GENERAL ELECTRIC CAPITAL CORP
Form 10-Q
July 29, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

# FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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<br>(State or other jurisdiction of incorporation or organization) | 13-1500700<br>(I.R.S. Employer Identification No.) |
| 901 Main Avenue, Norwalk, Connecticut<br>(Address of principal executive offices) | 06851-1168<br>(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 þ 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 þNo ¨

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 þ 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 þ

At July 29, 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.

(1)

General Electric Capital Corporation



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; potential market disruptions or other impacts arising in the United States or Europe from sovereign debt issues, including developments in connection with the U.S. indebtedness cap; 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.

Part I. Financial Information

Item 1. Financial Statements.

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Current and Retained Earnings

(Unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (In millions) | 2011 | 2010 | 2011 | 2010 |
| Revenues | | | | |
| Revenues from services (a) | $ 11,638 | $ 11,667 | $ 23,868 | $ 23,252 |
| Other-than-temporary impairment on investment securities: | | | | |
| Total other-than-temporary impairment on investment securities | (112) | (95) | (177) | (247) |
| Less: Portion of other-than-temporary impairment recognized in accumulated other comprehensive income | 58 | 42 | 62 | 121 |
| Net other-than-temporary impairment on investment securities recognized in earnings | (54) | (53) | (115) | (126) |
| Revenues from services (Note 9) | 11,584 | 11,614 | 23,753 | 23,126 |
| Sales of goods | 42 | 168 | 84 | 449 |
| Total revenues | 11,626 | 11,782 | 23,837 | 23,575 |
| | | | | |
| Costs and expenses | | | | |
| Interest | 3,583 | 3,638 | 7,164 | 7,327 |
| Operating and administrative | 3,319 | 3,471 | 6,671 | 6,980 |
| Cost of goods sold | 38 | 154 | 78 | 419 |
| Investment contracts, insurance losses and insurance annuity benefits | 30 | 38 | 54 | 73 |
| Provision for losses on financing receivables | 811 | 2,007 | 1,968 | 4,187 |
| Depreciation and amortization | 1,792 | 1,848 | 3,567 | 3,762 |
| Total costs and expenses | 9,573 | 11,156 | 19,502 | 22,748 |
| | | | | |
| Earnings from continuing operations before income taxes | 2,053 | 626 | 4,335 | 827 |
| Benefit (provision) for income taxes | (378) | 95 | (824) | 459 |
| | | | | |
| Earnings from continuing operations | 1,675 | 721 | 3,511 | 1,286 |
| Earnings (loss) from discontinued operations, net of taxes (Note 2) | 218 | (100) | 275 | (450) |
| Net earnings | 1,893 | 621 | 3,786 | 836 |

| | | | | |
|---|---|---|---|---|
| Less net earnings (loss) attributable to noncontrolling interests | 20 | (22) | 51 | (27) |
| Net earnings attributable to GECC | 1,873 | 643 | 3,735 | 863 |
| Dividends | – | 1 | – | – |
| Retained earnings at beginning of period | 49,829 | 45,863 | 47,967 | 45,644 |
| Retained earnings at end of period | $ 51,702 | $ 46,507 | $ 51,702 | $ 46,507 |
| | | | | |
| Amounts attributable to GECC | | | | |
| Earnings from continuing operations | $ 1,655 | $ 743 | $ 3,460 | $ 1,313 |
| Earnings (loss) from discontinued operations, net of taxes | 218 | (100) | 275 | (450) |
| Net earnings attributable to GECC | $ 1,873 | $ 643 | $ 3,735 | $ 863 |

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

See accompanying notes.

(3)

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Financial Position

| (In millions) | | June 30, 2011 (Unaudited) | | December 31, 2010 |
|---|---|---|---|---|
| Assets | | | | |
| Cash and equivalents | $ | 77,258 | $ | 59,538 |
| Investment securities (Note 3) | | 18,372 | | 17,952 |
| Inventories | | 52 | | 66 |
| Financing receivables – net (Notes 4 and 12) | | 300,749 | | 312,234 |
| Other receivables | | 13,657 | | 13,674 |
| Property, plant and equipment, less accumulated amortization of $24,961 and $25,390 | | 55,307 | | 53,747 |
| Goodwill (Note 5) | | 28,173 | | 27,508 |
| Other intangible assets – net (Note 5) | | 1,843 | | 1,874 |
| Other assets | | 74,410 | | 79,045 |
| Assets of businesses held for sale (Note 2) | | 895 | | 3,127 |
| Assets of discontinued operations (Note 2) | | 6,407 | | 12,375 |
| Total assets(a) | $ | 577,123 | $ | 581,140 |
| | | | | |
| Liabilities and equity | | | | |
| Short-term borrowings (Note 6) | $ | 118,599 | $ | 113,646 |
| Accounts payable | | 7,739 | | 6,839 |
| Non-recourse borrowings of consolidated securitization entities (Note 6) | | 29,075 | | 30,018 |
| Bank deposits (Note 6) | | 41,548 | | 37,298 |
| Long-term borrowings (Note 6) | | 268,830 | | 284,346 |
| Investment contracts, insurance liabilities and insurance annuity benefits | | 5,054 | | 5,779 |
| Other liabilities | | 22,283 | | 20,287 |
| Deferred income taxes | | 1,717 | | 6,109 |
| Liabilities of businesses held for sale (Note 2) | | 527 | | 592 |
| Liabilities of discontinued operations (Note 2) | | 1,706 | | 2,181 |
| Total liabilities(a) | | 497,078 | | 507,095 |
| | | | | |
| Capital stock | | 56 | | 56 |
| Accumulated other comprehensive income – net(b) | | | | |
| Investment securities | | (376) | | (337) |
| Currency translation adjustments | | 986 | | (1,541) |
| Cash flow hedges | | (1,606) | | (1,347) |
| Benefit plans | | (381) | | (380) |
| Additional paid-in capital | | 28,463 | | 28,463 |
| Retained earnings | | 51,702 | | 47,967 |
| Total GECC shareowner's equity | | 78,844 | | 72,881 |
| Noncontrolling interests(c) | | 1,201 | | 1,164 |
| Total equity | | 80,045 | | 74,045 |
| Total liabilities and equity | $ | 577,123 | $ | 581,140 |

(a) Our consolidated assets at June 30, 2011 include total assets of $43,797 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 $36,387 million and investment securities of $4,927 million. Our consolidated liabilities at June 30, 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 $28,556 million. See Note 13.

(b) The sum of accumulated other comprehensive income – net was $(1,377) million and $(3,605) million at June 30, 2011 and December 31, 2010, respectively.

(c) Included accumulated other comprehensive income – net attributable to noncontrolling interests of $(128) million and $(137) million at June 30, 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)

| | Six months ended June 30, | |
|---|---|---|
| (In millions) | 2011 | 2010 |
| **Cash flows – operating activities** | | |
| Net earnings | $ 3,786 | $ 836 |
| Less net earnings (loss) attributable to noncontrolling interests | 51 | (27) |
| Net earnings attributable to GECC | 3,735 | 863 |
| (Earnings) loss from discontinued operations | (275) | 450 |
| Adjustments to reconcile net earnings attributable to GECC to cash provided from operating activities | | |
| Depreciation and amortization of property, plant and equipment | 3,567 | 3,762 |
| Increase (decrease) in accounts payable | 955 | 2,325 |
| Provision for losses on financing receivables | 1,968 | 4,187 |
| All other operating activities | (743) | (498) |
| Cash from (used for) operating activities – continuing operations | 9,207 | 11,089 |
| Cash from (used for) operating activities – discontinued operations | 683 | 339 |
| Cash from (used for) operating activities | 9,890 | 11,428 |
| **Cash flows – investing activities** | | |
| Additions to property, plant and equipment | (5,118) | (2,177) |
| Dispositions of property, plant and equipment | 3,488 | 2,279 |
| Increase in loans to customers | (153,755) | (150,337) |
| Principal collections from customers – loans | 166,514 | 160,233 |
| Investment in equipment for financing leases | (4,386) | (4,522) |
| Principal collections from customers – financing leases | 6,813 | 8,372 |
| Net change in credit card receivables | 1,575 | 1,578 |
| Proceeds from sale of discontinued operations | 4,371 | – |
| Proceeds from principal business dispositions | 2,077 | 825 |
| Payments for principal businesses purchased | (93) | – |
| All other investing activities | 4,118 | 11,976 |
| Cash from (used for) investing activities – continuing operations | 25,604 | 28,227 |
| Cash from (used for) investing activities – discontinued operations | (623) | (102) |
| Cash from (used for) investing activities | 24,981 | 28,125 |
| **Cash flows – financing activities** | | |
| Net increase (decrease) in borrowings (maturities of 90 days or less) | (2,932) | (2,247) |
| Net increase (decrease) in bank deposits | 2,464 | 619 |
| Newly issued debt (maturities longer than 90 days) | | |
| Short-term (91 to 365 days) | 10 | 10,628 |
| Long-term (longer than one year) | 26,860 | 17,138 |
| Non-recourse, leveraged lease | – | – |
| Repayments and other debt reductions (maturities longer than 90 days) | | |
| Short-term (91 to 365 days) | (44,379) | (63,476) |
| Long-term (longer than one year) | (273) | (1,163) |

| | | | | |
|---|---|---|---|---|
| Non-recourse, leveraged lease | | (520) | | (454) |
| Dividends paid to shareowner | | – | | – |
| All other financing activities | | (728) | | (1,270) |
| Cash from (used for) financing activities – continuing operations | | (19,498) | | (40,225) |
| Cash from (used for) financing activities – discontinued operations | | (42) | | (305) |
| Cash from (used for) financing activities | | (19,540) | | (40,530) |
| | | | | |
| Effect of currency exchange rate changes on cash and equivalents | | 2,407 | | (1,598) |
| | | | | |
| Increase (decrease) in cash and equivalents | | 17,738 | | (2,575) |
| Cash and equivalents at beginning of year | | 59,679 | | 63,880 |
| Cash and equivalents at June 30 | | 77,417 | | 61,305 |
| Less cash and equivalents of discontinued operations at June 30 | | 159 | | 1,903 |
| Cash and equivalents of continuing operations at June 30 | $ | 77,258 | $ | 59,402 |

See accompanying notes.

Summary of Operating Segments

| (In millions) | Three months ended June 30, (Unaudited) 2011 | 2010 | Six months ended June 30, (Unaudited) 2011 | 2010 |
|---|---|---|---|---|
| Revenues | | | | |
| CLL | $ 4,666 | $ 4,506 | $ 9,274 | $ 9,100 |
| Consumer | 4,176 | 4,317 | 9,003 | 8,743 |
| Real Estate | 992 | 991 | 1,899 | 1,935 |
| Energy Financial Services | 365 | 595 | 710 | 1,386 |
| GECAS | 1,327 | 1,259 | 2,652 | 2,498 |
| Total segment revenues | 11,526 | 11,668 | 23,538 | 23,662 |
| GECC corporate items and eliminations | 100 | 114 | 299 | (87) |
| Total revenues in GECC | $ 11,626 | $ 11,782 | $ 23,837 | $ 23,575 |
| | | | | |
| Segment profit | | | | |
| CLL | $ 701 | $ 312 | $ 1,255 | $ 544 |
| Consumer | 1,020 | 649 | 2,239 | 1,204 |
| Real Estate | (335) | (524) | (693) | (927) |
| Energy Financial Services | 139 | 126 | 251 | 279 |
| GECAS | 321 | 288 | 627 | 605 |
| Total segment profit | 1,846 | 851 | 3,679 | 1,705 |
| GECC corporate items and eliminations | (191) | (108) | (219) | (392) |
| Earnings from continuing operations attributable to GECC | 1,655 | 743 | 3,460 | 1,313 |
| Earnings (loss) from discontinued operations, net of taxes, attributable to GECC | 218 | (100) | 275 | (450) |
| Total net earnings attributable to GECC | $ 1,873 | $ 643 | $ 3,735 | $ 863 |

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 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.

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

### Assets and Liabilities of Businesses Held for Sale

In the second quarter of 2011, we committed to sell our Consumer business banking operations in Latvia.

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. The Consumer Brazil and our Interpark business in Real Estate dispositions were completed during the second quarter of 2011 for proceeds of $22 million and $704 million, respectively.

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

| (In millions) | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Assets | | |
| Cash and equivalents | $ 149 | $ 54 |
| Financing receivables – net | 576 | 1,917 |
| Property, plant and equipment – net | 100 | 103 |
| Other intangible assets – net | 31 | 187 |
| Other assets | 9 | 841 |
| Other | 30 | 25 |
| Assets of businesses held for sale | $ 895 | $ 3,127 |
| | | |
| Liabilities | | |
| Short-term borrowings | $ 399 | $ 146 |
| Accounts payable | 56 | 46 |
| Long-term borrowings | 19 | 228 |
| Other liabilities | 53 | 172 |
| Liabilities of businesses held for sale | $ 527 | $ 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, Consumer Singapore and our Consumer home lending operations in Australia and New Zealand (Australian Home Lending). Associated results of operations, financial position and cash flows are separately reported as discontinued operations for all periods presented.

Summarized financial information for discontinued operations is shown below.

| (In millions) | Three months ended June 30, 2011 | Three months ended June 30, 2010 | Six months ended June 30, 2011 | Six months ended June 30, 2010 |
|---|---|---|---|---|
| Operations | | | | |
| Total revenues | $ 121 | $ 513 | $ 324 | $ 1,050 |
| | | | | |
| Earnings (loss) from discontinued operations before income taxes | $ (13) | $ 104 | $ 11 | $ 123 |
| Benefit (provision) for income taxes | 35 | (19) | 29 | (7) |
| Earnings (loss) from discontinued operations, net of taxes | $ 22 | $ 85 | $ 40 | $ 116 |
| | | | | |
| Disposal | | | | |
| Gain (loss) on disposal before income taxes | $ (52) | $ (185) | $ (41) | $ (566) |
| Benefit for income taxes | 248 | – | 276 | – |
| Gain (loss) on disposal, net of taxes | $ 196 | $ (185) | $ 235 | $ (566) |
| | | | | |
| Earnings (loss) from discontinued operations, net of taxes | $ 218 | $ (100) | $ 275 | $ (450) |

| (In millions) | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Assets | | |
| Cash and equivalents | $ 159 | $ 142 |
| Financing receivables - net | 4,966 | 10,589 |
| Other assets | 17 | 168 |
| Other | 1,265 | 1,476 |
| Assets of discontinued operations | $ 6,407 | $ 12,375 |

| (In millions) | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Liabilities | | |
| Accounts payable | $ 16 | $ 110 |
| Deferred income taxes | 171 | 238 |
| Other | 1,519 | 1,833 |
| Liabilities of discontinued operations | $ 1,706 | $ 2,181 |

Assets at June 30, 2011 and December 31, 2010, primarily comprised cash, financing receivables and a deferred tax asset for a loss carryforward, which expires principally in 2015 and in part in 2017, 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 $248 million and $508 million in the three and six months ended June 30, 2010, respectively. In total, BAC earnings from discontinued operations, net of taxes, were $20 million and $37 million in the three and six months ended June 30, 2010, respectively.

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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 from 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 following the February 2011 claims filing deadline related to the bankruptcy filing of the personal loan company, it continues to be unclear whether excess interest refund claims activity will be also affected by the March 11, 2011 earthquake and subsequent tsunami in Japan. As of June 30, 2011, our reserve for reimbursement of claims in excess of the statutory interest rate was $1,037 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 June 30, 2011 assumes the pace of incoming claims will decelerate, average exposure per claim remains consistent with historical experience, and we continue to see further 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. Average daily claims 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 claims activity has declined substantially following that period. We believe that continued evaluation of claims activity 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 $0 million and $188 million in the three months ended June 30, 2011 and 2010, respectively, and $0 million and $571 million in the six months ended June 30, 2011 and 2010, respectively.

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.

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Pending claims for unmet representations and warranties were $783 million at December 31, 2009, $347 million at December 31, 2010 and $469 million at June 30, 2011. Reserves related to these contractual representations and warranties were $101 million at both June 30, 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, investigative or litigation activity, valid tenders or losses WMC incurs on repurchased loans are higher than we have historically observed with respect to WMC.

WMC revenues (loss) from discontinued operations were $0 million and $(3) million in the three months ended June 30, 2011 and 2010, respectively, and $0 million and $(3) million in the six months ended June 30, 2011 and 2010, respectively. In total, WMC's earnings (loss) from discontinued operations, net of taxes, were $(2) million and $1 million in the three months ended June 30, 2011 and 2010, respectively, and $(3) million in both the six months ended June 30, 2011 and 2010.

Other

In the second quarter of 2011, we entered into an agreement to sell our Australian Home Lending operations for approximately $4,700 million. As a result, we recognized an after-tax loss of $150 million in the second quarter of 2011. Australian Home Lending revenues from discontinued operations were $101 million and $131 million in the three months ended June 30, 2011 and 2010, respectively, and $215 million and $268 million in the six months ended June 30, 2011 and 2010, respectively. Australian Home Lending earnings (loss) from discontinued operations, net of taxes, were $(118) million and $24 million in the three months ended June 30, 2011 and 2010, respectively, and $(80) million and $37 million in the six months ended June 30, 2011 and 2010, respectively.

In the first quarter of 2011, we entered into an agreement to sell our Consumer Singapore business for $692 million. The sale was completed in the second quarter of 2011 and resulted in the recognition of a gain on disposal, net of taxes, of $319 million. Consumer Singapore revenues from discontinued operations were $2 million and $26 million in the three months ended June 30, 2011 and 2010, respectively, and $31 million and $52 million in the six months ended June 30, 2011 and 2010, respectively. Consumer Singapore earnings from discontinued operations, net of taxes, were $319 million and $8 million in the three months ended June 30, 2011 and 2010, respectively, and $326 million and $16 million in the six months ended June 30, 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, for proceeds of $2,365 million and $1,943 million, respectively. Consumer RV Marine revenues from discontinued operations were $6 million and $54 million in the three months ended June 30, 2011 and 2010, respectively, and $11 million and $108 million in the six months ended June 30, 2011 and 2010, respectively. Consumer RV Marine earnings (loss) from discontinued operations, net of taxes, were $2 million and $17 million in the three months ended June 30, 2011 and 2010, respectively, and $2 million and $(1) million in the six months ended June 30, 2011 and 2010, respectively. Consumer Mexico revenues from discontinued operations were $12 million and $56 million in the three months ended June 30, 2011 and 2010, respectively, and $67 million and $117 million in the six months ended June 30, 2011 and 2010, respectively. Consumer Mexico earnings from discontinued operations, net of taxes, were $17 million in both the three months ended June 30, 2011 and 2010, and $33 million and $35 million in the six months ended June 30, 2011 and 2010, respectively.

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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 at our treasury operations. We do not have any securities classified as held to maturity.

| | At | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2011 | | | | December 31, 2010 | | | |
| (In millions) | Amortized cost | Gross unrealized gains | Gross unrealized losses | Estimated fair value | Amortized cost | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
| Debt | | | | | | | | |
| U.S. corporate | $ 2,897 | $ 95 | $ (10) | $ 2,982 | $ 3,490 | $ 169 | $ (14) | $ 3,645 |
| State and municipal | 915 | 10 | (228) | 697 | 918 | 4 | (232) | 690 |
| Residential mortgage-backed(a) | 1,887 | 23 | (302) | 1,608 | 2,099 | 14 | (355) | 1,758 |
| Commercial mortgage-backed | 1,523 | 38 | (173) | 1,388 | 1,619 | - | (183) | 1,436 |
| Asset-backed | 3,708 | 25 | (143) | 3,590 | 3,242 | 7 | (190) | 3,059 |
| Corporate – non-U.S. | 1,441 | 44 | (84) | 1,401 | 1,478 | 39 | (111) | 1,406 |
| Government – non-U.S. | 2,197 | 7 | (84) | 2,120 | 1,804 | 8 | (58) | 1,754 |
| U.S. government and federal agency | 2,597 | 9 | – | 2,606 | 2,663 | 3 | (5) | 2,661 |
| Retained interests | 32 | 16 | (3) | 45 | 55 | 10 | (26) | 39 |
| Equity | | | | | | | | |
| Available-for-sale | 1,287 | 204 | (31) | 1,460 | 902 | 194 | (9) | 1,087 |
| Trading | 475 | – | – | 475 | 417 | - | - | 417 |
| Total | $ 18,959 | $ 471 | $ (1,058) | $ 18,372 | $ 18,687 | $ 448 | $ (1,183) | $ 17,952 |

(a) Substantially collateralized by U.S. mortgages. Of our total residential mortgage-backed securities (RMBS) portfolio at June 30, 2011, $788 million relates to securities issued by government sponsored entities and $820 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 $18,372 million at June 30, 2011, from $17,952 million at December 31, 2010, primarily driven by improved market conditions and purchases.

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

| | In loss position for | | | |
|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | |
| (In millions) | Estimated fair value | Gross unrealized losses (a) | Estimated fair value | Gross unrealized losses(a) |
| June 30, 2011 | | | | |
| Debt | | | | |
| U.S. corporate | $ 151 | $ (6) | $ 169 | $ (4) |
| State and municipal | 93 | (15) | 447 | (213) |
| Residential mortgage-backed | 282 | (7) | 853 | (295) |
| Commercial mortgage-backed | 767 | (123) | 621 | (50) |
| Asset-backed | 58 | (4) | 875 | (139) |
| Corporate – non-U.S. | 116 | (4) | 731 | (80) |
| Government – non-U.S. | 1,105 | (3) | 128 | (81) |
| U.S. government and federal agency | – | – | – | – |
| Retained interests | – | – | 6 | (3) |
| Equity | 69 | (31) | – | – |
| Total | $ 2,641 | $ (193) | $ 3,830 | $ (865) |
| 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 June 30, 2011, other-than-temporary impairments previously recognized through other comprehensive income (OCI) on securities still held amounted to ($439) million, of which ($350) million related to RMBS. Gross unrealized losses related to those securities at June 30, 2011 amounted to $(603) million, of which $(545) million related to RMBS.

We regularly review investment securities for impairment using both qualitative and quantitative criteria. We presently do not intend to sell the vast majority of 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 and six months ended June 30, 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 second quarter of 2011, we recorded other-than-temporary impairments of $112 million, of which $54 million was recorded through earnings ($5 million relates to equity securities) and $58 million was recorded in accumulated other comprehensive income (AOCI). At April 1, 2011, cumulative impairments recognized in earnings associated with debt securities still held were $368 million. During the second quarter, we recognized first time impairments of $19 million and incremental charges on previously impaired securities of $23 million. These amounts included $18 million related to securities that were subsequently sold.

During the second quarter of 2010, we recorded other-than-temporary impairments of $95 million, of which $53 million was recorded through earnings and $42 million was recorded in AOCI. At April 1, 2010, cumulative impairments recognized in earnings associated with debt securities still held were $200 million. During the second quarter of 2010, we recognized first time impairments of $35 million and incremental charges on previously impaired securities of $16 million. These amounts included $2 million related to securities that were subsequently sold.

During the six months ended June 30, 2011, we recorded other-than-temporary impairments of $177 million, of which $115 million was recorded through earnings ($10 million relates to equity securities) and $62 million was recorded in AOCI. At January 1, 2011, cumulative impairments recognized in earnings associated with debt securities still held were $316 million. During the six months ended June 30, 2011, we recognized first time impairments of $19 million and incremental charges on previously impaired securities of $79 million. These amounts included $21 million related to securities that were subsequently sold.

During the six months ended June 30, 2010, we recorded other-than-temporary impairments of $247 million, of which $126 million was recorded through earnings ($1 million relates to equity securities) and $121 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 six months ended June 30, 2010, we recognized first time impairments of $90 million and incremental charges on previously impaired securities of $33 million. These amounts included $15 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 | $ 2,791 | $ 2,797 |
| 2012-2015 | 4,548 | 4,609 |
| 2016-2020 | 1,791 | 1,682 |
| 2021 and later | 909 | 710 |

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.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (In millions) | 2011 | 2010 | 2011 | 2010 |
| Gains | $ 43 | $ 28 | $ 155 | $ 106 |
| Losses, including impairments | (56) | (55) | (124) | (129) |
| Net | $ (13) | $ (27) | $ 31 | $ (23) |

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 $4,722 million and $3,334 million in the three months ended June 30, 2011 and 2010, respectively, and $9,762 million and $6,930 million in the six months ended June 30, 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 $52 million and $4 million in the three months ended June 30, 2011 and 2010, respectively, and $55 million and $19 million in the six months ended June 30, 2011 and 2010, respectively.

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4. FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

| | At | |
|---|---|---|
| (In millions) | June 30, 2011 | December 31, 2010 |
| Loans, net of deferred income(a) | $266,704 | $275,877 |
| Investment in financing leases, net of deferred income | 41,099 | 44,390 |
| | 307,803 | 320,267 |
| Less allowance for losses | (7,054) | (8,033) |
| Financing receivables – net(b) | $300,749 | $312,234 |

(a) Deferred income was $2,274 million and $2,351 million at June 30, 2011 and December 31, 2010, respectively.

(b) Financing receivables at June 30, 2011 and December 31, 2010 included $1,389 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.

(15)

Financing Receivables – net

The following table displays our financing receivables balances.

| (In millions) | At June 30, 2011 | At December 31, 2010 |
|---|---|---|
| Commercial | | |
| CLL | | |
| Americas | $ 79,614 | $ 86,596 |
| Europe | 37,897 | 37,498 |
| Asia | 11,759 | 11,943 |
| Other | 2,489 | 2,626 |
| Total CLL | 131,759 | 138,663 |
| | | |
| Energy Financial Services | 6,143 | 7,011 |
| | | |
| GECAS | 11,952 | 12,615 |
| | | |
| Other | 1,517 | 1,788 |
| Total Commercial financing receivables | 151,371 | 160,077 |
| | | |
| Real Estate | | |
| Debt | 27,750 | 30,249 |
| Business Properties | 9,057 | 9,962 |
| Total Real Estate financing receivables | 36,807 | 40,211 |
| | | |
| Consumer | | |
| Non-U.S. residential mortgages | 40,731 | 40,011 |
| Non-U.S. installment and revolving credit | 21,047 | 20,132 |
| U.S. installment and revolving credit | 42,178 | 43,974 |
| Non-U.S. auto | 7,141 | 7,558 |
| Other | 8,528 | 8,304 |
| Total Consumer financing receivables | 119,625 | 119,979 |
| | | |
| Total financing receivables | 307,803 | 320,267 |
| | | |
| Less allowance for losses | (7,054) | (8,033) |
| Total financing receivables – net | $ 300,749 | $ 312,234 |

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 June 30, 2011 |
|---|---|---|---|---|---|---|
| Commercial | | | | | | |
| CLL | | | | | | |
| Americas | $ 1,287 | $ 219 | $ (72) | $ (366) | $ 55 | $ 1,123 |
| Europe | 429 | 73 | 30 | (133) | 34 | 433 |
| Asia | 222 | 77 | 10 | (147) | 18 | 180 |
| Other | 7 | – | – | – | – | 7 |
| Total CLL | 1,945 | 369 | (32) | (646) | 107 | 1,743 |
| Energy Financial Services | 22 | 11 | (1) | (4) | 7 | 35 |
| GECAS | 20 | (2) | – | (3) | – | 15 |
| Other | 58 | 11 | 1 | (17) | 1 | 54 |
| Total Commercial | 2,045 | 389 | (32) | (670) | 115 | 1,847 |
| Real Estate | | | | | | |
| Debt | 1,292 | 122 | 9 | (341) | 10 | 1,092 |
| Business Properties | 196 | 54 | 1 | (70) | 3 | 184 |
| Total Real Estate | 1,488 | 176 | 10 | (411) | 13 | 1,276 |
| Consumer | | | | | | |
| Non-U.S. residential mortgages | 803 | 66 | 40 | (150) | 31 | 790 |
| Non-U.S. installment and revolving credit | 937 | 311 | 64 | (664) | 286 | 934 |
| U.S. installment and revolving credit | 2,333 | 941 | 1 | (1,688) | 259 | 1,846 |
| Non-U.S. auto | 168 | 26 | 12 | (126) | 63 | 143 |
| Other | 259 | 59 | 4 | (152) | 48 | 218 |
| Total Consumer | 4,500 | 1,403 | 121 | (2,780) | 687 | 3,931 |
| Total | $ 8,033 | $ 1,968 | $ 99 | $ (3,861) | $ 815 | $ 7,054 |

(a) Other primarily included transfers to held for sale and 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.

(17)

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| (In millions) | Balance at December 31, 2009 | Adoption of ASU 2009 16 & 17(a) | Balance at January 1, 2010 | Provision charged to operations | Other(b) | Gross write-offs(c) | Recoveries(c) | Balance at June 30, 2010 |
|---|---|---|---|---|---|---|---|---|
| Commercial | | | | | | | | |
| CLL | | | | | | | | |
| Americas | $ 1,179 | $ 66 | $ 1,245 | $ 630 | $ (10) | $ (558) | $ 55 | $ 1,362 |
| Europe | 575 | – | 575 | 137 | (70) | (288) | 28 | 382 |
| Asia | 244 | (10) | 234 | 108 | (23) | (94) | 9 | 234 |
| Other | 11 | – | 11 | (1) | (2) | – | – | 8 |
| Total CLL | 2,009 | 56 | 2,065 | 874 | (105) | (940) | 92 | 1,986 |
| Energy Financial Services | 28 | – | 28 | 24 | 1 | – | – | 53 |
| GECAS | 104 | – | 104 | 35 | – | (89) | – | 50 |
| Other | 34 | – | 34 | 18 | – | (3) | 1 | 50 |
| Total Commercial | 2,175 | 56 | 2,231 | 951 | (104) | (1,032) | 93 | 2,139 |
| Real Estate | | | | | | | | |
| Debt | 1,358 | (3) | 1,355 | 548 | (4) | (310) | 1 | 1,590 |
| Business Properties | 136 | 45 | 181 | 97 | (7) | (64) | – | 207 |
| Total Real Estate | 1,494 | 42 | 1,536 | 645 | (11) | (374) | 1 | 1,797 |
| Consumer | | | | | | | | |
| Non-U.S. residential mortgages | 892 | – | 892 | 170 | (103) | (180) | 49 | 828 |
| Non-U.S. installment and revolving credit | 1,106 | – | 1,106 | 615 | (113) | (935) | 281 | 954 |
| U.S. installment and revolving credit | 1,551 | 1,602 | 3,153 | 1,570 | (1) | (2,320) | 233 | 2,635 |
| Non-U.S. auto | 292 | – | 292 | 73 | (43) | (191) | 92 | 223 |
| Other | 292 | – | 292 | 163 | (35) | (217) | 43 | 246 |
| Total Consumer | 4,133 | 1,602 | 5,735 | 2,591 | (295) | (3,843) | 698 | 4,886 |
| Total | $ 7,802 | $ 1,700 | $ 9,502 | $ 4,187 | $ (410) | $ (5,249) | $ 792 | $ 8,822 |

(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.

| | At | | | |
|---|---|---|---|---|
| (In millions) | | June 30, 2011 | | December 31, 2010 |
| Goodwill | $ | 28,173 | $ | 27,508 |
| Other intangible assets | | | | |
| Intangible assets subject to amortization | $ | 1,843 | $ | 1,874 |

Changes in goodwill balances follow.

| (In millions) | | Balance at January 1, 2011 | | Acquisitions | | Dispositions, currency exchange and other | | Balance at June 30, 2011 |
|---|---|---|---|---|---|---|---|---|
| CLL | $ | 13,893 | $ | – | $ | 308 | $ | 14,201 |
| Consumer | | 10,817 | | – | | 359 | | 11,176 |
| Real Estate | | 1,089 | | – | | (2) | | 1,087 |
| Energy Financial Services | | 1,562 | | – | | – | | 1,562 |
| GECAS | | 147 | | – | | – | | 147 |
| Total | $ | 27,508 | $ | – | $ | 665 | $ | 28,173 |

Goodwill balances increased $665 million during the six months ended June 30, 2011, primarily as a result of the weaker U.S. dollar ($700 million). Our reporting units and related goodwill balances are CLL ($14,201 million), Consumer ($11,176 million), Real Estate ($1,087 million), Energy Financial Services ($1,562 million) and GECAS ($147 million) at June 30, 2011.

Intangible Assets Subject to Amortization

| | At | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30, 2011 | | | | | | December 31, 2010 | | | | | |
| (In millions) | | Gross carrying amount | | Accumulated amortization | | Net | | Gross carrying amount | | Accumulated amortization | | Net |
| Customer-related | $ | 1,213 | $ | (661) | $ | 552 | $ | 1,112 | $ | (588) | $ | 524 |
| | | 385 | | (322) | | 63 | | 599 | | (532) | | 67 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Patents, licenses and trademarks | | | | | | |
| Capitalized software | 2,249 | (1,726) | 523 | 2,016 | (1,522) | 494 |
| Lease valuations | 1,655 | (989) | 666 | 1,646 | (917) | 729 |
| All other | 297 | (258) | 39 | 326 | (266) | 60 |
| Total | $ 5,799 | $ (3,956) | $ 1,843 | $ 5,699 | $ (3,825) | $ 1,874 |

Amortization related to intangible assets subject to amortization was $134 million and $179 million in the three months ended June 30, 2011 and 2010, respectively, and $271 million and $324 million in the six months ended June 30, 2011 and 2010, respectively.

(19)

6. BORROWINGS AND BANK DEPOSITS

Borrowings are summarized in the following table.

| (In millions) | At June 30, 2011 | At December 31, 2010 |
|---|---|---|
| Short-term borrowings | | |
| Commercial paper | | |
| U.S. | $ 25,618 | $ 27,398 |
| Non-U.S. | 9,862 | 9,497 |
| Current portion of long-term borrowings(a)(b)(c)(e) | 72,947 | 65,610 |
| GE Interest Plus notes(d) | 8,544 | 9,058 |
| Other(c) | 1,628 | 2,083 |
| Total short-term borrowings | $ 118,599 | $ 113,646 |
| | | |
| Long-term borrowings | | |
| Senior unsecured notes(a)(b) | $ 243,565 | $ 263,043 |
| Subordinated notes(e) | 4,362 | 2,276 |
| Subordinated debentures(f)(g) | 7,591 | 7,298 |
| Other(c)(h) | 13,312 | 11,729 |
| Total long-term borrowings | $ 268,830 | $ 284,346 |
| | | |
| Non-recourse borrowings of consolidated securitization entities(i) | $ 29,075 | $ 30,018 |
| | | |
| Bank deposits(j) | $ 41,548 | $ 37,298 |
| | | |
| Total borrowings and bank deposits | $ 458,052 | $ 465,308 |

(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 June 30, 2011 and December 31, 2010, respectively. Of the above amounts, $28,095 million and $18,455 million is included in current portion of long-term borrowings at June 30, 2011 and December 31, 2010, respectively.

(b) Included in total long-term borrowings were $2,073 million and $2,395 million of obligations to holders of guaranteed investment contracts at June 30, 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 $1,961 million as of June 30, 2011, to repay holders of GICs.

(c) Included $10,635 million and $11,117 million of funding secured by real estate, aircraft and other collateral at June 30, 2011 and December 31, 2010, respectively, of which $4,442 million and $4,653 million is non-recourse to GECC at June 30, 2011 and December 31, 2010, respectively.

(d) Entirely variable denomination floating rate demand notes.

(e)

Included $117 million of subordinated notes guaranteed by GE included in current portion of long-term borrowings at June 30, 2011 and in long-term borrowings at 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 $3,054 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 $2,126 million and $1,984 million of covered bonds at June 30, 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 $825 million at June 30, 2011.

(i) Included at June 30, 2011 and December 31, 2010, were $11,590 million and $10,499 million of current portion of long-term borrowings, respectively, and $17,485 million and $19,519 million of long-term borrowings, respectively. See Note 13.

(j) Included $20,864 million and $18,781 million of deposits in non-U.S. banks at June 30, 2011 and December 31, 2010, respectively, and $13,869 million and $11,606 million of certificates of deposits with maturities greater than one year at June 30, 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 June 30, 2011 | At December 31, 2010 |
|---|---|---|
| Unrecognized tax benefits | $ 3,030 | $ 2,949 |
| Portion that, if recognized, would reduce tax expense and effective tax rate(a) | 1,451 | 1,330 |
| Accrued interest on unrecognized tax benefits | 548 | 577 |
| Accrued penalties on unrecognized tax benefits | 79 | 73 |
| Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months | 0-1,300 | 0-1,200 |
| Portion that, if recognized, would reduce tax expense and effective tax rate(a) | 0-250 | 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.

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 June 30, 2011 | Three months ended June 30, 2010 | Six months ended June 30, 2011 | Six months ended June 30, 2010 |
|---|---|---|---|---|
| Net earnings attributable to GECC | $ 1,873 | $ 643 | $ 3,735 | $ 863 |
| Investment securities – net | 38 | 41 | (39) | (26) |
| Currency translation adjustments – net | 985 | (2,618) | 2,527 | (3,978) |
| Cash flow hedges – net | (195) | 63 | (259) | 476 |
| Benefit plans – net | – | 23 | (1) | 65 |
| Total | $ 2,701 | $ (1,848) | $ 5,963 | $ (2,600) |

Changes to noncontrolling interests are as follows.

| (In millions) | Three months ended June 30, 2011 | Three months ended June 30, 2010 | Six months ended June 30, 2011 | Six months ended June 30, 2010 |
|---|---|---|---|---|
| Beginning balance | $ 1,178 | $ 2,158 | $ 1,164 | $ 2,204 |
| Net earnings | 20 | (22) | 51 | (27) |
| Dividends | – | (5) | (3) | (8) |
| Dispositions | – | (979) | – | (979) |
| AOCI and other (a) | 3 | (54) | (11) | (92) |
| Ending balance | $ 1,201 | $ 1,098 | $ 1,201 | $ 1,098 |

(a) The amount of change related to AOCI and other for the six months ended June 30, 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.

9. REVENUES FROM SERVICES

Revenues from services are summarized in the following table.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (In millions) | 2011 | 2010 | 2011 | 2010 |
| Interest on loans | $ 5,005 | $ 5,192 | $ 10,134 | $ 10,488 |
| Equipment leased to others | 2,852 | 2,769 | 5,674 | 5,530 |
| Fees | 1,159 | 1,169 | 2,304 | 2,374 |
| Associated companies(a)(b) | 526 | 460 | 1,608 | 1,057 |
| Financing leases | 618 | 686 | 1,283 | 1,427 |
| Real estate investments | 430 | 354 | 832 | 631 |
| Investment income | 318 | 105 | 610 | 257 |
| Other items | 676 | 879 | 1,308 | 1,362 |
| Total | $ 11,584 | $ 11,614 | $ 23,753 | $ 23,126 |

(a) During the first quarter of 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 June 30, 2011 and December 31, 2010 of $98,628 million and $180,015 million, respectively. Assets were primarily financing receivables of $53,492 million and $97,447 million at June 30, 2011 and December 31, 2010, respectively. Total liabilities were $72,874 million and $143,957 million, consisted primarily of bank deposits of $22,349 million and $75,661 million at June 30, 2011 and December 31, 2010, respectively, and debt of $43,106 million and $53,696 million at June 30, 2011 and December 31, 2010, respectively. Revenues in the second quarters of 2011 and 2010 totaled $3,951 million and $4,750 million, respectively, and net earnings in the second quarters of 2011 and 2010 totaled $628 million and $1,153 million, respectively. Revenues in the first six months of 2011 and 2010 totaled $7,668 million and $9,716 million, respectively, and net earnings in the first six months of 2011 and 2010 totaled $1,088 million and $2,032 million, respectively.

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 $4,927 million and $5,706 million at June 30, 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 treasury operations. Such securities are mainly investment grade.

| (In millions) | Level 1(a) | Level 2(a) | Level 3(b) | Netting adjustment(c) | Net balance |
|---|---|---|---|---|---|
| June 30, 2011 | | | | | |
| Assets | | | | | |
| Investment securities | | | | | |
| Debt | | | | | |
| U.S. corporate | $ 424 | $ 1,028 | $ 1,530 | $ – | $ 2,982 |
| State and municipal | – | 531 | 166 | – | 697 |
| Residential mortgage-backed | – | 1,579 | 29 | – | 1,608 |
| Commercial mortgage-backed | – | 1,388 | – | – | 1,388 |
| Asset-backed | – | 504 | 3,086 | – | 3,590 |
| Corporate - non-U.S. | 76 | 293 | 1,032 | – | 1,401 |
| Government - non-U.S. | 804 | 1,073 | 243 | – | 2,120 |
| U.S. government and federal agency | – | 2,606 | – | – | 2,606 |
| Retained interests | – | – | 45 | – | 45 |
| Equity | | | | | |
| Available-for-sale | 946 | 500 | 14 | – | 1,460 |
| Trading | 475 | – | – | – | 475 |
| Derivatives(d) | – | 9,875 | 146 | (3,309) | 6,712 |
| Other(e) | – | – | 595 | – | 595 |
| Total | $ 2,725 | $ 19,377 | $ 6,886 | $ (3,309) | $ 25,679 |
| | | | | | |
| Liabilities | | | | | |
| Derivatives | $ – | $ 5,544 | $ 36 | $ (3,302) | $ 2,278 |
| Other | – | 28 | – | – | 28 |
| Total | $ – | $ 5,572 | $ 36 | $ (3,302) | $ 2,306 |
| | | | | | |
| 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 six months ended June 30, 2011.

(b) Level 3 investment securities valued using non-binding broker quotes totaled $677 million and $711 million at June 30, 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 June 30, 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.

(24)

The following tables present the changes in Level 3 instruments measured on a recurring basis for the three and six months ended June 30, 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 June 30, 2011

| (In millions) | April 1, 2011 | Net realized/ unrealized gains (losses) included in earnings(a) | Net realized/ unrealized gains (losses) included in accumulated other comprehensive income | Purchases | Sales | Settlements | Transfers into Level 3(b) | Transfers out of Level 3(b) | June 30, 2011 | Net change in unrealized gains (losses) relating to instruments still held at June 30, 2011(c) |
|---|---|---|---|---|---|---|---|---|---|---|
| Investment securities | | | | | | | | | | |
| Debt | | | | | | | | | | |
| U.S. corporate | $ 1,586 | $ 8 | $ (23) | $ 6 | $ (41) | $ (6) | $ – | $ – | $ 1,530 | $ – |
| State and municipal | 168 | – | (1) | – | – | (1) | – | – | 166 | – |
| Residential mortgage-backed | 30 | – | (1) | – | – | – | – | – | 29 | – |
| Commercial mortgage-backed | – | – | – | – | – | – | – | – | – | – |
| Asset-backed | 2,780 | (3) | (20) | 409 | (43) | – | – | (37) | 3,086 | – |
| Corporate – non-U.S. | 953 | (6) | 21 | 4 | – | (1) | 61 | – | 1,032 | – |
| Government – non-U.S. | 133 | (17) | 7 | 13 | – | – | 107 | – | 243 | – |
| U.S. government and federal agency | – | – | – | – | – | – | – | – | – | – |
| Retained interests | 52 | 1 | (4) | – | (2) | (2) | – | – | 45 | – |
| Equity | | | | | | | | | | |
| Available-for-sale | 14 | – | – | – | – | – | – | – | 14 | – |
| Trading | – | – | – | – | – | – | – | – | – | – |
| Derivatives(d)(e) | 75 | 37 | – | 1 | – | (2) | – | – | 111 | 12 |
| Other | 472 | 3 | 11 | 114 | – | (5) | – | – | 595 | 1 |
| Total | $ 6,263 | $ 23 | $ (10) | $ 547 | $ (86) | $ (17) | $ 168 | $ (37) | $ 6,851 | $ 13 |

(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 $1 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.

Changes in Level 3 Instruments for the Three Months Ended June 30, 2010

| (In millions) | April 1, 2010 | Net realized/ unrealized gains(losses) included in earnings(a) | Net realized/ unrealized gains (losses) included in accumulated other comprehensive income | Purchases, sales and settlements | Transfers in and/or out of Level 3(b) | June 30, 2010 | Net change in unrealized gains (losses) relating to instruments still held at June 30, 2010(c) |
|---|---|---|---|---|---|---|---|
| Investment securities | | | | | | | |
| Debt | | | | | | | |
| U.S. corporate | $ 1,442 | $ 10 | $ 10 | $ 173 | $ (3) | $ 1,632 | $ – |
| State and municipal | 243 | – | (5) | – | – | 238 | – |
| Residential mortgage-backed | 47 | – | (7) | – | 6 | 46 | – |
| Commercial mortgage-backed | 115 | – | (6) | (61) | – | 48 | – |
| Asset-backed | 1,447 | 4 | 3 | 78 | (71) | 1,461 | – |
| Corporate - non-U.S. | 953 | – | (48) | (6) | (58) | 841 | – |
| Government - non-U.S. | 136 | – | (21) | – | – | 115 | (7) |
| U.S. government and federal agency | – | – | – | – | – | – | – |
| Retained interests | 43 | (1) | 1 | (2) | – | 41 | – |
| Equity | | | | | | | |
| Available-for-sale | 16 | – | (1) | – | – | 15 | – |
| Trading | – | – | – | – | – | – | – |
| Derivatives(d) | 171 | 40 | 5 | 8 | – | 224 | 42 |
| Other | 428 | 1 | (43) | 5 | 28 | 419 | (1) |
| Total | $ 5,041 | $ 54 | $ (112) | $ 195 | $ (98) | $ 5,080 | $ 34 |