

GENERAL ELECTRIC CAPITAL CORP  
Form 10-K  
March 01, 2005

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM  
10-K**

**þ Annual Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

**For the fiscal year ended December 31, 2004  
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.)

**260 Long Ridge Road, Stamford,  
Connecticut**

(Address of principal executive  
offices)

**06927**

(Zip Code)

**203/357-4000**

(Registrant's telephone  
number,  
including area code)

**Securities Registered Pursuant to Section 12(b) of the Act:**

Title of each class	Name of each exchange on which registered
7.875% Guaranteed Subordinated Notes Due December 1, 2006	New York Stock Exchange
6.625% Public Income Notes Due June 28, 2032	New York Stock Exchange
	New York Stock Exchange

**6.10% Public Income Notes Due**

**November 15, 2032**

**5.875% Notes Due February 18,  
2033**

**Step-Up Public Income Notes Due**

**January 28, 2035**

**New York Stock Exchange**

**New York Stock Exchange**

**Securities Registered Pursuant to Section 12(g) of the Act:**

**Title of each class**

**None.**

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes  No

Aggregate market value of the outstanding common equity held by nonaffiliates of the registrant as of the last business day of the registrant's recently completed second fiscal quarter: None.

At February 28, 2005, 3,985,403 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of \$14 were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

The consolidated financial statements of General Electric Company, set forth in the Annual Report on Form 10-K of General Electric Company for the year ended December 31, 2004 are incorporated by reference into Part IV hereof.

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

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## PART I

### Item 1. Business.

#### General Electric Capital Corporation

General Electric Capital Corporation (GE Capital or GECC) was incorporated in 1943 in the State of New York under the provisions of the New York Banking Law relating to investment companies, as successor to General Electric Contracts Corporation, which was formed in 1932. Until November 1987, our name was General Electric Credit Corporation. On July 2, 2001, we changed our state of incorporation to Delaware. All of our outstanding common stock is owned by General Electric Capital Services, Inc. (GE Capital Services or GECS), formerly General Electric Financial Services, Inc., the common stock of which is in turn wholly owned, directly or indirectly, by General Electric Company (GE Company or GE). Financing and services offered by GE Capital are diversified, a significant change from the original business of GE Capital, that is, financing distribution and sale of consumer and other GE products. GE manufactures few of the products financed by GE Capital.

We operate in four key operating segments described below. These operations are subject to a variety of regulations in their respective jurisdictions.

Our services are offered primarily in North America, Europe and Asia. Our principal executive offices are located at 260 Long Ridge Road, Stamford, Connecticut 06927-1600. At December 31, 2004, our employment totaled approximately 76,300.

Our financial information, including filings with the U.S. Securities and Exchange Commission (SEC), is available at [www.ge.com/secreports](http://www.ge.com/secreports). Copies are also available, without charge, from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, CT, 06828-0001. Reports filed with the SEC may be viewed at [www.sec.gov](http://www.sec.gov) or obtained at the SEC Public Reference Room in Washington, D.C.

#### Operating Segments

**2004 was a year of portfolio transition.** As described in our report last year, we simplified our organization on January 1, 2004, by realigning certain businesses within our segment structure. Certain prior-period amounts in this financial section have been reclassified to reflect this reorganization.

#### Commercial Finance

Commercial Finance (38.8%, 38.7% and 39.5% of total revenue in 2004, 2003 and 2002, respectively) offers a broad range of financial services worldwide. We have particular expertise in the mid-market, and offer loans, leases and other financial services to customers, including manufacturers, distributors and end-users for a variety of equipment and major capital assets. These assets include industrial and energy-related facilities and equipment; commercial and residential real estate; vehicles; aircraft; and equipment used in many industries, including the construction, manufacturing, telecommunications and healthcare industries.

During 2004, we acquired the commercial lending business of Transamerica Finance Corporation; the U.S. leasing business of IKON Office Solutions; Sophia S.A., a real estate company in France; and Benchmark Group PLC, a U.K.-listed real estate property company.



We operate in a highly competitive environment. Our competitors include commercial banks, investment banks, leasing companies, financing companies associated with manufacturers and independent finance companies. Competition is based on price, that is interest rates and fees, as well as deal structure and terms. Profitability is affected not only by broad economic conditions that affect customer credit quality and the availability and cost of capital, but also by successful management of credit risk, operating risk and market risks such as interest rate and currency exchange risks. Success requires high quality risk management systems, customer and industry specific knowledge, diversification, service and distribution channels, strong collateral and asset management knowledge, deal structuring expertise and the ability to reduce costs through technology and productivity.

For further information about revenues, net earnings and assets for Commercial Finance, see page 13 and note 18.

We provide additional information on two of our segment product lines, Real Estate (commercial real estate financing) and Aviation Services (commercial aircraft financing). Each of these product lines finances a single form of collateral, and each has understandable concentrations of risk and opportunities.

#### *Real Estate*

Our Real Estate product line operates globally, both directly and through joint ventures. Our Real Estate business finances, with both equity and loan structures, the acquisition, refinancing and renovation of office buildings, apartment buildings, self storage facilities, retail facilities, industrial properties, parking facilities and franchise properties. Our typical Real Estate loans are intermediate term, may be either senior or subordinated, fixed or floating-rate, and are secured by existing income-producing commercial properties. Our originations of low loan-to-value loans are conducted for term securitization within one year. We invest in, and provide restructuring financing for, portfolios of mortgage loans, limited partnerships and tax-exempt bonds.

#### *Aviation Services*

Our Aviation Services product line is a global commercial aviation financial services business that offers a broad range of financial products to airlines, aircraft operators, owners, lenders and investors. Financial products include leases, aircraft purchasing and trading, loans, engine/spare parts financing, pilot training, fleet planning and financial advisory services.

Our headquarters are in Stamford, Connecticut with offices throughout North America, South America, Europe and Asia.

#### **Consumer Finance**

Consumer Finance (26.5%, 24.1% and 20.1% of total revenue in 2004, 2003 and 2002, respectively) is a leading provider of credit products and services to consumers, retailers and auto dealers in 41 countries. We offer a broad range of financial products, including private-label credit cards; personal loans; bank cards; auto loans, leases and inventory financing; residential mortgages; corporate travel and purchasing cards; debt consolidation loans; home equity loans; and credit and other insurance products for customers on a global basis.

In 2004, as part of our continued global expansion, we acquired Australian Financial Investments Group (AFIG), a residential mortgage lender in Australia; WMC Finance Co. (WMC), a U.S. wholesale mortgage lender; and the private-label credit card portfolio of Dillard's Inc.

Our operations are subject to a variety of bank and consumer protection regulations, including regulations controlling data privacy. Further, a number of countries have ceilings on rates chargeable to consumers in financial service transactions. We are subject to competition from various types of financial institutions including commercial banks, leasing companies, consumer loan companies, independent finance companies, manufacturers' captive finance companies, and insurance companies. Industry participants compete on the basis of price, servicing capability, promotional marketing, risk management, and cross selling. The markets in which we operate are also subject to the risks of declining retail sales, changes in interest and currency exchange rates, and increases in personal bankruptcy filings.

Our headquarters are in Stamford, Connecticut and our operations are located in North America, Europe, Asia, South America and Australia.

For further information about revenues, net earnings and assets for Consumer Finance, see page 14 and note 18.

### **Equipment & Other Services**

Equipment & Other Services (15.4%, 9.5% and 11.7% of total revenue in 2004, 2003 and 2002, respectively) helps customers manage, finance and operate a wide variety of business equipment worldwide. We provide rentals, leases, sales, asset management services and loans for portfolios of commercial and transportation equipment, including tractors, trailers, railroad rolling stock, modular space units, intermodal shipping containers and marine containers. Our operations are conducted in highly competitive markets. Economic conditions, geographic location, pricing and equipment availability are important factors in this business. Future success will depend upon our ability to maintain a large and diverse customer portfolio, optimize asset mix, maximize asset utilization and manage credit risk. In addition, we seek to understand our customers and to meet their needs with unique, efficient and cost effective product and service offerings.

In December 2004, we sold a majority interest in Gecis, our global business processing operation, to two leading private investment firms. We retained a 40% investment in Gecis.

Also included in the segment are activities and businesses that are not measured within one of our other segments - for example, corporate expenses, liquidating businesses and other non-segment aligned operations.

Our headquarters are in Stamford, Connecticut with offices throughout North America, South America and Europe.

For further information about revenues, net earnings and assets for Equipment & Other Services, see page 15 and note 18.

### **Insurance**

Insurance (19.3%, 27.7% and 28.7% of total revenue in 2004, 2003 and 2002, respectively) offers a broad range of insurance and investment products that provide reinsurance and primary commercial insurance products to insurance companies, Fortune 100 companies, self-insurers and healthcare providers, and help consumers create and preserve personal wealth, protect assets and enhance their life styles. For lenders and investors, we provide protection against the risks of default on low-down-payment mortgages.

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Our Insurance businesses are subject to intense competition. We believe the principal competitive factors in the sale of our products are service, brand, product features, price, commission structure, marketing and distribution arrangements, reputation and financial strength ratings. In the commercial sector, we are well positioned to compete in select niche insurance and reinsurance segments given our expertise, analytics capabilities and service. In the consumer sector, we are well positioned to benefit from developing demographic, governmental and market trends, including aging U.S. populations with growing retirement income needs, growing lifestyle protection gaps and increasing global opportunities for mortgage insurance.

Our headquarters are in Kansas City, Missouri with offices throughout North America, Europe, South America, Australia and Asia.

In May 2004, we completed an initial public offering of Genworth Financial, Inc. (Genworth), our formerly wholly-owned subsidiary that conducts most of our consumer insurance business, including life and mortgage insurance operations. We sold approximately 30% of the common shares of Genworth to the public, and we expect (subject to market conditions) to reduce our ownership over the next two years as Genworth transitions to full independence.

For further information about revenues, net earnings and assets for Insurance, see page 16 and note 18.

### **Regulations and Competition**

Our activities are subject to a variety of U.S. federal and state regulations including, at the federal level, the Consumer Credit Protection Act, the Equal Credit Opportunity Act and certain regulations issued by the Federal Trade Commission. A majority of states have ceilings on rates chargeable to customers on retail time sales transactions, installment loans and revolving credit financing. Our insurance operations are regulated by various state insurance commissions and non-U.S. regulatory authorities. We are a unitary diversified savings and loan holding company by virtue of owning a federal savings bank in the U.S.; as such, we are subject to holding company supervision by the Office of Thrift Supervision, which is also our consolidated supervisor under the EU Financial Conglomerates Directive. Our global operations are subject to regulation in their respective jurisdictions. To date, compliance with such regulations has not had a material adverse effect on our financial position or results of operations.

The businesses in which we engage are highly competitive. We are subject to competition from various types of financial institutions, including banks, thrifts, investment banks, broker-dealers, credit unions, leasing companies, consumer loan companies, independent finance companies, finance companies associated with manufacturers and insurance and reinsurance companies.

### **Business and Economic Conditions**

Our businesses are generally affected by general business and economic conditions in countries in which we conduct business. When overall economic conditions deteriorate in those countries, there generally are adverse effects on our operations, although those effects are dynamic and complex. For example, a downturn in employment or economic growth in a particular national or regional economy will generally increase the pressure on customers, which generally will result in deterioration of repayment patterns and a reduction in the value of collateral. However, in such a downturn, demand for loans and other products and services we offer may actually increase. Interest rates, another macro-economic factor, are important to our businesses. In the lending and leasing businesses, higher real interest rates increase our cost to borrow funds, but also provide higher levels of return on new investments. For our operations, such as the insurance operations, that are linked less directly to interest rates, rate changes generally affect returns on investment portfolios.



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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 often contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” or “will.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties arise from the behavior of financial markets, including fluctuations in interest rates and commodity prices, from future integration of acquired businesses, from future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation and healthcare industries, from unanticipated loss development in our insurance businesses, and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory 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.

## **Item 2. Properties.**

We conduct our business from various facilities, most of which are leased. The locations of our primary facilities are described in Item 1. Business.

## **Item 3. Legal Proceedings.**

We are not involved in any material pending legal proceedings.

## **Item 4. Submission of Matters to a Vote of Security Holders.**

Not required by this form.

## **PART II**

## **Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

See note 16 to the consolidated financial statements. Our common stock is owned entirely by GE Capital Services and, therefore, there is no trading market in such stock.

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**Item 6. Selected Financial Data.**

The following selected financial data should be read in conjunction with our financial statements and the related Notes to Consolidated Financial Statements.

<i>(In millions)</i>	<b>Year ended December 31</b>				
	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Revenues	\$ 59,347	\$ 52,916	\$ 48,819	\$ 49,048	\$ 54,799
Earnings before accounting changes	8,034	7,232	6,505	6,060	4,289
Cumulative effect of accounting changes	-	(339)	(1,015)	(158)	-
Net earnings	8,034	6,893	5,490	5,902	4,289
Return on average shareowner's equity	16.43%	16.68%	19.12%	21.85%	17.90%
Ratio of earnings to fixed charges	1.87	1.83	1.65	1.72	1.52
Ratio of earnings to combined fixed charges and preferred stock dividends	1.86	1.82	1.64	1.70	1.50
Ratio of debt to equity	6.61:1	6.74:1	6.58:1	7.31:1	7.53:1
Financing receivables - net	\$ 279,356	\$ 245,295	\$ 195,322	\$	