

GENERAL ELECTRIC CAPITAL CORP
Form 10-Q
May 08, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from _____ to _____

Commission file number 001-06461

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

Delaware
(State or other jurisdiction of
incorporation or organization)

13-1500700
(I.R.S. Employer Identification No.)

901 Main Avenue, Norwalk, CT
(Address of principal executive offices)

06851-1168
(Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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

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to submit and post such files). Yes No

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 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

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

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

(1)

General Electric Capital Corporation

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Forward-Looking Statements

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

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

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Part I. Financial Information

Item 1. Financial Statements

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

(In millions)	Three months ended March	
	31, 2013	2012
Revenues		
Revenues from services (a)	\$ 11,787	\$ 11,342
Other-than-temporary impairment on investment securities:		
Total other-than-temporary impairment on investment securities	(289)	(32)
Less: portion of other-than-temporary impairment recognized in accumulated other comprehensive income	11	—
Net other-than-temporary impairment on investment securities recognized in earnings	(278)	(32)
Revenues from services (Note 9)	11,509	11,310
Sales of goods	26	30
Total revenues	11,535	11,340
Costs and expenses		
Interest	2,400	3,185
Operating and administrative	3,219	2,845
Cost of goods sold	21	25
Investment contracts, insurance losses and insurance annuity benefits	689	771
Provision for losses on financing receivables	1,488	863
Depreciation and amortization	1,698	1,652
Total costs and expenses	9,515	9,341
Earnings from continuing operations before income taxes	2,020	1,999
Benefit (provision) for income taxes	(82)	(215)
Earnings from continuing operations	1,938	1,784
Earnings (loss) from discontinued operations, net of taxes (Note 2)	(109)	(197)
Net earnings	1,829	1,587
Less: net earnings (loss) attributable to noncontrolling interests	11	12

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Net earnings attributable to GECC	\$	1,818	\$	1,575
Amounts attributable to GECC				
Earnings from continuing operations	\$	1,927	\$	1,772
Earnings (loss) from discontinued operations, net of taxes		(109)		(197)
Net earnings attributable to GECC	\$	1,818	\$	1,575

(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 March	
	2013	2012
Net earnings	\$ 1,829	\$ 1,587
Less: net earnings (loss) attributable to noncontrolling interests	11	12
Net earnings attributable to GECC	\$ 1,818	\$ 1,575
Other comprehensive income		
Investment securities	\$ 66	\$ 332
Currency translation adjustments	8	133
Cash flow hedges	92	72
Benefit plans	13	(24)
Other comprehensive income	179	513
Less: other comprehensive income (loss) attributable to noncontrolling interests	(3)	10
Other comprehensive income attributable to GECC	\$ 182	\$ 503
Comprehensive income	2,008	2,100
Less: comprehensive income (loss) attributable to noncontrolling interests	8	22
Comprehensive income attributable to GECC	\$ 2,000	\$ 2,078

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

See accompanying notes.

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

(In millions)	Three months ended March	
	2013	2012
GECC shareowners' equity balance at January 1	\$ 81,890	\$ 77,110
Increases from net earnings attributable to GECC	1,818	1,575
Other comprehensive income (loss) attributable to GECC	182	504

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Changes in additional paid-in capital	(8)	3
Ending balance at March 31	83,882	79,192
Noncontrolling interests	587	767
Total equity balance at March 31	\$ 84,469	\$ 79,959

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

See accompanying notes.

(4)

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

(In millions, except share information)	March 31, 2013 (Unaudited)	December 31, 2012
Assets		
Cash and equivalents	\$ 67,721	\$ 61,942
Investment securities (Note 3)	48,261	48,439
Inventories	80	79
Financing receivables – net (Notes 4 and 12)	258,324	268,951
Other receivables	14,400	13,917
Property, plant and equipment, less accumulated amortization of \$26,009 and \$26,113	52,452	52,974
Goodwill (Note 5)	26,895	27,032
Other intangible assets – net (Note 5)	1,311	1,294
Other assets	58,047	62,201
Assets of businesses held for sale (Note 2)	171	211
Assets of discontinued operations (Note 2)	1,856	2,299
Total assets(a)	\$ 529,518	\$ 539,339
Liabilities and equity		
Short-term borrowings (Note 6)	\$ 82,662	\$ 95,940
Accounts payable	7,079	6,259
Non-recourse borrowings of consolidated securitization entities (Note 6)	30,488	30,123
Bank deposits (Note 6)	49,427	46,461
Long-term borrowings (Note 6)	223,001	224,776
Investment contracts, insurance liabilities and insurance annuity benefits	28,681	28,696
Other liabilities	15,878	15,961
Deferred income taxes	5,522	5,988
Liabilities of businesses held for sale (Note 2)	4	157
Liabilities of discontinued operations (Note 2)	2,307	2,381
Total liabilities(a)	445,049	456,742
Preferred stock, \$0.01 par value (750,000 shares authorized at both March 31, 2013 and December 31, 2012 and 40,000 shares issued and outstanding at both March 31, 2013 and December 31, 2012, respectively)	–	–
Common stock, \$14 par value (4,166,000 shares authorized at both March 31, 2013 and December 31, 2012 and 1,000 shares issued and outstanding at both March 31, 2013 and December 31, 2012, respectively)	–	–

Accumulated other comprehensive income (loss) – net(b)		
Investment securities	738	673
Currency translation adjustments	(119)	(131)
Cash flow hedges	(654)	(746)
Benefit plans	(723)	(736)
Additional paid-in capital	31,578	31,586
Retained earnings	53,062	51,244
Total GECC shareowners' equity	83,882	81,890
Noncontrolling interests(c)(Note 8)	587	707
Total equity	84,469	82,597
Total liabilities and equity	\$ 529,518	\$ 539,339

- (a) Our consolidated assets at March 31, 2013 include total assets of \$47,033 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 \$40,079 million and investment securities of \$4,494 million. Our consolidated liabilities at March 31, 2013 include liabilities of certain VIEs for which the VIE creditors do not have recourse to GECC. These liabilities include non-recourse borrowings of consolidated securitization entities (CSEs) of \$29,187 million. See Note 13.
- (b) The sum of accumulated other comprehensive income (loss) attributable to GECC was \$(758) million and \$(940) million at March 31, 2013 and December 31, 2012, respectively.
- (c) Included accumulated other comprehensive income (loss) attributable to noncontrolling interests of \$(131) million and \$(129) million at March 31, 2013 and December 31, 2012, respectively.

See accompanying notes.

(5)

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

(In millions)	Three months ended March 31,	
	2013	2012
Cash flows – operating activities		
Net earnings	\$ 1,829	\$ 1,587
Less: net earnings (loss) attributable to noncontrolling interests	11	12
Net earnings attributable to GECC	1,818	1,575
(Earnings) loss from discontinued operations	109	197
Adjustments to reconcile net earnings attributable to GECC		
to cash provided from operating activities		
Depreciation and amortization of property, plant and equipment	1,698	1,652
Increase (decrease) in accounts payable	611	574
Provision for losses on financing receivables	1,488	863
All other operating activities	(2,557)	(180)
Cash from (used for) operating activities – continuing operations	3,167	4,681
Cash from (used for) operating activities – discontinued operations	(112)	(27)
Cash from (used for) operating activities	3,055	4,654
Cash flows – investing activities		
Additions to property, plant and equipment	(2,696)	(2,328)
Dispositions of property, plant and equipment	829	1,819
Increase in loans to customers	(69,805)	(74,327)
Principal collections from customers – loans	73,474	76,912
Investment in equipment for financing leases	(1,899)	(1,941)
Principal collections from customers – financing leases	3,015	3,454
Net change in credit card receivables	1,504	2,468
Proceeds from principal business dispositions	161	84
Net cash from (payments for) principal businesses purchased	6,392	-
All other investing activities	6,231	284
Cash from (used for) investing activities – continuing operations	17,206	6,425
Cash from (used for) investing activities – discontinued operations	113	26
Cash from (used for) investing activities	17,319	6,451
Cash flows – financing activities		
	(9,457)	(1,259)

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Net increase (decrease) in borrowings (maturities of 90 days or less)		
Net increase (decrease) in bank deposits	(3,252)	(2,641)
Newly issued debt (maturities longer than 90 days)		
Short-term (91 to 365 days)	190	9
Long-term (longer than one year)	17,240	16,758
Repayments and other debt reductions (maturities longer than 90 days)		
Short-term (91 to 365 days)	(16,541)	(22,551)
Long-term (longer than one year)	(1,642)	(2,477)
Non-recourse, leveraged lease	(269)	(254)
All other financing activities	(166)	(153)
Cash from (used for) financing activities – continuing operations	(13,897)	(12,568)
Cash from (used for) financing activities – discontinued operations	-	-
Cash from (used for) financing activities	(13,897)	(12,568)
Effect of currency exchange rate changes on cash and equivalents	(697)	925
Increase (decrease) in cash and equivalents	5,780	(538)
Cash and equivalents at beginning of year	62,044	76,823
Cash and equivalents at March 31	67,824	76,285
Less: cash and equivalents of discontinued operations at March 31	103	120
Cash and equivalents of continuing operations at March 31	\$ 67,721	\$ 76,165

See accompanying notes.

(6)

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

(In millions)	Three months ended March	
	2013	2012
Revenues		
CLL	\$ 3,507	\$ 4,340
Consumer	3,891	3,877
Real Estate	1,657	836
Energy Financial Services	343	239
GECAS	1,379	1,331
Total segment revenues	10,777	10,623
Corporate items and eliminations	758	717
Total revenues	\$ 11,535	\$ 11,340
Segment profit		
CLL	\$ 398	\$ 664
Consumer	523	829
Real Estate	690	56
Energy Financial Services	83	71
GECAS	348	318
Total segment profit	2,042	1,938
Corporate items and eliminations	(115)	(166)
Earnings from continuing operations		
attributable to GECC	1,927	1,772
Earnings (loss) from discontinued operations, net of taxes, attributable to GECC	(109)	(197)
Total net earnings attributable to GECC	\$ 1,818	\$ 1,575

See accompanying notes.

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Notes to Condensed Financial Statements (Unaudited)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Accounting Changes

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

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

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

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Interim Period Presentation

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

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

Assets and Liabilities of Businesses Held for Sale

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

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

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

(In millions)	March 31, 2013	December 31, 2012
Assets		
Cash and equivalents	\$ 10	\$ 74
Financing receivables – net	117	47
Property, plant and equipment – net	–	31
All other	44	59
Assets of businesses held for sale	\$ 171	\$ 211
Liabilities		
Short-term borrowings	\$ –	\$ 138
All other	4	19
Liabilities of businesses held for sale	\$ 4	\$ 157

Discontinued Operations

Discontinued operations primarily comprised GE Money Japan (our Japanese personal loan business, Lake, and our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd.), our U.S. mortgage business (WMC), our Consumer mortgage lending business in Ireland (Consumer Ireland) and our CLL trailer

services business in Europe (CLL Trailer Services). Associated results of operations, financial position and cash flows are separately reported as discontinued operations for all periods presented.

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Summarized financial information for discontinued operations is shown below.

(In millions)	Three months ended March	
	2013	2012
Operations		
Total revenues (loss)	\$ (13)	\$ 101
Earnings (loss) from discontinued operations before income taxes	\$ (128)	\$ (66)
Benefit (provision) for income taxes	121	34
Earnings (loss) from discontinued operations, net of taxes	\$ (7)	\$ (32)
Disposal		
Gain (loss) on disposal before income taxes	\$ (187)	\$ (194)
Benefit (provision) for income taxes	85	29
Gain (loss) on disposal, net of taxes	\$ (102)	\$ (165)
Earnings (loss) from discontinued operations, net of taxes	\$ (109)	\$ (197)

(In millions)	March 31,	December
	2013	31, 2012
Assets		
Cash and equivalents	\$ 103	\$ 102
Property, plant and equipment – net	520	699
All other	1,233	1,498
Assets of discontinued operations	\$ 1,856	\$ 2,299
Liabilities		
Deferred income taxes	\$ 374	\$ 374
All other	1,933	2,007
Liabilities of discontinued operations	\$ 2,307	\$ 2,381

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

GE Money Japan

During the third quarter of 2008, we completed the sale of GE Money Japan, which included our Japanese personal loan business. Under the terms of the sale, we reduced the proceeds for estimated refund claims in excess of the

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

Overall, excess interest refund claims experience has been difficult to predict and subject to several adverse factors, including the challenging global economic conditions over the last few years, the financial status of other Japanese personal lenders (including the 2010 bankruptcy of a large independent personal loan company), substantial ongoing legal advertising, and consumer behavior. Our reserves declined from \$700 million at December 31, 2012 to \$561 million at March 31, 2013, as the effects of a strengthening U.S. dollar against the Japanese yen and claim payments were partially offset by a first quarter increase to reserves of \$50 million. In determining reserve levels, we consider analyses of recent and historical claims experience, as well as pending and estimated future refund requests, adjusted for the estimated percentage of customers who present valid requests and associated estimated payments. We determined our reserve assuming the pace of incoming claims will decelerate, that average exposure per claim remains consistent with recent experience, and that we continue to see the impact of loss mitigation efforts. Since our disposition of the business, incoming claims have continued to decline, however, it is highly variable and difficult to predict the pace and pattern of that decline and such assumptions have a significant effect on the total amount of our liability. Holding all other assumptions constant, an adverse change of 20% and 50% in assumed incoming daily claim rate reduction (resulting in an extension of the claim period and higher incoming claims), would result in an increase to our reserve of approximately \$75 million and \$400 million, respectively. We continue to closely monitor and evaluate claims activity.

(10)

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

GE Money Japan earnings (loss) from discontinued operations, net of taxes, were \$(51) million and \$(27) million in the three months ended March 31, 2013 and 2012, respectively.

WMC

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

Pending repurchase claims based upon representations and warranties made in connection with loan sales were \$6,210 million at March 31, 2013, \$5,357 million at December 31, 2012 and \$705 million at December 31, 2011. Pending claims represent those active repurchase claims that identify the specific loans tendered for repurchase and, for each loan, the alleged breach of a representation or warranty. As such, they do not include unspecified repurchase claims, such as the Litigation Claims discussed below, or claims relating to breaches of representations that were made more than six years before WMC was notified of the claim. WMC believes that these repurchase claims do not meet the substantive and procedural requirements for tender under the governing agreements, would be barred from being enforced in legal proceedings under applicable statutes of limitations or are otherwise invalid. The amounts reported in pending claims reflect the purchase price or unpaid principal balances of the loans at the time of purchase and do not give effect to pay downs, accrued interest or fees, or potential recoveries based upon the underlying collateral. Historically, a small percentage of the total loans WMC originated and sold have qualified as “validly tendered,” meaning there was a breach of a representation and warranty that materially and adversely affects the value of the loan, and the demanding party met all other procedural and substantive requirements for repurchase.

Reserves related to WMC pending and estimated future loan repurchase claims were \$740 million at March 31, 2013, reflecting an increase to reserves in the first quarter of 2013 of \$107 million due to incremental claim activity and updates to WMC’s estimate of future losses. The amount of these reserves is based upon pending and estimated future loan repurchase requests and WMC’s historical loss experience and evaluation of claim activity on loans tendered for repurchase.

The following table provides a roll forward of the reserve and pending claims for WMC representation and warranty obligations.

(In millions)	Reserve at March 31, 2013	(In millions)	Pending claims at March 31, 2013
	\$ 633		\$ 5,357

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Reserve, beginning of period			Pending claims, beginning of period	
Provision		107	New claims	853
Claim resolutions		–	Claim resolutions	–
Reserve, end of period	\$	740	Pending claims, end of period	\$ 6,210

Given the significant recent activity in pending claims and related litigation filed in connection with such claims, it is difficult to assess whether future losses will be consistent with WMC's past experience. Adverse changes to WMC's assumptions supporting the reserve for pending and estimated future loan repurchase claims may result in an increase to these reserves. For example, a 50% increase to the estimate of future loan repurchase requests and a 100% increase to the estimated loss rate on loans tendered, would result in an increase to the reserves of approximately \$700 million.

(11)

There are 16 lawsuits involving pending repurchase claims on loans included in 13 securitizations. WMC initiated four of the cases as the plaintiff; in the other cases WMC is a defendant. The adverse parties in these cases are securitization trustees or parties claiming to act on their behalf. In nine of these lawsuits, the adverse parties seek relief for mortgage loans beyond those included in WMC's previously discussed pending claims at March 31, 2013 (Litigation Claims). These Litigation Claims consist of sampling-based claims in two cases on approximately \$900 million of mortgage loans and, in the other seven cases, claims for repurchase or damages based on the alleged failure to provide notice of defective loans, breach of a corporate representation and warranty, and/or non-specific claims for rescissionary damages on approximately \$3,100 million of mortgage loans. These claims reflect the purchase price or unpaid principal balances of the loans at the time of purchase and do not give effect to pay downs, accrued interest or fees, or potential recoveries based upon the underlying collateral. As noted above, WMC believes that the Litigation Claims are disallowed by the governing agreements and applicable law. As a result, WMC has not included the Litigation Claims in its pending claims or in its estimates of future loan repurchase requests and holds no related reserve as of March 31, 2013.

At this point, WMC is unable to develop a meaningful estimate of reasonably possible loss in connection with the Litigation Claims described above due to a number of factors, including the extent to which courts will agree with the theories supporting the Litigation Claims. Specifically, while several courts in cases not involving WMC have supported some of those theories, other courts have rejected them. In addition, WMC lacks experience resolving such claims, and there are few public industry settlements that may serve as benchmarks to estimate a reasonably possible loss. An adverse court decision on any of the theories supporting the Litigation Claims could increase WMC's exposure in some or all of the 16 lawsuits and result in additional claims and lawsuits. However, WMC believes that it has defenses to all the claims asserted in litigation, including for example, causation and materiality requirements, limitations on remedies for breach of representations and warranties, and the applicable statutes of limitations. To the extent WMC is required to repurchase loans, WMC's loss also would be affected by several factors, including pay downs, accrued interest and fees, and the value of the underlying collateral. It is not possible to predict the outcome or impact of these defenses and other factors, any one of which could materially affect the amount of any loss ultimately incurred by WMC on these claims.

WMC has received claims on approximately \$900 million of mortgage loans after the expiration of the six-year statute of limitations as of March 31, 2013. WMC has also received unspecified indemnification demands from depositors/underwriters/sponsors of residential mortgage-backed securities (RMBS) in connection with lawsuits brought by RMBS investors concerning alleged misrepresentations in the securitization offering documents to which WMC is not a party. WMC believes that it has defenses to these demands.

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

WMC revenues (loss) from discontinued operations were \$(107) million and \$(7) million in the three months ended March 31, 2013 and 2012, respectively. WMC's losses from discontinued operations, net of taxes, were \$71 million and \$9 million in the three months ended March 31, 2013 and 2012, respectively.

Other

In the first quarter of 2013, we announced the planned disposition of CLL Trailer Services and classified the business as discontinued operations. CLL Trailer Services revenues from discontinued operations were \$93 million and \$102 million in the three months ended March 31, 2013 and 2012, respectively. CLL Trailer Services earnings (loss) from discontinued operations, net of taxes, were \$14 million (including a \$53 million loss on disposal) and \$20 million in the three months ended March 31, 2013 and 2012, respectively.

(12)

In the first quarter of 2012, we announced the planned disposition of Consumer Ireland and classified the business as discontinued operations. We completed the sale in the third quarter of 2012 for proceeds of \$227 million. Consumer Ireland revenues from discontinued operations were an insignificant amount and \$4 million in the three months ended March 31, 2013 and 2012, respectively. Consumer Ireland earnings (loss) from discontinued operations, net of taxes, were \$1 million and \$(188) million (including a \$147 million loss on disposal) in the three months ended March 31, 2013 and 2012, respectively.

3. INVESTMENT SECURITIES

Substantially all of our investment securities are classified as available-for-sale. These comprise mainly investment grade debt securities supporting obligations to annuitants, policyholders and holders of guaranteed investment contracts (GICs) in our run-off insurance operations and Trinity, 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.

(In millions)	March 31, 2013				December 31, 2012			
	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	\$ 20,098	\$ 3,889	\$ (88)	\$ 23,899	\$ 20,233	\$ 4,201	\$ (302)	\$ 24,132
State and municipal	4,207	553	(112)	4,648	4,084	575	(113)	4,546
Residential mortgage-backed(a)	2,123	184	(90)	2,217	2,198	183	(119)	2,262
Commercial mortgage-backed	2,941	263	(78)	3,126	2,930	259	(95)	3,094
Asset-backed	5,621	36	(55)	5,602	5,784	31	(77)	5,738
Corporate – non-U.S.	2,409	155	(110)	2,454	2,391	150	(126)	2,415
Government – non-U.S.	1,904	131	(3)	2,032	1,617	149	(3)	1,763
U.S. government and federal agency	3,404	86	–	3,490	3,462	103	–	3,565
Retained interests	74	17	–	91	76	7	–	83
Equity								
Available-for-sale	404	122	(10)	516	513	86	(3)	596
Trading	186	–	–	186	245	–	–	245
Total	\$ 43,371	\$ 5,436	\$ (546)	\$ 48,261	\$ 43,533	\$ 5,744	\$ (838)	\$ 48,439

(a) Substantially collateralized by U.S. mortgages. Of our total RMBS portfolio at March 31, 2013, \$1,413 million relates to securities issued by government sponsored entities and \$804 million relates to securities of private label issuers. Securities issued by private label issuers are collateralized primarily by pools of individual direct mortgage loans of financial institutions.

The fair value of investment securities decreased to \$48,261 million at March 31, 2013, from \$48,439 million at December 31, 2012, primarily due to the impact of higher interest rates.

(13)

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

(In millions)	In loss position for			
	Less than 12 months	Gross	12 months or more	Gross
	Estimated	unrealized	Estimated	unrealized
	fair value	losses(a)	fair value	losses(a)
March 31, 2013				
Debt				
U.S. corporate	\$ 722	\$ (15)	\$ 414	\$ (73)
State and municipal	232	(4)	327	(108)
Residential mortgage-backed	96	(1)	663	(89)
Commercial mortgage-backed	117	(1)	921	(77)
Asset-backed	11	(1)	568	(54)
Corporate – non-U.S.	240	(4)	606	(106)
Government – non-U.S.	554	(1)	38	(2)
U.S. government and federal agency	253	–	–	–
Retained interests	5	–	–	–
Equity	22	(10)	–	–
Total	\$ 2,252	\$ (37)	\$ 3,537	\$ (509)
December 31, 2012				
Debt				
U.S. corporate	\$ 434	\$ (7)	\$ 813	\$ (295)
State and municipal	146	(2)	326	(111)
Residential mortgage-backed	98	(1)	691	(118)
Commercial mortgage-backed	37	–	979	(95)
Asset-backed	18	(1)	658	(76)
Corporate – non-U.S.	167	(8)	602	(118)
Government – non-U.S.	201	(1)	37	(2)
U.S. government and federal agency	–	–	–	–
Retained interests	3	–	–	–
Equity	26	(3)	–	–
Total	\$ 1,130	\$ (23)	\$ 4,106	\$ (815)

(a) Includes gross unrealized losses at March 31, 2013 of \$(111) 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 three months ended March 31, 2013 have not changed from those described in Note 3 in our 2012 consolidated financial statements.

During the three months ended March 31, 2013, we recognized pre-tax, other-than-temporary impairments of \$289 million, of which \$278 million was recorded through earnings (\$1 million relates to equity securities) and \$11 million was recorded in accumulated other comprehensive income (loss) (AOCI). At January 1, 2013, cumulative impairments recognized in earnings associated with debt securities still held were \$420 million. During the three months ended March 31, 2013, we recognized first-time impairments of \$263 million and incremental charges on previously impaired securities of \$12 million. These amounts included \$1 million related to securities that were subsequently sold.

During the three months ended March 31, 2012, we recognized pre-tax, other-than-temporary impairments of \$32 million, which were recorded through earnings, of which \$7 million relates to equity securities. At January 1, 2012, cumulative impairments recognized in earnings associated with debt securities still held were \$558 million. During the three months ended March 31, 2012, we recognized first-time impairments of \$7 million and incremental charges on previously impaired securities of \$5 million. These amounts included \$136 million related to securities that were subsequently sold.

(14)

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

(In millions)	Amortized cost	Estimated fair value
Due		
Within one year	\$ 2,957	\$ 2,972
After one year through five years	5,962	6,212
After five years through ten years	5,271	5,762
After ten years	17,832	21,577

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.

(In millions)	Three months ended March 31,	
	2013	2012
Gains	\$ 62	\$ 38
Losses, including impairments	(278)	(70)
Net	\$ (216)	\$ (32)

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 \$2,788 million and \$3,762 million in the three months ended March 31, 2013 and 2012, respectively, principally from the sales of short-term securities in our bank subsidiaries and treasury operations.

We recognized pre-tax gains (losses) on trading securities of \$36 million and \$(23) million in the three months ended March 31, 2013 and 2012, respectively.

4. FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

(In millions)	March 31, 2013	December 31, 2012
Loans, net of deferred income(a)	\$232,456	\$241,465
Investment in financing leases, net of deferred income	31,227	32,471
	263,683	273,936
Less allowance for losses	(5,359)	(4,985)
Financing receivables – net(b)	\$258,324	\$268,951

(a) Deferred income was \$1,945 million and \$2,182 million at March 31, 2013 and December 31, 2012, respectively.

(b) Financing receivables at March 31, 2013 and December 31, 2012 included \$699 million and \$750 million, respectively, relating to loans that had been 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.

(In millions)	March 31, 2013	December 31, 2012
Commercial		
CLL		
Americas	\$ 72,318	\$ 72,517
Europe	35,435	37,035
Asia	10,158	11,401
Other	534	605
Total CLL	118,445	121,558
Energy Financial Services	4,734	4,851
GECAS	10,557	10,915
Other	456	486
Total Commercial	134,192	137,810
Real Estate	19,733	20,946
Consumer		
Non-U.S. residential mortgages	31,689	33,451

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Non-U.S. installment and revolving credit	18,050	18,546
U.S. installment and revolving credit	48,523	50,853
Non-U.S. auto	3,937	4,260
Other	7,559	8,070
Total Consumer	109,758	115,180
Total financing receivables	263,683	273,936
Less allowance for losses	(5,359)	(4,985)
Total financing receivables – net	\$ 258,324	\$ 268,951

(16)

Allowance for Losses on Financing Receivables

(In millions)	Balance at January 1, 2013	Provision charged to operations	Other(a)	Gross write-offs(b)	Recoveries(b)	Balance at March 31, 2013
Commercial						
CLL						
Americas	\$ 490	\$ 74	\$ (1)	\$ (103)	\$ 30	\$ 490
Europe	445	83	(5)	(132)	20	411
Asia	80	11	(5)	(18)	4	72
Other	6	(3)	—	—	—	3
Total CLL	1,021	165	(11)	(253)	54	976
Energy Financial Services	9	(1)	—	—	—	8
GECAS	8	(1)	—	—	—	7
Other	3	—	—	(1)	—	2
Total Commercial	1,041	163	(11)	(254)	54	993
Real Estate	320	(20)	(6)	(29)	—	265
Consumer						
Non-U.S. residential mortgages	480	56	(16)	(55)	12	477
Non-U.S. installment and revolving credit	623	211	(15)	(252)	145	712
U.S. installment and revolving credit	2,282	1,014	(50)	(744)	163	2,665
Non-U.S. auto	67	17	(5)	(30)	17	66
Other	172	47	7	(52)	7	181
Total Consumer	3,624	1,345	(79)	(1,133)	344	4,101
Total	\$ 4,985	\$ 1,488	\$ (96)	\$ (1,416)	\$ 398	\$ 5,359

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

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

(17)

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(In millions)	Balance at January 1, 2012	Provision charged to operations	Other(a)	Gross write-offs(b)	Recoveries(b)	Balance at March 31, 2012
Commercial						
CLL						
Americas	\$ 889	\$ 66	\$ (20)	\$ (156)	\$ 23	\$ 802
Europe	400	83	1	(45)	19	458
Asia	157	11	(5)	(56)	5	112
Other	4	—	—	(2)	—	2
Total CLL	1,450	160	(24)	(259)	47	1,374
Energy Financial Services	26	(1)	—	—	—	25
GECAS	17	(3)	—	—	—	14
Other	37	2	(19)	—	—	20
Total Commercial	1,530	158	(43)	(259)	47	1,433
Real Estate	1,089	38	(12)	(188)	2	929
Consumer						
Non-U.S. residential						
mortgages	546	29	8	(103)	18	498
Non-U.S. installment						
and revolving credit	717	124	28	(273)	130	726
U.S. installment and						
revolving credit	2,008	478	—	(772)	131	1,845
Non-U.S. auto	101	10	(6)	(41)	24	88
Other	199	26	16	(66)	20	195
Total Consumer	3,571	667	46	(1,255)	323	3,352
Total	\$ 6,190	\$ 863	\$ (9)	\$ (1,702)	\$ 372	\$ 5,714

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

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

(18)

5. GOODWILL AND OTHER INTANGIBLE ASSETS

(In millions)	March 31, 2013	December 31, 2012
Goodwill	\$ 26,895	\$ 27,032
Other intangible assets - net Intangible assets subject to amortization	\$ 1,311	\$ 1,294

Changes in goodwill balances follow.

(In millions)	Balance at January 1, 2013	Acquisitions	Dispositions, currency exchange and other	Balance at March 31, 2013
CLL	\$ 13,454	\$ —	\$ 72	\$ 13,526
Consumer	10,943	21	(98)	10,866
Real Estate	926	—	(131)	795
Energy Financial Services	1,562	—	—	1,562
GECAS	147	—	(1)	146
Total	\$ 27,032	\$ 21	\$ (158)	\$ 26,895

Goodwill balances decreased \$137 million during the three months ended March 31, 2013, primarily as a result of currency exchange effects of a stronger U.S. dollar. Our reporting units and related goodwill balances are CLL (\$13,526 million), Consumer (\$10,866 million), Real Estate (\$795 million), Energy Financial Services (\$1,562 million) and GECAS (\$146 million) at March 31, 2013.

On January 11, 2013, we acquired the deposit business of MetLife Bank, N.A. This acquisition increased goodwill by \$21 million.

Intangible Assets Subject to Amortization

(In millions)	March 31, 2013			December 31, 2012		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related Patents, licenses and trademarks	\$ 1,207	\$ (802)	\$ 405	\$ 1,227	\$ (808)	\$ 419
Capitalized software	190	(160)	30	191	(160)	31
Lease valuations	2,200	(1,705)	495	2,126	(1,681)	445
	1,027	(690)	337	1,163	(792)	371

Present value of							
future profits (a)	539	(539)	–	530	(530)	–	
All other	298	(254)	44	283	(255)	28	
Total	\$ 5,461	\$ (4,150)	\$ 1,311	\$ 5,520	\$ (4,226)	\$ 1,294	

(a) Balances at March 31, 2013 and December 31, 2012 reflect adjustments of \$344 million and \$353 million, respectively, to the present value of future profits in our run-off insurance operation to reflect the effects that would have been recognized had the related unrealized investment securities holding gains and losses actually been realized in accordance with ASC 320-10-S99-2.

Amortization related to intangible assets subject to amortization was \$108 million and \$110 million in the three months ended March 31, 2013 and 2012, respectively, and is recorded in operating and administrative expense on the financial statements.

(19)

6. BORROWINGS AND BANK DEPOSITS

(In millions)	March 31, 2013	December 31, 2012
Short-term borrowings		
Commercial paper		
U.S.	\$ 30,727	\$ 33,686
Non-U.S.	8,323	9,370
Current portion of long-term borrowings(a)(b)	34,715	44,264
GE Interest Plus notes(c)	8,580	8,189
Other(b)	317	431
Total short-term borrowings	\$ 82,662	\$ 95,940
Long-term borrowings		
Senior unsecured notes(a)	\$ 197,946	\$ 199,646
Subordinated notes(d)	4,839	4,965
Subordinated debentures(e)(f)	7,183	7,286
Other(b)	13,033	12,879
Total long-term borrowings	\$ 223,001	\$ 224,776
Non-recourse borrowings of consolidated securitization entities(g)	\$ 30,488	\$ 30,123
Bank deposits(h)	\$ 49,427	\$ 46,461
Total borrowings and bank deposits	\$ 385,578	\$ 397,300

(a) Included in total long-term borrowings were \$591 million and \$604 million of obligations to holders of GICs at March 31, 2013 and December 31, 2012, respectively. These obligations included conditions under which certain GIC holders could require immediate repayment of their investment should the long-term credit ratings of GECC fall below AA-/Aa3. The remaining outstanding GICs will continue to be subject to their scheduled maturities and individual terms, which may include provisions permitting redemption upon a downgrade of one or more of GECC's ratings, among other things.

(b) Included \$9,401 million and \$9,757 million of funding secured by real estate, aircraft and other collateral at March 31, 2013 and December 31, 2012, respectively, of which \$3,451 million and \$3,294 million is non-recourse to GECC at March 31, 2013 and December 31, 2012, respectively.

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

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

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

(f)

Includes \$2,868 million of subordinated debentures, which constitute the sole assets of wholly-owned trusts who have issued trust preferred securities. Obligations associated with these trusts are unconditionally guaranteed by GECC.

- (g) Included at March 31, 2013 and December 31, 2012, were \$9,091 million and \$7,707 million of current portion of long-term borrowings, respectively, and \$21,397 million and \$22,416 million of long-term borrowings, respectively. See Note 13.
- (h) Included \$16,316 million and \$16,157 million of deposits in non-U.S. banks at March 31, 2013 and December 31, 2012, respectively, and \$17,293 million and \$17,291 million of certificates of deposits with maturities greater than one year at March 31, 2013 and December 31, 2012, respectively.

(20)

7. INCOME TAXES

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

(In millions)	March 31, 2013	December 31, 2012
Unrecognized tax benefits	\$ 3,057	\$ 3,106
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	2,233	2,253
Accrued interest on unrecognized tax benefits	570	559
Accrued penalties on unrecognized tax benefits	96	101
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months	0-500	0-400
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	0-450	0-350

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

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

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

(21)

8. SHAREOWNERS' EQUITY

Accumulated Other Comprehensive Income (Loss)

(In millions)	Three months ended March	
	2013	2012
Investment securities		
Balance at January 1	\$ 673	\$ (33)
Other comprehensive income (OCI) before reclassifications – net of		
deferred taxes of \$(34) and \$176	(56)	306
Reclassifications from OCI – net of deferred taxes of \$94 and \$6	122	26
Other comprehensive income(a)	66	332
Less: OCI attributable to noncontrolling interests	1	1
Balance at March 31	\$ 738	\$ 298
Currency translation adjustments (CTA)		
Balance at January 1	\$ (131)	\$ (399)
OCI before reclassifications – net of deferred taxes of \$(191) and \$(45)	(9)	137
Reclassifications from OCI – net of deferred taxes of \$(33) and \$(5)	17	(3)
Other comprehensive income(a)	8	134
Less: OCI attributable to noncontrolling interests	(4)	9
Balance at March 31	\$ (119)	\$ (274)
Cash flow hedges		
Balance at January 1	\$ (746)	\$ (1,101)
OCI before reclassifications – net of deferred taxes of \$56 and \$27	(97)	514
Reclassifications from OCI – net of deferred taxes of \$(42) and \$(35)	189	(442)
Other comprehensive income(a)	92	72
Less: OCI attributable to noncontrolling interests	–	–
Balance at March 31	\$ (654)	\$ (1,029)
Benefit plans		
Balance at January 1	\$ (736)	\$ (563)
Net actuarial gain (loss) – net of deferred taxes of \$18 and \$(13)	2	(31)
Net actuarial gain (loss) amortization – net of deferred taxes of \$3 and \$3	11	7
Other comprehensive income(a)	13	(24)
Less: OCI attributable to noncontrolling interests	–	–
Balance at March 31	\$ (723)	\$ (587)

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Accumulated other comprehensive income (loss) at March 31	\$	(758)	\$	(1,592)
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(a) Total other comprehensive income was \$179 million and \$514 million for the three months ended March 31, 2013 and 2012, respectively.

(22)

Reclassification out of AOCI

Components of AOCI	Three months ended March		Statement of Earnings Caption
	31, 2013	2012	
Available-for-sale securities			
Realized gains (losses) on sale/impairment of securities	\$ (216)	\$ (32)	GECC revenues from services
	94	6	Tax (expense) or benefit
	\$ (122)	\$ (26)	Net of tax
Currency translation adjustments	\$ 16	\$ 8	Costs and expenses
Gains (losses) on dispositions	(33)	(5)	Tax (expense) or benefit
	\$ (17)	\$ 3	Net of tax
Cash flow hedges			
Gains (losses) on interest rate derivatives	\$ (102)	\$ (140)	Interest
Foreign exchange contracts	(45)	617	(a)
	(147)	477	Total before tax
	(42)	(35)	Tax (expense) or benefit
	\$ (189)	\$ 442	Net of tax
Benefit plan items			
Amortization of actuarial gains (losses)	\$ (14)	\$ (10)	Total before tax(b)
	3	3	Tax (expense) or benefit
	\$ (11)	\$ (7)	Net of tax
Total reclassification adjustments	\$ (339)	\$ 412	Net of tax

(a) Includes \$(33) million and \$648 million in revenue from services and \$(12) million and \$(31) million in interest for the three months ended March 31, 2013 and 2012, respectively.

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

Noncontrolling Interests

A summary of changes to noncontrolling interests follows.

(In millions)	Three months ended March	
	2013	2012
Beginning balance	\$ 707	\$ 690
Net earnings	11	12
Dividends	(16)	(4)
Dispositions	(104)	—
AOCI and other	(11)	69
Ending balance	\$ 587	\$ 767

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

(23)

9. REVENUES FROM SERVICES

(In millions)	Three months ended March	
	2013	2012
Interest on loans	\$ 4,546	\$ 4,858
Equipment leased to others	2,529	2,643
Fees	1,135	1,160
Investment income	414	667
Financing leases	436	534
Associated companies(a)	173	270
Premiums earned by insurance activities	395	445
Real estate investments(b)	1,300	356
Other items	581	377
Total	\$ 11,509	\$ 11,310

(a) Aggregate summarized financial information for significant associated companies assuming a 100% ownership interest included total assets at March 31, 2013 and December 31, 2012 of \$111,597 million and \$110,695 million, respectively. Assets were primarily financing receivables of \$67,619 million and \$66,878 million at March 31, 2013 and December 31, 2012, respectively. Total liabilities were \$82,377 million and \$81,784 million, consisted primarily of bank deposits of \$28,458 million and \$26,386 million at March 31, 2013 and December 31, 2012, respectively, and debt of \$41,491 million and \$42,664 million at March 31, 2013 and December 31, 2012, respectively. Revenues for the three months ended March 31, 2013 and 2012 totaled \$4,010 million and \$4,490 million, respectively, and net earnings for the three months ended March 31, 2013 and 2012 totaled \$565 million and \$529 million, respectively.

(b) During the three months ended March 31, 2013, we sold real estate comprising certain floors located at 30 Rockefeller Center, New York for a pre-tax gain of \$902 million.

10. FAIR VALUE MEASUREMENTS

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

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

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(In millions)	Level 1(a)	Level 2(a)	Level 3	Netting adjustment(b)	Net balance
March 31, 2013					
Assets					
Investment securities					
Debt					
U.S. corporate	\$ —	\$ 20,357	\$ 3,542	\$ —	\$ 23,899
State and municipal	—	4,558	90	—	4,648
Residential	—	2,121	96	—	2,217
mortgage-backed					
Commercial	—	3,120	6	—	3,126
mortgage-backed					
Asset-backed(c)	—	686	4,916	—	5,602
Corporate - non-U.S.	69	1,049	1,336	—	2,454
Government - non-U.S.	1,088	903	41	—	2,032
U.S. government and	—	3,226	264	—	3,490
federal agency					
Retained interests	—	—	91	—	91
Equity					
Available-for-sale	488	17	11	—	516
Trading	184	2	—	—	186
Derivatives(d)	—	10,157	183	(6,354)	3,986
Other(e)	—	—	409	—	409
Total	\$ 1,829	\$ 46,196	\$ 10,985	\$ (6,354)	\$ 52,656
Liabilities					
Derivatives	\$ —	\$ 3,070	\$ 17	\$ (2,820)	\$ 267
Other	—	22	—	—	22
Total	\$ —	\$ 3,092	\$ 17	\$ (2,820)	\$ 289
December 31, 2012					
Assets					
Investment securities					
Debt					
U.S. corporate	\$ —	\$ 20,580	\$ 3,552	\$ —	\$ 24,132
State and municipal	—	4,469	77	—	4,546
Residential	—	2,162	100	—	2,262
mortgage-backed					
Commercial	—	3,088	6	—	3,094
mortgage-backed					
Asset-backed(c)	—	715	5,023	—	5,738
Corporate - non-U.S.	71	1,132	1,212	—	2,415
Government - non-U.S.	702	1,019	42	—	1,763
U.S. government and	—	3,288	277	—	3,565
federal agency					
Retained interests	—	—	83	—	83
Equity					
Available-for-sale	569	14	13	—	596

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

- (a) The fair value of securities transferred between Level 1 and Level 2 was \$2 million in the three months ended March 31, 2013.
- (b) The netting of derivative receivables and payables (including the effects of any collateral posted or received) is permitted when a legally enforceable master netting agreement exists.
- (c) Includes investments in our CLL business in asset-backed securities collateralized by senior secured loans of high-quality, middle-market companies in a variety of industries.
- (d) The fair value of derivatives included an adjustment for non-performance risk. The cumulative adjustment was a gain (loss) of \$(18) million and \$(15) million at March 31, 2013 and December 31, 2012, respectively. See Note 11 for additional information on the composition of our derivative portfolio.
- (e) Included private equity investments and loans designated under the fair value option.

(25)

The following tables present the changes in Level 3 instruments measured on a recurring basis for the three months ended March 31, 2013 and 2012, respectively. The majority of our Level 3 balances consist of investment securities classified as available-for-sale with changes in fair value recorded in shareowners' equity.

Changes in Level 3 Instruments for the Three Months Ended March 31, 2013

(In millions)	Balance at January 1, 2013	Net realized/ (losses) included in comprehensive earnings(a)	Net unrealized gains (losses) included in accumulated other comprehensive income(b)	Purchases	Sales	Settlements	Transfers		Balance at March 31, 2013	Net change in unrealized gains (losses) relating to instruments still held at March 31, 2013(c)
							into Level 3(b)	out of Level 3(b)		
Investment securities										
Debt										
U.S. corporate	\$ 3,552	\$ (258)	\$ 218	\$ 61	\$ (6)	\$ (45)	\$ 93	\$ (73)	\$ 3,542	\$ -
State and municipal	77	-	-	4	-	(1)	10	-	90	-
Residential										
mortgage-backed	100	-	(3)	-	-	(1)	-	-	96	-
Commercial										
mortgage-backed	6	-	-	-	-	-	-	-	6	-
Asset-backed	5,023	1	(2)	144	-	(262)	12	-	4,916	-
Corporate - non-U.S.	1,212	8	13	126	(3)	(35)	15	-	1,336	-
Government										
- non-U.S.	42	-	(1)	-	-	-	-	-	41	-
U.S. government										
and										
federal agency	277	-	(13)	-	-	-	-	-	264	-
Retained interests	83	3	10	-	-	(5)	-	-	91	-
Equity										
Available-for-sale	13	-	-	-	-	-	-	(2)	11	-
Derivatives(d)(e)	262	(38)	-	(1)	-	(53)	-	-	170	(7)
Other	432	(2)	-	33	(54)	-	-	-	409	(1)
Total	\$ 11,079	\$ (286)	\$ 222	\$ 367	\$ (63)	\$ (402)	\$ 130	\$ (75)	\$ 10,972	\$ (8)

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- (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.

(26)

Changes in Level 3 Instruments for the Three Months Ended March 31, 2012

(In millions)	Balance at January 1, 2012	Net realized/ (losses) included in comprehensive earnings (a)	Net unrealized gains (losses) included in other income (a)	Purchases	Sales	Settlements	Transfers into Level 3 (b)	Transfers out of Level 3 (b)	Balance at March 31, 2012	Net change in
										unrealized gains (losses) relating to instruments still held at March 31, 2012 (c)
Investment securities										
Debt										
U.S. corporate	\$ 3,235	\$ 26	\$ 37	\$ 13	\$ (31)	\$ (16)	\$ —	\$ (13)	\$ 3,251	\$ —
State and municipal	77	—	2	—	—	—	—	—	79	—
Residential										
mortgage-backed	41	(3)	3	—	—	(1)	68	(1)	107	—
Commercial										
mortgage-backed	4	—	—	—	—	—	—	(3)	1	—
Asset-backed	4,040	(4)	42	341	(31)	—	16	—	4,404	—
Corporate – non-U.S.	1,204	(9)	60	10	—	(26)	14	(4)	1,249	—
Government										
– non-U.S.	84	(34)	35	52	(71)	(14)	—	—	52	—
U.S. government										
and federal agency	253	—	7	—	—	—	—	—	260	—
Retained interests	35	—	(4)	5	(1)	(1)	—	—	34	—
Equity										
Available-for-sale	17	—	(1)	—	—	(1)	—	—	15	—
Derivatives(d)(e)	141	(25)	1	—	—	—	—	—	117	(26)
Other	388	2	—	—	—	—	—	—	390	2
Total	\$ 9,519	\$ (47)	\$ 182	\$ 421	\$ (134)	\$ (59)	\$ 98	\$ (21)	\$ 9,959	\$ (24)

(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)

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 March 31, 2013 and December 31, 2012. These assets can include loans and long-lived assets that have been reduced to fair value when they are held for sale, impaired loans that have been reduced based on the fair value of the underlying collateral, cost and equity method investments and long-lived assets that are written down to fair value when they are impaired and the remeasurement of retained investments in formerly consolidated subsidiaries upon a change in control that results in deconsolidation of a subsidiary, if we sell a controlling interest and retain a noncontrolling stake in the entity. Assets that are written down to fair value when impaired and retained investments are not subsequently adjusted to fair value unless further impairment occurs.

(In millions)	Remeasured during the three months ended March 31, 2013		Remeasured during the year ended December 31, 2012	
	Level 2	Level 3	Level 2	Level 3
	Financing receivables and loans held for sale	\$ 116	\$ 2,281	\$ 366
Cost and equity method investments(a)	–	203	8	313
Long-lived assets, including real estate	312	2,050	702	2,182
Total	\$ 428	\$ 4,534	\$ 1,076	\$ 6,589

(a) Includes the fair value of private equity and real estate funds included in Level 3 of \$20 million and \$84 million at March 31, 2013 and December 31, 2012, respectively.

The following table represents the fair value adjustments to assets measured at fair value on a non-recurring basis and still held at March 31, 2013 and 2012.

(In millions)	Three months ended March 31,	
	2013	2012
Financing receivables and loans held for sale	\$ (128)	\$ (126)
Cost and equity method investments(a)	(72)	(21)
Long-lived assets, including real estate(b)	(359)	(151)
Total	\$ (559)	\$ (298)

(a) Includes fair value adjustments associated with private equity and real estate funds of \$(3) million in both the three months ended March 31, 2013 and 2012.

(b) Includes impairments related to real estate equity properties and investments recorded in operating and administrative expenses of \$223 million and \$50 million in the three months ended March 31, 2013 and 2012, respectively.

(28)

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 March 31, 2013	Valuation technique	Unobservable inputs	Range (weighted average)
Recurring fair value measurements				
Investment securities				
Debt				
U.S. corporate	\$ 1,585	Income approach	Discount rate (a)	1.8%-38.0% (11.3%)
Asset-backed	4,869	Income approach	Discount rate (a)	1.7%-13.1% (3.6%)
Corporate-non-U.S.	1,016	Income approach	Discount rate (a)	2.3%-23.9% (11.8%)
Other financial assets	358	Income approach	Weighted average cost of capital	8.1%-9.4% (8.8%)
Non-recurring fair value measurements				
Financing receivables and loans held for sale	\$ 1,513	Income approach	Capitalization (b) rate	5.4%-13.7% (8.0%)
	106	Business enterprise value	EBITDA multiple	4.3X-7.0X (5.7X)
Cost and equity method investments	38	Income approach	Capitalization (b) rate	7.7%-10.6% (10.3%)
Long-lived assets, including real estate	1,078	Income approach	Capitalization (b) rate	7.7%-14.5% (7.8%)
	Fair value at	Valuation technique	Unobservable inputs	Range (weighted average)

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December 31,
2012

Recurring fair value
measurements

Investment securities

Debt

U.S. corporate	\$	1,652	Income approach	Discount rate (a)	1.3%-29.9% (11.1%)
Asset-backed		4,977	Income approach	Discount rate (a)	2.1%-13.1% (3.8%)
Corporate non-U.S.		865	Income approach	Discount rate (a)	1.5%-25.0% (13.2%)
Other financial assets		360	Income approach	Weighted average cost of capital	8.7%-10.2% (8.7%)

Non-recurring fair value
measurements

Financing receivables and loans held for sale	\$	2,633	Income approach	Capitalization (b) rate	3.8%-14.0% (8.0%)
		202	Business enterprise value	EBITDA multiple	2.0X-6.0X (4.8X)
Cost and equity method investments		72	Income approach	Capitalization (b) rate	9.2%-12.8% (12.0%)
Long-lived assets, including real estate		985	Income approach	Capitalization (b) rate	4.8%-14.6% (7.3%)

(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.

(29)

At March 31, 2013 and December 31, 2012, other Level 3 recurring fair value measurements of \$2,907 million and \$2,990 million, respectively, and non-recurring measurements of \$1,432 million and \$2,412 million, respectively, 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 2012 consolidated financial statements. At both March 31, 2013 and December 31, 2012, other recurring fair value measurements of \$233 million and non-recurring fair value measurements of \$367 million and \$285 million, respectively, 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 2012 consolidated financial statements.

(In millions)	March 31, 2013			December 31, 2012		
	Notional amount	Assets (liabilities) Carrying amount (net)	Estimated fair value	Notional amount	Assets (liabilities) Carrying amount (net)	Estimated fair value
Assets						
Loans	\$ (a)	\$ 227,297	\$ 230,609	\$ (a)	\$ 236,678	\$ 239,084
Other commercial mortgages	(a)	1,663	1,678	(a)	2,222	2,249
Loans held for sale	(a)	1,147	1,153	(a)	1,180	1,181
Other financial instruments(c)	(a)	1,852	2,343	(a)	1,858	2,276
Liabilities						
Borrowings and bank deposits(b)(d)	(a)	(385,578)	(401,481)	(a)	(397,300)	(414,533)
Investment contract benefits	(a)	(3,277)	(4,030)	(a)	(3,321)	(4,150)
Guaranteed investment contracts	(a)	(1,580)	(1,596)	(a)	(1,644)	(1,674)
Insurance - credit life(e)	2,284	(120)	(103)	2,277	(120)	(104)

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

(b) See Note 6.

(c) Principally cost method investments.

(d)

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Fair values exclude interest rate and currency derivatives designated as hedges of borrowings. Had they been included, the fair value of borrowings at March 31, 2013 and December 31, 2012 would have been reduced by \$6,173 million and \$7,937 million, respectively.

(e) Net of reinsurance of \$1,250 million and \$2,000 million at March 31, 2013 and December 31, 2012, respectively.

Loan Commitments

(In millions)	Notional amount at	
	March 31, 2013	December 31, 2012
Ordinary course of business lending commitments(a)	\$ 3,329	\$ 3,708
Unused revolving credit lines(b)		
Commercial(c)	15,818	17,929
Consumer - principally credit cards	272,476	271,387

(a) Excluded investment commitments of \$1,440 million and \$1,276 million as of March 31, 2013 and December 31, 2012, respectively.

(b) Excluded inventory financing arrangements, which may be withdrawn at our option, of \$12,066 million and \$12,813 million as of March 31, 2013 and December 31, 2012, respectively.

(c) Included commitments of \$10,970 million and \$12,923 million as of March 31, 2013 and December 31, 2012, respectively, associated with secured financing arrangements that could have increased to a maximum of \$14,503 million and \$15,731 million at March 31, 2013 and December 31, 2012, respectively, based on asset volume under the arrangement.

(30)

Securities Repurchase and Reverse Repurchase Arrangements

Our issuances of securities repurchase agreements are insignificant and are limited to activities at certain of our foreign banks primarily for purposes of liquidity management. At March 31, 2013, we were party to repurchase agreements totaling \$71 million which were presented gross within other liabilities on the financial statements. We have had no repurchase agreements which were accounted for as off-book financing and we do not engage in securities lending transactions.

We also enter into reverse securities repurchase agreements, primarily for short-term investment with maturities of 90 days or less. At March 31, 2013, we were party to reverse repurchase agreements totaling \$20.9 billion which are recorded in cash and equivalents on the financial statements. Under these reverse securities repurchase agreements, we typically lend available cash at a specified rate of interest and hold U.S. or highly-rated European government securities as collateral during the term of the agreement. Collateral value is in excess of amounts loaned under the agreements.

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 \$294,000 million, approximately 97% or \$286,000 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.

(In millions)	March 31, 2013		December 31, 2012	
	Fair value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Derivatives accounted for as hedges				
Interest rate contracts	\$ 7,055	\$ 691	\$ 8,443	\$ 719
Currency exchange contracts	1,819	885	827	1,762
Other contracts	-	-	-	-
	8,874	1,576	9,270	2,481
Derivatives not accounted for as hedges				
Interest rate contracts	386	180	452	195
Currency exchange contracts	1,037	1,306	1,457	358
Other contracts	43	25	35	26
	1,466	1,511	1,944	579
Gross derivatives recognized in statement of financial position				
Gross derivatives	10,340	3,087	11,214	3,060
Gross accrued interest	1,258	16	1,683	14
	11,598	3,103	12,897	3,074
Amounts offset in statement of financial position				
Netting adjustments(a)	(2,626)	(2,608)	(2,532)	(2,517)
Cash collateral(b)	(3,728)	(212)	(5,125)	(391)
	(6,354)	(2,820)	(7,657)	(2,908)
Net derivatives recognized in statement of				