for over 20 years. And in this case, they wanted to upgrade and re-fit their CT suite within the radiology department, both in terms of improving the throughput, reducing their costs, and upgrading their equipment to provide a lower dose, which is, you probably know, is a very topical area in the healthcare space today.

We were able to work hand-in-glove with a GE Healthcare team to evaluate their existing operations, figure out what needed to be upgraded, do it in a way that provided a good margin sale for GE Healthcare, and deliver it at lower cost of capital for that customer, and still provided a good returning asset for GE Capital. It's a perfect example of the synergy between the industrial businesses and the financial services businesses in GE.

Another example where we think we've got really unique competitive domain and advantage is Polaris. This is another long-time customer, 25 years we've been supporting the Polaris businesses. For those of you that are interested in motorized toys, you can get yourself in trouble. You probably recognize this brand. I'm looking around the room, see people smiling.

I know that some of you own some of these devices. A lot of fun stuff here. And we've been with Polaris, as I said, for a long, long time. We are the exclusive inventory finance provider to their dealer network in North America, and the preferred source in markets outside the United States.

Now, you might say, well what's interesting about that. I mean, there are people who can provide inventory finance. The reality is, we are deeply integrated in the supply chain of both Polaris and their dealer base. And so, if a customer walks into a Polaris dealership and wants to buy a piece of equipment, and that dealer doesn't have it, they can go on to a GE Capital system, find that piece of equipment at another dealer, and get it moved to their shop.

And so, it's a win all the way around. The customer gets the equipment they want. The dealer gets the sale. Polaris obviously moves inventory and get the margin associated with the sale of that product. And we get a good financing transaction, potentially, and a happy customer.

What's really unique about that, though, from our vantage point is we make Polaris quite happy with that sort of approach. But as importantly, we make that dealer happy. And so, there are two people that are

valuing that relationship between GE Capital in that organization, and so it makes it much more of a sticky relationship between people like Polaris, and we do this for multiple manufacturers around the world.

So as you think a little bit about the mid-market space, and Keith touched on our desire to continue to build our presence there, and demonstrate our capability, and we think we are uniquely qualified to deliver value here, we worked hard to try and make sure people know that.

You see a couple of the advertisements around the rooms here. We embarked on an effort in the middle of the financial crisis to demonstrate to our customers, our employees, and candidly you, our investors, that GE was faithfully active in the financing space, that we were committed to the mid-market, and we would be there to support these customers, as they worked their way through what proved to be a very challenging economic environment.

And so, you've seen us use this tagline -- we're more than just bankers, we're builders. In Japan, it's -- we're not just financiers, we're builders. Bankers are an unpopular brand in Japan. So we modified it slightly, but you get the sense here that this is an area of great focus for us. And this brand presence works regardless of language. And so, we've used this around the world, and it's really proving to be quite powerful.

What's really interesting is if you look at the data around brand awareness, propensity to do business with us, we are on par with the big money center banks that are spending a lot more money to position their brands in the marketplace. It's just been a tremendous benefit for GE and GE Capital.

I touched on the middle example earlier, and that's this whole notion of Access GE. One of the advantages that we've got, as I said, is this tremendous industrial parent that's got great technology, great capability, great reach. And we figured that if we could bottle that, if we could package that in a way that allowed our customers to gain advantage in the way they ran their businesses, they would want to do more business with us. And it's proven to be quite true.

And so, we've built out this Access GE effort. We started here in the United States. We've expanded it in markets around the world. We can deliver insights to our customers in the way they want to get them. So if they want to use a web portal to do it, they can do it that way. If they want to talk to a GE resource on the phone that's got an answer to their specific problems, we can make that happen. And in big relationships, we can actually send GE Capital people, or GE people, to those customer sites to help them solve their problems.

And so, we think this is a real unique advantage. Obviously, the big financial services companies that we see in some of our markets, don't have a big industrial parent, can't leverage that capability. And we've qualified over 500 GE leaders to be sort of experts-in-residence that we can mobilize when we need to, to support our customers.

The last area I wanted to touch on here is this notion of thought leadership. And this is another area that we saw as the crisis was unfolding was a real opportunity both for GE and for our customers. And that is, this mid-market space was somewhat misunderstood. There's a ton of research around small businesses in this country, really driven by the SBA and others. All of you that are in the investment community are very good analysts of the big companies in this space. And there's this crowd in the middle that lots of times is family-owned, lots of time is regional, and we wanted to make sure that we knew what their needs were, so we could provide solutions to help them solve their problems.

And we embarked on this effort in partnership with the Fisher School at The Ohio State University. We've now expanded this to universities in the U.K., France, Germany, Australia, and Japan, where we do research on an annual basis about the mid-market, understanding their needs, and the gap that they've got. And we work hard to try and fill them. We just took about 1,000 of our customers to a day-and-a-half summit in Columbus, where we unveiled the most recent research around the mid-market space. And I'll tell you, it's just generated a tremendous brand equity for us in GE Capital.

So, don't take my word for it. But what I'd like to do now is just show you a short video clip having our customers describe, in much more eloquent way, what I just tried to lay out to you in terms of what we think is our value props. So, you could roll the video, please.

(VIDEO PLAYING)

Bill Cary: Hopefully, through that you get, in a small way, the breadth of our customer base, the diversity of their needs, and the ways in which we've tried to bring value to that customer set, in again, ways we don't think our competition, in just about every one of these industry segments, can match. And so, we're quite proud of the work that we've done there.

Just two last slides I want to quickly run through. We're not going to do a detailed review of the GE verticals and the GE Capital verticals today as Keith mentioned, but I just wanted to sort of give you some recent stats here. So through the third quarter of this year, almost $70 billion of funded investment in the verticals. You can see that healthcare and energy are about the same size, about $15 odd billion, and are doing fine from a return standpoint. So, sort of mid 2%s return on investment. The GECAS business obviously is much larger, almost $40 billion of investment, about a 3% ROI. Fleet's in great shape, no aircraft on the ground at the end of the third quarter or today in the GECAS space.

So this just gives you a sense for the connection that exists between the financial services businesses in these industries, and what we do in GE and the power that we think that brings, both in terms of the ability to do the volume, and do smart volume and manage risk. And at the same time, help our industrial partners sell more product at what we think is attractive margin rates.

So speaking of margin rates, this is my last slide for this morning. This just gives you a sense on the left-hand side. This is what our net interest margin looks like over the last 8 or so quarters. You can see we've been more or less stable at about 5%. We feel pretty good about our ability to sustain that in the economic environment, and the interest rate environment that we see in '14. And the right-hand side of the slide is just a graphical way to describe a little bit what we think is going to be an upward lift in our overall return profile, as we work our way as kind of a post-retail environment. Obviously, it's, as you know and as Keith mentioned, the margin rates in retail are good. That will depress the overall margin rate from a mix standpoint.

We see two other pretty significant factors that will push margin rates up. One, as we continue to expand the scale and the breadth and the capability of our businesses, we will see returns grow. In the core part of the mid-market financing businesses in GE Capital, and then obviously as we continue to shrink this non-core book, which right not is about $60 odd billion, $25 billion of it is in mortgages outside the United States.

The balance is in commercial real estate equity. That will also drive up our overall margin rates. So, again, we feel pretty good about our ability to sustain the level of margin performance that you see here.

So with that, I'm going to turn it over to Mark Begor, so you can get a sense of the great job that he and his team have done to manage our way through the real estate challenges.

Mark Begor: Thanks, Bill. It's great to have an opportunity to give you an update on the real estate business. I've been leading it for the last couple of years. I think that last time we met on real estate, many of you were justifiably concerned about when we were going to get the business back to profitability, and how we were going to execute the strategy. So I'll take you through that.

One of the big priorities in the business was to descale it. A short 4.5 years ago, we were $95 billion worth of assets in real estate. At the end of the third quarter, we're down to $40 billion. So, $45 billion worth of collections, and equity asset sales over the last couple of years.

Second was the return to profitability. I think as you know we had some significant losses, primarily in the equity book in '09, '10, and '11. We returned to profitability last year, made $800 million. As Keith already mentioned, through the third quarter, we're already up $1.6 billion on the books of net income in the real estate business, double where we were last year, and I'll give you a little more color on that.

Two sides of the business. Our core business is our commercial lending building. We're one of the market leaders globally. It's a global business in doing secured commercial real estate mortgages. We focus in the A and B category, so higher-end kind of properties. In the five big asset classes, office obviously is the largest, but industrial, multi-family, hotel and retail are the asset classes that we have focused on in the lending side.

As important to what we do is what we don't do. I think we talked many times with you that we don't do construction lending. We don't do land lending. We don't do condo development kind of lending. That higher beta kind of real estate lending is something we've never done, and we still don't. So we focus on what we've done.

We've been in the business for a long time. We have deep domain in the real estate lending business. Been in it over 40 years, and we have some real scale. In the United States, we'll do close to $5 billion of originations this year. Canada and Mexico, about $1 billion each on the lending side. Australia, we're a large lender, about $1 billion this year. We also have done some lending in Japan. And over in Europe, we're a market leader in the United Kingdom at about $1 billion of originations, and we also do some lending in France. So a real global franchise on the lending side, and I'll talk a little bit more detail about that.

Our equity portfolio is one that's been a real focus for us, and was a concern of yours and ours, as you might imagine. It was a large portfolio. We got into equity about 10 years ago. We've been in lending for 40 years. In the equity side, I think as you know, when there's a change in the market, you get a loss right out of the chute from an impairment, when you own 100% of a property. Our strategy when we got into the equity side was to buy the properties, improve them, and sell them for gains. Our strategy is to run that off. We've been very clear about our strategy to exit the equity portfolio over time.

Internally, we talk about optimizing that portfolio. We have about 200 asset managers assigned to the 2,000 properties we still own. We work very hard to improve the property. This year we'll invest about $200 million in CapEx to improve the properties. We focus on increasing occupancy, which drives value, as you get more cash flows into the property. Our occupancy is up about 200 basis point this year.

An improving market helps that, but I think the GE focus on driving occupancy does too, and you drive the rental rates up. And then when the properties are stabilized, when we've gotten all the value we think we can create in the property and market conditions are at a point where we think it makes sense to sell the properties, we'll sell them into the marketplace.

We sold about $2 billion of our equity book last year. We'll sell about $7 billion this year. It's down to $17 billion at the end of the third quarter. That will come down to something a little bit closer to $15 billion at the end of the year. We've still got some sales going on in the fourth quarter. The strong markets, as well as the great operational work we've done in improving the properties, has allowed us to sell those properties, and descale the equity portfolio, but as Keith mentioned, also book some very sizable gains as we harvest that portfolio.

I like to think that we've been very smart about our exits, been very smart about investing in the equity portfolio, and then selling them into the improving markets.

So, a strong global footprint. Our core focus is on the lending business, which I'll talk more about. We have a lot of team focus on harvesting off the equity portfolio, as we run that off over time, and I'll take you through a little bit more detail on the debt business in just a minute.

One of the great benefits that we've had is a tailwind from an improving real estate market. I think we all are familiar with what happened in 2008. All asset classes were impacted. Real estate tougher than any other asset class, down 40%, and that really had a big impact, more so on our equity book, that we really have a deliberate strategy to exit over time.

Markets have come back quite strongly. The top-left chart is a US Moody's index. The light blue is CDD markets like downtown New York, Chicago, et cetera. I think you've seen in all kinds of newspaper and other articles that those markets are very strong. The 24/7 markets in the United States have recovered about 90% of what they lost in the financial crisis, so they're almost back to par. You can see expectations that with where low interest rates are, with the high demand by investors, if your pension fund, a sovereign wealth fund, or many of the private equity funds that are investing here, there's a lot of demand, because of the high yields that come from real estate.

Second is there's very limited construction going on. If you look at almost any city around the globe, there aren't many cranes up. So there's limited supply, and with an improving economy, you've got occupancies growing, and that really drives real estate values. And that's why you can see these forecasts, which we support, improving going forward.

The darker blue line is secondary markets in the United States. So that would be more suburban markets like Norwalk, Stamford, some of the smaller cities around the United States. You can see the decline was about similar. It hasn't come back quite as strong yet. But in the last 12 months, the secondary markets are up close to 10%, where the primary markets, the cities like New York and others, are only growing 3% to 4%. So you see the money moving, and the value moving to the secondary markets.

When you go outside the United States, there's many markets that are extremely strong. I just pointed out Toronto and London. Toronto is back to par. We sold a $1 billion portfolio there in the second quarter at above our acquisition cost in 2008. So it shows what's happening in markets like that. London is well north of par. Extremely strong in London. We've sold out most of our London assets, taking advantage of that strong market. So you go around the globe, you're really seeing real estate values improve by going forward.

The chart on the right-hand side just gives you a flavor for, as we sell our assets how we're doing versus our book value. As Keith mentioned, and I'll show you a chart at the end, we have been able to harvest some sizable gains out of the equity portfolio, as we improve the properties, stabilize them, and then sell them into the marketplace, and you can see the kind of percentages that we've been able to incur versus our book value, which is really quite attractive.

So some real tailwind with real estate values, with low interest rates, with strong investor demand around the real estate asset class, and the lack of construction going on quite broadly. We expect it to stay there for quite some time.

A little deeper dive on our lending business. This is our core business. Like the rest of GE Capital, we're a secured lender against the assets. That's really what commercial real estate lending is. We've been in it for 40 years, so we know it extremely well. We've got a very detailed team that's focused on operating the real estate business -- the lending business.

We descaled this business, again to get in that framework that Keith talked about, of real estate being 10% to 15% of GE Capital. As we run off the equity book, we're starting to grow slightly the lending book, and we expect that to continue going forward. But you can see $25 billion at the end of the third quarter -- at the end of the year is our estimate. This balance sheet was $55 billion 5 years ago. So, we've taken it down from $55 billion to the $25 billion, smartly, by letting loans collect out that either didn't meet risk or return profiles, and then originating loans that did.

On the earnings side, this is a very attractive GE Capital business. It's one of the higher return businesses inside of GE Capital. We've got strong double-digit earnings growth at $475 million this year, up strong

double-digits. We expect that to continue next year. This is a business that is going to earn north of a 2% return, or a 20%, close to 20% ROE. So very attractive business for us in the GE Capital side.

In the top right, you see our debt originations. We moved back into the market in 2011. We're a bit stronger in 2012, and as we go into 2013, we expect to do about $11 billion of originations this year. Those originations, I already mentioned, they're close to half in the United States, but in the other markets I mentioned is where we have strong market positions, and are doing attractive originations. Year-to-date our originations are north of a 2% return. We expect the year to be very close to that. Very attractive growth.

We're also seeing some opportunities, particularly in Europe, where some of the European banks are starting to sell off some of their non-core portfolios of loans, particularly outside of their home market, and I think that's an opportunity that we're going to continue to look for, deals that might make sense for us to do a note purchase at attractive returns that would add to our originations.

Our focus is very clear on being safe and secure. Our originations are all done at 75% LTV, so a very attractive risk profile, where we've got 25% equity on top of us on the senior secured loan. If you look at the portfolio itself, kind of pre-crisis, we were as high as 84%. We're now down to 69% on the total portfolio. That's clearly driven by values improving, but also our originations at that 75% LTV are helping there. And then the net interest margin, it's a very attractive market right now for us to originate commercial mortgages, and we're doing it where it makes sense, and our risk and return profile, and you can see that in the net interest margin, they're doing well.

So this is a business we like. It's a business we've been in for a long time. It's a business we hope to grow smartly going forward, and it really is the core of the real estate business. As we look forward to next year, we expect this business to grow from that $475 million at strong double-digit rates again next year with these kind of origination momentum that we have.

So in wrapping up, our focus in real estate is to make it a smaller, higher returning debt focused business. You can see how we descaled the business from that $93 billion that we had a short 5 years ago down to $40 billion today. Going forward that framework of 10% to 15% of GE Capital, as we continue to sell off equity, and grow our lending business smartly, is where we think the business will be from a scale standpoint.

On the earnings side, Keith already highlighted, the team is having a phenomenal year. The core business on lending, remember, is close to $500 million inside of our 2013 earnings. Third quarter year-to-date, you already know we're at $1.6 billion. So, we're double where we were last year, but in that third quarter year-to-date you've got some sizable equity gains, including the 30 Rock gain, which was $0.5 billion after tax on its own. That's not going to repeat.

So we do believe we're going to continue to harvest gains in 2014 and beyond, as we improve the equity portfolio through our investments and operations, and then sell them into the marketplace as the markets continue to improve.

So Core Capital business. It's a business we like. It's one I think we're operating quite well. Debt focus with high returns is our future as we continue to smartly run off the equity book, and we're real excited about the future of the business.

So with that, I'll turn it over to Rich Laxer.

Rich Laxer: Thanks, Mark. Good morning. As Keith mentioned in his opening comments, we combined our three international headquarters to simplify our businesses and serve our customers better. And that gives us a footprint internationally that covers 30 countries, about $140 billion in assets, and is focused on 4 key segments.

First is our commercial lending and leasing segment, the largest space that we have in our core businesses. Focus on servicing customers from $5 million in revenue up to $1 billion. It's our CE universal banks and consumer finance businesses. We have strategic ventures, four key ones that I'll talk about, where we access our partners distribution capabilities in markets that we want to penetrate.

And then we have our restructuring platforms that have done a great job over the last few years of selling our non-core assets that Bill referenced in his presentation.

Our businesses, our focus, as all GE Capital businesses are, with strong local origination capability. We've got 1,000 people that live in their markets, understand their industries, understand their customers, and their role is to connect their customers with our product expertise, and our global footprint. We've aligned them with strong risk managers, who can make strong, fast decisions with good knowledge.

Our businesses are uniquely positioned to grow share in these markets in large part because our banks repositioned themselves and restructured earlier than European banks. They are now going through the process of re-sizing their portfolios, and defining what's core and what's non-core. That's something we did a couple years ago. That positions us well to grow in the four key products that we have on there.

In the receivables finance space, where Keith mentioned and Bill also mentioned, that we're number one in Europe, we have a chance to continue to grow our share. Banks have actually been shifting their customers away from cash-flow loans into factoring deals. We're in a great position to go take more share, because we're the leading player in markets like Germany and France. We also have a unique capability in that we can do cross-border transactions. A lot of our customers, like our parent company, do business in many markets, and we can follow our customers around those markets.

We've also been able to opportunistically buy platforms in Europe and working capital the last few years in key markets like the U.K., Germany, and France as some of our bank competitors exit that market.

In corporate lending, we're actually seeing the equity markets bring more activity as pricing has gone up. In Europe, leverage finance activity is twice what it was a year ago. Banks at the same time, though, are very -- had been very large balance sheet lenders. As they retrench, they're doing less lending in the corporate space. That's been a great opportunity for us the last few years to grow our leverage finance business and take share. We've got a strong franchise, and combining that with Access GE really resonates with our PE customers.

In fact, in the last year we've had 300 individual engagements, where private equity sponsors have brought the companies that they bought, and connected them with GE reps so we can help their business. And whether it be in functional areas like finance or HR, or attached into the GE people, to allow them to understand their industry better so they can create value for their business. Next week, Keith and I will attend in Paris an Access GE event with 500 of our French customers.

We also see a good chance to grow in equipment finance. Now CapEx investment has been slow to recover, but we've been able to take share because this is another space where the banks have been retrenching, and in fact, 5 of the top 7 competitors that we face in the market have either exited the space, or are slowing down their activity. We've been able to take our industry expertise, and our focus on key global customers and expand our business at very attractive returns.

And lastly, global trade finance. As Bill had in his chart, this is a very exciting space for us. We're seeing growth in Asia. So as our customers from the US and Europe are looking for growth, they are going to markets that need help executing in those markets. Our global footprint allows us to follow our customers around the world.

Our cross-border capability has driven real growth, as you can see on the chart, 25% of our volume this year has come from deals where we follow our customer into multiple markets. So we've been able to take share as our competitors restructure and retrench.

Our strategic framework is to grow commercial. We want to follow our existing relationships, and build new ones globally. We want to expand our product offering. We did our first inventory finance deal in China. So we now can follow our customers in that key market, and we wrap that all around Access GE that we've taken out into 7 markets. As Bill said, we're the only lender that can provide capital in ways for our customers to make their businesses better.

And we've been able to grow our volumes, and you can see, at a rate faster than the markets we participate in. So we're taking shares at attractive returns of about 1.8% return.

For our banks, our strategy is to optimize the value of what we have. We want to bring some of our commercial capabilities from our CLL businesses, and bring them into the banks to help them grow their corporate loan books. An example of that is in Poland, where we took our factoring team in Germany, where we're number one, and now introduced a product in Poland using expertise that we have in Germany to deliver factoring to our Polish customers.

We've been also able to change the mix of our consumer business to higher credits, mostly A and B credits, so it is a safer, more secure portfolio. And we're also trying to get operating leverage from these businesses by driving more products through our key customers, and using our digital capability to make the customer experience easier as they buy products.

And in the last segment, our strategic ventures, this is where we partner with key partners in growth markets for us that allow us access to their distribution capability. They get access to our product knowledge and our industry expertise.

We're able to follow our customers around the world, our mid-market customers using our product expertise, our link to our parent company to help them grow, and to help us grow in segments that we know we can help their businesses. In the metals, mining, oil, & gas space, we've been able to originate $7 billion of annual receivable volume per year since 2010 at attractive returns. In the industrial space, we've been able to do 10 transactions in multiple jurisdictions. Again, the ability to serve our customers in local markets allows us to win. And then with our OEMs in IT and agriculture. We're in RV. We're helping them get into new markets, where GE has an existing presence so they can grow their business.

Our strategy remains to grow our core, fashion the markets at attractive returns, and continue to sell non-core. As you look at our asset base, it's down year-over-year, because we sold about $5 billion of non-core assets. We've been able to do that while improving our core income, as you can see on the bottom of the chart. We had some exceptional gains, as Keith mentioned, from the Swiss deal, and we see going into the future, our ability to continue to grow that.

We've got strong, global franchises focused on mid-market customers, where our value proposition resonates with them in helping them make money leveraging our capabilities.

Thanks for listening. I'd like to introduce Dan Henson to talk about GE Capital Americas.

Dan Henson: Thanks, Rich. Good morning, everybody. So the Americas is part of our commercial lending and leasing operations, CLL. This is the biggest chunk of the assets that we have. Roughly $100 billion in assets, 8,000 employees, performing 6 activities -- direct lending to CEOs and CFOs of mid-market companies, private equity sponsor finance. We have a healthcare vertical, which has a lot of synergy with our industrial healthcare business. We're a very large equipment lessor. We're the largest inventory finance business outside of the OEMs in Detroit. And we've got a great franchise business.

All of this is focused, as Bill Cary said when he kicked this off, on the middle market. And so the middle market for us is companies with revenues between $10 million and $1 billion, and it's a segment that we think appreciates our value proposition, gives the ability to generate attractive returns, and presents the risk profile that we want to see going forward.

Now, it's important to understand, everything we do is senior secured. These are hard, forecloseable assets, we originate to hold. And we're really the opposite of a bank model, where you have a relationship manager, who will handle any need of a corporation or a company. Our organization has 1,450 originators all deployed in either an industry, product, or collateral capacity.

So if we are calling on a transportation company, that company is being called on by an originator who only calls on transportation companies. It's being underwritten by a risk expert who understands transportation collateral, trucks and those types of businesses. And if it gets into trouble, it's going to be worked out by somebody who only works in that industry. And you can carry that example across, whether the collateral is office imaging, or corporate aircraft, or manufacturing company.

So it differentiates us. We have a broad spread of risk, 260,000 customers, which means our average exposure is under $400,000. And we like this specialty finance play. We are considered the experts in the segments that we participate in, and we don't compete head-to-head just on rate. And I'll show you how we perform on the next page.

A little bit about the market. If you take the inventory finance business and set that aside, we're split evenly between equipment and lending, which gives us some strengths here in order to flex the portfolio. The CapEx market, as you've heard, hasn't been great. It has been positive growth, about 3%, driven by a lower GDP for much of the year, although we've seen a recent uptick in the third quarter. Once it gets above 2.5%, you see a lot of lift in a demand for CapEx, and there's a lot of pent up CapEx demand out there. When manufacturing utilization gets above 80 we tend to see tailwinds. So we think this is going to improve next year.

And due to our specialization focus, we're also able to pinpoint industries, like transportation where we're very big; technology; housing, where we do a lot of construction equipment; and take advantage of that growth. And that's evidenced on the right-hand side on the top of the line, where you see our equipment businesses, and how they performed relative to the market growth overall. Very attractive returns for us in these segments, the ability to grow, and the ability to differentiate ourselves from our competition.

Lending has been, and will continue to be, a growth area for us. But we're going to lag the market for a little while. As you know, there's a lot of liquidity out there right now. You've seen some of the large cap firms, areas where we don't participate, creep down into some transactions. And we've also seen some pressure on rate. So, we've got great growth rates there at 18%, 40%, and 13%, but we're not going to chase the market in these segments.

Coming out of the crisis, we introduced new credit and return strike zones, and we've stuck to those very diligently. So, I think what you'll see going forward is little more growth in the equipment segment, continued good growth in lending, but we're going to stay disciplined, and we're going to make sure that we protect our portfolio, and manage it the way we want to.

In all the businesses we participate in, we have a leading position in the mid-market, which is where we play. We've also got a huge opportunity to grow by sticking to our guns and our strike zones. You can see that these markets are tremendous in size, $1.5 trillion of opportunity. So even if you're number one in your market, you still have ample room to grow. We have a very small, single-digit share in most cases.

We've also got a scale that our competitors don't have that we deploy with this domain model. So in private equity sponsor finance, we cover 2,000 sponsors with 100 originators that, on average, have two decades of relationship, not just experience, but relationship with those specific sponsors.

In the direct coverage, which is our largest sales force, 750 people, like I said, all deployed in either industry, collateral, or product. More feet on the street than anybody else has. And since the crisis, we have deployed a lot of these people in new verticals. So we've launched verticals in the area of food, beverage, and agriculture, oil and gas, metals and mining, steel, aerospace, automotive, and are developing

new domain. In fact these new verticals, which we just really started working on in 2010, will generate over $4 billion worth of volume this year at attractive returns, and grow 50% next year.

And then lastly, our indirect business. This is small-ticket equipment finance, and inventory finance. Big barriers to entry. It takes hundreds of millions of dollars of technology and personnel to stand up these companies. And we've got great technology. I'm going to give you some examples in a minute, and also we've just been in these markets for decades.

So, we like this. We also, Bill talked about Access GE. I want to bring it to life with a few examples, and show you how we differentiate ourselves from our competition by leveraging the strength of the parent. In the case of sponsors, we will bring our sponsors to our industrial businesses to learn about the latest technologies to help inform them for their investment decisions. They'll come to our research centers and meet with our scientists. If they're interested in China, we will take a group of them, and have done for the last several years, to China to meet with our global growth organization and introduce them to people. Those are things a bank can't do.

In direct coverage, our manufacturing customers will perform energy audits. So we'll bring in our lighting, our power, our water people, and in some cases we've saved our manufacturing partners 15% to 30% on their efficiency.

And then indirect coverage, we've got 60,000 dealers we work with. We make available to them our Crotonville learning, our GE learning. So we've held forums for their CFOs, for family-owned dealerships. We've given them succession planning to learn how to turn over the reins. In some cases, we've even brought our GE engineers in to work with the manufacturing partners on some problems they've had. Banks just can't do that. So we love this, and we love the tie to the parent. And we think it makes us different.

Here's some examples on the technology side of the flow. Equipment finance is a small-ticket business. We receive 1,000 applications a day online. 70% of those are decisioned within three minutes. And the benefit to the dealer, while they're trying to close a transaction for a backhoe, or a piece of a housing equipment or something, or a truck, while the customer is in there, is they can get an answer while the person is still in the showroom, print out the documents, and close the deal on the spot, instead of waiting while they fax an application to a finance company, and then for somebody to look at it and return.

We've invested hundreds of millions of dollars in our technology and our flow business the last few years, and you can see how that's translated into growth, and it's also sticky with these dealers.

In the inventory finance case, we've got a lot of technology that the dealers use. We've now given them the ability to look at how they perform relative to their peer set. So by leveraging our systems and our relationship, they can rack and stack themselves in desk files compared to their competitors. And then we've also taken our statistical Ph.D.s from our global research center and built a predictive model. So our boat dealers, for example, now get forecasts from us on a regional basis, 6 months out of what we predict the selling patterns are going to be to help them understand how much inventory to stock or to not stock.

This type of value proposition has led us to add 70 OEMs to our portfolio just this year, and you can see their growth profile.

And then lastly, we're the largest corporate fleet provider. We've taken the time it takes to order a car down from 45 minutes to 10. We pushed mobile technology out to 30,000 drivers, so they can access everything on their smartphones. And we're growing that business nicely as well.

So, this presents a business with a profile that has differentiation in the market, the ability to win at attractive returns. Our portfolio, post-crisis, is as clean as it ever was. Our credit costs, our delinquency, they're all lower than they were post-crisis. And the nice thing about this profile, when we changed our strike zones and our return requirements coming out of the crisis, our average deal lasts about 5 years. That

old portfolio has run off. The new portfolio has come on, and we now find ourselves in the latter part of this year with a growing core base, which is something we've been working towards for several years.

That profile and portfolio spells increased earnings going forward. We'll be down a little bit this year because the portfolio for a lot of the year was smaller, as well as some asset impairments. But we're predicting that we'll be more profitable next year. We're on path to do that, and we feel very good about the franchise.

So with that, I'll turn it over to Jeff Bornstein. No, I will not turn it over to Jeff. I'll turn it over to Ryan Zanin. I thought we were calling an audible.

Ryan Zanin: I was wondering why Jeff was doing that. Jeff, you can take this if you want. Good morning, everyone. I think from a risk management perspective, really, the headline is around the continuing improvement that we see in the quality of the portfolio. That doesn't happen by accident. I think we've been very disciplined about the origination and underwriting disciplines we've maintained with the portfolio over time.

Clearly, we've benefited from some uptick in the macro economic environment. But also we have really strong operating disciplines around how we manage the portfolio day in and day out. So we stay on top of trouble spots.

Dan talked about some robust activity that's coming back, particularly in a couple of the US lending markets. From a risk management perspective, we know that, given our risk appetite, we're not going to be able to meet where the market goes on every single transaction. We've got discipline around that.

I think importantly, focusing certainly in the US, remember where we focus. We focus on that middle market, where we originate with customers where we have long-standing relationships. Our people have deep industry expertise when we go to underwrite those credits, in industries where they've lived with those industries through many cycles.

And we originate with the mindset to originate credits that we want to hold on our books, which in many cases is very different than the way some of our competitors think about their origination activity.

We think about Europe, again, because the macro environment there is not as robust as it's been in the US. I think we continue to maintain a pretty restrictive view in terms of our credit origination activity there. Certainly tighter than we did from a pre-crisis level.

Think about what's happening around in Europe on our mortgage portfolio. Good collection activity there. We continue to manage those portfolios smaller as the collection activity outpaces a limited amount of new origination activity we have on a couple of the platforms there.

And then finally, Mark talked about the origination capability that we have in real estate. As you know, we're working down the legacy equity portfolio, and they've done a great job doing that. I think on the origination front, our focus just on new debt origination on a very selective basis, where we see good risk return opportunities, and at really modest loan to value levels in those markets.

I think in terms of managing credit risk, we've been doing this for a very long time through multiple cycles. I think that leaves us well-positioned to know that we have to maintain discipline through cycles. It serves us well in good times as well as in bad times. And I think that approach is really enhanced by the fact that we have good governance protocols around how we manage risk. We have an independent risk function that oversees all of the risk-taking activity.

And we have a clearly articulated risk appetite set for all of our businesses, and for the enterprise as a whole. It helps us make sure that we make good, informed risk return decisions as we prosecute against all

the new business opportunities that we have. And we do that informed by kind of a holistic view of all the risks that we have across the enterprise.

Thinking about concentration for the moment, we have really good diversification across geographies in which we operate, all the customers that we have in our portfolio, the multiple industry segments that we operate in, and the businesses where we operate around the world. So I think it's a pretty good picture.

Turning to the numbers. Delinquency and non-earnings are up there. Starting with delinquencies, you can see that we've had significant improvement across the portfolio over time in terms of driving down delinquencies. Our mortgage portfolio is down almost 50 basis points from the beginning of the year to end the quarter at 11.52%. That helps bring down total consumer delinquencies, of which mortgage is a part, down to 6.1% from 6.46% at the end of last year.

And then Mark and the team have done a great job driving the real estate delinquencies down to 1.41%. I think seeing that below 2% is really a fantastic outcome.

And the our CLL portfolio is hovering just below that 2% delinquency level, where they've been actually hovering for pretty much a couple of years now. I think given where the macro economic environment is, that's pretty much where we expect those portfolios will be.

Turning to non-earnings, you can see that again, both as a percentage of financing receivables, and in terms of absolute dollars, we continue to drive down those metrics, ending the quarter at 2.48% of financing receivables, and just $6.4 billion of total non-earnings.

Now turning to charge-offs and reserves, we ended the third quarter with $5.2 billion worth of reserves. That's up a couple hundred million dollars from the end of the year. That's a function of having charged off $3.1 billion during the first 3 quarters of the year, and having added $3.3 billion of new provisions over that same time frame. And that includes the actions that we took earlier in the year to do a little bit deeper portfolio segmentation in our consumer space to align our practices with best practices in the industry, and regulatory guidance.

Turning to regulatory update, look, I think it's fair to say that the regulatory environment for us is unfolding pretty much as we expected. We have been supervised by the Federal Reserve for a little more than 3 years now. We received our SIFI designation earlier this year. I think we have constant dialogue with our regulators. Not all of the rules related to being -- having a SIFI designation have been fully articulated for us, or for the industry. But we feel confident that we'll be able to meet whatever the expectations are out there.

I think it's clear that the evolution of the regulatory framework is going to continue to evolve over time. We have constant dialogue with both the Federal Reserve, our regulator here in the U.S., and all of our regulators around the world to make sure we understand the impact of upcoming regulatory changes, and how they may impact our business.

But for us, what we really want to do is make sure we're committed in building out world-class capabilities in managing our businesses. And I think in doing that, we'll ensure that we stay on top of all the regulatory expectations that will be asked of us.

With that, I'll turn it over to Kathy Cassidy, our Treasurer.

Kathy Cassidy: Thanks, Ryan, and good morning, everyone. So, I think Keith already covered some of the highlights on this page, so I'll just hit a few points here. As you know, with a reduction in our balance sheet, one of the things this has enabled us to do is really reduce our footprint in the wholesale funding markets overall. That's allowed us to take our CP down to about $29 billion by the end of the year with a further reduction planned for 2014.

Most importantly, I think that one of the things that we've done over the last couple years is we've been issuing debt, and to the tune of about $30 billion to $35 billion in the wholesale unsecured markets every year. And we said on a go forward basis, we would probably do a like amount to offset our maturities to keep our net debt flat.

However, in 2014, we're only planning to do about $25 billion of issuance in that market versus maturities of $35 billion, and that's directly as a result of the cash that we've built up, as well as the build out of some of our alternative funding platforms. As you know, earlier this year we purchased the deposit portfolio from MetLife, and that really jump started our ability to offer direct-to-consumer internet deposits. And we created a like platform in our commercial finance business to finance some of the commercial assets which are housed in our commercial bank.

So overall, the next couple slides I'd like to share with you why we think our funding profile and our liquidity position will remain pretty strong. If you take a look at our funding framework, 2013, 2014, it remains relatively flat. We plan to have about $370 billion of debt outstanding, But one of the things that you'll notice is the mix will shift a little bit. We'll be doing more alternative funding, less wholesale funding.

If you take a look at the right side of the page, you can see our cash position. We began the year with $65 billion of cash in 2013. We raised long-term debt of $32 billion. We took down our commercial paper. We grew our alternative funding by $5 billion, and we have business cash flow show some shrinkage of the portfolio, as well as our net earnings after dividends of $29 billion, so that created about $47 billion of cash that was available to handle our 2013 debt maturities of $35 billion. And we also took the opportunity this year with the cash position, again, that we were in to call some of our longer dated high coupon securities that were outstanding to the tune of about $8 billion.

So we'll end the year with slightly more cash than we started. And if you look forward to 2014, we'll have less long-term debt issuance in our plan. We'll continue to reduce CP, and we will grow our alternative funding and business cash flow, so that our total sources will be about $35 billion, which really offsets the debt maturities that we'll have. So we'll end the year with about $69 billion of cash, right where we started.

Now one of the comments I'll make about our ending cash position is one of the things we're doing over the course of 2014 is really building up sufficient cash and liquidity in our retail finance business to allow it to be a standalone entity. And so, as we get in to 2015 and the business is fully on a standalone basis, you'll be seeing our cash position come down here to a size that's more appropriate for a $300 billion to $350 billion corporation.

So just a few words on the long-term funding markets. They've pretty strong this year. You can see that, if you look at our market share, back in 2009 we've taken our market share down from about 2.5% to 1.7% of total outstanding. You can see our issuance over the past couple years, as well as the number of currencies we issue in, we continue to believe that that issuing in diverse markets gets us a couple of things, including the ability to fund assets in local currencies where we can. And you can see our maturity schedule as we go forward should remain in about the $35 billion.

Now most of our funding this year, we did in the first half of the year. The markets were strong, and it really allowed our spreads to remain fairly stable, and not very volatile. You can see on the bottom of the page, these are our spreads over our 5-year -- spreads to LIBOR over our 5-year securities are fairly stable throughout the year. You can see as of the end of last week where we stood, 51 basis points over 5-year LIBOR versus some of our other large financial institutions that are out there. So we remain very competitive, and we believe that if we raise funds for our business, we should be able to continue to be competitive as we go forward.

Now I mentioned upfront the importance of alternative funding, and if you think back to 2008, and where we started, about 88% of our funding came from the wholesale funding markets, and only 12% from

alternative funding. And you can see how we've really turned that around, and if you look at where we expect to be at the end of 2013, about 29% alternative funding will be in place.

And whether you look at it as a percentage of outstanding of our total debt, or the absolute number which have grown from $62 billion to $107 billion, it really helps us in terms of diversifying our offerings for the market. And it also allowed us to self-fund a number of our platforms, most notably, retail finance in the Swiss business that was just IPOed a few weeks back.

If you look at the composition of our alternative funding, you can see that about 50%, or $53 billion is actually in deposits, and those deposits are in a variety of forms. We have some international deposits, which basically funds our three big banks in Europe, in Poland, Czech, and Hungary. And then the balance of the deposits fund are two banks in the U.S., and you can see here that we have both brokerage deposits, as well as our new retail platforms for both our commercial and our retail business.

And you'll see this retail -- direct to retail deposit numbers grow over time as the businesses push and grow their portfolios out.

One other piece of our alternative funding is actually, you can see on the right-hand side, which represents that 33% of the total, is our secured portfolio, which includes both our securitization transactions, as well as some secured debt on some of our longer lived assets.

So even if you take a look at the effects of removing the alternative funding, which finances a lot of our retail business today, as of the third quarter, we'll have about 20% alternative funding, and if we think about that number going forward, we have lots of opportunities for further growth.

So I already mentioned that from a liquidity standpoint that we are in great shape with $69 billion of cash and liquidity, and if you look at that and add to it the bank lines that are outstanding, you can see that we have more than ample cash to pay off any debt that's maturing within the next year. You can see that as of the end of 2013, $117 billion versus about $64 billion of paying off CP as well as long-term debt under one year.

So we think about liquidity all the time at GE Capital, and we have strong governance with policies and limits and guidelines. One of the things we try to do is not create any lumpy maturities, so as we look to issue debt, we'll always try to make sure that we're issuing in a variety of years, and maturities, as well as months.

We also do some regular stress testing, which includes market shutdowns for periods of times, as well as other severe stress. And our Basel LCR has run over 100%. Now a couple weeks ago, the US regulators came out with some new Basel guidelines, and we're still going through them, but we fully expect to be compliant with those guidelines as we understand them as we go forward. So overall a very strong liquidity position.

So now, I'll turn to capital adequacy, and you can see here that we expect to end the year for Basel 1 Tier One Common at about 11%. And you can see that under the more punitive Basel 3 standards, we expect to end the year at about 10%. Now these metrics compare quite favorably to other large financial institutions, and they also reflect the payment of dividends to GE of about $13 billion over the last two years, 2012 and 2013.

And while the issues of timing of the new US Basel 3 capital requirements, and the SIFI surcharge are not yet final, we certainly do expect to exceed the minimum requirements as we go forward.

So with that, I'll turn it over to Robert Green. Robert.

Robert Green: Thank you, Kathy. Okay, hello, everyone. We'll start with key financial metrics. Just starting at the top, this year, as Keith mentioned, we expect to earn over $7.7 billion. That will be up over

5%, primarily driven by the gains in the commercial real estate business, and somewhat offset by lower asset base, as well by losses in [marks] and impairments as Ryan touched upon.

Our RENI, we expect to end at $385 billion. This is down $30 billion from the year end, with $195 million of volume up 6%, at about 2% return on investment. So very strong there. Losses/impairments, I just mentioned, so strengthening the balance sheet.

SG&A of $11 billion, I have a page on SG&A, which I'll share with you to show you some of the work we're doing there. We're saving and simplifying our business, while investing in our regulatory capabilities. Net interest margin strong at 5%. Cost of funds improving as Kathy mentioned. Kathy also touched upon our Basel 3 Tier One Common ratio of 10%, so very strong in spite of the dividends that we've been making.

This is a comparison to our peers. So just to give you an understanding of the chart, so GE Capital in light blue, and then you have 4 large money center banks, and four large regional banks, all within the US. The first measure in the top left is our net interest margin. So that's a comparison of the rate we lend at versus our cost of funds, and there we are best-in-class, and that's driven by high retail margins, as well as high mid-market margins.

The right-hand side measurement in regards to efficiency is how much operating expense do you spend for each dollar of revenue. We're at 47%, which again is better than those peers, and the reason is primarily because we don't have a large bricks-and-mortar associated with the branch network. Return on assets is strong, we're near the top at 1.5%, and our capital ratio is also very good.

Now as we talk about retail, what we are going to show you is some comparison of these key measurements with and without retail. But before we do that, a little bit about the portfolio mix. So today, we're about 40% consumer. Post the disposition of retail, we'll be closer to 25%. So we'll totally exit our US consumer lending. Within the core it's very exciting. All the expertise in regards to our mid-market focus, our connection to our verticals, our industrial parent, and being a primary senior secured lender with a large operating lease business is very exciting to us, and allows us to focus on our core franchise. So smaller, nimbler, and still a very critical part of GE Capital and GE Company.

As far as the key metrics, the key metrics are down the left-hand side of the page, and GE Capital as it stands today is the next column. Then you have the peer range, and in green is that same metric excluding retail. So the first is net interest margin, we anticipate and it will lower based on the high margins in retail, but we have an opportunity to increase that over time, and will, as we run off the $59 billion of non-core assets.

Efficiency is still very good at 56%. Net charge-offs as a percentage of loans goes down greater than 50%. That's related to it being primarily senior secured lending, commercial lending. Returns, again, will be down but with an opportunity to re-mix and improve, and I'll share that with you in a second. And then our Tier One Common percent will be unchanged.

In regards to the re-mixing, if you look at the portfolio today, so $385 billion of ENI, $50 billion of retail, $59 billion of non-core, primarily commercial real estate equity, and international mortgage, and then $276 billion of the core, the return on Tier One Common is 15% for that population. Without retail, it will be lower. However, the non-core is basically at a run rate of just over -- very low, basically just over 1% return on Tier One Common. So it gives us a big opportunity to run that population off, and drive the mix up.

We have taken the non-core down $110 billion approximately since '08. So we'll do that through running off the portfolio, as well as selling businesses in that group.

Within the core, the 2% ROI on a levered basis translates to around a 20%, so that definitely will improve the mix. We'll continue to simplify and improve our margins with a lower cost base. And then as we execute our dividend plan, we'll take excess capital out of the business, which will improve our returns.

In regards to the dividend plan of $20 billion to $30 billion, as of November we've dividended $12 billion back to the parent. The 3 key methods in which we generate the equity to dividend is first by shrinking our footprint in the non-core assets. Since '11, we've shrunk $59 billion, which is about $6 billion of equity, and another $59 billion to go just by coincidence. And strong profitability and retained earnings, which we'll dividend up to the parent. And then as Keith touched upon, the retail exit effectively will act as a capital dividend to the parent. And that, you can see, is the strong -- is the large set function in 2015.

In the past, we have raised some preferred equity, and then finally, through the period which we have initiated our dividend, restarted the dividend in 2012, we improved our capital base by 140 basis points.

On SG&A, this is a core competence of GE Capital and GE Company in regards to managing our operations and driving out costs. Since the crisis in 2008, we've taken out $4 billion of costs. The way we do that is by simplifying our processes, leveraging our scale, and driving centers of excellence to do things cheaper. Rich mentioned today the formation of GE Capital International. So we've reduced our P&Ls, and reduced complexity. That's a savings of about $50 million.

We looked within management to reduce spans and layers, and we exit low efficiency platforms. At the same time, if you notice our cost-pay site, it was going from $11.1 billion in '12, to $11 billion in '13. Well, we're investing in our capabilities around regulatory reporting. That investment right now is we're building. As we build that capability, we'll then simplify to reduce costs. Now, those capabilities also will make us smarter and better as a business, and we'll use that to our advantage as we go forward.

Finally, on our earnings, we anticipate in excess of $7.7 billion of earnings in '13, and a target of $7 billion in '14. First, we expect lower gains. So, Rich touched upon the Swiss IPO in the fourth quarter, Mark on the 30 Rock sale in the first quarter of this year. Also, we will pursue, and perhaps have gains next year in our portfolio, but we just don't anticipate that to the same scale.

For the retail business, the IPO of the business, we will sell 20% of the shares, and therefore, we'll have lower operating earnings because of that. And also, they're investing in their infrastructure, to ensure they are in a position to standalone as we split them out of GE Capital.

We do expect core earnings growth around a modest asset growth, and margin expansion. And then, we expect lower losses and impairments. I'm not going to go through the dynamics on the right-hand side. We touched upon a lot of them as we went through the day. We're very excited about our financial profile in 2013, and what we look forward to in '14.

So with that, I'll turn it over to Keith to wrap the GE Capital section.

Keith Sherin: Thank you, Robert. So, I think you can see that the team is committed to executing on the strategy that Jeff Immelt laid out at the EPG Conference in May of this year. We're going to be a smaller, more focused commercial lender. As a result of the exit of the retail finance business, we're going to have less earnings, and it's going to happen over time. We're going to have a little bit of the impact in 2014, and then the bigger impact in '15.

We'll offset some of that, obviously, with a share exchange, and Jeff Bornstein's going to share with you the other actions that GE is taking that will offset the rest of the dilution from the exit of the retail business.

And we're committed. I hope you got the flavor of the great examples of how we're partnering with the verticals. That's really understandable. And in the middle market we're partnering with the rest of GE under Access GE to help our customers, not only with capital to grow their business, but how to run their business better. And I think everywhere I've been traveling around meeting with customers, there's just

been tremendous feedback about the value of Access GE, and that's why we're so committed to the middle market. So I think the teams gave you a flavor for that.

We're going to return $20 billion to $30 billion of capital back to the parent over this time frame. We're going to continue to be sizable, and impact to GE with 30% of the earnings. We're going to continue to put our capital to work at good returns. Bill showed you that. We're putting capital to work at very strong levered returns today. We're going to continue that. And we're going to build out a world-class regulatory infrastructure, and then when we get past the retail finance point, we'll be pivoting back to growth. We'll be able to grow in line with industrial.

So, a tremendous focus on the middle market, on things connected to GE, and the team is committed to deliver for investors as we go through this plan. So with that, let me turn it over to Jeff Bornstein.

Jeff Bornstein: Thanks, Keith. Okay, almost there. I've got 4 or 5 pages here. I want to spend a little bit of time talking through how we're thinking about the impact of retail, and what we expect the industrial business as the balance of the company do to address it. And then I'm going to talk a little bit more about simplification, and in couple cases, try to frame for you what we think simplification means to us, and why it matters for the next 2 to 3 years and beyond.

So first, on the top left here you can see, as I mentioned, we're on track for the fourth quarter. We are going to spend more restructuring in the fourth quarter. We do expect that to be offset with gains from the fourth quarter, and I'll come back to share a little bit more detail on that with you.

We expect a strong industrial performance this year, a very strong capital performance, and I think we feel pretty good about where we are in '13. In '14, despite what you heard on retail and the loss of the earnings vis-a-vis the IPO, we still expect to grow earnings next year, single plus, and then in 2015, when we lose the bulk of the retail earnings, we again, expect to grow earnings. And that's largely driven by strength in the industrial businesses, and within that, strength in our simplification effort, and getting cost out.

So, we think simplification benefits in 2015 will be between $0.10 and $0.15 a share by the time we get there. So, I'm going to take you through a little bit more detail on how we do that in a minute, but you should know that in 2014, we still plan and will continue to invest in simplification, and we will do that ahead of gains. So we will spend more in restructure in '14 than we have in gains.

In '15, I'll show you in a moment, we expect gains to run ahead of restructuring, and over the 2-year window for those two things to more or less pay for one another economically.

In the top right, I think Keith did a very good job of going through this. Obviously, we think it's the right time with retail. It advances us to where we wanted to be in terms of the number of shares outstanding in the company. We think the staged transaction, the exchange that Keith described it creates a lot of value for the company.

It also gives us an opportunity to accelerate, even faster, to focus on simplification within the company, and it gets us closer to re-mixing the company as we've communicated for the better part of a year on re-mixing to 70%, 30%.

This is what you're left with when you get to 2014 and '15. On the bottom right, in '14 as I mentioned, we'll lose a couple cents a share with the IPO, and in 2015, we'll lose the balance of the retail earnings. And to the right of that, the way we -- our framework works is we'll get some of that value back in the reduced share count, and then we'll deliver the rest of it through simplification -- largely simplification. And then reasonably pragmatic organic growth generally will be what lifts us to grow earnings in 2015 through the dilution associated with losing the retail business.

So that's the framework that we're running for the next couple years. Just to spend a couple minutes here on how we're thinking about investing in simplification. On the left, with what we're going to do in the fourth

quarter, we expect total restructuring amortized to be about $2 billion in the year. We expect gains to be roughly that same amount. We talked a little bit about that this morning with you.

Next year, as I mentioned, we are going to invest significantly in simplification. I've mentioned this several times. I mentioned on the last earnings call, that we think there's a ton of opportunity here to continue to simplify this company, make it run faster, and I'll talk more about what that means to us in a moment. But we're going to do that ahead of gains.

And then in 2015, today we would say that probably the investment and simplification and restructuring will less than '14, and we do expect some gains. So we do expect, based on parameters as they are today, a gain associated with this exchange on retail. And we think that could be about $1 billion. So over the time period, the two will more or less economically offset.

Now, there's a big benefit in simplification and the restructuring investment is more than just SG&A, but that's what we've been focused on communicating with you. And this year, we committed to take out $1 billion of SG&A. We did that through 3 quarters. We think today now for the year, we'll be closer to $1.4 billion, $1.5 billion of SG&A out. We see another $1 billion next year, and at least $500 million in 2015. So that's $3 billion of SG&A structural cost out over this time period, which is a big part of delivering the earnings accretion as you move forward.

So just a little on simplification. I think it's important, it is not just a restructuring program. This is a cultural change inside our company about how we run GE. It's about running at customer speed, market speed. It's about bringing products to market faster at lower cost. It's about reducing friction in the system. It's about expanding the global footprint. It's about putting authority where the transaction happens in the field with customers, not at central headquarters all over the globe. It's about more shared service. It's about leveraging the scale we ought to be enjoying as a company, more than maybe we have historically.

So I think ultimately it's about competitiveness. It's about growing, winning share, and improving profitability. And that's how we think about simplification. I'm going to share a little bit more with you in the next couple pages.

First it's about running a lean company, reducing the amount of structure in the company. You heard Robert talk about reducing P&L. We've done that across the board. There's a lot more to do. I'm going to show you some numbers in a minute. We run this company with a lot of profit/loss centers, and when you have a profit/loss center, you have a full functional team that goes with it. It's been a big part of GE Capital, and how they've gotten it, that $4 billion. And there's a lot of transferability in -- the industrial businesses are very focused on this today.

You look at the results you've seen from healthcare over the last year, 18 months, in a flattish kind of revenue environment, they've been delivering a lot of operating leverage, and growing earnings. And a big part of that is reducing organizational complexity.

Shared service, a company like ours, we don't need to do every non-customer facing activity in every location in every P&L in the world. There are many things that we do functionally that ought to be done once, twice, three times in the world, not hundreds of times. Keith really launched this effort with Shane Fitzsimons and John Rice about two years ago, principally initially started with a focus on finance. We've made enormous progress. But there is -- as much as we've accomplished there's that much in front of us, and it will be more than just finance. It will be multi-functional, multi-modality. So, I'll come back and talk about that a little bit more.

And it also means, rethinking what the role of corporate is. We've got $3 billion of costs at corporate that's not allocated to the businesses, and we're going through our own re-imagining work now as a team in Fairfield, thinking about what is the role of corporate. How do we add value to the businesses? What are those things we do that enhance their competitiveness? What are those things we do that don't add a ton of

value to those businesses, and rethinking every dollar we spend in Fairfield. And that will be a multi-year process as we work through it.

It's about FastWorks. So FastWorks is a concept that we've taken from Silicon Valley, and it's more of a venture concept about how you run a lean startup. How you go after a venture. We historically would look at NCI and R&D opportunities. We'd look at a business plan. We'd all agree on that it made sense, and then we'd agree an amount and a budget to go ahead and fund that work. It could be multi-year work, and then we'd get updates periodically to make sure we're on track.

This is a completely different way of thinking about how you do that. This is about milestone funding. It's about funding to proving customer demand. It's about then funding the prototype. It's then funding -- so this is a big part of, along with the lean management, how you get $150 billion company to run at the speed and urgency of a company a tenth that size. And I think this is long term for us. We're in pilot phase right now within our R&D and NPI process in the company. We have 30 pilots going today. I think this is going to be enormously important to us.

And I've got to tell you, the speed -- one of the biggest benefits with that processing, the speed with which it comes, is that you get to know faster, too. So you're not two-thirds through a multi-year product where you've invested $100 million, $150 million, and the team's version of success is completion, when we ought to be moving on to the next idea. So I think this is a really big deal.

And that's a big part of engineering efficiency. How do we get more out of more product, more improvement, more cost out in product, and in part, to feed our service businesses through using the FastWorks concept.

Commercial excellence, I think what the team has done around building out the GGO footprint has been a homerun. You can see in the emerging and developing markets, Subsaharan Africa and Middle East, Southeast Asia, we're winning business today that we didn't even have an infrastructure largely to go after historically. There is as much opportunity in front of us to continue to develop markets that John and the team are very, very focused on. So this is a big deal.

And it's a big part of how we go to market, interact with our customers. So we're putting more delegation where the transactions really are happening, simplifying how we interface with our customers. More and more we're selling products across businesses in a single sales call. The big multinational companies, like oil and gas, we've got to get a lot more simpler about how we do that, how we configure those requests, et cetera. So, big focus for us.

And then lastly is, re-architecting the backbone of the company. So, I'm going to show you in a minute, we have hundreds of ERP systems. And Robert talked on his page about some of the ERP work, standardization that we had done at GE Capital post-crisis. Re-architecting the backbone of the company, and reducing the number of ERP instances is hugely enabling to making shared service happen. It's hugely enabling to allow you to consolidate P&Ls. So this is a huge focus for us, and this is a journey that we're going to try to execute in large part in the next 2 to 3 years. So this is a big focus for the company.

So, if you look on the left here, originally we had targeted 16% SG&A to sales. In '13, I think we will be better than 16%. We originally had said 15% SG&A to sales. In '14, we're going to be closer to 14%. And so what we've established for the company is, we're running to a target that's 12% SG&A to sales for industrial by 2016. So that's a big move for us, and we're very committed to it, and it's all simplification driven.

And then on the right, I thought I'd just share a little bit of some in process metrics on how we think about what success looks like in simplification. It's not meant to be all encompassing. But I talked about ERP systems. Today, we operate the company with more than 275 ERP systems. We started talking about simplifying supply chain processes. This is exactly what you have to solve in order to do that.

In 2016, we expect to be -- or close to 2016, '17, we expect to be less than 50 ERP instances. Shared services, as much progress as we've made, particularly in finance, we're penetrated on those processes that are candidates to be done in a shared service environment about 35%. World-class companies operate 65% to 70%, so there's a lot in front of us.

Supply chain footprint, there's been a ton done here in the last year or two. In our power generation services business, we've gone from 70 service center globally, and at the same time we've expanded what we do in emerging markets. That's resulted in 20% decrease in our overhead per hour in these shops. So, we see instances all over the company where the simplification reducing instances is a big deal.

Multi-modality, so in GGO and India and in China, other places in the world, we're building these multi-modality manufacturing facilities, where all our industrial businesses are operating out of one facility, instead of building facilities business by business in these places to serve customers and provide local context that's so critical to us winning,

Fewer P&Ls, we operate today with at least 500 P&Ls. And there's a trade here. One thing a P&L does is give you accountability. The other thing it does is it gives you lots of cost, and a lot of friction points, et cetera. We're going to operate this with a lot fewer P&Ls than where we operate today.

And then I mentioned FastWorks. We're running 30 pilot programs now on NPI R&D projects. We're also using the tools in a lot of the other simplification efforts. I expect that number in terms of what percentage of our NPI R&D standing in the future is done through a FastWorks framework will go up enormously, based on the early results that we're seeing in some of these pilots.

So that gives you a little bit of sense on how we think about simplification. And it's pervasive. It's across everything we do in the business.

So, as I said, we expect '13 to come together here. We plan on growing earnings through '14, and '15, notwithstanding losing the earnings associated with the retail business. We are not assuming the gain associated with the retail exchange in our ability to do that. And I think most of what you heard today is on strategy.

In December, Jeff will talk about how we look at the individual industrial segments, and what our outlook is there. How we're thinking about multi-year margin expansion beyond 2013. We'll go through capital allocation, and we'll talk about a long-term financial expression of what we think the company and the business model looks like long term.

So, with that I think Keith come up. We're going to take questions.

QUESTION AND ANSWER SESSION

Keith Sherin: Yes, let's open it up for q and a. I'd ask you to just introduce yourself as you ask your question just so people on the webcast can hear, and we'll be glad to go through questions.

Steve Winoker: Thanks, Keith and Jeff. Steve Winoker from Sanford Bernstein. Good morning. So, yes, you're smiling. Congratulations on getting to this point, first, right with the consumer business. Let me understand though, why, the question I've been wondering the 20% number for year one. Could we start with that?

Keith Sherin: It's a marker we put out there. Right now, based on the work that we've done with some third parties, the investment banks, and what we think we need to do to establish this as a public company around 20% is about the estimate that we're working with. There's not a hard and fast rule. It could be a little less, maybe a little more. That's just basically the framework that we worked out with the investment bankers as a nice way to start this as a public company. It's not a small IPO at that level, either.

Steve Winoker: Genworth, I think was around 35% or so, when you came out, or somewhere in that -- but that was just an environmental thing at the time, the difference that was why that come out at a higher level than this one?

Keith Sherin: Yes, I don't think that we're really modeling after Genworth. We're trying to accomplish something a little different with the total structure, but that's basically the feedback from the banks. That that would be a good way to start this, based on what they think the market receptivity is going to be.

Steve Winoker: Okay. And the numbers that you put up today, do contemplate, you contemplate the real estate gains though that are normally, as you bring down that portfolio, come to expect quarterly, right?

Keith Sherin: Yes.

Steve Winoker: Okay. And then finally, maybe turning to Jeff for a second, the simplification impact when you look at growth, and you talk about accountability in the P&L changes, how have you guys thought about mitigating the potential impact that you might experience if you go through on the top line?

Jeff Bornstein: So, you recognize the first level of P&Ls. It's basically the segments that we report. Now, we think about sub-tier, right, which is the next level down of P&L. So, in power and water, you've got a water business, and you've got a power gen products there you've got a renewables business. I think at that level that all makes sense to us.

It's when you go down a third tier and a fourth tier, and you've build a P&L in a geography somewhere that could be $100 million in revenue, $400 million in revenue, something that's just not so skilled at, we ought to be smarter about how we run, not giving up anything on the growth line or what we do with customers, but you don't need a complete functional team and the infrastructure that comes with managing and reporting a P&L at that level. And that's really what we're focused on.

So it's more about describing what a P&L job is. Okay. This is what we did at GE Capital. So internal we talk about being it being a smart P&L. So, the way we think about it is, running a business is not about being responsible for accounts payable and payroll. It's about owning customers and markets. And those jobs will still be there. What they won't be focused on is managing all the other functional stuff that's support related that comes with that. We can share financial planning and analysis resource. We can use shared service to deliver payroll and accounts payable. We can use shared service to deliver a lot of HR support, right.

To me running a P&L means owning the customers, owning the products, and being accountable to winning in your space, and so it's a little bit more of a redefinition. Not a loss of focus. Go ahead, we'll bring the mic down. Come on down, we've got a whole bunch here.

Rupal Bhansali: My question is really on the funding -- oh sorry. Rupal Bhansali, Ariel Investments, New York. My question really is on the funding side and I'm not an industrials analyst, I'm really a banks sort of analyst. And I'm curious about a couple of things in different parts of your operation.

One is typically when I look at a standalone financial services company around the world that I've researched, they tend to have a significantly higher equity to assets ratio than the sort of 10% top capital adequacy that you sort of disclosed here ballpark. It's significantly lower than a standalone company. Second, was mentioned that in deposits that you have say in international markets like the Czech Republic or certain other geographies, my sense is that they are quite Balkanized.

I mean you can’t sort of make those deposits fungible around operations. And the third question is, when you talk about after financing businesses, or CRE, or certain other portfolios, I totally understand the expertise you have, the history you have and all that, but you didn't talk so much about the ALM, the asset liability mismatch, and sort of how you think about that. And final question, I'm sorry --

Keith Sherin: That's three. Let's stop there. I can't even remember the first one --

Rupal Bhansali: All right.

Keith Sherin: Kathy, let's talk a little bit about where we are in terms of capital levels with the banks. Let's talk about how you think about funding relative to those.

Kathy Cassidy: So, maybe we should start with regulatory capital. If you look at any financial institution, our capital ratios are quite comparable to theirs. In fact, some a little better than some. So, when you think about regulatory ratios, I think we're right in line where the rest of the market is. If you think about your adjusted leverage, and I think we had some numbers up on some of the pages, that's where you look at your net debt over equity.

And so if you look at your net debt over equity, you take your the total debt outstanding, and you subtract from it your cash, and then you look at that over your book equity plus your hybrids. And we showed you that that ratio was more in line with about 3 times. So that's sort of a leverage ratio that you would look at in terms of understanding of the debt equity side.

But as a financial institution, we really do try to focus more on the regulatory ratios, because that's how the rest of the industry is measured.

Keith Sherin; Now on the capital in the banks in Central and Eastern Europe, you're right they're -- in total the Central and European banks are less than 5% of our core ENI. And they're mostly self-funded, as you said, and as you said, we can't really take those deposits and use those in other parts of the company. So, for the banks over there, we really want to be self-funded. We use that capital there, but that's not part of our alternative funding here.

For alternative funding, for example in the US, we do use the capital markets securitization quite a bit. And we do use our bank. The federal savings bank will be a part of the retail finance transaction. But the industrial loan company does finance Dan's business, and it's a big part of Dan's business, and we do have the deposit capability there, and we use alternative funding there. Go to the third one.

Rupal Bhansali: The third one is the currency mismatch.

Keith Sherin: The currency, we're a match funded company. Basically, our fundamental principle is that when we make a loan to somebody, whether it's a fixed or floating rate loan, we're going to put the debt into the same [tenor], and we're going to put the currency into the same currency. So we will match fund, and while we've gone longer on our debt maturities, we have retained our match funding discipline around our loans and our leases to our customers. We run a small cap, but it's insignificant relative to the total.

That's a hallmark of GE Capital. We don't take currency risk. We don't take interest rate risk when we're making loans and leases to customers.

Jeff Bornstein: We don't do any maturity transformation like a bank does. Borrow short, lend long. We don't do that.

Rupal Bhansali: Understood. My question on deposits was, when I look at the financial institution, I know you're talking from the capital, but because your deposit space is really much more, I would call, potentially more (inaudible) than say a checking account deposit base, how do you think about that vis-a-vis your funding mix?

Keith Sherin: Sure. We're principally an unsecured debt funded model. Obviously -- and in that model, we've dramatically reduced the amount of long-term funding we have to do annually, and we've reduced the amount of short-term funding that we're dealing with, with the commercial paper coming down. For us, the

deposits we're working. Kathy why don't you give a little update on what we're doing on internet deposits, and what we're doing with the bank deposits.

Kathy Cassidy: Sure. When you look at the total scheme of our funding, we've got about $370 billion of debt outstanding. Deposits are only $53 billion. So first of all, it's a very small segment of what we do, and as Keith said, while we do securitization in other things, the bulk of what we do is issue long-term unsecured debt into this market.

And how we look at the banks specifically, if you look at -- there's two ways of raising deposits in a bank. One is raising broker CDs, which as you remember back to the chart that I had, those you can go out with and duration match your assets. So we raise quite comfortably into the 1-, 2-, 3-, 4-, 5-year range to try to match funds some of our assets. And then the internet capability, which is direct to the consumer, what we're trying to do there is develop longer-term relationships with customers, so that sometimes we'll sell them a product which is money market on demand. Sometimes we'll sell them CDs as well. So within the banks themselves, we try to match as we can within those entities.

Keith Sherin: We can follow up more with you if you want [single point].

Jeff Sprague: Thank you. Jeff Sprague from Vertical Research. Just a couple -- first a clarification. I kind of felt the answer to Steve Winoker's question would be -- we're going to sell the percentage we need to remedy the leverage in the business relative to whatever it is the grading agencies say we need, sort of to this lady's question, what the standalone entity looks like. Will that be the -- the retail deposits are going in. Is there other toggling of fixing the balance sheet as part of this?

Keith Sherin: Look, it's a consideration, but obviously you can pick that over time as well. It doesn't have to all come at the time of the IPO. So, we have basically worked with the banks around what's the optimal of start to this company, and it's around a little under 20%. We do believe that will give us quite a bit of capital as we said. We'll leave it in the bank, but we obviously have the time until the ultimate exit to deal with any adjustments we need on the leverage ratios, Jeff.

Jeff Sprague: And does the walk, as you presented, reflect tax leakage on the first part of this transaction?

Keith Sherin: Yes, everything that [someday] included in our estimate so far, yes.

Jeff Sprague: Then I was wondering on when we're looking at gains offsetting -- restructuring offsetting gains, that is excluding real estate, just to be clear?

Keith Sherin: I'm not sure which part of the presentation you're talking about.

Jeff Sprague: I mean I think the argument historically was gain generation was part of the operating activity of real estate, but now that it's a liquidating business, I mean, those gains really are one-off gains.

Keith Sherin: Jeff wasn't really talking about real estate.

Jeff Bornstein: I wasn't talking about real estate. I think Mark was pretty transparent on where he thinks he is on gains.

Jeff Sprague: Gains are included in the core earnings construct, not as part of an offset.

Keith Sherin: They're included in the bars we gave you, $7.7 billion this year includes real estate gains, roughly $7 billion net year will include whatever we have for real estate gains, some, and then down to $5 billion in '15. Just not as many, but yes, it's included in those total numbers, sure -- of GE Capital earnings. Just keep going right across.

Deane Dray: Thank. It's Deane Dray with Citi Research. Keith, regarding the question on cash flow. You talk about $20 billion to $30 billion being dividended up from Capital to the parent. What's the normalized or reset earnings payout ratio that you suspect -- or expect ex-consumer? Is it in that 30% to 40% range, and how might that change?

Keith Sherin: Well, we don't have a set number yet, Deane. For us, I think, as you look in 2012, and you look in 2013, some of the payout that we've been able to achieve has obviously also been associated with shrinking the balance sheet. So I think post the consumer, we're going to have to work through all the normal processes. Our objective would be to definitely support the parent's capital allocation requirements, dividends, buyback, M&A in as constructive a way as possible.

But we've got to maintain strong capital ratios here. And we've got to maintain buffers for uncertainty, and we'll work through the process that we do. We have our base plan. We'll run our stress tests. We'll run a dividend assumption. But we'll have a lot of oversight and governance around that, and then we'll make some final decisions based on all the input and analysis around that process.

So, we don't have a set number yet. I think if we're not shrinking to the extent we've been the last couple years, I don't think you'd see as high a payout ratio without it being connected to some type of disposition or structural transition on an ongoing basis. So we don't have a set number yet Deane.

Deane Dray: Thank you. And then just one clarification on the simplification effort. With regard to any stranded costs that will still be at GE Capital following the transaction, will that be part of the simplification, or will that be a separate restructuring?

Keith Sherin: I think Robert showed you the cost page. Our -- maybe you could talk about cost, Robert, a little bit.

Robert Green: Sure. So in regards to knowing that the retail finance business will be outside of the company, we know we're going to work our cost base down. So that would include headquarters costs, costs in treasury, and in all the businesses at their level.

Keith Sherin: And at the same time, we're investing in our regulatory infrastructure. And what we're basically -- the teams are working productivity and simplification to help us deliver what we need in terms of our regulatory and our risk oversight structure that Ryan talked about.

Jeff Bornstein: Deane, the numbers I shared with you, the percentages, the $3 billion over the period, $1.5 billion, $1 billion next year, $500 million in '15, those are all industrial numbers. Those do not include GE Capital.

Steve Tusa: I guess -- Steve Tusa from JPMorgan. I guess just following on that question. The geography of where you're going to be recording the gains and the restructuring, because some of the gains I guess are going to be in from GE Capital, perhaps, and will that be corporate, I guess, goes up pretty dramatically in 2014? You do have some naked restructuring in '14, so maybe if you just talk about how these things plan to be reported in the geography.

Jeff Bornstein: So, in the fourth quarter, we'll have -- we've got obviously a lot of the gains that you heard from GE Capital. We also have some industrial gains in the fourth quarter, which we'll share with you when we get to earnings, and those will fund an additional $0.5 billion roughly of restructuring in the fourth quarter.

Steve Tusa: In corporate.

Jeff Bornstein: In corporate.

Steve Tusa: Okay.

Jeff Bornstein: You're correct. Next year, we've got naked restructuring. I don't know exactly what gains will look like next year. I'm very confident that our investment in simplification will be bigger than that next year, bigger than gains. And that will be reflected in corporate.

Keith Sherin: And you're not really counting on any gains out of GE Capital in 2014 to fund restructuring --

Jeff Bornstein: No.

Keith Sherin: In industrial. And the ultimate gain from the retail transaction, I believe, will be recorded at corporate.

Jeff Bornstein: yes.

Steve Tusa: Over a two year period -- but in '14 the corporate goes out by the amount of naked restructuring is kind of the way to think about it. And then, with regards to the SG&A cost take out, your services margins are obviously very strong, I think, so like close to 30%. Should we think about this as really going after the cost inefficiencies in the OE businesses. Maybe give us a sense as you talk about healthcare, are there buckets here that we should be focused on that have more opportunity than others?

Jeff Bornstein: There's no part of what we do that is not focused on simplification. So, I can give you as many service examples as equipment examples. I talked about reducing the PGS, supply chain footprint, reducing the number of shops they operate across going from 70 to 30, and taking overhead cost down 20% as a result of it.

So there's no part -- or we've got, as Keith and I talked about, we've got a $229 billion price backlog. So a big piece of that is services. Every dollar of efficiency, dollar cost take out of a part that is being fed into the long-term CSAs is a dollar of margin. So there's no part of the company that's not focused on simplification and getting cost out, getting friction out, and moving faster.

Steve Tusa: And one last quick one just on the capitalization of GE -- of the retail finance business coming out. Is there any additional cash that GE will be putting into that in addition to the IPO proceeds?

Keith Sherin: Well, we haven't determined that yet. As I said, when we file the S-1, then you're going to get a look at what the business thinks it's going to need from an external capital perspective We'll determine how much we get at the IPO, and we'll obviously have to meet whatever the capital standards are that either the rating agencies or the regulators require before we're able to split this business off, Steve.

Steve Tusa: Okay.

Keith Sherin: Keep going. Is that alright?

John Inch: Deutsche Bank. First, just to clarify, there's no value gap is there, Jeff, in our targeted SG&A simplification benefit?

Jeff Bornstein: No.

John Inch: Because there is in the billion deposits or not?

Jeff Bornstein: There's no value gap numbers in the SG&A numbers I shared with you.

John Inch: Okay. So that would --

Jeff Bornstein: But you've got double -- I showed you really strong industrial performance over the next 2 years. We have a framework around value gap in the overall results.

John Inch: Okay. The bar charts on page 34 in the presentation of the earnings walk with a plus. It sort of implies that you've got much bigger restructuring charges than gains, and that flips in '15. Are you pro formaing the two to kind of match to get to a smoother trajectory?

Jeff Bornstein: No, I just think that's just --

John Inch: Or are these bars not represented of what you're expecting?

Jeff Bornstein: No, no, no. No, we're not pro formaing anything. I think that what those bars represent is the walk I took you through on how we're thinking about investing in simplification, what we think the benefits that come with that are. Drives significantly high industrial performance. And then in 2015, we'll invest less likely in simplification than the run rate that we'll be on this year and next year. And we may or may not have the benefit of the gain, but we're not using any benefit of the gain to get to the earnings profile that you see on that page.

John Inch: Okay, but for '14 then, if you have a $1 billion to $1.5 billion pile of charges, you expect this perspectively gains to offset those.

Jeff Bornstein: There may be some gains. I showed you on the chart. Can we put that chart back up? I think what I said on the chart was TBD, and it's a much smaller [bar] to gain. We're not anticipating having gains that materially offset the $1 billion to $1.5 billion back load restructuring that we laid out.

John Inch: It's the next one.

Jeff Bornstein: You've got to back up. Back up. So, you look in '14, I laid out for you, gains there, TBD there is a much smaller bar than the $1 billion, $1.5 billion, because today that's the expectation. And we're going to have the naked restructuring of some amount in 2014.

John Inch: Okay. And then, I know you had -- I think you've been looking at compensation with respect to the industrial company given your experience with Capital. Is that in an early phase in terms of respectively variablizing it over time? That would sort of that was one of the questions.

Jeff Bornstein: Well, we -- under the banner of simplification, one of the areas the HR team is looking at is what we do around compensation. But I don't -- there's work going on there, but we don't have a major initiative.

John Inch: Not a major initiative. Just last. Did you ever see a scenario, so you've worked Capital down to 30% of your earnings, and assuming by the way this IPO, once it's completely separated there won't be any sort of structural support agreement with respect to the parent, backstopping the company's bonds, or whatever. Once it goes forward, given all the cash GE generates, did you ever foresee a scenario where the industrial parent could prospectively want to perhaps raise debt to repurchase more shares? I mean, not a lot, but maybe 10% debt to cap or something like that down the road?

Jeff Bornstein: I think there's no question the smaller GE Capital gets, the more flexibility the company has in terms of its indebtedness. If there is something to do there that we think is an opportunity to stick in makes sense economically for shareholders, then we would consider doing something.

Keith Sherin: What we'll share at the registration payment time sort of the -- we'll obviously have service agreements between the companies, and we'll have some funding from GE Capital and company like we have today, and those details will all be put in the registration statement.

Come on down here.

Shannon O'Callaghan: Yes, thanks. Shannon O'Callaghan, Nomura. So just to clarify, they took the slide away. But just the $1 billion in '15, so that includes the transaction gain in there. What's the assumption for gains or restructuring ex?

Jeff Bornstein: On that chart, I said TBD on restructuring. That was a much smaller bar than what we think the gain profile is going to be. Now, we'll have a better idea coming out of '14 what our simplification opportunities are. Listen, these investments we're making in simplification from a return perspective are just absolutely outstanding. So if we -- we'll have to see where we are coming out of '14 relative to what's remaining on the opportunity list that we can go after, but right now I'd anticipate that being a much smaller investment in '15 than what we showed you in '14.

We can't talk about any of the parameters around -- we just roughly think it could be a gain up to a $1 billion associated with the retail transaction. We can't talk about valuation.

Shannon O'Callaghan: When you talk about growing '15 earnings ex-retail gains?

Jeff Bornstein: Yes.

Shannon O'Callaghan: You're not assuming gains ahead of restructuring, ex-retail?

Jeff Bornstein: When we show ourselves growing in 2015, that's without regard to any gain on the retail transaction.

Shannon O'Callaghan: Yes, I know.

Jeff Bornstein: And it's after losing the earnings associated with retail.

Shannon O'Callaghan: I'm saying putting that totally aside, the rest of the base business, does it assume gains ahead of restructuring for the rest of the base business, or no?

Jeff Bornstein: No, I don't think -- no. You're asking a level or two down planning detail that we're kind of working through now.

Shannon O'Callaghan: And just on the $20 billion to $30 billion, back to kind of the income dividend plus specials, the run rate now gets you to like $19.5 billion if you can do $6.5 billion a year, I'm not talking about what happens after the transaction, but is that still the assumption, that up until the transaction you can do $6.5 billion a year?

Keith Sherin: It's not determined yet. I think, as we said to Deane, we have to go through a detailed process on capital planning, and it's --

Shannon O'Callaghan: It's ahead of the transaction too. Deane was not --

Jeff Bornstein: That process happens every year without regard to the transaction.

Keith Sherin: So you've seen the result of two years of our capital planning. Now we're going into the third year of that capital planning. We'll submit that plan in 2014. We'll review it internally. We'll make a recommendation. We'll have a lot of oversight and governance on it, and then we'll come out with what our recommendation is. But there's no set number that we have in mind. We're going to have to determine how big we are. We're going to have to determine what risk we have, how we perform under stress, and what capital we think we can release in a safe and secure way.

Andrew Obin: Andrew Obin, Bank of America Merrill Lynch. Just a question just to clarify. I guess on page 35, you show SG&A declining from 14% to 12% from '14 to '16. I would imagine that implies $1 billion taken out every year?

Jeff Bornstein: I gave you some visibility. So in '14, we plan to reduce SG&A industrially by $1 billion, and we've got at least $500 million, as I showed you, in 2015 coming out.

Andrew Obin: So, that's what, right. So, what is the $500 million go, because you reduce SG&A by $1 billion, but you only keep $500 million? Sorry.

Jeff Bornstein: No, no. You take out $1 billion of SG&A in '14, versus '13.

Andrew Obin: Right. Right.

Jeff Bornstein: In '15, we take another $500 million out after taking out $1 billion in '14, and that, along with the modest revenue growth is what drives those targets.

Andrew Obin: I guess maybe I'll follow up later, but I'm a little bit confused because in '14 it shows that SG&A as a percent of revenue is 14%.

Jeff Bornstein: Yes.

Andrew Obin; In '16 it shows it's 12%. So, I'm sort of assuming it's maybe 13% in '15. But that's $1 billion, that's not $500 million.

Jeff Bornstein: You also have revenue growth, and these layer. So, we're not -- we will get SG&A and structural savings beyond restructuring as well. But if you run out the savings that we've described to you in terms of SG&A, plus modest revenue growth that we're talking about, we get down to those levels.

Andrew Obin: Okay. Maybe I'll --

Jeff Bornstein: It's reasonably linear.

Andrew Obin: Maybe, I'll -- okay. Just another question. So you showed that part of the logic for exiting the consumer business was because it is consumer, it's not GE's core competency, and you're saying that after you're done still 24% of the portfolio is still going to be consumer related. Where do you see that going down the line?

Keith Sherin: I think we put on a bar, Andrew, a little bit decline as we look going forward. I mean, we do have some of the consumer business is in the run off, in the $59 billion that Bill talked about, and Rich talked about. So, those mortgages are obviously non-strategic. We're going to run those off. Some of the consumer are the banks in Central and Eastern Europe. As I said, it's less than 5% of our core ENI. They make about $300 million. You wouldn't expect to see us to incremental, inorganic actions on that in terms of adding to that space. But we're going to run them as effectively as we can. But over time, they'll be in the value maximizing category for us as we look going forward.

So, a de-emphasis on consumer across the portfolio, I would say, is what you should expect us strategically to execute on.

Andrew Obin: So, 24% will continue to decline.

Keith Sherin: Yes, I think we've had a little decline in the bar on the percents. On the one bar, it goes down to 5%, Andrew.

Dave MacGown: Hi, Dave MacGown from Morgan Stanley. Keith, you mentioned buffers in the context of talking about capital. So, I'm wondering as a non-bank SIFI, how much transparency do you have today, or expect on some of the buffers that I think the banks are still waiting for? And how does that factor into your decision making around where you ultimately end up sizing GE Capital's balance sheet?

Keith Sherin: Well, those determinations haven't been made, obviously, for a non-bank SIFI. We expect to have to have a buffer as a non-bank SIFI. We don't know what the size of that is going to be. You can see that in our Tier One on a Basel 3 basis at over 10%, we have some buffer for whatever that buffer turns out to be. But the rules haven't been finalized. They haven't been communicated to us, and we just don't know yet.

You have seen published global SIFI adders. We're not a part of that, but that gives you some idea of the scale based on different size entities. So, we're just going to have to wait and determine and see how that is. But we have to take the fact that there is uncertainty around both our risks, as well as around what the capital requirements are going to be when we do our capital planning, and we do our dividend planning. And we do take that into account, and consider that when we make those recommendations.

But those aren't finalized yet. We're still waiting for those rules, and we'll have a lot of discussion about them when they come out.

Dave MacGown: So understand, you don't have the visibility yet, is that, I guess the question then is, is there still some influence on ultimately where you end up sizing the GE Capital balance sheet? I think what we heard today is -- we're close to the end of the shrinking. The balance sheet is forthcoming. Do those influence those decisions?

Keith Sherin: Well, they may at some point. Right now, obviously, I think anything over $50 billion is a SIFI. So we're a long way from that demarcation. So, for us, $300 billion to $350 billion is something that with the board of directors and the leadership team, we've said we think that's the appropriate place for GE Capital based on the markets we want to participate in. We like the risk profile, obviously, the funding profile. The liquidity profile is dramatically different. And to be a 30% contributor earnings with most of the portfolio connected to GE in some way. We feel pretty strong about that.

But if things continue to get buffers, and buffers and adders on adders, this will be a less attractive place to put capital. We'll have to make that determination at that point. I agree with that.

Nigel Coe: Thanks for the time, mates. Nigel Coe from Morgan Stanley. So, obviously, with the EPS impact chart, you've based on 2013 earnings for retail. But I think that was impacted by like $0.02 or $0.03 of the re-segmentation on the reserves. So, should we think by this going forward, more of a 25%/26% business when we look at our models? Your economic forecast --

Keith Sherin: We've given you all the forecasts can on that, Nigel. I think I showed you they're going to earn about $2.2 billion today. We think that's the number that they're going to earn this year. How you think about it with your forecasts, you can put whatever you want on that, but that's about the impact that it will be on GE.

Nigel Coe: Okay. And then on the SG&A side, you laid out plans to reduce the ERP systems from 275 down to about 50 longer term. Normally, ERP consolidations of that magnitude are pretty complex, quite long-tailed in nature. Are we talking here about the consolidation of systems? Are we talking about [root and branchsystems? What kind of investments do you have to put in position to achieve that goal?

Jeff Bornstein: So, it is a -- it is not a small task. It is something we've done before. We did it in GE Capital over a period of time, which actually positioned us, fortunately, well post-crisis when we had to consolidate change, substantively how we run the place, consolidate P&Ls, and get that $4 billion of cost out that Bill shared with you. That ERP work that we had done up to that point really enabled us to be able to do that.

So, it's not as though we've not done it before. This is not a -- I don't mean to underwhelm it. This is not a small task over the next 3, 4, 5 years to reduce the number of ERP instances below 50. But we are razor-like focus on it. The resources are allocated to it. The funding associated with it is in the run rates and the

framework that I shared with you today. When we look out at '14 and '15. It's another form of simplification investment that is going to pay huge dividends for us.

Nigel Coe: And just one quick one. So fishing through Dan's presentation, which I think was the GE Americas, according to the book a rebounding of CapEx in 2014, I'm wonder if that's based on PMY surveys, whether it's based on customer conversations, what's causing you to come up with that kind of rebound.

Keith Sherin: Dan.

Dan Henson: It's -- we're already seeing an uptick in certain segments in CapEx spend. There's also a pent up CapEx expend, because it's been a little held back over the last few years. But the biggest correlation is the GDP, and what we saw the pick up in Q3 in GDP and the forecast for next year, we've got pretty good data, actuarial data on what that causes in terms of capital expenditure. And we'll see, hopefully.

Nigel Coe: That was it.

Ron Fisher: Ron Fisher, US Steel Pension Fund. Why are you keeping the international retail business? Why not just package up the whole thing?

Keith Sherin: I think that would add a significant amount of complexity maybe to the transaction that we're contemplating. Right now, I think we've got a business that's able to stand on its own, highly profitable, clearly understandable, and fits together with each other. I think adding some banks in Central and Eastern Europe just might be too complicated for this transaction at this point in time. So it really isn't something that we spent a lot of time evaluating, but I don't see it really fitting at this point in time.

It will be interesting to see what the investor feedback will be on whether that's a better package, but I'll assess it a little bit, but I don't see it at this point in time.

Brian Monteleone: Hi, Brian Moneteleone, Barclays. Could you just outline the key regulatory approvals that you're going to need to get through this stuff?

Keith Sherin: Yes, I'm not really at liberty to go through them specifically. I'd say that you're going to see the federal banking system have regulatory approvals over this, clearly, the Federal Reserve, the OCC. We have a tax ruling we're looking for and we have the SEC. I mean those -- this is a significant amount of work that we're going to have our teams go through, and obviously, that creates some uncertainty around the transaction. The transaction is subject to us being able to achieve those regulatory approvals as we go forward.

So, there are a substantial number, and it's a significant amount of work for the teams.

Brian Moneleone: Thanks. Then on the non-core businesses, as particularly like the mortgages in Europe, do you foresee you have an opportunity at some point to divest of some of those larger mortgage books, or is it an issue of GECC cost of capital is so much more attractive to potential buyers that it should made sense to run them down over time.

Keith Sherin: Bill, you want make a few thoughts on that.

Bill Cary: We've sold some of our portfolios, as you've seen. Exited markets in Ireland, for example. Most recently in The Netherlands. When we made the determination that the debt transaction at that time was a very economic tradeoff versus holding it and running it down. Right now, the math does continue to run down the stuff in the U.K. and France, but if that changes, we'll move on those portfolios. There's no emotional attachment here.

Brian Monteleone: Okay. And just maybe to follow up on Dave's question, finally. You guys have any sense for the timing of when you might have clarity on some of those final capital requirements you're going to be subject to?

Keith Sherin: Ryan, any thoughts?

Ryan Zanin: We really don't have a sense of what that timing is going to be.

Keith Sherin: Sorry about that. But you've seen what's been published, and you've seen the capital levels the banks have, and we assume we're going to be held to a standard that is similar to those. So, I -- the phase in, while the phase in may require something being met by 2018, clearly the market requires and needs that right now. So, that's the way we think about it. Whatever those standards are, we're going to get to those levels, and be well-capitalized as soon as we need to be. And we feel like we're at that level today on the Basel 3 US basis Tier One Common. Other questions?

Matt Vetto: Matt Vetto from Douglas C. Lane & Associates. The slide that you have that talks about your future return on tier one capital, 12% to 15%, I guess what's not explicitly called out is pricing. I guess I'm just wondering, is it your expectation that as higher capital requirements come, and buffers, and liquidity requirements, do you think your markets are going to allow you to price up to compensate for that in your ROE, or are you going to have to make it up exclusively through simplification and other kind of efficiencies gains?

Keith Sherin: I think, I'll take a shot at this, and then we'll hear your thoughts, Bill. We're not assuming that we're going to have a market that prices for these higher capital requirements. We haven't seen it to date, and we'll have to see what happens. I think the cost of equity for the banks, and for financial companies has definitely gone up, and you'd expect to see some of that. That's not in our assumption.

I think the main things are the things that Robert talked about. We've got to re-mix out of that non-core that is not earning at a cost to capital today. We've got to do a good job with all the programs you heard from the business leaders on the core, and we've got to continue to work on simplification. But I -- Bill, I don't know if you have any other thoughts on pricing, and --

Bill Cary: I mean, I think I showed you the tremendous margin you've enjoyed over the last 8 quarters or so, which has come with a backdrop that's got the banks flush with capital, and not completely clear on their capital levels, and we've been able to maintain that level of competitiveness. I think we feel like we've got to deliver value for our customers everyday, and if we can do that, we're going to get paid for it. But we're going to have to continue to be aggressive as it relates to managing that price mix, and the cost structure of the place as we do that.

Keith Sherin: Well, thank you all very much for coming to Norwalk We really appreciate it.

Trevor Schauenberg: Just a few things. This concludes the event for everyone on the webcast. It will be available for replay later today. We hope that everyone can join us on December 18 for our year-end outlook meeting, down at 30 Rock, as we always hold it there, and then for everyone here, please join us for a reception. We'll have some food and beverages. Thank you.