Conference Call Transcript

GE - GE Capital Investor Webcast

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CORPORATE PARTICIPANTS

Trevor Schauenberg
General Electric - VP - Investor Communications

Mike Neal
General Electric - Vice Chairman, Chairman - GE Capital

Kathy Cassidy
General Electric - SVP, Treasurer

Jeff Bornstein
General Electric - SVP, CFO - GE Capital

Jim Colica
General Electric - Chief Risk Officer - GE Capital

Ron Pressman
General Electric - President, CEO - GE Capital, Real Estate

Dan Henson
General Electric - President, CEO - GE Capital, Americas

Bill Cary
General Electric - SVP, COO - GE Capital

CONFERENCE CALL PARTICIPANTS

Bob Cornell
Barclays Capital - Analyst

Terry Darling
Goldman Sachs - Analyst

Steven Winoker
Sanford C. Bernstein & Co., Inc. - Analyst

Daniel Holland
Morningstar - Analyst

Christopher Glynn
Oppenheimer & Co. - Analyst

Jeff Sprague
Citigroup - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the GE Capital Investor Webcast. My name is Noelia and I'll be your coordinator for today.

At this time, all participants are in listen-only mode. We will be facilitating a question-and-answer session towards the end of this conference.

(Operator Instructions)

As a reminder, this conference is being recorded for playback. I would now like to turn the presentation over to your host for today's event, Mr. Trevor Schauenberg, Vice President of Investor Communications. Please proceed, sir.

Trevor Schauenberg - ***General Electric - VP - Investor Communications***

Thank you, Noelia. Good afternoon and welcome, everyone, to our GE Capital Investor Webcast. The slides for this presentation are available via the webcast and these slides can also be found on our website for download and printing at www.ge.com/investor.

For today's webcast, we have GE Vice Chairman and GE Capital CEO, Mike Neal and several senior members from his GE Capital leadership team.

The team is going to spend the next hour or so taking you through the presentation and then we'll open up the lines for your questions.

As always, elements of this presentation are forward-looking and are based on our best view of the world and our businesses as we see them today. As you know, the world can change and those elements can change. So please interpret them in that light.

Now I'd like to turn it over to our GE Vice Chairman and GE Capital CEO, Mike Neal.

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

Great. Thanks, Trevor. Good afternoon everyone and thanks for joining this, our third call of the year. I'd like to start today with a few key messages that you'll hear throughout the presentation.

I'm going to take you through our business model. It's one that we believe is both strong and advantaged. I know everyone has read a lot about potential regulatory changes. We'll take you through how we're thinking about it. We are supportive of systemic regulation and are optimistic about the form and implications of the current bill from the House and Senate, but you'll hear more on that in just a minute.

Kathy Cassidy, our Treasurer, is here. She's going to spend some time today to take you through the actions we're taking on funding and liquidity. We feel very good about our position, have fully funded our long-term debt for 2010.

We spoke, back in March, about our plan to reduce the balance sheet. We're ahead of target and have reduced E&I $40 billion year-to-date.

Ron Pressman, who runs our Real Estate business is going to update you on our real estate portfolio. It's been a very difficult year globally for the real estate sector, but we believe we have the best team in the world managing our portfolio and the risk is both manageable and within our framework.

We spent a lot of time talking to you about losses and impairments. Our portfolio is performing largely as expected and we see 2009 losses running in line with the Fed base case we shared with you in March and again in July. We expect to see losses peak in 2010, but not too far of what happens in 2009.

We've been focused on driving price on new business and repricing our portfolio where we can. We are seeing the benefits of those actions as margins are improving and you'll see that in a minute.

Lastly, we see a 2010 that is similar to 2009 from an earnings perspective. Earnings should grow in 2011 and beyond and we'll show you more on that in just a minute.

On the next page, I want to spend a few minutes talking about the GE Capital business model. Our model remains the same as what we have discussed with you in the past. It has worked well for us and continues to evolve through this financial crisis.

We have a very large sales force, one that is still the largest origination team as we've worked through this cycle. We'll walk through some of the work they've done this year. In terms of domain expertise, we have decades of experience in underwriting and managing portfolios in healthcare, energy, media and aircraft. We believe our advantage is growing in a market with less competition.

We remain experts at collateral and asset management. Our residuals remains strong and have remained mostly stable throughout 2009. Dan Henson will take you through more details on our Americas portfolio.

The quality of our risk management team is essential to our success. It remains core to our business model and we continue to underwrite to hold assets on our own balance sheet. We have made great progress operationally on our cost structure in 2009. We've taken over $3 billion of costs out and are down 25% versus prior year.

And lastly, our commitment to be match funded is a core value and an important differentiator for us in this market. Overall our business model has weathered the cycle. It continues to evolve, but we've stayed true to our core strategy. We believe we are well positioned to compete in 2010 and beyond.

On the next page, I want to give you a general view of the US competitive landscape and how its evolved. Since 2008, more than a few players crowded our space. Banks, fincos, captives, monolines and many others. As you know, the market has changed significantly as we look forward to 2010. There is less competition. We're not the only non-bank out there, but a lot of the names have fallen off of this particular chart.

We believe the strength of our business model has put us in a competitive place for 2010 and beyond.

On the next page, we continue to engage on Capitol Hill with the regulatory reform proposal. In late October, Chairman Frank and the House released the draft regulatory reform bill, with support from the Obama administration. Chairman Dodd and the Senate released a separate bill in mid-November. Importantly, neither bill will require GE to divest GE Capital.

Both bills would designate an organization to oversee systemic risk. It would be the Fed and the House bill and a new agency for financial stability in the Senate.

Both bills also contain enhanced resolution authority for large systemic firms. Although there is some activity restrictions in the House bill, the existing activities of firms generally would be grandfathered.

As we observed, over the past several months, despite the original proposal by Treasury last spring, law makers have not been enthusiastic about forcing divestitures of healthy financial firms by companies like GE.

Commercial ownership of financial firms played no part in this particular crisis, forcing divestitures or limiting product scope could severely inhibit the flow of credit to critical industries, just when it is most needed. Members of Congress need to understand that.

I think the bottom line message from Washington is that while there's progress, we still have a long way to go. As GE has stated throughout, we've been supportive of systemic regulation and we are prepared for a new series of regulations that would affect all financial services firms.

We share many of the concerns with certain aspects of that legislation that others have expressed. However, we are pleased that law makers have acknowledged the need for a variety of financial firms in the market to provide the services the economy needs to grow and we will continue to work to develop constructive solutions.

On page six, I want to spend some time discussing why non-bank credit is so very important to the US economy. Over the past decade, we have witnessed a number of changes in the US credit markets. Non-bank financial institutions have emerged as a relevant and vital source of liquidity in the US.

In the top left-hand corner of the slide, according to the US Federal Reserve, in second quarter 2009, there was approximately $39 trillion of credit outstanding. Banks only accounted for 29% of that credit, with the majority of credit created being attributable to non-bank financial institutions and capital market operations.

As one example, in the bottom left-hand corner of the page, non-bank financial institutions are the largest supplier of lease equipment financing to small businesses. This was especially true with the smaller loans so vital to small business operations, where non-bank financial institutions supplied nearly 60% of credit for equipment leasing.

The relevance of non-bank financial institutions is a critical liquidity source in the US and it's even more pronounced on the chart on the top right. As banks have increasingly become a smaller component of the overall credit market, between 2007 and 2009, non-bank financial institutions have been the largest private sector source of credit creation in the United States.

In summary, non-bank credit creation is a critical component of the financial markets and an even more critical liquidity source for small business. GE Capital has consistently been a leader in the space and today roughly 20% of GE Capital's commercial portfolio consists of loans of less than one million.

That brings us to page seven. On the left-hand side, I wanted to give you a brief snapshot of how GE Capital plays a key role in providing liquidity. Our total third quarter year-to-date volume was $221 billion, of which nearly 50% was in the United States.

You can see some of the great companies we partner with on the bottom right side of this page. We provide critical liquidity of approximately $31 billion to small and medium-sized US businesses. Globally, we have $1.2 million small and medium business customers with committed credit of roughly $60 billion. Since the beginning of 2008, we have provided $172 billion of commercial funding to US companies and an additional $146 billion of credit to $50 million US consumers.

Lastly, as we look to wrap up this year, we're projecting our volume to be up roughly 10% in the second half of the year versus the first half.

On page eight, you can see a bit more detail around volume, collections and returns. For 2009 we expect to see on-book volume of $149 billion and collection sales of $191 billion as we continue to shrink the balance sheet.

If you look at the bottom left of the page, you can see the strength of our new business returns. As we've discussed at each meeting this year, we continue to see very strong new business ROIs. In fact, when you look at the right-side of the page, on page eight, you get a feel for how this new volume with -- can translate into higher-returning portfolio in the future.

Looking first at commercial business margin, you can see the net margin of the 2009 new volume at 4.7% as compared to the margin of the run-off book of about 2.9%. So our new business margin is at approximately 160 basis points better than the run-off.

The same is true for the consumer markets. New volume at 12.5 versus run-off at 9.1. This all results in the total book showing an expansion in portfolio margins of about 40 basis points in 2010 to about 5%.

We expect this margin expansion to continue into 2011, which should, with a portfolio of our size, drive meaningful net income dollars.

Moving to the next page, you can see the results of the actions we've taken on funding and liquidity. And of course Kathy will talk more about that later.

Given the current market conditions, the team has done a very solid job of maintaining GE Capital's strong liquidity position for 2009 and beyond.

First, all 2009 funding was complete in June, just as we discussed when we last spoke. We have since then completed all of our 2010 long-term funding requirements. Additionally, we expect to complete greater than 50% of our $20 billion to $25 billion of 2011 long-term funding in 2010.

We have reduced commercial paper to $50 billion, just as we committed to do. Cash and back-up lines are now more than two times commercial paper. As we think about 2010, we're planning cash at about $40 billion. Maybe a bit more.

On page ten, we show how ending net investment has trended over the last 12 months. We expect to reduce our balance sheet $40 billion to $50 billion by year-end, excluding the impact of foreign exchange. The team has done a great job on this.

We have shrunk our balance sheet and what we call our red assets in real estate by $27 billion and we have largely reduced all mortgage originations.

These actions have improved GE Capital's ratios, resulting in GECC leverage reducing from 7.1 to 1 in fourth quarter of '08, to an estimated 5.4 to 1 in fourth quarter of '09. Our tier one common ratio has improved approximately 200 basis points in the last 12 months.

Also, we continue to receive strong support from our parent as GE has reemphasized its commitment to GE Capital by strengthening the fixed charge covenant agreement announced last quarter. We have delivered on all commitments with respect to funding, liquidity and investment. Our balance sheet is strong and in line with our expectations.

Kathy Cassidy, our Treasurer, will talk to you more about our funding strategy coming up in just a second.

On page 11, I want to give you a summary of how we perform on losses and impairments against the Fed base case and the Fed adverse case scenarios I spoke to you about in March and again in July. Jeff Bornstein and Jim Colica will walk you through the details on this, but overall we expect to end out the year with $12 billion to $13 billion of losses and impairments, in line with our Fed base case assumptions.

We've leveraged our strong work-out and collections capabilities, we're in collateral we know and understand well. Our US consumer and UK mortgage businesses have performed much better than expected. Commercial loans and leases in global bank portfolios are in line with our expectations. Real estate has continued to be a challenge, but we believe the losses are manageable and within our framework and, of course, Ron will talk about that shortly.

Lastly, I want to summarize 2009 before handing off to the team. 2009 has been a very challenging year. But we're committed to deliver on our commitments. In March, we committed the goals laid out on the left side of this page. As you can see, we have either met or exceeded each of these goals.

On liquidity, we committed to $50 billion of commercial paper, down $22 billion from fourth quarter of '08, and we delivered. Our cash position is strong, with $57 billion as of third quarter of '09. Our funding is in line with expectations. We are 100% pre-funded for 2010. Our balance sheet is leaner and positioned for higher returns. We expect to deliver a $40-billion-plus reduction by year-end.

In a difficult environment, we reduced costs by $3.4 billion. This is down 25% from prior year. We have strengthened our capital ratios. Lastly, we continue to remain profitable this year. We have delivered roughly $2 billion in earnings year-to-date as we said we would do. Overall, GE Capital remains sound and is well positioned.

So we have a full agenda for you here today and then left some room for Q&A. We will start with the conversation discussing funding and liquidity in more detail. Kathy Cassidy will lead that discussion.

Jeff Bornstein, our CFO, will give you a financial update. Following that, Jim Colica, our CRO, Chief Risk Officer, will go into more detail on portfolio quality and how we are trending versus expectations.

A large part of the discussion today will be on commercial real estate. Ron Pressman and the team have done a great job this year and we'll go through what we expect from real estate in 2010. We will then spend some time on our largest commercial financing business, which Dan Henson will give us an update.

Bill Cary, our Chief Operating Officer, will then tie it all back together. I will then come back at the end, wrap things up and then we'll open up the lines for Q&A. So with that, Kathy, I'll turn it over to you.

Kathy Cassidy *- General Electric - SVP, Treasurer*

Okay. Thanks, Mike and good afternoon, everyone. As you can see from our funding charts, we continue to make progress in reducing and reshaping the structure of our debt liabilities. By year-end 2009, our total debt will be down about $10 billion from last year, despite growing our cash by $20 billion. We should close the year with roughly $57 billion of cash.

As you know, one of our goals this year was to not only execute our 2009 long-term debt plan, but to pre-found our 2010 plan of $35 billion to $40 billion of long-term debt.

We accomplish this despite a somewhat volatile market, by using some TLGP funding along with issuing a total of $23 billion of long-term unguaranteed debt.

During 2010, we expect our debt outstanding will shrink further. Excluding the $30 billion to $40 billion of securitization debt, which will be consolidated onto our balance sheet as of January 2010. We expect our debt liabilities to shrink to between $460 billion to $470 billion, while at the same time maintaining a sizeable cash portfolio.

As the overall size of our long-term non-guaranteed debt liabilities come down, our spreads continue to improve. In fact, our recent issuances in the five-year range were below our TLGP levels when the fees are considered.

Next year, we plan to issue between $20 billion to $25 billion of long-term debt to pre-fund at least 50% of what we'll for 2011. By keeping our overall issuance at reasonable levels and tapping the markets when they are reasonably robust, we believe our funding costs will remain very competitive.

On the next page, we show you our alternative funding. Diversification of funding sources remains one of our key goals. We expect to close this year flat to slightly up on alternative funding balances outstanding. While we have been very successful this year in growing our deposits and our international banks, our assets in our US banks shrunk a little bit more than expected, driving lower deposit levels since we match fund our portfolio.

Our SSP and ILC are working to ramp up direct asset origination into our US banks and as they do, we will ramp up both our broker CD programs as well as the direct retail deposits CD program, which is currently in the works.

In the other category, depicted in the chart as the green box, we launched two new products this year as we completed our first covered bond offering in Europe, backed by French mortgages, as well as our first Sukuk transaction, which allows us access to a brand new investor base. Both of these transactions are deals, which we can build upon in future years.

Now if we can turn to the next page, I'd like to turn to our cost of funds and talk about why we feel we are competitively well positioned for the future. Without a doubt, the financial crisis of late 2008 and early 2009 caused secondary spreads on most of our debt outstanding to widen, as you can see from the chart on the left.

But now, as we exit the year, spreads to LIBOR for GE Capital, which is depicted by the blue line on the chart, had fallen dramatically. And we remained well positioned competitively, considerably below both the bank and finco indices.

However, what impacts our P&L is really the level at which our debt is actually issued and the chart on the right side shows our cost of funds by bucket for newly issued debt. A couple of examples.

Our $50 billion commercial paper program turns over, on average, every 60 days. During 2009, the average cost of the program, including all fees we paid as part of the TLGP program, averaged LIBOR flat. Today, without any TLGB backed commercial paper outstanding, our average pricing is sub-LIBOR.

During fourth quarter 2008 and all of 2009, we issued a total of $83 billion of long-term debt, which is just a small portion of our total debt outstanding. We issued about $60 billion of long-term debt under the TLGP program, at an average cost of LIBOR plus 150, including fees.

We issued unguaranteed debt of $23 billion in 2009 at an average spread of LIBOR plus 240. But more recently, in the five year area, we've been issuing at a level of LIBOR plus 120 to 130. We have executed on numerous securitization deals this year, both TALF and non-TALF eligible at reasonable spreads as well.

So while 2009 saw an increase in the cost of funds versus historical levels for all financial issuers, only a small portion of our portfolio repriced and spreads continued to tighten. And better pricing on new asset volumes serves to offset much of the increase. All in all, I believe we're competitively positioned for 2010 and beyond.

And now, I would like to turn it over to our CFO, Jeff Bornstein.

Jeff Bornstein - ***General Electric - SVP, CFO - GE Capital***

Thanks, Kathy. I want to cover -- first will be a framework of how we see 2010 coming together, based on today's outlook. An update on the portfolio quality and reserves, a brief discussion on FAS 167 accounting changes, our view of losses and impairments versus the stress cases we've shared with you, and finally an update on 2009 costs.

But we start here on the first page, with 2009, we see earnings in the range we've been communicating all year with you, $2 billion to $2.5 billion. The balance sheet, measured by E&I, is expected to end the year at $475 billion to $485 billion, excluding the effects of FX, which will be about $15 billion to $25 billion less than what our original plan was.

We see losses and impairments at or better than the base case and that despite the fact that real estate is playing out closer to the adverse case. Costs are better than we originally planned and we'll be down approximately $3.4 billion in 2009. And in terms of lending volumes, as Mike covered, on book volume will be about $150 billion this year, with total volume close to $220 billion and pricing remains very, very attractive.

Importantly, we have been able to reprice significant portions of our corporate finance real estate debt and credit card books favorably this year and Ron and Dan will touch on that in their sections. Margins and cost of funds are playing our more or less as we expected and we expect reserve currency ending the year roughly at 2.25%, close to what we've been guiding all year.

As we look forward to 2010, we expect earnings to be about the same as 2009, but with more pre-tax earnings. We'll continue to shrink the balance sheet, consistent with our plan of about $400 billion of investment in 2012. Loss and impairments are expected to be above flat with 2009, despite anticipating an increase in our commercial real estate book, which we'll talk more about. We will drive out another $0.5 billion of costs, bringing our two-year SG&A reduction to almost $4 billion.

We believe there will be an improvement in the demand for credit and as such expect volume to grow in our core platforms, since the non-core books continue to shrink. Margins will improve, as Mike touched on, as pricing remains attractive. And our plan today is to be in the long-term unsecured markets, as Kathy mentioned, at very low historical levels, which we will -- we expect will continue to improve our spreads.

And finally, we expect reserve coverage to grow in 2010, to roughly 285 to 300 basis points and that's partly driven by the change in securitization accounting, which I'm going to walk you through in a couple of pages.

Well, all in all, we think if 2010 plays out the way we see it, in the environment we're in today and the portfolio we see today, it establishes a pretty solid footing for us to grow as we enter 2011.

Next, I'll do an update on delinquencies, both in our commercial and consumer portfolios. Keith covered much of this on the earnings call, so I'll be relatively brief. On the left side is the commercial equipment, finance and real estate data. 30-day plus delinquencies for equipment, we're up 20 basis points in the third quarter versus the second. And they were stable in October at about 301 basis points.

Overall, we're seeing equipment showing signs of stabilization and we've actually had some recent improvements in both the Americas and Europe.

In terms of commercial real estate portfolio, delinquencies were up to 419 basis points in the third quarter and we continue to see some increased pressure through October. The increase is significantly impacted by restructured loans that are paying current, beyond maturity. Excluding these loans, our rate has remained stable for several quarters at about 3.5% delinquency.

Important note, 77% of the impaired loans for which we've established a specific reserve remain current at never missed a payment. And that population alone has also had debt service coverage of roughly 1.5 times.

We'll cover more of this on real estate when Ron discusses the portfolio in a little bit more detail. On the right side is the consumer delinquency, we continue to separate the global mortgage and non-mortgage portfolio because the loss dynamics are so different. Non-mortgage delinquency increased slightly in the third quarter to 5.95% from 5.92% in the second quarter. This is primarily driven by our US retail business. North American delinquencies were up 31 basis points to 7.27% in the third quarter, but this is in line with seasonal trends and it's better than historically -- historical increases we've seen during third quarters.

The second category is global -- the global mortgage book, where delinquency increased 15 basis points to 15.38% in the third quarter. This stabilization is a result of improvement we've seen in our UK home lending business. We have witnessed improving home prices in recent months and are actively managing our REO sales process to leverage these market conditions.

In total, October delinquency was slightly improved globally from September. And Bill will talk more about the UK home lending book and the US credit card business in his section.

Overall, it continues to be a tough environment. We are seeing some leveling off in both equipment and US consumer delinquencies and we're cautiously optimistic that the trends will continue.

Next, I'll talk a little bit about non-earnings. I'm going to walk you through our non-earning assets and how we think about reserve adequacy and recoverability. Starting with page 21, the left -- on the left side of the page, shows our non-earning trends. Broadly speaking, non-earning receivables are those that are 90 days or more past due or for which collection has become doubtful. We do have some loans in non-earning status in which we are actually receiving cash payments from customers, but there is still enough doubt in our minds, or uncertainty, that we have not removed them from the non-earning -- from non-earning status.

Third quarter non-earnings were $13.7 billion, up $700 million versus the second quarter. About $200 million of that increase was driven by foreign exchange. Consumer non-earnings was $6.5 billion, down $100 million versus second quarter and commercial non-earnings increased $800 million in the quarter, to $7.2 billion. Total non-earnings as a percentage of customer receivables was 3.89%, up 29 basis points in the quarter.

On the right-hand side of the page, you see our non-earnings estimated loss exposure and reserve coverage. These are the same charts that were covered in our last capital update meeting and the earnings call at the end of the third quarter. On the top right, the commercial book continues to perform as expected, of the $7.2 billion of non-earnings as of the third quarter, we believe we have about $1.6 billion of exposure after collateral and recoveries and restructurings, against which we have $3.1 billion of reserves or 189% coverage. And that's up 15-point-- 15 points from the second quarter.

Below that, the consumer book is also behaving as we largely expected. We continue to have almost two times coverage on our non-mortgage loss exposure. These are principally the private label credit cards and other secure customer loans on our books.

For the $4.8 billion of mortgage non-earnings, our expectations on [cure] rates continue to hold at about 30% and we continue to be paid on insurance claims. Reserve coverage increased in the third quarter to 206% from 173% in the second quarter.

It's important to note that our estimates of collateral value continue, we think, to be reasonable. Sales proceeds for properties foreclosed and sold out of our ROE, primarily in our UK book, continue to be above our marked gearing values and as I mentioned earlier, Bill will give an update on the UK books.

So we believe we have adequate loss coverage on our toughest assets. On the next page, I'll update the roll-forward for non-earnings, to give you a feel for how we're resolving these assets.

Our risk collection and commercial teams continue to work down the non-earning accounts and first I'll update you on 4Q '08, non-earnings balance and the status of those non-earnings as of the third quarter.

So starting on the top left, the chart shows non-earning commercial asset balance as of year-end 2008 and the various categories that walked our non-earning exposure down from $3.2 billion to the estimated loss exposure of $700 million at year-end. The next column shows how those balances stood nine months later, at the end of the third quarter. The amount remaining in non-earning is about $1.6 billion, with about $400 million of the estimated remaining exposure in excess of collateral, $1.6 billion was resolved.

Below, you can see we are in recovery -- where we are in the recovery work-out process for the remaining $1.6 billion. Importantly, $300 million of the remaining exposure is either paying currently or paying principle, but we don't remove the accounts from non-earning status if there's any doubt in our minds about the future collectibility of those accounts. Nor are we recognizing any revenue on those cash payments.

The majority of the remaining assets are in our CLL business. And $400 million in our -- on three vertical businesses are in a few accounts that are either well collateralized, particularly in the case of GECAS, or as specifically reserved for.

On the right is a new roll-forward from the first quarter of 2009. So these are assets that became non-earning after the beginning of the year and in addition to the non-earnings as of 4Q 2008.

In the first quarter, $1.8 billion of additional assets became non-earning and we estimated our loss exposure of roughly $400 million. Six months later, at the end of the third quarter, $700 million remained outstanding and $1.1 billion was resolved. Of the $700 million of remaining assets, we believe we have about $100 million of loss exposure. Again, the majority of the remaining accounts are in our CLL business and are being restructured or worked out.

So non-earnings continue to perform largely as we have expected since we've been sharing this analysis with you.

On the next page, I'll talk a little bit about reserve coverage. Our third quarter provision for losses was $2.9 billion in the quarter, with write-offs of $1.9 billion in additions to reserve of $700 million. This brought the total allowance to $7.3 billion in the third quarter, up over $750 million from the second quarter and largely driven by the commercial portfolio. Receivable coverage increased 26 basis points to 2.08% and our commercial portfolio reserves increased by $600 million, to $3.1 billion, through largely the reserve strengthening in our real estate portfolio. And that's largely based on our semi-annual detailed portfolio revaluation, where we go loan-by-loan.

Our real estate reserves increased by about $450 million to 2.6% of receivables. In total, based on third quarter write-off levels, our commercial book has approximately 19 months of write-offs and reserves.

On the consumer side, we increased reserves $164 million and coverage increased to 3.11%. Coverage increased both in the US and internationally, with mortgage coverage increasing almost 20% to 159 basis points. In total, we had nine months of write-offs and reserves. We expect the reserves will increase again in the fourth quarter, particularly in the commercial book, and we'll talk a little bit more about that later.

Next, I want to try to give you a little bit of color on the accounting change associated with FAS 166 and 167 as it relates to securitization. Just a little bit of background here, first. FAS 166 eliminates the concept of QSPE, which is an acronym that stands for qualifying special purpose entity and it's used in most securitization structures. And FAS 167 makes having to consolidate substantially all those assets and liabilities in QSPEs likely.

As it is written today, these two changes would take effect January 1st of 2010. For us, the overall impact of the consolidation of the balance sheet will be to increase financing receivables. As a result, we'll have to re-establish reserve against those receivables and bring on certain other assets and liabilities, such as the fair value of our interest rate swaps and deferred tax assets associated with the securitization.

We will consolidate the third-party debt associated with these assets, as Kathy discussed previously, and equity will be reduced, primarily as a result of posting of the reserves. The bottom left of the page lays out a high level look at the impact on various pats of the balance sheet. These are approximations based on our estimate of year-end, but the change would have us add roughly $42 billion of receivables, post about $2 billion of reserves and eliminate other assets such as retained interest, that were previously associated with the securitizations.

About 60%of the receivables that we will put on the balance sheet and the vast majority of the reserves will be associated with the US retail business. In addition, we would consolidate the third-party debt, as I discussed.

The reduction in equity is earned back over time from the assets we have consolidated back on book. So if you move to the bottom right of the page, we estimate that we'll earn back about $1.3 billion of the equity charge in 2010 and smaller amounts in subsequent years. The 2010 earn-back, if you will, will be largely offset year-over-year by no further securitization gains. So the net impact on 2010 earnings will be relatively minor. And just to note, the adjustment to equity will have no to little impact on our tier one common or our tier one ratios to risk-weighted assets.

As we close out the year, we will provide very detailed disclosure on all the accounting changes associated with FAS 166 and FAS 167 and its effects on both the income statement and balance sheet.

On the next page, I'll talk a little bit about losses and impairments. Page 25 lays out the loss and impairments under the stress cases we shared with you, both on March 19th and July 28th. Our current view of 2009 is that losses and impairments will total between $12 billion and $13 billion. So at or slightly better than the base case that we articulated to you.

As Mike discussed earlier, most portfolios perform roughly at or better than the base case with the one exception being our commercial real estate business, which will likely end the year at closer to the adverse case. US retail finance substantially outperformed the base case, on -- based on early and dramatic credit and pricing actions we took beginning in 2006 and 2007.

As we looked at 2010, we expect loss and impairments in total to be about equal to the base case or possibly slightly better before the effects of FAS -- the FAS 167 accounting change. These are the same ranges we shared with you in July and we expect there will be some variation by business segment, but in total we think loss and impairments will be about the levels of the base case or better.

At the bottom right of the page, we estimated the impact of FAS 167 in terms of losses. Now we anticipate the impact on the reported losses to be about $1.5 billion in 2010.

This change is almost entirely attributable to the US retail business and our view of the fixed -- our view of fixed charge coverage impact, which you see below that, in each of these scenarios, not changed since what we talked about in July. In 2010 base case, we would likely require about a $2 billion capital contribution due to the income maintenance agreement in the first quarter of 2011.

Before I wrap up here, on the next page, I wanted to give you a brief update on costs. At the March meeting, we shared that we were targeting $2.7 billion of cost-out in 2009. We estimate that we'll actually be down about $3.4 billion for the year, or $700 million lower than the target we communicated back in March. The majority of the savings has been generated by rethinking our organization structures and support levels as well as really driving costs out on our indirect spending line.

As we look forward to 2010, we're planning on reducing SG&A another 5% -- I'm sorry, another $500 million and this is going to provide us with an enormous amount of operating leverage when the cycle does in fact turn.

So with that, in summary, we see lots of impairments running at or better than the base case in both 2009 and 2010. Delinquency appears to be stabilizing. There are pockets of improvement. Non-earning asset reserve coverage is adequate. And based on our current view of the environment and the portfolio, we see 2010 earnings as similar to 2009, but with higher pre-tax. And with improved margins and lower costs.

And with that, I'll turn it over to Jim.

Jim Colica *- General Electric - Chief Risk Officer - GE Capital*

Thanks, Jeff, and good afternoon, everyone. With this first chart summarizes the outlook for credit costs next year, across the major portfolios. Overall, we expect the total losses will peak in 2010. In general, losses are stabilizing across most portfolios except for commercial real estate, as you heard, losses will continue to increase in 2010, given the weakness in most major markets, especially the US.

The US consumer portfolio continues to perform well, despite high unemployment. The UK mortgage portfolio is also benefiting from strong risk mitigation actions and moderating home price declines that have reduced the loss severity on sales of repossessed property.

In the commercial leasing businesses, despite weak economic activity in the US and Europe, and specific weakness in some of the traditional sectors we serve, such as manufacturing and transportation, we continue to realize 100% recovery on lease asset residuals and see credit losses stabilizing in the portfolio. In corporate lending, we expect loss development will continue into 2010, as work-outs are taking longer to resolve. That said, loss severity remains under 20%, reflecting the senior secured nature of the portfolio.

Commercial real estate will remain challenging through next year and Ron Pressman will go into more detail on the portfolio in a few minutes.

Turning to the next page, looking at the commercial portfolio, this slide summarizes the commercial leasing and lending portfolios. We expect credit cards in the leasing portfolio to improve next year. Both delinquency and non-earning trends have flattened and loss severity remains within the 2010 base case assumption.

Corporate aircraft was a particular point of stress this year, but values have stabilized, more repossessed planes are being sold and this improvement in performance will contribute to lower losses next year.

Commercial lending losses will increase next year, as defaults roll through the work-out process in 2010. As part of our loss mitigation strategy, we have reduced exposure to some troubled sectors such as automotive, publishing and media. And as I mentioned earlier, the loss severity continues to stay below 20% because the loans are all senior secured.

In the retail space, the portfolio is primarily composed of asset-based loans, which are secured by receivables and inventory. As a result, we have not incurred a loss on any retail asset-based loan in 2009.

Now even though our loss outlook is improving, our experienced risk work-out teams will continue to mitigate losses aggressively.

The next page summarizes the consumer portfolio. The US retail card and sales finance portfolios have performed well, despite the highest unemployment in over 25 years. The risk actions we took since late 2007, such as reducing credit lines for weaker credits and exiting higher risk segments, such as motor homes, are paying off.

The entry rate into delinquency is at a historic low and the higher quality new business originated in 2009 is performing well and has improved the overall credit quality of the portfolio. As a result of all of these actions, losses in the portfolio have become less sensitive to further increases in unemployment.

The non-mortgage consumer portfolios, which are primarily outside the United States, are also experiencing more stable trends. Despite continued high unemployment in most markets. Delinquency trends are flattening in all major markets, which will also contribute to improved loss development in 2010.

Across the international mortgage portfolio, the UK mortgage portfolio has performed well in a very tough environment. We have deployed eight professional asset management firms to sell repossessed properties on our behalf. Presently, 56% of those properties are under offer to purchase and the loss severity on the higher LTV properties is running around 13%. That's after mortgage insurance recoveries. And we're also experiencing a similar 13% loss result in our lower LTV non-insured portion of the portfolio.

The Australian, French and Polish mortgage portfolios represent 68% of the remaining mortgage exposures. The Australian book is in run-off and performing well. And the portfolios in France and in Poland have also performed well throughout 2009. The overall portfolio LTV remains around 71% based on estimated current values in each market, which offers additional protection against loss severity.

Although the mortgage non-earning metrics have increased, as a result of a much longer process to gain control of properties and sell them, the credit costs include the estimated mark-to-market, reflecting the expected loss severity on sale. So on balance, the portfolio has stabilized, the trend of losses continues to slow and as a result, we expect losses to peak next year.

Now here's Ron Pressman to talk about commercial real estate.

Ron Pressman - ***General Electric - President, CEO - GE Capital, Real Estate***

Thanks, Jim, and good afternoon, everyone. My goal today is to update how we're navigating through this challenging commercial real estate market and the impact on our portfolio, despite the marked absence of liquidity and negative economic trends, our performance continued to be consistent with the expectations that we sent out in the March and the July reviews with you.

While we remain within the stress case ranges for losses, market valuations have impacted our debt collateral and our unrealized loss in the equity book, which I will detail shortly.

Recognizing the tough environment, our entire organization is focused on cash flow and investment recovery and making sure our assets maximize their performance relative to their markets.

So let's start with our financial results through the third quarter. The substantial shift in our net income, as of third quarter, year-to-date, was affected by two primary items, dramatically reduced gains from asset sales, which reflects the substantive lack of liquidity in the market and pre-tax losses, which are $1.3 billion versus a year ago, $900 million of which are provisions for specific loan reserves.

Within these results, I would like to point out several notable achievements on the right. Property level cash flow on our equity investments of approximately $1.2 billion has held stead with our target. You'll note, we leased $19 million square feet of space in the first nine months of the year. That's about seven Empire State Buildings, 6% more than we had forecast, against a backdrop of markets experiencing negative absorption.

Net margins are running slightly below expectations, primarily due to pressure on our cost of funds in the first half the year. But still generated $0.5 billion of net earnings.

On the next page, I'd like to provide a bit of regarding the excellent work of our real estate professionals in managing our equity portfolio through this choppy market. As a reminder, we are a value-add investor. Each of our operating assets has a clear value creation strategy from the day we invest. And I'll review a few examples in a moment.

We have very little leveraged real estate and 87% of our total portfolio is wholly owned. This has become an important differentiator in attracting tenants, who expressed concerns about third-party lender approval processes and potential ownership instability in leveraged buildings.

As I mentioned up front, we've been working hard to maintain an improved property cash flow, which is reflected in an increase in our current total net operating income over what we projected for the period, displayed on the upper right.

We are intensely focused on being a landlord of choice for strong tenants. Two-thirds of our $19 million square feet in leases were renewals, which limits asset down time and minimizes new investments for tenant improvements.

Our access to capital for building and tenant improvements and the confidence of the brokerage community in GE as a landlord augments our ability to outperform in a negative absorption leasing market. Next year will not be easy, but we go into the year with 30% less lease roll-over and roughly 84% of our 2010 rental income already in place based on the strong performance of the team in 2009.

On the next page, we detail the unrealized loss update of our equity portfolio. Our valuation process incorporates third-party expectations for future rents by market and collateral type and long-term average cap rates. We currently estimate that our embedded loss has increased to approximately $7 billion, in line with the stress case results we discussed with you in March.

This value decline is global in scope, but is slightly worse in the United States, where you can see we've experienced a 44% value drop. We acknowledged about 70% of the value deterioration in our portfolio early in the cycle, during 2008, as you can see from our walk in the upper left.

As job losses have mounted and consumer and corporate spending have deteriorated during 2009, we have reflected those economic realities in our valuations this year. But the pace of value correction has clearly slowed.

Overall, our existing portfolio has experienced a 34% drop in aggregate value since the market peak in 2007. This value estimate does not automatically translate into accounting losses, as we've discussed with you previously.

We will continue to record reserves and asset impairments in our equity book, consistent with US GAAP per operating assets. As you may recall, equity portfolio asset values are tested against their undiscounted cash flow over the duration of their business plans. So we are working every day to maximize the cash flow of each and every one f our assets in our equity portfolio.

On the remainder of the page, we've provided you some perspective on the origin and concentration of these unrealized losses by geography, ownership type and vintage.

On the next page, I'd like to focus your attention on how we think about unrealized losses in our business planning, even if we do not see a substantive market recovery in the next three to four years. We absorb over $1 million of depreciation each year, which combined with potential impairments resulting from our stress cases, will largely neutralize this unrealized loss by 2013.

The primary way we deliver performance and maximize property cash flow is to lease up our properties. And several examples are outlined here on the right.

We acquired the Ottawa office building in the upper right in 2006, with one main tenant, whose lease expired in the second quarter of 2009. Not the best timing. At which point, they vacated the space. Our Canadian team worked hard ahead of this lease roll-over and replaced the departing tenant with an agency of the federal government on a long-term lease. And as you can see, improved the net operating income of the property by 80%.

In late 2006, we joined a team, which bought the old London Stock Exchange Building in the heart of London's financial district. The team gutted the building to its core and completely rebuilt the property. The construction was completed in the spring of 2008. Despite the soft London market, the team has leased 88% of the building to date.

O'Connor Street and old Broad Street are good examples of our value-add investing strategy and help to demonstrate what we mean when we talk about the time required to stabilize assets in our portfolio. We navigate through this tough market by having solid, local teams driving asset performance and our teams are doing a great job.

Next, I'd like to turn to our debt portfolio, which remains solid overall, but has clearly been impacted by the downward revaluation of collateral. As a reminder, we are a senior secured lender and have a limited amount of subordinated loans for construction lending. While we have employed a conservative strategy in our debt business, the continued pressure on property cash flow and downward trend of third-party valuations has at least temporarily impacted the value of our underlying collateral, resulting in a much higher level of 2009 impairments than we had anticipated.

Our overall portfolio metrics, however, remain strong at 83% LTV and 2.6 times debt service coverage. Only $3.3 billion of our portfolio, or roughly 7%, has loan-to-value over 90% and a cash flow below one times the loan's debt service. Despite these characteristics, 74% of these higher risk borrowers continue to keep their loans current.

We think our delinquencies are tracking fairly close to bank experience, if not marginally better. The main driver of delinquency has been our US apartment portfolio where the short-term leases have borne the earliest impact of the increase in unemployment.

Reserves are now at a $1 billion, or 2.3% of outstandings. Specific reserves account for 78% of our total loan reserves and of loans with specific reserves, 77% of the borrowers remain current with debt service coverage of 1.5 times as Jeff indicated in his comments earlier.

On the next page, we update our progress on debt maturities here in 2009. Here's our latest update on the 2009 loan maturities and a first look at 2010 expectations.

$3 billion of 2009's maturities are loans that are meeting the contractual extension hurdles set in place when these loans were underwritten years ago. This is good news. And the remaining $3 billion for the full year 2009 of this remaining $3 billion, we expect about 36% to be collected, 25% to resolve by foreclosure, and the remainder are strong candidates for restructuring.

We will work with our strong borrowers to restructure loans and extend maturities. But if the borrowers' not managing the property to maximize performance, and our repayment, we are not afraid to foreclose on the assets and manage it ourselves with our strong equity asset management capabilities.

Currently, we have about $700 million of foreclosed loans in our equity portfolio. But regardless of the maturity, the team has been proactively working with borrowers to improve the safety and margins of our portfolio by a debt restructure as you see here on the bottom of the page.

By the end of the year, we anticipate completed restructurings of around 15% of our portfolio. The safety of this segment will have been improved by an anticipated $500 million to $600 million equity infusion from borrowers. And lifetime margin improvements that will generate an incremental $200 million to $300 million in margins.

Next, on the next page, since losses are the largest driver of our financial performance this past year, let me summarize how we're trending against our stress cases. As you may remember, we stressed our portfolio based on the Federal Reserves approach to the 19 largest banks.

The primary assumption and the US adverse scenario that we incorporated were based on a 2010 US GDP decline of 3.9%, and US unemployment of 11%. We used external domain experts to translate these macro assumptions into market by market projections, and then applied these customized assumptions to each of our assets individually, and rolled up the projected losses. We are now tracking to a loss trend, as Jeff indicated, toward the adverse stress case.

The key that will turn the market, and our portfolio around, is employment. When companies start hiring again, we'll see growing demand for office space, increased need for apartments, and improved retail sales. The second driver will be liquidity to support maturing loans and new business activity.

So in this tough environment, our 2,000 professionals, around the world, are laser-focused on two key strategies. Strong asset management with our borrowers to protect debt principal and margin streams, and outperformance in leasing to maximize our own property cash flow until the market recovers.

So in conclusion, as I review the year-to-date and think ahead about 2010, the economic climate continues to be difficult. And the substantive absence of liquidity in the market will remain a major impediment to normalization.

We have modeled our 2010 plan around a further 13% value decline around the world. Despite the external environment, we have some terrific foundational strengths in our business. And our team is demonstrating the value of strong domain expertise in real estate investing.

First our debt portfolio, 95% senior mortgages, and our team is doing a great job on proactively restructuring and managing our debt portfolio through this cycle. Second, our equity portfolio, 97% existing real estate, 87% wholly-owned, and we'll continue to focus on outperformance in our own property through our leasing performance.

Our team continues to resolve maturing debt on our leverage joint ventures providing those ventures time to execute their intended business plans. And finally, the team has executed efficiently in taking operating costs down some 33% versus 2008 year-to-date.

In sum, we have a highly experienced team, absolutely focused on maximizing asset performance and investment recovery, and demonstrating strong performance in a tough market. So while the environment remains challenging, we believe we have the depth and experience to manage our assets for maximum recovery.

Thanks for listening, and I'll now turn it to Dan Henson.

Dan Henson - ***General Electric - President, CEO - GE Capital, Americas***

Thanks, Ron, and good afternoon everyone. Our Commercial Lending and Leasing segment is $214 billion in size. Approximately two-thirds of the portfolio resides here in North America, one quarter is in Europe and the Middle East, and the remaining 10% is in Asia.

Now we've been lending and leasing against hard foreclosable assets for over 25 years now. We operate in 30 countries. All of our activities are organized by product and industry. And I'm going to walk you through that in a second.

You can see the product breakdown in the right-hand pie chart. We focus on the mid-market. We operate on a senior secured basis, whether it's leasing equipment or lending against inventory. And all of our transactions are originated directly and underwritten anticipating that we'll hold them on our own balance sheet.

We have a strong risk management culture with one out of every four employees dedicated to risk management. And we also have a broad spread of risk in the business with over 1 million customers globally that we process in excess of 1 billion transactions every year for.

The remainder of my presentation will focus specifically on the unit that I manage, the Americas. If you go to the next page, you'll see we have five primary product offerings. And you can see them listed on the page here.

Each category operates within a well defined strike zone, where we're known to be a market leader with significant domain expertise. Segments all have their own proprietary originations group, which originates these deals directly.

Almost half of the portfolio is comprised of leases and loans to mid-market and investment grade customers. We're an acknowledged leader in this area, and all of the activity is against hard foreclosable assets that we underwrite to hold on book.

We focus on equipment that is essential to the operation of our customers, and that we also have significant expertise in, in both terms of evaluation as well as re-marketing. And I'm going to share with you on the next page, our re-marketing experience in this product line.

Asset based lending is an area that we've been in a leading position in for quite some time, and find very attractive. We're known for our leading position in DIPs and PORS. We lend against inventory and receivables on a senior secured basis to provide working capital to mid-market companies. We have strict limits on advance rates, and we use our own monitoring mechanisms and audits, and in many cases, have cash control.

In leverage lending, we focus exclusively on the mid-market and operate in conjunction with sponsors and corporate customers that we've had long successful relationships with. Again, we lend only on a senior secured basis, limit our hold sizes, and underwrite every transaction with a predetermined exit strategy.

In our franchise finance unit, we lend only to top tier and large operators. We do not do mom and pop lending. Our customer base would typically have dozens of nationally known franchises, and have dedicated profession management in place, as well as significant investment of their own in their platforms. We secure all of our lending and franchise with equipment as well as real estate.

Lastly, we're the market leader in inventory finance, and provide floor planning on a first lien basis to thousands of dealers through formal programs that we have in place with the manufacturers. Each of these dealers is underwritten individually. And we finance only equipment that is backed by re-marketing and repurchase agreements with the manufacturing partners. Ones we know and the ones who stand behind their brands. In fact, our manufacturing partners have repurchased almost $400 million worth of inventory from us just this year.

Go to the next page, you can see that our residual realization performance, that I alluded to before, has held up very well, even under the current environment. In the third quarter of this year, we achieved an average of 119% of our booked residual position. And there is several drivers for this performance.

The first, and importantly, we book only uninflated residuals. We do not factor in any inflation expectations into the residual value at the end of the term.

Second, we aggressively manage our existing books, and either extend or sell in place seven out of every ten assets we finance. We'll know if a piece of equipment is coming back for remarketing well in advance of the lease expiration. And we have 260 dedicated employees who handle our extension, sales or remarketing activities in-house, and all of it is organized by collateral expertise.

Finally, and very importantly, our lease contracts require that we recoup our position in that the event the customer opts to early terminate their equipment lease. This policy has helped us achieve close to breakeven economics even on pressured asset classes like our Corporate Air book. And additionally, as Jim Colica mentioned earlier, we've seen values stabilize in the Corporate Air market, and the number of return planes now is well off its peak with sales far out placing returns.

Let's go to the next page and take a look at our go-to-market approach. We have six major platforms organized around product or industry, and 1,300 experienced originators aligned against them.

In the lending space, we focus exclusively on middle market clients. As I mentioned, we have a strong reputation as the leader in ABL, DIPs and restructuring. And lend into industries we have experience in and possess the ability to restructure or work out of if necessary. As you can see from the returns here, this is a very attractive segment for us.

For our sponsor activities in mid-market and healthcare, we partner with a selected group of players that we've had long term relationships with, operate in industries we like, and have demonstrated a willingness to stand behind the investments they make. In fact, our sponsors have invested more than $1.1 billion of additional equity into their portfolios during this downturn, which has helped us perform far better than the industry at large.

We've seen an uptick in activity in our strike zone in the sponsor segment over the last few months. And expect this to be an area of increased activity in 2010 with continued very attractive returns.

On the equipment side, we're the leader in all of our segments, mid-market, small ticket, inventory, fleet and franchise. We have a very large installed base of over 300,000 customers. These are all spaces we've been in for quite some time.

We operate with significant scale and infrastructure. In our fleet, small ticket leasing and inventory finance platforms particularly, we've made very large investments in technology and support structure, and have a presence that's difficult to replicate.

Many of our former competitors in these spaces are either no longer in business, or have pulled back from the market. In all of these segments, our returns are very attractive and well above levels of the last few years. I'll show you the impact they've had on our portfolio on the next page.

As you can see, we've been able to command a significant increase in new business margins since the end of last year. It's already begun to raise the overall portfolio margin significantly. And has more than offset any cost of funds increase. The green line here represents the average margin on our current volume by quarter. And the blue line shows the overall portfolio.

Now our average transaction in the portfolio turns over in a little over four years. That means that in 2009 and '10, $49 billion of our old book, with an average margin of 2.5%, will mature. We'll replace that with this year's and next year's new originations that we expect to average 5.2% during that time period. As well as re-pricing an additional $22 billion of the existing portfolio to current market conditions, raising the yield by 1.75%.

The net affect of these two dynamics is an additional $1 billion of margin in 2010, compared to 2008. Just this year already, we've raised the overall margin in the portfolio back up to the 2007. And we expect that to continue through next year and provide even further outer year benefits.

This is probably the most important page of my section. And it underscores how we're able to continue to improve the overall business, while operating with a somewhat smaller footprint. We have a very disciplined capital allocation approach. We monitor product profitability weekly to ensure that we're getting the maximum return on our investment.

Let me close here with a high level look at next year. We think that we'll continue to see attractive margins in corporate lending, sponsor and equipment leasing, coupled with a pick up in activity. Our issuance, proposals, and backlog has been steadily climbing over the last few months. And we anticipate that these segments will lead growth for us in 2010.

Our healthcare business should continue to perform very well. And we see that as stable for next year in both terms of activity and margin.

And lastly, our franchise and inventory units, we think, will continue to benefit from an improved margin environment, and generate roughly the same profit on a slightly smaller footprint to help keep credit costs in line.

So in summary, we've stuck with what we know, lending and leasing on collaterals we understand to industries we know. We think we have a very strong franchise in our declared segments, and are the acknowledged leader in them. And we'll continue to stay focused, originate directly, and keep our eyes on risk management. So thanks, and now I'll turn it over to our Chief Operating Officer, Bill Cary.

Bill Cary - ***General Electric - SVP, COO - GE Capital***

Great, thanks a lot, Dan, obviously great progress in your business, and tremendous potential that we see here in the US commercial space.

Now I'd like to very quickly review three of the quote, hot spots, we discussed with you early this year in March. Starting first on page 49 is the UK Home Lending business.

We've continued to see the strong actions by our business team result in improvements in the trends. As you can see in the upper left, we've seen delinquency rates flatten, despite the higher unemployment rates, and we have aggressively managed down REO levels, importantly, we've reduced REO while recovering well in excess of the carrying values of the properties.

We've shrunk the balance sheet by almost $3 billion, and credit losses are running well below Fed base case last forecast. In addition, house prices actually increased for the past five months.

You can see the data through November in the lower left-hand corner of the page. We expect net losses in the business to be below plan in 2009, and to further improve in 2010.

Turning to page 50, the next slide, you've got a quick look at our banks in central and Eastern Europe. We've seen very strong stability in most indicators: assets, exchange rates, and the delinquencies have all tracked, more or less, to a flat level through 2009.

As you can see, losses are just over Fed base case levels, and earnings, while down on 2008, will exceed our expectations for this year. And based on all these trends, we expect earnings to grow in 2010.

Turning now to page 51, here's a quick look at the US Consumer Finance business. While there's no question that consumers in the United States continue to be challenged, we think our proactive risk actions have allowed our business loss curve to disconnect somewhat from historical correlations between unemployment and loss rates. You can see the stats in the upper right-hand side of this page.

As you'll note in the lower left box, losses are continuing to run well below Fed base case levels, allowing earnings to run well ahead of expectations. As we've discussed previously, we continue to see great opportunities to grow this business as our traditional competition has backed away.

Mike showed you a couple of great examples of this earlier, including the Walmart and JCPenney renewals that we've most recently won. Based on all these trends, we expect earnings to improve in 2010 in the US Consumer Finance business.

And lastly, page 52, here's a look at our investment forecast. As you've already seen, we expect in 2009, somewhere around $480 billion in E&I. That's right in line with the commitments that we made for the year.

We've managed down the exposure both by collections outpacing new volume by some $42 billion, and completing about $12 billion in dispositions. And as we've discussed in past meetings, we've worked hard to position our green businesses to grow, particularly at good margins, as you've seen today, while shrinking lower returning red assets. Looking into 2010 and on to 2012, we see a clear flight path to about $400 billion in lending investment.

Now you'll notice that there's a little hat at the top of the $400 billion to highlight the number that'll actually be reported at a slightly greater balance reflecting the VIN outstandings for the FAS 167 assets that Jeff described for you earlier, as well as recognizing that all these numbers were done at September 2008 exchange rates. And those rates will certainly change many times between now and into 2012.

So that's a very quick look at our operations. We feel good about our ability to control the size of the balance sheet, and about our outlooks for 2010 in these spaces. And so with that, I'll kick it over to Mike to wrap it up.

Mike Neal - ***General Electric - Vice Chairman, Chairman - GE Capital***

Great, great, thanks, Bill, just a couple of more pages. But before I do that, I'd like to thank the team for doing it. A lot of work goes into these presentations, as I'm sure you can appreciate. I'd like to wrap up today's discussion with a look at 2010, and some thoughts on how we're thinking about '11 and the future.

Our outlook for Commercial Lending and Leasing is positive. You heard Dan's story. And it's pretty good. We've had a good year so far in 2009, earning a little over $600 million net. If we look to next year, we're projecting strong growth on lower losses, higher margins and continued productivity.

We're also planning for growth in Consumer earnings in 2010. We'll continue to increase margins, see losses stabilizing, and work to be more productive. We've got real estate now in our 2010 rollup, mainly driven by higher losses and impairments. As Ron talked about, we believe we're being both conservative and realistic regarding valuations, and are anticipating a further 13% decline in value next year.

We see Aviation and Energy about flat in 2010. We will see some margin improvement, and stay focused on managing through the aviation cycle. Overall, as we said earlier, we see a 2010 that looks very similar to 2009 from an earnings standpoint. But we believe well-positioned for '11 and farther on.

On the last page, we'll wrap up on how we're thinking about the future. We're targeting $100 billion E&I in 2012 ex-FX and FAS 167. We're on the right trajectory to hit that number. As we've shown this year, we can work the volume collections equation to manage our balance sheet.

Today's margins are a positive story and proven the profitability of our portfolio. Our front end teams are focused on driving price. And we're putting three plus ROI assets on our books.

We spent a lot of time today on losses. We expect them to peak next year. Productivity is in our D&A as we continue to shrink the balance sheet. And we will make sure our costs are appropriate. We're projecting a lower tax situation next year, largely driven by a non-repeating Q1 benefit. But we do expect taxes to be roughly flat in '11 and '12.

We think this all adds up to a 2010 that looks a lot like 2009. Also we're planning on a $2 billion-ish capital contribution in 2011 under the income maintenance agreement that Jeff Bornstein talked about earlier.

So to summarize, our funding is in great shape. And we're fully funded our long term debt for 2010. We will have a smaller business, more focused and well diversified. We believe our business model is strong. And we see excellent prospects for growth in 2011 and 2012, and are optimistic about our future.

So with that, I'll wrap and say thank you for joining today's call. I'll turn it back to Trevor for questions.

Trevor Schauenberg - ***General Electric - VP - Investor Communications***

Great, thanks Mike, and all the team members for your time today. Noelia, let's open it up for questions now.

QUESTION AND ANSWER

Operator

Thank you, ladies and gentlemen, (Operator Instructions). Your first question comes from the line of Bob Cornell with Barclays Capital.

Bob Cornell - ***Barclays Capital - Analyst***

Yes, hello, everybody. Sounds like an optimistic upbeat presentation. A lot of questions though, for example, you didn't give a review of what you thought the total loss content was across a cycle.

We talked probably a year ago, whenever this was, about $30 billion-$40 billion of losses across the cycle. Given what you see now, what would be the target for losses in the cycle beginning to end?

Jeff Bornstein - ***General Electric - SVP, CFO - GE Capital***

Yes, Bob, Jeff Bornstein. I don't know that our view has changed all that much. I think we talked before of about roughly $30 billion to $35 billion across the cycle. And I think for the most part, that's what we're talking about now.

Bob Cornell - ***Barclays Capital - Analyst***

A couple of things on 2010, you said you thought the losses could peak in 2010, but you thought the losses would equal 2009 levels. Does that suggest a profile that we run up in the first half, but come dramatically off in the second half? How do you square those two comments?

Jeff Bornstein - ***General Electric - SVP, CFO - GE Capital***

I think you've got it exactly right. I think as we sit here today, we see losses next year looking very similar to losses impairments in 2009.

The geography is a bit different. I think we talked about the fact that we're expecting real estate to be tougher next year than even 2009 was. But we've got other segments in the portfolio where we actually think losses will improve year-over-year. But in total, order of magnitude before the FAS 167 change, we're looking at losses that want to be roughly about the same year-over-year.

Bob Cornell - ***Barclays Capital - Analyst***

Well, then it goes back to my first question. You're looking credit losses, $10 billion-ish this year, $10 billion next year. Does that set up another $10 billion in provisions there for 2011?

Jeff Bornstein - ***General Electric - SVP, CFO - GE Capital***

No, I think when we talked about three years, we started with 2008 not '11. So if you go back to 2008, and 2008 roughly about $8 billion, 2009 and 2010 somewhere between $11 billion and $12 billion. I think we're still in the same range we talked about both in March and in July.

Bob Cornell - ***Barclays Capital - Analyst***

Okay, just one final thought for me and I'll pass the baton. Given the comments about an inter-margin going up, credit loss being about the same, and $2 billion of capital contribution, that implies pre-tax for 2010 around breakeven. Is that a fair compilation of the data so far?

Jeff Bornstein - ***General Electric - SVP, CFO - GE Capital***

Well, you've got some other dynamics going on. We think the cost of funds will be a bit better next year than they were in 2009. You've got additional cost out in the structure. And you've got a little bit of a pick up, we think anyway, on gross yields based on the pricing we see today, and the mix of what's running off versus what's coming on. So we think we see, today away, we see positive pre-tax earnings.

Bob Cornell *- Barclays Capital - Analyst*

Okay, thank you very much.

Operator

Your next question comes from the line of Terry Darling with Goldman Sachs.

Terry Darling *- Goldman Sachs - Analyst*

Thanks, I'm wondering, may just following up on that last question, if maybe you could put a range around the expected improvement in that pre-provision, pre-tax number. You've got a lot of positives there that seem like you've got some reasonable degree of confidence. And that maybe the tax piece is the uncertain part. I wonder if you could perhaps talk about a range there.

Jeff Bornstein *- General Electric - SVP, CFO - GE Capital*

We don't give guidance, Terry. And I'm not sure we're really ready to do that. I think we've given you a lot of information on how we're thinking about next year to draw a bigger picture.

We do expect the tax benefits next year to be less than they were this year, because we had a couple of very specific items this year between the APB 23 reinvestment that we did -- permanent reinvestment we did in the first quarter for a little over $0.5 billion, and the UK Home Lending item in the third quarter.

We're not planning on repeating those items next year. So at the moment as we look at it, we see the tax benefits in '10 being less than they were in '09. But we're suggesting to you that we think earnings are about the same or about flat.

Terry Darling *- Goldman Sachs - Analyst*

Okay, and then maybe circling back to the unrealized losses in the Commercial Real Estate book, I guess, $5 billion to $7 billion. I think this question gets asked on every call, so we might as well ask it again.

Mike, or anybody on the team, where is the confidence level at this point that that number is as high as it's going to go? Because obviously the bear case out there is still dramatically higher than that level. But you sound reasonably confident that at least the rate of decline, or all of your expectations may be moderating.

Ron Pressman *- General Electric - President, CEO - GE Capital, Real Estate*

Well, this is Ron. I'll take a first crack and anyone else can join in. I think we are trying to look at a very reality-based view of the market ahead, when I indicated that we were accepting or at least planning around a further 13% value decline and into the 2010 timeframe. So we don't see this as over.

Typically real estate to recover needs employment growth. We think that's going to be quite some time before we see strong employment growth. So we think that eyes wide open, 2010-2011 are going to be challenging years. We have to focus on real estate fundamentals, lease our properties, focus on the expense management of our properties.

Thus far through a very tough market in 2009, we've managed to maintain flat operating performance of our 165 million square foot real estate portfolio around the world, which we think is really a terrific result by the team. And our goal is to continue to outperform the market at those levels.

Terry Darling - ***Goldman Sachs - Analyst***

Okay, then a question on the E&I, the $400 billion E&I number on 2012, I just wonder if -- it sort of seems as if the market maybe wants to incent you to shrink in different areas than maybe the initial thinking would have suggested.

I'm wondering if there's agreement with that statement. And if so, how you're thinking there is evolving, in terms of the composition, the portfolio looking out to 2012.

Mike Neal - ***General Electric - Vice Chairman, Chairman - GE Capital***

Terry, this is Mike. We spent a great deal of time late last year, early this year and still working on it in terms of segmenting the portfolio. In terms of what's going to be the future and what's not going to be. And that largely is unchanged. We are working it through both collections and some dispositions.

We're a little ahead of plan actually in terms of where we thought we'd be. But it has not changed very much. We certainly are open to it based on particular dynamics.

But it's very close to where we were earlier this year. And I think there's not a lot of debate around here about the ultimate target of 400. We think that's a reasoned number based on the best advice we get, in terms of size that we should be inside of GE as well as a way to think about it from funding.

So I think not much debate. Not that much change. And I think we're a little ahead of where we thought we'd be in terms of moving down that path.

Terry Darling - ***Goldman Sachs - Analyst***

Thanks very much.

Mike Neal - ***General Electric - Vice Chairman, Chairman - GE Capital***

Yes.

Operator

Your next question comes from the line of Steven Winoker with Sanford Bernstein.

Steven Winoker - ***Sanford C. Bernstein & Co., Inc. - Analyst***

Good afternoon, first question for Mike and Jeff. How do you both see your longer term return on assets, and return on equity for the business, given the descriptions you had for the book rolling over, the different maturities you have in the business, the revolving credit and the better net interest margin evolving. So where do you see ROA and ROE going in that same 2011-2012 timeframe that you discussed?

Mike Neal - ***General Electric - Vice Chairman, Chairman - GE Capital***

Well I think, Steve, the way we -- I mean we're not confused. Right now the pricing market is very attractive. As the market recovers, I expect to see some pressure on that, but we showed you those numbers earlier.

I think from a leverage standpoint, at our lower leverage in the future, we're thinking of an ROE target somewhere in the mid teens. But that will vary somewhat by product line. But of course, our leverage will be lower in the future.

And today, the ROIs are quite good, as you saw by business. It really just depends on how long that market lasts. But I would say ROE at the five and change leverage in the 13 to 15 range, something like that.

Steven Winoker *- Sanford C. Bernstein & Co., Inc. - Analyst*

And that implies 1.5% to 2% on the ROA side?

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

That's right. I think that's right.

Steven Winoker *- Sanford C. Bernstein & Co., Inc. - Analyst*

Okay, and then on page 25, you talk about combined losses and impairments. Can you just, once again, break that out in losses versus impairments for the total business?

Jeff Bornstein *- General Electric - SVP, CFO - GE Capital*

Yes, give me one second. A lot of paper -- for 2010, Steve?

Steven Winoker *- Sanford C. Bernstein & Co., Inc. - Analyst*

Yes.

Jeff Bornstein *- General Electric - SVP, CFO - GE Capital*

Okay, so.

Steven Winoker *- Sanford C. Bernstein & Co., Inc. - Analyst*

Basically of that --.

Jeff Bornstein *- General Electric - SVP, CFO - GE Capital*

I got it, 2010. So in the base case, I think what we said in July was total loss impairments at $12.1 billion, which included about $2.1 billion of impairments. So that's about $10 billion of credit costs. And in the adverse case, we said $17.5 billion with about $3.5 billion of impairments.

Steven Winoker *- Sanford C. Bernstein & Co., Inc. - Analyst*

And that mix is still consistent with your thinking now?

Jeff Bornstein *- General Electric - SVP, CFO - GE Capital*

That has not changed. No. It has not changed dramatically.

Steven Winoker - ***Sanford C. Bernstein & Co., Inc. - Analyst***

Okay, and of that $2.1 billion, about $1.5 billion, I heard from Ron, was in commercial real estate.

Jeff Bornstein - ***General Electric - SVP, CFO - GE Capital***

That's right.

Steven Winoker - ***Sanford C. Bernstein & Co., Inc. - Analyst***

Okay and I guess the last question, before I hand it over to somebody else, is on the residual values in [G Cas] as opposed to on the corporate aircraft in CLL. Could you just give us a sense for both residual values and realization in that case, and how that's affecting the business?

Jeff Bornstein - ***General Electric - SVP, CFO - GE Capital***

As you know, we go through a very detailed evaluation asset by asset in G Cas. We do it at least once a year in the August timeframe. That's mostly driven because of the appraisal cycle of the three major appraisers that we use. We went through that in this past August.

And I would say generally speaking, aircraft values year-over-year, depending on the aircraft, were down 15% to 20%. Our portfolio faired a little bit better because we tend to be a little bit more narrow body-focused and new generation.

Clearly, older aircraft, MD-80s, 747-400s, the value declines were much deeper than that. We fortunately don't have or have very little of that in our portfolio.

The total impairment we took as part of that process was less than $100 million. And as we look forward to 2010, we think that there might be a little bit of upward pressure on that versus '09, but not dramatic.

Steven Winoker - ***Sanford C. Bernstein & Co., Inc. - Analyst***

Okay, I'm sorry, one last question. I realize that there's a lot of uncertainty in a regulatory environment, but given your commentary about 2011, and particularly 2012, how are you thinking about dividends up to GE? Does that start to enter the equation at any point in your thinking again?

Mike Neal - ***General Electric - Vice Chairman, Chairman - GE Capital***

Yes, Steve, I think it would. We haven't been meeting a lot this week about that. I think that -- but as pre-tax earnings return to the business, particularly going into 2011, then we'll take a hard look at that.

Steven Winoker - ***Sanford C. Bernstein & Co., Inc. - Analyst***

All right, thanks.

Operator

(Operator Instructions). Your next question comes from the line of Daniel Holland with Morningstar.

Daniel Holland - ***Morningstar - Analyst***

Good afternoon, a question for you about some of the foreclosed properties on the debt side that are translating into equity business. I'm just wondering about the relative performance of those new equity assets relative to your existing equity book, if you have any kind of operating metrics or anything around that.

Ron Pressman *- General Electric - President, CEO - GE Capital, Real Estate*

This is Ron. I don't have a direct comparison. But what I can tell you is as we indicated in the prior analyst call in July, most of the foreclosed assets this year have been multi-family apartment assets.

And in fact, since the time that we've foreclosed, and taken ownership, our asset management teams have been able to improve the operating performance of these assets quite dramatically. And are now working, in fact, with new partners on opportunities to reposition those assets, to sell the assets into joint ventures, and to continue to add value and eventually exit the assets over time.

Daniel Holland *- Morningstar - Analyst*

Do you know if any of these assets have trickled into that $7 billion embedded loss book? Or are they all sitting within the equity portfolio itself?

Ron Pressman *- General Electric - President, CEO - GE Capital, Real Estate*

When these assets are mark-to-market, when we foreclose. And so we, at this point in time, do not have any further value erosion in those assets embedded in our $7 billion unrealized loss.

Daniel Holland *- Morningstar - Analyst*

Got you, one more question on the Commercial Lending side. Looking at profit profile of what you have out there, I'm really curious about some of the barriers that you guys might see in terms of actually being able to get out there and execute on that. Just opportunity looks really strong right now to me.

Dan Henson *- General Electric - President, CEO - GE Capital, Americas*

Bob, this is Dan, I'll take that. I mean I think we view the lending side as very attractive. Obviously you saw the returns we're getting on the business.

We have a very well defined strike zone in the mid-market that we cater to. And we just really are writing the deal flow that we see with the long standing corporate lending partners and sponsors we have.

We've seen that pick up demonstratively since Labor Day. So we're anticipating a greater area of focus and more volume in that segment in 2010. But we'll wait and see how the market bears out. We're going to stick to our netting and stay in our mid-market box. But we do expect that to grow next year.

Daniel Holland *- Morningstar - Analyst*

Excellent, thank you.

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

It's important to note that the way we're managing the Company, we have red assets and green assets here. And it's business as usual on the green side. We're working the markets hard. We are open for business. We are doing what we can to drive new volumes.

So on the areas where we're in restructuring, in those cases, we have cut back quite a bit, depending on the particular situation. So most of our book that we talked about today, with a couple of exceptions, are things that we think are very valuable parts of our future. And we're working that very hard.

Daniel Holland *- Morningstar - Analyst*

Makes sense.

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

Yes.

Operator

Your next question comes from the line of Christopher Glynn with Oppenheimer.

Christopher Glynn *- Oppenheimer & Co. - Analyst*

Thanks, yes, just a question back to how your vision and future earnings power is evolving here. I think in the past the model was $400 billion in assets with a 2% ROI. Right now, it looks like your ROI ranges are well above that. So any evolution there, and also how did you decide -- what's the thought process between how tall to make the bar charts in the last slide for the 2011 and 2012 years?

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

Actually, there's probably more work there than you know. But I'd say, I expect pricing -- right now pricing is quite attractive as you see in some of the examples that we're showing you. That has a lot to do with the fact that our world has changed a lot in this last year.

And the number -- the competitive nature of the market is just very different. And people have either changed, maybe have become impaired in their ability to do business, or changed their philosophy around their product lines.

I'm hopeful that this price environment sticks around. But I don't imagine that it will. Prices will tend to normalize over time.

So our plan here, Christopher, is really to do as much of this business as we can while the market is attractive. Now it's not just on pricing. The structure of these deals -- it's a good time to be a mid-market lender in this space.

But it will tighten up. So I would tell you that over any long period of time, I think, thinking of it as about a two-world in that area, is probably the way to think about it, but not in the short run.

Christopher Glynn *- Oppenheimer & Co. - Analyst*

Okay, thank you. And if demand is back pretty strong next year, would it make sense to extend the timeframe for hitting the $400 billion target?

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

I would say that would be an interesting meeting, if we find a need to have it. Again, I think when you think about it, it's not like we are managing the entire portfolio that way. We have businesses that we really think of as the future of the Company. And we're going to invest aggressively there. We have other assets that we are winding our way out of.

If somehow the opportunity, which right now is not the case, but became so attractive that we couldn't hit that number without foregoing some business that we think is attractive in what we call the green, we'd have to talk about that. But it's not a problem that we have today.

Unidentified Company Representative

I would just add, Christopher, although the new business volume ROIs we're showing are very, very attractive. You're moving a big mountain to get that average up, and that's what we're working on, so that takes a bit of time.

The second thing is, when you think about '11 and '12 earnings, if the world plays out positively, if we're able to be a little bit cautiously optimistic here, the biggest source -- the two biggest sources of your earnings fuel here are going to be not booking $12 billion of losses impairments and the operating leverage that comes with taking $4 billion of cost structure out.

Christopher Glynn *- Oppenheimer & Co. - Analyst*

Makes sense. Just one last clean up and I appreciate all the answers, your reference flat taxes in '11 and '12, could you just elaborate on that a little bit.

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

You know, we don't -- we're not making any big assumptions today about what the future of AFE or sub part ap. And so for the moment, our long term assumption is just the world as we know it today. And we'll have to see what happens legislatively around AFE and sub part ap. No deep assumptions there.

Christopher Glynn *- Oppenheimer & Co. - Analyst*

Okay, thanks again.

Operator

Your next question comes from the line of Jeff Sprague with Citigroup.

Jeff Sprague *- Citigroup - Analyst*

Hello, thanks, just a few more clean ups, I guess, after a lot of ground covered. Just want to make sure we're all speaking the same nomenclature when we're talking net income. Are you talking a net income at the GE Capital finance level, or at the GE Capital continuing net income number?

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

GE Capital finance.

Jeff Sprague *- Citigroup - Analyst*

Capital finance.

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

Yes.

Jeff Sprague *- Citigroup - Analyst*

And we're going to start with a -- but on a consolidated GE Capital basis we're thinking about pre-tax income, positive pre-tax income.

Mike Neal - ***General Electric - Vice Chairman, Chairman - GE Capital***

On GE Capital finance, today, we see positive pre-tax income.

Jeff Sprague - ***Citigroup - Analyst***

No, but take it below capital finance, just down to GE Capital. Do you see positive pre-tax income in 2010 all in?

Mike Neal - ***General Electric - Vice Chairman, Chairman - GE Capital***

We have not taken it there yet, Jeff. I think we're getting a little too specific on the guidance. We'll share that with you when we're ready.

Jeff Sprague - ***Citigroup - Analyst***

Okay. That's going to be a big swing around how people think about earnings quality.

Mike Neal - ***General Electric - Vice Chairman, Chairman - GE Capital***

Yes, but we definitely see GE Capital earnings better next year.

Jeff Sprague - ***Citigroup - Analyst***

At the capital finance level.

Mike Neal - ***General Electric - Vice Chairman, Chairman - GE Capital***

No at the GE Capital level. You know, partly because we're not going to -- at the GE Capital level, we've spent $400 million to $500 million of restructuring this year that we're not going to repeat in totality next year.

So at the Capital finance level, if we look something like we do this year, next year, and we don't spend $400 million or $500 million on restructuring, and a few other charges we took, marks we took on our treasury book, then GE Capital, we would expect, would be slightly better.

Jeff Sprague - ***Citigroup - Analyst***

Okay. And then just to follow-up on Chris' question there on tax, understanding there's a lot of uncertainty. But I'm -- the answer to my previous question obviously is partially unanswered here on the call. We'll see how that plays out.

But unless you've got positive pre-tax income in '10, with a meaningful tax rate in '10, I don't see how you could model flat tax in '11 and '12. Is that tax rate, or are you talking flat nominal tax dollars?

Mike Neal - ***General Electric - Vice Chairman, Chairman - GE Capital***

We're talking tax dollars, not rate. We're talking benefits.

Jeff Sprague - ***Citigroup - Analyst***

But we're still looking at tax benefits in 2011 and 2012.

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

Yes, but down from 2009. and something that looks probably more like what 2010 may look like.

Jeff Sprague *- Citigroup - Analyst*

So would that be -- so is that -- are we dipping into some tax loss carried forwards or something? I'm just -- if we've got higher margins and better losses and lower SG&A in '11 and '12, don't we have much better underlying operational earnings that would be causing a positive tax affect?

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

Well, potentially, yes. But we have the structural benefits to go with how we fund ourselves, and the benefits to go with the tax exempt, the tax advantage investment, and assets we do. And we expect that to continue, short of some legislative change. And when we look out 2010, 2011, 2012, that's kind of how we're thinking about it.

Jeff Sprague *- Citigroup - Analyst*

Okay, all right, thank you.

Operator

And our final question in the queue is a follow-up question from the line of Bob Cornell with Barclays Capital.

Bob Cornell *- Barclays Capital - Analyst*

Yes, more in line with these mop up questions. You've done $1.3 billion of net income so far this year, yet you talked about net income at like two at one point in the presentation and $2.5 billion in another point of the presentations. Does that imply we're looking at a fourth quarter profit of some significance here coming up?

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

Bob, GE Capital finance was $2 billion through the third quarter.

Bob Cornell *- Barclays Capital - Analyst*

Okay.

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

And I think what I said for the year was between $2 billion and $2.5 billion.

Bob Cornell *- Barclays Capital - Analyst*

Okay, so we're looking at breakeven to a profit in the quarter.

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

That certainty is what that would imply.

Bob Cornell *- Barclays Capital - Analyst*

Okay and then you also said that ten would equal nine, so we're looking at again, this $2 billion to $2.5 billion in 2010. Is that what I heard?

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

Yes, best we can see it today, we expect next year profitability-wise that model looked like 2009. That's what we're thinking about.

Bob Cornell *- Barclays Capital - Analyst*

Okay, thank you.

Mike Neal *- General Electric - Vice Chairman, Chairman - GE Capital*

Yes.

Operator

(Operator Instructions).

Trevor Schauenberg *- General Electric - VP - Investor Communications*

Okay, I think that's -- we've come a long way. We've gone through a lot of questions from where we were back in March.

I want to thank everyone today for their time and this concludes today's event. The replay will be available later today on the website. As a reminder, we will also host our Annual Outlook Investor Meeting with our Chairman and CEO, Jeff Immelt on December 15th. Please visit our website for information regarding this event.

And as always, JoAnna and I will be available for any follow-up questions that you may have today, tomorrow, the rest of the week; thank you, everyone.

Operator

Thank you for your participation in today's conference. This concludes the presentation and you may now disconnect. Good day.