GENERAL ELECTRIC CAPITAL CORP
Form 10-Q
November 01, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from ___________to ___________

Commission file number 001-06461

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

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

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

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

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

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

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

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

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

At November 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)

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2013	2012	2013	2012
Revenues				
Revenues from services (a)	$ 10,693	$ 11,265	$ 33,562	$ 33,967
Other-than-temporary impairment on investment securities:				
Total other-than-temporary impairment on investment securities	(62)	(25)	(503)	(90)
Less: portion of other-than-temporary impairment recognized in accumulated other comprehensive income	6	-	36	1
Net other-than-temporary impairment on investment securities recognized in earnings	(56)	(25)	(467)	(89)
Revenues from services (Note 9)	10,637	11,240	33,095	33,878
Sales of goods	33	34	90	90
Total revenues	10,670	11,274	33,185	33,968
Costs and expenses				
Interest	2,241	2,798	7,046	8,962
Operating and administrative	2,992	3,020	9,347	8,896
Cost of goods sold	29	27	75	75
Investment contracts, insurance losses and insurance annuity benefits	714	798	2,131	2,271
Provision for losses on financing receivables	821	1,122	3,338	2,728
Depreciation and amortization	1,967	1,734	5,372	5,022
Total costs and expenses	8,764	9,499	27,309	27,954
Earnings from continuing operations before income taxes	1,906	1,775	5,876	6,014
Benefit (provision) for income taxes	(1)	(80)	(94)	(399)
Earnings from continuing operations	1,905	1,695	5,782	5,615
Earnings (loss) from discontinued operations, net of taxes (Note 2)	(83)	(107)	(313)	(857)
Net earnings	1,822	1,588	5,469	4,758
Less: net earnings (loss) attributable to noncontrolling interests	10	20	38	46

Net earnings attributable to GECC		1,812		1,568		5,431		4,712
Preferred stock dividends declared		-		-		(135)		-
Net earnings attributable to GECC common shareowner	$	1,812	$	1,568	$	5,296	$	4,712
Amounts attributable to GECC								
Earnings from continuing operations	$	1,895	$	1,675	$	5,744	$	5,569
Earnings (loss) from discontinued operations, net of taxes		(83)		(107)		(313)		(857)
Net earnings attributable to GECC	$	1,812	$	1,568	$	5,431	$	4,712

(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, 2013	2012	Nine months ended September 30, 2013	2012
Net earnings	$ 1,822	$ 1,588	$ 5,469	$ 4,758
Less: net earnings (loss) attributable to noncontrolling interests	10	20	38	46
Net earnings attributable to GECC	$ 1,812	$ 1,568	$ 5,431	$ 4,712
Other comprehensive income (loss)				
Investment securities	$ 159	$ 128	$ (377)	$ 636
Currency translation adjustments	(122)	529	(115)	255
Cash flow hedges	63	27	349	139
Benefit plans	8	(11)	30	(16)
Other comprehensive income (loss)	108	673	(113)	1,014
Less: other comprehensive income (loss) attributable to noncontrolling interests	12	2	(10)	1
Other comprehensive income (loss) attributable to GECC	$ 96	$ 671	$ (103)	$ 1,013
Comprehensive income	$ 1,930	$ 2,261	$ 5,356	$ 5,772
Less: comprehensive income (loss) attributable to noncontrolling interests	22	22	28	47
Comprehensive income attributable to GECC	$ 1,908	$ 2,239	$ 5,328	$ 5,725

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

See accompanying notes.

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

(In millions)	Nine months ended September 30, 2013	2012
GECC shareowners' equity balance at January 1	$ 81,890	$ 77,110
Increases from net earnings attributable to GECC	5,431	4,712
	(4,082)	(5,447)

Dividends and other transactions with shareowners		
Other comprehensive income (loss) attributable to GECC	(103)	1,013
Changes in additional paid-in capital	978	3,961
Ending balance at September 30	84,114	81,349
Noncontrolling interests	539	711
Total equity balance at September 30	$ 84,653	$ 82,060

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)	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Cash and equivalents	$ 76,298	$ 61,942
Investment securities (Note 3)	43,805	48,439
Inventories	78	79
Financing receivables – net (Notes 4 and 12)	254,223	268,951
Other receivables	14,899	13,917
Property, plant and equipment, less accumulated amortization of $26,346 and $26,113	51,680	52,974
Goodwill (Note 5)	26,696	27,032
Other intangible assets – net (Note 5)	1,176	1,294
Other assets	50,139	62,201
Assets of businesses held for sale (Note 2)	51	211
Assets of discontinued operations (Note 2)	1,664	2,299
Total assets(a)	$ 520,709	$ 539,339
Liabilities and equity		
Short-term borrowings (Note 6)	$ 79,830	$ 95,940
Accounts payable	7,189	6,259
Non-recourse borrowings of consolidated securitization entities (Note 6)	29,966	30,123
Bank deposits (Note 6)	50,761	46,461
Long-term borrowings (Note 6)	215,503	224,776
Investment contracts, insurance liabilities and insurance annuity benefits	27,155	28,696
Other liabilities	17,656	15,961
Deferred income taxes	5,660	5,988
Liabilities of businesses held for sale (Note 2)	4	157
Liabilities of discontinued operations (Note 2)	2,332	2,381
Total liabilities(a)	436,056	456,742
Preferred stock, $0.01 par value (750,000 shares authorized at both September 30, 2013 and December 31, 2012, and 50,000 and 40,000 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively)	-	-
Common stock, $14 par value (4,166,000 shares authorized at both September 30, 2013 and December 31, 2012 and 1,000 shares		

issued and outstanding at both September 30, 2013 and December 31, 2012, respectively)	-	-
Accumulated other comprehensive income (loss) – net(b)		
Investment securities	297	673
Currency translation adjustments	(238)	(131)
Cash flow hedges	(396)	(746)
Benefit plans	(706)	(736)
Additional paid-in capital	32,564	31,586
Retained earnings	52,593	51,244
Total GECC shareowners' equity	84,114	81,890
Noncontrolling interests(c)(Note 8)	539	707
Total equity	84,653	82,597
Total liabilities and equity	$ 520,709	$ 539,339

(a) Our consolidated assets at September 30, 2013 include total assets of $46,877 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 $40,398 million and investment securities of $4,148 million. Our consolidated liabilities at September 30, 2013 include liabilities of certain VIEs for which the VIE creditors do not have recourse to GECC. These liabilities include non-recourse borrowings of consolidated securitization entities (CSEs) of $28,416 million. See Note 13.

(b) The sum of accumulated other comprehensive income (loss) attributable to GECC was $(1,043) million and $(940) million at September 30, 2013 and December 31, 2012, respectively.

(c) Included accumulated other comprehensive income (loss) attributable to noncontrolling interests of $(139) million and $(129) million at September 30, 2013 and December 31, 2012, 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)	2013	2012
Cash flows – operating activities		
Net earnings	$ 5,469	$ 4,758
Less: net earnings (loss) attributable to noncontrolling interests	38	46
Net earnings attributable to GECC	5,431	4,712
(Earnings) loss from discontinued operations	313	857
Adjustments to reconcile net earnings attributable to GECC		
to cash provided from operating activities		
Depreciation and amortization of property, plant and equipment	5,372	5,022
Increase (decrease) in accounts payable	747	(310)
Provision for losses on financing receivables	3,338	2,728
All other operating activities	(3,335)	1,881
Cash from (used for) operating activities – continuing operations	11,866	14,890
Cash from (used for) operating activities – discontinued operations	(104)	142
Cash from (used for) operating activities	11,762	15,032
Cash flows – investing activities		
Additions to property, plant and equipment	(7,582)	(8,098)
Dispositions of property, plant and equipment	4,119	4,836
Increase in loans to customers	(219,256)	(217,198)
Principal collections from customers – loans	229,207	227,408
Investment in equipment for financing leases	(6,251)	(6,585)
Principal collections from customers – financing leases	8,001	9,150
Net change in credit card receivables	(3,206)	(3,254)
Proceeds from sales of discontinued operations	-	227
Proceeds from principal business dispositions	841	244
Net cash from (payments for) principal businesses purchased	6,384	-
All other investing activities	15,916	9,519
Cash from (used for) investing activities – continuing operations	28,173	16,249
Cash from (used for) investing activities – discontinued operations	95	(152)
Cash from (used for) investing activities	28,268	16,097

Cash flows – financing activities		
Net increase (decrease) in borrowings (maturities of 90 days or less)	(9,917)	(1,209)
Net increase (decrease) in bank deposits	(2,222)	1,195
Newly issued debt (maturities longer than 90 days)		
Short-term (91 to 365 days)	8	59
Long-term (longer than one year)	41,347	43,156
Repayments and other debt reductions (maturities longer than 90 days)		
Short-term (91 to 365 days)	(46,686)	(66,837)
Long-term (longer than one year)	(3,182)	(3,162)
Non-recourse, leveraged leases	(528)	(389)
Proceeds from issuance of preferred stock	990	3,960
Dividends paid to shareowners	(4,082)	(5,446)
All other financing activities	(425)	(2,729)
Cash from (used for) financing activities – continuing operations	(24,697)	(31,402)
Cash from (used for) financing activities – discontinued operations	15	-
Cash from (used for) financing activities	(24,682)	(31,402)
Effect of currency exchange rate changes on cash and equivalents	(986)	1,227
Increase (decrease) in cash and equivalents	14,362	954
Cash and equivalents at beginning of year	62,044	76,823
Cash and equivalents at September 30	76,406	77,777
Less: cash and equivalents of discontinued operations at September 30	108	110
Cash and equivalents of continuing operations at September 30	$ 76,298	$ 77,667

See accompanying notes.

(6)

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

	Three months ended September 30,		Nine months ended September 30,	
(In millions)	2013	2012	2013	2012
Revenues				
CLL	$ 3,677	$ 4,028	$ 11,091	$ 12,406
Consumer	3,747	3,911	11,353	11,600
Real Estate	689	948	3,218	2,660
Energy Financial Services	438	401	1,084	1,086
GECAS	1,312	1,249	3,973	3,897
Total segment revenues	9,863	10,537	30,719	31,649
Corporate items and eliminations	807	737	2,466	2,319
Total revenues	$ 10,670	$ 11,274	$ 33,185	$ 33,968
Segment profit				
CLL	$ 479	$ 563	$ 1,702	$ 1,855
Consumer	889	749	2,240	2,485
Real Estate	464	217	1,589	494
Energy Financial Services	150	132	293	325
GECAS	173	251	825	877
Total segment profit	2,155	1,912	6,649	6,036
Corporate items and eliminations	(260)	(237)	(905)	(467)
Earnings from continuing operations attributable to GECC	1,895	1,675	5,744	5,569
Earnings (loss) from discontinued operations, net of taxes, attributable to GECC	(83)	(107)	(313)	(857)
Total net earnings attributable to GECC	$ 1,812	$ 1,568	$ 5,431	$ 4,712

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.

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. We completed the sale on July 15, 2013 for proceeds of $83 million.

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)	September 30, 2013	December 31, 2012
Assets		
Cash and equivalents	$ 4	$ 74
Financing receivables – net	-	47
Property, plant and equipment – net	-	31
All other	47	59
Assets of businesses held for sale	$ 51	$ 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 September 30, 2013	2012	Nine months ended September 30, 2013	2012
Operations				
Total revenues (loss)	$ 79	$ (17)	$ 109	$ (161)
Earnings (loss) from discontinued operations before income taxes	$ 1	$ (139)	$ (157)	$ (587)
Benefit (provision) for income taxes	9	30	151	187
Earnings (loss) from discontinued operations, net of taxes	$ 10	$ (109)	$ (6)	$ (400)
Disposal				
Gain (loss) on disposal before income taxes	$ (108)	$ (4)	$ (390)	$ (506)
Benefit (provision) for income taxes	15	6	83	49
Gain (loss) on disposal, net of taxes	$ (93)	$ 2	$ (307)	$ (457)
Earnings (loss) from discontinued operations, net of taxes	$ (83)	$ (107)	$ (313)	$ (857)

(In millions)	September 30, 2013	December 31, 2012
Assets		
Cash and equivalents	$ 108	$ 102
Property, plant and equipment – net	474	699
All other	1,082	1,498
Assets of discontinued operations	$ 1,664	$ 2,299
Liabilities		
Deferred income taxes	$ 325	$ 374
All other	2,007	2,007
Liabilities of discontinued operations	$ 2,332	$ 2,381

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

GE Money Japan

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

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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 $527 million at September 30, 2013, as claim payments and the effects of a strengthening U.S. dollar against the Japanese yen were partially offset by an increase to reserves of $205 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.

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 $(80) million and $(9) million in the three months ended September 30, 2013 and 2012, respectively, and $(196) million and $(363) million in the nine months ended September 30, 2013 and 2012, respectively.

WMC

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

Pending repurchase claims based upon representations and warranties made in connection with loan sales were $6,311 million at September 30, 2013, $5,357 million at December 31, 2012 and $705 million at December 31, 2011. Pending claims represent those active repurchase claims that identify the specific loans tendered for repurchase and, for each loan, the alleged breach of a representation or warranty. As such, they do not include unspecified repurchase claims, such as the Litigation Claims discussed below, or claims relating to breaches of representations that were made more than six years before WMC was notified of the claim. WMC believes that these repurchase claims do not meet the substantive and procedural requirements for tender under the governing agreements, would be disallowed in legal proceedings under applicable statutes of limitations or are otherwise invalid. The amounts reported in pending claims reflect the purchase price or unpaid principal balances of the loans at the time of purchase and do not give effect to pay downs, accrued interest or fees, or potential recoveries based upon the underlying collateral. Historically, a small percentage of the total loans WMC originated and sold have been treated as “validly tendered,” meaning the loan was subject to repurchase because there was a breach of a representation and warranty that materially and adversely affected 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 $800 million at September 30, 2013, reflecting an increase to reserves in the nine months ended September 30, 2013 of $167 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, WMC's historical loss experience and evaluation of claim activity on loans tendered for repurchase.

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

	Reserve		Pending claims		
(In millions)	Three months ended September 30, 2013	Nine months ended September 30, 2013	(In millions)	Three months ended September 30, 2013	Nine months ended September 30, 2013
Reserve, beginning of period	$ 787	$ 633	Pending claims, beginning of period	$ 6,335	$ 5,357
Provision	18	172	New claims	-	978
Claim resolutions/ rescissions	(5)	(5)	Claim resolutions/ rescissions	(24)	(24)
Reserve, end of period	$ 800	$ 800	Pending claims, end of period	$ 6,311	$ 6,311

Given the significant recent activity in pending claims and related litigation filed in connection with such claims, it is difficult to assess whether future losses will be consistent with WMC's past experience. Adverse changes to WMC's assumptions supporting the reserve for pending and estimated future loan repurchase claims may result in an increase to these reserves. For example, a 50% increase in the estimate of future loan repurchase requests and a 100% increase in the estimated loss rate on loans tendered (and assuming settlements at current demands), would result in an increase to the reserves of approximately $525 million.

There are 16 lawsuits involving claims made against WMC arising from alleged breaches of representations and warranties on mortgage loans included in 15 securitizations. WMC initiated three of the cases as the plaintiff; in the other cases WMC is a defendant. The adverse parties in these cases are securitization trustees or parties claiming to act on their behalf. In 12 of these lawsuits, the adverse parties seek compensatory or other relief for mortgage loans beyond those included in WMC's previously discussed pending claims at September 30, 2013 (Litigation Claims). These Litigation Claims consist of sampling-based claims in two cases on approximately $900 million of mortgage loans and, in the other ten cases, claims for repurchase or damages based on the alleged failure to provide notice of defective loans, breach of a corporate representation and warranty, and/or non-specific claims for rescissionary damages on approximately $5,700 million of mortgage loans. These claims reflect the purchase price or unpaid principal balances of the loans at the time of purchase and do not give effect to pay downs, accrued interest or fees, or potential recoveries based upon the underlying collateral. As noted above, WMC believes that the Litigation Claims conflict with 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 September 30, 2013.

At this point, WMC is unable to develop a meaningful estimate of reasonably possible loss in connection with the Litigation Claims described above due to a number of factors, including the extent to which courts will agree with the theories supporting the Litigation Claims. The case law on these issues is unsettled, and while several courts have supported some of the theories underlying WMC's legal defenses, other courts have rejected them. There are a number of pending cases, including WMC cases, which, in the coming months, could provide more certainty regarding the legal status of these claims. 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, result in a reclassification of some or all of the Litigation Claims to Pending Claims and provoke new claims and lawsuits on additional loans. However, WMC continues to believe 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 $1,000 million of mortgage loans after the expiration of the statute of limitations as of September 30, 2013, $700 million of which are also included as Litigation Claims. Subsequent to September 30, 2013, WMC has received approximately $600 million of additional claims tendered after the six-year anniversary of the securitization. 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.

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

WMC revenues (loss) from discontinued operations were $(13) million and $(117) million in the three months ended September 30, 2013 and 2012, respectively, and $(167) million and $(475) million in the nine months ended September 30, 2013 and 2012, respectively. WMC’s losses from discontinued operations, net of taxes, were $11 million and $78 million in the three months ended September 30, 2013 and 2012, respectively, and $116 million and $314 million in the nine months ended September 30, 2013 and 2012, respectively.

Other

In the first quarter of 2013, we announced the planned disposition of CLL Trailer Services and classified the business as discontinued operations. CLL Trailer Services revenues from discontinued operations were $91 million and $95 million in the three months ended September 30, 2013 and 2012, respectively, and $274 million and $301 million in the nine months ended September 30, 2013 and 2012, respectively. CLL Trailer Services earnings (loss) from discontinued operations, net of taxes, were $(9) million and $5 million in the three months ended September 30, 2013 and 2012, respectively, and $(19) million (including a $118 million loss on disposal) and $24 million in the nine months ended September 30, 2013 and 2012, respectively.

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 $1 million in the three months ended September 30, 2013 and 2012, respectively, and an insignificant amount and $7 million in the nine months ended September 30, 2013 and 2012, respectively. Consumer Ireland earnings (loss) from discontinued operations, net of taxes, were $6 million and $(8) million in the three months ended September 30, 2013 and 2012, respectively, and $7 million and $(194) million (including a $121 million loss on disposal) in the nine months ended September 30, 2013 and 2012, respectively.

3. INVESTMENT SECURITIES

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

	September 30, 2013				December 31, 2012			
(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Debt								
U.S. corporate	$ 20,050	$ 2,516	$ (209)	$ 22,357	$ 20,233	$ 4,201	$ (302)	$ 24,132
State and municipal	4,187	246	(189)	4,244	4,084	575	(113)	4,546
Residential mortgage-backed(a)	1,944	146	(59)	2,031	2,198	183	(119)	2,262
Commercial mortgage-backed	2,919	194	(88)	3,025	2,930	259	(95)	3,094
Asset-backed	6,533	8	(62)	6,479	5,784	31	(77)	5,738
Corporate – non-U.S.	1,893	101	(96)	1,898	2,391	150	(126)	2,415
Government – non-U.S.	2,370	86	(7)	2,449	1,617	149	(3)	1,763
U.S. government and federal agency	839	52	(40)	851	3,462	103	-	3,565
Retained interests	67	11	-	78	76	7	-	83
Equity								
Available-for-sale	208	46	(3)	251	513	86	(3)	596
Trading	142	-	-	142	245	-	-	245
Total	$ 41,152	$ 3,406	$ (753)	$ 43,805	$ 43,533	$ 5,744	$ (838)	$ 48,439

(a) Substantially collateralized by U.S. mortgages. Of our total RMBS portfolio at September 30, 2013, $1,286 million relates to securities issued by government-sponsored entities and $745 million relates to securities of private label issuers. Securities issued by private label issuers are collateralized primarily by pools of individual direct mortgage loans of financial institutions.

The fair value of investment securities decreased to $43,805 million at September 30, 2013, from $48,439 million at December 31, 2012, primarily due to the sale of U.S. government and federal agency securities at our treasury operations and the impact of higher interest rates.

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, 2013				
Debt				
U.S. corporate	$ 2,120	$ (134)	$ 416	$ (75)
State and municipal	996	(84)	313	(105)
Residential mortgage-backed	237	(9)	511	(50)
Commercial mortgage-backed	292	(26)	773	(62)
Asset-backed	5,950	(13)	404	(49)
Corporate – non-U.S.	140	(1)	495	(95)
Government – non-U.S.	1,474	(6)	40	(1)
U.S. government and federal agency	444	(40)	-	-
Retained interests	9	-	-	-
Equity	16	(3)	-	-
Total	$ 11,678	$ (316)	$ 2,952	$ (437)
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 September 30, 2013 of $(131) 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, 2013 have not changed from those described in Note 3 in our 2012 consolidated financial statements.

During the three months ended September 30, 2013, we recognized pre-tax, other-than-temporary impairments of $62 million, of which $56 million was recorded through earnings ($13 million relates to equity securities), and $6 million was recorded in accumulated other comprehensive income (loss) (AOCI). At July 1, 2013, cumulative impairments recognized in earnings associated with debt securities still held were $777 million. During the three months ended September 30, 2013, we recognized no first-time impairments and incremental charges on previously impaired securities of $42 million. Of these cumulative amounts recognized through September 30, 2013, $52 million related to securities that were subsequently sold before the end of the third quarter of 2013.

During the three months ended September 30, 2012, we recognized pre-tax, other-than-temporary impairments of $25 million, all of which was recorded through earnings. At July 1, 2012, cumulative impairments recognized in earnings associated with debt securities still held were $410 million. During the three months ended September 30, 2012, we recognized no first-time impairments and incremental charges on previously impaired securities of $13 million. Of these cumulative amounts recognized through September 30, 2012, $39 million related to securities that were subsequently sold before the end of the third quarter of 2012.

During the nine months ended September 30, 2013, we recognized pre-tax, other-than-temporary impairments of $503 million, of which $467 million was recorded through earnings ($14 million relates to equity securities), of which $96 million related to the impairment of an investment in a Brazilian company that was fully offset by the benefit of a guarantee provided by GE, and $36 million was recorded in AOCI. At January 1, 2013, cumulative impairments recognized in earnings associated with debt securities still held were $420 million. During the nine months ended September 30, 2013, we recognized first-time impairments of $385 million and incremental charges on previously impaired securities of $61 million. Of these cumulative amounts recognized through September 30, 2013, $99 million related to securities that were subsequently sold before the end of the third quarter of 2013.

During the nine months ended September 30, 2012, we recognized 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. Of these cumulative amounts recognized through September 30, 2012, $209 million related to securities that were subsequently sold before the end of the third quarter of 2012.

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	$	2,771	$	2,786
After one year through five years		3,480		3,688
After five years through ten years		5,032		5,264
After ten years		18,056		20,061

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)		2013		2012		2013		2012
Gains	$	34	$	26	$	219	$	85
Losses, including impairments		(60)		(55)		(477)		(159)
Net	$	(26)	$	(29)	$	(258)	$	(74)

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 $2,890 million and $2,696 million in the three months ended September 30, 2013 and 2012, respectively, and $12,815 million and $9,200 million in the nine months ended September 30, 2013 and 2012, respectively, principally from the sales of short-term securities in our bank subsidiaries and treasury operations.

We recognized pre-tax gains (losses) on trading securities of $4 million and $1 million in the three months ended September 30, 2013 and 2012, respectively, and $45 million and $37 million in the nine months ended September 30, 2013 and 2012, respectively.

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4. FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

(In millions)	September 30, 2013	December 31, 2012
Loans, net of deferred income(a)	$ 229,639	$ 241,465
Investment in financing leases, net of deferred income	29,736	32,471
	259,375	273,936
Less allowance for losses	(5,152)	(4,985)
Financing receivables – net(b)	$ 254,223	$ 268,951

(a) Deferred income was $1,963 million and $2,182 million at September 30, 2013 and December 31, 2012, respectively.
(b) Financing receivables at September 30, 2013 and December 31, 2012 included $582 million and $750 million, respectively, relating to loans that had been acquired in a transfer but have been subject to credit deterioration since origination.

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

(In millions)	September 30, 2013	December 31, 2012
Commercial		
CLL		
Americas	$ 69,240	$ 72,517
Europe(a)	35,529	37,037
Asia	9,573	11,401
Other(a)	468	603
Total CLL	114,810	121,558
Energy Financial Services	4,367	4,851
GECAS	9,642	10,915
Other	393	486
Total Commercial	129,212	137,810
Real Estate	18,966	20,946
Consumer		
Non-U.S. residential mortgages	31,142	33,451
Non-U.S. installment and revolving credit	17,305	18,546
U.S. installment and revolving credit	51,799	50,853

Non-U.S. auto		3,524		4,260
Other		7,427		8,070
Total Consumer		111,197		115,180
Total financing receivables		259,375		273,936
Less allowance for losses		(5,152)		(4,985)
Total financing receivables – net	$	254,223	$	268,951

(a) During the third quarter of 2013, we transferred our European equipment services portfolio from CLL Other to CLL Europe. Prior-period amounts were reclassified to conform to the current period presentation.

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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 September 30, 2013
Commercial						
CLL						
Americas	$ 490	$ 206	$ (1)	$ (316)	$ 91	$ 470
Europe	445	205	-	(369)	61	342
Asia	80	60	(9)	(65)	9	75
Other	6	(3)	-	(3)	-	-
Total CLL	1,021	468	(10)	(753)	161	887
Energy Financial Services	9	2	-	-	-	11
GECAS	8	2	-	-	-	10
Other	3	(1)	-	(2)	2	2
Total Commercial	1,041	471	(10)	(755)	163	910
Real Estate	320	(21)	(5)	(133)	9	170
Consumer						
Non-U.S. residential mortgages	480	137	(2)	(216)	40	439
Non-U.S. installment and revolving credit	623	405	(42)	(727)	403	662
U.S. installment and revolving credit	2,282	2,198	(50)	(2,118)	409	2,721
Non-U.S. auto	67	51	(11)	(96)	56	67
Other	172	97	4	(149)	59	183
Total Consumer	3,624	2,888	(101)	(3,306)	967	4,072
Total	$ 4,985	$ 3,338	$ (116)	$ (4,194)	$ 1,139	$ 5,152

(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.

(18)

(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	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 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.

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5. GOODWILL AND OTHER INTANGIBLE ASSETS

(In millions)		September 30, 2013		December 31, 2012
Goodwill	$	26,696	$	27,032
Other intangible assets - net				
Intangible assets subject to amortization	$	1,176	$	1,294

Changes in goodwill balances follow.

(In millions)		Balance at January 1, 2013		Acquisitions		Dispositions, currency exchange and other		Balance at September 30, 2013
CLL	$	13,454	$	3	$	19	$	13,476
Consumer		10,943		21		(190)		10,774
Real Estate		926		–		(189)		737
Energy Financial Services		1,562		–		–		1,562
GECAS		147		–		–		147
Total	$	27,032	$	24	$	(360)	$	26,696

Goodwill balances decreased $336 million during the nine months ended September 30, 2013, primarily as a result of currency exchange effects of a stronger U.S. dollar. Our reporting units and related goodwill balances are CLL ($13,476 million), Consumer ($10,774 million), Real Estate ($737 million), Energy Financial Services ($1,562 million) and GECAS ($147 million) at September 30, 2013.

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. We determined fair values for each of the reporting units using an income approach. When available and appropriate, we use comparative market multiples to corroborate discounted cash flow results. We assess the valuation methodology based upon the relevance and availability of the data at the time we perform the valuation.

Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for each business. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the cost of equity financing. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our reporting unit valuations ranged from 11.25% to 13.3%.

During the third quarter of 2013, 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 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.

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Our Real Estate reporting unit had a goodwill balance of $737 million at September 30, 2013. While the Real Estate reporting unit's book value was within the range of its fair value, we further substantiated our Real Estate goodwill balance by performing the second step analysis in which the implied fair value of goodwill exceeded its carrying value by approximately $3.7 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 the recent stabilization of the real estate market allowing for sales of real estate investments at normalized margins. Our assumed discount rate was 11.25% 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. While we have seen stabilization in some markets, 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.

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. It is reasonably possible that the judgments and estimates described above could change in future periods.

Intangible Assets Subject to Amortization

	September 30, 2013			December 31, 2012		
(In millions)	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related	$ 1,216	$ (829)	$ 387	$ 1,227	$ (808)	$ 419
Patents, licenses and trademarks	190	(162)	28	191	(160)	31
Capitalized software	2,255	(1,754)	501	2,126	(1,681)	445
Lease valuations	731	(510)	221	1,163	(792)	371
Present value of future profits (a)	566	(566)	–	530	(530)	–
All other	290	(251)	39	283	(255)	28
Total	$ 5,248	$ (4,072)	$ 1,176	$ 5,520	$ (4,226)	$ 1,294

(a) Balances at September 30, 2013 and December 31, 2012 reflect adjustments of $327 million and $353 million, respectively, to the present value of future profits in our run-off insurance operation to reflect the effects that would have been recognized had the related unrealized investment securities holding gains and losses actually been realized.

Amortization related to intangible assets subject to amortization was $102 million and $110 million in the three months ended September 30, 2013 and 2012, respectively, and $321 million and $344 million in the nine months ended September 30, 2013 and 2012, respectively, and is recorded in operating and administrative expense on the financial statements.

6. BORROWINGS AND BANK DEPOSITS

(In millions)	September 30, 2013	December 31, 2012
Short-term borrowings		
Commercial paper		
U.S.	$ 27,360	$ 33,686
Non-U.S.	5,671	9,370
Current portion of long-term borrowings(a)(b)	38,065	44,264
GE Interest Plus notes(c)	8,482	8,189
Other(b)	252	431
Total short-term borrowings	$ 79,830	$ 95,940
Long-term borrowings		
Senior unsecured notes(a)	$ 191,118	$ 199,646
Subordinated notes(d)	4,787	4,965
Subordinated debentures(e)(f)	7,312	7,286
Other(b)	12,286	12,879
Total long-term borrowings	$ 215,503	$ 224,776
Non-recourse borrowings of consolidated securitization entities(g)	$ 29,966	$ 30,123
Bank deposits(h)	$ 50,761	$ 46,461
Total borrowings and bank deposits	$ 376,060	$ 397,300

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

(b) Included $9,855 million and $9,757 million of funding secured by real estate, aircraft and other collateral at September 30, 2013 and December 31, 2012, respectively, of which $3,808 million and $3,294 million is non-recourse to GECC at September 30, 2013 and December 31, 2012, respectively.

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

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

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

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

(g) Included at September 30, 2013 and December 31, 2012, were $7,099 million and $7,707 million of current portion of long-term borrowings, respectively, and $22,867 million and $22,416 million of long-term borrowings, respectively. See Note 13.

(h) Included $15,847 million and $16,157 million of deposits in non-U.S. banks at September 30, 2013 and December 31, 2012, respectively, and $16,557 million and $17,291 million of certificates of deposits with maturities greater than one year at September 30, 2013 and December 31, 2012, respectively.

(22)

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)		September 30, 2013		December 31, 2012
Unrecognized tax benefits	$	3,465	$	3,106
Portion that, if recognized, would reduce tax expense and effective tax rate(a)		2,585		2,253
Accrued interest on unrecognized tax benefits		594		559
Accrued penalties on unrecognized tax benefits		93		101
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months		0-1,050		0-400
Portion that, if recognized, would reduce tax expense and effective tax rate(a)		0-450		0-350

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

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

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

8. SHAREOWNERS’ EQUITY

Accumulated Other Comprehensive Income (Loss)

(In millions)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Investment securities				
Beginning balance	$ 138	$ 476	$ 673	$ (33)
Other comprehensive income (loss) (OCI) before reclassifications – net of deferred taxes of $68, $69, $(296) and $331	143			