

## NOTE 12. SALES OF RECEIVABLES – FINANCIAL SERVICES SECTOR

### Servicing Portfolio

We retain servicing rights for receivables sold in off-balance sheet securitization and whole-loan sale transactions. The servicing portfolio is summarized in the following table (in millions):

	Retail & Wholesale Receivables
Servicing portfolio at December 31, 2002	\$ 75,071
Receivables sales	19,296
Collections	(40,197)
Servicing portfolio at December 31, 2003	\$ 54,170
Receivables sales	6,933
Collections	(21,530)
Servicing portfolio at December 31, 2004	\$ 39,573

### Retained Interest

Components of retained interest in securitized assets at December 31 include (in millions):

	2004	2003
Interest in sold wholesale receivables	\$ 6,904	\$ 9,249
Subordinated securities	875	1,455
Residual interest in securitization transactions	756	834
Restricted cash held for benefit of securitization SPEs	503	511
Senior securities	128	520
Retained interest in securitized assets	\$ 9,166	\$ 12,569

Most of the retained interest in sold wholesale receivables (\$5.5 billion and \$8 billion at December 31, 2004 and December 31, 2003, respectively) represents our undivided interest in wholesale receivables that are available to support the issuance of additional securities by a securitization SPE; the balance represents credit enhancements.

Retained interests are recorded at fair value. For wholesale receivables, book value approximates fair value because of their short-term maturities. The fair value of subordinated and senior securities is estimated based on market prices. In determining the fair value of residual interest in securitization transactions, we discount the present value of the projected cash flows retained at various discount rates based on economic factors in individual countries. Investments in subordinated securities and restricted cash are senior to the residual interest in securitization transactions.

### Investment and Other Income

The following table summarizes the activity related to off-balance sheet sales of receivables reported in *Revenues* for the years ended December 31 (in millions):

	2004	2003	2002
Net gain on sales of receivables	\$ 155	\$ 373	\$ 489
Income on interest in sold wholesale receivables and retained securities	588	679	606
Servicing fees	372	618	689
Income on residual interest and other	815	941	775
Investment and other income related to sales of receivables	\$ 1,930	\$ 2,611	\$ 2,559