GENERAL ELECTRIC CAPITAL CORP
Form 10-Q
July 26, 2013

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

FORM 10-Q

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

For the quarterly period ended June 30, 2013
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________to ___________

Commission file number 001-06461

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

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

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

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

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

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

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

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

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

At July 26, 2013, 1,000 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of $14 per share were outstanding.

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

(1)

General Electric Capital Corporation

Forward-Looking Statements

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

GE's Investor Relations website at www.ge.com/investor and our corporate blog at www.gereports.com, as well as GE's Facebook page and Twitter accounts, contain a significant amount of information about GE, including financial and other information for investors. GE encourages investors to visit these websites from time to time, as information is updated and new information is posted.

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Part I. Financial Information

Item 1. Financial Statements

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

	Three months ended June 30,		Six months ended June 30,	
(In millions)	2013	2012	2013	2012
Revenues				
Revenues from services (a)	$ 11,082	$ 11,360	$ 22,869	$ 22,702
Other-than-temporary impairment on investment securities:				
Total other-than-temporary impairment on investment securities	(152)	(33)	(441)	(65)
Less: portion of other-than-temporary impairment recognized in accumulated other comprehensive income	19	1	30	1
Net other-than-temporary impairment on investment securities recognized in earnings	(133)	(32)	(411)	(64)
Revenues from services (Note 9)	10,949	11,328	22,458	22,638
Sales of goods	31	26	57	56
Total revenues	10,980	11,354	22,515	22,694
Costs and expenses				
Interest	2,405	2,979	4,805	6,164
Operating and administrative	3,136	3,031	6,355	5,876
Cost of goods sold	25	23	46	48
Investment contracts, insurance losses and insurance annuity benefits	728	702	1,417	1,473
Provision for losses on financing receivables	1,029	743	2,517	1,606
Depreciation and amortization	1,707	1,636	3,405	3,288
Total costs and expenses	9,030	9,114	18,545	18,455
Earnings from continuing operations before income taxes	1,950	2,240	3,970	4,239
Benefit (provision) for income taxes	(11)	(104)	(93)	(319)
Earnings from continuing operations	1,939	2,136	3,877	3,920
Earnings (loss) from discontinued operations, net of taxes (Note 2)	(121)	(553)	(230)	(750)
Net earnings	1,818	1,583	3,647	3,170
Less: net earnings (loss) attributable to noncontrolling interests	17	14	28	26
Net earnings attributable to GECC	1,801	1,569	3,619	3,144
Preferred stock dividends declared	(135)	–	(135)	–

Net earnings attributable to GECC common shareowner	$	1,666	$	1,569	$	3,484	$	3,144
Amounts attributable to GECC								
Earnings from continuing operations	$	1,922	$	2,122	$	3,849	$	3,894
Earnings (loss) from discontinued operations, net of taxes		(121)		(553)		(230)		(750)
Net earnings attributable to GECC	$	1,801	$	1,569	$	3,619	$	3,144

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

See accompanying notes.

(3)

General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Comprehensive Income
(Unaudited)

(In millions)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Net earnings	$ 1,818	$ 1,583	$ 3,647	$ 3,170
Less: net earnings (loss) attributable to noncontrolling interests	17	14	28	26
Net earnings attributable to GECC	$ 1,801	$ 1,569	$ 3,619	$ 3,144
Other comprehensive income (loss)				
Investment securities	$ (602)	$ 176	$ (536)	$ 508
Currency translation adjustments	(1)	(408)	7	(274)
Cash flow hedges	194	40	286	112
Benefit plans	9	19	22	(5)
Other comprehensive income (loss)	(400)	(173)	(221)	341
Less: other comprehensive income (loss) attributable to				
noncontrolling interests	(19)	(11)	(22)	(1)
Other comprehensive income (loss) attributable to GECC	$ (381)	$ (162)	$ (199)	$ 342
Comprehensive income	$ 1,418	$ 1,410	$ 3,426	$ 3,511
Less: comprehensive income (loss) attributable to				
noncontrolling interests	(2)	3	6	25
Comprehensive income attributable to GECC	$ 1,420	$ 1,407	$ 3,420	$ 3,486

Amounts presented net of taxes. See Note 8 for further information about other comprehensive income and noncontrolling interests.

See accompanying notes.

General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Changes in Shareowners' Equity
(Unaudited)

(In millions)	Six months ended June 30, 2013	Six months ended June 30, 2012
GECC shareowners' equity balance at January 1	$ 81,890	$ 77,110
Increases from net earnings attributable to GECC	3,619	3,144
Dividends and other transactions with shareowners	(2,082)	(3,000)

Other comprehensive income (loss) attributable to GECC	(199)	342
Changes in additional paid-in capital	983	2,231
Ending balance at June 30	84,211	79,827
Noncontrolling interests	550	759
Total equity balance at June 30	$ 84,761	$ 80,586

See Note 8 for further information about changes in shareowners’ equity.

See accompanying notes.

(4)

General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Financial Position

(In millions, except share information)	June 30, 2013 (Unaudited)	December 31, 2012
Assets		
Cash and equivalents	$ 69,531	$ 61,942
Investment securities (Note 3)	43,661	48,439
Inventories	88	79
Financing receivables – net (Notes 4 and 12)	257,092	268,951
Other receivables	15,710	13,917
Property, plant and equipment, less accumulated amortization of $25,928 and $26,113	52,608	52,974
Goodwill (Note 5)	26,818	27,032
Other intangible assets – net (Note 5)	1,203	1,294
Other assets	52,382	62,201
Assets of businesses held for sale (Note 2)	165	211
Assets of discontinued operations (Note 2)	1,846	2,299
Total assets(a)	$ 521,104	$ 539,339
Liabilities and equity		
Short-term borrowings (Note 6)	$ 76,770	$ 95,940
Accounts payable	7,093	6,259
Non-recourse borrowings of consolidated securitization entities (Note 6)	30,250	30,123
Bank deposits (Note 6)	48,597	46,461
Long-term borrowings (Note 6)	220,007	224,776
Investment contracts, insurance liabilities and insurance annuity benefits	27,615	28,696
Other liabilities	18,037	15,961
Deferred income taxes	5,588	5,988
Liabilities of businesses held for sale (Note 2)	7	157
Liabilities of discontinued operations (Note 2)	2,379	2,381
Total liabilities(a)	436,343	456,742
Preferred stock, $0.01 par value (750,000 shares authorized at both June 30, 2013 and December 31, 2012, and 50,000 and 40,000 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively)	–	–
Common stock, $14 par value (4,166,000 shares authorized at both June 30, 2013 and December 31, 2012 and 1,000 shares	–	–

issued and outstanding at both June 30, 2013 and December 31, 2012, respectively)		
Accumulated other comprehensive income (loss) – net(b)		
Investment securities	138	673
Currency translation adjustments	(102)	(131)
Cash flow hedges	(461)	(746)
Benefit plans	(714)	(736)
Additional paid-in capital	32,569	31,586
Retained earnings	52,781	51,244
Total GECC shareowners' equity	84,211	81,890
Noncontrolling interests(c)(Note 8)	550	707
Total equity	84,761	82,597
Total liabilities and equity	$ 521,104	$ 539,339

(a) Our consolidated assets at June 30, 2013 include total assets of $46,939 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets include net financing receivables of $40,048 million and investment securities of $4,334 million. Our consolidated liabilities at June 30, 2013 include liabilities of certain VIEs for which the VIE creditors do not have recourse to GECC. These liabilities include non-recourse borrowings of consolidated securitization entities (CSEs) of $28,600 million. See Note 13.

(b) The sum of accumulated other comprehensive income (loss) attributable to GECC was $(1,139) million and $(940) million at June 30, 2013 and December 31, 2012, respectively.

(c) Included accumulated other comprehensive income (loss) attributable to noncontrolling interests of $(151) million and $(129) million at June 30, 2013 and December 31, 2012, respectively.

See accompanying notes.

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

	Six months ended June 30,	
(In millions)	2013	2012
Cash flows – operating activities		
Net earnings	$ 3,647	$ 3,170
Less: net earnings (loss) attributable to noncontrolling interests	28	26
Net earnings attributable to GECC	3,619	3,144
(Earnings) loss from discontinued operations	230	750
Adjustments to reconcile net earnings attributable to GECC		
to cash provided from operating activities		
Depreciation and amortization of property, plant and equipment	3,405	3,288
Increase (decrease) in accounts payable	648	185
Provision for losses on financing receivables	2,517	1,606
All other operating activities	(1,642)	1,773
Cash from (used for) operating activities – continuing operations	8,777	10,746
Cash from (used for) operating activities – discontinued operations	(183)	33
Cash from (used for) operating activities	8,594	10,779
Cash flows – investing activities		
Additions to property, plant and equipment	(5,481)	(5,505)
Dispositions of property, plant and equipment	2,560	2,717
Increase in loans to customers	(144,667)	(148,817)
Principal collections from customers – loans	151,373	154,149
Investment in equipment for financing leases	(4,165)	(4,349)
Principal collections from customers – financing leases	5,280	5,993
Net change in credit card receivables	(967)	(1,178)
Proceeds from principal business dispositions	753	88
Net cash from (payments for) principal businesses purchased	6,384	-
All other investing activities	12,257	3,857
Cash from (used for) investing activities – continuing operations	23,327	6,955
Cash from (used for) investing activities – discontinued operations	161	(41)
Cash from (used for) investing activities	23,488	6,914
Cash flows – financing activities		
	(6,815)	(621)

Net increase (decrease) in borrowings (maturities of 90 days or less)		
Net increase (decrease) in bank deposits	(4,506)	(890)
Newly issued debt (maturities longer than 90 days)		
Short-term (91 to 365 days)	189	40
Long-term (longer than one year)	30,261	29,618
Repayments and other debt reductions (maturities longer than 90 days)		
Short-term (91 to 365 days)	(38,483)	(50,546)
Long-term (longer than one year)	(2,637)	(1,988)
Non-recourse, leveraged leases	(469)	(310)
Proceeds from issuance of preferred stock	990	2,227
Dividends paid to shareowners	(2,082)	(3,000)
All other financing activities	(305)	(2,354)
Cash from (used for) financing activities – continuing operations	(23,857)	(27,824)
Cash from (used for) financing activities – discontinued operations	15	-
Cash from (used for) financing activities	(23,842)	(27,824)
Effect of currency exchange rate changes on cash and equivalents	(658)	(327)
Increase (decrease) in cash and equivalents	7,582	(10,458)
Cash and equivalents at beginning of year	62,044	76,823
Cash and equivalents at June 30	69,626	66,365
Less: cash and equivalents of discontinued operations at June 30	95	112
Cash and equivalents of continuing operations at June 30	$ 69,531	$ 66,253

See accompanying notes.

(6)

General Electric Capital Corporation and consolidated affiliates
Summary of Operating Segments
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
(In millions)	2013	2012	2013	2012
Revenues				
CLL	$ 3,907	$ 4,038	$ 7,414	$ 8,378
Consumer	3,715	3,812	7,606	7,689
Real Estate	872	876	2,529	1,712
Energy Financial Services	303	446	646	685
GECAS	1,282	1,317	2,661	2,648
Total segment revenues	10,079	10,489	20,856	21,112
Corporate items and eliminations	901	865	1,659	1,582
Total revenues	$ 10,980	$ 11,354	$ 22,515	$ 22,694
Segment profit				
CLL	$ 825	$ 628	$ 1,223	$ 1,292
Consumer	828	907	1,351	1,736
Real Estate	435	221	1,125	277
Energy Financial Services	60	122	143	193
GECAS	304	308	652	626
Total segment profit	2,452	2,186	4,494	4,124
Corporate items and eliminations	(530)	(64)	(645)	(230)
Earnings from continuing operations attributable to GECC	1,922	2,122	3,849	3,894
Earnings (loss) from discontinued operations, net of taxes, attributable to GECC	(121)	(553)	(230)	(750)
Total net earnings attributable to GECC	$ 1,801	$ 1,569	$ 3,619	$ 3,144

See accompanying notes.

(7)

Notes to Condensed Financial Statements (Unaudited)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Electric Company (GE Company or GE) owns all of the common stock of General Electric Capital Corporation (GECC). Our financial statements consolidate all of our affiliates – companies that we control and in which we hold a majority voting interest. We also consolidate the economic interests we hold in certain businesses within companies in which we hold a voting equity interest and are majority owned by our parent, but which we have agreed to actively manage and control. See Note 1 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (2012 consolidated financial statements), which discusses our consolidation and financial statement presentation. GECC includes Commercial Lending and Leasing (CLL), Consumer, Real Estate, Energy Financial Services and GE Capital Aviation Services (GECAS).

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

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

Accounting Changes

On January 1, 2012, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2011-05, an amendment to Accounting Standards Codification (ASC) 220, Comprehensive Income. ASU 2011-05 introduced a new statement, the Consolidated Statement of Comprehensive Income. The amendments affect only the display of those components of equity categorized as other comprehensive income and do not change existing recognition and measurement requirements that determine net earnings.

On January 1, 2012, we adopted FASB ASU 2011-04, an amendment to ASC 820, Fair Value Measurements. ASU 2011-04 clarifies or changes the application of existing fair value measurements, including: that the highest and best use valuation premise in a fair value measurement is relevant only when measuring the fair value of nonfinancial assets; that a reporting entity should measure the fair value of its own equity instrument from the perspective of a market participant that holds that instrument as an asset; to permit an entity to measure the fair value of certain financial instruments on a net basis rather than based on its gross exposure when the reporting entity manages its financial instruments on the basis of such net exposure; that in the absence of a Level 1 input, a reporting entity should apply premiums and discounts when market participants would do so when pricing the asset or liability consistent with the unit of account; and that premiums and discounts related to size as a characteristic of the reporting entity's holding are not permitted in a fair value measurement. Adopting these amendments had no effect on the financial statements. For a description of how we estimate fair value and our process for reviewing fair value measurements classified as Level 3 in the fair value hierarchy, see Note 1 in our 2012 consolidated financial statements.

See Note 1 in our 2012 consolidated financial statements for a summary of our significant accounting policies.

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Interim Period Presentation

The condensed, consolidated financial statements and notes thereto are unaudited. These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed, consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. It is suggested that these condensed, consolidated financial statements be read in conjunction with the financial statements and notes thereto included in our 2012 consolidated financial statements. We label our quarterly information using a calendar convention, that is, first quarter is labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is our longstanding practice to establish interim quarterly closing dates using a fiscal calendar, which requires our businesses to close their books on either a Saturday or Sunday, depending on the business. The effects of this practice are modest and only exist within a reporting year. The fiscal closing calendar for 2013 is available on our website, www.ge.com/secreports.

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

Assets and Liabilities of Businesses Held for Sale

In the first quarter of 2013, we committed to sell our Consumer auto and personal loan business in Portugal.

In the second quarter of 2012, we committed to sell a portion of our Business Properties portfolio (Business Property) in Real Estate, including certain commercial loans, the origination and servicing platforms and the servicing rights on loans previously securitized by GECC. We completed the sale of Business Property on October 1, 2012 for proceeds of $2,406 million. We deconsolidated substantially all Real Estate securitization entities in the fourth quarter of 2012 as servicing rights related to these entities were transferred to the buyer at closing.

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

(In millions)		June 30, 2013		December 31, 2012
Assets				
Cash and equivalents	$	16	$	74
Financing receivables – net		109		47
Property, plant and equipment – net		–		31
All other		40		59
Assets of businesses held for sale	$	165	$	211
Liabilities				
Short-term borrowings	$	–	$	138
All other		7		19
Liabilities of businesses held for sale	$	7	$	157

Discontinued Operations

Discontinued operations primarily comprised GE Money Japan (our Japanese personal loan business, Lake, and our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd.), our U.S. mortgage business (WMC), our Consumer mortgage lending business in Ireland (Consumer Ireland) and our CLL trailer services business in Europe (CLL Trailer Services). Associated results of operations, financial position and cash flows are separately reported as discontinued operations for all periods presented.

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Summarized financial information for discontinued operations is shown below.

	Three months ended June 30,				Six months ended June 30,			
(In millions)		2013		2012		2013		2012
Operations								
Total revenues (loss)	$	43	$	(245)	$	30	$	(144)
Earnings (loss) from discontinued operations before income taxes	$	(30)	$	(382)	$	(158)	$	(448)
Benefit (provision) for income taxes		21		123		142		157
Earnings (loss) from discontinued operations, net of taxes	$	(9)	$	(259)	$	(16)	$	(291)
Disposal								
Gain (loss) on disposal before income taxes	$	(95)	$	(308)	$	(282)	$	(502)
Benefit (provision) for income taxes		(17)		14		68		43
Gain (loss) on disposal, net of taxes	$	(112)	$	(294)	$	(214)	$	(459)
Earnings (loss) from discontinued operations, net of taxes	$	(121)	$	(553)	$	(230)	$	(750)

	June 30,		December 31,	
(In millions)		2013		2012
Assets				
Cash and equivalents	$	95	$	102
Property, plant and equipment – net		511		699
All other		1,240		1,498
Assets of discontinued operations	$	1,846	$	2,299
Liabilities				
Deferred income taxes	$	337	$	374
All other		2,042		2,007
Liabilities of discontinued operations	$	2,379	$	2,381

Assets at June 30, 2013 and December 31, 2012 primarily comprised cash, property, plant and equipment - net and a deferred tax asset for a loss carryforward, which expires principally in 2017 and in part in 2019, related to the sale of our GE Money Japan business.

GE Money Japan

During the third quarter of 2008, we completed the sale of GE Money Japan, which included our Japanese personal loan business. Under the terms of the sale, we reduced the proceeds for estimated refund claims in excess of the statutory interest rate. Proceeds from the sale were to be increased or decreased based on the actual claims experienced in accordance with loss-sharing terms specified in the sale agreement, with all claims in excess of 258 billion Japanese yen (approximately $3,000 million) remaining our responsibility. The underlying portfolio to which this obligation relates is in runoff and interest rates were capped for all designated accounts by mid-2009. In the third quarter of 2010, we were required to begin making reimbursements under this arrangement.

Overall, excess interest refund claims experience has been difficult to predict and subject to several adverse factors, including the challenging global economic conditions over the last few years, the financial status of other Japanese personal lenders (including the 2010 bankruptcy of a large independent personal loan company), substantial ongoing legal advertising, and consumer behavior. Our reserves declined from $700 million at December 31, 2012 to $557 million at June 30, 2013, as claim payments and the effects of a strengthening U.S. dollar against the Japanese yen were partially offset by an increase to reserves of $126 million. In determining reserve levels, we consider analyses of recent and historical claims experience, as well as pending and estimated future refund requests, adjusted for the estimated percentage of customers who present valid requests and associated estimated payments. We determined our reserve assuming the pace of incoming claims will decelerate, that average exposure per claim remains consistent with recent experience, and that we continue to see the impact of loss mitigation efforts. Since our disposition of the business, incoming claims have continued to decline, however, it is highly variable and difficult to predict the pace and pattern of that decline and such assumptions have a significant effect on the total amount of our liability. Holding all other assumptions constant, an adverse change of 20% and 50% in assumed incoming daily claim rate reduction (resulting in an extension of the claim period and higher incoming claims), would result in an increase to our reserve of approximately $75 million and $400 million, respectively. We continue to closely monitor and evaluate claims activity.

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Based on the uncertainties discussed above, and considering other environmental factors in Japan, including the runoff status of the underlying book of business, challenging economic conditions, the impact of laws and regulations (including consideration of proposed legislation that could impose a framework for collective legal action proceedings), and the financial status of other local personal lending companies, it is difficult to develop a meaningful estimate of the aggregate possible claims exposure. These uncertainties and factors could have an adverse effect on claims development.

GE Money Japan earnings (loss) from discontinued operations, net of taxes, were $(65) million and $(327) million in the three months ended June 30, 2013 and 2012, respectively, and $(116) million and $(354) million in the six months ended June 30, 2013 and 2012, respectively.

WMC

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

Pending repurchase claims based upon representations and warranties made in connection with loan sales were $6,335 million at June 30, 2013, $5,357 million at December 31, 2012 and $705 million at December 31, 2011. Pending claims represent those active repurchase claims that identify the specific loans tendered for repurchase and, for each loan, the alleged breach of a representation or warranty. As such, they do not include unspecified repurchase claims, such as the Litigation Claims discussed below, or claims relating to breaches of representations that were made more than six years before WMC was notified of the claim. WMC believes that these repurchase claims do not meet the substantive and procedural requirements for tender under the governing agreements, would be barred from being enforced in legal proceedings under applicable statutes of limitations or are otherwise invalid. The amounts reported in pending claims reflect the purchase price or unpaid principal balances of the loans at the time of purchase and do not give effect to pay downs, accrued interest or fees, or potential recoveries based upon the underlying collateral. Historically, a small percentage of the total loans WMC originated and sold have been treated as "validly tendered," meaning there was a breach of a representation and warranty that materially and adversely affects the value of the loan, and the demanding party met all other procedural and substantive requirements for repurchase.

Reserves related to WMC pending and estimated future loan repurchase claims were $787 million at June 30, 2013, reflecting an increase to reserves in the six months ended June 30, 2013 of $154 million due to incremental claim activity and updates to WMC's estimate of future losses. The amount of these reserves is based upon pending and estimated future loan repurchase requests and WMC's historical loss experience and evaluation of claim activity on loans tendered for repurchase.

The following table provides a roll forward of the reserve and pending repurchase claims.

	Reserve		Pending claims		
(In millions)	Three months ended June 30, 2013	Six months ended June 30, 2013	(In millions)	Three months ended June 30, 2013	Six months ended June 30, 2013
Reserve, beginning of period	$ 740	$ 633	Pending claims, beginning of period	$ 6,210	$ 5,357

Provision		47		154	New claims		125		978
Claim resolutions		–		–	Claim resolutions		–		–
Reserve, end of period	$	787	$	787	Pending claims, end of period	$	6,335	$	6,335

Given the significant recent activity in pending claims and related litigation filed in connection with such claims, it is difficult to assess whether future losses will be consistent with WMC's past experience. Adverse changes to WMC's assumptions supporting the reserve for pending and estimated future loan repurchase claims may result in an increase to these reserves. For example, a 50% increase in the estimate of future loan repurchase requests and a 100% increase in the estimated loss rate on loans tendered, would result in an increase to the reserves of approximately $750 million.

(11)

There are 15 lawsuits involving pending repurchase claims on loans included in 14 securitizations. WMC initiated three of the cases as the plaintiff; in the other cases WMC is a defendant. The adverse parties in these cases are securitization trustees or parties claiming to act on their behalf. In 11 of these lawsuits, the adverse parties seek relief for mortgage loans beyond those included in WMC's previously discussed pending claims at June 30, 2013 (Litigation Claims). These Litigation Claims consist of sampling-based claims in two cases on approximately $900 million of mortgage loans and, in the other nine cases, claims for repurchase or damages based on the alleged failure to provide notice of defective loans, breach of a corporate representation and warranty, and/or non-specific claims for rescissionary damages on approximately $5,700 million of mortgage loans. These claims reflect the purchase price or unpaid principal balances of the loans at the time of purchase and do not give effect to pay downs, accrued interest or fees, or potential recoveries based upon the underlying collateral. As noted above, WMC believes that the Litigation Claims are disallowed by the governing agreements and applicable law. As a result, WMC has not included the Litigation Claims in its pending claims or in its estimates of future loan repurchase requests and holds no related reserve as of June 30, 2013.

At this point, WMC is unable to develop a meaningful estimate of reasonably possible loss in connection with the Litigation Claims described above due to a number of factors, including the extent to which courts will agree with the theories supporting the Litigation Claims. Specifically, while several courts in cases not involving WMC have supported some of those theories, other courts have rejected them. In addition, WMC lacks experience resolving such claims, and there are few public industry settlements that may serve as benchmarks to estimate a reasonably possible loss. An adverse court decision on any of the theories supporting the Litigation Claims could increase WMC's exposure in some or all of the 15 lawsuits and result in additional claims and lawsuits. However, WMC believes that it has defenses to all the claims asserted in litigation, including for example, causation and materiality requirements, limitations on remedies for breach of representations and warranties, and the applicable statutes of limitations. To the extent WMC is required to repurchase loans, WMC's loss also would be affected by several factors, including pay downs, accrued interest and fees, and the value of the underlying collateral. It is not possible to predict the outcome or impact of these defenses and other factors, any one of which could materially affect the amount of any loss ultimately incurred by WMC on these claims.

WMC has received claims on approximately $900 million of mortgage loans after the expiration of the statute of limitations as of June 30, 2013, $700 million of which are also included as Litigation Claims. WMC has also received unspecified indemnification demands from depositors/underwriters/sponsors of residential mortgage-backed securities (RMBS) in connection with lawsuits brought by RMBS investors concerning alleged misrepresentations in the securitization offering documents to which WMC is not a party. WMC believes that it has defenses to these demands.

The reserve estimates reflect judgment, based on currently available information, and a number of assumptions, including economic conditions, claim activity, pending and threatened litigation, indemnification demands, estimated repurchase rates, and other activity in the mortgage industry. Actual losses arising from claims against WMC could exceed the reserve amount and additional claims and lawsuits could result if actual claim rates, governmental actions, litigation and indemnification activity, adverse court decisions, settlement activity, actual repurchase rates or losses WMC incurs on repurchased loans differ from its assumptions. It is difficult to develop a meaningful estimate of aggregate possible claims exposure because of uncertainties surrounding economic conditions, the ability and propensity of mortgage loan holders to present valid claims, governmental actions, mortgage industry activity and litigation, as well as pending and threatened litigation and indemnification demands against WMC.

WMC revenues (loss) from discontinued operations were $(47) million and $(351) million in the three months ended June 30, 2013 and 2012, respectively, and $(154) million and $(358) million in the six months ended June 30, 2013 and 2012, respectively. WMC's losses from discontinued operations, net of taxes, were $33 million and $227 million in the three months ended June 30, 2013 and 2012, respectively, and $105 million and $236 million in the six months ended June 30, 2013 and 2012, respectively.

Other

In the first quarter of 2013, we announced the planned disposition of CLL Trailer Services and classified the business as discontinued operations. CLL Trailer Services revenues from discontinued operations were $90 million and $104 million in the three months ended June 30, 2013 and 2012, respectively, and $183 million and $206 million in the six months ended June 30, 2013 and 2012, respectively. CLL Trailer Services earnings (loss) from discontinued operations, net of taxes, were $(24) million and $(1) million in the three months ended June 30, 2013 and 2012, respectively, and $(10) million (including a $98 million loss on disposal) and $19 million in the six months ended June 30, 2013 and 2012, respectively.

(12)

In the first quarter of 2012, we announced the planned disposition of Consumer Ireland and classified the business as discontinued operations. We completed the sale in the third quarter of 2012 for proceeds of $227 million. Consumer Ireland revenues from discontinued operations were an insignificant amount and $2 million in the three months ended June 30, 2013 and 2012, respectively, and an insignificant amount and $6 million in the six months ended June 30, 2013 and 2012, respectively. Consumer Ireland earnings (loss) from discontinued operations, net of taxes, were an insignificant amount and $2 million in the three months ended June 30, 2013 and 2012, respectively, and $1 million and $(186) million (including a $131 million loss on disposal) in the six months ended June 30, 2013 and 2012, respectively.

3. INVESTMENT SECURITIES

Substantially all of our investment securities are classified as available-for-sale. These comprise mainly investment grade debt securities supporting obligations to annuitants, policyholders and holders of guaranteed investment contracts (GICs) in our run-off insurance operations and Trinity, and investments held in our CLL business collateralized by senior secured loans of high-quality, middle-market companies in a variety of industries. We do not have any securities classified as held-to-maturity.

	June 30, 2013				December 31, 2012			
(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Debt								
U.S. corporate	$ 19,924	$ 2,662	$ (182)	$ 22,404	$ 20,233	$ 4,201	$ (302)	$ 24,132
State and municipal	4,195	296	(175)	4,316	4,084	575	(113)	4,546
Residential mortgage-backed(a)	2,034	150	(68)	2,116	2,198	183	(119)	2,262
Commercial mortgage-backed	2,905	191	(101)	2,995	2,930	259	(95)	3,094
Asset-backed	6,069	12	(94)	5,987	5,784	31	(77)	5,738
Corporate – non-U.S.	2,083	108	(99)	2,092	2,391	150	(126)	2,415
Government – non-U.S.	2,198	98	(8)	2,288	1,617	149	(3)	1,763
U.S. government and federal agency	886	69	–	955	3,462	103	–	3,565
Retained interests	70	23	–	93	76	7	–	83
Equity								
Available-for-sale	240	54	(17)	277	513	86	(3)	596
Trading	138	–	–	138	245	–	–	245
Total	$ 40,742	$ 3,663	$ (744)	$ 43,661	$ 43,533	$ 5,744	$ (838)	$ 48,439

(a) Substantially collateralized by U.S. mortgages. Of our total RMBS portfolio at June 30, 2013, $1,346 million relates to securities issued by government-sponsored entities and $770 million relates to securities of private label issuers. Securities issued by private label issuers are collateralized primarily by pools of individual direct mortgage loans of financial institutions.

The fair value of investment securities decreased to $43,661 million at June 30, 2013, from $48,439 million at December 31, 2012, primarily due to the sale of U.S. government and federal agency securities at our treasury operations and the impact of higher interest rates.

(13)

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

	In loss position for			
	Less than 12 months		12 months or more	
(In millions)	Estimated fair value	Gross unrealized losses(a)	Estimated fair value	Gross unrealized losses(a)
June 30, 2013				
Debt				
U.S. corporate	$ 1,907	$ (119)	$ 365	$ (63)
State and municipal	962	(66)	295	(109)
Residential mortgage-backed	258	(10)	541	(58)
Commercial mortgage-backed	363	(28)	829	(73)
Asset-backed	5,203	(47)	422	(47)
Corporate – non-U.S.	81	(1)	621	(98)
Government – non-U.S.	1,316	(6)	38	(2)
U.S. government and federal agency	262	–	–	–
Retained interests	7	–	–	–
Equity	35	(17)	–	–
Total	$ 10,394	$ (294)	$ 3,111	$ (450)
December 31, 2012				
Debt				
U.S. corporate	$ 434	$ (7)	$ 813	$ (295)
State and municipal	146	(2)	326	(111)
Residential mortgage-backed	98	(1)	691	(118)
Commercial mortgage-backed	37	–	979	(95)
Asset-backed	18	(1)	658	(76)
Corporate – non-U.S.	167	(8)	602	(118)
Government – non-U.S.	201	(1)	37	(2)
U.S. government and federal agency	–	–	–	–
Retained interests	3	–	–	–
Equity	26	(3)	–	–
Total	$ 1,130	$ (23)	$ 4,106	$ (815)

(a) Includes gross unrealized losses at June 30, 2013 of $(145) million related to securities that had other-than-temporary impairments previously recognized.

We regularly review investment securities for impairment using both qualitative and quantitative criteria. We presently do not intend to sell the vast majority of our debt securities that are in an unrealized loss position and believe that it is not more likely than not that we will be required to sell these securities before recovery of our amortized cost. We believe that the unrealized loss associated with our equity securities will be recovered within the foreseeable future. The methodologies and significant inputs used to measure the amount of credit loss for our investment securities during the six months ended June 30, 2013 have not changed from those described in Note 3 in our 2012 consolidated financial statements.

During the three months ended June 30, 2013, we recognized pre-tax, other-than-temporary impairments of $152 million, of which $133 million was recorded through earnings, of which $96 million related to the impairment of an investment in a Brazilian company that was fully offset by the benefit of a guarantee provided by GE, and $19 million was recorded in accumulated other comprehensive income (loss) (AOCI). At April 1, 2013, cumulative impairments recognized in earnings associated with debt securities still held were $694 million. During the three months ended June 30, 2013, we recognized first-time impairments of $122 million and incremental charges on previously impaired securities of $7 million. These amounts included $46 million related to securities that were subsequently sold.

During the three months ended June 30, 2012, we recognized pre-tax, other-than-temporary impairments of $33 million, of which $32 million was recorded through earnings ($16 million relates to equity securities) and $1 million was recorded in AOCI. At April 1, 2012, cumulative impairments recognized in earnings associated with debt securities still held were $434 million. During the three months ended June 30, 2012, we recognized first-time impairments of $3 million and incremental charges on previously impaired securities of $6 million. These amounts included $33 million related to securities that were subsequently sold.

During the six months ended June 30, 2013, we recognized pre-tax, other-than-temporary impairments of $441 million, of which $411 million was recorded through earnings ($1 million relates to equity securities), of which $96 million related to the impairment of an investment in a Brazilian company that was fully offset by the benefit of a guarantee provided by GE, and $30 million was recorded in AOCI. At January 1, 2013, cumulative impairments recognized in earnings associated with debt securities still held were $420 million. During the six months ended June 30, 2013, we recognized first-time impairments of $385 million and incremental charges on previously impaired securities of $19 million. These amounts included $47 million related to securities that were subsequently sold.

During the six months ended June 30, 2012, we recognized pre-tax, other-than-temporary impairments of $65 million, of which $64 million was recorded through earnings ($23 million relates to equity securities) and $1 million was recorded in AOCI. At January 1, 2012, cumulative impairments recognized in earnings associated with debt securities still held were $558 million. During the six months ended June 30, 2012, we recognized first-time impairments of $10 million and incremental charges on previously impaired securities of $11 million. These amounts included $169 million related to securities that were subsequently sold.

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

(In millions)	Amortized cost	Estimated fair value
Due		
Within one year	$ 2,675	$ 2,689
After one year through five years	3,424	3,630
After five years through ten years	5,346	5,604
After ten years	17,841	20,132

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

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

	Three months ended June 30,		Six months ended June 30,	
(In millions)	2013	2012	2013	2012
Gains	$ 123	$ 21	$ 185	$ 59
Losses, including impairments	(139)	(34)	(417)	(104)
Net	$ (16)	$ (13)	$ (232)	$ (45)

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

Proceeds from investment securities sales and early redemptions by issuers totaled $4,296 million and $2,742 million in the three months ended June 30, 2013 and 2012, respectively, and $7,084 million and $6,504 million in the six months ended June 30, 2013 and 2012, respectively, principally from the sales of short-term securities in our bank subsidiaries and treasury operations.

We recognized pre-tax gains (losses) on trading securities of $5 million and $13 million in the three months ended June 30, 2013 and 2012, respectively, and $41 million and $36 million in the six months ended June 30, 2013 and 2012, respectively.

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4. FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

(In millions)	June 30, 2013	December 31, 2012
Loans, net of deferred income(a)	$231,672	$241,465
Investment in financing leases, net of deferred income	30,708	32,471
	262,380	273,936
Less allowance for losses	(5,288)	(4,985)
Financing receivables – net(b)	$257,092	$268,951

(a) Deferred income was $1,963 million and $2,182 million at June 30, 2013 and December 31, 2012, respectively.

(b) Financing receivables at June 30, 2013 and December 31, 2012 included $657 million and $750 million, respectively, relating to loans that had been acquired in a transfer but have been subject to credit deterioration since origination.

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

(In millions)	June 30, 2013	December 31, 2012
Commercial		
CLL		
Americas	$ 70,499	$ 72,517
Europe	35,839	37,035
Asia	9,907	11,401
Other	506	605
Total CLL	116,751	121,558
Energy Financial Services	4,671	4,851
GECAS	9,998	10,915
Other	425	486
Total Commercial	131,845	137,810
Real Estate	19,621	20,946
Consumer		
Non-U.S. residential mortgages	31,784	33,451
Non-U.S. installment and revolving credit	17,620	18,546
U.S. installment and revolving credit	50,155	50,853

Non-U.S. auto	3,808	4,260
Other	7,547	8,070
Total Consumer	110,914	115,180
Total financing receivables	262,380	273,936
Less allowance for losses	(5,288)	(4,985)
Total financing receivables – net	$ 257,092	$ 268,951

(16)

Allowance for Losses on Financing Receivables

(In millions)	Balance at January 1, 2013	Provision charged to operations	Other(a)	Gross write-offs(b)	Recoveries(b)	Balance at June 30, 2013
Commercial						
CLL						
Americas	$ 490	$ 182	$ (1)	$ (249)	$ 58	$ 480
Europe	445	146	1	(304)	41	329
Asia	80	39	(7)	(47)	7	72
Other	6	(3)	–	(3)	–	–
Total CLL	1,021	364	(7)	(603)	106	881
Energy Financial Services	9	(1)	–	–	–	8
GECAS	8	3	–	–	–	11
Other	3	–	–	(1)	–	2
Total Commercial	1,041	366	(7)	(604)	106	902
Real Estate	320	(19)	(3)	(65)	2	235
Consumer						
Non-U.S. residential mortgages	480	125	(1)	(113)	26	517
Non-U.S. installment and revolving credit	623	279	(32)	(498)	291	663
U.S. installment and revolving credit	2,282	1,660	(50)	(1,464)	286	2,714
Non-U.S. auto	67	24	(5)	(62)	38	62
Other	172	82	9	(103)	35	195
Total Consumer	3,624	2,170	(79)	(2,240)	676	4,151
Total	$ 4,985	$ 2,517	$ (89)	$ (2,909)	$ 784	$ 5,288

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

(b) Net write-offs (gross write-offs less recoveries) in certain portfolios may exceed the beginning allowance for losses as a result of losses that are incurred subsequent to the beginning of the fiscal year due to information becoming available during the current year, which may identify further deterioration on existing financing receivables.

(17)

(In millions)	Balance at January 1, 2012	Provision charged to operations	Other(a)	Gross write-offs(b)	Recoveries(b)	Balance at June 30, 2012
Commercial						
CLL						
Americas	$ 889	$ 57	$ (30)	$ (306)	$ 52	$ 662
Europe	400	158	(15)	(95)	36	484
Asia	157	13	(3)	(89)	9	87
Other	4	–	(1)	(2)	–	1
Total CLL	1,450	228	(49)	(492)	97	1,234
Energy Financial Services	26	10	–	(24)	–	12
GECAS	17	26	–	(11)	–	32
Other	37	5	(20)	(10)	–	12
Total Commercial	1,530	269	(69)	(537)	97	1,290
Real Estate	1,089	45	(15)	(339)	7	787
Consumer						
Non-U.S. residential mortgages	546	65	(2)	(165)	37	481
Non-U.S. installment and revolving credit	717	220	(8)	(543)	279	665
U.S. installment and revolving credit	2,008	937	(5)	(1,488)	272	1,724
Non-U.S. auto	101	15	(9)	(77)	49	79
Other	199	55	8	(124)	41	179
Total Consumer	3,571	1,292	(16)	(2,397)	678	3,128
Total	$ 6,190	$ 1,606	$ (100)	$ (3,273)	$ 782	$ 5,205

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

(b) Net write-offs (gross write-offs less recoveries) in certain portfolios may exceed the beginning allowance for losses as a result of losses that are incurred subsequent to the beginning of the fiscal year due to information becoming available during the current year, which may identify further deterioration on existing financing receivables.

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

(18)

5. GOODWILL AND OTHER INTANGIBLE ASSETS

(In millions)	June 30, 2013	December 31, 2012
Goodwill	$26,818	$27,032
Other intangible assets - net		
Intangible assets subject to amortization	$ 1,203	$ 1,294

Changes in goodwill balances follow.

(In millions)	Balance at January 1, 2013	Acquisitions	Dispositions, currency exchange and other	Balance at June 30, 2013
CLL	$ 13,454	$ 3	$ 80	$ 13,537
Consumer	10,943	21	(148)	10,816
Real Estate	926	–	(169)	757
Energy Financial Services	1,562	–	–	1,562
GECAS	147	–	(1)	146
Total	$ 27,032	$ 24	$ (238)	$ 26,818

Goodwill balances decreased $214 million during the six months ended June 30, 2013, primarily as a result of currency exchange effects of a stronger U.S. dollar. Our reporting units and related goodwill balances are CLL ($13,537 million), Consumer ($10,816 million), Real Estate ($757 million), Energy Financial Services ($1,562 million) and GECAS ($146 million) at June 30, 2013.

Intangible Assets Subject to Amortization

	June 30, 2013			December 31, 2012		
(In millions)	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related	$ 1,199	$ (809)	$ 390	$ 1,227	$ (808)	$ 419
Patents, licenses and trademarks	195	(166)	29	191	(160)	31
Capitalized software	2,246	(1,747)	499	2,126	(1,681)	445
Lease valuations	764	(522)	242	1,163	(792)	371
Present value of future profits (a)	553	(553)	–	530	(530)	–
All other	292	(249)	43	283	(255)	28
Total	$ 5,249	$ (4,046)	$ 1,203	$ 5,520	$ (4,226)	$ 1,294

(a) Balances at June 30, 2013 and December 31, 2012 reflect adjustments of $336 million and $353 million, respectively, to the present value of future profits in our run-off insurance operation to reflect the effects that would have been recognized had the related unrealized investment securities holding gains and losses actually been realized.

Amortization related to intangible assets subject to amortization was $111 million and $124 million in the three months ended June 30, 2013 and 2012, respectively, and $219 million and $234 million in the six months ended June 30, 2013 and 2012, respectively, and is recorded in operating and administrative expense on the financial statements.

(19)

6. BORROWINGS AND BANK DEPOSITS

(In millions)		June 30, 2013		December 31, 2012
Short-term borrowings				
Commercial paper				
U.S.	$	29,664	$	33,686
Non-U.S.		6,375		9,370
Current portion of long-term borrowings(a)(b)		31,828		44,264
GE Interest Plus notes(c)		8,421		8,189
Other(b)		482		431
Total short-term borrowings	$	76,770	$	95,940
Long-term borrowings				
Senior unsecured notes(a)	$	194,132	$	199,646
Subordinated notes(d)		4,789		4,965
Subordinated debentures(e)(f)		7,297		7,286
Other(b)		13,789		12,879
Total long-term borrowings	$	220,007	$	224,776
Non-recourse borrowings of consolidated securitization entities(g)	$	30,250	$	30,123
Bank deposits(h)	$	48,597	$	46,461
Total borrowings and bank deposits	$	375,624	$	397,300

(a) Included in total long-term borrowings were $526 million and $604 million of obligations to holders of GICs at June 30, 2013 and December 31, 2012, respectively. These obligations included conditions under which certain GIC holders could require immediate repayment of their investment should the long-term credit ratings of GECC fall below AA-/Aa3. The remaining outstanding GICs will continue to be subject to their scheduled maturities and individual terms, which may include provisions permitting redemption upon a downgrade of one or more of GECC's ratings, among other things.

(b) Included $9,669 million and $9,757 million of funding secured by real estate, aircraft and other collateral at June 30, 2013 and December 31, 2012, respectively, of which $3,595 million and $3,294 million is non-recourse to GECC at June 30, 2013 and December 31, 2012, respectively.

(c) Entirely variable denomination floating-rate demand notes.

(d) Included $300 million of subordinated notes guaranteed by GE at both June 30, 2013 and December 31, 2012.

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

(f) Includes $2,913 million of subordinated debentures, which constitute the sole assets of wholly-owned trusts who have issued trust preferred securities. Obligations associated with these trusts are unconditionally guaranteed by

GECC.

(g) Included at June 30, 2013 and December 31, 2012, were $7,078 million and $7,707 million of current portion of long-term borrowings, respectively, and $23,172 million and $22,416 million of long-term borrowings, respectively. See Note 13.

(h) Included $16,013 million and $16,157 million of deposits in non-U.S. banks at June 30, 2013 and December 31, 2012, respectively, and $16,259 million and $17,291 million of certificates of deposits with maturities greater than one year at June 30, 2013 and December 31, 2012, respectively.

(20)

7. INCOME TAXES

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

(In millions)		June 30, 2013		December 31, 2012
Unrecognized tax benefits	$	3,379	$	3,106
Portion that, if recognized, would reduce tax expense and effective tax rate(a)		2,530		2,253
Accrued interest on unrecognized tax benefits		580		559
Accrued penalties on unrecognized tax benefits		94		101
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months		0-600		0-400
Portion that, if recognized, would reduce tax expense and effective tax rate(a)		0-450		0-350

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

The Internal Revenue Service (IRS) is currently auditing the GE consolidated income tax returns for 2008-2009, a substantial portion of which include our activities. In addition, certain other U.S. tax deficiency issues and refund claims for previous years were unresolved. The IRS has disallowed the tax loss on our 2003 disposition of ERC Life Reinsurance Corporation. We expect to contest the disallowance of this loss. It is reasonably possible that other unresolved items related to pre-2010 federal tax returns could be resolved during the next 12 months, which could result in a decrease in our balance of "unrecognized tax benefits" – that is, the aggregate tax effect of differences between tax return positions and the benefits recognized in our financial statements. We believe that there are no other jurisdictions in which the outcome of unresolved issues or claims is likely to be material to our results of operations, financial position or cash flows. We further believe that we have made adequate provision for all income tax uncertainties.

GE and GECC file a consolidated U.S. federal income tax return. This enables GE to use GECC tax deductions and credits to reduce the tax that otherwise would have been payable by GE. The GECC effective tax rate for each period reflects the benefit of these tax reductions in the consolidated return. GE makes cash payments to GECC for these tax reductions at the time GE's tax payments are due. The effect of GECC on the amount of the consolidated tax liability from the 2011 formation of the GE NBC Universal joint venture will be settled in cash no later than when GECC tax deductions and credits otherwise would have reduced the liability of the group absent the tax on formation.

8. SHAREOWNERS' EQUITY

Accumulated Other Comprehensive Income (Loss)

	Three months ended June 30,		Six months ended June 30,	
(In millions)	2013	2012	2013	2012
Investment securities				
Beginning balance	$ 738	$ 298	$ 673	$ (33)
Other comprehensive income (loss) (OCI) before reclassifications – net of deferred taxes of $(330), $86, $(364) and $262	(605)	167	(661)	473
Reclassifications from OCI – net of deferred taxes of $13, $4, $107 and $10	3	9	125	35
Other comprehensive income (loss)(a)	(602)	176	(536)	508
Less: OCI attributable to noncontrolling interests	(2)	(2)	(1)	(1)
Balance at June 30	$ 138	$ 476	$ 138	$ 476
Currency translation adjustments (CTA)				
Beginning balance	$ (119)	$ (274)	$ (131)	$ (399)
OCI before reclassifications – net of deferred taxes of $(120), $57, $(311) and $12	112	(408)	103	(271)
Reclassifications from OCI – net of deferred taxes of $112, $0, $79 and $(5)	(113)	–	(96)	(3)
Other comprehensive income (loss)(a)	(1)	(408)	7	(274)
Less: OCI attributable to noncontrolling interests	(18)	(9)	(22)	–
Balance at June 30	$ (102)	$ (673)	$ (102)	$ (673)
Cash flow hedges				
Beginning balance	$ (654)	$ (1,029)	$ (746)	$ (1,101)
OCI before reclassifications – net of deferred taxes of $28, $7, $84 and $34	252	(336)	155	178
Reclassifications from OCI – net of deferred taxes of $(14), $13, $(56) and $(22)	(58)	376	131	(66)
Other comprehensive income (loss)(a)	194	40	286	112
Less: OCI attributable to noncontrolling interests	1	–	1	–
Balance at June 30	$ (461)	$ (989)	$ (461)	$ (989)
Benefit plans				
Beginning balance	$ (723)	$ (587)	$ (736)	$ (563)
Net actuarial gain (loss) – net of deferred taxes of $0, $(4), $18 and $(17)	–	10	2	(21)
Net actuarial gain (loss) amortization – net of deferred taxes of $4, $2, $7 and $5	9	9	20	16
Other comprehensive income (loss)(a)	9	19	22	(5)
Less: OCI attributable to noncontrolling interests	–	–	–	–
Balance at June 30	$ (714)	$ (568)	$ (714)	$ (568)

Accumulated other comprehensive income (loss) at June 30	$	(1,139)	$	(1,754)	$	(1,139)	$	(1,754)

(a) Total other comprehensive income (loss) was $(400) million and $(173) million for the three months ended June 30, 2013 and 2012, respectively, and $(221) million and $341 million for the six months ended June 30, 2013 and 2012, respectively.

(22)

Reclassification out of AOCI

Components of AOCI	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012	Statement of Earnings Caption
Available-for-sale securities					
Realized gains (losses) on sale/impairment of securities	$ (16)	$ (13)	$ (232)	$ (45)	GECC revenues from services
	13	4	107	10	Tax (expense) or benefit
	$ (3)	$ (9)	$ (125)	$ (35)	Net of tax
Currency translation adjustments					
Gains (losses) on dispositions	$ 1	$ –	$ 17	$ 8	Costs and expenses
	112	–	79	(5)	Tax (expense) or benefit
	$ 113	$ –	$ 96	$ 3	Net of tax
Cash flow hedges					
Gains (losses) on interest rate derivatives	$ (92)	$ (124)	$ (194)	$ (264)	Interest
Foreign exchange contracts	164	(265)	119	352	(a)
	72	(389)	(75)	88	Total before tax
	(14)	13	(56)	(22)	Tax (expense) or benefit
	$ 58	$ (376)	$ (131)	$ 66	Net of tax
Benefit plan items					
Amortization of actuarial gains (losses)	$ (13)	$ (11)	$ (27)	$ (21)	Total before tax(b)
	4	2	7	5	Tax (expense) or benefit
	$ (9)	$ (9)	$ (20)	$ (16)	Net of tax
Total reclassification adjustments	$ 159	$ (394)	$ (180)	$ 18	Net of tax

(a) Includes $170 million and $(243) million in revenue from services and $(6) million and $(22) million in interest for the three months ended June 30, 2013 and 2012, respectively, and $137 million and $405 million in revenue from services and $(18) million and $(53) million in interest for the six months ended June 30, 2013 and 2012, respectively.

(b) Amortization of actuarial gains and losses out of AOCI are included in the computation of net periodic pension costs.

Noncontrolling Interests

A summary of changes to noncontrolling interests follows.

(In millions)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Beginning balance	$ 587	$ 767	$ 707	$ 690
Net earnings	17	14	28	26
Dividends	(25)	(1)	(41)	(5)
Dispositions	–	–	(104)	–
AOCI and other	(29)	(21)	(40)	48
Ending balance	$ 550	$ 759	$ 550	$ 759

During the second quarter of 2013, we issued 10,000 shares of non-cumulative perpetual preferred stock with a $0.01 par value for proceeds of $990 million. The preferred shares bear an initial fixed interest rate of 5.25% through June 15, 2023, bear a floating rate equal to three-month LIBOR plus 2.967% thereafter and are callable on June 15, 2023. Dividends on the preferred stock are payable semi-annually, in June and December, with the first payment on this issuance beginning in December 2013.

During 2012, we issued 40,000 shares of non-cumulative perpetual preferred stock with a $0.01 par value for proceeds of $3,960 million. Of these shares, 22,500 bear an initial fixed interest rate of 7.125% through June 12, 2022, bear a floating rate equal to three-month LIBOR plus 5.296% thereafter and are callable on June 15, 2022 and 17,500 shares bear an initial fixed interest rate of 6.25% through December 15, 2022, bear a floating rate equal to three-month LIBOR plus 4.704% thereafter and are callable on December 15, 2022. Dividends on the preferred stock are payable semi-annually, in June and December, with the first payment on these issuances made in December 2012.

We paid dividends of $447 million and $475 million and special dividends of $1,500 million and $2,525 million to GE in the second quarters of 2013 and 2012, respectively.

9. REVENUES FROM SERVICES

	Three months ended June 30,		Six months ended June 30,	
(In millions)	2013	2012	2013	2012
Interest on loans	$ 4,477	$ 4,762	$ 9,023	$ 9,620
Equipment leased to others	2,433	2,546	4,962	5,189
Fees	1,166	1,160	2,300	2,320
Investment income(a)	574	668	988	1,335
Financing leases	389	529	825	1,063
Associated companies(b)	274	425	446	695
Premiums earned by insurance activities	410	416	806	861
Real estate investments(c)	508	382	1,808	738
Other items(a)	718	440	1,300	817
Total	$ 10,949	$ 11,328	$ 22,458	$ 22,638

(a) Included net other-than-temporary impairments on investment securities, of which $96 million related to the impairment of an investment in a Brazilian company that was fully offset by the benefit of a guarantee provided by GE reflected as a component in other items for both the three and six months ended June 30, 2013.

(b) Aggregate summarized financial information for significant associated companies assuming a 100% ownership interest included total assets at June 30, 2013 and December 31, 2012 of $111,041 million and $110,695 million, respectively. Assets were primarily financing receivables of $68,280 million and $66,878 million at June 30, 2013 and December 31, 2012, respectively. Total liabilities were $83,107 million and $81,784 million, consisted primarily of bank deposits of $28,510 million and $26,386 million at June 30, 2013 and December 31, 2012, respectively, and debt of $41,059 million and $42,664 million at June 30, 2013 and December 31, 2012, respectively. Revenues for the three months ended June 30, 2013 and 2012 totaled $4,503 million and $4,702 million, respectively, and net earnings for the three months ended June 30, 2013 and 2012 totaled $795 million and $772 million, respectively. Revenues for the six months ended June 30, 2013 and 2012 totaled $8,513 million and $9,192 million, respectively, and net earnings for the six months ended June 30, 2013 and 2012 totaled $1,360 million and $1,301 million, respectively.

(c) During the six months ended June 30, 2013, we sold real estate comprising certain floors located at 30 Rockefeller Center, New York for a pre-tax gain of $902 million.

10. FAIR VALUE MEASUREMENTS

For a description of how we estimate fair value, see Note 1 in our 2012 consolidated financial statements.

The following tables present our assets and liabilities measured at fair value on a recurring basis. Included in the tables are investment securities primarily supporting obligations to annuitants and policyholders in our run-off insurance operations and supporting obligations to holders of GICs in Trinity (which ceased issuing new investment contracts beginning in the first quarter of 2010), investment securities held at our treasury operations and investments held in our CLL business collateralized by senior secured loans of high-quality, middle-market companies in a variety of industries. Such securities are mainly investment grade.

(24)

(In millions)	Level 1(a)	Level 2(a)	Level 3	Netting adjustment(b)	Net balance
June 30, 2013					
Assets					
Investment securities					
Debt					
U.S. corporate	$ –	$ 19,197	$ 3,207	$ –	$ 22,404
State and municipal	–	4,218	98	–	4,316
Residential mortgage-backed	–	2,025	91	–	2,116
Commercial mortgage-backed	–	2,990	5	–	2,995
Asset-backed(c)	–	641	5,346	–	5,987
Corporate non-U.S.	65	843	1,184	–	2,092
Government non-U.S.	1,416	834	38	–	2,288
U.S. government and federal agency	–	691	264	–	955
Retained interests	–	–	93	–	93
Equity					
Available-for-sale	248	18	11	–	277
Trading	136	2	–	–	138
Derivatives(d)	–	7,660	180	(6,806)	1,034
Other(e)	–	–	438	–	438
Total	$ 1,865	$ 39,119	$ 10,955	$ (6,806)	$ 45,133
Liabilities					
Derivatives	$ –	$ 4,750	$ 16	$ (3,934)	$ 832
Other	–	22	–	–	22
Total	$ –	$ 4,772	$ 16	$ (3,934)	$ 854
December 31, 2012					
Assets					
Investment securities					
Debt					
U.S. corporate	$ –	$ 20,580	$ 3,552	$ –	$ 24,132
State and municipal	–	4,469	77	–	4,546
Residential mortgage-backed	–	2,162	100	–	2,262
Commercial mortgage-backed	–	3,088	6	–	3,094
Asset-backed(c)	–	715	5,023	–	5,738
Corporate non-U.S.	71	1,132	1,212	–	2,415
Government non-U.S.	702	1,019	42	–	1,763
U.S. government and federal agency	–	3,288	277	–	3,565
Retained interests	–	–	83	–	83
Equity					
Available-for-sale	569	14	13	–	596

Trading		245		–		–		–		245
Derivatives(d)		–		10,934		280		(7,657)		3,557
Other(e)		–		–		432		–		432
Total	$	1,587	$	47,401	$	11,097	$	(7,657)	$	52,428
Liabilities										
Derivatives	$	–	$	3,040	$	20	$	(2,908)	$	152
Other		–		23		–		–		23
Total	$	–	$	3,063	$	20	$	(2,908)	$	175

(a) The fair value of securities transferred between Level 1 and Level 2 was $2 million in the six months ended June 30, 2013.

(b) The netting of derivative receivables and payables (including the effects of any collateral posted or received) is permitted when a legally enforceable master netting agreement exists.

(c) Includes investments in our CLL business in asset-backed securities collateralized by senior secured loans of high-quality, middle-market companies in a variety of industries.

(d) The fair value of derivatives included an adjustment for non-performance risk. The cumulative adjustment was a gain (loss) of $(14) million and $(15) million at June 30, 2013 and December 31, 2012, respectively. See Note 11 for additional information on the composition of our derivative portfolio.

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

The following tables present the changes in Level 3 instruments measured on a recurring basis for the three and six months ended June 30, 2013 and 2012, respectively. The majority of our Level 3 balances consist of investment securities classified as available-for-sale with changes in fair value recorded in shareowners' equity.

Changes in Level 3 Instruments for the Three Months Ended June 30, 2013

(In millions)	Balance at April 1, 2013	Net realized/ unrealized gains (losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3(b)	Transfers out of Level 3(b)	Balance at June 30, 2013	Net change in unrealized gains (losses) relating to instruments still held at June 30, 2013(c)
Investment securities										
Debt										
U.S. corporate	$ 3,542	$ 7	$ (4)	$ 33	$ (341)	$ (45)	$ 15	$ –	$ 3,207	$ –
State and municipal	90	–	(4)	12	–	–	–	–	98	–
Residential mortgage-backed	96	–	1	–	(2)	(4)	–	–	91	–
Commercial mortgage-backed	6	–	–	–	–	(1)	–	–	5	–
Asset-backed	4,916	1	(66)	766	(1)	(263)	–	(7)	5,346	–
Corporate – non-U.S.	1,336	(91)	7	1	–	(25)	–	(44)	1,184	–
Government – non-U.S.	41	–	(3)	–	–	–	–	–	38	–
U.S. government and federal agency	264	–	–	–	–	–	–	–	264	–
Retained interests	91	2	6	2	–	(8)	–	–	93	–
Equity										
Available-for-sale	11	–	–	–	–	–	–	–	11	–
Derivatives(d)(e)	170	(25)	1	(1)	–	(1)	26	–	170	(27)
Other	409	(100)	4	126	(1)	–	–	–	438	(92)
Total	$ 10,972	$ (206)	$ (58)	$ 939	$ (345)	$ (347)	$ 41	$ (51)	$ 10,945	$ (119)

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

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

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

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $6 million not reflected in the fair value hierarchy table.

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

(26)

Changes in Level 3 Instruments for the Three Months Ended June 30, 2012

(In millions)	Balance at April 1, 2012	Net realized/ unrealized gains (losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3(b)	Transfers out of Level 3(b)	Balance at June 30, 2012	Net change in unrealized gains (losses) relating to instruments still held at June 30, 2012(c)
Investment securities										
Debt										
U.S. corporate	$ 3,251	$ 33	$ (71)	$ 119	(40)	$ (31)	$ 116	$ (5)	$ 3,372	$ –
State and municipal	79	–	1	1	–	–	–	–	81	–
Residential mortgage-backed	107	–	–	–	–	(2)	1	(9)	97	–
Commercial mortgage-backed	1	–	–	–	(1)	–	–	–	–	–
Asset-backed	4,404	7	(89)	57	(75)	–	–	–	4,304	–
Corporate – non-U.S.	1,249	(3)	(63)	306	–	(52)	9	(83)	1,363	–
Government – non-U.S.	52	–	–	13	(1)	(13)	–	–	51	–
U.S. government and federal agency	260	–	1	–	–	–	–	–	261	–
Retained interests	34	–	(4)	4	(2)	(1)	–	–	31	–
Equity										
Available-for-sale	15	–	(1)	3	(4)	1	–	–	14	–
Derivatives(d)(e)	117	21	(2)	20	(3)	(13)	–	(4)	136	30
Other	390	2	(13)	34	(4)	–	–	–	409	(1)
Total	$ 9,959	$ 60	$ (241)	$ 557	(130)	$ (111)	$ 126	$ (101)	$ 10,119	$ 29

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

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

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

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $2 million not reflected in the fair value hierarchy table.

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

(27)

Changes in Level 3 Instruments for the Six Months Ended June 30, 2013

(In millions)

	Balance at January 1, 2013	Net realized/ unrealized gains (losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3(b)	Transfers out of Level 3(b)	Balance at June 30, 2013	Net change in unrealized gains (losses) relating to instruments still held at June 30, 2013(c)
Investment securities										
Debt										
U.S. corporate	$ 3,552	$ (251)	$ 214	$ 94	$ (347)	$ (90)	$ 108	$ (73)	$ 3,207	$ –
State and municipal	77	–	(4)	16	–	(1)	10	–	98	–
Residential mortgage-backed	100	–	(2)	–	(2)	(5)	–	–	91	–
Commercial mortgage-backed	6	–	–	–	–	(1)	–	–	5	–
Asset-backed	5,023	2	(68)	910	(1)	(525)	12	(7)	5,346	–
Corporate – non-U.S.	1,212	(83)	20	127	(3)	(60)	15	(44)	1,184	–
Government – non-U.S.	42	–	(4)	–	–	–	–	–	38	–
U.S. government and federal agency	277	–	(13)	–	–	–	–	–	264	–
Retained interests	83	5	16	2	–	(13)	–	–	93	–
Equity										
Available-for-sale	13	–	–	–	–	–	–	(2)	11	–
Derivatives(d)(e)	262	(63)	1	(2)	–	(54)	26	–	170	(34)
Other	432	(102)	4	159	(55)	–	–	–	438	(93)
Total	$11,079	$ (492)	$ 164	$ 1,306	$ (408)	$ (749)	$ 171	$ (126)	$ 10,945	$ (127)

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

(b)

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

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

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $6 million not reflected in the fair value hierarchy table.

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

(28)

Changes in Level 3 Instruments for the Six Months Ended June 30, 2012

(In millions)	Balance at January 1, 2012	Net realized/ unrealized gains (losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3(b)	Transfers out of Level 3(b)	Balance at June 30, 2012	Net change in unrealized gains (losses) relating to instruments still held at June 30, 2012(c)
Investment securities										
Debt										
U.S. corporate	$ 3,235	$ 59	$ (34)	$ 132	$ (71)	$ (47)	$ 116	$ (18)	$ 3,372	$ –
State and municipal	77	–	3	1	–	–	–	–	81	–
Residential mortgage-backed	41	(3)	3	–	–	(3)	69	(10)	97	–
Commercial mortgage-backed	4	–	–	–	(1)	–	–	(3)	–	–
Asset-backed	4,040	3	(47)	398	(106)	–	16	–	4,304	–
Corporate – non-U.S.	1,204	(12)	(3)	316	–	(78)	23	(87)	1,363	–
Government – non-U.S.	84	(34)	35	65	(72)	(27)	–	–	51	–
U.S. government and federal agency	253	–	8	–	–	–	–	–	261	–
Retained interests	35	–	(8)	9	(3)	(2)	–	–	31	–
Equity										
Available-for-sale	17	–	(2)	3	(4)	–	–	–	14	–
Derivatives(d)(e)	141	(4)	(1)	20	(3)	(13)	–	(4)	136	1
Other	388	4	(13)	34	(4)	–	–	–	409	1
Total	$ 9,519	$ 13	$ (59)	$ 978	$ (264)	$ (170)	$ 224	$ (122)	$ 10,119	$ 2

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

(b)

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

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

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $2 million not reflected in the fair value hierarchy table.

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

(29)

Non-Recurring Fair Value Measurements

The following table represents non-recurring fair value amounts (as measured at the time of the adjustment) for those assets remeasured to fair value on a non-recurring basis during the fiscal year and still held at June 30, 2013 and December 31, 2012. These assets can include loans and long-lived assets that have been reduced to fair value when they are held for sale, impaired loans that have been reduced based on the fair value of the underlying collateral, cost and equity method investments and long-lived assets that are written down to fair value when they are impaired and the remeasurement of retained investments in formerly consolidated subsidiaries upon a change in control that results in deconsolidation of a subsidiary, if we sell a controlling interest and retain a noncontrolling stake in the entity. Assets that are written down to fair value when impaired and retained investments are not subsequently adjusted to fair value unless further impairment occurs.

	Remeasured during the six months ended June 30, 2013				Remeasured during the year ended December 31, 2012			
(In millions)		Level 2		Level 3		Level 2		Level 3
Financing receivables and loans held for sale	$	260	$	2,658	$	366	$	4,094
Cost and equity method investments(a)		13		778		8		313
Long-lived assets, including real estate		908		2,284		702		2,182
Total	$	1,181	$	5,720	$	1,076	$	6,589

(a) Includes the fair value of private equity and real estate funds included in Level 3 of $22 million and $84 million at June 30, 2013 and December 31, 2012, respectively.

The following table represents the fair value adjustments to assets measured at fair value on a non-recurring basis and still held at June 30, 2013 and 2012.

	Three months ended June 30,				Six months ended June 30,			
(In millions)		2013		2012		2013		2012
Financing receivables and loans held for sale	$	(102)	$	(105)	$	(212)	$	(211)
Cost and equity method investments(a)		(157)		(38)		(220)		(58)
Long-lived assets, including real estate(b)		(253)		(106)		(593)		(245)
Total	$	(512)	$	(249)	$	(1,025)	$	(514)

(a) Includes fair value adjustments associated with private equity and real estate funds of $(2) million and $(1) million in the three months ended June 30, 2013 and 2012, respectively, and $(5) million and $(2) million in the six months ended June 30, 2013 and 2012, respectively.

(b) Includes impairments related to real estate equity properties and investments recorded in operating and administrative expenses of $(51) million and $(6) million in the three months ended June 30, 2013 and 2012, respectively, and $(274) million and $(56) million in the six months ended June 30, 2013 and 2012, respectively.

(30)

Level 3 Measurements

The following table presents information relating to the significant unobservable inputs of our Level 3 recurring and non-recurring measurements.

(Dollars in millions)	Fair value at June 30, 2013	Valuation technique	Unobservable inputs	Range (weighted average)
Recurring fair value measurements				
Investment securities				
Debt				
U.S. corporate	$ 1,308	Income approach	Discount rate(a)	1.5%-38.0% (13.8%)
Asset-backed	5,293	Income approach	Discount rate(a)	2.3%-10.5% (4.8%)
Corporate non-U.S.	872	Income approach	Discount rate(a)	4.2%-33.4% (15.4%)
Other financial assets	270	Income approach	Weighted average cost of capital	9.1%-9.2% (9.2%)
	162	Income approach	Discount rate(a)	3.7%-5.2% (4.3%)
Non-recurring fair value measurements				
Financing receivables and loans held for sale	$ 1,890	Income approach	Capitalization rate(b)	5.4%-16.7% (8%)
	94	Business enterprise value	EBITDA multiple	4.3X-7.0X (5.3X)
Cost and equity method investments	282	Income approach	Discount rate(a)	11.5% (11.5%)
	85	Income approach		