GENERAL ELECTRIC CAPITAL CORP
Form 10-Q
November 08, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from ___________to ___________

Commission file number 001-06461

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þNo ¨

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

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

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

At November 4, 2011, 3,985,404 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of $14 per share were outstanding.

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

(1)

General Electric Capital Corporation

Forward-Looking Statements

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

(2)

Part I. Financial Information

Item 1. Financial Statements.

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Current and Retained Earnings

(Unaudited)

(In millions)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Revenues				
Revenues from services (a)	$ 11,180	$ 11,091	$ 35,048	$ 34,343
Other-than-temporary impairment on investment securities:				
Total other-than-temporary impairment on investment securities	(83)	(36)	(260)	(283)
Less: Portion of other-than-temporary impairment recognized in accumulated other comprehensive income	19	6	81	127
Net other-than-temporary impairment on investment securities recognized in earnings	(64)	(30)	(179)	(156)
Revenues from services (Note 9)	11,116	11,061	34,869	34,187
Sales of goods	32	40	116	489
Total revenues	11,148	11,101	34,985	34,676
Costs and expenses				
Interest	3,557	3,565	10,721	10,892
Operating and administrative	3,107	3,338	9,778	10,318
Cost of goods sold	30	39	108	458
Investment contracts, insurance losses and insurance annuity benefits	27	36	81	109
Provision for losses on financing receivables	1,020	1,637	2,988	5,824
Depreciation and amortization	1,836	2,016	5,403	5,778
Total costs and expenses	9,577	10,631	29,079	33,379
Earnings from continuing operations before income taxes	1,571	470	5,906	1,297
Benefit (provision) for income taxes	(66)	366	(890)	825
Earnings from continuing operations	1,505	836	5,016	2,122
Earnings (loss) from discontinued operations, net of taxes (Note 2)	2	(1,051)	277	(1,501)

Net earnings (loss)	1,507	(215)	5,293	621
Less net earnings (loss) attributable to noncontrolling interests	38	18	89	(9)
Net earnings (loss) attributable to GECC	1,469	(233)	5,204	630
Dividends	–	–	–	–
Retained earnings at beginning of period	51,702	46,502	47,967	45,639
Retained earnings at end of period	$ 53,171	$ 46,269	$ 53,171	$ 46,269
Amounts attributable to GECC				
Earnings from continuing operations	$ 1,467	$ 818	$ 4,927	$ 2,131
Earnings (loss) from discontinued operations, net of taxes	2	(1,051)	277	(1,501)
Net earnings (loss) attributable to GECC	$ 1,469	$ (233)	$ 5,204	$ 630

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

See accompanying notes.

(3)

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Financial Position

(In millions)	September 30, 2011 (Unaudited)	December 31, 2010
Assets		
Cash and equivalents	$ 82,391	$ 59,538
Investment securities (Note 3)	17,362	17,952
Inventories	44	66
Financing receivables – net (Notes 4 and 12)	293,737	312,234
Other receivables	13,211	13,674
Property, plant and equipment, less accumulated amortization of $24,291 and $25,390	52,309	53,747
Goodwill (Note 5)	27,726	27,508
Other intangible assets – net (Note 5)	1,702	1,874
Other assets	79,743	79,045
Assets of businesses held for sale (Note 2)	3,050	3,127
Assets of discontinued operations (Note 2)	1,461	12,375
Total assets(a)	$ 572,736	$ 581,140
Liabilities and equity		
Short-term borrowings (Note 6)	$ 121,733	$ 113,646
Accounts payable	7,835	6,839
Non-recourse borrowings of consolidated securitization entities (Note 6)	29,022	30,018
Bank deposits (Note 6)	41,515	37,298
Long-term borrowings (Note 6)	259,332	284,346
Investment contracts, insurance liabilities and insurance annuity benefits	4,859	5,779
Other liabilities	21,983	20,287
Deferred income taxes	3,091	6,109
Liabilities of businesses held for sale (Note 2)	1,813	592
Liabilities of discontinued operations (Note 2)	1,261	2,181
Total liabilities(a)	492,444	507,095
Capital stock	56	56
Accumulated other comprehensive income – net(b)		
Investment securities	(676)	(337)
Currency translation adjustments	138	(1,541)
Cash flow hedges	(1,711)	(1,347)
Benefit plans	(353)	(380)
Additional paid-in capital	28,462	28,463
Retained earnings	53,171	47,967
Total GECC shareowner's equity	79,087	72,881
Noncontrolling interests(c)	1,205	1,164
Total equity	80,292	74,045
Total liabilities and equity	$ 572,736	$ 581,140

(a) Our consolidated assets at September 30, 2011 include total assets of $43,259 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets include net financing receivables of $36,170 million and investment securities of $4,624 million. Our consolidated liabilities at September 30, 2011 include liabilities of certain VIEs for which the VIE creditors do not have recourse to GECC. These liabilities include non-recourse borrowings of consolidated securitization entities (CSEs) of $28,522 million. See Note 13.

(b) The sum of accumulated other comprehensive income – net was $(2,602) million and $(3,605) million at September 30, 2011 and December 31, 2010, respectively.

(c) Included accumulated other comprehensive income – net attributable to noncontrolling interests of $(150) million and $(137) million at September 30, 2011 and December 31, 2010, respectively.

See accompanying notes.

(4)

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Cash Flows

(Unaudited)

	Nine months ended September 30,	
(In millions)	2011	2010
Cash flows – operating activities		
Net earnings	$ 5,293	$ 621
Less net earnings (loss) attributable to noncontrolling interests	89	(9)
Net earnings attributable to GECC	5,204	630
(Earnings) loss from discontinued operations	(277)	1,501
Adjustments to reconcile net earnings attributable to GECC to cash provided from operating activities		
Depreciation and amortization of property, plant and equipment	5,403	5,778
Increase (decrease) in accounts payable	1,158	650
Provision for losses on financing receivables	2,988	5,824
All other operating activities	1,569	381
Cash from (used for) operating activities – continuing operations	16,045	14,764
Cash from (used for) operating activities – discontinued operations	840	882
Cash from (used for) operating activities	16,885	15,646
Cash flows – investing activities		
Additions to property, plant and equipment	(7,149)	(3,113)
Dispositions of property, plant and equipment	4,514	3,075
Increase in loans to customers	(234,537)	(220,665)
Principal collections from customers – loans	249,444	238,998
Investment in equipment for financing leases	(6,920)	(6,796)
Principal collections from customers – financing leases	9,797	11,519
Net change in credit card receivables	746	577
Proceeds from sale of discontinued operations	8,951	–
Proceeds from principal business dispositions	2,117	905
Payments for principal businesses purchased	(50)	(561)
All other investing activities	4,590	11,781
Cash from (used for) investing activities – continuing operations	31,503	35,720
Cash from (used for) investing activities – discontinued operations	(809)	(267)
Cash from (used for) investing activities	30,694	35,453
Cash flows – financing activities		
Net increase (decrease) in borrowings (maturities of 90 days or less)	(2,020)	(1,285)
Net increase (decrease) in bank deposits	3,746	3,982
Newly issued debt (maturities longer than 90 days)		
Short-term (91 to 365 days)	10	464
Long-term (longer than one year)	33,776	26,513
Non-recourse, leveraged lease	–	–

Repayments and other debt reductions (maturities longer than 90 days)				
Short-term (91 to 365 days)		(58,003)		(73,101)
Long-term (longer than one year)		(1,603)		(1,679)
Non-recourse, leveraged lease		(640)		(544)
Dividends paid to shareowner		–		–
All other financing activities		(1,002)		(2,096)
Cash from (used for) financing activities – continuing operations		(25,736)		(47,746)
Cash from (used for) financing activities – discontinued operations		(42)		(719)
Cash from (used for) financing activities		(25,778)		(48,465)
Effect of currency exchange rate changes on cash and equivalents		1,042		(1,037)
Increase (decrease) in cash and equivalents		22,843		1,597
Cash and equivalents at beginning of year		59,679		63,880
Cash and equivalents at September 30		82,522		65,477
Less cash and equivalents of discontinued operations at September 30		131		1,865
Cash and equivalents of continuing operations at September 30	$	82,391	$	63,612

See accompanying notes.

(5)

Summary of Operating Segments

	Three months ended September 30, (Unaudited)		Nine months ended September 30, (Unaudited)	
(In millions)	2011	2010	2011	2010
Revenues				
CLL	$ 4,512	$ 4,551	$ 13,786	$ 13,651
Consumer	4,032	4,097	13,035	12,840
Real Estate	935	953	2,834	2,888
Energy Financial Services	221	291	931	1,677
GECAS	1,265	1,321	3,917	3,819
Total segment revenues	10,965	11,213	34,503	34,875
GECC corporate items and eliminations	183	(112)	482	(199)
Total revenues in GECC	$ 11,148	$ 11,101	$ 34,985	$ 34,676
Segment profit				
CLL	$ 688	$ 443	$ 1,943	$ 987
Consumer	737	773	2,976	1,977
Real Estate	(82)	(405)	(775)	(1,332)
Energy Financial Services	79	55	330	334
GECAS	208	158	835	763
Total segment profit	1,630	1,024	5,309	2,729
GECC corporate items and eliminations	(163)	(206)	(382)	(598)
Earnings from continuing operations attributable to GECC	1,467	818	4,927	2,131
Earnings (loss) from discontinued operations, net of taxes, attributable to GECC	2	(1,051)	277	(1,501)
Total net earnings attributable to GECC	$ 1,469	$ (233)	$ 5,204	$ 630

See accompanying notes.

(6)

Notes to Condensed, Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Accounting Changes

On July 1, 2011, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2011-02, an amendment to Accounting Standards Codification (ASC) 310, Receivables. ASU 2011-02 provides guidance for determining whether a restructuring of a debt constitutes a troubled debt restructuring (TDR). ASU 2011-02 requires that a restructuring be classified as a TDR when it is both a concession and the debtor is experiencing financial difficulties. The amendment also clarifies the guidance on a creditor's evaluation of whether it has granted a concession. The amendment applies to restructurings that have occurred subsequent to January 1, 2011. As a result of adopting these amendments on July 1, 2011, we have classified an additional $271 million of financing receivables as TDRs and have recorded an increase of $77 million to our allowance for losses on financing receivables. See Note 12.

Interim Period Presentation

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

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

Assets and Liabilities of Businesses Held for Sale

In the third quarter of 2011, we committed to sell our CLL marine container leasing business, which consists of our controlling interests in the GE SeaCo joint venture along with other owned marine container assets, and our CLL trailer fleet services business in Mexico.

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

In 2010, we committed to sell our Consumer businesses in Argentina, Brazil, and Canada, a CLL business in South Korea, and our Interpark business in Real Estate. The Consumer Canada disposition was completed during the first quarter of 2011. The Consumer Brazil and our Interpark business in Real Estate dispositions were completed during the second quarter of 2011 for proceeds of $22 million and $704 million, respectively. The Consumer Argentina disposition was completed during the third quarter of 2011 for proceeds of $41 million.

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

(In millions)	At September 30, 2011	At December 31, 2010
Assets		
Cash and equivalents	$ 218	$ 54
Financing receivables – net	483	1,917
Property, plant and equipment – net	2,054	103
Goodwill	135	–
Other intangible assets – net	37	187
Other assets	30	841
Other	93	25
Assets of businesses held for sale	$ 3,050	$ 3,127
Liabilities		
Short-term borrowings	$ 474	$ 146
Accounts payable	82	46
Long-term borrowings	1,144	228
Other liabilities	113	172
Liabilities of businesses held for sale	$ 1,813	$ 592

Discontinued Operations

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

(8)

Summarized financial information for discontinued operations is shown below.

(In millions)	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Operations				
Total revenues	$ 12	$ 515	$ 336	$ 1,565
Earnings (loss) from discontinued operations before income taxes	$ (7)	$ 46	$ 4	$ 170
Benefit (provision) for income taxes	21	3	50	(5)
Earnings (loss) from discontinued operations, net of taxes	$ 14	$ 49	$ 54	$ 165
Disposal				
Gain (loss) on disposal before income taxes	$ (45)	$ (1,100)	$ (86)	$ (1,666)
Benefit (provision) for income taxes	33	–	309	–
Gain (loss) on disposal, net of taxes	$ (12)	$ (1,100)	$ 223	$ (1,666)
Earnings (loss) from discontinued operations, net of taxes	$ 2	$ (1,051)	$ 277	$ (1,501)

(In millions)	At September 30, 2011	December 31, 2010
Assets		
Cash and equivalents	$ 131	$ 142
Financing receivables - net	98	10,589
Other assets	1	168
Other	1,231	1,476
Assets of discontinued operations	$ 1,461	$ 12,375
Liabilities		
Accounts payable	$ 7	$ 110
Deferred income taxes	206	238
Other	1,048	1,833
Liabilities of discontinued operations	$ 1,261	$ 2,181

Assets at September 30, 2011 and December 31, 2010, primarily comprised cash, financing receivables and a deferred tax asset for a loss carryforward, which expires principally in 2015 and in part in 2017, related to the sale of our GE Money Japan business.

BAC Credomatic GECF Inc. (BAC)

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

BAC revenues from discontinued operations were $264 million and $772 million in the three and nine months ended September 30, 2010, respectively. In total, BAC earnings from discontinued operations, net of taxes, were $19 million and $56 million in the three and nine months ended September 30, 2010, respectively.

GE Money Japan

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

Our overall claims experience developed unfavorably through 2010. We believe that the level of excess interest refund claims has been impacted by the challenging global economic conditions, in addition to Japanese legislative and regulatory changes. In September 2010, a large independent personal loan company in Japan filed for bankruptcy, which precipitated a significant amount of publicity surrounding excess interest refund claims in the Japanese marketplace, along with substantial legal advertising. We observed an increase in claims during September 2010 and higher average daily claims in the fourth quarter of 2010 and the first two months of 2011. Since February and through August 2011, we have experienced substantial declines in the rate of incoming claims, though claims severity has been higher than expected and we experienced an increase in claims in September 2011. As of September 30, 2011, our reserve for reimbursement of claims in excess of the statutory interest rate was $739 million.

The amount of these reserves is based on analyses of recent and historical claims experience, pending and estimated future excess interest refund requests, the estimated percentage of customers who present valid requests, and our estimated payments related to those requests. Our estimated liability for excess interest refund claims at September 30, 2011 assumes the pace of incoming claims will continue to decelerate, although at a lower pace than recently experienced, average exposure per claim remains consistent with historical experience, and we continue to see the impact of our loss mitigation efforts. Estimating the pace of decline in incoming claims can have a significant effect on the total amount of our liability. Holding all other assumptions constant, if claims declined at a rate of one percent higher or lower than our assumed long-term average, our liability estimate would change by approximately $250 million.

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

GE Money Japan earnings (loss) from discontinued operations, net of taxes, were $2 million and $(1,101) million in the three months ended September 30, 2011 and 2010, respectively, and $2 million and $(1,673) million in the nine months ended September 30, 2011 and 2010, respectively.

WMC

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

Pending claims for unmet representations and warranties were $783 million at December 31, 2009, $347 million at December 31, 2010 and $568 million at September 30, 2011. Reserves related to these contractual representations and warranties were $122 million and $101 million at September 30, 2011 and December 31, 2010, respectively. We recorded an adjustment to our reserve of $21 million in the third quarter of 2011 to reflect the higher amount of pending claims and an increase in our reserve for unidentified claims. The amount of these reserves is based upon pending and estimated future loan repurchase requests, the estimated percentage of loans validly tendered for repurchase, and our estimated losses on loans repurchased. A ten percent adverse change in these key assumptions would result in an increase to our reserves of approximately $35 million. Based on our historical experience, we estimate that a small percentage of the total loans WMC originated and sold will be tendered for repurchase, and of those tendered, only a limited amount will qualify as “validly tendered,” meaning the loans sold did not satisfy specified contractual obligations. Uncertainties surrounding economic conditions, the ability and propensity of mortgage holders to present valid claims and governmental actions make it difficult to develop a meaningful estimate of aggregate possible claim exposure. Actual losses could exceed the reserve amount if actual claim rates, investigative or litigation activity, valid tenders or losses WMC incurs on repurchased loans are higher than we have historically observed with respect to WMC.

(10)

WMC revenues (loss) from discontinued operations were $(21) million and $(1) million in the three months ended September 30, 2011 and 2010, respectively, and $(21) million and $(4) million in the nine months ended September 30, 2011 and 2010, respectively. In total, WMC's earnings (loss) from discontinued operations, net of taxes, were $(15) million and $(2) million in the three months ended September 30, 2011 and 2010, respectively, and $(18) million and $(5) million in the nine months ended September 30, 2011 and 2010, respectively.

Other

In the second quarter of 2011, we entered into an agreement to sell our Australian Home Lending operations and classified it as discontinued operations. As a result, we recognized an after-tax loss of $148 million in 2011. We completed the sale in the third quarter of 2011 for proceeds of approximately $4,577 million. Australian Home Lending revenues from discontinued operations were $33 million and $118 million in the three months ended September 30, 2011 and 2010, respectively, and $248 million and $386 million in the nine months ended September 30, 2011 and 2010, respectively. Australian Home Lending earnings (loss) from discontinued operations, net of taxes, were $15 million and $14 million in the three months ended September 30, 2011 and 2010, respectively, and $(65) million and $51 million in the nine months ended September 30, 2011 and 2010, respectively.

In the first quarter of 2011, we entered into an agreement to sell our Consumer Singapore business for $692 million. The sale was completed in the second quarter of 2011 and resulted in the recognition of a gain on disposal, net of taxes, of $319 million. Consumer Singapore revenues from discontinued operations were $(1) million and $27 million in the three months ended September 30, 2011 and 2010, respectively, and $30 million and $79 million in the nine months ended September 30, 2011 and 2010, respectively. Consumer Singapore earnings from discontinued operations, net of taxes, were $7 million and $11 million in the three months ended September 30, 2011 and 2010, respectively, and $333 million and $27 million in the nine months ended September 30, 2011 and 2010, respectively.

In the fourth quarter of 2010, we entered into agreements to sell our Consumer RV Marine portfolio and Consumer Mexico business. The Consumer RV Marine and Consumer Mexico dispositions were completed during the first quarter and the second quarter of 2011, respectively, for proceeds of $2,365 million and $1,943 million, respectively. Consumer RV Marine revenues from discontinued operations were $0 million and $52 million in the three months ended September 30, 2011 and 2010, respectively, and $11 million and $160 million in the nine months ended September 30, 2011 and 2010, respectively. Consumer RV Marine earnings (loss) from discontinued operations, net of taxes, were $(1) million and $(8) million in the three months ended September 30, 2011 and 2010, respectively, and $1 million and $(9) million in the nine months ended September 30, 2011 and 2010, respectively. Consumer Mexico revenues from discontinued operations were $1 million and $55 million in the three months ended September 30, 2011 and 2010, respectively, and $68 million and $172 million in the nine months ended September 30, 2011 and 2010, respectively. Consumer Mexico earnings from discontinued operations, net of taxes, were $1 million and $18 million in the three months ended September 30, 2011 and 2010, respectively, and $34 million and $53 million in the nine months ended September 30, 2011 and 2010, respectively.

(11)

3. INVESTMENT SECURITIES

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

	At							
	September 30, 2011				December 31, 2010			
(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Debt								
U.S. corporate	$ 3,696	$ 59	$ (168)	$ 3,587	$ 3,490	$ 169	$ (14)	$ 3,645
State and municipal	654	17	(141)	530	918	4	(232)	690
Residential mortgage-backed(a)	1,790	29	(281)	1,538	2,099	14	(355)	1,758
Commercial mortgage-backed	1,480	25	(199)	1,306	1,619	-	(183)	1,436
Asset-backed	3,925	2	(215)	3,712	3,242	7	(190)	3,059
Corporate – non-U.S.	1,395	34	(124)	1,305	1,478	39	(111)	1,406
Government – non-U.S.	1,787	4	(133)	1,658	1,804	8	(58)	1,754
U.S. government and federal agency	2,523	13	–	2,536	2,663	3	(5)	2,661
Retained interests	29	14	(6)	37	55	10	(26)	39
Equity								
Available-for-sale	720	123	(77)	766	902	194	(9)	1,087
Trading	387	–	–	387	417	–	–	417
Total	$ 18,386	$ 320	$ (1,344)	$ 17,362	$ 18,687	$ 448	$ (1,183)	$ 17,952

(a) Substantially collateralized by U.S. mortgages. Of our total residential mortgage-backed securities (RMBS) portfolio at September 30, 2011, $770 million relates to securities issued by government sponsored entities and $768 million relates to securities of private label issuers. Securities issued by private label issuers are collateralized primarily by pools of individual direct mortgage loans of individual financial institutions.

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

	In loss position for			
	Less than 12 months		12 months or more	
(In millions)	Estimated fair value	Gross unrealized losses(a)	Estimated fair value	Gross unrealized losses(a)
September 30, 2011				
Debt				
U.S. corporate	$ 584	$ (69)	$ 451	$ (99)
State and municipal	56	(28)	266	(113)
Residential mortgage-backed	134	(1)	892	(280)
Commercial mortgage-backed	–	–	1,304	(199)
Asset-backed	2,836	(48)	850	(167)
Corporate – non-U.S.	38	(2)	723	(122)
Government – non-U.S.	578	(25)	160	(108)
U.S. government and federal agency	–	–	2	–
Retained interests	–	–	3	(6)
Equity	116	(77)	–	–
Total	$ 4,342	$ (250)	$ 4,651	$ (1,094)
December 31, 2010				
Debt				
U.S. corporate	$ 357	$ (5)	$ 337	$ (9)
State and municipal	137	(16)	443	(216)
Residential mortgage-backed	166	(3)	920	(352)
Commercial mortgage-backed	779	(103)	652	(80)
Asset-backed	111	(5)	902	(185)
Corporate – non-U.S.	123	(2)	673	(109)
Government – non-U.S.	642	(6)	105	(52)
U.S. government and federal agency	1,613	(5)	–	–
Retained interests	–	–	34	(26)
Equity	46	(9)	–	–
Total	$ 3,974	$ (154)	$ 4,066	$ (1,029)

(a) At September 30, 2011, other-than-temporary impairments previously recognized through other comprehensive income (OCI) on securities still held amounted to $(467) million, of which$ (378) million related to RMBS. Gross unrealized losses related to those securities at September 30, 2011 amounted to $(604) million, of which $(495) million related to RMBS.

We regularly review investment securities for impairment using both qualitative and quantitative criteria. We presently do not intend to sell the vast majority of our debt securities and believe that it is not more likely than not that we will be required to sell these securities that are in an unrealized loss position before recovery of our amortized cost. We believe that the unrealized loss associated with our equity securities will be recovered within the foreseeable future. The methodologies and significant inputs used to measure the amount of credit loss for our investment securities during the three and nine months ended September 30, 2011 have not changed from those described in our 2010 consolidated financial statements. See Note 3 in our 2010 consolidated financial statements for additional information regarding these methodologies and inputs.

During the third quarter of 2011, we recorded other-than-temporary impairments of $83 million, of which $64 million was recorded through earnings ($6 million relates to equity securities) and $19 million was recorded in accumulated other comprehensive income (AOCI). At July 1, 2011, cumulative impairments recognized in earnings associated with debt securities still held were $392 million. During the third quarter, we recognized first time impairments of $36 million and incremental charges on previously impaired securities of $20 million. These amounts included $1 million related to securities that were subsequently sold.

During the third quarter of 2010, we recorded other-than-temporary impairments of $36 million, of which $30 million was recorded through earnings ($23 million relates to equity securities) and $6 million was recorded in AOCI. At July 1, 2010, cumulative impairments recognized in earnings associated with debt securities still held were $249 million. During the third quarter of 2010, we recognized first time impairments of $2 million which included $1 million related to securities that were subsequently sold.

(13)

During the nine months ended September 30, 2011, we recorded other-than-temporary impairments of $260 million, of which $179 million was recorded through earnings ($16 million relates to equity securities) and $81 million was recorded in AOCI. At January 1, 2011, cumulative impairments recognized in earnings associated with debt securities still held were $316 million. During the nine months ended September 30, 2011, we recognized first time impairments of $55 million and incremental charges on previously impaired securities of $99 million. These amounts included $22 million related to securities that were subsequently sold.

During the nine months ended September 30, 2010, we recorded other-than-temporary impairments of $283 million, of which $156 million was recorded through earnings ($24 million relates to equity securities) and $127 million was recorded in AOCI. At January 1, 2010, cumulative impairments recognized in earnings associated with debt securities still held were $140 million. During the nine months ended September 30, 2010, we recognized first time impairments of $92 million and incremental charges on previously impaired securities of $34 million. These amounts included $15 million related to securities that were subsequently sold.

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

(In millions)	Amortized cost	Estimated fair value
Due in		
2011	$ 2,663	$ 2,665
2012-2015	4,712	4,720
2016-2020	1,734	1,522
2021 and later	932	695

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

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

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2011	2010	2011	2010
Gains	$ 25	$ 29	$ 180	$ 135
Losses, including impairments	(64)	(32)	(188)	(161)
Net	$ (39)	$ (3)	$ (8)	$ (26)

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

Proceeds from investment securities sales and early redemptions by the issuer totaled $3,369 million and $4,520 million in the three months ended September 30, 2011 and 2010, respectively, and $13,131 million and $11,449 million in the nine months ended September 30, 2011 and 2010, respectively, principally from the sales of short-term securities in our bank subsidiaries and treasury operations.

We recognized net pre-tax gains (losses) on trading securities of $(29) million and $33 million in the three months ended September 30, 2011 and 2010, respectively, and $26 million and $52 million in the nine months ended September 30, 2011 and 2010, respectively.

4. FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

Financing receivables – net, consisted of the following.

	At	
(In millions)	September 30, 2011	December 31, 2010
Loans, net of deferred income(a)	$260,552	$275,877
Investment in financing leases, net of deferred income	39,854	44,390
	300,406	320,267
Less allowance for losses	(6,669)	(8,033)
Financing receivables – net(b)	$293,737	$312,234

(a) Deferred income was $2,313 million and $2,351 million at September 30, 2011 and December 31, 2010, respectively.

(b) Financing receivables at September 30, 2011 and December 31, 2010 included $1,221 million and $1,503 million, respectively, relating to loans that had been acquired in a transfer but have been subject to credit deterioration since origination per Accounting Standards Codification (ASC) 310, Receivables.

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

Financing Receivables – net

The following table displays our financing receivables balances.

(In millions)	At September 30, 2011	At December 31, 2010
Commercial		
CLL		
Americas(a)	$ 81,072	$ 88,558
Europe	37,130	37,498
Asia	11,914	11,943
Other(a)	469	664
Total CLL	130,585	138,663
Energy Financial Services	5,977	7,011
GECAS	11,841	12,615
Other	1,388	1,788
Total Commercial financing receivables	149,791	160,077
Real Estate		
Debt	25,748	30,249
Business Properties	8,630	9,962
Total Real Estate financing receivables	34,378	40,211
Consumer		
Non-U.S. residential mortgages	38,708	40,011
Non-U.S. installment and revolving credit	19,801	20,132
U.S. installment and revolving credit	43,249	43,974
Non-U.S. auto	6,462	7,558
Other	8,017	8,304
Total Consumer financing receivables	116,237	119,979
Total financing receivables	300,406	320,267
Less allowance for losses	(6,669)	(8,033)
Total financing receivables – net	$ 293,737	$ 312,234

(a) During the third quarter of 2011, we transferred our Railcar lending and leasing portfolio from CLL Other to CLL Americas. Prior-period amounts were reclassified to conform to the current-period presentation.

(16)

Allowance for Losses on Financing Receivables

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

(In millions)	Balance at January 1, 2011	Provision charged to operations(a)	Other(b)	Gross write-offs(c)	Recoveries(c)	Balance at September 30, 2011
Commercial						
CLL						
Americas	$ 1,288	$ 250	$ (79)	$ (544)	$ 80	$ 995
Europe	429	126	17	(218)	49	403
Asia	222	81	16	(194)	25	150
Other	6	3	(4)	–	–	5
Total CLL	1,945	460	(50)	(956)	154	1,553
Energy Financial Services	22	10	–	(4)	8	36
GECAS	20	(4)	–	(2)	–	14
Other	58	13	–	(31)	3	43
Total Commercial	2,045	479	(50)	(993)	165	1,646
Real Estate						
Debt	1,292	155	13	(494)	12	978
Business Properties	196	70	–	(107)	4	163
Total Real Estate	1,488	225	13	(601)	16	1,141
Consumer						
Non-U.S. residential mortgages	803	151	11	(229)	43	779
Non-U.S. installment and revolving credit	937	413	16	(980)	430	816
U.S. installment and revolving credit	2,333	1,587	(1)	(2,365)	399	1,953
Non-U.S. auto	168	26	7	(176)	98	123
Other	259	107	(6)	(215)	66	211
Total Consumer	4,500	2,284	27	(3,965)	1,036	3,882
Total	$ 8,033	$ 2,988	$ (10)	$ (5,559)	$ 1,217	$ 6,669

(a) Included a provision of $77 million at Consumer related to the July 1, 2011 adoption of ASU 2011-02. See Note 12.

(b) Other primarily included transfers to held for sale and the effects of currency exchange.

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

(17)

(In millions)	Balance at December 31, 2009	Adoption of ASU 2009 16 & 17(a)	Balance at January 1, 2010	Provision charged to operations	Other(b)	Gross write-offs(c)	Recoveries(c)	Balance at September 30, 2010
Commercial								
CLL								
Americas	$ 1,180	$ 66	$ 1,246	$ 823	$ (20)	$ (787)	$ 95	$ 1,357
Europe	575	–	575	190	(47)	(348)	41	411
Asia	244	(10)	234	131	(10)	(118)	15	252
Other	10	–	10	(3)	–	–	–	7
Total CLL	2,009	56	2,065	1,141	(77)	(1,253)	151	2,027
Energy Financial Services	28	–	28	56	1	–	–	85
GECAS	104	–	104	17	–	(96)	–	25
Other	34	–	34	23	(2)	(3)	1	53
Total Commercial	2,175	56	2,231	1,237	(78)	(1,352)	152	2,190
Real Estate								
Debt	1,358	(3)	1,355	794	5	(505)	–	1,649
Business Properties	136	45	181	124	(7)	(92)	2	208
Total Real Estate	1,494	42	1,536	918	(2)	(597)	2	1,857
Consumer								
Non-U.S. residential mortgages	892	–	892	224	(57)	(259)	67	867
Non-U.S. installment and revolving credit	1,106	–	1,106	810	(46)	(1,318)	422	974
U.S. installment and revolving credit	1,551	1,602	3,153	2,342	(3)	(3,285)	344	2,551
Non-U.S. auto	292	–	292	83	(36)	(269)	128	198
Other	292	–	292	210	(24)	(298)	64	244
Total Consumer	4,133	1,602	5,735	3,669	(166)	(5,429)	1,025	4,834
Total	$ 7,802	$ 1,700	$ 9,502	$ 5,824	$ (246)	$ (7,378)	$ 1,179	$ 8,881

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

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

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

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

(18)

5. GOODWILL AND OTHER INTANGIBLE ASSETS

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

	At	
(In millions)	September 30, 2011	December 31, 2010
Goodwill	$ 27,726	$ 27,508
Other intangible assets		
Intangible assets subject to amortization	$ 1,702	$ 1,874

Changes in goodwill balances follow.

(In millions)	Balance at January 1, 2011	Acquisitions	Dispositions, currency exchange and other	Balance at September 30, 2011
CLL	$ 13,893	$ 8	$ 78	$ 13,979
Consumer	10,817	–	163	10,980
Real Estate	1,089	–	(31)	1,058
Energy Financial Services	1,562	–	–	1,562
GECAS	147	–	–	147
Total	$ 27,508	$ 8	$ 210	$ 27,726

Goodwill balances increased $218 million during the nine months ended September 30, 2011, primarily as a result of the weaker U.S. dollar ($399 million). Our reporting units and related goodwill balances are CLL ($13,979 million), Consumer ($10,980 million), Real Estate ($1,058 million), Energy Financial Services ($1,562 million) and GECAS ($147 million) at September 30, 2011.

We test goodwill for impairment annually and more frequently if circumstances warrant. We determine fair values for each of the reporting units using an income approach. When available and appropriate, we use comparative market multiples to corroborate discounted cash flow results. For purposes of the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for each business. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the cost of equity financing. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our reporting unit valuations ranged from 11.0% to 13.75%. Valuations using the market approach reflect prices and other relevant observable information generated by market transactions involving comparable businesses.

(19)

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

We performed our annual impairment test of goodwill for all of our reporting units in the third quarter using data as of July 1, 2011. The impairment test consists of two steps: in step one, the carrying value of the reporting unit is compared with its fair value; in step two, which is applied when the carrying value is more than its fair value, the amount of goodwill impairment, if any, is derived by deducting the fair value of the reporting unit's assets and liabilities from the fair value of its equity, and comparing that amount with the carrying amount of goodwill. In performing the valuations, we used cash flows that reflected management's forecasts and discount rates that included risk adjustments consistent with the current market conditions. Based on the results of our step one testing, the fair values of each of the CLL, Consumer, Energy Financial Services and GECAS reporting units exceeded their carrying values; therefore, the second step of the impairment test was not required to be performed and no goodwill impairment was recognized.

Our Real Estate reporting unit had a goodwill balance of $1,087 million at June 30, 2011. As of July 1, 2011, the carrying amount exceeded the estimated fair value of our Real Estate reporting unit by approximately $0.7 billion. The estimated fair value of the Real Estate reporting unit is based on a number of assumptions about future business performance and investment, including loss estimates for the existing finance receivable and investment portfolio, new debt origination volume and margins, and anticipated stabilization of the real estate market allowing for sales of real estate investments at normalized margins. Our assumed discount rate was 11.25% and was derived by applying a capital asset pricing model and corroborated using equity analyst research reports and implied cost of equity based on forecasted price to earnings per share multiples for similar companies. Given the volatility and uncertainty in the current commercial real estate environment, there is uncertainty about a number of assumptions upon which the estimated fair value is based. Different loss estimates for the existing portfolio, changes in the new debt origination volume and margin assumptions, changes in the expected pace of the commercial real estate market recovery, or changes in the equity return expectation of market participants may result in changes in the estimated fair value of the Real Estate reporting unit.

Based on the results of the step one testing, we performed the second step of the impairment test described above as of July 1, 2011. Based on the results of the second step analysis for the Real Estate reporting unit, the estimated implied fair value of goodwill exceeded the carrying value of goodwill by approximately $3.9 billion. Accordingly, no goodwill impairment was required. In the second step, unrealized losses in an entity's assets have the effect of increasing the estimated implied fair value of goodwill. The results of the second step analysis were attributable to several factors. The primary driver was the excess of the carrying value over the estimated fair value of our Real Estate Equity Investments, which approximated $4.1 billion at that time. Other drivers for the favorable outcome include the unrealized losses in the Real Estate finance receivable portfolio and the fair value premium on the Real

Estate reporting unit allocated debt. The results of the second step analysis are highly sensitive to these measurements, as well as the key assumptions used in determining the estimated fair value of the Real Estate reporting unit.

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. If current conditions persist longer or deteriorate further than expected, it is reasonably possible that the judgments and estimates described above could change in future periods.

(20)

Intangible Assets Subject to Amortization

	At					
	September 30, 2011			December 31, 2010		
(In millions)	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related	$ 1,239	$ (710)	$ 529	$ 1,112	$ (588)	$ 524
Patents, licenses and trademarks	276	(225)	51	599	(532)	67
Capitalized software	2,150	(1,650)	500	2,016	(1,522)	494
Lease valuations	1,565	(969)	596	1,646	(917)	729
All other	288	(262)	26	326	(266)	60
Total	$ 5,518	$ (3,816)	$ 1,702	$ 5,699	$ (3,825)	$ 1,874

Amortization related to intangible assets subject to amortization was $139 million and $152 million in the three months ended September 30, 2011 and 2010, respectively, and $410 million and $476 million in the nine months ended September 30, 2011 and 2010, respectively.

6. BORROWINGS AND BANK DEPOSITS

Borrowings are summarized in the following table.

(In millions)	At September 30, 2011	December 31, 2010
Short-term borrowings		
Commercial paper		
U.S.	$ 25,659	$ 27,398
Non-U.S.	9,922	9,497
Current portion of long-term borrowings(a)(b)(c)(e)	76,423	65,610
GE Interest Plus notes(d)	8,533	9,058
Other(c)	1,196	2,083
Total short-term borrowings	$ 121,733	$ 113,646
Long-term borrowings		
Senior unsecured notes(a)(b)	$ 234,968	$ 263,043
Subordinated notes(e)	4,569	2,276
Subordinated debentures(f)(g)	7,430	7,298
Other(c)(h)	12,365	11,729
Total long-term borrowings	$ 259,332	$ 284,346
Non-recourse borrowings of consolidated securitization entities(i)	$ 29,022	$ 30,018
Bank deposits(j)	$ 41,515	$ 37,298
Total borrowings and bank deposits	$ 451,602	$ 465,308

(a) GECC had issued and outstanding $45,045 million and $53,495 million of senior, unsecured debt that was guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program at September 30, 2011 and December 31, 2010, respectively. Of the above amounts, $32,495 million and $18,455 million is included in current portion of long-term borrowings at September 30, 2011 and December 31, 2010, respectively.

(b) Included in total long-term borrowings were $2,047 million and $2,395 million of obligations to holders of guaranteed investment contracts at September 30, 2011 and December 31, 2010, respectively. If the long-term credit rating of GECC were to fall below AA-/Aa3 or its short-term credit rating were to fall below A-1+/P-1, GECC could be required to provide up to $1,916 million as of September 30, 2011, to repay holders of GICs.

(c) Included $9,392 million and $11,117 million of funding secured by real estate, aircraft and other collateral at September 30, 2011 and December 31, 2010, respectively, of which $3,475 million and $4,653 million is non-recourse to GECC at September 30, 2011 and December 31, 2010, respectively.

(d) Entirely variable denomination floating rate demand notes.

(e)

Included $117 million of subordinated notes guaranteed by GE included in current portion of long-term borrowings at September 30, 2011 and in long-term borrowings at December 31, 2010.

(f) Subordinated debentures receive rating agency equity credit and were hedged at issuance to the U.S. dollar equivalent of $7,725 million.

(g) Includes $2,981 million of subordinated debentures, which constitute the sole assets of wholly-owned trusts who have issued trust preferred securities. Obligations associated with these trusts are unconditionally guaranteed by GECC.

(h) Included $2,066 million and $1,984 million of covered bonds at September 30, 2011 and December 31, 2010, respectively. If the short-term credit rating of GECC were reduced below A-1/P-1, GECC would be required to partially cash collateralize these bonds in an amount up to $790 million at September 30, 2011.

(i) Included at September 30, 2011 and December 31, 2010, were $11,670 million and $10,499 million of current portion of long-term borrowings, respectively, and $17,352 million and $19,519 million of long-term borrowings, respectively. See Note 13.

(j) Included $18,786 million and $18,781 million of deposits in non-U.S. banks at September 30, 2011 and December 31, 2010, respectively, and $14,755 million and $11,606 million of certificates of deposits with maturities greater than one year at September 30, 2011 and December 31, 2010, respectively.

7. INCOME TAXES

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

	At	
(In millions)	September 30, 2011	December 31, 2010
Unrecognized tax benefits	$ 2,991	$ 2,949
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	1,436	1,330
Accrued interest on unrecognized tax benefits	561	577
Accrued penalties on unrecognized tax benefits	66	73
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months	0-1,300	0-1,200
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	0-250	0-250

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

The IRS is currently auditing the GE consolidated income tax returns for 2006-2009, a substantial portion of which include our activities. In addition, certain other U.S. tax deficiency issues and refund claims for previous years were unresolved. It is reasonably possible that the 2006–2007 U.S. audit cycle will be completed during the next 12 months, which could result in a decrease in our balance of "unrecognized tax benefits" – that is, the aggregate tax effect of differences between tax return positions and the benefits recognized in our financial statements. We believe that there are no other jurisdictions in which the outcome of unresolved issues or claims is likely to be material to our results of operations, financial position or cash flows. We further believe that we have made adequate provision for all income tax uncertainties.

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

8. SHAREOWNER’S EQUITY

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

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2011	2010	2011	2010
Net earnings attributable to GECC	$ 1,469	$ (233)	$ 5,204	$ 630
Investment securities – net	(300)	163	(339)	137
Currency translation adjustments – net	(848)	1,036	1,679	(2,942)
Cash flow hedges – net	(105)	(278)	(364)	198
Benefit plans – net	28	(14)	27	51
Total	$ 244	$ 674	$ 6,207	$ (1,926)

Changes to noncontrolling interests are as follows.

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2011	2010	2011	2010
Beginning balance	$ 1,201	$ 1,098	$ 1,164	$ 2,204
Net earnings	38	18	89	(9)
Dividends	(4)	(4)	(17)	(21)
Dispositions(a)	–	–	–	(979)
AOCI and other (b)	(30)	14	(31)	(69)
Ending balance	$ 1,205	$ 1,126	$ 1,205	$ 1,126

(a) Includes the effects of deconsolidating Regency Energy Partners L.P. (Regency) $(979) million during the second quarter of 2010.

(b) The amount of change related to AOCI and other for the nine months ended September 30, 2010 includes the impact of our adoption of ASC 810, Consolidations, of $(32) million. Changes to other individual components of AOCI attributable to noncontrolling interests were insignificant.

9. REVENUES FROM SERVICES

Revenues from services are summarized in the following table.

(In millions)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Interest on loans	$ 5,027	$ 4,955	$ 15,161	$ 15,443
Equipment leased to others	2,852	2,799	8,526	8,329
Fees	1,227	1,180	3,531	3,554
Associated companies(a)(b)	389	491	1,997	1,548
Financing leases	554	678	1,837	2,105
Real estate investments	379	330	1,211	961
Investment income	186	204	796	461
Other items	502	424	1,810	1,786
Total	$ 11,116	$ 11,061	$ 34,869	$ 34,187

(a) During the first quarter of 2011, we sold an 18.6% equity interest in Garanti Bank and recorded a pre-tax gain of $690 million. Following the sale, we hold a 2.25% equity ownership interest which is classified as an available-for-sale security.

(b) Aggregate summarized financial information for significant associated companies assuming a 100% ownership interest included total assets at September 30, 2011 and December 31, 2010 of $104,310 million and $180,015 million, respectively. Assets were primarily financing receivables of $58,115 million and $97,447 million at September 30, 2011 and December 31, 2010, respectively. Total liabilities were $77,363 million and $143,957 million, consisted primarily of bank deposits of $21,579 million and $75,661 million at September 30, 2011 and December 31, 2010, respectively, and debt of $45,387 million and $53,696 million at September 30, 2011 and December 31, 2010, respectively. Revenues in the third quarters of 2011 and 2010 totaled $4,389 million and $5,166 million, respectively, and net earnings in the third quarters of 2011 and 2010 totaled $607 million and $1,247 million, respectively. Revenues in the first nine months of 2011 and 2010 totaled $12,056 million and $14,882 million, respectively, and net earnings in the first nine months of 2011 and 2010 totaled $1,695 million and $3,279 million, respectively.

10. FAIR VALUE MEASUREMENTS

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

The following tables present our assets and liabilities measured at fair value on a recurring basis. Included in the tables are investment securities of $4,624 million and $5,706 million at September 30, 2011 and December 31, 2010, respectively, primarily investment securities supporting obligations to holders of GICs in Trinity (which ceased issuing new investment contracts beginning in the first quarter of 2010), and investment securities held at our treasury operations. Such securities are investment grade.

(In millions)	Level 1(a)	Level 2(a)	Level 3(b)	Netting adjustment(c)	Net balance
September 30, 2011					
Assets					
Investment securities					
Debt					
U.S. corporate	$ 435	$ 1,132	$ 2,020	$ –	$ 3,587
State and municipal	–	486	44	–	530
Residential mortgage-backed	–	1,511	27	–	1,538
Commercial mortgage-backed	–	1,306	–	–	1,306
Asset-backed	–	852	2,860	–	3,712
Corporate - non-U.S.	75	274	956	–	1,305
Government - non-U.S.	755	826	77	–	1,658
U.S. government and federal agency	–	2,536	–	–	2,536
Retained interests	–	–	37	–	37
Equity					
Available-for-sale	750	–	16	–	766
Trading	387	–	–	–	387
Derivatives(d)	–	15,394	163	(3,120)	12,437
Other(e)	–	–	510	–	510
Total	$ 2,402	$ 24,317	$ 6,710	$ (3,120)	$ 30,309
Liabilities					
Derivatives	$ –	$ 4,837	$ 32	$ (3,106)	$ 1,763
Other	–	24	–	–	24
Total	$ –	$ 4,861	$ 32	$ (3,106)	$ 1,787
December 31, 2010					
Assets					
Investment securities					
Debt					
U.S. corporate	$ 588	$ 1,360	$ 1,697	$ –	$ 3,645
State and municipal	–	508	182	–	690
Residential mortgage-backed	47	1,666	45	–	1,758
Commercial mortgage-backed	–	1,388	48	–	1,436
Asset-backed	–	563	2,496	–	3,059
Corporate - non-U.S.	89	356	961	–	1,406
Government - non-U.S.	776	850	128	–	1,754
U.S. government and federal agency	–	2,661	–	–	2,661
Retained interests	–	–	39	–	39
Equity					
Available-for-sale	569	500	18	–	1,087
Trading	417	–	–	–	417
Derivatives(d)	–	10,319	330	(3,644)	7,005
Other(e)	–	–	450	–	450
Total	$ 2,486	$ 20,171	$ 6,394	$ (3,644)	$ 25,407

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

(a) The fair value of securities transferred between Level 1 and Level 2 was $67 million during the nine months ended September 30, 2011.

(b) Level 3 investment securities valued using non-binding broker quotes totaled $251 million and $711 million at September 30, 2011 and December 31, 2010, respectively, and were classified as available-for-sale securities.

(c) The netting of derivative receivables and payables is permitted when a legally enforceable master netting agreement exists. Included fair value adjustments related to our own and counterparty credit risk.

(d) The fair value of derivatives included an adjustment for non-performance risk. At September 30, 2011 and December 31, 2010, the cumulative adjustment for non-performance risk was a loss of $14 million and $9 million, respectively. See Note 11 for additional information on the composition of our derivative portfolio.

(e) Included private equity investments and loans designated under the fair value option.

The following tables present the changes in Level 3 instruments measured on a recurring basis for the three and nine months ended September 30, 2011 and 2010. The majority of our Level 3 balances consist of investment securities classified as available-for-sale with changes in fair value recorded in shareowner's equity.

Changes in Level 3 Instruments for the Three Months Ended September 30, 2011

(In millions)	Balance at July 1, 2011	Net realized/ unrealized gains (losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3(b)	Transfers out of Level 3(b)	Balance at September 30, 2011	Net change in unrealized gains (losses) relating to instruments still held at September 30, 2011(c)
Investment securities										
Debt										
U.S. corporate	$ 1,530	$ (27)	$ (81)	$ 500	$ (25)	$ 5	$ 120	$ (2)	$ 2,020	$ –
State and municipal	166	–	2	–	–	(4)	–	(120)	44	–
Residential mortgage-backed	29	–	(2)	–	–	–	–	–	27	–
Commercial mortgage-backed	–	–	–	–	–	–	–	–	–	–
Asset-backed	3,086	(2)	(62)	269	(14)	–	–	(417)	2,860	–
Corporate – non-U.S.	1,032	2	(55)	–	(5)	(14)	–	(4)	956	–
Government – non-U.S.	243	–	(27)	14	–	(13)	–	(140)	77	–
U.S. government and federal agency	–	–	–	–	–	–	–	–	–	–
Retained interests	45	(1)	(6)	1	(1)	(1)	–	–	37	–
Equity										
Available-for-sale	14	–	–	–	–	–	2	–	16	–
Trading	–	–	–	–	–	–	–	–	–	–
Derivatives(d)(e)	111	31	–	(3)	–	(5)	–	–	134	35
Other	595	(1)	(14)	26	(95)	(1)	–	–	510	(1)
Total	$ 6,851	$ 2	$ (245)	$ 807	$ (140)	$ (33)	$ 122	$ (683)	$ 6,681	$ 34

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

(b) Transfers in and out of Level 3 are considered to occur at the beginning of the period. Transfers out of Level 3 were a result of increased use of quotes from independent pricing vendors based on recent trading activity.

(c) Represented the amount of unrealized gains or losses for the period included in earnings.

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $3 million not reflected in the fair value hierarchy table.

(e) Gains included in net realized/unrealized gains (losses) included in earnings were offset by the earnings effects from the underlying items that were economically hedged. See Note 11.

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

(In millions)	Balance at July 1, 2010	Net realized/ unrealized gains(losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases, sales and settlements	Transfers in and/or out of Level 3(b)	Balance at September 30, 2010	Net change in unrealized gains (losses) relating to instruments still held at September 30, 2010 (c)
Investment securities							
Debt							
U.S. corporate	$ 1,632	$ 12	$ 84	$ (66)	$ –	$ 1,662	$ –
State and municipal	238	–	(48)	(9)	–	181	–
Residential mortgage-backed	46	–	5	–	(9)	42	–
Commercial mortgage-backed	48	–	–	–	–	48	–
Asset-backed	1,461	(1)	11	507	(5)	1,973	–
Corporate - non-U.S.	841	7	23	(9)	(10)	852	–
Government - non-U.S.	115	–	5	–	–	120	–
U.S. government and federal agency	–	–	–	–	–	–	–
Retained interests	41	1	1	(2)	–	41	–
Equity							
Available-for-sale	15	–	1	–	–	16	–
Trading	–	–	–	–	–	–	–
Derivatives(d)(e)	224	51	12	(37)	148	398	47
Other	419	4	22	(3)	–	442	–
Total	$ 5,080	$ 74	$ 116	$ 381	$ 124	$ 5,775	$ 47

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

(b) Transfers in and out of Level 3 are considered to occur at the beginning of the period. Transfers out of Level 3 were a result of increased use of quotes from independent pricing vendors based on recent trading activity.

(c) Represented the amount of unrealized gains or losses for the period included in earnings.

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $34 million not reflected in the fair value hierarchy table.

(e) Gains included in net realized/unrealized gains (losses) included in earnings were offset by the earnings effects from the underlying items that were economically hedged. See Note 11.

(28)

Changes in Level 3 Instruments for the Nine Months Ended September 30, 2011

(In millions)	Balance at January 1, 2011	Net realized/unrealized gains (losses) included in earnings(a)	Net realized/unrealized gains (losses) included in accumulated other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3(b)	Transfers out of Level 3(b)	Balance at September 30, 2011	Net change in unrealized gains (losses) relating to instruments still held at September 30, 2011(c)
Investment securities										
Debt										
U.S. corporate	$ 1,697	$ 63	$ (154)	$ 507	$ (180)	$ (31)	$ 120	$ (2)	$ 2,020	$ –
State and municipal	182	–	(3)	4	–	(8)	–	(131)	44	–
Residential mortgage-backed	45	–	–	–	–	–	–	(18)	27	–
Commercial mortgage-backed	48	–	–	–	–	–	–	(48)	–	–
Asset-backed	2,496	(3)	(8)	1,049	(166)	(10)	–	(498)	2,860	–
Corporate – non-U.S.	961	(32)	18	12	(31)	(39)	71	(4)	956	–
Government – non-U.S.	128	(17)	(15)	27	–	(13)	107	(140)	77	–
U.S. government and federal agency	–	–	–	–	–	–	–	–	–	–
Retained interests	39	(19)	24	1	(4)	(4)	–	–	37	–
Equity										
Available-for-sale	18	–	(1)	–	–	–	2	(3)	16	
Trading	–	–	–	–	–	–	–	–	–	–
Derivatives(d)(e)	227	86	4	2	–	(191)	–	6	134	67
Other	450	2	14	145	(95)	(6)	–	–	510	–
Total	$ 6,291	$ 80	$ (121)	$ 1,747	$ (476)	$ (302)	$ 300	$ (838)	$ 6,681	$ 67

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

(b) Transfers in and out of Level 3 are considered to occur at the beginning of the period. Transfers out of Level 3 were a result of increased use of quotes from independent pricing vendors based on recent trading activity.

(c) Represented the amount of unrealized gains or losses for the period included in earnings.

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $3 million not reflected in the fair value hierarchy table.

(e) Gains (losses) included in net realized/unrealized gains (losses) included in earnings were offset by the earnings effects from the underlying items that were economically hedged. See Note 11.

(29)

Changes in Level 3 Instruments for the Nine Months Ended September 30, 2010

(In millions)	Balance at January 1, 2010 (a)	Net realized/ unrealized gains(losses) included in earnings(b)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases, sales and settlements	Transfers in and/or out of Level 3(c)	Balance at September 30, 2010	Net change in unrealized gains (losses) relating to instruments still held at September 30, 2010 (d)
Investment securities							
Debt							
U.S. corporate	$ 1,642	$ 29	$ 129	$ (137)	$ (1)	$ 1,662	$ –
State and municipal	173	–	21	(13)	–	181	–
Residential mortgage-backed	44	–	8	–	(10)	42	–
Commercial mortgage-backed	1,034	30	(3)	(1,013)	–	48	–
Asset-backed	1,475	5	25	570	(102)	1,973	–
Corporate - non-U.S.	948	2	(51)	179	(226)	852	–
Government - non-U.S.	138	–	(18)	–	–	120	–
U.S. government and federal agency	–	–	–	–	–	–	–
Retained interests	45	–	3	(7)	–	41	–
Equity							
Available-for-sale	17	–	(1)	–	–	16	–
Trading	–	–	–	–	–	–	–
Derivatives(e)(f)	205	168	10	(84)	99	398	95
Other	480	4	(44)	2	–	442	3
Total	$ 6,201	$ 238	$ 79	$ (503)	$ (240)	$ 5,775	$ 98

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

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

(c) Transfers in and out of Level 3 are considered to occur at the beginning of the period. Transfers out of Level 3 were a result of increased use of quotes from independent pricing vendors based on recent trading activity.

(d) Represented the amount of unrealized gains or losses for the period included in earnings.

(e) Represented derivative assets net of derivative liabilities and included cash accruals of $34 million not reflected in the fair value hierarchy table.

(f) Gains included in net realized/unrealized gains (losses) included in earnings were offset by the earnings effects from the underlying items that were economically hedged. See Note 11.

Non-Recurring Fair Value Measurements

The following table represents non-recurring fair value amounts (as measured at the time of the adjustment) for those assets remeasured to fair value on a non-recurring basis during the fiscal year and still held at September 30, 2011 and December 31, 2010. These assets can include loans and long-lived assets that have been reduced to fair value when they are held for sale, impaired loans that have been reduced based on the fair value of the underlying collateral, cost and equity method investments and long-lived assets that are written down to fair value when they are impaired and the remeasurement of retained investments in formerly consolidated subsidiaries upon a change in control that results in deconsolidation of a subsidiary, if we sell a controlling interest and retain a noncontrolling stake in the entity. Assets that are written down to fair value when impaired and retained investments are not subsequently adjusted to fair value unless further impairment occurs.

	Remeasured during the nine months ended September 30, 2011		Remeasured during the year ended December 31, 2010	
(In millions)	Level 2	Level 3	Level 2	Level 3(b)
Financing receivables and loans held for sale	$ 5	$ 6,278	$ 35	$ 6,833
Cost and equity method investments(a)	–	441	–	378
Long-lived assets, including real estate	1,124	3,243	1,023	5,809
Total	$ 1,129	$ 9,962	$ 1,058	$ 13,020

(a) Includes the fair value of private equity and real estate funds included in Level 3 of $82 million and $296 million at September 30, 2011 and December 31, 2010, respectively.

(b) During 2010, our retained investment in Regency, a formerly consolidated subsidiary, was remeasured to a Level 1 fair value of $549 million.

The following table represents the fair value adjustments to assets measured at fair value on a non-recurring basis and still held at September 30, 2011 and 2010.

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2011	2010	2011	2010
Financing receivables and loans held for sale	$ (265)	$ (512)	$ (756)	$ (1,519)
Cost and equity method investments(a)	(84)	(44)	(254)	(117)
Long-lived assets, including real estate(b)	(366)	(867)	(1,266)	(2,184)
Retained investments in formerly consolidated subsidiaries	–	–	–	109
Total	$ (715)	$ (1,423)	$ (2,276)	$ (3,711)

(a)

Includes fair value adjustments associated with private equity and real estate funds of $(3) million and $(14) million in the three months ended September 30, 2011 and 2010, respectively, and $(16) million and $(40) million in the nine months ended September 30, 2011 and 2010, respectively.

(b) Includes impairments related to real estate equity properties and investments recorded in operating and administrative expenses of $223 million and $492 million in the three months ended September 30, 2011 and 2010, respectively, and $999 million and $1,595 million in the nine months ended September 30, 2011 and 2010, respectively.

(31)

11. FINANCIAL INSTRUMENTS

The following table provides information about the assets and liabilities not carried at fair value in our Condensed Statement of Financial Position. Consistent with ASC 825, Financial Instruments, the table excludes finance leases and non-financial assets and liabilities. Apart from certain of our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using financial models. Realization of the fair value of these instruments depends upon market forces beyond our control, including marketplace liquidity. For a description on how we estimate fair value, see Note 15 in our 2010 consolidated financial statements.

	At					
	September 30, 2011			December 31, 2010		
		Assets (liabilities)			Assets (liabilities)	
(In millions)	Notional amount	Carrying amount (net)	Estimated fair value	Notional amount	Carrying amount (net)	Estimated fair value
Assets						
Loans	(a)	$ 254,217	$ 253,404	(a)	$ 268,239	$ 264,550
Other commercial mortgages	(a)	129	129	(a)	91	91
Loans held for sale	(a)	262	262	(a)	287	287
Other financial instruments(c)	(a)	2,525	3,023	(a)	2,082	2,490
Liabilities						
Borrowings and bank deposits(b)(d)	(a)	(451,602)	(452,974)	(a)	(465,308)	(477,425)
Guaranteed investment contracts	(a)	(4,624)	(4,637)	(a)	(5,502)	(5,524)
Insurance - credit life(e)	$ 1,934	(105)	(88)	$ 1,812	(102)	(68)

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

(b) See Note 6.

(c) Principally cost method investments.

(d) Fair values exclude interest rate and currency derivatives designated as hedges of borrowings. Had they been included, the fair value of borrowings at September 30, 2011 and December 31, 2010 would have been reduced by $9,540 million and $4,298 million, respectively.

(e) Net of reinsurance of $2,800 million at both September 30, 2011 and December 31, 2010.

Loan Commitments

(In millions)	Notional amount at September 30, 2011	Notional amount at December 31, 2010
Ordinary course of business lending commitments(a)	$ 2,872	$ 3,584
Unused revolving credit lines(b)		
Commercial(c)	17,858	21,338
Consumer - principally credit cards	254,891	227,006

(a) Excluded investment commitments of $1,941 million and $1,990 million as of September 30, 2011 and December 31, 2010, respectively.

(b) Excluded inventory financing arrangements, which may be withdrawn at our option, of $11,856 million and $11,840 million as of September 30, 2011 and December 31, 2010, respectively.

(c) Included commitments of $13,114 million and $16,243 million as of September 30, 2011 and December 31, 2010, respectively, associated with secured financing arrangements that could have increased to a maximum of $16,623 million and $20,268 million at September 30, 2011 and December 31, 2010, respectively, based on asset volume under the arrangement.

Derivatives and hedging

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

The notional amounts of derivative contracts represent the basis upon which interest and other payments are calculated and are reported gross, except for offsetting foreign currency forward contracts that are executed in order to manage our currency risk of net investment in foreign subsidiaries. Of the outstanding notional amount of $297,000 million, approximately 98% or $291,000 million, is associated with reducing or eliminating the interest rate, currency or market risk between financial assets and liabilities in our financial services businesses. The remaining derivative activities primarily relate to hedging against adverse changes in currency exchange rates and commodity prices related to anticipated sales and purchases and contracts containing certain clauses which meet the accounting definition of a derivative. The instruments used in these activities are designated as hedges when practicable. When we are not able to apply hedge accounting, or when the derivative and the hedged item are both recorded in earnings concurrently, the derivatives are deemed economic hedges and hedge accounting is not applied. This most frequently occurs when we hedge a recognized foreign currency transaction (e.g., a receivable or payable) with a derivative. Since the effects of changes in exchange rates are reflected currently in earnings for both the derivative and the transaction, the economic hedge does not require hedge accounting.

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

	At			
	September 30, 2011		December 31, 2010	
	Fair value		Fair value	
(In millions)	Assets	Liabilities	Assets	Liabilities
Derivatives accounted for as hedges				
Interest rate contracts	$ 9,206	$ 1,133	$ 5,885	$ 2,674
Currency exchange contracts	4,387	2,858	2,915	2,402
Other contracts	–	–	–	–
	13,593	3,991	8,800	5,076
Derivatives not accounted for as hedges				
Interest rate contracts	329	283	294	551
Currency exchange contracts	1,553	570	1,281	653
Other contracts	82	25	274	50
	1,964	878	1,849	1,254
Netting adjustments(a)	(3,120)	(3,106)	(3,644)	(3,635)
Total	$ 12,437	$ 1,763	$ 7,005	$ 2,695

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

(a) The netting of derivative receivables and payables is permitted when a legally enforceable master netting agreement exists. Amounts included fair value adjustments related to our own and counterparty non-performance risk. At September 30, 2011 and December 31, 2010, the cumulative adjustment for non-performance risk was a loss of $14 million and $9 million, respectively.

(33)

Fair value hedges

We use interest rate and currency exchange derivatives to hedge the fair value effects of interest rate and currency exchange rate changes on local and non-functional currency denominated fixed-rate debt. For relationships designated as fair value hedges, changes in fair value of the derivatives are recorded in earnings within interest along with offsetting adjustments to the carrying amount of the hedged debt. The following tables provide information about the earnings effects of our fair value hedging relationships for the three and nine months ended September 30, 2011 and 2010, respectively.

	Three months ended			
	September 30, 2011		September 30, 2010	
(In millions)	Gain (loss) on hedging derivatives	Gain (loss) on hedged items	Gain (loss) on hedging derivatives	Gain (loss) on hedged items
Interest rate contracts	$ 5,735	$ (5,863)	$ 1,862	$ (2,048)
Currency exchange contracts	64	(74)	57	(60)

Fair value hedges resulted in $(138) million and $(189) million of ineffectiveness in the three months ended September 30, 2011 and 2010, respectively. In both the three months ended September 30, 2011 and 2010, there were insignificant amounts excluded from the assessment of effectiveness.

	Nine months ended	
	September 30, 2011	September 30, 2010