GENERAL ELECTRIC CO
Form 10-K
February 26, 2013

United States Securities and Exchange Commission
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2012
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 001-00035

General Electric Company
(Exact name of registrant as specified in charter)

New York (State or other jurisdiction of incorporation or organization)		14-0689340 (I.R.S. Employer Identification No.)
3135 Easton Turnpike, Fairfield, CT (Address of principal executive offices)	06828-0001 (Zip Code)	203/373-2211 (Telephone No.)

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

Title of each class	Name of each exchange on which registered
Common stock, par value $0.06 per share	New York Stock Exchange

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

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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. ¨

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the outstanding common equity of the registrant not held by affiliates as of the last business day of the registrant's most recently completed second fiscal quarter was at least $217.8 billion. There were 10,398,271,000 shares of voting common stock with a par value of $0.06 outstanding at February 1, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to the registrant's Annual Meeting of Shareowners, to be held April 24, 2013, is incorporated by reference into Part III to the extent described therein.

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Part I

Item 1. Business

General

Unless otherwise indicated by the context, we use the terms “GE” and “GECC” on the basis of consolidation described in Note 1 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report. Also, unless otherwise indicated by the context, “General Electric” means the parent company, General Electric Company (the Company).

General Electric’s address is 1 River Road, Schenectady, NY 12345-6999; we also maintain executive offices at 3135 Easton Turnpike, Fairfield, CT 06828-0001.

We are one of the largest and most diversified infrastructure and financial services corporations in the world. With products and services ranging from aircraft engines, power generation, oil and gas production equipment, and household appliances to medical imaging, business and consumer financing and industrial products, we serve customers in more than 100 countries and employ approximately 305,000 people worldwide. Since our incorporation in 1892, we have developed or acquired new technologies and services that have broadened and changed considerably the scope of our activities.

In virtually all of our global business activities, we encounter aggressive and able competition. In many instances, the competitive climate is characterized by changing technology that requires continuing research and development. With respect to manufacturing operations, we believe that, in general, we are one of the leading firms in most of the major industries in which we participate. The businesses in which General Electric Capital Corporation (GECC) engages are subject to competition from various types of financial institutions, including commercial banks, thrifts, investment banks, broker-dealers, credit unions, leasing companies, consumer loan companies, independent finance companies and finance companies associated with manufacturers.

On February 22, 2012, we merged our wholly-owned subsidiary, General Electric Capital Services, Inc. (GECS), with and into GECS’ wholly-owned subsidiary, GECC. The merger simplified our financial services’ corporate structure by consolidating financial services entities and assets within our organization and simplifying Securities and Exchange Commission and regulatory reporting. Upon completion of the merger, (i) all outstanding shares of GECC common stock were cancelled, (ii) all outstanding GECS common stock and all GECS preferred stock held by the Company were converted into an aggregate of 1,000 shares of GECC common stock, and (iii) all treasury shares of GECS and all outstanding preferred stock of GECS held by GECC were cancelled. As a result, GECC became the surviving corporation, assumed all of GECS’ rights and obligations and became wholly-owned directly by the Company.

Because we wholly-owned both GECS and GECC, the merger was accounted for as a transfer of assets between entities under common control. Transfers of net assets or exchanges of shares between entities under common control are accounted for at historical value, and as if the transfer occurred at the beginning of the period.

Prior to January 28, 2011, we also operated a media company, NBC Universal, Inc. (NBCU). Effective January 28, 2011, we held a 49% interest in a media entity that includes the NBC Universal businesses. On February 12, 2013, we entered into an agreement to sell our remaining 49% common equity interest to Comcast Corporation, as well as the NBCU floors in 30 Rockefeller Center, for $18.1 billion. The sale is expected to be completed by the end of the first quarter of 2013.

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Forward-Looking Statements

This document contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” or “will. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; potential market disruptions or other impacts arising in the United States or Europe from developments in sovereign debt situations; the impact of conditions in the financial and credit markets on the availability and cost of General Electric Capital Corporation’s (GECC) funding and on our ability to reduce GECC’s 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; the adequacy of our cash flows and earnings and other conditions which may affect our ability to pay our quarterly dividend at the planned level or to repurchase shares at planned levels; GECC’s ability to pay dividends to GE at the planned level; our ability to convert pre-order commitments into orders; the level of demand and financial performance of the major industries we serve, including, without limitation, air and rail 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 capital allocation plans, as such plans may change and affect planned share repurchases and strategic actions, including acquisitions, joint ventures and dispositions; 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. These uncertainties are described in more detail in Part I, Item 1A. “Risk Factors” of this Form 10-K Report. We do not undertake to update our forward-looking statements.

Operating Segments

Segment revenue and profit information and additional financial data and commentary on recent financial results for operating segments are provided in the Segment Operations section in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in Note 28 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Operating businesses that are reported as segments include Power & Water, Oil & Gas, Energy Management, Aviation, Healthcare, Transportation, Home & Business Solutions and GE Capital. Net earnings of GECC and the effect of transactions between segments are eliminated to arrive at total consolidated data. A summary description of each of our operating segments follows.

On February 22, 2012, we merged our wholly-owned subsidiary, GECS, with and into GECS’ wholly-owned subsidiary, GECC. Our financial services segment, GE Capital, continues to comprise the continuing operations of GECC, which now include the run-off insurance operations previously held and managed in GECS. Unless otherwise indicated, references to GECC and the GE Capital segment in this Form 10-K Report relate to the entity or segment as they exist subsequent to the February 22, 2012 merger.

Effective October 1, 2012, we reorganized the former Energy Infrastructure segment into three segments – Power & Water, Oil & Gas and Energy Management and we began reporting these as separate segments beginning with this Form 10-K Report. We also reorganized our Home & Business Solutions segment by transferring our Intelligent Platforms business to Energy Management. Results for 2012 and prior periods in this Form 10-K Report are reported on this basis.

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We also continue our longstanding practice of providing supplemental information about the businesses within GE Capital.

Power & Water

Power & Water (19.2%, 17.4% and 16.6% of consolidated revenues in 2012, 2011 and 2010, respectively) is a leader in the field of development, implementation and improvement of products and technologies that harness resources such as wind, oil, gas and water to produce electric power.

Our operations are located in North America, Europe, Asia, South America and Africa.

Power & Water serves power generation, industrial, government and other customers worldwide with products and services related to energy production. We sell gas turbines and generators that are used principally in power plants for generation of electricity and for industrial cogeneration and mechanical drive applications. We are a leading provider of Integrated Gasification Combined Cycle (IGCC) technology design and development. IGCC systems convert coal and other hydrocarbons into synthetic gas that is used as the primary fuel for gas turbines in combined-cycle systems. IGCC systems produce fewer air pollutants compared with traditional pulverized coal power plants. We sell steam turbines and generators to the electric utility industry and to private industrial customers for cogeneration applications. We offer wind turbines as part of our renewable energy portfolio, which also includes solar technology. We also sell aircraft engine derivatives for use as industrial power sources. Nuclear reactors, fuel and support services for both new and installed boiling water reactors are offered through joint ventures with Hitachi and Toshiba. We provide our customers with solutions to meet their needs through a broad portfolio of aftermarket services, including equipment upgrades, long-term maintenance service agreements, repairs, equipment installation, monitoring and diagnostics, asset management and performance optimization tools, remote performance testing and Dry Low NOx (DLN) tuning. We continue to invest in advanced technology development that will provide more value to our customers and more efficient solutions that comply with today’s strict environmental regulations.

Power & Water also offers water treatment solutions for industrial and municipal water systems including the supply and related services of specialty chemicals, water purification systems, pumps, valves, filters and fluid handling equipment for improving the performance of water, wastewater and process systems, including mobile treatment systems and desalination processes.

On February 1, 2011, we completed the acquisition of Dresser, Inc., which broadened the product portfolio with technologies for gas engines.

Power & Water is party to revenue sharing programs that share the financial results of certain aeroderivative lines. These businesses are controlled by Power & Water, but counterparties have an agreed share of revenues as well as development and component production responsibilities. At December 31, 2012, such counterparty interests ranged from 16% to 49% of various programs; associated distributions to such counterparties are accounted for as costs of production.

Worldwide competition for power generation products and services is intense. Demand for power generation is global and, as a result, is sensitive to the economic and political environment of each country in which we do business. The balance of regional growth and demand side management are important factors to evaluate as we plan for future development.

For information about orders and backlog, see the Segment Operations section in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K Report.

Oil & Gas

Oil & Gas (10.3%, 9.2% and 6.3% of consolidated revenues in 2012, 2011 and 2010, respectively) helps oil and gas companies make more efficient and sustainable use of the world's energy resources.

Our operations are located in North America, Europe, Asia, Australia, South America and Africa.

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Oil & Gas supplies mission critical equipment for the global oil and gas industry, used in applications spanning the entire value chain from drilling and completion through production, liquefied natural gas (LNG) and pipeline compression, pipeline inspection, and downstream processing in refineries and petrochemical plants. The business designs and manufactures surface and subsea drilling and production systems, equipment for floating production platforms, compressors, turbines, turboexpanders, high pressure reactors, industrial power generation and a broad portfolio of auxiliary equipment.

To ensure that the installed base is maintained appropriately, our service business has over 40 service centers and workshops in the world's main oil and gas extraction and production regions. The business also provides upgrades to customers' machines, using the latest available technology, to extend production capability and environmental performance. We also provide pipeline integrity solutions, sensor-based measurement, inspection, asset condition monitoring, controls, and radiation measurement solutions. Oil & Gas also offers integrated solutions using sensors for temperature, pressure, moisture, gas and flow rate as well as non-destructive testing inspection equipment, including radiographic, ultrasonic, remote visual and eddy current.

On February 4, 2011 and April 26, 2011, we completed the acquisitions of Wellstream PLC and the Well Support division of John Wood Group PLC, respectively. Wellstream PLC expands the Oil & Gas portfolio with flexible subsea risers and flow lines. The Well Support division of John Wood Group PLC adds equipment, including electrical submersible pumps, that helps extract more oil and gas from mature fields. On February 1, 2011, we completed the acquisition of Dresser, Inc. which broadens the Oil & Gas product portfolio in control and relief valves, measurement, regulation and control solutions for gas and fuel distributions.

Demand for oil and gas equipment and services is global and, as a result, is sensitive to the economic and political environment of each country in which we do business. The balance of regional growth and demand side management are important factors to evaluate as we plan for future development.

For information about orders and backlog, see the Segment Operations section in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K Report.

Energy Management

Energy Management (5.0%, 4.4% and 3.5% of consolidated revenues in 2012, 2011 and 2010, respectively) designs, manufactures and services leading technology solutions for the delivery, management, conversion and optimization of electrical power for customers across multiple energy-intensive industries.

Our operations are located in North America, Europe, Asia, Latin America and the Middle East.

Energy Management provides integrated electrical products and systems used to distribute, protect and control energy and equipment. We manufacture electrical distribution and control products, lighting and power panels, switchgear and circuit breakers that are used to distribute and manage power in a variety of residential, commercial, consumer and industrial applications. We also provide customer-focused solutions centered on the delivery and control of electric power, and a full portfolio of field services including engineering, inspection, mechanical and emergency services. Energy Management also provides advanced products and services that modernize the grid, from the power plant to the power consumer, such as protection and control, industrial strength communications, smart meters, monitoring & diagnostics, visualization software and advanced analytics. We manufacture advanced motor, drives and control technologies to improve the operational efficiency of energy intensive industries such as metals, mining, marine, oil and gas. Energy Management also provides plant automation, hardware, software and embedded computing systems including advanced software, controllers, single board computers, motion control and operator interfaces.

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On March 2, 2011 and September 2, 2011, we completed the acquisitions of Lineage Power Holdings, Inc. (Lineage Power) and Converteam, respectively. The acquisition of Lineage Power, a provider of high-efficiency power conversion infrastructure technology and services for the telecommunications and datacenter industries, continues the expansion of Energy's offerings from the electric grid to datacenters, cell towers, routers, servers and circuit board electronics. Converteam, a provider of electrification and automation equipment and systems, adds significant product and service capabilities in power electronics, industrial automation and process controls.

For information about orders and backlog, see the Segment Operations section in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K Report.

Aviation

Aviation (13.6%, 12.8% and 11.8% of consolidated revenues in 2012, 2011 and 2010, respectively) is one of the world's leading providers of jet engines and related services with operations in North America, Europe, Asia and South America.

Aviation produces, sells and services jet engines, turboprop and turbo shaft engines, and related replacement parts for use in military and commercial aircraft. Our military engines are used in a wide variety of aircraft including fighters, bombers, tankers, helicopters and surveillance aircraft, as well as marine applications, and our commercial engines power aircraft in all categories of range: short/medium, intermediate and long-range, as well as executive and regional aircraft. We also produce and market engines through CFM International, a company jointly owned by GE and Snecma, a subsidiary of SAFRAN of France, and Engine Alliance, LLC, a company jointly owned by GE and the Pratt & Whitney division of United Technologies Corporation. New engines are also being designed and marketed in a joint venture with Honda Aero, Inc., a division of Honda Motor Co., Ltd.

Aviation is party to agreements in which the financial results, as well as production responsibilities, of certain aircraft and marine engine lines are shared. These agreements take the form of both joint ventures and revenue sharing programs.

Joint ventures market and sell particular aircraft engine lines, but require negligible direct investment because the venture parties conduct essentially all of the development, production, assembly and aftermarket support activities. Under these agreements, Aviation supplies certain engine components and retains related intellectual property rights. The CFM56 engine line is the product of CFM International and the GP7000 engine line is the product of Engine Alliance, LLC.

Revenue sharing programs are a standard form of cooperation for specific product programs in the aviation industry. These businesses are controlled by Aviation, but counterparties have an agreed share of revenues as well as development and component production responsibilities. At December 31, 2012, such counterparty interests ranged from 1% to 47% of various programs; associated distributions to such counterparties are accounted for as costs of production.

Aviation also produces global aerospace systems and equipment, including airborne platform computing systems, power generation and distribution products, mechanical actuation products and landing gear, plus various engine components for use in both military and commercial aircraft.

We provide maintenance, component repair and overhaul services (MRO), including sales of replacement parts for many models of engines and repair and overhaul of engines manufactured by competitors. These MRO services are often provided under long-term maintenance contracts.

On December 21, 2012, we announced an agreement to purchase the aviation business of Avio S.p.A., a manufacturer of aviation propulsion components and systems, for $4.3 billion.

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The worldwide competition in aircraft jet engines and MRO (including parts sales) is intense. Both U.S. and export markets are important. Product development cycles are long and product quality and efficiency are critical to success. Research and development expenditures are important in this business, as are focused intellectual property strategies and protection of key aircraft engine design, manufacture, repair and product upgrade technologies. Our products and services are subject to a number of regulatory standards.

Potential sales for any engine are limited by, among other things, its technological lifetime, which may vary considerably depending upon the rate of advance in technology, the relatively small number of potential customers and the limited number of relevant airframe applications. Aircraft engine orders tend to follow military and airline procurement cycles, although these cycles differ from each other.

For information about orders and backlog, see the Segment Operations section in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K Report.

Healthcare

Healthcare (12.4%, 12.3% and 11.3% of consolidated revenues in 2012, 2011 and 2010, respectively) is one of the world’s leading providers of essential healthcare technologies to developed, developing and emerging countries. Our operations are located in North America, Europe, Asia, South America and Australia.

Healthcare has expertise in medical imaging and information technologies, medical diagnostics, patient monitoring systems, disease research, drug discovery and biopharmaceutical manufacturing technologies. We are dedicated to predicting and detecting disease earlier, monitoring its progress and informing physicians, and helping physicians tailor treatment for patients. Healthcare manufactures, sells and services a wide range of medical equipment that helps provide a fast, non-invasive way for doctors to see broken bones, diagnose trauma cases in the emergency room, view the heart and its function, and identify early stages of cancers or brain disorders. With diagnostic imaging systems such as Magnetic Resonance (MR), Computed Tomography (CT) and Positron Emission Tomography (PET) scanners, X-ray, nuclear imaging, digital mammography, and Molecular Imaging technologies, Healthcare creates products that allow clinicians to see inside the human body more clearly than ever. In addition, Healthcare-manufactured technologies include patient and resident monitoring, diagnostic cardiology, ultrasound, bone densitometry, anesthesiology and oxygen therapy, and neonatal and critical care devices. Medical diagnostics and life sciences products include diagnostic imaging agents used in medical scanning procedures, drug discovery, biopharmaceutical manufacturing and purification, and tools for protein and cellular analysis for pharmaceutical and academic research, including existing and a pipeline of precision molecular diagnostics in development for neurology, cardiology and oncology applications.

Our product services include remote diagnostic and repair services for medical equipment manufactured by GE and by others, as well as computerized data management, information technologies and customer productivity services.

We compete with a variety of U.S. and non-U.S. manufacturers and services providers. Technological competence and innovation, excellence in design, high product performance, quality of services and competitive pricing are among the key factors affecting competition for these products and services. Products and services are sold worldwide primarily to hospitals, medical facilities, pharmaceutical and biotechnology companies, and to the life science research market.

Throughout the world, we deliver healthymagination solutions that provide greater efficiency to help control costs, better quality to improve patient outcomes, and extended access to healthcare for patients in underserved markets.

Our products are subject to regulation by numerous government agencies, including the U.S. Food and Drug Administration (U.S. FDA), as well as various laws that apply to claims submitted under Medicare, Medicaid or other government funded healthcare programs.

For information about orders and backlog, see the Segment Operations section in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K Report.

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Transportation

Transportation (3.8%, 3.3% and 2.3% of consolidated revenues in 2012, 2011 and 2010, respectively) is a global technology leader and supplier to the railroad, marine, drilling and mining industries. We serve customers in more than 100 countries in North America, Europe, Asia, South America, Africa and Australia.

Transportation manufactures high-horsepower diesel-electric locomotives, including the Evolution Series™ which meets or exceeds the U.S. Environmental Protection Agency's Tier III requirements. We also offer leading drive technology solutions to the mining, transit, marine and stationary, and drilling industries. We announced the launch of our Energy Storage business in 2012. GE's Durathon Battery technology is designed for energy storage solutions for stationary and motive applications in the telecommunications, power generation, grid operation and energy management applications. Also, on November 30, 2012, we completed the acquisition of Industrea Limited, a provider of mining products and services with a focus in underground mining.

Transportation provides a portfolio of service offerings designed to improve fleet efficiency and reduce operating expenses, including repair services, locomotive enhancements, modernizations, and information-based services like remote monitoring and diagnostics. We provide train control products, railway management services, and signaling systems to increase service levels, optimize asset utilization, and streamline operations for railroad owners and operators. We deliver leading edge tools that improve asset availability and reliability, optimize network planning, and control network execution to plan.

For information about orders and backlog, see the Segment Operations section in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K Report.

Home & Business Solutions

Home & Business Solutions (5.4%, 5.2% and 5.3% of consolidated revenues in 2012, 2011 and 2010, respectively) sells products that share several characteristics – competitive design, efficient manufacturing and effective distribution and service. Home & Business Solutions' products such as major appliances and a subset of lighting products are primarily directed to consumer applications, while other lighting products are directed towards commercial and industrial applications. Cost control, including productivity, is key in the highly competitive markets in which we compete. We also invest in the development of differentiated, premium products that are more profitable such as energy efficient solutions for both consumers and businesses.

We sell and service major home appliances including refrigerators, freezers, electric and gas ranges, cooktops, dishwashers, clothes washers and dryers, microwave ovens, room air conditioners, residential water systems for filtration, softening and heating, and hybrid water heaters. Our brands include GE Monogram®, GE Profile™, GE®, Hotpoint® and GE Café™. We manufacture certain products and also source finished product and component parts from third-party global manufacturers. A large portion of our appliances sales are through a variety of retail outlets for replacement of installed units. Residential building contractors installing units in new construction is our second major U.S. channel. We offer one of the largest original equipment manufacturer (OEM) service organizations in the appliances industry, providing in-home repair and aftermarket parts.

We also manufacture, source and sell a variety of lamp products for commercial, industrial and consumer markets, including full lines of incandescent, halogen, fluorescent, high-intensity discharge, light-emitting diode, automotive and miniature products.

We have global operations located in North America, Europe, Asia and Latin America.

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GE Capital

GE Capital (31.2%, 33.3% and 33.3% of consolidated revenues in 2012, 2011 and 2010, respectively) businesses offer a broad range of financial services and products worldwide for businesses of all sizes. Services include commercial loans and leases, fleet management, financial programs, home loans, credit cards, personal loans and other financial services. GE Capital also develops strategic partnerships and joint ventures that utilize GE's industry-specific expertise in aviation, energy, infrastructure and healthcare to capitalize on market-specific opportunities.

During 2012, GE Capital provided approximately $107 billion of new financings in the U.S. to various companies, infrastructure projects and municipalities. Additionally, we extended approximately $96 billion of credit to approximately 57 million U.S. consumers. GE Capital provided credit to approximately 37,100 new commercial customers and 34,000 new small businesses in the U.S. during 2012 and ended the period with outstanding credit to more than 243,000 commercial customers and 201,000 small businesses through retail programs in the U.S.

Within our GE Capital operating segment, we operate the businesses described below along product lines.

Our operations are located in North America, South America, Europe, Australia and Asia.

GE Capital has communicated its goal of reducing its ending net investment (ENI). To achieve this goal, we are more aggressively focusing our businesses on selective financial services products where we have domain knowledge, broad distribution, and the ability to earn a consistent return on capital, while managing our overall balance sheet size and risk. We have a strategy of exiting those businesses that are underperforming or that are deemed to be non-strategic. We have completed a number of dispositions in our businesses in the past and will continue to evaluate options going forward.

Commercial Lending and Leasing (CLL)

CLL provides customers around the world with a broad range of financing solutions. We have particular mid-market expertise, and primarily offer collateralized loans, leases and other financial services to customers, including manufacturers, distributors and end-users for a variety of equipment and major capital assets. These assets include industrial-related facilities and equipment; vehicles; corporate aircraft; and equipment used in many industries, including the construction, manufacturing, transportation, media, communications, entertainment and healthcare industries.

In 2011, we completed the sale of our CLL marine container leasing business, which consists of our controlling interests in the GE SeaCo joint venture along with other owned marine container assets, and our CLL trailer fleet services business in Mexico.

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 related to our lending and leasing operations is based on price, that is, interest rates and fees, as well as deal structure and terms. In recent years, there has been a disruption in the capital markets and in access to and availability of capital as well as the exit of some competitors. Profitability is affected not only by broad economic conditions that affect customer credit quality and the availability and cost of capital funding, 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.

Consumer

Consumer, through consolidated entities and associated companies, is a leading provider of financial services to consumers and retailers around the world. We offer a full range of financial products to suit customers' needs. These products include, on a global basis, private-label credit cards; personal loans; bank cards; auto loans and leases; mortgages; debt consolidation; home equity loans; deposit and other savings products; and small and medium enterprise lending.

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In January 2013, we acquired the deposit business of MetLife Bank, N.A., which is an online banking platform with approximately $6.4 billion in U.S. retail deposits that will allow us to better serve our customers.

In 2011, we entered into agreements to sell our Consumer Singapore business and our Consumer home lending operations in Australia and New Zealand (Australian Home Lending) and classified them as discontinued operations. Both dispositions were completed during 2011.

In the first quarter of 2011, we sold a substantial portion of our Garanti Bank equity investment. During 2012, we sold our remaining equity interest in Garanti Bank, which was classified as an available-for-sale security.

In 2010, we entered into agreements to sell our U.S. recreational vehicle and marine equipment financing portfolio (Consumer RV Marine) and Consumer Mexico and classified them as discontinued operations. Both dispositions were completed during 2011.

In 2010, we committed to sell our Consumer business in Canada, which was completed during 2011; in 2010, we also purchased sales finance portfolios from Citi Retail Partner Cards, which provides consumer financing programs and related services to small to mid-sized retailers and dealers.

Our operations are subject to a variety of bank and consumer protection regulations. 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, finance companies associated with manufacturers, 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 from fluctuations in retail sales, interest and currency exchange rates, and the consumer’s capacity to repay debt.

Real Estate

Real Estate offers a range of capital and investment solutions, including equity capital for acquisition or development, as well as fixed and floating rate mortgages for new acquisitions or re-capitalizations of commercial real estate worldwide. Our business finances, with both equity and loan structures, the acquisition, refinancing and renovation of office buildings, apartment buildings, retail facilities, hotels and industrial properties. Our typical real estate loans are intermediate term, senior, fixed or floating-rate, and are secured by existing income-producing commercial properties. We invest in, and provide restructuring financing for, portfolios of commercial mortgage loans, limited partnerships and tax-exempt bonds.

We own and operate a global portfolio of real estate with the objective of maximizing property cash flows and asset values. In the normal course of our business operations we sell certain real estate equity investments when it is economically advantageous for us to do so. However, as real estate values are affected by certain forces beyond our control (e.g., market fundamentals and demographic conditions), it is difficult to predict with certainty the level of future sales, sales prices, impairments or write-offs.

In 2012, we completed the sale of a portion of our Business Properties portfolio (Business Property), including certain commercial loans, the origination and servicing platforms and the servicing rights on loans previously securitized by GECC. The portion retained comprises our owner-occupied/credit tenant portfolio.

Our competitors include banks, financial institutions, real estate companies, real estate investment funds and other financial companies. Competition in our equity investment business is primarily based on price, and competition in our lending business is primarily based on interest rates and fees, as well as deal structure and terms. As we compete globally, our success is sensitive to the economic and political environment of each country in which we do business.

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Energy Financial Services

Energy Financial Services invests in long-lived, capital-intensive energy projects and companies by providing structured equity, debt, leasing, partnership financing, project finance and broad-based commercial finance. We also invest in early-to-later-stage companies that are pursuing new technologies and services in the energy industry. In May 2010, we sold our general partnership interest in Regency Energy Partners L.P. (Regency), a midstream natural gas services provider, and retained a limited partnership interest. This resulted in the deconsolidation of Regency.

We operate in a highly competitive environment. Our competitors include banks, financial institutions, energy companies, and other finance and leasing companies. Competition is primarily based on price, that is, interest rates and fees, as well as deal structure and terms. As we compete globally, our success is sensitive to the economic and political environment of each country in which we do business.

GE Capital Aviation Services (GECAS)

GECAS engages in commercial aircraft leasing and finance, delivering fleet and financing services to companies across the spectrum of the aviation industry. Our product offerings include leases and secured loans on commercial passenger aircraft, freighters and regional jets; engine leasing and financing services; aircraft parts solutions; and airport equity and debt financing. We also co-sponsor an infrastructure private equity fund, which invests in large infrastructure projects including gateway airports.

We operate in a highly competitive environment. Our competitors include aircraft manufacturers, banks, financial institutions, equity investors, and other finance and leasing companies. Competition is based on lease rate financing terms, aircraft delivery dates, condition and availability, as well as available capital demand for financing.

GECC Corporate Items and Eliminations

GECC Corporate Items and Eliminations primarily include unallocated Treasury and Tax operations; Trinity, a group of run-off sponsored special purpose entities; the effects of eliminating transactions between GE Capital's five operating businesses; results of our run-off insurance operations remaining in continuing operations attributable to GECC; unallocated corporate costs; and certain non-allocated amounts determined by the GECC Chairman.

GE Corporate Items and Eliminations

GE Corporate Items and Eliminations includes the results of disposed businesses in which we retain an unconsolidated interest (including NBC Universal LLC), principal retirement plan costs and unallocated corporate costs, which includes research and development spending (including our Global Research Centers) and costs related to our Global Growth & Operations organization.

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), BAC Credomatic GECF Inc. (BAC) (our Central American bank and card business), Consumer RV Marine, Consumer Mexico, Consumer Singapore, Australian Home Lending and Consumer Ireland.

For further information about discontinued operations, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Geographic Data

Geographic data is reported in Note 28 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Additional financial data about our geographic operations is provided in the Geographic Operations section in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K Report.

Orders and Backlog

Orders and backlog information is provided in the Segment Operations and Other Information sections in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K Report.

Research and Development

Research and development expenditures information is provided in Note 19 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" and the Other Information section in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K Report.

Environmental Matters

Our operations, like operations of other companies engaged in similar businesses, involve the use, disposal and cleanup of substances regulated under environmental protection laws. We are involved in a number of remediation actions to clean up hazardous wastes as required by federal and state laws. Additional information is provided in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K Report.

Employees and Employee Relations

At year-end 2012, General Electric Company and consolidated affiliates employed approximately 305,000 persons, of whom approximately 134,000 were employed in the United States. For further information about employees, see Part II, Item 6. "Selected Financial Data" of this Form 10-K Report.

Approximately 17,600 GE manufacturing and service employees in the United States are represented for collective bargaining purposes by a total of approximately 108 different union local bargaining units. A majority of such employees are represented by union locals that are affiliated with, and bargain in coordination with, the IUE-CWA, The Industrial Division of the Communication Workers of America, AFL-CIO, CLC. During 2011, we negotiated four-year agreements with most of our U.S. unions. These agreements modestly increase ongoing costs over the term of the contracts on an aggregate basis. However, the agreements also implement new features that focus on cost containment for health and pension plans. Effective January 1, 2012, all production employees participate in a new consumer-directed health plan. In addition, production employees who commence service on or after that date will not be eligible to participate in the GE Pension Plan, but will participate in a defined contribution retirement program.

Other GE affiliates are parties to labor contracts with various labor unions, also with varying terms and expiration dates, that cover approximately 3,500 employees.

Executive Officers

See Part III, Item 10. "Directors, Executive Officers and Corporate Governance" of this Form 10-K Report for information about Executive Officers of the Registrant.

Other

Because of the diversity of our products and services, as well as the wide geographic dispersion of our production facilities, we use numerous sources for the wide variety of raw materials needed for our operations. We have not been adversely affected by the inability to obtain raw materials.

We own, or hold licenses to use, numerous patents. New patents are continuously being obtained through our research and development activities as existing patents expire. Patented inventions are used both within the Company and are licensed to others, but no operating segment is substantially dependent on any single patent or group of related patents.

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Sales of goods and services to agencies of the U.S. Government as a percentage of revenues follow.

	% of Consolidated Revenues		
	2012	2011	2010
Total sales to U.S. Government Agencies	3 %	3 %	3 %
Aviation segment defense-related sales	3	3	3

GE is a trademark and service mark of General Electric Company.

The Company's Internet address is www.ge.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available, without charge, on our website, www.ge.com/en/company/investor/secfilings.htm, as soon as reasonably practicable after they are filed electronically with the U.S. Securities and Exchange Commission (SEC). 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. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. References to our website addressed in this report are provided as a convenience and do not constitute, and should not be viewed as, an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report.

Item 1A. Risk Factors

The following discussion of risk factors contains "forward-looking statements," as discussed in Item 1. "Business". These risk factors may be important to understanding any statement in this Annual Report on Form 10-K or elsewhere. The following information should be read in conjunction with Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A), and the consolidated financial statements and related notes in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Our businesses routinely encounter and address risks, some of which will cause our future results to be different – sometimes materially different – than we presently anticipate. Discussion about important operational risks that our businesses encounter can be found in the MD&A section and in the business descriptions in Item 1. "Business" of this Form 10-K Report. Below, we describe certain important operational and strategic risks. Our reactions to material future developments as well as our competitors' reactions to those developments will affect our future results.

Our growth is subject to global economic and political risks.
We operate in virtually every part of the world and serve customers in more than 100 countries. In 2012, approximately 52% of our revenue was attributable to activities outside the United States. Our operations are subject to the effects of global competition and geopolitical risks. They are also affected by local economic environments, including inflation, recession, currency volatility and actual or anticipated default on sovereign debt. Political changes, some of which may be disruptive, can interfere with our supply chain, our customers and all of our activities in a particular location. While some of these global economic and political risks can be hedged using derivatives or other financial instruments and some are insurable, such attempts to mitigate these risks are costly and not always successful, and our ability to engage in such mitigation may decrease or become even more costly as a result of more volatile market conditions.

We are subject to a wide variety of laws, regulations and government policies that may change in significant ways.

Our businesses are subject to regulation under a wide variety of U.S. federal and state and non-U.S. laws, regulations and policies. There can be no assurance that laws, regulations and policies will not be changed in ways that will require us to modify our business models and objectives or affect our returns on investments by restricting existing activities and products, subjecting them to escalating costs or prohibiting them outright. In particular, U.S. and non-U.S. governments are undertaking a substantial revision of the regulation and supervision of bank and non-

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bank financial institutions, consumer lending, the over-the-counter derivatives market and tax laws and regulations, which changes may have an effect on GE's and GE Capital's structure, operations, liquidity, capital requirements, effective tax rate and performance. For example, under the Dodd-Frank Wall Street Reform and Consumer Protection Act, GE Capital is subject to prudential oversight by the Federal Reserve, which subjects us to increased and evolving regulatory requirements. We are also subject to a number of trade control laws and regulations that may affect our ability to sell our products in global markets. In addition, we are subject to regulatory risks from laws that reduce the allowable lending rate or limit consumer borrowing, local capital requirements that may increase the risk of not being able to retrieve assets, and changes to tax law that may affect our return on investments. For example, GE's effective tax rate is reduced because active business income earned and indefinitely reinvested outside the United States is taxed at less than the U.S. rate. A significant portion of this reduction depends upon a provision of U.S. tax law that defers the imposition of U.S. tax on certain active financial services income until that income is repatriated to the United States as a dividend. This provision is consistent with international tax norms and permits U.S. financial services companies to compete more effectively with non-U.S. financial institutions in global markets. This provision, which had expired at the end of 2011, was reinstated in January 2013 retroactively for two years through the end of 2013. This provision also had been scheduled to expire and had been extended by Congress on six previous occasions, but there can be no assurance that it will continue to be extended. In the event the provision is not extended after 2013, the current U.S. tax imposed on active financial services income earned outside the United States would increase, making it more difficult for U.S. financial services companies to compete in global markets. If this provision is not extended, we expect our effective tax rate to increase significantly after 2014. In addition, efforts by public and private sectors to control the growth of healthcare costs may lead to lower reimbursements and increased utilization controls related to the use of our products by healthcare providers. Continued government scrutiny, including reviews of the U.S. Food and Drug Administration (U.S. FDA) medical device pre-market authorization and post-market surveillance processes, may impact the requirements for marketing our products and slow our ability to introduce new products, resulting in an adverse impact on our business. Furthermore, we have been, and expect to continue, participating in U.S. and international governmental programs, which require us to comply with strict governmental regulations. Inability to comply with these regulations could adversely affect our status in these projects and adversely affect our results of operations, financial position and cash flows.

We are subject to legal proceedings and legal compliance risks.
We are subject to a variety of legal proceedings and legal compliance risks in virtually every part of the world. We, our representatives, and the industries in which we operate are at times being reviewed or investigated by regulators and other governmental authorities, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages. Additionally, we and our subsidiaries are involved in a sizable number of remediation actions to clean up hazardous wastes as required by federal and state laws. These include the dredging of polychlorinated biphenyls from a 40-mile stretch of the upper Hudson River in New York State, as described in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K Report. We are also subject to certain other legal proceedings described in Item 3. "Legal Proceedings" of this Form 10-K Report. While we believe that we have adopted appropriate risk management and compliance programs, the global and diverse nature of our operations means that legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time.

The success of our business depends on achieving our strategic objectives, including through acquisitions, joint ventures, dispositions and restructurings.
With respect to acquisitions, joint ventures and restructuring actions, we may not achieve expected returns and other benefits as a result of various factors, including integration and collaboration challenges, such as personnel and technology. In addition, we may not achieve anticipated cost savings from restructuring actions, which could result in lower margin rates. We also participate in a number of joint ventures with other companies or government enterprises in various markets around the world, including joint ventures where we may have a lesser degree of control over the

business operations, which may expose us to additional operational, financial, legal or compliance risks. We also continue to evaluate the potential disposition of assets and businesses that may no longer help us meet our objectives. When we decide to sell assets or a business, we may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the accomplishment of our strategic

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objectives. Alternatively, we may dispose of a business at a price or on terms that are less than we had anticipated. After reaching an agreement with a buyer or seller for the acquisition or disposition of a business, we are subject to satisfaction of pre-closing conditions as well as to necessary regulatory and governmental approvals on acceptable terms, which may prevent us from completing the transaction. Dispositions may also involve continued financial involvement in the divested business, such as through continuing equity ownership, guarantees, indemnities or other financial obligations. Under these arrangements, performance by the divested businesses or other conditions outside our control could affect our future financial results.

Sustained increases in costs of pension and healthcare benefits may reduce our profitability.
Our results of operations may be positively or negatively affected by the amount of income or expense we record for our defined benefit pension plans. U.S. generally accepted accounting principles (GAAP) require that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial market and other economic conditions, which may change based on changes in key economic indicators. The most significant year-end assumptions we use to estimate pension expense for 2013 are the discount rate and the expected long-term rate of return on the plan assets. In addition, we are required to make an annual measurement of plan assets and liabilities, which may result in a significant change to equity through a reduction or increase to Accumulated gains (losses) – net, Benefit plans. At the end of 2012, the GE Pension Plan was underfunded, on a U.S. GAAP basis, by $13.3 billion, and the GE Supplementary Pension Plan, an unfunded plan, had a projected benefit obligation of $5.5 billion. For a discussion regarding how our financial statements can be affected by pension plan accounting policies, see Critical Accounting Estimates – Pension Assumptions in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 12 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report. Although GAAP expense and pension funding contributions are not directly related, key economic factors that affect GAAP expense would also likely affect the amount of cash we would contribute to pension plans as required under the Employee Retirement Income Security Act (ERISA). Failure to achieve expected returns on plan assets driven by various factors, which could include a continued environment of low interest rates or sustained market volatility, could also result in an increase to the amount of cash we would be required to contribute to pension plans. In addition, upward pressure on the cost of providing healthcare benefits to current employees and retirees may increase future funding obligations. Although we have actively sought to control increases in these costs, there can be no assurance that we will succeed in limiting cost increases, and continued upward pressure could reduce our profitability.

Conditions in the financial and credit markets may affect the availability and cost of funding.
As disclosed in more detail in the Liquidity and Borrowings section in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K Report, a large portion of our borrowings is in the form of commercial paper and long-term debt. We continue to rely on the availability of the unsecured debt markets to access funding for term and commercial paper maturities for 2013 and beyond and to fund our operations without incurring additional U.S. tax. In addition, we rely on the availability of the commercial paper markets to refinance maturing commercial paper debt throughout the year. In order to further diversify our funding sources, GE Capital continues to expand its reliance on alternative sources of funding, including bank deposits, securitizations and other asset-based funding. There can be no assurance that we will succeed in increasing the diversification of our funding sources or that the short and long-term credit markets will be available or, if available, that the cost of funding will not substantially increase and affect our overall profitability. Factors that may affect the availability of funding or cause an increase in our funding costs include: a decreased reliance on short-term funding, such as commercial paper, in favor of longer-term funding arrangements; decreased capacity and increased competition among debt issuers; increased competition for deposits in our affiliate banks’ markets; and potential market disruptions or other impacts arising in the United States or Europe from developments in sovereign debt situations. If GE Capital’s cost of funding were to increase, it may adversely affect its competitive position and result in lower net interest margins, earnings and cash flows as well as lower returns on its shareowner’s equity and invested capital.

If conditions in the financial markets deteriorate, they may adversely affect the business and results of operations of GE Capital as well as the soundness of financial institutions and governments we deal with.
If conditions in the financial markets deteriorate, there can be no assurance that we will be able to recover fully the value of certain assets, including goodwill, intangibles and tax assets. In addition, deterioration in the economy and in default and recovery rates could require us to increase allowances for loan losses, impairments or write-offs, which,

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depending on the amount of the increase, could have a material adverse effect on our business, financial position and results of operations.

In addition, GE Capital has exposure to many different industries and counterparties, including sovereign governments, and routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional clients. Many of these transactions expose GE Capital to credit risk in the event of default of its counterparty or client. In addition, GE Capital's credit risk may be increased when the value of collateral held cannot be realized through sale or is liquidated at prices insufficient to recover the full amount of the loan or derivative exposure due to it. GE Capital also has exposure to these financial institutions in the form of cash on deposit and unsecured debt instruments held in its investment portfolios. GE Capital has policies relating to credit rating requirements and to exposure limits to counterparties (as described in Note 22 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report), which are designed to limit credit and liquidity risk. There can be no assurance, however, that any losses or impairments to the carrying value of financial assets would not materially and adversely affect GE Capital's business, financial position and results of operations.

The real estate markets in which GE Capital participates are highly dependent on economic conditions, the deterioration of which may adversely affect GE Capital's business, financial position and results of operations.
GE Capital participates in the commercial real estate market in two ways: it provides financing for the acquisition, refinancing and renovation of various types of properties, and, in a limited number of markets, it also acquires equity positions in various types of properties or real estate investments. The profitability of real estate investments is largely dependent upon the economic conditions in specific geographic markets in which the properties are located and the perceived value of those markets at the time of sale. The level of transactions for real estate assets continues to remain below historical norms in several markets in which GE Capital operates. High levels of unemployment, slowdown in business activity, excess inventory capacity and limited availability of credit may continue to adversely affect the value of real estate assets and collateral to real estate loans GE Capital holds. Under current market and credit conditions, there can be no assurance as to the level of sales GE Capital will complete or the net sales proceeds it will realize. Also, occupancy rates and market rent levels may worsen, which may result in impairments to the carrying value of equity investments or increases in the allowance for loan losses on commercial real estate loans.

GE Capital is also a residential mortgage lender in certain geographic markets outside the United States that have been, and may continue to be, adversely affected by declines in real estate values and home sale volumes, job losses, government austerity measures and mandated programs, consumer bankruptcies and other factors that may negatively impact the credit performance of our mortgage loans. Our allowance for loan losses on these mortgage loans is based on our analysis of current and historical delinquency, property values and loan performance, as well as other management assumptions that may be inaccurate predictors of credit performance in this environment. There can be no assurance that, in this environment, credit performance will not be materially worse than anticipated and, as a result, materially and adversely affect GE Capital's business, financial position and results of operations.

Failure to maintain our credit ratings could adversely affect our cost of funds and related margins, liquidity, competitive position and access to capital markets.
The major debt rating agencies routinely evaluate our debt. This evaluation is based on a number of factors, which include financial strength as well as transparency with rating agencies and timeliness of financial reporting. As of December 31, 2012, GE and GECC's long-term unsecured debt credit rating from Standard and Poor's Ratings Service (S&P) was AA+ (the second highest of 22 rating categories) with a stable outlook. The long-term unsecured debt credit rating from Moody's Investors Service (Moody's) for GE was Aa3 (the fourth highest of 21 rating categories) and for GECC was A1 (the fifth highest of 21 credit ratings), both with stable outlooks. As of December 31, 2012, GE and GECC's short-term credit rating from S&P was A-1+ (the highest rating category of six categories) and from Moody's was P-1 (the highest rating category of four categories). There can be no assurance that we will be able to

maintain our credit ratings and failure to do so could adversely affect our cost of funds and related margins, liquidity, competitive position and access to capital markets. Various debt and derivative instruments, guarantees and

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covenants would require posting additional capital or collateral in the event of a ratings downgrade, which, depending on the extent of the downgrade, could have a material adverse effect on our liquidity and capital position.

Current conditions in the global economy and the major industries we serve also may materially and adversely affect the business and results of operations of our non-financial businesses.
The business and operating results of our industrial businesses have been, and will continue to be, affected by worldwide economic conditions, including conditions in the air and rail transportation, energy generation, healthcare, home building and other major industries we serve. As a result of slower global economic growth, the credit market crisis, declining consumer and business confidence, continued high unemployment levels, reduced levels of capital expenditures, fluctuating commodity prices, bankruptcies, government deficit reduction and austerity measures, including sequestrations, and other challenges affecting the global economy, some of our government and non-government customers have experienced deterioration of their businesses, cash flow shortages, and difficulty obtaining financing. As a result, existing or potential customers may delay or cancel plans to purchase our products and services, including large infrastructure projects, and may not be able to fulfill their obligations to us in a timely fashion. In particular, the airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and international economies. An extended period of slow growth in the U.S. or internationally that results in the loss of business and leisure traffic could have a material adverse effect on our airline customers and the viability of their business. Service contract cancellations or customer dynamics such as early aircraft retirements could affect our ability to fully recover our contract costs and estimated earnings. Further, our vendors may be experiencing similar conditions, which may impact their ability to fulfill their obligations to us. If slower growth in the global economy continues for a significant period or there is additional significant deterioration in the global economy, our results of operations, financial position and cash flows could be materially adversely affected.

Increased IT security requirements, vulnerabilities, threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, products, solutions, services and data.
Increased global IT security vulnerabilities, threats and more sophisticated and targeted IT-related attacks pose a risk to the security of our and our customers' and suppliers' systems and networks and the confidentiality, availability and integrity of our data. While we attempt to mitigate these risks by employing a number of measures, including employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems, our systems, networks, products, solutions and services remain potentially vulnerable to additional known or unknown threats. We also may have access to sensitive, confidential or personal data or information in certain of our businesses that is subject to privacy and security laws, regulations and customer-imposed controls. Despite our efforts to protect sensitive, confidential or personal data or information, our facilities and systems and those of our customers, suppliers and third-party service providers may be vulnerable to security breaches, theft, misplaced or lost data, programming and/or human errors that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions, which in turn could adversely affect our reputation, competitiveness and results of operations.

We may face operational challenges that could have a material adverse effect on our business, reputation, financial position and results of operations, and we are dependent on maintenance of existing product lines, market acceptance of new product introductions and product innovations for continued revenue growth.
We produce highly sophisticated products and provide specialized services for both our and third-party products that incorporate or use leading-edge technology, including both hardware and software. While we have built extensive operational processes to ensure that the design, manufacture and servicing of such products meet the most rigorous quality standards, there can be no assurance that we or our customers or other third parties will not experience operational process failures or other problems, including through intentional acts, that could result in potential product, safety, regulatory or environmental risks. Such operational failures or quality issues could have a material

adverse effect on our business, reputation, financial position and results of operations. In addition, the markets in which we operate are subject to technological change and require skilled talent. Our long-term operating results depend substantially upon our ability to continually develop, introduce, and market new and innovative products, to modify existing products, to customize products, to respond to technological change and to execute our product development in line with our projected cost estimates.

Our intellectual property portfolio may not prevent competitors from independently developing products and services similar to or duplicative to ours.

Our patents and other intellectual property may not prevent competitors from independently developing or selling products and services similar to or duplicative of ours, and there can be no assurance that the resources invested by us to protect our intellectual property will be sufficient or that our intellectual property portfolio will adequately deter misappropriation or improper use of our technology. We could also face competition in some countries where we have not invested in an intellectual property portfolio. We also face attempts by third-parties to gain unauthorized access to our information technology systems for the purpose of improperly acquiring our trade secrets or confidential business information. The theft or unauthorized use or publication of our trade secrets and other confidential business information as a result of such an incident could adversely affect our competitive position and the value of our investment in research and development. In addition, we may be the target of aggressive and opportunistic enforcement of patents by third parties, including non-practicing entities. Regardless of the merit of such claims, responding to infringement claims can be expensive and time-consuming. If GE is found to infringe any third-party rights, we could be required to pay substantial damages or we could be enjoined from offering some of our products and services. Also, there can be no assurances that we will be able to obtain or re-new from third parties the licenses we need in the future, and there is no assurance that such licenses can be obtained on reasonable terms.

Significant raw material shortages, supplier capacity constraints, supplier production disruptions, supplier quality and sourcing issues or price increases could increase our operating costs and adversely impact the competitive positions of our products.

Our reliance on third-party suppliers, contract manufacturers and service providers, and commodity markets to secure raw materials, parts, components and sub-systems used in our products exposes us to volatility in the prices and availability of these materials, parts, components, systems and services. Some of these suppliers or their sub-suppliers are limited- or sole-source suppliers. A disruption in deliveries from our third-party suppliers, contract manufacturers or service providers, capacity constraints, production disruptions, price increases, or decreased availability of raw materials or commodities, including as a result of catastrophic events, could have an adverse effect on our ability to meet our commitments to customers or increase our operating costs. Quality and sourcing issues experienced by third-party providers can also adversely affect the quality and effectiveness of our products and services and result in liability and reputational harm.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Manufacturing operations are carried out at approximately 232 manufacturing plants located in 38 states in the United States and Puerto Rico and at approximately 283 manufacturing plants located in 42 other countries.

Item 3. Legal Proceedings

As previously reported, in March and April 2009, shareholders filed purported class actions under the federal securities laws in the United States District Court for the Southern District of New York naming as defendants GE, a number of GE officers (including our chief executive officer and chief financial officer) and our directors. The complaints, which have now been consolidated, seek unspecified damages based on allegations related to statements regarding the GE dividend and projected losses and earnings for GECC in 2009. In January 2012, the District Court granted in part, and denied in part, our motion to dismiss. In April 2012, the District Court granted a portion of our motion for reconsideration, resulting in the dismissal of plaintiffs' claims under the Securities Act of 1933. In July 2012, the District Court denied plaintiffs' motion seeking to amend their complaint to include the alleged claims under the Securities Act of 1933. In January 2013, plaintiffs attempted unsuccessfully to file a new amended complaint. We have filed a motion for judgment on the pleadings.

As also previously reported, in March 2010, a shareholder derivative action was filed in the United States District

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Court for the Southern District of New York naming as defendants GE, a number of GE officers (including our chief executive officer and chief financial officer) and our directors. The complaint seeks unspecified damages and principally alleges breaches of fiduciary duty and other causes of action related to the GE dividend and SEC matter which GE resolved in August 2009 and alleged mismanagement of our financial services businesses. In September 2011, our motion to dismiss was granted. In June 2012, plaintiff's motion to file an amended complaint was denied. The plaintiff has filed an appeal.

As also previously reported, in February and March 2012, two shareholder derivative actions were filed in New York Supreme Court naming as defendants GE, a number of GE officers (including our chief executive officer and chief financial officer) and our directors. The complaints seek unspecified damages and principally allege breaches of fiduciary duty and other causes of action related to 2009 earnings forecasts for GE Capital, changes in the GE dividend and GE's credit rating in 2009 and GE's 2008 commercial paper program. In June 2012, these two cases were consolidated into a single action. GE filed a motion to dismiss the consolidated action in December 2012.

We sold WMC, our U.S. mortgage business, in 2007. WMC substantially discontinued all new loan originations in 2007, and was 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.

WMC is a party to 15 lawsuits relating to mortgage loan repurchase claims. The adverse parties in these cases are trustees to private label residential mortgage-backed securitization trusts or parties claiming to act on their behalf. While the alleged claims for relief vary from case to case, the complaints and counterclaims in these actions generally assert claims for breach of contract, indemnification, and/or declaratory judgment, and seek specific performance (repurchase) and/or monetary damages.

Four WMC cases are pending in the United States District Court for the District of Connecticut. All of these cases were initiated in 2012, including two in the fourth quarter. Deutsche Bank National Trust Company (Deutsche Bank) is the adverse party in three cases, and Law Debenture Trust Company of New York (Law Debenture) is the adverse party in one case. The Deutsche Bank complaints assert claims on approximately $2,700 million of mortgage loans and seek to recover damages on these loans in excess of approximately $1,300 million. The Law Debenture complaint asserts claims on approximately $1,000 million of mortgage loans, and seeks to recover damages on these loans in excess of approximately $425 million. GECC was initially named a defendant in each of the Connecticut cases and has been dismissed from all of those cases without prejudice.

Seven WMC cases are pending in the United States District Court for the District of Minnesota against US Bank National Association (US Bank), of which four were initiated by WMC seeking declaratory judgment. Six of these cases were filed in 2012 (including one in the fourth quarter), and one was filed in 2011. The Minnesota cases involve claims on approximately $1,800 million of mortgage loans and do not specify the amount of damages plaintiffs seek to recover.

One WMC case is pending in New York State Supreme Court and was initiated in the fourth quarter 2012. This action was filed by BNY and names as defendants WMC, GECC, J.P. Morgan Mortgage Acquisition Corp., and JPMorgan Chase Bank, N.A. This case arises from the same securitization as one of the Minnesota cases. BNY asserts claims on approximately $1,900 million of mortgage loans, and seeks to recover damages in excess of $550 million.

Three WMC cases are pending in the United States District Court for the Southern District of New York. One case in which the plaintiff is The Bank of New York Mellon (BNY) was filed in the third quarter 2012, asserts claims on approximately $800 million of mortgage loans, and seeks to recover damages in excess of $278 million. Two of the cases were filed by the Federal Housing Finance Agency (FHFA), claiming to act on behalf of a securitization trustee, in the fourth quarter 2012. The summonses with notice filed by the FHFA do not allege the amount of loans at issue in the cases or allege the amount of any damages.

The amounts of the mortgage loans at issue in these cases (discussed above) 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,

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or potential recoveries based upon the underlying collateral. Of the mortgage loans involved in these lawsuits, approximately $3,800 million were included in WMC's pending claims at December 31, 2012. The claims relating to other mortgage loans not included in WMC's pending claims consist of sampling-based claims in two cases on approximately $900 million of mortgage loans and, in six 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 $3,100 million of mortgage loans. See Note 2 to the consolidated financial statements in Part II, Item 8 "Financial Statements and Supplementary Data" of this Form 10-K Report for additional information.

As previously reported, in 2000, GE and the Environmental Protection Agency (EPA) entered into a consent decree relating to PCB cleanup in the Massachusetts area of the Housatonic River. In May 2012, the EPA issued a status report describing potential conceptual approaches to a 10-mile stretch of the river downstream from a previously remediated area. We are currently discussing this report with EPA. A proposed remedy may be issued in the first half of 2013.

The company is reporting the following matter in compliance with SEC requirements to disclose environmental proceedings where the government is a party potentially involving monetary sanctions of $100,000 or greater:

As previously reported, in June 2008, EPA issued a notice of violation and in January 2011 filed a complaint alleging non-compliance with the Clean Air Act at a power cogeneration plant in Homer City, PA. The Pennsylvania Department of Environmental Protection, the New York Attorney General's Office and the New Jersey Department of Environmental Protection have intervened in the EPA case. The plant is operated exclusively by EME Homer City Generation L.P., and is owned and leased to EME Homer City Generation L.P. by subsidiaries of GECC and one other entity. EME Homer City Generation L.P. has entered into an agreement with Homer City Generation L.P., a subsidiary of GECC, to transfer the operational control of the plant to Homer City Generation L.P. upon satisfaction of certain conditions. The complaints did not indicate a specific penalty amount but make reference to statutory fines. In October 2011, the U.S. District Court for the Western District of Pennsylvania granted a motion to dismiss the matter with prejudice with regard to all federal counts, and with leave to re-file in state court for the non-federal counts. On December 8, 2011, EPA filed notice of its intent to appeal. NY, NJ and PA filed similar notices on December 9, 2011.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

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

With respect to "Market Information," in the United States, GE common stock is listed on the New York Stock Exchange (its principal market). GE common stock is also listed on the London Stock Exchange and on Euronext Paris. Trading prices, as reported on the New York Stock Exchange, Inc., Composite Transactions Tape, and dividend information follow:

(In dollars)	Common stock market price High	Low	Dividends declared
2012			
Fourth quarter	$ 23.18	$ 19.87	$ 0.19
Third quarter	22.96	19.36	0.17
Second quarter	20.84	18.02	0.17
First quarter	21.00	18.23	0.17
2011			
Fourth quarter	$ 18.28	$ 14.02	$ 0.17
Third quarter	19.53	14.72	0.15
Second quarter	20.85	17.97	0.15
First quarter	21.65	18.12	0.14

As of January 31, 2013, there were approximately 523,000 shareowner accounts of record.

During the fourth quarter of 2012, we purchased shares of our common stock as follows.

Period(a)	Total number of shares purchased(a)(b)	Average price paid per share	Total number of shares purchased as part of our share repurchase program(a)(c)	Approximate dollar value of shares that may yet be purchased under our share repurchase program(c)
(Shares in thousands)				
2012				
October	54,941	$ 21.90	54,573	
November	14,970	$ 20.61	14,732	
December	31,044	$ 21.10	30,692	
Total	100,955	$ 21.46	99,997	$ 12.7 billion

(a) Information is presented on a fiscal calendar basis, consistent with our quarterly financial reporting.

(b) This category includes 958 thousand shares repurchased from our various benefit plans, primarily the GE Savings and Security Program (the S&SP). Through the S&SP, a defined contribution plan with Internal Revenue Service Code 401(k) features, we repurchase shares resulting from changes in investment options by plan participants.

(c) Shares are repurchased through the 2007 GE Share Repurchase Program (the Program). Effective December 14, 2012, we increased the existing Program authorization by $10 billion to $25 billion and extended the Program, which would have otherwise expired on December 31, 2013, through 2015. As of December 31, 2012, we had repurchased a total of approximately $12.3 billion of common stock under the Program. Effective February 12, 2013, we increased this Program authorization by an additional $10 billion resulting in authorization to repurchase up to a total of $35 billion of our common stock through 2015. The Program is flexible and shares are acquired with a combination of borrowings and free cash flow from the public markets and other sources, including GE Stock Direct, a stock purchase plan that is available to the public.

For information regarding compensation plans under which equity securities are authorized for issuance, see Note 16 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Five-year financial performance graph: 2008-2012

Comparison of five-year cumulative return among GE, S&P 500 and Dow Jones Industrial Average

The annual changes for the five-year period shown in the graph on this page are based on the assumption that $100 had been invested in GE stock, the Standard & Poor’s 500 Stock Index (S&P 500) and the Dow Jones Industrial Average (DJIA) on December 31, 2007, and that all quarterly dividends were reinvested. The total cumulative dollar returns shown on the graph represent the value that such investments would have had on December 31, 2012.

	2007	2008	2009	2010	2011	2012
GE	$ 100	$ 46	$ 46	$ 56	$ 57	$ 69
S&P 500	100	63	80	92	94	109
DJIA	100	68	83	95	103	114

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Item 6. Selected Financial Data.

The following table provides key information for Consolidated, GE and GECC.

(Dollars in millions; per-share amounts in dollars)	2012	2011	2010	2009	2008
General Electric Company and Consolidated Affiliates					
Revenues and other income	$ 147,359	$ 147,288	$ 149,567	$ 154,396	$ 179,769
Earnings from continuing operations attributable to the Company	14,679	14,227	12,613	10,881	17,786
Earnings (loss) from discontinued operations, net of taxes, attributable to the Company	(1,038)	(76)	(969)	144	(376)
Net earnings attributable to the Company	13,641	14,151	11,644	11,025	17,410
Dividends declared(a)	7,372	7,498	5,212	6,785	12,649
Return on average GE shareowners' equity(b)	12.1 %	12.1 %	12.3 %	11.7 %	17.1 %
Per common share					
Earnings from continuing operations – diluted	$ 1.39	$ 1.24	$ 1.15	$ 0.99	$ 1.75
Earnings (loss) from discontinued operations – diluted	(0.10)	(0.01)	(0.09)	0.01	(0.04)
Net earnings – diluted	1.29	1.23	1.06	1.01	1.72
Earnings from continuing operations – basic	1.39	1.24	1.15	0.99	1.76
Earnings (loss) from discontinued operations – basic	(0.10)	(0.01)	(0.09)	0.01	(0.04)
Net earnings – basic	1.29	1.24	1.06	1.01	1.72
Dividends declared	0.70	0.61	0.46	0.61	1.24
Stock price range	23.18-18.02	21.65-14.02	19.70-13.75	17.52-5.87	38.52-12.58
Year-end closing stock price	20.99	17.91	18.29	15.13	16.20
Cash and equivalents	77,356	84,501	78,943	70,479	48,378
Total assets of continuing operations	684,193	716,468	735,431	756,897	773,191
Total assets	685,328	718,189	748,491	782,714	798,398
Long-term borrowings	236,084	243,459	293,323	336,172	320,522
Common shares outstanding – average (in thousands)	10,522,922	10,591,146	10,661,078	10,613,717	10,079,923
Common shareowner accounts – average	537,000	570,000	588,000	605,000	604,000
Employees at year end(c)					

United States		134,000		131,000		121,000		122,000		139,000
Other countries		171,000		170,000		152,000		168,000		169,000
Total employees(c)		305,000		301,000		273,000		290,000		308,000
GE data										
Short-term borrowings	$	6,041	$	2,184	$	456	$	504	$	2,375
Long-term borrowings		11,428		9,405		9,656		11,681		9,827
Noncontrolling interests		777		1,006		4,098		5,797		6,678
GE shareowners' equity		123,026		116,438		118,936		117,291		104,665
Total capital invested	$	141,272	$	129,033	$	133,146	$	135,273	$	123,545
Return on average total capital invested(b)		11.7 %		11.7 %		12.0 %		10.7 %		15.7 %
Borrowings as a percentage of total capital invested(b)		12.4 %		9.0 %		7.6 %		9.0 %		9.9 %
Working capital(b)	$	1,031	$	(10)	$	(1,618)	$	(1,596)	$	3,904
GECC data										
Revenues	$	46,039	$	49,068	$	49,856	$	51,776	$	68,541
Earnings from continuing operations attributable to GECC		7,401		6,584		3,120		1,253		7,470
Earnings (loss) from discontinued operations, net of taxes,										
attributable to GECC		(1,186)		(74)		(965)		162		(415)
Net earnings attributable to GECC		6,215		6,510		2,155		1,415		7,055
Net earnings attributable to GECC common shareowner		6,092		6,510		2,155		1,415		7,055
GECC shareowners' equity		81,890		77,110		68,984		70,833		53,279
Total borrowings and bank deposits		397,300		443,097		470,520		493,324		512,745
Ratio of debt to equity at GECC		4.85:1(d)		5.75:1(d)		6.82:1(d)		6.96:1		9.62:1
Total assets	$	539,223	$	584,536	$	605,255	$	650,372	$	661,009

Transactions between GE and GECC have been eliminated from the consolidated information.

(a) Included $1,031 million of preferred stock dividends ($806 million related to our preferred stock redemption) in 2011, $300 million in both 2010 and 2009 and $75 million in 2008.

(b) Indicates terms are defined in the Glossary.

(c) Excludes NBC Universal employees of 14,000, 14,000 and 15,000 in 2010, 2009 and 2008, respectively.

(d) Ratios of 3.66:1, 4.23:1 and 5.25:1 for 2012, 2011 and 2010, respectively, net of cash and equivalents and with classification of hybrid debt as equity.

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

Operations

The consolidated financial statements of General Electric Company (the Company) combine the industrial manufacturing and services businesses of General Electric Company (GE) with the financial services businesses of General Electric Capital Corporation (GECC or financial services). Unless otherwise indicated by the context, we use the terms "GE" and "GECC" on the basis of consolidation described in Note 1 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

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 U.S. Securities and Exchange Commission (SEC) rules. For such measures, we have provided supplemental explanations and reconciliations in the Supplemental Information section.

We present Management's Discussion of Operations in five parts: Overview of Our Earnings from 2010 through 2012, Global Risk Management, Segment Operations, Geographic Operations and Environmental Matters. Unless otherwise indicated, we refer to captions such as revenues and other income and earnings from continuing operations attributable to the company simply as "revenues" and "earnings" throughout this Management's Discussion and Analysis. Similarly, discussion of other matters in our consolidated financial statements relates to continuing operations unless otherwise indicated.

On February 22, 2012, we merged our wholly-owned subsidiary, General Electric Capital Services, Inc. (GECS), with and into GECS' wholly-owned subsidiary, GECC. The merger simplified our financial services' corporate structure by consolidating financial services entities and assets within our organization and simplifying Securities and Exchange Commission and regulatory reporting. Upon the merger, GECC became the surviving corporation and assumed all of GECS' rights and obligations and became wholly-owned directly by General Electric Company. Our financial services segment, GE Capital, continues to comprise the continuing operations of GECC, which now include the run-off insurance operations previously held and managed in GECS. Unless otherwise indicated, references to GECC and the GE Capital segment in this Form 10-K Report relate to the entity or segment as they exist subsequent to the February 22, 2012 merger.

Effective October 1, 2012, we reorganized the former Energy Infrastructure segment into three segments – Power & Water, Oil & Gas and Energy Management and we began reporting these as separate segments beginning with this Form 10-K Report. We also reorganized our Home & Business Solutions segment by transferring our Intelligent Platforms business to Energy Management. Results for 2012 and prior periods in this Form 10-K Report are reported on this basis.

We supplement our GAAP net earnings and earnings per share (EPS) reporting by also reporting operating earnings and operating EPS (non-GAAP measures). Operating earnings and operating EPS include service costs and plan amendment amortization for our principal pension plans as these costs represent expenses associated with employee benefits earned. Operating earnings and operating EPS exclude non-operating pension cost/income such as interest costs, expected return on plan assets and non-cash amortization of actuarial gains and losses. We believe that this reporting provides better transparency to the employee benefit costs of our principal pension plans and Company operating results.

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Overview of Our Earnings from 2010 through 2012

Earnings from continuing operations attributable to the Company increased 3% to $14.7 billion in 2012 and 13% to $14.2 billion in 2011, reflecting the relative stabilization of overall economic conditions during the last two years. Operating earnings (non-GAAP measure) which exclude non-operating pension costs increased 8% to $16.1 billion in 2012 compared with a 20% increase to $14.9 billion in 2011. Earnings per share (EPS) from continuing operations increased 12% to $1.39 in 2012 compared with an 8% increase to $1.24 in 2011. Operating EPS (non-GAAP measure) increased 16% to $1.52 in 2012 compared with a 16% increase to $1.31 in 2011. Operating EPS excluding the effects of our 2011 preferred stock redemption (non-GAAP measure) increased 10% to $1.52 in 2012 compared with $1.38 in 2011. We believe that we are seeing continued signs of stabilization in much of the global economy, including in financial services, as GECC earnings from continuing operations attributable to the Company increased 12% in 2012 and 111% in 2011. Net earnings attributable to the Company decreased 4% in 2012 reflecting an increase of losses from discontinued operations partially offset by a 3% increase in earnings from continuing operations. Net earnings attributable to the Company increased 22% in 2011, as losses from discontinued operations in 2011 decreased and earnings from continuing operations increased 13%. We begin 2013 with a record backlog of $210 billion, continue to invest in market-leading technology and services and expect to continue our trend of revenue and earnings growth.

Power & Water (18% and 27% of consolidated three-year revenues and total segment profit, respectively) revenues increased 10% in 2012 primarily as a result of higher volume mainly driven by an increase in equipment sales at the Wind business after increasing 4% in 2011 primarily as a result of higher volume. Segment profit increased 8% in 2012 primarily driven by higher volume. Segment profit decreased 13% in 2011 primarily due to lower productivity and lower prices in the wind turbines business.

Oil & Gas (9% and 8% of consolidated three-year revenues and total segment profit, respectively) revenues increased 12% in 2012 primarily as a result of higher volume driven by acquisitions and higher sales of both equipment and services, after increasing 44% in 2011 as a result of acquisitions and higher volume. Segment profit increased 16% in 2012 primarily on higher volume and increased productivity reflecting increased equipment margins. Segment profit increased 18% in 2011 primarily driven by higher volume.

Energy Management (4% and 1% of consolidated three-year revenues and total segment profit, respectively) revenues increased 15% in 2012 primarily as a result of acquisitions after increasing 24% in 2011 driven by acquisitions and higher volume. Segment profit increased 68% in 2012 primarily driven by higher prices and increased other income. Segment profit decreased 50% in 2011 primarily driven by the effects of inflation and decreased other income.

Aviation (13% and 17% of consolidated three-year revenues and total segment profit, respectively) revenues increased 6% in 2012 as a result of higher prices and higher volume primarily driven by increased commercial and military engine sales. Segment profit increased 7%, in 2012 as a result of higher prices partially offset by the effects of inflations and lower productivity. In 2011, Aviation revenues increased 7% as a result of higher volume and higher prices driven by equipment sales and services. Segment profit increased 6% in 2011 as a result of higher volume and higher prices.

Healthcare (12% and 14% of consolidated three-year revenues and total segment profit, respectively) revenues increased 1% in 2012 on higher equipment sales, with the strongest growth in emerging markets. Segment profit increased 4% in 2012 as a result of increased productivity. Revenues increased 7% in 2011 due to higher volume of both equipment and service sales. Segment profit increased 2% in 2011 primarily due to increased productivity.

Transportation (3% and 3% of consolidated three-year revenues and total segment profit, respectively) revenues increased 15% in 2012 due to higher volume and higher prices related to increased equipment sales and services. Segment profit increased 36% in 2012 as a result of higher prices and increased productivity, reflecting improved service margins. Revenues increased 45% in 2011 as a result of higher volume related to increased equipment sales and services. Segment profit increased over 100% in 2011 as a result of increased productivity, reflecting improved service margins and higher volume.

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Home & Business Solutions (5% and 2% of consolidated three-year revenues and total segment profit, respectively) revenues have increased 4% in 2012 and decreased 3% in 2011. In 2012 revenues increased as a result of higher prices at Appliances. The revenue decrease in 2011 was related to lower volume at Appliances. Segment profit increased 31% in 2012 primarily as a result of higher prices partially offset by the effects of inflation. Segment profit decreased 41% in 2011 as a result of the effects of inflation.

GE Capital (33% and 28% of consolidated three-year revenues and total segment profit, respectively) net earnings increased 12% in 2012 and 111% in 2011 due to the continued stabilization in the overall economic environment. Increased stability in the financial markets has contributed to lower losses and a significant increase in segment profit to $7.4 billion in 2012 and $6.6 billion in 2011. We also reduced our ending net investment (ENI), excluding cash and equivalents, from $513 billion at January 1, 2009 to $419 billion at December 31, 2012. GECC is a diversely funded and smaller, more focused finance company with strong positions in several commercial mid-market and consumer financing segments.

Overall, acquisitions contributed $2.8 billion, $4.6 billion and $0.3 billion to consolidated revenues in 2012, 2011 and 2010, respectively, excluding the effects of acquisition gains. Our consolidated net earnings included $0.2 billion, an insignificant amount and $0.1 billion in 2012, 2011 and 2010, respectively, from acquired businesses. We integrate acquisitions as quickly as possible. Only revenues and earnings from the date we complete the acquisition through the end of the fourth following quarter are attributed to such businesses. Dispositions also affected our ongoing results through lower revenues of $5.1 billion, $12.6 billion and $3.0 billion in 2012, 2011 and 2010, respectively. The effects of dispositions on net earnings were decreases of $0.3 billion in both 2012 and 2011 and an increase of $0.1 billion in 2010.

Discontinued Operations. Consistent with our goal of reducing GECC ENI and focusing our businesses on selective financial services products where we have domain knowledge, broad distribution, and the ability to earn a consistent return on capital, while managing our overall balance sheet size and risk, in 2012, we sold Consumer Ireland. Discontinued operations also includes 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), BAC Credomatic GECF Inc. (BAC), our U.S. recreational vehicle and marine equipment financing business (Consumer RV Marine), Consumer Mexico, Consumer Singapore and our Consumer home lending operations in Australia and New Zealand (Australian Home Lending). All of these operations were previously reported in the GE Capital segment.

We reported the operations described above as discontinued operations for all periods presented. For further information about discontinued operations, see “Segment Operations – Discontinued Operations” in this Item and Note 2 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

We declared $7.4 billion in dividends in 2012. Common per-share dividends increased 15% to $0.70 in 2012 after an increase of 33% to $0.61 in 2011. We increased our quarterly dividend three times during 2011 and 2012, and on February 15, 2013, our Board of Directors approved a quarterly dividend of $0.19 per share of common stock, which is payable April 25, 2013, to shareowners of record at close of business on February 25, 2013. In 2011 and 2010, we declared $1.0 billion (including $0.8 billion as a result of our redemption of preferred stock) and $0.3 billion in preferred stock dividends, respectively. See Note 15 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report for additional information.

Except as otherwise noted, the analysis in the remainder of this section presents the results of GE (with GECC included on a one-line basis) and GECC. See the Segment Operations section for a more detailed discussion of the businesses within GE and GECC.

Significant matters relating to our Statement of Earnings are explained below.

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GE sales of product services were $43.4 billion in 2012, an increase of 4% compared with 2011, and operating profit from product services was $12.5 billion in 2012, an increase of 6% compared with 2011. Both the sales and operating profit of product services increases were at Power & Water, Oil & Gas, Transportation and Energy Management. GE sales of product services were $41.9 billion in 2011, an increase of 14% compared with 2010, and operating profit from product services was $11.8 billion in 2011, an increase of 15% compared with 2010. Both the sales and operating profit of product services increases were at Oil & Gas, Energy Management, Aviation, Transportation and Healthcare.

Postretirement benefit plans costs were $5.5 billion, $4.1 billion and $3.0 billion in 2012, 2011 and 2010, respectively. Costs increased in 2012 primarily due to the continued amortization of 2008 investment losses and the effects of lower discount rates (principal pension plans discount rate decreased from 5.28% at December 31, 2010 to 4.21% at December 31, 2011). Costs increased in 2011 primarily due to the continued amortization of 2008 investment losses and the effects of lower discount rates (principal pension plans discount rate decreased from 5.78% at December 31, 2009 to 5.28% at December 31, 2010).

Our discount rate for our principal pension plans at December 31, 2012 was 3.96%, which reflected current historically low interest rates. Considering the current and target asset allocations, as well as historical and expected returns on various categories of assets in which our plans are invested, we have assumed that long-term returns on our principal pension plan assets will be 8.0% for cost recognition in 2013, compared to 8.0% in both 2012 and 2011 and 8.5% in 2010. GAAP provides for recognition of differences between assumed and actual returns over a period no longer than the average future service of employees. See the Critical Accounting Estimates section for additional information.

We expect the costs of our postretirement benefits to increase in 2013 by approximately $0.4 billion as compared to 2012, primarily because of the effects of additional 2008 investment loss amortization and lower discount rates. Based on our current assumptions, we expect that loss amortization related to our principal pension plans will peak in 2013 and, as a result, our postretirement benefits costs should decline in 2014.

Pension expense for our principal pension plans on a GAAP basis was $3.8 billion, $2.4 billion and $1.1 billion in 2012, 2011 and 2010, respectively. Operating pension costs (non-GAAP) for these plans were $1.7 billion in 2012 and $1.4 billion in both 2011 and 2010. Operating earnings include service cost and prior service cost amortization for our principal pension plans as these costs represent expenses associated with employee service. Operating earnings exclude non-operating pension costs/income such as interest cost, expected return on plan assets and non-cash amortization of actuarial gains and losses. Operating pension costs increased in 2012 primarily due to the effects of lower discount rates and additional prior service cost amortization resulting from 2011 union negotiations. We expect operating pension costs for these plans will be about $1.7 billion in 2013.

The GE Pension Plan was underfunded by $13.3 billion at the end of 2012 as compared to $13.2 billion at December 31, 2011. The GE Supplementary Pension Plan, which is an unfunded plan, had projected benefit obligations of $5.5 billion and $5.2 billion at December 31, 2012 and 2011, respectively. Our underfunding at year-end 2012 was relatively consistent with 2011 as the effects of lower discount rates and liability growth were primarily offset by higher investment returns (11.7% return in 2012). Our principal pension plans discount rate decreased from 4.21% at December 31, 2011 to 3.96% at December 31, 2012, which increased the pension benefit obligation at year-end 2012 by approximately $2.0 billion. A 100 basis point increase in our pension discount rate would decrease the pension benefit obligation at year-end by approximately $7.4 billion. Our GE Pension Plan assets increased from $42.1 billion at the end of 2011 to $44.7 billion at December 31, 2012, primarily driven by higher investment returns that were partially offset by benefit payments made during the year. Assets of the GE Pension Plan are held in trust, solely for the benefit of Plan participants, and are not available for general company operations.

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On July 6, 2012, the U.S. Government enacted the "Moving Ahead for Progress in the 21st Century Act", which contained provisions that changed the interest rate methodology used to calculate Employee Retirement Income Security Act (ERISA) minimum pension funding requirements in the U.S. This change reduced our near-term annual cash funding requirements for the GE Pension Plan. We contributed $0.4 billion to the GE Pension Plan in 2012. We are not required to contribute to the GE Pension Plan in 2013.

On an ERISA basis, our preliminary estimate is that the GE Pension Plan was approximately 100% funded at January 1, 2013. Based on this, our current best estimate of the projected 2014 GE Pension Plan required contribution is approximately $0.6 billion.

At December 31, 2012, the fair value of assets for our other pension plans was $3.9 billion less than the respective projected benefit obligations. The comparable amount at December 31, 2011, was $3.3 billion. This increase was primarily attributable to lower discount rates. We expect to contribute $0.7 billion to our other pension plans in 2013, the same as in both 2012 and 2011.

The unfunded liability for our principal retiree health and life plans was $10.9 billion and $12.1 billion at December 31, 2012 and 2011, respectively. This decrease was primarily attributable to a plan amendment that affected retiree health and life benefit eligibility for certain salaried plan participants and lower cost trends which were partially offset by the effects of lower discount rates (retiree health and life plans discount rate decreased from 4.09% at December 31, 2011 to 3.74% at December 31, 2012). We fund our retiree health benefits on a pay-as-you-go basis. We expect to contribute $0.6 billion to these plans in 2013 compared with actual contributions of $0.5 billion and $0.6 billion in 2012 and 2011, respectively.

The funded status of our postretirement benefits plans and future effects on operating results depend on economic conditions and investment performance. For additional information about funded status, components of earnings effects and actuarial assumptions, see Note 12 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

GE other costs and expenses are selling, general and administrative expenses. These costs were 17.5%, 18.5% and 16.3% of total GE sales in 2012, 2011 and 2010, respectively. The 2012 decrease was primarily driven by increased sales and the effects of global cost reduction initiatives, partially offset by increased acquisition-related costs. The vast majority of the 2011 increase was driven by higher pension costs and increased costs to support global growth.

Interest on borrowings and other financial charges amounted to $12.5 billion, $14.5 billion and $15.5 billion in 2012, 2011 and 2010, respectively. Substantially all of our borrowings are in financial services, where interest expense was $11.7 billion, $13.9 billion and $14.5 billion in 2012, 2011 and 2010, respectively. GECC average borrowings declined from 2011 to 2012 and from 2010 to 2011, in line with changes in average GECC assets. Interest rates have decreased over the three-year period primarily attributable to declining global benchmark interest rates. GECC average borrowings were $421.9 billion, $452.7 billion and $472.0 billion in 2012, 2011 and 2010, respectively. The GECC average composite effective interest rate was 2.8% in 2012, 3.1% in 2011 and 3.1% in 2010. In 2012, GECC average assets of $562.1 billion were 5% lower than in 2011, which in turn were 3% lower than in 2010. See the Liquidity and Borrowings section for a discussion of liquidity, borrowings and interest rate risk management.

Income taxes have a significant effect on our net earnings. As a global commercial enterprise, our tax rates are affected by many factors, including our global mix of earnings, the extent to which those global earnings are indefinitely reinvested outside the United States, legislation, acquisitions, dispositions and tax characteristics of our income. Our tax rates are also affected by tax incentives introduced in the U.S. and other countries to encourage and support certain types of activity. Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions.

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.

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Income taxes on consolidated earnings from continuing operations were 14.4% in 2012 compared with 28.3% in 2011 and 7.3% in 2010.

Our consolidated income tax rate is lower than the U.S. statutory rate primarily because of benefits from lower-taxed global operations, including the use of global funding structures. There is a benefit from global operations as non-U.S. income is subject to local country tax rates that are significantly below the 35% U.S. statutory rate. These non-U.S. earnings have been indefinitely reinvested outside the U.S. and are not subject to current U.S. income tax. The rate of tax on our indefinitely reinvested non-U.S. earnings is below the 35% U.S. statutory rate because we have significant business operations subject to tax in countries where the tax on that income is lower than the U.S. statutory rate and because GE funds the majority of its non-U.S. operations through foreign companies that are subject to low foreign taxes.

We expect our ability to benefit from non-U.S. income taxed at less than the U.S. rate to continue, subject to changes in U.S. or foreign law, including the expiration of the U.S. tax law provision deferring tax on active financial services income, as discussed in Note 14 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report. In addition, since this benefit depends on management’s intention to indefinitely reinvest amounts outside the U.S., our tax provision will increase to the extent we no longer indefinitely reinvest foreign earnings.

Our benefits from lower-taxed global operations increased to $2.2 billion in 2012 from $2.1 billion in 2011 principally because of the realization of benefits for prior year losses and a decrease in current year losses for which there was not a full tax benefit. Our benefits from lower-taxed global operations declined to $2.1 billion in 2011 from $2.8 billion in 2010 principally because of lower earnings indefinitely reinvested in our operations subject to tax in countries where the tax on that income is lower than the U.S. statutory rate and a decrease in the benefit from audit resolutions. The benefit from lower-taxed global operations include in 2012 and in 2011 $0.1 billion, and in 2010 $0.4 billion due to audit resolutions. To the extent global interest rates and non-U.S. operating income increase we would expect tax benefits to increase, subject to management’s intention to indefinitely reinvest those earnings.

Our benefit from lower taxed global operations included the effect of the lower foreign tax rate on our indefinitely reinvested non-U.S. earnings which provided a tax benefit of $1.3 billion in 2012, $1.5 billion in 2011 and $2.0 billion in 2010. The tax benefit from non-U.S. income taxed at a local country rather than the U.S. statutory tax rate is reported in the effective tax rate reconciliation in the line “Tax on global earnings including exports.”

The decrease in the consolidated effective tax rate from 2011 to 2012 was due in significant part to the high effective tax rate in 2011 on the pre-tax gain on the NBC Universal (NBCU) transaction with Comcast Corporation (Comcast) discussed in Note 2 to the consolidated financial statements in Part II, Item 8, “Financial Statements and Supplemental Data” of this Form 10-K Report. This gain increased the 2011 consolidated effective tax rate by 12.8 percentage points. The effective tax rate was also lower due to the benefit of the high tax basis in the entity sold in the Business Properties disposition.

Cash income taxes paid in 2012 were $3.2 billion, reflecting the effects of changes to temporary differences between the carrying amount of assets and liabilities and their tax bases and the timing of tax payments to governments.

The increase in the consolidated effective tax rate from 2010 to 2011 was due in significant part to the high effective tax rate on the pre-tax gain on the NBCU transaction with Comcast discussed above and in Note 2. The effective tax rate was also higher because of the increase in 2011 of income in higher taxed jurisdictions. This decreased the relative effect of our tax benefits from lower-taxed global operations. In addition, the consolidated income tax rate increased from 2010 to 2011 due to the decrease, discussed above, in the benefit from lower-taxed global operations and the lower benefit from audit resolutions.

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On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted and the law extended several provisions, including a two year extension of the U.S. tax provision deferring tax on active financial services income retroactive to January 1, 2012. Under accounting rules, a tax law change is taken into account in calculating the income tax provision in the period in which enacted. Because the extension was enacted into law after the end of 2012, tax expense for 2012 does not reflect retroactive extension of expired provisions.

A more detailed analysis of differences between the U.S. federal statutory rate and the consolidated rate, as well as other information about our income tax provisions, is provided in Note 14 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report. The nature of business activities and associated income taxes differ for GE and for GECC and a separate analysis of each is presented in the paragraphs that follow.

We believe that the GE effective tax rate is best analyzed in relation to GE earnings before income taxes excluding the GECC net earnings from continuing operations, as GE tax expense does not include taxes on GECC earnings. GE pre-tax earnings from continuing operations, excluding GECC earnings from continuing operations, were $9.5 billion, $12.6 billion and $12.0 billion for 2012, 2011 and 2010, respectively. The decrease in earnings reflects the non-repeat of the pre-tax gain on sale of NBCU and higher loss amortization related to our principal pension plans. On this basis, GE's effective tax rate was 21.3% in 2012, 38.3% in 2011 and 16.8% in 2010.

Resolution of audit matters reduced the GE effective tax rate throughout this period. The effects of such resolutions are included in the following captions in Note 14 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

	Audit resolutions – effect on GE tax rate, excluding GECC earnings		
	2012	2011	2010
Tax on global activities including exports	(0.7)%	(0.9)%	(3.3)%
U.S. business credits	–	(0.4)	(0.5)
All other – net	(0.9)	(0.7)	(0.8)
	(1.6)%	(2.0)%	(4.6)%

The GE effective tax rate decreased from 2011 to 2012 primarily because of the high effective tax rate in 2011 on the pre-tax gain on the NBCU transaction with Comcast reflecting the low tax basis in our investments in the NBCU business and the recognition of deferred tax liabilities related to our 49% investment in NBCUniversal LLC (NBCU LLC) (see Note 2). This gain increased the 2011 GE effective tax rate by 19.7 percentage points. Partially offsetting this decrease was an increase in the GE effective tax rate from 2011 to 2012 due to higher pre-tax income and to the decrease in the benefit from audit resolutions shown above.

The GE effective tax rate increased from 2010 to 2011 primarily because of the high effective tax rate on the pre-tax gain on the NBCU transaction with Comcast discussed above and in Note 2. In addition, the effective tax rate increased because of the decrease in the benefit from audit resolutions shown above.

The GECC effective income tax rate is lower than the U.S. statutory rate primarily because of benefits from lower-taxed global operations, including the use of global funding structures. There is a tax benefit from global operations as non-U.S. income is subject to local country tax rates that are significantly below the 35% U.S. statutory rate. These non-U.S. earnings have been indefinitely reinvested outside the U.S. and are not subject to current U.S. income tax. The rate of tax on our indefinitely reinvested non-U.S. earnings is below the 35% U.S. statutory rate because we have significant business operations subject to tax in countries where the tax on that income is lower than the U.S. statutory rate and because GECC funds the majority of its non-U.S. operations through foreign companies that are subject to low foreign taxes.

We expect our ability to benefit from non-U.S. income taxed at less than the U.S. rate to continue subject to changes of U.S. or foreign law, including the expiration of the U.S. tax law provision deferring tax on active financial services income, as discussed in Note 14 to the consolidated financial statements in Part II, Item 8. "Financial Statements and

Supplementary Data" of this Form 10-K Report. In addition, since this benefit depends on management's intention to indefinitely reinvest amounts outside the U.S., our tax provision will increase to the extent we no longer indefinitely reinvest foreign earnings.

As noted above, 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 formation of the NBCU 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 joint venture formation.

The GECC effective tax rate was 6.2% in 2012, compared with 11.8 % in 2011 and (45.8)% in 2010. Comparing a tax benefit to pre-tax income resulted in a negative tax rate in 2010. Our tax expense of $0.5 billion in 2012 decreased by $0.4 billion from $0.9 billion in 2011. The lower 2012 tax expense resulted principally from the benefit attributable to the high tax basis in the entity sold in the Business Property disposition ($0.3 billion), increased benefits from low taxed global operations ($0.3 billion) and the absence of the 2011 high-taxed disposition of Garanti Bank ($0.1 billion). Partially offsetting the decrease in tax expense was the absence in 2012 of the 2011 benefit from resolution of the 2006-2007 Internal Revenue Service (IRS) audit ($0.2 billion) which is reported in the caption "All other-net" in the effective tax rate reconciliation in Note 14 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report, and from higher pre-tax income in 2012 than in 2011, which increased pre-tax income $0.3 billion and increased the expense ($0.1 billion).

The GECC effective tax rate was 11.8% in 2011, compared with (45.8)% in 2010. Comparing a tax benefit to pre-tax income resulted in a negative tax rate in 2010. The GECC tax expense of $0.9 billion in 2011 increased by $1.9 billion from a $1.0 billion benefit in 2010. The higher 2011 tax expense resulted principally from higher pre-tax income in 2011 than in 2010 of $5.5 billion, which increased the tax expense ($1.9 billion). Also increasing the expense was a benefit from resolution of the 2006-2007 Internal Revenue Service (IRS) audit ($0.2 billion) that was less than the benefit from resolution of the 2003-2005 IRS audit ($0.3 billion) both of which are reported in the caption "All other-net" in the effective tax rate reconciliation in Note 14 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K.

Global Risk Management

A disciplined approach to risk is important in a diversified organization like ours in order to ensure that we are executing according to our strategic objectives and that we only accept risk for which we are adequately compensated. We evaluate risk at the individual transaction level, and evaluate aggregated risk at the customer, industry, geographic and collateral-type levels, where appropriate.

Risk assessment and risk management are the responsibility of management. The GE Board of Directors (Board) has oversight for risk management with a focus on the most significant risks facing the Company, including strategic, operational, financial and legal and compliance risks. At the end of each year, management and the Board jointly develop a list of major risks that GE plans to prioritize in the next year. Throughout the year, the Board and the committees to which it has delegated responsibility dedicate a portion of their meetings to review and discuss specific risk topics in greater detail. Strategic, operational and reputational risks are presented and discussed in the context of the CEO's report on operations to the Board at regularly scheduled Board meetings and at presentations to the Board and its committees by the vice chairmen, Chief Risk Officer (CRO), general counsel and other employees. The Board has delegated responsibility for the oversight of specific risks to Board committees as follows:

- The Risk Committee of the GE Board (GE Risk Committee) oversees GE's risk management of key risks, including strategic, operational (including product risk), financial (including credit, liquidity and exposure to broad market risk) and reputational risks, and the guidelines, policies and processes for monitoring and mitigating such risks. The GE Risk Committee also oversees risks related to GE Capital and jointly meets with the GECC Board of Directors (GECC Board) at least four times a year.

- The Audit Committee oversees GE's and GE Capital's policies and processes relating to the financial statements, the financial reporting process, compliance and auditing. The Audit Committee monitors ongoing compliance issues and matters, and also semi-annually conducts an assessment of compliance issues and programs. The Audit Committee jointly meets with the GECC Board once a year.

- The Public Responsibilities Committee oversees risk management related to GE's public policy initiatives, the environment and similar matters, and monitors the Company's environmental, health and safety compliance.

- The Management Development and Compensation Committee oversees the risk management associated with management resources, structure, succession planning, management development and selection processes, and includes a review of incentive compensation arrangements to confirm that incentive pay does not encourage unnecessary risk taking and to review and discuss, at least annually, the relationship between risk management policies and practices, corporate strategy and senior executive compensation.

- The Nominating and Corporate Governance Committee oversees risk related to the Company's governance structure and processes and risks arising from related-person transactions.

The GE Board's risk oversight process builds upon management's risk assessment and mitigation processes, which include standardized reviews of long-term strategic and operational planning; executive development and evaluation; code of conduct compliance under the Company's The Spirit & The Letter; regulatory compliance; health, safety and environmental compliance; financial reporting and controllership; and information technology and security. GE's CRO is responsible for overseeing and coordinating risk assessment and mitigation on an enterprise-wide basis. The CRO leads the Corporate Risk Function and is responsible for the identification of key business risks, providing for appropriate management of these risks within GE Board guidelines, and enforcement through policies and procedures. Management has two committees to further assist it in assessing and mitigating risk. The Corporate Risk Committee (CRC) meets at least four times per year, is chaired by the CRO and comprises the Chairman and CEO, vice chairmen, general counsel and other senior level business and functional leaders. It has principal responsibility for evaluating and addressing risks escalated to the CRO and Corporate Risk Function. The Policy Compliance Review Board met 16 times in 2012, is chaired by the Company's general counsel and includes the Chief Financial Officer and other senior level functional leaders. It has principal responsibility for monitoring compliance matters across the company.

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GE's Corporate Risk Function leverages the risk infrastructures in each of our businesses, which have adopted an approach that corresponds to the Company's overall risk policies, guidelines and review mechanisms. Our risk infrastructure operates at the business and functional levels and is designed to identify, evaluate and mitigate risks within each of the following categories:

- Strategic. Strategic risk relates to the Company's future business plans and strategies, including the risks associated with the markets and industries in which we operate, demand for our products and services, competitive threats, technology and product innovation, mergers and acquisitions and public policy.

- Operational. Operational risk relates to risks (systems, processes, people and external events) that affect the operation of our businesses. It includes product life cycle and execution, product safety and performance, information management and data protection and security, business disruption, human resources and reputation.

- Financial. Financial risk relates to our ability to meet financial obligations and mitigate credit risk, liquidity risk and exposure to broad market risks, including volatility in foreign currency exchange rates and interest rates and commodity prices. 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, and credit risk is the risk of financial loss arising from a customer or counterparty failure to meet its contractual obligations. We face credit risk in our industrial businesses, as well as in our GE Capital investing, lending and leasing activities and derivative financial instruments activities.

- Legal and Compliance. Legal and compliance risk relates to risks arising from the government and regulatory environment and action, compliance with integrity policies and procedures, including those relating to financial reporting, environmental health and safety, and intellectual property risks. Government and regulatory risk includes the risk that the government or regulatory actions will impose additional cost on us or cause us to have to change our business models or practices.

Risks identified through our risk management processes are prioritized and, depending on the probability and severity of the risk, escalated to the CRO. The CRO, in coordination with the CRC, assigns responsibility for the risks to the business or functional leader most suited to manage the risk. Assigned owners are required to continually monitor, evaluate and report on risks for which they bear responsibility. Enterprise risk leaders within each business and corporate function are responsible to present to the CRO and CRC risk assessments and key risks at least annually. We have general response strategies for managing risks, which categorize risks according to whether the Company will avoid, transfer, reduce or accept the risk. These response strategies are tailored to ensure that risks are within acceptable GE Board general guidelines.

Depending on the nature of the risk involved and the particular business or function affected, we use a wide variety of risk mitigation strategies, including delegation of authorities, standardized processes and strategic planning reviews, operating reviews, insurance, and hedging. As a matter of policy, we generally hedge the risk of fluctuations in foreign currency exchange rates, interest rates and commodity prices. Our service businesses employ a comprehensive tollgate process leading up to and through the execution of a contractual service agreement to mitigate legal, financial and operational risks. Furthermore, we centrally manage some risks by purchasing insurance, the amount of which is determined by balancing the level of risk retained or assumed with the cost of transferring risk to others. We manage the risk of fluctuations in economic activity and customer demand by monitoring industry dynamics and responding accordingly, including by adjusting capacity, implementing cost reductions and engaging in mergers, acquisitions and dispositions.

GE Capital Risk Management and Oversight

GE Capital acknowledges risk-taking as a fundamental characteristic of providing financial services. It is inherent to its business and arises in lending, leasing and investment transactions undertaken by GE Capital. GE Capital operates within the parameters of its established risk appetite in pursuit of its strategic goals and objectives.

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GE Capital has robust risk infrastructure and processes to manage risks related to its businesses, and the GE Corporate Risk Function relies upon them in fulfilling its mission.

The GE Risk Committee was established to oversee GE Capital's risk appetite, risk assessment and management processes. The GECC Board oversees the GE Capital risk management framework, and approves all significant acquisitions and dispositions as well as significant borrowings and investments. The GECC Board exercises oversight of investment activities in the business units through delegations of authority. All participants in the GE Capital risk management process must comply with approval limits established by the GECC Board.

The Enterprise Risk Management Committee (ERMC), which comprises the most senior leaders in GE Capital as well as the GE CRO, oversees the implementation of GE Capital's risk appetite, and senior management's establishment of appropriate systems (including policies, procedures, and management committees) to ensure enterprise risks are effectively identified, measured, monitored, and controlled. Day-to-day risk oversight for GE Capital is provided by an independent global risk management organization that includes the GE Capital corporate function in addition to independent risk officers embedded in the individual business units.

GE Capital's risk management approach rests upon three major tenets: a broad spread of risk based on managed exposure limits; senior secured commercial financings; and a hold-to-maturity model with transactions underwritten to "on-book" standards. Dedicated risk professionals across the businesses include underwriters, portfolio managers, collectors, environmental or engineering specialists, and specialized asset managers. The senior risk officers have, on average, over 25 years of experience.

GE Capital manages all risks relevant to its business environment, which if materialized, could prevent GE Capital from achieving its risk objectives and/or result in losses. These risks are defined as GE Capital's Enterprise Risk Universe, which includes the following risks: strategic, liquidity, credit and investment, market and operational (including financial, compliance, information technology, human resources and legal). Reputational risk is considered and managed across each of the categories. GE Capital continues to make significant investments in resources to enhance its evolving risk management infrastructure.

GE Capital's Corporate Risk function, in consultation with the ERMC, updates the Enterprise Risk Appetite Statement annually. This document articulates the enterprise risk objectives, its key universe of risks and the supporting limit structure. GE Capital's risk appetite is determined relative to its desired risk objectives, including, but not limited to credit ratings, capital levels, liquidity management, regulatory assessments, earnings, dividends and compliance. GE Capital determines its risk appetite through consideration of portfolio analytics, including stress testing and economic capital measurement, experience and judgment of senior risk officers, current portfolio levels, strategic planning, and regulatory and rating agency expectations.

The Enterprise Risk Appetite is presented to the GECC Board and the GE Risk Committee for review and approval at least annually. On a quarterly basis, the status of GE Capital's performance against these limits is reviewed by the GE Risk Committee.

GE Capital monitors its capital adequacy including through economic capital, regulatory capital and enterprise stress testing methodologies. GE Capital's economic capital methodology uses internal models to estimate potential unexpected losses across different portfolios with a confidence interval equivalent to an AA agency rating. Although GE Capital is not currently subject to risk-based capital standards, GE Capital estimates capital adequacy based on both the Basel 1 U.S. and Basel 3 International frameworks. GE Capital uses stress testing for risk, liquidity and capital adequacy assessment and management purposes, and as an integral part of GE Capital's overall planning processes. Stress testing results inform key strategic portfolio decisions such as capital allocation, assist in developing the risk appetite and limits, and help in assessing product specific risk to guide the development and modification of product structures. The GE Risk Committee and the GECC Board review stress test results and their expected impact on capital levels and metrics. The GE Risk Committee and the GECC Board are responsible for overseeing the overall capital adequacy process, as well as approving GE Capital's annual capital plan and capital actions. Operational risks are inherent in GE Capital's business activities and are typical of any large enterprise. GE Capital's operational risk management program seeks to effectively manage operational risk to reduce the potential for significant unexpected losses, and to minimize the impact of losses experienced in the normal course of business.

Key risk management policies are approved by the GECC Board and the GE Risk Committee at least annually. GE Capital, in coordination with the GE CRO, meets with the GE Risk Committee at least four times a year. At these meetings, GE Capital senior management focuses on the risk issues, strategy and governance of the business.

Additional information about our liquidity and how we manage this risk can be found in the Financial Resources and Liquidity section. Additional information about our credit risk and our portfolio can be found in the Financial Resources and Liquidity and Critical Accounting Estimates sections. Additional information about our market risk and how we manage this risk can be found in the Financial Resources and Liquidity section.

Segment Operations

On February 22, 2012, we merged our wholly-owned subsidiary, GECS, with and into GECS' wholly-owned subsidiary, GECC. Our financial services segment, GE Capital, continues to comprise the continuing operations of GECC, which now include the run-off insurance operations previously held and managed in GECS. Unless otherwise indicated, references to GECC and the GE Capital segment in this Form 10-K Report relate to the entity or segment as they exist subsequent to the February 22, 2012 merger.

Effective October 1, 2012, we reorganized the former Energy Infrastructure segment into three segments – Power & Water, Oil & Gas and Energy Management, and we began reporting these as separate segments beginning with this Form 10-K Report. We also reorganized our Home & Business Solutions segment by transferring our Intelligent Platforms business to Energy Management. Results for 2012 and prior periods in this Form 10-K Report are reported on this basis.

Results of our formerly consolidated subsidiary, NBCU, and our current equity method investment in NBCU LLC are reported in the Corporate items and eliminations line on the Summary of Operating Segments.

Our eight segments are focused on the broad markets they serve: Power & Water, Oil & Gas, Energy Management, Aviation, Healthcare, Transportation, Home & Business Solutions and GE Capital. In addition to providing information on segments in their entirety, we have also provided supplemental information about the businesses within GE Capital.

Segment profit is determined based on internal performance measures used by the Chief Executive Officer to assess the performance of each business in a given period. In connection with that assessment, the Chief Executive Officer may exclude matters such as charges for restructuring; rationalization and other similar expenses; acquisition costs and other related charges; technology and product development costs; certain gains and losses from acquisitions or dispositions; and litigation settlements or other charges, responsibility for which preceded the current management team.

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Segment profit excludes results reported as discontinued operations, earnings attributable to noncontrolling interests of consolidated subsidiaries, GECC preferred stock dividends declared and accounting changes. Segment profit excludes or includes interest and other financial charges and income taxes according to how a particular segment's management is measured. These costs are excluded in determining segment profit, which we sometimes refer to as "operating profit," for Power & Water, Oil & Gas, Energy Management, Aviation, Healthcare, Transportation, and Home & Business Solutions and are included in determining segment profit, which we sometimes refer to as "net earnings," for GE Capital. Certain corporate costs, such as shared services, employee benefits and information technology are allocated to our segments based on usage. A portion of the remaining corporate costs are allocated based on each segment's relative net cost of operations. Prior to January 1, 2011, segment profit excluded the effects of principal pension plans. Beginning January 1, 2011, we began allocating service costs related to our principal pension plans and no longer allocate the retiree costs of our postretirement healthcare benefits to our segments. This revised allocation methodology better aligns segment operating costs to the active employee costs, which are managed by the segments. This change does not significantly affect reported segment results.

We have reclassified certain prior-period amounts to conform to the current-period presentation. For additional information about our segments, see Part I, Item 1. "Business" and Note 28 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Summary of Operating Segments

	General Electric Company and consolidated affiliates				
(In millions)	2012	2011	2010	2009	2008
Revenues(a)					
Power & Water	$ 28,299	$ 25,675	$ 24,779	$ 27,389	$ 28,537
Oil & Gas	15,241	13,608	9,433	9,683	9,886
Energy Management	7,412	6,422	5,161	5,223	6,427
Aviation	19,994	18,859	17,619	18,728	19,239
Healthcare	18,290	18,083	16,897	16,015	17,392
Transportation	5,608	4,885	3,370	3,827	5,016
Home & Business Solutions	7,967	7,693	7,957	7,816	9,304
Total industrial segment revenues	102,811	95,225	85,216	88,681	95,801
GE Capital	46,039	49,068	49,856	51,776	68,541
Total segment revenues	148,850	144,293	135,072	140,457	164,342
Corporate items and eliminations(b)	(1,491)	2,995	14,495	13,939	15,427
Consolidated revenues	$ 147,359	$ 147,288	$ 149,567	$ 154,396	$ 179,769
Segment profit					
Power & Water	$ 5,422	$ 5,021	$ 5,804	$ 5,592	$ 4,563
Oil & Gas	1,924	1,660	1,406	1,440	1,555
Energy Management	131	78	156	144	478
Aviation	3,747	3,512	3,304	3,923	3,684
Healthcare	2,920	2,803	2,741	2,420	2,851
Transportation	1,031	757	315	473	962
Home & Business Solutions	311	237	404	360	287
Total industrial segment profit	15,486	14,068	14,130	14,352	14,380
GE Capital	7,401	6,584	3,120	1,253	7,470
Total segment profit	22,887	20,652	17,250	15,605	21,850
Corporate items and eliminations(b)	(4,842)	(287)	(1,013)	(507)	1,516
GE interest and other financial charges	(1,353)	(1,299)	(1,600)	(1,478)	(2,153)
GE provision for income taxes	(2,013)	(4,839)	(2,024)	(2,739)	(3,427)
Earnings from continuing operations attributable to the company	14,679	14,227	12,613	10,881	17,786
Earnings (loss) from discontinued operations, net of taxes	(1,038)	(76)	(969)	144	(376)

Consolidated net earnings attributable to the Company	$	13,641	$	14,151	$	11,644	$	11,025	$	17,410

(a) Segment revenues includes both revenues and other income related to the segment.
(b) Includes the results of NBCU, our formerly consolidated subsidiary, and our current equity method investment in NBCUniversal LLC.

See accompanying notes to consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Power & Water revenues of $28.3 billion increased $2.6 billion, or 10%, in 2012 as higher volume ($3.4 billion), driven by an increase in sales of equipment at Wind, and an increase in other income ($0.2 billion) were partially offset by the effects of the stronger U.S. dollar ($0.6 billion) and lower prices ($0.4 billion).

Segment profit of $5.4 billion increased $0.4 billion, or 8%, in 2012 as higher volume ($0.7 billion), increased other income ($0.2 billion) and the impacts of deflation ($0.1 billion), were partially offset by lower prices ($0.4 billion), lower productivity ($0.1 billion) and the effects of the stronger U.S. dollar ($0.1 billion).

Power & Water revenues of $25.7 billion increased $0.9 billion (including $0.3 billion from acquisitions), or 4%, in 2011 as higher volume ($0.9 billion) and the effects of the weaker U.S. dollar ($0.4 billion) were partially offset by lower prices ($0.5 billion).

Segment profit of $5.0 billion decreased $0.8 billion, or 13%, in 2011 as lower productivity ($0.7 billion), and lower prices ($0.5 billion), driven primarily by Wind, were partially offset by higher volume ($0.2 billion) and the effects of deflation ($0.1 billion).

Power & Water segment orders decreased 10% to $24.2 billion in 2012. Total Power & Water backlog increased 1% to $58.8 billion at December 31, 2012, composed of equipment backlog of $8.6 billion and services backlog of $50.2 billion. Comparable December 31, 2011 equipment and service order backlogs were $12.0 billion and $45.9 billion, respectively. See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

Oil & Gas revenues of $15.2 billion increased $1.6 billion (including $0.7 billion from acquisitions), or 12%, in 2012 as higher volume ($2.3 billion) driven by acquisitions and an increase in sales of both equipment and services was partially offset by the effects of the stronger U.S. dollar ($0.7 billion).

Segment profit of $1.9 billion increased $0.3 billion, or 16%, in 2012 as higher volume ($0.3 billion) and increased productivity ($0.1 billion), reflecting increased equipment margins, were partially offset by the effects of the stronger U.S. dollar ($0.1 billion).

Oil & Gas revenues of $13.6 billion increased $4.2 billion (including $2.9 billion from acquisitions), or 44%, in 2011 as higher volume ($3.8 billion) and the effects of the weaker U.S. dollar ($0.4 billion) were partially offset by lower prices ($0.1 billion).

Segment profit of $1.7 billion increased $0.3 billion, or 18%, in 2011 as higher volume ($0.6 billion) was partially offset by lower productivity ($0.3 billion) and lower prices ($0.1 billion).

Oil & Gas segment orders increased 16% to $18.2 billion in 2012. Total Oil & Gas backlog increased 24% to $14.8 billion at December 31, 2012, composed of equipment backlog of $10.2 billion and services backlog of $4.5 billion. Comparable December 31, 2011 equipment and service order backlogs were $8.5 billion and $3.5 billion, respectively. See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

Energy Management revenues of $7.4 billion increased $1.0 billion (including $1.0 billion from acquisitions), or 15%, in 2012 as higher volume ($1.1 billion) primarily driven by acquisitions, higher prices ($0.1 billion) and increased other income ($0.1 billion) were partially offset by the effects of the stronger U.S. dollar ($0.2 billion).

Segment profit of $0.1 billion increased $0.1 billion, or 68%, in 2012 as a result of higher prices ($0.1 billion) and increased other income ($0.1 billion).

Energy Management revenues of $6.4 billion increased $1.3 billion (including $0.8 billion from acquisitions), or 24%, in 2011 as higher volume ($1.2 billion) mainly driven by acquisitions and the effects of the weaker U.S. dollar ($0.1 billion) and higher prices ($0.1 billion) were partially offset by decreased other income ($0.1 billion).

Segment profit of $0.1 billion decreased $0.1 billion, or 50%, in 2011 as the results of inflation ($0.1 billion) and decreased other income ($0.1 billion) were partially offset by higher prices ($0.1 billion).

Energy Management segment orders increased 16% to $7.9 billion in 2012. Total Energy Management backlog increased 6% to $3.8 billion at December 31, 2012, composed of equipment backlog of $3.2 billion and services backlog of $0.6 billion. Comparable December 31, 2011 equipment and service order backlogs were $2.8 billion and $0.8 billion, respectively. See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

Aviation revenues of $20.0 billion increased $1.1 billion, or 6%, in 2012 due primarily to higher prices ($0.8 billion) and higher volume ($0.4 billion), which were driven by increased commercial and military engine sales.

Segment profit of $3.7 billion increased $0.2 billion, or 7%, in 2012 due primarily to higher prices ($0.8 billion) and higher volume ($0.1 billion), partially offset by higher inflation ($0.3 billion) and lower productivity ($0.3 billion).

Aviation revenues of $18.9 billion increased $1.2 billion, or 7%, in 2011 due primarily to higher volume ($1.1 billion) and higher prices ($0.2 billion), partially offset by lower other income ($0.1 billion). Higher volume and higher prices were driven by increased services ($0.9 billion) and equipment sales ($0.4 billion). The increase in services revenue was primarily due to higher commercial spares sales while the increase in equipment revenue was primarily due to commercial engines.

Segment profit of $3.5 billion increased $0.2 billion, or 6%, in 2011 due primarily to higher volume ($0.2 billion) and higher prices ($0.2 billion), partially offset by higher inflation, primarily non-material related ($0.1 billion), and lower other income ($0.1 billion). Incremental research and development and GEnx product launch costs offset higher productivity.

Aviation equipment orders increased 8% to $13.0 billion in 2012. Total Aviation backlog increased 3% to $102.4 billion at December 31, 2012, composed of equipment backlog of $22.9 billion and services backlog of $79.5 billion. Comparable December 31, 2011 equipment and service order backlogs were $22.5 billion and $76.5 billion, respectively. See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

Healthcare revenues of $18.3 billion increased $0.2 billion, or 1%, in 2012 due to higher volume ($0.8 billion) and other income ($0.1 billion), partially offset by the stronger U.S. dollar ($0.4 billion) and lower prices ($0.3 billion). The revenue increase, driven by higher equipment sales, is attributable to international markets, with the strongest growth in emerging markets.

Segment profit of $2.9 billion increased $0.1 billion, or 4%, in 2012 reflecting increased productivity ($0.4 billion), higher volume ($0.1 billion) and other income ($0.1 billion), partially offset by lower prices ($0.3 billion) and higher inflation ($0.2 billion), primarily non-material related.

Healthcare revenues of $18.1 billion increased $1.2 billion, or 7%, in 2011 due to higher volume ($1.0 billion) and the weaker U.S. dollar ($0.4 billion), partially offset by lower prices ($0.3 billion). The revenue increase was split between equipment sales ($0.7 billion) and services ($0.5 billion). Revenue increased in the U.S. and international markets, with the strongest growth in emerging markets.

Segment profit of $2.8 billion increased 2%, or $0.1 billion, in 2011 reflecting increased productivity ($0.3 billion), higher volume ($0.2 billion) and the weaker U.S. dollar ($0.1 billion), partially offset by lower prices ($0.3 billion) and higher inflation ($0.1 billion), primarily non-material related.

Healthcare equipment orders increased 5% to $11.1 billion in 2012. Total Healthcare backlog increased 15% to $15.4 billion at December 31, 2012, composed of equipment backlog of $4.5 billion and services backlog of $10.9 billion. Comparable December 31, 2011 equipment and service order backlogs were $3.9 billion and $9.6 billion, respectively. See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

Transportation revenues of $5.6 billion increased $0.7 billion, or 15%, in 2012 due to higher volume ($0.6 billion) and higher prices ($0.1 billion). The revenue increase was split between equipment sales ($0.4 billion) and services ($0.3 billion). The increase in equipment revenue was primarily driven by an increase in U.S. locomotive sales and growth in our global mining equipment business. The increase in service revenue was due to higher overhauls and increased service productivity.

Segment profit of $1.0 billion increased $0.3 billion, or 36%, in 2012 as a result of higher volume ($0.1 billion), higher prices ($0.1 billion) and increased productivity ($0.1 billion), reflecting improved service margins.

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Transportation revenues of $4.9 billion increased $1.5 billion, or 45%, in 2011 due to higher volume ($1.5 billion) related to increased equipment sales ($0.9 billion) and services ($0.6 billion). The increase in equipment revenue was primarily driven by an increase in U.S. and international locomotive sales and growth in our global mining equipment business. The increase in service revenue was due to higher overhauls and increased service productivity.

Segment profit of $0.8 billion increased $0.4 billion, or over 100%, in 2011 as a result of increased productivity ($0.4 billion), reflecting improved service margins, and higher volume ($0.1 billion), partially offset by higher inflation ($0.1 billion).

Transportation equipment orders increased 35% to $3.0 billion in 2012. Total Transportation backlog decreased 5% to $14.4 billion at December 31, 2012, composed of equipment backlog of $3.3 billion and services backlog of $11.1 billion. Comparable December 31, 2011 equipment and service order backlogs were $3.3 billion and $11.8 billion, respectively. See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

Home & Business Solutions revenues of $8.0 billion increased $0.3 billion, or 4%, in 2012 reflecting an increase at Appliances partially offset by lower revenues at Lighting. Overall, revenues increased primarily as a result of higher prices ($0.3 billion) principally at Appliances, partially offset by lower volume ($0.1 billion).

Segment profit of $0.3 billion increased 31%, or $0.1 billion, in 2012 as higher prices ($0.3 billion) were partially offset by the effects of inflation ($0.2 billion) and lower productivity ($0.1 billion).

Home & Business Solutions revenues of $7.7 billion decreased $0.3 billion, or 3%, in 2011 reflecting a decrease at Appliances partially offset by higher revenues at Lighting. Overall, revenues decreased primarily as a result of lower volume ($0.4 billion) principally at Appliances, partially offset by the weaker U.S. dollar ($0.1 billion) and higher prices.

Segment profit of $0.2 billion decreased 41%, or $0.2 billion, in 2011 as the effects of inflation ($0.3 billion) were partially offset by the effects of the weaker U.S. dollar, increased productivity and higher prices. See Corporate Items and Elimination for a discussion of items not allocated to this segment.

GE Capital

(In millions)	2012	2011	2010
Revenues	$ 46,039	$ 49,068	$ 49,856
Segment profit	$ 7,401	$ 6,584	$ 3,120

December 31 (In millions)	2012	2011
Total assets	$ 539,223	$ 584,536

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(In millions)	2012	2011	2010
Revenues			
Commercial Lending and Leasing (CLL)	$ 16,857	$ 18,178	$ 18,447
Consumer	15,579	16,767	17,180
Real Estate	3,654	3,712	3,744
Energy Financial Services	1,508	1,223	1,957
GE Capital Aviation Services (GECAS)	5,294	5,262	5,127
Segment profit (loss)			
CLL	$ 2,423	$ 2,720	$ 1,554
Consumer	3,240	3,703	2,619
Real Estate	803	(928)	(1,741)
Energy Financial Services	432	440	367
GECAS	1,220	1,150	1,195

December 31 (In millions)	2012	2011
Total assets		
CLL	$ 182,432	$ 193,869
Consumer	138,997	138,534
Real Estate	46,247	60,873
Energy Financial Services	19,185	18,357
GECAS	49,420	48,821

GE Capital revenues decreased 6% and net earnings increased 12% in 2012 as compared with 2011. Revenues for 2012 included $0.1 billion from acquisitions and were reduced by $0.6 billion as a result of dispositions. Revenues also decreased as a result of organic revenues declines, primarily due to lower ENI, the stronger U.S. dollar, and the absence of the 2011 gain on sale of a substantial portion of our Garanti Bank equity investment (the Garanti Bank transaction). Net earnings increased by $0.8 billion in 2012, primarily due to lower impairments and core increases, including higher tax benefits, partially offset by the absence of the 2011 gain on the Garanti Bank transaction and operations. GE Capital net earnings in 2012 also included restructuring, rationalization and other charges of $0.1 billion and net losses of $0.2 billion related to our Treasury operations. GE Capital net earnings excluded $0.1 billion of preferred stock dividends declared in 2012.

GE Capital revenues decreased 2% and net earnings increased favorably in 2011 as compared with 2010. Revenues for 2011 and 2010 included $0.3 billion and $0.2 billion, respectively, from acquisitions and were reduced by $1.1 billion and $2.3 billion, respectively, as a result of dispositions. Revenues also increased as a result of the gain on the Garanti Bank transaction, the weaker U.S. dollar and higher gains and investment income, partially offset by reduced revenues from lower ENI. Net earnings increased by $3.5 billion in 2011, primarily due to lower provisions for losses on financing receivables, the gain on the Garanti Bank transaction and lower impairments. GE Capital net earnings in 2011 also included restructuring, rationalization and other charges of $0.1 billion and net losses of $0.2 billion related to our Treasury operations.

Additional information about certain GE Capital businesses follows.

CLL 2012 revenues decreased 7% and net earnings decreased 11% compared with 2011. Revenues were reduced by $0.4 billion as a result of dispositions. Revenues also decreased as a result of organic revenue declines ($0.6 billion), primarily due to lower ENI ($0.6 billion), and the stronger U.S. dollar ($0.3 billion). Net earnings decreased reflecting core decreases ($0.2 billion) and dispositions ($0.1 billion).

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CLL 2011 revenues decreased 1% and net earnings increased 75% compared with 2010. Revenues decreased as a result of organic revenue declines ($1.1 billion), primarily due to lower ENI, partially offset by the weaker U.S. dollar ($0.5 billion) and higher gains and investment income ($0.4 billion). Net earnings increased in 2011, reflecting lower provisions for losses on financing receivables ($0.6 billion), higher gains and investment income ($0.3 billion), core increases ($0.2 billion) and lower impairments ($0.1 billion).

Consumer 2012 revenues decreased 7% and net earnings decreased 13% compared with 2011. Revenues included $0.1 billion from acquisitions and were reduced by $0.1 billion as a result of dispositions. Revenues in 2012 also decreased as a result of the absence of the 2011 gain on the Garanti Bank transaction ($0.7 billion), the stronger U.S. dollar ($0.4 billion) and organic revenue declines ($0.2 billion). The decrease in net earnings resulted primarily from the absence of the 2011 gain on the Garanti Bank transaction and operations ($0.4 billion), dispositions ($0.1 billion) and core decreases, which included higher provisions for losses on financing receivables ($0.2 billion). The higher provisions for losses on financing receivables reflected the use of a more granular portfolio segmentation approach, by loss type, in determining the incurred loss period in our U.S. Installment and Revolving Credit portfolio.

Consumer 2011 revenues decreased 2% and net earnings increased 41% compared with 2010. Revenues included $0.3 billion from acquisitions and were reduced by $0.4 billion as a result of dispositions. Revenues in 2011 also decreased $0.3 billion as a result of organic revenue declines ($1.4 billion), primarily due to lower ENI, and higher impairments ($0.1 billion), partially offset by the gain on the Garanti Bank transaction ($0.7 billion), the weaker U.S. dollar ($0.5 billion) and higher gains ($0.1 billion). The increase in net earnings resulted primarily from lower provisions for losses on financing receivables ($1.0 billion), the gain on the Garanti Bank transaction ($0.3 billion), acquisitions ($0.1 billion) and the weaker U.S. dollar ($0.1 billion), partially offset by lower Garanti results ($0.2 billion), and core decreases ($0.2 billion).

Real Estate 2012 revenues decreased 2% and net earnings were favorable compared with 2011. Revenues decreased as a result of organic revenue declines ($0.2 billion), primarily due to lower ENI, and the stronger U.S. dollar ($0.1 billion), partially offset by increases in net gains on property sales ($0.2 billion). Real Estate net earnings increased as a result of lower impairments ($0.7 billion), core increases ($0.7 billion) including higher tax benefits of $0.5 billion, lower provisions for losses on financing receivables ($0.2 billion) and increases in net gains on property sales ($0.1 billion). Depreciation expense on real estate equity investments totaled $0.8 billion and $0.9 billion in 2012 and 2011, respectively.

Real Estate 2011 revenues decreased 1% and net earnings increased 47% compared with 2010. Revenues decreased as organic revenue declines ($0.4 billion), primarily due to lower ENI, were partially offset by increases in net gains on property sales ($0.2 billion) and the weaker U.S. dollar ($0.1 billion). Real Estate net earnings increased compared with 2010, as lower impairments ($0.7 billion), a decrease in provisions for losses on financing receivables ($0.4 billion) and increases in net gains on property sales ($0.2 billion) were partially offset by core declines ($0.4 billion). Depreciation expense on real estate equity investments totaled $0.9 billion and $1.0 billion in 2011 and 2010, respectively.

Energy Financial Services 2012 revenues increased 23% and net earnings decreased 2% compared with 2011. Revenues increased primarily as a result of organic revenue growth ($0.3 billion), including the consolidation of an entity involved in power generating activities and asset sales by investees, and higher gains.

Energy Financial Services 2011 revenues decreased 38% and net earnings increased 20% compared with 2010. Revenues decreased primarily as a result of the deconsolidation of Regency Energy Partners L.P. (Regency) ($0.7 billion) and organic revenue declines ($0.3 billion), primarily from an asset sale in 2010 by an investee. These decreases were partially offset by higher gains ($0.2 billion). The increase in net earnings resulted primarily from higher gains ($0.2 billion), partially offset by the deconsolidation of Regency ($0.1 billion) and core decreases, primarily from an asset sale in 2010 by an investee.

GECAS 2012 revenues increased 1% and net earnings increased 6% compared with 2011. Revenues increased as a result of organic revenue growth ($0.2 billion) and higher gains, partially offset by higher impairments ($0.2 billion).

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The increase in net earnings resulted primarily from core increases ($0.1 billion) and higher gains, partially offset by higher impairments ($0.1 billion).

GECAS 2011 revenues increased 3% and net earnings decreased 4% compared with 2010. Revenues for 2011 increased compared with 2010 as a result of organic revenue growth ($0.1 billion). The decrease in net earnings resulted primarily from core decreases ($0.1 billion), reflecting the 2010 benefit from resolution of the 2003-2005 IRS audit, partially offset by lower impairments ($0.1 billion).

Corporate Items and Eliminations

(In millions)	2012	2011	2010
Revenues			
NBCU/NBCU LLC	$ 1,615	$ 5,686	$ 16,901
Gains (losses) on disposed or held for sale businesses	186	-	105
Eliminations and other	(3,292)	(2,691)	(2,511)
Total	$ (1,491)	$ 2,995	$ 14,495
Operating profit (cost)			
NBCU/NBCU LLC	1,615	4,535	2,261
Gains (losses) on disposed or held for sale businesses	186	-	105
Principal retirement plans(a)	(3,098)	(1,898)	(493)
Unallocated corporate and other costs	(3,545)	(2,924)	(2,886)
Total	$ (4,842)	$ (287)	$ (1,013)

(a) Included non-operating pension income (cost) for our principal pension plans (non-GAAP) of $(2.1) billion, $(1.1) billion and $0.3 billion in 2012, 2011 and 2010, respectively, which includes expected return on plan assets, interest costs and non-cash amortization of actuarial gains and losses.

Revenues of $(1.5) billion decreased $4.5 billion in 2012 as $4.1 billion of lower NBCU/NBCU LLC related revenues (primarily due to the non-repeat of the pre-tax gain on the NBCU transaction and the deconsolidation of NBCU in 2011, partially offset by higher earnings at NBCU LLC due to a gain on disposition in 2012) and $0.1 billion of pre-tax losses related to the sale of a plant in the U.K. were partially offset by $0.3 billion of gains on the formation of a joint venture at Aviation. Operating costs of $4.8 billion increased $4.6 billion in 2012 as $2.9 billion of lower NBCU/NBCU LLC related earnings (primarily due to the non-repeat of the 2011 gain related to the NBCU transaction, partially offset by earnings at NBCU LLC due to a gain on disposition in 2012), $1.2 billion of higher costs of our principal retirement plans and $0.4 billion of higher research and development spending and global corporate costs were partially offset by $0.2 billion of lower restructuring and other charges.

Revenues of $3.0 billion decreased $11.5 billion in 2011 as a $14.9 billion reduction in revenues from NBCU LLC operations resulting from the deconsolidation of NBCU effective January 28, 2011 and $0.1 billion of lower revenues from other disposed businesses were partially offset by a $3.7 billion pre-tax gain related to the NBCU transaction. Operating costs of $0.3 billion decreased by $0.7 billion in 2011 as $3.6 billion of higher gains from disposed businesses, primarily the NBCU transaction, and a $0.6 billion decrease in restructuring, rationalization, acquisition-related and other charges were partially offset by $1.4 billion of higher costs of our principal retirement plans, $1.4 billion of lower earnings from NBCU/NBCU LLC operations and a $0.6 billion increase in research and development spending and global corporate costs.

Certain amounts included in Corporate items and eliminations cost are not allocated to GE operating segments because they are excluded from the measurement of their operating performance for internal purposes. For 2012, these included $0.3 billion of gain related to formation of a joint venture at Aviation and $0.5 billion of costs at Healthcare, $0.3 billion of costs at Aviation, $0.2 billion of costs at each of Power & Water and Energy Management, and $0.1 billion of costs at each of Oil & Gas, Home & Business Solutions and Transportation, primarily for technology and product development costs and restructuring, rationalization and other charges.

For 2011, these included $0.3 billion at Oil & Gas and $0.1 billion at Energy Management for acquisition-related costs and $0.4 billion at Healthcare, $0.2 billion at Power & Water, $0.2 billion at Aviation and $0.1 billion at each of Energy Management, Oil & Gas, Home & Business Solutions and Transportation, primarily for technology and product development costs and restructuring, rationalization and other charges. For 2010, these included $0.4 billion at Healthcare, $0.2 billion at Home & Business Solutions, and $0.1 billion at each of Energy Management, Power & Water and Aviation, primarily for technology and product development costs and restructuring, rationalization and other charges.

Discontinued Operations

(In millions)	2012	2011	2010
Earnings (loss) from discontinued operations, net of taxes	$ (1,038)	$ (76)	$ (969)

Discontinued operations primarily comprised GE Money Japan, WMC, BAC, Consumer RV Marine, Consumer Mexico, Consumer Singapore, Australian Home Lending and Consumer Ireland. Associated results of operations, financial position and cash flows are separately reported as discontinued operations for all periods presented.

In 2012, loss from discontinued operations, net of taxes, primarily reflected a $0.6 billion after-tax effect of incremental reserves for excess interest claims related to our loss-sharing arrangement on the 2008 sale of GE Money Japan, a $0.3 billion after-tax effect of incremental reserves related to retained representation and warranty obligations to repurchase previously sold loans on the 2007 sale of WMC and a $0.2 billion loss (which includes a $0.1 billion loss on disposal) related to Consumer Ireland, partially offset by a $0.1 billion tax benefit related to the resolution with the IRS regarding the tax treatment of the 2007 sale of our Plastics business.

In 2011, loss from discontinued operations, net of taxes, included a $0.2 billion loss from operations at Consumer Ireland, a $0.2 billion after-tax effect of incremental reserves for excess interest claims related to our loss-sharing arrangement on the 2008 sale of GE Money Japan and a $0.1 billion loss on the sale of Australian Home Lending, partially offset by a $0.3 billion gain related to the sale of Consumer Singapore and $0.1 billion of earnings from operations at Australian Home Lending.

In 2010, loss from discontinued operations, net of taxes, primarily reflected the after-tax effect of incremental reserves for excess interest claims related to our loss-sharing arrangement on the 2008 sale of GE Money Japan of $1.7 billion, estimated after-tax losses of $0.2 billion and $0.1 billion on the planned sales of Consumer Mexico and Consumer RV Marine, respectively, and a $0.1 billion loss from operations at Consumer Ireland, partially offset by an after-tax gain on the sale of BAC of $0.8 billion and earnings from operations at Consumer Mexico of $0.2 billion and at BAC of $0.1 billion.

For additional information related to discontinued operations, see Note 2 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Geographic Operations

Our global activities span all geographic regions and primarily encompass manufacturing for local and export markets, import and sale of products produced in other regions, leasing of aircraft, sourcing for our plants domiciled in other global regions 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 opportunities that include, among other things, more opportunities for expansion of industrial and financial services activities through purchases of companies or assets at reduced prices and lower U.S. debt financing costs.

Revenues are classified according to the region to which products and services are sold. For purposes of this analysis, the U.S. is presented separately from the remainder of the Americas.

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Geographic Revenues

(In billions)	2012	2011	2010
U.S.	$ 70.4	$ 69.8	$ 75.1
Europe	27.4	29.0	30.9
Pacific Basin	24.5	23.2	20.8
Americas	13.2	13.3	11.7
Middle East and Africa	11.9	12.0	11.1
Total	$ 147.4	$ 147.3	$ 149.6

Global revenues were $76.9 billion in 2012, compared with $77.5 billion and $74.5 billion in 2011 and 2010, respectively. Global revenues to external customers as a percentage of consolidated revenues were 52% in 2012, compared with 53% in 2011 and 50% in 2010. The effects of currency fluctuations on reported results decreased revenues by $2.6 billion in 2012 and increased revenues by $2.5 billion and $0.5 billion in 2011 and 2010, respectively.

GE global revenues, excluding GECC, in 2012 were $57.3 billion, up 5% over 2011. Increases in growth markets of 20% in China, 22% in Australia and New Zealand and 8% in Latin America more than offset a decrease of 36% in India. These revenues as a percentage of GE total revenues, excluding GECC, were 57% in 2012, compared with 55% and 50% in 2011 and 2010, respectively. GE global revenues, excluding GECC, were $54.3 billion in 2011, up 9% from 2010, primarily resulting from increases in Latin America, China and Australia and New Zealand, partially offset by a decrease in Europe.

GECC global revenues decreased 15% to $19.7 billion in 2012, compared with $23.2 billion and $24.7 billion in 2011 and 2010, respectively, primarily as a result of decreases in Europe. GECC global revenues as a percentage of total GECC revenues were 43% in 2012, compared with 47% and 50% in 2011 and 2010, respectively. GECC global revenue decreased by 6% in 2011 from $24.7 billion in 2010, primarily as a result of decreases in Europe.

Total Assets (continuing operations)

December 31 (In billions)	2012	2011
U.S.	$ 346.6	$ 336.6
Europe	192.8	212.5
Pacific Basin	56.4	62.3
Americas	33.6	46.7
Middle East and Africa	54.8	58.4
Total	$ 684.2	$ 716.5

Total assets of global operations on a continuing basis were $337.6 billion in 2012, a decrease of $42.3 billion, or 11%, from 2011. GECC global assets on a continuing basis of $277.6 billion at the end of 2012 were 13% lower than at the end of 2011, reflecting declines in Europe, primarily due to repayment of long-term debt, decreases in the fair value of derivative instruments and dispositions and portfolio run-off in various businesses at Consumer. See GECC Selected European Exposures section of this Item.

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 pound sterling, the euro, the Japanese yen, the Canadian dollar and the Australian dollar.

Environmental Matters

Our operations, like operations of other companies engaged in similar businesses, involve the use, disposal and cleanup of substances regulated under environmental protection laws. We are involved in a number of remediation actions to clean up hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site. Expenditures for site remediation actions amounted to approximately $0.4 billion in 2012, $0.3 billion in 2011 and $0.2 billion in 2010. We presently expect that such remediation actions will require average annual expenditures of about $0.4 billion for each of the next two years.

In 2006, we entered into a consent decree with the Environmental Protection Agency (EPA) to dredge PCB-containing sediment from the upper Hudson River. The consent decree provided that the dredging would be performed in two phases. Phase 1 was completed in May through November of 2009. Between Phase 1 and Phase 2 there was an intervening peer review by an independent panel of national experts. The panel evaluated the performance of Phase 1 dredging operations with respect to Phase 1 Engineering Performance Standards and recommended proposed changes to the standards. On December 17, 2010, EPA issued its decision setting forth the final performance standards for Phase 2 of the Hudson River dredging project, incorporating aspects of the recommendations from the independent peer review panel and from GE. In December 2010, we agreed to perform Phase 2 of the project in accordance with the final performance standards set by EPA and increased our reserve by $0.8 billion in the fourth quarter of 2010 to account for the probable and estimable costs of completing Phase 2. In 2011, we completed the first year of Phase 2 dredging and commenced work on planned upgrades to the Hudson River wastewater processing facility. Over the past two years we have dredged 1.0 million cubic yards from the river and based upon that result and our best professional engineering judgment, we believe that our current reserve continues to reflect our probable and estimable costs for the remainder of Phase 2 of the dredging project.

Financial Resources and Liquidity

This discussion of financial resources and liquidity addresses the Statement of Financial Position, Liquidity and Borrowings, Debt and Derivative Instruments, Guarantees and Covenants, the Consolidated Statement of Changes in Shareowners' Equity, the Statement of Cash Flows, Contractual Obligations, and Variable Interest Entities.

Overview of Financial Position

Major changes to our shareowners' equity are discussed in the Shareowners' Equity section. In addition, other significant changes to balances in our Statement of Financial Position follow.

Statement of Financial Position

Because GE and GECC share certain significant elements of their Statements of Financial Position – property, plant and equipment and borrowings, for example – the following discussion addresses significant captions in the consolidated statement. Within the following discussions, however, we distinguish between GE and GECC activities in order to permit meaningful analysis of each individual consolidating statement.

Investment securities 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, investment securities 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. The fair value of investment securities increased to $48.5 billion at December 31, 2012 from $47.4 billion at December 31, 2011, primarily due to the impact of lower interest rates and improved market conditions. Of the amount at December 31, 2012, we held debt securities with an estimated fair value of $47.6 billion, which included corporate debt securities, asset-backed securities (ABS), residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) with estimated fair values of $26.6 billion, $5.7 billion, $2.3 billion and $3.1 billion, respectively. Net unrealized gains on debt securities were $4.8 billion and $3.0 billion at December 31, 2012 and December 31, 2011, respectively. This amount included unrealized losses on corporate debt securities, ABS, RMBS and CMBS of $0.4 billion, $0.1 billion, $0.1 billion and $0.1 billion, respectively, at December 31, 2012, as compared with $0.6 billion, $0.2 billion, $0.3 billion and $0.2 billion, respectively, at December 31, 2011.

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We regularly review investment securities for impairment using both qualitative and quantitative criteria. For debt securities, our qualitative review considers our intent to sell the security and the financial health of and specific prospects for the issuer, including whether the issuer is in compliance with the terms and covenants of the security. Our quantitative review considers whether there has been an adverse change in expected future cash flows. Unrealized losses are not indicative of the amount of credit loss that would be recognized. 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 the vast majority of these securities before recovery of our amortized cost. For equity securities, we consider the length of time and magnitude of the amount that each security is in an unrealized loss position. We believe that the unrealized loss associated with our equity securities will be recovered within the foreseeable future. Uncertainty in the capital markets may cause increased levels of other-than-temporary impairments. For additional information relating to how credit losses are calculated, see Note 3 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Our RMBS portfolio is collateralized primarily by pools of individual, direct mortgage loans (a majority of which were originated in 2006 and 2005), not other structured products such as collateralized debt obligations. Substantially all of our RMBS are in a senior position in the capital structure of the deals and more than 70% are agency bonds or insured by Monoline insurers (Monolines) (on which we continue to place reliance). Of our total RMBS portfolio at both December 31, 2012 and 2011, approximately $0.5 billion relates to residential subprime credit, primarily supporting our guaranteed investment contracts. A majority of this exposure is related to investment securities backed by mortgage loans originated in 2006 and 2005. Substantially all of the subprime RMBS were investment grade at the time of purchase and approximately 70% have been subsequently downgraded to below investment grade.

Our CMBS portfolio is collateralized by both diversified pools of mortgages that were originated for securitization (conduit CMBS) and pools of large loans backed by high quality properties (large loan CMBS), a majority of which were originated in 2007 and 2006. The vast majority of the securities in our CMBS portfolio have investment grade credit ratings and the vast majority of the securities are in a senior position in the capital structure of the deals.

Our ABS portfolio is collateralized by senior secured loans of high-quality, middle-market companies in a variety of industries, as well as a variety of diversified pools of assets such as student loans and credit cards. The vast majority of the securities in our ABS portfolio are in a senior position in the capital structure of the deals. In addition, substantially all of the securities that are below investment grade are in an unrealized gain position.

If there has been an adverse change in cash flows for RMBS, management considers credit enhancements such as Monoline insurance (which are features of a specific security). In evaluating the overall creditworthiness of the Monoline, we use an analysis that is similar to the approach we use for corporate bonds, including an evaluation of the sufficiency of the Monoline’s cash reserves and capital, ratings activity, whether the Monoline is in default or default appears imminent, and the potential for intervention by an insurance or other regulator.

Monolines provide credit enhancement for certain of our investment securities, primarily RMBS and municipal securities. The credit enhancement is a feature of each specific security that guarantees the payment of all contractual cash flows, and is not purchased separately by GE. The Monoline industry continues to experience financial stress from increasing delinquencies and defaults on the individual loans underlying insured securities. We continue to rely on Monolines with adequate capital and claims paying resources. We have reduced our reliance on Monolines that do not have adequate capital or have experienced regulator intervention. At December 31, 2012, our investment securities insured by Monolines on which we continue to place reliance were $1.4 billion, including $0.2 billion of our $0.5 billion investment in subprime RMBS. At December 31, 2012, the unrealized loss associated with securities subject to Monoline credit enhancement, for which there is an expected credit loss, was $0.2 billion.

Total pre-tax, other-than-temporary impairment losses during 2012 were $0.2 billion, of which $0.1 billion was recognized in earnings and primarily relates to credit losses on non-U.S. corporate, U.S. corporate and RMBS securities and other-than-temporary losses on equity securities and $0.1 billion primarily relates to non-credit related losses on RMBS and is included within accumulated other comprehensive income (AOCI).

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Total pre-tax, other-than-temporary impairment losses during 2011 were $0.5 billion, of which $0.4 billion was recognized in earnings and primarily relates to credit losses on non-U.S. government and non-U.S. corporate securities and other-than-temporary losses on equity securities and $0.1 billion primarily relates to non-credit related losses on RMBS and is included within AOCI.

At December 31, 2012 and December 31, 2011, unrealized losses on investment securities totaled $0.8 billion and $1.6 billion, respectively, including $0.8 billion and $1.2 billion, respectively, aged 12 months or longer. Of the amount aged 12 months or longer at December 31, 2012, more than 64% are debt securities that were considered to be investment grade by the major rating agencies. In addition, of the amount aged 12 months or longer, $0.3 billion and $0.4 billion related to structured securities (mortgage-backed and asset-backed) and corporate debt securities, respectively. With respect to our investment securities that are in an unrealized loss position at December 31, 2012, the majority relate to debt securities held to support obligations to holders of GICs. 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. For additional information, see Note 3 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Fair Value Measurements. For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Additional information about our application of this guidance is provided in Notes 1 and 21 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report. At December 31, 2012, the aggregate amount of investments that are measured at fair value through earnings totaled $5.1 billion and consisted primarily of various assets held for sale in the ordinary course of business, as well as equity investments.

Working capital, representing GE current receivables and inventories, less GE accounts payable and progress collections, increased $1.0 billion at December 31, 2012, compared to December 31, 2011 due to an increase in inventory and lower progress collections, partially offset by decreased accounts receivable. As Power & Water, Oil & Gas and Aviation deliver units out of their backlogs over the next few years, progress collections of $10.9 billion at December 31, 2012, will be earned, which, along with progress collections on new orders, will impact working capital. We discuss current receivables and inventories, two important elements of working capital, in the following paragraphs.

Current receivables for GE totaled to $10.9 billion at the end of 2012 and $11.8 billion at the end of 2011, and included $7.9 billion due from customers at the end of 2012 compared with $9.0 billion at the end of 2011. GE current receivables turnover was 8.8 in 2012, compared with 8.3 in 2011.

Inventories for GE totaled to $15.3 billion at December 31, 2012, up $1.6 billion from the end of 2011. This increase reflected higher inventories across all industrial segments. GE inventory turnover was 6.7 and 7.0 in 2012 and 2011, respectively. See Note 5 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Financing receivables is our largest category of assets and represents one of our primary sources of revenues. Our portfolio of financing receivables is diverse and not directly comparable to major U.S. banks. A discussion of the quality of certain elements of the financing receivables portfolio follows.

Our consumer portfolio is composed primarily of non-U.S. mortgage, sales finance, auto and personal loans in various European and Asian countries and U.S. consumer credit card and sales finance receivables. In 2007, we exited the U.S. mortgage business and we have no U.S. auto or student loans.

Our commercial portfolio primarily comprises senior secured positions with comparatively low loss history. The secured receivables in this portfolio are collateralized by a variety of asset classes, which for our CLL business primarily include: industrial-related facilities and equipment, vehicles, corporate aircraft, and equipment used in many industries, including the construction, manufacturing, transportation, media, communications, entertainment, and healthcare industries. The portfolios in our Real Estate, GECAS and Energy Financial Services businesses are collateralized by commercial real estate, commercial aircraft and operating assets in the global energy and water industries, respectively. We are in a secured position for substantially all of our commercial portfolio.

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. The method for calculating the best estimate of losses depends on the size, type and risk characteristics of the related financing receivable. Such an 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 (including housing price indices as applicable), and the present and expected future levels of interest rates. The underlying assumptions, estimates and assessments we use to provide for losses are updated periodically to reflect our view of current conditions and are subject to the regulatory examinations process, which can result in changes to our assumptions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible to experience credit losses that are different from our current estimates.

Our risk management process includes standards and policies for reviewing major risk exposures and concentrations, and evaluates relevant data either for individual loans or financing leases, or on a portfolio basis, as appropriate.

Loans acquired in a business acquisition are recorded at fair value, which incorporates our estimate at the acquisition date of the credit losses over the remaining life of the portfolio. As a result, the allowance for losses is not carried over at acquisition. This may have the effect of causing lower reserve coverage ratios for those portfolios.

For purposes of the discussion that follows, “delinquent” receivables are those that are 30 days or more past due based on their contractual terms; and “nonearning” receivables are those that are 90 days or more past due (or for which collection is otherwise doubtful). Nonearning receivables exclude loans purchased at a discount (unless they have deteriorated post acquisition). Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 310, Receivables, these loans are initially recorded at fair value and accrete interest income over the estimated life of the loan based on reasonably estimable cash flows even if the underlying loans are contractually delinquent at acquisition. In addition, nonearning receivables exclude loans that are paying on a cash accounting basis but classified as nonaccrual and impaired. “Nonaccrual” financing receivables include all nonearning receivables and are those on which we have stopped accruing interest. 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. Recently restructured financing receivables are not considered delinquent when payments are brought current according to the restructured terms, but may remain classified as nonaccrual until there has been a period of satisfactory payment performance by the borrower and future payments are reasonably assured of collection.

Further information on the determination of the allowance for losses on financing receivables and the credit quality and categorization of our financing receivables is provided in the Critical Accounting Estimates section and Notes 1, 6 and 23 to the consolidated financial statements.

(In millions)	Financing receivables at December 31, 2012	Financing receivables at December 31, 2011	Nonearning receivables at December 31, 2012	Nonearning receivables at December 31, 2011	Allowance for losses at December 31, 2012	Allowance for losses at December 31, 2011
Commercial						
CLL						
Americas	$ 72,517	$ 80,505	$ 1,333	$ 1,862	$ 490	$ 889
Europe	37,035	36,899	1,299	1,167	445	400
Asia	11,401	11,635	193	269	80	157
Other	605	436	52	11	6	4
Total CLL	121,558	129,475	2,877	3,309	1,021	1,450
Energy Financial Services	4,851	5,912	–	22	9	26
GECAS	10,915	11,901	–	55	8	17
Other	486	1,282	13	65	3	37
Total Commercial	137,810	148,570	2,890	3,451	1,041	1,530
Real Estate						
Debt(a)	19,746	24,501	321	541	279	949
Business Properties(b)	1,200	8,248	123	249	41	140
Total Real Estate	20,946	32,749	444	790	320	1,089
Consumer						
Non-U.S. residential mortgages(c)	33,451	35,550	2,569	2,870	480	546
Non-U.S. installment and revolving credit	18,546	18,544	224	263	623	717
U.S. installment and revolving credit	50,853	46,689	1,026	990	2,282	2,008
Non-U.S. auto	4,260	5,691	24	43	67	101
Other	8,070	7,244	351	419	172	199
Total Consumer	115,180	113,718	4,194	4,585	3,624	3,571
Total	$ 273,936	$ 295,037	$ 7,528	$ 8,826	$ 4,985	$ 6,190

(a)

Financing receivables included no construction loans at December 31, 2012 and $0.1 billion of construction loans at December 31, 2011.

(b) Our Business Properties portfolio is underwritten primarily by the credit quality of the borrower and secured by tenant and owner-occupied commercial properties. In 2012, we completed the sale of a portion of our Business Properties portfolio.

(c) At December 31, 2012, net of credit insurance, about 40% of our Consumer non-U.S. residential mortgage portfolio comprised loans with introductory, below market rates that are scheduled to adjust at future dates; with high loan-to-value ratios at inception (greater than 90%); whose terms permitted interest-only payments; or whose terms resulted in negative amortization. At origination, we underwrite loans with an adjustable rate to the reset value. Of these loans, about 85% are in our U.K. and France portfolios, which comprise mainly loans with interest-only payments, high loan-to-value ratios at inception and introductory below market rates, have a delinquency rate of 15%, have a loan-to-value ratio at origination of 82% and have re-indexed loan-to-value ratios of 91% and 64%, respectively. At December 31, 2012, 10% (based on dollar values) of these loans in our U.K. and France portfolios have been restructured.

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The portfolio of financing receivables, before allowance for losses, was $273.9 billion at December 31, 2012, and $295.0 billion at December 31, 2011. Financing receivables, before allowance for losses, decreased $21.1 billion from December 31, 2011, primarily as a result of write-offs ($6.6 billion), dispositions ($5.7 billion), collections (which includes sales) exceeding originations ($5.4 billion), partially offset by the weaker U.S. dollar ($2.7 billion).

Related nonearning receivables totaled $7.5 billion (2.7% of outstanding receivables) at December 31, 2012, compared with $8.8 billion (3.0% of outstanding receivables) at December 31, 2011. Nonearning receivables decreased from December 31, 2011, primarily due to write-offs at CLL, write-offs and discounted payoffs at Real Estate and improved economic conditions in our non-U.S. residential mortgage portfolio.

The allowance for losses at December 31, 2012 totaled $5.0 billion compared with $6.2 billion at December 31, 2011, representing our best estimate of probable losses inherent in the portfolio. Allowance for losses decreased $1.2 billion from December 31, 2011, primarily because provisions were lower than write-offs, net of recoveries by $1.1 billion, which is attributable to a reduction in the overall financing receivables balance and an improvement in the overall credit environment. The allowance for losses as a percent of total financing receivables decreased from 2.1% at December 31, 2011 to 1.8% at December 31, 2012 primarily due to a decrease in the allowance for losses as discussed above, partially offset by a decline in the overall financing receivables balance as collections exceeded originations. Further information surrounding the allowance for losses related to each of our portfolios is detailed below.

The following table provides information surrounding selected ratios related to nonearning financing receivables and the allowance for losses.

	Nonearning financing receivables as a percent of financing receivables at		Allowance for losses as a percent of nonearning financing receivables at		Allowance for losses as a percent of total financing receivables at	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Commercial						
CLL						
Americas	1.8 %	2.3 %	36.8 %	47.7 %	0.7 %	1.1 %
Europe	3.5	3.2	34.3	34.3	1.2	1.1
Asia	1.7	2.3	41.5	58.4	0.7	1.3
Other	8.6	2.5	11.5	36.4	1.0	0.9
Total CLL	2.4	2.6	35.5	43.8	0.8	1.1
Energy Financial Services	–	0.4	–	118.2	0.2	0.4
GECAS	–	0.5	–	30.9	0.1	0.1
Other	2.7	5.1	23.1	56.9	0.6	2.9
Total Commercial	2.1	2.3	36.0	44.3	0.8	1.0
Real Estate						
Debt	1.6	2.2	86.9	175.4	1.4	3.9
Business Properties	10.3	3.0	33.3	56.2	3.4	1.7
Total Real Estate	2.1	2.4	72.1	137.8	1.5	3.3
Consumer						
Non-U.S. residential mortgages	7.7	8.1	18.7	19.0	1.4	1.5
Non-U.S. installment and revolving credit	1.2	1.4	278.1	272.6	3.4	3.9
U.S. installment and revolving credit	2.0	2.1	222.4	202.8	4.5	4.3
Non-U.S. auto	0.6	0.8	279.2	234.9	1.6	1.8
Other	4.3	5.8	49.0	47.5	2.1	2.7

Total Consumer	3.6	4.0	86.4	77.9	3.1	3.1
Total	2.7	3.0	66.2	70.1	1.8	2.1

Included below is a discussion of financing receivables, allowance for losses, nonearning receivables and related metrics for each of our significant portfolios.

CLL – Americas. Nonearning receivables of $1.3 billion represented 17.7% of total nonearning receivables at December 31, 2012. The ratio of allowance for losses as a percent of nonearning receivables decreased from 47.7% at December 31, 2011, to 36.8% at December 31, 2012, reflecting an overall improvement in the credit quality of the remaining portfolio and an overall decrease in nonearning receivables. The ratio of nonearning receivables as a percent of financing receivables decreased from 2.3% at December 31, 2011, to 1.8% at December 31, 2012, primarily due to reduced nonearning exposures in most of our portfolios, partially offset by declines in overall financing receivables. Collateral supporting these nonearning financing receivables primarily includes assets in the restaurant and hospitality, trucking and industrial equipment industries and corporate aircraft, and for our leveraged finance business, equity of the underlying businesses.

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CLL – Europe. Nonearning receivables of $1.3 billion represented 17.3% of total nonearning receivables at December 31, 2012. The ratio of allowance for losses as a percent of nonearning receivables remained constant at 34.3% at December 31, 2012, reflecting increases in allowance for losses in our Interbanca S.p.A. and acquisition finance portfolios, offset by an increase in nonearning receivables in our Interbanca S.p.A. and asset-backed lending portfolios. The majority of our CLL – Europe nonearning receivables are attributable to the Interbanca S.p.A. portfolio, which was acquired in 2009. The loans acquired with Interbanca S.p.A. were recorded at fair value, which incorporates an estimate at the acquisition date of credit losses over their remaining life. Accordingly, these loans generally have a lower ratio of allowance for losses as a percent of nonearning receivables compared to the remaining portfolio. Excluding the nonearning loans attributable to the 2009 acquisition of Interbanca S.p.A., the ratio of allowance for losses as a percent of nonearning receivables increased from 55.9% at December 31, 2011, to 58.4% at December 31, 2012, primarily due to an increase in the allowance for losses in our acquisition finance portfolio. The ratio of nonearning receivables as a percent of financing receivables increased from 3.2% at December 31, 2011, to 3.5% at December 31, 2012, for the reasons described above. Collateral supporting these secured nonearning financing receivables are primarily equity of the underlying businesses for our Interbanca S.p.A. business and equipment for our equipment finance portfolio.

CLL – Asia. Nonearning receivables of $0.2 billion represented 2.6% of total nonearning receivables at December 31, 2012. The ratio of allowance for losses as a percent of nonearning receivables decreased from 58.4% at December 31, 2011, to 41.5% at December 31, 2012, primarily due to a decline in allowance for losses as a result of write-offs in Japan, partially offset by collections and write-offs of nonearning receivables in our asset-based financing businesses in Japan. The ratio of nonearning receivables as a percent of financing receivables decreased from 2.3% at December 31, 2011, to 1.7% at December 31, 2012, primarily due to write-offs of nonearning receivables related to our asset-based financing businesses in Japan. Collateral supporting these nonearning financing receivables is primarily manufacturing equipment, commercial real estate, corporate aircraft and assets in the auto industry.

Real Estate – Debt. Nonearning receivables of $0.3 billion represented 4.3% of total nonearning receivables at December 31, 2012. The decrease in nonearning receivables from December 31, 2011, was driven primarily by the resolution of North American nonearning loans across all asset classes and European multi-family loans through write-offs, payoffs and foreclosures, partially offset by new European retail nonearning loans. Write-offs increased by approximately $0.3 billion in the fourth quarter of 2012 due to a change in our write-off policies for collateral dependent loans, requiring write-offs for loans with specific reserves aged greater than 360 days. The ratio of allowance for losses as a percent of nonearning receivables decreased from 175.4% to 86.9% reflecting write-offs and resolution of nonearning loans as mentioned above. The ratio of allowance for losses as a percent of total financing receivables decreased from 3.9% at December 31, 2011 to 1.4% at December 31, 2012, driven primarily by the write-offs mentioned above and transactional events such as settlements and payoffs from impaired loan borrowers and improvement in collateral values.

The Real Estate financing receivables portfolio is collateralized by income-producing or owner-occupied commercial properties across a variety of asset classes and markets. At December 31, 2012, total Real Estate financing receivables of $20.9 billion were primarily collateralized by office buildings ($5.2 billion), apartment buildings ($3.4 billion), hotel properties ($3.2 billion) and retail facilities ($2.9 billion). In 2012, commercial real estate markets continue to show signs of improved stability and liquidity in certain markets; however, the pace of improvement varies significantly by asset class and market and the long-term outlook remains uncertain. We have and continue to maintain an intense focus on operations and risk management. Loan loss reserves related to our Real Estate–Debt financing receivables are particularly sensitive to declines in underlying property values. Assuming global property values decline an incremental 1% or 5%, and that decline occurs evenly across geographies and asset classes, we estimate incremental loan loss reserves would be required of less than $0.1 billion and approximately $0.2 billion, respectively. Estimating the impact of global property values on loss performance across our portfolio depends on a number of factors, including macroeconomic conditions, property level operating performance, local market dynamics and individual borrower behavior. As a result, any sensitivity analyses or attempts to forecast potential losses carry a high degree of imprecision and are subject to change. At December 31, 2012, we had 94 foreclosed commercial real estate properties totaling $0.9 billion.

Consumer – Non-U.S. residential mortgages . Nonearning receivables of $2.6 billion represented 34.1% of total nonearning receivables at December 31, 2012. The ratio of allowance for losses as a percent of nonearning receivables decreased from 19.0% at December 31, 2011, to 18.7% at December 31, 2012. In the year ended 2012, our nonearning receivables decreased primarily as a result of improved portfolio quality in the U.K. Our non-U.S. mortgage portfolio has a loan-to-value ratio of approximately 76% at origination and the vast majority are first lien positions. Our U.K. and France portfolios, which comprise a majority of our total mortgage portfolio, have reindexed loan-to-value ratios of 83% and 56%, respectively. About 6% of these loans are without mortgage insurance and have a reindexed loan-to-value ratio equal to or greater than 100%. Loan-to-value information is updated on a quarterly basis for a majority of our loans and considers economic factors such as the housing price index. At December 31, 2012, we had in repossession stock 490 houses in the U.K., which had a value of approximately $0.1 billion. The ratio of nonearning receivables as a percent of financing receivables decreased from 8.1% at December 31, 2011 to 7.7% at December 31, 2012 for the reasons described above.

Consumer – Non-U.S. installment and revolving credit. Nonearning receivables of $0.2 billion represented 3.0% of total nonearning receivables at December 31, 2012. The ratio of allowance for losses as a percent of nonearning receivables increased from 272.6% at December 31, 2011 to 278.1% at December 31, 2012, reflecting lower nonearning receivables due to improved delinquencies, collections and write-offs primarily in Australia and New Zealand.

Consumer – U.S. installment and revolving credit. Nonearning receivables of $1.0 billion represented 13.6% of total nonearning receivables at December 31, 2012. The ratio of allowance for losses as a percent of nonearning receivables increased from 202.8% at December 31, 2011, to 222.4% at December 31, 2012, reflecting an increase in the allowance for losses primarily due to the use of a more granular portfolio segmentation approach, by loss type, in determining the incurred loss period, partially offset by an increase in the nonearning receivables balance. The ratio of nonearning receivables as a percentage of financing receivables decreased from 2.1% at December 31, 2011 to 2.0% at December 31, 2012, primarily due to a higher financing receivables balance, partially offset by an increase in the nonearning receivables balance.

Nonaccrual Financing Receivables

The following table provides details related to our nonaccrual and nonearning financing receivables. Nonaccrual financing receivables include all nonearning receivables and are those on which we have stopped accruing interest. We stop accruing interest at the earlier of the time at which collection becomes doubtful or the account becomes 90 days past due. Substantially all of the differences between nonearning and nonaccrual financing receivables relate to loans which are classified as nonaccrual financing receivables but are paying on a cash accounting basis, and therefore excluded from nonearning receivables. Of our $13.4 billion nonaccrual loans at December 31, 2012, $10.5 billion are currently paying in accordance with their contractual terms.

December 31, 2012 (In millions)	Nonaccrual financing receivables	Nonearning financing receivables
Commercial		
CLL	$ 4,138	$ 2,877
Energy Financial Services	–	–
GECAS	3	–
Other	25	13
Total Commercial	4,166	2,890

Real Estate	4,885	444
Consumer	4,301	4,194
Total	$ 13,352	$ 7,528

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Impaired Loans

"Impaired" loans in the table below are defined as larger balance or restructured loans for which it is probable that the lender will be unable to collect all amounts due according to original contractual terms of the loan agreement. The vast majority of our Consumer and a portion of our CLL nonaccrual receivables are excluded from this definition, as they represent smaller balance homogeneous loans that we evaluate collectively by portfolio for impairment.

Impaired loans include nonearning receivables on larger balance or restructured loans, loans that are currently paying interest under the cash basis (but are excluded from the nonearning category), and loans paying currently but which have been previously restructured.

Specific reserves are recorded for individually impaired loans to the extent we have determined that it is probable that we will be unable to collect all amounts due according to original contractual terms of the loan agreement. Certain loans classified as impaired may not require a reserve because we believe that we will ultimately collect the unpaid balance (through collection or collateral repossession).

Further information pertaining to loans classified as impaired and specific reserves is included in the table below.

December 31 (In millions)	2012	2011
Loans requiring allowance for losses		
Commercial(a)	$ 1,372	$ 2,357
Real Estate	2,202	4,957
Consumer	3,115	2,824
Total loans requiring allowance for losses	6,689	10,138
Loans expected to be fully recoverable		
Commercial(a)	3,697	3,305
Real Estate	3,491	3,790
Consumer	105	69
Total loans expected to be fully recoverable	7,293	7,164
Total impaired loans	$ 13,982	$ 17,302
Allowance for losses (specific reserves)		
Commercial(a)	$ 487	$ 812
Real Estate(b)	188	822
Consumer	674	680
Total allowance for losses (specific reserves)	$ 1,349	$ 2,314
Average investment during the period	$ 16,269	$ 18,167
Interest income earned while impaired(c)	751	733

(a) Includes CLL, Energy Financial Services, GECAS and Other.

(b)

Specific reserves declined approximately $0.3 billion in 2012 attributable to a change in our write-off policies for collateral dependent loans, requiring write-offs for loans with specific reserves aged greater than 360 days.

(c) Recognized principally on a cash basis.

We regularly review our Real Estate loans for impairment using both quantitative and qualitative factors, such as debt service coverage and loan-to-value ratios. We classify Real Estate loans as impaired when the most recent valuation reflects a projected loan-to-value ratio at maturity in excess of 100%, even if the loan is currently paying in accordance with contractual terms.

Of our $5.7 billion impaired loans at Real Estate at December 31, 2012, $5.3 billion are currently paying in accordance with the contractual terms of the loan and are typically loans where the borrower has adequate debt service coverage to meet contractual interest obligations. Impaired loans at CLL primarily represent senior secured lending positions.

Our impaired loan balance at December 31, 2012 and 2011, classified by the method used to measure impairment was as follows.

December 31 (In millions)		2012		2011
Method used to measure impairment				
Discounted cash flow	$	6,704	$	8,858
Collateral value		7,278		8,444
Total	$	13,982	$	17,302

See Note 1 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Our loss mitigation strategy is intended to minimize economic loss and, at times, can result in rate reductions, principal forgiveness, extensions, forbearance or other actions, which may cause the related loan to be classified as a troubled debt restructuring (TDR), and also as impaired. Changes to Real Estate's loans primarily include maturity extensions, principal payment acceleration, changes to collateral terms and cash sweeps, which are in addition to, or sometimes in lieu of, fees and rate increases. The determination of whether these changes to the terms and conditions of our commercial loans meet the TDR criteria includes our consideration of all relevant facts and circumstances. At December 31, 2012, TDRs included in impaired loans were $12.1 billion, primarily relating to Real Estate ($5.1 billion), CLL ($3.9 billion) and Consumer ($3.1 billion).

Real Estate TDRs decreased from $7.0 billion at December 31, 2011 to $5.1 billion at December 31, 2012, primarily driven by resolution of TDRs through paydowns, restructuring, foreclosures and write-offs, partially offset by extensions of loans scheduled to mature during 2012, some of which were classified as TDRs upon modification. For borrowers with demonstrated operating capabilities, we work to restructure loans when the cash flow and projected value of the underlying collateral support repayment over the modified term. We deem loan modifications to be TDRs when we have granted a concession to a borrower experiencing financial difficulty and we do not receive adequate compensation in the form of an effective interest rate that is at current market rates of interest given the risk characteristics of the loan or other consideration that compensates us for the value of the concession. For the year ended December 31, 2012, we modified $4.4 billion of loans classified as TDRs, substantially all in our Debt portfolio. Changes to these loans primarily included maturity extensions, principal payment acceleration, changes to collateral or covenant terms and cash sweeps, which are in addition to, or sometimes in lieu of, fees and rate increases. The limited liquidity and higher return requirements in the real estate market for loans with higher loan-to-value (LTV) ratios has typically resulted in the conclusion that the modified terms are not at current market rates of interest, even if the modified loans are expected to be fully recoverable. We received the same or additional compensation in the form of rate increases and fees for the majority of these TDRs. Of our $4.4 billion of modifications classified as TDRs in the last twelve months, $0.2 billion have subsequently experienced a payment default.

The substantial majority of the Real Estate TDRs have reserves determined based upon collateral value. Our specific reserves on Real Estate TDRs were $0.2 billion at December 31, 2012 and $0.6 billion at December 31, 2011, and were 3.1% and 8.4%, respectively, of Real Estate TDRs. In many situations these loans did not require a specific reserve as collateral value adequately covered our recorded investment in the loan. While these modified loans had adequate collateral coverage, we were still required to complete our TDR classification evaluation on each of the modifications without regard to collateral adequacy.

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We utilize certain short-term (three months or less) loan modification programs for borrowers experiencing temporary financial difficulties in our Consumer loan portfolio. These loan modification programs are primarily concentrated in our non-U.S. residential mortgage and non-U.S. installment and revolving portfolios. We sold our U.S. residential mortgage business in 2007 and as such, do not participate in the U.S. government-sponsored mortgage modification programs. For the year ended December 31, 2012, we provided short-term modifications of approximately $0.3 billion of consumer loans for borrowers experiencing financial difficulties, substantially all in our non-U.S. residential mortgage, credit card and personal loan portfolios, which are not classified as TDRs. For these modified loans, we provided insignificant interest rate reductions and payment deferrals, which were not part of the terms of the original contract. We expect borrowers whose loans have been modified under these short-term programs to continue to be able to meet their contractual obligations upon the conclusion of the short-term modification. In addition, we have modified $1.8 billion of Consumer loans for the year ended December 31, 2012, which are classified as TDRs. Further information on Consumer impaired loans is provided in Note 23 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Delinquencies

For additional information on delinquency rates at each of our major portfolios, see Note 23 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

GECC Selected European Exposures

At December 31, 2012, we had $88.9 billion in financing receivables to consumer and commercial customers in Europe. The GECC financing receivables portfolio in Europe is well diversified across European geographies and customers. Approximately 87% of the portfolio is secured by collateral and represents approximately 500,000 commercial customers. Several European countries, including Spain, Portugal, Ireland, Italy, Greece and Hungary (“focus countries”), have been subject to credit deterioration due to weaknesses in their economic and fiscal situations. The carrying value of GECC funded exposures in these focus countries and in the rest of Europe comprised the following at December 31, 2012.

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December 31, 2012 (In millions)	Spain	Portugal	Ireland	Italy	Greece	Hungary	Rest of Europe	Total Europe
Financing receivables, before allowance for losses on financing receivables	$ 1,871	$ 471	$ 275	$ 7,161	$ 56	$ 3,207	$ 77,480	$ 90,521
Allowance for losses on financing receivables	(102)	(28)	(9)	(241)	-	(112)	(1,176)	(1,668)
Financing receivables, net of allowance for losses on financing receivables(a)(b)	1,769	443	266	6,920	56	3,095	76,304	88,853
Investments(c)(d)	119	-	-	497	-	257	1,401	2,274
Cost and equity method investments(e)	441	21	360	64	33	3	652	1,574
Derivatives, net of collateral(c)(f)	3	-	-	90	-	-	176	269
ELTO(g)	524	65	374	853	253	345	9,901	12,315
Real estate held for investment(g)	791	-	-	410	-	-	6,014	7,215
Total funded exposures(h)	$ 3,647	$ 529	$ 1,000	$ 8,834	$ 342	$ 3,700	$ 94,448	$ 112,500
Unfunded commitments(i)	$ 17	$ 8	$ 177	$ 297	$ 5	$ 683	$ 8,376	$ 9,563

(a) Financing receivable amounts are classified based on the location or nature of the related obligor.

(b) Substantially all relates to non-sovereign obligors. Includes residential mortgage loans of approximately $33.2 billion before consideration of purchased credit protection. We have third-party mortgage insurance for less than 15% of these residential mortgage loans, substantially all of which were originated in the U.K., Poland and France.

(c) Investments and derivatives are classified based on the location of the parent of the obligor or issuer.

(d) Includes $0.9 billion related to financial institutions, $0.2 billion related to non-financial institutions and $1.2 billion related to sovereign issuers. Sovereign issuances totaled $0.1 billion and $0.2 billion related to Italy and Hungary, respectively. We held no investments issued by sovereign entities in the other focus countries.

(e) Substantially all is non-sovereign.

(f) Net of cash collateral; entire amount is non-sovereign.

(g) These assets are held under long-term investment and operating strategies, and our equipment leased to others (ELTO) strategies contemplate an ability to redeploy assets under lease should default by the lessee occur. The values of these assets could be subject to decline or impairment in the current environment.

(h) Excludes $29.9 billion of cash and equivalents, which is composed of $17.4 billion of cash on short-term placement with highly rated global financial institutions based in Europe, sovereign central banks and agencies or supranational entities, of which $1.4 billion is in focus countries, and $12.5 billion of cash and equivalents placed with highly rated European financial institutions on a short-term basis, secured by U.S. Treasury securities ($9.7 billion) and sovereign bonds of non-focus countries ($2.8 billion), where the value of our collateral exceeds the amount of our cash exposure.

(i) Includes ordinary course of business lending commitments, commercial and consumer unused revolving credit lines, inventory financing arrangements and investment commitments.

We manage counterparty exposure, including credit risk, on an individual counterparty basis. We place defined risk limits around each obligor and review our risk exposure on the basis of both the primary and parent obligor, as well as the issuer of securities held as collateral. These limits are adjusted on an ongoing basis based on our continuing assessment of the credit risk of the obligor or issuer. In setting our counterparty risk limits, we focus on high quality credits and diversification through spread of risk in an effort to actively manage our overall exposure. We actively monitor each exposure against these limits and take appropriate action when we believe that risk limits have been exceeded or there are excess risk concentrations. Our collateral position and ability to work out problem accounts has historically mitigated our actual loss experience. Delinquency experience has been relatively stable in our European commercial and consumer platforms in the aggregate, and we actively monitor and take action to reduce exposures where appropriate. Uncertainties surrounding European markets could have an impact on the judgments and estimates used in determining the carrying value of these assets.

Other GECC receivables totaled $14.0 billion at December 31, 2012 and $13.4 billion at December 31, 2011, and consisted of insurance receivables, amounts due from GE (primarily related to material procurement programs of $3.5 billion at both December 31, 2012 and December 31, 2011), nonfinancing customer receivables, amounts due under operating leases, amounts accrued from investment income, tax receivables and various sundry items.

Property, plant and equipment totaled $69.7 billion at December 31, 2012, up $4.0 billion from 2011, primarily reflecting an increase in machinery and equipment at GE and in equipment leased to others principally as a result of aircraft acquisitions at our GECAS leasing business. GE property, plant and equipment consisted of investments for its own productive use, whereas the largest element for GECC was equipment provided to third parties on operating leases. Details by category of investment are presented in Note 7 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

GE additions to property, plant and equipment totaled $3.9 billion and $3.0 billion in 2012 and 2011, respectively. Total expenditures, excluding equipment leased to others, for the past five years were $13.2 billion, of which 43% was investment for growth through new capacity and product development; 22% was investment in productivity through new equipment and process improvements; and 35% was investment for other purposes such as improvement of research and development facilities and safety and environmental protection.

GECC additions to property, plant and equipment were $11.9 billion and $9.9 billion during 2012 and 2011, respectively, primarily reflecting additions of commercial aircraft at GECAS.

Goodwill and other intangible assets totaled $73.4 billion and $12.0 billion, respectively, at December 31, 2012. Goodwill increased $0.8 billion from 2011, primarily from the acquisitions of Industrea Limited and Railcar Management, Inc., and the weaker U.S. dollar. Other intangible assets decreased $0.1 billion from 2011, primarily from dispositions and amortization expense, partially offset by acquisitions. Goodwill and other intangible assets increased $8.2 billion and $2.1 billion, respectively, in 2011 primarily from the acquisitions of Converteam, the Well Support division of John Wood Group PLC, Dresser, Inc., Wellstream PLC and Lineage Power Holdings, Inc. See Note 8 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

All other assets comprise mainly real estate equity properties and investments, equity and cost method investments, derivative instruments and assets held for sale, and totaled $100.1 billion at December 31, 2012, a decrease of $11.6 billion, primarily related to decreases in the fair value of derivative instruments ($6.1 billion), the sale of certain held-for-sale real estate and aircraft ($4.8 billion) and decreases in our Penske Truck Leasing Co., L.P. (PTL) investment ($4.5 billion), partially offset by the consolidation of an entity involved in power generating activities ($1.6 billion). During 2012, we recognized $0.1 billion of other-than-temporary impairments of cost and equity method investments, excluding those related to real estate.

Included in other assets are Real Estate equity investments of $20.7 billion and $23.9 billion at December 31, 2012 and December 31, 2011, respectively. Our portfolio is diversified, both geographically and by asset type. We review the estimated values of our commercial real estate investments annually, or more frequently as conditions warrant. Based on the most recent valuation estimates available, the carrying value of our Real Estate investments exceeded their estimated value by about $1.1 billion. This amount is subject to variation and dependent on economic and market conditions, changes in cash flow estimates and composition of our portfolio, including sales such as our recently announced disposition of certain floors located at 30 Rockefeller Center, New York to an affiliate of NBCU. Commercial real estate valuations have shown signs of improved stability and liquidity in certain markets, primarily in the U.S.; however, the pace of improvement varies significantly by asset class and market. Accordingly, there continues to be risk and uncertainty surrounding commercial real estate values. Declines in estimated value of real estate below carrying amount result in impairment losses when the aggregate undiscounted cash flow estimates used in the estimated value measurement are below the carrying amount. As such, estimated losses in the portfolio will not necessarily result in recognized impairment losses. During 2012, Real Estate recognized pre-tax impairments of $0.1 billion in its real estate held for investment, which were primarily driven by declining cash flow projections for properties in Japan and Europe, as well as strategic decisions to sell portfolios in Asia and Europe. Real Estate investments with undiscounted cash flows in excess of carrying value of 0% to 5% at December 31, 2012 had a carrying value of $2.1 billion and an associated estimated unrealized loss of an insignificant amount. Continued deterioration in economic conditions or prolonged market illiquidity may result in further impairments being recognized.

Contract costs and estimated earnings reflect revenues earned in excess of billings on our long-term contracts to construct technically complex equipment (such as power generation, aircraft engines and aeroderivative units) and long-term product maintenance or extended warranty arrangements. Our total contract costs and estimated earnings balances at December 31, 2012 and December 31, 2011, were $9.4 billion and $9.0 billion, respectively, reflecting the timing of billing in relation to work performed, as well as changes in estimates of future revenues and costs. Our total contract costs and estimated earnings balance at December 31, 2012 primarily related to customers in our Power & Water, Oil & Gas, Aviation and Transportation businesses. Further information is provided in the Critical Accounting Estimates section.

Liquidity and Borrowings

We maintain a strong focus on liquidity. At both GE and GECC we manage our liquidity to help provide access to sufficient funding to meet our business needs and financial obligations throughout business cycles.

Our liquidity and borrowing plans for GE and GECC are established within the context of our annual financial and strategic planning processes. At GE, our liquidity and funding plans take into account the liquidity necessary to fund our operating commitments, which include primarily purchase obligations for inventory and equipment, payroll and general expenses (including pension funding). We also take into account our capital allocation and growth objectives, including paying dividends, repurchasing shares, investing in research and development and acquiring industrial businesses. At GE, we rely primarily on cash generated through our operating activities, any dividend payments from GECC, and also have historically maintained a commercial paper program that we regularly use to fund operations in the U.S., principally within fiscal quarters. During 2012, GECC paid dividends of $1.9 billion and special dividends of $4.5 billion to GE.

GECC's liquidity position is targeted to meet its obligations under both normal and stressed conditions. GECC establishes a funding plan annually that is based on the projected asset size and cash needs of the Company, which over the past few years, has included our strategy to reduce our ending net investment in GE Capital. GECC relies on a diversified source of funding, including the unsecured term debt markets, the global commercial paper markets, deposits, secured funding, retail funding products, bank borrowings and securitizations to fund its balance sheet, in addition to cash generated through collection of principal, interest and other payments on the existing portfolio of loans and leases to fund its operating and interest expense costs.

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Our 2013 GECC funding plan anticipates repayment of principal on outstanding short-term borrowings, including the current portion of long-term debt ($44.3 billion at December 31, 2012), through issuance of long-term debt and reissuance of commercial paper, cash on hand, collections of financing receivables exceeding originations, dispositions, asset sales, and deposits and other alternative sources of funding. Long-term maturities and early redemptions were $88 billion in 2012. Interest on borrowings is primarily repaid through interest earned on existing financing receivables. During 2012, GECC earned interest income on financing receivables of $21.0 billion, which more than offset interest expense of $11.7 billion.

We maintain a detailed liquidity policy for GECC which includes a requirement to maintain a contingency funding plan. The liquidity policy defines GECC's liquidity risk tolerance under different stress scenarios based on its liquidity sources and also establishes procedures to escalate potential issues. We actively monitor GECC's access to funding markets and its liquidity profile through tracking external indicators and testing various stress scenarios. The contingency funding plan provides a framework for handling market disruptions and establishes escalation procedures in the event that such events or circumstances arise.

GECC is a savings and loan holding company under U.S. law and became subject to Federal Reserve Board (FRB) supervision on July 21, 2011, the one-year anniversary of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA). The FRB has recently finalized a regulation that requires certain organizations it supervises to submit annual capital plans for review, including institutions' plans to make capital distributions, such as dividend payments. The applicability and timing of this proposed regulation to GECC is not yet determined; however, the FRB has indicated that it expects to extend these requirements to large savings and loan holding companies through separate rulemaking or by order. While GECC is not yet subject to this regulation, GECC's capital allocation planning is still subject to FRB review. The FRB recently proposed regulations to revise and replace its current rules on capital adequacy and we have taken the proposed regulations into consideration in our current capital planning. The proposed regulations would apply to savings and loan holding companies like GECC. The transition period for achieving compliance with the proposed regulations following final adoption is unclear. As expected, the U.S. Financial Stability Oversight Council (FSOC) recently notified GECC that it is under consideration for a proposed determination as a nonbank systemically important financial institution (nonbank SIFI) under the DFA. While not final, such a determination would subject GECC to proposed enhanced supervisory standards.

Actions taken to strengthen and maintain our liquidity are described in the following section.

Liquidity Sources

We maintain liquidity sources that consist of cash and equivalents and a portfolio of high-quality, liquid investments and committed unused credit lines.

We have consolidated cash and equivalents of $77.4 billion at December 31, 2012, which is available to meet our needs. Of this, approximately $16 billion is held at GE and approximately $62 billion is held at GECC.

In addition to our $77.4 billion of cash and equivalents, we have a centrally managed portfolio of high-quality, liquid investments at GECC with a fair value of $3.1 billion at December 31, 2012. This portfolio is used to manage liquidity and meet the operating needs of GECC under both normal and stress scenarios. The investments consist of unencumbered U.S. government securities, U.S. agency securities, securities guaranteed by the government, supranational securities, and a select group of non-U.S. government securities. We believe that we can readily obtain cash for these securities, even in stressed market conditions.

We have committed, unused credit lines totaling $48.2 billion that have been extended to us by 51 financial institutions at December 31, 2012. GECC can borrow up to $48.2 billion under all of these credit lines. GE can borrow up to $12.0 billion under certain of these credit lines. These lines include $30.3 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. Additionally, $17.9 billion are 364-day lines that contain a term-out feature that allows us to extend borrowings for one or two years from the date of expiration of the lending agreement.

Cash and equivalents of $53.2 billion at December 31, 2012 are held outside of the U.S. Of this amount at year-end, $14.4 billion is indefinitely reinvested. Indefinitely reinvested cash held outside of the U.S. is available to fund operations and other growth of non- U.S. subsidiaries; it is also used to fund our needs in the U.S. on a short-term basis through short-term loans, without being subject to U.S. tax. Under the Internal Revenue Code, these loans are permitted to be outstanding for 30 days or less and the total of all such loans are required to be outstanding for less than 60 days during the year.

$1.8 billion of GE cash and equivalents is held in countries with currency controls that may restrict the transfer of funds to the U.S. or limit our ability to transfer funds to the U.S. without incurring substantial costs. These funds are available to fund operations and growth in these countries and we do not currently anticipate a need to transfer these funds to the U.S.

At GECC, about $10 billion of cash and equivalents are in regulated banks and insurance entities and are subject to regulatory restrictions.

If we were to repatriate indefinitely reinvested cash held outside the U.S., we would be subject to additional U.S. income taxes and foreign withholding taxes.

Funding Plan

We have reduced our GE Capital ending net investment, excluding cash and equivalents, from $513 billion at January 1, 2009 to $419 billion at December 31, 2012.

During 2012, GE completed issuances of $7.0 billion of senior unsecured debt with maturities up to 30 years. GECC issued $33.9 billion of senior unsecured debt and $1.7 billion of secured debt (excluding securitizations described below) with maturities up to 40 years (and subsequent to December 31, 2012, an additional $13.1 billion). Average commercial paper borrowings for GECC and GE during the fourth quarter were $40.4 billion and $10.2 billion, respectively, and the maximum amounts of commercial paper borrowings outstanding for GECC and GE during the fourth quarter were $43.1 billion and $14.8 billion, respectively. GECC commercial paper maturities are funded principally through new commercial paper issuances and at GE are substantially repaid before quarter-end using indefinitely reinvested overseas cash which, as discussed above, is available for use in the U.S. on a short-term basis without being subject to U.S. tax.

Under the Federal Deposit Insurance Corporation’s (FDIC) Temporary Liquidity Guarantee Program (TLGP), the FDIC guaranteed certain senior, unsecured debt issued by GECC on or before October 31, 2009. As of December 31, 2012, our TLGP-guaranteed debt was fully repaid.

We securitize financial assets as an alternative source of funding. During 2012, we completed $15.8 billion of non-recourse issuances and had maturities and deconsolidations of $14.9 billion. At December 31, 2012, consolidated non-recourse borrowings were $30.1 billion.

We have deposit-taking capability at 12 banks outside of the U.S. and two banks in the U.S. – GE Capital Retail Bank, a Federal Savings Bank (FSB), and GE Capital Financial Inc., an industrial bank (IB). The FSB and IB currently issue certificates of deposit (CDs) in maturity terms from two months to ten years. On January 11, 2013, the FSB acquired the deposit business of MetLife Bank, N.A. This acquisition adds approximately $6.4 billion in deposits and an online banking platform.

Total alternative funding at December 31, 2012 was $101 billion, composed mainly of $46 billion of bank deposits, $30 billion of non-recourse securitization borrowings, $10 billion of funding secured by real estate, aircraft and other collateral and $8 billion of GE Interest Plus notes. The comparable amount at December 31, 2011 was $96 billion.

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As a matter of general practice, we routinely evaluate the economic impact of calling debt instruments where GECC has the right to exercise a call. In determining whether to call debt, we consider the economic benefit to GECC of calling debt, the effect of calling debt on GECC's liquidity profile and other factors. In 2012, we called $8.6 billion of long-term debt, of which $4.5 billion was settled before year end.

Exchange rate and interest rate risks are managed with a variety of 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 originating. We apply strict policies to manage each of these risks, including prohibitions on 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 seek to model the effects of shifts in rates. Such tests are inherently limited based on the assumptions used (described further below) and should not be viewed as a forecast; actual effects would depend on many variables, including market factors and the composition of the Company's assets and liabilities at that time.

- It is our policy to minimize exposure to interest rate changes. We fund our financial investments using debt or a combination of debt and hedging instruments so that the interest rates of our borrowings match the expected interest rate profile on our assets. To test the effectiveness of our fixed rate positions, we assumed that, on January 1, 2013, interest rates increased by 100 basis points across the yield curve (a "parallel shift" in that curve) and further assumed that the increase remained in place for 2013. We estimated, based on the year-end 2012 portfolio and holding all other assumptions constant, that our 2013 consolidated net earnings would decline by less than $0.1 billion as a result of this parallel shift in the yield curve.

- It is our policy to minimize currency exposures and to conduct operations either within functional currencies or using the protection of hedge strategies. We analyzed year-end 2012 consolidated currency exposures, including derivatives designated and effective as hedges, to identify assets and liabilities denominated in other than their relevant functional currencies. For such assets and liabilities, we then evaluated the effects of a 10% shift in exchange rates between those currencies and the U.S. dollar, holding all other assumptions constant. This analysis indicated that our 2013 consolidated net earnings would decline by less than $0.1 billion as a result of such a shift in exchange rates.

Debt and Derivative Instruments, Guarantees and Covenants

Credit Ratings

On April 3, 2012, Moody's Investors Service (Moody's) announced that it had downgraded the senior unsecured debt rating of GE by one notch from Aa2 to Aa3 and the senior unsecured debt rating of GECC by two notches from Aa2 to A1. The ratings downgrade did not affect GE's and GECC's short-term funding ratings of P-1, which were affirmed by Moody's. Moody's ratings outlook for GE and GECC is stable. We did not experience any material operational, funding or liquidity impacts from this ratings downgrade. As of December 31, 2012, GE's and GECC's long-term unsecured debt ratings from Standard and Poor's Ratings Service (S&P) were AA+ with a stable outlook and their short-term funding ratings from S&P were A-1+. We are disclosing these ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds. Although we currently do not expect a downgrade in the credit ratings, our ratings may be subject to a revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating.

Substantially all GICs were affected by the downgrade and are more fully discussed in the Principal Debt and Derivative Conditions section. Additionally, there were other contracts affected by the downgrade with provisions requiring us to provide additional funding, post collateral and make other payments. The total cash and collateral impact of these contracts was less than $0.5 billion.

Principal Debt and Derivative Conditions

Certain of our derivative instruments can be terminated if specified credit ratings are not maintained and certain debt and derivatives agreements of other consolidated entities have provisions that are affected by these credit ratings.

Fair values of our derivatives can change significantly from period to period based on, among other factors, market movements and changes in our positions. We manage counterparty credit risk (the risk that counterparties will default and not make payments to us according to the terms of our standard master agreements) on an individual counterparty basis. Where we have agreed to netting of derivative exposures with a counterparty, we offset our exposures with that counterparty and apply the value of collateral posted to us to determine the net exposure. We actively monitor these net exposures against defined limits and take appropriate actions in response, including requiring additional collateral.

Swap, forward and option contracts are executed under standard master agreements that typically contain mutual downgrade provisions that provide the ability of the counterparty to require termination if the long-term credit ratings of the applicable GE entity were to fall below A-/A3. In certain of these master agreements, the counterparty also has the ability to require termination if the short-term ratings of the applicable GE entity were to fall below A-1/P-1. The net derivative liability after consideration of netting arrangements, outstanding interest payments and collateral posted by us under these master agreements was estimated to be $0.3 billion at December 31, 2012. See Note 22 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Other debt and derivative agreements of consolidated entities include Trinity, which comprises two entities that hold investment securities, the majority of which are investment grade, and were funded by the issuance of GICs. These GICs included conditions under which certain holders could require immediate repayment of their investment should the long-term credit ratings of GECC fall below AA-/Aa3 or the short-term credit ratings fall below A-1+/P-1. The Trinity assets and liabilities are disclosed in note (a) on our Statement of Financial Position in the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report. Another consolidated entity also had issued GICs where proceeds are loaned to GECC. These GICs included conditions under which certain holders could require immediate repayment of their investment should the long-term credit ratings of GECC fall below AA-/Aa3. These obligations are included in long-term borrowings on our Statement of Financial Position in the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report. These three consolidated entities ceased issuing GICs in 2010.

Following the April 3, 2012 Moody’s downgrade of GECC’s long-term credit rating to A1, substantially all of these GICs became redeemable by their holders. In 2012, holders of $2.4 billion in principal amount of GICs redeemed their holdings and GECC made related cash payments. 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.

Ratio of Earnings to Fixed Charges, Income Maintenance Agreement and Subordinated Debentures

GE provides implicit and explicit support to GECC through commitments, capital contributions and operating support. For example, and as discussed below, GE has committed to keep GECC’s ratio of earnings to fixed charges above a minimum level. In addition, GE has made a total of $15.0 billion of capital contributions to GECC in 2009 and 2008 to improve tangible capital and reduce leverage. GECC’s credit rating is higher than it would be on a stand-alone basis as a result of this financial support.

On March 28, 1991, GE entered into an agreement with GECC to make payments to GECC, constituting additions to pre-tax income under the agreement, to the extent necessary to cause the ratio of earnings to fixed charges of GECC and consolidated affiliates (determined on a consolidated basis) to be not less than 1.10:1 for the period, as a single aggregation, of each GECC fiscal year commencing with fiscal year 1991. GECC’s ratio of earnings to fixed charges was 1.64:1 for 2012. No payment is required in 2013 pursuant to this agreement.

Any payment made under the Income Maintenance Agreement will not affect the ratio of earnings to fixed charges as determined in accordance with current SEC rules because it does not constitute an addition to pre-tax income under current U.S. GAAP.

In addition, in connection with certain subordinated debentures of GECC that may be classified as equity (hybrid debt), during events of default or interest deferral periods under such subordinated debentures, GECC has agreed not to declare or pay any dividends or distributions or make certain other payments with respect to its capital stock, and GE has agreed to promptly return any payments made to GE in violation of this agreement. There were $7.3 billion of such debentures outstanding at December 31, 2012. See Note 10 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Shareowners' Equity

Effective with 2012 reporting, activity affecting shareowners' equity is presented in two statements: the Consolidated Statement of Changes in Shareowners' Equity and the Consolidated Statement of Comprehensive Income. The elements of other comprehensive income previously disclosed in the Consolidated Statement of Changes in Shareowners' Equity are now presented in the new Consolidated Statement of Comprehensive Income, which combines those elements with net earnings. An analysis of changes in the elements of shareowners' equity, as presented in these two statements, follows.

GE shareowners' equity increased by $6.6 billion in 2012, compared with a decrease of $2.5 billion in 2011 and an increase of $1.6 billion in 2010.

Net earnings increased GE shareowners' equity by $13.6 billion, $14.2 billion and $11.6 billion, partially offset by dividends declared of $7.4 billion, $7.5 billion (including $0.8 billion related to our preferred stock redemption) and $5.2 billion in 2012, 2011 and 2010, respectively.

Elements of accumulated other comprehensive income (AOCI) increased shareowners' equity by $3.7 billion in 2012, compared with decreases of $6.1 billion in 2011 and $2.3 billion in 2010, respectively, inclusive of changes in accounting principles. The components of these changes are as follows:

- Changes in AOCI related to benefit plans increased shareowners' equity by $2.3 billion in 2012, primarily reflecting amortization of actuarial losses and prior service costs out of AOCI, higher asset values and changes to our principal retiree benefit plans, partially offset by lower discount rates used to measure pension and postretirement benefit obligations. This compared with a decrease of $7.0 billion and an increase of $1.1 billion in 2011 and 2010, respectively. The decrease in 2011 primarily reflected lower discount rates used to measure pension and postretirement benefit obligations and lower asset values, partially offset by amortization of actuarial losses and prior service costs out of AOCI. The increase in 2010 primarily reflected prior service cost and net actuarial loss amortization out of AOCI and higher fair value of plan assets, partially offset by lower discount rates used to measure pension and postretirement benefit obligations. Further information about changes in benefit plans is provided in Note 12 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

- Changes in AOCI related to investment securities increased shareowners' equity by $0.7 billion and $0.6 billion in 2012 and 2011, respectively, reflecting the effects of lower interest rates and improved market conditions on U.S. corporate securities, partially offset by adjustments to reflect the effect of the unrealized gains on insurance-related assets and equity. Investment securities increased shareowners' equity by an insignificant amount in 2010. Further information about investment securities is provided in Note 3 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

- Changes in AOCI related to the fair value of derivatives designated as cash flow hedges increased shareowners' equity by $0.5 billion in 2012, primarily reflecting releases from AOCI contemporaneous with the earnings effects of the related hedged items, principally as an adjustment of interest expense on borrowings. Cash flow hedges increased shareowners' equity by $0.1 billion and $0.5 billion in 2011 and 2010, respectively. Further information about the fair value of derivatives is provided in Note 22 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

- Changes in AOCI related to currency translation adjustments increased shareowners' equity by $0.3 billion in 2012 and $0.2 billion in 2011 and decreased equity by $3.9 billion in 2010. Changes in 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. At year-end 2012, the U.S. dollar weakened against most major currencies, including the pound sterling and the euro, and strengthened against the Japanese yen resulting in increases in currency translation adjustments which were partially offset by releases from AOCI related to dispositions. At year-end 2011 and 2010, the dollar strengthened against most major currencies, including the pound sterling and the euro and weakened against the Australian dollar and the Japanese yen.

Noncontrolling interests included in shareowners' equity increased $3.7 billion in 2012, principally as a result of the issuance of preferred stock by GECC. Noncontrolling interests decreased by $3.6 billion in 2011 and $2.6 billion in 2010, principally as a result of dispositions.

Statement of Cash Flows – Overview from 2010 through 2012

Consolidated cash and equivalents were $77.4 billion at December 31, 2012, a decrease of $7.1 billion from December 31, 2011. Cash and equivalents totaled $84.5 billion at December 31, 2011, an increase of $5.6 billion from December 31, 2010.

We evaluate our cash flow performance by reviewing our industrial (non-financial services) businesses and financial services businesses separately. Cash from operating activities (CFOA) is the principal source of cash generation for our industrial businesses. The industrial businesses also have liquidity available via the public capital markets. Our financial services businesses use a variety of financial resources to meet our capital needs. Cash for financial services businesses is primarily provided from the issuance of term debt and commercial paper in the public and private markets and deposits, as well as financing receivables collections, sales and securitizations.

GE Cash Flows

GE cash and equivalents were $15.5 billion at December 31, 2012, compared with $8.4 billion at December 31, 2011. GE CFOA totaled $17.8 billion in 2012 compared with $12.1 billion and $14.7 billion in 2011 and 2010, respectively. With respect to GE CFOA, we believe that it is useful to supplement our GE Statement of Cash Flows and to examine in a broader context the business activities that provide and require cash.

GE CFOA increased $5.8 billion compared with 2011, primarily due to dividends paid by GECC of $6.4 billion. In 2011, GE CFOA decreased $2.7 billion compared with 2010, primarily due to the impact of the disposal of NBCU.

(In billions)	2012	2011	2010
Operating cash collections(a)	$ 105.4	$ 93.6	$ 98.2
Operating cash payments	(94.0)	(81.5)	(83.5)
Cash dividends from GECC	6.4	–	–
GE cash from operating activities (GE CFOA)(a)	$ 17.8	$ 12.1	$ 14.7

(a) GE sells customer receivables to GECC in part to fund the growth of our industrial businesses. These transactions can result in cash generation or cash use. During any given period, GE receives cash from the sale of receivables to GECC. It also foregoes collection of cash on receivables sold. The incremental amount of cash received from sale of receivables in excess of the cash GE would have otherwise collected had those receivables not been sold, represents the cash generated or used in the period relating to this activity. The incremental cash generated in GE

CFOA from selling these receivables to GECC increased GE CFOA by $1.9 billion in 2012, increased GE CFOA by $1.2 billion in 2011 and decreased GE CFOA by $0.4 billion in 2010. See Note 27 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report for additional information about the elimination of intercompany transactions between GE and GECC.

The most significant source of cash in GE CFOA is customer-related activities, the largest of which is collecting cash following a product or services sale. GE operating cash collections increased by $11.8 billion in 2012 and decreased by $4.6 billion in 2011. These changes are consistent with the changes in comparable GE operating segment revenues, including the impact of acquisitions, primarily at Power & Water and Oil & Gas. Analyses of operating segment revenues discussed in the preceding Segment Operations section are the best way of understanding our customer-related CFOA.

The most significant operating use of cash is to pay our suppliers, employees, tax authorities and others for a wide range of material and services. GE operating cash payments increased by $12.5 billion in 2012 and decreased by $2.0 billion in 2011. These changes are consistent with the changes in GE total costs and expenses, including the impact of acquisitions, primarily at Power & Water and Oil & Gas.

Dividends from GECC, including special dividends, represent the distribution of a portion of GECC retained earnings, and are distinct from cash from continuing operating activities within the financial services businesses. The amounts we show in GE CFOA are the total dividends, including special dividends from excess capital. Beginning in the second quarter of 2012, GECC restarted its dividend to GE. During 2012, GECC paid dividends of $1.9 billion and special dividends of $4.5 billion to GE. There were no dividends received from GECC in 2011 or 2010.

On October 9, 2012, GE issued $7.0 billion of notes impacting our cash flows from financing activities. On February 1, 2013, we repaid $5.0 billion of GE senior unsecured notes.

GECC Cash Flows

GECC cash and equivalents were $61.9 billion at December 31, 2012, compared with $76.7 billion at December 31, 2011. GECC CFOA totaled $22.0 billion for 2012, compared with cash from operating activities of $21.1 billion for the same period of 2011. This was primarily due to increases, compared to the prior year, in net cash collateral held from counterparties on derivative contracts of $1.7 billion, partially offset by decreases in accounts payable of $0.9 billion.

Consistent with our plan to reduce GECC asset levels, cash from investing activities was $14.5 billion in 2012, primarily resulting from a $5.4 billion reduction in financing receivables due to collections (which includes sales) exceeding originations, $4.7 billion related to net loan repayments from our equity method investments, proceeds from principal business dispositions of $2.9 billion and $2.8 billion from sales of real estate held for investment and equity method investments. These increases were partially offset by $5.7 billion of net purchases of equipment leased to others (ELTO).

GECC cash used for financing activities in 2012 of $52.5 billion related primarily to a $49.5 billion reduction in total borrowings, consisting primarily of net reductions in long-term borrowings and commercial paper, $6.5 billion of dividends paid to shareowners (including $0.1 billion paid to GECC preferred shareowners), and $2.0 billion of redemptions of guaranteed investment contracts at Trinity, partially offset by $4.0 billion of proceeds from the issuance of preferred stock and $2.4 billion of higher deposits at our banks.

GECC pays dividends to GE through a distribution of its retained earnings, including special dividends from proceeds of certain business sales.

Intercompany Eliminations

Effects of transactions between related companies are made on an arms-length basis, are eliminated 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 overhead costs. For further information related to intercompany eliminations, see Note 27 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Contractual Obligations

As defined by reporting regulations, our contractual obligations for future payments as of December 31, 2012, follow.

	Payments due by period				
(In billions)	Total	2013	2014-2015	2016-2017	2018 and thereafter
Borrowings and bank deposits (Note 10)	$ 414.1	$ 139.2	$ 103.2	$ 60.9	$ 110.8
Interest on borrowings and bank deposits	92.8	9.7	14.2	10.1	58.8
Purchase obligations(a)(b)	65.8	33.8	13.5	5.8	12.7
Insurance liabilities (Note 11)(c)	14.0	1.6	2.9	2.0	7.5
Operating lease obligations (Note 19)	4.1	0.9	1.3	0.9	1.0
Other liabilities(d)	83.7	19.3	10.0	8.3	46.1
Contractual obligations of discontinued operations(e)	1.9	1.9	–	–	–

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

(b) Excluded funding commitments entered into in the ordinary course of business by our financial services businesses. Further information on these commitments and other guarantees is provided in Note 25 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

(c) Included contracts with reasonably determinable cash flows such as structured settlements, guaranteed investment contracts, and certain property and casualty contracts, and excluded long-term care, variable annuity and other life insurance contracts.

(d) Included an estimate of future expected funding requirements related to our pension and postretirement benefit plans and included liabilities for unrecognized tax benefits. 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. For further information on certain of these items, see Notes 14 and 22 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

(e) Included payments for other liabilities.

Variable Interest Entities (VIEs)

We securitize financial assets and arrange other forms of asset-backed financing in the ordinary course of business as an alternative source of funding. The securitization transactions we engage in are similar to those used by many financial institutions.

The assets we currently securitize include: receivables secured by equipment, credit card receivables, floorplan inventory receivables, GE trade receivables and other assets originated and underwritten by us in the ordinary course of business. The securitizations are funded with variable funding notes and term debt.

Substantially all of our securitization VIEs are consolidated because we are considered to be the primary beneficiary of the entity. Our interests in other VIEs for which we are not the primary beneficiary are accounted for as investment securities, financing receivables or equity method investments depending on the nature of our involvement.

At December 31, 2012, consolidated variable interest entity assets and liabilities were $48.4 billion and $32.9 billion, respectively, an increase of $1.7 billion and a decrease of $2.3 billion from 2011, respectively. Assets held by these entities are of equivalent credit quality to our other assets. We monitor the underlying credit quality in accordance with our role as servicer and apply rigorous controls to the execution of securitization transactions. With the exception of credit and liquidity support discussed below, investors in these entities have recourse only to the underlying assets.

At December 31, 2012, investments in unconsolidated VIEs, including our noncontrolling interest in PTL, were $12.6 billion, a decrease of $3.9 billion from 2011, primarily related to a decrease of $5.0 billion in PTL, partially offset by an increase of $1.0 billion in an investment in asset-backed securities issued by a senior secured loan fund. In addition to our existing investments, we have contractual obligations to fund additional investments in the unconsolidated VIEs to fund new asset origination. At December 31, 2012, these contractual obligations were $2.7 billion, a decrease of $1.6 billion from 2011.

We do not have implicit support arrangements with any VIE. We did not provide non-contractual support for previously transferred financing receivables to any VIE in either 2012 or 2011.

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 involve significant judgments and uncertainties. Many of these estimates include determining fair value. All of these estimates reflect our best judgment about current, and for some estimates future, economic and market conditions and their effects based on information available as of the date of these financial statements. If these conditions change from those expected, it is reasonably possible that the judgments and estimates described below could change, which may result in future impairments of investment securities, goodwill, intangibles and long-lived assets, incremental losses on financing receivables, increases in reserves for contingencies, establishment of valuation allowances on deferred tax assets and increased tax liabilities, among other effects. Also see Note 1 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report, which discusses the significant 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. The method for calculating the best estimate of losses depends on the size, type and risk characteristics of the related financing receivable. Such an 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 (including housing price indices as applicable), and the present and expected future levels of interest rates. The underlying assumptions, estimates and assessments we use to provide for losses are updated periodically to reflect our view of current conditions and are subject to the regulatory examination process, which can result in changes to our assumptions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible that we will experience credit losses that are different from our current estimates. Write-offs in both our consumer and commercial portfolios can also reflect both losses that are incurred subsequent to the beginning of a fiscal year and information becoming available during that fiscal year which may identify further deterioration on exposures existing prior to the beginning of that fiscal year, and for which reserves could not have been previously recognized. Our risk management process includes standards and policies for reviewing major risk exposures and concentrations, and evaluates relevant data either for individual loans or financing leases, or on a portfolio basis, as appropriate.

Further information is provided in the Global Risk Management section and Financial Resources and Liquidity – Financing Receivables section of this Item, the Asset impairment section that follows and in Notes 1, 6 and 23 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

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Revenue recognition on long-term product services agreements requires estimates of profits over the multiple-year terms of such agreements, considering factors such as the frequency and extent of future monitoring, maintenance and overhaul events; the amount of personnel, spare parts and other resources required to perform the services; and future billing rate and cost changes. We routinely review estimates under product services agreements and regularly revise them to adjust for changes in outlook. We also regularly assess customer credit risk inherent in the carrying amounts of receivables and contract costs and estimated earnings, including the risk that contractual penalties may not be sufficient to offset our accumulated investment in the event of customer termination. We gain insight into future utilization and cost trends, as well as credit risk, through our knowledge of the installed base of equipment and the close interaction with our customers that comes with supplying critical services and parts over extended periods. Revisions that affect a product services agreement's total estimated profitability result in an adjustment of earnings; such adjustments increased earnings by $0.4 billion in 2012, increased earnings by $0.4 billion in 2011 and decreased earnings by $0.2 billion in 2010. We provide for probable losses when they become evident.

Further information is provided in Notes 1 and 9 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Asset impairment assessment involves various estimates and assumptions as follows:

Investments. We regularly review investment securities for impairment using both quantitative and qualitative criteria. For debt securities, if we do not intend to sell the security and it is not more likely than not that we will be required to sell the security before recovery of our amortized cost, we evaluate other qualitative criteria to determine whether a credit loss exists, such as the financial health of and specific prospects for the issuer, including whether the issuer is in compliance with the terms and covenants of the security. Quantitative criteria include determining whether there has been an adverse change in expected future cash flows. For equity securities, our criteria include the length of time and magnitude of the amount that each security is in an unrealized loss position. Our other-than-temporary impairment reviews involve our finance, risk and asset management functions as well as the portfolio management and research capabilities of our internal and third-party asset managers. See Note 1 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report, which discusses the determination of fair value of investment securities.

Further information about actual and potential impairment losses is provided in the Financial Resources and Liquidity – Investment Securities section of this Item and in Notes 1, 3 and 9 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

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 undiscounted 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 derive the required undiscounted cash flow estimates from our historical experience and our internal business plans. To determine fair value, we use quoted market prices when available, our internal cash flow estimates discounted at an appropriate interest rate and independent appraisals, as appropriate.

Our operating lease portfolio of commercial aircraft is a significant concentration of assets in GE Capital, and is 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. We consider market conditions, such as global demand for commercial aircraft. Estimates of 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 management's best estimate. In determining its best estimate, management evaluates average current market values (obtained from third parties) of similar type and age aircraft, which are adjusted for the attributes of the specific aircraft under lease.

We recognized impairment losses on our operating lease portfolio of commercial aircraft of $0.2 billion and $0.3 billion in 2012 and 2011, respectively. Provisions for losses on financing receivables related to commercial aircraft were an insignificant amount for both 2012 and 2011.

Further information on impairment losses and our exposure to the commercial aviation industry is provided in the Operations – Overview section of this Item and in Notes 7 and 25 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Real Estate. We review the estimated value of our commercial real estate investments annually, or more frequently as conditions warrant. The cash flow estimates used for both estimating value and the recoverability analysis are inherently judgmental, and reflect current and projected lease profiles, available industry information about expected trends in rental, occupancy and capitalization rates and expected business plans, which include our estimated holding period for the asset. Our portfolio is diversified, both geographically and by asset type. However, the global real estate market is subject to periodic cycles that can cause significant fluctuations in market values. Based on the most recent valuation estimates available, the carrying value of our Real Estate investments exceeded their estimated value by about $1.1 billion. This amount is subject to variation dependent on the assumptions described above, changes in economic and market conditions and composition of our portfolio, including sales. Commercial real estate valuations have shown signs of improved stability and liquidity in certain markets, primarily in the U.S.; however, the pace of improvement varies significantly by asset class and market. Accordingly, there continues to be risk and uncertainty surrounding commercial real estate values. Declines in the estimated value of real estate below carrying amount result in impairment losses when the aggregate undiscounted cash flow estimates used in the estimated value measurement are below the carrying amount. As such, estimated losses in the portfolio will not necessarily result in recognized impairment losses. When we recognize an impairment, the impairment is measured using the estimated fair value of the underlying asset, which is based upon cash flow estimates that reflect current and projected lease profiles and available industry information about capitalization rates and expected trends in rents and occupancy and is corroborated by external appraisals. During 2012, Real Estate recognized pre-tax impairments of $0.1 billion in its real estate held for investment, as compared to $1.2 billion in 2011. Continued deterioration in economic conditions or prolonged market illiquidity may result in further impairments being recognized. Furthermore, significant judgment and uncertainty related to forecasted valuation trends, especially in illiquid markets, results in inherent imprecision in real estate value estimates. Further information is provided in the Global Risk Management and the All other assets sections of this Item and in Note 9 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Goodwill and Other Identified Intangible Assets. We test goodwill for impairment annually and more frequently if circumstances warrant. We determine fair values for each of the reporting units using an income approach. When available and appropriate, we use comparative market multiples to corroborate discounted cash flow results. For purposes of the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for each business. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the cost of equity financing. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our reporting unit valuations ranged from 8.0% to 13.0%. Valuations using the market approach reflect prices and other relevant observable information generated by market transactions involving comparable businesses.

Compared to the market approach, the income approach more closely aligns each reporting unit valuation to our business profile, including geographic markets served and product offerings. Required rates of return, along with uncertainty inherent in the forecasts of future cash flows, are reflected in the selection of the discount rate. Equally important, under this approach, reasonably likely scenarios and associated sensitivities can be developed for alternative future states that may not be reflected in an observable market price. A market approach allows for comparison to actual market transactions and multiples. It can be somewhat more limited in its application because the population of potential comparables is often limited to publicly traded companies where the characteristics of the comparative business and ours can be significantly different, market data is usually not available for divisions within larger conglomerates or non-public subsidiaries that could otherwise qualify as comparable, and the specific circumstances surrounding a market transaction (e.g., synergies between the parties, terms and conditions of the transaction, etc.) may be different or irrelevant with respect to our business. It can also be difficult, under certain market conditions, to identify orderly transactions between market participants in similar businesses. We assess the valuation methodology based upon the relevance and availability of the data at the time we perform the valuation and weight the methodologies appropriately.

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. If current conditions persist longer or deteriorate further than expected, it is reasonably possible that the judgments and estimates described above could change in future periods.

We review identified intangible assets with defined useful lives and subject to amortization for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss occurred requires comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. We test intangible assets with indefinite lives annually for impairment using a fair value method such as discounted cash flows. For our insurance activities remaining in continuing operations, we periodically test for impairment our deferred acquisition costs and present value of future profits.

Further information is provided in the Financial Resources and Liquidity – Goodwill and Other Intangible Assets section of this Item and in Notes 1 and 8 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Pension assumptions are significant inputs to the actuarial models that measure pension benefit obligations and related effects on operations. Two assumptions – discount rate and expected return on assets – are important elements of plan expense and asset/liability measurement. We evaluate these critical assumptions at least annually on a plan and country-specific basis. We periodically evaluate other assumptions involving demographic factors, such as retirement age, mortality and turnover, and update them to reflect our experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

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Accumulated and projected benefit obligations are measured as the present value of expected payments. We discount those cash payments using the weighted average of market-observed yields for high-quality fixed-income securities with maturities that correspond to the payment of benefits. Lower discount rates increase present values and subsequent-year pension expense; higher discount rates decrease present values and subsequent-year pension expense.

Our discount rates for principal pension plans at December 31, 2012, 2011 and 2010 were 3.96%, 4.21% and 5.28%, respectively, reflecting market interest rates.

To determine the expected long-term rate of return on pension plan assets, we consider current and target asset allocations, as well as historical and expected returns on various categories of plan assets. In developing future long-term return expectations for our principal benefit plans' assets, we formulate views on the future economic environment, both in the U.S. and abroad. We evaluate general market trends and historical relationships among a number of key variables that impact asset class returns such as expected earnings growth, inflation, valuations, yields and spreads, using both internal and external sources. We also take into account expected volatility by asset class and diversification across classes to determine expected overall portfolio results given current and target allocations. Assets in our principal pension plans earned 11.7% in 2012, and had average annual earnings of 7.2%, 6.1% and 8.9% per year in the 10-, 15- and 25-year periods ended December 31, 2012, respectively. These average historical returns were significantly affected by investment losses in 2008. Based on our analysis of future expectations of asset performance, past return results, and our current and target asset allocations, we have assumed an 8.0% long-term expected return on those assets for cost recognition in 2013 compared to 8.0% in both 2012 and 2011 and 8.5% in 2010.

Changes in key assumptions for our principal pension plans would have the following effects.

- Discount rate – A 25 basis point increase in discount rate would decrease pension cost in the following year by $0.2 billion and would decrease the pension benefit obligation at year-end by about $2.0 billion.

- Expected return on assets – A 50 basis point decrease in the expected return on assets would increase pension cost in the following year by $0.2 billion.

Further information on our pension plans is provided in the Operations – Overview section of this Item and in Note 12 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Income Taxes. Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. We review our tax positions quarterly and adjust the balances as new information becomes available. Our income tax rate is significantly affected by the tax rate on our global operations. In addition to local country tax laws and regulations, this rate depends on the extent earnings are indefinitely reinvested outside the United States. Indefinite reinvestment is determined by management's judgment about and intentions concerning the future operations of the Company. At December 31, 2012 and 2011, approximately $108 billion and $102 billion of earnings, respectively, have been indefinitely reinvested outside the United States. Most of these earnings have been reinvested in active non-U.S. business operations, and we do not intend to repatriate these earnings to fund U.S. operations. Because of the availability of U.S. foreign tax credits, it is not practicable to determine the U.S. federal income tax liability that would be payable if such earnings were not reinvested indefinitely. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates. We use our historical experience and our short- and long-range business forecasts to provide insight. Further, our global and diversified business portfolio gives us the opportunity to employ various prudent and feasible tax planning strategies to facilitate the recoverability of future deductions. Amounts recorded for deferred tax assets related to non-U.S. net operating losses, net of valuation allowances, were $4.8 billion at both December 31, 2012 and 2011, including $0.8 billion and $0.9 billion at December 31, 2012 and 2011, respectively, of deferred tax assets, net of valuation allowances, associated with losses reported in discontinued operations, primarily related to our loss on the sale of GE Money Japan. Such year-end 2012 amounts are expected to be fully recoverable within the applicable statutory expiration periods. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established.

Further information on income taxes is provided in the Operations – Overview section of this Item and in Note 14 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Derivatives and Hedging. We use derivatives to manage a variety of risks, including risks related to interest rates, foreign exchange and commodity prices. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting. The rules and interpretations related to derivatives accounting are complex. Failure to apply this complex guidance correctly will result in all changes in the fair value of the derivative being reported in earnings, without regard to the offsetting changes in the fair value of the hedged item.

In evaluating whether a particular relationship qualifies for hedge accounting, we test effectiveness at inception and each reporting period thereafter by determining whether changes in the fair value of the derivative offset, within a specified range, changes in the fair value of the hedged item. If fair value changes fail this test, we discontinue applying hedge accounting to that relationship prospectively. Fair values of both the derivative instrument and the hedged item are calculated using internal valuation models incorporating market-based assumptions, subject to third-party confirmation, as applicable.

At December 31, 2012, derivative assets and liabilities were $3.9 billion and $0.3 billion, respectively. Further information about our use of derivatives is provided in Notes 1, 9, 21 and 22 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

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Fair Value Measurements. Assets and liabilities measured at fair value every reporting period include investments in debt and equity securities and derivatives. Assets that are not measured at fair value every reporting period but that are subject to fair value measurements in certain circumstances 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.

A fair value measurement is determined as the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. The determination of fair value often involves significant judgments about assumptions such as determining an appropriate discount rate that factors in both risk and liquidity premiums, identifying the similarities and differences in market transactions, weighting those differences accordingly and then making the appropriate adjustments to those market transactions to reflect the risks specific to our asset being valued. Further information on fair value measurements is provided in Notes 1, 21 and 22 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Other loss contingencies are uncertain and unresolved matters that arise in the ordinary course of business and result from events or actions by others that have the potential to result in a future loss. Such contingencies include, but are not limited to environmental obligations, litigation, regulatory proceedings, product quality and losses resulting from other events and developments.

When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low-end of such range. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency. Moreover, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be continuously evaluated to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss. When a loss is probable but a reasonable estimate cannot be made, disclosure is provided.

Disclosure also is provided when it is reasonably possible that a loss will be incurred or when it is reasonably possible that the amount of a loss will exceed the recorded provision. We regularly review all contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made. As discussed above, development of a meaningful estimate of loss or a range of potential loss is complex when the outcome is directly dependent on negotiations with or decisions by third parties, such as regulatory agencies, the court system and other interested parties. Such factors bear directly on whether it is possible to reasonably estimate a range of potential loss and boundaries of high and low estimates.

Further information is provided in Notes 2, 13 and 25 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

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Other Information

New Accounting Standards

In January 2013, the FASB issued amendments to existing standards for reporting comprehensive income. The amendments expand disclosures about amounts that are reclassified out of accumulated comprehensive income during the reporting period. The amendments do not change existing recognition and measurement requirements that determine net earnings and are effective for our first quarter 2013 reporting.

In January 2013, the Emerging Issues Task Force reached a final consensus that resolves conflicting guidance between ASC Subtopics 810-10, Consolidation, and 830-30, Foreign Currency Matters – Translation of Financial Statements, with regard to the release of currency translation adjustments in certain circumstances. The Task Force concluded that release upon substantial liquidation applies to events occurring within a foreign entity and that the loss of control model applies to events related to investments in a foreign entity. The revised guidance will apply prospectively to transactions or events occurring in fiscal years beginning after December 15, 2013.

In December 2011, the FASB issued amendments to existing disclosure requirements for assets and liabilities that are offset in the statement of financial position, which are effective for the first quarter of 2013. In January 2013, the FASB clarified the scope of the amendments to limit application of the disclosure requirements to derivatives, repurchase agreements, reverse purchase agreements, securities borrowing and securities lending transactions that are presented on a net basis in the statement of financial position or are permitted to be netted under agreements with counterparties. The amendments require expanded disclosures about gross and net amounts of instruments that fall within the scope of the amendment.

Research and Development

GE-funded research and development expenditures were $4.5 billion, $4.6 billion and $3.9 billion in 2012, 2011 and 2010, respectively. In addition, research and development funding from customers, principally the U.S. government, totaled $0.7 billion, $0.8 billion and $1.0 billion in 2012, 2011 and 2010, respectively. Aviation accounts for the largest share of GE’s research and development expenditures with funding from both GE and customer funds. Power & Water and Healthcare also made significant expenditures funded primarily by GE.

Orders and Backlog

GE infrastructure equipment orders increased 3% to $96.7 billion at December 31, 2012. Total GE infrastructure backlog increased 4% to $209.5 billion at December 31, 2012, composed of equipment backlog of $52.7 billion and services backlog of $156.8 billion. Orders constituting backlog may be cancelled or deferred by customers, subject in certain cases to penalties. See the Segment Operations section of this Item for further information.

Supplemental 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 U.S. Securities and Exchange Commission rules. Specifically, we have referred, in various sections of this Form 10-K Report, to:

- Industrial cash flows from operating activities (Industrial CFOA)
- Operating earnings, operating EPS, operating EPS excluding the effects of the 2011 preferred stock redemption and Industrial operating earnings
- Operating and non-operating pension costs (income)
- Industrial segment organic revenues
- Average GE shareowners' equity, excluding effects of discontinued operations
- Ratio of debt to equity at GECC, net of cash and equivalents and with classification of hybrid debt as equity
- GE Capital ending net investment (ENI), excluding cash and equivalents
- GE pre-tax earnings from continuing operations, excluding GECC earnings from continuing operations, the corresponding effective tax rates and the reconciliation of the U.S. federal statutory income tax rate to GE effective tax rate, excluding GECC earnings

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

Industrial Cash Flows from Operating Activities (Industrial CFOA)

(In millions)		2012		2011		2010		2009		2008
Cash from GE's operating activities, as reported	$	17,826	$	12,057	$	14,746	$	16,405	$	19,138
Less dividends from GECC		6,426		–		–		–		2,351
Cash from GE's operating activities, excluding dividends from GECC (Industrial CFOA)	$	11,400	$	12,057	$	14,746	$	16,405	$	16,787

(78)

We refer to cash generated by our industrial businesses as "Industrial CFOA," which we define as GE's cash from continuing operating activities less the amount of dividends received by GE from GECC. This includes the effects of intercompany transactions, including GE customer receivables sold to GECC; GECC services for trade receivables management and material procurement; buildings and equipment (including automobiles) leased between GE and GECC; information technology (IT) and other services sold to GECC by GE; aircraft engines manufactured by GE that are installed on aircraft purchased by GECC from third-party producers for lease to others; and various investments, loans and allocations of GE corporate overhead costs. We believe that investors may find it useful to compare GE's operating cash flows without the effect of GECC dividends, since these dividends are not representative of the operating cash flows of our industrial businesses and can vary from period-to-period based upon the results of the financial services businesses. Management recognizes that this measure may not be comparable to cash flow results of companies which contain both industrial and financial services businesses, but believes that this comparison is aided by the provision of additional information about the amounts of dividends paid by our financial services business and the separate presentation in our financial statements of the Financial Services (GECC) cash flows. We believe that our measure of Industrial CFOA provides management and investors with a useful measure to compare the capacity of our industrial operations to generate operating cash flows with the operating cash flows of other non-financial businesses and companies and as such provides a useful measure to supplement the reported GAAP CFOA measure.

Operating Earnings, Operating EPS and Operating EPS Excluding the Effects of the 2011 Preferred Stock Redemption

(In millions; except earnings per share)		2012		2011		2010
Earnings from continuing operations attributable to GE	$	14,679	$	14,227	$	12,613
Adjustment (net of tax): non-operating pension costs (income)		1,386		688		(205)
Operating earnings	$	16,065	$	14,915	$	12,408
Earnings per share – diluted(a)						
Continuing earnings per share	$	1.39	$	1.24	$	1.15
Adjustment (net of tax): non-operating pension costs (income)		0.13		0.06		(0.02)
Operating earnings per share		1.52		1.31		1.13
Less: Effects of the 2011 preferred stock redemption		–		0.08		–
Operating EPS excluding the effects of the 2011 preferred stock redemption	$	1.52	$	1.38	$	1.13

(a) Earnings-per-share amounts are computed independently. As a result, the sum of per-share amounts may not equal the total.

(79)

Industrial Operating Earnings

(In millions)		2012
Earnings from continuing operations attributable to GE	$	14,679
Adjustments (net of tax): non-operating pension costs (income)		1,386
Operating earnings		16,065
Less GECC earnings from continuing operations attributable to the Company		7,401
Less effect of GECC preferred stock dividends		(123)
Operating earnings excluding GECC earnings from continuing operations and the effect of GECC preferred stock dividends (Industrial operating earnings)	$	8,787
Industrial operating earnings as a percentage of operating earnings		55%

Operating earnings excludes non-service related pension costs of our principal pension plans comprising interest cost, expected return on plan assets and amortization of actuarial gains/losses. The service cost and prior service cost components of our principal pension plans are included in operating earnings. We believe that these components of pension cost better reflect the ongoing service-related costs of providing pension benefits to our employees. As such, we believe that our measure of operating earnings provides management and investors with a useful measure of the operational results of our business. Other components of GAAP pension cost are mainly driven by capital allocation decisions and market performance, and we manage these separately from the operational performance of our businesses. Neither GAAP nor operating pension costs are necessarily indicative of the current or future cash flow requirements related to our pension plan. We also believe that this measure, considered along with the corresponding GAAP measure, provides management and investors with additional information for comparison of our operating results to the operating results of other companies. We believe that presenting operating earnings separately for our industrial businesses also provides management and investors with useful information about the relative size of our industrial and financial services businesses in relation to the total company. We also believe that operating EPS excluding the effects of the $0.8 billion preferred dividend related to the redemption of our preferred stock (calculated as the difference between the carrying value and the redemption value of the preferred stock) is a meaningful measure because it increases the comparability of period-to-period results.

Operating and Non-Operating Pension Costs (Income)

(In millions)		2012		2011		2010
Service cost for benefits earned	$	1,387	$	1,195	$	1,149
Prior service cost amortization		279		194		238
Operating pension costs		1,666		1,389		1,387

Expected return on plan assets		(3,768)		(3,940)		(4,344)
Interest cost on benefit obligations		2,479		2,662		2,693
Net actuarial loss amortization		3,421		2,335		1,336
Non-operating pension costs (income)		2,132		1,057		(315)
Total principal pension plans costs	$	3,798	$	2,446	$	1,072

(80)

We have provided the operating and non-operating components of cost for our principal pension plans. Operating pension costs comprise the service cost of benefits earned and prior service cost amortization for our principal pension plans. Non-operating pension costs (income) comprise the expected return on plan assets, interest cost on benefit obligations and net actuarial loss amortization for our principal pension plans. We believe that the operating components of pension costs better reflect the ongoing service-related costs of providing pension benefits to our employees. We believe that the operating and non-operating components of cost for our principal pension plans, considered along with the corresponding GAAP measure, provide management and investors with additional information for comparison of our pension plan costs and operating results with the pension plan costs and operating results of other companies.

Industrial Segment Organic Revenues

(In millions)		2012		2011	V%
Consolidated revenues	$	147,359	$	147,288	
Less GE Capital revenues		46,039		49,068	
Less Corporate items and eliminations		(1,491)		2,995	
Industrial segment revenues		102,811		95,225	
Less the effects of:					
Acquisitions, business dispositions (other than dispositions of businesses acquired for investment) and currency exchange rates		972		1,112	
Industrial revenues excluding the effects of acquisitions, business dispositions (other than dispositions of businesses acquired for investment) and currency exchange rates (industrial segment organic revenues)	$	101,839			