GENERAL ELECTRIC CAPITAL CORP
Form 10-Q
July 29, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from ___________to ___________

Commission file number 001-06461

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

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

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

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

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

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

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

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

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

At July 29, 2011, 3,985,404 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of $14 per share were outstanding.

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

(1)

General Electric Capital Corporation

Forward-Looking Statements

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

Part I. Financial Information

Item 1. Financial Statements.

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Current and Retained Earnings

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
(In millions)	2011	2010	2011	2010
Revenues				
Revenues from services (a)	$ 11,638	$ 11,667	$ 23,868	$ 23,252
Other-than-temporary impairment on investment securities:				
Total other-than-temporary impairment on investment securities	(112)	(95)	(177)	(247)
Less: Portion of other-than-temporary impairment recognized in accumulated other comprehensive income	58	42	62	121
Net other-than-temporary impairment on investment securities recognized in earnings	(54)	(53)	(115)	(126)
Revenues from services (Note 9)	11,584	11,614	23,753	23,126
Sales of goods	42	168	84	449
Total revenues	11,626	11,782	23,837	23,575
Costs and expenses				
Interest	3,583	3,638	7,164	7,327
Operating and administrative	3,319	3,471	6,671	6,980
Cost of goods sold	38	154	78	419
Investment contracts, insurance losses and insurance annuity benefits	30	38	54	73
Provision for losses on financing receivables	811	2,007	1,968	4,187
Depreciation and amortization	1,792	1,848	3,567	3,762
Total costs and expenses	9,573	11,156	19,502	22,748
Earnings from continuing operations before income taxes	2,053	626	4,335	827
Benefit (provision) for income taxes	(378)	95	(824)	459
Earnings from continuing operations	1,675	721	3,511	1,286
Earnings (loss) from discontinued operations, net of taxes (Note 2)	218	(100)	275	(450)
Net earnings	1,893	621	3,786	836

Less net earnings (loss) attributable to noncontrolling interests	20	(22)	51	(27)
Net earnings attributable to GECC	1,873	643	3,735	863
Dividends	–	1	–	–
Retained earnings at beginning of period	49,829	45,863	47,967	45,644
Retained earnings at end of period	$ 51,702	$ 46,507	$ 51,702	$ 46,507
Amounts attributable to GECC				
Earnings from continuing operations	$ 1,655	$ 743	$ 3,460	$ 1,313
Earnings (loss) from discontinued operations, net of taxes	218	(100)	275	(450)
Net earnings attributable to GECC	$ 1,873	$ 643	$ 3,735	$ 863

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

See accompanying notes.

(3)

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Financial Position

(In millions)		June 30, 2011 (Unaudited)		December 31, 2010
Assets				
Cash and equivalents	$	77,258	$	59,538
Investment securities (Note 3)		18,372		17,952
Inventories		52		66
Financing receivables – net (Notes 4 and 12)		300,749		312,234
Other receivables		13,657		13,674
Property, plant and equipment, less accumulated amortization of $24,961 and $25,390		55,307		53,747
Goodwill (Note 5)		28,173		27,508
Other intangible assets – net (Note 5)		1,843		1,874
Other assets		74,410		79,045
Assets of businesses held for sale (Note 2)		895		3,127
Assets of discontinued operations (Note 2)		6,407		12,375
Total assets(a)	$	577,123	$	581,140
Liabilities and equity				
Short-term borrowings (Note 6)	$	118,599	$	113,646
Accounts payable		7,739		6,839
Non-recourse borrowings of consolidated securitization entities (Note 6)		29,075		30,018
Bank deposits (Note 6)		41,548		37,298
Long-term borrowings (Note 6)		268,830		284,346
Investment contracts, insurance liabilities and insurance annuity benefits		5,054		5,779
Other liabilities		22,283		20,287
Deferred income taxes		1,717		6,109
Liabilities of businesses held for sale (Note 2)		527		592
Liabilities of discontinued operations (Note 2)		1,706		2,181
Total liabilities(a)		497,078		507,095
Capital stock		56		56
Accumulated other comprehensive income – net(b)				
Investment securities		(376)		(337)
Currency translation adjustments		986		(1,541)
Cash flow hedges		(1,606)		(1,347)
Benefit plans		(381)		(380)
Additional paid-in capital		28,463		28,463
Retained earnings		51,702		47,967
Total GECC shareowner's equity		78,844		72,881
Noncontrolling interests(c)		1,201		1,164
Total equity		80,045		74,045
Total liabilities and equity	$	577,123	$	581,140

(a) Our consolidated assets at June 30, 2011 include total assets of $43,797 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets include net financing receivables of $36,387 million and investment securities of $4,927 million. Our consolidated liabilities at June 30, 2011 include liabilities of certain VIEs for which the VIE creditors do not have recourse to GECC. These liabilities include non-recourse borrowings of consolidated securitization entities (CSEs) of $28,556 million. See Note 13.

(b) The sum of accumulated other comprehensive income – net was $(1,377) million and $(3,605) million at June 30, 2011 and December 31, 2010, respectively.

(c) Included accumulated other comprehensive income – net attributable to noncontrolling interests of $(128) million and $(137) million at June 30, 2011 and December 31, 2010, respectively.

See accompanying notes.

(4)

General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Cash Flows
(Unaudited)

	Six months ended June 30,	
(In millions)	2011	2010
Cash flows – operating activities		
Net earnings	$ 3,786	$ 836
Less net earnings (loss) attributable to noncontrolling interests	51	(27)
Net earnings attributable to GECC	3,735	863
(Earnings) loss from discontinued operations	(275)	450
Adjustments to reconcile net earnings attributable to GECC to cash provided from operating activities		
Depreciation and amortization of property, plant and equipment	3,567	3,762
Increase (decrease) in accounts payable	955	2,325
Provision for losses on financing receivables	1,968	4,187
All other operating activities	(743)	(498)
Cash from (used for) operating activities – continuing operations	9,207	11,089
Cash from (used for) operating activities – discontinued operations	683	339
Cash from (used for) operating activities	9,890	11,428
Cash flows – investing activities		
Additions to property, plant and equipment	(5,118)	(2,177)
Dispositions of property, plant and equipment	3,488	2,279
Increase in loans to customers	(153,755)	(150,337)
Principal collections from customers – loans	166,514	160,233
Investment in equipment for financing leases	(4,386)	(4,522)
Principal collections from customers – financing leases	6,813	8,372
Net change in credit card receivables	1,575	1,578
Proceeds from sale of discontinued operations	4,371	–
Proceeds from principal business dispositions	2,077	825
Payments for principal businesses purchased	(93)	–
All other investing activities	4,118	11,976
Cash from (used for) investing activities – continuing operations	25,604	28,227
Cash from (used for) investing activities – discontinued operations	(623)	(102)
Cash from (used for) investing activities	24,981	28,125
Cash flows – financing activities		
Net increase (decrease) in borrowings (maturities of 90 days or less)	(2,932)	(2,247)
Net increase (decrease) in bank deposits	2,464	619
Newly issued debt (maturities longer than 90 days)		
Short-term (91 to 365 days)	10	10,628
Long-term (longer than one year)	26,860	17,138
Non-recourse, leveraged lease	–	–
Repayments and other debt reductions (maturities longer than 90 days)		
Short-term (91 to 365 days)	(44,379)	(63,476)
Long-term (longer than one year)	(273)	(1,163)

Non-recourse, leveraged lease		(520)		(454)
Dividends paid to shareowner		–		–
All other financing activities		(728)		(1,270)
Cash from (used for) financing activities – continuing operations		(19,498)		(40,225)
Cash from (used for) financing activities – discontinued operations		(42)		(305)
Cash from (used for) financing activities		(19,540)		(40,530)
Effect of currency exchange rate changes on cash and equivalents		2,407		(1,598)
Increase (decrease) in cash and equivalents		17,738		(2,575)
Cash and equivalents at beginning of year		59,679		63,880
Cash and equivalents at June 30		77,417		61,305
Less cash and equivalents of discontinued operations at June 30		159		1,903
Cash and equivalents of continuing operations at June 30	$	77,258	$	59,402

See accompanying notes.

(5)

Summary of Operating Segments

	Three months ended June 30, (Unaudited)		Six months ended June 30, (Unaudited)	
(In millions)	2011	2010	2011	2010
Revenues				
CLL	$ 4,666	$ 4,506	$ 9,274	$ 9,100
Consumer	4,176	4,317	9,003	8,743
Real Estate	992	991	1,899	1,935
Energy Financial Services	365	595	710	1,386
GECAS	1,327	1,259	2,652	2,498
Total segment revenues	11,526	11,668	23,538	23,662
GECC corporate items and eliminations	100	114	299	(87)
Total revenues in GECC	$ 11,626	$ 11,782	$ 23,837	$ 23,575
Segment profit				
CLL	$ 701	$ 312	$ 1,255	$ 544
Consumer	1,020	649	2,239	1,204
Real Estate	(335)	(524)	(693)	(927)
Energy Financial Services	139	126	251	279
GECAS	321	288	627	605
Total segment profit	1,846	851	3,679	1,705
GECC corporate items and eliminations	(191)	(108)	(219)	(392)
Earnings from continuing operations attributable to GECC	1,655	743	3,460	1,313
Earnings (loss) from discontinued operations, net of taxes, attributable to GECC	218	(100)	275	(450)
Total net earnings attributable to GECC	$ 1,873	$ 643	$ 3,735	$ 863

See accompanying notes.

(6)

Notes to Condensed, Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Interim Period Presentation

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

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

Assets and Liabilities of Businesses Held for Sale

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

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

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

(In millions)	June 30, 2011	December 31, 2010
Assets		
Cash and equivalents	$ 149	$ 54
Financing receivables – net	576	1,917
Property, plant and equipment – net	100	103
Other intangible assets – net	31	187
Other assets	9	841
Other	30	25
Assets of businesses held for sale	$ 895	$ 3,127
Liabilities		
Short-term borrowings	$ 399	$ 146
Accounts payable	56	46
Long-term borrowings	19	228
Other liabilities	53	172
Liabilities of businesses held for sale	$ 527	$ 592

Discontinued Operations

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

Summarized financial information for discontinued operations is shown below.

(In millions)	Three months ended June 30, 2011	2010	Six months ended June 30, 2011	2010
Operations				
Total revenues	$ 121	$ 513	$ 324	$ 1,050
Earnings (loss) from discontinued operations before income taxes	$ (13)	$ 104	$ 11	$ 123
Benefit (provision) for income taxes	35	(19)	29	(7)
Earnings (loss) from discontinued operations, net of taxes	$ 22	$ 85	$ 40	$ 116
Disposal				
Gain (loss) on disposal before income taxes	$ (52)	$ (185)	$ (41)	$ (566)
Benefit for income taxes	248	–	276	–
Gain (loss) on disposal, net of taxes	$ 196	$ (185)	$ 235	$ (566)
Earnings (loss) from discontinued operations, net of taxes	$ 218	$ (100)	$ 275	$ (450)

(In millions)	June 30, 2011	December 31, 2010
Assets		
Cash and equivalents	$ 159	$ 142
Financing receivables - net	4,966	10,589
Other assets	17	168
Other	1,265	1,476
Assets of discontinued operations	$ 6,407	$ 12,375

(In millions)	June 30, 2011	December 31, 2010
Liabilities		
Accounts payable	$ 16	$ 110
Deferred income taxes	171	238
Other	1,519	1,833
Liabilities of discontinued operations	$ 1,706	$ 2,181

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

BAC Credomatic GECF Inc. (BAC)

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

BAC revenues from discontinued operations were $248 million and $508 million in the three and six months ended June 30, 2010, respectively. In total, BAC earnings from discontinued operations, net of taxes, were $20 million and $37 million in the three and six months ended June 30, 2010, respectively.

GE Money Japan

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

Our overall claims experience developed unfavorably through 2010. We believe that the level of excess interest refund claims has been impacted by the challenging global economic conditions, in addition to Japanese legislative and regulatory changes. In September 2010, a large independent personal loan company in Japan filed for bankruptcy, which precipitated a significant amount of publicity surrounding excess interest refund claims in the Japanese marketplace, along with substantial legal advertising. We observed an increase in claims during September 2010 and higher average daily claims in the fourth quarter of 2010 and the first two months of 2011. While we have experienced a decline in claims following the February 2011 claims filing deadline related to the bankruptcy filing of the personal loan company, it continues to be unclear whether excess interest refund claims activity will be also affected by the March 11, 2011 earthquake and subsequent tsunami in Japan. As of June 30, 2011, our reserve for reimbursement of claims in excess of the statutory interest rate was $1,037 million.

The amount of these reserves is based on analyses of recent and historical claims experience, pending and estimated future excess interest refund requests, the estimated percentage of customers who present valid requests, and our estimated payments related to those requests. Our estimated liability for excess interest refund claims at June 30, 2011 assumes the pace of incoming claims will decelerate, average exposure per claim remains consistent with historical experience, and we continue to see further impact of our loss mitigation efforts. Estimating the pace of decline in incoming claims can have a significant effect on the total amount of our liability. Average daily claims have been higher than expected, which we believe is primarily attributable to the bankruptcy filing of the large independent personal loan company described above and claims activity has declined substantially following that period. We believe that continued evaluation of claims activity will be important in order to fully assess the potential impact of this bankruptcy or other events on our overall claim reserve estimate. Holding all other assumptions constant, if claims declined at a rate of one percent higher or lower than assumed, our liability estimate would change by approximately $250 million.

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

GE Money Japan losses from discontinued operations, net of taxes, were $0 million and $188 million in the three months ended June 30, 2011 and 2010, respectively, and $0 million and $571 million in the six months ended June 30, 2011 and 2010, respectively.

WMC

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

(10)

Pending claims for unmet representations and warranties were $783 million at December 31, 2009, $347 million at December 31, 2010 and $469 million at June 30, 2011. Reserves related to these contractual representations and warranties were $101 million at both June 30, 2011 and December 31, 2010. The amount of these reserves is based upon pending and estimated future loan repurchase requests, the estimated percentage of loans validly tendered for repurchase, and our estimated losses on loans repurchased. Based on our historical experience, we estimate that a small percentage of the total loans WMC originated and sold will be tendered for repurchase, and of those tendered, only a limited amount will qualify as "validly tendered," meaning the loans sold did not satisfy specified contractual obligations. WMC's current reserve represents our best estimate of losses with respect to WMC's repurchase obligations. Actual losses could exceed the reserve amount if actual claim rates, investigative or litigation activity, valid tenders or losses WMC incurs on repurchased loans are higher than we have historically observed with respect to WMC.

WMC revenues (loss) from discontinued operations were $0 million and $(3) million in the three months ended June 30, 2011 and 2010, respectively, and $0 million and $(3) million in the six months ended June 30, 2011 and 2010, respectively. In total, WMC's earnings (loss) from discontinued operations, net of taxes, were $(2) million and $1 million in the three months ended June 30, 2011 and 2010, respectively, and $(3) million in both the six months ended June 30, 2011 and 2010.

Other

In the second quarter of 2011, we entered into an agreement to sell our Australian Home Lending operations for approximately $4,700 million. As a result, we recognized an after-tax loss of $150 million in the second quarter of 2011. Australian Home Lending revenues from discontinued operations were $101 million and $131 million in the three months ended June 30, 2011 and 2010, respectively, and $215 million and $268 million in the six months ended June 30, 2011 and 2010, respectively. Australian Home Lending earnings (loss) from discontinued operations, net of taxes, were $(118) million and $24 million in the three months ended June 30, 2011 and 2010, respectively, and $(80) million and $37 million in the six months ended June 30, 2011 and 2010, respectively.

In the first quarter of 2011, we entered into an agreement to sell our Consumer Singapore business for $692 million. The sale was completed in the second quarter of 2011 and resulted in the recognition of a gain on disposal, net of taxes, of $319 million. Consumer Singapore revenues from discontinued operations were $2 million and $26 million in the three months ended June 30, 2011 and 2010, respectively, and $31 million and $52 million in the six months ended June 30, 2011 and 2010, respectively. Consumer Singapore earnings from discontinued operations, net of taxes, were $319 million and $8 million in the three months ended June 30, 2011 and 2010, respectively, and $326 million and $16 million in the six months ended June 30, 2011 and 2010, respectively.

In the fourth quarter of 2010, we entered into agreements to sell our Consumer RV Marine portfolio and Consumer Mexico business. The Consumer RV Marine and Consumer Mexico dispositions were completed during the first quarter and the second quarter of 2011, respectively, for proceeds of $2,365 million and $1,943 million, respectively. Consumer RV Marine revenues from discontinued operations were $6 million and $54 million in the three months ended June 30, 2011 and 2010, respectively, and $11 million and $108 million in the six months ended June 30, 2011 and 2010, respectively. Consumer RV Marine earnings (loss) from discontinued operations, net of taxes, were $2 million and $17 million in the three months ended June 30, 2011 and 2010, respectively, and $2 million and $(1) million in the six months ended June 30, 2011 and 2010, respectively. Consumer Mexico revenues from discontinued operations were $12 million and $56 million in the three months ended June 30, 2011 and 2010, respectively, and $67 million and $117 million in the six months ended June 30, 2011 and 2010, respectively. Consumer Mexico earnings from discontinued operations, net of taxes, were $17 million in both the three months ended June 30, 2011 and 2010, and $33 million and $35 million in the six months ended June 30, 2011 and 2010, respectively.

(11)

3. INVESTMENT SECURITIES

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

	At							
	June 30, 2011				December 31, 2010			
(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Debt								
U.S. corporate	$ 2,897	$ 95	$ (10)	$ 2,982	$ 3,490	$ 169	$ (14)	$ 3,645
State and municipal	915	10	(228)	697	918	4	(232)	690
Residential mortgage-backed(a)	1,887	23	(302)	1,608	2,099	14	(355)	1,758
Commercial mortgage-backed	1,523	38	(173)	1,388	1,619	-	(183)	1,436
Asset-backed	3,708	25	(143)	3,590	3,242	7	(190)	3,059
Corporate – non-U.S.	1,441	44	(84)	1,401	1,478	39	(111)	1,406
Government – non-U.S.	2,197	7	(84)	2,120	1,804	8	(58)	1,754
U.S. government and federal agency	2,597	9	–	2,606	2,663	3	(5)	2,661
Retained interests	32	16	(3)	45	55	10	(26)	