

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

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

Consolidation

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 "All 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.

Financial Statement Presentation

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

Financial data and related measurements are presented in the following categories:

- **GE**— This represents the adding together of all affiliates other than General Electric Capital Services, Inc. (GECS), whose operations are presented on a one-line basis.
- **GECS**— This affiliate owns all of the common stock of General Electric Capital Corporation (GE Capital). GE Capital and its respective affiliates are consolidated in the accompanying GECS columns and constitute the majority of its business.
- **CONSOLIDATED**— This represents the adding together of GE and GECS, giving effect to the elimination of transactions between GE and GECS.
- **OPERATING SEGMENTS**— These comprise our five businesses, focused on the broad markets they serve: Energy Infrastructure, Technology Infrastructure, NBC Universal, Capital Finance and Consumer & Industrial. Prior period information has been reclassified to be consistent with the current organization.

Unless otherwise indicated, information in these notes to consolidated financial statements relates to continuing operations. Certain of our operations have been presented as discontinued. See Note 2.

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 shareowners' equity. Asset and liability accounts are translated at year-end exchange rates, while revenues and expenses are translated at average rates for the respective periods.

Preparing financial statements in conformity with U.S. GAAP requires us to make estimates based on assumptions about current, and for some estimates future, economic and market conditions (for example, unemployment, market liquidity, the real estate market, etc.), which affect reported amounts and related disclosures in our financial statements. Although our current estimates contemplate current conditions and how we expect them to change in the future, as appropriate, it is reasonably possible that in 2009 actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial position. Among other effects, such changes could result in future impairments of investment securities, goodwill, intangibles and long-lived assets, incremental losses on financing receivables, establishment of valuation allowances on deferred tax assets and increased tax liabilities.

Sales of Goods and Services

We record all sales of goods and services only when a firm sales agreement is in place, delivery has occurred or services have been rendered and collectibility of the fixed or determinable sales price is reasonably assured.

Arrangements for the sale of goods and services sometimes include multiple components. Most of our multiple component arrangements involve the sale of goods and services in the Technology Infrastructure segment. Our arrangements with multiple components usually involve future service deliverables such as installation, training or the future delivery of ancillary equipment. In such agreements, the amount assigned to each component is based on the total price and the undelivered component's objectively determined fair value, determined from sources such as the separate selling price for that or a similar component or from competitor prices for similar components. If fair value of an undelivered component cannot be satisfactorily determined, we defer revenue until all multiple components are delivered.

Except for goods sold under long-term agreements, we recognize sales of goods under the provisions of U.S. Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) 104, *Revenue Recognition*. We often sell consumer products, home videos and computer hardware and software products with a right of return. We use our accumulated experience to estimate and provide for such returns when we record the sale. In situations where arrangements include customer acceptance provisions based on seller or customer-specified objective criteria, we recognize revenue when formal acceptance occurs or we have reliably demonstrated that all specified acceptance criteria have been met. In arrangements where we provide goods for trial and evaluation purposes, we only recognize revenue after customer acceptance occurs. Unless otherwise noted, we do not provide for anticipated losses before we record sales.

Certain of our sales of goods and services involve inconsequential or perfunctory performance obligations. These obligations can include non-essential installation or training, and in some instances provision of product manuals and limited technical product support. When the only remaining undelivered performance obligation under an arrangement is inconsequential or perfunctory, we recognize revenue on the total contract and provide for the cost of the unperformed obligation.

We recognize revenue on agreements for sales of goods and services under power generation unit and uprate contracts; nuclear fuel assemblies; larger oil drilling equipment projects; aeroderivative unit contracts; military development contracts; and long-term construction projects, including construction of information technology systems in our Healthcare business, under American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*. Under SOP 81-1, we estimate total contract revenue net of price concessions as well as total contract costs. For goods sold under power generation unit and uprate contracts, nuclear fuel assemblies, aeroderivative unit contracts and military development contracts, we recognize sales as we complete major contract-specified deliverables, most often when customers receive title to the goods or accept the services as performed. For larger oil drilling equipment projects and long-term construction projects, we recognize sales based on our progress towards contract completion measured by actual costs incurred in relation to our estimate of total expected costs. We measure SOP 81-1 revenues by applying our contract-specific estimated margin rates to incurred costs. We routinely update our estimates of future costs for agreements in process and report any cumulative effects of such adjustments in current operations. We provide for any loss that we expect to incur on these agreements when that loss is probable.

We recognize revenue upon delivery for sales of aircraft engines, military propulsion equipment and related spare parts not sold under long-term product services agreements. Delivery of commercial engines, non-U.S. military equipment and all related spare parts occurs on shipment; delivery of military propulsion equipment sold to the U.S. Government or agencies thereof occurs upon receipt of a Material Inspection and Receiving Report, DD Form 250 or Memorandum of Shipment. Commercial aircraft engines are complex aerospace equipment manufactured to customer order under a variety of sometimes-complex, long-term agreements. We measure sales of commercial aircraft engines by applying our contract-specific estimated margin rates to incurred costs. We routinely update our estimates of future costs for commercial aircraft engine agreements in process and report any cumulative effects of such adjustments in current operations. We measure revenue for military propulsion equipment and spare parts not subject to long-term product services agreements based on the specific contract on a specifically-measured output basis. We provide for any loss that we expect to incur on these agreements when that loss is probable; consistent with industry

practice, for commercial aircraft engines, we make such provision only if such losses are not recoverable from future highly probable sales of spare parts for those engines.

We sell product services under long-term agreements in our Technology Infrastructure and Energy Infrastructure segments, principally in Aviation, Energy and Transportation, where costs of performing services are incurred on other than a straight-line basis. We also sell product services in Healthcare, where such costs generally are expected to be on a straight-line basis. These agreements are accounted for under Financial Accounting Standards Board (FASB) Technical Bulletin (FTB) 90-1, *Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts*. For the Aviation, Energy and Transportation FTB 90-1 agreements, we recognize related sales based on the extent of our progress towards completion measured by actual costs incurred in relation to total expected costs. We routinely update our estimates of future costs for agreements in process and report any cumulative effects of such adjustments in current operations. For the Healthcare FTB 90-1 agreements, we recognize revenues on a straight-line basis and expense related costs as incurred. We provide for any loss that we expect to incur on any of these agreements when that loss is probable.

NBC Universal records broadcast and cable television and Internet advertising sales when advertisements are aired, net of provision for any viewer shortfalls (make goods). We record sales from theatrical distribution of films as the films are exhibited; sales of home videos, net of a return provision, when the videos are delivered to and available for sale by retailers; fees from cable/satellite operators when services are provided; and licensing of film and television programming when we make the material available for airing.

GECS 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 recognize 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, anticipated results of future remarketing, and estimated 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.

Depreciation and Amortization

The cost of GE manufacturing plant and equipment is depreciated over its estimated economic life. U.S. assets are depreciated using an accelerated method based on a sum-of-the-years digits formula; non-U.S. assets are generally depreciated on a straight-line basis.

The cost of GECS equipment leased to others on operating leases is depreciated on a straight-line basis to estimated residual value over the lease term or over the estimated economic life of the equipment.

The cost of GECS acquired real estate investments is depreciated on a straight-line basis to the estimated salvage value over the expected useful life or the estimated proceeds upon sale of the investment at the end of the expected holding period if that approach produces a higher measure of depreciation expense.

The cost of individually significant customer relationships is amortized in proportion to estimated total related sales; cost of other intangible assets is generally amortized on a straight-line basis over the asset's estimated economic life. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. See Notes 14 and 15.

NBC Universal Film and Television Costs

We defer film and television production costs, including direct costs, production overhead, development costs and interest. We do not defer costs of exploitation, which principally comprise costs of film and television program marketing and distribution. We amortize deferred film and television production costs, as well as associated participation and residual costs, on an individual production basis using the ratio of the current period's gross revenues to estimated total remaining gross revenues from all sources; we state such costs at the lower of amortized cost or fair value. Estimates of total revenues and costs are based on anticipated release patterns, public acceptance and historical results for similar products. We defer the costs of acquired broadcast material, including rights to material for use on NBC Universal's broadcast and cable/satellite television networks, at the earlier of acquisition or when the license period begins and the material is available for use. We amortize acquired broadcast material and rights when we broadcast the associated programs; we state such costs at the lower of amortized cost or net realizable value.

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 quarterly. 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.

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 consumer loans secured by collateral other than residential real estate 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. During 2007, we conformed our reserving methodology in our residential mortgage loan portfolios. Unsecured consumer 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 evaluate 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 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 the caption "All 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 by portfolio for impairment based upon various statistical analyses considering historical losses and aging, as well as our view on current market and economic conditions.

Partial Sales of Business Interests

We record gains or losses on sales of their own shares by affiliates except when realization of gains is not reasonably assured, in which case we record the results in shareowners' equity. We record gains or losses on sales of interests in commercial and military engine and aeroderivative equipment programs.

Cash and Equivalents

Debt securities and money market instruments 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. See Note 28 for further information on fair value. Unrealized gains and losses on available-for-sale investment securities are included in shareowners' equity, net of applicable taxes and other adjustments. We regularly review investment securities for impairment using both quantitative and qualitative criteria. Quantitative criteria include the length of time and magnitude of the amount that each security is in an unrealized loss position and, for securities with 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. Unrealized losses that are other than temporary are recognized in earnings. Realized gains and losses are accounted for on the specific identification method. Unrealized gains and losses on investment securities classified as trading and certain retained interests are included in earnings.

Inventories

All inventories are stated at the lower of cost or realizable values. Cost for a significant portion of GE U.S. inventories is determined on a last-in, first-out (LIFO) basis. Cost of other GE inventories is determined on a first-in, first-out (FIFO) basis. LIFO was used for 40% and 41% of GE inventories at December 31, 2008 and 2007, respectively. GECS inventories consist of finished products held for sale; cost is determined on a FIFO basis.

Intangible Assets

We do not amortize goodwill, but test it at least 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 if the carrying amount of a reporting unit exceeds its fair value and the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill. 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 all or a portion of a reporting unit is disposed of, goodwill is allocated to the gain or loss on disposition based on the relative fair values of the business disposed of and the portion of the reporting unit that will be retained.

We amortize the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. The cost of intangible assets is generally amortized on a straight-line basis over the asset's estimated economic life, except that individually significant customer-related intangible assets are amortized in relation to total related sales. 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. Intangible assets with indefinite lives are tested annually for impairment and written down to fair value as required.

GECS Investment Contracts, Insurance Liabilities and Insurance Annuity Benefits

Certain entities, 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. Three product groups are provided: traditional insurance contracts, investment contracts and universal life insurance contracts. Insurance contracts are contracts with significant mortality and/or morbidity risks, while investment contracts are contracts without such risks. Universal life insurance contracts are a particular type of long-duration insurance contract whose terms are not fixed and guaranteed.

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) and universal life contracts 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 and universal life policies 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 Changes

Effective January 1, 2008, we adopted Statement of Financial Accounting Standards (SFAS) 157, *Fair Value Measurements*, for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. SFAS 157 establishes a new framework for measuring fair value and expands related disclosures. See Note 28.

Effective January 1, 2008, we adopted SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. Upon adoption, we elected to report \$172 million of commercial mortgage loans at fair value in order to recognize them on the same accounting basis (measured at fair value through earnings) as the derivatives economically hedging these loans. See Note 28.

On January 1, 2007, we adopted FASB Interpretation (FIN) 48, *Accounting for Uncertainty in Income Taxes*, and FASB Staff Position (FSP) FAS 13-2, *Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction*. Among other things, FIN 48 requires application of a "more likely than not" threshold to the recognition and derecognition of tax positions. FSP FAS 13-2 requires recalculation of returns on leveraged leases when there is a change in the timing or projected timing of cash flows relating to income taxes associated with such leases. The January 1, 2007 transition reduced our retained earnings by \$126 million, \$49 million associated with FIN 48 and \$77 million with FSP FAS 13-2. Of this total, \$89 million was a decrease in goodwill and \$77 million was a decrease in financing receivables—net, partially offset by a \$40 million decrease in income tax liabilities.

On January 1, 2007, we adopted SFAS 155, *Accounting for Certain Hybrid Financial Instruments*. This statement amended SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, to include within its scope prepayment features in newly created or acquired retained interests related to securitizations. SFAS 155 changed the basis on which we recognize earnings on these retained interests from level yield to fair value. See Notes 9 and 30.

We adopted SFAS 123 (Revised 2004), *Share-Based Payment* (SFAS 123R) and related FSPs, effective January 1, 2006. Among other things, SFAS 123R requires expensing the fair value of stock options, a previously optional accounting method that we adopted voluntarily in 2002, and classification of excess tax benefits associated with share-based compensation deductions as cash from financing activities rather than cash from operating activities. We chose the modified prospective transition method, which requires that the new guidance be applied to the unvested portion of all outstanding stock option grants as of January 1, 2006, and to new grants after that date. We further applied the alternative transition method provided in FSP FAS 123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*. The transitional effects of SFAS 123R and related FSPs consisted of a reduction in net earnings of \$10 million for the year ended December 31, 2006, to expense the unvested portion of options granted in 2001; and classification of \$173 million related to excess tax benefits from share-based compensation deductions as cash from financing activities in our Statement of Cash Flows beginning in 2006, which previously would have been included in cash from operating activities.

SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, became effective for us as of December 31, 2006, and requires recognition of an asset or liability in the statement of financial position reflecting the funded status of pension and other postretirement benefit plans such as retiree health and life, with current-year changes in the funded status recognized in shareowners' equity. SFAS 158 did not change the existing criteria for measurement of periodic benefit costs, plan assets or benefit obligations. The incremental effect of the initial adoption of SFAS 158 reduced our shareowners' equity at December 31, 2006, by \$3,819 million.

On December 12, 2008, the FASB issued FSP EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20*. The primary change in reporting that results from the FSP, which we adopted in the fourth quarter of 2008, is the requirement to estimate cash flows based on management's best estimate rather than based on market participant assumptions.

Note 2.

Discontinued Operations

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

GE Money Japan

During the third quarter of 2007, we committed to a plan to sell Lake upon determining that, despite restructuring, Japanese regulatory limits for interest charges on unsecured personal loans did not permit us to earn an acceptable return. As a result, we recognized an after-tax loss of \$908 million in 2007. During 2008, we completed the sale of GE Money Japan, which included Lake, along with our Japanese mortgage and card businesses, excluding our minority ownership in GE Nissen Credit Co., Ltd. In connection with the transaction, GE Money Japan reduced the proceeds on the sale for estimated interest refund claims in excess of the statutory interest rate. Proceeds from the sale may be increased or decreased based on the actual claims experienced in accordance with terms specified in the agreement, and will not be adjusted unless claims exceed approximately \$3,000 million. Estimated claims are not expected to exceed those levels and are based on our historical claims experience and the estimated future requests, taking into consideration the ability and likelihood of customers to make claims and other industry risk factors. However, uncertainties around the status of laws and regulations and lack of certain information related to the individual customers make it difficult to develop a meaningful estimate of the aggregate claims exposure. We review our estimated exposure quarterly, and make adjustments when required. To date, there have been no adjustments to sale proceeds for this matter. In connection with this sale, and primarily related to our Japanese mortgage and card businesses, we recorded an incremental \$361 million loss in 2008. GE Money Japan revenues from discontinued operations were \$763 million, \$1,307 million and \$1,715 million in 2008, 2007 and 2006, respectively. In total, GE Money Japan losses from discontinued operations, net of taxes, were \$651 million and \$1,220 million in 2008 and 2007, respectively, compared with earnings of \$247 million in 2006.

WMC

During the fourth quarter of 2007, we completed the sale of our U.S. mortgage business. As a result, we recognized an after-tax loss of \$62 million in 2007. In connection with the transaction, WMC retained certain obligations related to loans sold prior to the disposal of the business, including WMC's contractual obligations to repurchase previously sold loans as to which there was an early payment default or with respect to which certain contractual representations and warranties were not met. Reserves related to these obligations were \$244 million at December 31, 2008, and \$265 million at December 31, 2007. The amount of these reserves is based upon pending and estimated future loan repurchase requests, the estimated percentage of loans validly tendered for repurchase, and our estimated losses on loans repurchased. Based on our historical experience, we estimate that a small percentage of the total loans we originated and sold will be tendered for repurchase, and of those tendered, only a limited amount will qualify as "validly tendered," meaning the loans sold did not satisfy specified contractual obligations. The amount of our current reserve represents our best estimate of losses with respect to our repurchase obligations. However, actual losses could exceed our reserve amount, if actual claim rates, valid tenders or losses we incur on repurchased loans, are higher than historically observed. WMC revenues from discontinued operations were \$(71) million, \$(1,424) million and \$536 million in 2008, 2007 and 2006, respectively. In total, WMC's losses from discontinued operations, net of taxes, were \$41 million and \$987 million in 2008 and 2007, respectively, compared with earnings of \$29 million in 2006.

Plastics and Advanced Materials

During the third quarter of 2007, we completed the sale of our Plastics business to Saudi Basic Industries Corporation for \$11,577 million in cash. We sold this business because of its cyclicity, rising costs of natural gas and raw materials, and the decision to redeploy capital resources into higher-growth businesses. Also, during the fourth quarter of 2006, we sold our Advanced Materials business. As a result of these sales, we recognized after-tax gains of \$21 million, \$1,578 million and \$441 million during 2008, 2007 and 2006, respectively. Plastics and Advanced Materials revenues from discontinued operations were \$4,286 million and \$8,795 million in 2007 and 2006, respectively. In total, Plastics and Advanced Materials earnings from discontinued operations, net of taxes, were \$40 million, \$1,867 million and \$959 million in 2008, 2007 and 2006, respectively.

GE Life

During the fourth quarter of 2006, we completed the sale of GE Life, our U.K.-based life insurance operation, to Swiss Reinsurance Company (Swiss Re) for \$910 million. As a result, we recognized after-tax losses of \$3 million in both 2008 and 2007, and \$267 million in 2006. GE Life revenues from discontinued operations were \$2,096 million in 2006. In total, GE Life losses from discontinued operations, net of taxes, were \$3 million in both 2008 and 2007, and \$178 million in 2006.

GE Insurance Solutions

During the second quarter of 2006, we completed the sale of the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions to Swiss Re for \$9,297 million, including the assumption of \$1,700 million of debt. We received \$5,359 million in cash and \$2,238 million of newly issued Swiss Re common stock, representing a 9% interest in Swiss Re. As a result of the exit, we recognized earnings of \$1 million and \$16 million in 2008 and 2007, compared with losses of \$134 million in 2006. GE Insurance Solutions revenues from discontinued operations were \$2,815 million in 2006. In total, GE Insurance Solutions loss from discontinued operations, net of taxes, was \$15 million in 2008, compared with earnings of \$15 million and \$148 million in 2007 and 2006, respectively.

Genworth

During the first quarter of 2006, we completed the sale of our remaining 18% investment in Genworth through a secondary public offering of 71 million shares of Class A Common Stock and direct sale to Genworth of 15 million shares of Genworth Class B Common Stock. As a result of initial and secondary public offerings, we recognized after-tax gains of \$3 million, \$85 million (primarily from a tax adjustment related to the 2004 initial public offering) and \$220 million in 2008, 2007 and 2006, respectively. Genworth revenues from discontinued operations were \$5 million in 2006. In total, Genworth loss from discontinued operations, net of taxes, was \$9 million in 2008, compared with earnings of \$79 million and \$193 million in 2007 and 2006, respectively.

Summarized financial information for discontinued GE industrial operations is shown below.

(In millions)	2008	2007	2006
OPERATIONS			
Total revenues	\$ —	\$4,286	\$8,795
Earnings from discontinued operations before income taxes	\$ —	\$ 233	\$ 577
Income tax benefit (expense)	19	56	(59)
Earnings from discontinued operations before disposal, net of taxes	\$19	\$ 289	\$ 518
DISPOSAL			
Gain on disposal before income taxes	\$21	\$2,362	\$ 357
Income tax benefit (expense)	—	(784)	84
Gain on disposal, net of taxes	\$21	\$1,578	\$ 441
EARNINGS FROM DISCONTINUED OPERATIONS, NET OF TAXES^(a)			
	\$40	\$1,867	\$ 959

(a) The sum of GE industrial earnings from discontinued operations, net of taxes, and GECS earnings (loss) from discontinued operations, net of taxes, below are reported as GE industrial earnings (loss) from discontinued operations, net of taxes, on the Statement of Earnings.

December 31 (In millions)	2008	2007
ASSETS		
Property, plant and equipment—net	\$ —	\$ 9
Current receivables	64	57
Assets of discontinued operations	\$ 64	\$ 66
LIABILITIES		
Other GE current liabilities	\$ 36	\$146
Other	153	156
Liabilities of discontinued operations	\$189	\$302

Summarized financial information for discontinued GECS operations is shown below.

(In millions)	2008	2007	2006
OPERATIONS			
Total revenues	\$ 692	\$ (117)	\$7,167
Earnings (loss) from discontinued operations before income taxes	\$ (571)	\$(2,225)	\$ 641
Income tax benefit (expense)	212	981	(21)
Earnings (loss) from discontinued operations before disposal, net of taxes	\$ (359)	\$(1,244)	\$ 620
DISPOSAL			
Loss on disposal before income taxes	\$(1,479)	\$(1,510)	\$ (75)
Income tax benefit (expense)	1,119	638	(106)
Loss on disposal, net of taxes	\$ (360)	\$ (872)	\$ (181)
EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAXES			
	\$ (719)	\$(2,116)	\$ 439

December 31 (In millions)	2008	2007
ASSETS		
Cash and equivalents	\$ 180	\$ 300
Financing receivables—net	—	6,675
All other assets	19	129
Other	1,460	1,719
Assets of discontinued operations	\$1,659	\$8,823
LIABILITIES		
Liabilities of discontinued operations	\$1,243	\$1,692

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

Note 3.

Other Income

(In millions)	2008	2007	2006
GE			
Sales of business interests ^(a)	\$ 891	\$1,541	\$ 878
Interest income from GECS	371	329	145
Associated companies	332	671	437
Licensing and royalty income	291	255	220
Marketable securities and bank deposits	196	282	272
Other items	(116)	293	355
	1,965	3,371	2,307
ELIMINATIONS	(379)	(352)	(153)
Total	\$1,586	\$3,019	\$2,154

(a) Included gain on sale of a business interest to Hitachi of \$900 million in 2007.

Note 4.

GECS Revenues from Services

(In millions)	2008	2007	2006
Interest on loans	\$27,109	\$23,599	\$20,358
Equipment leased to others	15,568	15,260	12,940
Fees	6,126	6,533	5,358
Financing leases	4,374	4,699	4,298
Real estate investments	3,505	4,669	3,138
Premiums earned by			
insurance activities	2,255	2,232	2,084
Associated companies	2,217	2,172	2,079
Investment income ^(a)	2,191	4,724	3,115
Net securitization gains	1,133	1,804	1,187
Other items	5,036	5,526	4,410
Total	\$69,514	\$71,218	\$58,967

(a) Included gain on sale of Swiss Re common stock of \$566 million in 2007 and other-than-temporary impairments on investment securities of \$1,420 million, \$127 million and \$139 million in 2008, 2007 and 2006, respectively.

Note 5.**Supplemental Cost Information**

We funded research and development expenditures of \$3,020 million in 2008, \$3,009 million in 2007 and \$2,790 million in 2006. In addition, research and development funding from customers, principally the U.S. government, totaled \$1,287 million, \$1,066 million and \$690 million in 2008, 2007 and 2006, respectively.

Rental expense under operating leases is shown below.

(In millions)	2008	2007	2006
GE	\$912	\$929	\$854
GECS	992	955	863

At December 31, 2008, minimum rental commitments under noncancellable operating leases aggregated \$3,022 million and \$3,565 million for GE and GECS, respectively. Amounts payable over the next five years follow.

(In millions)	2009	2010	2011	2012	2013
GE	\$550	\$548	\$496	\$429	\$390
GECS	774	621	508	435	303

Payments under revenue sharing partnerships amounted to \$2,290 million, \$1,878 million and \$1,413 million in 2008, 2007 and 2006, respectively, and are included in cost of goods sold. GE's selling, general and administrative expenses totaled \$14,401 million in 2008, \$14,148 million in 2007 and \$12,893 million in 2006.

Note 6.**Postretirement Benefit Plans****Retiree Health and Life Benefits**

We sponsor a number of retiree health and life insurance benefit plans (retiree benefit plans). Principal retiree benefit plans are discussed below; other such plans are not significant individually or in the aggregate. We use a December 31 measurement date for our plans.

PRINCIPAL RETIREE BENEFIT PLANS provide health and life insurance benefits to certain employees who retire under the GE Pension Plan with 10 or more years of service. Eligible retirees share in the cost of healthcare benefits. These plans cover approximately 225,000 retirees and dependents.

COST OF PRINCIPAL RETIREE BENEFIT PLANS

(In millions)	2008	2007	2006
Expected return on plan assets	\$ (131)	\$ (125)	\$(127)
Service cost for benefits earned	326	286	229
Interest cost on benefit obligation	750	577	455
Prior service cost amortization	673	603	363
Net actuarial loss (gain) amortization	(49)	(17)	64
Retiree benefit plans cost	\$1,569	\$1,324	\$ 984

ACTUARIAL ASSUMPTIONS are described below. The discount rates at December 31 measured the year-end benefit obligations and the earnings effects for the subsequent year.

December 31	2008	2007	2006	2005
Discount rate	6.15%	6.31% ^(a)	5.75%	5.25%
Compensation increases	4.20	5.00	5.00	5.00
Expected return on assets	8.50	8.50	8.50	8.50
Initial healthcare trend rate ^(c)	7.00^(b)	9.10	9.20	10.00

(a) Weighted average discount rate of 6.34% was used for determination of costs in 2008.

(b) Includes benefits from new healthcare supplier contracts.

(c) For 2008, ultimately declining to 6% for 2025 and thereafter.

To determine the expected long-term rate of return on retiree life plan assets, we consider current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. We apply our expected rate of return to a market-related value of assets, which stabilizes variability in the amounts to which we apply that expected return.

We amortize experience gains and losses as well as the effects of changes in actuarial assumptions and plan provisions over a period no longer than the average future service of employees.

FUNDING POLICY. We fund retiree health benefits on a pay-as-you-go basis. We expect to contribute approximately \$665 million in 2009 to fund such benefits. We fund retiree life insurance benefits at our discretion.

Changes in the accumulated postretirement benefit obligation for retiree benefit plans follow.

ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION (APBO)

(In millions)	2008	2007
Balance at January 1	\$12,983	\$ 8,262
Service cost for benefits earned	326	286
Interest cost on benefit obligation	750	577
Participant contributions	51	47
Plan amendments ^(a)	—	4,257
Actuarial loss (gain) ^(b)	(1,351)	320
Benefits paid ^(c)	(811)	(796)
Other	1	30
Balance at December 31 ^(d)	\$11,949	\$12,983

(a) For 2007, related to labor agreements negotiated with U.S. unions.

(b) For 2008, primarily related to benefits from new healthcare supplier contracts.

(c) Net of Medicare Part D subsidy of \$83 million and \$73 million in 2008 and 2007, respectively.

(d) The APBO for the retiree health plans was \$9,749 million and \$10,847 million at year-end 2008 and 2007, respectively.

A one percentage point change in the assumed healthcare cost trend rate would have the following effects.

(In millions)	1% increase	1% decrease
APBO at December 31, 2008	\$990	\$(848)
Service and interest cost in 2008	95	(80)

FAIR VALUE OF PLAN ASSETS

(In millions)	2008	2007
Balance at January 1	\$1,804	\$1,710
Actual gain (loss) on plan assets	(486)	221
Employer contributions	617	622
Participant contributions	51	47
Benefits paid ^(a)	(811)	(796)
Balance at December 31	\$1,175	\$1,804

(a) Net of Medicare Part D subsidy.

PLAN ASSET ALLOCATION

December 31	2008		2007
	Target allocation	Actual allocation	Actual allocation
U.S. equity securities	19–39%	25%	33%
Non-U.S. equity securities	18–38	15	20
Debt securities (including cash equivalents)	11–41	39	31
Real estate	2–12	7	6
Private equities	3–13	8	5
Other	0–10	6	5

Plan fiduciaries set investment policies and strategies for the trust and oversee its investment allocation, which includes selecting investment managers and setting long-term strategic targets. Long-term strategic investment objectives include preserving the funded status of the plan and balancing risk and return. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range.

Trust assets invested in short-term securities must generally be invested in securities rated A1/P1 or better, except for 15% of such securities that may be rated A2/P2. According to statute, the aggregate holdings of all qualifying employer securities (e.g., GE common stock) and qualifying employer real property may not exceed 10% of the fair value of trust assets at the time of purchase. GE securities represented 3.6% and 5.9% of trust assets at year-end 2008 and 2007, respectively.

RETIREE BENEFIT ASSET (LIABILITY)

December 31 (In millions)	2008	2007
Funded status ^(a)	\$(10,774)	\$(11,179)
Liability recorded in the Statement of Financial Position		
Retiree health plans		
Due within one year	\$ (644)	\$ (675)
Due after one year	(9,105)	(10,172)
Retiree life plans	(1,025)	(332)
Net liability recognized	\$(10,774)	\$(11,179)
Amounts recorded in shareowners' equity (unamortized)		
Prior service cost	\$ 5,027	\$ 5,700
Net actuarial loss (gain)	(475)	210
Total	\$ 4,552	\$ 5,910

(a) Fair value of assets less APBO, as shown in the preceding tables.

In 2009, we estimate that we will amortize \$675 million of prior service cost and \$105 million of net actuarial gain from shareowners' equity into retiree benefit plans cost. Comparable amortized amounts in 2008 were \$673 million of prior service cost and \$49 million of net actuarial gains.

ESTIMATED FUTURE BENEFIT PAYMENTS

(In millions)	2009	2010	2011	2012	2013	2014–2018
Gross	\$910	\$930	\$965	\$980	\$1,000	\$5,200
Expected Medicare Part D subsidy	75	80	85	90	95	550
Net	\$835	\$850	\$880	\$890	\$ 905	\$4,650

Pension Benefits

We sponsor a number of pension plans. Principal pension plans, together with affiliate and certain other pension plans (other pension plans) detailed in this note, represent about 99% of our total pension assets. We use a December 31 measurement date for our plans.

PRINCIPAL PENSION PLANS are the GE Pension Plan and the GE Supplementary Pension Plan.

The GE Pension Plan provides benefits to certain U.S. employees based on the greater of a formula recognizing career earnings or a formula recognizing length of service and final average earnings. Certain benefit provisions are subject to collective bargaining.

The GE Supplementary Pension Plan is an unfunded plan providing supplementary retirement benefits primarily to higher-level, longer-service U.S. employees.

OTHER PENSION PLANS in 2008 included 31 U.S. and non-U.S. pension plans with pension assets or obligations greater than \$50 million. These defined benefit plans provide benefits to employees based on formulas recognizing length of service and earnings.

PENSION PLAN PARTICIPANTS

December 31, 2008	Total	Principal pension plans	Other pension plans
Active employees	188,000	140,000	48,000
Vested former employees	231,000	190,000	41,000
Retirees and beneficiaries	246,000	220,000	26,000
Total	665,000	550,000	115,000

COST OF PENSION PLANS

(In millions)	Total			Principal pension plans			Other pension plans		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Expected return on plan assets	\$(4,850)	\$(4,459)	\$(4,211)	\$(4,298)	\$(3,950)	\$(3,811)	\$(552)	\$(509)	\$(400)
Service cost for benefits earned	1,663	1,727	1,719	1,331	1,355	1,402	332	372	317
Interest cost on benefit obligation	3,152	2,885	2,685	2,653	2,416	2,304	499	469	381
Prior service cost amortization	332	247	258	321	241	253	11	6	5
Net actuarial loss amortization	316	856	893	237	693	729	79	163	164
Pension plans cost	\$ 613	\$ 1,256	\$ 1,344	\$ 244	\$ 755	\$ 877	\$ 369	\$ 501	\$ 467

ACTUARIAL ASSUMPTIONS are described below. The discount rates at December 31 measured the year-end benefit obligations and the earnings effects for the subsequent year.

December 31	Principal pension plans				Other pension plans (weighted average)			
	2008	2007	2006	2005	2008	2007	2006	2005
Discount rate	6.11%	6.34%	5.75%	5.50%	6.03%	5.65%	4.97%	4.74%
Compensation increases	4.20	5.00	5.00	5.00	4.47	4.50	4.26	4.20
Expected return on assets	8.50	8.50	8.50	8.50	7.41	7.51	7.44	7.47

To determine the expected long-term rate of return on pension plan assets, we consider current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. For the principal pension plans, we apply our expected rate of return to a market-related value of assets, which stabilizes variability in the amounts to which we apply that expected return.

We amortize experience gains and losses as well as the effects of changes in actuarial assumptions and plan provisions over a period no longer than the average future service of employees.

FUNDING POLICY for the GE Pension Plan is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts as we may determine to be appropriate. We have not made contributions to the GE Pension Plan since 1987 and will not make any such contributions in 2009. In 2009, we expect to pay approximately \$170 million for benefit payments under our GE Supplementary Pension Plan and administrative expenses of our principal pension plans and expect to contribute approximately \$690 million to other pension plans. In 2008, comparative amounts were \$153 million and \$627 million, respectively.

BENEFIT OBLIGATIONS are described in the following tables. Accumulated and projected benefit obligations (ABO and PBO) represent the obligations of a pension plan for past service as of the measurement date. ABO is the present value of benefits earned to date with benefits computed based on current compensation levels. PBO is ABO increased to reflect expected future compensation.

PROJECTED BENEFIT OBLIGATION

(In millions)	Principal pension plans		Other pension plans	
	2008	2007	2008	2007
Balance at January 1	\$42,947	\$43,293	\$ 9,014	\$9,034
Service cost for				
benefits earned	1,331	1,355	332	372
Interest cost on benefit obligations	2,653	2,416	499	469
Participant contributions	169	173	40	43
Plan amendments	—	1,470	16	26
Actuarial loss (gain) ^(a)	791	(3,205)	(923)	(665)
Benefits paid	(2,723)	(2,555)	(383)	(370)
Acquisitions				
(dispositions) — net	—	—	545	(311)
Exchange rate adjustments	—	—	(1,392)	416
Balance at December 31 ^(b)	\$45,168	\$42,947	\$ 7,748	\$9,014

(a) Principally associated with discount rate changes.

(b) The PBO for the GE Supplementary Pension Plan, which is an unfunded plan, was \$3,505 million and \$3,437 million at year-end 2008 and 2007, respectively.

ACCUMULATED BENEFIT OBLIGATION

December 31 (In millions)	2008	2007
GE Pension Plan	\$40,313	\$38,155
GE Supplementary Pension Plan	2,582	2,292
Other pension plans	7,075	8,175

PLANS WITH ASSETS LESS THAN ABO

December 31 (In millions)	2008	2007
Funded plans with assets less than ABO		
Plan assets	\$4,914	\$3,639
Accumulated benefit obligations	5,888	3,974
Projected benefit obligations	6,468	4,595
Unfunded plans^(a)		
Accumulated benefit obligations	3,352	3,111
Projected benefit obligations	4,303	4,283

(a) Primarily related to the GE Supplementary Pension Plan.

FAIR VALUE OF PLAN ASSETS

(In millions)	Principal pension plans		Other pension plans	
	2008	2007	2008	2007
Balance at January 1	\$ 59,700	\$54,758	\$ 7,411	\$6,435
Actual gain (loss) on				
plan assets	(16,569)	7,188	(1,743)	614
Employer contributions	153	136	627	730
Participant contributions	169	173	40	43
Benefits paid	(2,723)	(2,555)	(383)	(370)
Acquisitions				
(dispositions)—net	—	—	565	(372)
Exchange rate adjustments	—	—	(1,143)	331
Balance at December 31	\$ 40,730	\$59,700	\$ 5,374	\$7,411

PLAN ASSET ALLOCATION

December 31	Principal pension plans		
	2008	2007	2007
	Target allocation	Actual allocation	Actual allocation
U.S. equity securities	17–37%	25%	32%
Non-U.S. equity securities	17–37	14	20
Debt securities (including cash equivalents)	10–40	31	24
Real estate	4–14	12	9
Private equities	5–15	12	9
Other	1–14	6	6

Plan fiduciaries of the GE Pension Plan set investment policies and strategies for the GE Pension Trust and oversee its investment allocation, which includes selecting investment managers, commissioning periodic asset-liability studies and setting long-term strategic targets. Long-term strategic investment objectives include preserving the funded status of the plan and balancing risk and return. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range.

GE Pension Trust assets are invested subject to the following additional guidelines:

- Short-term securities must generally be rated A1/P1 or better, except for 15% of such securities that may be rated A2/P2.
- Real estate investments may not exceed 25% of total assets.
- Investments in restricted securities that are not freely tradable may not exceed 30% of total assets (actual was 16% of trust assets at December 31, 2008).

According to statute, the aggregate holdings of all qualifying employer securities (e.g., GE common stock) and qualifying employer real property may not exceed 10% of the fair value of trust assets at the time of purchase. GE securities represented 3.5% and 5.6% of trust assets at year-end 2008 and 2007, respectively.

December 31	Other pension plans (weighted average)		
	2008	2007	2007
	Target allocation	Actual allocation	Actual allocation
Equity securities	60%	57%	67%
Debt securities	30	32	25
Real estate	4	4	4
Other	6	7	4

PENSION ASSET (LIABILITY)

December 31 (In millions)	Principal pension plans		Other pension plans	
	2008	2007	2008	2007
Funded status^(a)	\$ (4,438)	\$16,753	\$(2,374)	\$(1,603)
Pension asset (liability) recorded in the Statement of Financial Position				
Pension asset	\$ —	\$20,190	\$ 9	\$ 258
Pension liabilities				
Due within one year ^(b)	(117)	(111)	(51)	(54)
Due after one year ^(b)	(4,321)	(3,326)	(2,332)	(1,807)
Net amount recognized	\$ (4,438)	\$16,753	\$(2,374)	\$(1,603)
Amounts recorded in shareowners' equity (unamortized)				
Prior service cost	\$ 1,739	\$ 2,060	\$ 62	\$ 65
Net actuarial loss (gain)	16,447	(4,974)	1,753	654
Total	\$18,186	\$ (2,914)	\$ 1,815	\$ 719

(a) Fair value of assets less PBO, as shown in the preceding tables.

(b) For principal pension plans, primarily represents the GE Supplementary Pension Plan liability.

In 2009, we estimate that we will amortize \$323 million of prior service cost and \$377 million of net actuarial loss for the principal pension plans from shareowners' equity into pension cost. For other pension plans, the estimated prior service cost and net actuarial loss to be amortized over the next fiscal year are \$10 million and \$125 million, respectively. Comparable amortized amounts in 2008, respectively, were \$321 million and \$237 million for principal pension plans and \$11 million and \$79 million for other pension plans.

ESTIMATED FUTURE BENEFIT PAYMENTS

(In millions)	2009	2010	2011	2012	2013	2014 – 2018
Principal pension plans	\$2,725	\$2,800	\$2,850	\$2,925	\$2,950	\$16,050
Other pension plans	345	350	360	370	375	2,105

Postretirement Benefit Plans

2008 COST OF POSTRETIREMENT BENEFIT PLANS AND CHANGES IN EQUITY OTHER THAN TRANSACTIONS WITH SHAREOWNERS

(In millions)	Total postretirement benefit plans	Retiree benefit plans	Principal pension plans	Other pension plans
Cost of postretirement benefit plans	\$ 2,182	\$ 1,569	\$ 244	\$ 369
Changes in equity other than transactions with shareowners				
Net actuarial loss (gain) – current year	\$22,094	\$ (734)	\$21,658	\$1,170
Prior service cost – current year	16	–	–	16
Prior service cost amortization	(1,005)	(673)	(321)	(11)
Net actuarial gain (loss) amortization	(267)	49	(237)	(79)
Total changes in equity other than transactions with shareowners	20,838	(1,358)	21,100	1,096
Cost of postretirement benefit plans and changes in equity other than transactions with shareowners	\$23,020	\$ 211	\$21,344	\$1,465

Note 7.

Provision for Income Taxes

(In millions)	2008	2007	2006
GE			
Current tax expense	\$ 3,844	\$2,230	\$1,849
Deferred tax expense (benefit) from temporary differences	(417)	564	703
	3,427	2,794	2,552
GECS			
Current tax expense (benefit)	(1,508)	1,268	456
Deferred tax expense (benefit) from temporary differences	(867)	93	936
	(2,375)	1,361	1,392
CONSOLIDATED			
Current tax expense	2,336	3,498	2,305
Deferred tax expense (benefit) from temporary differences	(1,284)	657	1,639
Total	\$ 1,052	\$4,155	\$3,944

GE and GECS file a consolidated U.S. federal income tax return. The GECS provision for current tax expense includes its effect on the consolidated return. The effect of GECS on the consolidated liability is settled in cash as GE tax payments are due.

Consolidated U.S. earnings from continuing operations before income taxes were \$2,259 million in 2008, \$8,449 million in 2007 and \$10,154 million in 2006. The corresponding amounts for non-U.S.-based operations were \$16,882 million in 2008, \$18,163 million in 2007 and \$13,134 million in 2006.

Consolidated current tax expense includes amounts applicable to U.S. federal income taxes of a benefit of \$723 million in 2008, and expenses of \$64 million and \$530 million in 2007 and 2006, respectively, and amounts applicable to non-U.S. jurisdictions of \$3,060 million, \$3,042 million and \$1,549 million in 2008, 2007 and 2006, respectively. Consolidated deferred taxes related to U.S. federal income taxes were a benefit of \$827 million in 2008 and expenses of \$776 million and \$1,529 million in 2007 and 2006, respectively.

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 and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established. See Note 21.

Our businesses are subject to regulation under a wide variety of U.S. federal, state and foreign tax laws, regulations and policies. Changes to these laws or regulations may affect our tax liability, return on investments and business operations. For example, GE's effective tax rate is reduced because active business income earned and indefinitely reinvested outside the United States is taxed at less than the U.S. rate. A significant portion of this reduction depends upon a provision of U.S. tax law that defers the imposition of U.S. tax on certain active financial services income until that income is repatriated to the United States as a dividend. This provision is consistent with international tax norms and permits U.S. financial services companies to compete more effectively with foreign banks and other foreign financial institutions in global markets. This provision, currently scheduled to expire at the end of 2009, has been scheduled to expire on five previous occasions, including October of 2008, but there can be no assurance that it will continue to be extended. In the event this provision is not extended after 2009, the current U.S. tax imposed on active financial services income earned outside the United States would increase, making it more difficult for U.S. financial services companies to compete in global markets. If this provision is not extended, we expect our effective tax rate to increase significantly after 2010.

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, 2008, were approximately \$75 billion. Most of these earnings have been reinvested in active non-U.S. business operations and we do not intend to use these earnings as a source of funding for U.S. operations. 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. During 2008, because the use of foreign tax credits no longer required the repatriation of prior-year earnings, we increased the amount of prior-year earnings that were indefinitely reinvested outside the U.S. by approximately \$1.0 billion, resulting in a decrease to the income tax provision of approximately \$350 million.

As discussed in Note 1, on January 1, 2007, we adopted a new accounting standard, FIN 48, *Accounting for Uncertainty in Income Taxes*, resulting in a \$49 million decrease in retained earnings, an \$89 million decrease in goodwill and a \$40 million decrease in income tax liability.

Annually, we file over 7,500 income tax returns in over 250 global taxing jurisdictions. We are under examination or engaged in tax litigation in many of these jurisdictions. During 2007, the IRS completed the audit of our consolidated U.S. income tax returns for 2000–2002. The IRS is currently auditing our consolidated U.S. income tax returns for 2003–2007. In addition, certain other U.S. tax deficiency issues and refund claims for previous years remain unresolved. It is reasonably possible that the 2003–2005 U.S. audit cycle will be completed during the next 12 months, which could result in a decrease in our balance of “unrecognized tax benefits”—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.

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:

December 31 (In millions)	2008	2007
Unrecognized tax benefits	\$6,692	\$6,331
Portion that, if recognized, would reduce tax expense and effective tax rate ^(a)	4,453	4,268
Accrued interest on unrecognized tax benefits	1,204	923
Accrued penalties on unrecognized tax benefits	96	77
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months	0–1,500	0–1,500
Portion that, if recognized, would reduce tax expense and effective tax rate ^(a)	0–1,100	0–1,250

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

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

(In millions)	2008	2007
Balance at January 1	\$6,331	\$6,806
Additions for tax positions of the current year	553	434
Additions for tax positions of prior years	516	1,439
Reductions for tax positions of prior years	(489)	(1,939)
Settlements with tax authorities	(173)	(330)
Expiration of the statute of limitations	(46)	(79)
Balance at December 31	\$6,692	\$6,331

We classify interest on tax deficiencies as interest expense; we classify income tax penalties as provision for income taxes. For the year ended December 31, 2008, \$268 million of interest expense and \$19 million of tax expense related to penalties were recognized in the statement of earnings, compared with \$(279) million and \$(34) million for the year ended December 31, 2007.

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

RECONCILIATION OF U.S. FEDERAL STATUTORY INCOME TAX RATE TO ACTUAL INCOME TAX RATE

	Consolidated			GE			GECS		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Increase (reduction) in rate resulting from									
Inclusion of after-tax earnings of GECS in									
before-tax earnings of GE	—	—	—	(12.6)	(17.2)	(16.3)	—	—	—
Tax on global activities including exports ^(a)	(26.9)	(15.6)	(16.7)	(5.3)	(5.0)	(6.5)	(74.4)	(21.0)	(21.1)
U.S. business credits	(1.5)	(1.1)	(1.4)	(0.4)	(0.3)	(0.4)	(3.8)	(1.5)	(2.2)
SES transaction	—	(2.1)	—	—	—	—	—	(4.0)	—
All other — net	(1.1)	(0.6)	—	(0.8)	(1.4)	(0.1)	(0.8)	1.4	0.3
	(29.5)	(19.4)	(18.1)	(19.1)	(23.9)	(23.3)	(79.0)	(25.1)	(23.0)
Actual income tax rate	5.5%	15.6%	16.9%	15.9%	11.1%	11.7%	(44.0)%	9.9%	12.0%

(a) 2008 included (1.8)% and (6.5)% from indefinite reinvestment of prior-year earnings for consolidated and GECS, respectively.

Note 8.**Earnings Per Share Information**

(In millions; per-share amounts in dollars)	2008		2007		2006	
	Diluted	Basic	Diluted	Basic	Diluted	Basic
CONSOLIDATED						
Earnings from continuing operations for per-share calculation ^(a)	\$18,091	\$18,089	\$22,457	\$22,457	\$19,345	\$19,344
Preferred stock dividends declared	(75)	(75)	—	—	—	—
Earnings from continuing operations attributable to common shareowners for per-share calculation	\$18,016	\$18,014	\$22,457	\$22,457	\$19,345	\$19,344
Earnings (loss) from discontinued operations for per-share calculation	(679)	(679)	(249)	(249)	1,399	1,398
Net earnings attributable to common shareowners for per-share calculation	17,336	17,335	22,208	22,208	20,744	20,742
AVERAGE EQUIVALENT SHARES						
Shares of GE common stock outstanding	10,080	10,080	10,182	10,182	10,359	10,359
Employee compensation-related shares, including stock options	18	—	36	—	35	—
Total average equivalent shares	10,098	10,080	10,218	10,182	10,394	10,359
PER-SHARE AMOUNTS						
Earnings from continuing operations	\$ 1.78	\$ 1.79	\$ 2.20	\$ 2.21	\$ 1.86	\$ 1.87
Earnings (loss) from discontinued operations	(0.07)	(0.07)	(0.02)	(0.02)	0.13	0.14
Net earnings per share	1.72	1.72	2.17	2.18	2.00	2.00

(a) Included an insignificant amount of dividend equivalents in each of the three years ended December 31, 2008.

Earnings-per-share amounts are computed independently for earnings from continuing operations, earnings (loss) from discontinued operations and net earnings. As a result, the sum of

per-share amounts from continuing operations and discontinued operations may not equal the total per-share amounts for net earnings.

Note 9.**Investment Securities**

Investment securities comprise mainly investment-grade debt securities supporting obligations to annuitants and policyholders in our run-off insurance operations and holders of guaranteed investment contracts.

December 31 (In millions)	2008				2007			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
GE								
Debt—U.S. corporate	\$ 182	\$ —	\$ —	\$ 182	\$ 301	\$ 23	\$ —	\$ 324
Equity—available-for-sale	32	—	(1)	31	21	3	(5)	19
	214	—	(1)	213	322	26	(5)	343
GECS								
Debt								
U.S. corporate	22,183	512	(2,477)	20,218	21,896	725	(669)	21,952
State and municipal	1,556	19	(94)	1,481	1,106	28	(8)	1,126
Residential mortgage-backed ^(a)	5,326	70	(1,052)	4,344	5,677	22	(225)	5,474
Commercial mortgage-backed	2,910	14	(788)	2,136	2,930	15	(49)	2,896
Asset-backed	2,881	1	(691)	2,191	2,307	3	(89)	2,221
Corporate—non-U.S.	1,441	14	(166)	1,289	1,489	47	(11)	1,525
Government—non-U.S.	1,300	61	(19)	1,342	1,082	70	(10)	1,142
U.S. government and federal agency	739	65	(100)	704	832	55	(37)	850
Retained interests ^{(b)(c)}	6,395	113	(152)	6,356	5,579	178	(57)	5,700
Equity								
Available-for-sale	921	26	(160)	787	1,524	265	(120)	1,669
Trading	388	—	—	388	386	—	—	386
	46,040	895	(5,699)	41,236	44,808	1,408	(1,275)	44,941
ELIMINATIONS	(7)	—	4	(3)	(7)	(1)	—	(8)
Total	\$46,247	\$895	\$(5,696)	\$41,446	\$45,123	\$1,433	\$(1,280)	\$45,276

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

(b) Included \$1,752 million and \$2,227 million of retained interests at December 31, 2008 and 2007, respectively, accounted for in accordance with SFAS 155, *Accounting for Certain Hybrid Financial Instruments*. See Note 30.

(c) Amortized cost and estimated fair value included \$20 million and \$25 million of trading securities at December 31, 2008 and 2007, respectively.

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

December 31 (In millions)	In loss position for			
	Less than 12 months		12 months or more	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
2008				
Debt				
U.S. corporate	\$ 6,602	\$(1,108)	\$ 5,629	\$(1,369)
State and municipal	570	(44)	278	(50)
Residential mortgage-backed	1,355	(107)	1,614	(945)
Commercial mortgage-backed	774	(184)	1,218	(604)
Asset-backed	1,064	(419)	1,063	(272)
Corporate — non-U.S.	454	(106)	335	(60)
Government — non-U.S.	88	(4)	275	(15)
U.S. government and federal agency	—	—	150	(100)
Retained interests	1,403	(71)	274	(81)
Equity	268	(153)	9	(4)
Total	\$12,578	\$(2,196)	\$10,845	\$(3,500)
2007				
Debt				
U.S. corporate	\$ 5,766	\$ (274)	\$ 4,341	\$ (395)
State and municipal	198	(3)	131	(5)
Residential mortgage-backed	3,268	(160)	1,223	(65)
Commercial mortgage-backed	1,483	(33)	848	(16)
Asset-backed	1,417	(62)	478	(27)
Corporate — non-U.S.	505	(8)	124	(3)
Government — non-U.S.	29	(1)	311	(9)
U.S. government and federal agency	255	(37)	—	—
Retained interests	548	(50)	10	(7)
Equity	443	(105)	18	(20)
Total	\$13,912	\$ (733)	\$ 7,484	\$ (547)

Investment securities amounted to \$41,446 million at December 31, 2008, compared with \$45,276 million at December 31, 2007. Most of our investment securities relate to our run-off insurance operations and our issuances of guaranteed investment contracts.

Of our residential mortgage-backed securities (RMBS) at December 31, 2008, we had approximately \$1,310 million of exposure to residential subprime credit, primarily supporting our guaranteed investment contracts, a majority of which have received investment-grade credit ratings from the major rating agencies. Of the total residential subprime credit exposure, \$1,093 million was insured by monoline insurers. Our subprime investment securities were collateralized primarily by pools of individual, direct mortgage loans, not other structured products such as collateralized debt obligations. Additionally, a majority of exposure to residential subprime credit was investment securities with underlying loans originated in 2006 and 2005. At December 31, 2008, we had approximately \$2,853 million of exposure to commercial, regional and foreign banks, primarily relating to corporate debt securities, with associated unrealized losses of \$373 million.

We presently intend to hold our investment securities that are in an unrealized loss position at December 31, 2008, at least until we can recover their respective amortized cost. We have the ability to hold our debt securities until their maturities. In reaching the conclusion that these investments are not other-than-temporarily impaired, consideration was given to research by our internal and third-party asset managers. With respect to corporate bonds, we placed greater emphasis on the credit quality of the issuers. With respect to RMBS and commercial mortgage-backed securities (CMBS), we placed greater emphasis on our expectations with respect to cash flows from the underlying collateral, and with respect to RMBS, we considered the availability of credit enhancements, principally monoline insurance.

CONTRACTUAL MATURITIES OF GECS INVESTMENT IN AVAILABLE-FOR-SALE DEBT SECURITIES (EXCLUDING MORTGAGE-BACKED AND ASSET-BACKED SECURITIES)

(In millions)	Amortized cost	Estimated fair value
Due in		
2009	\$ 1,820	\$ 1,777
2010–2013	4,999	4,634
2014–2018	3,841	3,366
2019 and later	16,559	15,257

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.

(In millions)	2008	2007	2006
GE			
Gains	\$ —	\$ 5	\$ 125
Losses, including impairments	(148)	—	(1)
Net	(148)	5	124
GECS			
Gains ^(a)	212	1,026	313
Losses, including impairments	(1,472)	(141)	(181)
Net	(1,260)	885	132
Total	\$(1,408)	\$ 890	\$ 256

(a) Included gain on sale of Swiss Re common stock of \$566 million in 2007.

In the ordinary course of managing our investment securities portfolio, we may sell securities prior to their maturities for a variety of reasons, including diversification, credit quality, yield and liquidity requirements and the funding of claims and obligations to policyholders.

Proceeds from investment securities sales amounted to \$5,239 million, \$18,993 million and \$12,394 million in 2008, 2007 and 2006, respectively, principally from the short-term nature of the investments that support the guaranteed investment contracts portfolio and the 2007 sale of Swiss Re common stock.

We recognized pre-tax gains on trading securities of \$108 million, \$292 million and \$5 million in 2008, 2007 and 2006, respectively. Investments in retained interests decreased by \$113 million and \$102 million during 2008 and 2007, respectively, reflecting declines in fair value accounted for in accordance with SFAS 155.

Note 10.

Current Receivables

December 31 (In millions)	Consolidated ^(a)		GE	
	2008	2007	2008	2007
Energy Infrastructure	\$ 7,403	\$ 7,065	\$ 6,409	\$ 5,934
Technology Infrastructure	9,214	9,149	5,687	5,443
NBC Universal	3,659	3,800	2,701	2,927
Consumer & Industrial	1,498	2,238	513	630
Corporate items and eliminations	296	526	381	642
	22,070	22,778	15,691	15,576
Less allowance for losses	(659)	(519)	(627)	(483)
Total	\$21,411	\$22,259	\$15,064	\$15,093

(a) Included GE industrial customer receivables factored through a GECS affiliate and reported as financing receivables by GECS. See Note 26.

GE receivables balances at December 31, 2008 and 2007, before allowance for losses, included \$11,274 million and \$11,008 million, respectively, from sales of goods and services to customers, and \$293 million and \$381 million at December 31, 2008 and 2007, respectively, from transactions with associated companies.

GE current receivables of \$231 million and \$252 million at December 31, 2008 and 2007, respectively, arose from sales, principally of Aviation goods and services on open account to various agencies of the U.S. government, our largest single customer. About 5% of GE sales of goods and services were to the U.S. government in 2008, compared with 4% in both 2007 and 2006.

Note 11.

Inventories

December 31 (In millions)	2008	2007
GE		
Raw materials and work in process	\$ 8,710	\$ 7,893
Finished goods	5,032	5,025
Unbilled shipments	561	539
	14,303	13,457
Less revaluation to LIFO	(706)	(623)
	13,597	12,834
GECS		
Finished goods	77	63
Total	\$13,674	\$12,897

Note 12.

GECS Financing Receivables (investments in loans and financing leases)

December 31 (In millions)	2008	2007
Loans, net of deferred income	\$310,203	\$313,290
Investment in financing leases, net of deferred income	67,578	75,015
	377,781	388,305
Less allowance for losses (Note 13)	(5,325)	(4,238)
Financing receivables — net	\$372,456	\$384,067

Included in the above are \$6,461 million and \$9,708 million of the financing receivables of consolidated, liquidating securitization entities at December 31, 2008 and 2007, respectively. In addition, financing receivables at December 31, 2008, included \$2,736 million relating to loans that had been acquired and accounted for in accordance with SOP 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*.

Details of GECS financing receivables — net follow.

December 31 (In millions)	2008	2007
COMMERCIAL LENDING AND LEASING (CLL)		
Equipment and leasing and other	\$ 99,769	\$ 96,817
Commercial and industrial	64,332	58,863
	164,101	155,680
GE MONEY		
Non-U.S. residential mortgages ^(a)	59,595	73,042
Non-U.S. installment and revolving credit	24,441	34,669
U.S. installment and revolving credit	27,645	27,914
Non-U.S. auto	18,168	27,368
Other	9,244	10,198
	139,093	173,191
REAL ESTATE	46,735	32,228
ENERGY FINANCIAL SERVICES	8,392	7,898
GE COMMERCIAL AVIATION SERVICES (GECAS)^(b)	15,429	14,197
OTHER^(c)	4,031	5,111
	377,781	388,305
Less allowance for losses	(5,325)	(4,238)
Total	\$372,456	\$384,067

(a) At December 31, 2008, net of credit insurance, approximately 26% of this portfolio comprised loans with introductory, below market rates that are scheduled to adjust at future dates; with high loan-to-value ratios at inception; whose terms permitted interest-only payments; or whose terms resulted in negative amortization. At the origination date, loans with an adjustable rate were underwritten to the reset value.

(b) Included loans and financing leases of \$13,078 million and \$11,685 million at December 31, 2008 and 2007, respectively, related to commercial aircraft at Aviation Financial Services.

(c) Included loans and financing leases of \$4,031 million and \$5,106 million at December 31, 2008 and 2007, respectively, related to certain consolidated, liquidating securitization entities.

GECS 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.

For federal income tax purposes, the leveraged leases and the majority of the direct financing leases are leases in which GECS depreciates the leased assets and is taxed upon the accrual of rental income. Certain direct financing leases are loans for federal income tax purposes. For these transactions, GECS is taxable only on the portion of each payment that constitutes interest, unless the interest is tax-exempt (e.g., certain obligations of state governments).

Investment in direct financing and leveraged leases represents net unpaid rentals and estimated unguaranteed residual values of leased equipment, less related deferred income. GECS has 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. The GECS share of rentals receivable on leveraged leases is subordinate to the share of other participants who also have security interests in the leased equipment.

For federal income tax purposes, GECS is entitled to deduct the interest expense accruing on nonrecourse financing related to leveraged leases.

NET INVESTMENT IN FINANCING LEASES

December 31 (In millions)	Total financing leases		Direct financing leases ^(a)		Leveraged leases ^(b)	
	2008	2007	2008	2007	2008	2007
Total minimum lease payments receivable	\$ 81,115	\$ 92,137	\$ 63,309	\$ 72,399	\$ 17,806	\$ 19,738
Less principal and interest on third-party nonrecourse debt	(12,720)	(14,102)	—	—	(12,720)	(14,102)
Net rentals receivable	68,395	78,035	63,309	72,399	5,086	5,636
Estimated unguaranteed residual value of leased assets	10,255	10,306	7,425	7,500	2,830	2,806
Less deferred income	(11,072)	(13,326)	(8,733)	(10,650)	(2,339)	(2,676)
Investment in financing leases, net of deferred income	67,578	75,015	62,001	69,249	5,577	5,766
Less amounts to arrive at net investment						
Allowance for losses	(498)	(571)	(440)	(559)	(58)	(12)
Deferred taxes	(7,317)	(7,089)	(3,082)	(2,654)	(4,235)	(4,435)
Net investment in financing leases	\$ 59,763	\$ 67,355	\$ 58,479	\$ 66,036	\$ 1,284	\$ 1,319

(a) Included \$824 million and \$802 million of initial direct costs on direct financing leases at December 31, 2008 and 2007, respectively.

(b) Included pre-tax income of \$268 million and \$412 million and income tax of \$106 million and \$156 million during 2008 and 2007, respectively. Net investment credits recognized on leveraged leases during 2008 and 2007 were inconsequential.

CONTRACTUAL MATURITIES

(In millions)	Total loans	Net rentals receivable
Due in		
2009	\$ 86,957	\$19,819
2010	36,970	13,725
2011	30,902	10,624
2012	26,421	7,150
2013	21,624	4,752
2014 and later	107,329	12,325
Total	\$310,203	\$68,395

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.

December 31 (In millions)	2008	2007
Loans requiring allowance for losses	\$2,712	\$ 986
Loans expected to be fully recoverable	871	391
Total impaired loans	\$3,583	\$1,377
Allowance for losses	\$ 635	\$ 361
Average investment during year	2,064	1,576
Interest income earned while impaired ^(a)	27	19

(a) Recognized principally on cash basis.

Note 13.**GECS Allowance for Losses on Financing Receivables**

(In millions)	Balance January 1, 2008	Provision charged to operations	Currency exchange	Other ^(a)	Gross write-offs	Recoveries	Balance December 31, 2008
CLL							
Equipment and leasing and other	\$ 661	\$ 838	\$ 24	\$ 91	\$ (815)	\$ 95	\$ 894
Commercial and industrial	276	544	(12)	4	(416)	19	415
GE MONEY							
Non-U.S. residential mortgages	246	323	(40)	2	(218)	69	382
Non-U.S. installment and revolving credit	1,371	1,748	(194)	(223)	(2,551)	900	1,051
U.S. installment and revolving credit	985	3,217	—	(624)	(2,173)	295	1,700
Non-U.S. auto	324	376	(48)	(76)	(637)	283	222
Other	162	220	(17)	28	(248)	69	214
REAL ESTATE	168	135	(7)	16	(12)	1	301
ENERGY FINANCIAL SERVICES	19	36	—	3	—	—	58
GECAS	8	53	—	—	(1)	—	60
OTHER	18	28	—	—	(18)	—	28
TOTAL	\$4,238	\$7,518	\$(294)	\$(779)	\$(7,089)	\$1,731	\$5,325

(a) Other primarily included the effects of acquisitions, dispositions, reclassifications to held for sale and securitization activity.

(In millions)	Balance January 1, 2007	Provision charged to operations	Currency exchange	Other ^(a)	Gross write-offs	Recoveries	Balance December 31, 2007
CLL							
Equipment and leasing and other	\$ 427	\$ 309	\$ 25	\$ 207	\$ (422)	\$ 115	\$ 661
Commercial and industrial	314	192	10	(36)	(230)	26	276
GE MONEY							
Non-U.S. residential mortgages	415	(139)	10	(3)	(129)	92	246
Non-U.S. installment and revolving credit	1,253	1,669	92	(115)	(2,324)	796	1,371
U.S. installment and revolving credit	876	1,960	—	(703)	(1,505)	357	985
Non-U.S. auto	279	279	23	34	(653)	362	324
Other	158	122	4	6	(198)	70	162
REAL ESTATE	155	24	3	3	(25)	8	168
ENERGY FINANCIAL SERVICES	29	(10)	—	—	—	—	19
GECAS	15	16	—	—	(23)	—	8
OTHER	24	9	—	—	(17)	2	18
TOTAL	\$3,945	\$4,431	\$ 167	\$(607)	\$(5,526)	\$1,828	\$4,238

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

(In millions)	Balance January 1, 2006	Provision charged to operations	Currency exchange	Other ^(a)	Gross write-offs	Recoveries	Balance December 31, 2006
CLL							
Equipment and leasing and other	\$ 590	\$ 67	\$ 9	\$ (8)	\$ (369)	\$ 138	\$ 427
Commercial and industrial	338	57	10	13	(155)	51	314
GE MONEY							
Non-U.S. residential mortgages	397	69	34	(8)	(177)	100	415
Non-U.S. installment and revolving credit	1,060	1,382	60	36	(2,010)	725	1,253
U.S. installment and revolving credit	701	1,175	—	(217)	(1,045)	262	876
Non-U.S. auto	238	284	24	12	(591)	312	279
Other	165	80	18	8	(184)	71	158
REAL ESTATE	189	(5)	1	4	(39)	5	155
ENERGY FINANCIAL SERVICES	41	(12)	—	—	—	—	29
GECAS	179	(52)	—	—	(112)	—	15
OTHER	22	17	—	12	(29)	2	24
TOTAL	\$3,920	\$3,062	\$ 156	\$(148)	\$(4,711)	\$1,666	\$3,945

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

See Note 12 for amounts related to consolidated, liquidating securitization entities.

Note 14.**Property, Plant and Equipment**

December 31 (Dollars in millions)	Depreciable lives-new (in years)	2008	2007
ORIGINAL COST			
GE			
Land and improvements	8 (a)	\$ 738	\$ 698
Buildings, structures and related equipment	8-40	7,354	7,700
Machinery and equipment	4-20	22,114	20,569
Leasehold costs and manufacturing plant under construction	1-10	2,305	2,121
		32,511	31,088
GECS (b)			
Land and improvements, buildings, structures and related equipment	2-40 (a)	7,076	6,051
Equipment leased to others			
Aircraft	20	40,478	37,271
Vehicles	1-14	32,098	32,079
Railroad rolling stock	5-36	4,402	3,866
Construction and manufacturing	2-25	3,363	3,031
Mobile equipment	12-25	2,954	2,964
All other	2-40	2,789	2,961
		93,160	88,223
Total		\$125,671	\$119,311
NET CARRYING VALUE			
GE			
Land and improvements		\$ 705	\$ 612
Buildings, structures and related equipment		3,768	4,101
Machinery and equipment		7,999	7,634
Leasehold costs and manufacturing plant under construction		1,961	1,795
		14,433	14,142
GECS (b)			
Land and improvements, buildings, structures and related equipment		4,527	3,703
Equipment leased to others			
Aircraft (c)		32,288	30,414
Vehicles		18,149	20,701
Railroad rolling stock		2,915	2,789
Construction and manufacturing		2,333	2,055
Mobile equipment		2,022	1,976
All other		1,863	2,108
		64,097	63,746
Total		\$ 78,530	\$ 77,888

(a) Depreciable lives exclude land.

(b) Included \$1,748 million and \$1,513 million of original cost of assets leased to GE with accumulated amortization of \$491 million and \$315 million at December 31, 2008 and 2007, respectively.

(c) The GECAS business of Capital Finance recognized impairment losses of \$72 million in 2008 and \$110 million in 2007 recorded in the caption "Other costs and expenses" in the Statement of Earnings to reflect adjustments to fair value based on current market values from independent appraisers.

Amortization of GECS equipment leased to others was \$8,173 million, \$7,222 million and \$5,839 million in 2008, 2007 and 2006, respectively. Noncancellable future rentals due from customers for equipment on operating leases at December 31, 2008, are as follows:

(In millions)	
Due in	
2009	\$ 9,103
2010	7,396
2011	5,542
2012	4,157
2013	3,109
2014 and later	8,714
Total	\$38,021

Note 15.**Goodwill and Other Intangible Assets**

December 31 (In millions)	2008	2007
GOODWILL		
GE	\$56,394	\$55,689
GECS	25,365	25,427
Total	\$81,759	\$81,116
OTHER INTANGIBLE ASSETS		
GE		
Intangible assets subject to amortization	\$ 9,010	\$ 9,278
Indefinite-lived intangible assets (a)	2,354	2,355
	11,364	11,633
GECS		
Intangible assets subject to amortization	3,613	4,509
Total	\$14,977	\$16,142

(a) Indefinite-lived intangible assets principally comprised trademarks, tradenames and U.S. Federal Communications Commission licenses.

Changes in goodwill balances follow.

(In millions)	2008				2007			
	Balance January 1	Acquisitions/ purchase accounting adjustments	Dispositions, currency exchange and other	Balance December 31	Balance January 1 ^(a)	Acquisitions/ purchase accounting adjustments	Dispositions, currency exchange and other	Balance December 31
Energy Infrastructure	\$ 9,960	\$ 750	\$ (767)	\$ 9,943	\$ 7,956	\$1,818	\$ 186	\$ 9,960
Technology Infrastructure	26,130	1,116	(562)	26,684	22,043	4,292	(205)	26,130
NBC Universal	18,733	403	(163)	18,973	18,000	733	—	18,733
Capital Finance	25,427	2,024	(2,086)	25,365	22,754	1,938	735	25,427
Consumer & Industrial	866	—	(72)	794	557	(22)	331	866
Total	\$81,116	\$4,293	\$(3,650)	\$81,759	\$71,310	\$8,759	\$1,047	\$81,116

(a) January 1, 2007, balance decreased by \$89 million related to new accounting standards. See Note 1.

Goodwill balances increased \$3,694 million in 2008 from new acquisitions. The most significant increases related to acquisitions of Hydril Pressure Control (\$725 million) at Energy Infrastructure, Merrill Lynch Capital (\$643 million) at Capital Finance, Vital Signs (\$594 million) and Whatman plc. (\$592 million) at Technology Infrastructure, Bank BPH (\$470 million) at Capital Finance, CDM Resource Management, Ltd. (\$229 million) at Capital Finance and CitiCapital (\$166 million) at Capital Finance. During 2008, the goodwill balance increased by \$599 million related to purchase accounting adjustments for prior-year acquisitions. The most significant of these adjustments were increases of \$267 million and \$171 million associated with the 2007 acquisitions of Oxygen Media Corp. by NBC Universal and Sanyo Electric Credit Co., Ltd. by Capital Finance, respectively. In 2008, goodwill balances decreased \$2,639 million as a result of the stronger U.S. dollar.

Goodwill balances increased \$9,028 million in 2007 from new acquisitions. The most significant increases related to acquisitions of Smiths Aerospace Group Ltd. (\$3,877 million) by Technology Infrastructure; Vetco Gray (\$1,379 million) by Energy Infrastructure; Diskont und Kredit AG and Disko Leasing GmbH (DISKO) and ASL Auto Service-Leasing GmbH (ASL), the leasing businesses of KG Allgemeine Leasing GmbH & Co. (\$694 million) by Capital Finance; Oxygen Media (\$604 million) by NBC Universal; and Sanyo Electric Credit Co., Ltd. (\$548 million) by Capital Finance. During 2007, the goodwill balance declined by \$269 million related to purchase accounting adjustments for prior-year acquisitions.

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, then to adjust the acquired company's accounting policies, procedures, and 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.

We test goodwill for impairment at least annually. Given the significant changes in the business climate for financial services and our stated strategy to reduce our Capital Finance ending net investment, we re-tested goodwill for impairment at the reporting units within Capital Finance during the fourth quarter of 2008. In performing this analysis, we revised our estimated future cash flows and discount rates, as appropriate, to reflect current market conditions in the financial services industry. In each case, no impairment was indicated. Reporting units within Capital Finance are CLL, GE Money, Real Estate, Energy Financial Services and GECAS, which had goodwill balances at December 31, 2008 of \$12,784 million, \$9,081 million, \$1,183 million, \$2,162 million and \$155 million, respectively.

INTANGIBLE ASSETS SUBJECT TO AMORTIZATION

December 31 (In millions)	Gross carrying amount	Accumulated amortization	Net
GE			
2008			
Customer-related	\$ 4,551	\$ (900)	\$3,651
Patents, licenses and trademarks	4,751	(1,690)	3,061
Capitalized software	4,706	(2,723)	1,983
All other	470	(155)	315
Total	\$14,478	\$5,468	\$9,010
2007			
Customer-related	\$ 4,526	\$ (698)	\$3,828
Patents, licenses and trademarks	4,561	(1,369)	3,192
Capitalized software	4,573	(2,589)	1,984
All other	436	(162)	274
Total	\$14,096	\$4,818	\$9,278
GECS			
2008			
Customer-related	\$ 1,746	\$ (613)	\$1,133
Patents, licenses and trademarks	589	(460)	129
Capitalized software	2,170	(1,476)	694
Lease valuations	1,805	(594)	1,211
Present value of future profits	831	(401)	430
All other	181	(165)	16
Total	\$ 7,322	\$(3,709)	\$3,613
2007			
Customer-related	\$ 2,395	\$ (869)	\$1,526
Patents, licenses and trademarks	428	(309)	119
Capitalized software	1,832	(1,095)	737
Lease valuations	1,841	(360)	1,481
Present value of future profits	818	(364)	454
All other	347	(155)	192
Total	\$ 7,661	\$(3,152)	\$4,509

During 2008, we recorded additions to intangible assets subject to amortization of \$2,029 million. The components of finite-lived intangible assets acquired during 2008 and their respective weighted-average amortizable period are: \$756 million—Customer-related (17.1 years); \$382 million—Patents, licenses and trademarks (17.4 years); \$765 million—Capitalized software (4.4 years); \$38 million—Lease valuations (8.7 years); and \$88 million—All other (9.4 years).

Consolidated amortization related to intangible assets subject to amortization was \$2,091 million and \$2,071 million for 2008 and 2007, respectively. We estimate that annual pre-tax amortization for intangible assets subject to amortization over the next five calendar years to be as follows: 2009—\$1,772 million; 2010—\$1,541 million; 2011—\$1,326 million; 2012—\$1,145 million; 2013—\$957 million.

Note 16.

All Other Assets

December 31 (In millions)	2008	2007
GE		
Investments		
Associated companies	\$ 2,785	\$ 1,871
Other	608	633
	3,393	2,504
Contract costs and estimated earnings	5,999	5,983
Film and television costs	4,667	4,143
Long-term receivables, including notes ^(a)	2,613	2,331
Derivative instruments	527	889
Pension asset—principal plans	—	20,190
Other ^(b)	5,236	4,568
	22,435	40,608
GECS		
Investments		
Real estate ^{(c)(d)}	36,679	40,488
Associated companies	18,694	17,025
Assets held for sale ^(e)	5,038	10,690
Cost method ^(d)	2,482	2,742
Other	1,854	1,018
	64,747	71,963
Derivative instruments	12,115	3,271
Advances to suppliers	2,187	2,046
Deferred acquisition costs	1,230	1,282
Other ^(b)	5,442	4,830
	85,721	83,392
ELIMINATIONS	(1,257)	(1,152)
Total	\$106,899	\$122,848

(a) Included loans to GECS of \$1,038 million and \$1,132 million at December 31, 2008 and 2007, respectively.

(b) Included \$494 million at December 31, 2008, of unamortized fees related to our participation in the Temporary Liquidity Guarantee Program and the Commercial Paper Funding Facility.

(c) GECS 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, 2008: office buildings (45%), apartment buildings (17%), industrial properties (11%), retail facilities (9%), franchise properties (7%), parking facilities (2%) and other (9%). At December 31, 2008, investments were located in the Americas (47%), Europe (31%) and Asia (22%).

(d) The fair value of and unrealized loss on cost method investments in a continuous loss position for less than 12 months at December 31, 2008, were \$565 million and \$98 million, respectively. The fair value of and unrealized loss on cost method investments in a continuous loss position for 12 months or more at December 31, 2008, were \$64 million and \$4 million, respectively. The fair value of and unrealized loss on cost method investments in a continuous loss position for less than 12 months at December 31, 2007, were \$546 million and \$93 million, respectively. The fair value of and unrealized loss on cost method investments in a continuous loss position for 12 months or more at December 31, 2007, were \$18 million and \$8 million, respectively.

(e) 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 credit card receivables, loans and real estate properties, and were accounted for at the lower of carrying amount or estimated fair value less costs to sell. These amounts are net of valuation allowances of \$112 million and \$153 million at December 31, 2008 and 2007, respectively.

Note 17.**Assets and Liabilities of Businesses Held for Sale**

On January 7, 2009, we exchanged our GE Money businesses in Austria and Finland, the credit card and auto businesses in the U.K., and the credit card business in Ireland for a 100% ownership interest in Interbanca S.p.A., a leading Italian corporate bank. Assets and liabilities of \$7,887 million and \$636 million, respectively, were classified as held for sale at December 31, 2008; we recognized a \$184 million loss, net of tax, related to the classification of the assets held for sale at lower of carrying amount or estimated fair value less costs to sell.

On December 24, 2008, we committed to sell a portion of our Australian residential mortgage business, including certain underlying mortgage receivables, and expect to complete this sale during the first quarter of 2009. Assets of \$2,669 million were classified as held for sale at December 31, 2008 (liabilities were insignificant); we recognized a \$38 million loss, net of tax, related to the classification of the assets held for sale at lower of carrying amount or estimated fair value less costs to sell.

Summarized financial information is shown below.

December 31 (In millions)	2008
ASSETS	
Cash and equivalents	\$ 35
Financing receivables—net	9,915
Intangible assets—net	394
Other	212
Assets of businesses held for sale	\$10,556
LIABILITIES	
Liabilities of businesses held for sale	\$ 636

Note 18.**Borrowings****SHORT-TERM BORROWINGS**

December 31 (Dollars in millions)	2008		2007	
	Amount	Average rate ^(a)	Amount	Average rate ^(a)
GE				
Commercial paper				
U.S.	\$ —	—%	\$ 1,798	4.73%
Non-U.S.	1	7.82	1	4.00
Payable to banks	78	2.91	189	5.07
Current portion of long-term debt	1,703	0.84	1,547	5.36
Other	593		571	
	2,375		4,106	
GECS				
Commercial paper				
U.S.				
Unsecured ^(b)	62,768	2.12	72,392	4.69
Asset-backed ^(c)	3,652	2.57	4,775	4.94
Non-U.S.	9,033	4.12	28,711	4.99
Current portion of long-term debt ^(d)	69,682	3.83	56,301	5.01
Bank deposits ^{(e)(f)}	29,634	3.47	11,486	3.04
Bank borrowings ^(g)	10,028	2.75	6,915	5.31
GE Interest Plus notes ^(h)	5,633	3.58	9,590	5.23
Other	3,103		2,250	
	193,533		192,420	
ELIMINATIONS	(2,213)		(1,426)	
Total	\$193,695		\$195,100	

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

(b) At December 31, 2008, GE Capital had issued and outstanding, \$21,823 million of senior, unsecured debt that was guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program. GE Capital and GE entered into an Eligible Entity Designation Agreement and GE Capital is subject to the terms of a Master Agreement, each entered into with the FDIC. The terms of these agreements include, among other things, a requirement that GE and GE Capital reimburse the FDIC for any amounts that the FDIC pays to holders of debt that is guaranteed by the FDIC.

(c) Consists entirely of obligations of consolidated, liquidating securitization entities. See Note 12.

(d) Included \$326 million and \$1,106 million related to asset-backed senior notes, issued by consolidated, liquidating securitization entities at December 31, 2008 and 2007, respectively.

(e) Included \$11,793 million and \$10,789 million of deposits in non-U.S. banks at December 31, 2008 and 2007, respectively.

(f) Included certificates of deposits distributed by brokers of \$17,841 million and \$697 million at December 31, 2008 and 2007, respectively.

(g) Term borrowings from banks with a remaining term to maturity of less than 12 months.

(h) Entirely variable denomination floating rate demand notes.

LONG-TERM BORROWINGS

December 31 (Dollars in millions)	2008 Average rate ^(a)	Maturities	2008	2007
GE				
Senior notes	5.11%	2013–2017	\$ 8,962	\$ 8,957
Industrial development/ pollution control bonds	1.10	2011–2027	264	266
Payable to banks, principally U.S.	6.93	2010–2023	317	1,988
Other ^(b)			284	445
			9,827	11,656
GECS				
Senior notes				
Unsecured ^(c)	4.80	2010–2055	299,186	283,097
Asset-backed ^(d)	5.12	2010–2035	5,002	5,528
Extendible notes	—	—	—	8,500
Subordinated notes ^(e)	5.70	2012–2037	2,866	3,313
Subordinated debentures ^(f)	6.00	2066–2067	7,315	8,064
Bank deposits ^(g)	4.49	2010–2018	6,699	—
			321,068	308,502
ELIMINATIONS			(828)	(1,145)
Total			\$330,067	\$319,013

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

(b) A variety of obligations having various interest rates and maturities, including certain borrowings by parent operating components and affiliates.

(c) At December 31, 2008, GE Capital had issued and outstanding, \$13,420 million of senior, unsecured debt that was guaranteed by the FDIC under the Temporary Liquidity Guarantee Program. GE Capital and GE entered into an Eligible Entity Designation Agreement and GE Capital is subject to the terms of a Master Agreement, each entered into with the FDIC. The terms of these agreements include, among other things, a requirement that GE and GE Capital reimburse the FDIC for any amounts that the FDIC pays to holders of debt that is guaranteed by the FDIC.

(d) Included \$2,104 million and \$3,410 million of asset-backed senior notes, issued by consolidated, liquidating securitization entities at December 31, 2008 and 2007, respectively. See Note 12.

(e) Included \$750 million of subordinated notes guaranteed by GE at December 31, 2008 and 2007.

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

(g) Entirely certificates of deposits with maturities greater than one year.

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 29.

LIQUIDITY is affected by debt maturities and our ability to repay or refinance such debt. Long-term debt maturities over the next five years follow.

(In millions)	2009	2010	2011	2012	2013
GE	\$ 1,703	\$ 44	\$ 65	\$ 32	\$ 5,022
GECS	69,682 ^(a)	62,894	52,835	47,573	27,426

(a) Fixed and floating rate notes of \$734 million contain put options with exercise dates in 2009, and which have final maturity beyond 2013.

Committed credit lines totaling \$60.0 billion had been extended to us by 65 banks at year-end 2008. Availability of these lines is shared between GE and GECS with \$12.6 billion and \$60.0 billion available to GE and GECS, respectively. The GECS lines include \$37.4 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. Additionally, \$21.3 billion are 364-day lines that contain a term-out feature that allows GE or GECS to extend the borrowings for one year from the date of expiration of the lending agreement. We pay banks for credit facilities, but 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 provides additional information about derivatives designated as hedges of borrowings in accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

DERIVATIVE FAIR VALUES BY ACTIVITY/INSTRUMENT

December 31 (In millions)	2008	2007
Cash flow hedges	\$(4,529)	\$ 497
Fair value hedges	8,304	(75)
Total	\$ 3,775	\$ 422
Interest rate swaps	\$ 3,425	\$(1,559)
Currency swaps	350	1,981
Total	\$ 3,775	\$ 422

We regularly assess the effectiveness of all hedge positions where required using a variety of techniques, including cumulative dollar offset and regression analysis, depending on which method was selected at inception of the respective hedge. Adjustments related to fair value hedges increased the carrying amount of debt outstanding at December 31, 2008, by \$9,127 million. At December 31, 2008, the maximum term of derivative instruments that hedge forecasted transactions was 27 years. See Note 29.

Note 19.**GECS Investment Contracts, Insurance Liabilities and Insurance Annuity Benefits**

GECS investment contracts, insurance liabilities and insurance annuity benefits comprise mainly obligations to annuitants and policyholders in our run-off insurance operations and holders of guaranteed investment contracts.

December 31 (In millions)	2008	2007
Investment contracts	\$ 4,212	\$ 4,536
Guaranteed investment contracts	10,828	11,705
Total investment contracts	15,040	16,241
Life insurance benefits ^(a)	16,259	15,416
Unpaid claims and claims adjustment expenses	2,145	1,726
Unearned premiums	623	656
Universal life benefits	302	320
Total	\$34,369	\$34,359

(a) Life insurance benefits are accounted for mainly by a net-level-premium method using estimated yields generally ranging from 3.0% to 8.5% in both 2008 and 2007.

When insurance affiliates cede insurance to third parties, such as reinsurers, 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. Reinsurance recoverables are included in the caption "Other GECS receivables" on our Statement of Financial Position, and amounted to \$1,062 million and \$381 million at December 31, 2008 and 2007, respectively.

We recognize reinsurance recoveries as a reduction of the Statement of Earnings caption "Investment contracts, insurance losses and insurance annuity benefits." Reinsurance recoveries were \$221 million, \$104 million and \$162 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Note 20.**All Other Liabilities**

This caption includes liabilities for various items including non-current compensation and benefits, deferred income, interest on tax liabilities, unrecognized tax benefits, accrued participation and residuals, environmental remediation, asset retirement obligations, derivative instruments, product warranties and a variety of sundry items.

Accruals for non-current compensation and benefits amounted to \$22,543 million and \$22,322 million for year-end 2008 and 2007, respectively. These amounts include postretirement benefits, pension accruals, and other compensation and benefit accruals such as deferred incentive compensation. The increase in 2008 was primarily the result of an increase in pension accruals, partially offset by a decrease in accrued deferred incentive compensation and benefits from new healthcare supplier contracts.

We are involved in numerous remediation actions to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs exclude possible insurance recoveries and, when dates and amounts of such costs are not known, are not discounted. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low end of such range. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop a meaningful estimate of the reasonably possible aggregate environmental remediation exposure.

Note 21.**Deferred Income Taxes**

Aggregate deferred income tax amounts are summarized below.

December 31 (In millions)	2008	2007
ASSETS		
GE	\$(13,493)	\$(13,122)
GECS	(11,180)	(6,293)
	(24,673)	(19,415)
LIABILITIES		
GE	9,544	16,513
GECS	19,713	15,392
	29,257	31,905
Net deferred income tax liability	\$ 4,584	\$ 12,490

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

December 31 (In millions)	2008	2007
GE		
Intangible assets	\$ 2,664	\$ 2,609
Contract costs and estimated earnings	2,319	2,215
Depreciation	1,205	1,360
Investment in global subsidiaries	444	318
Pension asset—principal plans	—	7,067
Provision for expenses ^(a)	(6,578)	(6,426)
Retiree insurance plans	(4,355)	(4,616)
Non-U.S. loss carryforwards ^(b)	(800)	(925)
Other—net	1,152	1,789
	(3,949)	3,391
GECS		
Financing leases	7,317	7,089
Operating leases	4,882	4,478
Investment in global subsidiaries	2,127	(1,203)
Intangible assets	1,360	1,427
Allowance for losses	(2,459)	(1,478)
Cash flow hedges	(2,260)	(496)
Net unrealized losses on securities	(1,634)	(14)
Non-U.S. loss carryforwards ^(b)	(979)	(805)
Other—net	179	101
	8,533	9,099
Net deferred income tax liability	\$ 4,584	\$ 12,490

(a) Represented the tax effects of temporary differences related to expense accruals for a wide variety of items, such as employee compensation and benefits, pension plan liabilities, interest on tax liabilities, product warranties and other sundry items that are not currently deductible.

(b) Net of valuation allowances of \$635 million and \$557 million for GE and \$260 million and \$196 million for GECS, for 2008 and 2007, respectively. Of the net deferred tax asset as of December 31, 2008, of \$1,779 million, \$33 million relates to net operating loss carryforwards that expire in various years ending from December 31, 2009, through December 31, 2011; \$160 million relates to net operating losses that expire in various years ending from December 31, 2012, through December 31, 2023; and \$1,586 million relates to net operating loss carryforwards that may be carried forward indefinitely.

Note 22.**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 affiliates of GE Capital. Preferred shares that we are required to redeem at a specified or determinable date are classified as liabilities. The balance is summarized as follows:

December 31 (In millions)	2008	2007
Minority interest in consolidated affiliates		
NBC Universal	\$5,091	\$5,025
Others ^(a)	3,579	2,698
Minority interest in preferred stock ^(b)		
GE Capital affiliates	277	281
Total	\$8,947	\$8,004

(a) Included minority interest in partnerships and common shares of consolidated affiliates.

(b) The preferred stock pays cumulative dividends at an average rate of 6.81%.

Note 23.**Shareowners' Equity**

(In millions)	2008	2007	2006
PREFERRED STOCK ISSUED ^{(a)(b)}	\$ —	\$ —	\$ —
COMMON STOCK ISSUED ^{(a)(b)}	\$ 702	\$ 669	\$ 669
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Balance at January 1	\$ 8,324	\$ 3,254	\$ 3,137
Investment securities—net of deferred taxes of \$(2,528), \$(510) and \$111	(3,813)	(972)	297
Currency translation adjustments—net of deferred taxes of \$4,082, \$(1,319) and \$(1,417)	(10,890)	4,662	3,776
Cash flow hedges—net of deferred taxes of \$(1,982), \$(213) and \$75	(2,781)	23	599
Benefit plans—net of deferred taxes of \$(7,379), \$860 and \$182 ^(c)	(13,288)	2,566	287
Reclassification adjustments			
Investment securities—net of deferred taxes of \$734, \$(375) and \$(279)	595	(512)	(520)
Currency translation adjustments	(117)	(135)	(127)
Cash flow hedges—net of deferred taxes of \$295, \$(119) and \$(60)	117	(562)	(376)
Cumulative effect of change in accounting principle—net of deferred taxes of \$(2,715)	—	—	(3,819)
Balance at December 31 ^(d)	\$ (21,853)	\$ 8,324	\$ 3,254
OTHER CAPITAL			
Balance at January 1	\$ 26,100	\$ 25,486	\$ 25,227
Common stock issuance ^(b)	11,972	—	—
Preferred stock and warrant issuance ^(b)	2,965	—	—
Gains (losses) on treasury stock dispositions and other ^(b)	(647)	614	259
Balance at December 31	\$ 40,390	\$ 26,100	\$ 25,486
RETAINED EARNINGS			
Balance at January 1 ^(e)	\$117,362	\$106,867	\$ 96,926
Net earnings	17,410	22,208	20,742
Dividends ^{(b)(f)}	(12,649)	(11,713)	(10,675)
Balance at December 31	\$122,123	\$117,362	\$106,993
COMMON STOCK HELD IN TREASURY			
Balance at January 1	\$ (36,896)	\$ (24,893)	\$ (17,326)
Purchases ^(b)	(3,508)	(14,913)	(10,512)
Dispositions ^(b)	3,707	2,910	2,945
Balance at December 31	\$ (36,697)	\$ (36,896)	\$ (24,893)
TOTAL EQUITY			
Balance at December 31	\$104,665	\$115,559	\$111,509

(a) Additions resulting from issuances in 2008 were inconsequential for preferred stock and \$33 million for common stock.

(b) Total dividends and other transactions with shareowners, inclusive of additions to par value discussed in note (a), increased equity by \$1,873 million in 2008, and reduced equity by \$23,102 million in 2007 and \$17,983 million in 2006.

(c) For 2008, included \$(43) million of prior service costs for plan amendments, \$534 million of amortization of prior service costs, \$(13,980) million of gains (losses) arising during the year and \$201 million of amortization of gains (losses)—net of deferred taxes of \$(24) million, \$441 million, \$(7,893) million and \$97 million, respectively. For 2007, included \$(3,122) million of prior service costs for plan amendments, \$494 million of amortization of prior service costs, \$4,666 million of gains (losses) arising during the year and \$528 million of amortization of gains (losses)—net of deferred taxes of \$(2,482) million, \$339 million, \$2,639 million and \$364 million, respectively.

(d) At December 31, 2008, included additions to equity of \$2,865 million related to hedges of our investments in financial services subsidiaries that have functional currencies other than the U.S. dollar and reductions of \$3,332 million related to cash flow hedges of forecasted transactions, of which we expect to transfer \$1,892 million to earnings as an expense in 2009 along with the earnings effects of the related forecasted transaction.

(e) 2007 opening balance change reflects cumulative effect of changes in accounting principles of \$(49) million related to adopting FIN 48 and \$(77) million related to adoption of FSP FAS 13-2. The cumulative effect of adopting SFAS 159 at January 1, 2008, was insignificant. See Note 1.

(f) For 2008, included \$75 million of dividends on preferred stock.

SHARES OF GE PREFERRED STOCK

On October 16, 2008, GE issued 30,000 shares of GE's 10% cumulative perpetual preferred stock, par value \$1.00 per share, having an aggregate liquidation value of \$3.0 billion, and warrants to purchase 134,831,460 shares of GE's common stock, par value \$0.06 per share, for an aggregate purchase price of \$3.0 billion in cash. The preferred stock is redeemable at GE's option after three years, in whole or in part, at a price of 110% of liquidation value plus accrued and unpaid dividends. The warrants are exercisable at the holder's option at any time and from time to time, in whole or in part, for five years at an exercise price of \$22.25 per share of common stock and are settled through physical share issuance. GE has 50 million authorized shares of preferred stock (\$1.00 par value), and has issued 30 thousand shares as of December 31, 2008.

SHARES OF GE COMMON STOCK

On September 25, 2008, we suspended our three-year, \$15 billion share repurchase program, which was initiated in December 2007. Under this program, on a book basis, we repurchased 99.1 million shares for a total of \$3.1 billion during 2008.

On October 7, 2008, GE completed an offering of 547.8 million shares of common stock at a price of \$22.25 per share.

Common shares issued and outstanding are summarized in the following table.

December 31 (In thousands)	2008	2007	2006
Issued	11,693,829	11,145,252	11,145,212
In treasury	(1,156,932)	(1,157,653)	(867,839)
Outstanding	10,536,897	9,987,599	10,277,373

Note 24.**Other Stock-Related Information**

We grant stock options, restricted stock units (RSUs) and performance share units (PSUs) to employees under the 2007 Long-Term Incentive Plan. This plan replaced the 1990 Long-Term Incentive Plan. In addition, we grant options and RSUs in limited circumstances to consultants, advisors and independent contractors (primarily non-employee talent at NBC Universal) under a plan approved by our Board of Directors in 1997 (the consultants' plan). There are outstanding grants under one shareowner-approved option plan for non-employee directors. Share requirements for all plans may be met from either unissued or treasury shares. Stock options expire 10 years from the date they are granted and vest over service periods that range from one to five years. RSUs give the recipients the right to receive shares of our stock upon the vesting of their related restrictions. Restrictions on RSUs vest in various increments and at various dates, beginning after one year from date of grant through grantee retirement. Although the plan permits us to issue RSUs settleable in cash, we have only issued RSUs settleable in shares of our stock. PSUs give recipients the right to receive shares of our stock upon the achievement of certain performance targets.

All grants of GE options under all plans must be approved by the Management Development and Compensation Committee, which consists entirely of independent directors.

STOCK COMPENSATION PLANS

December 31, 2008 (Shares in thousands)	Securities to be issued upon exercise	Weighted average exercise price	Securities available for future issuance
APPROVED BY SHAREOWNERS			
Options	214,824	\$36.30	(a)
RSUs	36,392	(b)	(a)
PSUs	1,050	(b)	(a)
NOT APPROVED BY SHAREOWNERS (CONSULTANTS' PLAN)			
Options	683	35.85	(c)
RSUs	91	(b)	(c)
Total	253,040	\$36.30	462,787

(a) In 2007, the Board of Directors approved the 2007 Long-Term Incentive Plan (the Plan). The Plan replaced the 1990 Long-Term Incentive Plan. The maximum number of shares that may be granted under the Plan is 500 million shares, of which no more than 250 million may be available for awards granted in any form provided under the Plan other than options or stock appreciation rights. The approximate 105.9 million shares available for grant under the 1990 Plan were retired upon approval of the 2007 Plan. Total shares available for future issuance under the 2007 Plan amounted to 439.0 million shares at December 31, 2008.

(b) Not applicable.

(c) Total shares available for future issuance under the consultants' plan amount to 23.8 million shares.

Outstanding options expire on various dates through December 11, 2018.

The following table summarizes information about stock options outstanding at December 31, 2008.

STOCK OPTIONS OUTSTANDING

Exercise price range	Outstanding			Exercisable	
	Shares	Average life ^(a)	Average exercise price	Shares	Average exercise price
Under \$27.00	784	4.6	\$22.50	568	\$23.94
27.01–32.00	66,510	6.1	28.36	40,767	28.39
32.01–37.00	61,593	4.6	34.73	47,045	34.91
37.01–42.00	32,555	4.7	39.19	19,843	39.47
42.01–47.00	42,045	2.0	43.29	42,045	43.29
Over \$47.00	12,020	1.7	56.86	12,020	56.86
Total	215,507	4.4	\$36.30	162,288	\$37.59

At year-end 2007, options with an average exercise price of \$36.98 were exercisable on 168 million shares.

(a) Average contractual life remaining in years.

STOCK OPTION ACTIVITY

	Shares (In thousands)	Weighted average grant date fair value	Weighted average remaining contractual term (In years)	Aggregate intrinsic value (In millions)
Outstanding at				
January 1, 2008	213,382	\$36.68		
Granted	25,317	28.21		
Exercised	(13,271)	26.62		
Forfeited	(2,831)	35.18		
Expired	(7,090)	37.40		
Outstanding at				
December 31, 2008	215,507	\$36.30	4.4	\$—
Exercisable at				
December 31, 2008	162,288	\$37.59	3.0	\$—
Options expected				
to vest	47,092	\$32.45	8.5	\$—

We measure the fair value of each stock option grant at the date of grant using a Black-Scholes option pricing model. The weighted average grant-date fair value of options granted during 2008, 2007 and 2006 was \$5.26, \$9.28 and \$7.99, respectively. The following assumptions were used in arriving at the fair value of options granted during 2008, 2007 and 2006, respectively: risk-free interest rates of 3.4%, 4.2% and 4.8%; dividend yields of 4.4%, 2.9% and 2.9%; expected volatility of 27%, 25% and 24%; and expected lives of six years and nine months, six years and ten months, and six years and two months. Risk-free interest rates reflect the yield on zero-coupon U.S. Treasury securities. Expected dividend yields presume a set dividend rate. For stock options granted in the fourth quarter of 2008, we used a historical five-year average for the dividend yield. Expected volatilities are based on implied volatilities from traded options and historical volatility of our stock. The expected option lives are based on our historical experience of employee exercise behavior.

The total intrinsic value of options exercised during 2008, 2007 and 2006 amounted to \$45 million, \$375 million and \$587 million, respectively. As of December 31, 2008, there was \$251 million of total unrecognized compensation cost related to nonvested options. That cost is expected to be recognized over a weighted average period of two years, of which approximately \$84 million is expected to be recognized in 2009.

Stock option expense recognized in net earnings amounted to \$69 million in both 2008 and 2007, and \$96 million in 2006. Cash received from option exercises during 2008, 2007 and 2006 was \$353 million, \$747 million and \$622 million, respectively. The tax benefit realized from stock options exercised during 2008, 2007 and 2006 was \$15 million, \$131 million and \$203 million, respectively.

OTHER STOCK-BASED COMPENSATION

	Shares (In thousands)	Weighted average grant date fair value	Weighted average remaining contractual term (In years)	Aggregate intrinsic value (In millions)
RSUs outstanding at				
January 1, 2008	37,129	\$33.48		
Granted	10,794	28.74		
Vested	(9,445)	31.34		
Forfeited	(1,995)	34.61		
RSUs outstanding at				
December 31, 2008	36,483	\$32.57	2.9	\$591
RSUs expected to vest	33,239	\$32.61	2.8	\$538

The fair value of each restricted stock unit is the market price of our stock on the date of grant. The weighted average grant date fair value of RSUs granted during 2008, 2007 and 2006 was \$28.74, \$38.84 and \$33.95, respectively. The total intrinsic value of RSUs vested during 2008, 2007 and 2006 amounted to \$274 million, \$181 million and \$132 million, respectively. As of December 31, 2008, there was \$687 million of total unrecognized compensation cost related to nonvested RSUs. That cost is expected to be recognized over a weighted average period of two years, of which approximately \$205 million is expected to be recognized in 2009. As of December 31, 2008, 1.1 million PSUs with a weighted average remaining contractual term of two years, an aggregate intrinsic value of \$17 million and \$10 million of unrecognized compensation cost were outstanding.

Other share-based compensation expense recognized in net earnings amounted to \$155 million, \$173 million and \$130 million in 2008, 2007 and 2006, respectively. The total income tax benefit recognized in earnings for all share-based compensation arrangements amounted to \$106 million, \$118 million and \$117 million in 2008, 2007 and 2006, respectively.

When stock options are exercised and restricted stock vests, the difference between the assumed tax benefit and the actual tax benefit must be recognized in our financial statements. In circumstances in which the actual tax benefit is lower than the estimated tax benefit, SFAS 123(R) requires that difference to be recorded in equity, to the extent there are sufficient accumulated excess tax benefits, as defined by the standard. At December 31, 2008, our accumulated excess tax benefits are sufficient to absorb any future differences between actual and estimated tax benefits for all of our outstanding option and restricted stock grants.

Note 25.**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. In 2008, GE received \$300 million (12.7 million shares) worth of its shares in connection with the disposition of NBC Universal's

57% interest in the Sundance Channel. There were no significant non-cash transactions in 2007. In 2006, we had a significant non-cash transaction in connection with our sale of GE Insurance Solutions: Swiss Re assumed \$1,700 million of debt, and GE received \$2,238 million of newly issued Swiss Re common stock. See Note 2.

Certain supplemental information related to GE and GECS cash flows is shown below.

December 31 (In millions)	2008	2007	2006
GE			
NET DISPOSITIONS (PURCHASES) OF GE SHARES FOR TREASURY			
Open market purchases under share repurchase program	\$ (3,222)	\$ (13,896)	\$ (8,054)
Other purchases	(286)	(1,017)	(2,458)
Dispositions	2,259	2,594	1,958
	\$ (1,249)	\$ (12,319)	\$ (8,554)
GECS			
ALL OTHER OPERATING ACTIVITIES			
Net change in other assets	\$ (1,461)	\$ (1,507)	\$ (1,709)
Amortization of intangible assets	994	879	599
Realized losses (gains) on investment securities	1,260	(885)	(132)
Change in other liabilities	4,514	3,378	3,345
Other	3,201	(2,404)	(1,068)
	\$ 8,508	\$ (539)	\$ 1,035
NET INCREASE IN GECS FINANCING RECEIVABLES			
Increase in loans to customers	\$(411,913)	\$(408,611)	\$(371,835)
Principal collections from customers—loans	363,455	322,074	296,708
Investment in equipment for financing leases	(21,671)	(26,489)	(25,618)
Principal collections from customers—financing leases	20,159	20,868	18,791
Net change in credit card receivables	(34,498)	(38,405)	(25,787)
Sales of financing receivables	67,093	86,399	67,471
	\$ (17,375)	\$ (44,164)	\$ (40,270)
ALL OTHER INVESTING ACTIVITIES			
Purchases of securities by insurance activities	\$ (4,190)	\$ (13,279)	\$ (11,891)
Dispositions and maturities of securities by insurance activities	4,690	15,602	11,635
Other assets—investments	(205)	(10,218)	(6,242)
Change in other receivables	3,331	(2,456)	(55)
Other	2,353	1,621	558
	\$ 5,979	\$ (8,730)	\$ (5,995)
NEWLY ISSUED DEBT HAVING MATURITIES LONGER THAN 90 DAYS			
Short-term (91 to 365 days)	\$ 34,445	\$ 1,226	\$ 1,237
Long-term (longer than one year)	87,949	90,769	86,028
Proceeds—nonrecourse, leveraged lease	113	24	1,015
	\$ 122,507	\$ 92,019	\$ 88,280
REPAYMENTS AND OTHER REDUCTIONS OF DEBT HAVING MATURITIES LONGER THAN 90 DAYS			
Short-term (91 to 365 days)	\$ (66,015)	\$ (43,937)	\$ (42,273)
Long-term (longer than one year)	(462)	(4,482)	(5,576)
Principal payments—nonrecourse, leveraged lease	(637)	(1,109)	(1,404)
	\$ (67,114)	\$ (49,528)	\$ (49,253)
ALL OTHER FINANCING ACTIVITIES			
Proceeds from sales of investment contracts	\$ 11,433	\$ 12,641	\$ 16,418
Redemption of investment contracts	(13,304)	(13,862)	(17,603)
Capital contribution	5,500	—	—
Other	9	17	11
	\$ 3,638	\$ (1,204)	\$ (1,174)

Note 26.**Intercompany Transactions**

Effects of transactions between related companies are eliminated and consist primarily of GECS dividend to GE; GE customer receivables sold to GECS; GECS services for trade receivables management and material procurement; buildings and equipment (including automobiles) leased by GE from GECS; information technology (IT) and other services sold to GECS by GE; aircraft engines manufactured by GE that are installed on aircraft purchased by GECS from third-party producers for lease to others; medical equipment manufactured by GE that is leased by GECS to others; and various investments, loans and allocations of GE corporate overhead costs.

These intercompany transactions are reported in the GE and GECS columns of our financial statements (and include customer receivables sold from GE to GECS), but are eliminated in deriving our Consolidated financial statements. The effects of these eliminations on our Consolidated cash flows from operating, investing and financing activities follow.

December 31 (In millions)	2008	2007	2006
OPERATING			
Sum of GE and GECS cash from operating activities—continuing operations	\$ 50,290	\$ 48,316	\$ 45,351
Elimination of GECS dividend to GE	(2,351)	(7,291)	(9,847)
Net decrease (increase) in GE customer receivables sold to GECS	90	(255)	(2,036)
Other reclassifications and eliminations	(188)	(828)	(956)
Consolidated cash from operating activities—continuing operations	\$ 47,841	\$ 39,942	\$ 32,512
INVESTING			
Sum of GE and GECS cash used for investing activities—continuing operations	\$(39,615)	\$(67,845)	\$(54,132)
Net increase (decrease) in GE customer receivables sold to GECS	(90)	255	2,036
Other reclassifications and eliminations	(320)	1,202	1,223
Consolidated cash used for investing activities—continuing operations	\$(40,025)	\$(66,388)	\$(50,873)
FINANCING			
Sum of GE and GECS cash from financing activities—continuing operations	\$ 22,760	\$ 18,751	\$ 16,772
Elimination of short-term intercompany borrowings ^(a)	(787)	1,950	(2,732)
Elimination of GECS dividend to GE	2,351	7,291	9,847
Other reclassifications and eliminations	316	99	(48)
Consolidated cash from financing activities—continuing operations	\$ 24,640	\$ 28,091	\$ 23,839

(a) Represents GE investment in GECS short-term borrowings, such as commercial paper.

Note 27.**Operating Segments****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. Segment results for our financial services businesses reflect the discrete tax effect of transactions, but the intraperiod tax allocation is reflected outside of the segment unless otherwise noted in segment results.

Effects of transactions between related companies are eliminated and consist primarily of GECS dividends to GE; GE customer receivables sold to GECS; GECS services for trade receivables management and material procurement; buildings and equipment (including automobiles) leased by GE from GECS; IT and other services sold to GECS by GE; aircraft engines manufactured by GE that are installed on aircraft purchased by GECS from third-party producers for lease to others; medical equipment manufactured by GE that is leased by GECS to others; and various investments, loans and allocations of GE corporate overhead costs.

A description of our operating segments as of December 31, 2008, can be found below, and details of segment profit by operating segment can be found in the Summary of Operating Segments table in Management's Discussion and Analysis.

Energy Infrastructure

Power plant products and services, including design, installation, operation and maintenance services are sold into global markets. Gas, steam and aeroderivative turbines, generators, combined cycle systems, controls and related services, including total asset optimization solutions, equipment upgrades and long-term maintenance service agreements are sold to power generation and other industrial customers. Renewable energy solutions include wind turbines and solar technology. Water treatment services and equipment include specialty chemical treatment programs, water purification equipment, mobile treatment systems and desalination processes.

The Oil & Gas business sells surface and subsea drilling and production systems, equipment for floating production platforms, compressors, turbines, turboexpanders and high pressure reactors to national, international and independent oil and gas companies. Services include equipment overhauls and upgrades, pipeline inspection and integrity services, remote diagnostic and monitoring and contractual service agreements. The acquisition of Hydril Pressure Controls in April 2008 strengthened the drilling solutions portfolio through the addition of blow out preventers, control technology and associated services.

Technology Infrastructure

Aviation products and services include jet engines, aerospace systems and equipment, replacement parts and repair and maintenance services for all categories of commercial aircraft; for a wide variety of military aircraft, including fighters, bombers, tankers and helicopters; for marine applications; and for executive and regional aircraft. Products and services are sold worldwide to airframe manufacturers, airlines and government agencies.

Healthcare products include diagnostic imaging systems such as magnetic resonance (MR), computed tomography (CT) and positron emission tomography (PET) scanners, X-ray, nuclear imaging and ultrasound. Healthcare manufactured technologies include patient monitoring, diagnostic cardiology, bone densitometry, anesthesiology and oxygen therapy, and neonatal and critical care devices. Related services, including equipment monitoring and repair, information technologies and customer productivity services. Products also include diagnostic imaging agents used in medical scanning procedures, products used in the purification of biopharmaceuticals, and tools for protein and cellular analysis for pharmaceutical and academic research. Products and services are sold worldwide to hospitals, medical facilities, pharmaceutical and biotechnology companies, and to the life science research market.

Transportation products and maintenance services include diesel electric locomotives, transit propulsion equipment, motorized wheels for off-highway vehicles, gearing technology for wind turbines, drill motors, marine and stationary power generation, and railway signaling and office systems.

Enterprise Solutions offers integrated solutions using sensors for temperature, pressure, moisture, gas and flow rate as well as non-destructive testing inspection equipment, including radiographic, ultrasonic, remote visual and eddy current. Enterprise Solutions also offers security and life safety technologies, including explosives and narcotics detection, intrusion and access control, video surveillance and sensor monitoring equipment, and fire detection and provides protection and control, communications, power sensing and power quality products and services that increase the reliability of electrical power networks and critical equipment and offering wireless data transmission. Plant automation, hardware, software and embedded computing systems including controllers, embedded systems, advanced software, motion control, computer numerical controls, operator interfaces, industrial computers, and lasers are also provided by Enterprise Solutions. Markets are extremely diverse. Products and services are sold to residential, commercial and industrial end-users, including utilities, original equipment manufacturers, electrical distributors, retail outlets, airports, railways, and transit authorities. Increasingly, products and services are developed for and sold in global markets.

NBC Universal

Principal businesses are the broadcast of U.S. network television, production and distribution of films and television programs, operation of television stations, operation of cable/satellite television networks around the world, operation of theme parks, and investment and programming activities in digital media and the Internet.

Capital Finance

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

GE Money offers a range of financial products including private-label credit cards; personal loans; bank cards; auto loans and leases; mortgages; debt consolidation; home equity loans; deposits and other savings products; and small and medium enterprise lending on a global basis.

Capital Finance also provides financial products to airlines, aircraft operators, owners, lenders and investors, including leases, aircraft purchasing and trading, loans, engine/spare parts financing, fleet planning and financial advisory services.

Financial products to the global energy and water industries include structured and common equity, debt, leasing, project finance, broad-based commercial finance and investments in operating leases.

Consumer & Industrial

Products include major appliances and related services for products such as refrigerators, freezers, electric and gas ranges, cooktops, dishwashers, clothes washers and dryers, microwave ovens, room air conditioners and residential water system products. These products are distributed both to retail outlets and direct to consumers, mainly for the replacement market, and to building contractors and distributors for new installations. Lighting products include a wide variety of lamps and lighting fixtures, including light-emitting diodes. Electrical equipment and control products include lighting and power panels, switchgear, and circuit breakers. Products and services are sold in North America and in global markets under various GE and private-label brands.

REVENUES

(In millions)	Total revenues ^(a)			Intersegment revenues ^(b)			External revenues		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Energy Infrastructure	\$ 38,571	\$ 30,698	\$ 25,221	\$ 664	\$ 351	\$ 488	\$ 37,907	\$ 30,347	\$ 24,733
Technology Infrastructure	46,316	42,801	37,687	273	113	216	46,043	42,688	37,471
NBC Universal	16,969	15,416	16,188	89	35	52	16,880	15,381	16,136
Capital Finance	67,008	66,301	56,378	1,333	1,128	1,013	65,675	65,173	55,365
Consumer & Industrial	11,737	12,663	13,202	196	143	235	11,541	12,520	12,967
Corporate items and eliminations	1,914	4,609	2,892	(2,555)	(1,770)	(2,004)	4,469	6,379	4,896
Total	\$182,515	\$172,488	\$151,568	\$ —	\$ —	\$ —	\$182,515	\$172,488	\$151,568

(a) Revenues of GE businesses include income from sales of goods and services to customers and other income.

(b) Sales from one component to another generally are priced at equivalent commercial selling prices.

Revenues from customers located in the United States were \$85,301 million, \$86,247 million and \$81,057 million in 2008, 2007 and 2006, respectively. Revenues from customers located outside the United States were \$97,214 million, \$86,241 million and \$70,511 million in 2008, 2007 and 2006, respectively.

(In millions)	Assets ^{(a)(b)}			Property, plant and equipment additions ^(c)			Depreciation and amortization		
	At December 31			For the years ended December 31			For the years ended December 31		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Energy Infrastructure	\$ 33,836	\$ 31,466	\$ 24,456	\$ 1,226	\$ 1,054	\$ 867	\$ 838	\$ 774	\$ 672
Technology Infrastructure	58,967	57,670	49,641	1,395	1,954	1,389	1,520	1,569	1,269
NBC Universal	33,781	33,089	31,425	131	306	352	354	357	361
Capital Finance	572,903	583,965	491,000	15,313	17,832	14,489	10,238	8,864	6,971
Consumer & Industrial	5,065	5,351	5,740	284	363	373	397	434	497
Corporate items and eliminations	93,217	84,142	95,011	281	247	195	221	310	262
Total	\$797,769	\$795,683	\$697,273	\$18,630	\$21,756	\$17,665	\$13,568	\$12,308	\$10,032

(a) Assets of discontinued operations are included in Corporate items and eliminations for all periods presented.

(b) Total assets of the Energy Infrastructure, Technology Infrastructure, NBC Universal, Capital Finance and Consumer & Industrial operating segments at December 31, 2008, include investment in and advances to associated companies of \$640 million, \$711 million, \$954 million, \$18,694 million and \$394 million, respectively, which contributed approximately \$91 million, \$67 million, \$134 million, \$2,217 million and \$33 million, respectively, to segment pre-tax income for the year ended December 31, 2008. Aggregate summarized financial information for significant associated companies assuming a 100% ownership interest included: total assets of \$154,825 million, primarily financing receivables of \$85,554 million; total liabilities of \$128,959 million, primarily bank deposits of \$65,514 million; revenues totaling \$22,347 million; and net earnings totaling \$3,583 million.

(c) Additions to property, plant and equipment include amounts relating to principal businesses purchased.

(In millions)	Interest and other financial charges			Provision (benefit) for income taxes		
	2008	2007	2006	2008	2007	2006
Capital Finance	\$25,094	\$22,611	\$17,079	\$(1,914)	\$1,225	\$1,560
Corporate items and eliminations ^(a)	1,115	1,151	1,800	2,966	2,930	2,384
Total	\$26,209	\$23,762	\$18,879	\$ 1,052	\$4,155	\$3,944

(a) Included amounts for Energy Infrastructure, Technology Infrastructure, NBC Universal and Consumer & Industrial for which our measure of segment profit excludes interest and other financial charges and income taxes.

Property, plant and equipment—net associated with operations based in the United States were \$27,667 million, \$27,188 million and \$25,699 million at year-end 2008, 2007 and 2006, respectively. Property, plant and equipment—net associated with operations

based outside the United States were \$50,863 million, \$50,700 million and \$44,929 million at year-end 2008, 2007 and 2006, respectively.

Note 28.**Fair Value Measurements**

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

For financial assets and liabilities, fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 — Significant inputs to the valuation model are unobservable.

We maintain policies and procedures to value instruments using the best and most relevant data available. In addition, we have risk management teams that review valuation, including independent price validation for certain instruments. Further, in other instances, we retain independent pricing vendors to assist in valuing certain instruments.

The following section describes the valuation methodologies we use to measure different financial instruments at fair value.

Investments in Debt and Equity Securities

When available, we use quoted market prices to determine the fair value of investment securities, and they are included in Level 1. Level 1 securities primarily include publicly-traded equity securities.

When quoted market prices are unobservable, we use quotes from independent pricing vendors based on recent trading activity and other relevant information including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable. These investments are included in Level 2 and primarily comprise our portfolio of corporate fixed income, and government, mortgage and asset-backed securities. In infrequent circumstances, our pricing vendors may provide us with valuations that are based on significant unobservable inputs, and in those circumstances we classify the investment securities in Level 3.

As part of our adoption of SFAS 157 in the first quarter of 2008, we conducted a review of our primary pricing vendor, with the assistance of an accounting firm, to validate that the inputs used in that vendor's pricing process are deemed to be market observable as defined in the standard. More specifically, we used a combination of approaches to validate that the process used by the pricing vendor is consistent with the requirements of the standard and that the levels assigned to these valuations are reasonable. While we were not provided access to proprietary models of the vendor, our review included on-site walk-throughs of the pricing process, methodologies and control procedures for each asset class for which prices are provided. Our review also included an examination of the underlying inputs and assumptions for a sample of individual securities, a process we have continued to perform for each reporting period. Based on this examination, and the ongoing review performed, we believe that the valuations used in our financial statements are reasonable and are appropriately classified in the fair value hierarchy. As of December 31, 2008, the valuation provided by pricing services was \$26,654 million and was classified in Level 2. The valuations provided by pricing services based on significant unobservable inputs was insignificant, and those investment securities are classified as Level 3.

Retained interests in securitizations are valued using a discounted cash flow model that considers the underlying structure of the securitization and estimated net credit exposure, prepayment assumptions, discount rates and expected life. Investment securities priced using non-binding broker quotes and retained interests are included in Level 3. We use non-binding broker quotes as our primary basis for valuation when there is limited, or no, relevant market activity for a specific instrument or for other instruments that share similar characteristics. We have not adjusted the prices we have obtained. Level 3 investment securities valued using non-binding broker quotes totaled \$2,074 million at December 31, 2008, and were classified as available-for-sale securities. Level 3 retained interests totaled \$6,356 million at December 31, 2008.

We receive one quote for Level 2 and Level 3 securities where third-party quotes are used as our basis for fair value measurement. As is the case with our primary pricing vendor, third-party providers of quotes do not provide access to their proprietary valuation models, inputs and assumptions. Accordingly, our risk management personnel conduct internal reviews of pricing for all such investment securities at least quarterly to ensure reasonableness of valuations used in our financial statements. These reviews are designed to identify prices that appear stale, those that have changed significantly from prior valuations, and other anomalies that may indicate that a price may not be accurate. We also follow established routines for reviewing and reconfirming valuations with the pricing provider, if deemed appropriate. In addition, the pricing vendor has an established challenge process in place for all security valuations, which facilitates identification and resolution of potentially erroneous prices. Based on the information available, we believe that the fair values provided by the brokers are consistent with the principles of SFAS 157.

Private equity investments held in investment company affiliates are initially valued at cost. Valuations are reviewed at the end of each quarter utilizing available market data to determine whether or not any fair value adjustments are necessary. Such market data include any comparable public company trading multiples. Unobservable inputs include company-specific fundamentals and other third-party transactions in that security. Our valuation methodology for private equity investments is applied consistently, and these investments are generally included in Level 3.

The following table presents our assets and liabilities measured at fair value on a recurring basis at December 31, 2008. Included in the table are investment securities of \$21,967 million, primarily supporting obligations to annuitants and policyholders in our run-off insurance operations, and \$8,190 million supporting obligations to holders of guaranteed investment contracts. Such securities are primarily investment grade. In addition, the table includes \$12,642 million and \$5,236 million of derivative assets and liabilities, respectively, with highly rated counterparties, primarily used for risk management purposes. Also included are retained interests in securitizations totaling \$6,356 million.

December 31, 2008 (In millions)	Level 1	Level 2	Level 3	FIN 39 netting ^(a)	Net balance
ASSETS					
Investment securities	\$1,158	\$27,332	\$12,956	\$ —	\$41,446
Derivatives ^(b)	—	18,911	1,142	(7,411)	12,642
Other ^(c)	1	288	1,105	—	1,394
Total	\$1,159	\$46,531	\$15,203	\$(7,411)	\$55,482
LIABILITIES					
Derivatives	\$ 2	\$12,643	\$ 166	\$(7,575)	\$ 5,236
Other ^(d)	—	1,031	—	—	1,031
Total	\$ 2	\$13,674	\$ 166	\$(7,575)	\$ 6,267

(a) FIN 39, *Offsetting of Amounts Related to Certain Contracts*, permits the netting of derivative receivables and derivative payables when a legally enforceable master netting agreement exists. Included fair value adjustments related to our own and counterparty credit risk.

(b) The fair value of derivatives included an adjustment for our non-performance risk. At December 31, 2008, the adjustment for our non-performance risk was a gain of \$177 million.

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

(d) Primarily represented the liability associated with certain of our deferred incentive compensation plans accounted for in accordance with EITF Issue 97-14, *Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested*.

Derivatives

We use closing prices for derivatives included in Level 1, which are traded either on exchanges or liquid over-the-counter markets.

The majority of our derivatives portfolio is valued using internal models. The models maximize the use of market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities. Derivative assets and liabilities included in Level 2 primarily represent interest rate swaps, cross-currency swaps and foreign currency and commodity forward and option contracts.

Derivative assets and liabilities included in Level 3 primarily represent interest rate products that contain embedded optionality or prepayment features.

Loans

When available, we use observable market data, including pricing on recent closed market transactions, to value loans which are included in Level 2. When this data is unobservable, we use valuation methodologies using current market interest rate data adjusted for inherent credit risk, and such loans are included in Level 3. When appropriate, loans are valued using collateral values as a practical expedient.

Effective January 1, 2008, we adopted SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. Upon adoption, we elected to report \$172 million of commercial mortgage loans at fair value in order to have them on the same accounting basis (measured at fair value through earnings) as the derivatives economically hedging these loans.

The following table presents the changes in Level 3 instruments measured on a recurring basis for the year ended December 31, 2008. The majority of our Level 3 balances consist of investment securities classified as available-for-sale with changes in fair value recorded in equity.

CHANGES IN LEVEL 3 INSTRUMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

(In millions)	January 1, 2008	Net realized/ unrealized gains (losses) included in earnings ^(a)	Net realized/ unrealized gains (losses) included in accumulated nonowner changes other than earnings	Purchases, issuances and settlements	Transfers in and/or out of Level 3 ^(b)	December 31, 2008	Net change in unrealized gains (losses) relating to instruments still held at December 31, 2008 ^(c)
Investment securities	\$12,447	\$ 430	\$(1,586)	\$ 671	\$ 994	\$12,956	\$ 7
Derivatives ^{(d)(e)}	265	866	141	(256)	(13)	1,003	636
Other	1,330	(157)	(29)	(90)	51	1,105	(165)
Total	\$14,042	\$1,139	\$(1,474)	\$ 325	\$1,032	\$15,064	\$ 478

(a) Earnings effects are primarily included in the "GECS revenues from services" and "Interest and other financial charges" captions in the Statement of Earnings.

(b) Transfers in and out of Level 3 are considered to occur at the beginning of the period. Transfers into Level 3 were a result of increased use of non-binding broker quotes that could not be validated with other market observable data, resulting from continued deterioration in the credit markets.

(c) Represented the amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities classified as Level 3 that are still held at December 31, 2008.

(d) Earnings from Derivatives were partially offset by \$760 million in losses from related derivatives included in Level 2 and \$4 million in losses from underlying debt obligations in qualifying fair value hedges.

(e) Represented derivative assets net of derivative liabilities and included cash accruals of \$27 million not reflected in the fair value hierarchy table.

Certain assets that are carried on our Statement of Financial Position at historical cost, require fair value charges to earnings when they are deemed to be impaired. As these impairment charges are non-recurring, they are not included in the preceding tables.

Included in this category are certain loans that have been reduced for the fair value of their underlying collateral when deemed impaired, and cost and equity method investments that

are written down to fair value when their declines are determined to be other-than-temporary. At December 31, 2008, these amounts were \$48 million identified as Level 2 and \$3,145 million identified as Level 3. Of assets still held at December 31, 2008, we recognized \$587 million, pre-tax, of losses related to non-recurring fair value measurements of loans, and \$495 million, pre-tax, of other-than-temporary impairments of cost and equity method investments during 2008.

Note 29.**Financial Instruments**

December 31 (In millions)	2008			2007		
	Notional amount	Assets (liabilities)		Notional amount	Assets (liabilities)	
		Carrying amount (net)	Estimated fair value		Carrying amount (net)	Estimated fair value
GE						
Assets						
Investments and notes receivable	\$ (a)	\$ 269	\$ 269	\$ (a)	\$ 538	\$ 538
Liabilities						
Borrowings (b)	(a)	(12,202)	(12,267)	(a)	(15,762)	(15,819)
GECS						
Assets						
Loans	(a)	305,376	292,797	(a)	309,623	307,425
Other commercial mortgages	(a)	1,501	1,427	(a)	4,891	4,939
Loans held for sale	(a)	3,640	3,670	(a)	3,808	3,809
Other financial instruments (c)	(a)	2,637	2,810	(a)	2,764	3,150
Liabilities						
Borrowings (b)(d)	(a)	(514,601)	(504,439)	(a)	(500,922)	(503,607)
Investment contract benefits	(a)	(4,212)	(4,536)	(a)	(4,536)	(4,914)
Guaranteed investment contracts	(a)	(10,828)	(10,677)	(a)	(11,705)	(11,630)
Insurance— credit life (e)		1,165	(44)		(35)	(24)

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

(b) See Note 18.

(c) Principally cost method investments.

(d) Included effects of interest rate and cross-currency derivatives.

(e) Net of reinsurance of \$3,103 million and \$2,815 million at December 31, 2008 and 2007, respectively.

Assets and liabilities not carried at fair value in our Statement of Financial Position are discussed below. Consistent with SFAS 107, *Disclosure about Fair Value of Financial Instruments*, the disclosure 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.

A description of how we estimate fair values follows. Estimates of fair value at December 31, 2008, were determined in accordance with SFAS 107, as amended by SFAS 157.

Loans

Based on quoted market prices, recent transactions and/or discounted future cash flows, using rates we would charge to similar borrowers with similar maturities.

Borrowings

Valuation methodologies using current market interest rate data which are comparable to market quotes adjusted for our non-performance risk.

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.

Guaranteed Investment Contracts

Based on valuation methodologies using current market interest rate data, adjusted for our non-performance risk.

All Other Instruments

Based on observable market transactions, valuation methodologies using current market interest rate data adjusted for inherent credit risk and/or quoted market prices.

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.

Additional information about certain categories in the table above follows.

INSURANCE—CREDIT LIFE

Certain insurance affiliates, primarily in GE Money, 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.

LOAN COMMITMENTS

December 31 (In millions)	Notional amount	
	2008	2007
Ordinary course of business lending commitments (a) (b)	\$ 8,507	\$ 11,731
Unused revolving credit lines (c)		
Commercial	25,011	24,554
Consumer — principally credit cards	252,867	477,285

(a) Excluded investment commitments of \$3,501 million and \$4,864 million as of December 31, 2008 and 2007, respectively.

(b) Included a \$1,067 million secured commitment associated with an arrangement that can increase to a maximum of \$4,943 million based on the asset volume under the arrangement.

(c) Excluded inventory financing arrangements, which may be withdrawn at our option, of \$14,503 million and \$14,654 million as of December 31, 2008 and 2007, respectively.

Derivatives and Hedging

We conduct our business activities in diverse markets around the world, including countries where obtaining local funding is sometimes inefficient. The nature of our activities exposes us to changes in interest rates and currency exchange rates. We manage such risks using various techniques including issuing debt whose terms correspond to terms of the funded assets, as well as combinations of debt and derivatives that achieve our objectives. We also are exposed to various commodity price risks and address certain of these risks with commodity contracts. By policy, we do not use derivatives for speculative purposes. We value derivatives that are not exchange-traded with internal market-based valuation models. When necessary, we also obtain information from our derivative counterparties to validate our models and to value the few products that our internal models do not address.

We use interest rate swaps, currency derivatives and commodity derivatives to reduce the variability of expected future cash flows associated with variable rate borrowings and commercial purchase and sale transactions, including commodities. We use interest rate swaps, currency swaps and interest rate and currency forwards to hedge the fair value effects of interest rate and currency exchange rate changes on local and non-functional currency denominated fixed-rate borrowings and certain types of fixed-rate assets. We use currency swaps and forwards to protect our net investments in global operations conducted in non-U.S. dollar currencies. We intend all of these positions to qualify as hedges and to be accounted for as hedges.

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 economically 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 derivatives, their economic risks are similar to, and managed on the same basis as, risks of other equity instruments we hold. These instruments are marked to market through earnings.

Earnings Effects of Derivatives Designated as Hedges

The following table provides information about the earnings effects of derivatives designated and qualifying as hedges.

PRE-TAX GAINS (LOSSES)

December 31 (In millions)	2008	2007	2006
CASH FLOW HEDGES			
Ineffectiveness	\$ 8	\$ (3)	\$ 10
Amounts excluded from the measure of effectiveness	5	(17)	(16)
FAIR VALUE HEDGES			
Ineffectiveness	(600)	7	(47)
Amounts excluded from the measure of effectiveness	(26)	(13)	33

Ineffectiveness primarily related to changes in the present value of the initial credit spread over the benchmark interest rate associated with hedges of our fixed rate borrowings.

In 2008, 2007 and 2006, we recognized insignificant gains and losses related to hedged forecasted transactions and firm commitments that did not occur by the end of the originally specified period.

Guarantees of Derivatives

We do not sell credit default swaps; however, as a part of our risk management services, we provide performance guarantees to third-party financial institutions related to plain vanilla interest rate swaps on behalf of certain customers related to variable rate loans we have extended to them. The underwriting risk inherent in these arrangements is essentially similar to that of a fixed rate loan. Under these arrangements, the guarantee is secured, usually by the asset being purchased or financed, or by other assets of the guaranteed party. In addition, these agreements are underwritten to provide for collateral value that exceeds the combination of the loan amount and the initial expected future exposure of the derivative. These credit support arrangements mature on the same date as the related financing arrangements or transactions and are across a broad spectrum of diversified industries and companies. The fair value of our guarantee is \$28 million at December 31, 2008. Because we are guaranteeing the performance of the customer under these arrangements, our exposure to loss at any point in time is limited to the fair value of the customer's derivative contracts that are in a liability position. The aggregate termination value of such contracts at December 31, 2008, was \$386 million before consideration of any offsetting effect of collateral. At December 31, 2008, collateral value was sufficient to cover the loan amount and the fair value of the customer's derivative, in the event we had been called upon to perform under the guarantee. If we assumed that, on January 1, 2009, interest rates moved unfavorably by 100 basis points across the yield curve (a "parallel shift" in that curve), the effect on the fair value of such contracts, without considering any potential offset of the underlying collateral, would have been an increase of \$161 million. Given our strict underwriting criteria, we believe the likelihood that we will be required to perform under the guarantee is remote.

Additional information regarding our use of derivatives is provided in Note 18 and Note 23.

Counterparty Credit Risk

We manage counterparty credit risk, the risk that counterparties will default and not make payments to us according to the terms of the agreements, on an individual counterparty basis. Thus, when a legal right of offset exists, we net certain exposures by counterparty and include the value of collateral to determine the amount of ensuing exposure. When net exposure to a counterparty, based on the current market values of agreements and collateral, exceeds credit exposure limits (see following table), we take action to reduce exposure. Such actions include prohibiting additional transactions with the counterparty, 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-. In certain cases we have entered into collateral arrangements that provide us with the right to hold collateral (cash or U.S. Treasury or other highly-rated securities) when the current market value of derivative contracts exceeds a specified limit. We evaluate credit risk exposures and compliance with credit exposure limits net of such collateral.

Fair values of our derivatives can change significantly from period to period based on, among other factors, market movements and changes in our positions. At December 31, 2008, our exposure to counterparties, after consideration of netting arrangements and collateral, was about \$1,800 million.

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

COUNTERPARTY CREDIT CRITERIA

	Credit rating	
	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 ^(a)	AA- ^(a)
All derivatives greater than five years	Aaa ^(a)	AAA ^(a)

(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)

Minimum rating		Exposure ^(a)	
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. Exposure to a counterparty is determined net of collateral.

Note 30.

Off-Balance Sheet Arrangements

We securitize financial assets and arrange other forms of asset-backed financing 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 Variable Interest Entities (VIEs) to execute off-balance sheet securitization transactions funded in the commercial paper and term markets.

Investors in these entities only have recourse to the assets owned by the entity and not to our general credit, unless noted below. We did not provide non-contractual support to consolidated or unconsolidated VIEs in either 2008 or 2007. We do not have implicit support arrangements with any VIEs.

Variable Interest Entities

When evaluating whether we are the primary beneficiary of a VIE and must therefore consolidate the entity, we perform a qualitative analysis that considers the design of the VIE, the nature of our involvement and the variable interests held by other parties. If that evaluation is inconclusive as to which party absorbs a majority of the entity's expected losses or residual returns, a quantitative analysis is performed to determine who is the primary beneficiary. The largest single category of VIEs that we are involved with are Qualifying Special Purpose Entities (QSPEs), which meet specific characteristics defined in U.S. GAAP that exclude them from the scope of consolidation standards.

Consolidated Variable Interest Entities

Upon adoption of FIN 46 and FIN 46(R) on July 1, 2003 and January 1, 2004, respectively, we consolidated certain VIEs with \$54.0 billion of assets and \$52.6 billion of liabilities, which are further described below. At December 31, 2008, assets and liabilities of those VIEs, and additional VIEs consolidated as a result of subsequent acquisitions of financial companies, totaled \$26,626 million and \$21,256 million, respectively (at December 31, 2007, assets and liabilities were \$32,382 million and \$24,342 million, respectively).

The VIEs included in our consolidated financial statements include the following:

- Securitization entities that hold financing receivables and other financial assets. Since they were consolidated in 2003, these assets have continued to run off; totaled \$4,000 million at December 31, 2008; and are included in Note 12 (\$5,013 million in 2007). There has been no significant difference between the performance of these financing receivables and our on-book receivables on a blended basis. The liabilities of these securitization entities, which consist primarily of commercial paper, totaled \$3,868 million at December 31, 2008, and are included in Note 18 (\$4,834 million in 2007). Contractually the cash flows from these financing receivables must first be used to pay down outstanding commercial paper and interest thereon as well as other expenses of the entity. Excess cash flows are available to GE. The creditors of these entities have no claim on the other assets of GE.

If the short-term credit rating of GE Capital or these entities were reduced 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 totaled \$3,753 million at December 31, 2008. As the borrowings of these entities are already reflected in our consolidated Statement of Financial Position, there would be no change in our debt if this were to occur.

- Trinity, a group of sponsored special purpose entities, which invests in a portfolio of mainly investment-grade investment securities using proceeds raised from guaranteed investment contracts (GICs) it issues to investors (principally municipalities). At December 31, 2008, these entities held \$8,190 million of investment securities, included in Note 9, and \$1,002 million of cash and other assets (\$11,101 million and \$517 million, respectively, at December 31, 2007). The associated guaranteed investment contract liabilities, included in Note 19, were \$10,828 million and \$11,705 million at the end of December 31, 2008 and 2007, respectively.

If the long-term credit rating of GE Capital were to fall below AA-/Aa3 or its short-term credit rating were to fall below A-1+/P-1, GE Capital would be required to provide approximately \$3,493 million of capital to such entities as of December 31, 2008, pursuant to letters of credit issued by GE Capital. To the extent that entities' liabilities exceed the ultimate value of the proceeds from the sale of their assets and the amount drawn under the letters of credit, GE Capital could be required to provide such excess amount. As of December 31, 2008, the value of these entities' liabilities was \$10,749 million and the fair value of their assets was \$9,191 million (which included unrealized losses on investment securities of \$2,055 million). With respect to these investment securities, we intend to hold them at least until such time as their individual fair values exceed their amortized cost and we have the ability to hold all such debt securities until maturity.

As the borrowings of these entities are already reflected in our consolidated Statement of Financial Position, there would be no change in our debt if this were to occur.

- Penske Truck Leasing Co., L.P. (Penske), a rental truck leasing joint venture. The total consolidated assets and liabilities of Penske at December 31, 2008, were \$7,444 million and \$1,339 million, respectively (\$8,075 million and \$1,482 million at December 31, 2007, respectively). Penske's main consolidated asset is property, plant and equipment leased to others, included in Note 14, which totaled \$5,499 million at December 31, 2008, (\$6,100 million at December 31, 2007). There are no recourse arrangements between GE and Penske.

The remaining assets and liabilities of VIEs that are included in our consolidated financial statements were acquired in transactions subsequent to adoption of FIN 46(R) on January 1, 2004. Assets of these entities consist of amortizing securitizations of financial assets originated by acquirees in Australia and Japan, and real estate partnerships. There are no recourse arrangements between GE and these entities.

Off-Balance Sheet Entities

The vast majority of our involvement with unconsolidated VIEs relates to our securitization activities and is detailed in the table below.

Our involvement with unconsolidated VIEs consists of the following activities: assisting in the formation and financing of an entity, providing recourse and/or liquidity support, servicing the assets and receiving variable fees for services provided. The classification in our financial statements of our variable interests in these entities depends on the nature of the entity. As described below, our retained interests in securitization-related VIEs and QSPes is reported in financing receivables or investment securities depending on its legal form. Variable interests in partnerships and corporate entities would be classified as either equity method or cost method investments.

In the ordinary course of business, we make equity investments in entities in which we are not the primary beneficiary but may hold a variable interest such as limited partner equity interests or mezzanine debt investment. These investments totaled \$2,871 million at year-end 2008 and are classified in two captions in our financial statements. At December 31, 2008, "All other assets" included investments in entities accounted for under either the equity method or the cost method, which totaled \$1,897 million (\$1,089 million at December 31, 2007). In addition, at December 31, 2008, we held financing receivables, included in Note 12, totaling \$974 million (\$567 million at December 31, 2007) representing debt financing provided to these VIEs. Our maximum exposure to loss related to such entities at December 31, 2008, was \$4,030 million (\$2,559 million at December 31, 2007), and includes our investment in the unconsolidated VIEs and our contractual obligations to fund new investments by the entities. None of these investments is individually significant.

We transfer assets to QSPEs in the ordinary course of business as part of our ongoing securitization activities. In our securitization transactions, we transfer assets to a QSPE in exchange for cash, which is funded by beneficial interests issued by the QSPE to third parties and our retained interests in the assets transferred.

The financing receivables in our QSPEs have similar risks and characteristics to our on-book financing receivables and were underwritten to the same standard. Accordingly, the performance of these assets has been similar to our on-book financing receivables; however, the blended performance of the pools of receivables in our QSPEs reflects the eligibility screening requirements that we apply to determine which receivables are selected for sale. Therefore, the blended performance can differ from the on-book performance.

When we securitize financing receivables we retain interests in the transferred receivables in two forms: a seller's interest in the assets of the QSPE, which we classify as financing receivables, and subordinated interests in the assets of the QSPE, which we classify as investment securities.

Other than those entities described above, we also hold passive investments in RMBS, CMBS and asset-backed securities issued by entities that may be either VIEs or QSPEs. Such investments were, by design, investment grade at issuance and held by a diverse group of investors. As we have no formal involvement in such entities beyond our investment, we believe that the likelihood is remote that we would be required to consolidate them. Further information about such investments is provided in Note 9.

Financing receivables transferred to securitization entities that remain outstanding and our retained interests in those financing receivables at December 31, 2008 and 2007 follows.

December 31 (In millions)	Equipment (a)(b)	Commercial real estate (b)	Credit card receivables	Other assets (b)	Total assets
2008					
Asset amount outstanding	\$13,298	\$7,970	\$26,046	\$5,250	\$52,564
Included within the amount above are retained interests of:					
Financing receivables ^(c)	339	—	3,802	—	4,141
Investment securities	747	222	4,806	532	6,307
2007					
Asset amount outstanding	\$15,566	\$9,244	\$26,248	\$5,067	\$56,125
Included within the amount above are retained interests of:					
Financing receivables ^(c)	764	—	3,455	—	4,219
Investment securities	763	454	3,922	535	5,674

(a) Includes inventory floorplan receivables.

(b) In certain equipment and commercial real estate transactions entered into prior to December 31, 2004, we provided contractual credit and liquidity support to third parties who purchased debt in the QSPEs. We have not entered into additional arrangements since that date. At December 31, 2008 and 2007, liquidity support amounted to \$2,143 million and \$2,810 million, respectively. Credit support amounted to \$2,164 million and \$2,804 million at December 31, 2008 and 2007, respectively. Liabilities with recourse obligations related to off-balance sheet assets were \$8 million and \$3 million at December 31, 2008 and 2007, respectively. The maximum exposure to loss under these obligations was \$124 million and \$99 million at December 31, 2008 and 2007, respectively.

(c) Uncertificated sellers interests.

We have not provided non-contractual support to any QSPEs in 2008 or 2007. We do not have any implicit support arrangements with QSPEs.

Retained Interests in Securitization Transactions

When we transfer financing receivables, we determine the fair value of retained interests received as part of the securitization transaction in accordance with SFAS 157. Further information about how fair value is determined is presented in Note 28. Retained interests in securitized receivables that are classified as investment securities are reported at fair value in each reporting period. These assets decrease as cash is received on the underlying financing receivables. Retained interests classified as financing receivables are accounted for the same as our on-book financing receivables.

Key assumptions used in measuring the fair value of retained interests classified as investment securities and the sensitivity of the current fair value to changes in those assumptions related to all outstanding retained interests at December 31, 2008 and 2007 were:

(In millions)	Equipment	Commercial real estate	Credit card receivables	Other assets
2008				
Discount rate ^(a)	17.6%	25.8%	15.1%	13.4%
Effect of				
10% adverse change	\$ (15)	\$(14)	\$ (53)	\$ (1)
20% adverse change	(30)	(26)	(105)	(3)
Prepayment rate ^{(a)(b)}	19.5%	11.3%	9.6%	52.0%
Effect of				
10% adverse change	\$ (2)	\$ (3)	\$(60)	\$ —
20% adverse change	(5)	(7)	(118)	(1)
Estimate of credit losses ^(a)	0.7%	1.3%	16.2%	—%
Effect of				
10% adverse change	\$ (5)	\$ (2)	\$ (223)	\$ —
20% adverse change	(10)	(4)	(440)	—
Remaining weighted average asset lives (in months)	14	55	10	4
Net credit losses	\$ 91	\$ 1	\$ 1,815	\$ 5
Delinquencies	139	56	1,833	80
2007				
Discount rate ^(a)	13.7%	15.2%	14.8%	14.9%
Effect of				
10% adverse change	\$ (11)	\$(20)	\$ (36)	\$ (3)
20% adverse change	(22)	(38)	(72)	(6)
Prepayment rate ^{(a)(b)}	16.4%	3.4%	10.8%	35.1%
Effect of				
10% adverse change	\$ (7)	\$ (5)	\$ (80)	\$ (2)
20% adverse change	(12)	(9)	(148)	(4)
Estimate of credit losses ^(a)	1.2%	1.0%	9.0%	0.1%
Effect of				
10% adverse change	\$ (5)	\$ (8)	\$ (110)	\$ (1)
20% adverse change	(9)	(13)	(222)	(1)
Remaining weighted average lives (in months)	16	53	8	24
Net credit losses	\$ 55	\$ 1	\$ 941	\$ —
Delinquencies	53	12	1,514	27

(a) Based on weighted averages.

(b) Represented a payment rate on credit card receivables, inventory financing receivables (included within equipment) and trade receivables (included within other assets).

Activity related to retained interests classified as investment securities in our consolidated financial statements follows.

(In millions)	2008	2007	2006
CASH FLOWS ON TRANSFERS			
Proceeds from new transfers	\$ 6,655	\$ 22,767	\$ 19,288
Proceeds from collections reinvested in revolving period transfers	70,144	61,625	46,944
Cash flows on retained interests recorded as investment securities	5,935	4,265	2,964
EFFECT ON GECS REVENUES FROM SERVICES			
Net gain on sale	\$ 1,133	\$ 1,805	\$ 1,187
Change in fair value on SFAS 155 retained interests	(113)	(102)	—
Other-than-temporary impairments	(330)	(114)	(37)

Derivative Activities

The QSPEs use derivatives to manage interest rate risk between the assets and liabilities. At inception of the transaction, the QSPE will enter into derivative contracts to receive a floating rate of interest and pay a fixed rate with terms that effectively match those of the financial assets held. In some cases, we are the counterparty to such derivative contracts, in which case a second derivative is executed with a third party to substantially eliminate the exposure created by the first derivative. At December 31, 2008, the fair value of such derivative contracts was \$752 million (\$134 million at December 31, 2007). We have no other derivatives arrangements with QSPEs or other VIEs.

Servicing Activities

As part of a securitization transaction, we may provide servicing in exchange for a market-based fee that is determined on principal balances. Where the fee does not represent market-based compensation for these services, a servicing asset or liability is recorded, as appropriate. The fair value of the servicing asset or liability is subject to credit, prepayment and interest rate risk. Servicing assets and liabilities are amortized to earnings in proportion to and over the period of servicing activity. The amount of our servicing assets and liabilities was insignificant at December 31, 2008 and 2007. We received servicing fees from QSPEs of \$641 million, \$566 million and \$381 million in 2008, 2007 and 2006, respectively.

When we provide servicing as an "Aaa" rated provider we are contractually permitted to commingle cash collected from customers on financing receivables sold to investors with our own cash prior to payment to a QSPE. At December 31, 2008, the balance owed to QSPEs from such collections and included in cash and equivalents was \$4,446 million (\$5,121 million at December 31, 2007). Balances owed by QSPE to GE at December 31, 2008, and included in other GECS receivables, were \$2,346 million, principally for receivable purchases (\$3,507 million at December 31, 2007).

Note 31.**Commitments and Guarantees****Commitments, Including Guarantees**

In our Aviation business of Technology Infrastructure, we had committed to provide financial assistance on \$1,291 million of future customer acquisitions of aircraft equipped with our engines, including commitments made to airlines in 2008 for future sales under our GE90 and GENx engine campaigns. The GECAS business of Capital Finance had placed multiple-year orders for various Boeing, Airbus and other aircraft with list prices approximating \$17,248 million and secondary orders with airlines for used aircraft of approximately \$1,653 million at December 31, 2008.

At December 31, 2008, NBC Universal had \$8,102 million of commitments to acquire film and television programming, including U.S. television rights to future Olympic Games and National Football League games, contractual commitments under various creative talent arrangements and various other arrangements requiring payments through 2014.

At December 31, 2008, we were committed under the following guarantee arrangements beyond those provided on behalf of securitization entities. See Note 30.

- **CREDIT SUPPORT.** We have provided \$9,151 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 these 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 \$72 million for December 31, 2008.

- **INDEMNIFICATION AGREEMENTS.** These are agreements that require us to fund up to \$693 million under residual value guarantees on a variety of leased equipment. 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 \$332 million at December 31, 2008. We had \$1,742 million of other indemnification commitments arising primarily from sales of businesses or assets.
- **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, 2008, we had total maximum exposure for future estimated payments of \$118 million, of which none was earned and payable.

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 expected recoveries from third parties are recorded as other receivables, not netted against the liabilities.

At December 31, 2008 and 2007, the likelihood that we will be called upon to perform on these guarantees is remote.

Product Warranties

We provide for estimated product warranty expenses when we sell the related products. Because warranty estimates are forecasts that are based on the best available information—mostly historical claims experience—claims costs may differ from amounts provided. An analysis of changes in the liability for product warranties follows.

(In millions)	2008	2007	2006
Balance at January 1	\$1,541	\$1,339	\$1,240
Current-year provisions	1,038	827	829
Expenditures ^(a)	(917)	(763)	(729)
Other changes	13	138	(1)
Balance at December 31	\$1,675	\$1,541	\$1,339

(a) Primarily related to Technology Infrastructure and Energy Infrastructure.

Note 32.**Quarterly Information (Unaudited)**

(In millions; per-share amounts in dollars)	First quarter		Second quarter		Third quarter		Fourth quarter	
	2008	2007	2008	2007	2008	2007	2008	2007
CONSOLIDATED OPERATIONS								
Earnings from continuing operations	\$ 4,351	\$ 4,911	\$ 5,394	\$ 5,608	\$ 4,477	\$ 5,111	\$ 3,867	\$ 6,827
Earnings (loss) from discontinued operations	(47)	(340)	(322)	(226)	(165)	448	(145)	(131)
Net earnings	4,304	4,571	5,072	5,382	4,312	5,559	3,722	6,696
Preferred stock dividends declared	—	—	—	—	—	—	(75)	—
Net earnings attributable to common shareowners	\$ 4,304	\$ 4,571	\$ 5,072	\$ 5,382	\$ 4,312	\$ 5,559	\$ 3,647	\$ 6,696
Per-share amounts—earnings from continuing operations								
Diluted earnings per share	\$ 0.43	\$ 0.48	\$ 0.54	\$ 0.54	\$ 0.45	\$ 0.50	\$ 0.36	\$ 0.68
Basic earnings per share	0.44	0.48	0.54	0.55	0.45	0.50	0.36	0.68
Per-share amounts—earnings (loss) from discontinued operations								
Diluted earnings per share	—	(0.03)	(0.03)	(0.02)	(0.02)	0.04	(0.01)	(0.01)
Basic earnings per share	—	(0.03)	(0.03)	(0.02)	(0.02)	0.04	(0.01)	(0.01)
Per-share amounts—net earnings								
Diluted earnings per share	0.43	0.44	0.51	0.52	0.43	0.54	0.35	0.66
Basic earnings per share	0.43	0.44	0.51	0.52	0.43	0.55	0.35	0.67
SELECTED DATA								
GE								
Sales of goods and services	\$24,186	\$21,688	\$27,846	\$24,269	\$28,868	\$24,690	\$31,114	\$29,149
Gross profit from sales	6,280	5,660	7,302	6,537	6,930	6,357	8,229	7,757
GECS								
Total revenues	18,038	17,409	19,032	17,170	18,431	18,066	15,786	19,291
Earnings from continuing operations	2,456	3,407	2,774	2,416	2,010	3,219	534	3,375

For GE, gross profit from sales is sales of goods and services less costs of goods and services sold.

Earnings-per-share amounts are computed independently each quarter for earnings from continuing operations, earnings (loss) from discontinued operations and net earnings. As a result, the

sum of each quarter's per-share amount may not equal the total per-share amount for the respective year; and the sum of per-share amounts from continuing operations and discontinued operations may not equal the total per-share amounts for net earnings for the respective quarters.