GENERAL ELECTRIC CAPITAL CORP
Form 10-K/A
March 05, 2004

United States Securities and Exchange Commission

Washington, D.C. 20549

Form 10-K/A
Amendment No. 1

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

For the fiscal year ended December 31, 2003
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 charter)

Delaware (State or other jurisdiction of incorporation or organization)		13-1500700 (I.R.S. Employer Identification No.)
260 Long Ridge Road, Stamford, Connecticut	06927	203/357-4000
(Address of principal executive offices)	(Zip Code)	(Telephone No.)

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	New York Stock Exchange

5.875% Notes Due February 18, 2033

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 þ 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. þ

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

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

At February 27, 2004, 3,985,403 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of $4.00 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, 2003 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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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A is being filed solely to correct Part II, Item 8, Note 21, Commitments and Guarantees, in the Annual Report on Form 10-K of General Electric Capital Corporation (GECC) for the year ended December 31, 2003, filed with the Securities and Exchange Commission on March 2, 2003. This filing makes no other changes.

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PART II

Item 8. Financial Statements and Supplementary Data.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
General Electric Capital Corporation:

We have audited the consolidated financial statements of General Electric Capital Corporation (GECC) and consolidated affiliates as listed in Item 15. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in Item 15. These consolidated financial statements and financial statement schedule are the responsibility of GECC management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Electric Capital Corporation and consolidated affiliates at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in note 1 to the consolidated financial statements, GECC in 2003 changed its method of accounting for variable interest entities, in 2002 changed its method of accounting for goodwill and other intangible assets and in 2001 changed its methods of accounting for derivative instruments and hedging activities and impairment of certain beneficial interests in securitized assets.

/s/ KPMG LLP

Stamford, Connecticut

February 6, 2004

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GENERAL ELECTRIC CAPITAL CORPORATION AND CONSOLIDATED AFFILIATES

STATEMENT OF EARNINGS

For the years ended December 31 (In millions)	2003	2002	2001
REVENUES			
Revenues from services (note 2)	$ 49,995	$ 45,523	$ 45,421
Consolidated, liquidating securitization entities (note 20)	693	--	--
Sales of goods	2,228	3,296	3,627
Total revenues	52,916	48,819	49,048
EXPENSES			
Interest	9,546	9,544	10,025
Operating and administrative (note 3)	15,149	13,175	13,465
Insurance losses and policyholder and annuity benefits	8,510	8,275	8,171
Cost of goods sold	2,119	3,039	3,266
Provision for losses on financing receivables (note 6)	3,612	2,978	2,312
Depreciation and amortization of equipment on operating leases (including buildings and equipment) (note 8)	4,594	4,248	3,931
Minority interest in net earnings of consolidated affiliates	64	95	84
Consolidated, liquidating securitization entities (note 20)	500	--	--
Total expenses	44,094	41,354	41,254
EARNINGS BEFORE INCOME TAXES AND ACCOUNTING CHANGES	8,822	7,465	7,794
Provision for income taxes (note 13)	(1,590)	(960)	(1,734)
EARNINGS BEFORE ACCOUNTING CHANGES	7,232	6,505	6,060
Cumulative effect of accounting changes (note 1)	(339)	(1,015)	(158)
NET EARNINGS	$ 6,893	$ 5,490	$ 5,902

STATEMENT OF CHANGES IN SHAREOWNER'S EQUITY

(In millions)	2003	2002	2001
CHANGES IN SHAREOWNER'S EQUITY			
(note 16)			
Balance at January 1	$ 39,753	$ 31,563	$ 26,073

Dividends and other transactions with shareowner	(4,466)	2,462	607
Changes other than transactions with shareowner:			
Increases attributable to net earnings	6,893	5,490	5,902
Investment securities - net	508	1,392	(223)
Currency translation adjustments - net	3,212	(27)	36
Derivatives qualifying as hedges - net	341	(1,127)	(832)
Total changes other than transactions with shareowner	10,954	5,728	4,883
Balance at December 31	$ 46,241	$ 39,753	$ 31,563

The notes to consolidated financial statements on pages 42-84 are an integral part of these statements.

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GENERAL ELECTRIC CAPITAL CORPORATION AND CONSOLIDATED AFFILIATES
STATEMENT OF FINANCIAL POSITION

At December 31 (In millions)	2003	2002
ASSETS		
Cash and equivalents	$ 9,719	$ 6,983
Investment securities (note 4)	92,480	89,807
Financing receivables (note 5)		
Time sales and loans, net of deferred income	169,683	141,775
Investment in financing leases, net of deferred income	59,933	58,994
	229,616	200,769
Allowance for losses on financing receivables (note 6)	(6,198)	(5,447)
Financing receivables -- net	223,418	195,322
Insurance receivables -- net (note 7)	11,952	14,273
Other receivables	16,351	16,388
Inventories	197	208
Equipment on operating leases (including buildings and equipment) (note 8)	38,615	35,060
Intangible assets -- net (note 9)	22,610	20,916
Consolidated, liquidating securitization entities (note 20)	26,468	--
Other assets (note 10)	64,618	60,485
TOTAL ASSETS	$ 506,428	$ 439,442
LIABILITIES AND SHAREOWNER'S EQUITY		
Short-term borrowings (note 11)	$ 126,105	$ 122,745
Long-term borrowings (note 11)	160,579	138,858
Total borrowings	286,684	261,603
Accounts payable	14,124	10,250
Insurance liabilities, reserves and annuity benefits (note 12)	100,449	99,537
Consolidated, liquidating securitization entities (note 20)	25,721	--
Other liabilities	20,700	15,919
Deferred income taxes (note 13)	10,411	10,546

TOTAL LIABILITIES	458,089	397,855
Minority interest in equity of consolidated affiliates (note 14)	2,098	1,834
Variable cumulative preferred stock, $100 par value, liquidation preference $100,000 per share		
(33,000 shares authorized; 26,000 shares issued and outstanding at December 31, 2003 and 2002)	3	3
Common stock, $4 par value (4,166,000 and 3,866,000 shares authorized at December 31, 2003 and 2002, respectively and 3,985,403 and 3,837,825 shares issued and outstanding at December 31, 2003 and 2002, respectively)	16	15
Additional paid-in capital	14,236	14,231
Retained earnings	29,445	27,024
Accumulated gains/(losses) -- net:		
Investment securities (a)	1,538	1,030
Currency translation adjustments (a)	2,621	(591)
Derivatives qualifying as hedges (a)	(1,618)	(1,959)
Total shareowner's equity (note 16)	46,241	39,753
TOTAL LIABILITIES AND SHAREOWNER'S EQUITY	$ 506,428	$ 439,442

(a) The sum of accumulated gains/(losses) on investment securities, currency translation adjustments and derivatives qualifying as hedges constitutes "Accumulated nonowner changes other than earnings," as shown in note 16, and was $2,541 million and $(1,520) million at year-end 2003 and 2002, respectively.

The notes to consolidated financial statements on pages 42-84 are an integral part of this statement.

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GENERAL ELECTRIC CAPITAL CORPORATION AND CONSOLIDATED AFFILIATES
STATEMENT OF CASH FLOWS

For the years ended December 31 (In millions)	2003	2002	2001
CASH FLOWS -- OPERATING ACTIVITIES			
Net earnings	$ 6,893	$ 5,490	$ 5,902
Adjustments to reconcile net earnings to cash provided from operating activities:			
Cumulative effect of accounting changes	339	1,015	158
Depreciation and amortization of equipment on operating leases (including buildings and equipment)	4,594	4,248	3,931
Provision for losses on financing receivables	3,612	2,978	2,312
Amortization of goodwill	--	--	617
Deferred income taxes	683	1,277	705
Decrease (increase) in inventories	(35)	62	396
Increase (decrease) in accounts payable	2,793	(2,120)	3,914
Increase in insurance liabilities and reserves	1,372	5,539	3,499
Consolidated, liquidating securitization entities	386	---	--
All other operating activities	1,413	1,536	(4,092)
CASH FROM OPERATING ACTIVITIES	22,050	20,025	17,342
CASH FLOWS -- INVESTING ACTIVITIES			
Net increase in financing receivables (note 17)	(14,322)	(18,285)	(12,975)
Equipment on operating leases (including buildings and equipment)			
-- additions	(7,243)	(11,346)	(13,443)
-- dispositions	4,615	6,227	7,504
Payments for principal businesses purchased, net of cash acquired	(10,537)	(12,300)	(10,993)
Consolidated, liquidating securitization entities (note 20)	9,375	--	--
All other investing activities (note 17)	(553)	(12,368)	(6,499)
CASH USED FOR INVESTING ACTIVITIES	(18,665)	(48,072)	(36,406)
CASH FLOWS -- FINANCING ACTIVITIES			
Net increase (decrease) in borrowings (maturities of 90 days or less)	(3,520)	(35,348)	23,424
Newly issued debt (maturities longer than 90	59,838	96,044	30,738

days) (note 17)			
Repayments and other reductions (maturities longer than 90 days) (note 17)	(42,804)	(38,586)	(36,051)
Dividends paid	(4,472)	(2,020)	(2,042)
Consolidated, liquidating securitization entities (note 20)	(9,761)	--	--
All other financing activities (note 17)	70	8,156	3,960
CASH FROM (USED FOR) FINANCING ACTIVITIES	(649)	28,246	20,029
INCREASE IN CASH AND EQUIVALENTS DURING YEAR	2,736	199	965
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	6,983	6,784	5,819
CASH AND EQUIVALENTS AT END OF YEAR	$ 9,719	$ 6,983	$ 6,784

The notes to consolidated financial statements on pages 42-84 are an integral part of this statement.

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GENERAL ELECTRIC CAPITAL CORPORATION AND CONSOLIDATED AFFILIATES

Notes to Consolidated Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

Our financial statements consolidate all of our affiliates--companies that we control and in which we hold a majority voting interest. All outstanding common stock of the Parent is owned by General Electric Capital Services, Inc. (GE Capital Services or GECS), all of whose common stock is owned, directly or indirectly, by General Electric Company (GE Company or GE). In 2003, as we describe on page 46, we added certain non-affiliates that we do not control to our consolidated financial statements because of new accounting requirements that require consolidation of entities based on holding qualifying residual interests.

Associated companies are companies that we do not control but over which we have significant influence, most often because we hold a shareholder voting position of 20% to 50%. Results of associated companies are presented on a "one-line" basis.

Financial statement presentation

We have reclassified certain prior-year amounts to conform to this year's presentation. Effects of transactions between related companies are eliminated.

Preparing financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Sales of Goods

We record sales of goods when a firm sales agreement is in place, delivery has occurred and collectibility of the fixed or determinable sales price is reasonably assured. If customer acceptance of products is not assured, sales are recorded only upon formal customer acceptance.

Revenues from Services (earned income)

We use the interest method to recognize income on all loans. Interest on time sales and loans includes origination, commitment and other non-refundable fees related to funding (recorded in earned income on the interest method). Nonearning loans are loans on which we have stopped accruing interest at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days past due. We recognize interest income on nonearning loans either as cash is collected or on a cost-recovery basis as conditions warrant. We resume accruing interest on nonearning, non-restructured Commercial Finance loans only when (a) payments are brought current according to the loan's original terms and (b) future payments are reasonably assured. When we agree to restructured terms with the borrower, we resume accruing interest only when reasonably assured that we will recover full contractual payments, and pass underwriting reviews equivalent to those to which we subject new loans. We resume accruing interest on nonearning Consumer Finance loans only upon receipt of the third consecutive minimum monthly payment or the equivalent. Specific limits restrict the number of times any particular type of delinquent loan may be categorized as non-delinquent and interest accrual resumed.

We record financing lease income on the interest method to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values of leased assets are based primarily on periodic independent appraisals of the values of leased assets remaining at expiration of the lease terms. Significant assumptions we use in estimating

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residual values include estimated net cash flows over the remaining lease term, results of future remarketing, and future component part and scrap metal prices, discounted at an appropriate rate.

We recognize operating lease income on a straight-line basis over the terms of underlying leases.

Fees include commitment fees related to loans that we do not expect to fund and line-of-credit fees. We record these fees in earned income on a straight-line basis over the period to which they relate. We record syndication fees in earned income at the time related services are performed unless significant contingencies exist.

See pages 44-46 for a discussion of income from investment and insurance activities.

Depreciation and amortization

The cost of our equipment leased to others on operating leases is amortized on a straight-line basis to estimated residual value over the lease term or over the estimated economic life of the equipment. See note 8.

Losses on financing receivables

Our allowance for losses on financing receivables represents our best estimate of probable losses inherent in the portfolio. Our method of calculating estimated losses depends on the size, type and risk characteristics of the related receivables.

Our consumer loan portfolio consists of homogeneous card receivables, installment loans, auto loans and leases and residential mortgages. The allowance for losses on these receivables is based on ongoing statistical analyses of our historical experience adjusted for the effects of economic cycles.

Our allowance for losses on our commercial and equipment loan and lease portfolios is based on relevant observable data that include, but are not limited to, historical experience; loan stratification by portfolio and, when applicable, geography; collateral type; credit class or program type; size of the loan balance; and delinquency. In certain commercial loan and lease portfolios, we review all loans based on a number of monitored risk factors other than size, including collateral value, financial performance of the borrower, aging and bankruptcy. We stratify portfolios in which we believe that it is informative to differentiate between small and large balance loans depending on geography and portfolio. For loans deemed individually impaired, we determine allowances using the present values of expected future cash flows. If repossession is expected to be a source of repayment, we estimate the fair value of that collateral using independent appraisals when necessary.

Delinquencies are the clearest indication of a developing loss, and we monitor delinquency rates closely in all of our portfolios. Experience is not available with new products; therefore, while we are developing that experience, we set loss allowances based on our experience with the most closely analogous products in our portfolio. When we repossess collateral in satisfaction of a commercial loan, we write the receivable down against the allowance for losses. We transfer the asset to "Other assets" and carry it at the lower of cost or estimated fair value less costs to sell.

Cash and Equivalents

Debt securities with original maturities of three months or less are included in cash equivalents unless designated as available for sale and classified as investment securities.

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Investment Securities

We report investments in debt and marketable equity securities, and equity securities at our insurance affiliates, at fair value based on quoted market prices or, if quoted prices are not available, discounted expected cash flows using market rates commensurate with credit quality and maturity of the investment. Substantially all investment securities are designated as available for sale with unrealized gains and losses included in shareowner's equity, net of applicable taxes and other adjustments. We regularly review investment securities for impairment based on criteria that include the extent to which investment's carrying value exceeds its related market value, the duration of the market decline, our ability to hold to recovery and the financial strength and specific prospects of the issuer of the security. Unrealized losses that are other than temporary are recognized in earnings. Realized gains and losses are accounted for on the specific identification method.

Inventories

All inventories are stated at the lower of cost or realizable values. Inventories consist of finished products held for sale. Cost is determined on a first-in, first-out basis.

Intangible Assets

As of January 1, 2002, goodwill is no longer amortized but is tested for impairment using a fair value approach, at the "reporting unit" level. A reporting unit is the operating segment, or a business one level below that operating segment (the "component" level) if discrete financial information is prepared and regularly reviewed by management at the component level. We recognize an impairment charge for any amount by which the carrying amount of a reporting unit's goodwill exceeds its fair value. We use discounted cash flows to establish fair values. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. When a business within a reporting unit is disposed of, goodwill is allocated to the gain or loss on disposition using the relative fair value methodology.

We amortize the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested annually for impairment and written down to fair value as required.

Before January 1, 2002, we amortized goodwill over its estimated period of benefit on a straight-line basis; we amortized other intangible assets on appropriate bases over their estimated lives. No amortization period exceeded 40 years. When an intangible asset's carrying value exceeded associated expected operating cash flows, we considered it to be impaired and wrote it down to fair value, which we determined based on either discounted future cash flows or appraised values.

Insurance Accounting Policies

Accounting policies for insurance businesses follow.

PREMIUM INCOME.

We report insurance premiums as earned income as follows:

- For short-duration insurance contracts (including property and casualty, accident and health, and financial guaranty insurance), we report premiums as earned income, generally on a pro-rata basis, over the terms of the related agreements. For retrospectively rated reinsurance contracts, we record premium adjustments based on estimated losses and loss expenses, taking into consideration both case and incurred-but-not-reported (IBNR) reserves.

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- For traditional long-duration insurance contracts (including term and whole life contracts and annuities payable for the life of the annuitant), we report premiums as earned income when due.

- For investment contracts and universal life contracts, we report premiums received as liabilities, not as revenues. Universal life contracts are long-duration insurance contracts with terms that are not fixed and guaranteed; for these contracts, we recognize revenues for assessments against the policyholder's account, mostly for mortality, contract initiation, administration and surrender. Investment contracts are contracts that have neither significant mortality nor significant morbidity risk, including annuities payable for a determined period; for these contracts, we recognize revenues on the associated investments and amounts credited to policyholder accounts are charged to expense.

LIABILITIES FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

represent our best estimate of the ultimate obligations for reported claims plus those IBNR and the related estimated claim settlement expenses for all claims incurred through December 31 of each year. Specific reserves -- also referred to as case reserves -- are established for reported claims using case-basis evaluations of the underlying claim data and are updated as further information becomes known. IBNR reserves are determined using generally accepted actuarial reserving methods that take into account historical loss experience data and, as appropriate, certain qualitative factors. IBNR reserves are adjusted to take into account certain additional factors that can be expected to affect the liability for claims over time, such as changes in the volume and mix of business written, revisions to contract terms and conditions, changes in legal precedents or developed case law, trends in healthcare and medical costs, and general inflation levels. Settlement of complex claims routinely involves threatened or pending litigation to resolve disputes as to coverage, interpretation of contract terms and conditions or fair compensation for damages suffered. These disputes are settled through negotiation, arbitration, or actual litigation. Recorded reserves incorporate our best estimate of the effect that ultimate resolution of such disputes have on both claims payments and related settlement expenses. Liabilities for unpaid claims and claims adjustment expenses are continually reviewed and adjusted; such adjustments are included in current operations and accounted for as changes in estimates.

DEFERRED ACQUISITION COSTS.

Costs that vary with and are directly related to the acquisition of new and renewal insurance and investment contracts are deferred and amortized as follows:

- Short-Duration Contracts - Acquisition costs consist of commissions, brokerage expenses and premium taxes and are amortized ratably over the contract periods in which the related premiums are earned.

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- Long-Duration Contracts - Acquisition costs consist of first-year commissions in excess of recurring renewal commissions, certain variable sales expenses and certain support costs such as underwriting and policy issue expenses. For traditional long-duration insurance contracts, we amortize these costs over the respective contract periods in proportion to either anticipated premium income, or, in the case of limited-payment contracts, estimated benefit payments. For investment contracts and universal life contracts, amortization of these costs is based on estimated gross profits and is adjusted as those estimates are revised.

We review deferred acquisition costs periodically for recoverability considering anticipated investment income.

PRESENT VALUE OF FUTURE PROFITS.

The actuarially determined present value of anticipated net cash flows to be realized from insurance, annuity and investment contracts in force at the date of acquisition of life insurance policies is recorded as the present value of future profits and is amortized over the respective policy terms in a manner similar to deferred acquisition costs. We adjust unamortized balances to reflect experience and impairment, if any.

Accounting Changes

We adopted Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46, *Consolidation of Variable Interest Entities*, on July 1, 2003, and consolidated certain entities in our financial statements for the first time. New balance sheet captions, "Consolidated, liquidating securitization entities," included $36.3 billion of assets and $35.8 billion of liabilities at transition related to entities involved in securitization arrangements. Given their unique nature and the fact that their activities have been discontinued, they are classified in separate financial statement captions. Further information about these entities is provided in note 20. In addition, $14.1 billion and $1.0 billion were added to "Investment securities" and "Other receivables", respectively, at transition for investment securities related to guaranteed investment contracts (GICs) issued by Trinity, a group of sponsored special purpose entities. The related GIC liabilities of $14.7 billion, consolidated at transition, are displayed in "Insurance liabilities, reserves and annuity benefits." As issuance of GICs by these entities is likely to continue in the future, we have displayed these investment securities in financial statement captions consistent with like items of our Insurance businesses. Our consolidation of these entities resulted in a $339 million after-tax accounting charge to net earnings and is reported in the caption "Cumulative effect of accounting changes." This charge resulted from several factors. For entities consolidated based on carrying amounts, the effect of changes in interest rates resulted in transition losses on interest rate swaps that did not qualify for hedge accounting before transition. Losses also arose from the FIN 46 requirement to record carrying amounts of assets in certain securitization entities as if those entities had always been consolidated, requiring us to eliminate certain previously recognized gains. For certain other entities that we were required to consolidate at their July 1, 2003, fair values, we recognized a loss on consolidation because their liabilities, including the fair value of interest rate swaps, exceeded independently appraised fair values of the related assets.

In 2002, we adopted SFAS 142, *Goodwill and Other Intangible Assets*, under which goodwill is no longer amortized but is tested for impairment using a fair value methodology. Using the required reporting unit basis, we tested all of our goodwill for impairment as of January 1, 2002, and recorded a non-cash charge of $1.204 billion ($1.015 billion after tax). Substantially all of the charge related to the IT Solutions business and the U.S. Auto and Home business. Factors contributing to the impairment charge were the difficult economic environment in the information technology sector and heightened price competition in the auto insurance industry. No impairment charge had been required under our previous goodwill impairment policy, which was based on undiscounted cash flows.

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In 2001, we adopted SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. Under SFAS 133, all derivative instruments are recognized in the balance sheet at their fair values. Further information about derivatives and hedging is provided in note 19. The cumulative transition effect of adopting this accounting change at January 1, 2001, was a $38 million reduction of net earnings and $810 million reduction in equity.

Also in 2001, we adopted Emerging Issues Task Force (EITF) Issue 99-20. Under this consensus, impairment of certain retained interests in securitized assets must be recognized when (a) the asset's fair value is below its carrying value, and (b) it is probable that there has been an adverse change in estimated cash flows. The cumulative effect of adopting EITF 99-20 at January 1, 2001, was a one-time reduction of net earnings of $120 million.

NOTE 2. REVENUES FROM SERVICES

(In millions)	2003	2002	2001
Premiums earned by insurance businesses	$ 8,618	$ 8,655	$ 8,347
Interest on time sales and loans	16,404	13,723	11,741
Operating lease rentals	7,123	6,812	6,753
Investment income	5,003	4,224	4,949
Financing leases	3,988	4,334	4,323
Fees	3,292	2,777	2,363
Other income	5,567	4,998	6,945
Total	$ 49,995	$45,523	$ 45,421

For insurance businesses, the effects of reinsurance on premiums written and premiums earned were as follows:

	Premiums written			Premiums earned		
(In millions)	2003	2002	2001	2003	2002	2001
Direct	$ 8,669	$ 8,972	$ 8,092	$ 8,650	$ 8,525	$8,075
Assumed	1,028	1,125	1,056	1,089	1,133	1,055
Ceded	(949)	(980)	(776)	(1,121)	(1,003)	(783)
Total	$ 8,748	$ 9,117	$ 8,372	$ 8,618	$ 8,655	$8,347

NOTE 3. OPERATING AND ADMINISTRATIVE EXPENSES

Our employees and retirees are covered under a number of pension, health and life insurance plans. The principal pension plan is the GE Company Pension Plan, a defined benefit plan. Employees of certain affiliates are covered under separate pension plans which are not significant individually or in the aggregate. We provide health and life insurance benefits to certain of our retired employees, principally through GE Company's benefit program. The annual cost to us of providing these benefits is not material.

Rental expense relating to equipment we lease from others for the purpose of subleasing was $338 million in 2003, $378 million in 2002 and $400 million in 2001. Other rental expense was $527 million in 2003, $571 million

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in 2002 and $570 million in 2001, principally for the rental of office space and data processing equipment. At December 31, 2003, minimum rental commitments under noncancelable operating leases aggregated $4,147 million; $724 million in 2004; $595 million in 2005; $511 million in 2006; $487 million in 2007; $400 million in 2008 and $1,430 million thereafter. As a lessee, we have no material lease agreements classified as capital leases.

Amortization of deferred acquisition costs charged to operations in 2003, 2002 and 2001 was $1,206 million, $1,104 million and $939 million, respectively.

NOTE 4. INVESTMENT SECURITIES

(In millions)	Amortized Cost	Gross Unrealized gains	Gross Unrealized losses	Estimated fair value
December 31, 2003				
Debt:				
U.S. corporate	$ 45,238	$ 2,336	$ (630)	$ 46,944
State and municipal	3,794	185	(2)	3,977
Mortgage-backed	11,274	219	(76)	11,417
Asset-backed	11,542	185	(74)	11,653
Corporate -- non-U.S.	10,371	453	(65)	10,759
Government -- non-U.S.	2,312	67	(9)	2,370
U.S. government and federal agency	1,386	50	(18)	1,418
Equity	3,656	363	(77)	3,942
Total	$ 89,573	$ 3,858	$ (951)	$ 92,480
December 31, 2002				
Debt:				
U.S. corporate	$ 47,784	$ 2,257	$ (1,424)	$ 48,617
State and municipal	6,408	217	(21)	6,604
Mortgage-backed	8,987	347	(41)	9,293
Asset-backed	4,019	100	(25)	4,094
Corporate -- non-U.S.	10,642	466	(198)	10,910
Government -- non-U.S.	3,783	216	(51)	3,948
U.S. government and federal agency	1,311	57	(17)	1,351
Equity	5,206	156	(372)	4,990
Total	$ 88,140	$ 3,816	$ (2,149)	$ 89,807

(13)

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The following table presents the gross unrealized losses on, and estimated fair value of, our investment securities, aggregated by investment category and length of time that individual investment securities have been in a continuous unrealized loss position, at December 31, 2003.

	Less than 12 months		12 months or more	
(In millions)	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Debt:				
U.S. corporate	$ 6,320	$ (219)	$ 1,882	$ (411)
State and municipal	213	(2)	2	--
Mortgage-backed	3,375	(70)	127	(6)
Asset-backed	1,982	(18)	1,476	(56)
Corporate -- non-U.S.	1,341	(49)	97	(16)
Government -- non-U.S.	67	(5)	10	(4)
U.S. government and federal agency	210	(18)	--	--
Equity	203	(45)	44	(32)
Total	$13,711	$ (426)	$ 3,638	$ (525)

Of the $525 million of investment securities in an unrealized loss position for twelve months or more, approximately $342 million relates to securities collateralized by commercial aircraft, of which approximately $275 million are enhanced equipment trust certificates. Commercial aircraft positions are in a loss position as a result of ongoing negative market reaction to commercial airline industry difficulties. We review all of our investment securities routinely for other than temporary impairment as described on page 44. In accordance with that policy, we provide for all amounts that we do not expect either to collect in accordance with the contractual terms of the instruments or to recover based on underlying collateral values.

A substantial portion of our mortgage-backed securities are collateralized by U.S. residential mortgages.

CONTRACTUAL MATURITIES OF OUR INVESTMENT IN DEBT SECURITIES (EXCLUDING MORTGAGE-BACKED AND ASSET-BACKED SECURITIES)

(In millions)	Amortized cost	Estimated fair value
Due in:		
2004	$ 6,261	$ 6,300
2005-2008	14,492	14,880
2009-2013	15,499	15,959
2014 and later	26,849	28,329

We expect actual maturities to differ from contractual maturities because borrowers have the right to call or pre-pay certain obligations.

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Supplemental information about gross realized gains and losses on investment securities follows.

(In millions)	2003	2002	2001
Gains	$ 890	$ 1,143	$ 1,234
Losses, including impairments	(729)	(1,120)	(713)
Net	$ 161	$ 23	$ 521

Proceeds from securities sales amounted to $20,505 million, $31,344 million and $24,171 million in 2003, 2002 and 2001, respectively.

NOTE 5. FINANCING RECEIVABLES (INVESTMENTS IN TIME SALES, LOANS AND FINANCING LEASES)

December 31 (In millions)	2003	2002
COMMERCIAL FINANCE		
Equipment	$ 58,985	$ 60,692
Commercial and industrial	38,946	35,675
Real estate	20,171	20,984
Commercial aircraft	12,424	11,397
	130,526	128,748
CONSUMER FINANCE		
Non U.S. installment, revolving credit and other	34,440	23,655
Non U.S. residential	19,593	9,731
Non U.S. auto	18,668	15,113
U.S. installment, revolving credit and other	15,882	13,684
Other	5,432	3,225
	94,015	65,408
Other, principally Equipment Management	5,075	6,613
	229,616	200,769
Less allowance for losses (note 6)	(6,198)	(5,447)
Total	$ 223,418	$ 195,322

Our financing receivables include both time sales and loans and financing leases. Time sales and loans represents transactions in a variety of forms, including time sales, revolving charge and credit, mortgages, installment loans, intermediate-term loans and revolving loans secured by business assets. The portfolio includes time sales and loans carried at the principal amount on which finance charges are billed periodically, and time sales and loans carried at gross book value, which includes finance charges.

Investment in financing leases consists of direct financing and leveraged leases of aircraft, railroad rolling stock, autos, other transportation equipment, data processing equipment and medical equipment, as well as other manufacturing, power generation, commercial real estate, and commercial equipment and facilities.

As the sole owner of assets under direct financing leases and as the equity participant in leveraged leases, we are taxed on total lease payments received and are entitled to tax deductions based on the cost of leased assets and tax deductions for interest paid to third-party participants. We are generally entitled to any residual value of leased assets.

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Investment in direct financing and leveraged leases represents net unpaid rentals and estimated unguaranteed residual values of leased equipment, less related deferred income. We have no general obligation for principal and interest on notes and other instruments representing third-party participation related to leveraged leases; such notes and other instruments have not been included in liabilities but have been offset against the related rentals receivable. Our share of rentals receivable on leveraged leases is subordinate to the share of other participants who also have security interests in the leased equipment.

NET INVESTMENT IN FINANCING LEASES

	Total financing leases		Direct financing leases		Leveraged leases	
December 31 (In millions)	2003	2002	2003	2002	2003	2002
Total minimum lease payments receivable	$ 86,173	$ 87,625	$56,702	$55,764	$ 29,471	$ 31,861
Less principal and interest on third-party nonrecourse debt	(22,144)	(24,249)	--	--	(22,144)	(24,249)
Net rentals receivable	64,029	63,376	56,702	55,764	7,327	7,612
Estimated unguaranteed residual value of leased assets	8,810	8,944	5,135	5,169	3,675	3,775
Less deferred income	(12,906)	(13,326)	(9,130)	(9,377)	(3,776)	(3,949)
Investment in financing leases	59,933	58,994	52,707	51,556	7,226	7,438
Less amounts to arrive at net investment						
Allowance for losses	(803)	(851)	(707)	(749)	(96)	(102)
Deferred taxes	(9,815)	(9,378)	(5,314)	(5,174)	(4,501)	(4,204)
Net investment in financing leases	$ 49,315	$ 48,765	$46,686	$45,633	$ 2,629	$ 3,132

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CONTRACTUAL MATURITIES

(In Millions)	Total time sales and loans	Net rentals receivable
Due in:		
2004	$ 54,572	$ 16,076
2005	27,689	12,920
2006	23,086	9,899
2007	13,922	6,734
2008	12,632	4,027
2009 and later	37,782	14,373
Total	$ 169,683	$ 64,029

We expect actual maturities to differ from contractual maturities.

"Impaired" loans are defined by generally accepted accounting principles as large balance loans for which it is probable that the lender will be unable to collect all amounts due according to original contractual terms of the loan agreement. An analysis of impaired loans follows.

December 31 (In millions)	2003	2002
Loans requiring allowance for losses	$ 932	$ 1,136
Loans expected to be fully recoverable	1,355	837
	$ 2,287	$ 1,973
Allowance for losses	$ 378	$ 395
Average investment during year	2,187	1,732

Interest income earned while impaired [(a)]	33	16

(a) Recognized principally on cash basis.

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NOTE 6. ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

(In millions)	2003	2002	2001
BALANCE AT JANUARY 1			
Commercial Finance	$ 2,601	$ 2,491	$ 1,668
Consumer Finance	2,762	2,137	2,099
Other	84	106	195
	5,447	4,734	3,962
PROVISION CHARGED TO OPERATIONS			
Commercial Finance	857	1,074	727
Consumer Finance	2,694	1,861	1,506
Other	61	43	79
	3,612	2,978	2,312
OTHER ADDITIONS (a)	686	693	584
GROSS WRITE-OFFS			
Commercial Finance	(1,286)	(1,226)	(531)
Consumer Finance	(3,044)	(2,278)	(1,941)
Other	(61)	(92)	(147)
	(4,391)	(3,596)	(2,619)
RECOVERIES			
Commercial Finance	122	91	65
Consumer Finance	710	534	417
Other	12	13	13
	844	638	495
BALANCE AT DECEMBER 31			
Commercial Finance	2,186	2,601	2,491
Consumer Finance	3,959	2,762	2,137
Other	53	84	106
Balance at December 31	$ 6,198	$ 5,447	$ 4,734

(a) Includes $206 million, $483 million and $687 million related to acquisitions and $480 million, $210 million and $(103) million related to the net effects of exchange rates in 2003, 2002 and 2001, respectively.

(18)

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SELECTED FINANCING RECEIVABLES RATIOS

December 31	2003	2002
ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES AS A PERCENTAGE OF TOTAL FINANCING RECEIVABLES		
Commercial Finance	1.67%	2.02%
Consumer Finance	4.21	4.22
Other	1.04	1.27
Total	2.70	2.71
NONEARNING AND REDUCED EARNING FINANCING RECEIVABLES AS A PERCENTAGE OF TOTAL FINANCING RECEIVABLES		
Commercial Finance	1.3%	1.7%
Consumer Finance	2.6	2.4
Other	1.4	1.2
Total	1.8	1.9

NOTE 7. INSURANCE RECEIVABLES

December 31 (In millions)	2003	2002
Reinsurance recoverables	$ 2,381	$ 2,560
Commercial mortgage loans	6,165	5,358
Premiums receivable	507	812
Residential mortgage loans	1,258	1,919
Corporate and individual loans – Edison Life	--	1,801
Policy loans	1,138	1,422
Funds on deposit with reinsurers	4	15
Other	596	521
Allowance for losses	(97)	(135)
Total	$ 11,952	$ 14,273

(19)

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NOTE 8. EQUIPMENT ON OPERATING LEASES (INCLUDING BUILDINGS AND EQUIPMENT)

December 31 (In millions)	Estimated Useful Lives	2003	2002
ORIGINAL COST			
Buildings and equipment [a]	1-40	$ 4,574	$ 4,510
Equipment leased to others			
Aircraft	6-19	23,065	20,053
Vehicles	3-12	16,600	13,349
Railroad rolling stock	3-30	3,356	3,376
Mobile and modular	3-20	3,164	2,994
Construction and manufacturing	3-25	1,562	1,326
All other	2-35	2,881	2,859
Total		$ 55,202	$ 48,467
NET CARRYING VALUE			
Buildings and equipment		$ 2,695	$ 2,743
Equipment leased to others			
Aircraft [b]		19,093	17,030
Vehicles		9,745	8,481
Railroad rolling stock		2,220	2,309
Mobile and modular		1,814	1,632
Construction and manufacturing		1,120	1,010
All other		1,928	1,855
Total		$ 38,615	$ 35,060

(a) Includes \$1.8 billion and \$1.4 billion of assets leased to GE as of December 31, 2003 and 2002, respectively.

(b) Commercial Finance recognized impairment losses of \$0.2 billion in 2003 and 2002 recorded in the caption "Depreciation and amortization of equipment on operating leases (including buildings and equipment)" in the Statement of Earnings to reflect adjustments to fair value based on current market values from independent appraisers.

Amortization of equipment leased to others was \$4,162 million, \$3,868 million and \$3,458 million in 2003, 2002 and 2001, respectively. Noncancelable future rentals due from customers for equipment on operating leases at year-end 2003 are due as follows:

(In millions)	
Due in	
2004	\$ 5,261
2005	4,662
2006	3,426
2007	2,373
2008	1,661
After 2008	5,673
Total	\$ 23,056

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NOTE 9. INTANGIBLE ASSETS

December 31 (In millions)	2003	2002
Goodwill	$ 19,741	$ 17,399
Present value of future profits (PVFP)	1,259	2,078
Capitalized software	695	770
Other intangibles	915	669
Total	$ 22,610	$ 20,916

Intangible assets are net of accumulated amortization of $10,616 million in 2003 and $9,788 million in 2002.

INTANGIBLE ASSETS SUBJECT TO AMORTIZATION

	2003			2002		
December 31 (In millions)	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
PVFP	$ 4,092	$ (2,833)	$ 1,259	$ 4,754	$ (2,676)	$ 2,078
Capitalized software	1,348	(653)	695	1,269	(499)	770
Servicing assets [(a)]	3,538	(3,391)	147	3,580	(3,238)	342
Patents, licenses and other	304	(201)	103	283	(158)	125
All other	1,074	(413)	661	539	(341)	198
Total	$ 10,356	$ (7,491)	$ 2,865	$ 10,425	$ (6,912)	$ 3,513

(a) Servicing assets, net of accumulated amortization, are associated primarily with serviced residential mortgage loans amounting to $14 billion and $33 billion at December 31, 2003 and 2002, respectively.

Indefinite-lived intangible assets were $4 million at December 31, 2003 and 2002, respectively and related primarily to patents, licenses and other.

Amortization expense related to intangible assets, excluding goodwill, for 2003 and 2002, was $785 million and $1,465 million, respectively. The estimated percentage of the December 31, 2003, net PVFP balance to be amortized over each of the next five years follows.

2004	2005	2006	2007	2008
9.3%	8.7%	8.0%	7.3%	6.7%

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Change in PVFP balances follow.

(In millions)	2003	2002
Balance at January 1	$ 2,078	$ 2,033
Acquisitions	20	265
Dispositions	(574)	--
Accrued interest [a]	58	69
Amortization	(262)	(333)
Other	(61)	44
Balance at December 31	$ 1,259	$ 2,078

(a) Interest was accrued at a rate of 3.8% and 3.7% for 2003 and 2002, respectively.

Recoverability of PVFP is evaluated periodically by comparing the current estimate of expected future gross profits to the unamortized asset balance. If such comparison indicates that the expected gross profits will not be sufficient to recover PVFP, the difference is charged to expense. No such expense was recorded in 2003 or 2002.

Amortization expense for PVFP in future periods will be affected by acquisitions, realized capital gains/losses or other factors affecting the ultimate amount of gross profits realized from certain lines of business. Similarly, future amortization expense for other intangibles will depend on acquisition activity and other business transactions.

The amount of goodwill amortization included in net earnings (net of income taxes) in 2001 was $474 million. The effects on earnings of excluding such goodwill amortization from 2001 follow.

(In millions)	2001
Net earnings, as reported	$5,902
Net earnings, excluding goodwill amortization	$6,376

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Changes in goodwill balances, net of accumulated amortization, follow.

	2003					
(In millions)	Commercial Finance	Consumer Finance	Equipment Management	Insurance	All Other GECS and Eliminations	Total
Balance January 1	$ 7,987	$ 5,562	$ 1,242	$ 4,176	$ (1,568)	$17,399
Acquisitions/purchase accounting adjustments(a)	121	1,294	91	12	---	1,518
Foreign exchange and other	82	923	6	(96)	(91)	824
Balance December 31	$ 8,190	$ 7,779	$ 1,339	$ 4,092	$ (1,659)	$19,741

	2002					
(In millions)	Commercial Finance	Consumer Finance	Equipment Management	Insurance	All Other GECS and Eliminations	Total
Balance January 1	$ 6,235	$ 3,826	$ 1,160	$ 3,372	$ (119)	$14,474
Transition Impairment	--	--	--	--	(1,204)	(1,204)
Acquisitions/purchase accounting adjustments(a)	1,684	1,286	31	542	(88)	3,455
Foreign exchange and other	68	450	51	262	(157)	674
Balance December 31	$ 7,987	$ 5,562	$ 1,242	$ 4,176	$ (1,568)	$17,399

(a) The amount of goodwill related to new acquisitions recorded during 2003 was $1,382 million, the largest of which was First National Bank ($680 million) by Consumer Finance. The amount of goodwill related to purchase accounting adjustments during 2003 was $136 million, primarily associated with the 2002 acquisitions of Australian Guarantee Corporation at Consumer Finance and Security Capital Group at Commercial Finance. The amount of goodwill related to new acquisitions recorded during 2002 was $2,283 million, the largest of which was Australian Guarantee Corporation ($621 million) by Consumer Finance. The amount of goodwill related to purchase accounting adjustments during 2002 was $1,172 million, primarily associated with the

2001 acquisition of Heller Financial, Inc. Upon closing an acquisition, we estimate the fair values of assets and liabilities acquired and consolidate the acquisition as quickly as possible. Given the time it takes to obtain pertinent information to finalize the acquired company's balance sheet (frequently with implications for the price of the acquisition), then to adjust the acquired company's policies, procedures, books and records to our standards, it is often several quarters before we are able to finalize those initial fair value estimates. Accordingly, it is not uncommon for our initial estimates to be subsequently revised.

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NOTE 10. OTHER ASSETS

December 31 (In millions)	2003	2002
Investments		
Associated companies [(a)]	$ 12,919	$ 11,586
Real estate [(b)]	13,280	14,339
Assets held for sale [(c)]	1,833	2,998
Other	7,752	4,593
	35,784	33,516
Separate accounts (see note 12)	16,447	14,537
Deferred acquisition costs	5,966	6,204
Derivative instruments [(d)]	1,782	1,776
Other	4,639	4,452
Total	$ 64,618	$ 60,485

(a) Includes advances to associated companies which are non-controlled, non-consolidated equity investments.

(b) Our investment in real estate consists principally of two categories: real estate held for investment and equity method investments. Both categories contain a wide range of properties including the following at December 31, 2003: office buildings (24%), self storage facilities (20%), apartment buildings (17%), retail facilities (14%), industrial properties (8%), franchise properties (7%), parking facilities (7%) and other (3%). At December 31, 2003, investments were located in North America (59%), Europe (25%) and Asia (16%).

(c)

These assets held for sale were accounted for at the lower of carrying amount or each asset's fair value less costs to sell.

(d) Amounts are stated at fair value in accordance with SFAS 133. We discuss the types of derivative instruments and how we use them in note 19.

Separate accounts represent investments controlled by policyholders and are associated with identical amounts reported as insurance liabilities in note 12.

NOTE 11. BORROWINGS

SHORT-TERM BORROWINGS

December 31 (In millions)	2003 Amount	2003 Average rate(a)	2002 Amount	2002 Average rate(a)
Commercial paper -- U.S.	$ 58,801	1.11%	$ 58,888	1.51%
Commercial paper -- non-U.S.	15,062	2.93	17,610	3.41
Current portion of long-term debt	37,880	3.32	35,545	4.19
Other	14,362		10,702	
Total	$ 126,105		$122,745	

LONG-TERM BORROWINGS

December 31 (In millions)	2003 Average rate(a)	Maturities	2003	2002
Senior notes	3.39%	2005-2055	$ 147,387	$ 125,893
Extendible notes	1.27	2007-2008	12,229	12,000
Subordinated notes (b)	7.52	2005-2014	963	965
Total			$ 160,579	$ 138,858

(a) Based on year-end balances and year-end local currency interest rates, including the effects of interest rates and currency swaps, if any, directly associated with the original debt issuance.

(b) At year-end 2003 and 2002, $0.7 billion of subordinated notes were guaranteed by GE.

(24)

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Our borrowings are addressed below from the perspectives of liquidity, interest rate and currency risk management. Additional information about borrowings and associated swaps can be found in note 19.

LIQUIDITY

is affected by debt maturities and our ability to repay or refinance such debt. Long-term debt maturities over the next five years follow.

(In millions)	2004	2005	2006	2007	2008
	$ 37,880	$ 45,456(a)	$ 28,671	$18,140	$ 13,141

(a) Floating rate extendible notes of $12.2 billion are due in 2005, but are extendible at the investor's option to a final maturity in 2007 ($12.0 billion) or 2008 ($0.2 billion).

Committed credit lines totaling $57.2 billion had been extended to us by 85 banks at year-end 2003. Included in this amount was $48.3 billion provided directly to us and $8.9 billion provided by 22 banks to GE to which we also have access. Our lines include $19.9 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. The remaining $37.3 billion are 364-day lines of which $26.9 billion contain a term-out feature that allows us to extend the borrowings for one year from the date of expiration of the lending agreement. We pay banks for credit facilities, but compensation amounts were insignificant in each of the past three years.

INTEREST RATE AND CURRENCY RISK

is managed through the direct issuance of debt or use of derivatives. We take positions in view of anticipated behavior of assets, including prepayment behavior. We use a variety of instruments, including interest rate and currency swaps and currency forwards, to achieve our interest rate objectives. Effective interest rates were lower under these "synthetic" positions than could have been achieved by issuing debt directly. The following table shows our borrowing positions considering the effects of currency and interest rate swaps.

EFFECTIVE BORROWINGS (INCLUDING SWAPS)	2003		2002
December 31 (In millions)	Amount	Average rate	Amount
Short-term [(a)]	$ 60,623	1.79%	$ 54,430
Long-term (including current portion)			
Fixed rate [(b)]	$ 118,133	4.85%	$ 117,510
Floating rate	107,928	1.96	89,048
Total long-term	$ 226,061		$ 206,558

(a) Includes commercial paper and other short-term debt.

(b) Includes fixed-rate borrowings and $25.5 billion ($32.8 billion in 2002) notional long-term interest rate swaps that effectively convert the floating-rate nature of short-term borrowings to fixed rates of interest.

At December 31, 2003, interest rate swap maturities ranged from 2004 to 2048, including swap maturities for hedges of commercial paper that ranged from 2004 to 2024. The use of commercial paper swaps allows us to match our actual asset profile more efficiently and provides more flexibility as it does not depend on investor demand for particular maturities.

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NOTE 12. INSURANCE LIABILITIES, RESERVES AND ANNUITY BENEFITS

December 31 (In millions)	2003	2002
Investment contracts and universal life benefits	$ 52,659	$ 40,788
Life insurance benefits [(a)]	24,240	35,402
Unpaid claims and claims adjustment expenses [(b)]	3,232	4,604
Unearned premiums	3,871	4,206
Separate accounts (see note 10)	16,447	14,537
Total	$ 100,449	$ 99,537

(a) Life insurance benefits are accounted for mainly by a net-level-premium method using estimated yields generally ranging from 1.2% to 7.5% in 2003 and 1.5% to 7.15% in 2002.

(b) Principally property and casualty reserves amounting to $0.6 billion and $1.7 billion at December 31, 2003 and 2002, respectively. Includes amounts for both reported and incurred-but-not-reported claims, reduced by anticipated salvage and subrogation recoveries. Estimates of liabilities are reviewed and updated continually, with changes in estimated losses reflected in operations.

When insurance affiliates cede insurance to third parties, we are not relieved of our primary obligation to policyholders. Losses on ceded risks give rise to claims for recovery; we establish allowances for probable losses on such receivables from reinsurers as required.

We recognize reinsurance recoveries as a reduction of the statement of earnings caption "Insurance losses and policyholder and annuity benefits." Reinsurance recoveries were $816 million, $664 million and $503 million for the years ended December 31, 2003, 2002 and 2001, respectively.

The insurance liability for unpaid claims and claims adjustment expenses related to policies that may cover environmental and asbestos exposures is based on known facts and an assessment of applicable law and coverage litigation. Liabilities are recognized for both known and unasserted claims, (including the cost of related litigation) when sufficient information has been developed to indicate that a claim has been incurred and a range of potential losses can be reasonably estimated. Developed case law and adequate claim history do not exist for certain claims principally due to significant uncertainties as to both the level of ultimate losses that will occur and what portion, if any, will be deemed to be insured amounts.

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A summary of activity affecting unpaid claims and claims adjustment expenses, principally in property and casualty lines, follows.

(In millions)	2003	2002	2001
Balance at January 1 -- gross	$ 4,604	$ 4,299	$ 4,143
Less reinsurance recoverables	(604)	(557)	(542)
Balance at January 1 -- net	4,000	3,742	3,601
Claims and expenses incurred:			
Current year	2,257	3,818	3,147
Prior years	(112)	(145)	(156)
Claims and expenses paid:			
Current year	(1,394)	(2,069)	(1,801)
Prior years	(847)	(1,336)	(1,258)
Claim reserves related to acquired companies	-	6	-
Other	(1,080)	(16)	209
Balance at December 31 -- net	2,824	4,000	3,742
Add reinsurance recoverables	408	604	557
Balance at December 31 -- gross	$ 3,232	$ 4,604	$ 4,299

Claims and expenses incurred--prior years represents additional losses (adverse development) recognized in any year for loss events that occurred before the beginning of that year. Our Mortgage Insurance business experienced favorable development during the three-year period, primarily reflecting continued strength in certain real estate markets and the success of our loss containment initiatives.

Financial guarantees and credit life risk of insurance affiliates are summarized below.

December 31 (In millions)	2003	2002
Guarantees, principally on municipal bonds and asset-backed securities	$ -	$ 224,924
Mortgage insurance risk in force	146,627	101,530
Credit life insurance risk in force	25,728	23,283
Less reinsurance	(2,207)	(38,883)
Total	$ 170,148	$ 310,854

Certain insurance affiliates offer insurance guaranteeing the timely payment of scheduled principal and interest on municipal bonds and certain asset-backed securities. Substantially all of this business was conducted by Financial Guaranty Insurance Company (FGIC), which we sold in the fourth quarter of 2003. Other insurance affiliates provide insurance to protect residential mortgage lenders from severe financial loss caused by the non-payment of loans and issue credit life insurance designed to pay the balance due on a loan if the borrower dies before the loan is repaid. As part of their overall risk management process, insurance affiliates cede to third parties a portion of their risk associated with these guarantees. In doing so, they are not relieved of their primary obligation to policyholders.

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NOTE 13. INCOME TAXES

The provision for income taxes is summarized in the following table.

(In millions)	2003	2002	2001
Current tax expense (benefit)	$ 907	$ (317)	$ 1,029
Deferred tax expense from temporary differences	683	1,277	705
	$ 1,590	$ 960	$ 1,734

We are included in the consolidated U.S. federal income tax return which GE Company files. The provision for current tax expense includes our effect on the consolidated return.

Current tax expense (benefit) includes amounts applicable to U.S. federal income taxes of $150 million, $(932) million and $300 million in 2003, 2002 and 2001, respectively, and amounts applicable to non-U.S. jurisdictions of $754 million, $606 million and $697 million in 2003, 2002 and 2001, respectively. Deferred tax expense related to U.S. federal income taxes was $319 million, $846 million, and $722 million in 2003, 2002 and 2001, respectively.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered.

We have not provided U.S. deferred taxes on cumulative earnings of non-U.S. affiliates and associated companies that have been reinvested indefinitely. These earnings relate to ongoing operations and, at December 31, 2003, were approximately $13.2 billion. Because of the availability of U.S. foreign tax credits, it is not practicable to determine the U.S. federal income tax liability that would be payable if such earnings were not reinvested indefinitely. Deferred taxes are provided for earnings of non-U.S. affiliates and associated companies when we plan to remit those earnings.

U.S. income before taxes and the cumulative effect of accounting changes was $3.1 billion in 2003, $2.0 billion in 2002 and $3.9 billion in 2001. The corresponding amounts for non-U.S. based operations were $5.7 billion in 2003, $5.5 billion in 2002, and $3.9 billion in 2001.

A reconciliation of the U.S. federal statutory tax rate to the actual tax rate is provided below.

RECONCILIATION OF U.S. FEDERAL STATUTORY TAX RATE TO ACTUAL TAX RATE.

	2003	2002	2001
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Increase (reduction) in rate resulting from:			
Amortization of goodwill	--	--	0.6
Tax-exempt income	(1.5)	(2.0)	(2.1)
Tax on international activities including exports	(11.3)	(13.5)	(5.3)
Kidder Peabody tax settlement	--	(2.2)	--
GE Financial Assurance tax settlement	--	(2.0)	--
Fuels credits	(1.3)	(1.9)	(1.3)
Americom / Rollins goodwill	--	--	(2.9)
All other -- net	(2.9)	(0.5)	(1.8)
	(17.0)	(22.1)	(12.8)
Actual income tax rate	18.0%	12.9%	22.2%

Principal components of our net liability/(asset) representing deferred income tax balances are as follows:

December 31 (In millions)	2003	2002
ASSETS		
Allowance for losses	$ 2,024	$ 1,534
Insurance reserves	619	1,122
Derivatives qualifying as hedges	969	1,180
AMT credit carryforward	351	597
Other	5,160	2,311
Total deferred tax assets	9,123	6,744
LIABILITIES		
Financing leases	9,815	9,378
Operating leases	3,494	3,659
Deferred acquisition costs	1,233	1,212
Other	4,992	3,041
Total deferred tax liabilities	19,534	17,290
NET DEFERRED INCOME TAX LIABILITY	$ 10,411	$ 10,546

NOTE 14. MINORITY INTEREST

Minority interest in equity of consolidated affiliates includes preferred stock issued by our affiliates. The preferred stock primarily pays cumulative dividends at variable rates. Value of the preferred shares is summarized below.

December 31 (In millions)	2003	2002
GE Capital affiliates	$ 1,841	$ 1,588

Dividend rates in local currency on the preferred stock ranged from 0.98% to 5.65% during 2003 and from 1.46% to 6.20% during 2002.

NOTE 15. RESTRICTED NET ASSETS OF AFFILIATES

Certain of our consolidated affiliates are restricted from remitting funds to us in the form of dividends or loans by a variety of regulations, the purpose of which is to protect affected insurance policyholders, depositors or investors. At December 31, 2003 and 2002, net assets of our regulated affiliates amounted to $35.5 billion and $34.2 billion, respectively, of which $26.0 billion and $28.5 billion, respectively, was restricted.

At December 31, 2003 and 2002, the aggregate statutory capital and surplus of the insurance businesses totaled $9.8 billion and $11.2 billion, respectively. Accounting practices prescribed by statutory authorities are used in preparing statutory statements.

NOTE 16. SHAREOWNER'S EQUITY

(In millions)	2003	2002	2001
VARIABLE CUMULATIVE PREFERRED STOCK ISSUED	$ 3	$ 3	$ 3
COMMON STOCK ISSUED	$ 16	$ 15	$ 15
ACCUMULATED NONOWNER CHANGES OTHER THAN EARNINGS			
Balance at January 1	(1,520)	(1,758)	(739)
Cumulative effect of adopting SFAS 133 -- net of deferred taxes of $(505)	--	--	(810)
Investment securities -- net of deferred taxes of $371, $725, and $69 (a)	613	1,407	116
Currency translation adjustments -- net of deferred taxes of $(1,410), $(15) and $19	3,208	(27)	36
Derivatives qualifying as hedges -- net of deferred taxes of $(387), $(805) and $(413)	(717)	(1,999)	(525)
Reclassification adjustments -			
Investment securities -- net of deferred taxes of $(56), $(8) and $(182)	(105)	(15)	(339)
Currency translation adjustments	4	--	--
Derivatives qualifying as hedges -- net of deferred taxes of $593, $190 and $381	1,058	872	503
Balance at December 31	$ 2,541	$ (1,520)	$ (1,758)
OTHER CAPITAL			
Balance at January 1	$ 14,231	$ 9,749	$ 7,100
Contributions (b)	6	4,482	2,649
Common Stock Issued	(1)	--	--
Balance at December 31	$ 14,236	$ 14,231	$ 9,749
RETAINED EARNINGS			
Balance at January 1	$ 27,024	$ 23,554	$ 19,694
Net earnings	6,893	5,490	5,902
Dividends (b)	(4,472)	(2,020)	(2,042)
Balance at December 31	$ 29,445	$ 27,024	$ 23,554
TOTAL SHAREOWNER'S EQUITY	$ 46,241	$ 39,753	$ 31,563

(a) This category includes $(9) million and $(22) million, net of deferred taxes of $(4) million and $(14) million in 2003 and 2002, respectively for minimum pension liabilities on certain pension plans other than the principal pension plans.

(b) Total dividends and other transactions with the shareowner reduced equity by $4,466 million in 2003 and increased equity by $2,462 million and $607 million in 2002 and 2001, respectively.

All common stock is owned by GE Capital Services, all of the common stock of which is in turn owned, directly or indirectly, by GE Company.

The effects of translating to U.S. dollars the financial statements of non-U.S. affiliates whose functional currency is the local currency are included in shareowner's equity. Asset and liability accounts are translated at year-end exchange rates, while revenues and expenses are translated at average rates for the period.

NOTE 17. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in operating assets and liabilities are net of acquisitions and dispositions of principal businesses.

"Payments for principal businesses purchased" in the Statement of Cash Flows is net of cash acquired and includes debt assumed and immediately repaid in acquisitions.

"All other operating activities" in the Statement of Cash Flows consists primarily of adjustments to current and noncurrent accruals and deferrals of costs and expenses, adjustments for gains and losses on assets, increases and decreases in assets held for sale, and adjustments to assets.

Certain supplemental information related to our cash flows is shown below.

For the years ended December 31 (In millions)	2003	2002	2001
FINANCING RECEIVABLES			
Increase in loans to customers	$(261,039)	$(205,634)	$(135,458)
Principal collections from customers -- loans	226,739	181,604	116,598
Investment in equipment for financing leases	(22,167)	(19,382)	(20,272)
Principal collections from customers -- financing leases	17,515	15,319	12,096
Net change in credit card receivables	(11,379)	(19,843)	(15,230)
Sales of financing receivables	36,009	29,651	29,291
	$ (14,322)	$ (18,285)	$ (12,975)
ALL OTHER INVESTING ACTIVITIES			
Purchases of securities by insurance and annuity businesses	$ (27,777)	$ (46,148)	$ (35,071)
Dispositions and maturities of securities by insurance and annuity businesses	25,760	37,219	28,189
Proceeds from principal business dispositions	3,193	--	2,572
Other	(1,729)	(3,439)	(2,189)
	$ (553)	$ (12,368)	$ (6,499)
NEWLY ISSUED DEBT HAVING MATURITIES LONGER THAN 90 DAYS			
Short-term (91 to 365 days)	$ 1,576	$ 1,796	$ 12,622
Long-term (longer than one year)	57,471	93,026	16,104
Proceeds -- nonrecourse, leveraged lease debt	791	1,222	2,012
	$ 59,838	$ 96,044	$ 30,738
REPAYMENTS AND OTHER REDUCTIONS OF DEBT HAVING MATURITIES LONGER THAN 90 DAYS			
Short-term (91 to 365 days)	$ (38,634)	$ (32,950)	$ (29,195)
Long-term (longer than one year)	(3,388)	(5,297)	(6,582)
Principal payments -- nonrecourse, leveraged lease debt	(782)	(339)	(274)
	$ (42,804)	$ (38,586)	$ (36,051)
ALL OTHER FINANCING ACTIVITIES			
Proceeds from sales of investment contracts	$ 9,337	$ 7,806	$ 8,113
Redemption of investment contracts	(9,267)	(6,556)	(6,802)
Capital contributions from GE Capital Services	--	4,500	2,649
Cash received upon assumption of insurance liabilities	--	2,406	--
	$ 70	$ 8,156	$ 3,960

CASH (PAID) RECOVERED DURING THE YEAR FOR:			
Interest	$ (9,981)	$ (9,114)	$ (10,246)
Income taxes	1,769	1,707	(269)

NOTE 18. OPERATING SEGMENTS

Our operating segments are organized based on the nature of products and services provided. The accounting policies for these segments are the same as those described in note 1. We evaluate the performance of our operating segments primarily on the basis of earnings before accounting changes. Details of total revenues and earnings before accounting changes by operating segment are provided in the consolidated table on page 15 of this report. Other specific information is provided as follows.

	Total revenues			Intersegment revenues			External revenues		
For the years ended December 31 (In millions)	2003	2002	2001	2003	2002	2001	2003	2002	2001
Commercial Finance	$18,550	$ 17,545	$ 15,623	$ 121	$ 55	$ 21	$ 18,429	$ 17,490	$ 15,602
Consumer Finance	12,734	9,833	8,995	17	12	12	12,717	9,821	8,983
Equipment Management	4,709	4,713	4,848	37	33	33	4,672	4,680	4,815
Insurance	14,663	14,021	14,674	28	8	10	14,635	14,013	14,664
All Other GECS	2,260	2,707	4,908	(203)	(108)	(76)	2,463	2,815	4,984
Total	$52,916	$ 48,819	$49,048	$ --	$ --	$ --	$ 52,916	$48,819	$ 49,048

For the years ended December 31 (In millions)	Depreciation and amortization(a)			Provision for income taxes		
	2003	2002	2001	2003	2002	2001
Commercial Finance	$ 2,142	$ 2,003	$ 1,461	$ 787	$ 749	$ 771
Consumer Finance	276	232	178	485	457	422
Equipment Management	2,127	1,904	1,976	(26)	92	(125)
Insurance	374	363	439	762	369	780
All Other GECS	284	209	378	(418)	(707)	(114)
Total	$ 5,203	$ 4,711	$ 4,432	$ 1,590	$ 960	$ 1,734

For the years ended December 31 (In millions)	Interest on time sales and loans 2003	2002	2001	Interest expense 2003	2002	2001
Commercial Finance	$ 5,580	$ 5,205	$ 4,231	$ 5,569	$ 5,739	$ 5,738
Consumer Finance	10,257	7,957	6,815	2,683	2,105	2,068
Equipment Management	35	48	25	741	812	905
Insurance	495	445	553	368	325	408
All Other GECS	37	68	117	185	563	906
Total	$ 16,404	$ 13,723	$ 11,741	$ 9,546	$ 9,544	$ 10,025

(In millions)	Assets At December 31 2003	2002	2001	Additions to equipment on operating leases (including buildings and equipment) [b] For the years ended December 31 2003	2002	2001
Commercial Finance [c]	$ 204,525	$ 193,260	$ 169,768	$ 4,113	$ 7,159	$ 8,768
Consumer Finance [c]	105,935	75,885	62,110	191	221	195
Equipment Management [c]	25,596	25,279	24,954	3,854	2,606	5,161
Insurance	118,033	131,199	110,324	11	41	26
All Other GECS	52,339	13,819	13,920	231	1,355	398
Total	$ 506,428	$ 439,442	$ 381,076	$ 8,400	$ 11,382	$ 14,548

(a) Excludes amortization of goodwill.

(b) Additions to equipment on operating leases (including buildings and equipment) include amounts relating to principal businesses purchased.

(c) Total assets of the Commercial Finance, Consumer Finance, and Equipment Management segments at December 31, 2003, include investments in and advances to non-consolidated affiliates of $6,856 million, $979 million and $4,805 million, respectively, which contributed approximately $346 million, $32 million and $168 million, respectively, to segment pre-tax income for the year ended December 31, 2003.

Revenues originating from operations based in the United States were $29,786 million, $27,511 million and $28,860 million in 2003, 2002 and 2001, respectively. Revenues originating from operations based outside the United States were $23,130 million, $21,308 million and $20,188 million in 2003, 2002 and 2001, respectively.

Long-lived assets -- equipment on leases including buildings and equipment -- associated with operations based in the United States were $11,854 million, $10,894 million and $10,203 million at year-end 2003, 2002 and 2001, respectively. Long-lived assets associated with operations based outside the United States were $26,761 million, $24,166 million and $20,812 million at year-end 2003, 2002 and 2001, respectively.

NOTE 19. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Derivatives and Hedging

Exchange rate and interest rate risks are managed with a variety of straightforward techniques, including match funding and selective use of derivatives. We use derivatives to mitigate or eliminate certain financial and market risks because we conduct business in diverse markets around the world and local funding is not always efficient. In addition, we use derivatives to adjust the debt we are issuing to match the fixed or floating nature of the assets we are acquiring. We apply strict policies to manage each of these risks, including prohibitions on derivatives trading, derivatives market-making or other speculative activities.

To qualify for hedge accounting, the details of the hedging relationship must be formally documented at inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risks that are being hedged, the derivative instrument and how effectiveness is being assessed. The derivative must be highly effective in offsetting either changes in fair value or cash flows, as appropriate, for the risk being hedged. Effectiveness is evaluated on a retrospective and prospective basis based on quantitative measures of correlation. If a hedge relationship becomes ineffective, it no longer qualifies as a hedge. Any excess gains or losses attributable to such ineffectiveness, as well as subsequent changes in the fair value of the derivative, are recognized in earnings.

Cash flow hedges

Cash flow hedges are hedges that use simple derivatives to offset the variability of expected future cash flows. Variability can appear in floating rate assets, floating rate liabilities or from certain types of forecasted transactions, and can arise from changes in interest rates or currency exchange rates. For example, we often borrow at a variable rate of interest to fund our businesses. If Commercial Finance needs the funds to make a floating rate loan, there is no exposure to interest rate changes, and no hedge is necessary. However, upon making a fixed rate loan, we will contractually commit to pay a fixed rate of interest to a counterparty who will pay us a variable rate of interest (an "interest rate swap"). We then designate this swap as a cash flow hedge of the associated variable rate borrowing. If, as expected, the derivative is perfectly effective in offsetting variable interest in the borrowing, we record changes in its fair value in a separate component in equity, then release those changes to earnings contemporaneously with the earnings effects of the hedged item. Further information about hedge effectiveness is provided on page 72.

We use currency forwards and options to manage exposures to changes in currency exchange rates associated with commercial purchase and sale transactions. These instruments permit us to eliminate the cash flow variability, in local currency, of costs or selling prices denominated in currencies other than the functional currency. In addition, we use these instruments, along with interest rate and currency swaps, to optimize borrowing costs and investment returns. For example, currency swaps and non-functional currency borrowings together provide lower funding costs than could be achieved by issuing debt directly in a given currency.

At December 31, 2003, amounts related to derivatives qualifying as cash flow hedges amounted to a reduction of equity of $1,618 million, of which we expect to transfer $432 million to earnings in 2004 along with the earnings effects of the related forecasted transactions. At December 31, 2003, the amount of unrecognized losses related to cash flow hedges of short-term borrowings was $2,066 million. In 2003, there were no forecasted transactions that failed to occur. At December 31, 2003, the maximum term of derivative instruments that hedge forecasted transactions, other than interest rate swaps designated as hedges of commercial paper (discussed in note 11), was 24 months.

Fair value hedges

Fair value hedges are hedges that eliminate the risk of changes in the fair values of assets, liabilities and certain types of firm commitments. For example, we will use an interest rate swap in which we receive a fixed rate of interest and pay a variable rate of interest to change the cash flow profile of a fixed rate borrowing to match the variable rate financial asset that it is funding. We record changes in fair value of derivatives designated and effective as fair value hedges in earnings, offset by corresponding changes in the fair value of the hedged item.

We use interest rate swaps, currency swaps and interest rate and currency forwards to hedge the effect of interest rate and currency exchange rate changes on local and nonfunctional currency denominated fixed-rate borrowings and certain types of fixed-rate assets. Fair value adjustments decreased the carrying amount of debt outstanding at December 31, 2003, by $1,671 million. We use equity options to hedge price changes in investment securities and, at Insurance, equity-indexed annuity liabilities.

Net investment hedges

Net investment hedges are hedges that use derivative contracts or cash instruments to hedge the foreign currency exposure of a net investment in a foreign operation. We manage currency exposures that result from net investments in affiliates principally by funding assets denominated in local currency with debt denominated in that same currency. In certain circumstances, we manage such exposures with currency forwards and currency swaps.

Derivatives not designated as hedges

We must meet specific criteria in order to apply any of the three forms of hedge accounting. For example, hedge accounting is not permitted for hedged items that are marked to market through earnings. We use derivatives to hedge exposures when it makes economic sense to do so, including circumstances in which the hedging relationship does not qualify for hedge accounting as described in the following paragraph. We also will occasionally receive derivatives, such as equity warrants, in the ordinary course of business. Derivatives that do not qualify for hedge accounting are marked to market through earnings.

We use option contracts, including caps, floors and collars, as an economic hedge of changes in interest rates, currency exchange rates and equity prices on certain types of assets and liabilities. We occasionally obtain equity warrants as part of sourcing or financing transactions. Although these instruments are considered to be derivatives, their economic risk is similar to, and managed on the same basis as, other equity instruments we hold.

Earnings effects of derivatives

The table that follows provides additional information about the earnings effects of derivatives. In the context of hedging relationships, "effectiveness" refers to the degree to which fair value changes in the hedging instrument offset the corresponding expected earnings effects of the hedged item. Certain elements of hedge positions cannot qualify for hedge accounting under SFAS 133 whether effective or not, and must therefore be marked to market through earnings. Time value of purchased options is the most common example of such elements in instruments we use. Pre-tax earnings effects of such items are shown in the following table as "Amounts excluded from the measure of effectiveness."

December 31 (In millions)	2003	2002
Cash Flow Hedges		
Ineffectiveness	$ (18)	$ (22)
Amounts excluded from the measure of effectiveness	--	--
Fair Value Hedges		
Ineffectiveness	1	2
Amounts excluded from the measure of effectiveness	--	--

Counterparty credit risk

The risk that counterparties to derivative contracts will default and not make payments to us according to the terms of the agreements is counterparty credit risk. We manage counterparty credit risk on an individual counterparty basis, which means that we net exposures on transactions by counterparty where legal right of offset exists to determine the amount of exposure to each counterparty. When a counterparty exceeds credit exposure limits (see table below), as measured by current market value of the derivative contract, no additional transactions are permitted to be executed until the exposure with that counterparty is reduced to an amount that is within the established limits. Swaps are required to be executed under master agreements containing mutual credit downgrade provisions that provide the ability to require assignment or termination in the event either party is downgraded below A3 or A-.

To further mitigate credit risk, in certain cases we have entered into collateral arrangements that provide us with the right to hold collateral when the current market value of derivative contracts exceeds an exposure threshold. Under these arrangements, we may receive U.S. Treasury and other highly-rated securities or cash to secure our exposure to counterparties; such collateral is available to us in the event that a counterparty defaults. From an economic standpoint, we evaluate credit risk exposures and compliance with credit exposure limits net of such collateral. If the downgrade provisions had been triggered at December 31, 2003, we could have been required to disburse up to $3.6 billion and could have claimed $1.8 billion from counterparties (including $1.3 billion of collateral that has been pledged to us).

Fair values of our derivative assets and liabilities represent the replacement value of existing derivatives at market prices and can change significantly from period to period based on, among other factors, market movements and changes in our positions. At December 31, 2003 and 2002, gross fair value gains amounted to $4.6 billion and $4.3 billion, respectively. At December 31, 2003 and 2002, gross fair value losses amounted to $6.4 billion and $6.5 billion, respectively.

The following tables illustrate our policy relating to exposure limits to counterparties.

COUNTERPARTY CREDIT CRITERIA

	Credit rating	
	Moody's	S&P
Foreign exchange forwards less than one year	P-1	A-1
Other derivatives less than one year	Aa3 [a]	AA-- [a]
All derivatives between one and five years	Aa3 [a]	AA-- [a]
All derivatives greater than five years	Aaa [a]	AAA [a]

(a)

Counterparties that have an obligation to provide collateral to cover credit exposure in accordance with a credit support agreement must have a minimum A3/A- rating

EXPOSURE LIMITS

(In millions)	Exposure		
	Less than one year	Greater than one year	
Minimum rating		With collateral	Without collateral
Aaa/AAA	$ 150	$ 100	$ 75
Aa3/AA--	150	50	50
A3/A--	150	5	Not allowed

FINANCIAL INSTRUMENTS

December 31 (In millions)	2003 Notional amount	2003 Assets (liabilities) Carrying amount (net)	2003 Assets (liabilities) Estimated fair value	2002 Notional amount	2002 Assets (liabilities) Carrying amount (net)	2002 Assets (liabilities) Estimated fair value
Assets						
Time sales and loans	$ (a)	$ 164,306	$ 163,606	$ (a)	$ 137,203	$ 138,838
Other commercial and residential mortgages	(a)	8,759	9,085	(a)	8,093	8,461
Consolidated, liquidating securitization entities [b]	(a)	26,468	26,474	(a)	--	--
Other financial instruments	(a)	2,472	2,473	(a)	6,317	6,319
Liabilities						
Borrowings [c] [d]	(a)	(286,684)	(290,998)	(a)	(261,603)	(271,057)
Investment contract benefits	(a)	(32,718)	(32,525)	(a)	(36,068)	(35,700)
Insurance -- financial guarantees and credit life [e]	170,148	(3,789)	(3,535)	310,854	(3,598)	(3,499)
Consolidated, liquidating securitization entities [b]	(a)	(25,721)	(25,714)	(a)	--	--
Other firm commitments						
Ordinary course of business lending commitments [f]						
Fixed rate	2,158	--	--	842	--	--
	8,923	--	--	11,114	--	--

Variable rate						
Unused revolving credit lines						
Commercial						
Fixed rate	3,396	--	--	8,879	--	--
Variable rate	23,167	--	--	19,646	--	--
Consumer -- principally credit cards						
Fixed rate	106,173	--	--	123,933	--	--
Variable rate	121,806	--	--	122,836	--	--

(a) These financial instruments do not have notional amounts.
(b) See note 20.
(c) Includes effects of interest rate swaps.
(d) See note 11.
(e) See note 12.
(f) Excludes inventory financing arrangements which may be withdrawn at our option of $4.2 billion and $4.7 billion as of December 31, 2003 and 2002, respectively.

Assets and liabilities that are reflected in the accompanying financial statements at fair value are not included in the above disclosures; such items include cash and equivalents, investment securities, separate accounts and derivative financial instruments. Other assets and liabilities -- those not carried at fair value -- are discussed below. Apart from certain of our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using models. Although we have made every effort to represent accurate fair values in this section, it would be unusual if the estimates could actually have been realized at December 31, 2003 or 2002.

A description of how we estimate fair values follows.

Time sales and loans

Based on quoted market prices, recent transactions and/or discounted future cash flows, using rates at which similar loans would have been made to similar borrowers.

Borrowings

Based on discounted future cash flows using current market rates which are comparable to market quotes.

Investment contract benefits

Based on expected future cash flows, discounted at currently offered discount rates for immediate annuity contracts or cash surrender values for single premium deferred annuities.

All other instruments

Based on comparable market transactions, discounted future cash flows, quoted market prices, and/or estimates of the cost to terminate or otherwise settle obligations.

NOTE 20. SECURITIZATION ENTITIES

We securitize financial assets in the ordinary course of business to improve shareowner returns. The securitization transactions we engage in are similar to those used by many financial institutions. Beyond improving returns, these securitization transactions serve as funding sources for a variety of diversified lending and securities transactions. Historically, we have used both supported and third-party entities to execute securitization transactions funded in the commercial paper and term bond markets.

The following table represents assets in securitization entities both consolidated and off-balance sheet.

December 31 (In millions)	2003	2002
Receivables secured by:		
Equipment	$ 15,616	$ 13,926
Commercial real estate	15,046	12,482
Other assets	9,119	12,000
Credit card receivables	8,581	10,466
Other trade receivables	--	693
Total securitized assets	$ 48,362	$ 49,567
On-balance sheet assets in securitization entities [(a)]	$ 26,468	$ --
Off-balance sheet [(b)] [(c)]		
Supported entities	4,092	40,536
Other	17,802	9,031
Total securitized assets	$ 48,362	$ 49,567

(a)

Related credit and liquidity support amounted to $18.4 billion, net of $5.3 billion of participated liquidity and arrangements that defer liquidity beyond 2005. This amount includes credit support, in which we provide recourse for a maximum of $8.6 billion at December 31, 2003.

(b) Liabilities for recourse obligations related to off-balance sheet assets were $0.1 billion and $0.3 billion at December 31, 2003 and 2002, respectively.

(c) At December 31, 2003 and 2002, related credit and liquidity support amounted to $2.9 billion and $26.5 billion, respectively, net of participated liquidity and arrangements that defer liquidity beyond one year which amounted to $1.0 billion and $13.0 billion, respectively. These amounts include credit support of $3.9 billion and $15.2 billion at December 31, 2003 and 2002, respectively.

Securitized assets that are on-balance sheet were consolidated on July 1, 2003, upon adoption of FIN 46, *Consolidation of Variable Interest Entities*. Although we do not control these entities, consolidation was required because we provided a majority of the credit and liquidity support for their activities. A majority of these entities were established to issue asset-backed securities, using assets that were sold by us and by third parties. These entities differ from others included in our consolidated statements because the assets they hold are legally isolated and are unavailable to us under any circumstances. Use of the assets is restricted by terms of governing documents, and their liabilities are not our legal obligations. Repayment of their liabilities depends primarily on cash flows generated by their assets. Because we have ceased transferring assets to these entities, balances will decrease as the assets repay. Given their unique nature the entities are classified in separate financial statement captions, "Consolidated, liquidating securitization entities."

We continue to engage in off-balance sheet securitization transactions with third party entities and to use public market, term securitizations. Further information about these activities is provided on page 80.

ON-BALANCE SHEET ARRANGEMENTS

The following tables summarize the revenues, expenses, assets, liabilities and cash flows associated with consolidated securitization entities.

(In millions)		2003
REVENUES		
Interest on time sales and loans[a]	$	511
Financing leases		129
Other		53
Total	$	693
EXPENSES		
Interest[a]	$	386
Costs and expenses[b]		114
Total	$	500

(a) Entities consolidated on July 1, 2003.

(b) Includes minority interest expense of $20 million.

December 31 (In millions)		2003
ASSETS		
Cash	$	684
Debt securities		1,566
Financing receivables[a] [b]		21,877
Other		2,341
Total	$	26,468
LIABILITIES		
Short-term borrowings[c]	$	22,842
Long-term notes payable[d]		1,948
Other liabilities		517
Minority interest		414
Total	$	25,721

(a)

Includes \$0.9 billion of retained interests associated with securitized assets now consolidated.

(b) At July 1, 2003, the carrying amount of financing receivables was recorded net of a previously recorded recourse obligation of \$0.1 billion.

(c) Primarily commercial paper with original maturities less than one year. Average interest rate of 1.1%, including the effect of interest rate swaps designated and effective as hedges.

(d) Weighted average rate of 2.0%; matures between 2005 and 2007.

The portfolio of financing receivables consists of loans and financing lease receivables secured by equipment, commercial real estate and other assets; credit card receivables; and trade receivables. Examples of these assets include loans and leases on manufacturing and transportation equipment, loans on commercial property, commercial loans, and balances of high credit quality accounts from sales of a broad range of products and services to a diversified customer base. Under terms of credit and liquidity support agreements with these entities, when predefined triggers are met related to asset credit quality or a put is exercised by beneficial interest holders, we may be required to repurchase financing receivables. Upon such repurchases, the underlying receivable is classified as "Financing receivables" (disclosed in note 5).

Financing receivables includes $3,827 million of direct financing leases, an analysis of which follows.

December 31 (In millions)		2003
DIRECT FINANCING LEASES		
Total minimum lease payments receivable	$	4,192
Estimated unguaranteed residual value of leased assets		14
Less deferred income		(379)
Investment in financing leases	$	3,827

A schedule of changes in the financing receivables balance since we adopted FIN 46 follows.

(In millions)		2003
Balance at July 1	$	31,395
Net collections		(9,150)
Net write-offs		(42)
Credit and liquidity support repurchases		(54)
All other		(272)
Balance at December 31	$	21,877

Although we expect actual maturities to differ from contractual maturities, the following table summarizes the contractual maturities of financing receivables in our consolidated securitization entities.

Contractual maturities

(In millions)		Total time sales and loans		Net rentals receivable
Due in				
2004	$	4,810	$	1,329
2005		1,317		1,001
2006		1,325		636
2007		1,104		330
2008		965		130
		8,529		766

2009 and later		
Total	$ 18,050	$ 4,192

(In millions)		2003
CASH FLOWS - INVESTING ACTIVITIES		
Net Collections [(a)]	$	9,150
Other		225
Total	$	9,375
CASH FLOWS - FINANCING ACTIVITIES		
Newly issued debt [(a)]	$	157,593
Repayments and other reductions		(167,354)
Total	$	(9,761)

(a)

Entities consolidated on July 1, 2003.

Derivatives included in consolidated securitization entities consist principally of pay fixed, receive variable interest rate swaps. These swaps are designated, and effective, as hedges of fixed rate assets (fair value hedges) or variable rate liabilities (cash flow hedges). Risk management objectives are consistent with those described in note 19. Ineffectiveness recognized on fair value hedges was zero; ineffectiveness recognized on cash flow hedges was insignificant. No amounts were excluded from the measure of ineffectiveness of either fair value or cash flow hedges.

OFF-BALANCE SHEET ARRANGEMENTS

As discussed on page 77, assets in off-balance sheet securitization entities amounted to $21.9 billion and $49.6 billion at December 31, 2003 and 2002, respectively.

Additional information about securitization transactions follows.

(In millions)	2003	2002	2001
Gross gains on sales to third parties	$ 1,394	$ 1,796	$ 2,193
Reduction of retained interest in revolving facilities, before replenishment	(1,160)	(1,029)	(866)
Net	$ 234	$ 767	$ 1,327

Amounts recognized in our financial statements related to sales to off-balance sheet securitization entities are as follows:

December 31 *(In millions)*	2003	2002
Retained interests	$ 2,417	$ 2,062
Servicing assets[(a)]	150	340
Recourse liability	(75)	(261)
Total	$ 2,492	$ 2,141

(a) Includes mortgage servicing rights related to an amortizing pool of mortgages associated with a business exited in 2000. As of December 31, 2003, the net carrying value of remaining mortgage servicing rights relating to these former operations was $115 million.

- **RETAINED INTERESTS.** When we securitize receivables, we determine fair value based on discounted cash flow models that incorporate, among other things, assumptions including loan pool credit losses, prepayment speeds and discount rates. These assumptions are based on our experience, market trends and anticipated performance related to the particular assets securitized. Subsequent to recording retained interests, we review recorded values quarterly in the same manner and using current assumptions. We recognize impairments when carrying amounts exceed current fair values.

- **SERVICING ASSETS.** Following a securitization transaction, we retain responsibility for servicing the receivables, and are therefore entitled to an ongoing fee based on the outstanding principal balances of the receivables. Servicing assets are primarily associated with residential mortgage loans. Their value is subject to credit, prepayment and interest rate risk.

- **RECOURSE LIABILITY.** Certain transactions require credit support agreements. As a result, we provide for expected credit losses under these agreements and such amounts approximate fair value.

The following table summarizes data related to securitization sales that we completed during 2003.

(In millions)	Equipment	Commercial real estate	Other assets	Credit card receivables
Cash Proceeds From Securitization	$ 5,416	$ 3,082	$ 2,009	N/A
Proceeds from collections reinvested in new receivables	N/A	N/A	$ 14,047	$ 10,685
Weighted Average Lives (in months)	29	72	106	7
ASSUMPTIONS AS OF SALE DATE [(a)]				
Discount Rate	6.6%	11.5%	6.4%	11.2%
Prepayment Rate	10.1%	10.8%	4.6%	15.0%

Estimate of Credit Losses (a)	1.6%	1.6%	0.2%	10.8%

Based on weighted averages.

Key assumptions used in measuring the fair value of retained interests in securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are noted in the following table. These assumptions may differ from those in the previous table as these relate to all outstanding retained interests as of December 31, 2003.

(In millions)	Equipment	Commercial real estate	Other assets	Credit card receivables
DISCOUNT RATE (a)	6.5%	10.9%	7.7%	10.9%
Effect of:				
10% Adverse Change	$ (10)	$ (12)	$ (30)	$ (8)
20% Adverse Change	(20)	(23)	(57)	(25)
PREPAYMENT RATE (a)	11.0%	4.8%	1.0%	15.4%
Effect of:				
10% Adverse Change	$ (5)	$ (1)	$ (7)	$ (33)
20% Adverse Change	(11)	(3)	(14)	(62)
ESTIMATE OF CREDIT LOSSES (a)	2.0%	2.3%	0.1%	9.9%
Effect of:				
10% Adverse Change	$ (2)	$ (3)	$ (2)	$ (46)
20% Adverse Change	(3)	(6)	(4)	(91)
Remaining Weighted Average lives (in months)	43	121	64	7
Net Credit Losses	$ 5	$ --	$ 14	$ 443
Delinquencies	52	52	4	139

(a)

Based on weighted averages.

GUARANTEE AND REIMBURSEMENT CONTRACTS

. We provide protection to certain counterparties of interest rate swaps entered into by securitization-related entities related to changes in the relationship between commercial paper interest rates and the timing and amount of the payment streams. These arrangements provide protection for the life of the assets held by the SPE but generally amortize in proportion to the decline in underlying asset principal balances. The notional amount of such support is $0.3 billion; fair value of the related asset was $1 million at year-end 2003.

NOTE 21. COMMITMENTS AND GUARANTEES

Our Commercial Finance business had placed multiple-year orders for various Boeing, Airbus and other aircraft with list prices approximating $13.5 billion at year-end 2003.

At year-end 2003, we were committed under the following guarantee arrangements beyond those provided on behalf of SPEs (see note 20):

- **LIQUIDITY SUPPORT.** Liquidity support provided to holders of certain variable rate bonds issued by municipalities amounted to $3.8 billion at December 31, 2003. If holders elect to sell supported bonds that cannot be remarketed, we are obligated to repurchase them at par. If called upon, our position would be secured by the repurchased bonds. While we hold any such bonds, we would receive interest payments from the municipalities at a rate that is in excess of the stated rate on the bond. To date, we have not been required to perform under such arrangements. In addition, we are currently not providing any new liquidity facilities and will continue to reassess the decision in the future. The current liquidity facilities discussed above will remain in effect in accordance with their original terms.

- **CREDIT SUPPORT.** We have provided $5.7 billion of credit support on behalf of certain customers or associated companies, predominantly joint ventures and partnerships, using arrangements such as standby letters of credit and performance guarantees. These arrangements enable our customers and associated companies to execute transactions or obtain desired financing arrangements with third parties. Should the customer or associated company fail to perform under the terms of the transaction or financing arrangement, we would be required to perform on their behalf. Under most such arrangements, our guarantee is secured, usually by the asset being purchased or financed but possibly by total assets of the customer or associated company. The length of these credit support arrangements parallels the length of the related financing arrangements or transactions. The liability for such credit support was $79 million at December 31, 2003.

- **INDEMNIFICATION AGREEMENTS**. These are agreements that require us to fund up to $0.8 billion under residual value guarantees on a variety of leased equipment and $0.1 billion of other indemnification commitments arising from sales of businesses or assets. Under most of our residual value guarantees, our commitment is secured by the leased asset at termination of the lease. The liability for indemnification agreements was $32 million at December 31, 2003.

- **CONTINGENT CONSIDERATION.** These are agreements to provide additional consideration in a business combination to the seller if contractually specified conditions related to the acquired entity are achieved. At December 31, 2003, our exposure was $0.1 billion under these agreements.

Our guarantees are provided in the ordinary course of business. We underwrite these guarantees considering economic, liquidity and credit risk of the counterparty. We believe that the likelihood is remote that any such arrangements could have a significant adverse effect on our financial position, results of operations or liquidity. We record liabilities, as disclosed above, for such guarantees based on our best estimate of probable losses, which considers amounts recoverable under recourse provisions. For example, at year-end 2003, the total fair value of aircraft securing our airline industry guarantees exceeded the guaranteed amounts, net of the associated allowance for losses.

NOTE 22. QUARTERLY FINANCIAL DATA (unaudited)

Summarized quarterly financial data were as follows:

	First quarter		Second quarter		Third quarter		Fourth quarter	
(In millions)	2003	2002	2003	2002	2003	2002	2003	2002
Total Revenues	$12,161	$11,530	$12,830	$11,793	$14,081	$12,501	$13,844	$12,995
Earnings before income taxes	1,916	1,996	1,910	1,873	2,574	2,000	2,422	1,596
Provision for income taxes	(298)	(391)	(306)	(301)	(573)	(242)	(413)	(26)
Earnings before accounting changes	1,618	1,605	1,604	1,572	2,001	1,758	2,009	1,570
Cumulative effect of accounting changes	--	(1,015)	--	--	(339)	--	--	--

Net earnings	$ 1,618	$ 590	$ 1,604	$ 1,572	$ 1,662	$ 1,758	$ 2,009	$ 1,570

NOTE 23. SUBSEQUENT EVENTS

GE announced in November 2003 its intent for an initial public offering (IPO) of a new company, Genworth Financial, Inc. (Genworth), comprising most of our life and mortgage insurance businesses. We plan to sell approximately one-third of Genworth's equity in the IPO, and we expect (subject to market conditions) to reduce our ownership over the next three years as Genworth transitions to full independence. We commenced the IPO process in January 2004 and expect to complete the IPO in the first half of the year, subject to market conditions and receipt of various regulatory approvals.

On January 14, 2004, Commercial Finance acquired most of the commercial lending business of Transamerica Finance Corporation. This acquisition of approximately $8.5 billion in managed assets expands our distribution finance business and enhances our leasing and commercial loan financing in equipment, real estate and international structured finance.

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PART IV

Item 15. Exhibits

The following additional exhibits are filed herewith:

23 (ii)	Consent of KPMG LLP.
31 (a)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31 (b)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	GENERAL ELECTRIC CAPITAL CORPORATION
March 5, 2004	/s/ Philip D. Ameen
	Philip D. Ameen Senior Vice President and Controller Duly Authorized Officer and Principal Accounting Officer

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