GENERAL ELECTRIC CAPITAL CORP
Form 10-Q
May 01, 2009

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 March 31, 2009

OR

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

For the transition period from ___________to ___________

Commission file number 1-6461

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

Delaware (State or other jurisdiction of incorporation or organization)	13-1500700 (I.R.S. Employer Identification No.)
3135 Easton Turnpike, Fairfield, Connecticut (Address of principal executive offices)	06828-0001 (Zip Code)

(Registrant's telephone number, including area code) (203) 373-2211

(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 þ No ¨

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 April 30, 2009, 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: the severity and duration of 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 U.S. and foreign government programs to restore liquidity and stimulate national and global economies; 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 and commercial paper exposure as planned; the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults; 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 soundness of other financial institutions with which we do business; the level of demand and financial performance of the major industries we serve, including, without limitation, real estate and healthcare; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks; strategic actions, including acquisitions and dispositions and our success in 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 March 31	
(In millions)	2009	2008
Revenues		
Revenues from services (Note 3)	$ 13,336	$ 16,756
Sales of goods	273	367
Total revenues	13,609	17,123
Costs and expenses		
Interest	5,090	6,079
Operating and administrative	3,858	4,532
Cost of goods sold	224	317
Investment contracts, insurance losses and insurance annuity benefits	73	143
Provision for losses on financing receivables	2,322	1,333
Depreciation and amortization	2,173	2,121
Total costs and expenses	13,740	14,525
Earnings (loss) from continuing operations before income taxes	(131)	2,598
Benefit (provision) for income taxes	1,155	(81)
Earnings from continuing operations	1,024	2,517
Loss from discontinued operations, net of taxes (Note 2)	(3)	(46)
Net earnings	1,021	2,471
Less net earnings attributable to noncontrolling interests	50	36
Net earnings attributable to GECC	971	2,435
Dividends	–	(1,130)
Retained earnings at beginning of period	45,472	40,513
Retained earnings at end of period	$ 46,443	$ 41,818
Amounts attributable to GECC		
Earnings from continuing operations	$ 974	$ 2,481
Loss from discontinued operations, net of taxes	(3)	(46)
Net earnings attributable to GECC	$ 971	$ 2,435

See accompanying notes.

(3)

General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Financial Position

(In millions)	March 31, 2009 (Unaudited)	December 31, 2008
Assets		
Cash and equivalents	$ 43,984	$ 36,430
Investment securities (Note 5)	20,584	19,318
Inventories	65	77
Financing receivables – net (Notes 6 and 7)	352,697	370,592
Other receivables	21,145	22,175
Property, plant and equipment, less accumulated amortization of $25,564 and $29,026	58,153	64,043
Goodwill (Note 8)	24,278	25,204
Other intangible assets – net (Note 8)	2,982	3,174
Other assets	87,154	84,201
Assets of businesses held for sale	–	10,556
Assets of discontinued operations (Note 2)	1,464	1,640
Total assets	$ 612,506	$ 637,410
Liabilities and equity		
Short-term borrowings (Note 9)	$ 170,884	$ 188,601
Accounts payable	12,371	14,863
Long-term borrowings (Note 9)	318,293	321,755
Investment contracts, insurance liabilities and insurance annuity benefits	10,851	11,403
Other liabilities	22,811	30,629
Deferred income taxes	8,845	8,112
Liabilities of businesses held for sale	–	636
Liabilities of discontinued operations (Note 2)	737	799
Total liabilities	544,792	576,798
Capital stock	56	56
Accumulated other comprehensive income – net(a)		
Investment securities	(2,053)	(2,013)
Currency translation adjustments	(4,361)	(1,337)
Cash flow hedges	(2,530)	(3,253)
Benefit plans	(359)	(367)
Additional paid-in capital	28,421	19,671
Retained earnings	46,443	45,472
Total GECC shareowner's equity	65,617	58,229
Noncontrolling interests(b)	2,097	2,383
Total equity	67,714	60,612
Total liabilities and equity	$ 612,506	$ 637,410

(a) The sum of accumulated other comprehensive income – net was $(9,303) million and $(6,970) million at March 31, 2009 and December 31, 2008, respectively.

(b) Included accumulated other comprehensive income attributable to noncontrolling interests of $170 million and $204 million at March 31, 2009 and December 31, 2008, respectively.

See accompanying notes.

(4)

General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Cash Flows
(Unaudited)

(In millions)	Three months ended March 31 2009	2008
Cash flows – operating activities		
Net earnings attributable to GECC	$ 971	$ 2,435
Loss from discontinued operations	3	46
Adjustments to reconcile net earnings attributable to GECC to cash provided from operating activities		
Depreciation and amortization of property, plant and equipment	2,173	2,121
Increase (decrease) in accounts payable	(2,241)	780
Provision for losses on financing receivables	2,322	1,333
All other operating activities	(7,909)	(2,892)
Cash from (used for) operating activities – continuing operations	(4,681)	3,823
Cash from (used for) operating activities – discontinued operations	(28)	348
Cash from (used for) operating activities	(4,709)	4,171
Cash flows – investing activities		
Additions to property, plant and equipment	(1,889)	(2,914)
Dispositions of property, plant and equipment	1,091	3,177
Increase in loans to customers	(50,012)	(88,376)
Principal collections from customers – loans	64,553	77,000
Investment in equipment for financing leases	(2,505)	(6,291)
Principal collections from customers – financing leases	4,332	4,581
Net change in credit card receivables	2,491	2,128
Payments for principal businesses purchased	(6,822)	(12,652)
Proceeds from principal business dispositions	8,846	4,305
All other investing activities	(1,457)	(1,747)
Cash from (used for) investing activities – continuing operations	18,628	(20,789)
Cash from (used for) investing activities – discontinued operations	30	(339)
Cash from (used for) investing activities	18,658	(21,128)
Cash flows – financing activities		
Net increase (decrease) in borrowings (maturities of 90 days or less)	(20,000)	3,527
Newly issued debt		
Short-term (91 to 365 days)	1,031	331
Long-term (longer than one year)	29,943	35,548
Non-recourse, leveraged lease	–	57
Repayments and other debt reductions		
Short-term (91 to 365 days)	(23,491)	(18,380)
Long-term (longer than one year)	(1,771)	(2,336)
Non-recourse, leveraged lease	(395)	(348)
Dividends paid to shareowner	–	(1,130)
Capital contribution and share issuance	8,750	–
All other financing activities	(460)	633
Cash from (used for) financing activities – continuing operations	(6,393)	17,902

Cash from (used for) financing activities – discontinued operations	–	–
Cash from (used for) financing activities	(6,393)	17,902
Increase in cash and equivalents	7,556	945
Cash and equivalents at beginning of year	36,610	8,907
Cash and equivalents at March 31	44,166	9,852
Less cash and equivalents of discontinued operations at March 31	182	309
Cash and equivalents of continuing operations at March 31	$ 43,984	$ 9,543

See accompanying notes.

(5)

Notes to Condensed, Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our financial statements are prepared in conformity with the U.S. generally accepted accounting principles (GAAP). 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 Annual Report on Form 10-K for the year ended December 31, 2008 (2008 Form 10-K). See Note 1 to the consolidated financial statements in our 2008 Form 10-K which discusses our consolidation and financial statement presentation. We have reclassified certain prior-period amounts to conform to the current-period's presentation.

All of the outstanding common stock of General Electric Capital Corporation (GE Capital or 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. GECC includes Commercial Lending and Leasing (CLL), Consumer (formerly GE Money), Real Estate, Energy Financial Services and GE Commercial Aviation Services (GECAS). During the first quarter of 2009, we transferred Banque Artesia Nederland N.V. (Artesia) from CLL to Consumer. Details of total revenues and segment profit by operating segment can be found on page 33 of this report.

Unless otherwise indicated, information in these notes to condensed, consolidated financial statements relates to continuing operations.

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.

Accounting changes

Effective January 1, 2008, we adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) 157, Fair Value Measurements, for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. Effective January 1, 2009, we adopted SFAS 157 for all non-financial instruments accounted for at fair value on a non-recurring basis. SFAS 157 establishes a new framework for measuring fair value and expands related disclosures. See Note 10.

On January 1, 2009, we adopted SFAS 141(R), Business Combinations. This standard significantly changes the accounting for business acquisitions both during the period of the acquisition and in subsequent periods. Among the more significant changes in the accounting for acquisitions are the following:

- Acquired in-process research and development (IPR&D) is accounted for as an asset, with the cost recognized as the research and development is realized or abandoned. IPR&D was previously expensed at the time of the acquisition.

- Contingent consideration is recorded at fair value as an element of purchase price with subsequent adjustments recognized in operations. Contingent consideration was previously accounted for as a subsequent adjustment of purchase price.

- Subsequent decreases in valuation allowances on acquired deferred tax assets are recognized in operations after the measurement period. Such changes were previously considered to be subsequent changes in consideration and were recorded as decreases in goodwill.

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- Transaction costs are expensed. These costs were previously treated as costs of the acquisition.

In April 2009, the FASB issued FASB Staff Position (FSP) FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies, which amends the accounting in SFAS 141(R) for assets and liabilities arising from contingencies in a business combination. The FSP is effective January 1, 2009, and requires pre-acquisition contingencies to be recognized at fair value, if fair value can be reasonably determined during the measurement period. If fair value cannot be reasonably determined, the FSP requires measurement based on the recognition and measurement criteria of SFAS 5, Accounting for Contingencies.

On January 1, 2009, we adopted SFAS 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51, which requires us to make certain changes to the presentation of our financial statements. This standard requires us to classify noncontrolling interests (previously referred to as “minority interest”) as part of consolidated net earnings ($50 million and $36 million for the three months ended March 31, 2009 and 2008, respectively) and to include the accumulated amount of noncontrolling interests as part of shareowner’s equity ($2,097 million and $2,383 million at March 31, 2009 and December 31, 2008, respectively). The net earnings amounts we have previously reported are now presented as "Net earnings attributable to GECC". Similarly, in our presentation of shareowner’s equity, we distinguish between equity amounts attributable to GECC shareowner and amounts attributable to the noncontrolling interests – previously classified as minority interest outside of shareowner’s equity. In addition to these financial reporting changes, SFAS 160 provides for significant changes in accounting related to noncontrolling interests; specifically, increases and decreases in our controlling financial interests in consolidated subsidiaries will be reported in equity similar to treasury stock transactions. If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interests are remeasured with the gain or loss reported in net earnings.

2. DISCONTINUED OPERATIONS

Discontinued operations comprised GE Money Japan (our Japanese personal loan business, Lake, and our Japanese mortgage and card businesses, excluding our minority ownership in GE Nissen Credit Co., Ltd.), our U.S. mortgage business (WMC), GE Life and Genworth Financial, Inc. (Genworth). Associated results of operations, financial position and cash flows are separately reported as discontinued operations for all periods presented.

GE Money Japan

During the third quarter of 2007, we committed to a plan to sell 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 minority ownership in GE Nissen Credit Co., Ltd. As a result, we recognized an after-tax loss of $908 million in 2007 and an incremental loss in 2008 of $361 million. In connection with the transaction, GE Money Japan reduced the proceeds on the sale for estimated interest refund claims in excess of the statutory interest rate. Proceeds from the sale may be increased or decreased based on the actual claims experienced in accordance with terms specified in the agreement, and will not be adjusted unless claims exceed approximately $2,800 million. Estimated claims are not expected to exceed those levels and are based on our historical claims experience and the estimated future requests, taking into consideration the ability and likelihood of customers to make claims and other industry risk factors. However, uncertainties around the status of laws and regulations and lack of certain information related to the individual customers make it difficult to develop a meaningful estimate of the aggregate claims exposure. We review our estimated exposure quarterly, and make adjustments when required. To date, there have been no adjustments to sale proceeds for this matter. GE Money Japan revenues from discontinued operations were $1 million and $290 million in the first quarters of 2009 and 2008, respectively. In total, GE Money Japan earnings (loss) from discontinued operations, net of taxes, were $4 million and

$(37) million in the first quarters of 2009 and 2008, respectively.

(7)

WMC

During the fourth quarter of 2007, we completed the sale of our U.S. mortgage business. In connection with the transaction, 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. Reserves related to these obligations were $246 million at March 31, 2009, and $244 million at December 31, 2008. 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 we 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. The amount of our current reserve represents our best estimate of losses with respect to our repurchase obligations. However, actual losses could exceed our reserve amount if actual claim rates, valid tenders or losses we incur on repurchased loans are higher than historically observed. WMC revenues from discontinued operations were $(7) million and $5 million in the first quarters of 2009 and 2008, respectively. In total, WMC's losses from discontinued operations, net of taxes, were $6 million and $7 million in the first quarters of 2009 and 2008, respectively.

Summarized financial information for discontinued operations is shown below.

	Three months ended March 31			
(In millions)		2009		2008
Operations				
Total revenues	$	(6)	$	295
Loss from discontinued operations before income taxes	$	(11)	$	(78)
Income tax benefit		4		32
Loss from discontinued operations, net of taxes	$	(7)	$	(46)
Disposal				
Gain on disposal before income taxes	$	7	$	–
Income tax expense		(3)		–
Gain on disposal, net of taxes	$	4	$	–
Loss from discontinued operations, net of taxes	$	(3)	$	(46)

	At			
(In millions)		March 31, 2009		December 31, 2008
Assets				
Cash and equivalents	$	182	$	180
Other assets		14		19
Other		1,268		1,441
Assets of discontinued operations	$	1,464	$	1,640

(In millions)	At March 31, 2009	At December 31, 2008
Liabilities		
Liabilities of discontinued operations	$ 737	$ 799

Assets at March 31, 2009 and December 31, 2008, were primarily comprised of a deferred tax asset for a loss carryforward, which expires in 2015, related to the sale of our GE Money Japan business.

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3. REVENUES FROM SERVICES

Revenues from services are summarized in the following table.

(In millions)	Three months ended March 31 2009	2008
Interest on loans	$ 5,045	$ 6,430
Equipment leased to others	3,473	3,795
Fees	1,159	1,332
Financing leases	901	1,149
Real estate investments	346	1,157
Associated companies	165	469
Investment income(a)	325	549
Net securitization gains	280	349
Other items(b)	1,642	1,526
Total	$ 13,336	$ 16,756

(a) Included other-than-temporary impairments on investment securities of $141 million and $35 million in the first quarters of 2009 and 2008, respectively.
(b) Included a gain on the sale of a limited partnership interest in Penske Truck Leasing Co., L.P. (PTL) and a related gain on the remeasurement of the retained investment to fair value totaling $296 million in the first quarter of 2009. See Note 13.

4. INCOME TAXES

During the first quarter of 2009, following the change in our external credit ratings, funding actions taken and review of our operations, liquidity and funding, we determined that undistributed prior-year earnings of non-U.S. subsidiaries of GECC, on which we had previously provided deferred U.S. taxes, would be indefinitely reinvested outside the U.S. This change increased the amount of prior-year earnings indefinitely reinvested outside the U.S. by approximately $2 billion (to $52 billion), resulting in an income tax benefit of $700 million. Under applicable accounting rules, this tax benefit is recorded entirely in the first quarter tax provision and will not affect the tax provision for future quarters of 2009.

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, 2009	December 31, 2008
Unrecognized tax benefits	$ 3,538	$ 3,454
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	1,795	1,734
Accrued interest on unrecognized tax benefits	730	693
Accrued penalties on unrecognized tax benefits	65	65
Reasonably possible reduction to the balance of unrecognized		

tax benefits in succeeding 12 months	0–450	0–350
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	0–150	0–50

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

(9)

The IRS is currently auditing the GE consolidated income tax returns for 2003-2007, a substantial portion of which include our activities. In addition, certain other U.S. tax deficiency issues and refund claims for previous years remain unresolved. It is reasonably possible that the 2003-2005 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. 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. The GECC provision for current tax expense includes its effect on the consolidated return. The effect of GECC on the consolidated liability is settled in cash as GE tax payments are due.

5. INVESTMENT SECURITIES

The vast majority of our investment securities are classified as available-for-sale and comprise mainly investment-grade debt securities supporting obligations to holders of guaranteed investment contracts.

(In millions)		Amortized cost		Gross unrealized gains		Gross unrealized losses		Estimated fair value
March 31, 2009								
Debt								
U.S. corporate	$	5,779	$	20	$	(693)	$	5,106
State and municipal		904		4		(269)		639
Residential mortgage-backed(a)		3,789		16		(1,044)		2,761
Commercial mortgage-backed		1,655		–		(604)		1,051
Asset-backed		2,561		1		(513)		2,049
Corporate – non-U.S.		705		7		(59)		653
Government – non-U.S.		1,195		4		(18)		1,181
U.S. government and federal agency		83		2		–		85
Retained interests(b)(c)		5,442		78		(100)		5,420
Equity								
Available-for-sale		1,262		32		(79)		1,215
Trading		424		–		–		424
Total	$	23,799	$	164	$	(3,379)	$	20,584
December 31, 2008								
Debt								
U.S. corporate	$	4,456	$	54	$	(637)	$	3,873
State and municipal		915		5		(70)		850
Residential mortgage-backed(a)		4,228		9		(976)		3,261
Commercial mortgage-backed		1,664		–		(509)		1,155
Asset-backed		2,630		–		(668)		1,962
Corporate – non-U.S.		608		6		(23)		591
Government – non-U.S.		936		2		(15)		923
U.S. government and federal agency		26		3		–		29
Retained interests(b)		5,144		73		(136)		5,081
Equity								

Available-for-sale	1,315	24	(134)	1,205
Trading	388	–	–	388
Total	$ 22,310	$ 176	$ (3,168)	$ 19,318

(a) Substantially collateralized by U.S. mortgages.
(b) Included $1,904 million and $1,752 million of retained interests at March 31, 2009 and December 31, 2008, respectively, accounted for in accordance with SFAS 155, Accounting for Certain Hybrid Financial Instruments. See Note 13.
(c) Amortized cost and estimated fair value included $3 million of trading securities at March 31, 2009.

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	Estimated fair value	Gross unrealized losses
March 31, 2009				
Debt				
U.S. corporate	$ 641	$ (111)	$ 1,399	$ (582)
State and municipal	309	(182)	207	(87)
Residential mortgage-backed	260	(64)	1,728	(980)
Commercial mortgage-backed	94	(40)	955	(564)
Asset-backed	1,049	(147)	968	(366)
Corporate – non-U.S.	184	(32)	237	(27)
Government – non-U.S.	140	(1)	259	(17)
U.S. government and federal agency	–	–	–	–
Retained interests	1,496	(33)	325	(67)
Equity	125	(76)	4	(3)
Total	$ 4,298	$ (686)	$ 6,082	$ (2,693)
December 31, 2008				
Debt				
U.S. corporate	$ 1,152	$ (397)	$ 1,253	$ (240)
State and municipal	302	(21)	278	(49)
Residential mortgage-backed	1,216	(64)	1,534	(912)
Commercial mortgage-backed	285	(85)	870	(424)
Asset-backed	903	(406)	1,031	(262)
Corporate – non-U.S.	60	(7)	265	(16)
Government – non-U.S.	–	–	275	(15)
U.S. government and federal agency	–	–	–	–
Retained interests	1,246	(61)	238	(75)
Equity	200	(132)	6	(2)
Total	$ 5,364	$ (1,173)	$ 5,750	$ (1,995)

Of our residential mortgage-backed securities (RMBS) at March 31, 2009 and December 31, 2008, we had approximately $1,195 million and $1,284 million, respectively, of exposure to residential subprime credit, primarily supporting our guaranteed investment contracts, a majority of which have received investment-grade credit ratings from the major rating agencies. Of the total residential subprime credit exposure at March 31, 2009 and December 31, 2008, $1,027 million and $1,089 million, respectively, was insured by monoline insurers. Our subprime investment securities were collateralized primarily by pools of individual, direct mortgage loans, not other structured products such as collateralized debt obligations. Additionally, a majority of exposure to residential subprime credit related to investment securities with underlying loans originated in 2006 and 2005. At March 31, 2009 and December 31, 2008, we had approximately $784 million and $783 million, respectively, of exposure to commercial, regional and foreign banks, primarily relating to corporate debt securities, with associated unrealized losses of $142 million and $105 million, respectively.

We presently intend to hold our investment securities that are in an unrealized loss position at March 31, 2009, at least until we can recover their respective amortized cost. In reaching the conclusion that these investments are not other-than-temporarily impaired, consideration was given to research by our internal and third-party asset managers. With respect to corporate bonds, we placed greater emphasis on the credit quality of the issuers. With respect to RMBS and commercial mortgage-backed securities (CMBS), we placed greater emphasis on our expectations with respect to cash flows from the underlying collateral and, with respect to RMBS, we considered the availability of credit enhancements, principally monoline insurance.

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

	Three months ended March 31	
(In millions)	2009	2008
Gains	$ 8	$ 52
Losses, including impairments	(146)	(38)
Net	$ (138)	$ 14

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.

Proceeds from investment securities sales and early redemptions by the issuer totaled $1,965 million and $310 million in the first quarters of 2009 and 2008, respectively, principally from the sales of short-term securities in our bank subsidiaries.

We recognized pre-tax gains on trading securities of $40 million and $220 million in the first quarters of 2009 and 2008, respectively. Investments in retained interests increased by $87 million and decreased by $75 million during the first quarters of 2009 and 2008, respectively, reflecting changes in fair value accounted for in accordance with SFAS 155.

6. FINANCING RECEIVABLES

Financing receivables – net, consisted of the following.

	At	
(In millions)	March 31, 2009	December 31, 2008
Loans, net of deferred income	$ 297,142	$ 308,821
Investment in financing leases, net of deferred income	61,247	67,077
	358,389	375,898
Less allowance for losses (Note 7)	(5,692)	(5,306)
Financing receivables – net(a)	$ 352,697	$ 370,592

(a) Included $5,538 million and $6,461 million related to consolidated, liquidating securitization entities at March 31, 2009, and December 31, 2008, respectively. In addition, financing receivables at March 31, 2009 and December 31, 2008, included $2,877 million and $2,736 million, respectively, relating to loans that had been acquired and accounted for in accordance with SOP 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer.

We adopted SFAS 141(R) on January 1, 2009. As a result of this adoption, 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 loan losses is not carried over at acquisition. This may result in lower reserve coverage ratios prospectively. Details of financing receivables – net follow.

	At	
(In millions)	March 31, 2009	December 31, 2008
CLL(a)		
Americas	$ 99,444	$ 104,462
Europe	40,527	36,972
Asia	14,528	16,683
Other	764	786
	155,263	158,903
Consumer(a)		
Non-U.S. residential mortgages(b)	56,974	60,753
Non-U.S. installment and revolving credit	22,256	24,441
U.S. installment and revolving credit	25,286	27,645
Non-U.S. auto	15,343	18,168
Other	10,309	11,541
	130,168	142,548
Real Estate	45,373	46,735
Energy Financial Services	8,324	8,355
GECAS(c)	15,398	15,326
Other(d)	3,863	4,031
	358,389	375,898
Less allowance for losses	(5,692)	(5,306)
Total	$ 352,697	$ 370,592

(a) During the first quarter of 2009, we transferred Artesia from CLL to Consumer. Prior-period amounts were reclassified to conform to the current period's presentation.

(b) At March 31, 2009, net of credit insurance, approximately 27% of this portfolio comprised loans with introductory, below market rates that are scheduled to adjust at future dates; with high loan-to-value ratios at inception; whose terms permitted interest-only payments; or whose terms resulted in negative amortization. At the origination date, loans with an adjustable rate were underwritten to the reset value.

(c) Included loans and financing leases of $13,189 million and $13,078 million at March 31, 2009, and December 31, 2008, respectively, related to commercial aircraft at Aviation Financial Services.

(d) Consisted of loans and financing leases related to certain consolidated, liquidating securitization entities.

(13)

Individually impaired loans are defined by GAAP 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. An analysis of impaired loans follows.

(In millions)	At March 31, 2009	At December 31, 2008
Loans requiring allowance for losses	$ 4,138	$ 2,712
Loans expected to be fully recoverable	1,682	871
Total impaired loans	$ 5,820	$ 3,583
Allowance for losses	$ 908	$ 635
Average investment during the period	4,665	2,064
Interest income earned while impaired(a)	17	27

(a) Recognized principally on cash basis.

7. ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

(In millions)	Balance January 1, 2009	Provision charged to operations	Currency exchange	Other(a)	Gross write-offs	Recoveries	Balance March 31, 2009
CLL(b)							
Americas	$ 824	$ 257	$ (2)	$ (8)	$ (189)	$ 16	$ 898
Europe	288	106	(10)	(1)	(59)	3	327
Asia	163	50	(18)	7	(28)	4	178
Other	2	–	–	2	–	–	4
Consumer(b)							
Non-U.S. residential mortgages	383	237	(41)	4	(81)	24	526
Non-U.S. installment and revolving credit	1,051	433	(62)	12	(493)	97	1,038
U.S. installment and revolving credit	1,700	905	–	(229)	(695)	37	1,718
Non-U.S. auto	222	128	(12)	19	(160)	52	249
Other	226	73	(11)	(23)	(77)	11	199
Real Estate	301	110	(6)	–	(9)	–	396
Energy Financial Services	58	10	–	(2)	–	–	66
GECAS	60	–	–	1	–	–	61

Other	28	13	–	1	(10)	–	32
Total	$ 5,306	$ 2,322	$ (162)	$ (217)	$ (1,801)	$ 244	$ 5,692

(a) Other primarily included the effects of securitization activity.
(b) During the first quarter of 2009, we transferred Artesia from CLL to Consumer.
Prior-period amounts were reclassified to conform to the current period's presentation.

(14)

(In millions)	Balance January 1, 2008	Provision charged to operations	Currency exchange	Other(a)	Gross write-offs	Recoveries	Balance March 31, 2008
CLL(b)							
Americas	$ 451	$ 88	$ 1	$ 72	$ (53)	$ 13	$ 572
Europe	230	38	13	(37)	(35)	6	215
Asia	226	19	15	42	(187)	2	117
Other	3	–	1	(1)	–	–	3
Consumer(b)							
Non-U.S. residential mortgages	246	31	10	1	(27)	20	281
Non-U.S. installment and revolving credit	1,371	429	78	(1)	(617)	200	1,460
U.S. installment and revolving credit	985	585	–	(161)	(505)	61	965
Non-U.S. auto	324	73	7	(39)	(150)	77	292
Other	167	54	14	–	(69)	17	183
Real Estate	168	(1)	2	15	(4)	–	180
Energy Financial Services	19	1	–	2	–	–	22
GECAS	8	16	–	–	(1)	–	23
Other	18	–	–	1	(5)	–	14
Total	$ 4,216	$ 1,333	$ 141	$ (106)	$ (1,653)	$ 396	$ 4,327

(a) Other primarily included the effects of securitization activity, dispositions and acquisitions.

(b) During the first quarter of 2009, we transferred Artesia from CLL to Consumer. Prior-period amounts were reclassified to conform to the current period's presentation.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

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

	At	
(In millions)	March 31, 2009	December 31, 2008
Goodwill	$ 24,278	$ 25,204
Intangible assets subject to amortization	2,982	3,174
Total	$ 27,260	$ 28,378

(15)

Changes in goodwill balances follow.

	2009					
(In millions)	CLL	Consumer	Real Estate	Energy Financial Services	GECAS	Total
Balance January 1	$ 12,321(a)	$ 9,407(a)	$ 1,159	$ 2,162	$ 155	$ 25,204
Acquisitions/acquisition accounting adjustments	217	4	(7)	(4)	–	210
Dispositions, currency exchange and other	(649)	(416)	(31)	(39)	(1)	(1,136)
Balance March 31	$ 11,889	$ 8,995	$ 1,121	$ 2,119	$ 154	$ 24,278

(a) Reflected the transfer of Artesia during the first quarter of 2009, resulting in a related movement of beginning goodwill balance of $326 million.

The amount of goodwill related to new acquisitions recorded during the first quarter of 2009 was $125 million, all related to the acquisition of Interbanca S.p.A. (Interbanca) at CLL. During the first quarter of 2009, the goodwill balance increased by $85 million related to acquisition accounting adjustments to prior-year acquisitions. The most significant of these adjustments was an increase of $70 million associated with the 2008 acquisition of CitiCapital at CLL. Also during the first quarter of 2009, goodwill balances decreased $1,136 million, primarily as a result of the deconsolidation of PTL at CLL ($634 million) and the stronger U.S. dollar ($504 million).

We test goodwill for impairment annually and more frequently if circumstances warrant. Given the significant decline in GE's stock price in the first quarter of 2009 and current market conditions in the financial services industry, we conducted an additional impairment analysis of the reporting units during the first quarter of 2009 using data as of December 31, 2008.

We determined fair values for each of the reporting units using an income approach. When available and as appropriate, we used comparative market multiples to corroborate discounted cash flow results. For purposes of the income approach, fair value was determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for each business. Actual results may differ from those assumed in our forecasts. We derive our discount rates by applying the capital asset pricing model (i.e., to estimate the cost of equity financing) and analyzing published rates for industries relevant to our reporting units. We used discount rates that are commensurate with the risks and uncertainty inherent in the financial markets generally and in our internally developed forecasts. Discount rates used in these reporting unit valuations ranged from 11.5% to 13.0%. Valuations using the market approach reflect prices and other relevant observable information generated by market transactions involving financial services businesses.

Compared to the market approach, the income approach more closely aligns the reporting unit valuation to a company's or business' specific business model, geographic markets and product offerings, as it is based on specific projections of the business. Required rates of return, along with uncertainty inherent in the forecasts of future cash flows are reflected in the selection of the discount rate. Equally important, under this approach, reasonably likely scenarios and associated sensitivities can be developed for alternative future states that may not be reflected in an observable market price. A market approach allows for comparison to actual market transactions and multiples. It can be somewhat more limited in its application because the population of potential comparables (or pure plays) is often limited to publicly-traded companies where the characteristics of the comparative business and ours can be significantly different, market data is usually not available for divisions within larger conglomerates or non-public subsidiaries that could otherwise qualify as comparable, and the specific circumstances surrounding a market transaction (e.g., synergies between the parties, terms and conditions of the transaction, etc.) may be different or irrelevant with respect to our business. It can also be difficult under the current market conditions to identify orderly transactions between market participants in similar financial services businesses. We assess the valuation methodology based upon the relevance and availability of data at the time of performing the valuation and weight the methodologies appropriately.

In performing the valuations, we updated cash flows to reflect management's forecasts and adjusted discount rates to reflect the risks associated with the current market. Based on the results of our testing, the fair values of these reporting units exceeded their book values; therefore, the second step of the impairment test (in which fair value of each of the reporting units assets and liabilities are measured) was not required to be performed and no goodwill impairment was recognized. Estimating the fair value of reporting units involves the use of estimates and significant judgments that are based on a number of factors including actual operating results, future business plans, economic projections and market data. Actual results may differ from forecasted results. While no impairment was noted in our step one impairment tests, goodwill in our Real Estate reporting unit may be particularly sensitive to further deterioration in economic conditions. If current conditions persist longer or deteriorate further than expected, it is reasonably possible that the judgments and estimates described above could change in future periods.

Intangible assets subject to amortization

	At					
	March 31, 2009			December 31, 2008		
(In millions)	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related	$ 2,005	$ (894)	$ 1,111	$ 1,790	$ (616)	$ 1,174
Patents, licenses and trademarks	563	(465)	98	564	(460)	104
Capitalized software	2,188	(1,523)	665	2,148	(1,463)	685
Lease valuations	1,716	(650)	1,066	1,761	(594)	1,167
All other	238	(196)	42	233	(189)	44
Total	$ 6,710	$ (3,728)	$ 2,982	$ 6,496	$ (3,322)	$ 3,174

Amortization expense related to intangible assets subject to amortization was $174 million and $195 million for the quarters ended March 31, 2009 and 2008, respectively.

9. BORROWINGS

Borrowings are summarized in the following table.

(In millions)	At March 31, 2009	December 31, 2008
Short-term borrowings		
Commercial paper		
U.S.		
Unsecured(a)	$ 44,632	$ 57,665
Asset-backed(b)	3,518	3,652
Non-U.S.	7,772	9,033
Current portion of long-term debt(a)(c)	79,017	69,680
Bank deposits(d)(e)	25,770	29,634
Bank borrowings(f)	2,462	10,028
GE Interest Plus notes(g)	5,049	5,633
Other	2,664	3,276
Total	170,884	188,601
Long-term borrowings		
Senior notes		
Unsecured(a)(h)	296,475	300,172
Asset-backed(i)	4,518	5,002
Subordinated notes(j)	2,440	2,567
Subordinated debentures(k)	7,056	7,315
Bank deposits(l)	7,804	6,699
Total	318,293	321,755
Total borrowings	$ 489,177	$ 510,356

(a) GE Capital had issued and outstanding, $73,990 million ($36,965 million commercial paper and $37,025 million long-term borrowings) and $35,243 million ($21,823 million commercial paper and $13,420 million long-term borrowings) of senior, unsecured debt that was guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program at March 31, 2009 and December 31, 2008, respectively. GE Capital and GE are parties to an Eligible Entity Designation Agreement and GE Capital 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 GE Capital reimburse the FDIC for any amounts that the FDIC pays to holders of debt that is guaranteed by the FDIC.

(b) Consists entirely of obligations of consolidated, liquidating securitization entities. See Note 6.

(c) Included $283 million and $326 million of asset-backed senior notes, issued by consolidated, liquidating securitization entities at March 31, 2009, and December 31, 2008, respectively.

(d) Included $12,352 million and $11,793 million of deposits in non-U.S. banks at March 31, 2009, and December 31, 2008, respectively.
(e) Included certificates of deposits distributed by brokers of $13,418 million and $17,841 million at March 31, 2009, and December 31, 2008, respectively.
(f) Term borrowings from banks with a remaining term to maturity of less than 12 months.
(g) Entirely variable denomination floating rate demand notes.
(h) Included borrowings from GECS affiliates of $1,008 million and $1,006 million at March 31, 2009, and December 31, 2008, respectively.
(i) Included $1,422 million and $2,104 million of asset-backed senior notes, issued by consolidated, liquidating securitization entities at March 31, 2009, and December 31, 2008, respectively. See Note 6.
(j) Included $450 million of subordinated notes guaranteed by GE at March 31, 2009, and December 31, 2008.
(k) Subordinated debentures receive rating agency equity credit and were hedged at issuance to the U.S. dollar equivalent of $7,725 million.
(l) Entirely certificates of deposits distributed by brokers with maturities greater than one year.

10. FAIR VALUE MEASUREMENTS

Effective January 1, 2008, we adopted SFAS 157, Fair Value Measurements, for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. Effective January 1, 2009, we adopted SFAS 157 for all non-financial instruments accounted for at fair value on a non-recurring basis. SFAS 157 establishes a new framework for measuring fair value and expands related disclosures. Broadly, the SFAS 157 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. SFAS 157 establishes a three-level valuation hierarchy based upon observable and non-observable inputs.

The following describes the valuation methodologies we use to measure non-financial instruments accounted for at fair value on a non-recurring basis. For valuation methodologies relating to financial instruments and non-financial instruments accounted for at fair value on a recurring basis and financial instruments accounted for on a non-recurring basis, see Note 19 to the consolidated financial statements in our 2008 Form 10-K.

Investments in subsidiaries and formerly consolidated subsidiaries

Upon a change in control that results in consolidation or deconsolidation of a subsidiary, a fair value measurement may be required if we held a noncontrolling investment in the entity and obtain control or sell a controlling interest and retain a noncontrolling stake in the entity. Such investments are valued using a discounted cash flow model, comparative market multiples or a combination of both approaches as appropriate. In applying these methodologies, we rely on a number of factors, including actual operating results, future business plans, economic projections and market data.

Long-lived assets

Long-lived assets, including aircraft and real estate, may be measured at fair value if such assets are held for sale or when there is a determination that the asset is impaired. The determination of fair value is based on the best information available, including internal cash flow estimates discounted at an appropriate interest rate, quoted market prices when available, market prices for similar assets and independent appraisals, as appropriate. For real estate, cash flow estimates are based on current market estimates that reflect current and projected lease profiles and available industry information about expected trends in rental, occupancy and capitalization rates.

The following tables present our assets and liabilities measured at fair value on a recurring basis. Included in the tables are investment securities of $7,790 million and $8,190 million at March 31, 2009 and December 31, 2008, respectively, supporting obligations to holders of guaranteed investment contracts. Such securities are mainly investment grade. Also included are retained interests in securitizations totaling $5,420 million and $5,081 million at March 31, 2009 and December 31, 2008, respectively.

(In millions)	Level 1	Level 2	Level 3	FIN 39 netting(a)	Net balance
March 31, 2009					
Assets					