GENERAL ELECTRIC CAPITAL CORP
Form 10-Q
November 07, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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 001-06461

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

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

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

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

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

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

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

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

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

At November 2, 2012, 1,000 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of $14 per share were outstanding.

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

(1)

General Electric Capital Corporation

Forward-Looking Statements

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

(2)

Part I. Financial Information

Item 1. Financial Statements

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

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2012	2011	2012	2011
Revenues				
Revenues from services (a)	$ 11,360	$ 12,051	$ 34,268	$ 37,561
Other-than-temporary impairment on investment securities:				
Total other-than-temporary impairment on investment securities	(25)	(86)	(90)	(270)
Less: Portion of other-than-temporary impairment recognized in accumulated other comprehensive income	–	18	1	84
Net other-than-temporary impairment on investment securities recognized in earnings	(25)	(68)	(89)	(186)
Revenues from services (Note 9)	11,335	11,983	34,179	37,375
Sales of goods	34	32	90	116
Total revenues	11,369	12,015	34,269	37,491
Costs and expenses				
Interest	2,805	3,556	8,989	10,738
Operating and administrative	3,072	3,260	9,063	10,186
Cost of goods sold	27	30	75	108
Investment contracts, insurance losses and insurance annuity benefits	798	755	2,271	2,314
Provision for losses on financing receivables	1,122	961	2,728	2,893
Depreciation and amortization	1,768	1,837	5,137	5,405
Total costs and expenses	9,592	10,399	28,263	31,644
Earnings (loss) from continuing operations before income taxes	1,777	1,616	6,006	5,847
Benefit (provision) for income taxes	(78)	(59)	(367)	(834)
Earnings from continuing operations	1,699	1,557	5,639	5,013
Earnings (loss) from discontinued operations, net of taxes (Note 2)	(111)	(64)	(881)	166
Net earnings (loss)	1,588	1,493	4,758	5,179
Less net earnings (loss) attributable to noncontrolling interests	20	38	46	89

Net earnings (loss) attributable to GECC	$	1,568	$	1,455	$	4,712	$	5,090
Amounts attributable to GECC								
Earnings from continuing operations	$	1,679	$	1,519	$	5,593	$	4,924
Earnings (loss) from discontinued operations, net of taxes		(111)		(64)		(881)		166
Net earnings (loss) attributable to GECC	$	1,568	$	1,455	$	4,712	$	5,090

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

See accompanying notes.

(3)

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

(In millions)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Net earnings	$ 1,588	$ 1,493	$ 4,758	$ 5,179
Less net earnings (loss) attributable to noncontrolling interests	20	38	46	89
Net earnings attributable to GECC	$ 1,568	$ 1,455	$ 4,712	$ 5,090
Other comprehensive income (loss), net of tax				
Investment securities	$ 125	$ 249	$ 635	$ 451
Currency translation adjustments	526	(810)	252	1,730
Cash flow hedges	29	(48)	141	(310)
Benefit plans	(11)	28	(16)	27
Other comprehensive income (loss), net of tax	669	(581)	1,012	1,898
Less other comprehensive income (loss) attributable to noncontrolling interests	(2)	22	(1)	13
Other comprehensive income (loss) attributable to GECC	$ 671	$ (603)	$ 1,013	$ 1,885
Comprehensive income, net of tax	2,257	912	5,770	7,077
Less comprehensive income attributable to noncontrolling interests	18	60	45	102
Comprehensive income attributable to GECC	$ 2,239	$ 852	$ 5,725	$ 6,975

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

(In millions)	Nine months ended September 30, 2012	2011
Beginning balance	$ 77,110	$ 68,984
Dividends and other transactions with shareowners	(1,486)	–
Other comprehensive income (loss), net of tax	1,013	1,885
Increases from net earnings attributable to the Company	4,712	5,090
Ending balance	81,349	75,959
Noncontrolling interests	711	1,205
Total equity	$ 82,060	$ 77,164

(4)

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Financial Position

(In millions, except share information)	September 30, 2012 (Unaudited)	December 31, 2011
Assets		
Cash and equivalents	$ 77,666	$ 76,702
Investment securities (Note 3)	48,695	47,359
Inventories	73	51
Financing receivables – net (Notes 4 and 12)	271,623	288,847
Other receivables	13,772	13,390
Property, plant and equipment, less accumulated amortization of $23,886 and $23,615	52,288	51,419
Goodwill (Note 5)	27,338	27,230
Other intangible assets – net (Note 5)	1,361	1,546
Other assets	64,887	75,612
Assets of businesses held for sale (Note 2)	2,700	711
Assets of discontinued operations (Note 2)	1,199	1,669
Total assets(a)	$ 561,602	$ 584,536
Liabilities and equity		
Short-term borrowings (Note 6)	$ 113,587	$ 136,333
Accounts payable	7,007	7,239
Non-recourse borrowings of consolidated securitization entities (Note 6)	31,171	29,258
Bank deposits (Note 6)	45,196	43,115
Long-term borrowings (Note 6)	230,402	234,391
Investment contracts, insurance liabilities and insurance annuity benefits	28,806	30,198
Other liabilities	15,445	17,334
Deferred income taxes	5,945	7,052
Liabilities of businesses held for sale (Note 2)	206	345
Liabilities of discontinued operations (Note 2)	1,777	1,471
Total liabilities(a)	479,542	506,736
Preferred stock, $0.01 par value (750,000 shares authorized at both September 30, 2012 and December 31, 2011 and 40,000 shares and 0 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively)	–	–
Common stock, $14 par value (4,166,000 shares authorized at		

both September 30, 2012 and December 31, 2011 and 1,000 shares issued and outstanding at both September 30, 2012 and December 31, 2011)	–	–
Accumulated other comprehensive income – net(b)		
Investment securities	602	(33)
Currency translation adjustments	(145)	(399)
Cash flow hedges	(961)	(1,101)
Benefit plans	(579)	(563)
Additional paid-in capital	31,589	27,628
Retained earnings	50,843	51,578
Total GECC shareowners' equity	81,349	77,110
Noncontrolling interests(c)(Note 8)	711	690
Total equity	82,060	77,800
Total liabilities and equity	$ 561,602	$ 584,536

(a) Our consolidated assets at September 30, 2012 include total assets of $47,623 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets include net financing receivables of $40,422 million and investment securities of $4,797 million. Our consolidated liabilities at September 30, 2012 include liabilities of certain VIEs for which the VIE creditors do not have recourse to GECC. These liabilities include non-recourse borrowings of consolidated securitization entities (CSEs) of $30,270 million. See Note 13.

(b) The sum of accumulated other comprehensive income – net was $(1,083) million and $(2,096) million at September 30, 2012 and December 31, 2011, respectively.

(c) Included accumulated other comprehensive income – net attributable to noncontrolling interests of $(140) million and $(141) million at September 30, 2012 and December 31, 2011, respectively.

See accompanying notes.

(5)

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Cash Flows

(Unaudited)

	Nine months ended September 30,	
(In millions)	2012	2011
Cash flows – operating activities		
Net earnings	$ 4,758	$ 5,179
Less net earnings (loss) attributable to noncontrolling interests	46	89
Net earnings attributable to GECC	4,712	5,090
(Earnings) loss from discontinued operations	881	(166)
Adjustments to reconcile net earnings attributable to GECC		
to cash provided from operating activities		
Depreciation and amortization of property, plant and equipment	5,137	5,405
Increase (decrease) in accounts payable	(287)	1,103
Provision for losses on financing receivables	2,728	2,893
All other operating activities	1,841	2,328
Cash from (used for) operating activities – continuing operations	15,012	16,653
Cash from (used for) operating activities – discontinued operations	20	821
Cash from (used for) operating activities	15,032	17,474
Cash flows – investing activities		
Additions to property, plant and equipment	(8,096)	(7,149)
Dispositions of property, plant and equipment	4,848	4,637
Increase in loans to customers	(217,198)	(234,522)
Principal collections from customers – loans	227,408	249,413
Investment in equipment for financing leases	(6,585)	(6,920)
Principal collections from customers – financing leases	9,150	9,797
Net change in credit card receivables	(3,254)	746
Proceeds from sale of discontinued operations	227	8,951
Proceeds from principal business dispositions	244	2,117
Payments for principal businesses purchased	–	(50)
All other investing activities	9,383	4,229
Cash from (used for) investing activities – continuing operations	16,127	31,249
Cash from (used for) investing activities – discontinued operations	(30)	(789)
Cash from (used for) investing activities	16,097	30,460

Cash flows – financing activities		
Net increase (decrease) in borrowings (maturities of 90 days or less)	(1,209)	(1,893)
Net increase (decrease) in bank deposits	1,195	3,746
Newly issued debt (maturities longer than 90 days)		
Short-term (91 to 365 days)	59	10
Long-term (longer than one year)	43,156	33,798
Non-recourse, leveraged lease	–	–
Repayments and other debt reductions (maturities longer than 90 days)		
Short-term (91 to 365 days)	(66,837)	(58,005)
Long-term (longer than one year)	(3,162)	(1,603)
Non-recourse, leveraged lease	(389)	(640)
Proceeds from issuance of preferred stock	3,960	–
Dividends paid to shareowner	(5,446)	–
All other financing activities	(2,729)	(1,336)
Cash from (used for) financing activities – continuing operations	(31,402)	(25,923)
Cash from (used for) financing activities – discontinued operations	–	(42)
Cash from (used for) financing activities	(31,402)	(25,965)
Effect of currency exchange rate changes on cash and equivalents	1,227	1,042
Increase (decrease) in cash and equivalents	954	23,011
Cash and equivalents at beginning of year	76,823	60,398
Cash and equivalents at September 30	77,777	83,409
Less cash and equivalents of discontinued operations at September 30	111	131
Cash and equivalents of continuing operations at September 30	$ 77,666	$ 83,278

See accompanying notes.

(6)

General Electric Capital Corporation and consolidated affiliates
Summary of Operating Segments

(In millions)	Three months ended September 30, (Unaudited) 2012	Three months ended September 30, (Unaudited) 2011	Nine months ended September 30, (Unaudited) 2012	Nine months ended September 30, (Unaudited) 2011
Revenues				
CLL	$ 4,124	$ 4,512	$ 12,707	$ 13,786
Consumer	3,911	4,028	11,600	13,023
Real Estate	948	935	2,660	2,834
Energy Financial Services	401	221	1,086	931
GECAS	1,249	1,265	3,897	3,917
Total segment revenues	10,633	10,961	31,950	34,491
Corporate items and eliminations	736	1,054	2,319	3,000
Total revenues in GECC	$ 11,369	$ 12,015	$ 34,269	$ 37,491
Segment profit				
CLL	$ 568	$ 688	$ 1,879	$ 1,943
Consumer	749	803	2,485	3,086
Real Estate	217	(82)	494	(775)
Energy Financial Services	132	79	325	330
GECAS	251	208	877	835
Total segment profit	1,917	1,696	6,060	5,419
Corporate items and eliminations	(238)	(177)	(467)	(495)
Earnings from continuing operations attributable to GECC	1,679	1,519	5,593	4,924
Earnings (loss) from discontinued operations, net of taxes, attributable to GECC	(111)	(64)	(881)	166
Total net earnings attributable to GECC	$ 1,568	$ 1,455	$ 4,712	$ 5,090

See accompanying notes.

Notes to Condensed Financial Statements (Unaudited)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Electric Company (GE Company or GE) owns all of the common stock of General Electric Capital Corporation (GECC). Our financial statements consolidate all of our affiliates – companies that we control and in which we hold a majority voting interest. We also consolidate the economic interests we hold in certain businesses within companies in which we hold a voting equity interest and are majority owned by our parent, but which we have agreed to actively manage and control. See Note 1 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (2011 consolidated financial statements), which discusses our consolidation and financial statement presentation. GECC includes Commercial Lending and Leasing (CLL), Consumer, Real Estate, Energy Financial Services and GE Capital Aviation Services (GECAS).

On February 22, 2012, our former parent, General Electric Capital Services, Inc. (GECS), merged with and into GECC. The merger simplified GE's 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 GE 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 of the merger, GECC became the surviving corporation, assumed all of GECS' rights and obligations and became wholly-owned directly by GE.

Because both GECS and GECC were wholly-owned either directly or indirectly by GE, 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 period results are retrospectively adjusted to furnish comparative information. GECC's continuing operations now include the run-off insurance operations previously held and managed in our former parent, GECS, and which are reported in corporate items and eliminations. The operating businesses that are reported as segments, including CLL, Consumer, Real Estate, Energy Financial Services and GECAS, are not affected by the merger. Unless otherwise indicated, references to GECC and the GE Capital segment in this Form 10-Q Report relate to the entity or segment as they exist subsequent to the February 22, 2012 merger. In addition, during the first quarter of 2012, we announced the planned disposition of the Consumer mortgage lending business in Ireland (Consumer Ireland). This disposition is reported as a discontinued operation, which requires retrospective restatement of prior periods to classify the assets, liabilities and results of operations as discontinued operations.

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

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

Accounting Changes

On January 1, 2012, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2011-05, an amendment to Accounting Standards Codification (ASC) 220, Comprehensive Income. ASU 2011-05 introduces a new statement, the Consolidated Statement of Comprehensive Income, which begins with net earnings and adds or deducts other recognized changes in assets and liabilities that are not included in net earnings, but are reported directly to equity, under U.S. generally accepted accounting principles (GAAP). For example, unrealized changes in currency translation adjustments are included in the measure of comprehensive income but are excluded from net earnings. The amendments became effective for the first quarter 2012 financial statements. The amendments affect only the display of those components of equity categorized as other comprehensive income and do not change existing recognition and measurement requirements that determine net earnings.

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

See Note 1 in our 2011 consolidated financial statements for a summary of our significant accounting policies.

Interim Period Presentation

The condensed, consolidated financial statements and notes thereto are unaudited. These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed, consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. It is suggested that these condensed, consolidated financial statements be read in conjunction with the financial statements and notes thereto included in our 2011 consolidated financial statements. We label our quarterly information using a calendar convention, that is, first quarter is labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is our longstanding practice to establish interim quarterly closing dates using a fiscal calendar, which requires our businesses to close their books on either a Saturday or Sunday, depending on the business. The effects of this practice are modest and only exist within a reporting year. The fiscal closing calendar from 1993 through 2013 is available on our website, www.ge.com/secreports.

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

Assets and Liabilities of Businesses Held for Sale

In the third quarter of 2012, we completed the sale of our CLL business in South Korea for proceeds of $168 million. We also committed to sell a plant located in the United Kingdom, the sale of which was completed on October 18, 2012.

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

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

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

	September 30,	December 31,

(In millions)		2012		2011
Assets				
Cash and equivalents	$	99	$	149
Financing receivables – net		2,406		412
Property, plant and equipment – net		38		81
All other		157		69
Assets of businesses held for sale	$	2,700	$	711
Liabilities				
Short-term borrowings	$	186	$	252
All other		20		93
Liabilities of businesses held for sale	$	206	$	345

(9)

Discontinued Operations

Discontinued operations primarily comprised GE Money Japan (our Japanese personal loan business, Lake, and our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd.), our U.S. mortgage business (WMC), our U.S. recreational vehicle and marine equipment financing business (Consumer RV Marine), Consumer Mexico, Consumer Singapore, our Consumer home lending operations in Australia and New Zealand (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.

Summarized financial information for discontinued operations is shown below.

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2012	2011	2012	2011
Operations				
Total revenues (loss)	$ (112)	$ 17	$ (462)	$ 348
Earnings (loss) from discontinued operations before income taxes	$ (141)	$ (74)	$ (579)	$ (112)
Benefit (provision) for income taxes	28	22	155	55
Earnings (loss) from discontinued operations, net of taxes	$ (113)	$ (52)	$ (424)	$ (57)
Disposal				
Gain (loss) on disposal before income taxes	$ (4)	$ (45)	$ (506)	$ (86)
Benefit (provision) for income taxes	6	33	49	309
Gain (loss) on disposal, net of taxes	$ 2	$ (12)	$ (457)	$ 223
Earnings (loss) from discontinued operations, net of taxes	$ (111)	$ (64)	$ (881)	$ 166

(In millions)	September 30, 2012	December 31, 2011
Assets		
Cash and equivalents	$ 111	$ 121
Financing receivables - net	6	521
Other	1,082	1,027
Assets of discontinued operations	$ 1,199	$ 1,669
Liabilities		
Deferred income taxes	$ 360	$ 207
Other	1,417	1,264
Liabilities of discontinued operations	$ 1,777	$ 1,471

Assets at September 30, 2012 and December 31, 2011 primarily comprised cash, financing receivables and a deferred tax asset for a loss carryforward, which expires principally in 2017 and in part in 2019, related to the sale of our GE Money Japan business.

GE Money Japan

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

Our overall claims experience developed unfavorably through 2010. We believe that the level of excess interest refund claims was impacted by the challenging global economic conditions, in addition to Japanese legislative and regulatory changes. In September 2010, a large independent personal loan company in Japan filed for bankruptcy, which precipitated a significant amount of publicity surrounding excess interest refund claims in the Japanese marketplace, along with substantial legal advertising. We observed an increase in claims during the latter part of 2010 and the first two months of 2011. From February 2011 through the end of 2011, we experienced substantial declines in the rate of incoming claims, though the overall rate of reduction was slower than we expected. The September 2010 bankruptcy filing referenced above had a significant effect on the pace of incoming claim declines and it is difficult to predict the pace and pattern at which claims will continue to decelerate. During the nine months ended September 30, 2012, we recorded increases to our reserve of $344 million to reflect an excess of claims activity over our previous estimates and revisions to our assumptions about the level of future claim activity. We continue to closely monitor and evaluate claims activity. At September 30, 2012, our reserve for reimbursement of claims in excess of the statutory interest rate was $578 million.

The amount of these reserves is based on analyses of recent and historical claims experience, pending and estimated future excess interest refund requests, the estimated percentage of customers who present valid requests, and our estimated payments related to those requests. Our estimated liability for excess interest refund claims at September 30, 2012 assumes the pace of incoming claims will continue to decelerate, average exposure per claim remains consistent with recent experience, and we continue to see the impact of loss mitigation efforts. Estimating the pace and pattern of decline in incoming claims has a significant effect on the total amount of our liability. While the overall pace of incoming claims continues to decline, it is highly variable and difficult to predict. Holding all other assumptions constant, for example, adverse changes of 20% and 50% in assumed incoming daily claim rate reduction would result in an increase to our reserves of approximately $100 million and $350 million, respectively.

Uncertainties about the likelihood of consumers to present valid claims, the runoff status of the underlying book of business, the financial status of other personal lending companies in Japan, challenging economic conditions and the impact of laws and regulations make it difficult to develop a meaningful estimate of the aggregate possible claims exposure. Additionally, the Japanese government is currently considering the introduction of proposed legislation to develop a framework for collective legal action proceedings. Recent trends, including the effect of consumer activity, market activity regarding other personal loan companies, higher claims severity and potential Japanese legislative actions, may continue to have an adverse effect on claims development.

GE Money Japan earnings (loss) from discontinued operations, net of taxes, were $(9) million and $2 million in the three months ended September 30, 2012 and 2011, respectively, and $(363) million and $2 million in the nine months ended September 30, 2012 and 2011, respectively.

WMC

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

Pending repurchase claims based upon representations and warranties made in connection with loan sales were $4,075 million at September 30, 2012, $705 million at December 31, 2011 and $347 million at December 31, 2010. Pending claims represent those active repurchase claims that identify the specific loans tendered for repurchase and, for each loan, the alleged breach of a representation or warranty. As such, they do not include unspecified repurchase claims, such as claims based upon loan sampling, which WMC believes does not meet the substantive and procedural requirements for tender under the governing agreements. The amounts reported reflect the purchase price or unpaid principal balances of the loans at the time of purchase and do not give effect to pay downs, accrued interest or fees, or potential recoveries based upon the underlying collateral. Historically, a small percentage of the total loans WMC originated and sold have qualified as “validly tendered,” meaning the loans sold did not satisfy contractual obligations. The volume of claims in the second and third quarters of 2012 reflects increased activity by securitization trustees and certain investors in residential mortgage-backed securities issued in 2006, and, WMC believes, may reflect applicable statutes of limitations considerations.

(11)

Reserves related to WMC were $608 million at September 30, 2012, reflecting an increase to reserves in the third quarter of 2012 of $117 million due to higher pending claims. The amount of these reserves is based upon pending and estimated future loan repurchase requests, WMC's historical experience on loans validly tendered for repurchase, and WMC's historical loss rates on loans repurchased. Adverse changes to assumptions, such as a 10% increase in the estimated loss rate and 50% increases to the estimates of future loan repurchase requests and estimated percentage of loans repurchased would result in an increase to the reserves of approximately $550 million. The reserve reflects judgment, based on currently available information, and a number of assumptions, including economic conditions, claim activity, pending and threatened litigation and indemnification demands, and other activity in the mortgage industry.

WMC is a party to ten lawsuits involving repurchase claims on loans included in eight securitizations in which the adverse parties are securitization trustees, three of which were initiated by WMC. In three of these actions, the trustees assert, on the basis of loan sampling, breach of contract claims on mortgage loans with approximately $950 million in original unpaid principal balance, beyond those included in WMC's previously discussed pending claims at September 30, 2012. These claims do not give effect to pay downs, accrued interest or fees, or potential recoveries based upon the underlying collateral. WMC intends to defend itself vigorously. As noted above, WMC believes that these unspecified trustee-initiated claims do not satisfy the substantive and procedural requirements for tender under the governing agreements. As a result, WMC has not included amounts based on loan sampling in its pending claims and holds no related reserve as of September 30, 2012.

It is difficult to develop a meaningful estimate of aggregate possible claims exposure because of uncertainties surrounding economic conditions, the ability and propensity of mortgage holders to present valid claims, governmental actions, mortgage industry activity, as well as pending and threatened litigation and indemnification demands against WMC. WMC has received unspecified indemnification demands from depositors/underwriters of residential mortgage backed securities (RMBS) in connection with lawsuits brought by RMBS investors to which WMC is not a party. WMC believes that it has strong defenses to these demands. Actual losses arising from claims against WMC could exceed the reserve amount if actual claim rates, governmental actions, litigation and indemnification activity, or losses WMC incurs on repurchased loans differ from its assumptions.

WMC revenues (loss) from discontinued operations were $(117) million and $(21) million in the three months ended September 30, 2012 and 2011, respectively, and $(475) million and $(21) million in the nine months ended September 30, 2012 and 2011, respectively. In total, WMC's losses from discontinued operations, net of taxes, were $78 million and $15 million in the three months ended September 30, 2012 and 2011, respectively, and $314 million and $18 million in the nine months ended September 30, 2012 and 2011, respectively.

Other

In the first quarter of 2012, we announced the planned disposition of Consumer Ireland and classified the business as discontinued operations. We completed the sale in the third quarter of 2012 for proceeds of $227 million. Consumer Ireland revenues from discontinued operations were $1 million and $4 million in the three months ended September 30, 2012 and 2011, respectively, and $7 million and $12 million in the nine months ended September 30, 2012 and 2011, respectively. Consumer Ireland losses from discontinued operations, net of taxes, were $8 million and $65 million in the three months ended September 30, 2012 and 2011, respectively, and $194 million (including a $121 million loss on disposal) and $109 million in the nine months ended September 30, 2012 and 2011, respectively.

In the second quarter of 2011, we entered into an agreement to sell our Australian Home Lending operations and classified it as discontinued operations. As a result, we recognized an after-tax loss of $148 million in 2011. We completed the sale in the third quarter of 2011 for proceeds of approximately $4,577 million. Australian Home Lending revenues from discontinued operations were $3 million and $33 million in the three months ended September

30, 2012 and 2011, respectively, and $4 million and $248 million in the nine months ended September 30, 2012 and 2011, respectively. Australian Home Lending earnings (loss) from discontinued operations, net of taxes, were $2 million and $15 million in the three months ended September 30, 2012 and 2011, respectively, and $4 million and $(65) million in the nine months ended September 30, 2012 and 2011, respectively.

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In the first quarter of 2011, we entered into an agreement to sell our Consumer Singapore business for $692 million. The sale was completed in the second quarter of 2011 and resulted in the recognition of a gain on disposal, net of taxes, of $319 million. Consumer Singapore revenues (loss) from discontinued operations were $(1) million in both the three months ended September 30, 2012 and 2011 and an insignificant amount and $30 million in the nine months ended September 30, 2012 and 2011, respectively. Consumer Singapore earnings from discontinued operations, net of taxes, were $1 million and $7 million in the three months ended September 30, 2012 and 2011, respectively, and $2 million and $333 million in the nine months ended September 30, 2012 and 2011, respectively.

In the fourth quarter of 2010, we entered into agreements to sell our Consumer RV Marine portfolio and Consumer Mexico business. The Consumer RV Marine and Consumer Mexico dispositions were completed during the first quarter and the second quarter of 2011, respectively, for proceeds of $2,365 million and $1,943 million, respectively. Consumer RV Marine revenues from discontinued operations were an insignificant amount in both the three months ended September 30, 2012 and 2011 and an insignificant amount and $11 million in the nine months ended September 30, 2012 and 2011, respectively. Consumer RV Marine earnings from discontinued operations, net of taxes, were an insignificant amount for both the three months ended September 30, 2012 and 2011 and an insignificant amount and $2 million in the nine months ended September 30, 2012 and 2011, respectively. Consumer Mexico revenues from discontinued operations were $1 million in both the three months ended September 30, 2012 and 2011 and $1 million and $68 million in the nine months ended September 30, 2012 and 2011, respectively. Consumer Mexico earnings (loss) from discontinued operations, net of taxes, were $(4) million and $1 million in the three months ended September 30, 2012 and 2011, respectively, and $(8) million and $34 million in the nine months ended September 30, 2012 and 2011, respectively.

3. INVESTMENT SECURITIES

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

	September 30, 2012				December 31, 2011			
(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Debt								
U.S. corporate	$ 20,264	$ 4,242	$ (327)	$ 24,179	$ 20,748	$ 3,432	$ (410)	$ 23,770
State and municipal	4,032	579	(120)	4,491	3,027	350	(143)	3,234
Residential mortgage-backed(a)	2,360	205	(141)	2,424	2,711	184	(286)	2,609
Commercial mortgage-backed	2,975	230	(126)	3,079	2,913	162	(247)	2,828
Asset-backed	5,588	68	(111)	5,545	5,102	32	(164)	4,970
Corporate – non-U.S.	2,550	163	(134)	2,579	2,414	126	(207)	2,333
Government – non-U.S.	1,812	149	(4)	1,957	2,488	129	(86)	2,531

U.S. government and federal agency	3,480	96	–	3,576	3,974	84	–	4,058
Retained interests	27	2	–	29	25	10	–	35
Equity								
Available-for-sale	480	110	(17)	573	713	75	(38)	750
Trading	263	–	–	263	241	–	–	241
Total	$ 43,831	$ 5,844	$ (980)	$ 48,695	$ 44,356	$ 4,584	$ (1,581)	$ 47,359

(a) Substantially collateralized by U.S. mortgages. Of our total residential mortgage-backed securities (RMBS) portfolio at September 30, 2012, $1,529 million relates to securities issued by government sponsored entities and $895 million relates to securities of private label issuers. Securities issued by private label issuers are collateralized primarily by pools of individual direct mortgage loans of financial institutions.

The fair value of investment securities increased to $48,695 million at September 30, 2012, from $47,359 million at December 31, 2011, primarily due to the impact of lower interest rates and additional purchases in our CLL business of investments collateralized by senior secured loans of high-quality, middle-market companies in a variety of industries.

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

	In loss position for			
	Less than 12 months		12 months or more	
(In millions)	Estimated fair value	Gross unrealized losses(a)	Estimated fair value	Gross unrealized losses(a)
September 30, 2012				
Debt				
U.S. corporate	$ 266	$ (11)	$ 942	$ (316)
State and municipal	81	(1)	316	(119)
Residential mortgage-backed	18	–	709	(141)
Commercial mortgage-backed	56	(1)	1,006	(125)
Asset-backed	9	(2)	746	(109)
Corporate – non-U.S.	138	(10)	622	(124)
Government – non-U.S.	142	(1)	94	(3)
U.S. government and federal agency	–	–	–	–
Retained interests	2	–	–	–
Equity	57	(16)	7	(1)
Total	$ 769	$ (42)	$ 4,442	$ (938)
December 31, 2011				
Debt				
U.S. corporate	$ 1,435	$ (241)	$ 836	$ (169)
State and municipal	87	(1)	307	(142)
Residential mortgage-backed	219	(9)	825	(277)
Commercial mortgage-backed	244	(23)	1,320	(224)
Asset-backed	100	(7)	850	(157)
Corporate – non-U.S.	330	(28)	607	(179)
Government – non-U.S.	906	(5)	203	(81)
U.S. government and federal agency	502	–	–	–
Retained interests	–	–	–	–
Equity	440	(38)	–	–
Total	$ 4,263	$ (352)	$ 4,948	$ (1,229)

(a) Includes gross unrealized losses at September 30, 2012 of $(137) million related to securities that had other-than-temporary impairments previously recognized.

We regularly review investment securities for impairment using both qualitative and quantitative criteria. We presently do not intend to sell the vast majority of our debt securities that are in an unrealized loss position and believe that it is not more likely than not that we will be required to sell these securities before recovery of our amortized cost. We believe that the unrealized loss associated with our equity securities will be recovered within the foreseeable future. The methodologies and significant inputs used to measure the amount of credit loss for our investment securities during the nine months ended September 30, 2012 have not changed from those described in Note 3 in our 2011 consolidated financial statements.

During the third quarter of 2012, we recorded pre-tax, other-than-temporary impairments of $25 million, all of which were recorded through earnings. At July 1, 2012, cumulative impairments recognized in earnings associated with debt securities still held were $410 million. During the third quarter, we recognized no first-time impairments and incremental charges on previously impaired securities of $13 million. These amounts included $39 million related to securities that were subsequently sold.

During the third quarter of 2011, we recorded pre-tax, other-than-temporary impairments of $86 million, of which $68 million was recorded through earnings ($6 million relates to equity securities) and $18 million was recorded in accumulated other comprehensive income (AOCI). At July 1, 2011, cumulative impairments recognized in earnings associated with debt securities still held were $413 million. During the third quarter of 2011, we recognized first-time impairments of $37 million and incremental charges on previously impaired securities of $23 million. These amounts included $1 million related to securities that were subsequently sold.

During the nine months ended September 30, 2012, we recorded pre-tax, other-than-temporary impairments of $90 million, of which $89 million was recorded through earnings ($24 million relates to equity securities) and $1 million was recorded in AOCI. At January 1, 2012, cumulative impairments recognized in earnings associated with debt securities still held were $558 million. During the nine months ended September 30, 2012, we recognized first-time impairments of $10 million and incremental charges on previously impaired securities of $25 million. These amounts included $209 million related to securities that were subsequently sold.

During the nine months ended September 30, 2011, we recorded pre-tax, other-than-temporary impairments of $270 million, of which $186 million was recorded through earnings ($16 million relates to equity securities) and $84 million was recorded in AOCI. At January 1, 2011, cumulative impairments recognized in earnings associated with debt securities still held were $332 million. During the nine months ended September 30, 2011, we recognized first-time impairments of $57 million and incremental charges on previously impaired securities of $104 million. These amounts included $22 million related to securities that were subsequently sold.

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

(In millions)	Amortized cost	Estimated fair value
Due in		
2012	$ 2,220	$ 2,245
2013-2016	7,399	7,391
2017-2021	4,752	5,270
2022 and later	17,761	21,870

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

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

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2012	2011	2012	2011
Gains	$ 26	$ 28	$ 85	$ 189
Losses, including impairments	(55)	(70)	(159)	(197)
Net	$ (29)	$ (42)	$ (74)	$ (8)

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

Proceeds from investment securities sales and early redemptions by issuers totaled $2,696 million and $3,466 million in the third quarters of 2012 and 2011, respectively, and $9,200 million and $13,438 million in the nine months ended September 30, 2012 and 2011, respectively, principally from the sales of short-term securities in our bank subsidiaries and treasury operations.

We recognized pre-tax gains (losses) on trading securities of $1 million and $(29) million in the third quarters of 2012 and 2011, respectively, and $37 million and $26 million in the nine months ended September 30, 2012 and 2011, respectively.

4. FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

(In millions)	September 30, 2012	December 31, 2011
Loans, net of deferred income(a)	$242,729	$256,895
Investment in financing leases, net of deferred income	34,274	38,142
	277,003	295,037
Less allowance for losses	(5,380)	(6,190)
Financing receivables – net(b)	$271,623	$288,847

(a) Deferred income was $2,221 million and $2,329 million at September 30, 2012 and December 31, 2011, respectively.

(b) Financing receivables at September 30, 2012 and December 31, 2011 included $845 million and $1,062 million, respectively, of loans that were acquired in a transfer but have been subject to credit deterioration since origination per ASC 310, Receivables.

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

Financing Receivables – net

(In millions)	September 30, 2012	December 31, 2011
Commercial		
CLL		
Americas	$ 74,488	$ 80,505
Europe	34,916	36,899
Asia	11,597	11,635
Other	659	436
Total CLL	121,660	129,475
Energy Financial Services	4,989	5,912
GECAS	11,628	11,901
Other	537	1,282
Total Commercial financing receivables	138,814	148,570

Real Estate		
Debt	21,225	24,501
Business Properties	5,069	8,248
Total Real Estate financing receivables	26,294	32,749
Consumer		
Non-U.S. residential mortgages	33,855	35,550
Non-U.S. installment and revolving credit	18,504	18,544
U.S. installment and revolving credit	46,939	46,689
Non-U.S. auto	4,601	5,691
Other	7,996	7,244
Total Consumer financing receivables	111,895	113,718
Total financing receivables	277,003	295,037
Less allowance for losses	(5,380)	(6,190)
Total financing receivables – net	$ 271,623	$ 288,847

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Allowance for Losses on Financing Receivables

(In millions)	Balance at January 1, 2012	Provision charged to operations	Other(a)	Gross write-offs(b)	Recoveries(b)	Balance at September 30, 2012
Commercial						
CLL						
Americas	$ 889	$ 67	$ (43)	$ (423)	$ 77	$ 567
Europe	400	271	(3)	(142)	48	574
Asia	157	13	(1)	(117)	20	72
Other	4	9	(1)	(10)	–	2
Total CLL	1,450	360	(48)	(692)	145	1,215
Energy Financial Services	26	8	–	(24)	3	13
GECAS	17	7	(1)	(11)	–	12
Other	37	3	(19)	(13)	1	9
Total Commercial	1,530	378	(68)	(740)	149	1,249
Real Estate						
Debt	949	60	1	(384)	5	631
Business Properties	140	41	(8)	(71)	3	105
Total Real Estate	1,089	101	(7)	(455)	8	736
Consumer						
Non-U.S. residential mortgages	546	66	5	(213)	63	467
Non-U.S. installment and revolving credit	717	270	22	(798)	443	654
U.S. installment and revolving credit	2,008	1,807	(18)	(2,140)	373	2,030
Non-U.S. auto	101	18	(7)	(110)	71	73
Other	199	88	15	(193)	62	171
Total Consumer	3,571	2,249	17	(3,454)	1,012	3,395
Total	$ 6,190	$ 2,728	$ (58)	$ (4,649)	$ 1,169	$ 5,380

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

(b) Net write-offs (gross write-offs less recoveries) in certain portfolios may exceed the beginning allowance for losses as our revolving credit portfolios turn over more than once per year or, in all portfolios, can reflect losses that are incurred subsequent to the beginning of the fiscal year due to information becoming available during the current year, which may identify further deterioration on existing financing receivables.

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(In millions)	Balance at January 1, 2011	Provision charged to operations	Other(a)	Gross write-offs(b)	Recoveries(b)	Balance at September 30, 2011
Commercial						
CLL						
Americas	$ 1,288	$ 250	$ (79)	$ (544)	$ 80	$ 995
Europe	429	126	17	(218)	49	403
Asia	222	81	16	(194)	25	150
Other	6	3	(4)	–	–	5
Total CLL	1,945	460	(50)	(956)	154	1,553
Energy Financial Services	22	10	–	(4)	8	36
GECAS	20	(4)	–	(2)	–	14
Other	58	13	–	(31)	3	43
Total Commercial	2,045	479	(50)	(993)	165	1,646
Real Estate						
Debt	1,292	155	13	(494)	12	978
Business Properties	196	70	–	(107)	4	163
Total Real Estate	1,488	225	13	(601)	16	1,141
Consumer						
Non-U.S. residential mortgages	689	56	8	(169)	38	622
Non-U.S. installment and revolving credit	937	413	16	(980)	430	816
U.S. installment and revolving credit	2,333	1,587	(1)	(2,365)	399	1,953
Non-U.S. auto	168	26	7	(176)	98	123
Other	259	107	(6)	(215)	66	211
Total Consumer	4,386	2,189	24	(3,905)	1,031	3,725
Total	$ 7,919	$ 2,893	$ (13)	$ (5,499)	$ 1,212	$ 6,512

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

(b) Net write-offs (gross write-offs less recoveries) in certain portfolios may exceed the beginning allowance for losses as our revolving credit portfolios turn over more than once per year or, in all portfolios, can reflect losses that are incurred subsequent to the beginning of the fiscal year due to information becoming available during the current year, which may identify further deterioration on existing financing receivables.

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

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5. GOODWILL AND OTHER INTANGIBLE ASSETS

(In millions)	September 30, 2012	December 31, 2011
Goodwill	$ 27,338	$ 27,230
Other intangible assets - net		
Intangible assets subject to amortization	$ 1,361	$ 1,546

Changes in goodwill balances follow.

(In millions)	Balance at January 1, 2012	Acquisitions	Dispositions, currency exchange and other	Balance at September 30, 2012
CLL	$ 13,745	$ –	$ 30	$ 13,775
Consumer	10,775	–	118	10,893
Real Estate	1,001	–	(40)	961
Energy Financial Services	1,562	–	–	1,562
GECAS	147	–	–	147
Total	$ 27,230	$ –	$ 108	$ 27,338

Goodwill balances increased $108 million during the nine months ended September 30, 2012, primarily as a result of currency exchange effects of a weaker U.S. dollar ($173 million). Our reporting units and related goodwill balances are CLL ($13,775 million), Consumer ($10,893 million), Real Estate ($961 million), Energy Financial Services ($1,562 million) and GECAS ($147 million) at September 30, 2012.

We test goodwill for impairment annually in the third quarter of each year using data as of July 1 of that year. The impairment test consists of two steps: in step one, the carrying value of the reporting unit is compared with its fair value; in step two, which is applied when the carrying value is more than its fair value, the amount of goodwill impairment, if any, is derived by deducting the fair value of the reporting unit's assets and liabilities from the fair value of its equity, and comparing that amount with the carrying amount of goodwill. In performing the valuations, we used cash flows that reflected management's forecasts and discount rates that included risk adjustments consistent with the current market conditions. Discount rates used in our reporting unit valuations ranged from 11.0% to 12.75%. For further information on the process we use to determine fair values for our reporting units, see Note 6 in our 2011 consolidated financial statements.

During the third quarter of 2012, we performed our annual impairment test of goodwill for all of our reporting units. Based on the results of our step one testing, the fair values of each of the CLL, Consumer, Energy Financial Services and GECAS reporting units exceeded their carrying values; therefore, the second step of the impairment test was not required to be performed and no goodwill impairment was recognized.

Our Real Estate reporting unit had a goodwill balance of $970 million at June 30, 2012. As of July 1, 2012, the carrying amount exceeded the estimated fair value of our Real Estate reporting unit by approximately $1.8 billion. The estimated fair value of the Real Estate reporting unit is based on a number of assumptions about future business performance and investment, including loss estimates for the existing finance receivable and investment portfolio, new debt origination volume and margins, and stabilization of the real estate market allowing for sales of real estate investments at normalized margins. Our assumed discount rate was 11% and was derived by applying a capital asset pricing model and corroborated using equity analyst research reports and implied cost of equity based on forecasted price to earnings per share multiples for similar companies. Given the volatility and uncertainty in the current commercial real estate environment, there is uncertainty about a number of assumptions upon which the estimated fair value is based. Different loss estimates for the existing portfolio, changes in the new debt origination volume and margin assumptions, changes in the expected pace of the commercial real estate market recovery, or changes in the equity return expectation of market participants may result in changes in the estimated fair value of the Real Estate reporting unit.

Based on the results of the step one testing, we performed the second step of the impairment test described above as of July 1, 2012. Based on the results of the second step analysis for the Real Estate reporting unit, the estimated implied fair value of goodwill exceeded the carrying value of goodwill by approximately $1.7 billion. Accordingly, no goodwill impairment was required. In the second step, unrealized losses are reflected in the fair values of an entity's assets and have the effect of reducing or eliminating the potential goodwill impairment identified in step one. The results of the second step analysis were attributable to several factors. The primary drivers were the excess of the carrying value over the estimated fair value of our Real Estate Equity Investments, which approximated $2.6 billion at that time, and the fair value premium on the Real Estate reporting unit allocated debt. The results of the second step analysis are highly sensitive to these measurements, as well as the key assumptions used in determining the estimated fair value of the Real Estate reporting unit.

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.

Intangible Assets Subject to Amortization

	September 30, 2012			December 31, 2011		
(In millions)	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related	$ 1,204	$ (786)	$ 418	$ 1,186	$ (697)	$ 489
Patents, licenses and trademarks	235	(202)	33	250	(208)	42
Capitalized software	2,167	(1,722)	445	2,048	(1,597)	451
Lease valuations	1,315	(881)	434	1,470	(944)	526
Present value of future profits (a)	524	(524)	–	491	(491)	–
All other	283	(252)	31	327	(289)	38
Total	$ 5,728	$ (4,367)	$ 1,361	$ 5,772	$ (4,226)	$ 1,546

(a) Balances at September 30, 2012 and December 31, 2011 reflect adjustments of $359 million and $391 million, respectively, to the present value of future profits in our run-off insurance operation to reflect the effects that would have been recognized had the related unrealized investment securities holding gains and losses actually been realized in accordance with ASC 320-10-S99-2.

Amortization related to intangible assets subject to amortization was $110 million and $147 million in the three months ended September 30, 2012 and 2011, respectively, and $344 million and $436 million in the nine months ended September 30, 2012 and 2011, respectively, and is recorded in the caption “Operating and administrative” on the Statement of Earnings.

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6. BORROWINGS AND BANK DEPOSITS

(In millions)	September 30, 2012	December 31, 2011
Short-term borrowings		
Commercial paper		
U.S.	$ 33,196	$ 33,591
Non-U.S.	9,861	10,569
Current portion of long-term borrowings(a)(b)(c)(e)	61,071	82,650
GE Interest Plus notes(d)	8,301	8,474
Other(c)	1,158	1,049
Total short-term borrowings	$ 113,587	$ 136,333
Long-term borrowings		
Senior unsecured notes(b)	$ 207,852	$ 210,154
Subordinated notes(e)	4,979	4,862
Subordinated debentures(f)(g)	7,239	7,215
Other(c)(h)	10,332	12,160
Total long-term borrowings	$ 230,402	$ 234,391
Non-recourse borrowings of consolidated securitization entities(i)	$ 31,171	$ 29,258
Bank deposits(j)	$ 45,196	$ 43,115
Total borrowings and bank deposits	$ 420,356	$ 443,097

(a) GECC had issued and outstanding $12,550 million and $35,040 million of senior, unsecured debt that was guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program at September 30, 2012 and December 31, 2011, respectively.

(b) Included in total long-term borrowings were $817 million and $1,845 million of obligations to holders of guaranteed investment contracts at September 30, 2012 and December 31, 2011, respectively. These obligations included conditions under which certain GIC holders could require immediate repayment of their investment should the long-term credit ratings of GECC fall below AA–/Aa3 or the short-term credit ratings fall below A–1+/P–1. On April 3, 2012, following the Moody’s downgrade of GECC’s long-term credit ratings to A1, $1,120 million of these GICs became redeemable by the holders. During the second and third quarters of 2012, holders of $386 million in principal amount of GICs redeemed their holdings and GECC made related cash payments. The remaining outstanding GICs will continue to be subject to the existing terms and maturities of their respective contracts. Following the redemption period, if the long-term credit ratings of GECC were to fall below AA-/A2, GECC could be required to provide up to $731 million as of September 30, 2012 to repay holders of certain GICs.

(c) Included $8,061 million and $8,538 million of funding secured by real estate, aircraft and other collateral at September 30, 2012 and December 31, 2011, respectively, of which $3,260 million and $2,983 million is non-recourse to GECC at September 30, 2012 and December 31, 2011, respectively.

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

(e) Included $300 million and $417 million of subordinated notes guaranteed by GE at September 30, 2012 and December 31, 2011, respectively, of which $117 million was included in current portion of long-term borrowings at December 31, 2011.

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

(g) Includes $2,865 million of subordinated debentures, which constitute the sole assets of wholly-owned trusts who have issued trust preferred securities. Obligations associated with these trusts are unconditionally guaranteed by GECC.

(h) Included $1,942 million and $1,955 million of covered bonds at September 30, 2012 and December 31, 2011, respectively. If the short-term credit rating of GECC were reduced below A–1/P–1, GECC would be required to partially cash collateralize these bonds in an amount up to $711 million at September 30, 2012.

(i) Included at September 30, 2012 and December 31, 2011, were $8,514 million and $10,714 million of current portion of long-term borrowings, respectively, and $22,657 million and $18,544 million of long-term borrowings, respectively. See Note 13.

(j) Included $16,030 million and $16,281 million of deposits in non-U.S. banks at September 30, 2012 and December 31, 2011, respectively, and $18,538 million and $17,201 million of certificates of deposits with maturities greater than one year at September 30, 2012 and December 31, 2011, respectively.

7. INCOME TAXES

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

(In millions)		September 30, 2012		December 31, 2011
Unrecognized tax benefits	$	3,211	$	2,932
Portion that, if recognized, would reduce tax expense and effective tax rate(a)		2,469		2,209
Accrued interest on unrecognized tax benefits		602		579
Accrued penalties on unrecognized tax benefits		79		65
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months		0-400		0-600
Portion that, if recognized, would reduce tax expense and effective tax rate(a)		0-350		0-150

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

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

GE and GECC file a consolidated U.S. federal income tax return. This enables GE to use GECC tax deductions and credits to reduce the tax that otherwise would have been payable by GE. The GECC effective tax rate for each period reflects the benefit of these tax reductions in the consolidated return. GE makes cash payments to GECC for these tax reductions at the time GE's tax payments are due. The effect of GECC on the amount of the consolidated tax liability from the formation of the GE NBC Universal joint venture will be settled in cash when it otherwise would have reduced the liability of the group absent the tax on formation.

8. SHAREOWNERS' EQUITY

A summary of changes to noncontrolling interests follows.

	Three months ended September 30,	Nine months ended September 30,

(In millions)		2012		2011		2012		2011
Beginning balance	$	759	$	1,201	$	690	$	1,164
Net earnings		20		38		46		89
Dividends		(12)		(4)		(17)		(17)
AOCI and other		(56)		(30)		(8)		(31)
Ending balance	$	711	$	1,205	$	711	$	1,205

During the third quarter of 2012, we issued 17,500 shares of non-cumulative perpetual preferred stock with a $0.01 par value for proceeds of $1,733 million. The preferred shares bear an initial fixed interest rate of 6.25% through December 15, 2022, bear a floating rate equal to three-month LIBOR plus 4.704% thereafter and are callable on December 15, 2022. During the second quarter of 2012, we issued 22,500 shares of non-cumulative perpetual preferred stock with a $0.01 par value for proceeds of $2,227 million. The preferred shares bear an initial fixed interest rate of 7.125% through June 12, 2022, bear a floating rate equal to three-month LIBOR plus 5.296% thereafter and are callable on June 15, 2022. Dividends on the preferred stock are payable semi-annually beginning in December 2012.

During the third quarter of 2012, we paid a dividend of $471 million and a special dividend of $1,975 million to GE In the nine months ended September 30, 2012, we paid dividends of $946 million and special dividends of $4,500 million to GE.

9. REVENUES FROM SERVICES

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2012	2011	2012	2011
Interest on loans	$ 4,708	$ 5,038	$ 14,328	$ 15,195
Equipment leased to others	2,625	2,855	8,020	8,529
Fees	1,173	1,227	3,493	3,531
Investment income	636	583	1,971	2,004
Financing leases	392	554	1,455	1,837
Associated companies(a)(b)	451	389	1,146	1,997
Premiums earned by insurance activities	433	465	1,294	1,437
Real estate investments	464	379	1,202	1,211
Other items	453	493	1,270	1,634
Total	$ 11,335	$ 11,983	$ 34,179	$ 37,375

(a) During the first quarter of 2011, we sold an 18.6% equity interest in Garanti Bank and recorded a pre-tax gain of $690 million. As of September 30, 2012, we hold a 1% equity interest, which is classified as an available-for-sale security.

(b) Aggregate summarized financial information for significant associated companies assuming a 100% ownership interest included total assets at September 30, 2012 and December 31, 2011 of $113,336 million and $104,554 million, respectively. Assets were primarily financing receivables of $61,946 million and $57,477 million at September 30, 2012 and December 31, 2011, respectively. Total liabilities were $80,802 million and $77,208 million, consisted primarily of bank deposits of $24,957 million and $20,980 million at September 30, 2012 and December 31, 2011, respectively, and debt of $43,783 million and $46,170 million at September 30, 2012 and December 31, 2011, respectively. Revenues in the third quarters of 2012 and 2011 totaled $4,324 million and $4,389 million, respectively, and net earnings in the third quarters of 2012 and 2011 totaled $954 million and $607 million, respectively. Revenues for the nine months ended September 30, 2012 and 2011 totaled $13,515 million and $12,056 million, respectively, and net earnings for the nine months ended September 30, 2012 and 2011 totaled $2,255 and $1,695 million, respectively.

10. FAIR VALUE MEASUREMENTS

For a description of how we estimate fair value, see Note 1 in our 2011 consolidated financial statements.

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

(23)

(In millions)	Level 1(a)	Level 2(a)	Level 3	Netting adjustment(b)	Net balance
September 30, 2012					
Assets					
Investment securities					
Debt					
U.S. corporate	$ –	$ 20,601	$ 3,578	$ –	$ 24,179
State and municipal	–	4,338	153	–	4,491
Residential mortgage-backed	–	2,390	34	–	2,424
Commercial mortgage-backed	–	3,073	6	–	3,079
Asset-backed(c)	–	726	4,819	–	5,545
Corporate - non-U.S.	70	1,214	1,295	–	2,579
Government - non-U.S.	895	1,021	41	–	1,957
U.S. government and federal agency	–	3,309	267	–	3,576
Retained interests	–	–	29	–	29
Equity					
Available-for-sale	547	15	11	–	573
Trading	263	–	–	–	263
Derivatives(d)	–	11,876	155	(7,133)	4,898
Other(e)	–	–	416	–	416
Total	$ 1,775	$ 48,563	$ 10,804	$ (7,133)	$ 54,009
Liabilities					
Derivatives	$ –	$ 4,491	$ 14	$ (3,883)	$ 622
Other	–	24	–	–	24
Total	$ –	$ 4,515	$ 14	$ (3,883)	$ 646
December 31, 2011					
Assets					
Investment securities					
Debt					
U.S. corporate	$ –	$ 20,535	$ 3,235	$ –	$ 23,770
State and municipal	–	3,157	77	–	3,234
Residential mortgage-backed	–	2,568	41	–	2,609
Commercial mortgage-backed	–	2,824	4	–	2,828
Asset-backed(c)	–	930	4,040	–	4,970
Corporate - non-U.S.	71	1,058	1,204	–	2,333
Government - non-U.S.	1,003	1,444	84	–	2,531
U.S. government and federal agency	–	3,805	253	–	4,058
Retained interests	–	–	35	–	35
Equity					
Available-for-sale	715	18	17	–	750

Trading		241		–		–		–		241
Derivatives(d)		–		14,830		160		(5,319)		9,671
Other(e)		–		–		388		–		388
Total	$	2,030	$	51,169	$	9,538	$	(5,319)	$	57,418
Liabilities										
Derivatives	$	–	$	4,503	$	20	$	(4,025)	$	498
Other		–		25		–		–		25
Total	$	–	$	4,528	$	20	$	(4,025)	$	523

(a) There were no securities transferred between Level 1 and Level 2 during the nine months ended September 30, 2012.

(b) The netting of derivative receivables and payables is permitted when a legally enforceable master netting agreement exists and when collateral is posted to us.

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

(d) The fair value of derivatives included an adjustment for non-performance risk. The cumulative adjustment was a loss of $21 million and $11 million at September 30, 2012 and December 31, 2011, respectively. See Note 11 for additional information on the composition of our derivative portfolio.

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

The following tables present the changes in Level 3 instruments measured on a recurring basis for the three and nine months ended September 30, 2012 and 2011, respectively. The majority of our Level 3 balances consist of investment securities classified as available-for-sale with changes in fair value recorded in shareowners' equity.

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

(In millions)	Balance at July 1, 2012	Net realized/ unrealized gains (losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3(b)	Transfers out of Level 3(b)	Balance at September 30, 2012	Net change in unrealized gains (losses) relating to instruments still held at September 30, 2012 (c)
Investment securities										
Debt										
U.S. corporate	$ 3,372	$ 10	$ 32	$ 70	$ (34)	$ (16)	$ 144	$ –	$ 3,578	$ –
State and municipal	81	–	8	12	–	(1)	78	(25)	153	–
Residential mortgage-backed	97	–	(2)	1	–	–	5	(67)	34	–
Commercial mortgage-backed	–	–	–	–	–	–	6	–	6	–
Asset-backed	4,304	(3)	90	483	(58)	5	4	(6)	4,819	–
Corporate – non-U.S.	1,363	(7)	20	18	(30)	(59)	–	(10)	1,295	–
Government – non-U.S.	51	–	2	–	–	(12)	–	–	41	–
U.S. government and federal agency	261	–	6	–	–	–	–	–	267	–
Retained interests	31	1	–	3	(3)	(3)	–	–	29	–
Equity										
Available-for-sale	14	–	–	–	–	(1)	1	(3)	11	–
Derivatives(d)(e)	136	15	–	(8)	3	(1)	–	–	145	9
Other	409	(1)	9	54	(55)	–	–	–	416	(1)
Total	$ 10,119	$ 15	$ 165	$ 633	$ (177)	$ (88)	$ 238	$ (111)	$ 10,794	$ 8

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

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

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

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $4 million not reflected in the fair value hierarchy table.

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

Changes in Level 3 Instruments for the Three Months Ended September 30, 2011

(In millions)	Balance at July 1, 2011	Net realized/ unrealized gains (losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3(b)	Transfers out of Level 3(b)	Balance at September 30, 2011	Net change in unrealized gains (losses) relating to instruments still held at September 30, 2011 (c)
Investment securities										
Debt										
U.S. corporate	$ 3,096	$ (22)	$ (32)	$ 530	$ (25)	$ 2	$ 120	$ (2)	$ 3,667	$ –
State and municipal	209	–	4	–	–	(4)	–	(120)	89	–
Residential mortgage-backed	45	–	(1)	–	–	–	–	–	44	–
Commercial mortgage-backed	7	–	1	–	–	–	–	–	8	–
Asset-backed	3,132	–	(65)	269	(14)	–	–	(417)	2,905	–
Corporate – non-U.S.	1,537	1	(55)	–	(26)	(14)	–	(4)	1,439	–
Government – non-U.S.	274	(1)	(22)	14	–	(13)	–	(140)	112	–
U.S. government and federal agency	224	–	32	–	–	–	–	–	256	–
Retained interests	45	(1)	(6)	1	(1)	(1)	–	–	37	–
Equity										
Available-for-sale	22	–	(1)	–	–	–	3	–	24	–
Derivatives(d)(e)	111	31	–	(3)	–	(5)	–	–	134	35
Other	595	(1)	(14)	25	(95)	(1)	–	–	509	(1)
Total	$ 9,297	$ 7	$ (159)	$ 836	$ (161)	$ (36)	$ 123	$ (683)	$ 9,224	$ 34

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

(b)

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

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

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $3 million not reflected in the fair value hierarchy table.

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

Changes in Level 3 Instruments for the Nine Months Ended September 30, 2012

(In millions)

	Balance at January 1, 2012	Net realized/ unrealized gains (losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3(b)	Transfers out of Level 3(b)	Balance at September 30, 2012	Net change in unrealized gains (losses) relating to instruments still held at September 30, 2012 (c)
Investment securities										
Debt										
U.S. corporate	$ 3,235	$ 69	$ (2)	$ 202	$ (105)	$ (63)	$ 260	$ (18)	$ 3,578	$ –
State and municipal	77	–	11	13	–	(1)	78	(25)	153	–
Residential mortgage-backed	41	(3)	1	1	–	(3)	74	(77)	34	–
Commercial mortgage-backed	4	–	–	–	(1)	–	6	(3)	6	–
Asset-backed	4,040	–	43	881	(164)	5	20	(6)	4,819	–
Corporate – non-U.S.	1,204	(19)	17	334	(30)	(137)	23	(97)	1,295	–
Government – non-U.S.	84	(34)	37	65	(72)	(39)	–	–	41	–
U.S. government and federal agency	253	–	14	–	–	–	–	–	267	–
Retained interests	35	1	(8)	12	(6)	(5)	–	–	29	–
Equity										
Available-for-sale	17	–	(2)	3	(4)	(1)	1	(3)	11	–
Derivatives(d)(e)	141	11	(1)	12	–	(14)	–	(4)	145	9
Other	388	3	(4)	88	(59)	–	–	–	416	1
Total	$ 9,519	$ 28	$ 106	$ 1,611	$ (441)	$ (258)	$ 462	$ (233)	$ 10,794	$ 10

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

(b)

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

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

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $4 million not reflected in the fair value hierarchy table.

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

(27)

Changes in Level 3 Instruments for the Nine Months Ended September 30, 2011

(In millions)

	Balance at January 1, 2011	Net realized/ unrealized gains (losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases	Sales	Settlements	Transfers into Level 3(b)	Transfers out of Level 3(b)	Balance at September 30, 2011	Net change in unrealized gains (losses) relating to instruments still held at September 30, 2011 (c)
Investment securities										
Debt										
U.S. corporate	$ 3,198	$ 79	$ (52)	$ 605	$ (180)	$ (101)	$ 120	$ (2)	$ 3,667	$ –
State and municipal	225	–	(1)	4	–	(8)	–	(131)	89	–
Residential mortgage-backed	66	–	–	2	(4)	(1)	71	(90)	44	–
Commercial mortgage-backed	49	–	2	6	–	–	3	(52)	8	–
Asset-backed	2,540	–	(10)	1,049	(166)	(11)	1	(498)	2,905	–
Corporate – non-U.S.	1,486	(27)	27	12	(54)	(74)	73	(4)	1,439	–
Government – non-U.S.	156	(17)	(8)	27	–	(13)	107	(140)	112	–
U.S. government and federal agency	210	–	46	–	–	–	–	–	256	–
Retained interests	39	(19)	24	1	(4)	(4)	–	–	37	–
Equity										
Available-for-sale	24	–	(1)	–	–	–	4	(3)	24	–
Derivatives(d)(e)	227	86	4	2	–	(191)	–	6	134	67
Other	450	2	14	144	(95)	(6)	–	–	509	–
Total	$ 8,670	$ 104	$ 45	$ 1,852	$ (503)	$ (409)	$ 379	$ (914)	$ 9,224	$ 67

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

(b)

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

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

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $3 million not reflected in the fair value hierarchy table.

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

Non-Recurring Fair Value Measurements

The following table represents non-recurring fair value amounts (as measured at the time of the adjustment) for those assets remeasured to fair value on a non-recurring basis during the fiscal year and still held at September 30, 2012 and December 31, 2011. These assets can include loans and long-lived assets that have been reduced to fair value when they are held for sale, impaired loans that have been reduced based on the fair value of the underlying collateral, cost and equity method investments and long-lived assets that are written down to fair value when they are impaired and the remeasurement of retained investments in formerly consolidated subsidiaries upon a change in control that results in deconsolidation of a subsidiary, if we sell a controlling interest and retain a noncontrolling stake in the entity. Assets that are written down to fair value when impaired and retained investments are not subsequently adjusted to fair value unless further impairment occurs.

	Remeasured during the nine months ended September 30, 2012		Remeasured during the year ended December 31, 2011	
(In millions)	Level 2	Level 3	Level 2	Level 3
Financing receivables and loans held for sale	$ 482	$ 3,798	$ 158	$ 5,159
Cost and equity method investments(a)	4	336	–	402
Long-lived assets, including real estate	483	1,484	1,343	3,254
Total	$ 969	$ 5,618	$ 1,501	$ 8,815

(a) Includes the fair value of private equity and real estate funds included in Level 3 of $82 million and $123 million at September 30, 2012 and December 31, 2011, respectively.

The following table represents the fair value adjustments to assets measured at fair value on a non-recurring basis and still held at September 30, 2012 and 2011.

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2012	2011	2012	2011
Financing receivables and loans held for sale	$ (225)	$ (254)	$ (411)	$ (716)
Cost and equity method investments(a)	(50)	(84)	(105)	(254)
Long-lived assets, including real estate(b)	(271)	(367)	(473)	(1,262)
Total	$ (546)	$ (705)	$ (989)	$ (2,232)

(a) Includes fair value adjustments associated with private equity and real estate funds of $(1) million and $(3) million in the three months ended September 30, 2012 and 2011, respectively, and $(3) million and $(16) million in the nine months ended September 30, 2012 and 2011, respectively.

(b) Includes impairments related to real estate equity properties and investments recorded in operating and administrative expenses of $71 million and $223 million in the three months ended September 30, 2012 and 2011, respectively, and $126 million and $999 million in the nine months ended September 30, 2012 and 2011, respectively.

(29)

Level 3 Measurements

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

(Dollars in millions)		Fair value at September 30, 2012	Valuation technique	Unobservable inputs		Range (weighted average)
Recurring fair value measurements						
Investment securities						
Debt						
U.S. corporate	$	1,579	Income approach	Discount rate	(a)	1.6%-28.8% (10.8%)
Asset-backed		4,773	Income approach	Discount rate	(a)	1.3%-13.3% (3.5%)
Corporate Non-U.S.		922	Income approach	Discount rate	(a)	0.2%-29.7% (12.2%)
Other financial assets		398	Market comparables	Weighted average cost of capital		9.2%-10.9% (9.3%)
Non-recurring fair value measurements						
Financing receivables and loans held for sale	$	2,382	Income approach	Capitalization rate	(b)	5.4%-27.9% (8.4%)
		225	Business enterprise value	EBITDA multiple		4.0X-6.9X (4.6X)
Cost and equity method investments		99	Income approach	Capitalization rate	(b)	8.6%-12.8% (9.2%)
Long-lived assets, including real estate		764	Income approach	Capitalization rate	(b)	4.8%-14.6% (8.2%)

(a) Discount rates are determined based on inputs that market participants would use when pricing investments, including credit and liquidity risk. An increase in the discount rate would result in a decrease in the fair value.

(b) Represents the rate of return on net operating income which is considered acceptable for an investor and is used to determine a property's capitalized value. An increase in the capitalization rate would result in a decrease in the fair value.

Other Level 3 recurring fair value measurements of $2,900 million and non-recurring measurements of $1,862 million are valued using non-binding broker quotes or other third-party sources. For a description of our process to evaluate third-party pricing servicers, see Note 1 in our 2011 consolidated financial statements. Other recurring fair value measurements of $218 million and non-recurring fair value measurements of $286 million were individually insignificant and utilize a number of different unobservable inputs not subject to meaningful aggregation.

11. FINANCIAL INSTRUMENTS

The following table provides information about the assets and liabilities not carried at fair value in our Condensed Statement of Financial Position. Consistent with ASC 825, Financial Instruments, the table excludes finance leases and non-financial assets and liabilities. Substantially all of the assets discussed below are considered to be Level 3 in accordance with ASC 820. The vast majority of our liabilities' fair value can be determined based on significant observable inputs and thus considered Level 2 in accordance with ASC 820. Few of the instruments are actively traded and their fair values must often be determined using financial models. Realization of the fair value of these instruments depends upon market forces beyond our control, including marketplace liquidity. For a description on how we estimate fair value, see Note 15 in our 2011 consolidated financial statements.

	September 30, 2012			December 31, 2011		
		Assets (liabilities)			Assets (liabilities)	
(In millions)	Notional amount	Carrying amount (net)	Estimated fair value	Notional amount	Carrying amount (net)	Estimated fair value
Assets						
Loans	(a)	$ 237,565	$ 239,198	(a)	$ 250,999	$ 251,433
Other commercial mortgages	(a)	1,616	1,692	(a)	1,494	1,537
Loans held for sale	(a)	494	501	(a)	496	497
Other financial instruments(c)	(a)	2,001	2,450	(a)	2,071	2,534
Liabilities						
Borrowings and bank deposits(b)(d)	(a)	(420,356)	(436,189)	(a)	(443,097)	(449,403)
Investment contract benefits	(a)	(3,356)	(4,208)	(a)	(3,493)	(4,240)
Guaranteed investment contracts	(a)	(1,695)	(1,730)	(a)	(4,226)	(4,266)
Insurance - credit life(e)	$ 2,178	(114)	(97)	$ 1,944	(106)	(88)

(a) These financial instruments do not have notional amounts.

(b) See Note 6.

(c) Principally cost method investments.

(d) Fair values exclude interest rate and currency derivatives designated as hedges of borrowings. Had they been included, the fair value of borrowings at September 30, 2012 and December 31, 2011 would have been reduced by $8,357 million and $9,051 million, respectively.

(e) Net of reinsurance of $2,000 million at both September 30, 2012 and December 31, 2011.

Loan Commitments

(In millions)	Notional amount at September 30, 2012	Notional amount at December 31, 2011
Ordinary course of business lending commitments(a)	$ 3,205	$ 3,756
Unused revolving credit lines(b)		
Commercial(c)	16,912	18,757
Consumer - principally credit cards	268,759	257,646

(a) Excluded investment commitments of $2,007 million and $2,064 million as of September 30, 2012 and December 31, 2011, respectively.

(b) Excluded inventory financing arrangements, which may be withdrawn at our option, of $13,540 million and $12,354 million as of September 30, 2012 and December 31, 2011, respectively.

(c) Included commitments of $12,283 million and $14,057 million as of September 30, 2012 and December 31, 2011, respectively, associated with secured financing arrangements that could have increased to a maximum of $14,378 million and $17,344 million at September 30, 2012 and December 31, 2011, respectively, based on asset volume under the arrangement.

Derivatives and hedging

As a matter of policy, we use derivatives for risk management purposes and we do not use derivatives for speculative purposes. A key risk management objective for our financial services businesses is to mitigate interest rate and currency risk by seeking to ensure that the characteristics of the debt match the assets they are funding. If the form (fixed versus floating) and currency denomination of the debt we issue do not match the related assets, we typically execute derivatives to adjust the nature and tenor of funding to meet this objective. The determination of whether we enter into a derivative transaction or issue debt directly to achieve this objective depends on a number of factors, including market related factors that affect the type of debt we can issue.

The notional amounts of derivative contracts represent the basis upon which interest and other payments are calculated and are reported gross, except for offsetting foreign currency forward contracts that are executed in order to manage our currency risk of net investment in foreign subsidiaries. Of the outstanding notional amount of $293,000 million, approximately 98% or $287,000 million, is associated with reducing or eliminating the interest rate, currency or market risk between financial assets and liabilities in our financial services businesses. The instruments used in these activities are designated as hedges when practicable. When we are not able to apply hedge accounting, or when the derivative and the hedged item are both recorded in earnings concurrently, the derivatives are deemed economic hedges and hedge accounting is not applied. This most frequently occurs when we hedge a recognized foreign currency transaction (e.g., a receivable or payable) with a derivative. Since the effects of changes in exchange rates are reflected concurrently in earnings for both the derivative and the transaction, the economic hedge does not require hedge accounting.

The following table provides information about the fair value of our derivatives, by contract type, separating those accounted for as hedges and those that are not.

	September 30, 2012		December 31, 2011	
	Fair value		Fair value	
(In millions)	Assets	Liabilities	Assets	Liabilities
Derivatives accounted for as hedges				
Interest rate contracts	$ 8,967	$ 768	$ 9,445	$ 1,049
Currency exchange contracts	805	3,069	3,720	2,239
Other contracts	–	–	–	–
	9,772	3,837	13,165	3,288
Derivatives not accounted for as hedges				
Interest rate contracts	364	195	314	241
Currency exchange contracts	1,830	454	1,440	972
Other contracts	65	19	71	22
	2,259	668	1,825	1,235
Netting adjustments(a)	(3,194)	(3,173)	(3,009)	(2,998)
Cash collateral(b)(c)	(3,939)	(710)	(2,310)	(1,027)
Total	$ 4,898	$ 622	$ 9,671	$ 498

Derivatives are classified in the captions “Other assets” and “Other liabilities” in our financial statements.

(a) The netting of derivative receivables and payables is permitted when a legally enforceable master netting agreement exists. Amounts included fair value adjustments related to our own and counterparty non-performance risk. At September 30, 2012 and December 31, 2011, the cumulative adjustment for non-performance risk was a loss of $(21) million and $(11) million, respectively.

(b) Excludes excess cash collateral received of $69 million and $579 million at September 30, 2012 and December 31, 2011, respectively. Excludes excess cash collateral posted of $13 million at September 30, 2012.

(c) Excludes securities pledged to us as collateral of $5,953 million and $10,346 million at September 30, 2012 and December 31, 2011, respectively, which includes excess securities collateral of $327 million at September 30, 2012.

Fair value hedges

We use interest rate and currency exchange derivatives to hedge the fair value effects of interest rate and currency exchange rate changes on local and non-functional currency denominated fixed-rate debt. For relationships designated as fair value hedges, changes in fair value of the derivatives are recorded in earnings within interest along with offsetting adjustments to the carrying amount of the hedged debt. The following tables provide information about the earnings effects of our fair value hedging relationships for the three and nine months ended September 30, 2012 and 2011, respectively.

	Three months ended September 30,			
	2012		2011	
(In millions)	Gain (loss) on hedging derivatives	Gain (loss) on hedged items	Gain (loss) on hedging derivatives	Gain (loss) on hedged items
Interest rate contracts	$ 441	$ (552)	$ 5,708	$ (5,829)
Currency exchange contracts	8	(10)	64	(74)

Fair value hedges resulted in \$(113) million and \$(131) million of ineffectiveness in the three months ended September 30, 2012 and 2011, respectively. In both the three months ended September 30, 2012 and 2011, there were insignificant amounts excluded from the assessment of effectiveness.

	Nine months ended September 30,			
	2012		2011	
(In millions)	Gain (loss) on hedging derivatives	Gain (loss) on hedged items	Gain (loss) on hedging derivatives	Gain (loss) on hedged items
Interest rate contracts	$ 1,226	$ (1,514)	$ 5,318	$ (5,634)
Currency exchange contracts	(204)	192	103	(121)

Fair value hedges resulted in \$(300) million and \$(334) million of ineffectiveness in the nine months ended September 30, 2012 and 2011, respectively. In both the nine months ended September 30, 2012 and 2011, there were insignificant amounts excluded from the assessment of effectiveness.

Cash flow hedges

We use interest rate, currency exchange and commodity derivatives to reduce the variability of expected future cash flows associated with variable rate borrowings and commercial purchase and sale transactions, including commodities. For derivatives that are designated in a cash flow hedging relationship, the effective portion of the change in fair value of the derivative is reported as a component of AOCI and reclassified into earnings contemporaneously and in the same caption with the earnings effects of the hedged transaction.

(33)

The following tables provide information about the amounts recorded in AOCI, as well as the gain (loss) recorded in earnings, primarily in interest, when reclassified out of AOCI, for the three and nine months ended September 30, 2012 and 2011, respectively.

	Gain (loss) recognized in AOCI for the three months ended September 30,		Gain (loss) reclassified from AOCI into earnings for the three months ended September 30,	
(In millions)	2012	2011	2012	2011
Cash flow hedges				
Interest rate contracts	$ (68)	$ (170)	$ (116)	$ (180)
Currency exchange contracts	322	(583)	253	(569)
Commodity contracts	–	–	–	–
Total	$ 254	$ (753)	$ 137	$ (749)

	Gain (loss) recognized in AOCI for the nine months ended September 30,		Gain (loss) reclassified from AOCI into earnings for the nine months ended September 30,	
(In millions)	2012	2011	2012	2011
Cash flow hedges				
Interest rate contracts	$ (147)	$ (287)	$ (380)	$ (656)
Currency exchange contracts	(25)	79	(83)	295
Commodity contracts	–	–	–	–
Total	$ (172)	$ (208)	$ (463)	$ (361)

The total pre-tax amount in AOCI related to cash flow hedges of forecasted transactions was a $1,062 million loss at September 30, 2012. We expect to transfer $459 million to earnings as an expense in the next 12 months contemporaneously with the earnings effects of the related forecasted transactions. In the three and nine months ended September 30, 2012 and 2011, we recognized insignificant gains and losses related to hedged forecasted transactions and firm commitments that did not occur by the end of the originally specified period. At September 30, 2012 and 2011, the maximum term of derivative instruments that hedge forecasted transactions was 20 years and 21 years, respectively.

For cash flow hedges, the amount of ineffectiveness in the hedging relationship and amount of the changes in fair value of the derivatives that are not included in the measurement of ineffectiveness are both reflected in earnings each reporting period. These amounts are primarily reported in revenues from services and totaled $1 million and $56 million in the three months ended September 30, 2012 and 2011, respectively, and $4 million and $68 million in the nine months ended September 30, 2012 and 2011, respectively.

Net investment hedges in foreign operations

We use currency exchange derivatives to protect our net investments in global operations conducted in non-U.S. dollar currencies. For derivatives that are designated as hedges of net investment in a foreign operation, we assess effectiveness based on changes in spot currency exchange rates. Changes in spot rates on the derivative are recorded as a component of AOCI until such time as the foreign entity is substantially liquidated or sold. The change in fair value of the forward points, which reflects the interest rate differential between the two countries on the derivative, is excluded from the effectiveness assessment.

The following tables provide information about the amounts recorded in AOCI for the three and nine months ended September 30, 2012 and 2011, respectively, as well as the gain (loss) recorded in revenues from services when reclassified out of AOCI.

	Gain (loss) recognized in CTA for the three months ended September 30,		Gain (loss) reclassified from CTA for the three months ended September 30,	
(In millions)	2012	2011	2012	2011
Net investment hedges				
Currency exchange contracts	$ (2,939)	$ 1,948	$ 39	$ (15)

	Gain (loss) recognized in CTA for the nine months ended September 30,		Gain (loss) reclassified from CTA for the nine months ended September 30,	
(In millions)	2012	2011	2012	2011
Net investment hedges				
Currency exchange contracts	$ (2,588)	$ (1,458)	$ 27	$ (713)

The amounts related to the change in the fair value of the forward points that are excluded from the measure of effectiveness were $(183) million and $(386) million in the three months ended September 30, 2012 and 2011, respectively, and $(663) million and $(1,041) million in the nine months ended September 30, 2012 and 2011, respectively, and are recorded in interest.

Free-standing derivatives

Changes in the fair value of derivatives that are not designated as hedges are recorded in earnings each period. As discussed above, these derivatives are typically entered into as economic hedges of changes in interest rates, currency exchange rates, commodity prices and other risks. Gains or losses related to the derivative are typically recorded in revenues from services, based on our accounting policy. In general, the earnings effects of the item that represent the economic risk exposure are recorded in the same caption as the derivative. Losses for the nine months ended September 30, 2012 on derivatives not designated as hedges were $(644) million composed of amounts related to interest rate contracts of $(211) million, currency exchange contracts of $(428) million, and other derivatives of $(5) million. These losses were more than offset by the earnings effects from the underlying items that were economically hedged. Gains for the nine months ended September 30, 2011 on derivatives not designated as hedges were $66 million composed of amounts related to interest rate contracts of $32 million, currency exchange contracts of $9 million, and other derivatives of $25 million. These gains more than offset the earnings effects from the underlying items that were economically hedged.

Counterparty credit risk

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 agreements) on an individual counterparty basis. Where we have agreed to netting of derivative exposures with a counterparty, we net our exposures with that counterparty and apply the value of collateral posted to us to determine the exposure. We actively monitor these net exposures against defined limits and take appropriate actions in response, including requiring additional collateral.

As discussed above, we have provisions in certain of our master agreements that require counterparties to post collateral (typically, cash or U.S. Treasury securities) when our receivable due from the counterparty, measured at current market value, exceeds a specified limit. At September 30, 2012, our exposure to counterparties, including interest due, and net of collateral we hold, was $298 million. The fair value of such collateral was $9,565 million, of which $3,939 million was cash and $5,626 million was in the form of securities held by a custodian for our benefit. Under certain of these same agreements, we post collateral to our counterparties for our derivative obligations, the fair value of which was $710 million at September 30, 2012.

Additionally, our master agreements typically contain mutual downgrade provisions that provide the ability of each party to require termination if the long-term credit rating of the counterparty were to fall below A-/A3. In certain of these master agreements, each party also has the ability to require termination if the short-term rating of the counterparty were to fall below A-1/P-1. The net amount relating to our derivative liability subject to these provisions, after consideration of collateral posted by us and outstanding interest payments, was $538 million at September 30, 2012.

12. SUPPLEMENTAL INFORMATION ABOUT THE CREDIT QUALITY OF FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

We provide further detailed information about the credit quality of our Commercial, Real Estate and Consumer financing receivables portfolios. For each portfolio, we describe the characteristics of the financing receivables and provide information about collateral, payment performance, credit quality indicators, and impairment. We manage these portfolios using delinquency and nonearning data as key performance indicators. The categories used within this section such as impaired loans, troubled debt restructuring (TDR) and nonaccrual financing receivables are defined by the authoritative guidance and we base our categorization on the related scope and definitions contained in the related standards. The categories of nonearning and delinquent are defined by us and are used in our process for managing our financing receivables. Definitions of these categories are provided in Note 1 in our 2011 consolidated financial statements.

COMMERCIAL

Financing Receivables and Allowance for Losses

The following table provides further information about general and specific reserves related to Commercial financing receivables.

	Financing receivables	
(In millions)	September 30, 2012	December 31, 2011
CLL		
Americas	$ 74,488	$ 80,505
Europe	34,916	36,899
Asia	11,597	11,635
Other	659	436
Total CLL	121,660	129,475
Energy Financial Services	4,989	5,912
GECAS	11,628	11,901
Other	537	1,282
Total Commercial financing receivables, before allowance for losses	$ 138,814	$ 148,570
Non-impaired financing receivables	$ 132,900	$ 142,908
General reserves	569	718
Impaired loans	5,914	5,662
Specific reserves	680	812

(36)

Past Due Financing Receivables

The following table displays payment performance of Commercial financing receivables.

	September 30, 2012		December 31, 2011	
	Over 30 days past due	Over 90 days past due	Over 30 days past due	Over 90 days past due
CLL				
Americas	1.1 %	0.6 %	1.3 %	0.8 %
Europe	4.4	2.6	3.8	2.1
Asia	0.9	0.7	1.3	1.0
Other	–	–	2.0	0.1
Total CLL	2.0	1.2	2.0	1.2
Energy Financial Services	–	–	0.3	0.3
GECAS	0.1	–	–	–
Other	3.0	3.0	3.7	3.5
Total	1.8	1.1	1.8	1.1

Nonaccrual Financing Receivables

The following table provides further information about Commercial financing receivables that are classified as nonaccrual. Of our $5,124 million and $4,718 million of nonaccrual financing receivables at September 30, 2012 and December 31, 2011, respectively, $3,392 million and $1,227 million, respectively, are currently paying in accordance with their contractual terms.

	Nonaccrual financing receivables		Nonearning financing receivables	
(Dollars in millions)	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
CLL				
Americas	$ 2,339	$ 2,417	$ 1,600	$ 1,862
Europe	2,011	1,599	1,533	1,167
Asia	333	428	206	269
Other	53	68	53	11
Total CLL	4,736	4,512	3,392	3,309
Energy Financial Services	51	22	2	22

GECAS	304	69	50	55
Other	33	115	16	65
Total	$ 5,124	$ 4,718	$ 3,460	$ 3,451
Allowance for losses percentage	24.4 %	32.4 %	36.1 %	44.3 %

(37)

Impaired Loans

The following table provides information about loans classified as impaired and specific reserves related to Commercial.

	With no specific allowance			With a specific allowance			
(In millions)	Recorded investment in loans	Unpaid principal balance	Average investment in loans	Recorded investment in loans	Unpaid principal balance	Associated allowance	Average investment in loans
September 30, 2012							
CLL							
Americas	$ 2,702	$ 2,972	$ 2,547	$ 902	$ 1,145	$ 246	$ 1,095
Europe	1,087	1,676	979	913	1,282	406	845
Asia	52	55	62	126	152	19	140
Other	44	56	53	9	13	2	7
Total CLL	3,885	4,759	3,641	1,950	2,592	673	2,087
Energy Financial Services	2	2	3	–	–	–	9
GECAS	41	41	21	3	3	–	6
Other	13	20	28	20	20	7	48
Total	$ 3,941	$ 4,822	$ 3,693	$ 1,973	$ 2,615	$ 680	$ 2,150
December 31, 2011							
CLL							
Americas	$ 2,136	$ 2,219	$ 2,128	$ 1,367	$ 1,415	$ 425	$ 1,468
Europe	936	1,060	1,001	730	717	263	602
Asia	85	83	94	156	128	84	214
Other	54	58	13	11	11	2	5
Total CLL	3,211	3,420	3,236	2,264	2,271	774	2,289
Energy Financial Services	4	4	20	18	18	9	87
GECAS	28	28	59	–	–	–	11
Other	62	63	67	75	75	29	97
Total	$ 3,305	$ 3,515	$ 3,382	$ 2,357	$ 2,364	$ 812	$ 2,484

We recognized $181 million, $193 million and $131 million of interest income, including $70 million, $59 million and $43 million on a cash basis, for the nine months ended September 30, 2012, the year ended December 31, 2011 and the nine months ended September 30, 2011, respectively, principally in our CLL Americas business. The total average investment in impaired loans for the nine months ended September 30, 2012 and the year ended December 31, 2011 was $5,843 million and $5,866 million, respectively.

Impaired loans classified as TDRs in our CLL business were $4,248 million and $3,642 million at September 30, 2012 and December 31, 2011, respectively, and were primarily attributable to CLL Americas ($2,991 million and $2,746 million, respectively). For the nine months ended September 30, 2012, we modified $2,281 million of loans classified as TDRs, primarily in CLL Americas ($1,453 million) and CLL EMEA ($668 million). Changes to these loans primarily included debt to equity exchange, extensions, interest only payment periods and forbearance or other actions, which are in addition to, or sometimes in lieu of, fees and rate increases. Of our $2,736 million of modifications classified as TDRs in the last twelve months, $157 million have subsequently experienced a payment default in the last nine months.

Credit Quality Indicators

Substantially all of our Commercial financing receivables portfolio is secured lending and we assess the overall quality of the portfolio based on the potential risk of loss measure. The metric incorporates both the borrower's credit quality along with any related collateral protection.

Our internal risk ratings process is an important source of information in determining our allowance for losses and represents a comprehensive, statistically validated approach to evaluate risk in our financing receivables portfolios. In deriving our internal risk ratings, we stratify our Commercial portfolios into twenty-one categories of default risk and/or six categories of loss given default to group into three categories: A, B and C. Our process starts by developing an internal risk rating for our borrowers, which are based upon our proprietary models using data derived from borrower financial statements, agency ratings, payment history information, equity prices and other commercial borrower characteristics. We then evaluate the potential risk of loss for the specific lending transaction in the event of borrower default, which takes into account such factors as applicable collateral value, historical loss and recovery rates for similar transactions, and our collection capabilities. Our internal risk ratings process and the models we use are subject to regular monitoring and validation controls. The frequency of rating updates is set by our credit risk policy, which requires annual Risk Committee approval. The models are updated on a regular basis and statistically validated annually, or more frequently as circumstances warrant.

The table below summarizes our Commercial financing receivables by risk category. As described above, financing receivables are assigned one of twenty-one risk ratings based on our process and then these are grouped by similar characteristics into three categories in the table below. Category A is characterized by either high credit quality borrowers or transactions with significant collateral coverage which substantially reduces or eliminates the risk of loss in the event of borrower default. Category B is characterized by borrowers with weaker credit quality than those in Category A, or transactions with moderately strong collateral coverage which minimizes but may not fully mitigate the risk of loss in the event of default. Category C is characterized by borrowers with higher levels of default risk relative to our overall portfolio or transactions where collateral coverage may not fully mitigate a loss in the event of default.

	Secured			
(In millions)	A	B	C	Total
September 30, 2012				
CLL				
Americas	$ 69,945	$ 1,727	$ 2,816	$ 74,488
Europe	31,486	1,046	1,359	33,891
Asia	10,884	111	412	11,407
Other	197	44	68	309
Total CLL	112,512	2,928	4,655	120,095
Energy Financial Services	4,771	47	49	4,867
GECAS	11,441	176	11	11,628
Other	537	–	–	537
Total	$ 129,261	$ 3,151	$ 4,715	$ 137,127
December 31, 2011				
CLL				
Americas	$ 73,103	$ 2,816	$ 4,586	$ 80,505
Europe	33,481	1,080	1,002	35,563
Asia	10,644	116	685	11,445
Other	345	–	91	436
Total CLL	117,573	4,012	6,364	127,949
Energy Financial Services	5,727	24	18	5,769
GECAS	10,881	970	50	11,901
Other	1,282	–	–	1,282
Total	$ 135,463	$ 5,006	$ 6,432	$ 146,901

For our secured financing receivables portfolio, our collateral position and ability to work out problem accounts mitigates our losses. Our asset managers have deep industry expertise that enables us to identify the optimum approach to default situations. We price risk premiums for weaker credits at origination, closely monitor changes in creditworthiness through our risk ratings and watch list process, and are engaged early with deteriorating credits to minimize economic loss. Secured financing receivables within risk Category C are predominantly in our CLL businesses and are primarily composed of senior term lending facilities and factoring programs secured by various asset types including inventory, accounts receivable, cash, equipment and related business facilities as well as franchise finance activities secured by underlying equipment.

Loans within Category C are reviewed and monitored regularly, and classified as impaired when it is probable that they will not pay in accordance with contractual terms. Our internal risk rating process identifies credits warranting closer monitoring; and as such, these loans are not necessarily classified as nonearning or impaired.

Our unsecured Commercial financing receivables portfolio is primarily attributable to our Interbanca S.p.A. and GE Sanyo Credit acquisitions in Europe and Asia, respectively. At September 30, 2012 and December 31, 2011, these financing receivables included $533 million and $325 million rated A, $648 million and $748 million rated B, and $506 million and $596 million rated C, respectively.

REAL ESTATE

Financing Receivables and Allowance for Losses

The following table provides further information about general and specific reserves related to Real Estate financing receivables.

	Financing receivables	
(In millions)	September 30, 2012	December 31, 2011
Debt	$ 21,225	$ 24,501
Business Properties	5,069	8,248
Total Real Estate financing receivables, before allowance for losses	$ 26,294	$ 32,749
Non-impaired financing receivables	$ 18,817	$ 24,002
General reserves	178	267
Impaired loans	7,477	8,747
Specific reserves	558	822

Past Due Financing Receivables

The following table displays payment performance of Real Estate financing receivables.

	September 30, 2012		December 31, 2011	
	Over 30 days past due	Over 90 days past due	Over 30 days past due	Over 90 days past due
Debt	2.4 %	2.3 %	2.4 %	2.3 %
Business Properties	4.7	4.5	3.9	3.0
Total	2.8	2.8	2.8	2.5

Nonaccrual Financing Receivables

The following table provides further information about Real Estate financing receivables that are classified as nonaccrual. Of our $5,633 million and $6,949 million of nonaccrual financing receivables at September 30, 2012 and December 31, 2011, respectively, $4,911 million and $6,061 million, respectively, are currently paying in accordance with their contractual terms.

Nonaccrual financing	Nonearning financing

	receivables		receivables	
(Dollars in millions)	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Debt	$ 5,141	$ 6,351	$ 454	$ 541
Business Properties	492	598	228	249
Total	$ 5,633	$ 6,949	$ 682	$ 790
Allowance for losses percentage	13.1 %	15.7 %	107.9 %	137.8 %

(41)

Impaired Loans

The following table provides information about loans classified as impaired and specific reserves related to Real Estate.

	With no specific allowance			With a specific allowance			
(In millions)	Recorded investment in loans	Unpaid principal balance	Average investment in loans	Recorded investment in loans	Unpaid principal balance	Associated allowance	Average investment in loans
September 30, 2012							
Debt	$ 3,684	$ 3,930	$ 3,645	$ 3,312	$ 3,606	$ 472	$ 3,798
Business Properties	198	198	198	283	283	86	341
Total	$ 3,882	$ 4,128	$ 3,843	$ 3,595	$ 3,889	$ 558	$ 4,139

December 31, 2011							
Debt	$ 3,558	$ 3,614	$ 3,568	$ 4,560	$ 4,652	$ 717	$ 5,435
Business Properties	232	232	215	397	397	105	460
Total	$ 3,790	$ 3,846	$ 3,783	$ 4,957	$ 5,049	$ 822	$ 5,895

We recognized $265 million, $399 million and $309 million of interest income, including $183 million, $339 million and $272 million on a cash basis, for the nine months ended September 30, 2012, the year ended December 31, 2011 and the nine months ended September 30, 2011, respectively, principally in our Real Estate-Debt portfolio. The total average investment in impaired loans for the nine months ended September 30, 2012 and the year ended December 31, 2011 was $7,982 million and $9,678 million, respectively.

Real Estate TDRs decreased from $7,006 million at December 31, 2011 to $6,510 million at September 30, 2012, primarily driven by resolution of TDRs through paydowns, restructurings and foreclosures, partially offset by extensions of loans scheduled to mature during 2012, some of which were classified as TDRs upon modification. 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. 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. For the nine months ended September 30, 2012, we modified $3,619 million 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. Of our $4,606 million of modifications classified as TDRs in the last twelve months, $212 million have subsequently experienced a payment default in the last nine months.

Credit Quality Indicators

Due to the primarily non-recourse nature of our Debt portfolio, loan-to-value ratios provide the best indicators of the credit quality of the portfolio. By contrast, the credit quality of the Business Properties portfolio is primarily influenced by the strength of the borrower's general credit quality, which is reflected in our internal risk rating process, consistent with the process we use for our Commercial portfolio.

	Loan-to-value ratio					
	September 30, 2012			December 31, 2011		
(In millions)	Less than 80%	80% to 95%	Greater than 95%	Less than 80%	80% to 95%	Greater than 95%
Debt	$ 14,092	$ 3,215	$ 3,918	$ 14,454	$ 4,593	$ 5,454

	Internal Risk Rating					
	September 30, 2012			December 31, 2011		
(In millions)	A	B	C	A	B	C
Business Properties	$ 4,610	$ 64	$ 395	$ 7,628	$ 110	$ 510

Within Real Estate-Debt, these financing receivables are primarily concentrated in our North American and European Lending platforms and are secured by various property types. A substantial majority of the Real Estate-Debt financing receivables with loan-to-value ratios greater than 95% are paying in accordance with contractual terms. Substantially all of these loans and the majority of the Real Estate-Business Properties financing receivables included in Category C are impaired loans which are subject to the specific reserve evaluation process described in Note 1 in our 2011 consolidated financial statements. The ultimate recoverability of impaired loans is driven by collection strategies that do not necessarily depend on the sale of the underlying collateral and include full or partial repayments through third-party refinancing and restructurings.

CONSUMER

At September 30, 2012, our U.S. consumer financing receivables included private-label credit card and sales financing for approximately 52 million customers across the U.S. with no metropolitan area accounting for more than 6% of the portfolio. Of the total U.S. consumer financing receivables, approximately 64% relate to credit card loans, which are often subject to profit and loss sharing arrangements with the retailer (which are recorded in revenues), and the remaining 36% are sales finance receivables, which provide financing to customers in areas such as electronics, recreation, medical and home improvement.

Financing Receivables and Allowance for Losses

The following table provides further information about general and specific reserves related to Consumer financing receivables.

	Financing receivables	
(In millions)	September 30, 2012	December 31, 2011
Non-U.S. residential mortgages	$ 33,855	$ 35,550
Non-U.S. installment and revolving credit	18,504	18,544
U.S. installment and revolving credit	46,939	46,689
Non-U.S. auto	4,601	5,691
Other	7,996	7,244
Total Consumer financing receivables, before allowance for losses	$ 111,895	$ 113,718
Non-impaired financing receivables	$ 108,745	$ 110,825
General reserves	2,737	2,891
Impaired loans	3,150	2,893
Specific reserves	658	680

Past Due Financing Receivables

The following table displays payment performance of Consumer financing receivables.

	September 30, 2012		December 31, 2011	
	Over 30 days past due	Over 90 days past due(a)	Over 30 days past due	Over 90 days past due(a)
Non-U.S. residential mortgages	12.2 %	7.7 %	12.3 %	7.9 %
Non-U.S. installment and revolving credit	3.9	1.2	4.1	1.2
U.S. installment and revolving credit	4.8	2.0	5.0	2.2
Non-U.S. auto	3.1	0.5	3.1	0.5
Other	3.2	2.0	3.5	2.0
Total	6.7	3.5	6.9	3.7

(a) Included $38 million and $45 million of loans at September 30, 2012 and December 31, 2011, respectively, which are over 90 days past due and accruing interest, mainly representing accretion on loans acquired at a discount.

(43)

Nonaccrual Financing Receivables

The following table provides further information about Consumer financing receivables that are classified as nonaccrual.

(Dollars in millions)	Nonaccrual financing receivables September 30, 2012	Nonaccrual financing receivables December 31, 2011	Nonearning financing receivables September 30, 2012	Nonearning financing receivables December 31, 2011
Non-U.S. residential mortgages	$ 2,742	$ 2,995	$ 2,659	$ 2,870
Non-U.S. installment and revolving credit	234	321	234	263
U.S. installment and revolving credit	896	990	896	990
Non-U.S. auto	27	43	27	43
Other	429	487	339	419
Total	$ 4,328	$ 4,836	$ 4,155	$ 4,585
Allowance for losses percentage	78.4 %	73.8 %	81.7 %	77.9 %

Impaired Loans

The vast majority of our Consumer nonaccrual financing receivables are smaller balance homogeneous loans evaluated collectively, by portfolio, for impairment and therefore are outside the scope of the disclosure requirement for impaired loans. Accordingly, impaired loans in our Consumer business represent restructured smaller balance homogeneous loans meeting the definition of a TDR, and are therefore subject to the disclosure requirement for impaired loans, and commercial loans in our Consumer–Other portfolio. The recorded investment of these impaired loans totaled $3,150 million (with an unpaid principal balance of $3,197 million) and comprised $113 million with no specific allowance, primarily all in our Consumer–Other portfolio, and $3,037 million with a specific allowance of $658 million at September 30, 2012. The impaired loans with a specific allowance included $305 million with a specific allowance of $84 million in our Consumer–Other portfolio and $2,732 million with a specific allowance of $574 million across the remaining Consumer business and had an unpaid principal balance and average investment of $3,047 million and $2,917 million, respectively, at September 30, 2012. We recognized $127 million, $141 million and $101 million of interest income, including $5 million, $15 million and $12 million on a cash basis, for the nine months ended September 30, 2012, the year ended December 31, 2011 and the nine months ended September 30, 2011, respectively, principally in our Consumer-U.S. installment and revolving credit portfolios. The total average investment in impaired loans for the nine months ended September 30, 2012 and the year ended December 31, 2011 was $3,016 million and $2,623 million, respectively.

Impaired loans classified as TDRs in our Consumer business were $3,002 million and $2,723 million at September 30, 2012 and December 31, 2011, respectively. We utilize certain loan modification programs for borrowers experiencing financial difficulties in our Consumer loan portfolio. These loan modification programs primarily include interest rate reductions and payment deferrals in excess of three months, which were not part of the terms of the original contract, and are primarily concentrated in our non-U.S. residential mortgage and U.S. credit card portfolios. For the nine months ended September 30, 2012, we modified $1,336 million of consumer loans for borrowers experiencing financial difficulties, which are classified as TDRs, and included $915 million of non-U.S. consumer loans, primarily residential mortgages, credit cards and personal loans and $421 million of U.S. consumer loans, primarily credit cards. We expect borrowers whose loans have been modified under these programs to continue to be able to meet their contractual obligations upon the conclusion of the modification. Of our $1,699 million of modifications classified as TDRs in the last twelve months, $188 million have subsequently experienced a payment default in the last nine months, primarily in our installment and revolving credit portfolios.

Credit Quality Indicators

Our Consumer financing receivables portfolio comprises both secured and unsecured lending. Secured financing receivables comprise residential loans and lending to small and medium-sized enterprises predominantly secured by auto and equipment, inventory finance, and cash flow loans. Unsecured financing receivables include private-label credit card financing. A substantial majority of these cards are not for general use and are limited to the products and services sold by the retailer. The private label portfolio is diverse with no metropolitan area accounting for more than 5% of the related portfolio.

Non-U.S. residential mortgages

For our secured non-U.S. residential mortgage book, we assess the overall credit quality of the portfolio through loan-to-value ratios (the ratio of the outstanding debt on a property to the value of that property at origination). In the event of default and repossession of the underlying collateral, we have the ability to remarket and sell the properties to eliminate or mitigate the potential risk of loss. The table below provides additional information about our non-U.S. residential mortgages based on loan-to-value ratios.

	Loan-to-value ratio					
	September 30, 2012			December 31, 2011		
(In millions)	80% or less	Greater than 80% to 90%	Greater than 90%	80% or less	Greater than 80% to 90%	Greater than 90%
Non-U.S. residential mortgages	$ 18,799	$ 5,847	$ 9,209	$ 19,834	$ 6,087	$ 9,629

The majority of these financing receivables are in our U.K. and France portfolios and have re-indexed loan-to-value ratios of 84% and 57%, respectively. We have third-party mortgage insurance for approximately 36% of the balance of Consumer non-U.S. residential mortgage loans with loan-to-value ratios greater than 90% at September 30, 2012. Such loans were primarily originated in Poland, France and the U.K.

Installment and Revolving Credit

For our unsecured lending products, including the non-U.S. and U.S. installment and revolving credit and non-U.S. auto portfolios, we assess overall credit quality using internal and external credit scores. Our internal credit scores imply a probability of default which we consistently translate into three approximate credit bureau equivalent credit score categories, including (a) 681 or higher, which are considered the strongest credits; (b) 615 to 680, considered moderate credit risk; and (c) 614 or less, which are considered weaker credits.

	Internal ratings translated to approximate credit bureau equivalent score					
	September 30, 2012			December 31, 2011		
(In millions)	681 or higher	615 to 680	614 or less	681 or higher	615 to 680	614 or less
Non-U.S. installment and revolving credit	$ 10,474	$ 4,530	$ 3,500	$ 9,913	$ 4,838	$ 3,793
U.S. installment and revolving credit	30,845	8,935	7,159	28,918	9,398	8,373
Non-U.S. auto	3,363	750	488	3,927	1,092	672

Of those financing receivable accounts with credit bureau equivalent scores of 614 or less at September 30, 2012, 96% relate to installment and revolving credit accounts. These smaller balance accounts have an average outstanding balance less than one thousand U.S. dollars and are primarily concentrated in our retail card and sales finance receivables in the U.S. (which are often subject to profit and loss sharing arrangements), and closed-end loans outside the U.S., which minimizes the potential for loss in the event of default. For lower credit scores, we adequately price for the incremental risk at origination and monitor credit migration through our risk ratings process. We continuously adjust our credit line underwriting management and collection strategies based on customer behavior and risk profile changes.

Consumer – Other

Secured lending in Consumer – Other comprises loans to small and medium-sized enterprises predominantly secured by auto and equipment, inventory finance and cash flow loans. We develop our internal risk ratings for this portfolio in a manner consistent with the process used to develop our Commercial credit quality indicators, described above. We use the borrower's credit quality and underlying collateral strength to determine the potential risk of loss from these activities.

At September 30, 2012, Consumer – Other financing receivables of $6,661 million, $458 million and $877 million were rated A, B, and C, respectively. At December 31, 2011, Consumer – Other financing receivables of $5,580 million, $757 million and $907 million were rated A, B, and C, respectively.

13. VARIABLE INTEREST ENTITIES

We securitize financial assets and arrange other forms of asset-backed financing in the ordinary course of business. The securitization transactions we engage in are similar to those used by many financial institutions. These securitization transactions serve as alternative funding sources for a variety of diversified lending and securities transactions. Historically, we have used both GECC-supported and third-party VIEs to execute off-balance sheet securitization transactions funded in the commercial paper and term markets. The largest group of VIEs that we are involved with are former Qualified Special Purpose Entities (QSPEs), which under guidance in effect through December 31, 2009 were excluded from the scope of consolidation standards based on their characteristics. Except as noted below, investors in these entities only have recourse to the assets owned by the entity and not to our general credit. 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 2012 or 2011.

In evaluating whether we have the power to direct the activities of a VIE that most significantly impact its economic performance, we consider the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and our decision-making role, if any, in those activities that significantly determine the entity's economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity's future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

In determining whether we have the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, we evaluate all of our economic interests in the entity, regardless of form (debt, equity, management and servicing fees, and other contractual arrangements). This evaluation considers all relevant factors of the entity's design, including: the entity's capital structure, contractual rights to earnings (losses), subordination of our interests relative to those of other investors, contingent payments, as well as other contractual arrangements that have potential to be economically significant. The evaluation of each of these factors in reaching a conclusion about the potential significance of our economic interests is a matter that requires the exercise of professional judgment.

Consolidated Variable Interest Entities

We consolidate VIEs because we have the power to direct the activities that significantly affect the VIEs economic performance, typically because of our role as either servicer or manager for the VIE. Our consolidated VIEs fall into three main groups, which are further described below:

- Trinity comprises two consolidated entities that hold investment securities, the majority of which are investment grade, and were funded by the issuance of GICs. These entities were consolidated in 2003 and ceased issuing new investment contracts beginning in the first quarter of 2010. Since 2004, GECC has fully guaranteed repayment of these entities' GIC obligations. These obligations included conditions under which certain GIC holders could require immediate repayment of their investment should the long-term credit ratings of GECC fall below AA-/Aa3 or the short-term credit ratings fall below A-1+/P-1. To the extent that amounts due were to exceed the ultimate value of proceeds realized from Trinity assets, GECC would be required to provide such excess amount. Following the April 3, 2012 Moody's downgrade of GECC's long-term credit ratings to A1, substantially all of these GICs became redeemable by the holders. In the second quarter of 2012, holders of $1,981 million of GICs redeemed their holdings. The redemption was funded primarily through advances from GECC. The remaining outstanding GICs will continue to be subject to the existing terms and maturities of their respective contracts. Following the redemption period, if the long-term credit ratings of GECC were to fall below AA-/A2 or the short-term credit ratings were to fall below A-1+/P-1, GECC could be required to provide up to $1,470 million as of September 30, 2012 to repay holders of Trinity GICs.

- Consolidated Securitization Entities (CSEs) comprise primarily our previously unconsolidated QSPEs that were consolidated on January 1, 2010 in connection with our adoption of ASU 2009-16 & 17. These entities were created to facilitate securitization of financial assets and other forms of asset-backed financing which serve as an alternative funding source by providing access to the commercial paper and term markets. The securitization transactions executed with these entities are similar to those used by many financial institutions and substantially all are non-recourse. We provide servicing for substantially all of the assets in these entities.

The financing receivables in these entities have similar risks and characteristics to our other financing receivables and were underwritten to the same standard. Accordingly, the performance of these assets has been similar to our other financing receivables; however, the blended performance of the pools of receivables in these entities reflects the eligibility criteria that we apply to determine which receivables are selected for transfer. Contractually the cash flows from these financing receivables must first be used to pay third-party debt holders as well as other expenses of the entity. Excess cash flows are available to GECC. The creditors of these entities have no claim on other assets of GECC.

- Other remaining assets and liabilities of consolidated VIEs relate primarily to three categories of entities: (1) joint ventures that lease light industrial equipment of $1,398 million of assets and $877 million of liabilities; (2) other entities that are involved in power generating and leasing activities of $2,426 million of assets and $610 million of liabilities; and (3) insurance entities that, among other lines of business, provide property and casualty and workers' compensation coverage for GE of $1,211 million of assets and $621 million of liabilities.

The table below summarizes the assets and liabilities of consolidated VIEs described above.

Consolidated Securitization Entities

(In millions)	Trinity(a)	Credit Cards(b)	Equipment(b)	Real Estate(c)	Trade Receivables	Other(d)	Total
September 30, 2012							
Assets(e)							
Financing receivables, net	$ –	$ 22,133	$ 12,066	$ 2,921	$ 1,830	$ 1,832	$ 40,782
Investment securities	3,733	–	–	–	–	1,065	4,798
Other assets	80	28	332	134	–	3,479	4,053
Total	$ 3,813	$ 22,161	$ 12,398	$ 3,055	$ 1,830	$ 6,376	$ 49,633
Liabilities(e)							
Borrowings	$ –	$ –	$ 4	$ 25	$ –	$ 1,263	$ 1,292
Non-recourse borrowings	–	16,050	9,705	2,936	1,579	–	30,270
Other liabilities	1,705	116	1	3	17	1,460	3,302
Total	$ 1,705	$ 16,166	$ 9,710	$ 2,964	$ 1,596	$ 2,723	$ 34,864
December 31, 2011							
Assets(e)							
Financing receivables, net	$ –	$ 19,229	$ 10,523	$ 3,521	$ 1,614	$ 2,973	$ 37,860
Investment securities	4,289	–	–	–	–	1,031	5,320
Other assets	389	17	283	210	–	2,250	3,149
Total	$ 4,678	$ 19,246	$ 10,806	$ 3,731	$ 1,614	$ 6,254	$ 46,329
Liabilities(e)							
Borrowings	$ –	$ –	$ 2	$ 25	$ –	$ 821	$ 848
Non-recourse borrowings	–	14,184	8,166	3,659	1,769	980	28,758
Other liabilities	4,456	37	–	19	23	1,312	5,847
Total	$ 4,456	$ 14,221	$ 8,168	$ 3,703	$ 1,792	$ 3,113	$ 35,453

(a) Excludes intercompany advances from GECC to Trinity, which are eliminated in consolidation of $2,616 million and $1,006 million at September 30, 2012 and December 31, 2011, respectively.

(b) We provide servicing to the CSEs and are contractually permitted to commingle cash collected from customers on financing receivables sold to CSE investors with our own cash prior to payment to a CSE, provided our short-term credit rating does not fall below A-1/P-1. These CSEs also owe us amounts for purchased financial assets and scheduled interest and principal payments. At September 30, 2012, the amount of commingled cash owed to the CSEs and the amount owed to us by CSEs were $5,885 million and $5,751 million, respectively.

(c) On October 1, 2012, we completed the sale of our Business Property business, which includes servicing rights for most of these CSEs. We will deconsolidate substantially all of these securitization entities in the fourth quarter of 2012 as we will no longer have the power to direct the activities of these entities.

(d) Includes $1,519 million in other assets and $537 million of borrowings at September 30, 2012 due to the consolidation of an entity involved in power generating activities. This entity was previously subject to a leveraged lease and we consolidated this entity in March 2012 following the execution of an agreement that gave us the power to direct activities of this entity.

(e) Asset amounts exclude intercompany receivables for cash collected on behalf of the entities by GE as servicer, which are eliminated in consolidation. Such receivables provide the cash to repay the entities' liabilities. If these intercompany receivables were included in the table above, assets would be higher. In addition, other assets, borrowings and other liabilities exclude intercompany balances that are eliminated in consolidation.

Revenues from services from our consolidated VIEs were $1,675 million and $1,475 million in the three months ended September 30, 2012 and 2011, respectively, and $4,914 million and $4,457 million in the nine months ended September 30, 2012 and 2011, respectively. Related expenses consisted primarily of provisions for losses of $414 million and $332 million in the three months ended September 30, 2012 and 2011, respectively, and $784 million and $882 million in the nine months ended September 30, 2012 and 2011, respectively, and interest of $97 million and $143 million in the three months ended September 30, 2012 and 2011, respectively, and $344 million and $450 million in the nine months ended September 30, 2012 and 2011, respectively. These amounts do not include intercompany revenues and costs, principally fees and interest between GECC and the VIEs, which are eliminated in consolidation.

Investments in Unconsolidated Variable Interest Entities

Our involvement with unconsolidated VIEs consists of the following activities: assisting in the formation and financing of the entity, providing recourse and/or liquidity support, servicing the assets and receiving variable fees for services provided. We are not required to consolidate these entities because the nature of our involvement with the activities of the VIEs does not give us power over decisions that significantly affect their economic performance.

The largest unconsolidated VIE with which we are involved is Penske Truck Leasing Co., L.P. (PTL), a joint venture and limited partnership formed in 1988 between Penske Truck Leasing Corporation (PTLC) and GE. PTLC is the sole general partner of PTL and an indirect wholly-owned subsidiary of Penske Corporation. PTL is engaged in truck leasing and support services, including full-service leasing, dedicated logistics support and contract maintenance programs, as well as rental operations serving commercial and consumer customers. Our direct and indirect interest in PTL is accounted for using the equity method. During the second quarter of 2012, PTL effected a recapitalization and subsequently acquired third-party financing which, through the third quarter of 2012, was used to repay $4,750 million of its outstanding debt owed to GECC. At September 30, 2012, our direct and indirect investment in PTL of $2,732 million primarily comprised partnership interests of $816 million and loans and advances of $1,880 million.

Our largest exposure to any single unconsolidated VIE at September 30, 2012 is an investment in high quality senior secured debt of various middle-market companies ($4,792 million). Other significant unconsolidated VIEs include investments in real estate entities ($3,151 million), which generally consist of passive limited partnership investments in tax-advantaged, multi-family real estate and investments in various European real estate entities; and exposures to joint ventures that purchase factored receivables ($1,876 million). The vast majority of our other unconsolidated entities consist of passive investments in various asset-backed financing entities.

The classification of our variable interests in these entities in our financial statements is based on the nature of the entity and the type of investment we hold. Variable interests in partnerships and corporate entities are classified as either equity method or cost method investments. In the ordinary course of business, we also make investments in entities in which we are not the primary beneficiary but may hold a variable interest such as limited partner interests or mezzanine debt investments. These investments are classified in two captions in our financial statements: “Other assets” for investments accounted for under the equity method, and “Financing receivables – net” for debt financing provided to these entities. Our investments in unconsolidated VIEs at September 30, 2012 and December 31, 2011 follow.

	September 30, 2012			December 31, 2011		
(In millions)	PTL	All other	Total	PTL	All other	Total
Other assets and investment securities	$ 2,732	$ 8,273	$ 11,005	$ 7,038	$ 6,954	$ 13,992
Financing receivables – net	–	3,171	3,171	–	2,507	2,507
Total investments	2,732	11,444	14,176	7,038	9,461	16,499
Contractual obligations to fund investments or guarantees	159	2,314	2,473	600	2,253	2,853
Revolving lines of credit	–	68	68	1,356	92	1,448
Total	$ 2,891	$ 13,826	$ 16,717	$ 8,994	$ 11,806	$ 20,800

In addition to the entities included in the table above, we also hold passive investments in RMBS, commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) issued by VIEs. Such investments were, by design, investment grade at issuance and held by a diverse group of investors. Further information about such investments is provided in Note 3.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

A. Results of Operations

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial information but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under the U.S. Securities and Exchange Commission (SEC) rules. For such measures, we have provided supplemental explanations and reconciliations in Exhibit 99(a) to this Form 10-Q Report.

Unless otherwise indicated, we refer to captions such as revenues and earnings from continuing operations attributable to GECC simply as "revenues" and "earnings" throughout this Management's Discussion and Analysis. Similarly, discussion of other matters in our condensed, consolidated financial statements relates to continuing operations unless otherwise indicated.

Overview

Revenues in the third quarter of 2012 were $11.4 billion, a $0.6 billion (5%) decrease from the third quarter of 2011. Revenues were reduced by $0.1 billion as a result of dispositions. Revenues for the quarter also decreased as a result of organic revenue declines, primarily due to lower GE Capital Ending Net Investment (ENI) and the stronger U.S. dollar, partially offset by higher gains. Earnings were $1.7 billion, up from $1.5 billion in the third quarter of 2011.

Revenues in the nine months ended September 30, 2012 were $34.3 billion, a $3.2 billion (9%) decrease from the nine months ended September 30, 2011. Revenues for the nine months ended September 30, 2012 included $0.1 billion from acquisitions and were decreased by $0.5 billion as a result of dispositions. Revenues for the nine months ended September 30, 2012 also decreased as a result of organic revenue declines, primarily due to lower ENI, the absence of the 2011 gain on sale of a substantial portion of our Garanti Bank equity investment (2011 Garanti gain) and the stronger U.S. dollar. Organic revenue excludes the effects of acquisitions, business dispositions (other than dispositions of businesses acquired for investment) and currency exchange rates. Earnings were $5.6 billion, up from $4.9 billion in the nine months ended September 30, 2011.

Overall, acquisitions contributed an insignificant amount and $0.1 billion to total revenues in the third quarters of 2012 and 2011, respectively. Our earnings in both the third quarters of 2012 and 2011 included an insignificant amount 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 operations through lower revenues of $0.1 billion and $0.1 billion in the third quarters of 2012 and 2011, respectively. The effects of dispositions on earnings were an insignificant amount and $0.1 billion in the third quarters of 2012 and 2011, respectively.

Overall, acquisitions contributed $0.1 billion and $0.2 billion to total revenues in the nine months ended September 30, 2012 and 2011, respectively. Our earnings in the nine months ended September 30, 2012 and 2011 included an insignificant amount and $0.1 billion from acquired businesses, respectively. 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 operations through lower revenues of $0.5 billion and $0.8 billion in the nine months ended September 30, 2012 and 2011, respectively. The effects of dispositions on earnings were $0.1 billion and an insignificant amount in the nine months ended September 30, 2012 and 2011, respectively.

Segment Operations

Operating segments comprise our five businesses focused on the broad markets they serve: Commercial Lending and Leasing (CLL), Consumer, Real Estate, Energy Financial Services and GE Capital Aviation Services (GECAS). The Chairman allocates resources to, and assesses the performance of, these five businesses. In addition to providing information on segments in their entirety, we have also provided supplemental information for the geographic regions within the CLL segment for greater clarity.

Corporate items and eliminations include unallocated Treasury and Tax operations; Trinity, a group of sponsored special purpose entities; certain consolidated liquidating securitization entities; the effects of eliminating transactions between operating segments; results of our run-off insurance operations remaining in continuing operations attributable to GECC; underabsorbed corporate overhead; certain non-allocated amounts determined by the Chairman; and a variety of sundry items. Corporate items and eliminations is not an operating segment. Rather, it is added to operating segment totals to reconcile to consolidated totals on the financial statements.

Segment profit is determined based on internal performance measures used by the Chairman to assess the performance of each business in a given period. In connection with that assessment, the Chairman may exclude matters such as charges for restructuring; rationalization and other similar expenses; 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.

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, which we sometimes refer to as “net earnings”, includes interest and income taxes. GE allocates service costs related to its principal pension plans and GE no longer allocates the retiree costs of its postretirement healthcare benefits to its segments. This allocation methodology better aligns segment operating costs to the active employee costs, which are managed by the segments.

On February 22, 2012, our former parent, General Electric Capital Services, Inc. (GECS), merged with and into General Electric Capital Corporation (GECC). GECC’s continuing operations include the run-off insurance operations previously held and managed in our former parent, GECS, and which are reported in corporate items and eliminations. The operating businesses that are reported as segments, including CLL, Consumer, Real Estate, Energy Financial Services and GECAS, are not affected by the merger. Unless otherwise indicated, references to GECC and the GE Capital segment in this Form 10-Q Report relate to the entity or segment as they exist subsequent to the February 22, 2012 merger.

We have reclassified certain prior-period amounts to conform to the current-period presentation. Refer to the Summary of Operating Segments on page 7 for a reconciliation of the total reportable segments’ profit to the consolidated net earnings attributable to the Company.

CLL

(In millions)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Revenues	$ 4,124	$ 4,512	$ 12,707	$ 13,786
Segment profit	$ 568	$ 688	$ 1,879	$ 1,943

(In millions)	September 30, 2012	December 31, 2011	September 30, 2011
Total assets	$ 180,542	$ 193,869	$ 195,257

(In millions)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Revenues				
Americas	$ 2,641	$ 2,624	$ 7,989	$ 8,082
Europe	795	940	2,452	2,914
Asia	500	585	1,605	1,686
Other	188	363	661	1,104
Segment profit				
Americas	$ 545	$ 547	$ 1,614	$ 1,548
Europe	41	104	155	319
Asia	28	68	151	140
Other	(46)	(31)	(41)	(64)

(In millions)	September 30, 2012	December 31, 2011	September 30, 2011
Total assets			
Americas	$ 109,034	$ 116,034	$ 114,023
Europe	44,860	46,590	47,738
Asia	17,343	17,807	18,292
Other	9,305	13,438	15,204

CLL revenues decreased 9% and net earnings decreased 17% in the third quarter of 2012. Revenues were reduced by $0.1 billion as a result of dispositions. Revenues also decreased as a result of organic revenue declines ($0.1 billion), primarily due to lower ENI ($0.2 billion), and the stronger U.S. dollar ($0.1 billion). Net earnings decreased reflecting core decreases ($0.1 billion).

CLL revenues decreased 8% and net earnings decreased 3% in the nine months ended September 30, 2012. Revenues were reduced by $0.3 billion as a result of dispositions. Revenues also decreased as a result of organic revenue declines ($0.5 billion), primarily due to lower ENI ($0.3 billion), and the stronger U.S. dollar ($0.3 billion). Net earnings decreased reflecting dispositions ($0.1 billion) and core decreases.

Consumer

(In millions)	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Revenues	$ 3,911	$ 4,028	$ 11,600	$ 13,023
Segment profit	$ 749	$ 803	$ 2,485	$ 3,086