

Grant's Conference: A Long and a Short.

Steven Eisman

MTG: A Dollar and A Dream

MGIC Investment Corporation (MTG)

Description:

Provides private mortgage insurance coverage for foreclosure risk to lenders and investors where consumers want or need mortgages above 80% loan to value in return for a premium (usually paid by borrower, but can be paid by lender).

By law GSE's need credit enhancement above 80% LTV

Risk in Force nearly \$60 bil

Competitors: RDN, PMI, GNW, AIG

Mortgage Insurance Industry Is Nearly Insolvent

Stocks have been hammered

MTG, PMI, RDN = Feb 2007 over \$15 bil market cap

Now = \$325 mil market cap

MTG Feb 2007 was \$70 stock and \$6 bil in market cap

Now \$1.30 stock and \$155 mil market cap

Why

I. Mortgage Insurers never assumed home prices could fall

II. Very poor underwriting

- Gave Away the Underwriting Pen

GSE's controlled underwriting standards despite MI's in 1st Loss

- Did not do enough due diligence on lender relationships

Origination fraud and terrible underwriting

As Is: MTG Could Become Insolvent Late 2011

GAAP Book Value 12/31/08 \$18.93, But Future Losses Are Likely And

Holding Company Cash	\$390 mil	12/31/2008
2009-2011 Cash Burn	\$125	\$41.4 x 3 yrs Interest & Corp Exp
2010 Debt	\$200	Revolving Credit Facility
2011 Debt	\$200 mil	Senior Notes Due 2011
Est. Cash Payments	<u><\$525></u>	
Est. Net Cash Shortfall	<\$135> mil	

If MTG is unable to obtain dividends from the its insurance subsidiary, refinance, or obtain new capital, it will not be able to pay its 2011 Debt.

Regulatory Capital currently at 14.1x could move above 25:1 by early to mid 2010
Then MTG could be stopped from writing new mortgage insurance

So What's the Investment Case?

Rescissions and Mass Mods by MTG provide enough relief on losses to allow a residual value in a run-off scenario.

Rescissions are a refusal to pay a claim that is not valid, e.g. fraud by the originator.

Very Important Note: MTG only pays if a valid foreclosure claim and is not obligated to pay for losses on mass mods, except where it agrees to such voluntarily as part of a loss mitigation strategy.

MTG's book value should also deteriorate less than otherwise expected

MTG has not taken into consideration Mass Modifications into its reserves

The full extent of likely rescissions have also not been considered into reserves

Mortgage Market and Regulators interested in MI's as Going Concerns

Given current regulatory regime and political environment, it appears GSE's charter is not likely to expand on new loans to go above 80%.

"They're very important," James Lockhart, chief of the Federal Housing Finance Agency, told reporters. "I'm a strong believer in the private market. The idea of some risk sharing with the private market makes a lot of sense. The second-underwriting that they do makes a lot of sense." "The right step is to get them some more capital so they can get back in the game," (Feb 2009)

If Regulators can be convinced of the Residual Value, additional liquidity and capital structures become possible.

Key will be structures that do not significantly dilute existing shareholders.

Portfolio Breakdown

	Remaining RIF \$ Bil	As % of RIF	% Mix of Each Category				
			Prime	A-Minus	Subprime	Reduced Doc	
Flow							
2004 & Prior	10.85	18%	87%	6%	1%	6%	
2005	5.58	9%	91%	5%	1%	3%	
2006	7.05	12%	87%	7%	1%	5%	
2007	15.43	26%	85%	8%	1%	6%	
2008	10.92	19%	79%	1%	0%	20%	
	<u>49.83</u>	<u>85%</u>	<u>87%</u>	<u>6%</u>	<u>1%</u>	<u>7%</u>	100%
Wall Street Bulk							
2004 & Prior	1.62	3%					
2005	1.38	2%	42%	20%	12%	26%	
2006	2.06	3%	37%	18%	10%	35%	
2007	0.79	1%	31%	17%	11%	42%	
2008	-	0%					
	<u>5.85</u>	<u>10%</u>	<u>31%</u>	<u>17%</u>	<u>11%</u>	<u>42%</u>	100%
Other Bulk							
2004 & Prior	0.29	0%					
2005	0.38	1%	42%	20%	12%	26%	
2006	1.43	2%	37%	18%	10%	35%	
2007	0.95	2%	31%	17%	11%	42%	
2008	0.23	0%	31%	17%	11%	42%	
	<u>3.28</u>	<u>6%</u>	<u>31%</u>	<u>17%</u>	<u>11%</u>	<u>42%</u>	100%
Total	<u>\$ 58.96</u>	<u>100%</u>					

Loss Assumptions For Severe Recession

FLOW	Current RIF	Remaining RIF Loss Rate				Total Loss	
	\$ Bil	Prime	A-Minus	Subprime	Reduced Doc	\$ Bil	% of Current RIF
2004 & Prior	10.85	3.0%	5.0%	10.0%	12.0%	0.40	
2005	5.58	7.0%	18.0%	18.0%	18.0%	0.44	
2006	7.05	12.0%	30.0%	30.0%	24.0%	1.00	
2007	15.43	15.0%	40.0%	40.0%	29.0%	2.78	
2008	<u>10.92</u>	14.0%	38.0%	38.0%	28.0%	<u>1.87</u>	
	49.83					<u>6.49</u>	13.0%
Wall Street Bulk							
2004 & Prior	1.62	25.0%	45.0%	45.0%	40.0%	0.57	
2005	1.38	30.0%	65.0%	65.0%	65.0%	0.72	
2006	2.06	45.0%	75.0%	75.0%	75.0%	1.36	
2007	0.79	45.0%	75.0%	75.0%	75.0%	0.52	
2008	<u>5.85</u>					<u>3.17</u>	54.1%
Remaining Bulk							
2004 & Prior	0.29	6.0%	7.2%	10.0%	11.5%	0.02	
2005	0.38	9.0%	17.3%	20.0%	30.0%	0.07	
2006	1.43	15.0%	30.0%	30.0%	50.0%	0.48	
2007	0.95	17.0%	40.0%	40.0%	60.0%	0.39	
2008	<u>0.23</u>	16.0%	38.0%	38.0%	60.0%	<u>0.09</u>	
	3.28					<u>1.06</u>	32.4%
Total	<u>\$ 58.96</u>					<u>\$ 10.72</u>	18.2%

Residual Value – Impact of Rescissions Only

Assuming MTG Rescinds 10% of Claims (Rescinded 14% in 4Q08 and likely higher in near term)

	<u>Severe Recession</u>	<u>With Rescissions</u>
Claims Paying Resources		
Investment Portfolio, Cash & Equivalents	8,142,870	
Captive Trust Funds	582,000	
Tax & Loss Bonds	400,000	
Future Premiums	3,100,000 ¹	
Total Est. Claims Paying Sources	<u>12,224,870</u>	<u>12,224,870</u>
Estimated Losses	(10,724,602)	(10,724,602)
Recission Benefit		1,079,143 ³
Net Loss Est.	<u>(10,724,602) ²</u>	<u>(9,645,459)</u>
Gross Residual Value	1,500,268	2,579,411
Less Debt	<u>(1,249,643)</u>	<u>(1,249,643)</u>
Net Residual Value	<u>250,625</u>	<u>1,329,768</u>
Taxes		
Share Count	<u>165,000</u>	<u>165,000</u>
Per Share	\$ 1.52	\$ 8.06
Dilution/Cost From Capital / Liquidity Restructuring	?	?

Note: Analysis excludes Investment Income and Operating Expenses. Investment income has exceeded operating expenses, so a conservative wash in the analysis.

This gives some cushion for investment portfolio to absorb some losses through investment income as well over time.

Not assuming any tax benefit from taxable losses that would occur under each scenario as NOL collectibility would likely be questionable.

¹ Insurance in force * premium of 60bp less 25% haircut for lost premiums on credit exposure and persistency 85% Yrs 1 - 5 and then 36.7%

² Remaining Risk in Force Losses of 19% with Flow = 13%, Wall Street Bulk 57%, and Remaining Bulk = 42%

³ 10% of claims rescinded (4Q08 rescissions were 14% of claims submitted and likely higher in the near term)

How Do Mass Mods Help? (Obama Plan)

Family C: Eligible for Homeowner Stability Initiative

- **In 2006:** Family C took out a 30-year subprime mortgage of \$220,000, on a house worth \$230,000 at the time (they put less than 5% down). The interest rate on their mortgage is 7.5%.
- **Today:** Family C has **\$214,016** remaining on their mortgage but their home value has fallen -18% to \$189,000. Also, in November, one parent in Family C was moved from full-time to part-time work, causing a significant negative shock to their income.
 - Their loan is now 113% of the value of their home, making them "underwater" and unable to sell their house.
 - Meanwhile, their monthly mortgage payment is \$1,538 and their monthly income has fallen to \$3,650, meaning the ratio of their monthly mortgage debt to income is 42%.
- **Under the Homeowner Stability Initiative:** Family C can get a government sponsored modification that – for five years – will reduce their mortgage payment by \$406 a month. After those five years, Family C's mortgage payment will adjust upward at a moderate, phased-in level.

	Existing Mortgage	Loan Modification
Balance	\$213,431	\$213,431
Remaining Years	27	27
Interest Rate	7.50%	4.42%
Monthly Payment	\$1,538	\$1,132
Savings:	<i>\$406 per month, \$4,870 per year</i>	

How Do Mass Mods Help?

Homeowner Stability Initiative: How the Program Works for the Lender, Government and Borrower

- First, lender **reduces the interest rate so that the Family C's monthly debt-to-income ratio drops** from 42% to 38%. This means that Investment Bank must reduce the interest rate from 7.50% **to 6.38%**, bringing down Family C's monthly payment from \$1,538 to \$1,387.
- Second, the government and lender **share the cost of further reducing the interest rate** so that the Family C's monthly debt-to-income level is lowered to 31%. Any dollar the bank spends is matched by the government. At this stage, Family C's interest rate is reduced from 6.41% to **4.43%**. In total, Family C's monthly payment has fallen from \$1,538 to \$1,132.
- If Family C remains current on their payments, they will receive **incentive payments** up to \$1,000 a year, or \$5,000 over five years, that would go towards reducing the principal they owe. Additionally, the mortgage servicer can earn an up-front incentive fee of \$1,000, plus up to \$1,000 per year in "Pay for Success" fees for three years, so long as Family C remains current.
- The 5-year undiscounted cost to taxpayers for this modification (assuming the full borrower and servicer incentive payments) is about \$19,390. In addition, the mortgage balance at the end of 5 years would be about \$198,308, assuming that the borrower was current and received its annual "incentive payment" of \$1,000 to reduce principal at the end of each year.

Residual Value

Assuming Rescissions and Mass Mods

	<u>Severe Recession</u>	<u>With Rescissions</u>	<u>With Mass Mods</u>
Claims Paying Resources			
Investment Portfolio, Cash & Equivalents	8,142,870		
Captive Trust Funds	582,000		
Tax & Loss Bonds	400,000		
Future Premiums	3,100,000 ¹		3,170,000 ⁴
Total Est. Claims Paying Sources	12,224,870	12,224,870	12,294,870
Estimated Losses	(10,724,602)	(10,724,602)	(10,724,602)
Recission Benefit		1,079,143 ³	1,079,143
Mass Mod Benefit			1,501,444 ⁵
Net Loss Est.	(10,724,602) ²	(9,645,459)	(8,144,014)
Gross Residual Value	1,500,268	2,579,411	4,150,856
Less Debt	(1,249,643)	(1,249,643)	(1,249,643)
Net Residual Value	250,625	1,329,768	2,901,213
Taxes			
Share Count	165,000	165,000	165,000
Per Share	\$ 1.52	\$ 8.06	\$ 17.58
Dilution/Cost From Capital / Liquidity Restructuring	?	?	?

Note: Analysis excludes Investment Income and Operating Expenses. Investment income has exceeded operating expenses, so a conservative wash in the analysis.

This gives some cushion for investment portfolio to absorb some losses through investment income as well over time.

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² Remaining Risk in Force Losses of 19% with Flow = 13%, Wall Street Bulk

57%, and Remaining Bulk = 42%

³ 10% of claims rescinded (4Q08 rescissions were 14% of claims submitted and likely higher in the near term)

⁴ Due to extending loans and cures, additional premiums collected on slightly longer average life.

⁵ Assuming 35% of loans going into foreclosures are modified, but 60% of those end back up in foreclosure, with a net benefit 14% of

foreclosures are avoided.

Conclusion

Risk = \$0 Stock Price

Clearly economic environment (falling home prices and rising unemployment) provide significant risk losses could rise and liquidity needs in 2H2011 may not get resolved.

Upside = \$10+ Stock Price

Mass modifications and rescissions should allow lower level of losses to create residual value

We estimate residual value could be substantially above \$10, but we do not know how much yet fixing the statutory capital or 2011 liquidity issues will cost.

Important Catalysts / Events

TBD - Regulatory Capital / Liquidity Restructuring

1Q09 – Earnings Release – progress on rescissions and benefit allowed to take to reserves vs credit deterioration.

2Q09 – Earnings Release – early read on modification impact and progress on rescissions vs. credit deterioration.

GE: Defining Deviancy Down

GE: Consolidated Balance Sheet

(in \$ millions)	1992	2007	2008
Total Assets	192,876	795,683	797,769
Equity	23,459	115,559	104,665
Preferred Equity	0	0	3,000
Tangible Common Equity (TCE)	13,940	18,301	4,929
TCE/Tangible Assets	7.6%	2.6%	0.7%
Tangible Assets / TCE	13.2	38.2	142.2
Tangible Assets / TCE + Preferred Equity	13.2	38.2	88.4

Source: Company reports, internal calculations

GE Capital

(in \$ millions)	1992	2007	2008	1Q09E
Total Assets	154,524	646,485	660,902	660,902
Equity	8,884	57,676	53,279	62,779
Tangible Common Equity (TCE)	5,981	27,744	24,301	33,801
TCE / Tangible Assets	3.94%	4.50%	3.85%	5.35%
Tangible Assets / TCE	25.4	22.2	26.0	18.7

Source: Company reports, internal calculations

GE ex -GE Capital

(in \$ millions)	1992	2007	2008	1Q09E
Total Assets	38,352	149,198	136,867	136,867
Equity	14,575	57,883	51,386	44,886
Preferred Equity			3,000	3,000
Tangible Common Equity (TCE)	7,959	(9,443)	(19,372)	(28,872)
TCE excl. Pref. Equity	7,959	(9,443)	(16,372)	(25,872)
TCE / Tangible Assets	25.1%	-11.5%	-28.0%	-41.8%
TCE excl. Pref Equity / Tangible Assets	25.1%	-11.5%	-23.7%	-37.4%

Source: Company reports, internal calculations

A Look Versus Comps

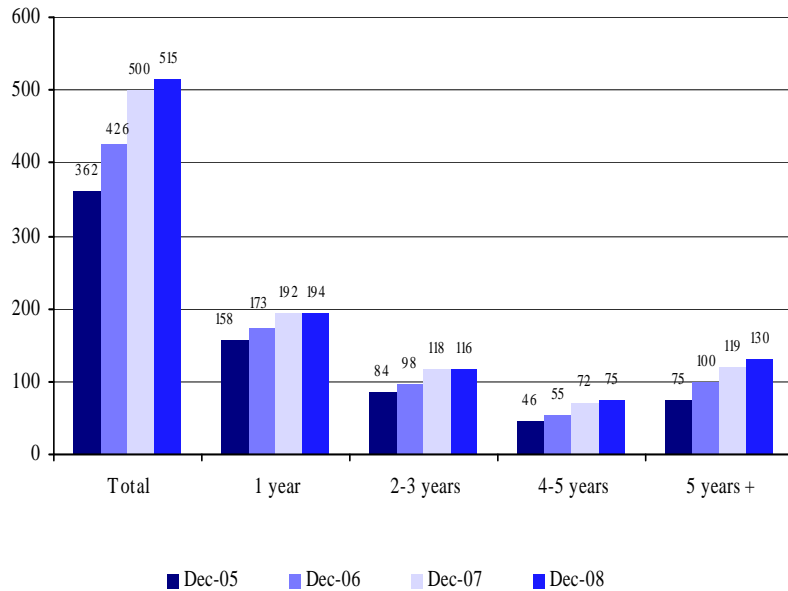
in \$ millions	GE ex-GECS	HON	SPW	UTX	EMR
Total Assets	136,867	35,490	6,122	56,469	20,522
Goodwill	67,758	10,185	2,427	18,806	6,556
Equity	44,886	7,187	2,011	15,917	8,402
Common Equity	41,886	7,187	2,011	15,917	8,402
TCE	(28,872)	(2,998)	(416)	(2,889)	1,846
TCE/TA	-41.8%	-11.8%	-11.3%	-7.7%	13.2%

Note: GE ex GECS data reflects 1Q09 expected numbers. All others reflect most recent quarter ended Dec 31, 2008

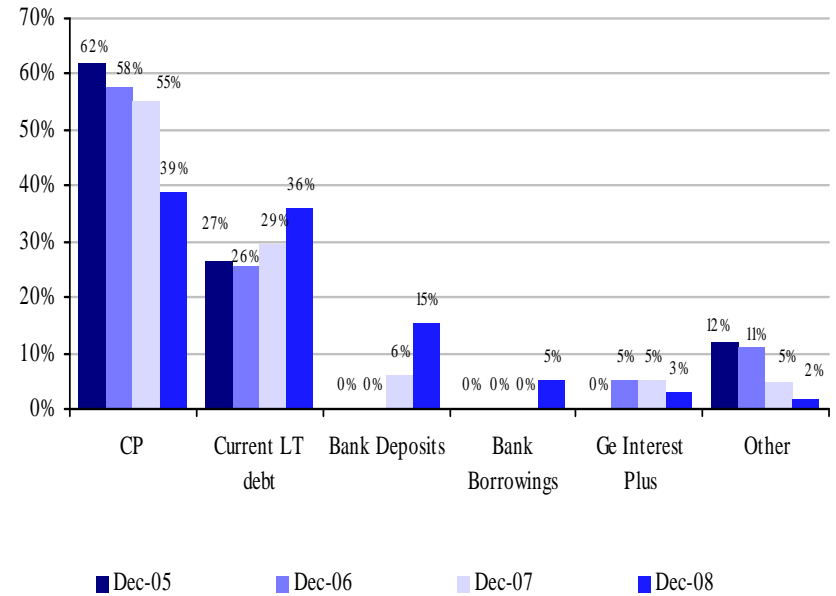
Source: Company reports, internal calculations

Borrowing Profile

Borrowings by Maturity



Short Term Debt



Source: Company reports, internal calculations

Asset Quality - 2008

	Bank	NCO Ratio	Bank	NPA Ratio
Worse ↑	FITB	7.44%	FHN	5.38%
	MI	5.41%	MI	4.24%
	C	3.50%	HBAN	3.97%
	FHN	3.50%	STI	3.49%
	RF	3.19%	FITB	2.96%
	WFC	2.69%	ZION	2.71%
	GE	2.40%	C	3.44%
	BAC	2.36%	GE	2.12%
	JPM	1.76%	BBT	2.04%
	KEY	1.74%	BAC	1.96%
ZION	1.71%	CMA	1.94%	
STI	1.68%	KEY	1.91%	
WAL	1.45%	CYN	1.79%	
USB	1.42%	WAL	1.77%	
HBAN	1.36%	RF	1.76%	
BBT	1.29%	JPM	1.70%	
PNC	1.07%	PNC	1.24%	
CMA	1.04%	USB	1.14%	
CYN	0.80%	WFC	0.93%	
	Average	2.41%	Average	2.45%
Better ↓				

Source: Company data, SNL, Goldman Sachs Research.

Truing up Reserves...

RESERVE ADEQUACY						
	Bank	Reserves to Loans	Bank	Reserves to NPAs	Bank	Reserves/NCOs
Worse ↑	GE	1.43%	STI	48%	FITB	0.4x
	CMA	1.52%	MI	57%	MI	0.4x
	BBT	1.60%	HBAN	58%	GE	1.0x
	ZION	1.64%	GE	67%	RF	0.6x
	CYN	1.80%	FHN	72%	WFC	0.9x
	WAL	1.83%	ZION	72%	ZION	1.0x
	STI	1.86%	BBT	78%	BAC	1.1x
	RF	1.95%	CMA	78%	STI	1.1x
	USB	2.09%	RF	84%	FHN	1.1x
	PNC	2.18%	FITB	92%	BBT	1.2x
	HBAN	2.30%	CYN	101%	C	1.3x
	KEY	2.36%	WAL	103%	WAL	1.3x
	MI	2.41%	KEY	123%	KEY	1.4x
	BAC	2.49%	BAC	129%	CMA	1.5x
	WFC	2.51%	PNC	175%	USB	1.5x
	JPM	3.18%	USB	184%	HBAN	1.7x
	FITB	3.31%	C	191%	JPM	1.8x
FHN	3.99%	JPM	200%	PNC	2.0x	
C	4.39%	WFC	241%	CYN	2.3x	
	Average	2.36%	Average	113%	Average	1.2x
Better ↓						

Source: Company data, SNL, Goldman Sachs Research, internal calculations

Would Result in a Pre-Tax Charge of

	GECS	Industry average	If normalized to industry average, pre-tax income hit to GECS (in \$ millions)
Reserves to Loans	1.43%	2.36%	\$3,465.9
Reserves to NPA's	67%	113%	\$3,622.0
Reserves/NCO's	1.0x	1.2x	\$1,308.1

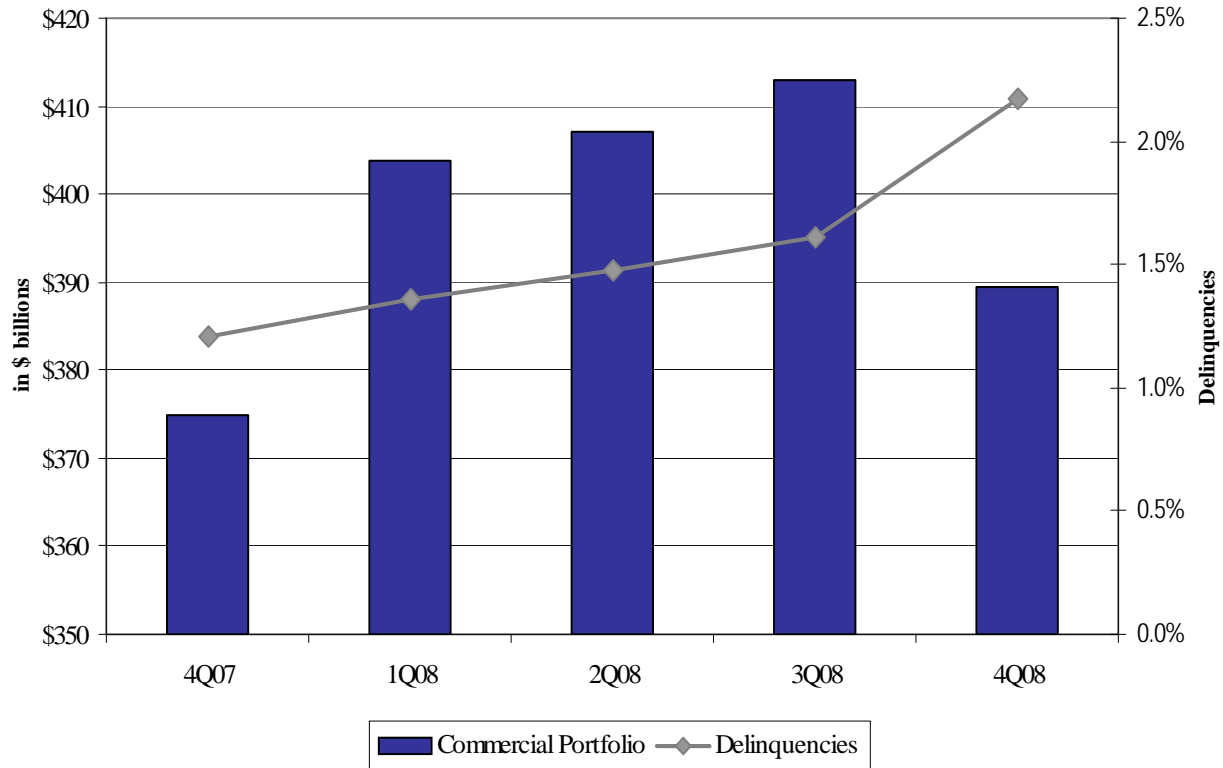
Source: GE reports, internal calculations

Reserve/NCO's

in \$ billions	2003	2004	2005	2006	2007	2008	2009E
Beginning Reserves	5.5	6.3	5.6	4.6	3.9	4.2	5.3
LLP	3.8	3.9	3.8	3.1	4.4	7.5	10.0
NCO	3.7	4.4	4.4	3.7	3.7	5.4	9.7
Ending Reserves	6.3	5.6	4.6	3.9	4.2	5.3	5.6
Ending Reserves / Loans	2.5%	2.0%	1.6%	1.2%	1.1%	1.3%	1.5%
LLP / NCO	1.02	0.88	0.87	0.82	1.20	1.40	1.03
Growth in LLP		4%	-1%	-20%	45%	70%	33%
Growth In NCO		20%	0%	-16%	-1%	46%	80%

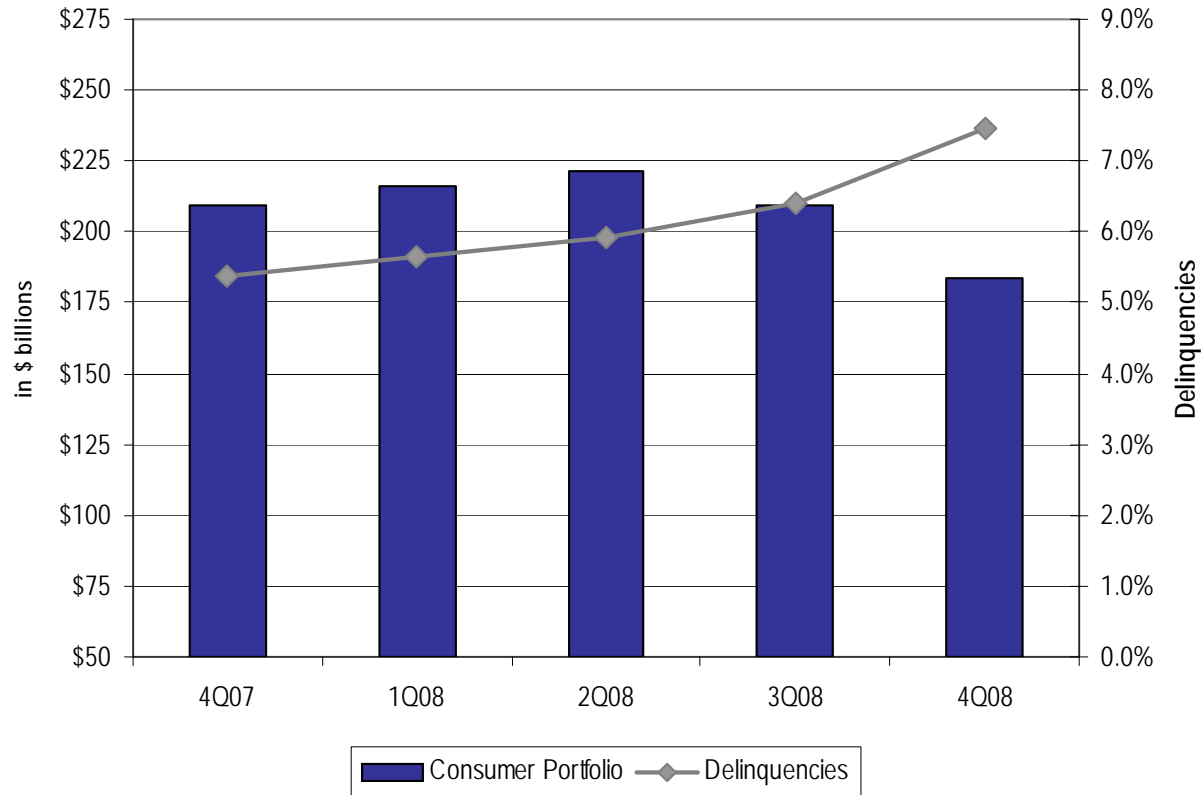
Source: Company reports, internal calculations

Commercial Portfolio



Source: Company reports

Consumer Portfolio



Source: Company reports

Net Income Stress Test

\$ billions except per share data	Original outlook	Fed adverse case
Peak US Unemployment	8.5%	10.1%
US GDP	-1.8%	-3.3%
Pre-tax pre-provision (excl. impairments)	\$14.2	\$13.9
Credit costs (incl. impairments)	\$10.6	\$18.4
Pre-tax income	\$3.6	(\$4.5)
Tax benefit	\$1.4	\$4.5
Capital Finance net income	\$5.0	\$0.0
GECC Corporate items	(\$0.2)	(\$0.2)
GECC net income	\$4.8	(\$0.2)
EPS per share for GECC	\$0.46	(\$0.02)
Commercial segment EPS assuming no growth in earnings	\$0.90	\$0.90
Consolidated EPS	\$1.36	\$0.88

Note: Commercial segment EPS excludes certain one-time charges taken in FY2008

Source: GE reports, internal calculations

Securities Portfolio

As of Dec 31, 2008 (in \$ mil)	Amortized cost	Net unrealized losses	Estimated fair value
Government and agency bonds	739	(35)	704
Corporate bonds	22,183	(1,965)	20,218
State and muni. bonds	1,556	(75)	1,481
RMBS	5,326	(982)	4,344
CMBS	2,910	(774)	2,136
ABS	2,881	(690)	2,191
Non US corporate bonds	1,441	(152)	1,289
Non US govt. bonds	1,300	42	1,342
Retained interest	6,395	(39)	6,356
AFS securities	921	(134)	787
Trading securities	<u>388</u>	<u>0</u>	<u>388</u>
	46,040	(4,804)	41,236
Per share		(\$0.46)	

Source: Company 10-K report

GECS Investment in Financials

Investment	Country	Year of Investment	Holding	Amount (\$bn)	Benchmark	LTM Performance	Performance since investment
Hyundai	Korea	2005	43%	3.2	Korea Kospi 200 Financial	-40%	-12%
Garanti Bank	Turkey	2005	21%	1.9	Garanti Bank	-33%	-18%
CAMGE	Spain	2005	50%	1.3	Spain Banks Index	-55%	-42%
Bank of Ayudhya	Thailand	2007	33%	1.1	Bank of Ayudhya	-62%	-50%
GE Nissen	Japan	2000	50%	0.9	Nikkei Financial	-56%	-71%
Dogus GE BV	Romania	2006	50%	0.5	MSCI Romania	-72%	NA
Colpatria	Colombia	2007	50%	0.3	FTSE Colombia Banks	-17%	NA
Cosmos Bank	Taiwan	2006	23%	0.3	Cosmos Bank	-82%	-97%
All others	--		--	<u>9.8</u>	--	--	--
Total currently held at cost				\$19.3	Average	-52%	-48%

Source: Company reports, internal calculations

Estimated MTM loss = \$9.26 billion (Performance since investment)

FX Mortgages

(in \$ millions)	Poland	Hungary
Portfolio Size	\$4,500	\$1,000
Avg. original LTV	71%	57%
GE Adverse loss assumption \$'s - 2009	\$87	\$49
GE Adverse loss assumption % - 2009	1.93%	4.90%
Losses based on our 15% cum. loss assumption	\$675	\$150
Currency devaluation against Swiss Francs since Aug 1, 2008	-34%	-28%
Current average estimated LTV	107.6%	79.2%

Source: Company reports, internal calculations

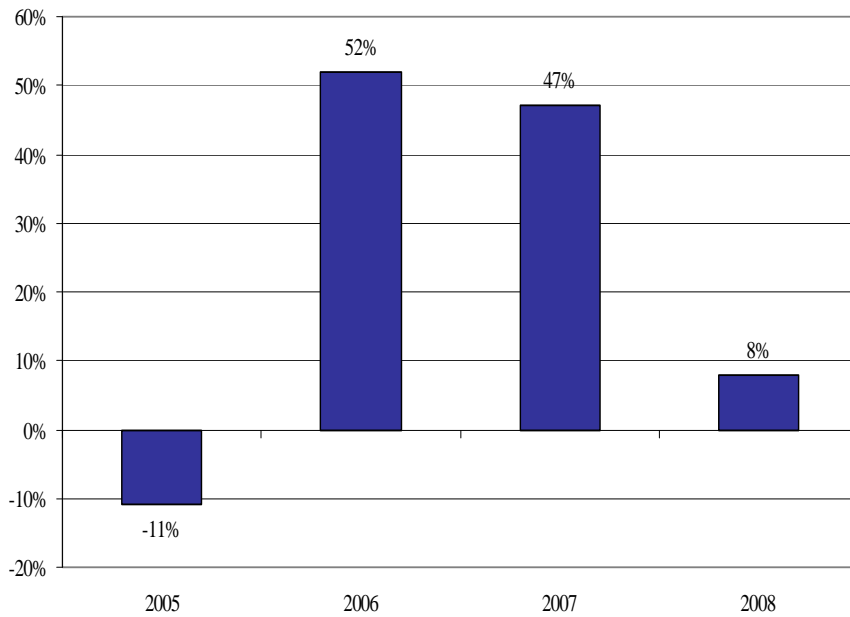
UK Mortgages

UK Mortgages	in \$ millions
Size	\$22,000
Vintage: Pre 2006	26%
2006	23%
2007	34%
2008	17%
Estimated losses on GE's 2009 adverse outlook %	5.1%
Estimated losses on GE's 2009 adverse outlook \$	\$1,125
Our estimate of 2009 credit losses %	7%
Our estimate of 2009 credit losses \$	\$1,544
Our estimate of 2010 credit losses %	9%
Our estimate of 2010 credit losses \$	\$1,985

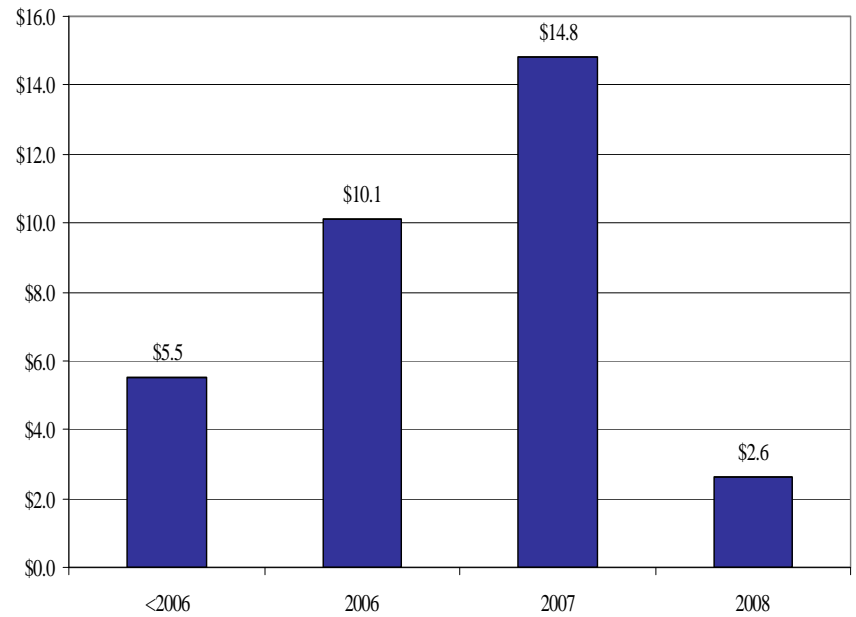
Source: Company reports, internal calculations

CRE Equity Portfolio

GE CRE portfolio growth



Portfolio Vintage



Source: Company reports

GE Equity Real Estate

GE Commercial Real Estate Equity Portfolio (\$bln)	\$31
GE's Implied NOI based on 6.5% cap rate (\$bln)	\$2.02
Assumed Capitalization Rate	6.50%

<u>Capitalization Rate</u>	<u>Value (\$bln)</u>	<u>Mark to Market Loss (\$bln)</u>	<u>% Loss</u>
7.50%	\$26.9	\$4.1	13.33%
8.00%	\$25.2	\$5.8	18.75%
8.50%	\$23.7	\$7.3	23.53%
9.00%	\$22.4	\$8.6	27.78%
9.50%	\$21.2	\$9.8	31.58%
10.00%	\$20.2	\$10.9	35.00%
10.50%	\$19.2	\$11.8	38.10%
11.00%	\$18.3	\$12.7	40.91%
11.50%	\$17.5	\$13.5	43.48%
12.00%	\$16.8	\$14.2	45.83%

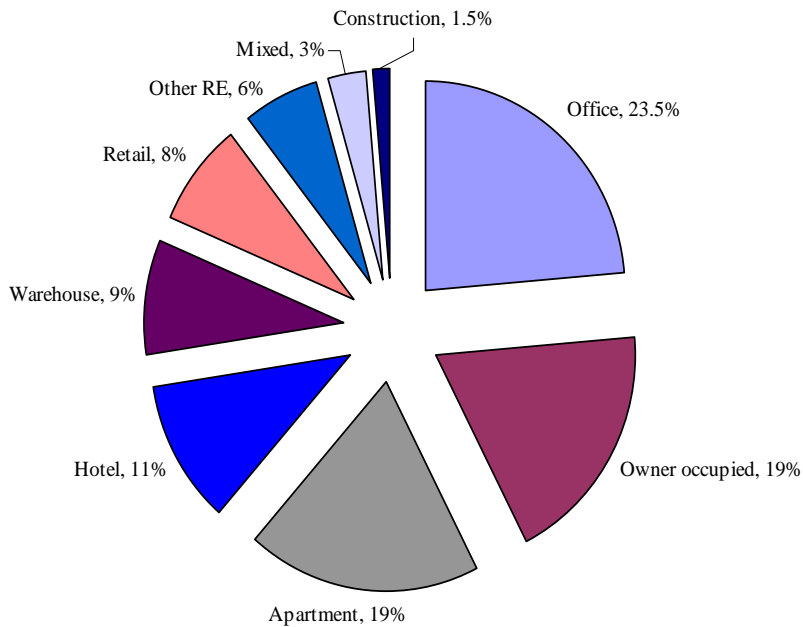
GE Commercial Real Estate Equity Portfolio (\$bln)	\$31
Projected NOI assuming 3% Decline from 2008 (\$bln)	\$1.95
Implied Capitalization Rate	6.31%

<u>Capitalization Rate</u>	<u>Value (\$bln)</u>	<u>Mark to Market Loss (\$bln)</u>	<u>% Loss</u>
7.50%	\$26.1	\$4.9	15.93%
8.00%	\$24.4	\$6.6	21.19%
8.50%	\$23.0	\$8.0	25.82%
9.00%	\$21.7	\$9.3	29.94%
9.50%	\$20.6	\$10.4	33.63%
10.00%	\$19.5	\$11.5	36.95%
10.50%	\$18.6	\$12.4	39.95%
11.00%	\$17.8	\$13.2	42.68%
11.50%	\$17.0	\$14.0	45.17%
12.00%	\$16.3	\$14.7	47.46%

Note: GECS equity real estate portfolio is \$33 billion of which \$29 billion is wholly owned and the rest in JV. We assume ownership of 50% in the JV's.

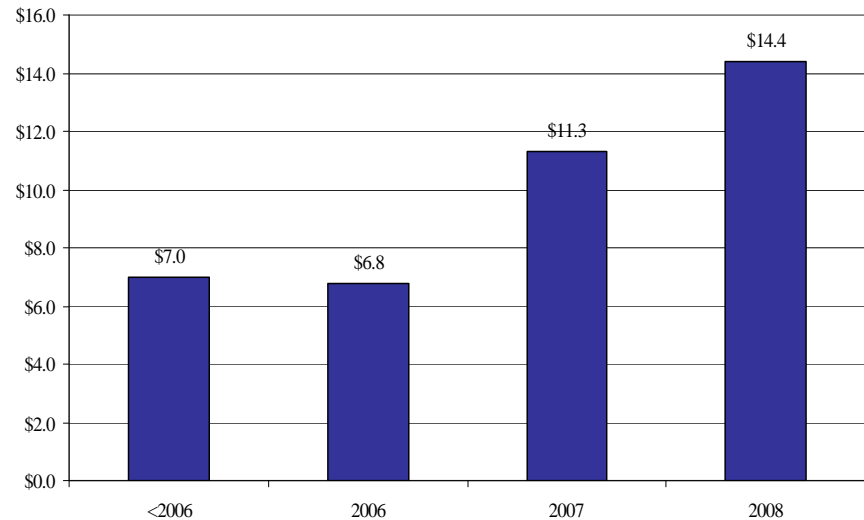
Source: Internal calculations

CRE Debt Portfolio



Source: Company reports

Portfolio Vintage



Note: \$9.7 billion in owner occupied properties is excluded in the vintage analysis

Our MTM loss estimate = \$12.8 billion on GECS' \$48 billion portfolio

Summary of Potential Future Losses

Estimated Losses	\$ in millions
MTM loss on securities portfolio	4,804
MTM loss on investments	9,264
Implied loss on mortgages in Poland & Hungary	689
Estimated loss on UK mortgage portfolio	3,529
MTM loss on equity real estate portfolio	8,600 - 11,500
MTM loss on debt real estate portfolio	<u>12,800</u>
Total expected MTM losses	\$39,686 - 42,586
Plus: Truing up Reserves	\$1,300 - \$3,622
Total including reserves	\$40,986 - \$46,208
<u>VS.</u>	
GE Capital Tangible Equity 1Q09	\$33,801
GE Tangible Equity 2008	\$7,929
GE Tangible Common Equity 2008	\$4,929

Source: Internal calculations