

GENERAL ELECTRIC CAPITAL CORP

Form 10-Q

November 02, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark

One)

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

For the quarterly period ended

September 30, 2015

OR

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

For the transition period from

_____ to _____

Commission file number 001-06461

GENERAL ELECTRIC CAPITAL
CORPORATION

(Exact name of registrant as
specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-1500700

(I.R.S. Employer Identification No.)

901 Main Avenue, Norwalk, CT

(Address of principal executive offices)

06851-1168

(Zip Code)

(Registrant's telephone number, including area code) (203) 840-6300

(Former name, former address and former fiscal year,
if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At September 30, 2015, 1,000 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of \$14 per share were outstanding.

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION h(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM 10-Q WITH THE REDUCED DISCLOSURE FORMAT.

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FORWARD LOOKING STATEMENTS

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," "will," "would," or "target."

Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about GE's announced plan to reduce the size of its financial services businesses, including expected cash and non-cash charges associated with this plan; expected income; revenues; net interest margin; cost structure; restructuring charges; cash flows; assets; return on capital or assets; capital structure, including Tier 1 common ratio; and dividends.

For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include:

- obtaining (or the timing of obtaining) any required regulatory reviews or approvals or any other consents or approvals associated with GE's announced plan to reduce the size of its financial services businesses;
- our ability to complete incremental asset sales as part of that plan in a timely manner (or at all) and at the prices we have assumed;
- changes in law, economic and financial conditions, including interest and exchange rate volatility, commodity and equity prices and the value of financial assets, including the impact of these conditions on our ability to sell or the value of incremental assets to be sold as part of GE's announced plan to reduce the size of its financial services businesses as well as other aspects of that plan;
- the impact of conditions in the financial and credit markets on the availability and cost of GECC's funding, GECC's exposure to counterparties and GECC's ability to reduce asset levels as planned;
- the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults;
- pending and future mortgage loan repurchase claims and other litigation claims in connection with WMC, which may affect our estimates of liability, including possible loss estimates;
- our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so;
- GECC's ability to pay dividends to GE at the planned level, which may be affected by GECC's cash flows and earnings, financial services regulation and oversight, and other factors;
- the level of demand and financial performance of the major industries and customers GE serves;
- the effectiveness of our risk management framework;
- the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation and litigation;
- adverse market conditions, timing of and ability to obtain required bank regulatory approvals, or other factors relating to GE or Synchrony Financial that could prevent GE from completing the Synchrony Financial split-off as planned;
- our success in completing, including obtaining regulatory approvals for, announced transactions, such as GE's announced plan and transactions to reduce the size of its financial services business;
- our success in integrating acquired businesses and operating joint ventures;
- the impact of potential information technology or data security breaches; and
- the other factors that are described in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014.

These or other 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 includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results

could differ materially.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

PRESENTATION

Throughout this MD&A, unless otherwise indicated, we refer to captions such as revenues and earnings from continuing operations attributable to General Electric Capital Corporation (GE Capital or GECC) simply as "revenues" and "earnings." Similarly, discussion of other matters in our consolidated financial statements relates to continuing operations unless otherwise indicated.

We integrate acquisitions as quickly as possible. Only revenues and earnings from the date we complete the acquisition through the end of the following fourth quarter are attributed to such businesses.

We have reclassified certain prior-period amounts to conform to the current-period presentation.

NON-GAAP FINANCIAL MEASURES

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under the SEC rules. For such measures, we have provided supplemental explanations and reconciliations in Exhibit 99 to this Form 10-Q Report.

REFERENCES

The MD&A should be read in conjunction with the Financial Statements and Notes to the consolidated financial statements.

CORPORATE INFORMATION AND WEBSITES

GE's Investor Relations website at www.ge.com/investor-relations and our corporate blog at www.gereports.com, as well as GE's Facebook page and Twitter accounts, including @GE_Reports, contain a significant amount of information about GE, including financial and other information for investors. GE encourages investors to visit these websites from time to time, as information is updated and new information is posted.

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CONSOLIDATED RESULTS

THE GE CAPITAL EXIT PLAN

On April 10, 2015, GE announced its plan (the GE Capital Exit Plan) to reduce the size of its financial services businesses through the sale of most of the assets of GECC over the following 24 months, and to focus on continued investment and growth in GE's industrial businesses. Under the GE Capital Exit Plan, which was approved on April 2, 2015 and aspects of which were approved on March 31, 2015, GE will retain certain GECC businesses, principally its vertical financing businesses—GE Capital Aviation Services (GECAS), Energy Financial Services (EFS) and Healthcare Equipment Finance—that directly relate to GE's core industrial domain and other operations, including Working Capital Solutions and our run-off insurance activities (together referred to as GE Capital Verticals or Verticals). The assets planned for disposition include Real Estate, most of Commercial Lending and Leasing (CLL) and all Consumer platforms (including all U.S. banking assets). GE expects to execute this strategy using an efficient approach for exiting non-vertical assets that works for GE's and GECC's debt holders and GE's shareowners. An element of this approach involves a merger of GECC into GE to assure compliance with debt covenants as GECC exits non-vertical assets, and the creation of a new intermediate holding company to hold GECC's businesses after the merger. GE has discussed the GE Capital Exit Plan, aspects of which are subject to regulatory review and approval, with its regulators and staff of the Financial Stability Oversight Council (FSOC) and will work closely with these bodies to take the actions necessary over time to terminate the FSOC's designation of GECC (and the new intermediate holding company, as applicable) as a nonbank systemically important financial institution (nonbank SIFI).

It is expected that as a result of the GE Capital Exit Plan, the GE Capital businesses that will remain with GE will account for about \$90 billion in ending net investment (ENI), excluding liquidity, including about \$40 billion in the U.S. ENI is a metric used to measure the total capital invested in the financial services businesses. GE Capital's ENI, excluding liquidity* at September 30, 2015 was \$176 billion.

REORGANIZATION AND EXCHANGE OFFERS

The merger and creation of a new intermediate holding company is part of a reorganization of GECC's businesses (the Reorganization) pursuant to which GE will also separate GECC's international and U.S. operations. GECC's international operations will be consolidated under a new international holding company (GE Capital International Holdings) and will have a separate capital structure and be supervised by the U.K. Prudential Regulation Authority. The Reorganization, Exchange Offers (as described below) and establishment of GE Capital International Holdings are intended, among other things, to establish an efficient and simplified capital structure that is satisfactory to GECC's regulators, a key step in terminating the nonbank systemically important financial institution designation for GECC. In addition, the Exchange Offers were designed to align the liabilities of GE Capital International Holdings to its assets from a maturity profile and liquidity standpoint, taking into consideration asset sales, and where appropriate, shortening the maturity profile of targeted liabilities.

As part of the GE Capital Exit Plan, on September 21, 2015 GE Capital commenced private offers to exchange (the Exchange Offers) up to \$30 billion of certain outstanding debt for new notes with maturities of six months, five years, ten years or twenty years. On October 19, 2015, given the high level of participation, the offering was increased by \$6 billion with the aggregate principal amount of \$36 billion of outstanding notes being tendered for exchange and settled on October 26, 2015. The new notes that were issued at closing are composed of \$15.3 billion of 0.964% Six Month Notes due 2016, £0.8 billion of 1.363% Six Month Notes due 2016, \$6.1 billion of 2.342% Notes due 2020, \$2.0 billion of 3.373% Notes due 2025 and \$11.5 billion of 4.418% Notes due 2035. Of the \$16.2 billion exchanged into the Six Month Notes, \$1.3 billion is in short term borrowings at September 30, 2015. GECC will continue to evaluate the opportunity to repurchase debt while maintaining our liquidity at the levels communicated as part of the GE Capital Exit Plan. The new notes have been fully, irrevocably and unconditionally guaranteed by GE.

*Non-GAAP Financial Measure
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SALES AGREEMENTS

During the first nine months of 2015, GE signed agreements to sell approximately \$94 billion of ENI, excluding liquidity (as originally reported at December 31, 2014), of which approximately \$45 billion and \$33 billion related to the CLL and Real Estate businesses, respectively. CLL transactions signed in the third quarter 2015 included approximately \$9.3 billion related to its Healthcare Financial Services U.S. lending business with Capital One, approximately \$7.6 billion related to its Transportation Finance business in the U.S. and Canada with BMO Financial Group, and approximately \$1.8 billion related to its Mubadala joint venture with MidCap Finco. Ltd., which is managed by Apollo Capital Management. Of the signed agreements, approximately \$60 billion have closed, including approximately \$30 billion and \$21 billion related to Real Estate and CLL, respectively. The Real Estate transactions that have closed included the majority of GECC's Real Estate debt and equity portfolio sold to funds managed by The Blackstone Group (which, in turn, sold a portion of this portfolio to Wells Fargo & Company). In connection with The Blackstone Group transactions, GECC provided \$3.2 billion of seller financing to The Blackstone Group, which GECC intends to syndicate by 2016. As of September 30, 2015, GECC has collected or sold approximately \$0.4 billion of this seller financing. The CLL transactions that have closed included its U.S. and European Sponsor Finance businesses and the majority of its Global Fleet services business.

In addition, during October 2015, we signed agreements to sell approximately \$32 billion of ENI, excluding liquidity (as originally reported at December 31, 2014) related to our CLL business. These signed CLL transactions included approximately \$30 billion related to our global Commercial Distribution Finance, North American Vendor Finance and North American Corporate Finance businesses with Wells Fargo & Company and approximately \$2 billion related to our Corporate Aircraft portfolio with Global Jet Capital.

AFTER-TAX CHARGES RELATED TO THE GE CAPITAL EXIT PLAN

In connection with the GE Capital Exit Plan announced on April 10, GE estimated that it would incur approximately \$23 billion in after-tax charges through 2016, approximately \$6 billion of which are expected to result in future net cash expenditures. These charges relate to: business dispositions, including goodwill allocations (approximately \$13 billion), tax expense related to expected repatriation of foreign earnings and write-off of deferred tax assets (approximately \$7 billion), and restructuring and other charges (approximately \$3 billion).

In the nine months ended September 30, 2015, GE recorded \$21.1 billion of after-tax charges related to the GE Capital Exit Plan, including \$0.4 billion of after-tax charges recorded in the third quarter of 2015, primarily exit-related charges in our CLL business, partially offset by income associated with operations in CLL and Real Estate. A description of after-tax charges for the nine months ended September 30, 2015 is provided below.

\$9.8 billion of net loss primarily related to the planned disposition of the Real Estate business and most of the CLL business, which is recorded in discontinued operations under the caption "Earnings (loss) from discontinued operations, net of taxes" in the Statement of Earnings.

\$6.2 billion of tax expense related to expected repatriation of foreign earnings and write-off of deferred tax assets, of which \$6.1 billion is reported in GECC's Corporate component and \$0.2 billion is reported in our Consumer business all recorded in continuing operations under the caption "Benefit (provision) for income taxes" in the Statement of Earnings.

\$4.7 billion of net asset impairments due to shortened hold periods, of which \$3.2 billion is recorded in continuing operations in our Consumer business primarily under the captions "Provisions for losses on financing receivables" and "Revenues from services" in the Statement of Earnings and \$1.5 billion is recorded in discontinued operations in our CLL business under the caption "Earnings (loss) from discontinued operations, net of taxes" in the Statement of Earnings.

\$0.4 billion of restructuring and other charges, of which \$0.3 billion is recorded in continuing operations in GECC's Corporate component under the caption "Operating and administrative" in the Statement of Earnings and \$0.1 billion is recorded in discontinued operations in our CLL business under the caption "Earnings (loss) from discontinued operations, net of taxes" in the Statement of Earnings.

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GUARANTEE

As part of the GE Capital Exit Plan, on April 10, 2015, GE and GECC entered into an amendment to their existing financial support agreement. Under this amendment (the Amendment), GE has provided a full and unconditional guarantee (the Guarantee) of the payment of principal and interest on all tradable senior and subordinated outstanding long-term debt securities and all commercial paper issued or guaranteed by GECC identified in the Amendment. In the aggregate, the Guarantee applied to approximately \$184 billion of GECC debt as of September 30, 2015. The Guarantee replaced the requirement that GE make certain income maintenance payments to GECC in certain circumstances. GECC's U.S. public indentures were concurrently amended to provide the full and unconditional guarantee by GE set forth in the Guarantee.

SYNCHRONY FINANCIAL EXCHANGE OFFER

On October 14, 2015, the Federal Reserve Board approved Synchrony Financial's application to operate as a publicly owned savings and loan holding company following completion of the exchange offer, conditioned on Synchrony Financial complying with certain conditions, including receipt of all required regulatory approvals, and on the commitments made in connection with Synchrony Financial's applications.

On October 19, 2015, GE commenced an offer to exchange GE common stock for common stock of GECC's approximately 84.6% owned subsidiary, Synchrony Financial. This exchange offer is in connection with the previously announced separation of Synchrony Financial and is expected to conclude the week of November 16, 2015. We estimate that the exchange will reduce the outstanding shares of GE common stock by approximately 6-7%. Following the completion of the share exchange, GECC expects the Federal Reserve Board to act in due course on its application to deregister as a savings and loan holding company but cannot predict the timing of the Federal Reserve Board's action. For further information about the Synchrony Financial transaction, see the Form S-4 filed by Synchrony Financial on October 19, 2015.

REVENUES AND EARNINGS

Revenues decreased 1% in the three months ended September 30, 2015 as a result of higher impairments and the effects of currency exchange, partially offset by higher gains and the effects of acquisitions.

Revenues decreased 9% in the nine months ended September 30, 2015 primarily due to the effects of the GE Capital Exit Plan.

Earnings decreased 13% in the three months ended September 30, 2015 primarily due to core decreases, including charges associated with the GE Capital Exit Plan and higher impairments, partially offset by higher gains, the effects of dispositions and lower provisions for losses on financing receivables.

Earnings decreased significantly in the nine months ended September 30, 2015 primarily due to charges associated with the GE Capital Exit Plan.

SIGNIFICANT DEVELOPMENTS IN 2015

- The GE Capital Exit Plan – see above.
- Budapest Bank – On June 29, 2015 we closed the sale of Budapest Bank to Hungary's government.
- Australia and New Zealand (ANZ) Consumer Lending – At September 30, 2015, we had an agreement to sell our consumer finance business in Australia and New Zealand to a consortium including KKR, Varde Partners and Deutsche Bank for approximately 6.0 billion Australian dollars and 1.4 billion New Zealand dollars, respectively.
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Milestone Aviation Group – On January 30, 2015, GECAS acquired Milestone Aviation Group, a helicopter leasing business, for approximately \$1.8 billion.

Synchrony Financial – See above.

Dividends – GECC paid no dividends and \$0.5 billion of dividends to GE in the three and nine months ended September 30, 2015, respectively.

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OTHER CONSOLIDATED INFORMATION

INCOME TAXES

Income taxes have a significant effect on our net earnings. As a global commercial enterprise, our tax rates are affected by many factors, including our global mix of earnings, the extent to which those global earnings are indefinitely reinvested outside the United States, legislation, acquisitions, dispositions and tax characteristics of our income. Our tax rates are also affected by tax incentives introduced in the U.S. and other countries in furtherance of policies to encourage and support certain types of activity. Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions.

GE and GECC file a consolidated U.S. federal income tax return. This enables GE to use GECC tax deductions and credits to reduce the tax that otherwise would have been payable by GE. The GECC effective tax rate for each period reflects the benefit of these tax reductions in the consolidated return. GE makes cash payments to GECC for these tax reductions at the time GE's tax payments are due.

| | Three months ended September 30 | | Nine months ended September 30 | |
|--------------------------------------|---|------|--------------------------------------|---------|
| (In billions) | 2015 | 2014 | 2015 | 2014 |
| (Benefit) provision for income taxes | \$- | \$- | \$6.2 | \$(0.1) |

2015 – 2014 COMMENTARY – THREE MONTHS ENDED SEPTEMBER 30

The GECC income tax rate for the third quarter of 2015 decreased to a negative (6.2%) from a negative (1.7%) in the third of 2014. The tax benefits when compared to the pre-tax income in each respective period resulted in the negative effective tax rates. The 4.5 percentage point decrease was primarily attributable to net tax benefits from marks on businesses held for sale and restructurings related to the GE Capital Exit Plan, partially offset by lower tax benefits on foreign operations.

2015 – 2014 COMMENTARY – NINE MONTHS ENDED SEPTEMBER 30

The negative nine month tax rate of 640.1% is caused by comparing the positive tax expense of \$6.2 billion with the pre-tax loss of \$1 billion resulting in a negative tax rate. As discussed in Note 7 to the consolidated financial statements, during the first nine months of 2015 in conjunction with the GE Capital Exit Plan we incurred tax expense of \$6.2 billion related to expected repatriation of foreign earnings and write-off of deferred tax assets. The increase in the income tax expense from a benefit of \$0.1 billion for the first nine months of 2014 to an expense of \$6.2 billion for the first nine months of 2015 is primarily due to the tax impacts, discussed in Note 7 to the consolidated financial statements, related to the GE Capital Exit Plan.

BENEFITS FROM GLOBAL OPERATIONS

Absent the effects of the GE Capital Exit Plan, our effective income tax rate is lower than the U.S. statutory rate primarily because of benefits from lower-taxed global operations, including the use of global funding structures. There is a tax benefit from global operations as non-U.S. income is subject to local country tax rates that are significantly below the 35% U.S. statutory rate. These non-U.S. earnings have been indefinitely reinvested outside the U.S. and are not subject to current U.S. income tax. The rate of tax on our indefinitely reinvested non-U.S. earnings is below the 35% U.S. statutory rate because we have significant business operations subject to tax in countries where the tax on

that income is lower than the U.S. statutory rate and because GECC funds certain of its non-U.S. operations through foreign companies that are subject to low foreign taxes.

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Historically, the most significant portion of these benefits depends on the provision of U.S. law deferring the tax on active financial services income, which, as discussed below, is subject to expiration. A substantial portion of the remaining benefit related to business operations subject to tax in countries where the tax on that income is lower than the U.S. statutory rate is derived from our GECAS aircraft leasing operations located in Ireland. No other operation in any one country accounts for a material portion of the remaining balance of the benefit.

We expect our ability to benefit from non-U.S. income taxed at less than the U.S. rate to continue, subject to changes in our earnings profile due to the GE Capital Exit Plan and changes in U.S. or foreign law, including the expiration of the U.S. tax law provision deferring tax on active financial services income. In addition, since this benefit depends on management's intention to indefinitely reinvest amounts outside the U.S., our tax provision will increase to the extent we no longer intend to indefinitely reinvest foreign earnings.

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SEGMENT OPERATIONS

Operating segments comprise our four segments focused on the broad markets they serve: Commercial Lending and Leasing, Consumer, Energy Financial Services and GECAS. The Chairman allocates resources to, and assesses the performance of, these four businesses.

Corporate items and eliminations include unallocated Treasury and Tax operations; Trinity, a group of sponsored special purpose entities; certain consolidated liquidating securitization entities; the effects of eliminating transactions between operating segments; results of our run-off insurance operations remaining in continuing operations attributable to GECC; unallocated corporate costs; certain non-allocated amounts determined by the Chairman; and a variety of sundry items. Corporate items and eliminations is not an operating segment. Rather, it is added to operating segment totals to reconcile to consolidated totals on the financial statements.

Segment profit is determined based on internal performance measures used by the Chairman to assess the performance of each business in a given period. In connection with that assessment, the Chairman may exclude matters such as charges for restructuring; rationalization and other similar expenses; acquisition costs and other related charges; technology and product development costs; certain gains and losses from acquisitions or dispositions; and litigation settlements or other charges, for which responsibility preceded the current management team.

Segment profit excludes results reported as discontinued operations, the portion of earnings attributable to noncontrolling interests of consolidated subsidiaries, GECC preferred stock dividends declared and accounting changes. Segment profit, which we sometimes refer to as "net earnings", includes interest and income taxes. GE allocates certain corporate costs to its segments based on an estimate of expected benefit to the respective segment relative to total GE. Factors considered in the determination of relative benefit include a segment's direct costs and number of employees compared to the total direct costs and number of employees for all segments.

We have reclassified certain prior-period amounts to conform to the current-period presentation.

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SUMMARY OF OPERATING SEGMENTS

| (In millions) | Three months ended September 30 | | | Nine months ended September 30 | | |
|--|------------------------------------|---------|-------|-----------------------------------|----------|-------|
| | 2015 | 2014 | V% | 2015 | 2014 | V% |
| Revenues | | | | | | |
| CLL | \$285 | \$251 | 14 % | \$790 | \$743 | 6 % |
| Consumer | 3,652 | 3,622 | 1 % | 9,237 | 10,822 | (15)% |
| Energy Financial Services | 225 | 344 | (35)% | 906 | 1,120 | (19)% |
| GECAS | 1,307 | 1,262 | 4 % | 3,935 | 3,952 | - % |
| Total segment revenues | 5,468 | 5,479 | - % | 14,867 | 16,637 | (11)% |
| GECC corporate items and eliminations | 843 | 905 | (7)% | 2,585 | 2,586 | - % |
| Total revenues | \$6,312 | \$6,384 | (1)% | \$17,452 | \$19,223 | (9)% |
| Segment profit (loss) | | | | | | |
| CLL | \$111 | \$90 | 23 % | \$286 | \$252 | 13 % |
| Consumer | 795 | 621 | 28 % | (1,521) | 1,879 | U |
| Energy Financial Services | (38) | 61 | U | 106 | 290 | (63)% |
| GECAS | 313 | 133 | F | 981 | 828 | 18 % |
| Total segment profit (loss) | 1,180 | 905 | 30 % | (149) | 3,249 | U |
| GECC corporate items and eliminations | (445) | (62) | U | (7,245) | 3 | U |
| Earnings (loss) from continuing operations attributable to GECC | 734 | 843 | (13)% | (7,394) | 3,252 | U |
| Preferred stock dividends declared | - | - | - % | (161) | (161) | - % |
| Earnings (loss) from continuing operations attributable to GECC common shareowner | 734 | 843 | (13)% | (7,555) | 3,091 | U |
| Earnings (loss) from discontinued operations, net of taxes | (347) | 706 | U | (10,332) | 2,070 | U |
| Net earnings (loss) attributable to GECC common shareowner | \$387 | \$1,549 | (75)% | \$(17,887) | \$5,161 | U |

| (In millions) | September 30, 2015 | December 31, 2014 | September 30, 2014 |
|---------------------------------------|-----------------------|----------------------|-----------------------|
| Assets | | | |
| CLL | \$21,573 | \$21,673 | \$19,366 |
| Consumer | 120,879 | 135,987 | 140,529 |
| Energy Financial Services | 15,406 | 15,467 | 16,197 |
| GECAS | 45,816 | 42,625 | 42,960 |
| GECC Corporate items and eliminations | 230,146 | 286,818 | 290,392 |
| Total assets | \$433,819 | \$502,570 | \$509,444 |

2015 – 2014 COMMENTARY:

COMMERCIAL LENDING AND LEASING

During the second quarter of 2015, the majority of CLL's business met held for sale criteria and was classified as discontinued operations. See Note 2 for additional information. The discussion below relates solely to the portion of CLL's business classified as continuing operations, which include Healthcare Equipment Finance and Working Capital Solutions.

CLL 2015 revenues increased 14% and net earnings increased 23% in the three months ended September 30, 2015. Revenues increased primarily as a result of organic revenue growth. Net earnings increased reflecting core increases.

CLL 2015 revenues increased 6% and net earnings increased 13% in the nine months ended September 30, 2015. Revenues increased primarily as a result of organic revenue growth, partially offset by the effects of currency exchange. Net earnings increased reflecting core increases.

CONSUMER

Consumer 2015 revenues increased 1% and net earnings increased 28% in the three months ended September 30, 2015. Revenues increased reflecting higher gains (\$0.2 billion), organic revenue growth (\$0.1 billion) and the effects of acquisitions, partially offset by the effects of dispositions (\$0.2 billion) and the effects of currency exchange (\$0.1 billion). Net earnings increased as a result of higher gains (\$0.1 billion) and lower provisions for financing receivables (\$0.1 billion), partially offset by core decreases.

Consumer 2015 revenues decreased 15% and net earnings decreased unfavorably in the nine months ended September 30, 2015. Revenues decreased as a result of higher impairments (\$1.4 billion), the effects of dispositions (\$0.5 billion) and the effects of currency exchange (\$0.4 billion), partially offset by higher gains (\$0.4 billion), organic revenue growth (\$0.3 billion) and the effects of acquisitions. Net earnings decreased as a result of higher provisions for losses on financing receivables (\$2.0 billion), higher impairments (\$1.2 billion) and core decreases (\$0.4 billion), partially offset by higher gains (\$0.2 billion). These decreases are primarily related to the reclassification of assets within Consumer to financing receivables held-for-sale recorded at the lower of cost or fair value, less cost to sell (\$2.2 billion), and asset impairments related to equity method investments in connection with the GE Capital Exit Plan (\$1.2 billion).

ENERGY FINANCIAL SERVICES

Energy Financial Services 2015 revenues decreased 35% and net earnings decreased unfavorably in the three months ended September 30, 2015. Revenues decreased as a result of higher impairments (\$0.2 billion), lower gains (\$0.1 billion) and organic revenue declines, partially offset by the effects of dispositions (\$0.2 billion). Net earnings decreased as a result of higher impairments (\$0.1 billion) and lower gains, partially offset by the effects of dispositions (\$0.1 billion).

Energy Financial Services 2015 revenues decreased 19% and net earnings decreased 63% in the nine months ended September 30, 2015. Revenues decreased as a result of organic revenue declines (\$0.3 billion), higher impairments (\$0.1 billion) and lower gains (\$0.1 billion), partially offset by the effects of dispositions (\$0.2 billion). Net earnings decreased as a result of core decreases (\$0.2 billion), higher impairments (\$0.1 billion) and lower gains, partially offset by the effects of dispositions (\$0.1 billion).

GECAS

GECAS 2015 revenues increased 4% and net earnings increased favorably in the three months ended September 30, 2015. Revenues increased as a result of the effects of acquisitions (\$0.1 billion), partially offset by organic revenue declines (\$0.1 billion). Net earnings increased as a result of lower impairments (\$0.1 billion), the effects of acquisitions and core increases.

GECAS 2015 revenues decreased slightly and net earnings increased 18% in the nine months ended September 30, 2015. Revenues decreased as a result of organic revenue declines (\$0.4 billion), partially offset by the effects of acquisitions (\$0.2 billion) and lower impairments (\$0.1 billion). Net earnings increased as a result of lower impairments (\$0.2 billion) and the effects of acquisitions (\$0.1 billion), partially offset by core decreases (\$0.1 billion).

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GECC CORPORATE ITEMS AND ELIMINATIONS

Corporate items and eliminations included \$0.2 billion of Treasury operation expenses and \$0.1 billion of Treasury operation income in the three months ended September 30, 2015 and 2014, respectively, and \$0.2 billion of Treasury operation expenses and \$0.1 billion of Treasury operation income in the nine months ended September 30, 2015 and 2014, respectively, reflecting derivative activities that reduce or eliminate interest rate, currency or market risk between financial assets and liabilities.

Corporate items and eliminations included \$6.2 billion of net unallocated tax expenses in the nine months ended September 30, 2015, primarily related to tax expenses on expected repatriation of foreign earnings and write-off of deferred tax assets related to the GE Capital Exit Plan.

Corporate items and eliminations included \$0.1 billion and \$0.1 billion of corporate headquarters expenses in the three months ended September 30, 2015 and 2014, respectively, and \$0.5 billion and \$0.3 billion in the nine months ended September 30, 2015 and 2014, respectively, encompassing executive staff and functional support to our businesses.

Certain amounts included in corporate items and eliminations are not allocated to the four operating businesses because they are excluded from the measurement of their operating performance for internal purposes. Unallocated costs included an insignificant amount in both the three months ended September 30, 2015 and 2014, respectively, and \$0.1 billion in both the nine months ended September 30, 2015 and 2014, respectively, primarily related to restructuring, rationalization and other charges.

DISCONTINUED OPERATIONS

Discontinued operations primarily included most of our CLL business, our Real Estate business and our U.S. mortgage business (WMC).

Results of operations, financial position and cash flows for these businesses are separately reported as discontinued operations for all periods presented.

FINANCIAL INFORMATION FOR DISCONTINUED OPERATIONS

| | Three months ended September 30 | | Nine months ended September 30 | |
|--|---------------------------------|-------|--------------------------------|---------|
| (In millions) | 2015 | 2014 | 2015 | 2014 |
| Earnings (loss) from discontinued operations, net of taxes | \$(347) | \$706 | \$(10,332) | \$2,070 |

2015 – 2014 COMMENTARY: THREE MONTHS ENDED SEPTEMBER 30

The third quarter 2015 loss from discontinued operations, net of taxes, primarily reflected the following: \$0.5 billion after-tax loss at our CLL business (including \$1.2 billion after-tax impairment charges on planned disposals).

Third quarter 2015 losses were partially offset by \$0.1 billion after-tax earnings at our Real Estate business, including a \$0.2 billion after-tax gain on transactions closed in the quarter.

The third quarter 2014 earnings from discontinued operations, net of taxes, primarily reflected the following:

- \$0.5 billion of after-tax earnings from operations at our CLL business, and
- \$0.2 billion of after-tax earnings from operations at our Real Estate business.

2015 – 2014 COMMENTARY: NINE MONTHS ENDED SEPTEMBER 30

The 2015 loss from discontinued operations, net of taxes, primarily reflected the following:

- \$8.2 billion after-tax loss at our CLL business (including a \$8.4 billion after-tax loss on planned disposals), and
- \$2.2 billion after-tax loss at our Real Estate business primarily loss on planned disposals.

The 2014 earnings from discontinued operations, net of taxes, primarily reflected the following:

- \$1.4 billion of after-tax earnings from operations at our CLL business, and
- \$0.7 billion of after-tax earnings from operations at our Real Estate business.

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For additional information related to discontinued operations, see Note 2 to the consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

MAJOR CHANGES IN OUR FINANCIAL POSITION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015:

Cash and equivalents increased \$13.3 billion. See the following Liquidity Sources and Statement of Cash Flows sections for additional information.

Financing receivables-net decreased \$38.7 billion. See the following Financing Receivables section for additional information.

Financing receivables held for sale increased \$22.9 billion. See the following Financing Receivables Held for Sale section for additional information.

Assets of discontinued operations decreased \$65.0 billion, primarily due to the disposition of CLL businesses of \$35.0 billion and Real Estate of \$29.1 billion. See Note 2 for additional information.

Borrowings decreased \$50.5 billion, primarily due to net repayments on borrowings of \$43.4 billion, along with a \$7.3 billion reduction in the balances driven by the strengthening of the U.S. dollar against all major currencies.

Bank deposits increased \$4.8 billion, primarily due to an increase in U.S. bank deposits of \$5.4 billion at Synchrony Financial, offset by a \$0.7 billion reduction driven by the strengthening of the U.S. dollar in non-U.S. bank deposits.

Liabilities of discontinued operations decreased \$5.0 billion, primarily due to the disposition of CLL businesses of \$3.3 billion and Real Estate of \$1.7 billion. See Note 2 for additional information.

FINANCING RECEIVABLES

Financing receivables held for investment are those that we have the intent and ability to hold for the foreseeable future and are measured at the principal amount outstanding, net of the allowance for losses, write-offs, unamortized discounts and premiums, and net deferred loan fees or costs.

At September 30, 2015, our financing receivables portfolio primarily relates to Synchrony Financial (our U.S. consumer business), Working Capital Solutions, which purchases GE customer receivables and GECAS, Energy Financial Services and Healthcare Equipment Finance (that directly relate to GE's core industrial businesses). The portfolios in our GECAS and Energy Financial Services businesses are collateralized by commercial aircraft and operating assets in the global energy and water industries, respectively. Our Healthcare Equipment Finance portfolio is collateralized by equipment used in the healthcare industry and the Working Capital Solutions portfolio is substantially recourse to GE or insured. Both the Healthcare Equipment Finance and Working Capital Solutions portfolios are reported in the CLL segment. Substantially all of the Synchrony Financial portfolio consists of U.S. consumer credit card and sales finance receivables and are reported in the Consumer segment.

For purposes of the discussion that follows, "delinquent" receivables are those that are 30 days or more past due based on their contractual terms. Loans purchased at a discount are initially recorded at fair value and accrete interest income over their estimated lives based on reasonably estimable cash flows even if the underlying loans are contractually delinquent at acquisition. "Nonaccrual" financing receivables are those on which we have stopped accruing interest. We stop accruing interest at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days past due, with the exception of consumer credit card accounts, for which we continue to accrue interest until the accounts are written off in the period that the account becomes 180 days past due. Recently restructured financing receivables are not considered delinquent when payments are brought current according to the restructured terms, but may remain classified as nonaccrual until there has been a period of satisfactory payment performance by the borrower and future payments are reasonably assured of collection.

Further information on the determination of the allowance for losses on financing receivables and the credit quality and categorization of our financing receivables is provided in Notes 4 and 13 to the consolidated financial statements.

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FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES

| (In millions) | Financing receivables at | | Nonaccrual receivables at | | Allowance for losses at(a) | |
|--------------------|-----------------------------|----------------------|------------------------------|----------------------|-------------------------------|----------------------|
| | September 30, 2015 | December 31, 2014 | September 30, 2015 | December 31, 2014 | September 30, 2015 | December 31, 2014 |
| Commercial | | | | | | |
| CLL | \$13,341 | \$14,418 | \$27 | \$25 | \$32 | \$21 |
| Energy | | | | | | |
| Financial Services | 2,443 | 2,580 | 82 | 68 | 14 | 26 |
| GECAS | 7,394 | 8,263 | 195 | 419 | 37 | 46 |
| Other | 506 | 480 | - | - | 2 | - |
| Total Commercial | 23,684 | 25,741 | 304 | 512 | 85 | 93 |
| Consumer | 63,520 | 100,820 (b) | 2 (d) | 1,484 (b) | 3,372 | 4,011 (b) |
| Total | \$87,204 | \$126,561 | \$306(c) | \$1,996 | \$3,457 | \$4,104 |

- (a) Write-offs to net realizable value are recognized against the allowance for losses primarily in the reporting period in which management has deemed all or a portion of the financing receivable to be uncollectible. Included financing receivables of \$10,564 million, nonaccrual receivables of \$546 million and allowance for losses of \$136 million at December 31, 2014, respectively, primarily related to loans, net of credit insurance, whose terms permitted repayments that are less than the repayments for fully amortizing loans and high loan-to-value ratios at inception (greater than 90%). At origination, we underwrite loans with an adjustable rate to the reset value. Of these loans at December 31, 2014, about 85% are in our U.K. and France portfolios, which have a delinquency rate of 10%, have a loan-to-value ratio at origination of 82% and have re-indexed loan-to-value ratios of 77% and 62%, respectively. Re-indexed loan-to-value ratios may not reflect actual realizable values of future reposessions. At December 31, 2014, 13% (based on dollar values) of these loans in our U.K. and France portfolios have been restructured.
- (b) The majority of our \$0.3 billion of nonaccrual loans at September 30, 2015 are currently paying in accordance with the contractual terms.
- (c) We continue to accrue interest on consumer credit cards until the accounts are written off in the period the account becomes 180 days past due.
- (d)

Financing receivables, before allowance for losses, decreased \$39.4 billion from December 31, 2014, primarily as a result of reclassifications to financing receivables held for sale or assets of businesses held for sale (primarily Consumer) (\$34.5 billion), write-offs (\$5.6 billion) and the stronger U.S. dollar (\$4.0 billion), partially offset by originations exceeding collections (which includes sales) (\$5.8 billion).

Nonaccrual receivables decreased \$1.7 billion from December 31, 2014, primarily due to reclassifications to financing receivables held for sale (including write-offs) or assets of businesses held for sale (primarily Consumer).

Allowance for losses decreased \$0.6 billion from December 31, 2014, primarily as a result of write-offs on financing receivables reclassified to financing receivables held for sale and the transfer of that portion of the allowance for losses related to financing receivables reclassified to assets of businesses held for sale (primarily Consumer). The allowance for losses as a percent of total financing receivables increased from 3.2% at December 31, 2014 to 4.0% at September 30, 2015 reflecting decreases in both the allowance for losses and the overall financing receivables balance related to the financing receivables reclassified to financing receivables held for sale and assets of businesses held for sale as part of the GE Capital Exit Plan.

SELECTED RATIOS RELATED TO NONACCRUAL FINANCING RECEIVABLES AND THE ALLOWANCES FOR LOSSES

| | Nonaccrual financing receivables as a percent of total financing receivables at | | Allowance for losses as a percent of nonaccrual financing receivables at | | Allowance for losses as a percent of total financing receivables at | | |
|------------|--|----------------------|---|----------------------|---|----------------------|-----|
| | September 30, 2015 | December 31, 2014 | September 30, 2015 | December 31, 2014 | September 30, 2015 | December 31, 2014 | |
| Commercial | | | | | | | |
| CLL | 0.2 | % 0.2 | % 118.5 | % 84.0 | % 0.2 | % 0.2 | % |
| Energy | | | | | | | |
| Financial | 3.4 | 2.6 | 17.1 | 38.2 | 0.6 | 1.0 | |
| Services | | | | | | | |
| GECAS | 2.6 | 5.1 | 19.0 | 11.0 | 0.5 | 0.6 | |
| Other | - | - | - | - | 0.4 | - | |
| Total | 1.3 | 2.0 | 28.0 | 18.2 | 0.4 | 0.4 | |
| Commercial | | | | | | | |
| Consumer | - | (a) 1.5 | (b)(c) | 270.3 | (b) 5.3 | (d) 4.0 | (b) |
| Total | 0.4 | 1.6 | (c) | 205.6 | 4.0 | 3.2 | |

(a) We continue to accrue interest on consumer credit cards until the accounts are written off in the period the account becomes 180 days past due.

Included nonaccrual financing receivables as a percent of financing receivables of 5.2%, allowance for losses as a percent of nonaccrual receivables of 24.8% and allowance for losses as a percent of total financing receivables of and 1.3% at 2014, respectively, primarily related to loans, net of credit insurance, whose terms permitted repayments that are less than the repayments for fully amortizing loans and high loan-to-value ratios at inception (greater than 90%). Compared to the overall non-U.S. residential mortgage loan portfolio, the ratio of allowance for losses as a percent of nonaccrual financing receivables for these loans is lower, driven primarily by the higher mix of such products in the U.K. and France portfolios and as a result of the better performance and collateral realization experience in these markets.

(c) Not meaningful.

The ratio of allowance for losses as a percent of financing receivables increased from 4.0% at December 31, 2014 (d) to 5.3% at September 30, 2015, primarily reflecting the transfer of our non-U.S. Consumer financing receivables to financing receivables held for sale or assets of businesses held for sale.

FINANCING RECEIVABLES HELD FOR SALE

Financing receivables held for sale are recorded at the lower of cost or fair value, less cost to sell, and represent those financing receivables that management does not intend to hold for the foreseeable future. Subsequent declines in fair value are recognized in the period in which they occur. Valuations are primarily performed on a portfolio basis, except for commercial financing receivables which may be performed on an individual financing receivable basis. Interest income on financing receivables held for sale is accrued and subject to the nonaccrual policies described above. Because financing receivables held for sale are recognized at the lower of cost or fair value, less cost to sell, the allowance for losses and write-off policies do not apply to these financing receivables.

During the first quarter of 2015, we transferred all of our non-U.S. Consumer financing receivables to financing receivables held for sale or assets of businesses held for sale as a result of the GE Capital Exit Plan and the signing of

an agreement to sell our consumer finance business in Australia and New Zealand.

The transfer of financing receivables to financing receivables held for sale and assets of businesses held for sale in the nine months ended September 30, 2015, totaled \$29.0 billion and \$5.5 billion, respectively. Prior to transferring the financing receivables to financing receivables held for sale we recognized a pre-tax provision for losses on financing receivables of \$2.4 billion (\$2.2 billion after-tax), to reduce the carrying value of the financing receivables to the lower of cost or fair value, less cost to sell, and wrote-off the associated balance of the allowance for losses of \$2.9 billion to establish a new cost basis of the financing receivables held for sale at September 30, 2015.

For businesses held for sale, financing receivable balances of \$5.5 billion and the related allowance for loan losses of \$0.2 billion were reclassified to assets of businesses held for sale. The businesses held for sale were recorded at the lower of cost or fair value, less cost to sell.

A majority of the provision for losses on financing receivables recognized upon the transfer of financing receivables to financing receivables held for sale during the nine months ended September 30, 2015 relates to our Consumer non-U.S. residential mortgage portfolios in the U.K., France, Poland and Spain, which primarily comprise variable rate mortgages with a remaining weighted average maturity of more than ten years. We estimate that the effect on the provision for losses is largely attributable to credit loss exposures that are not incurred losses recognizable under GAAP but nevertheless affect fair value that would be determined by a market participant when pricing the portfolio.

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As a result of the GE Capital Exit Plan and transfer of financing receivables to financing receivables held for sale or assets of businesses held for sale, nonaccrual receivables and impaired loan balances at December 31, 2014 were reduced by \$1.2 billion and \$1.0 billion, respectively. Loans held for sale are not reported as impaired, as these loans are recorded at lower of cost or fair value, less cost to sell.

Further information on financing receivables held for sale is provided in Note 2 to the consolidated financial statements.

FINANCIAL RESOURCES AND LIQUIDITY

LIQUIDITY AND BORROWINGS

We maintain a strong focus on liquidity. We manage our liquidity to help provide access to sufficient funding to meet our business needs and financial obligations throughout business cycles.

Our liquidity and borrowing plans are established within the context of our annual financial and strategic planning processes. Our liquidity and funding plans take into account the liquidity necessary to fund our operating commitments. We also take into account our capital allocation and growth objectives, including paying dividends.

We rely on a diversified source of funding, including the unsecured term debt markets, the global commercial paper markets, deposits, secured funding, retail funding products, bank borrowings and securitizations to fund our balance sheet. We also rely on cash generated through collection of principal, interest and other payments on our existing portfolio of loans and leases as well as dispositions to fund our operating and interest expense costs. Our liquidity position is targeted to meet our obligations under both normal and stressed conditions. We establish a funding plan annually that is based on the projected asset size and cash needs of the business, which, over the past few years, has incorporated our strategy to reduce our ending net investment. In connection with the GE Capital Exit Plan, we do not intend to issue any incremental unsecured term debt in the next five years. We expect to maintain an elevated liquidity position as we generate cash from asset sales, returning to more normalized levels in 2019. While we maintain elevated liquidity levels, we may engage in liability management actions, such as buying back debt, based on market and economic conditions.

Our 2015 funding plan anticipates repayment of principal on outstanding short-term borrowings, including the current portion of long-term debt (\$37.0 billion at December 31, 2014), principally through dispositions, asset sales and cash on hand. Long-term maturities and early redemptions were \$12.9 billion in the third quarter of 2015.

We maintain a detailed liquidity policy that requires us to maintain a contingency funding plan. The liquidity policy defines our liquidity risk tolerance under different stress scenarios based on our liquidity sources and also establishes procedures to escalate potential issues. We actively monitor our access to funding markets and our liquidity profile through tracking external indicators and testing various stress scenarios. The contingency funding plan provides a framework for handling market disruptions and establishes escalation procedures in the event that such events or circumstances arise. We will continue to evaluate the need to modify the existing contingency funding plan due to the GE Capital Exit Plan.

On April 10, 2015, Moody's Investors Service (Moody's) downgraded the senior unsecured debt rating for GE to A1 from Aa3 following GE's April 10 announcement of the GE Capital Exit Plan. GE's P-1 short-term rating was affirmed. Moody's affirmed GECC's A1/P-1 ratings. The rating outlook for GE and GECC remains stable. On April 10, 2015, Standard & Poor's Rating Services (S&P) affirmed GE's AA+/A-1+ ratings and GECC's AA+/A-1+ ratings each with a stable outlook. On October 7, 2015, S&P revised its outlook on GE's credit rating to negative from stable.

S&P affirmed GE's AA+/A-1+ ratings.

As part of the GE Capital Exit Plan, on September 21, 2015 GE Capital commenced private offers to exchange up to \$30 billion of certain outstanding debt for new notes with maturities of six months, five years, ten years or twenty years. On October 19, 2015, given the high level of participation, the offering was increased by \$6 billion with the aggregate principal amount of \$36 billion of outstanding notes being tendered for exchange and settled on October 26, 2015. The new notes that were issued at closing are composed of \$15.3 billion of 0.964% Six Month Notes due 2016, £0.8 billion of 1.363% Six Month Notes due 2016, \$6.1 billion of 2.342% Notes due 2020, \$2.0 billion of 3.373 % Notes due 2025 and \$11.5 billion of 4.418 % Notes due 2035. Of the \$16.2 billion exchanged into the Six Month Notes, \$1.3 billion is in short term borrowings at September 30, 2015. GECC will continue to evaluate the opportunity to

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repurchase debt while maintaining our liquidity at the levels communicated as part of the GE Capital Exit Plan. The new notes have been fully, irrevocably and unconditionally guaranteed by GE.

LIQUIDITY SOURCES

We maintain liquidity sources of \$97.0 billion that consisted of cash and equivalents of \$82.3 billion, high-quality, liquid investments of \$3.2 billion and cash and equivalents of \$11.5 billion classified as discontinued operations and businesses held for sale. Additionally, we have \$45.3 billion of committed unused credit lines.

CASH AND EQUIVALENTS

(In billions) September 30, 2015

| | | |
|--------------------|--------|-----|
| U.S. | \$37.0 | |
| Non-U.S. | 45.3 | (a) |
| Total consolidated | \$82.3 | (b) |

(a) Of this amount at September 30, 2015, no cash was considered indefinitely reinvested.

(b) At September 30, 2015, cash and equivalents of about \$17.0 billion were in regulated banks and insurance entities and were subject to regulatory restrictions.

COMMITTED UNUSED CREDIT LINES

(In billions) September 30, 2015

| | |
|--|---------|
| Revolving credit agreements (exceeding one year) | \$ 24.5 |
| Revolving credit agreements (364-day line)(a) | 20.8 |
| Total(b) | \$ 45.3 |

(a) Contain a term-out feature that allows us to extend borrowings for two years from the date on which such borrowings would otherwise be due.

(b) Total committed unused credit lines were extended to us by 47 financial institutions. GECC can borrow up to \$45.3 billion under all of these credit lines. GE can borrow up to \$14.8 billion under certain of these credit lines.

FUNDING PLAN

GE reduced its GE Capital ENI, excluding liquidity* to \$176 billion at September 30, 2015.

During the first nine months of 2015, we completed issuances of \$8.1 billion of senior unsecured debt (excluding securitizations described below) with maturities up to 10 years. In addition, Synchrony Financial completed issuances of \$2.0 billion of senior unsecured debt including \$1.0 billion in February 2015, maturing in 2020, and \$1.0 billion in July 2015, maturing in 2025.

COMMERCIAL PAPER

(In billions)

| | |
|--|--------|
| Average commercial paper borrowings during the third quarter of 2015 | \$22.5 |
| Maximum commercial paper borrowings outstanding during the third quarter of 2015 | 25.1 |

Our commercial paper maturities have historically been funded principally through new commercial paper issuances. Our commercial paper borrowings as of September 30, 2015 were \$12.9 billion. As announced on April 10, 2015, we are targeting to reduce the outstanding commercial paper to approximately \$5 billion by the end of 2015.

We securitize financial assets as an alternative source of funding. During the first nine months of 2015, we completed \$2.1 billion of non-recourse issuances and \$5.2 billion of non-recourse borrowings matured. At September 30, 2015, consolidated non-recourse securitization borrowings were \$16.2 billion.

We have nine deposit-taking banks outside of the U.S., five of which are classified as discontinued operations, and two deposit-taking banks in the U.S. – Synchrony Bank (formerly GE Capital Retail Bank), a Federal Savings Bank (FSB), and GE Capital Bank, an industrial bank (IB), which is also classified as discontinued operations. The FSB and IB currently issue certificates of deposit (CDs) in maturity terms up to 10 years.

*Non-GAAP Financial Measure
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ALTERNATIVE FUNDING

(In billions)

| | |
|---|--------|
| Total alternative funding at December 31, 2014 | \$86.4 |
| Total alternative funding at September 30, 2015, as follows: | 75.3 |
| Bank deposits | 48.7 |
| Non-recourse securitization borrowings | 16.2 |
| Funding secured by real estate, aircraft and other collateral | 5.0 |
| Bank unsecured | 5.4 |

As a matter of general practice, we routinely evaluate the economic impact of calling debt instruments where we have the right to exercise a call. In determining whether to call debt, we consider the economic benefit to GECC of calling debt, the effect of calling debt on our liquidity profile and other factors. During 2015, we called \$0.6 billion of long-term debt.

INCOME MAINTENANCE AGREEMENT AND GE GUARANTEE OF CERTAIN GECC DEBT

GE provides implicit and explicit support to GECC through commitments, capital contributions and operating support. As part of the GE Capital Exit Plan, on April 10, 2015, GE and GECC entered into an amendment to their existing financial support agreement. Under this amendment (the Amendment), GE has provided a full and unconditional guarantee (the Guarantee) of the payment of principal and interest on all tradable senior and subordinated outstanding long-term debt securities and all commercial paper issued or guaranteed by GECC identified in the Amendment. In the aggregate, the Guarantee applied to approximately \$184 billion of GECC debt as of September 30, 2015. The Guarantee replaced the requirement that GE make certain income maintenance payments to GECC in certain circumstances. GECC's U.S. public indentures were concurrently amended to provide the full and unconditional guarantee by GE set forth in the Guarantee.

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STATEMENT OF CASH FLOWS - NINE MONTHS ENDED SEPTEMBER 30, 2015

Our business uses a variety of financial resources to meet its capital needs. Cash for our business activities is primarily provided from the issuance of term debt and commercial paper in public and private markets and deposits, as well as financing receivables collections, sales and securitizations.

CASH FLOWS

| (In billions) | Nine months ended September 30 | |
|------------------------------------|--------------------------------------|--------|
| | 2015 | 2014 |
| Cash from operating activities | \$4.0 | \$6.8 |
| Cash from investing activities | 55.7 | 7.0 |
| Cash used for financing activities | (43.7) | (10.6) |

2015 – 2014 COMMENTARY:

GECC cash from operating activities decreased \$2.8 billion primarily due to the following:

- A decrease in net cash collateral activity with counterparties on derivative contracts of \$2.2 billion.

GECC cash from investing activities increased \$48.6 billion primarily due to the following:

In 2015, we closed the sale of certain of our Real Estate businesses and CLL businesses for proceeds of \$25.6 billion and \$16.8 billion, respectively.

A net increase in financing receivables activity of \$6.1 billion driven by higher net collections (which includes sales) of financing receivables.

· The 2014 payment of our obligation to the buyer of GE Money Japan for \$1.7 billion.

These increases were partially offset by the 2015 acquisition of Milestone Aviation Group, resulting in net cash paid of \$1.7 billion.

GECC cash used for financing activities increased \$33.1 billion primarily due to the following:

Higher net repayments of borrowings of \$29.4 billion driven primarily by a decrease in issuances of senior unsecured notes and an increase in short-term debt maturities.

· A decrease in deposits at our banks of \$1.6 billion.

· Proceeds received from the initial public offering of Synchrony Financial of \$2.8 billion in 2014.

These increases were partially offset by GECC paying quarterly dividends of \$0.5 billion and no special dividends to GE in the nine months ended September 30, 2015. GECC paid quarterly dividends of \$1.5 billion and special dividends of \$0.7 billion to GE in the nine months ended September 30, 2014.

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EXPOSURES

GECC SELECTED EUROPEAN EXPOSURES

At September 30, 2015, we had \$28.1 billion in financing receivables to consumer and commercial customers in Europe, including \$22.1 billion classified as financing receivables held for sale, and \$6.0 billion classified as assets held for investment. The GECC financing receivables portfolio in Europe is well diversified across European geographies and customers. Approximately 88% of the portfolio is secured by collateral. Several European countries, including Spain, Portugal, Ireland, Italy, Greece and Hungary (focus countries), have been subject to credit deterioration due to weaknesses in their economic and fiscal situations. The carrying value of GECC funded exposures in these focus countries and in the rest of Europe comprised the following at September 30, 2015.

| (In millions) | Spain | Portugal | Ireland | Italy | Greece | Hungary | Rest of Europe | Total Europe |
|---------------------------------------|----------|----------|----------|----------|--------|---------|----------------|--------------|
| Financing receivables - net (a)(d) | \$ 339 | \$ 74 | \$ 251 | \$ 1,422 | \$ - | \$ 377 | \$ 3,525 | \$ 5,988 |
| Financing receivables held for sale | 332 | 33 | 14 | - | - | - | 21,742 | 22,121 |
| Investments(b)(c) | 3 | - | - | - | - | - | 1,244 | 1,247 |
| Cost and equity method investments(d) | - | - | 443 | - | - | - | 292 | 735 |
| Derivatives, net of collateral(b)(e) | - | - | - | - | - | - | 318 | 318 |
| Equipment leased to others (ELTO)(f) | 368 | 250 | 562 | 452 | 266 | 195 | 7,081 | 9,174 |
| Total funded exposures(g)(h) | \$ 1,042 | \$ 357 | \$ 1,270 | \$ 1,874 | \$ 266 | \$ 572 | \$ 34,202 | \$ 39,583 |
| Unfunded commitments(i) | \$ - | \$ - | \$ 31 | \$ - | \$ - | \$ - | \$ 2,066 | \$ 2,097 |

(a) Financing receivable amounts are classified based on the location or nature of the related obligor.

(b) Investments and derivatives are classified based on the location of the parent of the obligor or issuer.

(c) Included \$0.4 billion related to financial institutions, \$47.5 million related to non-financial institutions and \$0.8 billion related to sovereign issuers. We held no investments issued by sovereign entities in the countries of focus.

(d) Substantially all is non-sovereign.

(e) Net of cash collateral; entire amount is non-sovereign.

(f) These assets are held under long-term investment and operating strategies, and our ELTO strategies contemplate an ability to redeploy assets under lease should default by the lessee occur. The values of these assets could be subject to decline or impairment in the current environment.

(g) Excluded \$29.6 billion of cash and equivalents, which is composed of \$21.7 billion of cash on short-term placement with highly rated global financial institutions based in Europe, sovereign central banks and agencies or supranational entities, of which \$0.5 billion is in focus countries, and \$7.9 billion of cash and equivalents placed with highly rated European financial institutions on a short-term basis, secured by U.S. Treasury securities (\$4.5 billion) and sovereign bonds of non-focus countries (\$3.4 billion), where the value of our collateral exceeds the amount of our cash exposure.

(h) Rest of Europe included \$1.5 billion and \$0.1 billion of exposure for Russia and Ukraine, respectively, substantially all ELTO and financing receivables related to commercial aircraft in our GECAS portfolio.

(i) Includes ordinary course of business lending commitments, commercial and consumer unused revolving credit lines, inventory financing arrangements and investment commitments.

We manage counterparty exposure, including credit risk, on an individual counterparty basis. We place defined risk limits around each obligor and review our risk exposure on the basis of both the primary and parent obligor, as well as the issuer of securities held as collateral. These limits are adjusted on an ongoing basis based on our continuing assessment of the credit risk of the obligor or issuer. In setting our counterparty risk limits, we focus on high-quality

credits and diversification through spread of risk in an effort to actively manage our overall exposure. We actively monitor each exposure against these limits and take appropriate action when we believe that risk limits have been exceeded or there are excess risk concentrations. Our collateral position and ability to work out problem accounts have historically mitigated our actual loss experience. Delinquency experience has been relatively stable in our European commercial and consumer platforms in the aggregate, and we actively monitor and take action to reduce exposures where appropriate. Uncertainties surrounding European markets could have an impact on the judgments and estimates used in determining the carrying value of these assets.

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CRITICAL ACCOUNTING ESTIMATES

We utilized significant estimates in the preparation of the third quarter financial statements.

In addition to the discussion below on estimates used to determine the fair value of businesses and assets held for sale, please refer to the Critical Accounting Estimates section within MD&A and Note 1, Basis of Presentation and Summary of Significant Accounting Policies, to the consolidated financial statements of our Form 8-K Report filed on May 8, 2015 for a discussion of our accounting policies and the critical accounting estimates we use to: assess the recoverability of assets such as financing receivables and goodwill; determine the fair value of financial assets; and determine our provision for income taxes and recoverability of deferred tax assets.

BUSINESSES AND ASSETS HELD FOR SALE

Businesses held for sale represent components that meet the accounting requirements to be classified as held for sale and are presented as single asset and liability amounts in our financial statements with a valuation allowance, if necessary, to recognize the net carrying amount at the lower of cost or fair value less cost to sell. Financing receivables that no longer qualify to be presented as held for investment must be classified as held for sale and recognized in our financial statements at the lower of cost or fair value, less cost to sell, with that amount representing a new cost basis at the date of transfer.

As previously discussed, as a result of the GE Capital Exit Plan, management has committed to reduce the size of its financial services businesses through the sale of most of the assets of GECC over the following 24 months. As a result, certain GECC businesses met the criteria to be classified as businesses held for sale and certain financing receivables were required to be recognized as held for sale at September 30, 2015.

The determination of fair value for businesses and portfolios of financing receivables involves significant judgments and assumptions. Development of estimates of fair values in this circumstance is complex and is dependent upon, among other factors, the nature of the potential sales transaction (for example, asset sale versus sale of legal entity), composition of assets and/or businesses in the disposal group, the comparability of the disposal group to market transactions, negotiations with third party purchasers etc. Such factors bear directly on the range of potential fair values and the selection of the best estimates. Key assumptions were developed based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction as of September 30, 2015.

We review all businesses and assets held for sale each reporting period to determine whether the existing carrying amounts are fully recoverable in comparison to estimated fair values.

Further information is provided in Notes 2 and 10 to the consolidated financial statements of this Form 10-Q Report.

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OTHER ITEMS

NEW ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of this standard, with a revised effective date for fiscal years beginning after December 15, 2017. Early adoption is permitted, although not prior to fiscal years beginning after December 15, 2016. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method and continue to evaluate the effect of the standard on our ongoing financial reporting.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis. The ASU amends the consolidation guidance for VIEs and general partners' investments in limited partnerships and modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities. The ASU is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. We are currently evaluating the effect of the ASU on our consolidated financial statements and related disclosures. While we anticipate additional disclosures, we do not expect the ASU to have a significant impact on our consolidated financial statements.