

# GE Capital, Retail Finance & Restructuring

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"Results are preliminary and unaudited. This document contains "forward-looking statements"- that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of conditions in the financial and credit markets on the availability and cost of General Electric Capital Corporation's GECC funding and on our ability to reduce GECC's asset levels as planned; the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults; changes in Japanese consumer behavior that may affect our estimates of liability for Grey Zone claims; our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so; the adequacy of our cash flow and earnings and other conditions which may affect our ability to pay our quarterly dividend at the planned level; the level of demand and financial performance of the major industries we serve, including, without limitation, air and rail transportation, energy generation, network television, real estate and healthcare; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation; strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements."

"This document may also contain non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be informative to investors in gauging the quality of our financial performance, identifying trends in our results and providing meaningful period-to-period comparisons. For a reconciliation of non-GAAP measures presented in this document, see the accompanying supplemental information posted to the investor relations section of our website at [www.ge.com](http://www.ge.com)."

"In this document, "GE" refers to the Industrial businesses of the Company including GECS on an equity basis. "GE (ex. GECS)" and/or "Industrial" refer to GE excluding Financial Services."



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## GE Capital overview

- ✓ GE Capital has a strong and advantaged business model
- ✓ Have strengthened our liquidity position
- ✓ Strong risk practices ... underwrite to hold on our balance sheet
- ✓ Portfolio margins improve in 2010
- ✓ Losses decreasing
- ✓ Supportive of regulatory reform, preparing for more oversight

**Solid, long-term value creation**



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# GE Capital business model

<u>Advantage</u>	<u>Pre-crisis</u>	<u>Today</u>
1 Substantial <u>origination</u> capability	✓ Largest direct origination team	✓ Still largest direct origination team
2 Deep <u>domain expertise</u> – Healthcare, Energy, Media, Aircraft, Retail Cards	✓ Advantaged in key verticals	✓ Growing advantage
3 Experts at <u>collateral/asset management</u>	✓ Strong residual realization	✓ Strong collateral and residual realization
4 Experienced, disciplined <u>risk management</u> and capital allocation – Spread of risk, secured	✓ On balance sheet underwriting	✓ Core to business model
5 <u>GE operational</u> headset & tools	✓ Scale focus	✓ >25% lower costs
6 <u>Match funded</u>	✓ Core value	✓ Important differentiator

Well positioned to compete



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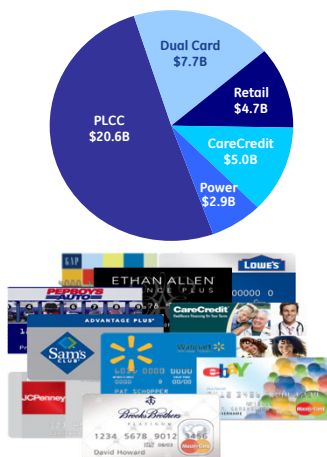
## Retail Finance



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## Retail Finance overview

3Q'10 Receivables - \$41B  
\$ in billions



### Who we are & what we do

- ✓ Diversified consumer lender
- ✓ \$28B leading retail card provider ... PLCC/Dual Card
- ✓ \$13B Sales Finance partner
- ✓ Large partnerships with profit sharing agreements to align our incentives
- ✓ Wide geographic distribution with investment grade partners ... over ~175,000 retail & small business merchant outlets
- ✓ 50MM active accounts ... avg. balance \$818
- ✓ Average FICO 706

**Strong competitive position... long history of profitability**



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## Private Label vs. Bank Cards

(2Q'10)

	Bank card <sup>ai</sup>	GE PLCC	
EOP receivables	~\$830B	\$28B	
Average balance	\$2,735	\$648	Smaller loss severity ... 27% of industry line & 24% of balance
Average credit limit	\$9,687	\$2,629	
Sales/active	\$5,352	\$1,353	
Turnover (months)	6.1	5.7	
Margins (net CV/ASA)	13.4%	18.4%	Higher margins with better losses
Write-offs (NCOs)/ASA <sup>bi</sup>	11.2%	10.6%	
% of accounts that charge off	8.3%	7.3%	Partner sharing
Partner profit sharing	No	Yes	
Spread (ex-reserves & OPEX)	2.2%	7.8%	Comparable credit quality
Avg. FICO	718	715	

<sup>ai</sup> Source: Citi, Chase, BoA, Cap One 2010 quarterly reports and supplemental datasets & Argus Syndicated Studies (2Q'10 Co-Brand Retail Benchmarks)

<sup>bi</sup> Excludes benefits of profit or (loss) sharing with retailers

**PLCC has higher yields on smaller balances**

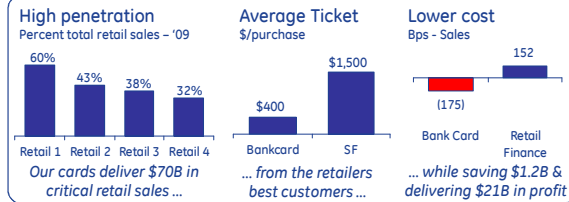


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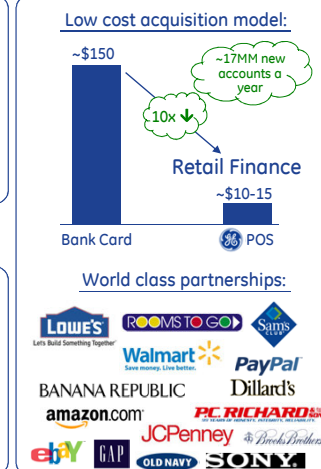
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# Our value ... more important than ever

## Critical to retailers – sales & profit



## Positioned to win



## Critical to consumers – loyalty & sales



## Critical to retailers, critical to consumers

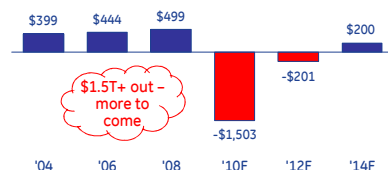


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# Retail credit ... no longer a commodity

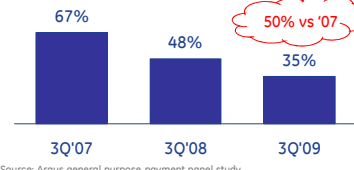
## \$1.5T credit out

Available unsecured U.S. credit, \$ in billions



## Less new credit available

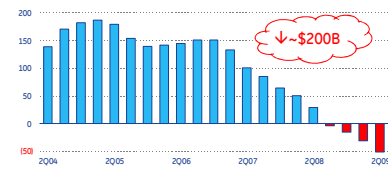
3Q'07-'09; percent new accounts FICO < 720 / "A"



Source: Argus general purpose payment panel study

## HELOC gone

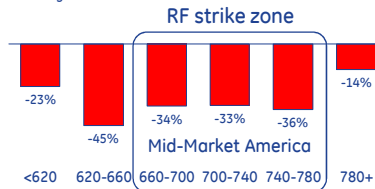
\$ in billions; YOY change in HELOC by quarter<sup>1</sup>



Source: Federal Deposit Insurance Corp, TowerGroup  
Note: 2001-02 based on 4Q; 2003-09 based on 1Q

## Fewer credit options in GE strike zone

Percent change Mar '07-Mar '10



Source: Trans Union analysis of U.S. unsecured lending from March 2007 to March 2010

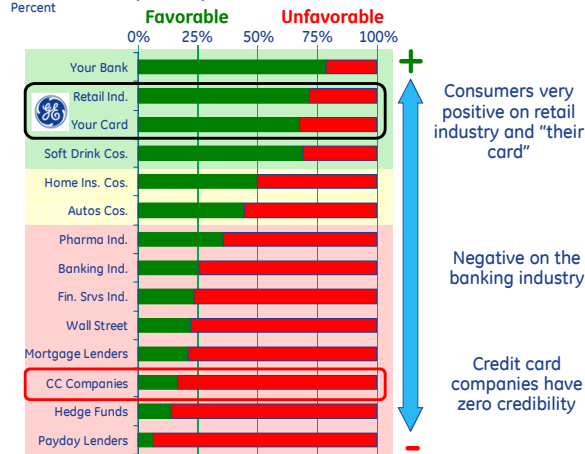
## Less credit in consumers wallets creates GE opportunity



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# Retail credit ... unique position

## Consumer perceptions



Source: The Glover Park Group "Presentation of Survey Results to the ABA - Card Policy Council"

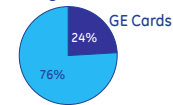
Source: TransUnion analysis of U.S. credit worthy consumers 2007 - 2010

## Cards in wallet

Total cards 2007-2010

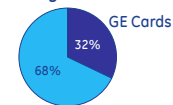
### March 2007

Avg. = ~6



### March 2010

Avg. = ~5



Retail Finance ... the card you keep

## Retail credit ... unique position to regain consumer trust

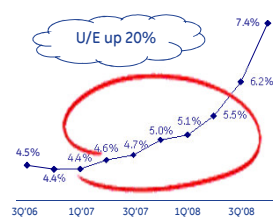


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# What we saw ...

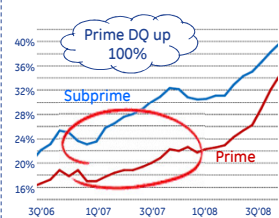
## U/E deteriorating

Unemployment percent



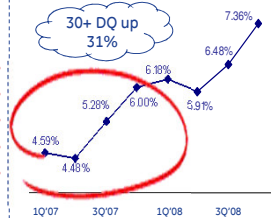
## Mortgage delinquency rising ...

First mortgage, 30+ delinquency percent



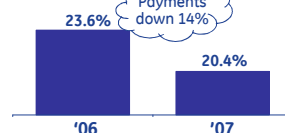
## our delinquency increasing

30+ delinquency percent



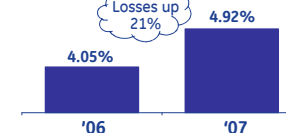
## Driving lower payments

Payment rates



## and leading to higher charge-offs

Charge off rates



## Took action early in '07-'08 to get in front of economic storm

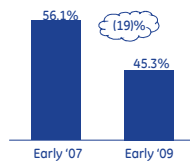


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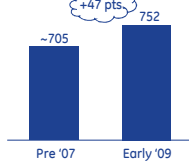
# Took significant underwriting actions

## Risk actions

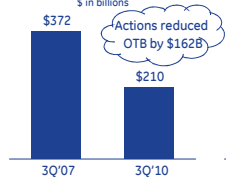
### Approval rate



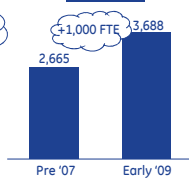
### Avg. Acquired FICO



### Open to Buy

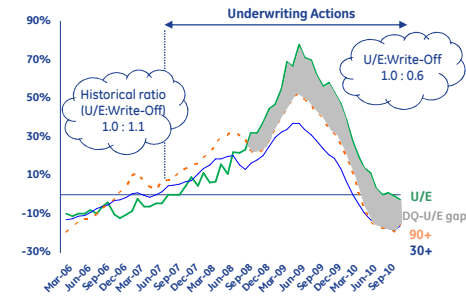


### Collectors



## Delinquency - U/E correlation broken

YoY percent increase



**Actions broke our delinquency to unemployment correlation**

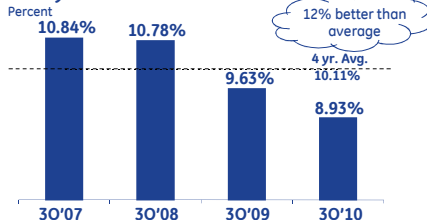


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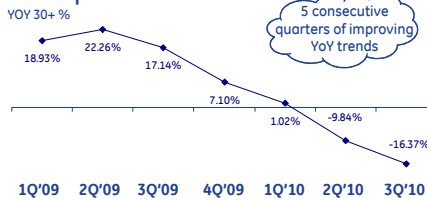
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# Early risk actions paid off ...

## Entry rate at historic lows

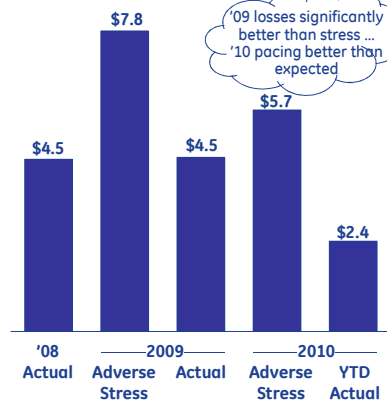


## Delinquencies



## Continued outperformance in '10

3Q'10 YTD, Total losses \$ in billions ex-securitization



**Early actions drove strong loss favorability**



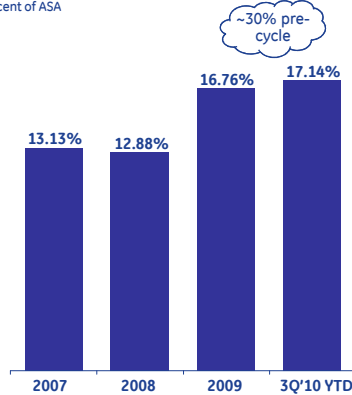
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# Drove margin to offset higher losses

## Pricing actions

CV percent of ASA



### 1 Yield up with more challenging economy

- ✓ Higher revolve rates
- ✓ More accounts assessed late fees

### 2 Consumer Pricing moved to market

- ✓ APR and Fee increases
- ✓ Increased acquisition APRs
- ✓ Dual vs. PLCC optimization

### 3 Partner pricing aligned incentives

- ✓ Renegotiated contracts
- ✓ Gain share
- ✓ Increased partner promo pricing

Increased margin for additional risk



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# Favorable competitive environment

## Success in renewing our partners

\$ in billions

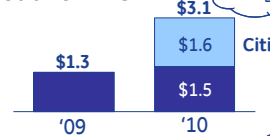
### \$418 of receivables



Walmart  
Save money. Live better.  
JCPenney  
ROOMS TO GO  
45 other deals

## Competitive wins

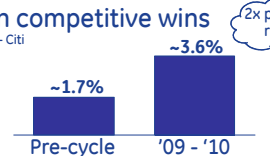
\$ in billions



43 deals won in '09, 26 in '10

## ROI on competitive wins

Percent, ex- Citi



Growing share at 3.5%+ ROI

## \$4.4 billion in BD wins

citi Sales Finance

CCA Global Partners

Art Van

Sears

ABC HOME FURNISHINGS

THE CLOSET FURNITURE TO WHOLESALE

WHA

LEVIN FURNITURE

Champion

HOM FURNITURE

Crate & Barrel

NAUTILUS

KANE'S

55 other deals

## Incumbent

Citi

Citi

HSBC

Citi

Wells

HSBC

AmGen

ADS

Wells

Citi

Citi

HSBC

JPMC

Wells

-

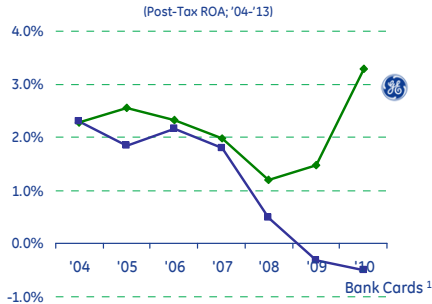


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# History of outperforming industry

## GE Retail Card vs Bank Card



## What differentiates GE?

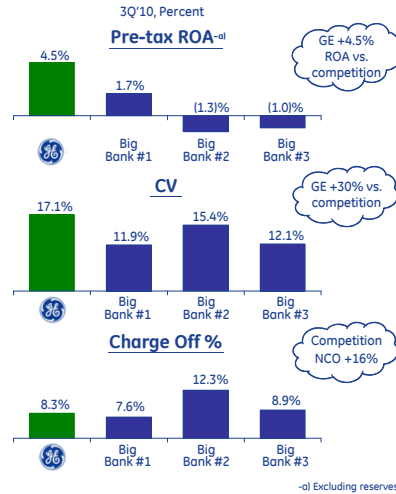
- ✓ Gain share insulates us during bad times
- ✓ Lower lines = less volatility
- ✓ Low cost to acquire an account
- ✓ Operational execution & expertise

<sup>1</sup> McKinsey Payments Practice forecast – Base case, historical; Federal Reserve Credit Card Industry Statistics; company annual reports



**GE continues to outperform**

## GE vs. industry

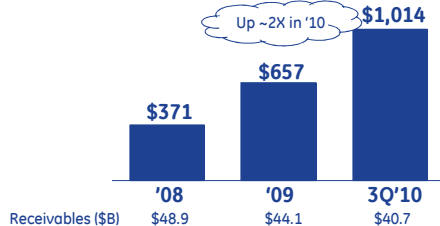


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# Retail Finance summary

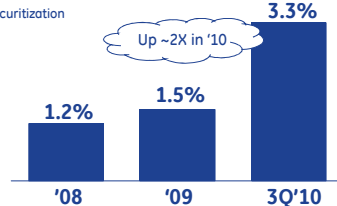
## Retail Finance Earnings

Net income, \$ in millions, ex-securitization



## Return on investment

Percent, ex-securitization



**Delivering in tough economic environment**



- ✓ Scale position in U.S.
- ✓ Important to retailers and consumers
- ✓ Adding new distribution in favorable environment
- ✓ Deep domain expertise drove early loss actions
- ✓ Pricing enhancing margins
- ✓ Managing regulatory environment
- ✓ Self funding growth

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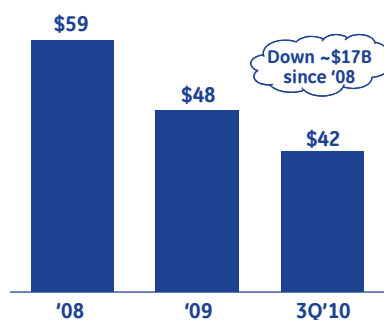
# Restructuring Operations



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## Restructuring Operations created to focus on run-off/restructure businesses

(ENI - \$ in billions)



### Portfolio

- Mix of Consumer & Commercial assets ... 11 platforms
- UK Home Lending, Equipment Services, LatAm Consumer FinCos

### Game-plan & wins

- ✓ Focus on cash, collections & loss mitigation
- ✓ Exit non-core platforms / assets ... strong pipeline
- ✓ Profitable in '10 ... better than expected

**ENI down ~\$17B in <2 years ... focused on operations, collections and exits**



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# UK Home Lending

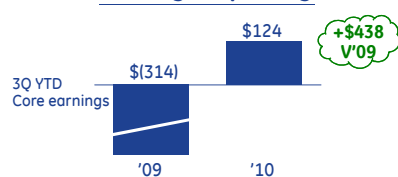
(\$ in millions)

## Shrinking assets \$B

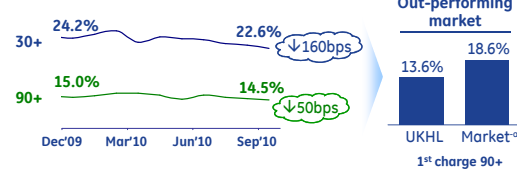


Mrtge. new volume (3Q YTD) \$4,558 \$27 \$22

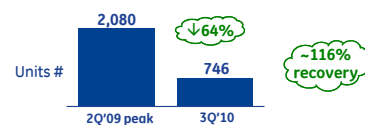
## Earnings improving



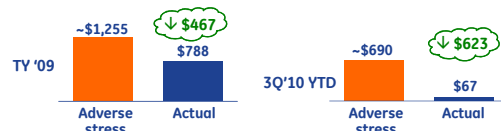
## ✓ DQ's declining



## ✓ REO stock down



## ✓ Credit costs improving



Collections and loss mitigation focus paying off ... positive earnings



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(a- Moody's non-conforming RMBS Aug'10)

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# Retail Finance/Restructuring summary

- ✓ Strong competitive Retail Finance business positioned for high returns
- ✓ No major impacts from Card regulatory changes
- ✓ Proactive risk actions driving lower losses
- ✓ Restructuring assets declining ahead of plan



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