

Risk policies drive disciplined approach to managing risk

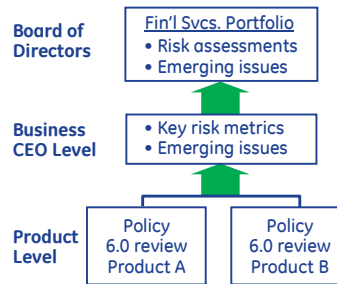
Policy 5.0

- Prescribes maximum investment level approval authorities
 - Requires joint CEO, Chief Risk Officer approval
- Authorities based on product level core risk parameters
- All new business activities require CEO approval
- All acquisitions reviewed by the board
- Maximum obligor approval limit - \$150MM



Policy 6.0

- Defines program risk parameters
 - Portfolio diversification
 - Credit quality mix
 - Single exposure limits
- Sets trigger points & establishes corrective actions
- Monitors performance

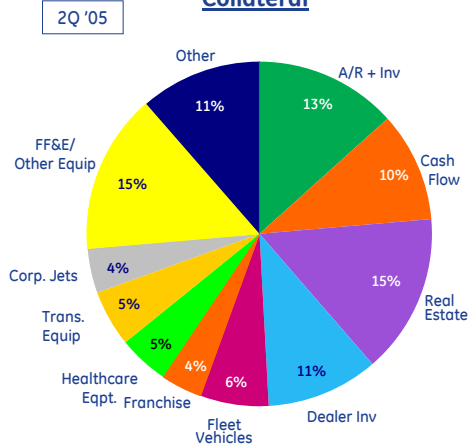


3

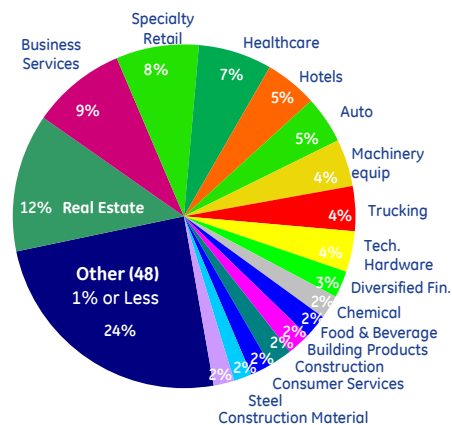
Diversified portfolio

Excluding GECAS and EFS

Collateral



Industry

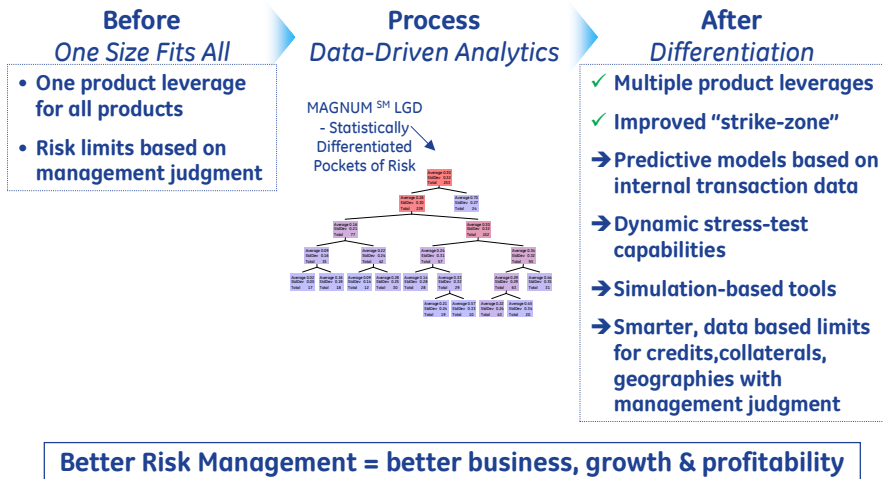


Senior secured positions... broad spread of risk



4

Advanced analytics to drive next generation of Risk Management



imagination at work

5

Example: Risk Management

The next generation

i.e. Asset-based lending (receivables & inventories)

The Way We Did it...

- All products @ 8:1 leverage
- Total historical loss severity – 9%
 - Current assets, tight monitoring, experienced asset liquidators kept losses low

The Way We Do It Now ...

- Losses remain low and are less than assumed
 - Allows 13:1 leverage
- Detailed analytics showed losses on companies < \$125MM sales actually 2x worse
 - Changed "Strike-Zone" & portfolio mix... de-emphasized "Bad" credits
- ✓ ~\$40MM lower capital required
- ✓ Actual losses down



imagination at work

6

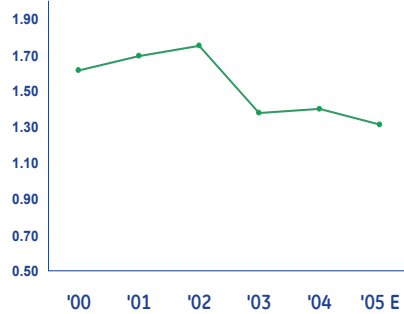


imagination at work

Delinquency / Non Earnings

(As a % of Financing Receivables)

Equipment delinquency

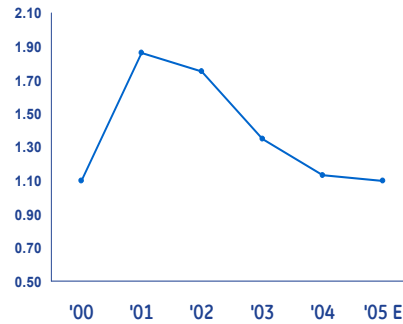


Sustained low delinquency rates...



imagination at work

Non Earnings



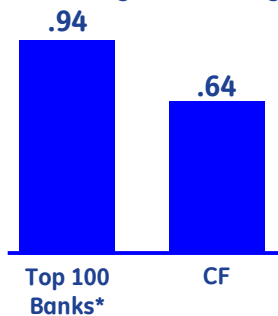
Consistent broad based portfolio improvement...

7

Disciplined underwriting results in lower losses

'00 - '04 Average

(As a % of average outstandings)



*Source: Federal Reserve

Direct control vs participations

- Individual deals on discrete collateral

Secured deals to sub-investment grade clients

- No illusions about credit quality of customers
- Focus on assets with low economic/technological obsolescence

Core cultural incentive to recover investments

- Underwrite assuming workout
- Evaluate multiple exit strategies

Work out mentality starts at deal underwriting



imagination at work

8



imagination at work

Consistent approach to risk management

Experienced risk & asset professionals globally

Rigorous governance policies & procedures

Senior and secured financings in collaterals we know

Well diversified portfolio... broad spread of risk

Conservative asset residuals & strong asset management

Process rigor... to manage and track risk



9