

GENERAL ELECTRIC CAPITAL CORP
Form 10-Q
November 01, 2013

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, 2013

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)

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

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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 November 1, 2013, 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.

(1)

General Electric Capital Corporation

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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,” 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, equity prices and the value of financial assets; potential market disruptions or other impacts arising in the United States or Europe from developments in sovereign debt situations; the impact of conditions in the financial and credit markets on the availability and cost of our funding and on our ability to reduce our 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 excess interest refund claims (GE Money Japan); pending and future mortgage securitization claims and litigation 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; our ability to pay dividends to GE at the planned level; the level of demand and financial performance of the major industries GE serves, including, without limitation, air transportation, energy generation, 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; our success in completing announced transactions and integrating acquired businesses; the impact of potential information technology or data security breaches; 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.

GE's Investor Relations website at www.ge.com/investor and our corporate blog at www.gereports.com, as well as GE's Facebook page and Twitter accounts, 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.

(2)

Part I. Financial Information

Item 1. Financial Statements

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

(In millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Revenues				
Revenues from services (a)	\$ 10,693	\$ 11,265	\$ 33,562	\$ 33,967
Other-than-temporary impairment on investment securities:				
Total other-than-temporary impairment on investment securities	(62)	(25)	(503)	(90)
Less: portion of other-than-temporary impairment recognized in accumulated other comprehensive income	6	-	36	1
Net other-than-temporary impairment on investment securities recognized in earnings	(56)	(25)	(467)	(89)
Revenues from services (Note 9)	10,637	11,240	33,095	33,878
Sales of goods	33	34	90	90
Total revenues	10,670	11,274	33,185	33,968
Costs and expenses				
Interest	2,241	2,798	7,046	8,962
Operating and administrative	2,992	3,020	9,347	8,896
Cost of goods sold	29	27	75	75
Investment contracts, insurance losses and insurance annuity benefits	714	798	2,131	2,271
Provision for losses on financing receivables	821	1,122	3,338	2,728
Depreciation and amortization	1,967	1,734	5,372	5,022
Total costs and expenses	8,764	9,499	27,309	27,954
Earnings from continuing operations before income taxes				
	1,906	1,775	5,876	6,014
Benefit (provision) for income taxes	(1)	(80)	(94)	(399)
Earnings from continuing operations	1,905	1,695	5,782	5,615
Earnings (loss) from discontinued operations, net of taxes (Note 2)	(83)	(107)	(313)	(857)
Net earnings	1,822	1,588	5,469	4,758
Less: net earnings (loss) attributable to noncontrolling interests	10	20	38	46

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Net earnings attributable to GECC	1,812	1,568	5,431	4,712
Preferred stock dividends declared	-	-	(135)	-
Net earnings attributable to GECC common shareowner	\$ 1,812	\$ 1,568	\$ 5,296	\$ 4,712
Amounts attributable to GECC				
Earnings from continuing operations	\$ 1,895	\$ 1,675	\$ 5,744	\$ 5,569
Earnings (loss) from discontinued operations, net of taxes	(83)	(107)	(313)	(857)
Net earnings attributable to GECC	\$ 1,812	\$ 1,568	\$ 5,431	\$ 4,712

(a) Excluding net other-than-temporary impairment on investment securities.

See accompanying notes.

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General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Comprehensive Income
(Unaudited)

(In millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net earnings	\$ 1,822	\$ 1,588	\$ 5,469	\$ 4,758
Less: net earnings (loss) attributable to noncontrolling interests	10	20	38	46
Net earnings attributable to GECC	\$ 1,812	\$ 1,568	\$ 5,431	\$ 4,712
Other comprehensive income (loss)				
Investment securities	\$ 159	\$ 128	\$ (377)	\$ 636
Currency translation adjustments	(122)	529	(115)	255
Cash flow hedges	63	27	349	139
Benefit plans	8	(11)	30	(16)
Other comprehensive income (loss)	108	673	(113)	1,014
Less: other comprehensive income (loss) attributable to noncontrolling interests	12	2	(10)	1
Other comprehensive income (loss) attributable to GECC	\$ 96	\$ 671	\$ (103)	\$ 1,013
Comprehensive income	\$ 1,930	\$ 2,261	\$ 5,356	\$ 5,772
Less: comprehensive income (loss) attributable to noncontrolling interests	22	22	28	47
Comprehensive income attributable to GECC	\$ 1,908	\$ 2,239	\$ 5,328	\$ 5,725

Amounts presented net of taxes. See Note 8 for further information about other comprehensive income and noncontrolling interests.

See accompanying notes.

General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Changes in
Shareowners' Equity (Unaudited)

(In millions)	Nine months ended September 30,	
	2013	2012
GECC shareowners' equity balance at January 1	\$ 81,890	\$ 77,110
Increases from net earnings attributable to GECC	5,431 (4,082)	4,712 (5,447)

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Dividends and other transactions with shareowners		
Other comprehensive income (loss) attributable to GECC	(103)	1,013
Changes in additional paid-in capital	978	3,961
Ending balance at September 30	84,114	81,349
Noncontrolling interests	539	711
Total equity balance at September 30	\$ 84,653	\$ 82,060

See Note 8 for further information about changes in shareowners' equity.

See accompanying notes.

(4)

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Financial Position

(In millions, except share information)	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Cash and equivalents	\$ 76,298	\$ 61,942
Investment securities (Note 3)	43,805	48,439
Inventories	78	79
Financing receivables – net (Notes 4 and 12)	254,223	268,951
Other receivables	14,899	13,917
Property, plant and equipment, less accumulated amortization of \$26,346 and \$26,113	51,680	52,974
Goodwill (Note 5)	26,696	27,032
Other intangible assets – net (Note 5)	1,176	1,294
Other assets	50,139	62,201
Assets of businesses held for sale (Note 2)	51	211
Assets of discontinued operations (Note 2)	1,664	2,299
Total assets(a)	\$ 520,709	\$ 539,339
Liabilities and equity		
Short-term borrowings (Note 6)	\$ 79,830	\$ 95,940
Accounts payable	7,189	6,259
Non-recourse borrowings of consolidated securitization entities (Note 6)	29,966	30,123
Bank deposits (Note 6)	50,761	46,461
Long-term borrowings (Note 6)	215,503	224,776
Investment contracts, insurance liabilities and insurance annuity benefits	27,155	28,696
Other liabilities	17,656	15,961
Deferred income taxes	5,660	5,988
Liabilities of businesses held for sale (Note 2)	4	157
Liabilities of discontinued operations (Note 2)	2,332	2,381
Total liabilities(a)	436,056	456,742
Preferred stock, \$0.01 par value (750,000 shares authorized at both September 30, 2013 and December 31, 2012, and 50,000 and 40,000 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively)	-	-
Common stock, \$14 par value (4,166,000 shares authorized at both September 30, 2013 and December 31, 2012 and 1,000 shares		

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issued and outstanding at both September 30, 2013 and December 31, 2012, respectively)	-	-
Accumulated other comprehensive income (loss) – net(b)		
Investment securities	297	673
Currency translation adjustments	(238)	(131)
Cash flow hedges	(396)	(746)
Benefit plans	(706)	(736)
Additional paid-in capital	32,564	31,586
Retained earnings	52,593	51,244
Total GECC shareowners' equity	84,114	81,890
Noncontrolling interests(c)(Note 8)	539	707
Total equity	84,653	82,597
Total liabilities and equity	\$ 520,709	\$ 539,339

(a) Our consolidated assets at September 30, 2013 include total assets of \$46,877 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets include net financing receivables of \$40,398 million and investment securities of \$4,148 million. Our consolidated liabilities at September 30, 2013 include liabilities of certain VIEs for which the VIE creditors do not have recourse to GECC. These liabilities include non-recourse borrowings of consolidated securitization entities (CSEs) of \$28,416 million. See Note 13.

(b) The sum of accumulated other comprehensive income (loss) attributable to GECC was \$(1,043) million and \$(940) million at September 30, 2013 and December 31, 2012, respectively.

(c) Included accumulated other comprehensive income (loss) attributable to noncontrolling interests of \$(139) million and \$(129) million at September 30, 2013 and December 31, 2012, respectively.

See accompanying notes.

(5)

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Cash Flows

(Unaudited)

(In millions)	Nine months ended September 30,	
	2013	2012
Cash flows – operating activities		
Net earnings	\$ 5,469	\$ 4,758
Less: net earnings (loss) attributable to noncontrolling interests	38	46
Net earnings attributable to GECC	5,431	4,712
(Earnings) loss from discontinued operations	313	857
Adjustments to reconcile net earnings attributable to GECC		
to cash provided from operating activities		
Depreciation and amortization of property, plant and equipment	5,372	5,022
Increase (decrease) in accounts payable	747	(310)
Provision for losses on financing receivables	3,338	2,728
All other operating activities	(3,335)	1,881
Cash from (used for) operating activities – continuing operations	11,866	14,890
Cash from (used for) operating activities – discontinued operations	(104)	142
Cash from (used for) operating activities	11,762	15,032
Cash flows – investing activities		
Additions to property, plant and equipment	(7,582)	(8,098)
Dispositions of property, plant and equipment	4,119	4,836
Increase in loans to customers	(219,256)	(217,198)
Principal collections from customers – loans	229,207	227,408
Investment in equipment for financing leases	(6,251)	(6,585)
Principal collections from customers – financing leases	8,001	9,150
Net change in credit card receivables	(3,206)	(3,254)
Proceeds from sales of discontinued operations	-	227
Proceeds from principal business dispositions	841	244
Net cash from (payments for) principal businesses purchased	6,384	-
All other investing activities	15,916	9,519
Cash from (used for) investing activities – continuing operations	28,173	16,249
Cash from (used for) investing activities – discontinued operations	95	(152)
Cash from (used for) investing activities	28,268	16,097

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Cash flows – financing activities		
Net increase (decrease) in borrowings (maturities of 90 days or less)	(9,917)	(1,209)
Net increase (decrease) in bank deposits	(2,222)	1,195
Newly issued debt (maturities longer than 90 days)		
Short-term (91 to 365 days)	8	59
Long-term (longer than one year)	41,347	43,156
Repayments and other debt reductions (maturities longer than 90 days)		
Short-term (91 to 365 days)	(46,686)	(66,837)
Long-term (longer than one year)	(3,182)	(3,162)
Non-recourse, leveraged leases	(528)	(389)
Proceeds from issuance of preferred stock	990	3,960
Dividends paid to shareowners	(4,082)	(5,446)
All other financing activities	(425)	(2,729)
Cash from (used for) financing activities – continuing operations	(24,697)	(31,402)
Cash from (used for) financing activities – discontinued operations	15	-
Cash from (used for) financing activities	(24,682)	(31,402)
Effect of currency exchange rate changes on cash and equivalents	(986)	1,227
Increase (decrease) in cash and equivalents	14,362	954
Cash and equivalents at beginning of year	62,044	76,823
Cash and equivalents at September 30	76,406	77,777
Less: cash and equivalents of discontinued operations at September 30	108	110
Cash and equivalents of continuing operations at September 30	\$ 76,298	\$ 77,667

See accompanying notes.

(6)

General Electric Capital Corporation and consolidated affiliates
 Summary of Operating Segments
 (Unaudited)

(In millions)	Three months ended		Nine months ended September 30,	
	September 30, 2013	2012	2013	2012
Revenues				
CLL	\$ 3,677	\$ 4,028	\$ 11,091	\$ 12,406
Consumer	3,747	3,911	11,353	11,600
Real Estate	689	948	3,218	2,660
Energy Financial Services	438	401	1,084	1,160