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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from ___________to ___________

Commission file number 001-06461

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

Delaware (State or other jurisdiction of incorporation or organization)	13-1500700 (I.R.S. Employer Identification No.)
901 Main Avenue, Norwalk, Connecticut (Address of principal executive offices)	06851-1168 (Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 ¨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 May 5, 2011, 3,985,404 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of $14 per share were outstanding.

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

(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; 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.

(2)

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

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

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

See accompanying notes.

(3)

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Financial Position

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

(a) Our consolidated assets at March 31, 2011 include total assets of $43,749 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets include net financing receivables of $35,860 million and investment securities of $5,346 million. Our consolidated liabilities at March 31, 2011 include liabilities of certain VIEs for which the VIE creditors do not have recourse to GECC. These liabilities include non-recourse borrowings of consolidated securitization entities (CSEs) of $28,752 million. See Note 13.

(b) The sum of accumulated other comprehensive income – net was $(2,205) million and $(3,605) million at March 31, 2011 and December 31, 2010, respectively.

(c) Included accumulated other comprehensive income – net attributable to noncontrolling interests of $(139) million and $(137) million at March 31, 2011 and December 31, 2010, respectively.

See accompanying notes.

(4)

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Cash Flows

(Unaudited)

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

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

See accompanying notes.

(5)

Summary of Operating Segments

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

See accompanying notes.

(6)

Notes to Condensed, Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Interim Period Presentation

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

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

Assets and Liabilities of Businesses Held for Sale

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

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

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

Discontinued Operations

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

Summarized financial information for discontinued operations is shown below.

(In millions)	Three months ended March 31, 2011	2010
Operations		
Total revenues	$ 89	$ 400
Earnings (loss) from discontinued operations before income taxes		
Benefit (provision) for income taxes	$ –	$ 2
Earnings (loss) from discontinued operations, net of taxes	(19)	16
	$ (19)	$ 18
Disposal		
Gain (loss) on disposal before income taxes	$ 11	$ (381)
Benefit for income taxes	28	–
Gain (loss) on disposal, net of taxes	$ 39	$ (381)
Earnings (loss) from discontinued operations, net of taxes	$ 20	$ (363)

(In millions)	March 31, 2011	December 31, 2010
Assets		
Cash and equivalents	$ 149	$ 135
Financing receivables - net	3,401	5,089
Other assets	30	168
Other	1,524	1,470
Assets of discontinued operations	$ 5,104	$ 6,862

(In millions)	March 31, 2011	December 31, 2010
Liabilities		
Accounts payable	$ 37	$ 110
Deferred income taxes	118	147
Other liabilities	1,542	1,649
Liabilities of discontinued operations	$ 1,697	$ 1,906

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

BAC Credomatic GECF Inc. (BAC)

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

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

(9)

GE Money Japan

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

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

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

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

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

(10)

WMC

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

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

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

Other

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

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

3. INVESTMENT SECURITIES

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

(11)

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

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

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

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

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

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

We regularly review investment securities for impairment using both qualitative and quantitative criteria. We presently do not intend to sell our debt securities and believe that it is not more likely than not that we will be required to sell these securities that are in an unrealized loss position before recovery of our amortized cost. We believe that the unrealized loss associated with our equity securities will be recovered within the foreseeable future. The methodologies and significant inputs used to measure the amount of credit loss for our investment securities during the three months ended March 31, 2011 have not changed from those described in our 2010 consolidated financial statements. See Note 3 in our 2010 consolidated financial statements for additional information regarding these methodologies and inputs.

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

(13)

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

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

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

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

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

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

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

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

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

(14)

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4. FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

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

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

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

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

Financing Receivables – net

The following table displays our financing receivables balances.

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

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

(15)

Allowance for Losses on Financing Receivables

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

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

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

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

(16)

(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 March 31, 2010
Commercial								
CLL								
Americas	$ 1,179	$ 66	$ 1,245	$ 325	$ (4)	$ (282)	$ 35	$ 1,319
Europe	575	–	575	72	(31)	(147)	15	484
Asia	244	(10)	234	50	(2)	(50)	4	236
Other	11	–	11	1	–	–	–	12
Total CLL	2,009	56	2,065	448	(37)	(479)	54	2,051
Energy Financial Services	28	–	28	19	–	–	–	47
GECAS	104	–	104	21	–	(71)	–	54
Other	34	–	34	13	1	(2)	–	46
Total Commercial	2,175	56	2,231	501	(36)	(552)	54	2,198
Real Estate								
Debt	1,358	(3)	1,355	170	(1)	(152)	–	1,372
Business Properties	136	45	181	41	(1)	(37)	1	185
Total Real Estate	1,494	42	1,536	211	(2)	(189)	1	1,557
Consumer								
Non-U.S. residential mortgages	926	–	926	103	(66)	(101)	26	888
Non-U.S. installment and revolving credit	1,106	–	1,106	325	(5)	(507)	152	1,071
U.S. installment and revolving credit	1,551	1,602	3,153	895	(1)	(1,199)	126	2,974
Non-U.S. auto	292	–	292	44	(9)	(92)	46	281
Other	292	–	292	108	(9)	(110)	19	300
Total Consumer	4,167	1,602	5,769	1,475	(90)	(2,009)	369	5,514
Total	$ 7,836							