

GENERAL ELECTRIC CAPITAL CORP  
Form 10-K/A  
January 19, 2007

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

**FORM 10-K/A**

**Amendment No 1. to Form 10-K**

**(Mark One)**

**☐ Annual Report Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934**

**For the fiscal year ended December 31, 2005  
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.)

**260 Long Ridge Road, Stamford,  
Connecticut**  
(Address of principal executive offices)

**06927**  
(Zip Code)

**203/357-4000**  
(Registrant's telephone number,  
including area code)

**Securities Registered Pursuant to Section 12(b) of the Act:**

| Title of each class  | Name of each exchange<br>on which registered |
|--|--|
| 7.875% Guaranteed Subordinated Notes<br>Due December 1, 2006 | New York Stock Exchange                      |
| 6.625% Public Income Notes Due June 28,<br>2032              | New York Stock Exchange                      |

**6.10% Public Income Notes Due November  
15, 2032**  
**5.875% Notes Due February 18, 2033**  
**Step-Up Public Income Notes Due January  
28, 2035**

**New York Stock Exchange**  
**New York Stock Exchange**  
**New York Stock Exchange**

**Securities Registered Pursuant to Section 12(g) of the Act:**

**Title of each class**

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

Aggregate market value of the outstanding common equity held by nonaffiliates of the registrant as of the last business day of the registrant's recently completed second fiscal quarter: None.

At March 2, 2006, 3,985,403 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of \$14 were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

The consolidated financial statements of General Electric Company, set forth in Amendment No. 1 to the Annual Report on Form 10-K/A of General Electric Company for the year ended December 31, 2005 are incorporated by reference into Part IV hereof.

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

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## Explanatory Note

### Overview

General Electric Capital Corporation (GECC) is filing this amendment to its Annual Report on Form 10-K for the year ended December 31, 2005, to amend and restate financial statements and other financial information for the years 2005, 2004 and 2003, and financial information for the years 2002 and 2001, and for each of the quarters in the years 2005 and 2004. In addition, we are filing amendments to our Quarterly Reports on Form 10-Q for each of the periods ended September 30, June 30, and March 31, 2006, to amend and restate financial statements for the first three quarters of 2006. The restatement adjusts our accounting for interest rate swap transactions related to a portion of the commercial paper issued by GECC, and General Electric Capital Services, Inc. (GECS), from January 1, 2001, the date we adopted Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The restatement has no effect on our cash flows or liquidity, and its effects on our financial position at the ends of the respective restated periods are immaterial. We have not found that any of our hedge positions were inconsistent with our risk management policies or economic objectives.

A comparison of the cumulative earnings effects of this non-cash restatement to cumulative earnings from continuing operations before accounting changes follows.

| <i>(In millions)</i>   | <b>Cumulative<br/>January 1, 2001 -<br/>December 31, 2005</b> |
|--|---|
| Decrease in earnings from continuing operations before accounting changes          | \$ (421)  |
| Earnings from continuing operations before accounting changes and error correction | \$ 32,609   |

### Background

As previously disclosed, the Boston Office of the U.S. Securities and Exchange Commission (SEC) is conducting a formal investigation of our application of SFAS 133. In the course of that investigation, the SEC Enforcement staff raised certain concerns about our accounting for the use of interest rate swaps to fix certain otherwise variable interest costs in a portion of our commercial paper program at GECC and GECS. The SEC Enforcement staff referred such concerns to the Office of Chief Accountant. We and our auditors determined that our accounting for the commercial paper hedging program satisfied the requirements of SFAS 133 and conveyed our views to the staff of the Office of Chief Accountant. Following our discussions, however, the Office of Chief Accountant communicated its view to us that our commercial paper hedging program as structured did not meet the SFAS 133 specificity requirement.

After considering the staff's view, General Electric Company (GE) and GECC management recommended to the Audit Committee of GE's Board of Directors that previously reported financial results be restated to eliminate hedge accounting for the interest rate swaps entered into as part of our commercial paper hedging program from January 1, 2001. The Audit Committee discussed and agreed with this recommendation. At a meeting on January 18, 2007, the GE and GECC Board of Directors adopted the recommendation of the Audit Committee and determined that previously reported results for GECC should be restated and, therefore, that the previously filed financial statements and other financial information referred to above should not be relied upon. The restatement resulted from a material weakness in internal control over financial reporting, namely, that we did not have adequately designed procedures to designate, with the specificity required under SFAS 133, each hedged commercial paper transaction.

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As of January 1, 2007, we modified our commercial paper hedging program and adopted documentation for interest rate swaps that we believe complies with the requirements of SFAS 133 and remediated the related internal control weakness.

The SEC investigation into our application of SFAS 133 and hedge accounting is continuing. We continue to cooperate fully.

### Amendment to this Form 10-K

The following sections of this Form 10-K have been revised to reflect the restatement: Part I - Item 1 - Business; Part II - Item 6 - Selected Financial Data, - Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7A - Quantitative and Qualitative Disclosures About Market Risk; - Item 8 - Financial Statements and Supplementary Data and Item 9A - Controls and Procedures; and Part IV - Item 15 - Exhibits and Financial Statement Schedules are revised in this filing to reflect the restatement. Except to the extent relating to the restatement of our financial statements and other financial information described above, the financial statements and other disclosure in this Form 10-K do not reflect any events that have occurred after this Form 10-K was initially filed on March 3, 2006.

### Effects of Restatement

The following tables set forth the effects of the restatement relating to the aforementioned hedge accounting on affected line items within our previously reported Statements of Earnings for the years 2005, 2004, 2003, 2002 and 2001, and for each of the quarters in the years 2005 and 2004. The restatement has no effect on our cash flows or liquidity, and its effects on our financial position at the ends of the respective restated periods are immaterial.

### Effects on Statements of Earnings

| <i>(Income (expense); in millions)</i>                                 | <b>Cumulative<br/>through<br/>12/31/05</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> | <b>2001</b> |
|--|--|-------------|-------------|-------------|-------------|-------------|
| Commercial paper interest rate swap adjustment (note 1) <sup>(a)</sup> | \$ (748)                                   | \$ 495      | \$ 496      | \$ 518      | \$ (1,796)  | \$ (461)    |
| Interest   | 52   | 54          | 50          | 8           | (31)        | (29)        |
| Provision for income taxes   | 275  | (217)       | (216)       | (208)       | 723         | 193         |
| Earnings from continuing operations before accounting changes          | (421)                                      | 332         | 330         | 318         | (1,104)     | (297)       |
| Net earnings   | \$ (421)                                   | \$ 332      | \$ 330      | \$ 318      | \$ (1,104)  | \$ (297)    |

(a) Included in total revenues.

| <i>(Income (expense); in millions)</i> | <b>Total</b> | <b>First<br/>quarter</b> | <b>2005<br/>Second<br/>quarter</b> | <b>Third<br/>quarter</b> | <b>Fourth<br/>quarter</b> |
|--|--------------|--------------------------|------------------------------------|--------------------------|---------------------------|
|  |              |                          |                                    |                          |                           |

|  |        |        |          |        |        |  |
|--|--------|--------|----------|--------|--------|--|
| Commercial paper interest                    |        |        |          |        |        |  |
| rate swap adjustment (note 1) <sup>(a)</sup> | \$ 495 | \$ 327 | \$ (208) | \$ 240 | \$ 136 |  |
| Interest                                     | 54     | 14     | 13       | 14     | 13     |  |
| Provision for income taxes                   | (217)  | (135)  | 77       | (100)  | (59)   |  |
| Net earnings                                 | \$ 332 | \$ 206 | \$ (118) | \$ 154 | \$ 90  |  |

(a) Included in total revenues.

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| <i>(Income (expense); in millions)</i>                                    | <b>Total</b> | <b>2004</b>              |                           |                          |                           |
|---|--------------|--------------------------|---------------------------|--------------------------|---------------------------|
|   |              | <b>First<br/>quarter</b> | <b>Second<br/>quarter</b> | <b>Third<br/>quarter</b> | <b>Fourth<br/>quarter</b> |
| Commercial paper interest<br>rate swap adjustment (note 1) <sup>(a)</sup> | \$ 496       | \$ (205)                 | \$ 897                    | \$ (347)                 | \$ 151                    |
| Interest  | 50           | 11                       | 11                        | 15                       | 13                        |
| Provision for income taxes  | (216)        | 77                       | (359)                     | 131                      | (65)                      |
| Net earnings  | \$ 330       | \$ (117)                 | \$ 549                    | \$ (201)                 | \$ 99                     |

(a) Included in total revenues.

Reversal of these cumulative adjustments will affect net earnings positively over the terms of the underlying interest rate swaps, but to a degree that we do not expect to be significant in any individual period given the terms of the arrangements and actions taken to eliminate the accounting volatility by modifying the documentation in a manner that will enable the swaps to qualify for hedge accounting effective January 1, 2007.

For additional information relating to the effect of the restatement, see the following items:

Part I:

Item 1 - Business

Part II:

Item 6 - Selected Financial Data

Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 7A - Quantitative and Qualitative Disclosures About Market Risk

Item 8 - Financial Statements and Supplementary Data

Item 9A - Controls and Procedures

Part IV:

Item 15 - Exhibits and Financial Statement Schedules

In light of the restatement, readers should not rely on our previously filed financial statements and other financial information for the years and for each of the quarters in the years 2005, 2004, 2003, 2002 and 2001.

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## **PART I**

### **Item 1. Business.**

#### **General Electric Capital Corporation**

General Electric Capital Corporation (GE Capital or GECC) was incorporated in 1943 in the State of New York under the provisions of the New York Banking Law relating to investment companies, as successor to General Electric Contracts Corporation, which was formed in 1932. Until November 1987, our name was General Electric Credit Corporation. On July 2, 2001, we changed our state of incorporation to Delaware. All of our outstanding common stock is owned by General Electric Capital Services, Inc. (GE Capital Services or GECS), formerly General Electric Financial Services, Inc., the common stock of which is in turn wholly-owned, directly or indirectly, by General Electric Company (GE Company or GE). Financing and services offered by GE Capital are diversified, a significant change from the original business of GE Capital, that is, financing distribution and sale of consumer and other GE products. GE manufactures few of the products financed by GE Capital.

We operate in four of GE's operating segments described below. These operations are subject to a variety of regulations in their respective jurisdictions.

Our services are offered primarily in North America, Europe and Asia. Our principal executive offices are located at 260 Long Ridge Road, Stamford, Connecticut 06927-1600. At December 31, 2005, our employment totaled approximately 77,500.

Our financial information, including filings with the U.S. Securities and Exchange Commission (SEC), is available at [www.ge.com/secreports](http://www.ge.com/secreports). Copies are also available, without charge, from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, CT, 06828-0001. Reports filed with the SEC may be viewed at [www.sec.gov](http://www.sec.gov) or obtained at the SEC Public Reference Room in Washington, D.C.

#### **Operating Segments**

In the fourth quarter of 2005, GE completed a Genworth Financial, Inc. (Genworth) secondary public offering, which reduced our ownership in Genworth to 18%. We have reported Genworth as discontinued operations for all periods presented. Genworth was previously reported in the GE Commercial Finance segment. Also, during the fourth quarter of 2005, our insurance activities, previously reported in the GE Commercial Finance segment, were transferred to GECC corporate items and eliminations for all periods presented.

For purposes of our segment discussions throughout this document, the financial services businesses (Equipment Services, Aviation Financial Services, Energy Financial Services and Transportation Finance), are reported in the GE Industrial and GE Infrastructure segments based on the approach management uses to allocate resources and assess performance. Although management's approach to segments combines industrial businesses with financial services businesses, the financial services businesses will continue to be reported in the GECC financial statements. We will herein provide business descriptions for these specific financial services businesses. We will also continue our longstanding practice of providing supplemental information for certain businesses within the segments.

#### **GE Commercial Finance**

GE Commercial Finance (35.7%, 37.7% and 39.5% of total GECC revenues in 2005, 2004 and 2003, respectively) offers a broad range of financial services worldwide. We have particular mid-market expertise and offer loans, leases and other financial services to customers, including manufacturers, distributors and end-users for a variety of

equipment and major capital assets. These assets include industrial-related facilities and equipment; commercial and

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residential real estate; vehicles; corporate aircraft; and equipment used in many industries, including the construction, manufacturing, telecommunications and healthcare industries.

During 2005, we made a number of acquisitions, the most significant of which were the Transportation Financial Services Group of CitiCapital; the Inventory Finance division of Bombardier Capital; Antares Capital Corp., a unit of Massachusetts Mutual Life Insurance Co.; and ING's portion of Heller AG.

We operate in a highly competitive environment. Our competitors include commercial banks, investment banks, leasing companies, financing companies associated with manufacturers, and independent finance companies. Competition related to our lending and leasing operations is based on price, that is interest rates and fees, as well as deal structure and terms. Profitability is affected not only by broad economic conditions that affect customer credit quality and the availability and cost of capital, but also by successful management of credit risk, operating risk and market risks such as interest rate and currency exchange risks. Success requires high quality risk management systems, customer and industry specific knowledge, diversification, service and distribution channels, strong collateral and asset management knowledge, deal structuring expertise and the ability to reduce costs through technology and productivity.

Our headquarters are in Stamford, Connecticut with offices throughout North America, South America, Europe, Australia and Asia.

For further information about revenues, segment profit and total assets for GE Commercial Finance, see the Segment Operations section of Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and note 17.

#### *Capital Solutions*

Capital Solutions offers a broad range of financial services worldwide, and has particular mid-market expertise, offering loans, leases, inventory finance and other financial services to customers, including manufacturers, dealers and end-users for a variety of equipment and major capital assets. These assets include retail facilities; vehicles; corporate aircraft; and equipment used in many industries, including the construction, transportation, technology, and manufacturing industries.

#### *Real Estate*

Real Estate operates globally, both directly and through joint ventures. Our Real Estate business finances, with both equity and loan structures, the acquisition, refinancing and renovation of office buildings, apartment buildings, retail facilities, industrial properties, parking facilities and franchise properties. Our typical Real Estate loans are intermediate term, may be either senior or subordinated, fixed or floating-rate, and are secured by existing income-producing commercial properties. Our originations of low loan-to-value loans are conducted for term securitization within one year. We invest in, and provide restructuring financing for, portfolios of mortgage loans, limited partnerships and tax-exempt bonds.

#### **GE Consumer Finance**

GE Consumer Finance (34.7%, 31.1% and 30.2% of total GECC revenues in 2005, 2004 and 2003, respectively) offers credit and deposit products and services to consumers, retailers, brokers and auto dealers in over 50 countries. We offer a broad range of financial products, including private-label credit cards; bank cards; Dual Cards™; corporate travel and purchasing cards; personal loans; auto loans; leases and inventory financing; residential mortgages; home equity loans; debt consolidation loans; current and savings accounts and insurance products related to consumer finance offerings for customers on a global basis.

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In 2005, as part of our continued global expansion, we made a number of acquisitions, the most significant of which was a 25.5 percent voting stake in Garanti Bank, a full service bank in Turkey.

Our operations are subject to a variety of bank and consumer protection regulations, including regulations controlling data privacy. Further, a number of countries have ceilings on rates chargeable to consumers in financial service transactions. We are subject to competition from various types of financial institutions including commercial banks, leasing companies, consumer loan companies, independent finance companies, manufacturers' captive finance companies, and insurance companies. Industry participants compete on the basis of price, servicing capability, promotional marketing, risk management, and cross selling. The markets in which we operate are also subject to the risks from fluctuations in retail sales, interest and currency exchange rates, and the consumer's capacity to repay debt.

Our headquarters are in Stamford, Connecticut and our operations are located in North America, South America, Europe, Australia and Asia.

For further information about revenues, segment profit and total assets for GE Consumer Finance, see the Segment Operations section of Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and note 17.

### **GE Industrial**

GE Industrial (11.8%, 13.0% and 8.1% of total GECC revenues in 2005, 2004 and 2003, respectively) produces and sells products including consumer appliances, industrial equipment and plastics, and related services. We also finance business equipment for a wide variety of customer applications.

Our operations are located in North America, Europe, Asia and South America.

For further information about revenues and segment profit for GE Industrial, see the Segment Operations section of Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and note 17.

#### *Equipment Services*

Equipment Services helps customers manage, finance and operate a wide variety of business equipment worldwide. We provide rentals, leases, sales and asset management services of commercial and transportation equipment, including tractors, trailers, railroad rolling stock, modular space units, intermodal shipping containers and, primarily through an associated company, marine containers. Our operations are conducted in highly competitive markets. Economic conditions, geographic location, pricing and equipment availability are important factors in this business. Future success will depend upon our ability to maintain a large and diverse customer portfolio, optimize asset mix, maximize asset utilization and manage credit risk. In addition, we seek to understand our customers and to meet their needs with unique, efficient and cost effective product and service offerings.

### **GE Infrastructure**

GE Infrastructure (9.0%, 8.5% and 8.9% of total GECC revenues in 2005, 2004 and 2003, respectively) produces, sells, finances and services equipment for the air transportation and energy generation industries. We also produce, sell and service equipment for the rail transportation and water treatment industries.

Our operations are located in North America, Europe, Asia and South America.



For further information about revenues and segment profit for GE Infrastructure, see the Segment Operations section of Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and note 17.

#### *Aviation Financial Services*

Aviation Financial Services is a global commercial aviation financial services business that offers a broad range of financial products to airlines, aircraft operators, owners, lenders, investors and airport developers. Financial products include leases, aircraft purchasing and trading, loans, engine/spare parts financing, pilot training, fleet planning and financial advisory services. We operate in a highly competitive environment. Our competitors include aircraft manufacturers, banks, financial institutions, and other finance and leasing companies. Competition is based on lease rates and terms, as well as aircraft delivery dates, condition and availability.

The U.S. commercial aviation industry continues to face challenges and financial pressure that affect a portion of our commercial aviation business. Many carriers are experiencing major restructuring and reorganization, including bankruptcies. These companies have experienced marginal returns and in some cases losses resulting from competitive pressures and increased fuel costs.

#### *Energy Financial Services*

Energy Financial Services offers structured equity, leveraged leasing, partnerships, project finance and broad-based commercial finance to the global energy and water industries. We operate in a highly competitive environment. Our competitors include banks, financial institutions, energy companies, and other finance and leasing companies. Competition is based on price, that is interest rates and fees, as well as deal structure and terms. As we compete globally, our success is sensitive to the economic and political environment of each country in which we do business.

#### **Discontinued Operations**

In May 2004, we completed the initial public offering of Genworth, our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. Throughout 2005, we continued to reduce our ownership in Genworth, currently at 18%. We intend to continue to dispose of our remaining shares in 2006, subject to market conditions. We reported Genworth as discontinued operations for all periods presented.

#### **Regulations and Competition**

Our activities are subject to a variety of U.S. federal and state regulations including, at the federal level, the Consumer Credit Protection Act, the Equal Credit Opportunity Act and certain regulations issued by the Federal Trade Commission. A majority of states have ceilings on rates chargeable to customers on retail loan transactions, installment loans and revolving credit financing. Our insurance activities are regulated by various state insurance commissions and non-U.S. regulatory authorities. We are a unitary diversified savings and loan holding company by virtue of owning a federal savings bank in the U.S.; as such, we are subject to holding company supervision by the Office of Thrift Supervision. Our global operations are subject to regulation in their respective jurisdictions. To date, compliance with such regulations has not had a material adverse effect on our financial position or results of operations.

The businesses in which we engage are highly competitive. We are subject to competition from various types of financial institutions, including banks, thrifts, investment banks, broker-dealers, credit unions, leasing companies, consumer loan companies, independent finance companies, finance companies associated with manufacturers and insurance and reinsurance companies.

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## **Business and Economic Conditions**

Our businesses are generally affected by general business and economic conditions in countries in which we conduct business. When overall economic conditions deteriorate in those countries, there generally are adverse effects on our operations, although those effects are dynamic and complex. For example, a downturn in employment or economic growth in a particular national or regional economy will generally increase the pressure on customers, which generally will result in deterioration of repayment patterns and a reduction in the value of collateral. However, in such a downturn, demand for loans and other products and services we offer may actually increase. Interest rates, another macro-economic factor, are important to our businesses. In the lending and leasing businesses, higher real interest rates increase our cost to borrow funds, but also provide higher levels of return on new investments. For our operations, such as the insurance activities, that are linked less directly to interest rates, rate changes generally affect returns on investment portfolios.

## **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 often contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” or “will.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties which could adversely or positively affect our future results include: the behavior of financial markets, including fluctuations in interest rates and commodity prices; strategic actions, including dispositions; future integration of acquired businesses; future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation, media, real estate and healthcare industries; and numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive and regulatory 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.

## **Item 1A. Risk Factors.**

The following discussion of risk factors contains “forward-looking statements,” as discussed in Item 1. These risk factors may be important to understanding any statement in this Annual Report on Form 10-K or elsewhere. The following information should be read in conjunction with Management’s Discussion and Analysis (MD&A), and the consolidated financial statements and related notes included in this report.

Our businesses routinely encounter and address risks, some of which will cause our future results to be different - sometimes materially different - than we presently anticipate. Discussion about the important operational risks that our businesses encounter can be found in the MD&A section and in the business descriptions included in the Business section of this Form 10-K. Below, we have described our present view of certain important strategic risks. Our reactions to material future developments as well as our competitors’ reactions to those developments will determine our future results.

### **Our global growth is subject to a number of economic, political and regulatory risks**

We conduct our operations in virtually every part of the world. Global economic and regulatory developments affect businesses such as ours in many ways. Operations are subject to the effects of global competition. Particular local jurisdiction risks include regulatory risks arising from local laws and from local liquidity regulations, including risks of not being able to retrieve assets. Our global business is affected by local economic environments, including inflation, recession and currency volatility. Political changes, some of which may be disruptive, can interfere with our supply chain, our customers and all of our activities in a particular location. While some of these risks can be hedged using derivatives or other financial instruments and some are insurable, such attempts to mitigate these risks are costly

and not always successful.

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**Our credit ratings are important to our cost of capital**

The major debt agencies routinely evaluate our debt and have given their highest debt ratings to us. One of our strategic objectives is to maintain these “Triple A” ratings as they serve to lower our borrowing costs and facilitate our access to a variety of lenders. Failure to maintain our Triple A debt rating could adversely affect our cost of funds and related margins.

**The disposition of businesses that do not fit with our evolving strategy can be highly uncertain**

We will continue to evaluate the potential disposition of assets and businesses that may no longer help us meet our objectives. Our decision to sell Genworth is a recent example of a disposition decision. When we decide to sell assets or a business, we may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the accomplishment of our strategic objectives, or we may dispose of a business at a price or on terms which are less than we had anticipated. In addition, there is a risk that we sell a business whose subsequent performance exceeds our expectations, in which case our decision would have potentially sacrificed enterprise value. Correspondingly, we may be too optimistic about a particular business's prospects, in which case we may be unable to find a buyer at a price acceptable to us and therefore may have potentially sacrificed enterprise value.

**Item 1B. Unresolved Staff Comments.**

Not applicable.

**Item 2. Properties.**

We conduct our business from various facilities, most of which are leased. The locations of our primary facilities are described in Item 1. Business.

**Item 3. Legal Proceedings.**

In January 2005, the Boston District Office of the U.S. Securities and Exchange Commission (SEC) informed GE that it had commenced an investigation and requested that GE and GECC voluntarily provide certain documents and information with respect to the use of hedge accounting for derivatives by GE and GECC. The SEC Staff advised GE in August 2005 that the SEC had issued a formal order of investigation in connection with this matter, which GE believes to be a common step in the process in such matters. GE and GECC have continued to voluntarily provide documents and information to the SEC Staff and we are cooperating fully with its investigation.

On June 14, 2005, GE received a subpoena from the U.S. Attorney’s Office for the Southern District of New York seeking documents relating to finite risk insurance. The subpoena is general in nature. GE received a similar subpoena from the Northeast Regional Office of the SEC on April 29, 2005. We are cooperating fully with the SEC and the U.S. Attorney’s Office.

**Item 4. Submission of Matters to a Vote of Security Holders.**

Not required by this form.

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## PART II

### Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

See note 15 to the consolidated financial statements. Our common stock is owned entirely by GE Capital Services and, therefore, there is no trading market in such stock.

### Item 6. Selected Financial Data.

The selected financial data set forth in this Item 6 have been restated to reflect adjustments to our consolidated financial statements and other financial information contained in our Annual Report on Form 10-K for the year ended December 31, 2005, originally filed with the U.S. Securities and Exchange Commission (SEC) on March 3, 2006. The following selected financial data should be read in conjunction with our financial statements and the related Notes to Consolidated Financial Statements.

Information below is divided into two tables. The first table reflects the "as reported" financial data; the second table sets forth the "as restated" financial data for that information affected by the restatement.

| <i>(In millions)</i>  | <b>2005</b> |         | <b>2004</b> |         | <b>2003</b> |         | <b>2002</b> |         | <b>2001</b> |         |
|---|-------------|---------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|
| Revenues  | \$          | 55,515  | \$          | 50,093  | \$          | 41,605  | \$          | 38,432  | \$          | 38,393  |
| Earnings from continuing operations before accounting changes             |             | 8,666   |             | 7,818   |             | 6,070   |             | 5,339   |             | 4,716   |
| Earnings from discontinued operations, net of taxes                       |             | 928     |             | 442     |             | 1,396   |             | 1,215   |             | 1,294   |
| Earnings before accounting changes  |             | 9,594   |             | 8,260   |             | 7,466   |             | 6,554   |             | 6,010   |
| Cumulative effect of accounting changes                                   |             | -       |             | -       |             | (339)   |             | (1,015) |             | (1)     |
| Net earnings  |             | 9,594   |             | 8,260   |             | 7,127   |             | 5,539   |             | 6,009   |
| Shareowner's equity   |             | 50,188  |             | 53,958  |             | 46,692  |             | 40,126  |             | 31,739  |
| Minority interest   |             | 2,212   |             | 2,325   |             | 2,512   |             | 1,834   |             | 1,650   |
| Short-term borrowings   |             | 149,679 |             | 147,293 |             | 146,865 |             | 120,859 |             | 152,626 |
| Long-term borrowings  |             | 206,206 |             | 201,392 |             | 162,541 |             | 138,452 |             | 76,140  |
| Return on average shareowner's equity <sup>(a)</sup>                      |             | 18.32%  |             | 17.29%  |             | 14.75%  |             | 16.32%  |             | 17.14%  |
| Ratio of earnings to fixed charges  |             | 1.66    |             | 1.82    |             | 1.71    |             | 1.62    |             | 1.56    |
| Ratio of earnings to combined fixed charges and preferred stock dividends |             | 1.66    |             | 1.81    |             | 1.71    |             | 1.61    |             | 1.55    |
| Ratio of debt to equity   |             | 7.09:1  |             | 6.46:1  |             | 6.63:1  |             | 6.46:1  |             | 7.21:1  |
| Financing receivables - net   | \$          | 284,567 | \$          | 279,588 | \$          | 245,503 | \$          | 195,322 | \$          | 169,615 |
| Total assets of continuing operations                                     |             | 472,292 |             | 462,837 |             | 407,194 |             | 350,080 |             | 298,852 |
| Total assets  |             | 475,273 |             | 566,885 |             | 506,773 |             | 439,434 |             | 381,065 |

(a)

Represents earnings from continuing operations before accounting changes divided by average total shareowner's equity, excluding effects of discontinued operations (on an annual basis, calculated using a five-point average). Average total shareowner's equity, excluding effects of discontinued operations, as of the end of each of the years in the five-year period ended December 31, 2005, is described in the Supplemental Information section.

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| <i>(In millions)</i>  | <b>2005</b><br><b>(Restated)</b> | <b>2004</b><br><b>(Restated)</b> | <b>2003</b><br><b>(Restated)</b> | <b>2002</b><br><b>(Restated)</b> | <b>2001</b><br><b>(Restated)</b> |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Revenues  | \$ 56,010                        | \$ 50,589                        | \$ 42,123                        | \$ 36,636                        | \$ 37,932                        |
| Earnings from continuing operations before accounting changes             | 8,998                            | 8,148                            | 6,388                            | 4,235                            | 4,419                            |
| Earnings from discontinued operations, net of taxes                       | 928                              | 442                              | 1,396                            | 1,215                            | 1,294                            |
| Earnings before accounting changes  | 9,926                            | 8,590                            | 7,784                            | 5,450                            | 5,713                            |
| Cumulative effect of accounting changes                                   | -                                | -                                | (339)                            | (1,015)                          | (1)                              |
| Net earnings  | 9,926                            | 8,590                            | 7,445                            | 4,435                            | 5,712                            |
| Shareowner's equity   | 50,190                           | 54,038                           | 46,722                           | 40,019                           | 31,757                           |
| Return on average shareowner's equity <sup>(a)</sup>                      | 16.83%                           | 16.49%                           | 14.53%                           | 12.37%                           | 14.06%                           |
| Ratio of earnings to fixed charges  | 1.70                             | 1.87                             | 1.77                             | 1.43                             | 1.51                             |
| Ratio of earnings to combined fixed charges and preferred stock dividends | 1.70                             | 1.87                             | 1.76                             | 1.43                             | 1.50                             |
| Ratio of debt to equity   | 7.09:1                           | 6.45:1                           | 6.62:1                           | 6.48:1                           | 7.20:1                           |
| Total assets of continuing operations                                     | 472,278                          | 462,936                          | 407,199                          | 349,851                          | 298,871                          |
| Total assets  | 475,259                          | 566,984                          | 506,778                          | 439,205                          | 381,084                          |

(a) Represents earnings from continuing operations before accounting changes divided by average total shareowner's equity, excluding effects of discontinued operations (on an annual basis, calculated using a five-point average). Average total shareowner's equity, excluding effects of discontinued operations, as of the end of each of the years in the five-year period ended December 31, 2005, is described in the Supplemental Information section.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### 2007 Restatement

As discussed in the explanatory note to this Form 10-K/A and in note 1 to our financial statements, we are restating financial statements and other financial information for the years 2005, 2004 and 2003, and financial information for the years 2002 and 2001, and for each of the quarters in the years 2005 and 2004. The restatement adjusts our accounting for interest rate swap transactions related to a portion of the commercial paper issued by GECC, and General Electric Capital Services, Inc. (GECS), from January 1, 2001, the date we adopted Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The restatement has no effect on our cash flows or liquidity, and its effects on our financial position at the ends of the respective restated periods are immaterial.

Interest rate swaps - agreements under which we pay a fixed rate of interest and receive a floating rate of interest on an agreed notional amount - are used in meeting our objective of managing interest rate risk related to our commercial paper program. Many of our financial assets - such as loans and leases - have long-term, fixed-rate yields, and funding them with proceeds of commercial paper would expose us to interest rate risk. Interest rate swaps are used to manage this risk. We use commercial paper in connection with interest rate swaps because that financing structure is highly effective at fixing interest rates, enabling us to match fixed rate assets with fixed rate funding (or “match funding”) provided by the hedged commercial paper. Consistent with our hedge documentation, we had measured and recognized hedge ineffectiveness each reporting period in accordance with the requirements of SFAS 133. We had never used the short-cut treatment provided for in SFAS 133 for any of these hedges.

The following table sets forth the effects of the errors in accounting for interest rate swaps related to our commercial paper hedging program, more fully described beginning on page 3, on our previously reported earnings for the years 2001 through 2005, and each of the quarters in the years 2004 and 2005.

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| <i>(In millions)</i>   | <b>Increase (decrease) in earnings from continuing operations before accounting changes</b> |             |             |             |             |
|--|---|-------------|-------------|-------------|-------------|
|  | <b>2005</b>   | <b>2004</b> | <b>2003</b> | <b>2002</b> | <b>2001</b> |
| Total adjustment   | \$ 332  | \$ 330      | \$ 318      | \$ (1,104)  | \$ (297)    |
| Previously reported earnings from continuing operations before accounting changes                        | \$ 8,666  | \$ 7,818    | \$ 6,070    | \$ 5,339    | \$ 4,716    |
| Percent variation from previously reported earnings from continuing operations before accounting changes | 3.8%  | 4.2%        | 5.2%        | (20.7)%     | (6.3)%      |

| <i>(In millions)</i>   | <b>Increase (decrease) in earnings from continuing operations<sup>(a)</sup></b> |                            |                            |                            |                            |                            |                            |                            |
|--|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|  | <b>2005</b>   |                            |                            |                            | <b>2004</b>                |                            |                            |                            |
| <b>Quarter</b>   | <b>4<sup>th</sup> Qtr.</b>  | <b>3<sup>rd</sup> Qtr.</b> | <b>2<sup>nd</sup> Qtr.</b> | <b>1<sup>st</sup> Qtr.</b> | <b>4<sup>th</sup> Qtr.</b> | <b>3<sup>rd</sup> Qtr.</b> | <b>2<sup>nd</sup> Qtr.</b> | <b>1<sup>st</sup> Qtr.</b> |
| Total adjustment   | \$ 90   | \$ 154                     | \$ (118)                   | \$ 206                     | \$ 99                      | \$ (201)                   | \$ 549                     | \$ (117)                   |
| Previously reported earnings from continuing operations                        | \$ 2,405  | \$ 2,397                   | \$ 2,034                   | \$ 1,830                   | \$ 2,674                   | \$ 2,106                   | \$ 1,496                   | \$ 1,542                   |
| Percent variation from previously reported earnings from continuing operations | 3.7%  | 6.4%                       | (5.8)%                     | 11.3%                      | 3.7%                       | (9.5)%                     | 36.7%                      | (7.6)%                     |

(a) See also note 21 to the Notes to Consolidated Financial Statements - Quarterly Information (Unaudited), as restated.

Changes to our previously reported earnings detailed above reflect the volatility resulting from recognizing changes in the fair value of our commercial paper interest rate swaps immediately in earnings, rather than recording them in earnings over the remaining term of the hedging relationship. Values of these swaps move directly with changes in interest rates: increases in interest rates produce positive earnings effects from fair value gains on the interest rate swaps, as the amount of cash we receive on the swaps' variable cash flow stream increases versus its fixed payment stream; similarly, negative earnings effects result from fair value losses on the swaps associated with decreases in interest rates as the amount of cash received on the swaps' variable cash flow stream decreases versus its fixed payment stream. Interest rates generally trended downward during the period from 2001 to the present, explaining the slightly negative effect on earnings from this accounting error correction. However, interest rates were volatile within the years - for example increasing sharply second quarter of 2004 and first quarter of 2005, resulting in more

pronounced positive earnings effects in those periods. As these swaps are used in match funding arrangements, which protect against the economic exposure to changes in interest rates, there are offsetting fair value changes associated with the related fixed rate assets. Because fair value changes related to fixed rate assets are not recognized in earnings under the current accounting model, the elimination of hedge accounting through correction of the error presents the current earnings effects of only one of two equal and offsetting components of the economic relationship.

The effects of those corrections resulted in a cumulative earnings decrease of \$0.4 billion through December 31, 2005, all of which were related to interest rate swaps used in our commercial paper hedging program. Reversal of these cumulative adjustments will affect net earnings positively over the terms of the underlying interest rate swaps, but to a degree that we do not expect to be significant in any individual period given the terms of the

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arrangements and actions taken to eliminate the accounting volatility by modifying the documentation in a manner that will enable the swaps to qualify for hedge accounting effective January 1, 2007.

## Operations

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

We present Management’s Discussion of Operations in four parts: Overview of Our Earnings from 2003 through 2005, Global Risk Management, Segment Operations and Global Operations.

### Overview of Our Earnings from 2003 through 2005

Our results over the last several years reflect the global economic environment in which we operate. During these years, the economy has grown, but at a rate that, in historic terms, has been relatively modest. Long-term interest rates have been stable. We also experienced a weaker, but recently strengthening, U.S. dollar, escalating energy costs and higher fossil fuel-related raw material prices. Market developments in the commercial aviation industry also had significant effects on our results. We had 1,405 commercial aircraft on lease at December 31, 2005, an increase of 63 aircraft from last year. All of our aircraft were on lease at the end of 2005, and at that time we held \$10.6 billion (list price) of multiple-year orders for various Boeing, Airbus and other aircraft, including 73 aircraft (\$4.8 billion list price) scheduled for delivery in 2006, all under agreement to commence operations with commercial airline customers. As the following pages show, our diversification and risk management strategies enabled us to continue to grow revenues and earnings to record levels during this challenging time.

GE Commercial Finance and GE Consumer Finance (together, 70% and 84% of total three-year revenues and total segment profit, respectively) are large, profitable growth businesses in which we continue to invest with confidence. In a challenging economic environment, these businesses grew earnings by a combined \$1.2 billion and \$0.9 billion in 2005 and 2004, respectively. GE Commercial Finance and GE Consumer Finance have delivered strong results through solid core growth, disciplined risk management and successful acquisitions. The most significant acquisitions affecting GE Commercial Finance and GE Consumer Finance results in 2005 were the commercial lending business of Transamerica Finance Corporation; WMC Finance Co. (WMC), a U.S. wholesale mortgage lender; Australian Financial Investments Group (AFIG), a residential mortgage lender in Australia; and the Transportation Financial Services Group of CitiCapital. These acquisitions collectively contributed \$1.9 billion and \$0.2 billion to 2005 revenues and net earnings, respectively.

Overall, acquisitions contributed \$3.0 billion, \$3.3 billion and \$2.3 billion to total revenues in 2005, 2004 and 2003, respectively. Our total net earnings in 2005, 2004 and 2003 included approximately \$0.3 billion, \$0.5 billion and \$0.3 billion, respectively, from acquired businesses. We integrate acquisitions as quickly as possible. Only revenues and earnings from the date we complete the acquisition through the end of the fourth following quarter are attributed to such businesses. Dispositions also affected our operations through lower revenues of \$1.4 billion, \$2.4 billion and \$1.7 billion in 2005, 2004 and 2003, respectively. This resulted in lower earnings of \$0.4 billion and \$0.3 billion in 2005 and 2004, respectively, and higher earnings of \$0.1 billion in 2003.

Significant matters relating to our Statement of Earnings are explained below.

**Insurance Exit.** In 2005, we reduced our exposure to insurance in a disciplined fashion and our exit is now in sight.

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In May 2004, we completed the initial public offering of Genworth Financial, Inc. (Genworth), our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. Throughout 2005, we continued to reduce our ownership in Genworth, currently at 18%. We intend to continue to dispose of our remaining shares in 2006, subject to market conditions. We reported Genworth as discontinued operations for all periods presented. Unless otherwise indicated, we refer to captions such as revenues and earnings from continuing operations simply as “revenues” and “earnings” throughout this Management’s Discussion and Analysis. Similarly, discussion of other matters in our consolidated financial statements relates to continuing operations unless otherwise indicated.

**Restated interest on borrowings** amounted to \$14.0 billion, \$10.9 billion and \$9.7 billion in 2005, 2004 and 2003, respectively. Changes over the three-year period reflected increased average borrowings and increased interest rates. Our average borrowings were \$338.1 billion, \$311.4 billion and \$297.0 billion in 2005, 2004 and 2003, respectively. Our average composite effective interest rate was 4.2% in 2005, compared with 3.5% in 2004 and 3.3% in 2003. Proceeds of these borrowings were used in part to finance asset growth and acquisitions. In 2005, our average assets of \$464.7 billion were 9% higher than in 2004, which in turn were 12% higher than in 2003. See the Financial Resources and Liquidity section for a discussion of interest rate risk management.

**Restated income taxes.** Income taxes are a significant cost. As a global commercial enterprise, our tax rates are affected by many factors, including our global mix of earnings, legislation, acquisitions, dispositions and tax characteristics of our income. Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions.

Our effective tax rate decreased to 11.4% in 2005 from 16.6% in 2004 and 17.0% in 2003. The 2005 rate reflects the net benefits, discussed below, of a reorganization of our aircraft leasing business; and an increase in lower-taxed earnings from global operations. Together, these items more than account for the 7.6 percentage point decrease in rate from 2004 reflected in the line “Tax on global activities including exports” in note 13. Partially offsetting these benefits was the nonrecurrence of the benefits from 2004 favorable settlements with the U.S. Internal Revenue Service (IRS) and the low-taxed disposition of a majority interest in Gecis, our business process outsourcing operation (now Genpact). The lack of counterparts to these items increased the 2005 tax rate by 1.8 percentage points.

The effective tax rate of 16.6% in 2004 and 17.0% in 2003 also reflected the net benefits, discussed below, of a reorganization of our aircraft leasing business, which decreased the 2004 effective tax rate 1.6 percentage points and is included in the line “Tax on global activities including exports” in note 13; tax benefits from favorable IRS settlements, which decreased the 2004 effective tax rate 1.2 percentage points and is included in the line “All other - net” in note 13; and the low-taxed disposition of a majority interest in Genpact which decreased the 2004 effective tax rate 0.9 percentage points, and is included in the line “Tax on global activities including exports” in note 13. Offsetting these benefits was the effect of higher pre-tax income.

As a result of the repeal of the extraterritorial income (ETI) taxing regime as part of the American Jobs Creation Act of 2004 (the Act), our aircraft leasing business no longer qualifies for a reduced U.S. tax rate. However, the Act also extended to aircraft leasing, the U.S. tax deferral benefits that were already available to other GE non-U.S. active operations. These legislative changes, coupled with a reorganization of our aircraft leasing business and a favorable Irish tax ruling, decreased our effective tax rate 3.0 percentage points in 2005 and 1.6 percentage points in 2004.

## Global Risk Management

A disciplined approach to risk is important in a diversified organization such as ours in order to ensure that we are executing according to our strategic objectives and that we only accept risk for which we are adequately compensated. It is necessary for us to manage risk at the individual transaction level, and to consider aggregate risk at the customer, industry, geography and collateral-type levels, where appropriate.

Our Board of Directors oversees the risk management process, and approves directly or by delegation all significant acquisitions and dispositions as well as borrowings and investments. All participants in the risk management process must comply with approval limits established by the Board.

The Chief Risk Officer is responsible, through the Corporate Risk Function, for establishing standards for the measurement, reporting and limiting of risk; for managing and evaluating risk managers; for approving risk management policies; and for reviewing major risk exposures and concentrations across the organization. Our Corporate Risk Function analyzes certain business risks and assesses them in relation to aggregate risk appetite and approval limits set by our Board of Directors.

Threshold responsibility for identifying, quantifying and mitigating risks is assigned to our individual businesses. Because the risks and their interdependencies are complex, we apply a Six Sigma-based analytical approach to each major product line that monitors performance against external benchmarks, proactively manages changing circumstances, provides early warning detection of risk and facilitates communication to all levels of authority. Other corporate functions such as Financial Planning and Analysis, Treasury, Legal and our Corporate Audit Staff support business-level risk management. Businesses that, for example, hedge financial risk with derivative financial instruments must do so using our centrally-managed Treasury function, providing assurance that the business strategy complies with our corporate policies and achieves economies of scale. We review risks periodically with business-level risk managers, senior management and our Board of Directors.

We employ about 11,000 dedicated risk professionals, including 6,600 involved in collection activities and 400 specialized asset managers who evaluate leased asset residuals and remarket off-lease equipment.

We manage a variety of risks including liquidity, credit, market and event risks.

☛ Liquidity risk is the risk of being unable to accommodate liability maturities, fund asset growth and meet contractual obligations through access to funding at reasonable market rates. Additional information about our liquidity and how we manage this risk can be found in the Financial Resources and Liquidity section and in notes 11 and 18.

- Credit risk is the risk of financial loss arising from a customer or counterparty failure to meet its contractual obligations. We face credit risk in our lending and leasing activities (see the Financial Resources and Liquidity and Critical Accounting Estimates sections and notes 1, 6, 7 and 20) and derivative financial instruments activities (see note 18).

☛ Market risk is the potential loss in value of investment and other asset and liability portfolios, including financial instruments, caused by changes in market variables, such as interest and currency exchange rates and equity and commodity prices. We are exposed to market risk in the normal course of our business operations as a result of our ongoing investing and funding activities. We attempt to mitigate the risks to our various portfolios arising from changes in interest and currency exchange rates in a variety of ways that often include offsetting positions in local currencies or selective use of derivatives. Additional information

about how we mitigate the risks to our various portfolios from changes in interest and currency exchange rates can be found in the Financial Resources and Liquidity section and in note 18.

Event risk is that body of risk beyond liquidity, credit and market risk. Event risk includes the possibility of adverse occurrences both within and beyond our control. Examples of event risk include natural disasters, availability of necessary materials, guarantees of product performance and business interruption. This type of risk is often insurable, and success in managing this risk is ultimately determined by the balance between the level of risk retained or assumed and the cost of transferring the risk to others. The decision as to the appropriate level of event risk to retain or cede is evaluated in the framework of business decisions. Additional information about certain event risk can be found in note 20.

### **Segment Operations**

Operating segments comprise our four businesses focused on the broad markets they serve: GE Commercial Finance, GE Consumer Finance, GE Industrial and GE Infrastructure. For segment reporting purposes, certain financial services businesses are included in the industrial operating segments that actively manage such businesses and report their results for internal performance measurement purposes. These include Aviation Financial Services, Energy Financial Services and Transportation Finance reported in the GE Infrastructure segment, and Equipment Services reported in the GE Industrial segment.

In the fourth quarter of 2005, we commenced reporting Genworth, which was previously reported in the GE Commercial Finance segment, as discontinued operations for all periods presented. Also, during the fourth quarter of 2005, our insurance activities, previously reported in the GE Commercial Finance segment, were transferred to GECC corporate items and eliminations for all periods presented.

GECC corporate items and eliminations include the effects of eliminating transactions between operating segments; results of our insurance activities remaining in continuing operations; results of liquidating businesses such as consolidated, liquidating securitization entities; underabsorbed corporate overhead; certain non-allocated amounts determined by the Chief Executive Officer; and a variety of sundry items. GECC corporate items and eliminations is not an operating segment. Rather, it is added to operating segment totals to reconcile to consolidated totals on the financial statements.

The Chief Executive Officer allocates resources to, and assesses the performance of operations at the consolidated GE-level. GECC operations are a portion of those segments. We present below in their entirety the four GE segments that include financial services operations. We also provide a one-line reconciliation to GECC-only results, the most significant component of which is the elimination of GE businesses that are not financial services businesses. In addition to providing information on GE segments in their entirety, we have also provided supplemental information for certain businesses within the GE segments. Our Chief Executive Officer does not separately assess the performance of, or allocate resources among, these product lines.

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

Segment profit always excludes the effects of principal pension plans and results reported as discontinued operations and accounting changes. Segment profit excludes or includes interest and other financial charges and income taxes according to how a particular segment's management is measured - excluded in determining segment

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profit, which we refer to as “operating profit,” for GE Healthcare, GE NBC Universal and the industrial businesses of the GE Industrial and GE Infrastructure segments; included in determining segment profit, which we refer to as “net earnings,” for GE Commercial Finance, GE Consumer Finance, and the financial services businesses of the GE Industrial segment (Equipment Services) and the GE Infrastructure segment (Aviation Financial Services, Energy Financial Services and Transportation Finance).

For additional information about our segments, see Item 1, Business and note 17.

### Summary of Operating Segments

| <i>(In millions)</i>   | <b>2005</b><br><b>(Restated)</b> | <b>2004</b><br><b>(Restated)</b> | <b>2003</b><br><b>(Restated)</b> |
|--|----------------------------------|----------------------------------|----------------------------------|
| <b>Revenues</b>  |                                  |                                  |                                  |
| GE Commercial Finance  | \$ 20,646                        | \$ 19,524                        | \$ 16,927                        |
| GE Consumer Finance  | 19,416                           | 15,734                           | 12,845                           |
| GE Industrial  | 32,631                           | 30,722                           | 24,988                           |
| GE Infrastructure  | 41,803                           | 37,373                           | 36,569                           |
| Total segment revenues   | 114,496                          | 103,353                          | 91,329                           |
| GECC corporate items and eliminations, as restated <sup>(a)</sup>    | 4,895                            | 4,935                            | 5,568                            |
| Total revenues   | 119,391                          | 108,288                          | 96,897                           |
| Less portion of GE revenues not included in GECC                     | (63,381)                         | (57,699)                         | (54,774)                         |
| Total revenues in GECC   | \$ 56,010                        | \$ 50,589                        | \$ 42,123                        |
| <b>Segment profit</b>  |                                  |                                  |                                  |
| GE Commercial Finance  | \$ 4,290                         | \$ 3,570                         | \$ 2,907                         |
| GE Consumer Finance  | 3,050                            | 2,520                            | 2,161                            |
| GE Industrial  | 2,559                            | 1,833                            | 1,385                            |
| GE Infrastructure  | 7,769                            | 6,797                            | 7,362                            |
| Total segment profit   | 17,668                           | 14,720                           | 13,815                           |
| GECC corporate items and eliminations, as restated                   | 277                              | 1,210                            | 589                              |
| Less portion of GE segment profit not included in GECC               | (8,947)                          | (7,782)                          | (8,016)                          |
| Earnings in GECC from continuing operations before accounting change | 8,998                            | 8,148                            | 6,388                            |
| Earnings in GECC from discontinued operations, net of taxes          | 928                              | 442                              | 1,396                            |
| Earnings in GECC before accounting change                            | 9,926                            | 8,590                            | 7,784                            |
| Cumulative effect of accounting change                               | -                                | -                                | (339)                            |
| Total net earnings in GECC   | \$ 9,926                         | \$ 8,590                         | \$ 7,445                         |

(a) Primarily revenues associated with our insurance activities remaining in continuing operations that were previously reported in the GE Commercial Finance segment.

**GE Commercial Finance**

| <i>(In millions)</i>                                       | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|--|-------------|-------------|-------------|
| <b>Revenues</b>  | \$ 20,646   | \$ 19,524   | \$ 16,927   |
| Less portion of GE Commercial Finance not included in GECC | (632)       | (456)       | (300)       |
| Total revenues in GECC                                     | \$ 20,014   | \$ 19,068   | \$ 16,627   |
| <b>Segment profit</b>                                      | \$ 4,290    | \$ 3,570    | \$ 2,907    |
| Less portion of GE Commercial Finance not included in GECC | (301)       | (177)       | (99)        |
| Total segment profit in GECC                               | \$ 3,989    | \$ 3,393    | \$ 2,808    |

| <i>December 31 (In millions)</i>                           | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|
| <b>Total assets</b>  | \$ 190,546  | \$ 184,388  |
| Less portion of GE Commercial Finance not included in GECC | (1,408)     | 508         |
| Total assets in GECC                                       | \$ 189,138  | \$ 184,896  |

| <i>(In millions)</i>        | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|-----------------------------|-------------|-------------|-------------|
| <b>Revenues in GE</b>       |             |             |             |
| Capital Solutions           | \$ 11,476   | \$ 11,503   | \$ 9,893    |
| Real Estate                 | 3,492       | 3,084       | 2,956       |
| <b>Segment profit in GE</b> |             |             |             |
| Capital Solutions           | \$ 1,515    | \$ 1,325    | \$ 1,184    |
| Real Estate                 | 1,282       | 1,124       | 947         |

| <i>December 31 (In millions)</i> | <b>2005</b> | <b>2004</b> |
|----------------------------------|-------------|-------------|
| <b>Assets in GE</b>              |             |             |
| Capital Solutions                | \$ 87,306   | \$ 80,514   |
| Real Estate                      | 35,323      | 39,515      |

GE Commercial Finance revenues and net earnings increased 6% and 20%, respectively, compared with 2004. Revenues during 2005 and 2004 included \$1.0 billion and \$0.3 billion from acquisitions, respectively, and in 2005 were reduced by \$0.7 billion as a result of dispositions. Revenues during 2005 also increased \$1.1 billion as a result of organic revenue growth (\$0.8 billion) and the weaker U.S. dollar (\$0.3 billion). The increase in net earnings resulted primarily from core growth (\$0.6 billion), including growth in lower-taxed earnings from global operations, acquisitions (\$0.2 billion) and the weaker U.S. dollar (\$0.1 billion), partially offset by lower securitizations (\$0.1 billion).

GE Commercial Finance revenues and net earnings increased 15% and 23%, respectively, compared with 2003. The increase in revenues resulted primarily from acquisitions (\$2.2 billion) and the weaker U.S. dollar (\$0.6 billion), partially offset by lower securitizations (\$0.2 billion). The increase in net earnings resulted primarily from acquisitions (\$0.4 billion), core growth (\$0.3 billion) and the weaker U.S. dollar (\$0.1 billion), partially offset by lower securitizations (\$0.1 billion).

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**GE Consumer Finance**

| <i>(In millions)</i>                                     | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|--|-------------|-------------|-------------|
| <b>Revenues</b>  | \$ 19,416   | \$ 15,734   | \$ 12,845   |
| Less portion of GE Consumer Finance not included in GECC | -           | (9)         | (111)       |
| <b>Total revenues in GECC</b>                            | \$ 19,416   | \$ 15,725   | \$ 12,734   |
| <b>Segment profit</b>                                    | \$ 3,050    | \$ 2,520    | \$ 2,161    |
| Less portion of GE Consumer Finance not included in GECC | 3           | (25)        | 50          |
| <b>Total segment profit in GECC</b>                      | \$ 3,053    | \$ 2,495    | \$ 2,211    |

| <i>December 31 (In millions)</i>                         | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|
| <b>Total assets</b>                                      | \$ 158,829  | \$ 151,255  |
| Less portion of GE Consumer Finance not included in GECC | 763         | (724)       |
| <b>Total assets in GECC</b>                              | \$ 159,592  | \$ 150,531  |

GE Consumer Finance revenues and net earnings increased 23% and 21%, respectively, compared with 2004. Revenues for 2005 included \$1.9 billion from acquisitions. Revenues during 2005 also increased \$1.8 billion as a result of organic revenue growth (\$1.5 billion) and the weaker U.S. dollar (\$0.3 billion). The increase in net earnings resulted primarily from core growth (\$0.6 billion), including growth in lower-taxed earnings from global operations, and acquisitions (\$0.1 billion), partially offset by increased costs to launch new products and promote brand awareness (\$0.2 billion).

GE Consumer Finance revenues and net earnings increased 22% and 17%, respectively, from 2003. The increase in revenues resulted primarily from organic revenue growth (\$1.0 billion), acquisitions (\$1.0 billion) and the weaker U.S. dollar (\$0.8 billion). Organic revenue growth was achieved despite the absence of a 2004 counterpart to the 2003 gain on sale of The Home Depot private-label credit card receivables (\$0.9 billion). The increase in net earnings resulted from core growth (\$0.6 billion), including growth in lower-taxed earnings from global operations, acquisitions (\$0.1 billion), and the weaker U.S. dollar (\$0.1 billion), partially offset by the effects of The Home Depot private-label credit card receivables (\$0.4 billion) and increased costs to launch new products and promote brand awareness in 2004 (\$0.1 billion).

**GE Industrial**

| <i>(In millions)</i>                               | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|--|-------------|-------------|-------------|
| <b>Revenues</b>                                    | \$ 32,631   | \$ 30,722   | \$ 24,988   |
| Less portion of GE Industrial not included in GECC | (26,004)    | (24,151)    | (21,560)    |
| Total revenues in GECC                             | \$ 6,627    | \$ 6,571    | \$ 3,428    |
| <b>Segment profit</b>                              | \$ 2,559    | \$ 1,833    | \$ 1,385    |
| Less portion of GE Industrial not included in GECC | (2,362)     | (1,752)     | (1,418)     |
| Total segment profit in GECC                       | \$ 197      | \$ 81       | \$ (33)     |
| <b>Revenues in GE</b>                              |             |             |             |
| Consumer & Industrial                              | \$ 14,092   | \$ 13,767   | \$ 12,843   |
| Equipment Services                                 | 6,627       | 6,571       | 3,357       |
| Plastics   | 6,606       | 6,066       | 5,501       |
| <b>Segment profit in GE</b>                        |             |             |             |
| Consumer & Industrial                              | \$ 871      | \$ 716      | \$ 577      |
| Equipment Services                                 | 197         | 82          | (76)        |
| Plastics   | 867         | 566         | 503         |

GE Industrial revenues rose 6%, or \$1.9 billion, in 2005 on higher prices (\$1.5 billion), higher volume (\$0.2 billion) and the weaker U.S. dollar (\$0.2 billion) at the industrial businesses in the segment. We realized price increases primarily at Plastics and Consumer & Industrial. Volume increases related primarily to the acquisitions of Edwards Systems Technology and InVision Technologies, Inc. by our Security business, but were partially offset by lower volume at Plastics. Revenues at Equipment Services also increased as a result of organic revenue growth (\$0.4 billion) and acquisitions (\$0.1 billion), partially offset by the effects of the 2004 disposition of IT Solutions (\$0.4 billion). Segment profit rose 35%, or \$0.6 billion, at the industrial businesses in the segment in 2005 as price increases (\$1.5 billion) and higher volume (\$0.1 billion) more than offset higher material and other costs (\$0.8 billion), primarily from commodities such as benzene and natural gas at Plastics, and lower productivity (\$0.2 billion). Segment profit at Equipment Services also increased as a result of improved operating performance, reflecting core growth (\$0.1 billion).

GE Industrial revenues rose 23%, or \$5.7 billion, in 2004 on higher volume (\$2.0 billion), primarily at Consumer & Industrial and Plastics, the weaker U.S. dollar (\$0.5 billion) and higher prices (\$0.1 billion) at the industrial businesses in the segment. Higher prices at Plastics, as demand for plastic resins increased, were partially offset by lower prices at Consumer & Industrial. On January 1, 2004, we consolidated Penske Truck Leasing Co., L.P. (Penske), previously accounted for using the equity method. As a result, consolidated operating lease rentals and other income increased by \$2.6 billion and \$0.6 billion, respectively, from 2003 levels. Segment profit rose 32%, or \$0.4 billion in 2004, as productivity (\$0.8 billion), primarily at Consumer & Industrial and Plastics, higher volume (\$0.1 billion) and higher prices (\$0.1 billion) more than offset higher material and other costs (\$0.8 billion), primarily from commodities such as benzene and natural gas at Plastics. Segment profit at Equipment Services also rose on improved operating performance (\$0.2 billion).

**GE Infrastructure**

| <i>(In millions)</i>                                   | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|--|-------------|-------------|-------------|
| <b>Revenues</b>  | \$ 41,803   | \$ 37,373   | \$ 36,569   |
| Less portion of GE Infrastructure not included in GECC | (36,745)    | (33,083)    | (32,803)    |
| Total revenues in GECC                                 | \$ 5,058    | \$ 4,290    | \$ 3,766    |
| <b>Segment profit</b>                                  | \$ 7,769    | \$ 6,797    | \$ 7,362    |
| Less portion of GE Infrastructure not included in GECC | (6,287)     | (5,828)     | (6,549)     |
| Total segment profit in GECC                           | \$ 1,482    | \$ 969      | \$ 813      |
| <b>Revenues in GE</b>                                  |             |             |             |
| Aviation   | \$ 11,904   | \$ 11,094   | \$ 9,808    |
| Aviation Financial Services                            | 3,504       | 3,159       | 2,881       |
| Energy   | 16,525      | 14,586      | 16,611      |
| Energy Financial Services                              | 1,349       | 972         | 805         |
| Oil & Gas  | 3,598       | 3,135       | 2,842       |
| Transportation   | 3,577       | 3,007       | 2,543       |
| <b>Segment profit in GE</b>                            |             |             |             |
| Aviation   | \$ 2,573    | \$ 2,238    | \$ 1,809    |
| Aviation Financial Services                            | 764         | 520         | 506         |
| Energy   | 2,665       | 2,543       | 3,875       |
| Energy Financial Services                              | 646         | 376         | 280         |
| Oil & Gas  | 411         | 331         | 264         |
| Transportation   | 524         | 516         | 450         |

GE Infrastructure revenues rose 12%, or \$4.4 billion, in 2005 as higher volume (\$4.3 billion) was partially offset by lower prices (\$0.6 billion) at the industrial businesses in the segment. The increase in volume was primarily at Energy, Aviation and Transportation. The decrease in prices was primarily at Energy, and was partially offset by increased prices at Transportation and Aviation. Revenues also increased as a result of organic revenue growth at Energy Financial Services (\$0.4 billion) and Aviation Financial Services (\$0.3 billion).

Segment profit rose 14% to \$7.8 billion, compared with \$6.8 billion in 2004, as higher volume (\$1.0 billion) and productivity (\$0.2 billion including customer settlements and contract terminations) more than offset lower prices (\$0.6 billion) and the effects of higher material and other costs (\$0.3 billion) at the industrial businesses in the segment. The increase in volume primarily related to Energy, Aviation and Transportation. Segment profit also increased as a result of increased net earnings at the financial services businesses. This increase reflected core growth at Energy Financial Services (\$0.3 billion) and core growth at Aviation Financial Services (\$0.2 billion), including growth in lower-taxed earnings from global operations related to a reorganization of our aircraft leasing operations.

GE Infrastructure revenues increased 2%, or \$0.8 billion, in 2004 as the weaker U.S. dollar (\$0.5 billion), primarily at Energy, and higher volume (\$0.4 billion) were partially offset by lower prices (\$0.6 billion) at the industrial businesses of the segment, primarily at Energy. The increase in volume was the net result of increased sales in commercial services and military engines at Aviation and locomotives at Transportation, partially offset by lower sales at Energy. Energy sold 122 large heavy-duty gas turbines in 2004, compared with 175 in 2003. Financial services activity, primarily at Aviation Financial Services and Energy Financial Services, increased revenues primarily from organic revenue growth (\$0.4 billion) and acquisitions (\$0.1 billion).

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Segment profit fell 8%, or \$0.6 billion, in 2004 as lower material costs (\$0.3 billion), primarily at Energy, and higher volume (\$0.1 billion) were more than offset by lower prices (\$0.6 billion) and lower productivity (\$0.6 billion) at the industrial businesses of the segment. The lower productivity was the net effect of lower productivity at Energy, primarily from the anticipated decline in higher margin gas turbine sales and a decrease in customer contract termination fees, partially offset by higher productivity at Aviation. Segment profit from the financial services businesses, primarily Energy Financial Services, increased \$0.1 billion as a result of core growth.

GE Infrastructure orders were \$38.4 billion in 2005, up from \$34.0 billion in 2004. The \$29.2 billion total backlog at year-end 2005 comprised unfilled product orders of \$18.8 billion (of which 65% was scheduled for delivery in 2006) and product service orders of \$10.4 billion scheduled for 2006 delivery. Comparable December 31, 2004, total backlog was \$27.8 billion, of which \$18.2 billion was for unfilled product orders and \$9.6 billion for product services orders.

### Discontinued Insurance Operations

| <i>(In millions)</i>  | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|---|-------------|-------------|-------------|
| Earnings in GECC from discontinued operations, net of taxes | \$ 928      | \$ 442      | \$ 1,396    |

Discontinued operations comprise Genworth, our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. Results of Genworth are reported as discontinued operations for all periods presented.

Earnings from discontinued operations in 2005 reflected Genworth earnings (\$0.9 billion). Dividends we receive from Genworth and any gains or losses on sales of our remaining 18% position in Genworth common stock will also be reported in discontinued operations.

Earnings from discontinued operations in 2004 reflected earnings of Genworth (\$0.4 billion), including our share of 2004 earnings from operations (\$0.8 billion), partially offset by the loss on the Genworth initial public offering in May 2004 (\$0.3 billion).

For additional information related to discontinued operations see note 2.

### Global Operations

Our global activities span all geographic regions and primarily encompass leasing of aircraft and provision of financial services within these regional economies. Thus, when countries or regions experience currency and/or economic stress, we often have increased exposure to certain risks, but also often have new profit opportunities. Potential increased risks include, among other things, higher receivable delinquencies and bad debts, delays or cancelations of sales and orders principally related to aircraft equipment, higher local currency financing costs and slowdown in our established activities. New profit opportunities include, among other things, more opportunities for lower cost outsourcing, expansion of our activities through purchases of companies or assets at reduced prices and lower U.S. debt financing costs.

Estimated results of global activities include the results of our operations located outside the United States. We classify certain operations that cannot meaningfully be associated with specific geographic areas as "Other Global" for this purpose.



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Global revenues rose 18% to \$29.7 billion in 2005 compared with \$25.2 billion and \$21.3 billion in 2004 and 2003, respectively. Global revenues as a percentage of total revenues were 53% in 2005, compared with 50% and 51% in 2004 and 2003, respectively.

Revenues in the Pacific Basin increased 28% in 2005, primarily as a result of the acquisition of AFIG at GE Consumer Finance and organic revenue growth at GE Consumer Finance and GE Commercial Finance. Revenues increased 25% in Europe primarily as a result of higher investment income (largely offset by policyholder dividends) at our insurance activities, and organic revenue growth and acquisitions at GE Consumer Finance and GE Commercial Finance. Revenues in Other Global decreased 3% primarily as a result of the absence of a current-year counterpart to the 2004 gain on the sale of a majority interest in Genpact, partially offset by organic revenue growth at GE Infrastructure.

Global pre-tax earnings were \$5.5 billion in 2005, an increase of 9% over 2004, which were 38% higher than in 2003. Pre-tax earnings in 2005 rose 28% in the Americas and 27% in Europe as a result of core growth, primarily at GE Commercial Finance and GE Consumer Finance. These increases in pre-tax earnings were partially offset by a 43% decrease in Other Global in 2005 as a result of the absence of a current-year counterpart to the 2004 gain on the sale of a majority interest in Genpact, and higher costs at GE Infrastructure.

Our global assets on a continuing basis of \$261.9 billion at the end of 2005 were 1% higher than at the end of 2004, reflecting acquisitions and core growth, almost fully offset by the recently strengthening U.S. dollar.

Financial results of our global activities reported in U.S. dollars are affected by currency exchange. We use a number of techniques to manage the effects of currency exchange, including selective borrowings in local currencies and selective hedging of significant cross-currency transactions. Such principal currencies are the pound sterling, the euro, the Japanese yen and the Canadian dollar.

## **Financial Resources and Liquidity**

This discussion of financial resources and liquidity addresses the Statement of Financial Position, the Statement of Changes in Shareowner's Equity, the Statement of Cash Flows, Contractual Obligations, Off-Balance Sheet Arrangements, and Debt Instruments, Guarantees and Covenants.

### **Overview of Financial Position**

Major changes in our financial position resulted from the following:

- In the fourth quarter of 2005, GE completed a Genworth secondary public offering, which reduced our ownership in Genworth from 27% to 18%. We have separately reported the assets and liabilities related to Genworth as discontinued operations for all periods presented.
- Our discontinued operations assets and liabilities decreased by \$99.6 billion on September 27, 2005, when we reduced our ownership of Genworth to 27%, a level of investment that is reported as an associated company. As an associated company, our ongoing interest in Genworth operating results were presented on a one-line basis. This deconsolidation had a significant effect on our assets and liabilities of discontinued operations.
- During 2005, we completed acquisitions of the Transportation Financial Services Group of CitiCapital, the Inventory Finance division of Bombardier Capital, Antares Capital Corp., a unit of Massachusetts Mutual Life Insurance Co., and ING's portion of Heller AG.

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The U.S. dollar was stronger at December 31, 2005, than it was at December 31, 2004, reducing the translated levels of our non-U.S. dollar assets and liabilities. However, on average, the U.S. dollar in 2005 has been weaker than during the comparable 2004 period, resulting in increases in reported levels of non-U.S. dollar operations as noted in the preceding Operations section.

### Statement of Financial Position

**Investment securities** comprise mainly available-for-sale investment-grade debt securities supporting obligations to annuitants and policyholders, and debt and equity securities designated as trading and associated with certain non-U.S. insurance contractholders who retain the related investment risks and rewards except in the event of our bankruptcy or liquidation. Investment securities were \$29.5 billion at December 31, 2005, compared with \$32.9 billion at December 31, 2004.

We regularly review investment securities for impairment based on both quantitative and qualitative criteria. Quantitative criteria include length of time and amount that each security is in an unrealized loss position and, for fixed maturities whether the issuer is in compliance with terms and covenants of the security. Qualitative criteria include the financial health of and specific prospects for the issuer, as well as our intent and ability to hold the security to maturity or until forecasted recovery. Our impairment reviews involve our finance, risk and asset management teams as well as the portfolio management and research capabilities of our internal and third-party asset managers. Our qualitative review attempts to identify those issuers with a greater than 50% chance of default in the following 12 months. These securities are characterized as “at-risk” of impairment. Of available-for-sale securities with unrealized losses at December 31, 2005, an inconsequential amount was at risk of being charged to earnings in the next 12 months.

Impairment losses for 2005 were insignificant compared with \$0.1 billion in 2004. We recognized impairments in both periods for issuers in a variety of industries; we do not believe that any of the impairments indicate likely future impairments in the remaining portfolio.

Gross unrealized gains and losses were \$0.6 billion and \$0.2 billion, respectively, at December 31, 2005, compared with \$0.8 billion and \$0.4 billion, respectively, at December 31, 2004. At December 31, 2005, available accounting gains could be as much as \$0.4 billion, net of consequential adjustments to certain insurance assets that are amortized based on anticipated gross profits. The market values we used in determining unrealized gains and losses are those defined by relevant accounting standards and should not be viewed as a forecast of future gains or losses. See note 5.

We also hold collateralized investment securities issued by various airlines, including those operating in bankruptcy. Total amortized cost of these securities was \$1.6 billion at December 31, 2005, and total fair value was \$1.5 billion. Unrealized losses totaling \$0.1 billion were associated with securities in an unrealized loss position for more than 12 months, an improvement from the comparable \$0.3 billion a year earlier. All of these securities have remained current on all payment terms; we do not expect the borrowers to default. Current appraised market values of associated aircraft collateral exceeded both the market value and the amortized cost of our related securities at December 31, 2005, offering protection in the event of foreclosure. Therefore, we expect full recovery of our investment as well as our contractual returns.

**Financing receivables** is our largest category of assets and represents one of our primary sources of revenues. The portfolio of financing receivables, before allowance for losses, was \$289.1 billion at December 31, 2005, and \$285.2 billion at December 31, 2004. The related allowance for losses at December 31, 2005, amounted to \$4.6 billion, compared with \$5.6 billion at December 31, 2004, representing our best estimate of probable losses inherent in the portfolio. The allowance for losses decreased \$1.0 billion from 2004. The 2005 decrease reflected write-offs of

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previously reserved financing receivables (\$0.8 billion), principally commercial aviation loans and leases in our GE Infrastructure segment, and the recently strengthening U.S. dollar (\$0.2 billion). During 2005, changes in U.S. bankruptcy laws prompted certain customers to accelerate filing for bankruptcy protection. These changes had an inconsequential effect on our allowance and earnings. Balances at December 31, 2005 and 2004, included securitized, managed GE trade receivables of \$3.9 billion and \$3.5 billion, respectively. See notes 6 and 7.

A discussion of the quality of certain elements of the financing receivables portfolio follows. For purposes of that discussion, “delinquent” receivables are those that are 30 days or more past due; “nonearning” receivables are those that are 90 days or more past due (or for which collection has otherwise become doubtful); and “reduced-earning” receivables are commercial receivables whose terms have been restructured to a below-market yield.

GE Commercial Finance financing receivables, before allowance for losses, totaled \$128.9 billion at December 31, 2005, compared with \$121.5 billion at December 31, 2004, and consisted of loans and leases to the equipment and leasing, commercial and industrial and real estate industries. This portfolio of receivables increased primarily from core growth (\$38.9 billion) and acquisitions (\$10.9 billion), partially offset by securitizations and sales (\$36.0 billion) and the recently strengthening U.S. dollar (\$2.0 billion). Related nonearning and reduced-earning receivables were \$1.3 billion (1.0% of outstanding receivables) at December 31, 2005, and \$1.4 billion (1.2% of outstanding receivables) at year-end 2004. GE Commercial Finance financing receivables are generally backed by assets and there is a broad spread of geographic and credit risk in the portfolio.

GE Consumer Finance financing receivables, before allowance for losses, were \$130.1 billion at December 31, 2005, compared with \$127.8 billion at December 31, 2004, and consisted primarily of card receivables, installment loans, auto loans and leases, and residential mortgages. This portfolio of receivables increased primarily as a result of core growth (\$11.3 billion) and acquisitions (\$0.4 billion), partially offset by the recently strengthening U.S. dollar (\$7.8 billion), securitizations (\$0.7 billion), loans transferred to assets held for sale (\$0.5 billion) and dispositions (\$0.4 billion). Nonearning consumer receivables were \$2.8 billion at December 31, 2005, compared with \$2.5 billion at December 31, 2004, representing 2.1% and 2.0% of outstanding receivables, respectively. The increase was primarily related to higher nonearning receivables in our European secured financing business, a business that tends to experience relatively higher delinquencies but lower losses than the rest of our consumer portfolio.

GE Infrastructure financing receivables, before allowance for losses, were \$18.9 billion at December 31, 2005, compared with \$20.8 billion at December 31, 2004, and consisted primarily of loans and leases to the commercial aircraft and energy industries. Related nonearning and reduced-earning receivables were insignificant at December 31, 2005, down from \$0.2 billion (0.8% of outstanding receivables) at December 31, 2004.

Other financing receivables, before allowance for losses, were \$11.2 billion and \$15.1 billion at December 31, 2005 and December 31, 2004, respectively, and consisted primarily of financing receivables in consolidated, liquidating securitization entities. This portfolio of receivables decreased because we have stopped transferring assets to these entities. Nonearning receivables at December 31, 2005, were \$0.1 billion (0.7% of outstanding receivables) compared with \$0.2 billion (1.2% of outstanding receivables) at December 31, 2004.

Delinquency rates on managed GE Commercial Finance equipment loans and leases and managed GE Consumer Finance financing receivables follow.

| <i>December 31</i>    | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|-----------------------|-------------|-------------|-------------|
| GE Commercial Finance | 1.31%       | 1.40%       | 1.38%       |
| GE Consumer Finance   | 5.08        | 4.85        | 5.62        |

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Delinquency rates at GE Commercial Finance decreased from December 31, 2004, to December 31, 2005, primarily resulting from improved credit quality across all portfolios. The increase from December 31, 2003, to December 31, 2004, reflected the effect of certain acquired portfolios, partially offset by improvement in the overall core portfolio.

Delinquency rates at GE Consumer Finance increased from December 31, 2004, to December 31, 2005, as a result of higher delinquencies in our European secured financing business, discussed above. The decrease from December 31, 2003, to December 31, 2004, reflected the results of the standardization of our write-off policy, the acquisition of AFIG, and the U.S. acquisition of WMC, with lower relative delinquencies as a result of whole loan sales, partially offset by higher delinquencies in our European secured financing business, discussed above. See notes 6 and 7.

**Other receivables** totaled \$25.7 billion at December 31, 2005, and \$21.2 billion at December 31, 2004, and consisted primarily of nonfinancing customer receivables, insurance receivables, amounts due from GE (generally related to certain material procurement programs), amounts due under operating leases, receivables due on sale of securities and various sundry items.

**Buildings and equipment** consisted primarily of equipment provided to third parties on operating leases. Buildings and equipment amounted to \$50.9 billion at December 31, 2005, up \$4.7 billion from 2004, primarily reflecting acquisitions of commercial aircraft at the Aviation Financial Services business of GE Infrastructure. Details by category of investment are presented in note 8. Additions to buildings and equipment were \$11.2 billion and \$10.3 billion during 2005 and 2004, respectively, primarily reflecting additions of commercial aircraft at the Aviation Financial Services business of GE Infrastructure and vehicles at GE Commercial Finance and the Equipment Services business of GE Industrial.

**Borrowings** amounted to \$355.9 billion at December 31, 2005, of which \$149.7 billion is due in 2006 and \$206.2 billion is due in subsequent years. Comparable amounts at the end of 2004 were \$348.7 billion in total, \$147.3 billion due within one year and \$201.4 billion due thereafter. Included in our total borrowings were borrowings of consolidated, liquidating securitization entities amounting to \$16.8 billion and \$25.8 billion at December 31, 2005 and 2004, respectively. A large portion of our borrowings (\$90.4 billion and \$89.8 billion at the end of 2005 and 2004, respectively) was issued in active commercial paper markets that we believe will continue to be a reliable source of short-term financing. The average remaining terms and interest rates of our commercial paper were 45 days and 4.09% at the end of 2005, compared with 42 days and 2.39% at the end of 2004. Our restated ratio of debt to equity was 7.09 to 1 at the end of 2005 and 6.45 to 1 at the end of 2004. See note 11.

**Exchange rate and interest rate risks** are managed with a variety of straightforward techniques, including match funding and selective use of derivatives. We use derivatives to mitigate or eliminate certain financial and market risks because we conduct business in diverse markets around the world and local funding is not always efficient. In addition, we use derivatives to adjust the debt we are issuing to match the fixed or floating nature of the assets we are acquiring. We apply strict policies to manage each of these risks, including prohibitions on derivatives trading, derivatives market-making or other speculative activities. Following is an analysis of the potential effects of changes in interest rates and currency exchange rates using so-called "shock" tests that model effects of shifts in rates. These are not forecasts.

It is our policy to minimize exposure to interest rate changes. We fund our financial investments using debt or a combination of debt and hedging instruments so that the interest rates and terms of our borrowings match the expected yields and terms on our assets. To test the effectiveness of our positions, we assumed that, on January 1, 2006, interest rates increased by 100 basis points across the yield curve (a "parallel shift" in that curve) and further assumed that the increase remained in place for 2006. We estimated, based





on that year-end 2005 portfolio and holding everything else constant, that our 2006 net earnings would decline by \$0.1 billion.

It is our policy to minimize currency exposures and to conduct operations either within functional currencies or using the protection of hedge strategies. We analyzed year-end 2005 consolidated currency exposures, including derivatives designated and effective as hedges, to identify assets and liabilities denominated in other than their relevant functional currencies. For such assets and liabilities, we then evaluated the effects of a 10% shift in exchange rates between those currencies and the U.S. dollar. This analysis indicated that there would be an inconsequential effect on 2006 earnings of such a shift in exchange rates.

### **Statement of Changes in Shareowner's Equity**

Shareowner's equity decreased \$3.8 billion in 2005, and increased \$7.3 billion in 2004 and \$6.7 billion in 2003. Changes over the three-year period were largely attributable to net earnings, partially offset by dividends declared of \$8.6 billion, \$3.1 billion and \$4.5 billion in 2005, 2004 and 2003, respectively. Also, a redemption of the preferred stock decreased shareowner's equity by \$2.5 billion in 2005. Currency translation adjustments decreased equity by \$2.5 billion in 2005, compared with a \$2.3 billion increase in 2004. Changes in currency translation adjustments reflect the effects of changes in currency exchange rates on our net investment in non-U.S. subsidiaries that have functional currencies other than the U.S. dollar. In 2005, the U.S. dollar strengthened against the pound sterling and euro. In 2004, the pound sterling, euro and, to a lesser extent, Asian currencies strengthened against the U.S. dollar. See note 15. Accumulated currency translation adjustments affect net earnings only when all or a portion of an affiliate is disposed of or substantially liquidated.

### **Overview of Our Cash Flow from 2003 through 2005**

Our cash and equivalents aggregated \$6.2 billion at the end of 2005, reduced from \$8.4 billion at year-end 2004. Over the past three years, our borrowings with maturities of 90 days or less have decreased by \$17.9 billion. New borrowings of \$184.5 billion having maturities longer than 90 days were added during those years, while \$137.1 billion of such long-term borrowings were retired.

Our principal use of cash has been investing in assets to grow our businesses. Of the \$63.9 billion that we invested over the past three years, \$36.8 billion was used for additions to financing receivables; \$28.8 billion was used to invest in new equipment, principally for lease to others; and \$31.5 billion was used for acquisitions of new businesses, the largest of which were the Transportation Financial Services Group of CitiCapital and the Inventory Finance division of Bombardier Capital in 2005; the commercial lending business of Transamerica Finance Corporation and Sophia S.A. in 2004; and First National Bank and Conseco in 2003.

Although we generated \$55.8 billion from operating activities over the last three years, our cash is not necessarily freely available for alternative uses. For example, use of cash generated by our regulated activities is often restricted by such regulations. Further, any reinvestment in financing receivables is shown in cash used for investing activities, not operating activities. Therefore, maintaining or growing our assets requires that we invest much of the cash we generate from operating activities in our earning assets.

Based on past performance and current expectations, in combination with the financial flexibility that comes with a strong balance sheet and the highest credit ratings, we believe that we are in a sound position to grow dividends and continue making selective investments for long-term growth.

**Contractual Obligations**

As defined by reporting regulations, our contractual obligations for future payments as of December 31, 2005, follow.

| <i>(In billions)</i>                           | <b>Payments due by period</b> |             |                  |                  | <b>2011 and thereafter</b> |
|--|-------------------------------|-------------|------------------|------------------|----------------------------|
|  | <b>Total</b>                  | <b>2006</b> | <b>2007-2008</b> | <b>2009-2010</b> |                            |
| Borrowings (note 11)                           | \$ 355.9                      | \$ 149.7    | \$ 84.6          | \$ 47.1          | \$ 74.5                    |
| Interest on borrowings                         | 64.0                          | 12.0        | 17.0             | 10.0             | 25.0                       |
| Operating lease obligations (note 4)           | 4.0                           | 0.8         | 1.2              | 0.9              | 1.1                        |
| Purchase obligations <sup>(a)(b)</sup>         | 22.0                          | 15.0        | 6.0              | 1.0              | -                          |
| Insurance liabilities (note 12) <sup>(c)</sup> | 15.0                          | 4.0         | 4.0              | 1.0              | 6.0                        |
| Other liabilities <sup>(d)</sup>               | 13.0                          | 10.0        | 1.0              | -                | 2.0                        |

(a) Included all take-or-pay arrangements, capital expenditures, contractual commitments to purchase equipment that will be classified as equipment leased to others, software acquisition/license commitments and any contractually required cash payments for acquisitions.

(b) Excluded funding commitments entered into in the ordinary course of business. Further information on these commitments and other guarantees is provided in note 20.

(c) Included guaranteed investment contracts (GICs), structured settlements and single premium immediate annuities based on scheduled payouts, as well as those contracts with reasonably determinable cash flows such as deferred annuities, term life, long-term care, whole life and other life insurance contracts.

(d) Included an estimate of future expected funding requirements related to our pension benefit plans. Because their future cash outflows are uncertain, the following non-current liabilities are excluded from the table above: deferred taxes, derivatives, deferred revenue and other sundry items. See notes 13 and 18 for further information on certain of these items.

**Off-Balance Sheet Arrangements**

We use off-balance sheet arrangements in the ordinary course of business to improve shareowner returns. These securitization transactions also serve as funding sources for a variety of diversified lending and securities transactions. Our securitization transactions are similar to those used by many financial institutions.

In a typical securitization transaction, we sell assets to a special purpose entity (SPE), which has obtained cash by issuing beneficial interests, usually debt, to third parties. Securitization entities commonly use derivatives such as interest rate swaps to match interest rate characteristics of the assets with characteristics of the related beneficial interests. An example is an interest rate swap that serves to convert fixed rate assets to a variable rate, matching the cash flows on SPE floating rate debt. An investor in a beneficial interest usually has recourse to assets in the associated SPE, and often benefits from credit enhancements supporting those assets. The most common credit enhancement is overcollateralization, where we securitize a greater principal amount of assets than debt issued by the SPE. Our other credit enhancements are in the form of liquidity and credit support agreements and guarantee and reimbursement contracts. We have provided \$0.1 billion at year-end 2005 representing our best estimate of the fair value of potential losses under these arrangements.

Historically, we executed securitization transactions using entities sponsored by us and by third parties. Beginning in 2003, we only have executed securitization transactions with third parties in the asset-backed commercial paper and term markets. Securitization entities hold receivables secured by equipment, commercial and residential real estate, credit card receivables and other assets. Our total securitized assets at year-end 2005

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amounted to \$56.2 billion, a \$3.5 billion increase from year-end 2004. Of that total, the off-balance sheet amount was \$38.3 billion, up \$11.5 billion from December 31, 2004, and the amount in consolidated, liquidating securitization entities was \$17.9 billion, down \$8.1 billion from December 31, 2004, reflecting repayments. See note 19 for further information.

We have extensive experience in evaluating economic, liquidity and credit risk related to the assets we securitize. Assets held by these entities are of high quality and we actively monitor them in accordance with our servicing role. We apply rigorous controls to the execution of securitization transactions and continuously monitor developments affecting credit. In view of our experience and taking into consideration the historical depth and liquidity of global commercial paper markets, we believe that, under any plausible future economic scenario, the likelihood is remote that the financial support arrangements we provide to securitization entities could have an adverse effect on our financial position or results of operations.

### **Debt Instruments, Guarantees and Covenants**

The major debt rating agencies routinely evaluate our debt. These agencies have given us the highest debt ratings (long-term rating AAA/Aaa; short-term rating A-1+/P-1). One of our strategic objectives is to maintain these ratings, as they serve to lower our cost of funds and to facilitate our access to a variety of lenders. We manage our businesses in a fashion that is consistent with maintaining these ratings.

We have distinct business characteristics that the major debt rating agencies evaluate both quantitatively and qualitatively.

Quantitative measures include:

- Earnings and profitability, revenue growth, the breadth and diversity of sources of income and return on assets,
- Asset quality, including delinquency and write-off ratios and reserve coverage,

Funding and liquidity, including cash generated from operating activities, leverage ratios such as debt-to-capital, market access, back-up liquidity from banks and other sources, composition of total debt and interest coverage, and

- Capital adequacy, including required capital and tangible leverage ratios.

Qualitative measures include:

- Franchise strength, including competitive advantage and market conditions and position,
- Strength of management, including experience, corporate governance and strategic thinking, and

Financial reporting quality, including clarity, completeness and transparency of all financial performance communications.

Our ratings are supported contractually by a GE commitment to maintain the ratio of earnings to fixed charges at a specified level as described below.

As of January 1, 2003, we extended a business-specific, market-based leverage to the performance measurement of each of our businesses. As a result, at January 1, 2003, debt of \$12.5 billion previously allocated to

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our segments was allocated to GECC corporate items and eliminations. We refer to this as “parent-supported debt.” As of December 31, 2004, \$3.2 billion of such debt remained and was paid down during the first quarter of 2005.

During 2005, we paid \$3.9 billion of special dividends to GE through GECS, which was a portion of the proceeds from the Genworth secondary public offerings.

During 2005, GECC and GECC affiliates issued \$58 billion of senior, unsecured long-term debt and \$2 billion of subordinated debt. This debt was both fixed and floating rate and was issued to institutional and retail investors in the U.S. and 15 other global markets. Maturities for these issuances ranged from one to 40 years. We used the proceeds primarily for repayment of maturing long-term debt, but also to fund acquisitions and organic growth. We anticipate that we will issue between \$55 billion and \$65 billion of additional long-term debt during 2006, mostly to repay maturing long-term debt. The ultimate amount we issue will depend on our needs and on the markets.

Following is the composition of our debt obligations excluding any asset-backed debt obligations, such as debt of consolidated, liquidating securitization entities.

| <i>December 31</i>                     | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|
| Senior notes and other long-term debt  | 59%         | 59%         |
| Commercial paper                       | 24          | 24          |
| Current portion of long-term debt      | 12          | 11          |
| Other - bank and other retail deposits | 5           | 6           |
| Total                                  | 100%        | 100%        |

We target a ratio for commercial paper of 25% to 35% of outstanding debt based on the anticipated composition of our assets and the liquidity profile of our debt. GE Capital is the most widely held name in global commercial paper markets.

We believe that alternative sources of liquidity are sufficient to permit an orderly transition from commercial paper in the unlikely event of impaired access to those markets. Funding sources on which we would rely would depend on the nature of such a hypothetical event, but include \$57.2 billion of contractually committed lending agreements with 75 highly-rated global banks and investment banks. Total credit lines extending beyond one year increased \$0.3 billion to \$57.1 billion at December 31, 2005. See note 11.

Beyond contractually committed lending agreements, other sources of liquidity include medium and long-term funding, monetization, asset securitization, cash receipts from our lending and leasing activities, short-term secured funding on global assets and potential sales of other assets.

**Principal debt conditions** are described below.

The following two conditions relate to GECC:

Swap, forward and option contracts are required to be executed under master-netting agreements containing mutual down-grade provisions that provide the ability of the counterparty to require assignment or termination if the long-term credit rating of GECC were to fall below A-/A3. Had this provision been triggered at December 31, 2005, we could have been required to disburse \$1.9 billion.

If our ratio of earnings to fixed charges, which was 1.70 at the end of 2005, were to deteriorate to 1.10:1 or, upon redemption of certain preferred stock, our ratio of debt to equity, which was 7.09:1 at the end of 2005,

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were to exceed 8:1, GE has committed to contribute capital to us. GE also has guaranteed certain issuances of our subordinated debt with a face amount of \$0.7 billion at December 31, 2005 and 2004.

The following three conditions relate to consolidated, liquidating securitization entities:

If our short-term credit rating of certain consolidated, liquidating securitization entities discussed further in note 19 were to fall below A-1/P-1, we would be required to provide substitute liquidity for those entities or provide funds to retire the outstanding commercial paper. The maximum net amount that we would be required to provide in the event of such a downgrade is determined by contract, and amounted to \$12.8 billion at January 1, 2006. Amounts related to non-consolidated SPEs were \$1.7 billion.

If our long-term credit rating were to fall below AA/Aa2, we would be required to provide substitute credit support or liquidate the consolidated, liquidating securitization entities. The maximum amount that we would be required to substitute in the event of such a downgrade is determined by contract, and amounted to \$0.6 billion at December 31, 2005.

For certain transactions, if our long-term credit rating were to fall below A/A2 or BBB+/Baa1 or our short-term credit rating were to fall below A-2/P-2, we could be required to provide substitute credit support or fund the undrawn commitment. We could be required to provide up to \$2.0 billion in the event of such a downgrade based on terms in effect at December 31, 2005.

One group of consolidated SPEs holds high quality investment securities funded by the issuance of guaranteed investment contracts (GICs). If our long-term credit rating were to fall below AA-/Aa3 or our short-term credit rating were to fall below A-1+/P-1, we could be required to provide up to \$3.6 billion of capital to such entities.

In our history, we have never violated any of the above conditions. We believe that under any reasonable future economic developments, the likelihood that any such arrangements could have a significant effect on our operations, cash flows or financial position is remote.

### **Critical Accounting Estimates**

Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties. For all of these estimates, we caution that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. Also see note 1, Summary of Significant Accounting Policies, which discusses accounting policies that we have selected from acceptable alternatives.

**Losses on financing receivables** are recognized when they are incurred, which requires us to make our best estimate of probable losses inherent in the portfolio. Such estimate requires consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data, including present economic conditions such as delinquency rates, financial health of specific customers and market sectors, collateral values, and the present and expected future levels of interest rates. Our risk management process, which includes standards and policies for reviewing major risk exposures and concentrations, ensures that relevant data are identified and considered either for individual loans or leases, or on a portfolio basis, as appropriate.

Our lending and leasing experience and the extensive data we accumulate and analyze facilitate estimates that have proven reliable over time. Our actual loss experience was in line with expectations for 2005, 2004 and 2003. While prospective losses depend to a large degree on future economic conditions, we do not anticipate significant adverse

credit development in 2006. Further information is provided in the Financial Resources and Liquidity - Financing Receivables section, the Asset impairment section given below and in notes 1, 6 and 7.

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**Asset impairment** assessment involves various estimates and assumptions as follows:

**Investments.** We regularly review investment securities for impairment based on both quantitative and qualitative criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to maturity or until forecasted recovery and the financial health of and specific prospects for the issuer. We perform comprehensive market research and analysis and monitor market conditions to identify potential impairments. Further information about actual and potential impairment losses is provided in the Financial Resources and Liquidity - Investment Securities section and in notes 1 and 5.

**Long-lived assets.** We review long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which undiscounted cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We derive the required undiscounted cash flow estimates from our historical experience and our internal business plans. To determine fair value, we use our internal cash flow estimates discounted at an appropriate interest rate, quoted market prices when available and independent appraisals, as appropriate.

Commercial aircraft are a significant concentration of assets in GE Infrastructure, and are particularly subject to market fluctuations. Therefore, we test recoverability of each aircraft in our operating lease portfolio at least annually. Additionally, we perform quarterly evaluations in circumstances such as when aircraft are re-leased, current lease terms have changed or a specific lessee's credit standing changes. Future rentals and residual values are based on historical experience and information received routinely from independent appraisers. Estimated cash flows from future leases are reduced for expected downtime between leases and for estimated technical costs required to prepare aircraft to be redeployed. Fair value used to measure impairment is based on current market values from independent appraisers.

We recognized impairment losses on our operating lease portfolio of commercial aircraft of \$0.3 billion and \$0.1 billion in 2005 and 2004, respectively. In addition to these impairment charges relating to operating leases, we recorded provisions for losses on financing receivables related to commercial aircraft of \$0.2 billion in 2005, primarily related to Northwest Airlines Corporation (Northwest Airlines), and \$0.3 billion in 2004, primarily related to US Airways and ATA Holdings Corp.

Certain of our commercial aviation customers are operating under bankruptcy protection while they implement steps to return to profitable operations with a lower cost structure. At December 31, 2005, our largest exposures to carriers operating in bankruptcy were to Delta Air Lines, \$2.3 billion; UAL Corp., \$1.4 billion; and Northwest Airlines, \$1.1 billion. Our financial exposures to these carriers are substantially secured by various Boeing, Airbus and Bombardier aircraft and operating equipment. On February 1, 2006, UAL Corp. emerged from bankruptcy protection.

Further information on impairment losses and our exposure to the commercial aviation industry is provided in the Operations - Overview section and in notes 5, 8 and 20.

**Goodwill and other identified intangible assets.** We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose of a reporting unit. Determining whether an impairment has occurred requires valuation of the respective reporting unit, which we estimate using a discounted cash flow method. When available and as appropriate, we use comparative market multiples to corroborate



discounted cash flow results. In applying this methodology, we rely on a number of factors, including actual operating results, future business plans, economic projections and market data.

If this analysis indicates goodwill is impaired, measuring the impairment requires a fair value estimate of each identified tangible and intangible asset. In this case we supplement the cash flow approach discussed above with independent appraisals, as appropriate.

We test other identified intangible assets with defined useful lives and subject to amortization by comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset.

Further information is provided in notes 1 and 9.

**Derivatives and Hedging.** We use derivatives to manage a variety of risks, including risks related to interest rates, foreign exchange and commodity prices. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting. The accounting guidance related to derivatives accounting is complex. Failure to apply this complex guidance correctly will result in all changes in the fair value of the derivative being reported in earnings, while offsetting changes in the fair value of the hedged item are reported in earnings only upon realization, regardless of whether the hedging relationship is economically effective.

In evaluating whether a particular relationship qualifies for hedge accounting, we first determine whether the relationship meets the strict criteria to qualify for exemption from ongoing effectiveness testing. For a relationship that does not meet these criteria, we test effectiveness at inception and quarterly thereafter by determining whether changes in the fair value of the derivative offset, within a specified range, changes in the fair value of the hedged item. This test is conducted on a cumulative basis each reporting period. If fair value changes fail this test, we discontinue applying hedge accounting to that relationship prospectively. Fair values of both the derivative instrument and the hedged item are calculated using internal valuation models incorporating market-based assumptions, subject to third party confirmation.

At December 31, 2005, derivative assets and liabilities were \$1.5 billion and \$1.9 billion, respectively. Further information about our use of derivatives is provided in notes 11 and 18.

**Other loss contingencies** are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will materially exceed the recorded provision. Contingent liabilities are often resolved over long time periods. Estimating probable losses requires analysis of multiple forecasts that often depend on judgments about potential actions by third parties such as regulators. Further information is provided in note 20.

## Supplemental Information

### Financial Measures that Supplement Generally Accepted Accounting Principles

We sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with GAAP. Certain of these data are considered “non-GAAP financial measures” under SEC rules. Specifically, we have referred to:

- Average total shareowner’s equity, excluding effects of discontinued operations

Delinquency rates on certain financing receivables of the GE Commercial Finance and GE Consumer Finance segments for 2005, 2004 and 2003

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The reason we use these non-GAAP financial measures and their reconciliation to their most directly comparable GAAP financial measures follow.

**Average Total Shareowner's Equity, Excluding Effects of Discontinued Operations, as reported<sup>(a)</sup>**

| <i>December 31 (In millions)</i>  | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> | <b>2001</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| Average total shareowner's equity <sup>(b)</sup> \$   | 53,436      | \$ 49,354   | \$ 43,954   | \$ 34,261   | \$ 27,773   |
| Less:   |             |             |             |             |             |
| Cumulative effect of earnings from discontinued operations <sup>(c)</sup>                         | 4,787       | 4,131       | 2,788       | 1,537       | 259         |
| Average net investment in discontinued operations <sup>(d)</sup>                                  | 1,336       | -           | -           | -           | -           |
| Average total shareowner's equity, excluding effects of discontinued operations <sup>(a)</sup> \$ | 47,313      | \$ 45,223   | \$ 41,166   | \$ 32,724   | \$ 27,514   |

(a) Used for computing return on average shareowner's equity shown in the Selected Financial Data section.

(b) On an annual basis, calculated using a five-point average.

(c) Represented the average cumulative net earnings effects of discontinued operations from 2001 to 2005 (on an annual basis, calculated using a five-point average).

(d) Represented the average net investment in discontinued operations for the second half of 2005 only - see below.

**Average Total Shareowner's Equity, Excluding Effects of Discontinued Operations, as restated<sup>(a)</sup>**

| <i>December 31 (In millions)</i>  | <b>2005</b>       | <b>2004</b>       | <b>2003</b>       | <b>2002</b>       | <b>2001</b>       |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | <b>(Restated)</b> | <b>(Restated)</b> | <b>(Restated)</b> | <b>(Restated)</b> | <b>(Restated)</b> |
| Average total shareowner's equity <sup>(b)</sup> \$   | 53,460            | \$ 49,403         | \$ 43,954         | \$ 34,241         | \$ 31,438         |
| Less:   |                   |                   |                   |                   |                   |
| Cumulative effect of earnings from discontinued operations <sup>(c)</sup>                         | 4,787             | 4,131             | 2,788             | 1,537             | 259               |
| Average net investment in discontinued operations <sup>(d)</sup>                                  | 1,336             | -                 | -                 | -                 | -                 |
| Average total shareowner's equity, excluding effects of discontinued operations <sup>(a)</sup> \$ | 47,337            | \$ 45,272         | \$ 41,166         | \$ 32,704         | \$ 31,179         |

(a) Used for computing return on average shareowner's equity shown in the Selected Financial Data section.

- (b) On an annual basis, calculated using a five-point average.
- (c) Represented the average cumulative net earnings effects of discontinued operations from 2001 to 2005 (on an annual basis, calculated using a five-point average).
- (d) Represented the average net investment in discontinued operations for the second half of 2005 only - see below.

U.S. GAAP requires earnings of discontinued operations to be displayed separately in the Statement of Earnings. Accordingly, the numerators used in our calculations of returns on average shareowner's equity presented in Selected Financial Data section exclude those earnings. Further we believe it is appropriate to exclude from the denominators, specifically the average total shareowner's equity component, the cumulative effect of those earnings since 2000 for each of the five years for which such returns are presented, as well as our average net investment in discontinued operations for the second half of 2005 only. Had we disposed of these operations before mid-2005, proceeds would have been applied to reduce parent-supported debt; however since parent-supported debt was retired in the first half of 2005, we have assumed that any proceeds after that time would have been distributed to our shareowner by means of dividends, thus reducing average total shareowner's equity.

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**Delinquency Rates on Certain Financing Receivables**

Delinquency rates on managed GE Commercial Finance equipment loans and leases and managed GE Consumer Finance financing receivables follow.

**GE Commercial Finance**

| <i>December 31</i> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|--------------------|-------------|-------------|-------------|
| Managed            | 1.31%       | 1.40%       | 1.38%       |
| Off-book           | 0.76        | 0.90        | 1.27        |
| On-book            | 1.53        | 1.58        | 1.41        |

**GE Consumer Finance**

| <i>December 31</i> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|--------------------|-------------|-------------|-------------|
| Managed            | 5.08%       | 4.85%       | 5.62%       |
| Off-book           | 5.28        | 5.09        | 5.04        |
| On-book            | 5.07        | 4.84        | 5.67        |

We believe that delinquency rates on managed financing receivables provide a useful perspective on our on and off-book portfolio quality and are key indicators of financial performance.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Information about our global risk management can be found on page 17 of Item 7.

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**Item 8. Financial Statements and Supplementary Data.**

**Report of Independent Registered Public Accounting Firm**

*To the Board of Directors of  
General Electric Capital Corporation:*

We have audited the accompanying statement of financial position of General Electric Capital Corporation and consolidated affiliates (“GECC”) as of December 31, 2005 and 2004, and the related statements of earnings, changes in shareowner’s equity and cash flows for each of the years in the three-year period ended December 31, 2005. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in Item 15. These consolidated financial statements and financial statement schedule are the responsibility of GECC management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and schedule referred to above present fairly, in all material respects, the financial position of GECC as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005 in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the consolidated financial statements, the consolidated financial statements have been restated.

As discussed in note 1 to the consolidated financial statements, GECC in 2004 and 2003 changed its method of accounting for variable interest entities.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of GECC's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 10, 2006, except as to the second, third and fourth paragraphs of Management’s Annual Report on Internal Control over Financial Reporting (as restated), which are as of January 19, 2007, expressed an unqualified opinion on management's assessment of, and an adverse opinion on the effective operation of, internal control over financial reporting as of December 31, 2005.

/s/ KPMG LLP

KPMG LLP  
Stamford, Connecticut

February 10, 2006, except as to the restatement discussed in note 1 to the consolidated financial statements which is as of January 19, 2007

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**General Electric Capital Corporation and consolidated affiliates**  
**Statement of Earnings**

| <i>For the years ended December 31 (In millions)</i>                                 | <b>2005</b><br><b>(Restated)</b> | <b>2004</b><br><b>(Restated)</b> | <b>2003</b><br><b>(Restated)</b> |
|--|----------------------------------|----------------------------------|----------------------------------|
| <b>Revenues</b>  |                                  |                                  |                                  |
| Revenues from services (note 3)  | \$ 52,987                        | \$ 47,253                        | \$ 39,377                        |
| Sales of goods   | 2,528                            | 2,840                            | 2,228                            |
| Commercial paper interest rate swap adjustment (note 1)                              | 495                              | 496                              | 518                              |
| Total revenues   | 56,010                           | 50,589                           | 42,123                           |
| <b>Costs and expenses</b>  |                                  |                                  |                                  |
| Interest   | 14,040                           | 10,910                           | 9,733                            |
| Operating and administrative (note 4)  | 16,412                           | 15,916                           | 12,484                           |
| Cost of goods sold   | 2,369                            | 2,741                            | 2,119                            |
| Investment contracts, insurance losses and insurance annuity benefits                | 3,032                            | 1,466                            | 1,865                            |
| Provision for losses on financing receivables (note 7)                               | 3,864                            | 3,868                            | 3,612                            |
| Depreciation and amortization (note 8)   | 5,983                            | 5,755                            | 4,529                            |
| Minority interest in net earnings of consolidated affiliates                         | 155                              | 159                              | 82                               |
| Total costs and expenses   | 45,855                           | 40,815                           | 34,424                           |
| <b>Earnings from continuing operations before income taxes and accounting change</b> |                                  |                                  |                                  |
|  | 10,155                           | 9,774                            | 7,699                            |
| Provision for income taxes (note 13)   | (1,157)                          | (1,626)                          | (1,311)                          |
| <b>Earnings from continuing operations before accounting change</b>                  |                                  |                                  |                                  |
|  | 8,998                            | 8,148                            | 6,388                            |
| Earnings from discontinued operations, net of taxes (note 2)                         | 928                              | 442                              | 1,396                            |
| <b>Earnings before accounting change</b>   |                                  |                                  |                                  |
|  | 9,926                            | 8,590                            | 7,784                            |
| Cumulative effect of accounting change (note 1)                                      | -                                | -                                | (339)                            |
| <b>Net earnings</b>  | <b>\$ 9,926</b>                  | <b>\$ 8,590</b>                  | <b>\$ 7,445</b>                  |

**Statement of Changes in Shareowner's Equity**

| <i>(In millions)</i>                                  | <b>2005</b><br><b>(Restated)</b> | <b>2004</b><br><b>(Restated)</b> | <b>2003</b><br><b>(Restated)</b> |
|---|----------------------------------|----------------------------------|----------------------------------|
| <b>Changes in shareowner's equity (note 15)</b>       |                                  |                                  |                                  |
| Balance at January 1                                  | \$ 54,038                        | \$ 46,722                        | \$ 40,019                        |
| Dividends and other transactions with shareowner      | (11,101)                         | (2,805)                          | (4,466)                          |
| Changes other than transactions with shareowner       |                                  |                                  |                                  |
| Increase attributable to net earnings                 | 9,926                            | 8,590                            | 7,445                            |
| Investment securities - net                           | (230)                            | (595)                            | 517                              |
| Currency translation adjustments - net                | (2,501)                          | 2,296                            | 3,150                            |
| Cash flow hedges - net                                | 81                               | (77)                             | 66                               |
| Minimum pension liabilities - net                     | (23)                             | (93)                             | (9)                              |
| Total changes other than transactions with shareowner | 7,253                            | 10,121                           | 11,169                           |
| Balance at December 31                                | <b>\$ 50,190</b>                 | <b>\$ 54,038</b>                 | <b>\$ 46,722</b>                 |

The notes to consolidated financial statements are an integral part of these statements.

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

|  | <b>2005</b>       | <b>2004</b>       |
|--|-------------------|-------------------|
|  | <b>(Restated)</b> | <b>(Restated)</b> |
| <i>At December 31 (In millions, except share amounts)</i>  |                   |                   |
| <b>Assets</b>  |                   |                   |
| Cash and equivalents   | \$ 6,182          | \$ 8,433          |
| Investment securities (note 5)   | 29,463            | 32,868            |
| Inventories  | 159               | 189               |
| Financing receivables - net (notes 6 and 7)  | 284,567           | 279,588           |
| Other receivables  | 25,685            | 21,215            |
| Buildings and equipment - net (note 8)   | 50,936            | 46,250            |
| Intangible assets - net (note 9)   | 23,182            | 22,996            |
| Other assets (note 10)   | 52,104            | 51,397            |
| Assets of discontinued operations (note 2)   | 2,981             | 104,048           |
| Total assets   | \$ 475,259        | \$ 566,984        |
| <b>Liabilities and equity</b>  |                   |                   |
| Borrowings (note 11)   | \$ 355,885        | \$ 348,685        |
| Accounts payable   | 14,435            | 14,138            |
| Investment contracts, insurance liabilities and insurance annuity benefits (note 12)   | 24,429            | 25,835            |
| Other liabilities  | 16,935            | 18,073            |
| Deferred income taxes (note 13)  | 11,173            | 10,566            |
| Liabilities of and minority interest in discontinued operations (note 2)   | -                 | 93,324            |
| Total liabilities  | 422,857           | 510,621           |
| Minority interest in equity of consolidated affiliates (note 14)   | 2,212             | 2,325             |
| Variable cumulative preferred stock, \$100 par value, liquidation preference<br>\$100,000 per share (33,000 shares authorized; 700 shares issued and outstanding at December 31, 2005 and 26,000 shares issued and outstanding at December 31, 2004) | -                 | 3                 |
| Common stock, \$14 par value (4,166,000 shares authorized at December 31, 2005 and 2004, and 3,985,403 shares issued and outstanding at December 31, 2005 and 2004)  | 56                | 56                |
| Accumulated gains (losses) - net   |                   |                   |
| Investment securities  | 744               | 974               |
| Currency translation adjustments   | 2,343             | 4,844             |
| Cash flow hedges   | (367)             | (448)             |
| Minimum pension liabilities  | (147)             | (124)             |
| Additional paid-in capital   | 12,055            | 14,539            |
| Retained earnings  | 35,506            | 34,194            |
| Total shareowner's equity (note 15)  | 50,190            | 54,038            |
| Total liabilities and equity   | \$ 475,259        | \$ 566,984        |

The sum of accumulated gains (losses) on investment securities, currency translation adjustments, cash flow hedges and minimum pension liabilities constitutes "Accumulated

nonowner changes other than earnings,” as shown in note 15, and was \$2,573 million and \$5,246 million at December 31, 2005 and 2004, respectively.

The notes to consolidated financial statements are an integral part of this statement.

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**General Electric Capital Corporation and consolidated affiliates**  
**Statement of Cash Flows**

| <i>For the years ended December 31 (In millions)</i>                             | <b>2005</b><br><b>(Restated)<sup>(a)</sup></b> | <b>2004</b><br><b>(Restated)<sup>(a)</sup></b> | <b>2003</b><br><b>(Restated)<sup>(a)</sup></b> |
|--|--|--|--|
| <b>Cash flows - operating activities</b>   |  |  |  |
| Net earnings   | \$ 9,926                                       | \$ 8,590                                       | \$ 7,445                                       |
| Earnings from discontinued operations  | (928)  | (442)  | (1,396)  |
| Adjustments to reconcile net earnings to cash provided from operating activities |  |  |  |
| Cumulative effect of accounting change   | -  | -  | 339  |
| Depreciation and amortization of buildings and equipment                         | 5,983  | 5,755  | 4,529  |
| Deferred income taxes  | (746)  | 332  | 1,173  |
| Decrease (increase) in inventories   | 30   | (9)  | (35)   |
| Increase (decrease) in accounts payable  | (1,071)  | 2,258  | 1,963  |
| Increase (decrease) in insurance liabilities                                     | 848  | 1,293  | (1,186)  |
| Provision for losses on financing receivables                                    | 3,864  | 3,868  | 3,612  |
| All other operating activities (note 16)   | 1,025  | (1,249)  | 11   |
| Cash from operating activities - continuing operations                           | 18,931   | 20,396   | 16,455   |
| Cash from operating activities - discontinued operations                         | 3,283  | 5,139  | 5,595  |
| <b>Cash from operating activities</b>  | <b>22,214</b>                                  | <b>25,535</b>                                  | <b>22,050</b>                                  |
| <b>Cash flows - investing activities</b>   |  |  |  |
| Additions to buildings and equipment   | (11,208)                                       | (10,304)                                       | (7,251)  |
| Dispositions of buildings and equipment  | 5,519  | 5,488  | 4,619  |
| Net increase in financing receivables (note 16)                                  | (17,156)                                       | (14,952)                                       | (4,736)  |
| Payments for principal businesses purchased                                      | (7,167)  | (13,888)                                       | (10,482)                                       |
| All other investing activities (note 16)   | 8,119  | 5,767  | 3,781  |
| Cash used for investing activities - continuing operations                       | (21,893)                                       | (27,889)                                       | (14,069)                                       |
| Cash used for investing activities - discontinued operations                     | (4,987)  | (7,558)  | (4,596)  |
| <b>Cash used for investing activities</b>  | <b>(26,880)</b>                                | <b>(35,447)</b>                                | <b>(18,665)</b>                                |
| <b>Cash flows - financing activities</b>   |  |  |  |
| Net increase (decrease) in borrowings (maturities of 90 days or less)            | (5,086)  | 130  | (12,972)                                       |
| Newly issued debt (maturities longer than 90 days) (note 16)                     | 65,868   | 58,628   | 60,012   |
| Repayments and other reductions (maturities longer than 90 days) (note 16)       | (48,840)                                       | (45,115)                                       | (43,128)                                       |
| Dividends paid to shareowner   | (8,614)  | (3,148)  | (4,472)  |
| All other financing activities (note 16)   | (2,617)  | (2,864)  | 593  |
| Cash from financing activities - continuing operations                           | 711  | 7,631  | 33   |
| Cash from (used for) financing activities - discontinued operations              | 297  | 2,402  | (682)  |
| <b>Cash from (used for) financing activities</b>                                 | <b>1,008</b>                                   | <b>10,033</b>                                  | <b>(649)</b>                                   |
| <b>Increase (decrease) in cash and equivalents during year</b>                   | <b>(3,658)</b>                                 | <b>121</b>                                     | <b>2,736</b>                                   |
| Cash and equivalents at beginning of year  | 9,840  | 9,719  | 6,983  |
| Cash and equivalents at end of year  | 6,182  | 9,840  | 9,719  |
| Less cash and equivalents of discontinued operations at end of year              | -  | 1,407  | 1,424  |



**Cash and equivalents of continuing operations at end of year**    \$    6,182    \$    8,433    \$    8,295

**Supplemental disclosure of cash flows information**

|  |             |             |             |
|--|-------------|-------------|-------------|
| Cash paid during the year for interest                 | \$ (15,056) | \$ (10,995) | \$ (10,323) |
| Cash recovered (paid) during the year for income taxes | (2,459)     | 785         | 726         |

The notes to consolidated financial statements are an integral part of this statement.

(a)                                  Certain individual line items within cash from operating activities have been restated.

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## **General Electric Capital Corporation and consolidated affiliates**

### **Notes to Consolidated Financial Statements**

#### **Note 1. Summary of Significant Accounting Policies**

##### **2007 Restatement**

On January 19, 2007, we amended General Electric Capital Corporation (GECC) Annual Report on Form 10-K for the year ended December 31, 2005, to amend and restate financial statements and other financial information for the years 2005, 2004, and 2003, and financial information for the years 2002 and 2001, and for each of the quarters in the years 2005 and 2004. The restatement adjusts our accounting for interest rate swap transactions related to a portion of the commercial paper issued by GECC, and General Electric Capital Services, Inc. (GECS), from January 1, 2001, the date we adopted Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The restatement has no effect on our cash flows or liquidity, and its effects on our financial position at the ends of the respective restated periods are immaterial. This adjustment affects disclosure in the following footnotes: 10, 11, 13, 15, 16, 17, 18, and 21.

##### **Background**

As previously disclosed, the Boston Office of the U.S. Securities and Exchange Commission (SEC) is conducting a formal investigation of our application of SFAS 133. In the course of that investigation, the SEC Enforcement staff raised certain concerns about our accounting for the use of interest rate swaps to fix certain otherwise variable interest costs in a portion of our commercial paper program at GECC and GECS. The SEC Enforcement staff referred such concerns to the Office of Chief Accountant. We and our auditors determined that our accounting for the commercial paper hedging program satisfied the requirements of SFAS 133 and conveyed our views to the staff of the Office of Chief Accountant. Following our discussions, however, the Office of Chief Accountant communicated its view to us that our commercial paper hedging program as structured did not meet the SFAS 133 specificity requirement.

After considering the staff's view, General Electric Company (GE) and GECC management recommended to the Audit Committee of GE's Board of Directors that previously reported financial results be restated to eliminate hedge accounting for the interest rate swaps entered into as part of our commercial paper hedging program from January 1, 2001. The Audit Committee discussed and agreed with this recommendation. At a meeting on January 18, 2007, the GE and GECC Board of Directors adopted the recommendation of the Audit Committee and determined that previously reported results for GECC should be restated and, therefore, that the previously filed financial statements and other financial information referred to above should not be relied upon. The restatement resulted from a material weakness in internal control over financial reporting, namely, that we did not have adequately designed procedures to designate, with the specificity required under SFAS 133, each hedged commercial paper transaction.

The SEC investigation into our application of SFAS 133 and hedge accounting is continuing. We continue to cooperate fully.

Effects of the restatement by line item follow:

For the years ended December 31 (In millions)

|   | 2005                   |             | 2004                   |             | 2003                   |             |
|---|------------------------|-------------|------------------------|-------------|------------------------|-------------|
|   | As previously reported | As restated | As previously reported | As restated | As previously reported | As restated |
| <b>Statement of Earnings</b>  |                        |             |                        |             |                        |             |
| Commercial paper interest rate swap adjustment <sup>(a)</sup>                 | \$ -                   | \$ 495      | \$ -                   | \$ 496      | \$ -                   | \$ 518      |
| Interest  | 14,094                 | 14,040      | 10,960                 | 10,910      | 9,741                  | 9,733       |
| Earnings from continuing operations before income taxes and accounting change | 9,606                  | 10,155      | 9,228                  | 9,774       | 7,173                  | 7,699       |
| Provision for income taxes (note 13)  | (940)                  | (1,157)     | (1,410)                | (1,626)     | (1,103)                | (1,311)     |
| Earnings from continuing operations before accounting change                  | 8,666                  | 8,998       | 7,818                  | 8,148       | 6,070                  | 6,388       |
| Earnings before accounting change   | 9,594                  | 9,926       | 8,260                  | 8,590       | 7,466                  | 7,784       |
| Net earnings  | 9,594                  | 9,926       | 8,260                  | 8,590       | 7,127                  | 7,445       |

(a) Included in total revenues.

For the years ended December 31 (In millions)

|  | 2005                   |             | 2004                   |             | 2003                   |             |
|--|------------------------|-------------|------------------------|-------------|------------------------|-------------|
|  | As previously reported | As restated | As previously reported | As restated | As previously reported | As restated |
| <b>Statement of Changes in Shareowner's Equity</b> |                        |             |                        |             |                        |             |
| Balance at January 1                               | \$ 53,958              | \$ 54,038   | \$ 46,692              | \$ 46,722   | \$ 40,126              | \$ 40,019   |
| Increase attributable to net earnings              | 9,594                  | 9,926       | 8,260                  | 8,590       | 7,127                  | 7,445       |
| Cash flow hedges - net                             | 491                    | 81          | 203                    | (77)        | 247                    | 66          |
| Balance at December 31                             | 50,188                 | 50,190      | 53,958                 | 54,038      | 46,692                 | 46,722      |

At December 31 (In millions)

|  | 2005                   |             | 2004                   |             |
|--|------------------------|-------------|------------------------|-------------|
|  | As previously reported | As restated | As previously reported | As restated |
| <b>Statement of Financial Position</b> |                        |             |                        |             |

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|                                     |           |           |           |           |
|-------------------------------------|-----------|-----------|-----------|-----------|
| Other assets                        | \$ 52,118 | \$ 52,104 | \$ 51,298 | \$ 51,397 |
| Total assets                        | 475,273   | 475,259   | 566,885   | 566,984   |
| Deferred income taxes (note 13)     | 11,189    | 11,173    | 10,547    | 10,566    |
| Total liabilities                   | 422,873   | 422,857   | 510,602   | 510,621   |
| Cash flow hedges                    | (790)     | (367)     | (1,281)   | (448)     |
| Retained earnings                   | 35,927    | 35,506    | 34,947    | 34,194    |
| Total shareowner's equity (note 16) | 50,188    | 50,190    | 53,958    | 54,038    |
| Total liabilities and equity        | 475,273   | 475,259   | 566,885   | 566,984   |

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## 2005

| <i>Quarterly Information<br/>(unaudited)<br/>(In millions)</i>                | First quarter                |                | Second quarter               |                | Third quarter                |                | Fourth quarter               |                |
|---|------------------------------|----------------|------------------------------|----------------|------------------------------|----------------|------------------------------|----------------|
|   | As<br>previously<br>reported | As<br>restated | As<br>previously<br>reported | As<br>restated | As<br>previously<br>reported | As<br>restated | As<br>previously<br>reported | As<br>restated |
| <b>Statement of Earnings</b>  |                              |                |                              |                |                              |                |                              |                |
| Commercial paper interest rate swap adjustment <sup>(a)</sup>                 | \$ -                         | \$ 327         | \$ -                         | \$ (208)       | \$ -                         | \$ 240         | \$ -                         | \$ 136         |
| Interest  | 3,366                        | 3,352          | 3,554                        | 3,541          | 3,481                        | 3,467          | 3,693                        | 3,680          |
| Earnings from continuing operations before income taxes and accounting change | 1,986                        | 2,327          | 2,218                        | 2,023          | 2,767                        | 3,021          | 2,635                        | 2,784          |
| Provision for income taxes  | (156)                        | (291)          | (184)                        | (107)          | (370)                        | (470)          | (230)                        | (289)          |
| Earnings from continuing operations before accounting change                  | 1,830                        | 2,036          | 2,034                        | 1,916          | 2,397                        | 2,551          | 2,405                        | 2,495          |
| Earnings before accounting change   | 2,077                        | 2,283          | 2,123                        | 2,005          | 2,750                        | 2,904          | 2,644                        | 2,734          |
| Net earnings  | 2,077                        | 2,283          | 2,123                        | 2,005          | 2,750                        | 2,904          | 2,644                        | 2,734          |

(a) Included in total revenues.

## 2004

| <i>Quarterly Information<br/>(unaudited)<br/>(In millions)</i>                | First quarter                |                | Second quarter               |                | Third quarter                |                | Fourth quarter               |                |
|---|------------------------------|----------------|------------------------------|----------------|------------------------------|----------------|------------------------------|----------------|
|   | As<br>previously<br>reported | As<br>restated | As<br>previously<br>reported | As<br>restated | As<br>previously<br>reported | As<br>restated | As<br>previously<br>reported | As<br>restated |
| <b>Statement of Earnings</b>  |                              |                |                              |                |                              |                |                              |                |
| Commercial paper interest rate swap adjustment <sup>(a)</sup>                 | \$ -                         | \$ (205)       | \$ -                         | \$ 897         | \$ -                         | \$ (347)       | \$ -                         | \$ 151         |
| Interest  | 2,566                        | 2,555          | 2,721                        | 2,710          | 2,609                        | 2,594          | 3,064                        | 3,051          |
| Earnings from continuing operations before income taxes and accounting change | 1,917                        | 1,723          | 1,727                        | 2,635          | 2,634                        | 2,302          | 2,950                        | 3,114          |
|   | (375)                        | (298)          | (231)                        | (590)          | (528)                        | (397)          | (276)                        | (341)          |

|  |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| Provision for income taxes                                   |       |       |       |       |       |       |       |       |
| Earnings from continuing operations before accounting change | 1,542 | 1,425 | 1,496 | 2,045 | 2,106 | 1,905 | 2,674 | 2,773 |
| Earnings before accounting change                            | 1,780 | 1,663 | 1,401 | 1,950 | 2,270 | 2,069 | 2,809 | 2,908 |
| Net earnings   | 1,780 | 1,663 | 1,401 | 1,950 | 2,270 | 2,069 | 2,809 | 2,908 |

(a) Included in total revenues.

| <i>Quarterly Information (unaudited) (In millions)</i> | 2005                   |             |                        |             |                        |             |                        |             |
|--|------------------------|-------------|------------------------|-------------|------------------------|-------------|------------------------|-------------|
|  | First quarter          |             | Second quarter         |             | Third quarter          |             | Fourth quarter         |             |
|  | As previously reported | As restated | As previously reported | As restated | As previously reported | As restated | As previously reported | As restated |
| <b>Statement of Financial Position</b>                 |                        |             |                        |             |                        |             |                        |             |
| Other assets   | \$ 50,713              | \$ 50,701   | \$ 52,762              | \$ 52,692   | \$ 50,030              | \$ 50,110   | \$ 52,118              | \$ 52,104   |
| Total assets   | 568,865                | 568,853     | 563,567                | 563,497     | 468,790                | 468,870     | 475,273                | 475,259     |
| Deferred income taxes                                  | 10,198                 | 10,180      | 10,691                 | 10,648      | 10,996                 | 11,014      | 11,189                 | 11,173      |
| Total liabilities                                      | 510,538                | 510,520     | 506,627                | 506,584     | 414,120                | 414,138     | 422,873                | 422,857     |
| Cash flow hedges                                       | (863)                  | (310)       | (960)                  | (322)       | (908)                  | (335)       | (790)                  | (367)       |
| Retained earnings                                      | 36,785                 | 36,238      | 37,274                 | 36,609      | 36,331                 | 35,820      | 35,927                 | 35,506      |
| Total shareowner's equity                              | 56,048                 | 56,054      | 54,649                 | 54,622      | 52,336                 | 52,398      | 50,188                 | 50,190      |
| Total liabilities and equity                           | 568,865                | 568,853     | 563,567                | 563,497     | 468,790                | 468,870     | 475,273                | 475,259     |

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| <i>Quarterly<br/>Information<br/>(unaudited)<br/>(In millions)</i> | 2004                         |                |                              |                |                              |                |                              |                |  |
|--|------------------------------|----------------|------------------------------|----------------|------------------------------|----------------|------------------------------|----------------|--|
|  | First quarter                |                | Second quarter               |                | Third quarter                |                | Fourth quarter               |                |  |
|  | As<br>previously<br>reported | As<br>restated | As<br>previously<br>reported | As<br>restated | As<br>previously<br>reported | As<br>restated | As<br>previously<br>reported | As<br>restated |  |
| <b>Statement of<br/>Financial<br/>Position</b>                     |                              |                |                              |                |                              |                |                              |                |  |
| Other assets   | \$ 43,104                    | \$ 43,180      | \$ 43,921                    | \$ 43,971      | \$ 46,215                    | \$ 46,234      | \$ 51,298                    | \$ 51,397      |  |
| Total assets   | 516,838                      | 516,914        | 519,026                      | 519,076        | 524,975                      | 524,994        | 566,885                      | 566,984        |  |
| Deferred income<br>taxes   | 10,024                       | 10,023         | 10,349                       | 10,352         | 10,783                       | 10,769         | 10,547                       | 10,566         |  |
| Total liabilities  | 464,023                      | 464,022        | 469,187                      | 469,190        | 473,394                      | 473,380        | 510,602                      | 510,621        |  |
| Cash flow<br>hedges  | (1,475)                      | (198)          | (959)                        | (261)          | (1,206)                      | (321)          | (1,281)                      | (448)          |  |
| Retained<br>earnings   | 31,224                       | 30,024         | 31,155                       | 30,504         | 33,192                       | 32,340         | 34,947                       | 34,194         |  |
| Total<br>shareowner's<br>equity                                    | 49,809                       | 49,886         | 47,062                       | 47,109         | 49,247                       | 49,280         | 53,958                       | 54,038         |  |
| Total liabilities<br>and equity                                    | 516,838                      | 516,914        | 519,026                      | 519,076        | 524,975                      | 524,994        | 566,885                      | 566,984        |  |

### Accounting principles

Our financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP).

### Consolidation

All of our outstanding common stock is owned by General Electric Capital Services, Inc. (GE Capital Services or GECS), all of whose common stock is owned, directly or indirectly, 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. Associated companies are companies that we do not control but over which we have significant influence, most often because we hold a shareholder voting position of 20% to 50%. Results of associated companies are presented on a one-line basis. Investments in and advances to associated companies are presented on a one-line basis in the caption "Other assets" in our Statement of Financial Position, net of allowance for losses that represents our best estimate of probable losses inherent in such assets.

Because of new accounting requirements that became effective in 2004 and 2003, we consolidated certain non-affiliates, including certain special purpose entities (SPEs) and investments previously considered associated companies, in each of those years.

### Financial statement presentation

We have reclassified certain prior-year amounts to conform to the current year's presentation.

### **Operating Segments**

These comprise our four businesses focused on the broad markets they serve: GE Commercial Finance, GE Consumer Finance, GE Industrial and GE Infrastructure. For segment reporting purposes, certain financial services businesses are included in the industrial operating segments that actively manage such businesses and report their results for internal performance measurement purposes. These include Aviation Financial Services, Energy Financial Services and Transportation Finance reported in the GE Infrastructure segment, and Equipment Services reported in the GE Industrial segment.

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

The effects of translating to U.S. dollars the financial statements of non-U.S. affiliates whose functional currency is the local currency are included in shareowner's equity. Asset and liability accounts are translated at year-end exchange rates, while revenues and expenses are translated at average rates for the period.

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Effects of transactions between related companies are eliminated. As a wholly-owned subsidiary, GECC enters into various operating and financing arrangements with GE. These arrangements are on terms that are commercially reasonable but are related party transactions and therefore require the following disclosures. At December 31, 2005 and 2004, Financing receivables included \$3,904 million and \$3,505 million, respectively, of receivables from GE customers. Other receivables included \$3,716 million and \$3,159 million, respectively, of receivables from GE. Buildings and equipment included \$1,637 million and \$1,866 million, respectively, of buildings and equipment leased to GE, net of accumulated depreciation. Borrowings included \$1,448 million and \$1,104 million, respectively, of amounts held by GE.

Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

### **Sales of goods**

We record sales of goods when a firm sales agreement is in place, delivery has occurred and collectibility of the fixed or determinable sales price is reasonably assured. If customer acceptance of products is not assured, we record sales only upon formal customer acceptance.

### **Revenues from services (earned income)**

We use the interest method to recognize income on all loans. Interest on loans includes origination, commitment and other non-refundable fees related to funding (recorded in earned income on the interest method). We stop accruing interest at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days past due. We recognize interest income on nonearning loans either as cash is collected or on a cost-recovery basis as conditions warrant. We resume accruing interest on nonearning, non-restructured commercial loans only when (a) payments are brought current according to the loan's original terms and (b) future payments are reasonably assured. When we agree to restructured terms with the borrower, we resume accruing interest only when reasonably assured that we will recover full contractual payments, and such loans pass underwriting reviews equivalent to those applied to new loans. We resume accruing interest on nonearning consumer loans when the customer's account is less than 90 days past due.

We record financing lease income on the interest method to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values at the date of lease inception represent our initial estimates of the fair value of the leased assets at the expiration of the lease and are based primarily on independent appraisals, which are updated periodically. Guarantees of residual values by unrelated third parties are considered part of minimum lease payments. Significant assumptions we use in estimating residual values include estimated net cash flows over the remaining lease term, results of future remarketing, and future component part and scrap metal prices, discounted at an appropriate rate.

We recognize operating lease income on a straight-line basis over the terms of underlying leases.

Fees include commitment fees related to loans that we do not expect to fund and line-of-credit fees. We record these fees in earned income on a straight-line basis over the period to which they relate. We record syndication fees in earned income at the time related services are performed, unless significant contingencies exist.

See the Investment securities and Investment contracts, insurance liabilities and insurance annuity benefits sections of this note for a description of accounting policies for these activities.



## **Depreciation and amortization**

The cost of our equipment leased to others on operating leases is amortized on a straight-line basis to estimated residual value over the lease term or over the estimated economic life of the equipment. See note 8.

## **Losses on financing receivables**

Our allowance for losses on financing receivables represents our best estimate of probable losses inherent in the portfolio. Our method of calculating estimated losses depends on the size, type and risk characteristics of the related receivables. Write-offs are deducted from the allowance for losses and subsequent recoveries are added. Impaired financing receivables are written down to the extent that we judge principal to be uncollectible.

Our portfolio consists entirely of homogenous consumer loans and of commercial loans and leases. The underlying assumptions, estimates and assessments we use to provide for losses are continually updated to reflect our view of current conditions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible to experience credit losses that are different from our current estimates.

Our consumer loan portfolio consists of smaller balance, homogenous loans including card receivables, installment loans, auto loans and leases and residential mortgages. We collectively evaluate each portfolio for impairment. The allowance for losses on these receivables is established through a process that estimates the probable losses inherent in the portfolio based upon statistical analyses of portfolio data. These analyses include migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with other analyses that reflect current trends and conditions. We also consider overall portfolio indicators including nonearning loans, trends in loan volume and lending terms, credit policies and other observable environmental factors.

During 2004, GE Consumer Finance adopted a global policy for uncollectible receivables that accelerated write-offs to follow one consistent basis. We write off unsecured closed-end installment loans at 120 days contractually past due and unsecured open-ended revolving loans at 180 days contractually past due. We write down loans secured by collateral other than real estate to the fair value of the collateral, less costs to sell, when such loans are 120 days past due. Consumer loans secured by residential real estate (both revolving and closed-end loans) are written down to the fair value of collateral, less costs to sell, no later than when they become 360 days past due. Unsecured loans in bankruptcy are written off within 60 days of notification of filing by the bankruptcy court or within contractual write-off periods, whichever occurs earlier.

Our commercial loan and lease portfolio consists of a variety of loans and leases, including both larger balance, non-homogenous loans and leases and smaller balance homogenous commercial and equipment loans and leases. Losses on such loans and leases are recorded when probable and estimable. We routinely survey our entire portfolio for potential specific credit or collection issues that might indicate an impairment. For larger balance, non-homogenous loans and leases, this survey first considers the financial status, payment history, collateral value, industry conditions and guarantor support related to specific customers. Any delinquencies or bankruptcies are indications of potential impairment requiring further assessment of collectibility. We routinely receive financial, as well as rating agency reports, on our customers, and we elevate for further attention those customers whose operations we judge to be marginal or deteriorating. We also elevate customers for further attention when we observe a decline in collateral values for asset-based loans. While collateral values are not always available, when we observe such a decline, we evaluate relevant markets to assess recovery alternatives - for example, for real estate loans, relevant markets are local; for aircraft loans, relevant markets are global. We provide allowances based on our evaluation of all available information, including expected future cash flows, fair value of collateral, net of disposal costs, and the secondary market value of the financing receivables. After providing for specific incurred losses, we then determine an allowance for losses that have been incurred in the balance of the portfolio but cannot yet be

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identified to a specific loan or lease. This estimate is based on historical and projected default rates and loss severity, and it is prepared by each respective line of business.

Experience is not available with new products; therefore, while we are developing that experience, we set loss allowances based on our experience with the most closely analogous products in our portfolio.

When we repossess collateral in satisfaction of a loan, we write down the receivable against the allowance for losses. Repossessed collateral is included in Other assets in the Statement of Financial Position and carried at the lower of cost or estimated fair value less costs to sell.

The remainder of our commercial loans and leases are portfolios of smaller balance homogenous commercial and equipment positions that we evaluate collectively for impairment based upon various statistical analyses considering historical losses and aging.

### **Sales of stock by affiliates**

We record gains or losses on sales by an affiliate of its own shares as revenue unless realization of gains is not reasonably assured, in which case we record the results in shareowner's equity.

### **Cash and equivalents**

Debt securities with original maturities of three months or less are included in cash equivalents unless designated as available-for-sale and classified as investment securities.

### **Investment securities**

We report investments in debt and marketable equity securities, and equity securities in our insurance portfolio, at fair value based on quoted market prices or, if quoted prices are not available, discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment. Unrealized gains and losses on available-for-sale investment securities are included in shareowner's equity, net of applicable taxes and other adjustments. We regularly review investment securities for impairment based on both quantitative and qualitative criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to maturity or until forecasted recovery and the financial health of and specific prospects for the issuer. Unrealized losses that are other than temporary are recognized in earnings. For investment securities designated as trading, unrealized gains and losses are recognized currently in earnings. Realized gains and losses are accounted for on the specific identification method.

### **Inventories**

All inventories are stated at the lower of cost or realizable values. Our inventories consist of finished products held for sale, and cost is determined on a first-in, first-out basis.

### **Intangible assets**

We do not amortize goodwill, but test it annually for impairment using a fair value approach at the reporting unit level. A reporting unit is the operating segment, or a business one level below that operating segment (the component level) if discrete financial information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics. We recognize an impairment charge for any amount by which the carrying amount of a reporting unit's goodwill exceeds its fair value. We use discounted cash flows to establish fair values. When available and as appropriate, we use comparative market

multiples to corroborate discounted cash flow results. When a business within a reporting unit is disposed of, goodwill is allocated to the gain or loss on disposition using the relative fair value method.

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We amortize the cost of other intangibles over their estimated useful lives. Amortizable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values.

### **Investment contracts, insurance liabilities and insurance annuity benefits**

Certain SPEs, which we consolidate, provide guaranteed investment contracts to states, municipalities and municipal authorities.

Our insurance activities also include providing insurance and reinsurance for life and health risks and providing certain annuity products. Two product groups are provided: traditional insurance contracts and investment contracts. Insurance contracts are contracts with significant mortality and/or morbidity risks, while investment contracts are contracts without such risks.

For short-duration insurance contracts, including accident and health insurance, we report premiums as earned income over the terms of the related agreements, generally on a pro-rata basis. For traditional long-duration insurance contracts including term, whole life and annuities payable for the life of the annuitant, we report premiums as earned income when due.

Premiums received on investment contracts (including annuities without significant mortality risk) are not reported as revenues but rather as deposit liabilities. We recognize revenues for charges and assessments on these contracts, mostly for mortality, contract initiation, administration and surrender. Amounts credited to policyholder accounts are charged to expense.

Liabilities for traditional long-duration insurance contracts represent the present value of such benefits less the present value of future net premiums based on mortality, morbidity, interest and other assumptions at the time the policies were issued or acquired. Liabilities for investment contracts equal the account value, that is, the amount that accrues to the benefit of the contract or policyholder including credited interest and assessments through the financial statement date.

Liabilities for unpaid claims and claims adjustment expenses represent our best estimate of the ultimate obligations for reported and incurred-but-not-reported claims and the related estimated claim settlement expenses. Liabilities for unpaid claims and claims adjustment expenses are continually reviewed and adjusted through current operations.

### **Accounting change**

On July 1, 2003, we adopted FIN 46, *Consolidation of Variable Interest Entities*, and, on January 1, 2004, the related subsequent amendment (FIN 46R). Consequently, in 2003 we recorded a \$339 million after-tax charge related to the first-time consolidation of certain SPEs, reported in the caption "Cumulative effect of accounting change." There was no earnings effect arising from our adoption of FIN 46R. Additional information about entities consolidated under these rules is provided in note 19.

### **Note 2. Discontinued Operations**

#### **Sale of Genworth**

In May 2004, we completed the initial public offering of Genworth Financial Inc. (Genworth), our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. During 2005, we reduced our ownership in Genworth to 18% through further sales of stock in three

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secondary public offerings. Our remaining available-for-sale investment in Genworth common stock is included in assets of discontinued operations, and results of future sales will be reported in discontinued operations.

### Discontinued operations

At December 31, 2005, Genworth was classified as discontinued operations and its results of operations, financial position and cash flows are separately reported for all periods presented. Summarized financial information for discontinued operations is set forth below. Gain (loss) on disposal included actual effects of the Genworth sale.

| <i>(In millions)</i>  | <b>2005</b> | <b>Genworth<br/>2004</b> | <b>2003</b> |
|---|-------------|--------------------------|-------------|
| <b>Discontinued Operations Before Disposal</b>                                  |             |                          |             |
| Revenues from services  | \$ 7,906    | \$ 10,145                | \$ 11,765   |
| Earnings from discontinued operations before minority interest and income taxes | \$ 1,387    | \$ 1,543                 | \$ 2,038    |
| Minority interest   | 394         | 200                      | 2           |
| Earnings from discontinued operations before income taxes                       | 993         | 1,343                    | 2,036       |
| Income tax expense  | (617)       | (565)                    | (640)       |
| Earnings from discontinued operations before disposal, net of taxes             | \$ 376      | \$ 778                   | \$ 1,396    |
| <b>Disposal</b>   |             |                          |             |
| Gain (loss) on disposal before income taxes                                     | \$ 932      | \$ (570)                 | \$ -        |
| Income tax benefit (expense)  | (380)       | 234                      | -           |
| Gain (loss) on disposal, net of taxes   | \$ 552      | \$ (336)                 | \$ -        |
| Earnings from discontinued operations, net of taxes                             | \$ 928      | \$ 442                   | \$ 1,396    |

| <i>December 31 (In millions)</i>                                | <b>2005</b> | <b>Genworth<br/>2004</b> |
|---|-------------|--------------------------|
| Cash and equivalents  | \$ -        | \$ 1,407                 |
| Investment securities   | 2,981       | 54,064                   |
| Other receivables   | -           | 27,936                   |
| Other   | -           | 20,641                   |
| Assets of discontinued operations                               | \$ 2,981    | \$ 104,048               |
| Investment contracts, insurance liabilities and insurance       |             |                          |
| annuity benefits  | \$ -        | \$ 78,055                |
| Other   | -           | 11,489                   |
| Minority interest   | -           | 3,780                    |
| Liabilities of and minority interest in discontinued operations | \$ -        | \$ 93,324                |

|  |    |     |          |
|--|----|-----|----------|
| Accumulated gains - net                                |    |     |          |
| Investment securities                                  | \$ | 465 | \$ 707   |
| Currency translation adjustments                       |    | -   | 332      |
| Cash flow hedges                                       |    | -   | 191      |
| Total accumulated nonowner changes other than earnings | \$ | 465 | \$ 1,230 |

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**Note 3. Revenues from Services**

| <i>(In millions)</i>                    | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|---|-------------|-------------|-------------|
| Interest on loans                       | \$ 19,895   | \$ 17,114   | \$ 15,357   |
| Operating lease rentals                 | 11,476      | 10,654      | 7,123       |
| Investment income                       | 2,623       | 1,698       | 1,313       |
| Fees                                    | 4,049       | 3,284       | 2,436       |
| Financing leases                        | 3,894       | 4,069       | 4,117       |
| Premiums earned by insurance activities | 1,063       | 589         | 2,268       |
| Other income                            | 9,987       | 9,845       | 6,763       |
| Total <sup>(a)</sup>                    | \$ 52,987   | \$ 47,253   | \$ 39,377   |

(a) Included \$1,290 million, \$945 million and \$865 million from consolidated, liquidating securitization entities in 2005, 2004 and 2003, respectively. Of these amounts, \$634 million in 2005 related to Australian Financial Investments Group (AFIG), a December 2004 acquisition.

**Note 4. Operating and Administrative Expenses**

Our employees and retirees are covered under a number of pension, health and life insurance plans. The principal pension plans are the GE Pension Plan, a defined benefit plan for U.S. employees and the GE Supplementary Pension Plan, an unfunded plan providing supplementary benefits to higher-level, longer-service U.S. employees. Employees of certain affiliates are covered under separate pension plans which are not significant individually or in the aggregate. We provide health and life insurance benefits to certain of our retired employees, principally through GE Company's benefit program. The annual cost to us of providing these benefits is not material.

Rental expense under operating leases is shown below.

| <i>(In millions)</i>   | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|------------------------|-------------|-------------|-------------|
| Equipment for sublease | \$ 385      | \$ 383      | \$ 338      |
| Other rental expense   | 606         | 542         | 487         |

At December 31, 2005, minimum rental commitments under noncancelable operating leases aggregated \$4,000 million. Amounts payable over the next five years follow.

*(In millions)*

| <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> |
|-------------|-------------|-------------|-------------|-------------|
| \$ 771      | \$ 672      | \$ 576      | \$ 515      | \$ 384      |

**Note 5. Investment Securities**

| <i>December 31 (In millions)</i> | <b>Estimated fair value</b> |             |
|----------------------------------|-----------------------------|-------------|
|                                  | <b>2005</b>                 | <b>2004</b> |

|                               |    |        |    |        |
|-------------------------------|----|--------|----|--------|
| Available-for-sale securities | \$ | 21,321 | \$ | 24,531 |
| Trading securities            |    | 8,142  |    | 8,337  |
| Total                         | \$ | 29,463 | \$ | 32,868 |

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**Available-for-sale securities**

| <i>December 31 (In millions)</i>    | <b>Amortized<br/>cost</b> | <b>Gross<br/>unrealized<br/>gains</b> | <b>Gross<br/>unrealized<br/>losses</b> | <b>Estimated<br/>fair value</b> |
|-------------------------------------|---------------------------|---------------------------------------|--|---------------------------------|
| <b>2005</b>                         |                           |                                       |  |                                 |
| Debt:                               |                           |                                       |  |                                 |
| U.S. corporate                      | \$ 5,751                  | \$ 46                                 | \$ (118)                               | \$ 5,679                        |
| State and municipal                 | 611                       | 34                                    | (2)                                    | 643                             |
| Mortgage-backed <sup>(a)</sup>      | 3,557                     | 17                                    | (17)                                   | 3,557                           |
| Asset-backed                        | 6,540                     | 120                                   | (7)                                    | 6,653                           |
| Corporate - non-U.S.                | 2,879                     | 198                                   | (2)                                    | 3,075                           |
| Government - non-U.S.               | 279                       | 1                                     | -                                      | 280                             |
| U.S. government and federal agency  | 45                        | 1                                     | -                                      | 46                              |
| Equity                              | 1,219                     | 201                                   | (32)                                   | 1,388                           |
| Total available-for-sale securities | \$ 20,881                 | \$ 618                                | \$ (178)                               | \$ 21,321 <sup>(b)</sup>        |
| <b>2004</b>                         |                           |                                       |  |                                 |
| Debt:                               |                           |                                       |  |                                 |
| U.S. corporate                      | \$ 7,190                  | \$ 103                                | \$ (294)                               | \$ 6,999                        |
| State and municipal                 | 582                       | 41                                    | -                                      | 623                             |
| Mortgage-backed <sup>(a)</sup>      | 3,553                     | 20                                    | (10)                                   | 3,563                           |
| Asset-backed                        | 6,019                     | 185                                   | (39)                                   | 6,165                           |
| Corporate - non-U.S.                | 2,852                     | 141                                   | (6)                                    | 2,987                           |
| Government - non-U.S.               | 950                       | 37                                    | -                                      | 987                             |
| U.S. government and federal agency  | 39                        | 1                                     | -                                      | 40                              |
| Equity                              | 2,901                     | 280                                   | (14)                                   | 3,167                           |
| Total available-for-sale securities | \$ 24,086                 | \$ 808                                | \$ (363)                               | \$ 24,531 <sup>(b)</sup>        |

(a) Substantially collateralized by U.S. residential mortgages.

(b) Included \$16 million in 2005 and \$684 million in 2004 of debt securities related to consolidated, liquidating securitization entities. See note 19.

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

| <i>December 31 (In millions)</i> | <b>Less than 12 months</b>  |                                | <b>12 months or more</b>    |                                |
|----------------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------------|
|                                  | <b>Estimated fair value</b> | <b>Gross unrealized losses</b> | <b>Estimated fair value</b> | <b>Gross unrealized losses</b> |
| <b>2005</b>                      |                             |                                |                             |                                |
| Debt:                            |                             |                                |                             |                                |
| U.S. corporate                   | \$ 797                      | \$ (12)                        | \$ 1,769                    | \$ (106)                       |
| State and municipal              | 77                          | (2)                            | -                           | -                              |
| Mortgage-backed                  | 844                         | (2)                            | 699                         | (15)                           |
| Asset-backed                     | 1,029                       | (1)                            | 166                         | (6)                            |
| Corporate - non-U.S.             | 83                          | (1)                            | 26                          | (1)                            |
| Equity                           | 76                          | (24)                           | 29                          | (8)                            |
| Total                            | \$ 2,906                    | \$ (42)                        | \$ 2,689                    | \$ (136)                       |
| <b>2004</b>                      |                             |                                |                             |                                |
| Debt:                            |                             |                                |                             |                                |
| U.S. corporate                   | \$ 1,393                    | \$ (34)                        | \$ 1,220                    | \$ (260)                       |
| Mortgage-backed                  | 1,619                       | (7)                            | 134                         | (3)                            |
| Asset-backed                     | 1,079                       | (9)                            | 420                         | (30)                           |
| Corporate - non-U.S.             | 2,373                       | (1)                            | 164                         | (5)                            |
| Equity                           | 134                         | (13)                           | 30                          | (1)                            |
| Total                            | \$ 6,598                    | \$ (64)                        | \$ 1,968                    | \$ (299)                       |

Securities in an unrealized loss position for 12 months or more at December 31, 2005 and 2004, included investment securities collateralized by commercial aircraft, primarily Enhanced Equipment Trust Certificates, with unrealized losses of \$94 million and \$254 million, respectively, and estimated fair values of \$1,165 million and \$782 million, respectively. We review all of our investment securities routinely for other than temporary impairment as described in note 1. In accordance with that policy, we have provided for all amounts that we did not expect either to collect in accordance with the contractual terms of the instruments or to recover based on underlying collateral values. For our securities collateralized by commercial aircraft, that review included our best estimates of the securities' cash flows and underlying collateral values, and assessment of whether the borrower was in compliance with terms and conditions. We believe that these securities, which are current on all payment terms, were trading at a discount to market value since the respective stated interest rates on the securities were below what was perceived as a market rate based on the ongoing negative market reaction to difficulties in the commercial airline industry. We do not anticipate changes in the timing and amount of estimated cash flows and we expect full recovery of our amortized cost. Should our cash flow expectation prove to be incorrect, the current appraised market values of associated collateral exceeded both the market value and the amortized cost of our related securities at December 31, 2005.

We presently intend to hold our investment securities in an unrealized loss position at December 31, 2005, at least until we can recover their respective amortized cost. We have the ability to hold our debt securities until their maturities.

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

| <i>(In millions)</i> | <b>Amortized<br/>cost</b> | <b>Estimated<br/>fair value</b> |
|----------------------|---------------------------|---------------------------------|
| Due in               |                           |                                 |
| 2006                 | \$ 2,031                  | \$ 2,013                        |
| 2007-2010            | 2,818                     | 2,803                           |
| 2011-2015            | 1,826                     | 1,815                           |
| 2016 and later       | 2,890                     | 3,092                           |

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.

| <i>(In millions)</i>          | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|-------------------------------|-------------|-------------|-------------|
| Gains                         | \$ 251      | \$ 346      | \$ 497      |
| Losses, including impairments | (61)        | (174)       | (304)       |
| Net                           | \$ 190      | \$ 172      | \$ 193      |

Proceeds from available-for-sale investment securities sales amounted to \$9,028 million, \$8,003 million and \$9,158 million in 2005, 2004 and 2003, respectively.

**Trading securities**

Gains and losses on trading securities are for the benefit of certain non-U.S. insurance contractholders. In 2005 and 2004, we recognized net pre-tax gains on such securities of \$863 million and \$284 million, respectively, and recognized corresponding insurance losses of \$860 million and \$280 million, respectively, reflecting the contractholders participation in the actual returns generated by these investments.

**Note 6. Financing Receivables (investments in loans and financing leases)**

| <i>December 31 (In millions)</i>                       | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|
| Loans, net of deferred income                          | \$ 226,113  | \$ 218,837  |
| Investment in financing leases, net of deferred income | 63,024      | 66,340      |
|  | 289,137     | 285,177     |
| Less allowance for losses (note 7)                     | (4,570)     | (5,589)     |
| Financing receivables - net                            | \$ 284,567  | \$ 279,588  |

Included in the above are the financing receivables of consolidated, liquidating securitization entities as follows:





| <i>December 31 (In millions)</i>                       | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|
| Loans, net of deferred income                          | \$ 15,868   | \$ 20,728   |
| Investment in financing leases, net of deferred income | 769         | 2,125       |
|  | 16,637      | 22,853      |
| Less allowance for losses                              | (22)        | (5)         |
| Financing receivables - net                            | \$ 16,615   | \$ 22,848   |

Details of financing receivables - net follow.

| <i>December 31 (In millions)</i>          | <b>2005</b> | <b>2004</b> |
|---|-------------|-------------|
| <b>GE Commercial Finance</b>              |             |             |
| Equipment and leasing                     | \$ 68,374   | \$ 61,821   |
| Commercial and industrial                 | 40,955      | 39,251      |
| Real estate                               | 19,555      | 20,470      |
|   | 128,884     | 121,542     |
| <b>GE Consumer Finance</b>                |             |             |
| Non-U.S. residential mortgages            | 46,205      | 42,201      |
| Non-U.S. installment and revolving credit | 31,849      | 33,889      |
| Non-U.S. auto                             | 22,803      | 23,517      |
| U.S. installment and revolving credit     | 21,963      | 21,385      |
| Other                                     | 7,286       | 6,771       |
|   | 130,106     | 127,763     |
| <b>GE Infrastructure<sup>(a)(b)</sup></b> | 18,953      | 20,770      |
| <b>Other<sup>(c)</sup></b>                | 11,194      | 15,102      |
|   | 289,137     | 285,177     |
| Less allowance for losses                 | (4,570)     | (5,589)     |
| Total                                     | \$ 284,567  | \$ 279,588  |

(a) Included loans and financing leases of \$11,192 million and \$13,562 million at December 31, 2005 and 2004, respectively, related to commercial aircraft at Aviation Financial Services and loans and financing leases of \$5,341 million and \$4,538 million at December 31, 2005 and 2004, respectively, related to Energy Financial Services.

(b) Included only portions of the segment that are financial services businesses.

(c) Included loans and financing leases of \$10,160 million and \$13,759 million at December 31, 2005 and 2004, respectively, related to certain consolidated, liquidating securitization entities.

Financing receivables include both loans and financing leases. Loans represent transactions in a variety of forms, including revolving charge and credit, mortgages, installment loans, intermediate-term loans and revolving loans

secured by business assets. The portfolio includes loans carried at the principal amount on which finance charges are billed periodically, and loans carried at gross book value, which includes finance charges.

Investment in financing leases consists of direct financing and leveraged leases of aircraft, railroad rolling stock, autos, other transportation equipment, data processing equipment, medical equipment, commercial real estate and other manufacturing, power generation, and commercial equipment and facilities.

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As the sole owner of assets under direct financing leases and as the equity participant in leveraged leases, we are taxed on total lease payments received and are entitled to tax deductions based on the cost of leased assets and tax deductions for interest paid to third-party participants. We are generally entitled to any residual value of leased assets.

Investment in direct financing and leveraged leases represents net unpaid rentals and estimated unguaranteed residual values of leased equipment, less related deferred income. We have no general obligation for principal and interest on notes and other instruments representing third-party participation related to leveraged leases; such notes and other instruments have not been included in liabilities but have been offset against the related rentals receivable. Our share of rentals receivable on leveraged leases is subordinate to the share of other participants who also have security interests in the leased equipment.

### Net Investment in Financing Leases

| <i>December 31 (In millions)</i>                            | <b>Total financing leases</b> |             | <b>Direct financing leases<sup>(a)</sup></b> |             | <b>Leveraged leases<sup>(b)</sup></b> |             |
|---|-------------------------------|-------------|--|-------------|---------------------------------------|-------------|
|   | <b>2005</b>                   | <b>2004</b> | <b>2005</b>                                  | <b>2004</b> | <b>2005</b>                           | <b>2004</b> |
| Total minimum lease payments receivable                     | \$ 85,404                     | \$ 90,790   | \$ 59,983                                    | \$ 63,128   | \$ 25,421                             | \$ 27,662   |
| Less principal and interest on third-party nonrecourse debt | (18,723)                      | (20,644)    | -  | -           | (18,723)                              | (20,644)    |
| Net rentals receivable                                      | 66,681                        | 70,146      | 59,983                                       | 63,128      | 6,698                                 | 7,018       |
| Estimated unguaranteed residual value of leased assets      | 8,558                         | 9,346       | 5,494  | 5,976       | 3,064                                 | 3,370       |
| Less deferred income  | (12,215)                      | (13,152)    | (9,120)                                      | (9,754)     | (3,095)                               | (3,398)     |
| Investment in financing leases, net of deferred income      | 63,024                        | 66,340      | 56,357                                       | 59,350      | 6,667                                 | 6,990       |
| Less amounts to arrive at net investment                    |                               |             |  |             |                                       |             |
| Allowance for losses  | (547)                         | (1,059)     | (402)  | (872)       | (145)                                 | (187)       |
| Deferred taxes  | (7,991)                       | (9,563)     | (3,477)                                      | (4,895)     | (4,514)                               | (4,668)     |
| Net investment in financing leases                          | \$ 54,486                     | \$ 55,718   | \$ 52,478                                    | \$ 53,583   | \$ 2,008                              | \$ 2,135    |

(a) Included \$465 million and \$477 million of initial direct costs on direct financing leases at December 31, 2005 and 2004, respectively.

(b) Included pre-tax income of \$241 million and \$335 million and income tax of \$93 million and \$128 million during 2005 and 2004, respectively. Net investment credits recognized during 2005 and 2004 were inconsequential.

### Contractual Maturities

| <i>(In millions)</i> | <b>Total<br/>loans</b> | <b>Net<br/>rentals<br/>receivable</b> |
|----------------------|------------------------|---------------------------------------|
| Due in               |                        |                                       |
| 2006                 | \$ 73,175              | \$ 17,622                             |
| 2007                 | 30,543                 | 14,166                                |
| 2008                 | 23,575                 | 10,643                                |
| 2009                 | 13,683                 | 7,188                                 |
| 2010                 | 14,147                 | 4,102                                 |
| 2011 and later       | 70,990                 | 12,960                                |
| Total                | \$ 226,113             | \$ 66,681                             |

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We expect actual maturities to differ from contractual maturities.

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.

| <i>December 31 (In millions)</i>                     | <b>2005</b> |       | <b>2004</b> |       |
|--|-------------|-------|-------------|-------|
| Loans requiring allowance for losses                 | \$          | 1,474 | \$          | 1,687 |
| Loans expected to be fully recoverable               |             | 451   |             | 520   |
|  | \$          | 1,925 | \$          | 2,207 |
| Allowance for losses                                 | \$          | 626   | \$          | 747   |
| Average investment during year                       |             | 2,116 |             | 2,398 |
| Interest income earned while impaired <sup>(a)</sup> |             | 46    |             | 26    |

(a) Recognized principally on cash basis.

#### **Note 7. Allowance for Losses on Financing Receivables**

| <i>(In millions)</i>                   | <b>2005</b> |         | <b>2004</b> |         | <b>2003</b> |         |
|--|-------------|---------|-------------|---------|-------------|---------|
| <b>Balance at January 1</b>            |             |         |             |         |             |         |
| GE Commercial Finance                  | \$          | 1,505   | \$          | 1,925   | \$          | 2,379   |
| GE Consumer Finance                    |             | 3,473   |             | 3,959   |             | 2,762   |
| GE Infrastructure <sup>(a)</sup>       |             | 581     |             | 287     |             | 253     |
| Other                                  |             | 30      |             | 27      |             | 53      |
|  |             | 5,589   |             | 6,198   |             | 5,447   |
| <b>Provision charged to operations</b> |             |         |             |         |             |         |
| GE Commercial Finance                  |             | 315     |             | 302     |             | 849     |
| GE Consumer Finance                    |             | 3,337   |             | 3,220   |             | 2,694   |
| GE Infrastructure <sup>(a)</sup>       |             | 211     |             | 328     |             | 27      |
| Other                                  |             | 1       |             | 18      |             | 42      |
|  |             | 3,864   |             | 3,868   |             | 3,612   |
| <b>Other additions (reductions)</b>    |             | (489)   |             | (59)    |             | 717     |
| <b>Gross write-offs</b>                |             |         |             |         |             |         |
| GE Commercial Finance                  |             | (875)   |             | (920)   |             | (1,281) |
| GE Consumer Finance <sup>(b)</sup>     |             | (4,447) |             | (4,425) |             | (3,044) |
| GE Infrastructure <sup>(a)</sup>       |             | (572)   |             | (27)    |             | (24)    |
| Other                                  |             | (47)    |             | (73)    |             | (73)    |
|  |             | (5,941) |             | (5,445) |             | (4,422) |

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| <i>(In millions)</i>             | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|----------------------------------|-------------|-------------|-------------|
| <b>Recoveries</b>                |             |             |             |
| GE Commercial Finance            | 177         | 158         | 120         |
| GE Consumer Finance              | 1,359       | 846         | 710         |
| GE Infrastructure <sup>(a)</sup> | -           | 2           | 2           |
| Other                            | 11          | 21          | 12          |
|                                  | 1,547       | 1,027       | 844         |
| <b>Balance at December 31</b>    |             |             |             |
| GE Commercial Finance            | 1,087       | 1,505       | 1,925       |
| GE Consumer Finance              | 3,234       | 3,473       | 3,959       |
| GE Infrastructure <sup>(a)</sup> | 219         | 581         | 287         |
| Other                            | 30          | 30          | 27          |
| Total                            | \$ 4,570    | \$ 5,589    | \$ 6,198    |

(a) Included only portions of the segment that are financial services businesses.

(b) Included \$889 million in 2004 related to the standardization of our write-off policy.

See note 6 for amounts related to consolidated, liquidating securitization entities.

### **Selected Financing Receivables Ratios**

| <i>December 31</i>   | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|
| <b>Allowance for losses on financing receivables as a percentage of total financing receivables</b>        |             |             |
| GE Commercial Finance  | 0.84%       | 1.24%       |
| GE Consumer Finance  | 2.49        | 2.72        |
| GE Infrastructure <sup>(a)</sup>   | 1.16        | 2.80        |
| Other  | 0.27        | 0.20        |
| Total  | 1.58        | 1.96        |
| <b>Nonearning and reduced earning financing receivables as a percentage of total financing receivables</b> |             |             |
| GE Commercial Finance  | 1.0%        | 1.2%        |
| GE Consumer Finance  | 2.1         | 2.0         |
| GE Infrastructure <sup>(a)</sup>   | 0.1         | 0.8         |
| Other  | 0.7         | 1.2         |
| Total  | 1.4         | 1.5         |

(a) Included only portions of the segment that are financial services businesses.

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**Note 8. Buildings and Equipment**

| <i>December 31 (Dollars in millions)</i> | Estimated<br>useful<br>lives-new<br>(years) | <b>2005</b> | <b>2004</b> |
|--|---|-------------|-------------|
| <b>Original cost<sup>(a)</sup></b>       |   |             |             |
| Buildings and equipment                  | 2-40  | \$ 5,501    | \$ 5,632    |
| Equipment leased to others               |   |             |             |
| Aircraft                                 | 20  | 32,941      | 26,837      |
| Vehicles                                 | 1-14  | 23,206      | 23,056      |
| Railroad rolling stock                   | 3-30  | 3,327       | 3,390       |
| Mobile and modular space                 | 12-18                                       | 2,889       | 2,965       |
| Construction and manufacturing           | 5-25  | 1,594       | 1,762       |
| All other                                | 2-33  | 2,752       | 2,902       |
| Total                                    |   | \$ 72,210   | \$ 66,544   |
| <b>Net carrying value<sup>(a)</sup></b>  |   |             |             |
| Buildings and equipment                  |   | \$ 3,085    | \$ 3,260    |
| Equipment leased to others               |   |             |             |
| Aircraft <sup>(b)</sup>                  |   | 27,116      | 21,991      |
| Vehicles                                 |   | 14,062      | 14,062      |
| Railroad rolling stock                   |   | 2,189       | 2,193       |
| Mobile and modular space                 |   | 1,496       | 1,635       |
| Construction and manufacturing           |   | 1,080       | 1,150       |
| All other                                |   | 1,908       | 1,959       |
| Total                                    |   | \$ 50,936   | \$ 46,250   |

(a) Included \$1,935 million and \$2,243 million of original cost of assets leased to GE with accumulated amortization of \$298 million and \$377 million at December 31, 2005 and 2004, respectively.

(b) The Aviation Financial Services business of GE Infrastructure recognized impairment losses of \$295 million in 2005 and \$148 million in 2004 recorded in the caption "Depreciation and amortization" in the Statement of Earnings to reflect adjustments to fair value based on current market values from independent appraisers.

Amortization of equipment leased to others was \$5,591 million, \$5,314 million and \$4,162 million in 2005, 2004 and 2003, respectively. Noncancelable future rentals due from customers for equipment on operating leases at December 31, 2005, are due as follows:

*(In millions)*

|        |          |
|--------|----------|
| Due in |          |
| 2006   | \$ 7,615 |
| 2007   | 6,099    |

|                |           |
|----------------|-----------|
| 2008           | 4,743     |
| 2009           | 3,375     |
| 2010           | 2,642     |
| 2011 and later | 7,840     |
| Total          | \$ 32,314 |

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**Note 9. Intangible Assets**

| <i>December 31 (In millions)</i>          | <b>2005</b> |        | <b>2004</b> |        |
|---|-------------|--------|-------------|--------|
| Goodwill                                  | \$          | 21,161 | \$          | 21,403 |
| Intangible assets subject to amortization |             | 2,021  |             | 1,593  |
| Total                                     | \$          | 23,182 | \$          | 22,996 |

Changes in goodwill balances, net of accumulated amortization, follow.

| <i>(In millions)</i>                         | <b>2005</b>                  |                            |                                    |  |              |
|--|------------------------------|----------------------------|------------------------------------|--|--------------|
|  | <b>GE Commercial Finance</b> | <b>GE Consumer Finance</b> | <b>GE Industrial<sup>(a)</sup></b> | <b>GE Infrastructure<sup>(a)</sup></b> | <b>Total</b> |
| Balance January 1                            | \$ 9,960                     | \$ 9,854                   | \$ 1,459                           | \$ 130                                 | \$ 21,403    |
| Acquisitions/purchase accounting adjustments | 771                          | (24)                       | (2)                                | (4)                                    | 741          |
| Currency exchange and other                  | (286)                        | (646)                      | (51)                               | -                                      | (983)        |
| Balance December 31                          | \$ 10,445                    | \$ 9,184                   | \$ 1,406                           | \$ 126                                 | \$ 21,161    |

| <i>(In millions)</i>                         | <b>2004</b>                  |                            |                                    |  |              |
|--|------------------------------|----------------------------|------------------------------------|--|--------------|
|  | <b>GE Commercial Finance</b> | <b>GE Consumer Finance</b> | <b>GE Industrial<sup>(a)</sup></b> | <b>GE Infrastructure<sup>(a)</sup></b> | <b>Total</b> |
| Balance January 1                            | \$ 9,018                     | \$ 8,106                   | \$ 380                             | \$ 114                                 | \$ 17,618    |
| Acquisitions/purchase accounting adjustments | 864                          | 1,275                      | (11)                               | 9                                      | 2,137        |
| Currency exchange and other                  | 78                           | 473                        | 1,090 <sup>(b)</sup>               | 7                                      | 1,648        |
| Balance December 31                          | \$ 9,960                     | \$ 9,854                   | \$ 1,459                           | \$ 130                                 | \$ 21,403    |

(a) Included only portions of the segment that are financial services businesses.

(b) Included \$1,055 million of goodwill associated with the consolidation of Penske effective January 1, 2004.

The amount of goodwill related to new acquisitions recorded during 2005 was \$950 million, the largest of which were Antares Capital Corp. (\$407 million), the Transportation Financial Services Group of CitiCapital (\$226 million) and the Inventory Finance division of Bombardier Capital (\$191 million) by GE Commercial Finance.

The amount of goodwill related to purchase accounting adjustments to prior-year acquisitions during 2005 was \$209 million, primarily associated with the 2004 acquisitions of Australian Financial Investment Group (AFIG) by GE Consumer Finance and Sophia S.A. by GE Commercial Finance.

The amount of goodwill related to new acquisitions during 2004 was \$1,904 million, the largest of which were WMC Finance Co. (\$520 million) and AFIG (\$301 million) by GE Consumer Finance, and Sophia S.A. (\$511 million) and most of the commercial lending business of Transamerica Finance Corporation (\$294 million) by GE Commercial Finance.

The amount of goodwill related to purchase accounting adjustments to prior-year acquisitions during 2004 was \$233 million, primarily associated with the 2003 acquisition of Allbank and First National Bank at GE Consumer Finance.

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Upon closing an acquisition, we estimate the fair values of assets and liabilities acquired and consolidate the acquisition as quickly as possible. Given the time it takes to obtain pertinent information to finalize the acquired company's balance sheet (frequently with implications for the price of the acquisition), then to adjust the acquired company's accounting policies, procedures, books and records to our standards, it is often several quarters before we are able to finalize those initial fair value estimates. Accordingly, it is not uncommon for our initial estimates to be subsequently revised.

### Intangible Assets Subject to Amortization

| <i>December 31 (In millions)</i> | <b>Gross carrying amount</b> | <b>2005</b>                     |            |                              | <b>2004</b>                     |            |  |
|----------------------------------|------------------------------|---------------------------------|------------|------------------------------|---------------------------------|------------|--|
|                                  |                              | <b>Accumulated amortization</b> | <b>Net</b> | <b>Gross carrying amount</b> | <b>Accumulated amortization</b> | <b>Net</b> |  |
| Capitalized software             | \$ 1,454                     | \$ (785)                        | \$ 669     | \$ 1,243                     | \$ (660)                        | \$ 583     |  |
| Patents, licenses and trademarks | 495                          | (272)                           | 223        | 437                          | (226)                           | 211        |  |
| All other                        | 1,870                        | (741)                           | 1,129      | 1,401                        | (602)                           | 799        |  |
| Total                            | \$ 3,819                     | \$ (1,798)                      | \$ 2,021   | \$ 3,081                     | \$ (1,488)                      | \$ 1,593   |  |

Amortization expense related to intangible assets subject to amortization was \$400 million and \$452 million for 2005 and 2004, respectively.

### Note 10. Other Assets

| <i>December 31 (In millions)</i>    | <b>2005</b> | <b>2004</b> |
|-------------------------------------|-------------|-------------|
| Investments                         |             |             |
| Associated companies                | \$ 15,177   | \$ 11,075   |
| Real estate <sup>(a)</sup>          | 16,408      | 19,112      |
| Assets held for sale <sup>(b)</sup> | 8,574       | 6,501       |
| Cost method <sup>(c)</sup>          | 2,235       | 2,234       |
| Other                               | 3,045       | 3,914       |
|                                     | 45,439      | 42,836      |
| Deferred acquisition costs          | 158         | 181         |
| Derivative instruments              | 1,485       | 3,053       |
| Advances to suppliers               | 1,762       | 1,754       |
| Other                               | 3,260       | 3,573       |
| Total <sup>(d)</sup>                | \$ 52,104   | \$ 51,397   |

(a) Our investment in real estate consisted principally of two categories: real estate held for investment and equity method investments. Both categories contained a wide range of properties including the following at December 31, 2005: office buildings (52%), apartment buildings (20%), retail facilities (8%), industrial properties (6%), parking facilities (5%), franchise properties (3%) and other (6%). At December 31, 2005, investments were located in Europe (46%), North America (35%) and Asia (19%).

- (b) Assets were classified as held for sale on the date a decision was made to dispose of them through sale, securitization or other means. Such assets consisted primarily of real estate properties and mortgage and credit card receivables, and were accounted for at the lower of carrying amount or estimated fair value less costs to sell.
- (c) The fair value of and unrealized loss on those investments in a continuous loss position for less than 12 months in 2005 were \$99 million and \$30 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for 12 months or more in 2005 were \$22 million and \$9 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for less than 12 months in 2004 were \$54 million and \$25 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for 12 months or more in 2004 were \$54 million and \$41 million, respectively.
- (d) Included \$1,235 million in 2005 and \$2,384 million in 2004 related to consolidated, liquidating securitization entities. See note 19.

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**Note 11. Borrowings****Short-Term Borrowings**

| <i>December 31 (Dollars in millions)</i>            | <b>2005</b> |                             | <b>2004</b> |                             |
|---|-------------|-----------------------------|-------------|-----------------------------|
|   | Amount      | Average rate <sup>(a)</sup> | Amount      | Average rate <sup>(a)</sup> |
| Commercial paper                                    |             |                             |             |                             |
| U.S.  |             |                             |             |                             |
| Unsecured   | \$ 60,640   | 4.30%                       | \$ 55,145   | 2.23%                       |
| Asset-backed <sup>(b)</sup>                         | 9,267       | 4.21                        | 13,842      | 2.17                        |
| Non-U.S.  | 20,456      | 3.47                        | 20,835      | 2.97                        |
| Current portion of long-term debt <sup>(c)(d)</sup> | 41,744      | 4.05                        | 37,426      | 4.11                        |
| Other   | 17,572      |                             | 20,045      |                             |
| Total   | \$149,679   |                             | \$147,293   |                             |

(a) Based on year-end balances and year-end local currency interest rates. Current portion of long-term debt included the effects of interest rate and currency swaps, if any, directly associated with the original debt issuance.

(b) Entirely obligations of consolidated, liquidating securitization entities. See note 19.

(c) Included short-term borrowings by consolidated, liquidating securitization entities of \$697 million and \$756 million at December 31, 2005 and 2004, respectively. See note 19.

(d) Included \$250 million of subordinated notes guaranteed by GE at December 31, 2005.

**Long-Term Borrowings**

| <i>December 31 (Dollars in millions)</i> | 2005                        | Maturities | <b>2005</b> | <b>2004</b> |
|--|-----------------------------|------------|-------------|-------------|
|  | Average rate <sup>(a)</sup> |            |             |             |
| Senior notes                             |                             |            |             |             |
| Unsecured                                | 4.45%                       | 2007-2055  | \$ 182,654  | \$ 175,375  |
| Asset-backed <sup>(b)</sup>              | 4.66                        | 2007-2035  | 6,845       | 10,939      |
| Extendible notes <sup>(c)</sup>          | 4.38                        | 2007-2009  | 14,022      | 14,258      |
| Subordinated notes <sup>(d)</sup>        | 5.83                        | 2009-2037  | 2,685       | 820         |
| Total                                    |                             |            | \$206,206   | \$201,392   |

(a) Based on year-end balances and year-end local currency interest rates, including the effects of interest rate and currency swaps, if any, directly associated with the original

debt issuance.

- (b) Asset-backed senior notes were all issued by consolidated, liquidating securitization entities. See note 19.
- (c) Included obligations of consolidated, liquidating securitization entities in the amount of \$38 million and \$267 million at December 31, 2005 and 2004, respectively. See note 19.
- (d) Included \$450 million and \$700 million of subordinated notes guaranteed by GE at December 31, 2005 and 2004, respectively.

Our borrowings are addressed below from the perspectives of liquidity, interest rate and currency risk management. Additional information about borrowings and associated swaps can be found in note 18.

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**Liquidity** is affected by debt maturities and our ability to repay or refinance such debt. Long-term debt maturities, including borrowings from GE, over the next five years follow.

(In millions)

|    | 2006                  |    | 2007                  |    | 2008   |    | 2009   |    | 2010   |
|----|-----------------------|----|-----------------------|----|--------|----|--------|----|--------|
| \$ | 41,744 <sup>(a)</sup> | \$ | 42,157 <sup>(b)</sup> | \$ | 42,433 | \$ | 28,459 | \$ | 18,647 |

(a) Floating rate extendible notes of \$297 million are due in 2006, but are extendible at the option of the investors to a final maturity in 2008. Fixed and floating rate notes of \$1,059 million contain put options with exercise dates in 2006, but have final maturity dates in 2007 (\$250 million), 2008 (\$350 million) and beyond 2010 (\$459 million).

(b) Floating rate extendible notes of \$14,022 million are due in 2007, of which \$2,000 million are extendible at the option of the investors to a final maturity in 2009.

Committed credit lines totaling \$57.2 billion had been extended to us by 75 banks at year-end 2005. Included in this amount was \$47.7 billion provided directly to us and \$9.5 billion provided by 19 banks to GE, to which we also have access. Our lines include \$27.4 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. The remaining \$29.8 billion are 364-day lines of which \$29.7 billion contain a term-out feature that allows us to extend the borrowings for one year from the date of expiration of the lending agreement. We pay banks for credit facilities, but compensation amounts were insignificant in each of the past three years.

**Interest rate and currency risk** is managed through the direct issuance of debt or use of derivatives. We take positions in view of anticipated behavior of assets, including prepayment behavior. We use a variety of instruments, including interest rate and currency swaps and currency forwards, to achieve our interest rate objectives. The following table shows our borrowing positions considering the effects of swaps of currencies and interest rates.

**Effective Borrowings (Including Swaps) (Restated)**

| <i>December 31 (Dollars in millions)</i> | 2005       |              | 2004       |
|--|------------|--------------|------------|
|  | Amount     | Average rate | Amount     |
| Short-term <sup>(a)</sup>                | \$ 107,935 | 3.98%        | \$ 109,867 |
| Long-term (including current portion)    |            |              |            |
| Fixed rate                               | \$ 145,504 | 4.50%        | \$ 134,334 |
| Floating rate                            | 102,446    | 4.29         | 104,484    |
| Total long-term                          | \$ 247,950 |              | \$ 238,818 |

(a) Included commercial paper and other short-term debt.

At December 31, 2005, interest rate swap maturities ranged from 2006 to 2041.

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The following table provides additional information about derivatives designated as hedges of borrowings in accordance with Statement of Financial Accounting Standards (SFAS) 133, *Accounting for Derivative Instruments and Hedging Activities*.

**Derivative Fair Values by Activity/Instrument (Restated)**

| <i>December 31 (In millions)</i> | <b>2005</b> | <b>2004</b> |
|----------------------------------|-------------|-------------|
| Cash flow hedges                 | \$ 726      | \$ 254      |
| Fair value hedges                | (39)        | 1,864       |
| Total                            | \$ 687      | \$ 2,118    |
| Interest rate swaps              | \$ (423)    | \$ (76)     |
| Currency swaps                   | 1,110       | 2,194       |
| Total                            | \$ 687      | \$ 2,118    |

At December 31, 2005, approximately 82% of our interest rate swaps related to borrowings were exempt from ongoing tests of their effectiveness as hedges. We regularly assess the effectiveness of all other hedge positions using a variety of techniques, including cumulative dollar offset and regression analysis depending on which method was selected at inception of the respective hedge. See note 18.

**Note 12. Investment Contracts, Insurance Liabilities and Insurance Annuity Benefits**

| <i>December 31 (In millions)</i>             | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|
| Investment contracts                         | \$ 10,005   | \$ 11,576   |
| Guaranteed investment contracts of SPEs      | 11,685      | 11,648      |
| Total investment contracts                   | 21,690      | 23,224      |
| Life insurance benefits <sup>(a)</sup>       | 2,324       | 2,237       |
| Unpaid claims and claims adjustment expenses | 159         | 203         |
| Unearned premiums                            | 256         | 171         |
| Total  | \$ 24,429   | \$ 25,835   |

(a) Life insurance benefits are accounted for mainly by a net-level-premium method using estimated yields generally ranging from 4.4% to 6.0% in both 2005 and 2004.

When insurance affiliates cede insurance to third parties, they are not relieved of their primary obligation to policyholders. Losses on ceded risks give rise to claims for recovery; we establish allowances for probable losses on such receivables from reinsurers as required.

We recognize reinsurance recoveries as a reduction of the Statement of Earnings caption "Investment contracts, insurance losses and insurance annuity benefits." Reinsurance recoveries were insignificant in each of the three years ended December 31, 2005.



**Note 13. Income Taxes (Restated)**

The provision for income taxes is summarized in the following table.

| <i>(In millions)</i>                                      | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|---|-------------|-------------|-------------|
| Current tax expense                                       | \$ 1,903    | \$ 1,294    | \$ 138      |
| Deferred tax expense (benefit) from temporary differences | (746)       | 332         | 1,173       |
|   | \$ 1,157    | \$ 1,626    | \$ 1,311    |

We are included in the consolidated U.S. federal income tax return which GE Company files. The provision for current tax expense includes our effect on the consolidated return.

Current tax expense includes amounts applicable to U.S. federal income taxes of \$824 million, \$(472) million and \$(302) million in 2005, 2004 and 2003, respectively, and amounts applicable to non-U.S. jurisdictions of \$873 million, \$1,577 million and \$718 million in 2005, 2004 and 2003, respectively. Deferred taxes related to U.S. federal income taxes were benefits of \$301 million and \$17 million in 2005 and 2004, respectively, compared with an expense of \$508 million in 2003.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as from net operating loss and tax credit carryforwards, and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. We evaluate the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of temporary differences and forecasted operating earnings.

We have not provided U.S. deferred taxes on cumulative earnings of non-U.S. affiliates and associated companies that have been reinvested indefinitely. These earnings relate to ongoing operations and, at December 31, 2005, were approximately \$24 billion. Because of the availability of U.S. foreign tax credits, it is not practicable to determine the U.S. federal income tax liability that would be payable if such earnings were not reinvested indefinitely. Deferred taxes are provided for earnings of non-U.S. affiliates and associated companies when we plan to remit those earnings.

U.S. earnings from continuing operations before income taxes and accounting change were \$2,807 million in 2005, \$2,649 million in 2004 and \$2,012 million in 2003. The corresponding amounts for non-U.S.-based operations were \$7,348 million in 2005, \$7,125 million in 2004 and \$5,687 million in 2003.

A reconciliation of the U.S. federal statutory income tax rate to the actual income tax rate is provided below.

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**Reconciliation of U.S. Federal Statutory Income Tax Rate to Actual Income Tax Rate**

|  | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|--|-------------|-------------|-------------|
| U.S. federal statutory income tax rate       | 35.0%       | 35.0%       | 35.0%       |
| Increase (reduction) in rate resulting from: |             |             |             |
| Tax-exempt income                            | (0.5)       | (0.5)       | (1.2)       |
| Tax on global activities including exports   | (22.4)      | (14.8)      | (12.1)      |
| Fuels credits                                | (1.6)       | (1.3)       | (1.5)       |
| All other - net                              | 0.9         | (1.8)       | (3.2)       |
|  | (23.6)      | (18.4)      | (18.0)      |
| Actual income tax rate                       | 11.4%       | 16.6%       | 17.0%       |

Principal components of our net liability representing deferred income tax balances are as follows:

| <i>December 31 (In millions)</i>      | <b>2005</b> | <b>2004</b> |
|---------------------------------------|-------------|-------------|
| <b>Assets</b>                         |             |             |
| Allowance for losses                  | \$ 2,019    | \$ 2,196    |
| Cash flow hedges                      | 350         | 899         |
| Other - net                           | 4,212       | 3,840       |
| Total deferred income tax assets      | 6,581       | 6,935       |
| <b>Liabilities</b>                    |             |             |
| Financing leases                      | 7,991       | 9,545       |
| Operating leases                      | 3,989       | 3,622       |
| Intangible assets                     | 1,120       | 825         |
| Other - net                           | 4,654       | 3,509       |
| Total deferred income tax liabilities | 17,754      | 17,501      |
| Net deferred income tax liability     | \$ 11,173   | \$ 10,566   |

**Note 14. Minority Interest in Equity of Consolidated Affiliates**

Minority interest in equity of consolidated affiliates includes common shares in consolidated affiliates and preferred stock issued by our affiliates. Preferred shares that we are required to redeem at a specified or determinable date are classified as liabilities. The balance is summarized as follows:

| <i>December 31 (In millions)</i>                            | <b>2005</b> | <b>2004</b> |
|---|-------------|-------------|
| Minority interest in consolidated affiliates <sup>(a)</sup> | \$ 898      | \$ 1,007    |
| Minority interest in preferred stock <sup>(b)</sup>         | 1,314       | 1,318       |
|   | \$ 2,212    | \$ 2,325    |

(a) Included minority interest in consolidated, liquidating securitization entities, partnerships and common shares of consolidated affiliates.

(b) The preferred stock primarily pays cumulative dividends at variable rates. Dividend rates in local currency on the preferred stock ranged from 2.03% to 5.38% during 2005 and 0.99% to 5.46% during 2004.

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**Note 15. Shareowner's Equity (Restated)**

| <i>(In millions)</i>   | <b>2005<br/>(Restated)</b> | <b>2004<br/>(Restated)</b> | <b>2003<br/>(Restated)</b> |
|--|----------------------------|----------------------------|----------------------------|
| <b>Cumulative preferred stock issued</b>   | \$ -                       | \$ 3                       | \$ 3                       |
| <b>Common stock issued</b>   | \$ 56                      | \$ 56                      | \$ 56                      |
| <b>Accumulated nonowner changes other than earnings</b>                                    |                            |                            |                            |
| Balance at January 1   | \$ 5,246                   | \$ 3,715                   | \$ (9)                     |
| Investment securities - net of deferred taxes of \$(242), \$(105) and \$375                | (114)                      | (464)                      | 622                        |
| Currency translation adjustments - net of deferred taxes of \$695, \$(1,285) and \$(1,448) | (2,501)                    | 2,296                      | 3,146                      |
| Cash flow hedges - net of deferred taxes of \$330, \$(102) and \$(383)                     | 550                        | (87)                       | (709)                      |
| Minimum pension liabilities - net of deferred taxes of \$1, \$(33) and \$(4)               | (23)                       | (93)                       | (9)                        |
| Reclassification adjustments   |                            |                            |                            |
| Investment securities - net of deferred taxes of \$(63), \$(70) and \$(56)                 | (116)                      | (131)                      | (105)                      |
| Currency translation adjustments   | -                          | -                          | 4                          |
| Cash flow hedges - net of deferred taxes of \$(258), \$(19) and \$420                      | (469)                      | 10                         | 775                        |
| Balance at December 31 <sup>(a)</sup>  | \$ 2,573                   | \$ 5,246                   | \$ 3,715                   |
| <b>Additional paid-in capital</b>  |                            |                            |                            |
| Balance at January 1   | \$ 14,539                  | \$ 14,196                  | \$ 14,192                  |
| Contributions <sup>(b)</sup>   | 43                         | 343                        | 6                          |
| Redemption of preferred stock <sup>(b)</sup>   | (2,527)                    | -                          | -                          |
| Common stock issued <sup>(b)</sup>   | -                          | -                          | (2)                        |
| Balance at December 31   | \$ 12,055                  | \$ 14,539                  | \$ 14,196                  |
| <b>Retained earnings</b>   |                            |                            |                            |
| Balance at January 1   | \$ 34,194                  | \$ 28,752                  | \$ 25,779                  |
| Net earnings   | 9,926                      | 8,590                      | 7,445                      |
| Dividends <sup>(b)</sup>   | (8,614)                    | (3,148)                    | (4,472)                    |
| Balance at December 31   | \$ 35,506                  | \$ 34,194                  | \$ 28,752                  |
| <b>Total shareowner's equity at December 31</b>  | <b>\$ 50,190</b>           | <b>\$ 54,038</b>           | <b>\$ 46,722</b>           |

(a) Included accumulated nonowner changes related to discontinued operations of \$465 million, \$1,230 million and \$1,615 million at December 31, 2005, 2004 and 2003, respectively.

(b)



Total dividends and other transactions with shareowner reduced equity by \$11,101 million, \$2,805 million and \$4,466 million in 2005, 2004 and 2003, respectively.

All common stock is owned by GE Capital Services, all of the common stock of which is in turn owned, directly or indirectly by GE Company.

At December 31, 2005 and 2004, the aggregate statutory capital and surplus of the insurance activities and discontinued insurance operations totaled \$2.4 billion and \$12.6 billion, respectively. Accounting practices prescribed by statutory authorities are used in preparing statutory statements.

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**Note 16. Supplemental Cash Flows Information**

Changes in operating assets and liabilities are net of acquisitions and dispositions of principal businesses.

Amounts reported in the "Payments for principal businesses purchased" line in the Statement of Cash Flows is net of cash acquired and included debt assumed and immediately repaid in acquisitions.

Amounts reported in the "All other operating activities" line in the Statement of Cash Flows consists primarily of adjustments to current and noncurrent accruals and deferrals of costs and expenses, adjustments for gains and losses on assets, increases and decreases in assets held for sale and adjustments to assets.

Certain supplemental information related to our cash flows is shown below.

| <i>December 31 (In millions)</i>                                  | <b>2005</b>  | <b>2004</b>  | <b>2003</b>  |
|---|--------------|--------------|--------------|
| <b>All other operating activities</b>                             |              |              |              |
| Net change in assets held for sale                                | \$ 2,192     | \$ 84        | \$ 1,168     |
| Amortization of intangible assets                                 | 400          | 452          | 588          |
| Realized gains on sale of investment securities                   | (190)        | (172)        | (193)        |
| Other <sup>(a)</sup>  | (1,377)      | (1,613)      | (1,552)      |
|   | \$ 1,025     | \$ (1,249)   | \$ 11        |
| <b>Net increase in financing receivables</b>                      |              |              |              |
| Increase in loans to customers                                    | \$ (314,309) | \$ (340,747) | \$ (261,039) |
| Principal collections from customers - loans                      | 266,371      | 305,374      | 235,434      |
| Investment in equipment for financing leases                      | (23,480)     | (22,048)     | (22,167)     |
| Principal collections from customers - financing leases           | 21,509       | 19,238       | 18,406       |
| Net change in credit card receivables                             | (21,391)     | (21,312)     | (11,379)     |
| Sales of financing receivables                                    | 54,144       | 44,543       | 36,009       |
|   | \$ (17,156)  | \$ (14,952)  | \$ (4,736)   |
| <b>All other investing activities</b>                             |              |              |              |
| Purchases of securities by insurance activities                   | \$ (6,394)   | \$ (5,078)   | \$ (6,358)   |
| Dispositions and maturities of securities by insurance activities | 6,304        | 6,810        | 7,771        |
| Proceeds from principal business dispositions                     | 209          | 472          | 3,193        |
| Other   | 8,000        | 3,563        | (825)        |
|   | \$ 8,119     | \$ 5,767     | \$ 3,781     |

(a) As restated.

| <i>December 31 (In millions)</i>   | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|--|-------------|-------------|-------------|
| <b>Newly issued debt having maturities longer than 90 days</b>                       |             |             |             |
| Short-term (91 to 365 days)  | \$ 4,675    | \$ 3,677    | \$ 3,661    |
| Long-term (longer than one year)   | 60,990      | 54,632      | 55,560      |
| Proceeds - nonrecourse, leveraged lease  | 203         | 319         | 791         |
|  | \$ 65,868   | \$ 58,628   | \$ 60,012   |
| <b>Repayments and other reductions of debt having maturities longer than 90 days</b> |             |             |             |
| Short-term (91 to 365 days)  | \$ (38,076) | \$ (41,085) | \$ (38,696) |
| Long-term (longer than one year)   | (9,934)     | (3,378)     | (3,650)     |
| Principal payments - nonrecourse, leveraged lease                                    | (830)       | (652)       | (782)       |
|  | \$ (48,840) | \$ (45,115) | \$ (43,128) |
| <b>All other financing activities</b>  |             |             |             |
| Proceeds from sales of investment contracts  | \$ 15,774   | \$ 10,914   | \$ 784      |
| Redemption of investment contracts   | (15,861)    | (13,778)    | (191)       |
| Redemption of preferred stock  | (2,530)     | -           | -           |
|  | \$ (2,617)  | \$ (2,864)  | \$ 593      |

**Note 17. Operating Segments (Restated)****Revenues**

| <i>(In millions)</i>             | <b>Total revenues</b> |                   |                   | <b>Intersegment revenues</b> |                   |                   | <b>External revenues</b> |                   |                   |
|----------------------------------|-----------------------|-------------------|-------------------|------------------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|
|                                  | <b>2005</b>           | <b>2004</b>       | <b>2003</b>       | <b>2005</b>                  | <b>2004</b>       | <b>2003</b>       | <b>2005</b>              | <b>2004</b>       | <b>2003</b>       |
|                                  | <b>(Restated)</b>     | <b>(Restated)</b> | <b>(Restated)</b> | <b>(Restated)</b>            | <b>(Restated)</b> | <b>(Restated)</b> | <b>(Restated)</b>        | <b>(Restated)</b> | <b>(Restated)</b> |
| GE Commercial Finance            | \$ 20,014             | \$ 19,068         | \$ 16,627         | \$ 121                       | \$ 161            | \$ 148            | \$ 19,893                | \$ 18,907         | \$ 16,479         |
| GE Consumer Finance              | 19,416                | 15,725            | 12,734            | 35                           | 13                | 17                | 19,381                   | 15,712            | 12,717            |
| GE Industrial <sup>(a)</sup>     | 6,627                 | 6,571             | 3,428             | 17                           | 13                | 15                | 6,610                    | 6,558             | 3,413             |
| GE Infrastructure <sup>(a)</sup> | 5,058                 | 4,290             | 3,766             | -                            | 2                 | 1                 | 5,058                    | 4,288             | 3,765             |
| GECC                             |                       |                   |                   |                              |                   |                   |                          |                   |                   |
| corporate items and eliminations | 4,895                 | 4,935             | 5,568             | (173)                        | (189)             | (181)             | 5,068                    | 5,124             | 5,749             |
| <b>Total</b>                     | <b>\$ 56,010</b>      | <b>\$ 50,589</b>  | <b>\$ 42,123</b>  | <b>\$ -</b>                  | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ 56,010</b>         | <b>\$ 50,589</b>  | <b>\$ 42,123</b>  |

(a) Included only portions of the segment that are financial services businesses.

Revenues originating from operations based in the United States were \$26,289 million, \$25,429 million and \$20,810 million in 2005, 2004 and 2003, respectively. Revenues originating from operations based outside the United States were \$29,721 million, \$25,160 million and \$21,313 million in 2005, 2004 and 2003, respectively. Revenues originating in the United Kingdom were \$7,060 million, \$5,048 million and \$3,624 million in 2005, 2004 and 2003, respectively.

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| <i>(In millions)</i>                  | <b>Depreciation and amortization</b>   |                 |                   | <b>Provision for income taxes</b> |                   |                   |
|---------------------------------------|--|-----------------|-------------------|-----------------------------------|-------------------|-------------------|
|                                       | <b>For the years ended December 31</b> |                 |                   |                                   |                   |                   |
|                                       | <b>2005</b>                            | <b>2004</b>     | <b>2003</b>       | <b>2005</b>                       | <b>2004</b>       | <b>2003</b>       |
|                                       |  |                 | <b>(Restated)</b> | <b>(Restated)</b>                 | <b>(Restated)</b> |                   |
| GE Commercial Finance                 | \$ 2,596                               | \$ 2,719        | \$ 2,381          | \$ 767                            | \$ 1,025          | \$ 428            |
| GE Consumer Finance                   | 393                                    | 334             | 276               | 536                               | 442               | 485               |
| GE Industrial <sup>(a)</sup>          | 1,912                                  | 1,876           | 996               | 64                                | (124)             | (137)             |
| GE Infrastructure <sup>(a)</sup>      | 1,439                                  | 1,122           | 1,074             | (195)                             | 58                | 237               |
| GECC corporate items and eliminations | 25                                     | 70              | 214               | (15)                              | 225               | 298               |
| <b>Total</b>                          | <b>\$ 6,365</b>                        | <b>\$ 6,121</b> | <b>\$ 4,941</b>   | <b>\$ (1,157)</b>                 | <b>\$ (1,626)</b> | <b>\$ (1,311)</b> |

(a) Included only portions of the segment that are financial services businesses.

| <i>(In millions)</i>                  | <b>Interest on loans</b> |                  |                  | <b>Interest expense</b> |                   |                   |
|---------------------------------------|--------------------------|------------------|------------------|-------------------------|-------------------|-------------------|
|                                       | <b>2005</b>              | <b>2004</b>      | <b>2003</b>      | <b>2005</b>             | <b>2004</b>       | <b>2003</b>       |
|                                       |                          |                  |                  | <b>(Restated)</b>       | <b>(Restated)</b> | <b>(Restated)</b> |
| GE Commercial Finance                 | \$ 5,872                 | \$ 5,531         | \$ 5,178         | \$ 5,830                | \$ 4,666          | \$ 4,628          |
| GE Consumer Finance                   | 13,086                   | 10,619           | 9,105            | 5,425                   | 3,560             | 2,683             |
| GE Industrial <sup>(a)</sup>          | 10                       | 12               | 61               | 536                     | 526               | 601               |
| GE Infrastructure <sup>(a)</sup>      | 536                      | 389              | 413              | 1,706                   | 1,428             | 1,230             |
| GECC corporate items and eliminations | 391                      | 563              | 600              | 543                     | 730               | 591               |
| <b>Total</b>                          | <b>\$ 19,895</b>         | <b>\$ 17,114</b> | <b>\$ 15,357</b> | <b>\$ 14,040</b>        | <b>\$ 10,910</b>  | <b>\$ 9,733</b>   |

(a) Included only portions of the segment that are financial services businesses.

| <i>(In millions)</i>                  | <b>Assets<sup>(b)(c)</sup></b> |                   |                   | <b>Buildings and equipment additions<sup>(d)</sup></b> |                  |                 |
|---------------------------------------|--------------------------------|-------------------|-------------------|--|------------------|-----------------|
|                                       | <b>At December 31</b>          |                   |                   | <b>For the years ended December 31</b>                 |                  |                 |
|                                       | <b>2005</b>                    | <b>2004</b>       | <b>2003</b>       | <b>2005</b>  | <b>2004</b>      | <b>2003</b>     |
|                                       | <b>(Restated)</b>              | <b>(Restated)</b> | <b>(Restated)</b> |  |                  |                 |
| GE Commercial Finance                 | \$ 189,138                     | \$ 184,896        | \$ 172,998        | \$ 5,005   | \$ 4,213         | \$ 4,798        |
| GE Consumer Finance                   | 159,592                        | 150,531           | 105,935           | 189  | 217              | 191             |
| GE Industrial <sup>(a)</sup>          | 17,438                         | 17,888            | 16,922            | 3,366  | 3,060            | 1,001           |
| GE Infrastructure <sup>(a)</sup>      | 53,548                         | 50,550            | 45,512            | 2,874  | 3,121            | 2,345           |
| GECC corporate items and eliminations | 55,543                         | 163,119           | 165,411           | 13   | 39               | 73              |
| <b>Total</b>                          | <b>\$ 475,259</b>              | <b>\$ 566,984</b> | <b>\$ 506,778</b> | <b>\$ 11,447</b>                                       | <b>\$ 10,650</b> | <b>\$ 8,408</b> |

(a) Included only portions of the segment that are financial services businesses.

- (b) Total assets of the GE Commercial Finance, GE Consumer Finance, GE Industrial and GE Infrastructure segments at December 31, 2005, include investments in and advances to associated companies of \$4,457 million, \$5,902 million, \$163 million and \$3,447 million, respectively, which contributed approximately \$284 million, \$295 million, \$(13) million and \$342 million, respectively, to segment pre-tax income for the year ended December 31, 2005.
- (c) Assets of discontinued operations are included in GECC corporate items and eliminations for all periods presented.
- (d) Additions to buildings and equipment include amounts relating to principal businesses purchased.

Buildings and equipment associated with operations based in the United States were \$16,546 million, \$16,094 million and \$11,762 million at year-end 2005, 2004 and 2003, respectively. Buildings and equipment associated with operations based outside the United States were \$34,390 million, \$30,156 million and \$26,752 million at year-

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end 2005, 2004 and 2003, respectively. Buildings and equipment associated with operations in the United Kingdom were \$1,494 million, \$1,720 million and \$1,730 million at year-end 2005, 2004 and 2003, respectively.

### **Basis for presentation**

Our operating businesses are organized based on the nature of markets and customers. Segment accounting policies are the same as described in note 1.

Details of total revenues and segment profit by operating segment can be found on page 19 of this report.

## **Note 18. Derivatives and Other Financial Instruments**

### **Derivatives and hedging**

We conduct our business activities in diverse markets around the world, including countries where obtaining local funding may not be efficient. The nature of our activities exposes us to risks of changes in interest rates, currency exchange rates and commodity prices. We manage these risks using a variety of straightforward techniques, including issuing debt funding that matches the interest rate nature and currency denomination of the related asset. In addition, we selectively use derivatives to reduce our exposure to interest rate and currency risk. For example, if we make a fixed rate loan and fund that loan with variable rate debt, we will enter into an interest rate swap to pay a fixed rate of interest and receive a variable rate of interest, and designate the swap as a hedge of the variable rate borrowing. We apply strict policies to manage each of these risks, including prohibitions on derivatives trading, derivatives market-making or other speculative activities.

To qualify for hedge accounting, details of the hedging relationship must be formally documented at inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risks that are to be hedged, the derivative instrument and how effectiveness is being assessed. The derivative must be highly effective in offsetting either changes in fair value or cash flows, as appropriate, for the risk being hedged. Effectiveness is assessed at the inception of the relationship. If specified criteria for the assumption of effectiveness are not met at hedge inception, effectiveness is assessed quarterly on a retrospective and prospective basis. Ineffectiveness is also measured quarterly, with the results recognized in earnings.

For derivatives that are not exchange-traded instruments, we use internal valuation models that incorporate market-based information. With the exception of foreign currency forwards and commodity derivatives, we also obtain valuations from our derivative counterparties to validate the valuations produced by our own models and to value a limited number of products that our internal models do not cover.

### **Cash flow hedges (Restated)**

Our cash flow hedging arrangements use simple derivatives to offset the variability of expected future cash flows. We use interest rate and currency swaps to convert variable rate borrowings to match the nature of the assets we acquire. We use currency forwards and options to manage exposures to changes in currency exchange rates associated with commercial purchase and sale transactions, including commodities. These instruments permit us to reduce the cash flow variability, in local currency, of costs or selling prices denominated in currencies other than the functional currency. For derivatives designated as cash flow hedges, we record changes in fair value in a separate component of equity to the extent effective, then release those changes to earnings contemporaneously with the earnings effects of the hedged items. If the hedge relationship is terminated, then the change in fair value of the derivative recorded in equity is recognized contemporaneously with the earnings effects of the hedged item, consistent with the original hedge strategy. For hedge relationships discontinued because the forecasted transaction is not expected to occur by the

end of the originally specified period, any related derivative amounts recorded in equity are reclassified to earnings.

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At December 31, 2005, amounts related to derivatives qualifying as cash flow hedges amounted to a reduction of equity of \$367 million, of which we expect to transfer \$153 million to earnings in 2006 along with the earnings effects of the related forecasted transactions. At that date, the maximum term of derivative instruments that hedge forecasted transactions was 16 years and related to hedges of debt.

### **Fair value hedges**

Fair value hedges are hedges that reduce the risk of changes in the fair values of assets, liabilities and certain types of firm commitments. We use interest rate swaps, currency swaps and interest rate and currency forwards to hedge the effects of interest rate and currency exchange rate changes on local and nonfunctional currency denominated fixed-rate borrowings and certain types of fixed-rate assets. We record changes in fair value of a derivative designated and effective as a fair value hedge in earnings, offset by corresponding changes in the fair value of the hedged item.

Fair value adjustments decreased the carrying amount of debt outstanding at December 31, 2005, by \$114 million.

### **Net investment hedges**

Net investment hedges consist of currency forwards and currency swaps that reduce our exposure to changes in currency exchange rates on our investments in non-U.S. financial services subsidiaries. For qualifying net investment hedges, changes in the intrinsic value of the derivative are recorded in equity. Amounts excluded from the measure of effectiveness of net investment hedges are recognized in earnings in the period in which they arise. Derivative gains included in equity amounted to \$977 million and \$867 million at December 31, 2005 and 2004, respectively.

### **Derivatives not designated as hedges**

We must meet specific criteria in order to apply any of the three forms of hedge accounting discussed above. For example, hedge accounting is not permitted for hedged items that are marked to market through earnings. However, we use derivatives to hedge exposures when it makes economic sense to do so, including circumstances in which the hedging relationship does not qualify for hedge accounting, as described in the following paragraph. Derivatives that do not qualify for hedge accounting are marked to market through earnings.

We use swaps, futures and option contracts, including caps, floors and collars, as economic hedges of changes in interest rates, currency exchange rates and equity prices on certain types of assets and liabilities. We sometimes use credit default swaps to hedge the credit risk of various counterparties with which we have entered into loan or leasing arrangements. We occasionally obtain equity warrants as part of sourcing or financing transactions. Although these instruments are considered to be derivatives, their economic risks are similar to, and managed on the same basis as, risks of other equity instruments we hold.

### **Earnings effects of derivatives (Restated)**

In the context of hedging relationships, "effectiveness" refers to the degree to which fair value changes in the hedging instrument offset the corresponding expected earnings effects of the hedged item. At December 31, 2005, approximately 46 percent of our total interest rate swaps were exempt from ongoing tests of their effectiveness as hedges. For derivatives designated and qualifying as hedges but not qualifying for the assumption of effectiveness, we use a variety of techniques to assess effectiveness and measure ineffectiveness, including cumulative dollar offset and regression analysis, depending on which method was selected at inception of the respective hedge.

Certain elements of hedge positions may be excluded from the measure of effectiveness, for example, changes in the value of purchased options attributable to volatility and passage of time.

The following table provides additional information about the earnings effects of derivatives.

### Pre-tax Gains (Losses)

| <i>December 31 (In millions)</i>                   | <b>2005</b><br><b>(Restated)</b> | <b>2004</b><br><b>(Restated)</b> | <b>2003</b><br><b>(Restated)</b> |
|--|----------------------------------|----------------------------------|----------------------------------|
| <b>Cash flow hedges</b>                            |                                  |                                  |                                  |
| Ineffectiveness                                    | \$ (27)                          | \$ 21                            | \$ (43)                          |
| Amounts excluded from the measure of effectiveness | (5)                              | (6)                              | -                                |
| <b>Fair value hedges</b>                           |                                  |                                  |                                  |
| Ineffectiveness                                    | 4                                | 13                               | 1                                |
| Amounts excluded from the measure of effectiveness | (8)                              | 3                                | -                                |

Additional information regarding the use of derivatives related to our financing activities is provided in note 11.

### Counterparty credit risk

The risk that counterparties to derivative contracts will default and not make payments to us according to the terms of the agreements is counterparty credit risk. We manage counterparty credit risk on an individual counterparty basis, which means that we net exposures on transactions by counterparty where legal right of offset exists and include the value of collateral to determine the amount of exposure to each counterparty. When the net exposure to a counterparty, based on the current market value of transactions, exceeds credit exposure limits (see table below), actions are taken to reduce exposure. Actions can include prohibiting the counterparty from entering into additional transactions, requiring collateral from the counterparty (as described below) and terminating or restructuring transactions.

Swaps are required to be executed under master agreements containing mutual credit downgrade provisions that provide the ability to require assignment or termination in the event either party is downgraded below A3 or A-. To mitigate credit risk, in certain cases we have entered into collateral arrangements that provide us with the right to hold collateral when the current market value of derivative contracts exceeds an exposure threshold. Under these arrangements, we may receive rights to cash or U.S. Treasury or other highly-rated securities to secure our exposure. Such collateral is available to us in the event that a counterparty defaults. We evaluate credit risk exposures and compliance with credit exposure limits net of such collateral.

Fair values of our derivatives assets and liabilities represent the replacement value of existing derivatives at market prices and can change significantly from period to period based on, among other factors, market movements and changes in our positions. At December 31, 2005, our exposure to counterparties, after consideration of netting arrangements and collateral, was \$416 million.

Following is our policy relating to initial credit rating requirements and to exposure limits to counterparties.



**Counterparty Credit Criteria**

|  | <b>Credit rating</b> |                    |
|--|----------------------|--------------------|
|  | Moody's              | S&P                |
| Foreign exchange forwards and other derivatives less than one year | P-1                  | A-1                |
| All derivatives between one and five years                         | Aa3 <sup>(a)</sup>   | AA- <sup>(a)</sup> |
| All derivatives greater than five years                            | Aaa <sup>(a)</sup>   | AAA <sup>(a)</sup> |

(a) Counterparties that have an obligation to provide collateral to cover credit exposure in accordance with a credit support agreement must have a minimum A3/A- rating.

**Exposure Limits**

(In millions)

| <b>Minimum rating</b> |     | <b>Exposure<sup>(a)</sup></b> |                                 |
|-----------------------|-----|-------------------------------|---------------------------------|
| Moody's               | S&P | With collateral arrangements  | Without collateral arrangements |
| Aaa                   | AAA | \$ 100                        | \$ 75                           |
| Aa3                   | AA- | 50                            | 50                              |
| A3                    | A-  | 5                             | -                               |

(a) For derivatives with maturities less than one year, counterparties are permitted to have unsecured exposure up to \$150 million with a minimum rating of A-1/P-1.

**Financial Instruments**

| <i>December 31 (In millions)</i>                         | <b>2005</b>     |   |                      | <b>2004</b>     |   |                      |
|--|-----------------|---|----------------------|-----------------|---|----------------------|
|  | Notional amount | Assets (liabilities)<br>Carrying amount (net) | Estimated fair value | Notional amount | Assets (liabilities)<br>Carrying amount (net) | Estimated fair value |
| <b>Assets</b>  |                 |   |                      |                 |   |                      |
| Loans  | \$ (a)          | \$ 222,090                                    | \$ 222,443           | \$ (a)          | \$ 214,307                                    | \$ 216,014           |
| Other commercial and residential mortgages held for sale | (a)             | 5,683   | 5,736                | (a)             | 4,577   | 4,577                |
| Other financial instruments                              | (a)             | 4,131   | 4,488                | (a)             | 2,813   | 3,026                |
| <b>Liabilities</b>                                       |                 |   |                      |                 |   |                      |
| Borrowings <sup>(b)(c)</sup>                             | (a)             | (355,885)                                     | (363,562)            | (a)             | (348,685)                                     | (355,849)            |
| Investment contract benefits                             | (a)             | (3,842)                                       | (3,842)              | (a)             | (5,843)                                       | (5,843)              |
| Insurance - credit life <sup>(d)</sup>                   | 2,172           | -   | -                    | 1,909           | -   | -                    |

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

(b) Included effects of interest rate and cross-currency swaps.

(c) See note 11.

(d) Net of reinsurance of \$225 million at December 31, 2005.

Assets and liabilities that are reflected in the accompanying financial statements at fair value are not included in the above disclosures; such items include cash and equivalents, investment securities and derivative financial instruments. Other assets and liabilities - those not carried at fair value - are discussed below. Apart from certain of

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our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using financial models. There is no assurance that such estimates could actually have been realized at December 31, 2005 or 2004.

A description of how we estimate fair values follows.

### **Loans**

Based on quoted market prices, recent transactions and/or discounted future cash flows, using rates at which similar loans would have been made to similar borrowers.

### **Borrowings**

Based on discounted future cash flows using current market rates which are comparable to market quotes.

### **Investment contract benefits**

Based on expected future cash flows, discounted at currently offered rates for immediate annuity contracts or cash surrender values for single premium deferred annuities.

### **All other instruments**

Based on comparable market transactions, discounted future cash flows, quoted market prices, and/or estimates of the cost to terminate or otherwise settle obligations.

Additional information about certain categories in the table above follows.

### **Residential mortgages**

Residential mortgage products amounting to \$12,633 million at December 31, 2005, were either high loan-to-value loans or those permitting interest-only payments. We originate such loans either for our portfolio or for sale in secondary markets. In both cases, higher yields compensate for the increased risk. The portfolio was geographically diverse, with Europe and North America the most significant market segments.

### **Insurance - credit life**

Certain insurance affiliates in GE Consumer Finance issue credit life insurance designed to pay the balance due on a loan if the borrower dies before the loan is repaid. As part of our overall risk management process, we cede to third parties a portion of this associated risk, but are not relieved of our primary obligation to policyholders.

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**Loan Commitments**

| <i>December 31 (In millions)</i>                | <b>Notional amount</b> |             |
|---|------------------------|-------------|
|   | <b>2005</b>            | <b>2004</b> |
| Ordinary course of business lending commitments |                        |             |
| Fixed rate                                      | \$ 4,648               | \$ 2,260    |
| Variable rate                                   | 7,026                  | 8,145       |
| Unused revolving credit lines <sup>(a)</sup>    |                        |             |
| Commercial                                      |                        |             |
| Fixed rate                                      | 779                    | 1,210       |
| Variable rate                                   | 20,779                 | 21,411      |
| Consumer - principally credit cards             |                        |             |
| Fixed rate                                      | 170,367                | 141,965     |
| Variable rate                                   | 281,113                | 200,219     |

(a) Excluded inventory financing arrangements, which may be withdrawn at our option, of \$11.4 billion and \$8.9 billion as of December 31, 2005 and 2004, respectively.

**Note 19. Securitization Entities**

We securitize financial assets in the ordinary course of business to improve shareowner returns. The securitization transactions we engage in are similar to those used by many financial institutions. Beyond improving returns, these securitization transactions serve as funding sources for a variety of diversified lending and securities transactions. Historically, we have used both GE-supported and third-party entities to execute securitization transactions funded in the commercial paper and term bond markets.

Securitized assets that are on-balance sheet include assets consolidated upon adoption of FIN 46. Although we do not control these entities, consolidation was required because we provided a majority of the credit and liquidity support for their activities. A majority of these entities were established to issue asset-backed securities, using assets that were sold by us and by third parties. These entities differ from others included in our consolidated financial statements because the assets they hold are legally isolated and are unavailable to us under any circumstances. Repayment of their liabilities depends primarily on cash flows generated by their assets. Because we have ceased transferring assets to these entities, balances will decrease as the assets repay. We refer to these entities as "consolidated, liquidating securitization entities."

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The following table represents assets in securitization entities, both consolidated and off-balance sheet.

| <i>December 31 (In millions)</i> | <b>2005</b> | <b>2004</b> |
|----------------------------------|-------------|-------------|
| Receivables secured by:          |             |             |
| Equipment                        | \$ 12,949   | \$ 13,673   |
| Commercial real estate           | 11,437      | 13,002      |
| Residential real estate          | 8,882       | 9,094       |
| Other assets                     | 12,869      | 9,880       |
| Credit card receivables          | 10,039      | 7,075       |
| Total securitized assets         | \$ 56,176   | \$ 52,724   |

| <i>December 31 (In millions)</i>    | <b>2005</b> | <b>2004</b> |
|-------------------------------------|-------------|-------------|
| Off-balance sheet <sup>(a)(b)</sup> | \$ 38,272   | \$ 26,738   |
| On-balance sheet <sup>(c)</sup>     | 17,904      | 25,986      |
| Total securitized assets            | \$ 56,176   | \$ 52,724   |

(a) At December 31, 2005 and 2004, liquidity support amounted to \$2,000 million and \$2,100 million, respectively. These amounts are net of \$2,400 million and \$2,900 million, respectively, participated or deferred beyond one year. Credit support amounted to \$4,400 million and \$5,000 million at December 31, 2005 and 2004, respectively.

(b) Liabilities for recourse obligations related to off-balance sheet assets were \$93 million and \$64 million at December 31, 2005 and 2004, respectively.

(c) At December 31, 2005 and 2004, liquidity support amounted to \$10,000 million and \$14,400 million, respectively. These amounts are net of \$100 million and \$1,200 million, respectively, participated or deferred beyond one year. Credit support amounted to \$4,800 million and \$6,900 million at December 31, 2005 and 2004, respectively.

The portfolio of financing receivables consisted of loans and financing lease receivables secured by equipment, commercial and residential real estate and other assets; and credit card receivables. Examples of these assets include loans and leases on manufacturing and transportation equipment, loans on commercial property, commercial loans, and balances of high credit quality accounts from sales of a broad range of products and services to a diversified customer base.

Assets in consolidated, liquidating securitization entities are shown in the following captions in the Statement of Financial Position.

| <i>December 31 (In millions)</i>         | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|
| Financing receivables - net (note 6)     | \$ 16,615   | \$ 22,848   |
| Other assets                             | 1,235       | 2,384       |
| Other, principally investment securities | 54          | 754         |
| Total                                    | \$ 17,904   | \$ 25,986   |



**Off-balance sheet arrangements**

We engage in off-balance sheet securitization transactions with third-party entities and use public market term securitizations. As discussed above, assets in off-balance sheet securitization entities amounted to \$38.3 billion and \$26.7 billion at December 31, 2005 and 2004, respectively. Gross securitization gains amounted to \$939 million in 2005 compared with \$1,195 million in 2004 and \$1,351 million in 2003.

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Amounts recognized in our financial statements related to sales to off-balance sheet securitization entities are as follows:

| <i>December 31 (In millions)</i> | <b>2005</b> |       | <b>2004</b> |       |
|----------------------------------|-------------|-------|-------------|-------|
| Retained interests               | \$          | 3,871 | \$          | 2,916 |
| Servicing assets                 |             | 29    |             | 33    |
| Recourse liability               |             | (93)  |             | (64)  |
| Total                            | \$          | 3,807 | \$          | 2,885 |

**Retained interests.** When we securitize receivables, we determine fair value of retained interests based on discounted cash flow models that incorporate, among other things, assumptions about loan pool credit losses, prepayment speeds and discount rates. These assumptions are based on our experience, market trends and anticipated performance related to the particular assets securitized. We classify retained interests in securitized receivables as investment securities and mark them to fair value each reporting period, updating our models for current assumptions. These assets decrease as cash is received in payment. When the carrying amounts exceed fair value, we evaluate whether the unrealized loss is other than temporary and, if so, record any indicated loss in earnings currently.

**Servicing assets.** Following a securitization transaction, we also may provide servicing for a market-based fee based on remaining outstanding principal balances. Servicing assets are primarily associated with residential mortgage loans. Their value is subject to credit, prepayment and interest rate risk.

**Recourse liability.** Certain transactions involve credit support agreements. As a result, we provide for expected credit losses at amounts that approximate fair value.

The following table summarizes data related to securitization sales that we completed during 2005 and 2004.

| <i>(Dollars in millions)</i>                            | <b>Equipment</b> | <b>Commercial real estate</b> | <b>Other assets</b> | <b>Credit card receivables</b> |
|---|------------------|-------------------------------|---------------------|--------------------------------|
| <b>2005</b>   |                  |                               |                     |                                |
| Cash proceeds from securitization                       | \$ 3,702         | \$ 5,571                      | \$ 4,705            | \$ 6,985                       |
| Proceeds from collections reinvested in new receivables | -                | -                             | 27,697              | 10,067                         |
| Cash received on retained interests                     | 190              | 58                            | 10                  | 1,644                          |
| Cash received from servicing and other sources          | 75               | 36                            | 91                  | 155                            |
| Weighted average lives (in months)                      | 37               | 80                            | 35                  | 8                              |
| Assumptions as of sale date <sup>(a)</sup>              |                  |                               |                     |                                |
| Discount rate   | 8.8%             | 13.4%                         | 12.6%               | 11.7%                          |
| Prepayment rate   | 8.8%             | 6.5%                          | 21.2%               | 12.6%                          |
| Estimate of credit losses                               | 2.3%             | 0.8%                          | 0.6%                | 7.5%                           |

(a) Based on weighted averages.

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| <i>(Dollars in millions)</i>                               | <b>Equipment</b> | <b>Commercial<br/>real estate</b> | <b>Other assets</b> | <b>Credit card<br/>receivables</b> |
|--|------------------|-----------------------------------|---------------------|------------------------------------|
| <b>2004</b>  |                  |                                   |                     |                                    |
| Cash proceeds from securitization                          | \$ 5,367         | \$ 4,093                          | \$ -                | \$ 8,121                           |
| Proceeds from collections<br>reinvested in new receivables | -                | -                                 | 21,389              | 5,208                              |
| Cash received on retained interests                        | 107              | 58                                | 128                 | 1,788                              |
| Cash received from servicing and<br>other sources          | 85               | 6                                 | 62                  | 138                                |
| Weighted average lives (in months)                         | 37               | 68                                | -                   | 7                                  |
| Assumptions as of sale date <sup>(a)</sup>                 |                  |                                   |                     |                                    |
| Discount rate  | 8.2%             | 13.0%                             | -                   | 12.2%                              |
| Prepayment rate  | 9.1%             | 11.2%                             | -                   | 14.9%                              |
| Estimate of credit losses                                  | 1.9%             | 1.1%                              | -                   | 8.9%                               |

(a) Based on weighted averages.

Key assumptions used in measuring the fair value of retained interests in securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions related to all outstanding retained interests as of December 31, 2005, are noted in the following table.

| <i>(Dollars in millions)</i>                    | <b>Equipment</b> | <b>Commercial<br/>real estate</b> | <b>Other assets</b> | <b>Credit card<br/>receivables</b> |
|---|------------------|-----------------------------------|---------------------|------------------------------------|
| <b>Discount rate<sup>(a)</sup></b>              | 6.4%             | 11.2%                             | 5.5%                | 11.1%                              |
| Effect of:                                      |                  |                                   |                     |                                    |
| 10% Adverse change                              | \$ (12)          | \$ (13)                           | \$ (4)              | \$ (10)                            |
| 20% Adverse change                              | (24)             | (24)                              | (8)                 | (23)                               |
| <b>Prepayment rate<sup>(a)</sup></b>            | 9.7%             | 2.0%                              | 8.4%                | 12.8%                              |
| Effect of:                                      |                  |                                   |                     |                                    |
| 10% Adverse change                              | \$ (6)           | \$ (5)                            | \$ (7)              | \$ (40)                            |
| 20% Adverse change                              | (12)             | (10)                              | (12)                | (77)                               |
| <b>Estimate of credit losses<sup>(a)</sup></b>  | 2.0%             | 1.2%                              | 0.5%                | 7.1%                               |
| Effect of:                                      |                  |                                   |                     |                                    |
| 10% Adverse change                              | \$ (11)          | \$ (7)                            | \$ (5)              | \$ (39)                            |
| 20% Adverse change                              | (22)             | (13)                              | (9)                 | (81)                               |
| Remaining weighted<br>average lives (in months) | 27               | 51                                | 15                  | 7                                  |
| Net credit losses                               | \$ 63            | \$ -                              | \$ 8                | \$ 588                             |
| Delinquencies                                   | 93               | 5                                 | 59                  | 374                                |

(a) Based on weighted averages.

**Guarantee and reimbursement contracts.** We provide protection to certain counterparties of interest rate swaps entered into by securitization-related entities related to changes in the relationship between commercial paper interest rates and the timing and amount of the payment streams. These arrangements provide protection for the life of the assets held by the securitization entities but generally amortize in proportion to the decline in underlying asset principal balances. At December 31, 2005, the notional amount of such support was \$1,259 million and related assets and liabilities were insignificant.

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## Note 20. Commitments and Guarantees

### Commitments, including guarantees

Our Aviation Financial Services business of GE Infrastructure had placed multiple-year orders for various Boeing, Airbus and other aircraft with list prices approximating \$10,595 million at December 31, 2005.

At December 31, 2005, we were committed under the following guarantee arrangements beyond those provided on behalf of securitization entities. See note 19.

**Liquidity support.** Liquidity support provided to holders of certain variable rate bonds issued by municipalities amounted to \$2,510 million at December 31, 2005. If holders elect to sell supported bonds that cannot be remarketed, we are obligated to repurchase them at par. If called upon, our position would be secured by the repurchased bonds. While we hold any such bonds, we would receive interest payments from the municipalities at a rate that is in excess of the stated rate on the bond. To date, we have not been required to perform under such arrangements and our existing liquidity support will decrease \$1,437 million in 2006 and the remaining \$1,073 million by the end of 2008 as the underlying variable rate bonds reach their maturity date. We are currently not providing any such new liquidity facilities.

**Credit support.** We have provided \$6,030 million of credit support on behalf of certain customers or associated companies, predominantly joint ventures and partnerships, using arrangements such as standby letters of credit and performance guarantees. These arrangements enable our customers and associated companies to execute transactions or obtain desired financing arrangements with third parties. Should the customer or associated company fail to perform under the terms of the transaction or financing arrangement, we would be required to perform on their behalf. Under most such arrangements, our guarantee is secured, usually by the asset being purchased or financed, but possibly by certain other assets of the customer or associated company. The length of these credit support arrangements parallels the length of the related financing arrangements or transactions. The liability for such credit support was \$101 million at December 31, 2005.

**Indemnification agreements.** These are agreements that require us to fund up to \$503 million under residual value guarantees on a variety of leased equipment and \$206 million of other indemnification commitments arising primarily from sales of businesses or assets. Under most of our residual value guarantees, our commitment is secured by the leased asset at termination of the lease. The liability for these indemnification agreements was \$39 million at December 31, 2005.

**Contingent consideration.** These are agreements to provide additional consideration in a business combination to the seller if contractually specified conditions related to the acquired entity are achieved. At December 31, 2005, we had recognized no liabilities for our total exposure of \$245 million.

Our guarantees are provided in the ordinary course of business. We underwrite these guarantees considering economic, liquidity and credit risk of the counterparty. We believe that the likelihood is remote that any such arrangements could have a significant adverse effect on our financial position, results of operations or liquidity. We record liabilities for guarantees at estimated fair value, generally the amount of the premium received, or if we do not receive a premium, the amount based on appraisal, observed market values or discounted cash flows. Any associated recoveries from third parties are recorded as other receivables; not netted against the liabilities.

**Note 21. Quarterly Information (Unaudited)**

| <i>(In millions)</i>  | First quarter      |                    | Second quarter     |                    | Third quarter      |                    | Fourth quarter     |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | 2005<br>(Restated) | 2004<br>(Restated) | 2005<br>(Restated) | 2004<br>(Restated) | 2005<br>(Restated) | 2004<br>(Restated) | 2005<br>(Restated) | 2004<br>(Restated) |
| Total revenues  | \$ 13,743          | \$ 11,392          | \$ 13,357          | \$ 12,962          | \$ 14,728          | \$ 11,848          | \$ 14,182          | \$ 14,387          |
| Earnings from continuing operations before income taxes and accounting change | \$ 2,327           | \$ 1,723           | \$ 2,023           | \$ 2,635           | \$ 3,021           | \$ 2,302           | \$ 2,784           | \$ 3,114           |
| Provision for income taxes  | (291)              | (298)              | (107)              | (590)              | (470)              | (397)              | (289)              | (341)              |
| Earnings from continuing operations   | 2,036              | 1,425              | 1,916              | 2,045              | 2,551              | 1,905              | 2,495              | 2,773              |
| Earnings (loss) from discontinued operations, net of taxes                    | 247                | 238                | 89                 | (95)               | 353                | 164                | 239                | 135                |
| Net earnings  | \$ 2,283           | \$ 1,663           | \$ 2,005           | \$ 1,950           | \$ 2,904           | \$ 2,069           | \$ 2,734           | \$ 2,908           |

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Not applicable.

**Item 9A. Controls and Procedures.****(a) Evaluation of Disclosure Controls and Procedures**

In connection with the restatement discussed above in the explanatory note to this Form 10-K/A and in note 1 to our financial statements, under the direction of our Chief Executive Officer and Chief Financial Officer, we reevaluated our disclosure controls and procedures. We identified a material weakness in our internal control over financial reporting with respect to accounting for hedge transactions, namely, that we did not have adequately designed procedures to designate, with the specificity required under SFAS 133, each hedged commercial paper transaction. Solely as a result of this material weakness, we concluded that our disclosure controls and procedures were not effective as of December 31, 2005.

As of January 1, 2007, we modified our commercial paper hedging program and adopted documentation for interest rate swaps that we believe complies with the requirements of SFAS 133 and remediated the related internal control weakness. In connection with this amended Form 10-K, under the direction of our Chief Executive Officer and Chief Financial Officer, we have evaluated our disclosure controls and procedures as currently in effect, including the remedial actions discussed above, and we have concluded that, as of this date, our disclosure controls and procedures are effective.

As previously reported, there was no change in our internal control over financial reporting during the quarter ended December 31, 2005, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(b) Management's Annual Report on Internal Control over Financial Reporting (as restated)

The management of General Electric Capital Corporation is responsible for establishing and maintaining adequate internal control over financial reporting for the company. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2005, based on the framework and criteria established in Internal

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Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In the company's Annual Report on Form 10-K for the year ended December 31, 2005, filed on March 3, 2006, management concluded that our internal control over financial reporting was effective as of December 31, 2005. Subsequently, management identified a material weakness in our internal control over financial reporting with respect to accounting for hedge transactions, namely, that we did not have adequately designed procedures to designate, with the specificity required under SFAS 133, each hedged commercial paper transaction.

This material weakness resulted in this amendment to our Annual Report on Form 10-K for the year ended December 31, 2005, in order to restate the financial statements for the years ended December 31, 2005, 2004 and 2003 and to restate financial information for the years ended December 31, 2002 and 2001 and each of the quarters in 2005 and 2004.

Solely as a result of this material weakness, our management has revised its earlier assessment and has now concluded that our internal control over financial reporting was not effective as of December 31, 2005.

General Electric Capital Corporation's independent auditor, KPMG LLP, a registered public accounting firm, has issued an audit report on our management's revised assessment of our internal control over financial reporting as of December 31, 2005. This audit report follows.

#### **Report of Independent Registered Public Accounting Firm**

To the Board of Directors of  
General Electric Capital Corporation:

We have audited management's restated assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting (as restated) that General Electric Capital Corporation and consolidated affiliates ("GECC") did not maintain effective internal control over financial reporting as of December 31, 2005, because of the effect of the material weakness identified in management's restated assessment, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). GECC management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of GECC's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that

transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made

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only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified and included in its restated assessment the following material weakness as of December 31, 2005: a failure to ensure adequately designed procedures to designate, with the specificity required by Statement of Financial Accounting Standards No. 133, each hedged commercial paper transaction. This material weakness resulted in restatements of the Company's previously issued consolidated financial statements as of December 31, 2005 and 2004, and for each of the years in the three-year period ended December 31, 2005, and the financial information for each of the quarters in 2005 and 2004.

As stated in the fourth paragraph of Management's Annual Report on Internal Control over Financial Reporting (as restated), management's assessment of the effectiveness of GECC's internal control over financial reporting has been restated.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of financial position of General Electric Capital Corporation and consolidated affiliates as of December 31, 2005 and 2004, and the related statements of earnings, changes in shareowner's equity and cash flows for each of the years in the three-year period ended December 31, 2005. The aforementioned material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2005 consolidated financial statements (as restated), and this report does not affect our report dated February 10, 2006, except as to the restatement discussed in note 1 to the consolidated financial statements, which is as of January 19, 2007, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, management's restated assessment that GECC did not maintain effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by COSO. Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, GECC did not maintain effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by COSO.

/s/ KPMG LLP

KPMG LLP  
Stamford, Connecticut

February 10, 2006, except as to the second, third and fourth paragraphs of Management's Annual Report on Internal Control over Financial Reporting (as restated), which are as of January 19, 2007



**Item 9B. Other Information.**

Not applicable.

**PART III**

**Item 10. Directors and Executive Officers of the Registrant.**

Not required by this form.

**Item 11. Executive Compensation.**

Not required by this form.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Not required by this form.

**Item 13. Certain Relationships and Related Transactions.**

Not required by this form.

**Item 14. Principal Accounting Fees and Services.**

The aggregate fees billed for professional services by KPMG LLP, in 2005 and 2004 were:

| <i>(In millions)</i> | <b>2005</b>    | <b>2004</b>    |
|----------------------|----------------|----------------|
| <b>Type of fees</b>  |                |                |
| Audit fees           | \$ 28.7        | \$ 28.0        |
| Audit-related fees   | 3.6            | 7.2            |
| Tax fees             | 4.9            | 3.7            |
| All other fees       | -              | -              |
|                      | <b>\$ 37.2</b> | <b>\$ 38.9</b> |

In the above table, in accordance with the SEC's definitions and rules, "Audit fees" are fees we paid KPMG for professional services for the audit of our annual financial statements included in Form 10-K and review of financial statements included in the Form 10-Qs; for the audit of our internal control over financial reporting with the objective of obtaining reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects; for the attestation of management's report on the effectiveness of internal control over financial reporting; and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements. "Audit-related fees" are fees for assurance and related services that are reasonably related to the

performance of the audit or the review of our financial statements and internal control over financial reporting, including services in connection with assisting the company in its compliance with its obligations under Section 404 of the Sarbanes-Oxley Act and related regulations; “Tax fees” are fees for tax compliance, tax advice and tax planning; and “All other fees” are fees for any services not included in the first three categories.

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## PART IV

### Item 15. Exhibits and Financial Statement Schedules.

(a) 1. **Financial Statements**

Included in Part II of this report:

Report of Independent Registered Public Accounting Firm  
Statement of Earnings for each of the years in the three-year period ended December 31, 2005  
Statement of Changes in Shareowner's Equity for each of the years in the three-year period ended December 31, 2005  
Statement of Financial Position at December 31, 2005 and 2004  
Statement of Cash Flows for each of the years in the three-year period ended December 31, 2005  
Notes to Consolidated Financial Statements

Incorporated by reference:

The consolidated financial statements of General Electric Company, set forth in the Annual Report on Form 10-K/A of General Electric Company (S.E.C. File No. 001-00035) for the year ended December 31, 2005 (pages 41 through 109) and Exhibit 12 (Ratio of Earnings to Fixed Charges) of General Electric Company.

(a) 2. **Financial Statement Schedules**

Schedule I

Condensed financial information of registrant.

All other schedules are omitted because of the absence of conditions under which they are required or because the required information is shown in the financial statements or notes thereto.

(a) 3. **Exhibit Index**

The exhibits listed below, as part of Form 10-K, are numbered in conformity with the numbering used in Item 601 of Regulation S-K of the Securities and Exchange Commission.

**Exhibit  
Number**

**Description**

2(a) Agreement and Plan of Merger dated June 25, 2001, between GECC and GECS Merger Sub, Inc. (Incorporated by

reference to Exhibit 2.1 of GECC's Current Report on Form 8-K dated as of July 3, 2001).

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- 3(i) A complete copy of the Certificate of Incorporation of GECC as last amended on November 23, 2004, and currently in effect, consisting of the following: (a) the Restated Certificate of Incorporation of GECC as in effect immediately prior to the filing of a Certificate of Amendment on August 7, 2002 (Incorporated by reference to Exhibit 3(i) of GECC's Form 10-K Report for the year ended December 31, 2001); and (b) a Certificate of Amendment filed with the Office of the Secretary of State, State of Delaware on August 7, 2002 (Incorporated by reference to Exhibit 3(i) to GECC's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-100527); (c) a Certificate of Amendment filed with the Office of the Secretary of State, State of Delaware on January 27, 2003 (Incorporated by reference to Exhibit 3(i) to GECC's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-100527); and (d) a Certificate of Amendment filed with the Office of the Secretary of State, State of Delaware on November 23, 2004 (Incorporated by reference to Exhibit 3(i) of GECC's Form 10-K Report for the year ended December 31, 2004). GECC's Certificate of Merger filed with the Office of the Secretary of State, State of Delaware on June 29, 2001 (Incorporated by reference to Exhibit 2(a) of GECC's Form 10-K Report for the year ended December 31, 2001).
- 3(ii) A complete copy of the By-Laws of GECC as last amended on March 24, 2005, and currently in effect.
- 4(a) Amended and Restated General Electric Capital Corporation Standard Global Multiple Series Indenture Provisions dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(a) to GECC's Registration Statement on Form S-3, File No. 333-59707).
- 4(b) Third Amended and Restated Indenture dated as of February 27, 1997, between GECC and JPMorgan Chase Bank, N.A., (formerly known as The Chase Manhattan Bank) as successor trustee (Incorporated by reference to Exhibit 4(c) to GECC's Registration Statement on Form S-3, File No. 333-59707).
- 4(c) First Supplemental Indenture dated as of May 3, 1999, supplemental to Third Amended and Restated Indenture dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(dd) to GECC's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-76479).
- 4(d) Second Supplemental Indenture dated as of July 2, 2001, supplemental to Third Amended and Restated Indenture dated

as of February 27, 1997 (Incorporated by reference to Exhibit 4(f) to GECC's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-40880).

4(e)

Third Supplemental Indenture dated as of November 22, 2002, supplemental to Third Amended and Restated Indenture dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(cc) to Post-Effective Amendment No. 1 to GECC's Registration Statement on Form S-3, File No. 333-100527).

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- 4(f) Seventh Amended and Restated Fiscal and Paying Agency Agreement among GECC, GE Capital Australia Funding Pty Ltd, GE Capital European Funding, GE Capital Canada Funding Company, GE Capital UK Funding and JPMorgan Chase Bank, N.A. and J.P. Morgan Bank (Ireland) p.l.c. dated as of July 1, 2005 (Incorporated by reference to Exhibit 4(f) to General Electric Capital Services, Inc.'s Form 10-K Report for the year ended December 31, 2005).
- 4(g) Form of Global Medium-Term Note, Series A, Fixed Rate Registered Note (Incorporated by reference to Exhibit 4(m) to GECC's Registration Statement on Form S-3, File No. 333-100527).
- 4(h) Form of Global Medium-Term Note, Series A, Floating Rate Registered Note (Incorporated by reference to Exhibit 4(n) to GECC's Registration Statement on Form S-3, File No. 333-100527).
- 4(i) Form of Euro Medium-Term Note and Debt Security - Permanent Global Fixed Rate Bearer Note (Incorporated by reference to Exhibit 4(i) to General Electric Capital Services, Inc.'s Form 10-K Report for the year ended December 31, 2005).
- 4(j) Form of Euro Medium-Term Note and Debt Security - Permanent Global Floating Rate Bearer Note (Incorporated by reference to Exhibit 4(j) to General Electric Capital Services, Inc.'s Form 10-K Report for the year ended December 31, 2005).
- 4(k) Form of Euro Medium-Term Note and Debt Security - Temporary Global Fixed Rate Bearer Note (Incorporated by reference to Exhibit 4(k) to General Electric Capital Services, Inc.'s Form 10-K Report for the year ended December 31, 2005).
- 4(l) Form of Euro Medium-Term Note and Debt Security - Temporary Global Floating Rate Bearer Note (Incorporated by reference to Exhibit 4(l) to General Electric Capital Services, Inc.'s Form 10-K Report for the year ended December 31, 2005).
- 4(m) Form of Euro Medium-Term Note and Debt Security - Definitive Fixed Rate Bearer Note (Incorporated by reference to Exhibit 4(m) to General Electric Capital Services, Inc.'s Form 10-K Report for the year ended December 31, 2005).
- 4(n)

Form of Euro Medium-Term Note and Debt Security -  
Definitive Floating Rate Bearer Note (Incorporated by  
reference to Exhibit 4(n) to General Electric Capital Services,  
Inc.'s Form 10-K Report for the year ended December 31,  
2005).

- 4(o) Agreement to furnish to the Securities and Exchange  
Commission upon request a copy of instruments defining the  
rights of holders of certain long-term debt of the registrant  
and all subsidiaries for which consolidated or unconsolidated  
financial statements are required to be filed.
- 12(a) Computation of Ratio of Earnings to Fixed Charges.\*
- 12(b) Computation of Ratio of Earnings to Combined Fixed  
Charges and Preferred Stock Dividends.\*

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- 23(ii) Consent of KPMG LLP.\*
- 24 Power of Attorney.\*
- 31(a) Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.\*
- 31(b) Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.\*
- 32 Certification Pursuant to 18 U.S.C. Section 1350.\*
- 99(a) Income Maintenance Agreement dated March 28, 1991, between General Electric Company and General Electric Capital Corporation. (Incorporated by reference to Exhibit 99(h) to GECC's Registration Statement on Form S-3, File No. 333-100527).
- 99(b) The consolidated financial statements of General Electric Company, set forth in the Annual Report on Form 10-K of General Electric Company (S.E.C. File No. 001-00035) for the year ended December 31, 2005, (pages 41 through 109) and Exhibit 12 (Ratio of Earnings to Fixed Charges) of General Electric Company.
- 99(c) Letter, dated February 4, 1999, from Dennis D. Dammerman of General Electric Company to Denis J. Nayden of General Electric Capital Corporation pursuant to which General Electric Company agrees to provide additional equity to General Electric Capital Corporation in conjunction with certain redemptions by General Electric Capital Corporation of shares of its Variable Cumulative Preferred Stock. (Incorporated by reference to Exhibit 99(g) to General Electric Capital Corporation's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-59707).

\* Filed electronically herewith.

**General Electric Capital Corporation and consolidated affiliates****Schedule I - Condensed Financial Information of Registrant****General Electric Capital Corporation****Condensed Statement of Current and Retained Earnings**

| <i>For the years ended December 31 (In millions)</i>          | <b>2005<br/>(Restated)</b> | <b>2004<br/>(Restated)</b> | <b>2003<br/>(Restated)</b> |
|---|----------------------------|----------------------------|----------------------------|
| <b>Revenues</b>   | \$ 6,811                   | \$ 6,593                   | \$ 5,925                   |
| <b>Expenses</b>   |                            |                            |                            |
| Interest  | 6,205                      | 4,476                      | 4,030                      |
| Operating and administrative                                  | 3,006                      | 3,284                      | 3,036                      |
| Provision for losses on financing receivables                 | 601                        | 687                        | 504                        |
| Depreciation and amortization                                 | 416                        | 447                        | 419                        |
| Total expenses  | 10,228                     | 8,894                      | 7,989                      |
| Loss before income taxes and equity in earnings of affiliates | (3,417)                    | (2,301)                    | (2,064)                    |
| Income tax benefit  | 1,523                      | 612                        | 482                        |
| Equity in earnings of affiliates                              | 11,820                     | 10,279                     | 9,366                      |
| Cumulative effect of accounting change                        | -                          | -                          | (339)                      |
| <b>Net earnings</b>   | 9,926                      | 8,590                      | 7,445                      |
| Dividends   | (8,614)                    | (3,148)                    | (4,472)                    |
| Retained earnings at January 1                                | 34,194                     | 28,752                     | 25,779                     |
| <b>Retained earnings at December 31</b>                       | \$ 35,506                  | \$ 34,194                  | \$ 28,752                  |

The notes to condensed financial statements are an integral part of this statement.

**General Electric Capital Corporation and consolidated affiliates****Schedule I - Condensed Financial Information of Registrant - (Continued)****General Electric Capital Corporation****Condensed Statement of Financial Position**

| <i>At December 31 (In millions, except share amounts)</i>  | <b>2005<br/>(Restated)</b> | <b>2004<br/>(Restated)</b> |
|--|----------------------------|----------------------------|
| <b>Assets</b>  |                            |                            |
| Cash and equivalents   | \$ 3,077                   | \$ 280                     |
| Investment securities  | 2,671                      | 4,426                      |
| Financing receivables - net  | 51,360                     | 51,023                     |
| Investment in and advances to affiliates   | 245,217                    | 232,193                    |
| Buildings and equipment - net  | 3,263                      | 3,924                      |
| Other assets   | 11,235                     | 13,177                     |
| Total assets   | \$ 316,823                 | \$ 305,023                 |
| <b>Liabilities and equity</b>  |                            |                            |
| Borrowings   | \$ 253,797                 | \$ 239,122                 |
| Other liabilities  | 6,680                      | 5,192                      |
| Deferred income taxes  | 6,156                      | 6,671                      |
| Total liabilities  | 266,633                    | 250,985                    |
| Variable cumulative preferred stock, \$100 par value, liquidation preference<br>\$100,000 per share (33,000 shares authorized; 700 shares issued and outstanding at December 31, 2005 and 26,000 shares issued and outstanding at December 31, 2004) | -                          | 3                          |
| Common stock, \$14 par value (4,166,000 shares authorized at December 31, 2005 and 2004, and 3,985,403 shares issued and outstanding at December 31, 2005 and 2004)  | 56                         | 56                         |
| Accumulated gains (losses) - net   |                            |                            |
| Investment securities  | 744                        | 974                        |
| Currency translation adjustments   | 2,343                      | 4,844                      |
| Cash flow hedges   | (367)                      | (448)                      |
| Minimum pension liabilities  | (147)                      | (124)                      |
| Additional paid-in capital   | 12,055                     | 14,539                     |
| Retained earnings  | 35,506                     | 34,194                     |
| Total shareowner's equity  | 50,190                     | 54,038                     |
| Total liabilities and equity   | \$ 316,823                 | \$ 305,023                 |

The sum of accumulated gains (losses) on investment securities, currency translation adjustments, restated cash flow hedges and minimum pension liabilities constitutes "Accumulated nonowner changes other than earnings," and was \$2,573 million and \$5,246

million at December 31, 2005 and 2004, respectively.

The notes to condensed financial statements are an integral part of this statement.

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**General Electric Capital Corporation and consolidated affiliates****Schedule I - Condensed Financial Information of Registrant - (Continued)****General Electric Capital Corporation****Condensed Statement of Cash Flows**

| <i>For the years ended December 31 (In millions)</i>                  | <b>2005</b>    | <b>2004</b>     | <b>2003</b>    |
|---|----------------|-----------------|----------------|
| <b>Cash from (used for) operating activities</b>                      | \$ (843)       | \$ 231          | \$ (2,943)     |
| <b>Cash flows - investing activities</b>                              |                |                 |                |
| Increase in loans to customers  | (103,006)      | (141,213)       | (140,053)      |
| Principal collections from customers - loans                          | 100,689        | 141,022         | 142,687        |
| Investment in equipment for financing leases                          | (2,987)        | (3,550)         | (5,274)        |
| Principal collections from customers - financing leases               | 3,010          | 4,172           | 6,359          |
| Net change in credit card receivables                                 | 268            | (66)            | (22)           |
| Additions to buildings and equipment                                  | (593)          | (594)           | (1,687)        |
| Dispositions of buildings and equipment                               | 797            | 1,102           | 1,016          |
| Payments for principal businesses purchased                           | (7,167)        | (13,888)        | (10,482)       |
| Proceeds from principal business dispositions                         | 209            | 472             | 3,193          |
| Decrease (increase) in investment in and advances to affiliates       | 4,455          | (6,053)         | 4,762          |
| All other investing activities  | (2,049)        | 374             | (4,074)        |
| <b>Cash used for investing activities</b>                             | <b>(6,374)</b> | <b>(18,222)</b> | <b>(3,575)</b> |
| <b>Cash flows - financing activities</b>                              |                |                 |                |
| Net increase (decrease) in borrowings (maturities of 90 days or less) | 4,815          | 8,680           | (2,189)        |
| Newly issued debt:  |                |                 |                |
| Short-term (91-365 days)  | 2,884          | 1,538           | 1,764          |
| Long-term senior  | 42,422         | 41,572          | 47,811         |
| Non-recourse, leveraged lease   | 166            | 206             | 80             |
| Repayments and other debt reductions:                                 |                |                 |                |
| Short-term (91-365 days)  | (28,426)       | (33,912)        | (31,811)       |
| Long-term senior  | (265)          | -               | (694)          |
| Non-recourse, leveraged lease   | (438)          | (358)           | (417)          |
| Dividends paid to shareowner  | (8,614)        | (3,148)         | (4,472)        |
| Redemption of preferred stock   | (2,530)        | -               | -              |
| <b>Cash from financing activities</b>                                 | <b>10,014</b>  | <b>14,578</b>   | <b>10,072</b>  |
| <b>Increase (decrease) in cash and equivalents during year</b>        | <b>2,797</b>   | <b>(3,413)</b>  | <b>3,554</b>   |
| Cash and equivalents at beginning of year                             | 280            | 3,693           | 139            |
| Cash and equivalents at end of year                                   | \$ 3,077       | \$ 280          | \$ 3,693       |

The notes to condensed financial statements are an integral part of this statement.

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**General Electric Capital Corporation and consolidated affiliates****Schedule I - Condensed Financial Information of Registrant - (Concluded)****General Electric Capital Corporation****Notes to Condensed Financial Statements****Financial statements presentation**

We have reclassified certain prior-year amounts to conform to the current year's presentation.

**Borrowings**

Total long-term borrowings at December 31, 2005 and 2004, are shown below.

| <i>(Dollars in millions)</i>      | 2005<br>Average<br>rate <sup>(a)</sup> | Maturities | 2005       | 2004       |
|-----------------------------------|--|------------|------------|------------|
| Senior notes                      | 4.69%                                  | 2007-2055  | \$ 136,785 | \$ 131,153 |
| Extendible notes <sup>(b)</sup>   | 4.38%                                  | 2007-2009  | 13,984     | 13,991     |
| Subordinated notes <sup>(c)</sup> | 5.50%                                  | 2012-2037  | 2,678      | 698        |
|                                   |  |            | \$ 153,447 | \$ 145,842 |

(a) Based on year-end balances and year-end local currency interest rates, including the effects of interest rate and currency swaps, if any, directly associated with the original debt issuance.

(b) Fixed and floating rate notes of \$1,059 million contain put options with exercise dates in 2006, but have final maturity dates in 2007 (\$250 million), 2008 (\$350 million) and beyond 2010 (\$459 million). Floating rate extendible notes of \$13,984 million are due in 2007, of which \$2,000 million are extendible at the option of the investors to a final maturity in 2009.

(c) Included \$450 million and \$700 million of subordinates notes guaranteed by GE at December 31, 2005 and 2004, respectively.

At December 31, 2005, maturities of long-term borrowings during the next five years, including the current portion of long-term debt, are \$30,617 million in 2006, \$34,748 million in 2007, \$34,359 million in 2008, \$19,497 million in 2009 and \$12,646 million in 2010.

Interest rate and currency risk is managed through the direct issuance of debt or use of derivatives. We take positions in view of anticipated behavior of assets, including prepayment behavior. We use a variety of instruments, including interest rate and currency swaps and currency forwards, to achieve our interest rate objectives.

Interest expense on the Condensed Statement of Current and Retained Earnings is net of interest income on loans and advances to majority owned affiliates of \$3,622 million, \$3,242 million and \$3,339 million for 2005, 2004 and 2003, respectively.

**Income taxes**

General Electric Company files a consolidated U.S. federal income tax return which includes General Electric Capital Corporation. Income tax benefit includes our effects on the consolidated return.

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**Signatures**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

General Electric Capital Corporation

January 19, 2007

By: /s/ Jeffrey R. Immelt  
Jeffrey R. Immelt  
Chief Executive Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

| Signature                                  | Title   | Date             |
|--|---|------------------|
| /s/ Jeffrey R. Immelt<br>Jeffrey R. Immelt | Chief Executive Officer<br>(Principal Executive Officer)                  | January 19, 2007 |
| /s/ Keith S. Sherin<br>Keith S. Sherin     | Chief Financial Officer<br>(Principal Financial Officer)                  | January 19, 2007 |
| /s/ Philip D. Ameen<br>Philip D. Ameen     | Senior Vice President and<br>Controller<br>(Principal Accounting Officer) | January 19, 2007 |
| CHARLES E. ALEXANDER*                      | Director  |                  |
| JEFFREY S. BORNSTEIN*                      | Director  |                  |
| KATHRYN A. CASSIDY*                        | Director  |                  |
| JAMES A. COLICA*                           | Director  |                  |
| PAMELA DALEY*                              | Director  |                  |
| BRACKETT B. DENNISTON*                     | Director  |                  |
| JEFFREY R. IMMELT*                         | Director  |                  |
| MICHAEL A. NEAL*                           | Director  |                  |
| DAVID R. NISSEN*                           | Director  |                  |
| RONALD R. PRESSMAN*                        | Director  |                  |
| DEBORAH M. REIF*                           | Director  |                  |
| JOHN G. RICE*                              | Director  |                  |
| JOHN M. SAMUELS*                           | Director  |                  |
| KEITH S. SHERIN*                           | Director  |                  |
| LLOYD G. TROTTER                           | Director  |                  |
| ROBERT C. WRIGHT*                          | Director  |                  |

A MAJORITY OF THE BOARD OF DIRECTORS

|      |  |                  |
|------|--|------------------|
| *By: | /s/ Philip D. Ameen<br>Philip D. Ameen<br>Attorney-in-fact | January 19, 2007 |
|------|--|------------------|