

GENERAL ELECTRIC CAPITAL CORP  
Form 10-Q  
May 06, 2011

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

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 001-06461

GENERAL ELECTRIC CAPITAL CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

13-1500700  
(I.R.S. Employer Identification No.)

901 Main Avenue, Norwalk, Connecticut  
(Address of principal executive offices)

06851-1168  
(Zip Code)

(Registrant's telephone number, including area code) (203) 840-6300

(Former name, former address and former fiscal year,  
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At May 5, 2011, 3,985,404 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of \$14 per share were outstanding.

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

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## General Electric Capital Corporation

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## Forward-Looking Statements

This document contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” or “will.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of conditions in the financial and credit markets on the availability and cost of our funding and on our ability to reduce our asset levels as planned; the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults; changes in Japanese consumer behavior that may affect our estimates of liability for excess interest refund claims (Grey Zone); potential financial implications from the Japanese natural disaster; our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so; the level of demand and financial performance of the major industries we serve, including, without limitation, air transportation, real estate and healthcare; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation; strategic actions, including acquisitions, joint ventures and dispositions and our success in completing announced transactions and integrating acquired businesses; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

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## Part I. Financial Information

## Item 1. Financial Statements.

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Current and Retained Earnings

(Unaudited)

(In millions)	Three months ended March	
	2011	2010
Revenues		
Revenues from services (a)	\$ 12,343	\$ 11,723
Other-than-temporary impairment on investment securities:		
Total other-than-temporary impairment on investment securities	(65)	(152)
Less: Portion of other-than-temporary impairment recognized in accumulated other comprehensive income	4	79
Net other-than-temporary impairment on investment securities recognized in earnings	(61)	(73)
Revenues from services (Note 9)	12,282	11,650
Sales of goods	42	281
Total revenues	12,324	11,931
Costs and expenses		
Interest	3,660	3,792
Operating and administrative	3,357	3,520
Cost of goods sold	40	265
Investment contracts, insurance losses and insurance annuity benefits	24	35
Provision for losses on financing receivables	1,163	2,187
Depreciation and amortization	1,775	1,914
Total costs and expenses	10,019	11,713
Earnings from continuing operations before income taxes	2,305	218
Benefit (provision) for income taxes	(432)	360
Earnings from continuing operations	1,873	578
Earnings (loss) from discontinued operations, net of taxes (Note 2)	20	(363)
Net earnings	1,893	215
Less net earnings (loss) attributable to noncontrolling interests	31	(5)
Net earnings attributable to GECC	1,862	220
Dividends	—	(1)
Retained earnings at beginning of period	47,967	45,618
Retained earnings at end of period	\$ 49,829	\$ 45,837

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Amounts attributable to GECC

Earnings from continuing operations	\$	1,842	\$	583
Earnings (loss) from discontinued operations, net of taxes		20		(363)
Net earnings attributable to GECC	\$	1,862	\$	220

(a) Excluding net other-than-temporary impairment on investment securities.

See accompanying notes.

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## General Electric Capital Corporation and consolidated affiliates

## Condensed Statement of Financial Position

(In millions)	March 31, 2011 (Unaudited)	December 31, 2010
<b>Assets</b>		
Cash and equivalents	\$ 66,500	\$ 59,544
Investment securities (Note 3)	18,666	17,952
Inventories	63	66
Financing receivables – net (Notes 4 and 12)	308,352	317,734
Other receivables	13,307	13,678
Property, plant and equipment, less accumulated amortization of \$25,132 and \$25,396	54,286	53,748
Goodwill (Note 5)	27,759	27,508
Other intangible assets – net (Note 5)	1,875	1,876
Other assets	72,306	79,045
Assets of businesses held for sale (Note 2)	1,587	3,127
Assets of discontinued operations (Note 2)	5,104	6,862
<b>Total assets(a)</b>	<b>\$ 569,805</b>	<b>\$ 581,140</b>
<b>Liabilities and equity</b>		
Short-term borrowings (Note 6)	\$ 105,393	\$ 113,646
Accounts payable	8,271	6,839
Non-recourse borrowings of consolidated securitization entities (Note 6)	29,300	30,060
Bank deposits (Note 6)	39,397	37,298
Long-term borrowings (Note 6)	278,731	284,346
Investment contracts, insurance liabilities and insurance annuity benefits	5,554	5,779
Other liabilities	19,412	20,429
Deferred income taxes	4,179	6,200
Liabilities of businesses held for sale (Note 2)	550	592
Liabilities of discontinued operations (Note 2)	1,697	1,906
<b>Total liabilities(a)</b>	<b>492,484</b>	<b>507,095</b>
Capital stock	56	56
Accumulated other comprehensive income – net(b)		
Investment securities	(414)	(337)
Currency translation adjustments	1	(1,541)
Cash flow hedges	(1,411)	(1,347)
Benefit plans	(381)	(380)
Additional paid-in capital	28,463	28,463
Retained earnings	49,829	47,967
<b>Total GECC shareowner's equity</b>	<b>76,143</b>	<b>72,881</b>
Noncontrolling interests(c)	1,178	1,164
<b>Total equity</b>	<b>77,321</b>	<b>74,045</b>
<b>Total liabilities and equity</b>	<b>\$ 569,805</b>	<b>\$ 581,140</b>

- (a) Our consolidated assets at March 31, 2011 include total assets of \$43,749 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets include net financing receivables of \$35,860 million and investment securities of \$5,346 million. Our consolidated liabilities at March 31, 2011 include liabilities of certain VIEs for which the VIE creditors do not have recourse to GECC. These liabilities include non-recourse borrowings of consolidated securitization entities (CSEs) of \$28,752 million. See Note 13.
- (b) The sum of accumulated other comprehensive income – net was \$(2,205) million and \$(3,605) million at March 31, 2011 and December 31, 2010, respectively.
- (c) Included accumulated other comprehensive income – net attributable to noncontrolling interests of \$(139) million and \$(137) million at March 31, 2011 and December 31, 2010, respectively.

See accompanying notes.

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## General Electric Capital Corporation and consolidated affiliates

## Condensed Statement of Cash Flows

(Unaudited)

(In millions)	Three months ended March 31,	
	2011	2010
Cash flows – operating activities		
Net earnings	\$ 1,893	\$ 215
Less net earnings attributable to noncontrolling interests	31	(5)
Net earnings attributable to GECC	1,862	220
(Earnings) loss from discontinued operations	(20)	363
Adjustments to reconcile net earnings attributable to GECC to cash provided from operating activities		
Depreciation and amortization of property, plant and equipment	1,775	1,914
Increase (decrease) in accounts payable	1,418	2,122
Provision for losses on financing receivables	1,163	2,187
All other operating activities	(1,916)	(1,511)
Cash from (used for) operating activities – continuing operations	4,282	5,295
Cash from (used for) operating activities – discontinued operations	120	122
Cash from (used for) operating activities	4,402	5,417
Cash flows – investing activities		
Additions to property, plant and equipment	(2,292)	(831)
Dispositions of property, plant and equipment	1,817	1,568
Increase in loans to customers	(71,901)	(73,331)
Principal collections from customers – loans	79,772	79,484
Investment in equipment for financing leases	(1,912)	(2,092)
Principal collections from customers – financing leases	3,833	4,462
Net change in credit card receivables	2,514	2,612
Proceeds from sale of discontinued operations	1,775	–
Proceeds from principal business dispositions	1,378	–
Payments for principal businesses purchased	(85)	–
All other investing activities	4,343	7,146
Cash from (used for) investing activities – continuing operations	19,242	19,018
Cash from (used for) investing activities – discontinued operations	(106)	(204)
Cash from (used for) investing activities	19,136	18,814
Cash flows – financing activities		
Net increase (decrease) in borrowings (maturities of 90 days or less)	(2,277)	(3,310)
Net increase (decrease) in bank deposits	1,233	(613)
Newly issued debt (maturities longer than 90 days)		
Short-term (91 to 365 days)	10	4,908
Long-term (longer than one year)	15,498	10,930
Non-recourse, leveraged lease	–	–
Repayments and other debt reductions (maturities longer than 90 days)		

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Short-term (91 to 365 days)	(31,010)	(38,685)
Long-term (longer than one year)	(199)	(421)
Non-recourse, leveraged lease	(423)	(351)
Dividends paid to shareowner	–	–
All other financing activities	(204)	(296)
Cash from (used for) financing activities – continuing operations	(17,372)	(27,838)
Cash from (used for) financing activities – discontinued operations	–	(38)
Cash from (used for) financing activities	(17,372)	(27,876)
Effect of currency exchange rate changes on cash and equivalents	804	(497)
Increase (decrease) in cash and equivalents	6,970	(4,142)
Cash and equivalents at beginning of year	59,679	63,880
Cash and equivalents at March 31	66,649	59,738
Less cash and equivalents of discontinued operations at March 31	149	1,843
Cash and equivalents of continuing operations at March 31	\$ 66,500	\$ 57,895

See accompanying notes.

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## Summary of Operating Segments

(In millions)	Three months ended March	
	31, (Unaudited)	
	2011	2010
Revenues		
CLL	\$ 4,608	\$ 4,594
Consumer	4,941	4,564
Real Estate	907	944
Energy Financial Services	345	791
GECAS	1,325	1,239
Total segment revenues	12,126	12,132
GECC corporate items and eliminations	198	(201)
Total revenues in GECC	\$ 12,324	\$ 11,931
Segment profit		
CLL	\$ 554	\$ 232
Consumer	1,257	569
Real Estate	(358)	(403)
Energy Financial Services	112	153
GECAS	306	317
Total segment profit	1,871	868
GECC corporate items and eliminations	(29)	(285)
Earnings from continuing operations attributable to GECC	1,842	583
Earnings (loss) from discontinued operations, net of taxes, attributable to GECC	20	(363)
Total net earnings attributable to GECC	\$ 1,862	\$ 220

See accompanying notes.

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Notes to Condensed, Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All of the outstanding common stock of General Electric Capital Corporation (GECC) is owned by General Electric Capital Services, Inc. (GECS), all of whose common stock is owned by General Electric Company (GE Company or GE). Our financial statements consolidate all of our affiliates – companies that we control and in which we hold a majority voting interest. We also consolidate the economic interests we hold in certain businesses within companies in which we hold a voting equity interest and are majority owned by our ultimate parent, but which we have agreed to actively manage and control. See Note 1 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2010 (2010 Form 10-K or 2010 consolidated financial statements), which discusses our consolidation and financial statement presentation. GECC includes Commercial Lending and Leasing (CLL), Consumer, Real Estate, Energy Financial Services and GE Capital Aviation Services (GECAS).

As a wholly-owned subsidiary, GECC enters into various operating and financing arrangements with GE. Transactions between related companies are made on an arms-length basis, are eliminated and consist primarily of capital contributions from GE to GECC; GE customer receivables sold to GECC; GECC services for trade receivables management and material procurement; buildings and equipment (including automobiles) leased between GE and GECC; information technology (IT) and other services sold to GECC by GE; aircraft engines manufactured by GE that are installed on aircraft purchased by GECC from third-party producers for lease to others; and various investments, loans and allocations of GE corporate overhead costs.

Beginning January 1, 2011, GE allocates service costs related to its principal pension plans and GE no longer allocates the retiree costs of postretirement healthcare benefits to its segments. This revised allocation methodology better aligns segment operating costs to active employee costs that are managed by the segments. This change did not significantly affect our reported segment results.

We have reclassified certain prior-period amounts to conform to the current-period presentation. Unless otherwise indicated, information in these notes to the condensed, consolidated financial statements relates to continuing operations.

Interim Period Presentation

The condensed, consolidated financial statements and notes thereto are unaudited. These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed, consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. It is suggested that these condensed, consolidated financial statements be read in conjunction with the financial statements and notes thereto included in our 2010 consolidated financial statements. We label our quarterly information using a calendar convention, that is, first quarter is labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is our longstanding practice to establish interim quarterly closing dates using a fiscal calendar, which requires our businesses to close their books on either a Saturday or Sunday, depending on the business. The effects of this practice are modest and only exist within a reporting year. The fiscal closing calendar from 1993 through 2013 is available on our website, [www.ge.com/secreports](http://www.ge.com/secreports).

## 2. ASSETS AND LIABILITIES OF BUSINESSES HELD FOR SALE AND DISCONTINUED OPERATIONS

## Assets and Liabilities of Businesses Held for Sale

In 2010, we committed to sell our Consumer businesses in Argentina, Brazil, and Canada, a CLL business in South Korea, and our Interpark business in Real Estate. The Consumer Canada disposition was completed during the first quarter of 2011.

Summarized financial information for businesses held for sale is shown below.

(In millions)	March 31, 2011	December 31, 2010
<b>Assets</b>		
Cash and equivalents	\$ 45	\$ 54
Financing receivables – net	551	1,917
Property, plant and equipment – net	99	103
Other intangible assets – net	40	187
Other assets	827	841
Other	25	25
Assets of businesses held for sale	\$ 1,587	\$ 3,127
<b>Liabilities</b>		
Accounts payable	\$ 48	\$ 46
Other GE current liabilities	9	11
Long-term borrowings	119	228
Other liabilities	112	169
Other	262	138
Liabilities of businesses held for sale	\$ 550	\$ 592

## Discontinued Operations

Discontinued operations primarily comprised BAC Credomatic GECF Inc. (BAC) (our Central American bank and card business), GE Money Japan (our Japanese personal loan business, Lake, and our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd.), our U.S. mortgage business (WMC), our U.S. recreational vehicle and marine equipment financing business (Consumer RV Marine), Consumer Mexico and Consumer Singapore. Associated results of operations, financial position and cash flows are separately reported as discontinued operations for all periods presented.

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Summarized financial information for discontinued operations is shown below.

(In millions)	Three months ended March	
	2011	2010
Operations		
Total revenues	\$ 89	\$ 400
Earnings (loss) from discontinued operations before income taxes		
Benefit (provision) for income taxes	\$ -	\$ 2
Earnings (loss) from discontinued operations, net of taxes	\$ (19)	\$ 16
	\$ (19)	\$ 18
Disposal		
Gain (loss) on disposal before income taxes	\$ 11	\$ (381)
Benefit for income taxes	28	-
Gain (loss) on disposal, net of taxes	\$ 39	\$ (381)
Earnings (loss) from discontinued operations, net of taxes	\$ 20	\$ (363)

(In millions)	March 31,	December
	2011	31,
Assets		
Cash and equivalents	\$ 149	\$ 135
Financing receivables - net	3,401	5,089
Other assets	30	168
Other	1,524	1,470
Assets of discontinued operations	\$ 5,104	\$ 6,862

(In millions)	March 31,	December
	2011	31,
Liabilities		
Accounts payable	\$ 37	\$ 110
Deferred income taxes	118	147
Other liabilities	1,542	1,649
Liabilities of discontinued operations	\$ 1,697	\$ 1,906

Assets at March 31, 2011 and December 31, 2010, primarily comprised cash, financing receivables and a deferred tax asset for a loss carryforward, which expires in 2015, related to the sale of our GE Money Japan business.

BAC Credomatic GECF Inc. (BAC)

During the fourth quarter of 2010, we classified BAC as discontinued operations and completed the sale of BAC for \$1,920 million. Immediately prior to the sale, and in accordance with terms of a previous agreement, we increased our ownership interest in BAC from 75% to 100% for a purchase price of \$633 million. As a result of the sale of our interest in BAC, we recognized an after-tax gain of \$780 million in 2010.

BAC revenues from discontinued operations were \$260 million in the three months ended March 31, 2010. In total, BAC earnings from discontinued operations, net of taxes, were \$17 million in the three months ended March 31, 2010.

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## GE Money Japan

During the third quarter of 2007, we committed to a plan to sell our Japanese personal loan business, Lake, upon determining that, despite restructuring, Japanese regulatory limits for interest charges on unsecured personal loans did not permit us to earn an acceptable return. During the third quarter of 2008, we completed the sale of GE Money Japan, which included Lake, along with our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd. In connection with the sale, we reduced the proceeds on the sale for estimated interest refund claims in excess of the statutory interest rate. Proceeds from the sale were to be increased or decreased based on the actual claims experienced in accordance with loss-sharing terms specified in the sale agreement, with all claims in excess of 258 billion Japanese Yen (approximately \$3,000 million) remaining our responsibility. The underlying portfolio to which this obligation relates is in runoff and interest rates were capped for all designated accounts by mid-2009. In the third quarter of 2010, we began making reimbursements under this arrangement.

Our overall claims experience developed unfavorably through 2010. We believe that the level of excess interest refund claims has been impacted by the challenging global economic conditions, in addition to Japanese legislative and regulatory changes. In September 2010, a large independent personal loan company in Japan filed for bankruptcy, which precipitated a significant amount of publicity surrounding excess interest refund claims in the Japanese marketplace, along with substantial legal advertising. We observed an increase in claims during September 2010 and higher average daily claims in the fourth quarter of 2010 and the first two months of 2011. While we have experienced a decline in claims in March 2011 following the claims filing deadline related to the bankruptcy filing of the personal loan company, it is currently unclear whether excess interest refund claims activity will be also affected by the recent March 11, 2011 earthquake and subsequent tsunami in Japan. As of March 31, 2011, our reserve for reimbursement of claims in excess of the statutory interest rate was \$1,268 million.

The amount of these reserves is based on analyses of recent and historical claims experience, pending and estimated future excess interest refund requests, the estimated percentage of customers who present valid requests, and our estimated payments related to those requests. Our estimated liability for excess interest refund claims at March 31, 2011 assumes the pace of incoming claims will decelerate, average exposure per claim remains consistent with recent experience, and we continue to see the impact of our loss mitigation efforts. Estimating the pace of decline in incoming claims can have a significant effect on the total amount of our liability. For example, the estimate resulting from our most recent detailed review in the third quarter 2010 assumes incoming average daily claims will decline at a long-term average rate of 4% monthly. Average daily claims since our review have been higher than expected, which we believe is primarily attributable to the bankruptcy filing of the large independent personal loan company described above and we expect claims activity to decline substantially following that period. We believe that the evaluation of claims activity over the balance of the year will be important in order to fully assess the potential impact of this bankruptcy or other events on our overall claim reserve estimate. Holding all other assumptions constant, if claims declined at a rate of one percent higher or lower than assumed, our liability estimate would change by approximately \$250 million.

Uncertainties around the impact of laws and regulations, challenging economic conditions, the runoff status of the underlying book of business, the effects of the March 11, 2011 earthquake and subsequent tsunami in Japan and the effects of our mitigation efforts make it difficult to develop a meaningful estimate of the aggregate possible claims exposure. Recent trends, including the effect of governmental actions, market activity regarding other personal loan companies and consumer activity, may continue to have an adverse effect on claims development.

GE Money Japan losses from discontinued operations, net of taxes, were \$1 million and \$383 million in the three months ended March 31, 2011 and 2010, respectively.



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## WMC

During the fourth quarter of 2007, we completed the sale of WMC, our U.S. mortgage business. WMC substantially discontinued all new loan originations by the second quarter of 2007, and is not a loan servicer. In connection with the sale, WMC retained certain obligations related to loans sold prior to the disposal of the business, including WMC's contractual obligations to repurchase previously sold loans as to which there was an early payment default or with respect to which certain contractual representations and warranties were not met. All claims received for early payment default have either been resolved or are no longer being pursued.

Pending claims for unmet representations and warranties have declined from \$783 million at December 31, 2009 to \$371 million at March 31, 2011. Reserves related to these contractual representations and warranties were \$101 million at both March 31, 2011 and December 31, 2010. The amount of these reserves is based upon pending and estimated future loan repurchase requests, the estimated percentage of loans validly tendered for repurchase, and our estimated losses on loans repurchased. Based on our historical experience, we estimate that a small percentage of the total loans WMC originated and sold will be tendered for repurchase, and of those tendered, only a limited amount will qualify as "validly tendered," meaning the loans sold did not satisfy specified contractual obligations. WMC's current reserve represents our best estimate of losses with respect to WMC's repurchase obligations. Actual losses could exceed the reserve amount if actual claim rates, valid tenders or losses WMC incurs on repurchased loans are higher than historically observed.

WMC revenues (loss) from discontinued operations were \$0 million and \$(1) million in the three months ended March 31, 2011 and 2010, respectively. In total, WMC's losses from discontinued operations, net of taxes, were \$2 million and \$4 million in the three months ended March 31, 2011 and 2010, respectively.

## Other

In the first quarter of 2011, we entered into an agreement to sell our Consumer Singapore business for approximately \$700 million. The sale was completed in the second quarter of 2011. Consumer Singapore revenues from discontinued operations were \$29 million and \$26 million in the three months ended March 31, 2011 and 2010, respectively. Consumer Singapore earnings from discontinued operations, net of taxes, were \$7 million and \$8 million in the three months ended March 31, 2011 and 2010, respectively.

In the fourth quarter of 2010, we entered into agreements to sell our Consumer RV Marine portfolio and Consumer Mexico business. The Consumer RV Marine and Consumer Mexico dispositions were completed during the first quarter and the second quarter of 2011, respectively. Consumer RV Marine revenues from discontinued operations were \$5 million and \$54 million in the three months ended March 31, 2011 and 2010, respectively. Consumer RV Marine losses from discontinued operations, net of taxes, were \$0 million and \$19 million in the three months ended March 31, 2011 and 2010, respectively. Consumer Mexico revenues from discontinued operations were \$55 million and \$61 million in the three months ended March 31, 2011 and 2010, respectively. Consumer Mexico earnings from discontinued operations, net of taxes, were \$16 million and \$18 million in the three months ended March 31, 2011 and 2010, respectively.

## 3. INVESTMENT SECURITIES

Substantially all of our investment securities are classified as available-for-sale. These comprise mainly investment grade debt securities supporting obligations to holders of guaranteed investment contracts (GICs) in Trinity, and investment securities held at our global banks. We do not have any securities classified as held to maturity.

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(In millions)	At				At			
	March 31, 2011		Estimated fair value	December 31, 2010		Estimated fair value		
Amortized cost	Gross unrealized gains	Gross unrealized losses		Amortized cost	Gross unrealized gains		Gross unrealized losses	
<b>Debt</b>								
U.S. corporate	\$ 3,305	\$ 117	\$ (10)	\$ 3,412	\$ 3,490	\$ 169	\$ (14)	\$ 3,645
State and municipal	912	5	(225)	692	918	4	(232)	690
Residential mortgage-backed(a)	2,004	13	(315)	1,702	2,099	14	(355)	1,758
Commercial mortgage-backed	1,564	–	(151)	1,413	1,619	–	(183)	1,436
Asset-backed	3,417	38	(141)	3,314	3,242	7	(190)	3,059
Corporate – non-U.S.	1,438	49	(95)	1,392	1,478	39	(111)	1,406
Government – non-U.S.	2,347	7	(61)	2,293	1,804	8	(58)	1,754
U.S. government and federal agency	2,549	2	(9)	2,542	2,663	3	(5)	2,661
Retained interests	34	21	(3)	52	55	10	(26)	39
<b>Equity</b>								
Available-for-sale	1,264	200	(28)	1,436	902	194	(9)	1,087
Trading	418	–	–	418	417	–	–	417
<b>Total</b>	<b>\$ 19,252</b>	<b>\$ 452</b>	<b>\$ (1,038)</b>	<b>\$ 18,666</b>	<b>\$ 18,687</b>	<b>\$ 448</b>	<b>\$ (1,183)</b>	<b>\$ 17,952</b>

(a) Substantially collateralized by U.S. mortgages. Of our total residential mortgage-backed securities (RMBS) portfolio at March 31, 2011, \$819 million relates to securities issued by government sponsored entities and \$883 million relates to securities of private label issuers. Securities issued by private label issuers are collateralized primarily by pools of individual direct mortgage loans of individual financial institutions.

The fair value of investment securities increased to \$18,666 million at March 31, 2011, from \$17,952 million at December 31, 2010, primarily driven by improved market conditions.

The following tables present the estimated fair values and gross unrealized losses of our available-for-sale investment securities.

(In millions)	In loss position for			
	Less than 12 months	Gross unrealized losses (a)	12 months or more	Gross unrealized losses(a)
	Estimated fair value		Estimated fair value	
March 31, 2011				
Debt				
U.S. corporate	\$ 232	\$ (5)	\$ 247	\$ (5)
State and municipal	137	(16)	446	(209)
Residential mortgage-backed	306	(4)	905	(311)
Commercial mortgage-backed	758	(91)	654	(60)
Asset-backed	52	(2)	892	(139)
Corporate – non-U.S.	153	(2)	729	(93)
Government – non-U.S.	1,022	(5)	147	(56)
U.S. government and federal agency	1,837	(9)	–	–
Retained interests	–	–	6	(3)
Equity	73	(25)	10	(3)
Total	\$ 4,570	\$ (159)	\$ 4,036	\$ (879)
December 31, 2010				
Debt				
U.S. corporate	\$ 357	\$ (5)	\$ 337	\$ (9)
State and municipal	137	(16)	443	(216)
Residential mortgage-backed	166	(3)	920	(352)
Commercial mortgage-backed	779	(103)	652	(80)
Asset-backed	111	(5)	902	(185)
Corporate – non-U.S.	123	(2)	673	(109)
Government – non-U.S.	642	(6)	105	(52)
U.S. government and federal agency	1,613	(5)	–	–
Retained interests	–	–	34	(26)
Equity	46	(9)	–	–
Total	\$ 3,974	\$ (154)	\$ 4,066	\$ (1,029)

(a) At March 31, 2011, other-than-temporary impairments previously recognized through other comprehensive income (OCI) on securities still held amounted to (\$452) million, of which (\$364) million related to RMBS. Gross unrealized losses related to those securities at March 31, 2011 amounted to \$(481) million, of which \$(433) million related to RMBS.

We regularly review investment securities for impairment using both qualitative and quantitative criteria. We presently do not intend to sell our debt securities and believe that it is not more likely than not that we will be required to sell these securities that are in an unrealized loss position before recovery of our amortized cost. We believe that the unrealized loss associated with our equity securities will be recovered within the foreseeable future. The methodologies and significant inputs used to measure the amount of credit loss for our investment securities during

the three months ended March 31, 2011 have not changed from those described in our 2010 consolidated financial statements. See Note 3 in our 2010 consolidated financial statements for additional information regarding these methodologies and inputs.

During the first quarter of 2011, we recorded other-than-temporary impairments of \$65 million, of which \$61 million was recorded through earnings (\$5 million relates to equity securities) and \$4 million was recorded in accumulated other comprehensive income (AOCI). At January 1, 2011, cumulative impairments recognized in earnings associated with debt securities still held were \$316 million. During the first quarter, we recognized incremental charges on previously impaired securities of \$56 million. These amounts included \$3 million related to securities that were subsequently sold.

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During the first quarter of 2010, we recorded other-than-temporary impairments of \$152 million, of which \$73 million was recorded through earnings (\$1 million relates to equity securities) and \$79 million was recorded in AOCI. At January 1, 2010, cumulative impairments recognized in earnings associated with debt securities still held were \$140 million. During the first quarter of 2010, we recognized first time impairments of \$55 million and incremental charges on previously impaired securities of \$17 million. These amounts included \$13 million related to securities that were subsequently sold.

Contractual Maturities of our Investment in Available-for-Sale Debt Securities (Excluding Mortgage-Backed and Asset-Backed Securities)

(In millions)	Amortized cost	Estimated fair value
Due in		
2011	\$ 2,926	\$ 2,926
2012-2015	4,229	4,305
2016-2020	1,656	1,645
2021 and later	1,740	1,455

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

Supplemental information about gross realized gains and losses on available-for-sale investment securities follows.

(In millions)	Three months ended March 31	
	2011	2010
Gains	\$ 112	\$ 78
Losses, including impairments	(68)	(74)
Net	\$ 44	\$ 4

Although we generally do not have the intent to sell any specific securities at the end of the period, in the ordinary course of managing our investment securities portfolio, we may sell securities prior to their maturities for a variety of reasons, including diversification, credit quality, yield and liquidity requirements and the funding of claims and obligations to policyholders. In some of our bank subsidiaries, we maintain a certain level of purchases and sales volume principally of non-U.S. government debt securities. In these situations, fair value approximates carrying value for these securities.

Proceeds from investment securities sales and early redemptions by the issuer totaled \$5,040 million and \$3,596 million in the first quarters of 2011 and 2010, respectively, principally from the sales of short-term securities in our bank subsidiaries and treasury operations.

We recognized net pre-tax gains on trading securities of \$3 million and \$15 million in the first quarters of 2011 and 2010, respectively.

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## 4. FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

(In millions)	At	
	March 31, 2011	December 31, 2010
Loans, net of deferred income(a)	\$273,789	\$281,402
Investment in financing leases, net of deferred income	42,200	44,390
	315,989	325,792
Less allowance for losses	(7,637)	(8,058)
Financing receivables – net(b)	\$308,352	\$317,734

(a) Deferred income was \$2,270 million and \$2,326 million at March 31, 2011 and December 31, 2010, respectively.

(b) Financing receivables at March 31, 2011 and December 31, 2010 included \$1,356 million and \$1,503 million, respectively, relating to loans that had been acquired in a transfer but have been subject to credit deterioration since origination per Accounting Standards Codification (ASC) 310, Receivables.

The following tables provide additional information about our financing receivables and related activity in the allowance for losses for our Commercial, Real Estate and Consumer portfolios.

## Financing Receivables – net

The following table displays our financing receivables balances.

(In millions)	At	
	March 31, 2011	December 31, 2010
Commercial CLL		
Americas	\$ 82,876	\$ 86,596
Europe	37,093	37,498
Asia	11,545	11,943
Other	2,568	2,626
Total CLL	134,082	138,663
Energy Financial Services	6,662	7,011
GECAS	12,104	12,615
Other	1,640	1,788
Total Commercial financing receivables	154,488	160,077

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Real Estate		
Debt	29,474	30,249
Business Properties	9,548	9,962
Total Real Estate financing receivables	39,022	40,211
Consumer		
Non-U.S. residential mortgages	45,436	45,536
Non-U.S. installment and revolving credit	20,235	20,132
U.S. installment and revolving credit	41,282	43,974
Non-U.S. auto	7,295	7,558
Other	8,231	8,304
Total Consumer financing receivables	122,479	125,504
Total financing receivables	315,989	325,792
Less allowance for losses	(7,637)	(8,058)
Total financing receivables – net	\$ 308,352	\$ 317,734

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## Allowance for Losses on Financing Receivables

The following tables provide a roll-forward of our allowance for losses on financing receivables.

(In millions)	Balance at January 1, 2011	Provision charged to operations	Other(a)	Gross write-offs(b)	Recoveries(b)	Balance at March 31, 2011
<b>Commercial</b>						
<b>CLL</b>						
Americas	\$ 1,287	\$ 139	\$ –	\$ (194)	\$ 22	\$ 1,254
Europe	429	30	19	(51)	16	443
Asia	222	60	4	(69)	11	228
Other	7	–	(1)	–	–	6
Total CLL	1,945	229	22	(314)	49	1,931
<b>Energy Financial</b>						
Services	22	19	(1)	(4)	–	36
GECAS	20	(8)	–	–	–	12
Other	58	4	1	(8)	–	55
Total Commercial	2,045	244	22	(326)	49	2,034
<b>Real Estate</b>						
Debt	1,292	59	7	(243)	3	1,118
Business Properties	196	26	(1)	(42)	2	181
Total Real Estate	1,488	85	6	(285)	5	1,299
<b>Consumer</b>						
Non-U.S. residential mortgages	828	44	25	(74)	19	842
Non-U.S. installment and revolving credit	937	153	23	(327)	144	930
U.S. installment and revolving credit	2,333	585	–	(913)	136	2,141
Non-U.S. auto	168	15	5	(68)	32	152
Other	259	37	4	(86)	25	239
Total Consumer	4,525	834	57	(1,468)	356	4,304
Total	\$ 8,058	\$ 1,163	\$ 85	\$ (2,079)	\$ 410	\$ 7,637

(a) Other primarily included the effects of currency exchange.

(b) Net write-offs (write-offs less recoveries) in certain portfolios may exceed the beginning allowance for losses as our revolving credit portfolios turn over more than once per year or, in all portfolios, can reflect losses that are

incurred subsequent to the beginning of the fiscal year due to information becoming available during the current year, which may identify further deterioration on existing financing receivables.

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(In millions)	Adoption		Balance at January 1, 2010	Provision charged to operations	Other(b)	Gross		Balance at March 31, 2010
	Balance at December 31, 2009	of ASU 2009 16 & 17(a)				write-offs(c)	Recoveries(c)	
<b>Commercial</b>								
<b>CLL</b>								
Americas	\$ 1,179	\$ 66	\$ 1,245	\$ 325	\$ (4)	\$ (282)	\$ 35	\$ 1,319
Europe	575	–	575	72	(31)	(147)	15	484
Asia	244	(10)	234	50	(2)	(50)	4	236
Other	11	–	11	1	–	–	–	12
<b>Total CLL</b>	<b>2,009</b>	<b>56</b>	<b>2,065</b>	<b>448</b>	<b>(37)</b>	<b>(479)</b>	<b>54</b>	<b>2,051</b>
<b>Energy Financial</b>								
<b>Services</b>								
	28	–	28	19	–	–	–	47
GECAS	104	–	104	21	–	(71)	–	54
Other	34	–	34	13	1	(2)	–	46
<b>Total</b>	<b>2,175</b>	<b>56</b>	<b>2,231</b>	<b>501</b>	<b>(36)</b>	<b>(552)</b>	<b>54</b>	<b>2,198</b>
<b>Commercial</b>								
<b>Real Estate</b>								
Debt	1,358	(3)	1,355	170	(1)	(152)	–	1,372
Business								
Properties	136	45	181	41	(1)	(37)	1	185
<b>Total Real Estate</b>	<b>1,494</b>	<b>42</b>	<b>1,536</b>	<b>211</b>	<b>(2)</b>	<b>(189)</b>	<b>1</b>	<b>1,557</b>
<b>Consumer</b>								
<b>Non-U.S. residential mortgages</b>								
	926	–	926	103	(66)	(101)	26	888
<b>Non-U.S. installment and revolving credit</b>								
	1,106	–	1,106	325	(5)	(507)	152	1,071
<b>U.S. installment and revolving credit</b>								
	1,551	1,602	3,153	895	(1)	(1,199)	126	2,974
Non-U.S. auto	292	–	292	44	(9)	(92)	46	281
Other	292	–	292	108	(9)	(110)	19	300
<b>Total Consumer</b>	<b>4,167</b>	<b>1,602</b>	<b>5,769</b>	<b>1,475</b>	<b>(90)</b>	<b>(2,009)</b>	<b>369</b>	<b>5,514</b>
<b>Total</b>	<b>\$ 7,836</b>	<b>\$ 1,700</b>	<b>\$ 9,536</b>	<b>\$ 2,187</b>	<b>\$ (128)</b>	<b>\$ (2,750)</b>	<b>\$ 424</b>	<b>\$ 9,269</b>

(a) Reflects the effects of our adoption of ASU 2009-16 & 17 on January 1, 2010.

- (b) Other primarily included the effects of currency exchange.
- (c) Net write-offs (write-offs less recoveries) in certain portfolios may exceed the beginning allowance for losses as our revolving credit portfolios turn over more than once per year or, in all portfolios, can reflect losses that are incurred subsequent to the beginning of the fiscal year due to information becoming available during the current year, which may identify further deterioration on existing financing receivables.

See Note 12 for supplemental information about the credit quality of financing receivables and allowance for losses on financing receivables.

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## 5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets – net, consisted of the following.

(In millions)	At	
	March 31, 2011	December 31, 2010
Goodwill	\$ 27,759	\$ 27,508
Other intangible assets		
Intangible assets subject to amortization	\$ 1,875	\$ 1,876

Changes in goodwill balances follow.

(In millions)	Balance at		Acquisitions	Dispositions, currency exchange and other		Balance at	
	January 1, 2011			March 31, 2011			
CLL	\$ 13,893	\$ –	\$ –	\$ 166	\$ 14,059		
Consumer	10,817	–	–	83	10,900		
Real Estate	1,089	–	–	2	1,091		
Energy Financial Services	1,562	–	–	–	1,562		
GECAS	147	–	–	–	147		
Total	\$ 27,508	\$ –	\$ –	\$ 251	\$ 27,759		

Goodwill balances increased \$251 million during the three months ended March 31, 2011, primarily as a result of the weaker U.S. dollar (\$271 million). Our reporting units and related goodwill balances are CLL (\$14,059 million), Consumer (\$10,900 million), Real Estate (\$1,091 million), Energy Financial Services (\$1,562 million) and GECAS (\$147 million) at March 31, 2011.

## Intangible Assets Subject to Amortization

(In millions)	March 31, 2011			At December 31, 2010		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related	\$ 1,210	\$ (638)	\$ 572	\$ 1,112	\$ (588)	\$ 524
	381	(318)	63	599	(532)	67

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Patents, licenses and  
trademarks

Capitalized software	2,210	(1,718)	492	2,024	(1,528)	496
Lease valuations	1,653	(955)	698	1,646	(917)	729
All other	306	(256)	50	326	(266)	60
Total	\$ 5,760	\$ (3,885)	\$ 1,875	\$ 5,707	\$ (3,831)	\$ 1,876

Amortization related to intangible assets subject to amortization was \$137 million and \$145 million for the three months ended March 31, 2011 and 2010, respectively.

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## 6. BORROWINGS AND BANK DEPOSITS

Borrowings are summarized in the following table.

(In millions)	At	
	March 31, 2011	December 31, 2010
Short-term borrowings		
Commercial paper		
U.S.	\$ 25,355	\$ 27,398
Non-U.S.	9,866	9,497
Current portion of long-term borrowings(a)(b)(c)	59,162	65,610
GE Interest Plus notes(d)	8,834	9,058
Other(c)	2,176	2,083
Total short-term borrowings	\$ 105,393	\$ 113,646
Long-term borrowings		
Senior unsecured notes(a)(b)	\$ 254,935	\$ 263,043
Subordinated notes(e)	4,388	2,276
Subordinated debentures(f)(g)	7,472	7,298
Other(c)(h)	11,936	11,729
Total long-term borrowings	\$ 278,731	\$ 284,346
Non-recourse borrowings of consolidated securitization entities(i)	\$ 29,300	\$ 30,060
Bank deposits(j)	\$ 39,397	\$ 37,298
Total borrowings and bank deposits	\$ 452,821	\$ 465,350

(a) GECC had issued and outstanding \$45,045 million and \$53,495 million of senior, unsecured debt that was guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program at March 31, 2011 and December 31, 2010, respectively. Of the above amounts, \$17,149 million and \$18,455 million is included in current portion of long-term borrowings at March 31, 2011 and December 31, 2010, respectively.

(b) Included in total long-term borrowings were \$2,319 million and \$2,395 million of obligations to holders of guaranteed investment contracts at March 31, 2011 and December 31, 2010, respectively. If the long-term credit rating of GECC were to fall below AA-/Aa3 or its short-term credit rating were to fall below A-1+/P-1, GECC could be required to provide up to \$2,208 million as of March 31, 2011, to repay holders of GICs.

(c) Included \$10,720 million and \$11,117 million of funding secured by real estate, aircraft and other collateral at March 31, 2011 and December 31, 2010, respectively, of which \$4,415 million and \$4,653 million is non-recourse to GECC at March 31, 2011 and December 31, 2010, respectively.

(d) Entirely variable denomination floating rate demand notes.

- (e) Included \$117 million of subordinated notes guaranteed by GE at both March 31, 2011 and December 31, 2010.
- (f) Subordinated debentures receive rating agency equity credit and were hedged at issuance to the U.S. dollar equivalent of \$7,725 million.
- (g) Includes \$2,996 million of subordinated debentures, which constitute the sole assets of wholly-owned trusts who have issued trust preferred securities. Obligations associated with these trusts are unconditionally guaranteed by GECC.
- (h) Included \$2,064 million and \$1,984 million of covered bonds at March 31, 2011 and December 31, 2010, respectively. If the short-term credit rating of GECC were reduced below A-1/P-1, GECC would be required to partially cash collateralize these bonds in an amount up to \$798 million at March 31, 2011.
- (i) Included at March 31, 2011 and December 31, 2010, were \$9,931 million and \$10,499 million of current portion of long-term borrowings, respectively, and \$19,369 million and \$19,561 million of long-term borrowings, respectively. See Note 13.
- (j) Included \$20,604 million and \$18,781 million of deposits in non-U.S. banks at March 31, 2011 and December 31, 2010, respectively, and \$11,974 million and \$11,606 million of certificates of deposits with maturities greater than one year at March 31, 2011 and December 31, 2010, respectively.

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## 7. INCOME TAXES

The balance of “unrecognized tax benefits,” the amount of related interest and penalties we have provided and what we believe to be the range of reasonably possible changes in the next 12 months were:

(In millions)	At	
	March 31, 2011	December 31, 2010
Unrecognized tax benefits	\$ 3,019	\$ 2,949
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	1,406	1,330
Accrued interest on unrecognized tax benefits	524	577
Accrued penalties on unrecognized tax benefits	75	73
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months	0-1,100	0-1,200
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	0-200	0-250

(a) Some portion of such reduction may be reported as discontinued operations.

The IRS is currently auditing the GE consolidated income tax returns for 2006-2007, a substantial portion of which include our activities. In addition, certain other U.S. tax deficiency issues and refund claims for previous years were unresolved. It is reasonably possible that the 2006–2007 U.S. audit cycle will be completed during the next 12 months, which could result in a decrease in our balance of “unrecognized tax benefits” – that is, the aggregate tax effect of differences between tax return positions and the benefits recognized in our financial statements. We believe that there are no other jurisdictions in which the outcome of unresolved issues or claims is likely to be material to our results of operations, financial position or cash flows. We further believe that we have made adequate provision for all income tax uncertainties.

GE and GECC file a consolidated U.S. federal income tax return. This enables GE to use GECC tax deductions and credits to reduce the tax that otherwise would have been payable by GE. The GECC effective tax rate for each period reflects the benefit of these tax reductions in the consolidated return. GE makes cash payments to GECC for these tax reductions at the time GE’s tax payments are due. The effect of GECC on the amount of the consolidated tax liability from the formation of the GE NBC Universal joint venture will be settled in cash when it otherwise would have reduced the liability of the group absent the tax on formation.

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## 8. SHAREOWNER'S EQUITY

A summary of increases (decreases) in GECC shareowner's equity that did not result directly from transactions with the shareowner, net of income taxes, follows.

(In millions)	Three months ended March	
	2011	2010
Net earnings attributable to GECC	\$ 1,862	\$ 220
Investment securities – net	(77)	(67)
Currency translation adjustments – net	1,542	(1,360)
Cash flow hedges – net	(64)	413
Benefit plans – net	(1)	42
Total	\$ 3,262	\$ (752)

Changes to noncontrolling interests are as follows.

(In millions)	Three months ended March	
	2011	2010
Beginning balance	\$ 1,164	\$ 2,204
Net earnings	31	(5)
Dividends	(3)	(3)
AOCI and other (a)	(14)	(38)
Ending balance	\$ 1,178	\$ 2,158

(a) The amount of change related to AOCI and other for the three months ended March 31, 2010 includes the impact of our adoption of ASC 810, Consolidations, of \$(32) million. Changes to other individual components of AOCI attributable to noncontrolling interests were insignificant.

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## 9. REVENUES FROM SERVICES

Revenues from services are summarized in the following table.

(In millions)	Three months ended March 31	
	2011	2010
Interest on loans	\$ 5,236	\$ 5,422
Equipment leased to others	2,822	2,761
Fees	1,151	1,216
Associated companies(a)(b)	1,082	597
Financing leases	665	741
Real estate investments	402	277
Investment income(c)	292	152
Other items	632	484
Total	\$ 12,282	\$ 11,650

- (a) During the three months ended March 31, 2011, we sold an 18.6% equity interest in Garanti Bank and recorded a pre-tax gain of \$690 million. Following the sale, we hold a 2.25% equity ownership interest which is classified as an available-for-sale security.
- (b) Aggregate summarized financial information for significant associated companies assuming a 100% ownership interest included total assets at March 31, 2011 and December 31, 2010 of \$89,081 million and \$180,015 million, respectively. Assets were primarily financing receivables of \$56,984 million and \$97,447 million at March 31, 2011 and December 31, 2010, respectively. Total liabilities were \$70,983 million and \$143,957 million, consisted primarily of bank deposits of \$44,293 million and \$75,661 million at March 31, 2011 and December 31, 2010, respectively, and debt of \$36,496 million and \$53,696 million at March 31, 2011 and December 31, 2010, respectively. Revenues in the first quarters of 2011 and 2010 totaled \$3,717 million and \$4,966 million, respectively, and net earnings in the first quarters of 2011 and 2010 totaled \$459 million and \$879 million, respectively.
- (c) Included net other-than-temporary impairments on investment securities of \$61 million and \$73 million in the three months ended March 31, 2011 and 2010, respectively. See Note 3.

## 10. FAIR VALUE MEASUREMENTS

For a description on how we estimate fair value, see Note 1 in our 2010 consolidated financial statements.

The following tables present our assets and liabilities measured at fair value on a recurring basis. Included in the tables are investment securities of \$5,346 million and \$5,706 million at March 31, 2011 and December 31, 2010, respectively, primarily supporting obligations to holders of GICs in Trinity (which ceased issuing new investment contracts beginning in the first quarter of 2010), and investment securities held at our global banks. Such securities are mainly investment grade.

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(In millions)	Level 1(a)	Level 2(a)	Level 3(b)	Netting adjustment(c)	Net balance
March 31, 2011					
Assets					
Investment securities					
Debt					
U.S. corporate	\$ 617	\$ 1,209	\$ 1,586	\$ —	\$ 3,412
State and municipal	—	524	168	—	692
Residential mortgage-backed	—	1,672	30	—	1,702
Commercial mortgage-backed	—	1,413	—	—	1,413
Asset-backed	—	534	2,780	—	3,314
Corporate - non-U.S.	61	378	953	—	1,392
Government - non-U.S.	899	1,261	133	—	2,293
U.S. government and federal agency	—	2,542	—	—	2,542
Retained interests	—	—	52	—	52
Equity					
Available-for-sale	919	503	14	—	1,436
Trading	418	—	—	—	418
Derivatives(d)	—	8,995	120	(4,333)	4,782
Other(e)	—	—	472	—	472
Total	\$ 2,914	\$ 19,031	\$ 6,308	\$ (4,333)	\$ 23,920
Liabilities					
Derivatives	\$ —	\$ 6,445	\$ 48	\$ (4,326)	\$ 2,167
Other	—	29	—	—	29
Total	\$ —	\$ 6,474	\$ 48	\$ (4,326)	\$ 2,196
December 31, 2010					
Assets					
Investment securities					
Debt					
U.S. corporate	\$ 588	\$ 1,360	\$ 1,697	\$ —	\$ 3,645
State and municipal	—	508	182	—	690
Residential mortgage-backed	47	1,666	45	—	1,758
Commercial mortgage-backed	—	1,388	48	—	1,436
Asset-backed	—	563	2,496	—	3,059
Corporate - non-U.S.	89	356	961	—	1,406
Government - non-U.S.	776	850	128	—	1,754
U.S. government and federal agency	—	2,661	—	—	2,661
Retained interests	—	—	39	—	39
Equity					
Available-for-sale	569	500	18	—	1,087
Trading	417	—	—	—	417
Derivatives(d)	—	10,319	330	(3,644)	7,005
Other(e)	—	—	450	—	450
Total	\$ 2,486	\$ 20,171	\$ 6,394	\$ (3,644)	\$ 25,407

Liabilities						
Derivatives	\$	–	\$ 6,228	\$	102	\$ (3,635) \$ 2,695
Other		–	31		–	31
Total	\$	–	\$ 6,259	\$	102	\$ (3,635) \$ 2,726

- (a) The fair value of securities transferred between Level 1 and Level 2 was \$67 million during the three months ended March 31, 2011.
- (b) Level 3 investment securities valued using non-binding broker quotes totaled \$676 million and \$711 million at March 31, 2011 and December 31, 2010, respectively, and were classified as available-for-sale securities.
- (c) The netting of derivative receivables and payables is permitted when a legally enforceable master netting agreement exists. Included fair value adjustments related to our own and counterparty credit risk.
- (d) The fair value of derivatives included an adjustment for non-performance risk. At March 31, 2011 and December 31, 2010, the cumulative adjustment was a loss of \$7 million and \$9 million, respectively. See Note 11 for additional information on the composition of our derivative portfolio.
- (e) Included private equity investments and loans designated under the fair value option.

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The following tables present the changes in Level 3 instruments measured on a recurring basis for the three months ended March 31, 2011 and 2010. The majority of our Level 3 balances consist of investment securities classified as available-for-sale with changes in fair value recorded in shareowner's equity.

## Changes in Level 3 Instruments for the Three Months Ended March 31, 2011

(In millions)	Net realized/Net unrealized gains realized/ (losses) included in gains accumulated		Net unrealized gains (losses) relating to instruments still held at		Transfers into Level 3(b)		Transfers out of Level 3(b)		March 31, 2011	March 31, 2010(c)
	January 1, 2011	comprehensive earnings(a)	other income(b)	Purchases	Sales	Settlements	into Level 3(b)	out of Level 3(b)	2011	2010(c)
Investment securities										
Debt										
U.S. corporate	\$ 1,697	\$ 82	\$ (50)	\$ 1	\$ (114)	\$ (30)	\$ –	\$ –	\$ 1,586	\$ –
State and municipal	182	–	(4)	4	–	(3)	–	(11)	168	–
Residential mortgage-backed	45	–	3	–	–	–	–	(18)	30	–
Commercial mortgage-backed	48	–	–	–	–	–	–	(48)	–	–
Asset-backed	2,496	2	74	371	(109)	(10)	–	(44)	2,780	–
Corporate – non-U.S.	961	(28)	52	8	(26)	(24)	10	–	953	–
Government – non-U.S.	128	–	5	–	–	–	–	–	133	–
U.S. government and										
federal agency	–	–	–	–	–	–	–	–	–	–
Retained interests	39	(19)	34	–	(1)	(1)	–	–	52	–
Equity										
Available-for-sale	18	–	(1)	–	–	–	–	(3)	14	–
Trading	–	–	–	–	–	–	–	–	–	–
Derivatives(d)(e)	227	18	4	4	–	(184)	–	6	75	23
Other	450	–	17	5	–	–	–	–	472	–
<b>Total</b>	<b>\$ 6,291</b>	<b>\$ 55</b>	<b>\$ 134</b>	<b>\$ 393</b>	<b>\$ (250)</b>	<b>\$ (252)</b>	<b>\$ 10</b>	<b>\$ (118)</b>	<b>\$ 6,263</b>	<b>\$ 23</b>



- (a) Earnings effects are primarily included in the “Revenues from services” and “Interest” captions in the Condensed Statement of Current and Retained Earnings.
- (b) Transfers in and out of Level 3 are considered to occur at the beginning of the period. Transfers out of Level 3 were a result of increased use of quotes from independent pricing vendors based on recent trading activity.
- (c) Represented the amount of unrealized gains or losses for the period included in earnings.
- (d) Represented derivative assets net of derivative liabilities and included cash accruals of \$3 million not reflected in the fair value hierarchy table.
- (e) Gains (losses) included in net realized/unrealized gains (losses) included in earnings were offset by the earnings effects from the underlying items that were economically hedged. See Note 11.

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## Changes in Level 3 Instruments for the Three Months Ended March 31, 2010

(In millions)	Net realized/unrealized gains (losses)						Net change in unrealized gains (losses) relating to instruments still held at	
	January 1, 2010 (a)	Net realized/unrealized gains(losses) included in earnings(b)	Net realized/unrealized included in comprehensive income other	Purchases, Transfers in sales and/or settlements	Transfers in and/or out of Level 3(c)	March 31, 2010	March 31, 2010 (d)	
<b>Investment securities</b>								
<b>Debt</b>								
U.S. corporate	\$ 1,642	\$ 7	\$ 35	\$ (244)	\$ 2	\$ 1,442	\$ -	
State and municipal	173	-	74	(4)	-	243	-	
Residential mortgage-backed	44	-	10	-	(7)	47	-	
Commercial mortgage-backed	1,034	30	3	(952)	-	115	-	
Asset-backed	1,475	2	11	(15)	(26)	1,447	-	
Corporate - non-U.S.	948	(5)	(26)	194	(158)	953	-	
Government - non-U.S.	138	-	(2)	-	-	136	-	
U.S. government and federal agency	-	-	-	-	-	-	-	
Retained interests	45	-	1	(3)	-	43	-	
<b>Equity</b>								
Available-for-sale	17	-	(1)	-	-	16	-	
Trading	-	-	-	-	-	-	-	
Derivatives(e)	205	77	(7)	(55)	(49)	171	54	
Other	480	(1)	(23)	-	(28)	428	-	
<b>Total</b>	<b>\$ 6,201</b>	<b>\$ 110</b>	<b>\$ 75</b>	<b>\$ (1,079)</b>	<b>\$ (266)</b>	<b>\$ 5,041</b>	<b>\$ 54</b>	

(a) Included \$1,015 million in debt securities, a reduction in retained interests of \$8,782 million and a reduction in derivatives of \$37 million related to adoption of ASU 2009-16 & 17.

(b) Earnings effects are primarily included in the "Revenues from services" and "Interest" captions in the Condensed Statement of Current and Retained Earnings.

- (c) Transfers in and out of Level 3 are considered to occur at the beginning of the period. Transfers out of Level 3 were a result of increased use of quotes from independent pricing vendors based on recent trading activity.
- (d) Represented the amount of unrealized gains or losses for the period included in earnings.
- (e) Represented derivative assets net of derivative liabilities and included cash accruals of \$33 million not reflected in the fair value hierarchy table.

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## Non-Recurring Fair Value Measurements

The following table represents non-recurring fair value amounts (as measured at the time of the adjustment) for those assets remeasured to fair value on a non-recurring basis during the fiscal year and still held at March 31, 2011 and December 31, 2010. These assets can include loans and long-lived assets that have been reduced to fair value when they are held for sale, impaired loans that have been reduced based on the fair value of the underlying collateral, cost and equity method investments and long-lived assets that are written down to fair value when they are impaired and the remeasurement of retained investments in formerly consolidated subsidiaries upon a change in control that results in deconsolidation of a subsidiary, if we sell a controlling interest and retain a noncontrolling stake in the entity. Assets that are written down to fair value when impaired and retained investments are not subsequently adjusted to fair value unless further impairment occurs.

(In millions)	Remeasured during the three months ended March 31, 2011		Remeasured during the year ended December 31, 2010	
	Level 2	Level 3	Level 2	Level 3
	Financing receivables and loans held for sale	\$ 12	\$ 6,050	\$ 35
Cost and equity method investments(a)	–	170	–	378
Long-lived assets, including real estate	410	4,251	1,023	5,809
Total	\$ 422	\$ 10,471	\$ 1,058	\$ 13,020

(a) Includes the fair value of private equity and real estate funds included in Level 3 of \$35 million and \$296 million at March 31, 2011 and December 31, 2010, respectively.

The following table represents the fair value adjustments to assets measured at fair value on a non-recurring basis and still held at March 31, 2011 and 2010.

(In millions)	Three months ended March 31,	
	2011	2010
Financing receivables and loans held for sale	\$ (377)	\$ (580)
Cost and equity method investments(a)	(48)	(66)
Long-lived assets, including real estate(b)	(568)	(701)
Total	\$ (993)	\$ (1,347)

(a) Includes fair value adjustments associated with private equity and real estate funds of \$(5) million and \$(13) million in the three months ended March 31, 2011 and 2010, respectively.

(b) Includes \$436 million and \$583 million of impairments related to real estate equity properties and investments recorded in operating and administrative expenses in the three months ended March 31, 2011 and 2010, respectively.

## 11. FINANCIAL INSTRUMENTS

The following table provides information about the assets and liabilities not carried at fair value in our Condensed Statement of Financial Position. Consistent with ASC 825, Financial Instruments, the table excludes finance leases and non-financial assets and liabilities. 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 financial models. Realization of the fair value of these instruments depends upon market forces beyond our control, including marketplace liquidity. For a description on how we estimate fair value, see Note 15 in our 2010 consolidated financial statements.

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(In millions)	At					
	March 31, 2011			December 31, 2010		
	Notional	Assets (liabilities)		Notional	Assets (liabilities)	
	amount	Carrying	Estimated	amount	Carrying	Estimated
		amount	fair value		amount	fair value
		(net)			(net)	
Assets						
Loans	(a)	\$ 266,569	\$ 263,714	(a)	\$ 273,739	\$ 270,105
Other commercial mortgages	(a)	96	96	(a)	91	91
Loans held for sale	(a)	313	313	(a)	287	287
Other financial instruments(c)	(a)	2,098	2,598	(a)	2,082	2,490
Liabilities						
Borrowings and bank deposits(b)(d)	(a)	(452,821)	(462,559)	(a)	(465,350)	(477,466)
Guaranteed investment contracts	(a)	(5,291)	(5,295)	(a)	(5,502)	(5,524)
Insurance - credit life(e)	\$ 1,813	(97)	(75)	\$ 1,812	(102)	(68)

(a) These financial instruments do not have notional amounts.

(b) See Note 6.

(c) Principally cost method investments.

(d) Fair values exclude interest rate and currency derivatives designated as hedges of borrowings. Had they been included, the fair value of borrowings at March 31, 2011 and December 31, 2010 would have been reduced by \$2,891 million and \$4,298 million, respectively.

(e) Net of reinsurance of \$2,800 million at both March 31, 2011 and December 31, 2010.

#### Loan Commitments

(In millions)	Notional amount at	
	March 31, 2011	December 31, 2010
Ordinary course of business lending commitments(a)	\$ 4,080	\$ 4,507
Unused revolving credit lines(b)		
Commercial(c)	19,831	21,338
Consumer - principally credit cards	234,609	227,006

- (a) Excluded investment commitments of \$1,469 million and \$1,990 million as of March 31, 2011 and December 31, 2010, respectively.
- (b) Excluded inventory financing arrangements, which may be withdrawn at our option, of \$11,202 million and \$11,840 million as of March 31, 2011 and December 31, 2010, respectively.
- (c) Included commitments of \$14,930 million and \$16,243 million as of March 31, 2011 and December 31, 2010, respectively, associated with secured financing arrangements that could have increased to a maximum of \$19,086 million and \$20,268 million at March 31, 2011 and December 31, 2010, respectively, based on asset volume under the arrangement.

#### Derivatives and hedging

As a matter of policy, we use derivatives for risk management purposes and we do not use derivatives for speculative purposes. A key risk management objective for our financial services businesses is to mitigate interest rate and currency risk by seeking to ensure that the characteristics of the debt match the assets they are funding. If the form (fixed versus floating) and currency denomination of the debt we issue do not match the related assets, we typically execute derivatives to adjust the nature and tenor of funding to meet this objective. The determination of whether we enter into a derivative transaction or issue debt directly to achieve this objective depends on a number of factors, including market related factors that affect the type of debt we can issue.

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The notional amounts of derivative contracts represent the basis upon which interest and other payments are calculated and are reported gross, except for offsetting foreign currency forward contracts that are executed in order to manage our currency risk of net investment in foreign subsidiaries. Of the outstanding notional amount of \$303,000 million, approximately 96% or \$291,000 million, is associated with reducing or eliminating the interest rate, currency or market risk between financial assets and liabilities in our financial services businesses. The remaining derivative activities primarily relate to hedging against adverse changes in currency exchange rates and commodity prices related to anticipated sales and purchases and contracts containing certain clauses which meet the accounting definition of a derivative. The instruments used in these activities are designated as hedges when practicable. When we are not able to apply hedge accounting, or when the derivative and the hedged item are both recorded in earnings concurrently, the derivatives are deemed economic hedges and hedge accounting is not applied. This most frequently occurs when we hedge a recognized foreign currency transaction (e.g., a receivable or payable) with a derivative. Since the effects of changes in exchange rates are reflected currently in earnings for both the derivative and the transaction, the economic hedge does not require hedge accounting.

The following table provides information about the fair value of our derivatives, by contract type, separating those accounted for as hedges and those that are not.

(In millions)	At March 31, 2011		At December 31, 2010	
	Fair value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Derivatives accounted for as hedges				
Interest rate contracts	\$ 4,183	\$ 2,813	\$ 5,885	\$ 2,674
Currency exchange contracts	2,895	2,662	2,915	2,402
	7,078	5,475	8,800	5,076
Derivatives not accounted for as hedges				
Interest rate contracts	214	304	294	551
Currency exchange contracts	1,726	669	1,281	653
Other contracts	97	45	274	50
	2,037	1,018	1,849	1,254
Netting adjustments(a)	(4,333)	(4,326)	(3,644)	(3,635)
Total	\$ 4,782	\$ 2,167	\$ 7,005	\$ 2,695

Derivatives are classified in the captions "Other assets" and "Other liabilities" in our financial statements.

(a) The netting of derivative receivables and payables is permitted when a legally enforceable master netting agreement exists. Amounts included fair value adjustments related to our own and counterparty non-performance risk. At March 31, 2011 and December 31, 2010, the cumulative adjustment for non-performance risk was a loss of \$7 million and \$9 million, respectively.



## Fair value hedges

We use interest rate and currency exchange derivatives to hedge the fair value effects of interest rate and currency exchange rate changes on local and non-functional currency denominated fixed-rate debt. For relationships designated as fair value hedges, changes in fair value of the derivatives are recorded in earnings within interest along with offsetting adjustments to the carrying amount of the hedged debt. The following table provides information about the earnings effects of our fair value hedging relationships for the three months ended March 31, 2011 and 2010.

(In millions)	Three months ended			
	March 31, 2011		March 31, 2010	
	Gain (loss) on hedging derivatives	Gain (loss) on hedged items	Gain (loss) on hedging derivatives	Gain (loss) on hedged items
Interest rate contracts	\$ (1,731)	\$ 1,661	\$ 1,260	\$ (1,409)
Currency exchange contracts	24	(27)	(20)	16

Fair value hedges resulted in \$(73) million and \$(153) million of ineffectiveness in the three months ended March 31, 2011 and 2010, respectively. In both the three months ended March 31, 2011 and 2010, there were insignificant amounts excluded from the assessment of effectiveness.

## Cash flow hedges

We use interest rate, currency exchange and commodity derivatives to reduce the variability of expected future cash flows associated with variable rate borrowings and commercial purchase and sale transactions, including commodities. For derivatives that are designated in a cash flow hedging relationship, the effective portion of the change in fair value of the derivative is reported as a component of AOCI and reclassified into earnings contemporaneously and in the same caption with the earnings effects of the hedged transaction.

The following table provides information about the amounts recorded in AOCI, as well as the gain (loss) recorded in earnings, primarily in interest, when reclassified out of AOCI, for the three months ended March 31, 2011 and 2010.

(In millions)	Gain (loss) recognized in AOCI for the three months ended		Gain (loss) reclassified from AOCI into earnings for the three months ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Cash flow hedges				
Interest rate contracts	\$ 28	\$ (233)	\$ (256)	\$ (420)
Currency exchange contracts	177	(346)	419	(537)
Commodity contracts	–	2	(11)	–
Total	\$ 205	\$ (577)	\$ 152	\$ (957)

The total pre-tax amount in AOCI related to cash flow hedges of forecasted transactions was \$2,045 million at March 31, 2011. We expect to transfer \$(831) million to earnings as an expense in the next 12 months contemporaneously with the earnings effects of the related forecasted transactions. In the three months ended March 31, 2011 and 2010, we recognized insignificant gains and losses, respectively, related to hedged forecasted transactions and firm commitments that did not occur by the end of the originally specified period. At March 31, 2011 and 2010, the maximum term of derivative instruments that hedge forecasted transactions was 1 year and 2 years, respectively.

For cash flow hedges, the amount of ineffectiveness in the hedging relationship and amount of the changes in fair value of the derivatives that are not included in the measurement of ineffectiveness are both reflected in earnings each reporting period. These amounts are primarily reported in revenues from services and totaled \$29 million and \$(35) million for the three months ended March 31, 2011 and 2010, respectively.

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## Net investment hedges in foreign operations

We use currency exchange derivatives to protect our net investments in global operations conducted in non-U.S. dollar currencies. For derivatives that are designated as hedges of net investment in a foreign operation, we assess effectiveness based on changes in spot currency exchange rates. Changes in spot rates on the derivative are recorded as a component of AOCI until such time as the foreign entity is substantially liquidated or sold. The change in fair value of the forward points, which reflects the interest rate differential between the two countries on the derivative, is excluded from the effectiveness assessment.

The following table provides information about the amounts recorded in AOCI for the three months ended March 31, 2011 and 2010, as well as the gain (loss) recorded in revenues from services when reclassified out of AOCI.

(In millions)	Gain (loss) recognized in CTA for the three months ended March 31,		Gain (loss) reclassified from CTA for the three months ended March 31,	
	2011	2010	2011	2010
Net investment hedges				
Currency exchange contracts	\$ (786)	\$ 441	\$ (338)	\$ —

The amounts related to the change in the fair value of the forward points that are excluded from the measure of effectiveness were \$(278) million and \$(199) million for the three months ended March 31, 2011 and 2010, respectively, and are recorded in interest.

## Free-standing derivatives

Changes in the fair value of derivatives that are not designated as hedges are recorded in earnings each period. As discussed above, these derivatives are typically entered into as economic hedges of changes in interest rates, currency exchange rates, commodity prices and other risks. Gains or losses related to the derivative are typically recorded in revenues from services, based on our accounting policy. In general, the earnings effects of the item that represent the economic risk exposure are recorded in the same caption as the derivative. Gains for the three months ended March 31, 2011 on derivatives not designated as hedges were \$292 million comprised of amounts related to interest rate contracts of \$11 million, currency exchange contracts of \$267 million, and other derivatives of \$14 million. These gains more than offset the earnings effects from the underlying items that were economically hedged. Losses for the three months ended March 31, 2010 on derivatives not designated as hedges, without considering the offsetting earnings effects from the item representing the economic risk exposure, were \$(545) million comprised of amounts related to interest rate contracts of \$154 million, currency exchange contracts of \$(695) million, and other derivatives of \$(4) million.

## Counterparty credit risk

Fair values of our derivatives can change significantly from period to period based on, among other factors, market movements and changes in our positions. Accordingly, we actively monitor these exposures and take appropriate actions in response. We manage counterparty credit risk (the risk that counterparties will default and not make payments to us according to the terms of our standard master agreements) on an individual counterparty basis. Where we have agreed to netting of derivative exposures with a counterparty, we offset our exposures with that counterparty and apply the value of collateral posted to us to determine the exposure. When net exposure to a counterparty, based

on the current market values of agreements and collateral, exceeds credit exposure limits, we typically take action to reduce such exposures. These actions may include prohibiting additional transactions with the counterparty, requiring additional collateral from the counterparty (as described below) and terminating or restructuring transactions.

As discussed above, we have provisions in certain of our master agreements that require counterparties to post collateral (typically, cash or U.S. Treasuries) when our receivable due from the counterparty, measured at current market value, exceeds a specified limit. At March 31, 2011, our exposure to counterparties, including interest due, net of collateral we hold, was \$429 million. The fair value of such collateral was \$6,178 million, of which \$1,479 million was cash and \$4,699 million was in the form of securities held by a custodian for our benefit. Under certain of these same agreements, we post collateral to our counterparties for our derivative obligations, the fair value of which was \$1,763 million at March 31, 2011.

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Additionally, our standard master agreements typically contain mutual downgrade provisions that provide the ability of each party to require termination if the long-term credit rating of the counterparty were to fall below A-/A3. In certain of these master agreements, each party also has the ability to require termination if the short-term rating of the counterparty were to fall below A-1/P-1. The net amount relating to our derivative liability of \$2,167 million subject to these provisions, after consideration of collateral posted by us and outstanding interest payments, was \$846 million at March 31, 2011.

## 12. SUPPLEMENTAL INFORMATION ABOUT THE CREDIT QUALITY OF FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

Pursuant to new disclosures required by ASC 310-10, effective December 31, 2010, we provide further detailed information about the credit quality of our Commercial, Real Estate and Consumer financing receivables portfolios. For each portfolio, we describe the characteristics of the financing receivables and provide information about collateral, payment performance, credit quality indicators, and impairment. While we provide data on selected credit quality indicators in accordance with the new disclosure requirements of ASC 310-10, we manage these portfolios using delinquency and nonearning data as key performance indicators. The categories used within this section such as impaired loans, troubled debt restructuring and nonaccrual financing receivables are defined by the authoritative guidance and we base our categorization on the related scope and definitions contained in the related standards. The categories of nonearning and delinquent are defined by us and are used in our process for managing our financing receivables. Definitions of these categories are provided below:

Impaired loans are larger-balance or restructured 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.

Troubled debt restructurings are those loans for which we have granted a concession to a borrower experiencing financial difficulties where we do not receive adequate compensation. Such loans are classified as impaired, and are individually reviewed for specific reserves.

Nonaccrual financing receivables are those on which we have stopped accruing interest. We stop accruing interest at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days past due. Although we stop accruing interest in advance of payments, we recognize interest income as cash is collected when appropriate provided the amount does not exceed that which would have been earned at the historical effective interest rate.

Nonearning financing receivables are a subset of nonaccrual financing receivables for which cash payments are not being received or for which we are on the cost recovery method of accounting (i.e., any payments are accounted for as a reduction of principal). This category excludes loans purchased at a discount (unless they have deteriorated post acquisition).

Delinquent financing receivables are those that are 30 days or more past due based on their contractual terms.

The same financing receivable may meet more than one of the definitions above. Accordingly, these categories are not mutually exclusive and it is possible for a particular loan to meet the definitions of a TDR, impaired loan, nonaccrual loan and nonearning loan and be included in each of these categories in the tables that follow. The categorization of a particular loan also may not be indicative of the potential for loss.



## COMMERCIAL

Substantially all of our commercial portfolio comprises secured collateral positions. CLL products include loans and leases collateralized by a wide variety of equipment types, cash flow loans, asset-backed loans and factoring arrangements. Our loans and leases are secured by assets such as heavy machinery, vehicles, medical equipment, corporate aircraft, and office imaging equipment. Cash flow financing is secured by our ability to liquidate the underlying assets of the borrower and the asset-backed loans and factoring arrangements are secured by customer accounts receivable, inventory, and/or machinery and equipment. The portfolios in our Energy Financial Services and GECAS businesses are primarily collateralized by energy generating assets and commercial aircraft, respectively. Our senior secured position and risk management expertise provide loss mitigation against borrowers with weak credit characteristics.

## Financing Receivables and Allowance for Losses

The following table provides further information about general and specific reserves related to Commercial financing receivables.

Commercial  (In millions)	Financing receivables at	
	March 31, 2011	December 31, 2010
CLL		
Americas	\$ 82,876	\$ 86,596
Europe	37,093	37,498
Asia	11,545	11,943
Other	2,568	2,626
Total CLL	134,082	138,663
Energy Financial Services	6,662	7,011
GECAS	12,104	12,615
Other	1,640	1,788
Total Commercial financing receivables, before allowance for losses	\$ 154,488	\$ 160,077
Non-impaired financing receivables	\$ 148,512	\$ 154,257
General reserves	1,052	1,014
Impaired loans	5,976	5,820
Specific reserves	982	1,031

## Past Due Financing Receivables

The following table displays payment performance of Commercial financing receivables.

Commercial	March 31, 2011		December 31, 2010	
	Over 30 days past due	Over 90 days past due	Over 30 days past due	Over 90 days past due
CLL				
Americas	1.2 %	0.8 %	1.3 %	0.8 %
Europe	3.9	2.2	4.2	2.3
Asia	2.4	1.7	2.2	1.4
Other	0.4	0.3	0.7	0.3
Total CLL	2.0	1.2	2.1	1.3
Energy Financial Services	0.8	0.8	0.9	0.8
GECAS	0.5	0.4	—	—
Other	5.5	5.2	5.8	5.5
Total	1.9	1.2	2.0	1.2

## Nonaccrual Financing Receivables

The following table provides further information about Commercial financing receivables that are classified as nonaccrual. Of our \$5,442 million and \$5,463 million of nonaccrual financing receivables at March 31, 2011 and December 31, 2010, respectively, \$1,007 million and \$1,016 million are currently paying in accordance with their contractual terms, respectively.

Commercial	Nonaccrual financing receivables at		Nonearning financing receivables at	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
(Dollars in millions)				
CLL				
Americas	\$ 2,965	\$ 3,206	\$ 2,395	\$ 2,571
Europe	1,552	1,415	1,209	1,241
Asia	555	616	346	406
Other	8	9	8	8
Total CLL	5,080	5,246	3,958	4,226
Energy Financial Services	162	78	162	62



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GECAS	16	–	16	–
Other	184	139	99	102
Total	\$ 5,442	\$ 5,463	\$ 4,235	\$ 4,390
Allowance for losses percentage	37.4 %	37.4 %	48.0 %	46.6 %

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## Impaired Loans

The following table provides information about loans classified as impaired and specific reserves related to Commercial.

Commercial(a)  (In millions)	With no specific allowance			With a specific allowance			Average investment in loans
	Recorded investment in loans	Unpaid principal balance	Average investment in loans	Recorded investment in loans	Unpaid principal balance	Associated allowance	
March 31, 2011							
CLL							
Americas	\$ 2,093	\$ 2,182	\$ 2,062	\$ 1,532	\$ 1,557	\$ 516	\$ 1,615
Europe	1,001	833	902	538	345	281	552
Asia	103	102	111	247	214	122	292
Other	—	—	—	—	—	—	—
Total CLL	3,197	3,117	3,075	2,317	2,116	919	2,459
Energy Financial							
Services	35	42	45	127	127	19	75
GECAS	78	78	51	36	36	3	18
Other	75	75	67	111	111	41	109
Total	\$ 3,385	\$ 3,312	\$ 3,238	\$ 2,591	\$ 2,390	\$ 982	\$ 2,661

December 31, 2010

CLL							
Americas	\$ 2,030	\$ 2,127	\$ 1,547	\$ 1,699	\$ 1,744	\$ 589	\$ 1,754
Europe	802	674	629	566	566	267	563
Asia	119	117	117	338	303	132	334
Other	—	—	9	—	—	—	—
Total CLL	2,951	2,918	2,302	2,603	2,613	988	2,651
Energy Financial							
Services	54	61	76	24	24	6	70
GECAS	24	24	50	—	—	—	31
Other	58	57	30	106	99	37	82
Total	\$ 3,087	\$ 3,060	\$ 2,458	\$ 2,733	\$ 2,736	\$ 1,031	\$ 2,834

(a) We recognized \$42 million, \$88 million and \$8 million of interest income for the three months ended March 31, 2011, the year ended December 31, 2010 and the three months ended March 31, 2010, respectively, principally on a cash basis. A substantial majority of this amount was related to income recognized in our CLL Americas business. The total average investment in impaired loans for the three months ended March 31, 2010, was \$5,012 million.

### Credit Quality Indicators

Substantially all of our Commercial financing receivables portfolio is secured lending and we assess the overall quality of the portfolio based on the potential risk of loss measure. The metric incorporates both the borrower's credit quality along with any related collateral protection.

Our internal risk ratings process is an important source of information in determining our allowance for losses and represents a comprehensive, statistically validated approach to evaluate risk in our financing receivables portfolios. In deriving our internal risk ratings, we stratify our Commercial portfolios into twenty-one categories of default risk and/or six categories of loss given default to group into three categories: A, B and C. Our process starts by developing an internal risk rating for our borrowers, which are based upon our proprietary models using data derived from borrower financial statements, agency ratings, payment history information, equity prices and other commercial borrower characteristics. We then evaluate the potential risk of loss for the specific lending transaction in the event of borrower default, which takes into account such factors as applicable collateral value, historical loss and recovery rates for similar transactions, and our collection capabilities. Our internal risk ratings process and the models we use are subject to regular monitoring and validation controls. The frequency of rating updates is set by our credit risk policy, which requires annual Audit Committee approval. The models are updated on a regular basis and statistically validated annually, or more frequently as circumstances warrant.

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The table below summarizes our Commercial financing receivables by risk category. As described above, financing receivables are assigned one of twenty-one risk ratings based on our process and then these are grouped by similar characteristics into three categories in the table below. Category A is characterized by either high credit quality borrowers or transactions with significant collateral coverage which substantially reduces or eliminates the risk of loss in the event of borrower default. Category B is characterized by borrowers with weaker credit quality than those in Category A, or transactions with moderately strong collateral coverage which minimizes but may not fully mitigate the risk of loss in the event of default. Category C is characterized by borrowers with higher levels of default risk relative to our overall portfolio or transactions where collateral coverage may not fully mitigate a loss in the event of default.

Commercial (In millions)	Secured			Total
	A	B	C	
March 31, 2011				
CLL				
Americas	\$ 76,035	\$ 2,852	\$ 3,989	\$ 82,876
Europe	33,136	991	1,374	35,501
Asia	10,405	187	752	11,344
Other	2,459	62	47	2,568
Total CLL	122,035	4,092	6,162	132,289
Energy Financial Services	6,500	153	9	6,662
GECAS	10,708	1,077	319	12,104
Other	1,640	—	—	1,640
Total	\$ 140,883	\$ 5,322	\$ 6,490	\$ 152,695

December 31, 2010

CLL				
Americas	\$ 76,977	\$ 4,103	\$ 5,516	\$ 86,596
Europe	33,642	840	1,262	35,744
Asia	10,777	199	766	11,742
Other	2,506	66	54	2,626
Total CLL	123,902	5,208	7,598	136,708
Energy Financial Services	6,775	183	53	7,011
GECAS	11,034	1,193	388	12,615
Other	1,788	—	—	1,788
Total	\$ 143,499	\$ 6,584	\$ 8,039	\$ 158,122

For our secured financing receivables portfolio, our collateral position and ability to work out problem accounts mitigates our losses. Our asset managers have deep industry expertise that enables us to identify the optimum approach to default situations. We price risk premiums for weaker credits at origination, closely monitor changes in

creditworthiness through our risk ratings and watch list process, and are engaged early with deteriorating credits to minimize economic loss. Secured financing receivables within risk Category C are predominantly in our CLL businesses and are primarily comprised of senior term lending facilities and factoring programs secured by various asset types including inventory, accounts receivable, cash, equipment and related business facilities as well as franchise finance activities secured by underlying equipment.

Loans within Category C are reviewed and monitored regularly, and classified as impaired when it is probable that they will not pay in accordance with contractual terms. Our internal risk rating process identifies credits warranting closer monitoring; and as such, these loans are not necessarily classified as nonearning or impaired.

Substantially all of our unsecured Commercial financing receivables portfolio is attributable to our Interbanca S.p.A. and GE Sanyo Credit acquisitions in Europe and Asia, respectively. At March 31, 2011 and December 31, 2010, these financing receivables included \$283 million and \$208 million rated A, \$805 million and \$964 million rated B, and \$705 million and \$783 million rated C, respectively.

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## REAL ESTATE

Our real estate portfolio primarily comprises fixed and floating loans secured by commercial real estate. Our Debt portfolio is underwritten based on the cash flows generated by underlying income-producing commercial properties and secured by first mortgages. Our Business Properties portfolio is underwritten primarily by the credit quality of the borrower and secured by tenant and owner-occupied commercial properties.

## Financing Receivables and Allowance for Losses

The following table provides further information about general and specific reserves related to Real Estate financing receivables.

Real Estate  (In millions)	Financing receivables at	
	March 31, 2011	December 31, 2010
Debt	\$ 29,474	\$ 30,249
Business Properties	9,548	9,962
Total Real Estate financing receivables, before allowance for losses	\$ 39,022	\$ 40,211
Non-impaired financing receivables	\$ 28,572	\$ 30,394
General reserves	301	338
Impaired loans	10,450	9,817
Specific reserves	998	1,150

## Past Due Financing Receivables

The following table displays payment performance of Real Estate financing receivables.

Real Estate	March 31, 2011		December 31, 2010	
	Over 30 days past due	Over 90 days past due	Over 30 days past due	Over 90 days past due
Debt	4.0 %	3.4 %	4.3 %	4.1 %
Business Properties	4.2	3.9	4.6	3.9
Total	4.1	3.5	4.4	4.0

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## Nonaccrual Financing Receivables

The following table provides further information about Real Estate financing receivables that are classified as nonaccrual. Of our \$10,308 million and \$9,719 million of nonaccrual financing receivables at March 31, 2011 and December 31, 2010, respectively, \$8,698 million and \$7,888 million are currently paying in accordance with their contractual terms, respectively.

Real Estate  (Dollars in millions)	Nonaccrual financing receivables at		Nonearning financing receivables at	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Debt	\$ 9,603	\$ 9,039	\$ 769	\$ 961
Business Properties	705	680	368	386
Total	\$ 10,308	\$ 9,719	\$ 1,137	\$ 1,347
Allowance for losses percentage	12.6 %	15.3 %	114.2 %	110.5 %

## Impaired Loans

The following table provides information about loans classified as impaired and specific reserves related to Real Estate.

Real Estate(a)  (In millions)	With no specific allowance			With a specific allowance			Average investment in loans
	Recorded investment in loans	Unpaid principal balance	Average investment in loans	Recorded investment in loans	Unpaid principal balance	Associated allowance	
March 31, 2011							
Debt	\$ 3,752	\$ 3,841	\$ 3,283	\$ 5,993	\$ 6,077	\$ 866	\$ 6,158
Business Properties	208	208	199	497	498	132	493
Total	\$ 3,960	\$ 4,049	\$ 3,482	\$ 6,490	\$ 6,575	\$ 998	\$ 6,651
December 31, 2010							
Debt	\$ 2,814	\$ 2,873	\$ 1,598	\$ 6,323	\$ 6,498	\$ 1,007	\$ 6,116
Business Properties	191	213	141	489	476	143	382
Total	\$ 3,005	\$ 3,086	\$ 1,739	\$ 6,812	\$ 6,974	\$ 1,150	\$ 6,498

(a)

We recognized \$105 million, \$189 million and \$57 million of interest income for the three months ended March 31, 2011, the year ended December 31, 2010 and the three months ended March 31, 2010, respectively, principally on a cash basis. A substantial majority of this amount was related to our Real Estate-Debt portfolio. The total average investment in impaired loans for the three months ended March 31, 2010 was \$6,999 million.

#### Credit Quality Indicators

Due to the primarily non-recourse nature of our Debt portfolio, loan-to-value ratios provide the best indicators of the credit quality of the portfolio. By contrast, the credit quality of the Business Properties portfolio is primarily influenced by the strength of the borrower's general credit quality, which is reflected in our internal risk rating process, consistent with the process we use for our Commercial portfolio.

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(In millions)	March 31, 2011 Loan-to-value ratio			December 31, 2010 Loan-to-value ratio		
	Less than 80%	80% to 95%	Greater than 95%	Less than 80%	80% to 95%	Greater than 95%
Debt	\$ 14,858	\$ 6,942	\$ 7,674	\$ 12,362	\$ 9,392	\$ 8,495

(In millions)	March 31, 2011 Internal Risk Rating			December 31, 2010 Internal Risk Rating		
	A	B	C	A	B	C
Business Properties	\$ 8,473	\$ 431	\$ 644	\$ 8,746	\$ 437	\$ 779

Within Real Estate, these financing receivables are primarily concentrated in our North American and European Lending platforms and are secured by various property types. Collateral values for Real Estate-Debt financing receivables are updated at least semi-annually, or more frequently for higher risk loans. A substantial majority of the Real Estate-Debt financing receivables with loan-to-value ratios greater than 95% are paying in accordance with contractual terms. Substantially all of these loans and substantially all of the Real Estate-Business Properties financing receivables included in Category C are impaired loans which are subject to the specific reserve evaluation process described in Note 1 in our 2010 consolidated financial statements. The ultimate recoverability of impaired loans is driven by collection strategies that do not necessarily depend on the sale of the underlying collateral and include full or partial repayments through third-party refinancing and restructurings.

## CONSUMER

Our Consumer portfolio is largely non-U.S. and primarily comprises residential mortgage, sales finance, and auto and personal loans in various European and Asian countries. At March 31, 2011, our U.S. consumer financing receivables included private-label credit card and sales financing for over 48 million customers across the U.S. with no metropolitan area accounting for more than 6% of the portfolio. Of the total U.S. consumer financing receivables, approximately 62% relate to credit card loans, which are often subject to profit and loss sharing arrangements with the retailer (which are recorded in revenues), and the remaining 38% are sales finance receivables, which provide financing to customers in areas such as electronics, recreation, medical and home improvement.

### Financing Receivables and Allowance for Losses

The following table provides further information about general and specific reserves related to Consumer financing receivables.

(In millions)	Financing receivables at	
	March 31, 2011	December 31, 2010
Non-U.S. residential mortgages	\$ 45,436	\$ 45,536

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Non-U.S. installment and revolving credit	20,235	20,132
U.S. installment and revolving credit	41,282	43,974
Non-U.S. auto	7,295	7,558
Other	8,231	8,304
Total Consumer financing receivables, before allowance for losses	\$ 122,479	\$ 125,504
Non-impaired financing receivables	\$ 119,792	\$ 122,956
General reserves	3,739	3,970
Impaired loans	2,687	2,548
Specific reserves	565	555

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## Past Due Financing Receivables

The following table displays payment performance of Consumer financing receivables.

Consumer	March 31, 2011		December 31, 2010	
	Over 30 days past due	Over 90 days past due(a)	Over 30 days past due	Over 90 days past due(a)
Non-U.S. residential mortgages	13.1 %	8.7 %	13.3 %	8.4 %
Non-U.S. installment and revolving credit	4.6	1.3	4.5	1.3
U.S. installment and revolving credit	5.7	2.6	6.2	2.8
Non-U.S. auto	3.4	0.5	3.3	0.6
Other	4.5	2.6	4.2	2.3
Total	8.1	4.5	8.2	4.4

(a)Included \$297 million and \$268 million of loans at March 31, 2011 and December 31, 2010, respectively, which are over 90 days past due and accruing interest. A substantial majority of these loans are covered by third-party mortgage insurance, which provide for payment of principal and interest on the underlying loan.

## Nonaccrual Financing Receivables

The following table provides further information about Consumer financing receivables that are classified as nonaccrual.

Consumer  (Dollars in millions)	Nonaccrual financing receivables at		Nonearning financing receivables at	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Non-U.S. residential mortgages	\$ 4,115	\$ 4,059	\$ 3,927	\$ 3,812
Non-U.S. installment and revolving credit	296	302	295	289
U.S. installment and revolving credit	1,004	1,201	1,004	1,201
Non-U.S. auto	41	46	41	46
Other	580	600	462	478
Total	\$ 6,036	\$ 6,208	\$ 5,729	\$ 5,826
Allowance for losses percentage	71.3 %	72.9 %	75.1 %	77.7 %

## Impaired Loans

The vast majority of our Consumer nonaccrual financing receivables are smaller balance homogeneous loans evaluated collectively, by portfolio, for impairment and therefore are outside the scope of the disclosure requirement for impaired loans. Accordingly, impaired loans in our Consumer business represent restructured smaller balance homogeneous loans meeting the definition of a TDR, and therefore subject to the disclosure requirement for impaired loans, and commercial loans in our Consumer–Other portfolio. The recorded investment of these impaired loans totaled \$2,687 million (with an unpaid principal balance of \$2,382 million) and comprised \$150 million with no specific allowance, primarily all in our Consumer–Other portfolio, and \$2,537 million with a specific allowance of \$565 million at March 31, 2011. The impaired loans with a specific allowance included \$407 million with a specific allowance of \$98 million in our Consumer–Other portfolio and \$2,130 million with a specific allowance of \$467 million across the remaining Consumer business and had an unpaid principal balance and average investment of \$1,836 million and \$2,075 million, respectively, at March 31, 2011. We recognized \$32 million, \$114 million and \$28 million of interest income for the three months ended March 31, 2011, the year ended December 31, 2010 and the three months ended March 31, 2010, respectively, principally on a cash basis. A substantial majority of this amount related to income recognized in our Consumer–U.S. installment and revolving credit portfolio. The total average investment in impaired loans for the three months ended March 31, 2010 was \$1,552 million.

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## Credit Quality Indicators

Our Consumer financing receivables portfolio comprises both secured and unsecured lending. Secured financing receivables comprise residential loans and lending to small and medium-sized enterprises predominantly secured by auto and equipment, inventory finance, and cash flow loans. Unsecured financing receivables include private-label credit card financing. A substantial majority of these cards are not for general use and are limited to the products and services sold by the retailer. The private label portfolio is diverse with no metropolitan area accounting for more than 6% of the related portfolio.

## Non-U.S. residential mortgages

For our secured non-U.S. residential mortgage book, we assess the overall credit quality of the portfolio through loan-to-value ratios (the ratio of the outstanding debt on a property to the value of that property at origination). In the event of default and repossession of the underlying collateral, we have the ability to remarket and sell the properties to eliminate or mitigate the potential risk of loss. The table below provides additional information about our non-U.S. residential mortgages based on loan-to-value ratios.

(In millions)	March 31, 2011			December 31, 2010		
	Loan-to-value ratio			Loan-to-value ratio		
	80% or less	Greater than 80% to 90%	Greater than 90%	80% or less	Greater than 80% to 90%	Greater than 90%
Non-U.S. residential mortgages	\$ 25,329	\$ 7,483	\$ 12,624	\$ 25,393	\$ 7,515	\$ 12,628

The majority of these financing receivables are in our U.K. and France portfolios and have re-indexed loan-to-value ratios of 84% and 58%, respectively. We have third-party mortgage insurance for approximately 72% of the balance of Consumer non-U.S. residential mortgage loans with loan-to-value ratios greater than 90% at March 31, 2011. Such loans were primarily originated in the U.K. and France.

## Installment and Revolving Credit

For our unsecured lending products, including the non-U.S. and U.S. installment and revolving credit and non-U.S. auto portfolios, we assess overall credit quality using internal and external credit scores. Our internal credit scores imply a probability of default which we consistently translate into three approximate credit bureau equivalent credit score categories, including (a) 681 or higher which are considered the strongest credits; (b) 615 to 680, considered moderate credit risk; and (c) 614 or less, which are considered weaker credits.

(In millions)	Internal ratings translated to approximate credit bureau equivalent score					
	March 31, 2011			December 31, 2010		
	681 or higher	615 to 680	614 or less	681 or higher	615 to 680	614 or less
Non-U.S. installment and revolving credit	\$ 10,468	\$ 5,632	\$ 4,135	\$ 10,192	\$ 5,749	\$ 4,191
U.S. installment and revolving credit	24,343	8,521	8,418	25,940	8,846	9,188

Non-U.S. auto	4,775	1,599	921	5,379	1,330	849
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Of those financing receivable accounts with credit bureau equivalent scores of 614 or less at March 31, 2011, 93% and 7% relate to installment and revolving credit accounts and non-U.S. auto accounts, respectively. These smaller balance accounts have an average outstanding balance less than one thousand U.S. dollars and are primarily concentrated in our retail card and sales finance receivables in the U.S. (which are often subject to profit and loss sharing arrangements), and closed-end loans outside the U.S., which minimizes the potential for loss in the event of default. For lower credit scores, we adequately price for the incremental risk at origination and monitor credit migration through our risk ratings process. We continuously adjust our credit line underwriting management and collection strategies based on customer behavior and risk profile changes.

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#### Consumer – Other

Secured lending in Consumer – Other comprises loans to small and medium-sized enterprises predominantly secured by auto and equipment, inventory finance, and cash flow loans. We develop our internal risk ratings for this portfolio in a manner consistent with the process used to develop our Commercial credit quality indicators, described above. We use the borrower's credit quality and underlying collateral strength to determine the potential risk of loss from these activities.

At March 31, 2011, Consumer – Other financing receivables of \$6,255 million, \$860 million and \$1,116 million were rated A, B, and C, respectively. At December 31, 2010, Consumer – Other financing receivables of \$6,415 million, \$822 million and \$1,067 million were rated A, B, and C, respectively.

### 13. VARIABLE INTEREST ENTITIES

We securitize financial assets and arrange other forms of asset-backed financing in the ordinary course of business. The securitization transactions we engage in are similar to those used by many financial institutions. Beyond improving returns, these securitization transactions serve as alternative funding sources for a variety of diversified lending and securities transactions. Historically, we have used both GECC-supported and third-party VIEs to execute off-balance sheet securitization transactions funded in the commercial paper and term markets. The largest group of VIEs that we are involved with are former Qualified Special Purpose Entities (QSPEs), which under guidance in effect through December 31, 2009 were excluded from the scope of consolidation standards based on their characteristics. Except as noted below, investors in these entities only have recourse to the assets owned by the entity and not to our general credit. We do not have implicit support arrangements with any VIE. We did not provide non-contractual support for previously transferred financing receivables to any VIE in 2011 or 2010.

In evaluating whether we have the power to direct the activities of a VIE that most significantly impact its economic performance, we consider the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and our decision-making role, if any, in those activities that significantly determine the entity's economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity's future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

In determining whether we have the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, we evaluate all of our economic interests in the entity, regardless of form (debt, equity, management and servicing fees, and other contractual arrangements). This evaluation considers all relevant factors of the entity's design, including: the entity's capital structure, contractual rights to earnings (losses), subordination of our interests relative to those of other investors, contingent payments, as well as other contractual arrangements that have potential to be economically significant. The evaluation of each of these factors in reaching a conclusion about the potential significance of our economic interests is a matter that requires the exercise of professional judgment.

#### Consolidated Variable Interest Entities

We consolidate VIEs because we have the power to direct the activities that significantly affect the VIE's economic performance, typically because of our role as either servicer or manager for the VIE. As more fully described in Note 17 in our 2010 consolidated financial statements, our consolidated VIEs fall into three main groups: (1) Trinity, a group of sponsored special purpose entities that holds investment securities funded by the issuance of GICs; (2) Consolidated Securitization Entities, primarily former QSPEs that were created to facilitate securitization of financial assets and other forms of asset-backed financing; and (3) Other consolidated VIEs, primarily asset-backed financing

entities where we are the collateral manager, joint ventures and insurance entities. The table below summarizes the assets and liabilities of these entities.

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## Consolidated Securitization Entities (a)

(In millions)	Trinity(b)	Credit Cards(c)	Equipment (d)	Real Estate	Trade Receivables	Other(d)	Total
March 31, 2011							
Assets(e)							
Financing receivables, net	\$ –	\$ 16,827	\$ 10,080	\$ 4,081	\$ 2,439	\$ 3,245	\$ 36,672
Investment securities	5,346	–	–	–	–	–	5,346
Other assets	156	17	249	207	25	2,128	2,782
Total	\$ 5,502	\$ 16,844	\$ 10,329	\$ 4,288	\$ 2,464	\$ 5,373	\$ 44,800
Liabilities(e)							
Borrowings	\$ –	\$ –	\$ 167	\$ 25	\$ –	\$ 890	\$ 1,082
Non-recourse borrowings	–	12,725	8,302	4,150	2,304	1,271	28,752
Other liabilities	5,488	92	51	3	279	262	6,175
Total	\$ 5,488	\$ 12,817	\$ 8,520	\$ 4,178	\$ 2,583	\$ 2,423	\$ 36,009
December 31, 2010							
Assets(e)							
Financing receivables, net	\$ –	\$ 20,570	\$ 9,431	\$ 4,233	\$ 1,882	\$ 3,356	\$ 39,472
Investment securities	5,706	–	–	–	–	–	5,706
Other assets	283	17	234	209	99	2,047	2,889
Total	\$ 5,989	\$ 20,587	\$ 9,665	\$ 4,442	\$ 1,981	\$ 5,403	\$ 48,067
Liabilities(e)							
Borrowings	\$ –	\$ –	\$ 184	\$ 25	\$ –	\$ 906	\$ 1,115
Non-recourse borrowings	–	12,824	8,091	4,294	2,970	1,265	29,444
Other liabilities	5,690	132	8	4	–	243	6,077
Total	\$ 5,690	\$ 12,956	\$ 8,283	\$ 4,323	\$ 2,970	\$ 2,414	\$ 36,636

(a) Includes entities consolidated on January 1, 2010 by the initial application of ASU 2009-16 & 17. On January 1, 2010, we consolidated financing receivables of \$39,463 million and investment securities of \$1,015 million and non-recourse borrowings of \$36,112 million. At March 31, 2011, financing receivables of \$29,448 million and non-recourse borrowings of \$24,482 million remained outstanding in respect of those entities.

(b) Contractual credit and liquidity support provided to those entities was \$1,364 million at March 31, 2011 and \$1,508 million at December 31, 2010.

- (c) In February 2011, the capital structure of a consolidated credit card securitization entity changed and it is now consolidated under the voting interest model and accordingly is no longer reported in the table above. The entity's assets and liabilities at December 31, 2010 were \$2,875 million and \$525 million, respectively.
- (d) In certain transactions entered into prior to December 31, 2004, we provided contractual credit and liquidity support to third parties who funded the purchase of securitized or participated interests in assets. We have not entered into additional arrangements since that date. Liquidity and credit support was \$91 million at March 31, 2011 and \$936 million at December 31, 2010.
- (e) Asset amounts exclude intercompany receivables for cash collected on behalf of the entities by GE as servicer, which are eliminated in consolidation. Such receivables provide the cash to repay the entities' liabilities. If these intercompany receivables were included in the table above, assets would be higher. In addition other assets, borrowings and other liabilities exclude intercompany balances that are eliminated in consolidation.

Revenues from services from our consolidated VIEs were \$1,491 million and \$1,804 million in the three months ended March 31, 2011 and 2010, respectively. Related expenses consisted primarily of provisions for losses of \$362 million and \$468 million in the three months ended March 31, 2011 and 2010, respectively, and interest of \$156 million and \$210 million in the three months ended March 31, 2011 and 2010, respectively. These amounts do not include intercompany revenues and costs, principally fees and interest between GECC and the VIEs, which are eliminated in consolidation.

#### Investments in Unconsolidated Variable Interest Entities

Our involvement with unconsolidated VIEs consists of the following activities: assisting in the formation and financing of the entity, providing recourse and/or liquidity support, servicing the assets and receiving variable fees for services provided. We are not required to consolidate these entities because the nature of our involvement with the activities of the VIEs does not give us power over decisions that significantly affect their economic performance.

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The largest unconsolidated VIE with which we are involved is Penske Truck Leasing (PTL), a joint venture and limited partnership formed in 1988 between Penske Truck Leasing Corporation (PTLC) and GE. PTLC is the sole general partner of PTL and an indirect wholly-owned subsidiary of Penske Corporation. PTL is engaged in truck leasing and support services, including full-service leasing, dedicated logistics support and contract maintenance programs, as well as rental operations serving commercial and consumer customers. At March 31, 2011, our investment of \$6,126 million primarily comprised a 49.9% partnership interest of \$832 million and loans and advances of \$5,257 million. GECC continues to provide loans under long-term revolving credit and letter of credit facilities to PTL.

Other significant exposures to unconsolidated VIEs at March 31, 2011 include investments in real estate entities (\$2,162 million), which generally consist of passive limited partnership investments in tax-advantaged, multi-family real estate and investments in various European real estate entities; debt investment fund (\$2,168 million); and exposures to joint ventures that purchase factored receivables (\$1,735 million). Substantially all of our other unconsolidated entities consist of passive investments in various asset-backed financing entities.

The classification of our variable interests in these entities in our financial statements is based on the nature of the entity and the type of investment we hold. Variable interests in partnerships and corporate entities are classified as either equity method or cost method investments. In the ordinary course of business, we also make investments in entities in which we are not the primary beneficiary but may hold a variable interest such as limited partner interests or mezzanine debt investments. These investments are classified in two captions in our financial statements: "Other assets" for investments accounted for under the equity method, and "Financing receivables – net" for debt financing provided to these entities. Our investments in unconsolidated VIEs at March 31, 2011 and December 31, 2010 follow.

(In millions)	March 31, 2011			At December 31, 2010		
	PTL	All other	Total	PTL	All other	Total
Other assets and investment securities	\$ 6,126	\$ 4,868	\$ 10,994	\$ 5,790	\$ 4,580	\$ 10,370
Financing receivables – net	–	2,210	2,210	–	2,240	2,240
Total investments	6,126	7,078	13,204	5,790	6,820	12,610
Contractual obligations to fund investments or guarantees	600	2,288	2,888	600	1,981	2,581
Revolving lines of credit	2,119	–	2,119	2,431	–	2,431
Total	\$ 8,845	\$ 9,366	\$ 18,211	\$ 8,821	\$ 8,801	\$ 17,622

In addition to the entities included in the table above, we also hold passive investments in RMBS, commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) issued by VIEs. Such investments were, by design, investment grade at issuance and held by a diverse group of investors. Further information about such investments is provided in Note 3.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

A. Results of Operations

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered “non-GAAP financial measures” under the U.S. Securities and Exchange Commission (SEC) rules. For such measures, we have provided supplemental explanations and reconciliations in Exhibit 99(a) to this Form 10-Q Report.

Unless otherwise indicated, we refer to captions such as revenues and earnings from continuing operations attributable to GECC simply as “revenues” and “earnings” throughout this Management’s Discussion and Analysis. Similarly, discussion of other matters in our condensed, consolidated financial statements relates to continuing operations unless otherwise indicated.

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## Overview

Revenues for the first quarter of 2011 were \$12.3 billion, a \$0.4 billion (3%) increase from the first quarter of 2010. Revenues for the first quarter of 2011 included \$0.1 billion from acquisitions and were reduced by \$0.4 billion as a result of dispositions. Revenues for the quarter increased compared with the first quarter of 2010 as a result of organic revenue growth including the gain on sale of a substantial portion of our Garanti Bank equity investment (Garanti Bank transaction) and improved margins, partially offset by lower asset balances. Organic revenue excludes the effects of acquisitions, business dispositions (other than dispositions of businesses acquired for investment) and currency exchange rates. Earnings were \$1.8 billion, up from \$0.6 billion in the first quarter of 2010.

Overall, acquisitions contributed \$0.1 billion and \$0.2 billion to total revenues in the first quarters of 2011 and 2010, respectively. Our earnings in the first quarters of 2011 and 2010, respectively, included an insignificant amount and \$0.1 billion, respectively, from acquired businesses. We integrate acquisitions as quickly as possible. Only revenues and earnings from the date we complete the acquisition through the end of the fourth following quarter are attributed to such businesses. Dispositions also affected our operations through lower revenues of \$0.4 billion and \$1.0 billion in the first quarters of 2011 and 2010, respectively. The effects of dispositions on earnings were an insignificant amount and a decrease of \$0.1 billion in the first quarters of 2011 and 2010, respectively.

During the first quarter of 2010, we recorded an adjustment of \$0.4 billion of incremental reserves for excess interest claims related to our loss-sharing arrangement on the 2008 disposal of GE Money Japan. Additional information about the disposition of GE Money Japan is provided in Note 2 to the condensed, consolidated financial statements.

During the three months ended March 31, 2011, GE Capital provided approximately \$23 billion of new financings in the U.S. to various companies, infrastructure projects and municipalities. Additionally, we extended approximately \$19 billion of credit to more than 48 million U.S. consumers. GE Capital provided credit to approximately 4,500 new commercial customers and 11,300 new small businesses in the U.S. during the three months ended March 31, 2011 and ended the period with outstanding credit to more than 297,000 commercial customers and 184,000 small businesses through retail programs in the U.S.

Our effective income tax rate is lower than the U.S. statutory rate primarily because of benefits from lower-taxed global operations, including the use of global funding structures. There is a benefit from global operations as non-U.S. income is subject to local country tax rates that are significantly below the 35% U.S. statutory rate. These non-U.S. earnings have been indefinitely reinvested outside the U.S. and are not subject to current U.S. income tax. The rate of tax on our indefinitely reinvested non-U.S. earnings is below the 35% U.S. statutory rate because we have significant business operations subject to tax in countries where the tax on that income is lower than the U.S. statutory rate and because GECS funds the majority of its non-U.S. operations through foreign companies that are subject to low foreign taxes.

We expect our ability to benefit from non-U.S. income taxed at less than the U.S. rate to continue subject to changes of U.S. or foreign law, including the possible expiration of the U.S. tax law provision deferring tax on active financial services income. In addition, since this benefit depends on management's intention to indefinitely reinvest amounts outside the U.S., our tax provision will increase to the extent we no longer indefinitely reinvest foreign earnings.

The provision for income taxes was an expense of \$0.4 billion for the first quarter of 2011 (an effective tax rate of 18.7%), compared with \$0.4 billion benefit for the first quarter of 2010 (a negative effective tax rate of 165.1%). The first quarter 2010 tax benefit when compared to the first quarter 2010 pre-tax income results in a negative rate for that period. The tax expense increased in the first quarter 2011 by \$0.8 billion primarily from the \$2.1 billion increase in pre-tax income earned principally in higher tax jurisdictions.

## Segment Operations

Operating segments comprise our five businesses focused on the broad markets they serve: CLL, Consumer, Real Estate, Energy Financial Services and GECAS. The Chairman allocates resources to, and assesses the performance of, these five businesses. In addition to providing information on segments in their entirety, we have also provided supplemental information for the geographic regions within the CLL segment for greater clarity.

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GECC corporate items and eliminations include unallocated Treasury and Tax operations; Trinity, a group of sponsored special purpose entities; certain consolidated liquidating securitization entities; the effects of eliminating transactions between operating segments; underabsorbed corporate overhead; certain non-allocated amounts determined by the Chairman; and a variety of sundry items. GECC corporate items and eliminations is not an operating segment. Rather, it is added to operating segment totals to reconcile to consolidated totals on the financial statements.

Segment profit is determined based on internal performance measures used by the Chairman to assess the performance of each business in a given period. In connection with that assessment, the Chairman may exclude matters such as charges for restructuring; rationalization and other similar expenses; acquisition costs and other related charges; technology and product development costs; certain gains and losses from acquisitions or dispositions; and litigation settlements or other charges, responsibility for which preceded the current management team.

Segment profit excludes results reported as discontinued operations, earnings attributable to noncontrolling interests of consolidated subsidiaries and accounting changes. Segment profit, which we sometimes refer to as “net earnings”, includes interest and income taxes. Prior to January 1, 2011, segment profit also excluded the effects of principal pension plans. Beginning January 1, 2011, GE allocated service costs related to its principal pension plans and GE no longer allocates the retiree costs of its postretirement healthcare benefits to its segments. This revised allocation methodology better aligns segment operating costs to the active employee costs, which are managed by the segments. This change did not significantly affect our reported segment results.

We have reclassified certain prior-period amounts to conform to the current-period presentation. Refer to the Summary of Operating Segments on page 6 for a reconciliation of the total reportable segments’ profit to the consolidated net earnings attributable to the Company.

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## CLL

(In millions)	Three months ended March 31,	
	2011	2010
Revenues	\$ 4,608	\$ 4,594
Segment profit	\$ 554	\$ 232

(In millions)	At		
	March 31,	December 31,	March 31,
	2011	2010	2010
Total assets	\$ 197,467	\$ 202,650	\$ 212,752

(In millions)	Three months ended March 31,	
	2011	2010
Revenues		
Americas	\$ 2,545	\$ 2,416
Europe	965	1,104
Asia	559	537
Other	539	537
Segment profit		
Americas	\$ 449	\$ 249
Europe	91	81
Asia	33	18
Other	(19)	(116)

(In millions)	At		
	March 31,	December 31,	March 31,
	2011	2010	2010
Total assets			
Americas	\$ 111,145	\$ 114,685	\$ 122,899
Europe	48,555	50,026	50,805
Asia	17,795	18,269	18,821
Other	19,972	19,670	20,227

CLL revenues were flat and net earnings were favorable compared with the first quarter of 2010. Revenues for the quarter increased slightly compared with the first quarter of 2010 as a result of higher investment income and higher gains, offset by organic revenue declines. Net earnings increased in the first quarter of 2011, reflecting lower provisions for losses on financing receivables (\$0.1 billion), higher investment income (\$0.1 billion), core increases



(\$0.1 billion) and higher gains (\$0.1 billion).

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## Consumer

(In millions)	Three months ended March 31,	
	2011	2010
Revenues	\$ 4,941	\$ 4,564
Segment profit	\$ 1,257	\$ 569

(In millions)	March 31,	At December 31,	March 31,
	2011	2010	2010
Total assets	\$ 147,474	\$ 152,839	\$ 158,855

Consumer revenues increased 8% and net earnings were favorable compared with the first quarter of 2010. Revenues for the first quarter of 2011 included \$0.1 billion from acquisitions and were reduced by \$0.1 billion as a result of dispositions. Revenues for the first quarter also increased \$0.4 billion compared with the first quarter of 2010 as a result of the gain on the Garanti Bank transaction (\$0.7 billion), partially offset by organic revenue declines (\$0.3 billion). The increase in net earnings resulted primarily from core growth (\$0.6 billion), including lower provisions for losses on financing receivables primarily in the U.S., our global banks, and the U.K. (\$0.4 billion), and the gain on the Garanti Bank transaction (\$0.3 billion).

## Real Estate

(In millions)	Three months ended March 31,	
	2011	2010
Revenues	\$ 907	\$ 944
Segment profit	\$ (358)	\$ (403)

(In millions)	March 31,	At December 31,	March 31,
	2011	2010	2010
Total assets	\$ 70,934	\$ 72,630	\$ 82,637

Real Estate revenues decreased 4% and net earnings increased 11% compared with the first quarter of 2010. Revenues for the quarter decreased compared with the first quarter of 2010 as a result of organic revenue declines. Real Estate

net earnings increased compared with the first quarter of 2010, as a decrease in provisions for losses on financing receivables and lower impairments (\$0.2 billion) were partially offset by core declines (\$0.1 billion). Depreciation expense on real estate equity investments totaled \$0.2 billion and \$0.3 billion in the first quarters of 2011 and 2010, respectively.

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## Energy Financial Services

(In millions)	Three months ended March	
	2011	2010
Revenues	\$ 345	\$ 791
Segment profit	\$ 112	\$ 153

(In millions)	At		
	March 31, 2011	December 31, 2010	March 31, 2010
Total assets	\$ 18,821	\$ 19,549	\$ 22,909

Energy Financial Services revenues decreased 56% and net earnings decreased 27% compared with the first quarter of 2010. Revenues for the quarter decreased compared with the first quarter of 2010, primarily as a result of the deconsolidation of Regency (\$0.3 billion) and organic revenue declines (\$0.2 billion), primarily from an asset sale in 2010 by an investee. These decreases were partially offset by higher gains (\$0.1 billion). The decrease in net earnings resulted primarily from core decreases (\$0.1 billion), primarily from an asset sale in 2010 by an investee, partially offset by higher gains (\$0.1 billion).

## GECAS

(In millions)	Three months ended March	
	2011	2010
Revenues	\$ 1,325	\$ 1,239
Segment profit	\$ 306	\$ 317

(In millions)	At		
	March 31, 2011	December 31, 2010	March 31, 2010
Total assets	\$ 48,560	\$ 49,106	\$ 48,475

GECAS revenues increased 7% and net earnings decreased 3% compared with the first quarter of 2010. Revenues for the quarter increased compared with the first quarter of 2010 as a result of organic revenue growth (\$0.1 billion).

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## Corporate Items and Eliminations

GECC Corporate Items and Eliminations include unallocated Treasury operation expenses for the three months ended March 31, 2011 and 2010 of an insignificant amount and \$0.1 billion, respectively. These Treasury results were primarily related to derivative activities that reduce or eliminate interest rate, currency or market risk between financial assets and liabilities.

GECC Corporate items and Eliminations include \$0.1 billion of unallocated Tax benefits to adjust the three months ended March 31, 2011 tax rate to the expected full year tax rate. There were no unallocated Tax benefits to adjust the three months ended March 31, 2010.

Certain amounts included in GECC Corporate Items and Eliminations are not allocated to the five operating businesses within the GE Capital segment because they are excluded from the measurement of their operating performance for internal purposes. Unallocated costs included an insignificant amount and \$0.1 billion for the three months ended March 31, 2011 and 2010, respectively, primarily related to restructuring and other charges.

## Discontinued Operations

(In millions)	Three months ended March 31,	
	2011	2010
Earnings (loss) from discontinued operations, net of taxes	\$ 20	\$ (363)

Discontinued operations primarily comprised BAC Credomatic GECF Inc. (BAC) (our Central American bank and card business), GE Money Japan (our Japanese personal loan business, Lake, and our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd.), our U.S. mortgage business (WMC), our U.S. recreational vehicle and marine equipment financing business (Consumer RV Marine), Consumer Mexico and Consumer Singapore. Results of these businesses are reported as discontinued operations for all periods presented.

Loss from discontinued operations, net of taxes, for the first quarter of 2010, primarily reflected \$0.4 billion of incremental reserves for excess interest claims related to our loss-sharing arrangement on the 2008 disposal of GE Money Japan.

For additional information related to discontinued operations, see Note 2 to the condensed, consolidated financial statements.

## B. Statement of Financial Position

### Overview of Financial Position

Major changes in our financial position for the three months ended March 31, 2011 resulted from the following:

- Repayments exceeded new issuances of total borrowings by \$18.4 billion and collections on financing receivables exceeded originations by \$12.3 billion; and

- The U.S. dollar was weaker at March 31, 2011 than at December 31, 2010, increasing the translated levels of our non-U.S. dollar assets and liabilities.

Our assets were \$569.8 billion at March 31, 2011, an \$11.3 billion decrease from December 31, 2010, and reflect a reduction of financing receivables of \$9.4 billion, primarily through collections exceeding originations (\$12.3 billion) and net write-offs (\$2.1 billion), partially offset by the weaker U.S. dollar (\$4.1 billion), and a decrease in all other assets (\$6.7 billion), mainly from the sale of a substantial portion of our Garanti Bank equity investment (\$3.0 billion), partially offset by an increase of cash and equivalents (\$7.0 billion).

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Our liabilities decreased \$14.6 billion from December 31, 2010 to \$492.5 billion at March 31, 2011, and reflect an \$18.4 billion net reduction in borrowings, primarily due to long-term borrowings and commercial paper, consistent with our overall reduction in assets, partially offset by the effects of the weaker U.S. dollar.

#### Cash Flows

GECC cash and equivalents were \$66.5 billion at March 31, 2011, compared with \$57.9 billion at March 31, 2010. GECC cash from operating activities totaled \$4.3 billion for the first quarter of 2011, compared with cash from operating activities of \$5.3 billion for the first quarter of 2010. This was primarily due to an increase in accounts payable due to higher volume at CLL.

Consistent with our plan to reduce GECC asset levels, cash from investing activities was \$19.2 billion during the first quarter of 2011, resulting from a \$12.3 billion reduction in financing receivables, due to collections exceeding originations and \$0.4 billion from recoveries of financing receivables previously written off. Additionally, we received proceeds of \$7.0 billion from the sale of a substantial portion of our equity investment in Garanti Bank (\$3.8 billion) and from the sale of Consumer RV Marine (\$1.8 billion) and the Consumer business in Canada (\$1.4 billion).

GECC cash used for financing activities for the first quarter of 2011 of \$17.4 billion related primarily to an \$18.4 billion reduction in total borrowings, consisting primarily of reductions in long-term borrowings and commercial paper, partially offset by an increase in deposits at our global banks.

#### Fair Value Measurements

See Note 1 to our 2010 consolidated financial statements for disclosures related to our methodology for fair value measurements. Additional information about fair value measurements is provided in Note 10 to the condensed, consolidated financial statements.

At March 31, 2011, the aggregate amount of investments that are measured at fair value through earnings totaled \$4.5 billion and consisted primarily of various assets held for sale in the ordinary course of business, as well as equity investments.

#### C. Financial Services Portfolio Quality

Investment securities comprise mainly investment grade debt securities supporting obligations to holders of guaranteed investment contracts (GICs) in Trinity and investment securities held at our global banks. The fair value of investment securities increased to \$18.7 billion at March 31, 2011 from \$18.0 billion at December 31, 2010. Of the amount at March 31, 2011, we held debt securities with an estimated fair value of \$16.8 billion, which included corporate debt securities, residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) with estimated fair values of \$4.8 billion, \$1.7 billion and \$1.4 billion, respectively. Unrealized losses on debt securities were \$1.0 billion and \$1.2 billion at March 31, 2011 and December 31, 2010, respectively. This amount included unrealized losses on corporate debt securities, RMBS and CMBS of \$0.1 billion, \$0.3 billion and \$0.2 billion, respectively, at March 31, 2011, as compared with \$0.1 billion, \$0.4 billion and \$0.2 billion, respectively, at December 31, 2010.

We regularly review investment securities for impairment using both qualitative and quantitative criteria. We presently do not intend to sell our debt securities and believe that it is not more likely than not that we will be required to sell these securities that are in an unrealized loss position before recovery of our amortized cost. We believe that the unrealized loss associated with our equity securities will be recovered within the foreseeable future.



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Our RMBS portfolio is collateralized primarily by pools of individual, direct mortgage loans (a majority of which were originated in 2006 and 2005), not other structured products such as collateralized debt obligations. Substantially all of our RMBS securities are in a senior position in the capital structure of the deals and more than 65% are agency bonds or insured by Monoline insurers (on which we continue to place reliance). Of our total RMBS portfolio at March 31, 2011 and December 31, 2010, approximately \$0.6 billion and \$0.7 billion, respectively, relate to residential subprime credit, primarily supporting our guaranteed investment contracts. A majority of exposure to residential subprime credit related to investment securities backed by mortgage loans originated in 2006 and 2005. Substantially all of the subprime RMBS were investment grade at the time of purchase and approximately 72% have been subsequently downgraded to below investment grade.

Our CMBS portfolio is collateralized by both diversified pools of mortgages that were originated for securitization (conduit CMBS) and pools of large loans backed by high quality properties (large loan CMBS), a majority of which were originated in 2007 and 2006. Substantially all of the securities in our CMBS portfolio have investment grade credit ratings and the vast majority of the securities are in a senior position in the capital structure.

Our asset-backed securities (ABS) portfolio is collateralized by a variety of diversified pools of assets such as student loans and credit cards, as well as large senior secured loans of high-quality, middle-market companies in a variety of industries. The vast majority of our ABS securities are in a senior position in the capital structure of the deals. In addition, substantially all of the securities that are below investment grade are in an unrealized gain position.

For ABS, including RMBS, we estimate the portion of loss attributable to credit using a discounted cash flow model that considers estimates of cash flows generated from the underlying collateral. Estimates of cash flows consider internal credit risk, interest rate and prepayment assumptions that incorporate management's best estimate of key assumptions, including default rates, loss severity and prepayment rates. For CMBS, we estimate the portion of loss attributable to credit by evaluating potential losses on each of the underlying loans in the security. Collateral cash flows are considered in the context of our position in the capital structure of the deals. Assumptions can vary widely depending upon the collateral type, geographic concentrations and vintage.

If there has been an adverse change in cash flows for RMBS, management considers credit enhancements such as Monoline insurance (which are features of a specific security). In evaluating the overall creditworthiness of the Monoline insurer (Monoline), we use an analysis that is similar to the approach we use for corporate bonds, including an evaluation of the sufficiency of the Monoline's cash reserves and capital, ratings activity, whether the Monoline is in default or default appears imminent, and the potential for intervention by an insurance or other regulator.

Monolines provide credit enhancement for certain of our investment securities, primarily RMBS and municipal securities. The credit enhancement is a feature of each specific security that guarantees the payment of all contractual cash flows, and is not purchased separately by GE. The Monoline industry continues to experience financial stress from increasing delinquencies and defaults on the individual loans underlying insured securities. We continue to rely on Monolines with adequate capital and claims paying resources. We have reduced our reliance on Monolines that do not have adequate capital or have experienced regulator intervention. At March 31, 2011, our investment securities insured by Monolines on which we continue to place reliance were \$1.3 billion, including \$0.3 billion of our \$0.6 billion investment in subprime RMBS. At March 31, 2011, the unrealized loss associated with securities subject to Monoline credit enhancement for which there is an expected credit loss was \$0.3 billion.

Total pre-tax, other-than-temporary impairment losses during the first quarter of 2011 were \$0.1 billion, of which \$0.1 billion was recognized in earnings and primarily relates to credit losses on non-U.S. corporate securities, retained interests and equity securities.

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Our qualitative review attempts to identify issuers' securities that are "at-risk" of other-than-temporary impairment, that is, for securities that we do not intend to sell and it is not more likely than not that we will be required to sell before recovery of our amortized cost, whether there is a possibility of credit loss that would result in an other-than-temporary impairment recognition in the following 12 months. Securities we have identified as "at-risk" primarily relate to investments in RMBS securities and non-U.S. corporate debt securities across a broad range of industries. The amount of associated unrealized loss on these securities at March 31, 2011, is \$0.4 billion. Credit losses that would be recognized in earnings are calculated when we determine the security to be other-than-temporarily impaired. Uncertainty in the capital markets may cause increased levels of other-than-temporary impairments.

At March 31, 2011, unrealized losses on investment securities totaled \$1.0 billion, including \$0.9 billion aged 12 months or longer, compared with unrealized losses of \$1.2 billion, including \$1.0 billion aged 12 months or longer, at December 31, 2010. Of the amount aged 12 months or longer at March 31, 2011, approximately 70% of our debt securities were considered to be investment grade by the major rating agencies. In addition, of the amount aged 12 months or longer, \$0.5 billion and \$0.1 billion related to structured securities (mortgage-backed, asset-backed and securitization retained interests) and corporate debt securities, respectively. With respect to our investment securities that are in an unrealized loss position at March 31, 2011, the vast majority relate to debt securities held to support obligations to holders of GICs and annuitants and policyholders in our run-off insurance operations. We presently do not intend to sell our debt securities and believe that it is not more likely than not that we will be required to sell these securities that are in an unrealized loss position before recovery of our amortized cost. For additional information, see Note 3 to the condensed, consolidated financial statements.

Financing receivables is our largest category of assets and represents one of our primary sources of revenues. Our portfolio of financing receivables is diverse and not directly comparable to major U.S. banks. A discussion of the quality of certain elements of the financing receivables portfolio follows.

Our consumer portfolio is largely non-U.S. and primarily comprises mortgage, sales finance, auto and personal loans in various European and Asian countries. Our U.S. consumer financing receivables comprise 13% of our total portfolio. Of those, approximately 62% relate primarily to credit cards, which are often subject to profit and loss sharing arrangements with the retailer (the results of which are reflected in revenues), and have a smaller average balance and lower loss severity as compared to bank cards. The remaining 38% are sales finance receivables, which provide electronics, recreation, medical and home improvement financing to customers. In 2007, we exited the U.S. mortgage business and we have no U.S. auto or student loans.

Our commercial portfolio primarily comprises senior, secured positions with comparatively low loss history. The secured receivables in this portfolio are collateralized by a variety of asset classes, which for our CLL business primarily include: industrial-related facilities and equipment, vehicles, corporate aircraft, and equipment used in many industries, including the construction, manufacturing, transportation, media, communications, entertainment, and healthcare industries. The portfolios in our Real Estate, GECAS and Energy Financial Services businesses are collateralized by commercial real estate, commercial aircraft and operating assets in the global energy and water industries, respectively. We are in a secured position for substantially all of our commercial portfolio.

Losses on financing receivables are recognized when they are incurred, which requires us to make our best estimate of probable losses inherent in the portfolio. The method for calculating the best estimate of losses depends on the size, type and risk characteristics of the related financing receivable. Such an estimate requires consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data, including present economic conditions such as delinquency rates, financial health of specific customers and market sectors, collateral values (including housing price indices as applicable), and the present and expected future levels of

interest rates. The underlying assumptions, estimates and assessments we use to provide for losses are updated periodically to reflect our view of current conditions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible to experience credit losses that are different from our current estimates.

Our risk management process includes standards and policies for reviewing major risk exposures and concentrations, and evaluates relevant data either for individual loans or financing leases, or on a portfolio basis, as appropriate.

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Loans acquired in a business acquisition are recorded at fair value, which incorporates our estimate at the acquisition date of the credit losses over the remaining life of the portfolio. As a result, the allowance for losses is not carried over at acquisition. This may have the effect of causing lower reserve coverage ratios for those portfolios.

For purposes of the discussion that follows, “delinquent” receivables are those that are 30 days or more past due based on their contractual terms; and “nonearning” receivables are those that are 90 days or more past due (or for which collection is otherwise doubtful). Nonearning receivables exclude loans purchased at a discount (unless they have deteriorated post acquisition). Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 310, Receivables, these loans are initially recorded at fair value and accrete interest income over the estimated life of the loan based on reasonably estimable cash flows even if the underlying loans are contractually delinquent at acquisition. In addition, nonearning receivables exclude loans that are paying on a cash accounting basis but classified as nonaccrual and impaired. “Nonaccrual” financing receivables include all nonearning receivables and are those on which we have stopped accruing interest. We stop accruing interest at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days past due. Recently restructured financing receivables are not considered delinquent when payments are brought current according to the restructured terms, but may remain classified as nonaccrual until there has been a period of satisfactory payment performance by the borrower and future payments are reasonably assured of collection.

Further information on the determination of the allowance for losses on financing receivables and the credit quality and categorization of our financing receivables is provided in Notes 4 and 12.

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(In millions)	Financing receivables at		Nonearning receivables at		Allowance for losses at	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Commercial						
CLL						
Americas	\$ 82,876	\$ 86,596	\$ 2,395	\$ 2,571	\$ 1,254	\$ 1,287
Europe	37,093	37,498	1,209	1,241	443	429
Asia	11,545	11,943	346	406	228	222
Other	2,568	2,626	8	8	6	7
Total CLL	134,082	138,663	3,958	4,226	1,931	1,945
Energy						
Financial						
Services	6,662	7,011	162	62	36	22
GECAS	12,104	12,615	16	—	12	20
Other	1,640	1,788	99	102	55	58
Total						
Commercial	154,488	160,077	4,235	4,390	2,034	2,045
Real Estate						
Debt(a)	29,474	30,249	769	961	1,118	1,292
Business						
Properties(b)	9,548	9,962	368	386	181	196
Total Real Estate	39,022	40,211	1,137	1,347	1,299	1,488
Consumer						
Non-U.S.						
residential						
mortgages(c)	45,436	45,536	3,927	3,812	842	828
Non-U.S.						
installment						
and revolving						
credit	20,235	20,132	295	289	930	937
U.S. installment						
and revolving						
credit	41,282	43,974	1,004	1,201	2,141	2,333
Non-U.S. auto	7,295	7,558	41	46	152	168
Other	8,231	8,304	462	478	239	259
Total Consumer	122,479	125,504	5,729	5,826	4,304	4,525
Total	\$ 315,989	\$ 325,792	\$ 11,101	\$ 11,563	\$ 7,637	\$ 8,058

- (a) Financing receivables included \$183 million and \$218 million of construction loans at March 31, 2011 and December 31, 2010, respectively.
- (b) Our Business Properties portfolio is underwritten primarily by the credit quality of the borrower and secured by tenant and owner-occupied commercial properties.
- (c) At March 31, 2011, net of credit insurance, approximately 24% of our secured Consumer non-U.S. residential mortgage portfolio comprised loans with introductory, below market rates that are scheduled to adjust at future dates; with high loan-to-value ratios at inception (greater than 90%); whose terms permitted interest-only payments; or whose terms resulted in negative amortization. At origination, we underwrite loans with an adjustable rate to the reset value. Of these loans, 81% are in our U.K. and France portfolios, which comprise mainly loans with interest-only payments and introductory below market rates, have a delinquency rate of 15%, have a loan-to-value ratio at origination of 76% and have re-indexed loan-to-value ratios of 84% and 58%, respectively. At March 31, 2011, 4% (based on dollar values) of these loans in our U.K. and France portfolios have been restructured.

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The portfolio of financing receivables, before allowance for losses, was \$316.0 billion at March 31, 2011, and \$325.8 billion at December 31, 2010. Financing receivables, before allowance for losses, decreased \$9.8 billion from December 31, 2010, primarily as a result of collections exceeding originations (\$12.3 billion) (which includes sales) and write-offs (\$2.1 billion), partially offset by the weaker U.S. dollar (\$4.1 billion) and acquisitions (\$0.6 billion).

Related nonearning receivables totaled \$11.1 billion (3.5% of outstanding receivables) at March 31, 2011, compared with \$11.6 billion (3.5% of outstanding receivables) at December 31, 2010. Nonearning receivables decreased from December 31, 2010, primarily due to write-offs and discounted payoffs in Real Estate, improved performance in Commercial and improvements in our entry rates in Consumer.

The allowance for losses at March 31, 2011 totaled \$7.6 billion compared with \$8.1 billion at December 31, 2010, representing our best estimate of probable losses inherent in the portfolio. Allowance for losses decreased \$0.4 billion from March 31, 2011, primarily because provisions were lower than write-offs, net of recoveries by \$0.5 billion, which is attributable to a reduction in the overall financing receivables balance and an improvement in the overall credit environment. The allowance for losses as a percent of total financing receivables decreased from 2.5% at December 31, 2010 to 2.4% at March 31, 2011 primarily due to a decrease in the allowance for losses as discussed above, partially offset by a decline in the overall financing receivables balance as collections exceeded originations. Further information surrounding the allowance for losses related to each of our portfolios is detailed below.

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The following table provides information surrounding selected ratios related to nonearning financing receivables and the allowance for losses.

	Nonearning financing receivables as a percent of		Allowance for losses as a percent of nonearning financing receivables		Allowance for losses as a percent of total financing receivables	
	financing receivables		receivables		total financing receivables	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Commercial CLL						
Americas	2.9 %	3.0 %	52.4 %	50.1 %	1.5 %	1.5 %
Europe	3.3	3.3	36.6	34.6	1.2	1.1
Asia	3.0	3.4	65.9	54.7	2.0	1.9
Other	0.3	0.3	75.0	87.5	0.2	0.3
Total CLL	3.0	3.0	48.8	46.0	1.4	1.4
Energy Financial Services	2.4	0.9	22.2	35.5	0.5	0.3
GECAS	0.1	–	75.0	–	0.1	0.2
Other	6.0	5.7	55.6	56.9	3.4	3.2
Total Commercial	2.7	2.7	48.0	46.6	1.3	1.3
Real Estate Debt	2.6	3.2	145.4	134.4	3.8	4.3
Business Properties	3.9	3.9	49.2	50.8	1.9	2.0
Total Real Estate	2.9	3.3	114.2	110.5	3.3	3.7
Consumer Non-U.S. residential mortgages	8.6	8.4	21.4	21.7	1.9	1.8
Non-U.S. installment and revolving credit	1.5	1.4	315.3	324.2	4.6	4.7
U.S. installment and revolving credit	2.4	2.7	213.2	194.3	5.2	5.3

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Non-U.S. auto	0.6	0.6	370.7	365.2	2.1	2.2
Other	5.6	5.8	51.7	54.2	2.9	3.1
Total Consumer	4.7	4.6	75.1	77.7	3.5	3.6
Total	3.5	3.5	68.8	69.7	2.4	2.5

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Included below is a discussion of financing receivables, allowance for losses, nonearning receivables and related metrics for each of our significant portfolios.

CLL – Americas. Nonearning receivables of \$2.4 billion represented 21.6% of total nonearning receivables at March 31, 2011. The ratio of allowance for losses as a percent of nonearning receivables increased from 50.1% at December 31, 2010, to 52.4% at March 31, 2011, reflecting an overall decrease in nonearning receivables and a concentration of financing receivables with higher loss experience remaining in nonearning. The ratio of nonearning receivables as a percent of financing receivables decreased from 3.0% at December 31, 2010, to 2.9% at March 31, 2011, primarily due to reduced nonearning exposures in our healthcare and industrial materials portfolios, which more than offset deterioration in our corporate aircraft portfolio. Collateral supporting these nonearning financing receivables primarily includes corporate aircraft and assets in the restaurant and hospitality, industrial materials, trucking and forestry industries, and for our leveraged finance business, equity of the underlying businesses.

CLL – Europe. Nonearning receivables of \$1.2 billion represented 10.9% of total nonearning receivables at March 31, 2011. The ratio of allowance for losses as a percent of nonearning receivables increased from 34.6% at December 31, 2010, to 36.6% at March 31, 2011, due primarily to a reduction in nonearning receivables related to account restructuring in our senior secured lending portfolio and improved delinquency in our equipment finance portfolio. The majority of nonearning receivables are attributable to the Interbanca S.p.A. portfolio, which was acquired in 2009. The loans acquired with Interbanca S.p.A were recorded at fair value, which incorporates an estimate at the acquisition date of credit losses over their remaining life. Accordingly, these loans generally have a lower ratio of allowance for losses as a percent of nonearning receivables compared to the remaining portfolio. The ratio of allowance for losses as a percent of nonearning receivables in the Interbanca S.p.A portfolio remained consistent due to minor increases in both reserves and nonearning financing receivables in the quarter. Excluding the nonearning loans attributable to the 2009 acquisition of Interbanca S.p.A., the ratio of allowance for losses as a percent of nonearning receivables increased from 65.7% at December 31, 2010, to 76.2% at March 31, 2011, for the reasons described above. The ratio of nonearning receivables as a percent of financing receivables remained consistent at 3.3% at March 31, 2011. Collateral supporting these secured nonearning financing receivables are primarily equity of the underlying businesses for our senior secured lending and Interbanca S.p.A businesses, and equipment for our equipment finance portfolio.

CLL – Asia. Nonearning receivables of \$0.3 billion represented 3.1% of total nonearning receivables at March 31, 2011. The ratio of allowance for losses as a percent of nonearning receivables increased from 54.7% at December 31, 2010, to 65.9% at March 31, 2011, primarily as a result of collections and write-offs of nonearning receivables in our asset-based financing businesses in Japan, Australia and New Zealand. The ratio of nonearning receivables as a percent of financing receivables decreased from 3.4% at December 31, 2010, to 3.0% at March 31, 2011, primarily due to the decline in nonearning receivables related to our asset-based financing businesses in Japan, Australia and New Zealand partially offset by a lower financing receivables balance. Collateral supporting these nonearning financing receivables is primarily commercial real estate, manufacturing equipment, corporate aircraft, and assets in the auto industry.

Real Estate – Debt. Nonearning receivables of \$0.8 billion represented 6.9% of total nonearning receivables at March 31, 2011. The decrease in nonearning receivables from December 31, 2010, was driven primarily by resolution of European hotel and retail nonearning loans, as well as U.S. multi-family and hotel nonearning loans, through restructurings and payoffs, partially offset by new U.S. office and hotel delinquencies. The ratio of allowance for losses as a percent of nonearning receivables increased from 134.4% to 145.4% reflecting resolution of nonearning loans as mentioned above. The ratio of allowance for losses as a percent of total financing receivables decreased from 4.3% at December 31, 2010 to 3.8% at March 31, 2011, driven primarily by write-offs related to settlements and payoffs from impaired loan borrowers and improvement in collateral values.

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The Real Estate financing receivables portfolio is collateralized by income-producing or owner-occupied commercial properties across a variety of asset classes and markets. At March 31, 2011, total Real Estate financing receivables of \$39.0 billion were primarily collateralized by owner-occupied properties (\$9.5 billion), office buildings (\$9.2 billion), apartment buildings (\$5.8 billion) and hotel properties (\$4.4 billion). In addition, \$2.9 billion of our Real Estate financing receivables are collateralized by properties in Japan. Less than \$0.1 billion of these collateralized properties are in the earthquake and tsunami impacted areas. In the first quarter of 2011, commercial real estate markets showed signs of improved stability; however, the pace of improvement varies significantly by asset class and market and the long term outlook remains uncertain. We have and continue to maintain an intense focus on operations and risk management. Loan loss reserves related to our Real Estate–Debt financing receivables are particularly sensitive to declines in underlying property values. Assuming global property values decline an incremental 1% or 5%, and that decline occurs evenly across geographies and asset classes, we estimate incremental loan loss reserves would be required of approximately \$0.1 billion and \$0.3 billion, respectively. Estimating the impact of global property values on loss performance across our portfolio depends on a number of factors, including macroeconomic conditions, property level operating performance, local market dynamics and individual borrower behavior. As a result, any sensitivity analyses or attempts to forecast potential losses carry a high degree of imprecision and are subject to change. At March 31, 2011, we had 115 foreclosed commercial real estate properties which had a value of approximately \$0.6 billion.

Consumer – Non-U.S. residential mortgages. Nonearning receivables of \$3.9 billion represented 35.4% of total nonearning receivables at March 31, 2011. The ratio of allowance for losses as a percent of nonearning receivables decreased from 21.7% at December 31, 2010 to 21.4% at March 31, 2011. In the first quarter of 2011, our nonearning receivables increased primarily due to continued challenging economic conditions primarily in Europe. Our non-U.S. mortgage portfolio has a loan-to-value ratio of approximately 75% at origination and the vast majority are first lien positions. Our U.K. and France portfolios, which comprise a majority of our total mortgage portfolio, have reindexed loan-to-value ratios of 84% and 58%, respectively. About 4% of these loans are without mortgage insurance and have a reindexed loan-to-value ratio equal to or greater than 100%. Loan-to-value information is updated on a quarterly basis for a majority of our loans and considers economic factors such as the housing price index. At March 31, 2011, we had in repossession stock approximately 650 houses in the U.K., which had a value of approximately \$0.1 billion. The ratio of nonearning receivables as a percent of financing receivables increased from 8.4% at December 31, 2010 to 8.6% at March 31, 2011, primarily due to reduced originations across all platforms.

Consumer – Non-U.S. installment and revolving credit. Nonearning receivables of \$0.3 billion represented 2.7% of total nonearning receivables at March 31, 2011. The ratio of allowance for losses as a percent of nonearning receivables decreased from 324.2% at December 31, 2010 to 315.3% at March 31, 2011, reflecting the effects of loan repayments and reduced originations primarily in our European platforms.

Consumer – U.S. installment and revolving credit. Nonearning receivables of \$1.0 billion represented 9.0% of total nonearning receivables at March 31, 2011. The ratio of allowance for losses as a percent of nonearning receivables increased from 194.3% at December 31, 2010, to 213.2% at March 31, 2011, as a result of lower entry rates and improved collections resulting in reductions in our nonearning receivables balance. The ratio of nonearning receivables as a percentage of financing receivables decreased from 2.7% at December 31, 2010 to 2.4% at March 31, 2011, primarily due to lower delinquencies reflecting an improvement in the overall credit environment.

#### Nonaccrual Financing Receivables

The following table provides details related to our nonaccrual and nonearning financing receivables. Nonaccrual financing receivables include all nonearning receivables and are those on which we have stopped accruing interest. We stop accruing interest at the earlier of the time at which collection becomes doubtful or the account becomes 90

days past due. Substantially all of the differences between nonearning and nonaccrual financing receivables relate to loans which are classified as nonaccrual financing receivables but are paying on a cash accounting basis, and therefore excluded from nonearning receivables. Of our \$21.8 billion nonaccrual loans at March 31, 2011, \$10.0 billion are currently paying in accordance with their contractual terms.

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(In millions)	Nonaccrual financing receivables	Nonearning financing receivables
March 31, 2011		
Commercial		
CLL	\$ 5,080	\$ 3,958
Energy Financial Services	162	162
GECAS	16	16
Other	184	99
Total Commercial	5,442	4,235
Real Estate	10,308	1,137
Consumer	6,036	5,729
Total	\$ 21,786	\$ 11,101

#### Impaired Loans

“Impaired” loans in the table below are defined as larger balance or restructured 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. The vast majority of our Consumer and a portion of our CLL nonaccrual receivables are excluded from this definition, as they represent smaller balance homogeneous loans that we evaluate collectively by portfolio for impairment.

Impaired loans include nonearning receivables on larger balance or restructured loans, loans that are currently paying interest under the cash basis (but are excluded from the nonearning category), and loans paying currently but which have been previously restructured.

Specific reserves are recorded for individually impaired loans to the extent we have determined that it is probable that we will be unable to collect all amounts due according to original contractual terms of the loan agreement. Certain loans classified as impaired may not require a reserve because we believe that we will ultimately collect the unpaid balance (through collection or collateral repossession).

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Further information pertaining to loans classified as impaired and specific reserves is included in the table below.

(In millions)	At	
	March 31, 2011	December 31, 2010
Loans requiring allowance for losses		
Commercial(a)	\$ 2,591	\$ 2,733
Real Estate	6,490	6,812
Consumer	2,537	2,447
Total loans requiring allowance for losses	11,618	11,992
Loans expected to be fully recoverable		
Commercial(a)	3,385	3,087
Real Estate	3,960	3,005
Consumer	150	101
Total loans expected to be fully recoverable	7,495	6,193
Total impaired loans	\$ 19,113	\$ 18,185
Allowance for losses (specific reserves)		
Commercial(a)	\$ 982	\$ 1,031
Real Estate	998	1,150
Consumer	565	555
Total allowance for losses (specific reserves)	\$ 2,545	\$ 2,736
Average investment during the period	\$ 18,649	\$ 15,538
Interest income earned while impaired(b)	179	391

(a) Includes CLL, Energy Financial Services, GECAS and Other.

(b) Recognized principally on a cash basis. Interest income earned while impaired for the three months ended March 31, 2011, the year ended December 31, 2010 and the three months ended March 31, 2010, were \$179 million, \$391 million and \$93 million, respectively. The total average investment in impaired loans for the three months ended March 31, 2010, was \$13,563 million.

Impaired loans increased by \$0.9 billion from December 31, 2010 to March 31, 2011, primarily relating to increases at Real Estate. We regularly review our Real Estate loans for impairment using both quantitative and qualitative factors, such as debt service coverage and loan-to-value ratios. We classify Real Estate loans as impaired when the most recent valuation reflects a projected loan-to-value ratio at maturity in excess of 100%, even if the loan is currently paying in accordance with contractual terms. The increase in Real Estate impaired loans reflects deterioration in commercial real estate values in certain markets, particularly Japan, as well as an increase in troubled debt restructurings (TDRs). Real Estate specific reserves have not increased proportionately to the increase in impaired loans, primarily due to an increase in TDRs that are expected to be fully recoverable based on the value of the underlying collateral and are performing in accordance with their modified terms. Of our \$10.4 billion impaired loans at Real Estate at March 31, 2011, \$8.9 billion are currently paying in accordance with the contractual terms of the loan and are typically loans where the borrower has adequate debt service coverage to meet contractual interest obligations.

Impaired loans at CLL primarily represent senior secured lending positions.

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Our impaired loan balance at March 31, 2011 and December 31, 2010, classified by the method used to measure impairment was as follows.

(In millions)	At	
	March 31, 2011	December 31, 2010
Method used to measure impairment		
Discounted cash flow	\$ 8,567	\$ 7,644
Collateral value	10,546	10,541
Total	\$ 19,113	\$ 18,185

See Note 1 to our 2010 consolidated financial statements for further information on collateral dependent loans and our valuation process.

Our loss mitigation strategy is intended to minimize economic loss and, at times, can result in rate reductions, principal forgiveness, extensions, forbearance or other actions, which may cause the related loan to be classified as a TDR, and also as impaired. Changes to Real Estate's loans primarily include maturity extensions, principal payment acceleration, changes to collateral terms and cash sweeps, which are in addition to, or sometimes in lieu of, fees and rate increases. The determination of whether these changes to the terms and conditions of our commercial loans meet the TDR criteria includes our consideration of all relevant facts and circumstances. At March 31, 2011, TDRs included in impaired loans were \$11.2 billion, primarily relating to Real Estate (\$5.7 billion), CLL (\$2.9 billion) and Consumer (\$2.4 billion).

We utilize certain short-term loan modification programs for borrowers experiencing temporary financial difficulties in our Consumer loan portfolio. These loan modification programs are primarily concentrated in our U.S. credit card and non-U.S. residential mortgage portfolios. We sold our U.S. residential mortgage business in 2007 and as such, do not participate in the U.S. government-sponsored mortgage modification programs. For the three months ended March 31, 2011, we provided short-term modifications of approximately \$0.5 billion of consumer loans for borrowers experiencing financial difficulties. This included approximately \$0.2 billion of credit card loans in the U.S. and approximately \$0.3 billion of other consumer loans, primarily non-U.S. residential mortgages, credit cards and personal loans, which were not classified as TDRs. For these modified loans, we provided short-term (12 months or less) interest rate reductions and payment deferrals, which were not part of the terms of the original contract. We expect borrowers whose loans have been modified under these short-term programs to continue to be able to meet their contractual obligations upon the conclusion of the short-term modification. Our experience indicates that a substantial majority of 2011 loan modifications will be successful as they are performing in accordance with the revised contractual terms.

#### Delinquencies

Additional information on delinquency rates at each of our major portfolios follows:

March 31, 2011	December 31, 2010
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CLL	2.0 %	2.1 %
Consumer	8.1	8.2
Real Estate	4.1	4.4

Delinquency rates on commercial loans and leases decreased from December 31, 2010 to March 31, 2011, as a result of improvements in the global economic and credit environment. We expect the global environment to show further signs of improvement in 2011; however, the credit environment continues to be uncertain and may impact future levels of commercial delinquencies and provisions for losses on financing receivables.

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Delinquency rates on consumer financing receivables decreased from December 31, 2010 to March 31, 2011, primarily due to improved collections and lower delinquency entry rates in our U.S. markets. We expect the global environment, along with U.S. unemployment levels, to further show signs of improvement in 2011; however, the uncertain economic environment may result in higher provisions for loan losses. At March 31, 2011, approximately 41% of our U.S. portfolio, which consisted of credit cards, installment and revolving loans, were receivable from subprime borrowers. We had no U.S. subprime residential mortgage loans at March 31, 2011. See Notes 4 and 12.

Delinquency rates on Real Estate loans and leases decreased from December 31, 2010 to March 31, 2011, reflecting market improvements, collections, including discounted payoffs, restructuring and foreclosures. Despite indications of market improvement, real estate liquidity remains limited in some markets. Slow economic recovery could result in a continuation of elevated delinquency levels and provisions for losses on financing receivables.

Other assets comprise mainly real estate equity properties and investments, equity and cost method investments, derivative instruments and assets held for sale, and totaled \$72.3 billion at March 31, 2011, a decrease of \$6.7 billion, primarily related to the sale of a substantial portion of our equity investment in Garanti Bank (\$3.0 billion), a reduction in the fair value of our derivative assets (\$2.2 billion) and the sale of certain held for sale real estate and aircraft (\$1.4 billion). During the first quarter of 2011, we recognized an insignificant amount of other-than-temporary impairments of cost and equity method investments, excluding those related to real estate.

Included in other assets are Real Estate equity investments of \$27.5 billion and \$27.2 billion at March 31, 2011 and December 31, 2010, respectively. Our portfolio is diversified, both geographically and by asset type. We review the estimated values of our commercial real estate investments semi-annually. As of our most recent estimate performed in the fourth quarter of 2010, the carrying value of our Real Estate investments exceeded their estimated value by approximately \$5.1 billion. The estimated value of the portfolio continues to reflect deterioration in real estate values and market fundamentals, including reduced market occupancy rates and market rents as well as the effects of limited real estate market liquidity. Given the current market conditions, there continues to be risk and uncertainty surrounding commercial real estate values. We hold Real Estate equity investments located in Japan totaling \$4.9 billion, of which an insignificant amount is in the earthquake and tsunami impacted areas. The effect on the Japan economy and related property values from the March 11, 2011 earthquake and subsequent tsunami in Japan is currently unclear. Declines in estimated value of real estate below carrying amount result in impairment losses when the aggregate undiscounted cash flow estimates used in the estimated value measurement are below the carrying amount. As such, estimated losses in the portfolio will not necessarily result in recognized impairment losses. During the first quarter of 2011, Real Estate recognized pre-tax impairments of \$0.5 billion in its real estate held for investment, which were driven by declining cash flow projections for properties in certain markets, most notably Japan, as well as properties we have identified for short term disposition based upon our updated outlook of local market conditions. Real Estate investments with undiscounted cash flows in excess of carrying value of 0% to 5% at March 31, 2011 had a carrying value of \$1.3 billion and an associated unrealized loss of approximately \$0.1 billion. Continued deterioration in economic conditions or prolonged market illiquidity may result in further impairments being recognized.

#### D. Liquidity and Borrowings

We maintain a strong focus on liquidity. We manage our liquidity to help ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations throughout business cycles. Our liquidity and borrowing plans are established within the context of our annual financial and strategic planning processes.

GECS liquidity and funding plans are designed to meet GECS' funding requirements under normal and stress scenarios, which include primarily extensions of credit, payroll, principal payments on outstanding borrowings,

interest on borrowings, dividends to GE, and general obligations such as operating expenses, collateral deposits held or collateral posted to counterparties. GECS' funding plan also has been developed in connection with GE's strategy to reduce its ending net investment in GE Capital. GECS relies on cash generated through collection of principal, interest and other payments on our existing portfolio of loans and leases, sales of assets, and unsecured and secured funding sources, including commercial paper, term debt, bank borrowings, securitization and other retail funding products.

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Our 2011 funding plan anticipates repayment of principal on outstanding short-term borrowings, including the current portion of our long-term debt (\$113.6 billion at December 31, 2010), through issuance of commercial paper and long-term debt, cash on hand, collections of financing receivables exceeding originations, dispositions, asset sales, and deposits and alternative sources of funding. Interest on borrowings is primarily repaid through interest earned on existing financing receivables. During the first quarter of 2011, GECC earned interest income on financing receivables of \$5.9 billion, which more than offset interest expense of \$3.7 billion.

Both the GECS Board of Directors and the GE Audit Committee have approved a detailed liquidity policy for GECS which includes a requirement to maintain a contingency funding plan. The liquidity policy defines GECS' liquidity risk tolerance under different scenarios based on its liquidity sources and also establishes procedures to escalate potential issues. GECS actively monitors its access to funding markets and its liquidity profile through tracking external indicators and testing various stress scenarios. The contingency funding plan provides a framework for handling market disruptions and establishes escalation procedures in the event that such events or circumstances arise.

Actions taken to strengthen and maintain our liquidity are described in the following section.

#### Liquidity Sources

GE maintains liquidity sources that consist of cash and equivalents and a portfolio of high-quality, liquid investments (Liquidity Portfolio) and committed unused credit lines.

GE had cash and equivalents of \$82.2 billion at March 31, 2011, which is available to meet its needs. About \$11 billion is in regulated entities and is subject to regulatory restrictions or is in restricted countries. About \$14 billion is held outside the U.S. and is available to fund operations and other growth of non-U.S. subsidiaries; it is also available to fund its needs in the U.S. on a short-term basis without being subject to U.S. tax. We anticipate that we will continue to generate cash from operating activities in the future, which will be available to help meet our liquidity needs.

In addition to GE's \$82.2 billion of cash and equivalents, we have a centrally-managed portfolio of high-quality, liquid investments with a fair value of \$2.9 billion at March 31, 2011. The Liquidity Portfolio is used to manage liquidity and meet the operating needs of GECS under both normal and stress scenarios. The investments consist of unencumbered U.S. government securities, U.S. agency securities, securities guaranteed by the government, supranational securities, and a select group of non-U.S. government securities. We believe that we can readily obtain cash for these securities, even in stressed market conditions.

We have committed, unused credit lines totaling \$53.0 billion that have been extended to us by 59 financial institutions at March 31, 2011. These lines include \$35.2 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. Additionally, \$17.2 billion are 364-day lines that contain a term-out feature that allows us to extend borrowings for one year from the date of expiration of the lending agreement.

At March 31, 2011, our aggregate cash and equivalents and committed credit lines were more than twice our commercial paper borrowings balance.

#### Funding Plan

GE's strategy has been to reduce its ending net investment in GE Capital. In the first quarter of 2011, GE reduced its GE Capital ending net investment, excluding cash and equivalents, from \$476 billion at December 31, 2010 to \$461 billion at March 31, 2011.

In the first quarter of 2011, we completed issuances of \$11.5 billion of senior, unsecured debt with maturities up to 21 years (and subsequent to March 31, 2011, an additional \$6.5 billion). Average commercial paper borrowings during the first quarter were \$35.7 billion and the maximum amount of commercial paper borrowings outstanding during the first quarter was \$36.8 billion. Our commercial paper maturities are funded principally through new issuances.

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Under the Federal Deposit Insurance Corporation's (FDIC) Temporary Liquidity Guarantee Program (TLGP), the FDIC guaranteed certain senior, unsecured debt issued by GECC on or before October 31, 2009 for which we incurred \$2.3 billion of fees for our participation. Our TLGP-guaranteed debt has remaining maturities of \$10 billion in 2011 and \$35 billion in 2012. We anticipate funding these and our other long-term debt maturities through a combination of existing cash, new debt issuances, collections exceeding originations, dispositions, asset sales, deposits and alternative sources of funding. GECC and GE are parties to an Eligible Entity Designation Agreement and GECC is subject to the terms of a Master Agreement, each entered into with the FDIC. The terms of these agreements include, among other things, a requirement that GE and GECC reimburse the FDIC for any amounts that the FDIC pays to holders of GECC debt that is guaranteed by the FDIC.

We securitize financial assets as an alternative source of funding. During the first quarter of 2011, we completed \$3.8 billion of non-recourse issuances and had maturities of \$4.0 billion. At March 31, 2011, our non-recourse borrowings were \$29.3 billion. We anticipate that securitization will remain a part of our overall funding capabilities notwithstanding the changes in consolidation rules described in Notes 1 and 17 to our 2010 consolidated financial statements.

Our issuances of securities repurchase agreements are insignificant and are limited to activities at certain of our foreign banks. At March 31, 2011 and December 31, 2010, we were party to repurchase agreements totaling insignificant amounts, which were accounted for as on-book financings. We have had no repurchase agreements which were not accounted for as financings and we do not engage in securities lending transactions.

We have deposit-taking capability at 10 banks outside of the U.S. and two banks in the U.S. – GE Money Bank, a Federal Savings Bank (FSB), and GE Capital Financial Inc., an industrial bank (IB). The FSB and IB currently issue certificates of deposit (CDs) in maturity terms from three months to ten years.

Total alternative funding at March 31, 2011 was \$62 billion, composed mainly of \$39 billion bank deposits, \$11 billion of funding secured by real estate, aircraft and other collateral and \$9 billion GE Interest Plus notes. The comparable amount at December 31, 2010 was \$60 billion.

#### Income Maintenance Agreement

As set forth in Exhibit 12 hereto, GECC's ratio of earnings to fixed charges was 1.60:1 during the three months ended March 31, 2011 due to higher pre-tax earnings at GECC, which were primarily driven by lower losses and delinquencies. For additional information, see the Income Maintenance Agreement section in the Management's Discussion and Analysis of Financial Condition and Results of Operations of our 2010 consolidated financial statements.

#### E. New Accounting Standards

In April 2011, the FASB issued Accounting Standards Update (ASU) 2011-02, which amended ASC 310, Receivables, to provide guidance for determining whether a restructuring constitutes a troubled debt restructuring. ASU 2011-02 requires that a restructuring constitute a troubled debt restructuring when the restructuring both constitutes a concession and the debtor is experiencing financial difficulties. The amendment also clarifies the guidance on a creditor's evaluation of whether it has granted a concession. The amendment is effective for us on July 1, 2011 and applies to restructurings that have occurred subsequent to January 1, 2011. We are currently evaluating the financial statement impact of adopting this amendment; however, we expect the financial impact to be immaterial.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no significant changes to our market risk since December 31, 2010. For a discussion of our exposure to market risk, refer to Part II, Item 7A. "Quantitative and Qualitative Disclosures about Market Risk," contained in our consolidated financial statements for the year ended December 31, 2010.

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Item 4. Controls and Procedures.

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures and internal control over financial reporting and concluded that (i) our disclosure controls and procedures were effective as of March 31, 2011, and (ii) no change in internal control over financial reporting occurred during the quarter ended March 31, 2011, that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings.

The following information supplements and amends our discussion set forth under Part I, Item 3 “Legal Proceedings” in our consolidated financial statements for the fiscal year ended December 31, 2010.

As previously reported, in March and April 2009, shareholders filed purported class actions under the federal securities laws in the United States District Court for the Southern District of New York naming as defendants GE, a number of GE officers (including our chief executive officer and chief financial officer) and our directors. The complaints, which have now been consolidated, seek unspecified damages based on allegations related to statements regarding the GE dividend and projected losses and earnings for GECC in 2009. Our motion to dismiss the consolidated complaint was filed in November 2009, is now fully briefed and, following an oral argument held in November 2010, is currently under consideration by the Court. A shareholder derivative action was filed in federal court in Connecticut in May 2009 making essentially the same allegations as the New York class actions. GE’s motion to transfer the derivative action to the Southern District of New York as a related case was granted in February 2010, and our motion to dismiss was granted in April 2011. The defendants intend to defend themselves vigorously.

Item 6. Exhibits.

- Exhibit 12 Computation of Ratio of Earnings to Fixed Charges.\*
- Exhibit Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities  
31(a) Exchange Act of 1934, as Amended.\*
- Exhibit Certification Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities  
31(b) Exchange Act of 1934, as Amended.\*
- Exhibit 32 Certification Pursuant to 18 U.S.C. Section 1350.\*
- Exhibit Financial Measures That Supplement Generally Accepted Accounting  
99(a) Principles.\*

\* Filed electronically herewith.

Signatures

Pursuant to the requirements 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  
(Registrant)

May 6, 2011  
Date

/s/Jamie S. Miller  
Jamie S. Miller  
Senior Vice President and Controller  
Duly Authorized Officer and Principal Accounting Officer

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