GENERAL ELECTRIC CAPITAL CORP
Form 10-K/A
May 06, 2005

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

FORM 10-K/A

Amendment No. 1 to Form 10-K

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

For the fiscal year ended December 31, 2004
or

¨ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ___________to ___________

Commission file number 1-6461

General Electric Capital Corporation
(Exact name of registrant as specified in its charter)

Delaware		**13-1500700**
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)
260 Long Ridge Road, Stamford, Connecticut	**06927**	**203/357-4000**
(Address of principal executive offices)	(Zip Code)	(Registrant's telephone number, including area code)

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

Title of each class	**Name of each exchange on which registered**
7.875% Guaranteed Subordinated Notes Due December 1, 2006	**New York Stock Exchange**
6.625% Public Income Notes Due June 28, 2032	**New York Stock Exchange**
6.10% Public Income Notes Due November 15, 2032	**New York Stock Exchange**
5.875% Notes Due February 18, 2033	**New York Stock Exchange**
	New York Stock Exchange

Step-Up Public Income Notes Due
January 28, 2035

Securities Registered Pursuant to Section 12(g) of the Act:
Title of each class
None.

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ¨ No **þ**

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

At February 28, 2005, 3,985,403 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of $14 were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The consolidated financial statements of General Electric Company, set forth in Amendment No. 1 to the Annual Report on Form 10-K/A of General Electric Company for the year ended December 31, 2004 are incorporated by reference into Part IV hereof.

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

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2005 Restatement

Overview

We are filing this amendment to General Electric Capital Corporation (GECC) Annual Report on Form 10-K for the year ended December 31, 2004, to amend and restate financial statements and other financial information for the years 2004, 2003 and 2002 and financial information for the year 2001 and for each of the quarters in the years 2004 and 2003 with respect to the accounting for certain derivatives transactions. These transactions relate to treasury operations at GECC. The effect of the restatement on our statement of financial position at the end of the reported periods is immaterial and the restatement has no effect on our cash flows.

Cumulatively through December 31, 2004, and separately in first quarter 2005, this non-cash restatement had the following earnings effects:

		Effects of Correction	
(In millions)	**Total**	**Quarter ending March 31, 2005**	**Cumulative through December 31, 2004**
Increase (decrease) in earnings before accounting changes	$ 381	$ (78)	$ 459
Accounting changes	157	-	157
Increase (decrease) net earnings	$ 538	$ (78)	$ 616

We have also determined that a control deficiency related to this subset of derivatives giving rise to the restatement constituted a material weakness in our internal control over financial reporting. The material weakness related to accounting for derivatives that were entered into prior to August of 2003 (except for one immaterial transaction), and there were no subsequent transactions of this sort. We have fully remediated that weakness as of the date of this report. See “Item 9A - Controls and Procedures.”

Internal Audit

In the course of a regularly scheduled audit, our internal corporate audit staff identified errors with respect to GECC’s use of hedge accounting for certain transactions under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended (SFAS 133). Descriptions of these errors follow:

- The first errors were in accounting for interest rate and currency swaps at GECC that included fees paid or received at inception. These swaps related to about 14% of our overall borrowings at January 1, 2001, and about 6% of our overall borrowings at December 31, 2004. Our initial accounting viewed these fees as immaterial. KPMG LLP, our independent registered public accounting firm, reviewed this initial accounting in connection with their 2001 audit. In 2003, we discontinued use of such swaps, except for one immaterial transaction, but continued the previous accounting for those already in place. Because of the swap fees, however, the fair values of the swaps were not zero at inception as required by SFAS 133 and, accordingly, we were required to, but did not, test periodically for effectiveness.

- The second errors arose from a hedge accounting position related to a portfolio of assets consolidated by GECC in July 2003 at implementation of Financial Accounting Standards Board Interpretation No. (FIN) 46, *Consolidation of Variable Interest Entities*. This portfolio included assets equal to 2% and 1% of GE's total assets at consolidation and at December 31, 2004, respectively. We entered into interest rate swaps in 2003 to adjust the economic yield on these newly-consolidated fixed-rate assets from a fixed to a floating rate. Adhering to our hedge documentation at the 2003 inception of these swaps, we did not perform subsequent periodic testing of their effectiveness. We determined as a result of the internal audit that the prepayment penalties in the underlying assets, which penalties had not been identified by us or KPMG LLP at implementation, were not appropriately mirrored in the associated swaps, as required in order to avoid periodic testing of effectiveness under SFAS 133. Accordingly, periodic effectiveness testing was required under SFAS 133 for these swaps.

- In the course of the internal audit, GE's internal audit staff also identified other errors under SFAS 133 with respect to other aspects of certain swaps and other derivative instruments. Adjustments to correct the accounting for these transactions also are included in our restated results of operations. We do not believe these other adjustments are material, individually or in the aggregate, to our financial position or our results of operations for any reported period.

During its audit, the internal audit staff reported its findings to GE and GECC management, to KPMG LLP and to the Audit Committee of the Board of Directors of GE. After initial discussions with the Audit Committee, GE and GECC management reviewed these matters in further detail, and after completing its analysis on May 5, 2005, recommended to the Audit Committee that previously reported financial results be restated to reflect correction of these errors. The Audit Committee agreed with this recommendation. Pursuant to the recommendation of the Audit Committee, the Board of Directors of GE and the Board of Directors of GECC determined at their respective meetings on May 5, 2005, that previously reported results for GECC be restated to eliminate hedge accounting for these swaps, and, in light of the restatement, that the financial statements and other information referred to above should no longer be relied upon.

Based on information to date, our personnel did not use these accounting issues to influence incentive or other compensation in the past. Going forward, adjustments in the restated financial results will not be used to influence positively any person's compensation.

Restatement

In response to the issues raised by the internal audit relating to the derivatives transactions described above:

- we have completed a review of the documentation and accounting for interest rate and currency swaps with respect to the types of hedging transactions affected by the restatement at GECC treasury operations;

- we are taking action to adjust our interest rate and currency swaps thereby eliminating any significant volatility associated with these swaps; and

- we have reversed the effects of incorrect hedge accounting by restating our previously issued financial statements.

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Effects of Restatement

The following tables set forth the effects of the restatement relating to derivatives transactions on affected line items within our previously reported Statements of Earnings and for the years 2004, 2003, 2002 and 2001 and for each of the quarters in the years 2004 and 2003. The restatement has an immaterial effect on our Statements of Financial Position at the end of each of the restated periods and has no effect on the timing or amount of operating cash flows.

Effects of Statements of Earnings

(Income (expense);in millions)	**Total**	**2004**	**2003**	**2002**	**2001**
Revenues	$ 930	$ 503	$ 454	$ 16	$ (43)
Interest	(170)	(129)	(67)	65	(39)
Provision for income taxes	(301)	(148)	(153)	(32)	32
Earnings before accounting changes	459	226	234	49	(50)
Cumulative effect of accounting changes	157	-	-	-	157
Net earnings	$ 616	$ 226	$ 234	$ 49	$ 107

			2004		
(Income (expense);in millions)	**Total**	**First quarter**	**Second quarter**	**Third quarter**	**Fourth quarter**
Revenues	$ 503	$ 242	$ (254)	$ 64	$ 451
Interest	(129)	(33)	(33)	(31)	(32)
Provision for income taxes	(148)	(83)	114	(13)	(166)
Net earnings	$ 226	$ 126	$ (173)	$ 20	$ 253

			2003		
(Income (expense);in millions)	**Total**	**First quarter**	**Second quarter**	**Third quarter**	**Fourth quarter**
Revenues	$ 454	$ 441	$ 775	$ (703)	$ (59)
Interest	(67)	33	(30)	(34)	(36)
Provision for income taxes	(153)	(187)	(295)	291	38
Net earnings	$ 234	$ 287	$ 450	$ (446)	$ (57)

Reversal of these cumulative adjustments will affect net earnings negatively over the terms of the underlying assets and debt, but to a degree that we do not expect to be significant in any individual period given the terms of the arrangements and our plan to reduce the accounting volatility by replacing volatile swaps not qualifying for hedge accounting.

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

(5)

Part I
Item 1 - Business

Part II:
Item 6 - Selected Financial Data
Item 7 - Management's Discussion and Analysis of Results of Operations and Financial Condition
Item 7A - Quantitative and Qualitative Disclosures About Market Risk
Item 8 - Financial Statements and Supplementary Data
Item 9A - Controls and Procedures

Part IV:
Item 15 - Exhibits and Financial Statements Schedule

In light of the restatement, readers should no longer rely on our previously filed financial statements and other financial information for the years and for each of the quarters in the years 2004, 2003, 2002 and 2001.

PART I

Item 1. Business.

General Electric Capital Corporation

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

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

Our services are offered primarily in North America, Europe and Asia. Our principal executive offices are located at 260 Long Ridge Road, Stamford, Connecticut 06927-1600. At December 31, 2004, our employment totaled approximately 76,300.

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

Operating Segments

2004 was a year of portfolio transition. As described in our report last year, we simplified our organization on January 1, 2004, by realigning certain businesses within our segment structure. Certain prior-period amounts in this financial section have been reclassified to reflect this reorganization.

Commercial Finance

Commercial Finance (38.4%, 38.4% and 39.5% of total revenue in 2004, 2003 and 2002, respectively) offers a broad range of financial services worldwide. We have particular expertise in the mid-market, and offer loans, leases and other financial services to customers, including manufacturers, distributors and end-users for a variety of equipment and major capital assets. These assets include industrial and energy-related facilities and equipment; commercial and residential real estate; vehicles; aircraft; and equipment used in many industries, including the construction, manufacturing, telecommunications and healthcare industries.

During 2004, we acquired the commercial lending business of Transamerica Finance Corporation; the U.S. leasing business of IKON Office Solutions; Sophia S.A., a real estate company in France; and Benchmark Group PLC, a U.K.-listed real estate property company.

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

For further information about revenues, net earnings and assets for Commercial Finance, see page 20 and note 18.

We provide additional information on two of our segment product lines, Real Estate (commercial real estate financing) and Aviation Services (commercial aircraft financing). Each of these product lines finances a single form of collateral, and each has understandable concentrations of risk and opportunities.

Real Estate

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

Aviation Services

Our Aviation Services product line is a global commercial aviation financial services business that offers a broad range of financial products to airlines, aircraft operators, owners, lenders and investors. Financial products include leases, aircraft purchasing and trading, loans, engine/spare parts financing, pilot training, fleet planning and financial advisory services.

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

Consumer Finance

Consumer Finance (26.3%, 23.9% and 20.1% of total revenue in 2004, 2003 and 2002, respectively) is a leading provider of credit products and services to consumers, retailers and auto dealers in 41 countries. We offer a broad range of financial products, including private-label credit cards; personal loans; bank cards; auto loans, leases and inventory financing; residential mortgages; corporate travel and purchasing cards; debt consolidation loans; home equity loans; and credit and other insurance products for customers on a global basis.

In 2004, as part of our continued global expansion, we acquired Australian Financial Investments Group (AFIG), a residential mortgage lender in Australia; WMC Finance Co. (WMC), a U.S. wholesale mortgage lender; and the private-label credit card portfolio of Dillard’s Inc.

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

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

For further information about revenues, net earnings and assets for Consumer Finance, see page 21 and note 18.

Equipment & Other Services

Equipment & Other Services (16.2%, 10.2% and 11.7% of total revenue in 2004, 2003 and 2002, respectively) helps customers manage, finance and operate a wide variety of business equipment worldwide. We provide rentals, leases, sales, asset management services and loans for portfolios of commercial and transportation equipment, including tractors, trailers, railroad rolling stock, modular space units, intermodal shipping containers and marine containers. Our operations are conducted in highly competitive markets. Economic conditions, geographic location, pricing and equipment availability are important factors in this business. Future success will depend upon our ability to maintain a large and diverse customer portfolio, optimize asset mix, maximize asset utilization and manage credit risk. In addition, we seek to understand our customers and to meet their needs with unique, efficient and cost effective product and service offerings.

In December 2004, we sold a majority interest in Gecis, our global business processing operation, to two leading private investment firms. We retained a 40% investment in Gecis.

Also included in the segment are activities and businesses that are not measured within one of our other segments - for example, corporate expenses, liquidating businesses and other non-segment aligned operations.

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

For further information about revenues, net earnings and assets for Equipment & Other Services, see page 22and note 18.

Insurance

Insurance (19.1%, 27.5% and 28.7% of total revenue in 2004, 2003 and 2002, respectively) offers a broad range of insurance and investment products that provide reinsurance and primary commercial insurance products to insurance companies, Fortune 100 companies, self-insurers and healthcare providers, and help consumers create and preserve personal wealth, protect assets and enhance their life styles. For lenders and investors, we provide protection against the risks of default on low-down-payment mortgages.

Our Insurance businesses are subject to intense competition. We believe the principal competitive factors in the sale of our products are service, brand, product features, price, commission structure, marketing and distribution arrangements, reputation and financial strength ratings. In the commercial sector, we are well positioned to compete in select niche insurance and reinsurance segments given our expertise, analytics capabilities and service. In the consumer sector, we are well positioned to benefit from developing demographic, governmental and market trends, including aging U.S. populations with growing retirement income needs, growing lifestyle protection gaps and increasing global opportunities for mortgage insurance.

Our headquarters are in Kansas City, Missouri with offices throughout North America, Europe, South America, Australia and Asia.

In May 2004, we completed an initial public offering of Genworth Financial, Inc. (Genworth), our formerly wholly-owned subsidiary that conducts most of our consumer insurance business, including life and mortgage insurance operations. We sold approximately 30% of the common shares of Genworth to the public, and we expect (subject to market conditions) to reduce our ownership over the next two years as Genworth transitions to full independence.

For further information about revenues, net earnings and assets for Insurance, see page 24 and note 18.

Regulations and Competition

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

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

Business and Economic Conditions

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

operations, such as the insurance operations, that are linked less directly to interest rates, rate changes generally affect returns on investment portfolios.

Forward-looking Statements

This document contains "forward-looking statements" - that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements b nature address matters that are, to different degrees, uncertain. For us, particular uncertainties arise from the behavior of financial markets, including fluctuations in interest rates and commodity prices, from future integration of acquired businesses, from future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation and healthcare industries, from unanticipated loss development in our insurance businesses, and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

Item 2. Properties.

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

Item 3. Legal Proceedings.

U.S. Securities and Exchange Commission Subpoena

On April 29, 2005, the Company received a subpoena from the Northeast Regional Office of the Securities and Exchange Commission. This subpoena requires the Company to produce documents related to "certain loss mitigation insurance products," such as finite risk reinsurance. The Company will cooperate fully with the SEC.

GE Insurance Solutions has made limited use of reinsurance with finite risk characteristics to manage the risks of catastrophic events, such as storms or hurricanes, and to protect itself from the volatility inherent in its business. Based on its numerous reviews of GE Insurance Solutions' reinsurance agreements with finite risk characteristics in the past several years, the Company believes that the agreements have been properly structured and accounted for, with appropriate risk transfer, and properly disclosed.

After we commenced the work for an internal audit in connection with GECC's treasury operations, GE received a letter in January 20, 2005 from the Boston District Office of the U.S. Securities and Exchange Commission, indicating that it was conducting an informal investigation and requesting that GE and GECC voluntarily provide certain documents and information with respect to the use of hedge accounting for derivatives by GE and GECC. In response to the staff's request, GE and GECC have voluntarily provided documents and other information and we intend to continue to cooperate fully with them in their ongoing investigation.

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

Not required by this form.

(11)

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

See note 16 to the consolidated financial statements. Our common stock is owned entirely by GE Capital Services and, therefore, there is no trading market in such stock.

Item 6. Selected Financial Data.

The selected financial data set forth in this Item 6 have been restated to reflect adjustments to our consolidated financial statements and other financial information contained in our Annual Report on Form 10-K for the year ended December 31, 2004, originally filed with the U.S. Securities and Exchange Commission on March 1, 2005. The following selected financial data should be read in conjunction with our restated financial statements and the related Notes to Consolidated Financial Statements.

	Year ended December 31				
(In millions)	**2004 (Restated)**	**2003 (Restated)**	**2002 (Restated)**	**2001 (Restated)**	**2000**
Revenues	$ 59,850	$ 53,370	$ 48,835	$ 49,005	$ 54,799
Earnings before accounting changes	8,260	7,466	6,554	6,010	4,289
Cumulative effect of accounting changes	-	(339)	(1,015)	(1)	-
Net earnings	8,260	7,127	5,539	6,009	4,289
Return on average shareowner's equity	16.74%	16.99%	19.13%	21.64%	17.90%
Ratio of earnings to fixed charges	1.89	1.86	1.66	1.73	1.52
Ratio of earnings to combined fixed charges and preferred stock dividends	1.88	1.85	1.65	1.71	1.50
Ratio of debt to equity	6.53:1	6.66:1	6.51:1	7.26:1	7.53:1
Financing receivables - net	$ 279,588	$ 245,503	$ 195,322	$ 169,615	$ 138,832
Total assets	566,885	506,773	439,434	381,065	332,636
Borrowings	352,326	311,097	261,162	230,411	196,258
Minority interest	6,105	2,512	1,834	1,650	1,344
Shareowner's equity	53,958	46,692	40,126	31,739	26,073

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

Restatement

As discussed in note 1, we are restating financial statements and other financial information for the years 2004, 2003 and 2002 and financial information for the year 2001 and for each of the quarters in the years 2004 and 2003 with respect to the accounting for certain derivatives transactions. These transactions relate to treasury operations at GE Capital Corporation (GECC).

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The errors identified in our internal audit related to the accounting for certain derivative instruments used in meeting our objective of managing exchange rate and interest rate risks. Because we conduct business in diverse markets around the world and local funding is not always efficient, we use derivatives including swaps to eliminate certain market and financial risks. In addition, swaps are used to adjust the debt we are issuing to match the fixed or floating nature of the assets we are acquiring. When interest rate and currency swaps are effective as accounting hedges under the technical requirements of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended (SFAS 133), they offset the variability of expected future cash flows or changes in the fair values of assets and liabilities, both economically and for financial reporting purposes. GE has historically used such instruments to effectively mitigate financial and market risks, as evidenced by the analysis of the potential effects of changes in interest rates and currency exchange rates presented on page 40. The effect of our inability to apply hedge accounting for the swaps requiring restatement is that changes in their fair values must be recorded in earnings each reporting period. As a result, reported results of operations will be directly influenced by changes in interest rates and currency rates.

The following table sets forth the effects of the errors in accounting for debt interest rate and currency swaps with fees, asset swaps with prepayment penalties and certain other derivatives, as more fully described in the Explanatory Statement beginning on page 3, on our previously reported earnings for the years 2001 through 2004, and each of the quarters in the years 2003 and 2004. The effect of the restatement on our Statements of Financial Position at the end of each of the restated periods is immaterial and the restatement had no effect on our cash flows.

(In millions)	**Increase (decrease) in Earnings Before Accounting Changes**				
	2004	**2003**	**2002**	**2001**	**2001 Accounting Change**[(a)]
Debt swaps with fees					
Interest rate	$ 77	$ (35)	$ 198	$ (14)	$ 167
Currency	125	87	(154)	(45)	(7)
Asset swaps with prepayment penalties	15	125	-	-	-
Other, net	9	57	5	9	(3)
Total adjustment	$ 226	$ 234	$ 49	$ (50)	$ 157
Previously reported earnings before accounting changes	$ 8,034	$ 7,232	$ 6,505	$ 6,060	
Percent variation from previously reported accounting changes	2.81%	3.24%	0.75%	(0.83)%	

(a) Represents the cumulative effect on earnings as of January 1, 2001, the date we adopted SFAS 133

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(In millions)	Increase (decrease) in Net Earnings[a]								
	2005	2004				2003			
Quarter	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Debt swaps with fees									
Interest rate	$ (153)	$ 144	$ 142	$ (436)	$ 227	$ (61)	$ (650)	$ 448	$ 228
Currency	28	84	(20)	69	(8)	8	74	(1)	6
Asset swaps with prepayment penalties	82	13	(102)	198	(94)	(5)	130	-	-
Other, net	(35)	12	-	(4)	1	1	-	3	53
Total adjustment	$ (78)	$ 253	$ 20	$ (173)	$ 126	$ (57)	$ (446)	$ 450	$ 287
Previously reported earnings before accounting changes	$ 2,155	$ 2,555	$ 2,250	$ 1,576	$ 1,653	$ 2,009	$ 2,001	$ 1,604	$ 1,618
Percent variation from previously reported accounting changes	(3.6)%	9.9%	0.9%	(11.0)%	7.6%	(2.8)%	(22.3)%	28.1%	17.7%

(a) See also note 22 to the Notes to Consolidated Financial Statements - Quarterly Information (Unaudited), as restated

Changes to our previously reported earnings detailed above reflect the increased volatility arising from factors outside our control - changes in interest rates and currency rates, and prepayments of fixed-rate loans by customers. We experienced such changes over the affected period of 2001 through the first quarter of 2005, with generally lower interest rates and the resultant increase in loan prepayments, and a U.S. dollar that was relatively strong in the early part of that period but weakened steadily thereafter.

We used interest rate and asset swaps to convert the economics of underlying debt and assets from fixed to floating interest rates. Values of swaps themselves change as interest rates change. Declines in rates generally tend to cause positive earnings effects from revaluation of associated debt swaps, the larger of our swap positions, but negative earnings effects from revaluation of asset swaps, the smaller position. Interest rates generally trended downward during the period from 2001 to the present, explaining the overall positive effect on earnings from this accounting error correction. But interest rates were sometimes volatile within the years - for example increasing sharply in the

third quarter of 2003 and second quarter of 2004, resulting in an overall negative earnings effect.

Those effects combined to produce a cumulative earnings increase of $0.5 billion through December 31, 2004. Of that amount, $0.4 arose from interest rate swaps, which were used throughout the affected period; $0.1 from asset swaps, which were first used in 2003 after which rates were somewhat volatile, but moved slightly higher; and no effect from currency swaps, where increases and decrease to earnings offset over the affected period. Reversal of these cumulative adjustments will affect net earnings negatively over the terms of the underlying assets and debt, but to a degree that we do not expect to be significant in any individual period given the terms of the arrangements and our plan to reduce the accounting volatility by replacing volatile swaps not qualifying for hedge accounting.

Operations

We present Management's Discussion of Operations in four parts: Overview of Our Earnings from 2002 through 2004, Global Risk Management, Segment Operations and Global Operations.

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under the SEC rules; those rules require the supplemental explanations and reconciliations provided on page 39.

2004 was a year of portfolio transition. As described in our report last year, we simplified our organization on January 1, 2004, by realigning certain businesses within our segment structure. Certain prior-period amounts in this financial section have been reclassified to reflect this reorganization.

In May 2004, we completed an initial public offering of Genworth Financial, Inc. (Genworth), our formerly wholly-owned subsidiary that conducts most of our consumer insurance business, including life and mortgage insurance operations. We sold approximately 30% of the common shares of Genworth to the public, and we expect (subject to market conditions) to reduce our ownership over the next two years as Genworth transitions to full independence. This transaction resulted in a second quarter pre-tax loss of $0.6 billion ($0.3 billion after tax), recognized in the Insurance segment.

In December 2004, we sold a majority interest in Gecis, our global business processing operation, to two leading private investment firms. We received cash proceeds of $0.5 billion and retained a 40% investment in Gecis. This transaction resulted in a fourth quarter pre-tax gain of $0.4 billion ($0.3 billion after tax), recognized in the Equipment & Other Services segment.

Overview of Our Earnings from 2002 through 2004

The global economic environment must be considered when evaluating our results over the last several years. Important factors for us included slow global economic growth, a weakening U.S. dollar, lower global interest rates, a mild U.S. recession that did not cause significantly higher credit losses and developments in the commercial aviation industry, an industry significant to us. As the following pages show in detail, our diversification and risk management strategies enabled us to continue to grow during this challenging time. Our results were affected by a combination of factors, both positive and negative, as follows:

- Commercial and Consumer Finance (in total, 62% and 80% of total three-year revenues and earnings before accounting changes, respectively) are large, profitable growth businesses in which we continue to invest with confidence. In a challenging economic environment, these businesses grew earnings by $0.7 billion and $1.1 billion in 2004 and 2003, respectively. Solid core growth, disciplined risk management and successful acquisitions have delivered these strong results.

- Equipment & Other Services (13% and 3% of total three-year revenues and earnings before accounting changes, respectively) is particularly sensitive to economic conditions and consequently was affected adversely by the U.S. recession in 2002 and by slow global growth in developed countries. Higher capacity, in combination with declining or weak volume growth in many of these industries serviced by this business, resulted in fierce competitive price pressures.

Acquisitions and dispositions played an important role in our growth strategy. We integrate acquisitions as quickly as possible and only revenues and earnings from the date we complete the acquisition through the end of the fourth following quarter are attributed to such businesses. Acquisitions contributed $3.3 billion, $2.3 billion and $3.7 billion to consolidated revenues in 2004, 2003 and 2002, respectively. Our consolidated net earnings in 2004, 2003 and 2002 included approximately $0.5 billion, $0.3 billion and $0.4 billion, respectively, from acquired businesses. Dispositions affected our operations through lower revenues and earnings in 2004 of $2.8 billion and $1.1 billion, respectively, and in 2003 through lower revenues of $1.7 billion and higher earnings of $0.1 billion.

Significant matters relating to our Statement of Earnings, which appears on page 41, are explained below.

Restated interest on borrowings amounted to $11.2 billion, $10.0 billion and $9.5 billion in 2004, 2003 and 2002, respectively and included $0.1 billion in 2004 and 2003, and a reduction of $0.1 billion in 2002, related to the 2005 restatement. Changes over the three-year period reflected increased average borrowings, partially offset by the effects of lower interest rates. Average borrowings were $312.9 billion, $299.0 billion and $240.5 billion in 2004, 2003 and 2002, respectively. Our average composite effective interest rate was 3.6% in 2004, compared with 3.3% in 2003 and 4.0% in 2002. Proceeds of these borrowings were used in part to finance asset growth and acquisitions. In 2004, average assets of $526.6 billion were 12% higher than in 2003, which in turn were 15% higher than in 2002. See page 30 for a discussion of interest rate risk management.

Income taxes are a significant cost. As a global commercial enterprise, our tax rates are strongly affected by many factors, including our global mix of earnings, legislation, acquisitions, dispositions and tax characteristics of our income. Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions. Because of the number of variables affecting our reported tax results, we have prepared this section to facilitate an understanding of our income tax rates.

Income taxes on earnings before accounting changes were 17.4% in 2004, compared with 18.9% in 2003 and 13.1% in 2002. The 2004 rate reflects the net benefits, discussed below, of legislation and a partial reorganization of our aircraft leasing operation, which decreased the effective tax rate 1.6 percentage points and is included in the line “Tax on global activities including exports” in note 13; tax benefits from favorable U.S. Internal Revenue Service (IRS) settlements, which decreased the effective tax rate 1.2 percentage points and are included in the line “All other - net” in note 13; and the low-taxed disposition of a majority interest in Gecis which decreased the effective tax rate 0.8 percentage points, and is included in the line “Tax on global activities including exports” in note 13.

As a result of the repeal of the extraterritorial income (ETI) taxing regime as part of the American Jobs Creation Act of 2004 (the Act), the aircraft leasing operations of Commercial Finance no longer qualify for a reduced U.S. tax rate. However, the Act also extended to foreign aircraft leasing, the U.S. tax deferral benefits that were already available to GE’s other active foreign operations. As stated above, these legislative changes, coupled with a partial reorganization of our aircraft leasing business and a favorable Irish tax ruling, decreased our effective tax rate 1.6 percentage points.

The increase in the effective tax rate from 2002 to 2003 reflects the absence of a current year counterpart to the 2002 IRS settlements discussed below.

The 2002 effective tax rate reflects the effects of lower taxed earnings from global operations and favorable tax settlements with the IRS. During 2002, as a result of revised IRS regulations, we reached a settlement with the IRS allowing the deduction of previously realized losses associated with the prior disposition of Kidder Peabody. Also during 2002, we reached a settlement with the IRS regarding the treatment of certain reserves for obligations to policyholders on life insurance contracts in Insurance. See note 13.

Global Risk Management

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

Our Board of Directors oversees the risk management process, including the approval of all significant acquisitions and dispositions and the establishment of borrowing and investment approval limits delegated to the Investment Committee of the Board, the Chairman, the Chief Financial Officer and the Chief Risk Officer. All participants in the risk management process must comply with these approval limits.

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

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

We employ about 10,000 dedicated risk professionals, including 2,700 involved in collection activities and 1,400 specialized asset managers who evaluate leased asset residuals and remarket off-lease equipment.

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

- Liquidity risk is the risk of being unable to accommodate liability maturities, fund asset growth and meet contractual obligations through access to funding at reasonable market rates. Additional information about our liquidity and how we manage this risk can be found on page 27 and in notes 11 and 19.

- Credit risk is the risk of financial loss arising from a customer or counterparty’s failure to meet its contractual obligations. We face credit risk in our lending and leasing activities (see pages 27 and 37 and notes 1, 5, 6 and 21) and derivative financial instruments activities (see note 19).

- Market risk is the potential loss in value of investment and other asset and liability portfolios, including financial instruments, caused by changes in market variables, such as interest and currency exchange rates and equity and commodity prices. We are exposed to market risk in the normal course of our business operations as a result of our ongoing investing and funding activities. We attempt to mitigate the risks to our various portfolios arising from changes in interest and currency exchange rates in a variety of ways that often include offsetting positions in local currencies or use of derivatives. Additional information about how we mitigate the risks to our various portfolios from changes in interest and currency exchange rates can be found on page 30 and in note 19.

- Event risk is that body of risk beyond liquidity, credit and market risk. Event risk includes the possibility of adverse occurrences both within and beyond our control. Examples of event risk include natural disasters, availability of necessary materials, guarantees of product performance and business interruption. This type of risk is often insurable, and success in managing this risk is ultimately determined by the balance between the level of risk retained or assumed and the cost of transferring the risk to others. The decision as to the appropriate level of event risk to retain or cede is evaluated in the framework of business decisions. Additional information about how we mitigate event risk can be found in note 21.

Segment Operations

Revenues and segment net earnings for operating segments of General Electric Capital Services, Inc. (GECS), the sole owner of the common stock of GE Capital (GECC), are summarized and discussed below with a reconciliation to the GECC-only results, for three comparative years ending December 31 2004. The most significant component of these reconciliations is the exclusion from the Insurance segment at the GECC level of the results of GE Insurance Solutions Corporation (GE Insurance Solutions), the parent of Employers Reinsurance Corporation (ERC), which is not a subsidiary of GECC but is a direct subsidiary of GECS. Effective January 1, 2004, we made changes to the way we report our segments. We have reclassified certain prior-period amounts to conform to the current period's presentation. For additional information, including a description of the products and services included in each segment, see page 7.

Segment net earnings is determined based on internal performance measures used by the Chairman to assess the performance of each business in a given period. In connection with that assessment, the Chairman may exclude matters such as charges for restructuring; rationalization and other similar expenses; certain acquisition-related charges; certain gains and losses from dispositions; and litigation settlements or other charges, responsibility for which precedes the current management team.

Consolidated

For the years ended December 31 (In millions)	**2004 (Restated)**	**2003 (Restated)**	**2002 (Restated)**
Revenues			
Commercial Finance	$ 23,489	$ 20,813	$ 19,592
Consumer Finance	15,734	12,845	10,266
Equipment & Other Services	8,986	4,881	5,561
Insurance	23,070	26,194	23,296
Total revenues	71,279	64,733	58,715
Less portion of revenues not included in GECC	(11,429)	(11,363)	(9,880)
Total revenues in GECC	$ 59,850	$ 53,370	$ 48,835
Net earnings			
Commercial Finance	$ 4,465	$ 3,910	$ 3,310
Consumer Finance	2,520	2,161	1,799
Equipment & Other Services	833	(185)	(339)
Insurance	569	2,102	(95)
Total earnings before accounting changes	8,387	7,988	4,675
Less portion of earnings not included in GECC	(127)	(522)	1,879
Total earnings in GECC before accounting changes	8,260	7,466	6,554
Cumulative effect of accounting changes	-	(339)	(1,015)
Total net earnings as reported in GECC	$ 8,260	$ 7,127	$ 5,539

Commercial Finance

(In millions)		**2004**		**2003**		**2002**
Revenues	$	23,489	$	20,813	$	19,592
Less portion of Commercial Finance not included in GECC		(489)		(316)		(290)
Total revenues in GECC	$	23,000	$	20,497	$	19,302
Net revenues						
Total revenues	$	23,000	$	20,497	$	19,302
Interest expense		6,021		5,780		5,965
Total net revenues	$	16,979	$	14,717	$	13,337
Net earnings	$	4,465	$	3,910	$	3,310
Less portion of Commercial Finance not included in GECC		(195)		(104)		(47)
Total net earnings in GECC	$	4,270	$	3,806	$	3,263

		At		
December 31 (In millions)		**2004**		**2003**
Total assets	$	232,123	$	214,125
Less portion of Commercial Finance not included in GECC		288		686
Total assets in GECC	$	232,411	$	214,811

(In millions)		**2004**		**2003**		**2002**
Real Estate[(a)]						
Revenues in GECS	$	2,519	$	2,386	$	2,124
Net Earnings in GECS	$	957	$	834	$	650
Aviation Services[(a)]						
Revenues in GECS	$	3,159	$	2,881	$	2,694
Net Earnings in GECS	$	520	$	506	$	454

		At		
December 31 (In millions)		**2004**		**2003**
Real Estate[(a)]				
Total assets in GECS	$	33,497	$	27,767
Aviation Services[(a)]				
Total assets in GECS	$	37,384	$	33,271

(a) We provide additional information on two of our segment product lines, Real Estate (commercial real estate financing) and Aviation Services (commercial aircraft financing). Each of these product lines finances a single form of collateral, and each has understandable concentrations of risk and opportunities.

(20)

Commercial Finance revenues and net earnings increased 13% and 14%, respectively, compared with 2003. The increase in revenues resulted primarily from acquisitions ($2.3 billion), the effects of the weaker U.S. dollar ($0.6 billion) and core growth ($0.1 billion), partially offset by lower securitization activity ($0.2 billion) and lower investment gains ($0.1 billion). The increase in net earnings resulted primarily from acquisitions ($0.4 billion), core growth ($0.3 billion) and the effects of the weaker U.S. dollar ($0.1 billion), partially offset by lower securitization activity ($0.1 billion).

The most significant acquisitions affecting Commercial Finance results in 2004 were the U.S. leasing business of IKON Office Solutions, acquired during the second quarter of 2004; the commercial lending business of Transamerica Finance Corporation, and Sophia S.A., a real estate company in France, both acquired during the first quarter of 2004; and the assets of CitiCapital Fleet Services, acquired during the fourth quarter of 2003. These acquisitions contributed $1.9 billion and $0.3 billion to 2004 revenues and net earnings, respectively.

The 2003 increase in revenues of 6% resulted primarily from acquisitions across substantially all businesses ($1.1 billion), higher investment gains at Real Estate ($0.1 billion) and core growth, partially offset by lower securitization activity ($0.1 billion). The 2003 increase in net earnings of 18% resulted primarily from core growth, acquisitions across substantially all businesses ($0.2 billion), higher investment gains at Real Estate as a result of the sale of properties and our investments in Regency Centers and Prologis ($0.1 billion), lower credit losses ($0.1 billion) resulting from continued improvement in overall portfolio credit quality as reflected by lower delinquencies and nonearning receivables, and growth in lower taxed earnings from global operations ($0.1 billion).

The most significant acquisitions affecting Commercial Finance 2003 results were the commercial inventory financing business of Deutsche Financial Services and the structured finance business of ABB, both of which were acquired during the fourth quarter of 2002. These two acquisitions contributed $0.5 billion and $0.1 billion to 2003 revenues and net earnings, respectively.

Consumer Finance

(In millions)	**2004**	**2003**	**2002**
Revenues	$ 15,734	$ 12,845	$ 10,266
Less portion of Consumer Finance not included in GECC	(9)	(111)	(433)
Total revenues in GECC	$ 15,725	$ 12,734	$ 9,833
Net revenues			
Total revenues	$ 15,725	$ 12,734	$ 9,833
Interest expense	3,560	2,683	2,105
Total net revenues	$ 12,165	$ 10,051	$ 7,728
Net earnings	$ 2,520	$ 2,161	$ 1,799
Less portion of Consumer Finance not included in GECC	(25)	50	(117)
Total net earnings in GECC	$ 2,495	$ 2,211	$ 1,682

	At	
December 31 (In millions)	**2004**	**2003**
Total assets	$ 151,255	$ 106,530

Less portion of Consumer Finance not included in GECC	(724)	(595)
Total assets in GECC	$ 150,531	$ 105,935

(21)

Consumer Finance revenues and net earnings increased 22% and 17%, respectively, from 2003. The increase in revenues resulted primarily from core growth ($1.8 billion), as a result of continued global expansion, acquisitions ($1.0 billion), the effects of the weaker U.S. dollar ($0.8 billion) and higher securitization activity ($0.1 billion), partially offset by the absence of The Home Depot private-label credit card receivables that were sold for a gain in 2003 ($0.9 billion). The increase in net earnings resulted from core growth, including growth in lower taxed earnings from global operations ($0.6 billion), acquisitions ($0.1 billion), and the effects of the weaker U.S. dollar ($0.1 billion), partially offset by the effects of The Home Depot private-label credit card receivables ($0.4 billion) and increased costs to launch new products and promote brand awareness in 2004 ($0.1 billion).

The most significant acquisitions affecting Consumer Finance results in 2004 were WMC, a U.S. wholesale mortgage lender, acquired during the second quarter of 2004; GC Corporation (GC Card), which provides credit card and sales finance products in Japan, acquired during the third quarter of 2003; and First National Bank, which provides mortgage and sales finance products in the United Kingdom, and the U.S. retail sales finance unit of Conseco Finance Corp. (Conseco), both acquired during the second quarter of 2003. These acquisitions contributed $0.7 billion and $0.1 billion to 2004 revenues and net earnings, respectively.

In December 2004, we acquired AFIG, a residential mortgage lender in Australia, with $13.2 billion in assets and an insignificant effect on 2004 revenues and earnings. We expect this acquisition to be accretive to earnings in 2005.

Revenues increased 25% in 2003 as a result of acquisitions ($1.1 billion), the effects of the weaker U.S. dollar ($0.7 billion), core growth as a result of continued global expansion and the premium on the sale of The Home Depot private-label credit card receivables ($0.1 billion). Net earnings increased 20% in 2003 as a result of core growth, growth in lower taxed earnings from global operations, the premium on the sale of The Home Depot private-label credit card receivables ($0.1 billion) and acquisitions. These increases were partially offset by lower securitization activity ($0.2 billion) and lower earnings in Japan, principally as a result of increased personal bankruptcies.

The most significant acquisitions affecting Consumer Finance 2003 results were First National Bank and Conseco, both of which were acquired during the second quarter of 2003. These acquisitions contributed $0.7 billion and $0.1 billion to 2003 revenues and net earnings, respectively.

Equipment & Other Services

(In millions)	**2004 (Restated)**	**2003 (Restated)**	**2002 (Restated)**
Revenues	8,986	$ 4,881	$ 5,561
Less portion of Equipment & Other Services not included in GECC	706	595	118
Total revenues in GECC	$ 9,692	$ 5,476	$ 5,679
Net earnings	$ 833	$ (185)	$ (339)
Less portion of Equipment & Other Services not included in GECC	152	41	261
Total net earnings in GECC	$ 985	$ (144)	$ (78)

Equipment & Other Services revenues and net earnings increased $4.1 billion and $1.0 billion, respectively, from 2003. Revenues included $0.5 billion for 2004 and 2003, related to the 2005 restatement. Adoption of a January 1, 2004, required accounting change also caused revenues to increase $3.2 billion, as a result of consolidating operating lease rentals ($2.6 billion) and other income ($0.6 billion). See note 1. The most significant entity consolidated as a result of this change was Penske Truck Leasing Co., L.P. (Penske), which was previously accounted for using the equity method. Revenue also increased reflecting the sale of a majority interest in Gecis ($0.4 billion), improved investment returns at GE Equity ($0.4 billion), the results of consolidated, liquidating securitization entities ($0.3 billion) and the effects of the weaker U.S. dollar ($0.1 billion). These increases were partially offset by the absence of the U.S. Auto and Home business that was disposed of in 2003 ($0.4 billion). Net earnings included $0.2 billion for 2004 and 2003, related to the 2005 restatement. Net earnings also increased from improved investment returns at GE Equity ($0.3 billion), the gain on sale of a majority interest in Gecis ($0.3 billion), improved operating performance at Equipment Services ($0.2 billion), and the results of consolidated, liquidating securitization entities ($0.1 billion).

Equipment & Other Services revenues in 2003 decreased $0.7 billion and net earnings increased $0.2 billion compared with 2002. Revenues included $0.5 billion for 2003 and an inconsequential amount for 2002 related to the 2005 restatement. Revenues also decreased as a result of the following:

- The exit of certain European operations at IT Solutions ($1.3 billion) in response to intense competition and transition of the computer equipment market to a direct distribution model,
- Continued poor market conditions and ongoing dispositions and run-offs of IT Solutions and the Auto Financial Services business ($0.3 billion), and
- Lower asset utilization and price ($0.2 billion), an effect of industry-wide excess equipment capacity reflective of the then current conditions in the road and rail transportation sector.

These decreases were partially offset by the overall improvement in equity markets and lower level of investment losses in 2003 at GE Equity ($0.2 billion) and the consolidation of certain securitization entities in our financial statements ($0.7 billion) as a result of our July 1, 2003, required accounting change. See notes 1 and 20. Net earnings included $0.2 billion for 2003 and an inconsequential amount for 2002 related to the 2005 restatement. Net earnings also decreased primarily from lower asset utilization and price ($0.1 billion) and the absence of a 2002 tax settlement related to Kidder Peabody ($0.2 billion), offset by improved performance in 2003 at GE Equity ($0.2 billion) and the tax benefit related to the sale of ERC Life Reinsurance Corporation (ERC Life) ($0.1 billion).

Insurance

(In millions)		**2004**		**2003**		**2002**
Revenues	$	23,070	$	26,194	$	23,296
Less portion of Insurance not included in GECC		(11,637)		(11,531)		(9,275)
Total revenues in GECC	$	11,433	$	14,663	$	14,021
Net earnings	$	569	$	2,102	$	(95)
Less portion of Insurance not included in GECC		(59)		(509)		1,782
Total net earnings in GECC	$	510	$	1,593	$	1,687
GE Insurance Solutions[a]						
Revenues in GECS	$	10,005	$	11,600	$	9,432
Net Earnings in GECS	$	36	$	481	$	(1,794)

(a) Formerly GE Global Insurance Holding Corporation, the parent of Employers Reinsurance Corporation (ERC).

Insurance revenues and net earnings decreased 12% and 73%, respectively, from 2003. The decrease in revenues resulted primarily from the 2003 dispositions ($2.5 billion), including GE Edison Life Insurance Company (Edison Life), Financial Guaranty Insurance Company (FGIC) and ERC Life; net declines in volume resulting from strategic exits of certain business channels, primarily at GE Insurance Solutions ($1.3 billion) and the effects of the Genworth initial public offering ($0.4 billion). These decreases were partially offset by the effects of the weaker U.S. dollar ($0.6 billion). Net earnings decreased primarily from the full-year after-tax earnings effects of the Genworth initial public offering ($0.7 billion), the 2003 dispositions ($0.5 billion) and the 2004 U.S. hurricane-related losses ($0.3 billion) at GE Insurance Solutions. Also contributing to the net earnings decrease were reserve actions taken at GE Insurance Solutions related to continued adverse development on liability-related exposures underwritten in 1997-2001 (discussed below). These decreases in net earnings were partially offset by improved core performance at GE Insurance Solutions reflecting the continued favorable premium pricing environment.

Revenues in 2003 increased $2.9 billion (12%) on increased premium revenues ($2.2 billion), a gain of $0.6 billion on the sale of Edison Life, higher investment income ($0.4 billion) and the effects of the weaker U.S. dollar ($0.7 billion). The premium revenue increase reflected continued favorable pricing at GE Insurance Solutions ($0.5 billion), net volume growth at GE Insurance Solutions and certain other insurance businesses ($0.8 billion), absence of prior year loss adjustments ($0.4 billion), adjustment of current year premium accruals to actual ($0.3 billion) and lower levels of ceded premiums resulting from a decline in prior-year loss events ($0.1 billion). Partial revenue offsets resulted from the absence of revenues following the sale of Edison Life ($0.7 billion) and a $0.2 billion loss on the disposition of FGIC at the end of 2003.

Net earnings in 2003 increased $2.2 billion, primarily from the substantial improvement in current operating results at GE Insurance Solutions ($2.3 billion) reflecting improved underwriting, lower adverse development (discussed below) and generally favorable industry pricing conditions during the year. Net earnings also benefited from the gain on the sale of Edison Life ($0.3 billion). These increases were partially offset by the absence of a current year

counterpart to the favorable tax settlement with the IRS in 2002 ($0.2 billion) and the loss on the sale of FGIC ($0.1 billion after tax).

(24)

As described on page 38 under the caption "Insurance liabilities and reserves," we routinely update our insurance loss provisions to reflect our best estimates of losses. At year-end 2004, our best estimate of outstanding net property and casualty claim-related liabilities at GE Insurance Solutions was $17.4 billion. Few losses in an underwriting year are known exactly at the end of that year; an insurer cannot know a year's exact losses before customers have submitted claims and those claims have been evaluated, adjudicated and settled. This process routinely spans years, and sometimes decades. Like much of the property and casualty insurance industry, GE Insurance Solution's recent operating results have absorbed charges from updates to loss estimates associated with policies written in prior years. This adverse loss development has been most pronounced for certain liability-related risk policies underwritten from 1997 through 2001, principally hospital and professional liability, workers compensation, product liability and asbestos and environmental exposures. Adverse development on prior-years claims and expenses for the three years ended December 31, 2004, amounted to $5.5 billion. Business that we subsequently exited accounted for 84% of the most recent adverse development. Although we do not anticipate further provisions related to this risk, we observe that the associated losses have not yet fully matured.

In 2002, in light of our adverse loss development, we modified our underwriting processes, rejecting both risks that failed to meet our standards of price, terms or conditions as well as risks for which sufficient historical data did not exist to permit us to make a satisfactory pricing evaluation. Consequently, we curtailed and exited business in particular property and casualty business channels. Higher underwriting standards have yielded substantial improvement in operating results in more recent underwriting years, improvement that is most clearly indicated by our "combined ratio" - the ratio, expressed as a percentage, of claims-related losses and related underwriting expenses to earned premiums. In 2004, GE Insurance Solutions' property and casualty combined ratio was 120%, that is, $1.20 of costs and losses for each $1.00 of earned premium. However, as an early indication of the effectiveness of our revised underwriting standards, the combined ratio for the 2004 underwriting year was 100%, even with extensive 2004 natural catastrophe losses - breakeven underwriting even before the contribution of investment income.

Global Operations

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

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

Global revenues were $26.1 billion, $23.1 billion and $21.3 billion in 2004, 2003 and 2002, respectively. Global revenues as a percentage of total revenues were 44% in 2004 and 43% in 2003 and 2002.

Revenues in the Americas increased 47% in 2004, primarily as a result of the acquisition of the commercial lending business of Transamerica Finance Corporation at Commercial Finance. Revenues increased 31% in "Other global" as a result of growth at Commercial Finance and the gain on the sale of a majority interest in Gecis. Revenues in the Pacific Basin decreased 13% primarily as a result of the 2003 divestiture of Edison Life at Insurance. This decrease was partially offset by the effects of the weaker U.S. dollar, acquisitions, primarily GC Card at Consumer Finance, and core growth at Consumer Finance and Commercial Finance.

Global pre-tax earnings were $5.5 billion in 2004, an increase of 39% over 2003, which were 16% higher than in 2002. Pre-tax earnings in 2004 rose 45% in Europe, primarily as a result of core growth and acquisitions at Consumer Finance and Commercial Finance. Pre-tax earnings rose 93% in "Other global" primarily as a result of the gain on the sale of a majority interest in Gecis and core growth at Commercial Finance.

Our global assets grew 26% from $212.2 billion at the end of 2003 to $266.9 billion at the end of 2004. Our assets increased 21% in Europe as a result of the effects of the weaker U.S. dollar ($11.7 billion), acquisitions ($9.2 billion), primarily at Commercial Finance and Consumer Finance, and growth at Consumer Finance. Our assets increased 46% in the Pacific Basin, primarily as a result of acquisitions at Consumer Finance.

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

Financial Resources and Liquidity

This discussion of financial resources and liquidity addresses the Statement of Financial Position (page 42), Statement of Changes in Shareowner's Equity (page 41) and the Statement of Cash Flows (page 43).

Overview of Financial Position

Major changes in our financial position resulted from the following:

- During 2004, we completed acquisitions of the commercial lending business of Transamerica Finance Corporation; Sophia S.A., a real estate company in France; the U.S. leasing business of IKON Office Solutions; and Benchmark Group PLC, a U.K.-listed real estate property company at Commercial Finance. Consumer Finance completed acquisitions of AFIG and WMC. At their respective acquisition dates, these transactions resulted in a combined increase in total assets of $32.1 billion, of which $23.0 billion was financing receivables before allowance for losses, and a combined increase in total liabilities of approximately $20.5 billion, of which $18.9 billion was debt.

- Minority interest in equity of consolidated affiliates increased $3.6 billion during 2004, primarily because of our sale of approximately 30% of the common shares of Genworth, our formerly wholly-owned subsidiary that conducts most of our consumer insurance business, including life and mortgage insurance operations.

- We adopted Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46R, *Consolidation of Variable Interest Entities (Revised)*, on January 1, 2004, adding $1.5 billion of assets and $1.1 billion of liabilities to our consolidated balance sheet as of that date, relating to Penske.

Statement of Financial Position (page 42)

Investment securities comprise mainly available-for-sale investment-grade debt securities held by Insurance in support of obligations to annuitants and policyholders, and debt and equity securities designated as trading and associated with certain non-U.S. separate accounts for which contractholders retain the related risks and rewards, except in the event of our bankruptcy or liquidation. Investment securities were $86.9 billion at the end of 2004, compared with $100.8 billion at the end of 2003. The decrease of $13.9 billion was primarily the result of a business reorganization completed in conjunction with the Genworth initial public offering which resulted in the transfer of Union Fidelity Life Insurance Company (UFLIC) from GECC to GECS ($17.2 billion). This decrease was partially offset by the net result of investing premiums received, reinvesting investment income, improvements in debt markets and the effects of the weaker U.S. dollar.

We regularly review investment securities for impairment based on criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to recovery and the financial health and specific prospects for the issuer. Of available-for-sale securities with unrealized losses at December 31, 2004, approximately $0.1 billion was at risk of being charged to earnings in the next 12 months; almost two-thirds of this amount related to commercial airlines.

Impairment losses for 2004 totaled $0.2 billion compared with $0.4 billion in 2003. We recognized impairments in both periods for issuers in a variety of industries; we do not believe that any of the impairments indicate likely future impairments in the remaining portfolio.

Gross unrealized gains and losses were $2.9 billion and $0.6 billion, respectively, at December 31, 2004, compared with $3.9 billion and $1.0 billion, respectively, at December 31, 2003, primarily reflecting the transfer of UFLIC as previously discussed, partially offset by an increase in the estimated fair value of debt securities as interest rates declined. We estimate that available gains, net of estimated impairment of insurance intangible assets, could be as much as $1.7 billion at December 31, 2004. The market values we used in determining unrealized gains and losses are those defined by relevant accounting standards and should not be viewed as a forecast of future gains or losses. See note 4.

At December 31, 2004, unrealized losses with a duration of 12 months or more related to investment securities collateralized by commercial aircraft were $0.3 billion. The aggregate amortized cost of these available-for-sale securities was $1.1 billion. We believe that our securities, which are current on all payment terms, are in an unrealized loss position because of ongoing negative market reaction to difficulties in the commercial airline industry. For these securities, we do not anticipate changes in the timing and amount of estimated cash flows, and expect full recovery of our amortized cost. Further, should our cash flow expectation prove to be incorrect, the current aggregate market values of aircraft collateral, based on information from independent appraisers, exceeded totals of both the market values and the amortized cost of our securities at December 31, 2004. See additional discussion of our positions in the commercial aviation industry on page 35.

Restated financing receivables is our largest category of assets and represents one of our primary sources of revenues. The portfolio of financing receivables, before allowance for losses, increased to $285.2 billion at December 31, 2004, from $251.7 billion at the end of 2003, as discussed in the following paragraphs. The related allowance for losses at the end of 2004 amounted to $5.6 billion compared with $6.2 billion at December 31, 2003, representing our best estimate of probable losses inherent in the portfolio.

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

Commercial Finance financing receivables, before allowance for losses, totaled $142.3 billion at December 31, 2004, compared with $133.7 billion at December 31, 2003, and consisted of loans and leases to the equipment, commercial and industrial, real estate and commercial aircraft industries. This portfolio of receivables increased primarily from core growth ($27.2 billion) and acquisitions ($12.7 billion), partially offset by securitizations and sales ($31.2 billion). Related nonearning and reduced-earning receivables were $1.6 billion (1.1% of outstanding receivables) at December 31, 2004, compared with $1.7 billion (1.3% of outstanding receivables) at year-end 2003. Commercial Finance financing receivables are generally backed by assets and there is a broad spread of geographic and credit risk in the portfolio.

During 2004, Consumer Finance adopted a global policy for uncollectible receivables that accelerated write-offs to follow one consistent basis. We now write off unsecured closed-end installment loans that become 120 days contractually past due and unsecured open-ended revolving loans that become 180 days contractually past due.

Consumer Finance financing receivables, before allowance for losses, were $127.8 billion at December 31, 2004, compared with $94.0 billion at December 31, 2003, and consisted primarily of card receivables, installment loans, auto loans and leases, and residential mortgages. This portfolio of receivables increased as a result of acquisitions ($15.6 billion), core growth ($13.8 billion) and the effects of the weaker U.S. dollar ($7.3 billion). These increases were partially offset by whole loan sales and securitization activity ($2.0 billion) and the standardization of our write-off policy, which resulted in an increase in write-offs ($0.9 billion) but had an inconsequential effect on earnings.

Nonearning consumer receivables were $2.5 billion at December 31, 2004 and 2003, representing 2.0% and 2.6% of outstanding receivables, respectively. The percentage decrease is primarily related to the standardization of our write-off policy and the acquisition of AFIG, which obtains credit insurance for certain receivables, partially offset by higher nonearnings in our European secured financing business.

Equipment & Other Services financing receivables, before allowance for losses, amounted to $15.1 billion and $24.0 billion at December 31, 2004 and 2003, respectively, and consisted primarily of financing receivables in consolidated, liquidating securitization entities. This portfolio of receivables decreased because we have stopped transferring assets to these entities. Nonearning receivables at December 31, 2004, were $0.2 billion (1.2% of outstanding receivables) compared with $0.1 billion (0.6% of outstanding receivables) at December 31, 2003.

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

	2004	**2003**	**2002**
Commercial Finance	1.40%	1.38%	1.75%
Consumer Finance	4.85	5.62	5.62

Delinquency rates at Commercial Finance increased slightly from December 31, 2003 to December 31, 2004, reflecting the effect of certain acquired portfolios, partially offset by improvement in the overall core portfolio. The decline from December 31, 2002 to December 31, 2003, reflected improved economic conditions and collection results.

Delinquency rates at Consumer Finance decreased from December 31, 2003 to December 31, 2004, as a result of the standardization of our write-off policy, the acquisition of AFIG, and the U.S. acquisition of WMC, with lower relative delinquencies as a result of whole loan sales, partially offset by higher delinquencies in our European secured financing business. See notes 5 and 6.

Other receivables totaled $22.0 billion at December 31, 2004, and $16.6 billion at December 31, 2003, and consisted primarily of nonfinancing customer receivables, accrued investment income, amounts due from GE (generally related to certain material procurement programs), amounts due under operating leases, receivables due on sale of securities and various sundry items. Balances at December 31, 2004 and 2003, included securitized, managed GE trade receivables of $3.1 billion and $2.7 billion, respectively.

Buildings and equipment was $46.4 billion at December 31, 2004, up $7.7 billion from 2003, primarily reflecting the consolidation of Penske effective January 1, 2004, and acquisitions of commercial aircraft at Commercial Finance. Details by category of investment are presented in note 8. Additions to buildings and equipment were $10.3 billion and $7.3 billion during 2004 and 2003, respectively, primarily reflecting additions of commercial aircraft and vehicles at Commercial Finance and of vehicles at Equipment & Other Services.

Intangible assets increased $2.8 billion to $25.4 billion, reflecting goodwill associated with acquisitions, goodwill associated with the consolidation of Penske effective January 1, 2004, and the effects of the weaker U.S. dollar. See note 9.

Restated other assets totaled $69.4 billion and $60.3 billion at year-end 2004 and 2003, respectively. Other assets included a reduction of $0.1 billion and an inconsequential amount at December 31, 2004 and 2003, respectively, related to the 2005 restatement. Other assets also increased principally from acquisitions affecting real estate and assets held for sale, and additional investments in associated companies, partially offset by the consolidation of Penske, which was previously accounted for using the equity method. See note 10.

Restated borrowings were $352.3 billion at December 31, 2004, of which $147.8 billion is due in 2005 and $204.5 billion is due in subsequent years. Comparable amounts at the end of 2003 were $311.1 billion in total, $148.6 billion due within one year and $162.5 billion due thereafter. Included in our total borrowings were borrowings of consolidated, liquidating securitization entities amounting to $25.8 billion at December 31, 2004, of which $9.8 billion was asset-backed senior notes of AFIG, and $24.8 billion at December 31, 2003. A large portion of our borrowings ($90.3 billion and $95.9 billion at the end of 2004 and 2003, respectively) was issued in active commercial paper markets that we believe will continue to be a reliable source of short-term financing. The average remaining terms and interest rates of our commercial paper were 42 days and 2.39% at the end of 2004, compared with 47 days and 1.40% at the end of 2003. Our ratio of debt to equity was 6.53 to 1 at the end of 2004 and 6.66 to 1 at the end of 2003. See note 11.

Insurance liabilities, reserves and annuity benefits were $103.9 billion at December 31, 2004, $3.3 billion higher than in 2003. The increase is primarily attributable to growth in annuities, long-term care insurance, structured settlements, and the effects of the weaker U.S. dollar. These increases were partially offset by maturities of guaranteed investment contracts (GICs). See note 12.

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

- If, on January 1, 2005, interest rates had increased 100 basis points across the yield curve (a "parallel shift" in that curve) and that increase remained in place for 2005, we estimate, based on our year-end 2004 portfolio and holding everything else constant, that our 2005 net earnings would decline pro-forma by $0.1 billion.

- If, on January 1, 2005, currency exchange rates were to decline by 10% against the U.S. dollar and that decline remained in place for 2005, we estimate, based on our year-end 2004 portfolio and holding everything else constant, that the effect on our 2005 net earnings would be insignificant.

Statement of Changes in Shareowner's Equity (page 41)

Shareowner's equity increased $7.3 billion in 2004, $6.6 billion in 2003 and $8.4 billion in 2002. These increases were largely attributable to net earnings but were partially offset by dividends declared of $3.1 billion, $4.5 billion and $2.0 billion in 2004, 2003 and 2002, respectively. Also, a capital contribution increased shareowner's equity by $4.5 billion in 2002. Currency translation adjustments increased equity by $2.3 billion in 2004, compared with $3.2 billion in 2003. Changes in the currency translation adjustments reflect the effects of changes in currency exchange rates on our net investment in non-U.S. subsidiaries that have functional currencies other than the U.S. dollar. In 2004, the pound sterling, euro and, to a lesser extent, Asian currencies strengthened against the U.S. dollar. In 2003 and 2002, the euro and, to a lesser extent, Asian currencies strengthened against the U.S. dollar. Accumulated currency translation adjustments affect net earnings only when all or a portion of an affiliate is disposed of or substantially liquidated. See note 16.

Overview of Our Cash Flow from 2002 through 2004 (page 43)

Our cash and equivalents aggregated $9.8 billion at the end of 2004, up from $9.7 billion at year-end 2003. Over the past three years, our borrowings with maturities of 90 days or less have decreased by $49.3 billion. New borrowings of $217.6 billion having maturities longer than 90 days were added during those years, while $126.8 billion of such longer-term borrowings were retired.

Our principal use of cash has been investing in assets to grow our businesses. Of the $102.2 billion that we invested over the past three years, $38.0 billion was used for additions to financing receivables; $28.9 billion was used to invest in new equipment, principally for lease to others; and $36.7 billion was used for acquisitions of new businesses, the largest of which were the commercial lending business of Transamerica Finance Corporation and Sophia S.A. in 2004; First National Bank and Conseco in 2003; and Australian Guarantee Corporation, Security Capital and the commercial inventory financing business of Deutsche Financial Services in 2002.

Although we generated $67.6 billion from operating activities over the last three years, our cash is not necessarily freely available for alternative uses. For example, certain cash generated by our Insurance businesses is restricted by various insurance regulations. See note 15. Further, any reinvestment in financing receivables is shown in cash used for investing, not operating activities. Therefore, maintaining or growing Commercial and Consumer Finance assets requires that we invest much of the cash they generate from operating activities in their earning assets. Also, we have been increasing the equity of our businesses as discussed on page 33.

Based on past performance and current expectations, in combination with the financial flexibility that comes with a strong balance sheet and the highest credit ratings, we believe we are in a sound position to grow dividends and continue making selective investments for long-term growth. With the financial flexibility that comes with excellent credit ratings, we believe that we should be well positioned to meet the global needs of our customers for capital and to continue providing our shareowner with good returns.

Contractual Obligations

As defined by reporting regulations, our contractual obligations for future payments as of December 31, 2004, follow:

			Payments due by period		
(In millions)	**Total**	**2005**	**2006-2007**	**2008-2009**	**2010 and thereafter**
Borrowings (note 11)[e]	$ 352,326	$ 147,792	$ 82,932	$ 47,454	$ 74,148
Interest on borrowings	55,000	11,000	15,000	9,000	20,000
Operating lease obligations (note 3)	4,407	704	1,281	959	1,463
Purchase obligations[a][b]	23,000	16,000	6,000	1,000	-
Insurance liabilities (note 12)[c]	86,000	14,000	18,000	12,000	42,000
Other liabilities[d]	15,000	13,000	1,000	-	1,000

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

(b) Excluded funding commitments entered into in the ordinary course of business. Further information on these commitments is provided in note 21.

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

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

notes 13 and 19 for further information on these items.

(e) As restated.

(31)

Off-Balance Sheet Arrangements

We use off-balance sheet arrangements in the ordinary course of business to improve shareowner returns. Beyond improving returns, these securitization transactions serve as funding sources for a variety of diversified lending and securities transactions. Our securitization transactions are similar to those used by many financial institutions. In a typical transaction, assets are sold by the transferor to a special purpose entity (SPE), which purchases the assets with cash raised through issuance of beneficial interests (usually debt instruments) to third-party investors. Investors in the beneficial interests usually have recourse to the assets in the SPEs and often benefit from credit enhancements supporting the assets (such as overcollateralization). The SPE may also hold derivatives, such as interest rate swaps, in order to match the interest rate characteristics of the assets with those of the beneficial interests. An example is an interest rate swap converting fixed rate assets to variable rates to match floating rate debt instruments issued by the SPE.

Historically, we have used both sponsored and third-party entities to execute securitization transactions in the commercial paper and term markets. With our adoption of FIN 46, *Consolidation of Variable Interest Entities*, on July 1, 2003, we consolidated $36.3 billion of assets and $35.8 billion of liabilities in certain sponsored entities and stopped executing new securitization transactions with those entities. We continue to engage in securitization transactions with third-party conduits and through public, market term securitizations. In December 2004, we acquired AFIG which added $9.1 billion of securitized mortgage loans in consolidated, liquidating securitization entities. Without AFIG, assets in consolidated, liquidating securitization entities were $17.6 billion, down $9.0 billion. See note 20.

Assets held by SPEs include: receivables secured by equipment, commercial and residential real estate and other assets; and credit card receivables. Examples of these receivables include loans and leases on manufacturing and transportation equipment, residential mortgages, loans on commercial property, commercial loans, and balances of high credit quality accounts from sales of a broad range of products and services to a diversified customer base. In certain transactions, the credit quality of assets transferred is enhanced by providing credit support. Securitized off-balance sheet assets totaled $29.0 billion and $21.9 billion at December 31, 2004 and 2003, respectively.

We provide financial support related to assets held by certain off-balance sheet SPEs through liquidity agreements, credit support, and guarantee and reimbursement contracts. Net liquidity support amounted to $2.1 billion at December 31, 2004, down from $2.9 billion a year earlier. Credit support, in which we provide recourse for credit losses in off-balance sheet SPEs, was $5.0 billion as of December 31, 2004. Potential credit losses are provided for in our financial statements. Based on management's best estimate of probable losses inherent in the portfolio of assets that remain off-balance sheet, our financial statements included $0.1 billion representing the fair value of recourse obligations at year-end 2004. See note 20.

We periodically enter into guarantees and other similar arrangements as part of transactions in the ordinary course of business. These are described further in note 21.

We have extensive experience in evaluating economic, liquidity and credit risk. In view of this experience, the high quality of assets in these entities, the historically robust quality of commercial paper markets, and the historical reliability of controls applied to both asset servicing and to activities in the credit markets, we believe that, under any reasonable future economic developments, the likelihood is remote that any financial support arrangements could have an adverse economic effect on our financial position or results of operations.

Debt Instruments, Guarantees and Covenants

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

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

Quantitative measures include:

- Earnings and profitability, including earnings quality, revenue growth, the breadth and diversity of sources of income and return on assets,
- Asset quality, including delinquency and write-off ratios and reserve coverage,
- Funding and liquidity, including cash generated from operating activities, leverage ratios such as debt-to-capital, market access, back-up liquidity from banks and other sources, composition of total debt and interest coverage, and
- Capital adequacy, including required capital and tangible leverage ratios.

Qualitative measures include:

- Franchise strength, including competitive advantage and market conditions and position,
- Strength of management, including experience, corporate governance and strategic thinking, and
- Financial reporting quality, including clarity, completeness and transparency of all financial performance communications.

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

Before 2003, we maintained a capital structure that included about $8 of debt for each $1 of equity - a “leverage ratio” of 8:1. For purposes of measuring segment profit, each of our businesses was also assigned debt and interest costs on the basis of that consolidated 8:1 leverage ratio. As of January 1, 2003, we extended a business-specific, market-based leverage to the performance measurement of each of our businesses. As a result, at January 1, 2003, debt of $12.5 billion previously allocated to our other segments was allocated to the Equipment & Other Services segment. We refer to this as “parent-supported debt.” During 2004, a total of $4.7 billion of such debt was eliminated, compared with $4.6 billion in 2003. The 2004 reduction was the result of the following:

- 22% of retained operating earnings ($1.8 billion),
- Proceeds from the Genworth initial public offering less dividend payments to GE through GECS ($1.6 billion),
- Mortgage Insurance contingent note payment ($0.5 billion),
- Sale of a majority interest of Gecis ($0.5 billion), and
- Rationalization of Insurance and Equipment & Other Services related activities ($0.3 billion).

The remaining $3.2 billion of such debt is expected to be eliminated in 2005.

During 2004, we paid $2.3 billion of special dividends to GE through GECS, of which $1.3 billion was a portion of proceeds from the Genworth initial public offering, $0.8 billion was surplus equity related to portfolio restructurings in Insurance and run-offs in Equipment & Other Services and $0.2 billion was related to Insurance dispositions.

During 2004, GECC and GECC affiliates issued $57 billion of senior, unsecured long-term debt, including $3 billion issued by Genworth in connection with the initial public equity offering described on page 15. This debt was both fixed and floating rate and was issued to institutional and retail investors in the U.S. and 17 other global markets. Maturities for these issuances ranged from one to 40 years. We used the proceeds primarily for repayment of maturing long-term debt, but also to fund acquisitions and organic growth. We anticipate that we will issue between $50 billion and $60 billion of additional long-term debt during 2005, although the ultimate amount we issue will depend on our needs and on the markets.

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

December 31	**2004**	**2003**
Senior notes and other long-term debt	59%	56%
Commercial paper	24	26
Current portion of long-term debt	11	13
Other - bank and other retail deposits	6	5
Total	100%	100%

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

We believe that alternative sources of liquidity are sufficient to permit an orderly transition from commercial paper in the unlikely event of impaired access to those markets. Funding sources on which we would rely would depend on the nature of such a hypothetical event, but include $57.3 billion of contractually committed lending agreements with 83 highly-rated global banks and investment banks. Total credit lines extending beyond one year increased $10.0 billion to $56.8 billion at December 31, 2004. See note 11.

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

Principal debt conditions are described below.

- Under certain swap, forward and option contracts, if our long-term credit rating were to fall below A-/A3, certain remedies are required as discussed in note 19.

- If our ratio of earnings to fixed charges, which was 1.89:1 at the end of 2004, were to deteriorate to 1.10:1 or, upon redemption of certain preferred stock, our ratio of debt to equity, which was 6.53:1 at the end of 2004, were to exceed 8:1, GE has committed to contribute capital to us. GE also has guaranteed our subordinated debt with a face amount of $0.7 billion at December 31, 2004 and 2003.

The following three conditions relate to securitization SPEs that were consolidated upon adoption of FIN 46 on July 1, 2003:

- If our short-term credit rating or certain consolidated SPEs discussed further in note 20 were to fall below A-1/P-1, we would be required to provide substitute liquidity for those entities or provide funds to retire the outstanding commercial paper. The maximum net amount that we would be required to provide in the event of such a downgrade is determined by contract, and amounted to $12.8 billion at January 1, 2005. Amounts related to non-consolidated SPEs were $1.4 billion.

- If our long-term credit rating were to fall below AA/Aa2, we would be required to provide substitute credit support or liquidate the consolidated SPEs. The maximum amount that we would be required to substitute in the event of such a downgrade is determined by contract, and amounted to $0.9 billion at December 31, 2004.

- For certain transactions, if our long-term credit rating were to fall below A/A2 or BBB+/Baa1 or our short-term credit rating were to fall below A-2/P-2, we could be required to provide substitute credit support or fund the undrawn commitment. We could be required to provide up to $2.3 billion in the event of such a downgrade based on terms in effect at December 31, 2004.

One group of consolidated SPEs, the Trinities and GE Funding CMS, hold assets that are reported in "Investment securities" and issue GICs that are reported in "Insurance liabilities, reserves and annuity benefits." If our long-term credit rating were to fall below AA-/Aa3 or our short-term credit rating were to fall below A-1+/P-1, we could be required to provide up to $0.9 billion of capital to the Trinities. Further, we could be required to repay up to $3.1 billion of GICs issued by GE Funding CMS.

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

Commercial aviation is an industry in which we have a significant ongoing interest. Although some U.S. carriers have been operating under pressure, our interest in this industry is global, and demand in the global markets has been strong. September 11, 2001, was a significant test for this industry. But since that date, 119 carriers around the world have placed 709 of our aircraft into service, 415 of which were Boeing and Airbus narrow-body aircraft. We continue to be confident in the global industry's ongoing prospects.

At December 31, 2004, our global commercial aviation exposure in our Commercial Finance segment amounted to $37.8 billion, principally loans and leases of $33.0 billion. We had 1,342 commercial aircraft on lease, an increase of 106 aircraft from last year reflecting acquired leases and on-time delivery of open 2003 order positions. At the end of 2004 and 2003, an insignificant number of our aircraft were not on lease - 2 and 3 aircraft, respectively. At December 31, 2004, we also had $10.2 billion (list price) of multiple-year orders for various Boeing, Airbus and other aircraft, including 56 aircraft ($4.3 billion) scheduled for delivery in 2005, all under agreement to commence operations with commercial airline customers.

US Airways filed for bankruptcy protection in the third quarter of 2004. In January 2005, US Airways and the Air Transportation Stabilization Board (ATSB) reached an agreement extending the airline's use of cash proceeds from its federally guaranteed loan through June 30, 2005. US Airways' management has stated publicly that this agreement with the ATSB will allow US Airways to continue operations while it completes its restructuring and planned emergence from Chapter 11 in the summer of 2005. US Airways' management also has indicated in its public statements that labor savings will be an important factor affecting the success of that reorganization. At December 31, 2004, our aggregate exposure to US Airways was $2.8 billion, the largest component of which was $2.6 billion of loans and leases, substantially secured by various equipment, including 39 regional jet aircraft, 54 Boeing narrow-body aircraft (primarily 737 type), and 57 Airbus narrow-body aircraft. We and the airline have entered into a memorandum of understanding to restructure a number of loans and leases. We also agreed to continue regional jet financing conditioned on the airline successfully emerging from bankruptcy protection and achieving specified financial milestones. We have adjusted our estimates of cash flows and residual values to reflect the current information available to us in this fluid situation. In addition to our loans and leases, we hold $0.2 billion of available-for-sale investment securities in US Airways that are secured by various other aircraft in the fleet. In addition to US Airways, both ATA Holdings Corp. and Aloha Airgroup, Inc. filed for bankruptcy during 2004. UAL Corp. filed for bankruptcy in 2002. At December 31, 2004, our exposure was $1.4 billion to UAL Corp., $0.8 billion to ATA Holdings Corp., and $0.3 billion to Aloha Airgroup, Inc., consisting primarily of loans and leases. Various Boeing and Airbus aircraft secure substantially all of these financial exposures.

Commercial Finance regularly tests the recoverability of its commercial aircraft operating lease portfolio as described on page 37, and recognized impairment losses of $0.1 billion and $0.2 billion in 2004 and 2003, respectively. In addition to these impairment charges relating to operating leases, Commercial Finance recorded provisions for losses on financing receivables related to commercial aircraft of $0.3 billion in 2004, primarily related to US Airways and ATA Holdings Corp.; an insignificant amount was recognized in 2003.

See page 27 and notes 4 and 8 for further information on our commercial aviation positions.

Critical Accounting Estimates

Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties. For all of these estimates, we caution that future events rarely develop exactly as forecast, and the best

estimates routinely require adjustment. Also see note 1, Summary of Significant Accounting Policies, which discusses accounting policies that we have selected from acceptable alternatives.

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

Our lending and leasing experience and the extensive data we accumulate and analyze facilitate estimates that have been reliable over time. Our actual loss experience was in line with expectations for 2004 (adjusting for the effects of Consumer Finance’s standardization of its write-off policy), 2003 and 2002. While losses depend to a large degree on future economic conditions, we do not anticipate significant adverse credit development in 2005. Further information is provided in the financing receivables section on page 27, and in notes 1, 5 and 6.

Asset impairment assessment involves various estimates and assumptions as follows:

Investments We regularly review investment securities for impairment based on criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to recovery and the financial health and specific prospects for the issuer. We perform comprehensive market research and analysis and monitor market conditions to identify potential impairments. Further information about actual and potential impairment losses is provided on page 27 and in notes 1 and 4.

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

Commercial aircraft are a significant concentration of assets in our Commercial Finance business, and are particularly subject to market fluctuations. Therefore, we test recoverability of each aircraft in our operating lease portfolio at least annually. Additionally, we perform quarterly evaluations in circumstances such as when aircraft are re-leased, current lease terms have changed or a specific lessee’s credit standing changes. Future rentals and residual values are based on historical experience and information received routinely from independent appraisers. Estimated cash flows from future leases are reduced for expected downtime between leases and for estimated technical costs required to prepare aircraft to be redeployed. Fair value used to measure impairment is based on current market values from independent appraisers. Further information on impairment losses and our overall exposure to the commercial aviation industry is provided on page 38 and in notes 4 and 8.

Goodwill and other identified intangible assets We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose of a reporting unit. Determining whether an

impairment has occurred requires valuation of the respective reporting unit, which we estimate using a discounted cash flow method. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. In applying this methodology, we rely on a number of factors, including actual operating results, future business plans, economic projections and market data.

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

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

Further information is provided on page 29 and in notes 1 and 9.

Insurance liabilities and reserves differ for short- and long-duration insurance contracts. Short-duration contracts such as property and casualty policies are accounted for based on actuarial estimates of losses inherent in that period's claims, including losses for which claims have not yet been reported. Short-duration contract loss estimates rely on actuarial observations of ultimate loss experience for similar historical events. Measurement of long-duration insurance liabilities (such as guaranteed renewable term, whole life and long-term care insurance policies) also is based on approved actuarial methods that include assumptions about expenses, mortality, morbidity, lapse rates and future yield on related investments. Historical insurance industry experience indicates that a greater degree of inherent variability exists in assessing the ultimate amount of losses under short-duration property and casualty contracts than exists for long-duration mortality exposures. This inherent variability is particularly significant for liability-related exposures, including latent claims issues (such as asbestos and environmental related coverage disputes), because of the extended period of time - often many years - that transpires between when a given claim event occurs and the ultimate full settlement of such claim. This situation is then further exacerbated for reinsurance entities (as opposed to primary insurers) because of coverage often being provided on an "excess-of-loss" basis and the resulting lags in receiving current claims data.

We continually evaluate the potential for changes in loss estimates with the support of qualified reserving actuaries and use the results of these evaluations both to adjust recorded reserves and to proactively modify underwriting criteria and product offerings. For actuarial analysis purposes, reported and paid claims activity is segregated into several hundred reserving segments, each having differing historical settlement trends. A variety of actuarial methods are then applied to the underlying data for each of these reserving segments in arriving at an estimated range of "reasonably possible" loss scenarios. Factors such as line of business, length of historical settlement pattern, recent changes in underwriting standards and unusual trends in reported claims activity will generally affect which actuarial methods are given more weight for purposes of determining the "best estimate" of ultimate losses in a particular reserving segment.

Other loss contingencies are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will exceed the recorded provision. Contingent liabilities are often resolved over long time periods. Estimating probable losses requires analysis of multiple forecasts that often depend on judgments about potential actions by third parties such as regulators. Further information is provided in note 21.

Other Information

Financial Measures that Supplement Generally Accepted Accounting Principles

We sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered “non-GAAP financial measures” under SEC rules. Specifically, we have referred, in various sections of this report, to:

- Net revenues (revenues from services less interest) of the Commercial Finance and Consumer Finance segments for the three years ended December 31, 2004, and

- Delinquency rates on financing receivables of the Commercial Finance and Consumer Finance segments for 2004, 2003 and 2002.

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

Net Revenues

We provided reconciliations of net revenues to reported revenues for these segments on pages 20-21. Because net revenues is a common industry measure of margin, these disclosures enable investors to compare the results of our businesses with results of others in the same industry.

Delinquency Rates on Financing Receivables

Delinquency rates on financing receivables follow.

Commercial Finance

December 31	**2004**	**2003**	**2002**
Managed	1.40%	1.38%	1.75%
Off-book	0.90	1.27	0.09
On-book	1.58	1.41	2.16

Consumer Finance

December 31	**2004**	**2003**	**2002**
Managed	4.85%	5.62%	5.62%
Off-book	5.09	5.04	4.84
On-book	4.84	5.67	5.76

We believe that delinquency rates on managed financing receivables provide a useful perspective of our portfolio quality and are key indicators of financial performance. Further, investors use such information, including the results

of both the on-book and securitized portfolios, which are relevant to our overall performance.

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

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

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

To the Board of Directors
General Electric Capital Corporation:

We have audited the consolidated financial statements of General Electric Capital Corporation ("GECC") and consolidated affiliates as listed in Item 15. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in Item 15. These consolidated financial statements and financial statement schedule are the responsibility of GECC management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements and schedule referred to above present fairly, in all material respects, the financial position of General Electric Capital Corporation and consolidated affiliates as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004 in conformity with U.S. generally accepted accounting principles.

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

Also, as discussed in note 1 to the consolidated financial statements, GECC in 2004 and 2003 changed its method of accounting for variable interest entities and in 2002 changed its method of accounting for goodwill and other intangible assets.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 11, 2005, except as to the fourth paragraph of Management's Annual Report on Internal Control Over Financial Reporting (as restated) which is as of May 5, 2005, expressed an unqualified opinion on management's assessment of, and an adverse opinion on the effective operation of, internal control over financial reporting as of December 31, 2004.

/s/ KPMG LLP
Stamford, Connecticut
February 11, 2005, except as to, the restatement discussed in note 1 to the consolidated financial statements which is as of May 5, 2005

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General Electric Capital Corporation and consolidated affiliates

Statement of Earnings

For the years ended December 31 (In millions)	2004 (Restated)	2003 (Restated)	2002 (Restated)
Revenues			
Revenues from services (note 2)	$ 57,010	$ 51,142	$ 45,539
Sales of goods	2,840	2,228	3,296
Total revenues	59,850	53,370	48,835
Costs and expenses			
Interest	11,158	9,999	9,479
Operating and administrative (note 3)	18,810	15,243	13,175
Cost of goods sold	2,741	2,119	3,039
Insurance losses and policyholder and annuity benefits	7,139	8,510	8,275
Provision for losses on financing receivables (note 6)	3,868	3,612	2,978
Depreciation and amortization (note 8)	5,774	4,594	4,248
Minority interest in net earnings of consolidated affiliates	359	84	95
Total costs and expenses	49,849	44,161	41,289
Earnings before income taxes and accounting changes	10,001	9,209	7,546
Provision for income taxes (note 13)	(1,741)	(1,743)	(992)
Earnings before accounting changes	8,260	7,466	6,554
Cumulative effect of accounting changes (note 1)	-	(339)	(1,015)
Net earnings	$ 8,260	$ 7,127	$ 5,539

Statement of Changes in Shareowner's Equity

(In millions)	2004 (Restated)	2003 (Restated)	2002 (Restated)
Changes in shareowner's equity (note 16)			
Balance at January 1	$ 46,692	$ 40,126	$ 31,739
Dividends and other transactions with shareowner	(2,805)	(4,466)	2,462
Changes other than transactions with shareowner			
Increase attributable to net earnings	8,260	7,127	5,539
Investment securities - net	(595)	517	1,414
Currency translation adjustments - net	2,296	3,150	(32)
Cash flow hedges - net	203	247	(974)
Minimum pension liabilities - net	(93)	(9)	(22)
Total changes other than transactions with shareowner	10,071	11,032	5,925

Balance at December 31	$	53,958	$	46,692	$	40,126

The notes to consolidated financial statements on pages 44-84 are an integral part of these statements.

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General Electric Capital Corporation and consolidated affiliates
Statement of Financial Position

At December 31 (In millions)		**2004 (Restated)**		**2003 (Restated)**
Assets				
Cash and equivalents	$	9,840	$	9,719
Investment securities (note 4)		86,932		100,782
Financing receivables - net (notes 5 and 6)		279,588		245,503
Insurance receivables - net (note 7)		27,183		12,440
Other receivables		21,968		16,553
Inventories		189		197
Buildings and equipment, less accumulated amortization of $20,459 and $16,587 (note 8)		46,351		38,621
Intangible assets - net (note 9)		25,426		22,610
Other assets (note 10)		69,408		60,348
Total assets	$	566,885	$	506,773
Liabilities and equity				
Borrowings (note 11)	$	352,326	$	311,097
Accounts payable		17,083		14,250
Insurance liabilities, reserves and annuity benefits (note 12)		103,890		100,613
Other liabilities		23,253		20,905
Deferred income taxes (note 13)		10,270		10,704
Total liabilities		506,822		457,569
Minority interest in equity of consolidated affiliates (note 14)		6,105		2,512
Variable cumulative preferred stock, $100 par value, liquidation preference $100,000 per share (33,000 shares authorized; 26,000 shares issued and outstanding at December 31, 2004 and 2003)		3		3
Common stock, $14 par value (4,166,000 shares authorized at December 31, 2004 and 2003, and 3,985,403 shares issued and outstanding at December 31, 2004 and 2003)		56		56
Accumulated gains (losses) - net				
Investment securities		974		1,569
Currency translation adjustments		4,844		2,548
Cash flow hedges		(1,281)		(1,484)
Minimum pension liabilities		(124)		(31)
Additional paid-in capital		14,539		14,196
Retained earnings		34,947		29,835
Total shareowner’s equity (note 16)		53,958		46,692

Total liabilities and equity	$	566,885	$	506,773

The sum of accumulated gains (losses) on investment securities, currency translation adjustments, cash flow hedges and minimum pension liabilities constitutes "Accumulated nonowner changes other than earnings," as shown in note 16, and was $4,413 million and $2,602 million at year-end 2004 and 2003, respectively.

The notes to consolidated financial statements on pages 44-84 are an integral part of this statement.

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General Electric Capital Corporation and consolidated affiliates
Statement of Cash Flows

For the years ended December 31 (In millions)	**2004 (Restated)**(a)	**2003 (Restated)**(a)	**2002 (Restated)**(a)
Cash flows - operating activities			
Net earnings	$ 8,260	$ 7,127	$ 5,539
Adjustments to reconcile net earnings to cash provided from operating activities			
Cumulative effect of accounting changes	-	339	1,015
Depreciation and amortization of buildings and equipment	5,774	4,594	4,248
Deferred income taxes	(1,346)	836	1,309
Decrease (increase) in inventories	(9)	(35)	62
Increase (decrease) in accounts payable	3,744	2,793	(2,120)
Increase in insurance liabilities and reserves	4,439	1,372	5,539
Provision for losses on financing receivables	3,868	3,612	2,978
All other operating activities (note 17)	805	1,412	1,455
Cash from operating activities	25,535	22,050	20,025
Cash flows - investing activities			
Net increase in financing receivables (note 17)	(14,952)	(4,736)	(18,285)
Additions to buildings and equipment	(10,317)	(7,255)	(11,346)
Dispositions of buildings and equipment	5,493	4,622	6,227
Payments for principal businesses purchased	(13,888)	(10,537)	(12,300)
All other investing activities (note 17)	(1,783)	(759)	(12,368)
Cash used for investing activities	(35,447)	(18,665)	(48,072)
Cash flows - financing activities			
Net decrease in borrowings (maturities of 90 days or less)	(1,040)	(12,957)	(35,348)
Newly issued debt (maturities longer than 90 days) (note 17)	61,748	59,838	96,044
Repayments and other reductions (maturities longer than 90 days) (note 17)	(45,115)	(43,128)	(38,586)
Dividends paid to shareowner	(3,148)	(4,472)	(2,020)
All other financing activities (note 17)	(2,412)	70	8,156
Cash from (used for) financing activities	10,033	(649)	28,246
Increase in cash and equivalents during year	121	2,736	199
Cash and equivalents at beginning of year	9,719	6,983	6,784
Cash and equivalents at end of year	$ 9,840	$ 9,719	$ 6,983
Supplemental disclosure of cash flows information			
Cash paid during the year for interest	$ (10,995)	$ (10,323)	$ (9,114)
Cash recovered during the year for income taxes	785	726	1,707

The notes to consolidated financial statements on pages 44-84 are an integral part of this statement.

(a)

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

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General Electric Capital Corporation and consolidated affiliates

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

2005 Restatement

On May 6, 2005, we amended General Electric Capital Corporation (GECC) Annual Report on Form 10-K for the year ended December 31, 2004, to amend and restate financial statements for the years 2004, 2003 and 2002 and for each of the quarters in the years 2004 and 2003 with respect to the accounting for certain derivatives transactions. The effect of the restatement on our statement of financial position at the end of the reported periods is immaterial and the restatement had no effect on our cash flows.

In the course of a regularly scheduled audit, our internal corporate audit staff identified errors with respect to General Electric Capital Corporation's (GECC) use of hedge accounting for certain transactions under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended (SFAS 133). Descriptions of these errors follow:

· The first errors were in accounting for interest rate and currency swaps at GECC that included fees paid or received at inception. These swaps related to about 14% of our overall borrowings at January 1, 2001, and about 6% of our overall borrowings at December 31, 2004. Our initial accounting viewed these fees as immaterial. In 2003, we discontinued use of such swaps, except for one immaterial transaction, but continued the previous accounting for those already in place. Because of the swap fees, however, the fair values of the swaps were not zero at inception as required by SFAS 133 and, accordingly, we were required to, but did not, test periodically for effectiveness.

· The second errors arose from a hedge accounting position related to a portfolio of assets consolidated by GECC in July 2003 at implementation of Financial Accounting Standards Board Interpretation No. (FIN) 46, *Consolidation of Variable Interest Entities*. This portfolio included assets equal to 2% and 1% of GE's total assets at consolidation and at December 31, 2004, respectively. We entered into interest rate swaps in 2003 to adjust the economic yield on these newly-consolidated fixed-rate assets from a fixed to a floating rate. Adhering to our hedge documentation at the 2003 inception of these swaps, we did not perform subsequent periodic testing of their effectiveness. We determined as a result of the internal audit that the prepayment penalties in the underlying assets were not appropriately mirrored in the associated swaps, as required in order to avoid periodic testing of effectiveness under SFAS 133. Accordingly, periodic effectiveness testing was required under SFAS 133 for these swaps.

· In the course of the internal audit, GE's internal audit staff also identified other errors under SFAS 133 with respect to other aspects of certain swaps and other derivative instruments. Adjustments to correct the accounting for these transactions also are included in our restated results of operations. We do not believe these other adjustments are material, individually or in the aggregate, to our financial position or our results of operations for any reported period.

Effects of the restatement by line item follow:

For the years ended December 31(In millions)	2004		2003		2002	
	As previously reported	**As restated**	**As previously reported**	**As restated**	**As previously reported**	**As restated**
Statement of Earnings						
Revenues from services (note 2)	$56,507	$57,010	$50,688	$51,142	$45,523	$45,539
Interest	11,029	11,158	9,932	9,999	9,544	9,479
Earnings before income taxes and accounting changes	9,627	10,001	8,822	9,209	7,465	7,546
Provision for income taxes (note 13)	(1,593)	(1,741)	(1,590)	(1,743)	(960)	(992)
Earnings before accounting changes	8,034	8,260	7,232	7,466	6,505	6,554
Net earnings	8,034	8,260	6,893	7,127	5,490	5,539

For the years ended December 31(In millions)	2004		2003		2002	
	As previously reported	**As restated**	**As previously reported**	**As restated**	**As previously reported**	**As restated**
Statement of Changes in Shareowner's Equity						
Balance at January 1	$46,241	$46,692	$39,753	$40,126	$31,563	$31,739
Increase attributable to net earnings	8,034	8,260	6,893	7,127	5,490	5,539
Currency translation adjustments - net	2,302	2,296	3,212	3,150	(27)	(32)
Cash flow hedges - net	337	203	341	247	(1,127)	(974)
Balance at December 31	53,421	53,958	46,241	46,692	39,753	40,126

At December 31 (In millions)	2004		2003	
	As previously reported	**As restated**	**As previously reported**	**As restated**
Statement of Financial Position				
Financing Receivables-net (note 5)	$ 279,356	$ 279,588	$ 245,295	$ 245,503
Other assets (note 10)	69,463	69,408	60,373	60,348
Total assets	566,708	566,885	506,590	506,773
Borrowings (note 11)	352,869	352,326	311,474	311,097

Other liabilities	23,425	23,253	21,089	20,905
Deferred income taxes (note 13)	9,915	10,270	10,411	10,704
Total liabilities	507,182	506,822	457,837	457,569
Currency translation adjustments	4,923	4,844	2,621	2,548
Cash flow hedges	(1,281)	(1,281)	(1,618)	(1,484)
Retained earnings	34,331	34,947	29,445	29,835
Total shareowner's equity (note 16)	53,421	53,958	46,241	46,692
Total liabilities and equity	566,708	566,885	506,590	506,773

	2004							
	First quarter		Second quarter		Third quarter		Fourth quarter	
(In millions)(unaudited)	**As previously reported**	**As restated**	**As previously reported**	**As restated**	**As previously reported**	**As restated**	**As previously reported**	**As restated**
Statement of Earnings								
Revenues from services	$ 13,629	$ 13,871	$ 13,408	$ 13,154	$ 13,950	$ 14,014	$ 15,520	$ 15,971
Interest	2,591	2,624	2,737	2,770	2,622	2,653	3,079	3,111
Earnings before income taxes and accounting changes	2,072	2,281	1,860	1,573	2,910	2,943	2,785	3,204
Provision for income taxes	(419)	(502)	(284)	(170)	(660)	(673)	(230)	(396)
Earnings before accounting changes	1,653	1,779	1,576	1,403	2,250	2,270	2,555	2,808
Net earnings	1,653	1,779	1,576	1,403	2,250	2,270	2,555	2,808

	2003							
	First quarter		Second quarter		Third quarter		Fourth quarter	
(In millions) (unaudited)	**As previously reported**	**As restated**	**As previously reported**	**As restated**	**As previously reported**	**As restated**	**As previously reported**	**As restated**
Statement of Earnings								
Revenues from services	$ 11,674	$ 12,115	$ 12,262	$ 13,037	$ 13,554	$ 12,851	$ 13,198	$ 13,139
Interest	2,368	2,335	2,444	2,474	2,489	2,523	2,631	2,667
Earnings before income taxes and accounting changes	1,916	2,390	1,910	2,655	2,574	1,837	2,422	2,327
Provision for income taxes	(298)	(485)	(306)	(601)	(573)	(282)	(413)	(375)
Earnings before accounting changes	1,618	1,905	1,604	2,054	2,001	1,555	2,009	1,952
Net earnings	1,618	1,905	1,604	2,054	1,662	1,216	2,009	1,952

	2004							
	First quarter		**Second quarter**		**Third quarter**		**Fourth quarter**	
(In millions) *(unaudited)*	**As previously reported**	**As restated**	**As previously reported**	**As restated**	**As previously reported**	**As restated**	**As previously reported**	**As restated**
Statement of Financial Position								
Financing receivables-net (note 5)	$ 249,328	$ 249,379	$ 250,166	$ 250,545	$ 250,609	$ 250,819	$ 279,356	$ 279,588
Other assets	60,135	60,112	68,267	68,233	71,075	71,030	69,463	69,408
Total assets	516,810	516,838	518,505	518,850	524,607	524,772	566,708	566,885
Borrowings	316,312	315,550	316,226	316,194	320,210	319,935	352,869	352,326
Other liabilities	20,236	20,064	22,075	21,903	21,472	21,300	23,425	23,253
Deferred income taxes	12,415	12,794	9,363	9,580	10,122	10,364	9,915	10,270
Total liabilities	464,578	464,023	465,636	465,649	469,686	469,481	507,182	506,822
Currency translation adjustments	2,541	2,466	2,375	2,295	2,298	2,217	4,923	4,844
Cash flow hedges	(1,617)	(1,475)	(1,028)	(959)	(1,294)	(1,206)	(1,281)	(1,281)
Retained earnings	30,708	31,224	30,813	31,156	32,829	33,192	34,331	34,947
Total shareowner's equity	49,226	49,809	46,731	47,063	48,878	49,248	53,421	53,958
Total liabilities and equity	516,810	516,838	518,505	518,850	524,607	524,772	566,708	566,885

	2003							
	First quarter		**Second quarter**		**Third quarter**		**Fourth quarter**	
(In millions) *(unaudited)*	**As previously reported**	**As restated**	**As previously reported**	**As restated**	**As previously reported**	**As restated**	**As previously reported**	**As restated**
Statement of Financial Position								
Financing receivables-net (note 5)	$ 197,266	$ 197,266	$ 210,815	$ 210,815	$ 237,248	$ 237,463	$ 245,295	$ 245,503
Other assets	64,043	64,033	69,608	69,580	62,919	62,893	60,373	60,348
Total assets	446,979	446,969	476,095	476,067	489,903	490,092	506,590	506,773
Borrowings	266,077	265,298	284,519	282,980	301,377	300,906	311,474	311,097
Other liabilities	15,877	15,666	16,635	16,425	17,070	16,870	21,089	20,905
Deferred income taxes	10,659	11,043	11,099	11,776	10,292	10,630	10,411	10,704
Total liabilities	403,287	402,681	429,163	428,091	443,551	443,218	457,837	457,569
Currency translation adjustments	(494)	(561)	105	36	409	340	2,621	2,548
Cash flow hedges	(2,051)	(1,831)	(2,892)	(2,672)	(1,701)	(1,557)	(1,618)	(1,484)
Retained earnings	28,461	28,904	29,896	30,789	29,625	30,072	29,445	29,835
Total shareowner's equity	41,834	42,430	45,136	46,180	43,819	44,341	46,241	46,692
Total liabilities and equity	446,979	446,969	476,095	476,067	489,903	490,092	506,590	506,773

Accounting principles

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

Consolidation

All of our outstanding common stock is owned by General Electric Capital Services, Inc. (GE Capital Services or GECS), all of whose common stock is owned, directly or indirectly, by General Electric Company (GE Company or GE). Our financial statements consolidate all of our affiliates - companies that we control and in which we hold a majority voting interest. Associated companies are companies that we do not control but over which we have significant influence, most often because we hold a shareholder voting position of 20% to 50%. Results of associated companies are presented on a one-line basis.

In 2004 and 2003, as we describe on page 52, we consolidated certain non-affiliates, including certain special purpose entities (SPEs) and investments previously considered associated companies, because of new accounting requirements

that became effective in each of those years.

Financial statement presentation

We have reclassified certain prior-year amounts to conform to the current year's presentation. Effects of transactions between related companies are eliminated.

In November 2004, we changed the par value of our common stock from $4.00 per share to $14.00 per share to conform with certain non-U.S. regulatory requirements. The consolidated financial statements contained herein give retroactive effect to this change in par value.

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

Sales of goods

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

Revenues from services (earned income)

We use the interest method to recognize income on all loans. Interest on time sales and loans includes origination, commitment and other non-refundable fees related to funding (recorded in earned income on the interest method). We stop accruing interest at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days past due. We recognize interest income on nonearning loans either as cash is collected or on a cost-recovery basis as con-ditions warrant. We resume accruing interest on nonearning, non-restructured Commercial Finance loans only when (a) payments are brought current according to the loan’s original terms and (b) future payments are reasonably assured. When we agree to restructured terms with the borrower, we resume accruing interest only when reasonably assured that we will recover full contractual payments, and such loans pass underwriting reviews equivalent to those applied to new loans. We resume accruing interest on nonearning Consumer Finance loans upon receipt of the third consecutive minimum monthly payment or the equivalent. Specific limits for each type of loan restrict the number of times any particular delinquent loan may be categorized as non-delinquent and interest accrual resumed.

We record financing lease income on the interest method to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values of leased assets are based primarily on periodic independent appraisals of the values of leased assets remaining at expiration of the lease terms. Significant assumptions we use in estimating residual values include estimated net cash flows over the remaining lease term, results of future remarketing, and future component part and scrap metal prices, discounted at an appropriate rate.

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

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

See page 50 for a discussion of income from investment and insurance activities.

Depreciation and amortization

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

Losses on financing receivables

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

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

During 2004, Consumer Finance adopted a global policy for uncollectible receivables that accelerated write-offs to follow one consistent basis. We now write off unsecured closed-end installment loans that become 120 days contractually past due and unsecured open-ended revolving loans that become 180 days contractually past due. Loans secured with non-real-estate collateral are written down to the estimated value of the collateral, less costs to sell, at 120 days contractually past due. Real estate secured loans (both revolving and closed-end) are written down to a percentage of the estimated fair value of the property, less costs to sell, no later than 360 days past due.

The first step in establishing our quarterly allowances for losses on larger balance non-homogenous commercial and equipment loans and leases is to survey the entire portfolio for potential specific credit or collection issues indicating an impairment. This survey first considers the financial status, payment history, collateral value, industry conditions and guarantor support related to specific customers. Any delinquencies or bankruptcies are indications of potential impairment requiring further assessment of collectibility. Our risk function routinely receives financial as well as rating agency reports on our customers, and we elevate for further attention those customers whose operations we judge to be marginal or deteriorating. We also elevate customers for further attention when we observe a decline in collateral values for asset-based loans. While collateral values are not always available, when we observe such a decline, we evaluate relevant markets to assess recovery alternatives - for example, for real estate loans, relevant markets are local; for aircraft loans, relevant markets are global. Our risk function reports to senior management its evaluation of any balances that it has identified as impaired, and we make allowances based on our evaluation of all available information, including expected future cash flows, fair value of collateral net of disposal costs and the secondary market value of the financing receivables. After providing for specific incurred losses, we then determine an allowance for losses that have been incurred in the balance of the portfolio but cannot yet be identified to a specific loan or lease. This estimate is prepared by each line of business every quarter and reviewed by senior management. Within each business unit, portfolio level modeling is applied where deemed appropriate, for example, by collateral type. As a result, several different statistical analyses requiring judgment are employed as part of this process. These analyses include consideration of historical and projected default rate and loss severity.

Portfolios of smaller balance homogenous commercial and equipment loans which are not individually evaluated for impairment are evaluated collectively for impairment. This evaluation is based upon various statistical analyses which consider historical losses and the current aging of the portfolio.

For homogeneous loans and leases, delinquencies are an important indication of a developing loss, and we monitor delinquency rates closely in all of our portfolios.

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

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

The underlying assumptions, estimates and assessments we use are continually updated to reflect our view of current conditions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible to experience credit losses that are different from our current estimates.

Cash and equivalents

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

Investment securities

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

Inventories

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

Intangible assets

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

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

Insurance accounting policies

Accounting policies for our insurance businesses follow.

Premium income We report insurance premiums as earned income as follows:

- For short-duration insurance contracts (including property and casualty, and accident and health insurance), we report premiums as earned income, generally on a pro-rata basis, over the terms of the related agreements. For retrospectively rated reinsurance contracts, we record premium adjustments based on estimated losses and loss expenses, taking into consideration both case and incurred-but-not-reported (IBNR) reserves.

- For traditional long-duration insurance contracts (including term and whole life contracts and annuities payable for the life of the annuitant), we report premiums as earned income when due.

- For investment contracts and universal life contracts, we report premiums received as liabilities, not as revenues. Universal life contracts are long-duration insurance contracts with terms that are not fixed and guaranteed; for these contracts, we recognize revenues for assessments against the policyholder's account, mostly for mortality, contract initiation, administration and surrender. Investment contracts are contracts that have neither significant mortality nor significant morbidity risk, including annuities payable for a determined period; for these contracts, we recognize revenues on the associated investments, and amounts credited to policyholder accounts are charged to expense.

Liabilities for unpaid claims and claims adjustment expenses represent our best estimate of the ultimate obligations for reported claims plus those IBNR and the related estimated claim settlement expenses for all claims incurred through December 31 of each year. Specific reserves - also referred to as case reserves - are established for reported claims using case-basis evaluations of the underlying claim data and are updated as further information becomes known. IBNR reserves are determined using generally accepted actuarial reserving methods that take into account historical loss experience data and, as appropriate, certain qualitative factors. IBNR reserves are adjusted to take into account certain additional factors that can be expected to affect the liability for claims over time, such as changes in the volume and mix of business written, revisions to contract terms and conditions, changes in legal precedents or developed case law, trends in healthcare and medical costs, and general inflation levels. Settlement of complex claims routinely involves threatened or pending litigation to resolve disputes as to coverage, interpretation of contract terms and conditions or fair compensation for damages suffered. These disputes are settled through negotiation, arbitration or actual litigation. Recorded reserves incorporate our best estimate of the effect that ultimate resolution of such disputes has on both claims payments and related settlement expenses. Liabilities for unpaid claims and claims adjustment expenses are continually reviewed and adjusted; such adjustments are included in current operations and accounted for as changes in estimates.

Deferred acquisition costs Costs that vary with and are directly related to the acquisition of new and renewal insurance and investment contracts are deferred and amortized as follows:

- Short-duration contracts - Acquisition costs consist of commissions, brokerage expenses and premium taxes and are amortized ratably over the contract periods in which the related premiums are earned.

- Long-duration contracts - Acquisition costs consist of first-year commissions in excess of recurring renewal commissions, certain variable sales expenses and certain support costs such as underwriting and policy issue expenses. For traditional long-duration insurance contracts, we amortize these costs over the respective contract periods in proportion to either anticipated premium income, or, in the case of limited-payment contracts, estimated benefit payments. For investment contracts and universal life contracts, amortization of these costs is based on estimated gross profits and is adjusted as those estimates are revised.

We review deferred acquisition costs periodically for recoverability considering anticipated investment income.

Present value of future profits The actuarially determined present value of anticipated net cash flows to be realized from insurance, annuity and investment contracts in force at the date of acquisition of life insurance policies is recorded as the present value of future profits and is amortized over the respective policy terms in a manner similar to deferred acquisition costs. We adjust unamortized balances to reflect experience and impairment, if any.

Accounting changes

We adopted Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46R, *Consolidation of Variable Interest Entities (Revised)*, on January 1, 2004. This accounting change added $1.5 billion of assets and $1.1 billion of liabilities to our consolidated balance sheet as of that date resulting from the consolidation of Penske Truck Leasing Co., L.P. (Penske), which was previously accounted for using the equity method. Penske provides full-service commercial truck leasing, truck rental and logistics services, primarily in North America. This accounting change did not require an adjustment to earnings and will not affect future earnings or cash flows.

We adopted FIN 46, *Consolidation of Variable Interest Entities*, on July 1, 2003, and for the first time consolidated certain special purpose entities. In total, transition resulted in a $339 million after-tax accounting charge to our third quarter 2003 net earnings, which is reported in the caption “Cumulative effect of accounting changes.”

- FIN 46 required that, if practicable, we consolidate assets and liabilities of FIN 46 entities based on their carrying amounts. For us, such transition losses were primarily associated with interest rate swaps that did not qualify for hedge accounting before transition. Additional transition losses arose from recording carrying amounts of assets and liabilities as we eliminated certain previously recognized gains.

- When it was impracticable to determine carrying amounts, as defined, FIN 46 required assets and liabilities to be consolidated at their July 1, 2003, fair values. We recognized a loss on consolidation of certain of these entities because the fair value of associated liabilities, including the fair values of interest rate swaps, exceeded independently appraised fair values of their related assets.

- For assets that had been securitized using qualifying special purpose entities (QSPEs), transition carrying amounts were based on hypothetical repurchase of the assets at fair value. Transition effects associated with consolidation of these assets and liabilities were insignificant, as were transition effects of consolidating assets and liabilities associated with issuance of guaranteed investment contracts (GICs).

Further information about these entities is provided in note 20.

In 2002, we adopted SFAS 142, *Goodwill and Other Intangible Assets*, under which goodwill is no longer amortized but is tested for impairment using a fair value method. Using the required reporting unit basis, we tested all of our goodwill for impairment as of January 1, 2002, and recorded a non-cash charge of $1.204 billion ($1.015 billion after tax). All of the charge related to Equipment & Other Services. Factors contributing to the impairment charge were the difficult economic environment in the information technology sector and heightened price competition in the auto insurance industry. No impairment charge had been required under our previous goodwill impairment policy, which was based on undiscounted cash flows.

Note 2. Revenues from Services

(In millions)		2004 (Restated)		2003 (Restated)		2002 (Restated)
Interest on time sales and loans	$	18,756	$	17,103	$	13,723
Premiums earned by insurance businesses		6,967		8,633		8,655
Operating lease rentals		10,654[a]		7,123		6,812
Investment income		4,502		5,024		4,224
Financing leases		4,069		4,117		4,334
Fees		3,890		3,104		2,777
Other income		8,172[b]		6,038		5,014
Total[c]	$	57,010	$	51,142	$	45,539

(a) Included $2,593 million relating to the consolidation of Penske.

(b) Included other operating revenue of Penske of $977 million and gain on sale of Gecis of $396 million, partially offset by the loss on Genworth Financial, Inc. (Genworth) initial public offering of $388 million.

(c) Included $985 million in 2004 and $693 million in 2003 related to consolidated, liquidating securitization entities.

For insurance businesses, the effects of reinsurance on premiums written and premiums earned were as follows:

	Premiums written			Premiums earned		
(In millions)	2004	2003	2002	2004	2003	2002
Direct	$ 6,343	$ 8,669	$ 8,972	$ 6,939	$ 8,665	$ 8,525
Assumed	1,409	1,028	1,125	1,410	1,089	1,133
Ceded	(1,405)	(949)	(980)	(1,382)	(1,121)	(1,003)
Total	$ 6,347	$ 8,748	$9,117	$ 6,967	$ 8,633	$ 8,655

Note 3. Operating and Administrative Expenses

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

(56)

Rental expense relating to equipment we lease from others for the purpose of subleasing was $383 million in 2004, $338 million in 2003 and $378 million in 2002. Other rental expense was $576 million in 2004, $527 million in 2003, and $571 million in 2002, principally for the rental of office space and data processing equipment. At December 31, 2004, minimum rental commitments under noncancelable operating leases aggregated $4,407 million. Amounts payable over the next five years were; $704 million in 2005; $700 million in 2006; $581 million in 2007; $495 million in 2008; $464 million in 2009. As a lessee, we have no material lease agreements classified as capital leases.

Amortization of deferred acquisition costs charged to operations in 2004, 2003 and 2002 was $954 million, $1,206 million and $1,104 million, respectively.

Note 4. Investment Securities

(In millions)	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated fair value**
December 31, 2004				
Available-for-sale securities				
Debt:				
U.S. corporate	$ 34,112	$ 1,422	$ (463)	$ 35,071
State and municipal	3,490	165	(1)	3,654
Mortgage-backed	11,974	173	(51)	12,096
Asset-backed	9,363	205	(45)	9,523
Corporate - non-U.S.	10,694	451	(28)	11,117
Government - non-U.S.	2,695	103	(3)	2,795
U.S. government and federal agency	597	23	(1)	619
Equity	3,385	353	(18)	3,720
Trading securities	(a)	(a)	(a)	8,337
Total	$ 76,310	$ 2,895	$ (610	