

GENERAL ELECTRIC CAPITAL CORP
Form 10-Q
April 25, 2008

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 March 31, 2008

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 1-6461

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.)

3135 Easton Turnpike, Fairfield,
Connecticut
(Address of principal executive offices)

06828-0001
(Zip Code)

(Registrant's telephone number, including area code) (203) 373-2211

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

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 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 April 24, 2008, 3,985,403 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.

(1)

General Electric Capital Corporation

Part I – Financial Information	Page
Item 1. Financial Statements	
Condensed Statement of Current and Retained Earnings	3
Condensed Statement of Financial Position	4
Condensed Statement of Cash Flows	5
Notes to Condensed, Consolidated Financial Statements (Unaudited)	6
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	15
Item 4. Controls and Procedures	24
Part II – Other Information	
Item 6. Exhibits	24
Signatures	26

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 often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” or “will.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could adversely or positively affect our future results include: the behavior of financial markets, including fluctuations in interest and exchange rates and commodity and equity prices; the commercial and consumer credit environment; the impact of regulation and regulatory, investigative and legal actions; strategic actions, including acquisitions and dispositions; future integration of acquired businesses; future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation, media, real estate and healthcare industries; 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.

(2)

Part I. Financial Information

Item 1. Financial Statements

General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Current and Retained Earnings
(Unaudited)

(In millions)	Three months ended	
	March 31	
	2008	2007
Revenues		
Revenues from services (note 3)	\$ 16,801	\$ 15,745
Sales of goods	367	32
Total revenues	17,168	15,777
Costs and expenses		
Interest	6,081	5,179
Operating and administrative	4,560	4,208
Cost of goods sold	317	25
Investment contracts, insurance losses and insurance annuity benefits	143	166
Provision for losses on financing receivables	1,349	1,004
Depreciation and amortization	2,121	1,914
Minority interest in net earnings of consolidated affiliates	36	104
Total costs and expenses	14,607	12,600
Earnings from continuing operations before income taxes	2,561	3,177
Provision for income taxes	(70)	(297)
Earnings from continuing operations	2,491	2,880
Loss from discontinued operations, net of taxes (note 2)	(56)	(401)
Net earnings	2,435	2,479
Dividends	(1,130)	(2,974)
Retained earnings at beginning of period	40,513	37,551
Retained earnings at end of period	\$ 41,818	\$ 37,056

See accompanying notes.

(3)

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Financial Position

(In millions)	March 31, 2008 (Unaudited)	December 31, 2007
Assets		
Cash and equivalents	\$ 9,556	\$ 8,623
Investment securities	21,505	20,740
Inventories	69	63
Financing receivables – net (note 5)	411,322	380,004
Other receivables	29,762	28,721
Property, plant and equipment, less accumulated amortization of \$25,547 and \$24,468	64,794	63,692
Goodwill (note 6)	26,962	25,251
Other intangible assets – net (note 6)	3,949	4,074
Other assets	82,961	82,515
Assets of discontinued operations (note 2)	7,338	6,703
Total assets	\$ 658,218	\$ 620,386
Liabilities and equity		
Short-term borrowings (note 7)	\$ 192,770	\$ 186,770
Accounts payable	15,856	14,575
Long-term borrowings (note 7)	337,795	309,233
Investment contracts, insurance liabilities and insurance annuity benefits	13,100	12,311
Other liabilities	27,655	25,683
Deferred income taxes	5,845	7,637
Liabilities of discontinued operations (note 2)	1,791	1,340
Total liabilities	594,812	557,549
Minority interest in equity of consolidated affiliates	1,930	1,607
Capital stock	56	56
Accumulated gains (losses) – net		
Investment securities	(526)	(25)
Currency translation adjustments	8,477	7,368
Cash flow hedges	(2,427)	(749)
Benefit plans	(92)	(105)
Additional paid-in capital	14,170	14,172
Retained earnings	41,818	40,513
Total shareholder's equity	61,476	61,230
Total liabilities and equity	\$ 658,218	\$ 620,386

The sum of accumulated gains (losses) on investment securities, currency translation adjustments, cash flow hedges and benefit plans constitutes "Accumulated nonowner changes other than earnings," and was \$5,432 million and \$6,489 million at March 31, 2008, and December 31, 2007, respectively.

See accompanying notes.

(4)

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General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Cash Flows
(Unaudited)

(In millions)	Three months ended	
	March 31	
	2008	2007
Cash flows – operating activities		
Net earnings	\$ 2,435	\$ 2,479
Loss from discontinued operations	56	401
Adjustments to reconcile net earnings to cash provided from operating activities		
Depreciation and amortization of property, plant and equipment	2,121	1,914
Increase in accounts payable	703	1,322
Provision for losses on financing receivables	1,349	1,004
All other operating activities	(2,923)	(4,918)
Cash from operating activities – continuing operations	3,741	2,202
Cash from operating activities – discontinued operations	430	200
Cash from operating activities	4,171	2,402
Cash flows – investing activities		
Additions to property, plant and equipment	(2,914)	(3,975)
Dispositions of property, plant and equipment	3,177	2,590
Increase in loans to customers	(88,381)	(77,389)
Principal collections from customers – loans	77,072	72,095
Investment in equipment for financing leases	(6,291)	(5,911)
Principal collections from customers – financing leases	4,581	6,392
Net change in credit card receivables	2,153	4,834
Payments for principal businesses purchased	(12,652)	(3,534)
Proceeds from principal business dispositions	4,305	1,102
All other investing activities	(1,760)	(4,895)
Cash used for investing activities – continuing operations	(20,710)	(8,691)
Cash used for investing activities – discontinued operations	(418)	(215)
Cash used for investing activities	(21,128)	(8,906)
Cash flows – financing activities		
Net increase (decrease) in borrowings (maturities of 90 days or less)	3,532	(3,228)
Newly issued debt		
Short-term (91 to 365 days)	331	599
Long-term (longer than one year)	35,554	28,173
Non-recourse, leveraged lease	57	–
Repayments and other debt reductions		
Short-term (91 to 365 days)	(18,385)	(11,530)
Long-term (longer than one year)	(2,342)	(3,141)
Non-recourse, leveraged lease	(348)	(386)
Dividends paid to shareowner	(1,130)	(2,974)
All other financing activities	633	24
Cash from financing activities – continuing operations	17,902	7,537
Cash from (used for) financing activities – discontinued operations	–	–
Cash from financing activities	17,902	7,537

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Increase in cash and equivalents	945	1,033
Cash and equivalents at beginning of year	8,907	9,849
Cash and equivalents at March 31	9,852	10,882
Less cash and equivalents of discontinued operations at March 31	296	162
Cash and equivalents of continuing operations at March 31	\$ 9,556	\$ 10,720

See accompanying notes.

(5)

Notes to Condensed, Consolidated Financial Statements (Unaudited)

1. Our financial statements are prepared in conformity with the U.S. generally accepted accounting principles (GAAP). Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed, consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. It is suggested that these condensed, consolidated financial statements be read in conjunction with the financial statements and notes thereto included in our latest shareowner's Annual Report on Form 10-K. See note 1 to the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2007. That note discusses consolidation and financial statement presentation. We have reclassified certain prior-period amounts to conform to the current-period's presentation.

All of the outstanding common stock of General Electric Capital Corporation (GE Capital or GECC) is owned by General Electric Capital Services, Inc. (GECS), all of whose common stock is owned, directly or indirectly, by General Electric Company (GE Company or GE). Our financial statements consolidate all of our affiliates – companies that we control and in which we hold a majority voting interest. Details of total revenues and segment profit by operating segment can be found on page 17 of this report.

Unless otherwise indicated, information in these notes to condensed, consolidated financial statements relates to continuing operations.

We label our quarterly information using a calendar convention, that is, first quarter is labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is our longstanding practice to establish interim quarterly closing dates using a fiscal calendar, which requires our businesses to close their books on either a Saturday or Sunday, depending on the business. The effects of this practice are modest and only exist within a reporting year. The fiscal closing calendar from 1993 through 2013 is available on our website, www.ge.com/secreports.

Accounting changes

On January 1, 2008, we adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) 157, Fair Value Measurements, and SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities. See note 8.

2. Discontinued operations comprised our Japanese personal loan business (Lake), our U.S. mortgage business (WMC), GE Life and Genworth Financial, Inc. (Genworth). Associated results of operations, financial position and cash flows are separately reported as discontinued operations for all periods presented.

WMC

In December 2007, we completed the sale of our U.S. mortgage business. In connection with the transaction, certain contractual obligations and potential liabilities related to previously sold loans were retained. WMC revenues from discontinued operations were \$5 million and \$(453) million in the first quarters of 2008 and 2007, respectively. In total, WMC's losses from discontinued operations, net of taxes, were \$7 million and \$380 million in the first quarters of 2008 and 2007, respectively.

(6)

Lake

In September 2007, we committed to a plan to sell our Lake business. We made the decision to sell this business upon determining that, despite restructuring, Japanese regulatory limits for interest charges on unsecured personal loans did not permit us to earn an acceptable return. We are actively pursuing a buyer and expect to complete the sale of this business by the end of the third quarter of 2008. Lake revenues from discontinued operations were \$245 million and \$302 million in the first quarters of 2008 and 2007, respectively. In total, Lake's losses from discontinued operations, net of taxes, were \$47 million and \$19 million in the first quarters of 2008 and 2007, respectively.

Insurance

In total, loss from discontinued operations, net of taxes, was \$2 million in both the first quarters of 2008 and 2007.

Summarized financial information for discontinued operations is shown below.

(In millions)	Three months ended	
	March 31	
	2008	2007
Operations		
Total revenues	\$ 250	\$ (151)
Loss from discontinued operations before		
income taxes	\$ (77)	\$ (676)
Income tax benefit	21	275
Loss from discontinued operations, net of taxes	\$ (56)	\$ (401)

(In millions)	At	
	3/31/08	12/31/07
Assets		
Cash and equivalents	\$ 296	\$ 284
Financing receivables – net	5,751	5,138
Other	1,291	1,281