

GE update: Commercial Paper Funding Facility

Q: What is commercial paper and why is it important to GE?

A: Commercial paper is a debt instrument companies use to raise short-term cash to fund their business operations. It's essentially a promissory note that is sold by the issuing company to institutional investors, either directly or through dealers, as a form of borrowing. Commercial paper can be issued for terms as short as one day or as long as 270 days – and then must be repaid by the issuer. Commercial paper is generally offered by large stable companies with high credit ratings. The commercial paper of GE and its affiliates has the highest ratings of A-1+/P-1 from Moody's and S&P.

In the U.S. this is a \$1.5 trillion market. GE Capital has been an issuer of commercial paper since 1952 and is among the largest issuers today. GE Capital also issues commercial paper in other currency markets around the world.

We continue to meet our commercial paper funding needs every day working with a deep and diverse investor base in the U.S and around the world.

Q: Do you plan to use the facility for your own liquidity needs or to reduce your own rollover risk?

A: We plan to use the CPFF primarily to support our CP investors who may need liquidity. We believe having access to the CPFF and demonstrating that it works will encourage investors to buy more term commercial paper. This will improve the liquidity of the GE paper our investors hold and reduce our rollover risk. We will use the facility as necessary to best serve our investors and potentially manage our maturity profile.

Q: Why do your investors need liquidity through the CPFF now that they have access to the Money Market Investor Funding Facility (MMIFF)?

A: We believe both facilities are important tools to improve liquidity in the US commercial paper market and applaud the Fed's actions in creating them both. However, not all of our CP investors are money market mutual funds and may not be eligible to access the MMIFF. Our investor base is diverse and includes money market mutual fund/investment managers, corporate treasury operations, state and local governments, banks and brokers, pensions and insurance companies all of whom have their own liquidity needs in this environment. The CPFF allows us to assure all of our investors have access to liquidity and that we can directly repurchase our CP from them if necessary.

Q: Does your use of the facility mean you are experiencing problems issuing CP to private investors?

A: We continue to see demand for our commercial paper from a diverse investor base. Despite difficult conditions in the commercial paper market during the last five weeks we have met our CP funding needs every day, including issuing term paper, and our pricing has been very close to historical spreads. However, investors who are concerned about their own ability to access liquidity have shortened their investment horizon and that has resulted in our weighted average maturity shortening. We believe the CPFF and MMIFF facilities will provide investors with confidence to purchase more longer-term CP again.

Q: How much of the facility will you use?

A: We are eligible to access up to \$96 billion across GECC, GECS and GE. We do not have a target utilization level, but will use the facility as necessary to best serve our investors and potentially manage our maturity profile.

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Q: Isn't the cost of the facility unfavorable for you?

A: Pricing of the facility is based on the 3-month overnight index swap (OIS) rate plus 200 basis points. This is approximately equivalent to our current 3 month CP cost.

Q: Doesn't use of the facility create a negative stigma and indicate you are experiencing credit problems?

A: No. The world is experiencing an acute crisis of liquidity, which is negatively affecting even creditworthy institutions. The Fed has established this facility to improve liquidity in the \$1.5 trillion US commercial paper market and is encouraging issuers to utilize it. This is one of many liquidity tools provided by governments of the world. These tools are used regularly by financially sound institutions.

Q: Isn't this a change in your position from the 3Q earnings call when you stated you did not plan to utilize the Fed facility?

A: No. These steps are consistent with the statements we made during our 3Q earnings announcement. We said we were supportive of the CPFF, it was good for the market and our investors' confidence, and were working with the Fed to operationalize it. We never ruled out use of the facility. Our CEO said, "We believe that the moves that the Federal Reserve made to make a window available for A-1/P-1 CP gives the whole industry protection if the market shuts, and we think that's good for the entire market." Our CFO said, "On Tuesday this week the Fed announced the CP funding facility for highly rated CP issuers. Under this facility – the details are still being worked out – but clearly GE and GE Capital could issue, if necessary, CP to the facility in amounts up to our outstandings during August in 2008, which is over \$60 billion for GE Capital and over \$10 billion for GE. So this is again another step the Fed has taken. We are very supportive of it. We think it's positive, and our team is working with the Fed to make sure all the mechanics are in place to help support the confidence of our investors."