GENERAL ELECTRIC CAPITAL CORP
Form 10-Q
July 31, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from ___________to ___________

Commission file number 001-06461

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

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

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

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

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

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

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

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

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

At July 31, 2014, 1,000 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of $14 per share were outstanding.

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

(1)

General Electric Capital Corporation

FORWARD-LOOKING STATEMENTS

This document contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” “will,” “ “target.” 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; 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, which may be affected by our cash flows and earnings, financial services regulation and oversight, and other factors; the level of demand and financial performance of the major industries GE serves, including, without limitation, air and rail transportation, power generation, oil and gas production, 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; adverse market conditions, timing of and ability to obtain required bank regulatory approvals, or other factors relating to us or Synchrony Financial could prevent us from completing the Synchrony IPO and split-off as planned; 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.

This document includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.

CORPORATE INFORMATION

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

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	Three months ended June 30		Six months ended June 30	
(In millions)	2014	2013	2014	2013
Revenues				
Revenues from services (a)	$ 10,222	$ 11,018	$ 20,744	$ 22,738
Other-than-temporary impairment on investment securities:				
Total other-than-temporary impairment on investment securities	(9)	(152)	(47)	(441)
Less other-than-temporary impairment recognized in accumulated other comprehensive income	-	19	4	30
Net other-than-temporary impairment on investment securities recognized in earnings	(9)	(133)	(43)	(411)
Revenues from services (Note 9)	10,213	10,885	20,701	22,327
Sales of goods	34	31	61	57
Total revenues	10,247	10,916	20,762	22,384
Costs and expenses				
Interest	2,071	2,388	4,232	4,770
Operating and administrative	3,227	3,105	6,185	6,294
Cost of goods sold	31	25	56	46
Investment contracts, insurance losses and insurance annuity benefits	698	728	1,341	1,417
Provision for losses on financing receivables	968	1,010	1,938	2,467
Depreciation and amortization	1,594	1,706	3,210	3,403
Total costs and expenses	8,589	8,962	16,962	18,397
Earnings from continuing operations before income taxes	1,658	1,954	3,800	3,987
Benefit (provision) for income taxes	216	(13)	18	(97)
Earnings from continuing operations	1,874	1,941	3,818	3,890
Earnings (loss) from discontinued operations, net of taxes (Note 2)	(36)	(123)	(24)	(243)
Net earnings	1,838	1,818	3,794	3,647
Less net earnings (loss) attributable to noncontrolling interests	10	17	21	28
Net earnings attributable to GECC	1,828	1,801	3,773	3,619
Preferred stock dividends declared	(161)	(135)	(161)	(135)

Net earnings attributable to GECC common shareowner	$	1,667	$	1,666	$	3,612	$	3,484
Amounts attributable to GECC common shareowner								
Earnings from continuing operations	$	1,874	$	1,941	$	3,818	$	3,890
Less net earnings (loss) attributable to noncontrolling interests		10		17		21		28
Earnings from continuing operations attributable to GECC		1,864		1,924		3,797		3,862
Preferred stock dividends declared		(161)		(135)		(161)		(135)
Earnings from continuing operations attributable to GECC common shareowner		1,703		1,789		3,636		3,727
Earnings (loss) from discontinued operations, net of taxes		(36)		(123)		(24)		(243)
Net earnings attributable to GECC common shareowner	$	1,667	$	1,666	$	3,612	$	3,484

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

See accompanying notes.

(4)

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

(In millions)	Three months ended June 30 2014	2013	Six months ended June 30 2014	2013
Net earnings	$ 1,838	$ 1,818	$ 3,794	$ 3,647
Less net earnings (loss) attributable to noncontrolling interests	10	17	21	28
Net earnings attributable to GECC	$ 1,828	$ 1,801	$ 3,773	$ 3,619
Other comprehensive income (loss)				
Investment securities	$ 299	$ (602)	$ 783	$ (536)
Currency translation adjustments	120	(1)	36	7
Cash flow hedges	30	194	98	286
Benefit plans	10	9	(8)	22
Other comprehensive income (loss)	459	(400)	909	(221)
Less other comprehensive income (loss) attributable to noncontrolling interests	3	(19)	5	(22)
Other comprehensive income (loss) attributable to GECC	$ 456	$ (381)	$ 904	$ (199)
Comprehensive income	$ 2,297	$ 1,418	$ 4,703	$ 3,426
Less comprehensive income (loss) attributable to noncontrolling interests	13	(2)	26	6
Comprehensive income attributable to GECC	$ 2,284	$ 1,420	$ 4,677	$ 3,420

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

See accompanying notes.

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

(In millions)	Six months ended June 30 2014	2013
GECC shareowners' equity balance at January 1	$ 82,694	$ 81,890
Increases from net earnings attributable to GECC	3,773	3,619
Dividends and other transactions with shareowners	(1,577)	(2,082)
	904	(199)

Other comprehensive income (loss) attributable to GECC		
Changes in additional paid-in capital	4	983
Ending balance at June 30	85,798	84,211
Noncontrolling interests	350	550
Total equity balance at June 30	$ 86,148	$ 84,761

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

See accompanying notes.

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General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Financial Position

(In millions, except share information)		June 30, 2014 (Unaudited)		December 31, 2013
Assets				
Cash and equivalents	$	76,335	$	74,873
Investment securities (Note 3)		46,500		43,662
Inventories		62		68
Financing receivables – net (Notes 4 and 13)		241,696		253,029
Other receivables		16,102		16,513
Property, plant and equipment, less accumulated amortization of $27,060 and $26,960		50,704		51,607
Goodwill (Note 5)		26,047		26,195
Other intangible assets – net (Note 5)		1,285		1,136
Other assets		46,073		47,366
Assets of businesses held for sale (Note 2)		3,294		50
Assets of discontinued operations (Note 2)		1,470		2,330
Total assets(a)	$	509,568	$	516,829
Liabilities and equity				
Short-term borrowings (Note 6)	$	72,275	$	77,298
Accounts payable		7,669		6,549
Non-recourse borrowings of consolidated securitization entities (Note 6)		30,201		30,124
Bank deposits (Note 6)		58,140		53,361
Long-term borrowings (Note 6)		202,366		210,279
Investment contracts, insurance liabilities and insurance annuity benefits		27,908		26,979
Other liabilities		18,978		20,531
Deferred income taxes		4,640		4,786
Liabilities of businesses held for sale (Note 2)		289		6
Liabilities of discontinued operations (Note 2)		954		3,790
Total liabilities(a)		423,420		433,703
Preferred stock, $0.01 par value (750,000 shares authorized at both June 30, 2014 and December 31, 2013, and 50,000 shares issued and outstanding at both June 30, 2014 and December 31, 2013)		-		-
Common stock, $14 par value (4,166,000 shares authorized at both June 30, 2014 and December 31, 2013 and 1,000 shares issued and outstanding at both June 30, 2014 and December 31, 2013)		-		-
Accumulated other comprehensive income (loss) – net(b)				

Investment securities		1,092		309
Currency translation adjustments		(656)		(687)
Cash flow hedges		(195)		(293)
Benefit plans		(371)		(363)
Additional paid-in capital		32,567		32,563
Retained earnings		53,361		51,165
Total GECC shareowners' equity		85,798		82,694
Noncontrolling interests(c)(Note 8)		350		432
Total equity		86,148		83,126
Total liabilities and equity	$	509,568	$	516,829

(a) Our consolidated assets at June 30, 2014 included total assets of $49,729 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets included net financing receivables of $42,949 million and investment securities of $3,722 million. Our consolidated liabilities at June 30, 2014 included liabilities of certain VIEs for which the VIE creditors do not have recourse to GECC. These liabilities included non-recourse borrowings of consolidated securitization entities (CSEs) of $28,651 million. See Note 12.

(b) The sum of accumulated other comprehensive income (loss) (AOCI) attributable to GECC was $(130) million and $(1,034) million at June 30, 2014 and December 31, 2013, respectively.

(c) Included AOCI attributable to noncontrolling interests of $(134) million and $(139) million at June 30, 2014 and December 31, 2013, respectively.

See accompanying notes.

(6)

General Electric Capital Corporation and consolidated affiliates

Condensed Statement of Cash Flows

(Unaudited)

(In millions)	Six months ended June 30 2014	2013
Cash flows – operating activities		
Net earnings	$ 3,794	$ 3,647
Less net earnings (loss) attributable to noncontrolling interests	21	28
Net earnings attributable to GECC	3,773	3,619
(Earnings) loss from discontinued operations	24	243
Adjustments to reconcile net earnings attributable to GECC		
to cash provided from operating activities		
Depreciation and amortization of property, plant and equipment	3,210	3,403
Deferred income taxes	(2,230)	561
Increase in accounts payable	1,278	647
Provision for losses on financing receivables	1,938	2,467
All other operating activities	404	(2,194)
Cash from (used for) operating activities – continuing operations	8,397	8,746
Cash from (used for) operating activities – discontinued operations	(144)	(152)
Cash from (used for) operating activities	8,253	8,594
Cash flows – investing activities		
Additions to property, plant and equipment	(5,008)	(5,480)
Dispositions of property, plant and equipment	3,177	2,560
Increase in loans to customers	(146,208)	(144,375)
Principal collections from customers – loans	149,709	151,154
Investment in equipment for financing leases	(3,976)	(4,165)
Principal collections from customers – financing leases	4,447	5,280
Net change in credit card receivables	(588)	(961)
Proceeds from sales of discontinued operations	232	-
Proceeds from principal business dispositions	-	753
Net cash from (payments for) principal businesses purchased	-	6,384
All other investing activities	2,697	12,260
Cash from (used for) investing activities – continuing operations	4,482	23,410
Cash from (used for) investing activities – discontinued operations	57	78
Cash from (used for) investing activities	4,539	23,488

Cash flows – financing activities				
Net increase (decrease) in borrowings (maturities of 90 days or less)		(4,503)		(6,815)
Net increase (decrease) in bank deposits		4,988		(4,513)
Newly issued debt (maturities longer than 90 days)		16,173		30,450
Repayments and other debt reductions (maturities longer than 90 days)		(26,668)		(41,589)
Proceeds from issuance of preferred stock		-		990
Dividends paid to shareowners		(1,577)		(2,082)
All other financing activities		(28)		(304)
Cash from (used for) financing activities – continuing operations		(11,615)		(23,863)
Cash from (used for) financing activities – discontinued operations		(6)		21
Cash from (used for) financing activities		(11,621)		(23,842)
Effect of currency exchange rate changes on cash and equivalents		198		(658)
Increase (decrease) in cash and equivalents		1,369		7,582
Cash and equivalents at beginning of year		75,105		62,044
Cash and equivalents at June 30		76,474		69,626
Less cash and equivalents of discontinued operations at June 30		139		138
Cash and equivalents of continuing operations at June 30	$	76,335	$	69,488

See accompanying notes.

(7)

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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, 2013 (2013 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.

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 2013 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 2014 is available on our website, www.ge.com/secreports.

Summary of Significant Accounting Policies

See the Notes in our 2013 consolidated financial statements for a summary of our significant accounting policies.

Accounting Changes

On January 1, 2014, we adopted Accounting Standards Update (ASU) 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. Under the revised guidance, the entire amount of the cumulative translation adjustment associated with the foreign entity will be released into earnings in the following circumstances: (a) the sale of a subsidiary or group of net assets within a foreign entity that represents a complete or substantially complete liquidation of that entity, (b) the loss of a controlling financial interest in an investment in a foreign entity, or (c) when the accounting for an investment in a foreign entity changes from the equity method to full consolidation. The revised guidance applies prospectively to transactions or events occurring on or after January 1, 2014.

(8)

On January 1, 2014, we adopted ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. Under the new guidance, an unrecognized tax benefit is required to be presented as a reduction to a deferred tax asset if the disallowance of the tax position would reduce the available tax loss or tax credit carryforward instead of resulting in a cash tax liability. The ASU applies prospectively to all unrecognized tax benefits that exist as of the adoption date and reduced both deferred tax assets and income tax liabilities by $1,009 million as of January 1, 2014.

In the second quarter of 2014, the Company elected to early adopt ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This ASU changes the criteria for reporting discontinued operations. To be classified as a discontinued operation, the disposal of a component or group of components must represent a strategic shift that has, or will have, a major effect on an entity's operations and financial results. The ASU also expands the disclosure requirements for those transactions that meet the new criteria to be classified as discontinued operations. The revised accounting guidance applies prospectively to all disposals (or classifications as held for sale) of components of an entity and for businesses that, upon acquisition, are classified as held for sale on or after adoption. Early adoption is permitted for disposals (or classifications as held for sale) that have not been previously reported in financial statements. The effects of applying the revised guidance will vary based upon the nature and size of future disposal transactions. It is expected that fewer disposal transactions will meet the new criteria to be reported as discontinued operations.

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

Assets and Liabilities of Businesses Held for Sale

In the second quarter of 2014, we committed to sell GE Money Bank AB, our consumer finance business in Sweden, Denmark and Norway (GEMB-Nordic) with assets of $3,248 million and liabilities of $287 million.

In the first quarter of 2013, we committed to sell our Consumer auto and personal loan business in Portugal and completed the sale on July 15, 2013 for proceeds of $83 million.

Financial Information for Assets and Liabilities of Businesses Held for Sale

(In millions)		June 30, 2014		December 31, 2013
Assets				
Cash and equivalents	$	90	$	5
Financing receivables – net		2,842		-
Goodwill		284		24
All other		78		21
Assets of businesses held for sale	$	3,294	$	50
Liabilities				
Short-term borrowings	$	235	$	-
All other		54		6
Liabilities of businesses held for sale	$	289	$	6

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 Commercial Lending and Leasing (CLL) trailer services business in Europe (CLL Trailer Services) and our Consumer banking business in Russia (Consumer Russia). Results of operations, financial position and cash flows for these businesses are separately reported as discontinued operations for all periods presented.

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Financial Information for Discontinued Operations

(In millions)	Three months ended June 30 2014	2013	Six months ended June 30 2014	2013
Operations				
Total revenues (loss)	$ (40)	$ 107	$ (11)	$ 161
Earnings (loss) from discontinued operations before income taxes	(53)	(33)	$ (67)	$ (175)
Benefit (provision) for income taxes	21	22	28	146
Earnings (loss) from discontinued operations, net of taxes	$ (32)	$ (11)	$ (39)	$ (29)
Disposal				
Gain (loss) on disposal before income taxes	$ (4)	$ (95)	$ 14	$ (282)
Benefit (provision) for income taxes	-	(17)	1	68
Gain (loss) on disposal, net of taxes	$ (4)	$ (112)	$ 15	$ (214)
Earnings (loss) from discontinued operations, net of taxes	$ (36)	$ (123)	$ (24)	$ (243)

(In millions)	June 30, 2014	December 31, 2013
Assets		
Cash and equivalents	$ 139	$ 232
Financing receivables – net	1	711
Other	1,330	1,387
Assets of discontinued operations	$ 1,470	$ 2,330
Liabilities		
Deferred income taxes	$ 121	$ 250
Other	833	3,540
Liabilities of discontinued operations	$ 954	$ 3,790

Other assets at June 30, 2014 and December 31, 2013 primarily comprised 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 from the sale 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. On February 26, 2014, we reached an agreement with the buyer to pay 175 billion Japanese yen (approximately $1,700 million) to extinguish this obligation. We have no remaining amount payable under the February 26, 2014 agreement as our reserve for refund claims of $1,836 million at December 31, 2013 was fully paid in the six months ended June 30, 2014.

GE Money Japan earnings (loss) from discontinued operations, net of taxes, were $(2) million and $(65) million in the three months ended June 30, 2014 and 2013, respectively, and $(3) million and $(116) million in the six months ended June 30, 2014 and 2013, 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 that had an early payment default. All claims received by WMC for early payment default have either been resolved or are no longer being pursued.

(10)

The remaining active claims have been brought by securitization trustees or administrators seeking recovery from WMC for alleged breaches of representations and warranties on mortgage loans that serve as collateral for residential mortgage-backed securities (RMBS). At June 30, 2014, such claims consisted of $3,759 million of individual claims generally submitted before the filing of a lawsuit (compared to $5,643 million at December 31, 2013) and $8,337 million of additional claims asserted against WMC in litigation without making a prior claim (Litigation Claims) (compared to $6,780 at December 31, 2013). The total amount of these claims, $12,096 million, reflects the purchase price or unpaid principal balances of the loans at the time of purchase and does not give effect to pay downs or potential recoveries based upon the underlying collateral, which in many cases are substantial, nor to accrued interest or fees. As of June 30, 2014, these amounts do not include approximately $1,000 million of repurchase claims relating to alleged breaches of representations that are not in litigation and that are beyond the applicable statute of limitations. WMC believes that repurchase claims brought based upon representations and warranties made more than six years before WMC was notified of the claim would be disallowed in legal proceedings under applicable statutes of limitations.

Reserves related to repurchase claims made against WMC were $549 million at June 30, 2014, reflecting a net decrease to reserves in the six months ended June 30, 2014 of $251 million due to settlement activity. The reserve estimate takes into account recent settlement activity that reduced WMC's exposure on certain claims and is based upon WMC's evaluation of the remaining exposures as a percentage of estimated mortgage loan losses within the pool of loans supporting each securitization. Recent settlements reduced WMC's exposure on claims asserted in certain securitizations and the claim amounts reported above give effect to these settlements.

Rollforward of the Reserve

	Three months ended June 30		Six months ended June 30	
(In millions)	2014	2013	2014	2013
Balance, beginning of period	$ 550	$ 740	$ 800	$ 633
Provision	102	47	102	154
Claim resolutions / rescissions	(103)	-	(353)	-
Balance, end of period	$ 549	$ 787	$ 549	$ 787

Given the significant recent claim and related litigation activity and WMC's continuing efforts to resolve the lawsuits involving claims made against WMC, 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 may result in an increase to these reserves. Taking into account both recent settlement activity and the potential variability of settlements, WMC estimates a range of reasonably possible loss from $0 to approximately $500 million over its recorded reserve at June 30, 2014. This estimate excludes any possible loss associated with an adverse court decision on the applicable statute of limitations, as WMC is unable at this time to develop such a meaningful estimate.

At June 30, 2014, there were 14 lawsuits involving claims made against WMC arising from alleged breaches of representations and warranties on mortgage loans included in 13 securitizations. The adverse parties in these cases are securitization trustees or parties claiming to act on their behalf. Although the alleged claims for relief vary from case to case, the complaints and counterclaims in these actions generally assert claims for breach of contract, indemnification, and/or declaratory judgment, and seek specific performance (repurchase of defective mortgage loan) and/or money damages. Adverse court decisions, including in cases not involving WMC, could result in new claims and lawsuits on additional loans. However, WMC continues to believe that it has defenses to the claims asserted in litigation, including, for example, based on causation and materiality requirements and applicable statutes of limitations. It is not possible to predict the outcome or impact of these defenses and other factors, any of which could materially affect the amount of any loss ultimately incurred by WMC on these claims.

WMC has also received indemnification demands, nearly all of which are unspecified, from depositors/underwriters/sponsors of 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.

(11)

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. The reserve and estimate of possible loss reflect judgment, based on currently available information, and a number of assumptions, including economic conditions, claim and settlement activity, pending and threatened litigation, court decisions regarding WMC's legal defenses, indemnification demands, government activity, and other variables in the mortgage industry. Actual losses arising from claims against WMC could exceed these amounts and additional claims and lawsuits could result if actual claim rates, governmental actions, litigation and indemnification activity, adverse court decisions, actual settlement rates or losses WMC incurs on repurchased loans differ from its assumptions.

WMC revenues (loss) from discontinued operations were $(39) million and $(47) million in the three months ended June 30, 2014 and 2013, respectively, and $(35) million and $(154) million in the six months ended June 30, 2014 and 2013, respectively. WMC earnings (loss) from discontinued operations, net of taxes, were $(30) million and $(33) million in the three months ended June 30, 2014 and 2013, respectively, and $(32) million and $(105) million in the six months ended June 30, 2014 and 2013, respectively.

Other

In the fourth quarter of 2013, we announced the planned disposition of Consumer Russia and classified the business as discontinued operations. At that time, we recorded a $170 million loss on the planned disposal. We completed the sale in the first quarter of 2014 for proceeds of $232 million. Consumer Russia revenues from discontinued operations were an insignificant amount and $64 million in the three months ended June 30, 2014 and 2013, respectively, and $24 million and $131 million in the six months ended June 30, 2014 and 2013, respectively. Consumer Russia earnings (loss) from discontinued operations, net of taxes, were $(1) million and $(2) million in the three months ended June 30, 2014 and 2013, respectively, and an insignificant amount (including a $4 million gain on disposal) and $(13) million in the six months ended June 30, 2014 and 2013, respectively.

In the first quarter of 2013, we announced the planned disposition of CLL Trailer Services and classified the business as discontinued operations. We completed the sale in the fourth quarter of 2013 for proceeds of $528 million. CLL Trailer Services had no revenues from discontinued operations in the three months ended June 30, 2014 and $90 million of revenues from discontinued operations in the three months ended 2013. CLL Trailer Services had $1 million and $183 million of revenues from discontinued operations in the six months ended June 30, 2014 and 2013, respectively. CLL Trailer Services earnings (loss) from discontinued operations, net of taxes, were $(2) million and $(24) million in the three months ended June 30, 2014 and 2013, respectively, and $11 million and $(10) million (including a $98 million loss on disposal) in the six months ended June 30, 2014 and 2013, 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 in our run-off insurance operations and supporting obligations to holders of guaranteed investment contracts (GICs) in Trinity and investments held in our CLL business collateralized by senior secured loans of high-quality, middle-market companies in a variety of industries. We do not have any securities classified as held-to-maturity.

	June 30, 2014				December 31, 2013			
(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Debt								
U.S. corporate	$ 19,800	$ 3,510	$ (91)	$ 23,219	$ 19,600	$ 2,323	$ (217)	$ 21,706
State and municipal	5,144	497	(96)	5,545	4,245	235	(191)	4,289
Residential mortgage-backed(a)	1,755	153	(30)	1,878	1,819	139	(48)	1,910
Commercial mortgage-backed	2,933	207	(42)	3,098	2,929	188	(82)	3,035
Asset-backed	7,685	33	(36)	7,682	7,373	60	(46)	7,387
Corporate – non-U.S.	1,666	179	(50)	1,795	1,741	103	(86)	1,758
Government – non-U.S.	2,011	118	(3)	2,126	2,336	81	(7)	2,410
U.S. government and federal agency	698	50	(1)	747	752	45	(27)	770
Retained interests	60	13	-	73	64	8	-	72
Equity								
Available-for-sale	215	71	(2)	284	203	51	(3)	251
Trading	53	-	-	53	74	-	-	74
Total	$ 42,020	$ 4,831	$ (351)	$ 46,500	$ 41,136	$ 3,233	$ (707)	$ 43,662

(a) Substantially collateralized by U.S. mortgages. At June 30, 2014, $1,238 million related to securities issued by government-sponsored entities and $640 million related 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.

(13)

Estimated Fair Value and Gross Unrealized Losses of Available-for-Sale Investment Securities

	In loss position for			
	Less than 12 months		12 months or more	
(In millions)	Estimated fair value	Gross unrealized losses(a)	Estimated fair value	Gross unrealized losses(a)
June 30, 2014				
Debt				
U.S. corporate	$ 234	$ (4)	$ 1,523	$ (87)
State and municipal	115	(2)	766	(94)
Residential mortgage-backed	47	(1)	471	(29)
Commercial mortgage-backed	5	-	931	(42)
Asset-backed	3	-	321	(36)
Corporate – non-U.S.	20	-	444	(50)
Government – non-U.S.	984	(3)	89	-
U.S. government and federal agency	-	-	255	(1)
Retained interests	7	-	1	-
Equity	46	(2)	-	-
Total	$ 1,461	$ (12)	$ 4,801	$ (339)(b)
December 31, 2013				
Debt				
U.S. corporate	$ 2,170	$ (122)	$ 598	$ (95)
State and municipal	1,076	(82)	367	(109)
Residential mortgage-backed	232	(11)	430	(37)
Commercial mortgage-backed	396	(24)	780	(58)
Asset-backed	112	(2)	359	(44)
Corporate – non-U.S.	96	(3)	454	(83)
Government – non-U.S.	1,479	(6)	42	(1)
U.S. government and federal agency	229	(27)	254	-
Retained interests	2	-	-	-
Equity	31	(3)	-	-
Total	$ 5,823	$ (280)	$ 3,284	$ (427)

(a) Included gross unrealized losses related to securities that had other-than-temporary impairments previously recognized of $(66) million at June 30, 2014.

(b) The majority relate to debt securities held to support obligations to holders of GICs and more than 70% are debt securities that were considered to be investment-grade by the major rating agencies at June 30, 2014.

We regularly review investment securities for other-than-temporary impairment (OTTI) using both qualitative and quantitative criteria. For debt securities, our qualitative review considers our ability and intent to hold the security and the financial condition of and near-term prospects for the issuer, including whether the issuer is in compliance with the terms and covenants of the security. Our quantitative review considers whether there has been an adverse change in expected future cash flows. Unrealized losses are not indicative of the amount of credit loss that would be recognized and at June 30, 2014 are primarily due to increases in market yields subsequent to our purchase of the securities. We presently do not intend to sell the vast majority of our debt securities that are in an unrealized loss position and believe that it is not more likely than not that we will be required to sell the vast majority of these securities before anticipated recovery of our amortized cost. The methodologies and significant inputs used to measure the amount of credit loss for our investment securities during the six months ended June 30, 2014 have not changed. For equity securities, we consider the duration and the severity of the unrealized loss. We believe that the unrealized loss associated with our equity securities will be recovered within the foreseeable future.

Our corporate debt portfolio comprises securities issued by public and private corporations in various industries, primarily in the U.S. Substantially all of our corporate debt securities are rated investment grade by the major rating agencies.

(14)

Our RMBS portfolio is collateralized primarily by pools of individual, direct mortgage loans, of which substantially all are in a senior position in the capital structure of the deals, not other structured products such as collateralized debt obligations. Of the total RMBS held at June 30, 2014, $1,238 million and $640 million related to agency and non-agency securities, respectively. Additionally, $337 million was related to residential subprime credit securities, primarily supporting our guaranteed investment contracts. Substantially all of the subprime exposure is related to securities backed by mortgage loans originated in 2006 and prior. A majority of subprime RMBS have been downgraded to below investment grade and are insured by Monoline insurers (Monolines). We continue to place partial reliance on Monolines with adequate capital and claims paying resources depending on the extent of the Monoline’s anticipated ability to cover expected credit losses.

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

Our asset-backed securities (ABS) portfolio is collateralized by senior secured loans of high-quality, middle-market companies in a variety of industries, as well as a variety of diversified pools of assets such as student loans and credit cards. The vast majority of the securities in our ABS portfolio are in a senior position in the capital structure of the deals.

Pre-tax, Other-Than-Temporary Impairments on Investment Securities

	Three months ended June 30		Six months ended June 30	
(In millions)	2014	2013	2014	2013
Total pre-tax, OTTI recognized	$ 9	$ 152	$ 47	$ 441
Less pre-tax, OTTI recognized in AOCI	-	(19)	(4)	(30)
Pre-tax, OTTI recognized in earnings(a)	$ 9	$ 133	$ 43	$ 411

(a) Included pre-tax, other-than-temporary impairments recorded in earnings related to equity securities of $2 million and an insignificant amount in the three months ended June 30, 2014 and 2013, respectively, and $3 million and $1 million in the six months ended June 30, 2014 and 2013, respectively. The three and six months ended June 30, 2013 included $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.

Changes in Cumulative Credit Loss Impairments Recognized on Debt Securities Still Held

	Three months ended June 30		Six months ended June 30	
(In millions)	2014	2013	2014	2013
Cumulative credit loss impairments recognized, beginning of period	$ 1,003	$ 694	$ 1,025	$ 420
Credit loss impairments recognized on securities not previously impaired	1	122	1	385

Incremental credit loss impairments recognized on securities previously impaired		2		7		31		19
Less credit loss impairments previously recognized on securities sold during the period		(3)		(46)		(54)		(47)
Cumulative credit loss impairments recognized, end of period	$	1,003	$	777	$	1,003	$	777

(15)

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	$	1,935	$	1,942
After one year through five years		3,680		4,018
After five years through ten years		5,241		5,592
After ten years		18,463		21,880

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

Gross Realized Gains and Losses on Available-for-Sale Investment Securities

	Three months ended June 30				Six months ended June 30			
(In millions)		2014		2013		2014		2013
Gains	$	43	$	123	$	62	$	185
Losses, including impairments		(9)		(139)		(45)		(417)
Net	$	34	$	(16)	$	17	$	(232)

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 $1,198 million and $6,284 million in the three months ended June 30, 2014 and 2013, respectively, and $2,547 million and $9,925 million in the six months ended June 30, 2014 and 2013, respectively, principally from sales of short-term government securities in our bank subsidiaries and Treasury operations, and redemptions of non-U.S. corporate and asset-backed securities in our CLL business.

We recognized pre-tax gains (losses) on trading securities of $1 million and $5 million in the three months ended June 30, 2014 and 2013, respectively, and $(4) million and $41 million in the six months ended June 30, 2014 and 2013, respectively.

4. FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

(In millions)	June 30, 2014	December 31, 2013
Loans, net of deferred income(a)	$ 220,929	$ 231,268
Investment in financing leases, net of deferred income	25,922	26,939
	246,851	258,207
Allowance for losses	(5,155)	(5,178)
Financing receivables – net(b)	$ 241,696	$ 253,029

(a) Deferred income was $1,675 million and $2,013 million at June 30, 2014 and December 31, 2013, respectively.

(b) Financing receivables at June 30, 2014 and December 31, 2013 included $391 million and $544 million, respectively, relating to loans that had been acquired in a transfer but have been subject to credit deterioration since origination.

Financing Receivables by Portfolio and Allowance for Losses

During the first quarter of 2014, we combined our CLL Europe and CLL Asia portfolios into CLL International and we transferred our CLL Other portfolio to the CLL Americas portfolio. Prior-period amounts were reclassified to conform to the current-period presentation.

(In millions)	June 30, 2014	December 31, 2013
Commercial		
CLL		
Americas	$ 67,688	$ 69,036
International	45,555	47,431
Total CLL	113,243	116,467
Energy Financial Services	2,776	3,107
GECAS	8,440	9,377
Other	138	318
Total Commercial	124,597	129,269
Real Estate	19,799	19,899
Consumer		
Non-U.S. residential mortgages	29,594	30,501
Non-U.S. installment and revolving credit	10,782	13,677
	53,365	55,854

U.S. installment and revolving credit		
Non-U.S. auto	1,763	2,054
Other	6,951	6,953
Total Consumer	102,455	109,039
Total financing receivables	246,851	258,207
Allowance for losses	(5,155)	(5,178)
Total financing receivables – net	$ 241,696	$ 253,029

(17)

Allowance for Losses on Financing Receivables

(In millions)	Balance at January 1	Provision charged to operations	Other(a)	Gross write-offs(b)	Recoveries(b)	Balance at June 30
2014						
Commercial						
CLL						
Americas	$ 473	$ 139	$ (1)	$ (236)	$ 48	$ 423
International	505	75	(5)	(202)	54	427
Total CLL	978	214	(6)	(438)	102	850
Energy Financial Services	8	13	-	(2)	2	21
GECAS	17	11	-	(7)	-	21
Other	2	-	(2)	-	-	-
Total Commercial	1,005	238	(8)	(447)	104	892
Real Estate	192	(104)	1	(25)	98	162
Consumer						
Non-U.S. residential mortgages	358	117	1	(81)	16	411
Non-U.S. installment and revolving credit	594	147	(71)	(393)	219	496
U.S. installment and revolving credit	2,823	1,420	18	(1,585)	277	2,953
Non-U.S. auto	56	73	2	(43)	26	114
Other	150	47	(17)	(82)	29	127
Total Consumer	3,981	1,804	(67)	(2,184)	567	4,101
Total	$ 5,178	$ 1,938	$ (74)	$ (2,656)	$ 769	$ 5,155
2013						
Commercial						
CLL						
Americas	$ 496	$ 179	$ (1)	$ (252)	$ 58	$ 480
International	525	185	(6)	(351)	48	401
Total CLL	1,021	364	(7)	(603)	106	881
Energy Financial Services	9	(1)	–	–	–	8
GECAS	8	3	–	–	–	11
Other	3	–	–	(1)	–	2
Total Commercial	1,041	366	(7)	(604)	106	902
Real Estate	320	(19)	(3)	(65)	2	235
Consumer						
Non-U.S. residential mortgages	480	126	(1)	(113)	25	517
Non-U.S. installment and revolving credit	582	228	(30)	(455)	282	607
	2,282	1,660	(50)	(1,464)	286	2,714

U.S. installment and revolving credit						
Non-U.S. auto	67	24	(5)	(62)	38	62
Other	172	82	9	(103)	35	195
Total Consumer	3,583	2,120	(77)	(2,197)	666	4,095
Total	$ 4,944	$ 2,467	$ (87)	$ (2,866)	$ 774	$ 5,232

(a) Other primarily includes the effects of currency exchange and the 2014 reclassification of GEMB-Nordic to held for sale.

(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.

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5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

(In millions)		Balance at January 1, 2014		Acquisitions		Dispositions, currency exchange and other		Balance at June 30, 2014
CLL	$	13,522	$	–	$	10	$	13,532
Consumer		10,277		–		(108)		10,169
Real Estate		742		–		(50)		692
Energy Financial Services		1,507		–		–		1,507
GECAS		147		–		–		147
Total	$	26,195	$	–	$	(148)	$	26,047

Goodwill balances decreased $(148) million during the six months ended June 30, 2014, primarily as a result of a reclassification of goodwill associated with GEMB-Nordic to assets of businesses held for sale, offset primarily by currency exchange effects of a weaker U.S. dollar. Our reporting units and related goodwill balances are CLL ($13,532 million), Consumer ($10,169 million), Real Estate ($692 million), Energy Financial Services ($1,507 million) and GECAS ($147 million) at June 30, 2014.

Intangible Assets Subject to Amortization

	June 30, 2014						December 31, 2013					
(In millions)		Gross carrying amount		Accumulated amortization		Net		Gross carrying amount		Accumulated amortization		Net
Capitalized software	$	2,284	$	(1,753)	$	531	$	2,200	$	(1,707)	$	493
Customer-related		1,357		(838)		519		1,173		(802)		371
Lease valuations		644		(469)		175		703		(498)		205
Present value of future profits (a)		596		(596)		–		574		(574)		–
Patents and technology		88		(82)		6		106		(102)		4
Trademarks		48		(35)		13		49		(36)		13
All other		287		(246)		41		326		(276)		50
Total	$	5,304	$	(4,019)	$	1,285	$	5,131	$	(3,995)	$	1,136

(a) Balances at June 30, 2014 and December 31, 2013 reflect adjustments of $305 million and $322 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 expense related to intangible assets subject to amortization was $102 million and $111 million in the three months ended June 30, 2014 and 2013, respectively, and $199 million and $219 million in the six months ended June 30, 2014 and 2013, respectively, and is recorded in operating and administrative expense on the financial statements.

(19)

6. BORROWINGS AND BANK DEPOSITS

(In millions)		June 30, 2014		December 31, 2013
Short-term borrowings				
Commercial paper				
U.S.	$	21,965	$	24,877
Non-U.S.		3,049		4,168
Current portion of long-term borrowings(a)(b)		38,667		39,215
GE Interest Plus notes(c)		8,147		8,699
Other(b)		447		339
Total short-term borrowings	$	72,275	$	77,298
Long-term borrowings				
Senior unsecured notes(a)(d)	$	180,382	$	186,433
Subordinated notes(e)		4,864		4,821
Subordinated debentures(f)(g)		7,481		7,462
Other(b)		9,639		11,563
Total long-term borrowings	$	202,366	$	210,279
Non-recourse borrowings of consolidated securitization entities(h)	$	30,201	$	30,124
Bank deposits(i)	$	58,140	$	53,361
Total borrowings and bank deposits	$	362,982	$	371,062

(a) Included $473 million and $481 million of obligations to holders of GICs at June 30, 2014 and December 31, 2013, 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 $9,073 million and $9,468 million of funding secured by real estate, aircraft and other collateral at June 30, 2014 and December 31, 2013, respectively, of which $2,587 million and $2,868 million is non-recourse to GECC at June 30, 2014 and December 31, 2013, respectively.

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

(d) Included $700 million of debt at both June 30, 2014 and December 31, 2013 raised by a funding entity related to Penske Truck Leasing Co., L.P. (PTL). GECC, as co-issuer and co-guarantor of the debt, reports this amount as borrowings in its financial statements. GECC has been indemnified by the other limited partners of PTL for their proportionate share of the debt obligation.

(e) Included $300 million of subordinated notes guaranteed by GE at both June 30, 2014 and December 31, 2013.

(f) Subordinated debentures receive rating agency equity credit.

(g) Included $2,968 million of subordinated debentures, which constitute the sole assets of trusts who have issued trust preferred securities and where GECC owns 100% of the common securities of the trusts. Obligations associated with these trusts are unconditionally guaranteed by GECC.

(h) Included $8,519 million and $9,047 million of current portion of long-term borrowings at June 30, 2014 and December 31, 2013, respectively. See Note 12.

(i) Included $13,242 million and $13,614 million of deposits in non-U.S. banks at June 30, 2014 and December 31, 2013, respectively, and $21,058 million and $18,275 million of certificates of deposits with maturities greater than one year at June 30, 2014 and December 31, 2013, respectively.

(20)

7. INCOME TAXES

Unrecognized Tax Benefits

(In millions)	June 30, 2014	December 31, 2013
Unrecognized tax benefits	$ 3,363	$ 3,223
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	2,173	2,346
Accrued interest on unrecognized tax benefits	428	570
Accrued penalties on unrecognized tax benefits	30	97
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months	0-850	0-800
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	0-150	0-250

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

The Internal Revenue Service (IRS) is currently auditing our consolidated U.S. income tax returns for 2010-2011. In addition, certain other U.S. tax deficiency issues and refund claims for previous years are still unresolved. The IRS has disallowed the tax loss on our 2003 disposition of ERC Life Reinsurance Corporation. We have contested the disallowance of this loss. It is reasonably possible that the unresolved items 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.

8. SHAREOWNERS' EQUITY

Accumulated Other Comprehensive Income (Loss)

	Three months ended June 30		Six months ended June 30	
(In millions)	2014	2013	2014	2013
Investment securities				
Beginning balance	$ 793	$ 738	$ 309	$ 673
Other comprehensive income (loss) (OCI) before reclassifications – net of deferred taxes of $221, $(330), $472 and $(364)	322	(605)	796	(661)
Reclassifications from OCI – net of deferred taxes of $(11), $13, $(4) and $107	(23)	3	(13)	125
Other comprehensive income (loss)(a)	299	(602)	783	(536)
Less OCI attributable to noncontrolling interests	-	(2)	-	(1)
Ending balance	$ 1,092	$ 138	$ 1,092	$ 138
Currency translation adjustments				
Beginning balance	$ (773)	$ (119)	$ (687)	$ (131)
OCI before reclassifications – net of deferred taxes of $32, $(120), $105 and $(311)	116	112	30	103
Reclassifications from OCI – net of deferred taxes of $0, $112, $124 and $79	4	(113)	6	(96)
Other comprehensive income (loss)(a)	120	(1)	36	7
Less OCI attributable to noncontrolling interests	3	(18)	5	(22)
Ending balance	$ (656)	$ (102)	$ (656)	$ (102)
Cash flow hedges				
Beginning balance	$ (225)	$ (654)	$ (293)	$ (746)
OCI before reclassifications – net of deferred taxes of $(32), $28, $37 and $84	(156)	252	(27)	155
Reclassifications from OCI – net of deferred taxes of $18, $(14), $14 and $(56)	186	(58)	125	131
Other comprehensive income (loss)(a)	30	194	98	286
Less OCI attributable to noncontrolling interests	-	1	-	1
Ending balance	$ (195)	$ (461)	$ (195)	$ (461)
Benefit plans				
Beginning balance	$ (381)	$ (723)	$ (363)	$ (736)
Net actuarial gain (loss) – net of deferred taxes of $2, $0, $(6) and $18	5	-	(17)	2
Prior service cost amortization - net of deferred taxes of $0, $0, $0 and $0	1	-	1	-
Net actuarial loss amortization – net of deferred taxes of $2, $4, $4 and $7	4	9	8	20
Other comprehensive income (loss)(a)	10	9	(8)	22

Less OCI attributable to noncontrolling interests		-		-		-		-
Ending balance	$	(371)	$	(714)	$	(371)	$	(714)
Accumulated other comprehensive income (loss) at June 30	$	(130)	$	(1,139)	$	(130)	$	(1,139)

(a) Total other comprehensive income (loss) was $459 million and $(400) million in the three months ended June 30, 2014 and 2013, respectively, and $909 million and $(221) million in the six months ended June 30, 2014 and 2013, respectively.

(22)

Reclassification out of AOCI

	Three months ended June 30		Six months ended June 30		Statement of Earnings Caption
(In millions)	2014	2013	2014	2013	
Available-for-sale securities					
Realized gains (losses) on sale/impairment of securities	$ 34	$ (16)	$ 17	$ (232)	Revenues from services
	(11)	13	(4)	107	Benefit (provision) for income taxes
	$ 23	$ (3)	$ 13	$ (125)	Net of tax
Currency translation adjustments					
Gains (losses) on dispositions	$ (4)	$ 1	$ (130)	$ 17	Costs and expenses
	0	112	124	79	Benefit (provision) for income taxes
	$ (4)	$ 113	$ (6)	$ 96	Net of tax
Cash flow hedges					
Gains (losses) on interest rate derivatives	$ (60)	$ (92)	$ (129)	$ (194)	Interest
Foreign exchange contracts	(144)	164	(10)	119	(a)
	(204)	72	(139)	(75)	Total before tax
	18	(14)	14	(56)	Benefit (provision) for income taxes
	$ (186)	$ 58	$ (125)	$ (131)	Net of tax
Benefit plan items					
Amortization of prior service costs	(1)	0	(1)	0	(b)
Amortization of actuarial gains (losses)	(6)	(13)	(12)	(27)	(b)
	$ (7)	$ (13)	$ (13)	$ (27)	Total before tax(b)
	2	4	4	7	Benefit (provision) for income taxes
	$ (5)	$ (9)	$ (9)	$ (20)	Net of tax
Total reclassification adjustments	$ (172)	$ 159	$ (127)	$ (180)	Net of tax

(a) Included $(145) million and $170 million in revenues from services and $13 million and $(6) million in interest in the three months ended June 30, 2014 and 2013, respectively, and $(11) million and $137 million in revenues from services and $1 million and $(18) million in interest in the six months ended June 30, 2014 and 2013, respectively.

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

Noncontrolling Interests

	Three months ended June 30		Six months ended June 30	
(In millions)	2014	2013	2014	2013
Beginning balance	$ 440	$ 587	$ 432	$ 707
Net earnings	10	17	21	28
Dividends	(1)	(25)	(1)	(41)
Dispositions	(92)	–	(92)	(104)
Other (including AOCI)	(7)	(29)	(10)	(40)
Ending balance	$ 350	$ 550	$ 350	$ 550

Other

We paid quarterly dividends of $583 million and $447 million and special dividends of $333 million and $1,500 million to GE in the three months ended June 30, 2014 and 2013, respectively. We paid quarterly dividends of $1,083 million and $447 million and special dividends of $333 million and $1,500 million to GE in the six months ended June 30, 2014 and 2013, respectively.

(23)

9. REVENUES FROM SERVICES

(In millions)	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 30 2014	Six months ended June 30 2013
Interest on loans	$ 4,305	$ 4,421	$ 8,562	$ 8,911
Equipment leased to others	2,436	2,433	5,097	4,962
Fees	1,121	1,161	2,235	2,290
Investment income(a)	613	574	1,169	988
Financing leases	341	389	730	825
Associated companies(b)	300	274	673	446
Premiums earned by insurance activities	380	410	733	806
Real estate investments(c)	357	508	700	1,808
Other items	360	715	802	1,291
Total	$ 10,213	$ 10,885	$ 20,701	$ 22,327

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

(b) Aggregate summarized financial information for significant associated companies assuming a 100% ownership interest is included total assets at June 30, 2014 and December 31, 2013 of $89,249 million and $84,305 million, respectively. Assets were primarily financing receivables of $49,562 million and $46,655 million at June 30, 2014 and December 31, 2013, respectively. Total liabilities were $62,158 million and $59,559 million, consisted primarily of bank deposits of $6,712 million and $5,876 million at June 30, 2014 and December 31, 2013, respectively, and debt of $40,139 million and $39,034 million at June 30, 2014 and December 31, 2013, respectively. Revenues for the three months ended June 30, 2014 and 2013 totaled $3,670 million and $4,503 million, respectively, and net earnings for the three months ended June 30, 2014 and 2013 totaled $599 million and $795 million, respectively. Revenues for the six months ended June 30, 2014 and 2013 totaled $7,214 million and $8,513 million, respectively, and net earnings for the six months ended June 30, 2014 and 2013 totaled $1,035 million and $1,360 million, respectively.

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

10. FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

Our assets and liabilities measured at fair value on a recurring basis include investment securities primarily supporting obligations to annuitants and policyholders in our run-off insurance operations and supporting obligations to holders of GICs in Trinity and investment securities held in our CLL business collateralized by senior secured loans of high-quality, middle-market companies in a variety of industries.

(24)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(In millions)	Level 1(a)	Level 2(a)	Level 3	Netting adjustment(b)	Net balance
June 30, 2014					
Assets					
Investment securities					
Debt					
U.S. corporate	$ –	$ 20,093	$ 3,126	$ –	$ 23,219
State and municipal	–	4,985	560	–	5,545
Residential mortgage-backed	–	1,812	66	–	1,878
Commercial mortgage-backed	–	3,086	12	–	3,098
Asset-backed(c)	–	405	7,277	–	7,682
Corporate non-U.S.	51	702	1,042	–	1,795
Government non-U.S.	1,323	802	1	–	2,126
U.S. government and federal agency	–	498	249	–	747
Retained interests	–	–	73	–	73
Equity					
Available-for-sale	260	15	9	–	284
Trading	51	2	–	–	53
Derivatives(d)	–	6,909	151	(5,938)	1,122
Other(e)	–	–	140	–	140
Total	$ 1,685	$ 39,309	$ 12,706	$ (5,938)	$ 47,762
Liabilities					
Derivatives	$ –	$ 3,352	$ 18	$ (3,108)	$ 262
Other	–	22	–	–	22
Total	$ –	$ 3,374	$ 18	$ (3,108)	$ 284
December 31, 2013					
Assets					
Investment securities					
Debt					
U.S. corporate	$ –	$ 18,788	$ 2,918	$ –	$ 21,706
State and municipal	–	4,193	96	–	4,289
Residential mortgage-backed	–	1,824	86	–	1,910
Commercial mortgage-backed	–	3,025	10	–	3,035
Asset-backed(c)	–	489	6,898	–	7,387
Corporate non-U.S.	61	645	1,052	–	1,758
Government non-U.S.	1,590	789	31	–	2,410
U.S. government and federal agency	–	545	225	–	770
Retained interests	–	–	72	–	72

Equity										
Available-for-sale		225		15		11		–		251
Trading		72		2		–		–		74
Derivatives(d)		–		7,493		170		(6,546)		1,117
Other(e)		–		–		293		–		293
Total	$	1,948	$	37,808	$	11,862	$	(6,546)	$	45,072
Liabilities										
Derivatives	$	–	$	4,893	$	16	$	(4,162)	$	747
Other		–		24		–		–		24
Total	$	–	$	4,917	$	16	$	(4,162)	$	771

(a) There were no securities transferred between Level 1 and Level 2 in the six months ended June 30, 2014.

(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 includes an adjustment for non-performance risk. The cumulative adjustment was a gain (loss) of $18 million and $(7) million at June 30, 2014 and December 31, 2013, respectively. See Note 11 for additional information on the composition of our derivative portfolio.

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

(25)

Level 3 Instruments

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

(In millions)	Balance at April 1	Net realized/ unrealized gains (losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in AOCI	Purchases	Sales	Settlements	Transfers into Level 3(b)	Transfers out of Level 3(b)	Balance at June 30	Net change in unrealized gains (losses) relating to instruments still held at June 30 (c)
2014										
Investment securities										
Debt										
U.S. corporate	$ 3,071	$ 13	$ 57	$ 190	$ (157)	$ (27)	$ 42	$ (63)	$ 3,126	$ –
State and municipal	560	–	4	4	(7)	(1)	–	–	560	–
RMBS	81	1	1	–	(16)	(1)	–	–	66	–
CMBS	11	–	–	–	–	1	–	–	12	–
ABS	6,908	1	1	591	–	(214)	–	(10)	7,277	–
Corporate – non-U.S.	1,060	24	33	216	(64)	(222)	1	(6)	1,042	–
Government – non-U.S.	1	–	–	–	–	–	–	–	1	–
U.S. government and federal agency	232	–	17	–	–	–	–	–	249	–
Retained interests	75	1	2	–	–	(5)	–	–	73	–
Equity										
Available-for-sale	11	–	–	2	(2)	(2)	–	–	9	–
Derivatives(d)(e)	149	(4)	–	(1)	–	–	–	–	144	(4)
Other	99	1	–	154	–	(112)	–	(2)	140	–
Total	$ 12,258	$ 37	$ 115	$ 1,156	$ (246)	$ (583)	$ 43	$ (81)	$ 12,699	$ (4)
2013										
Investment securities										
Debt										
U.S. corporate	$ 3,542	7	$ (4)	$ 33	$ (341)	$ (45)	$ 15	$ -	$ 3,207	$ -
State and municipal	90	-	(4)	12	-	-	-	-	98	-

RMBS	96	-	1	-	(2)	(4)	-	-	91	-
CMBS	6	-	-	-	-	(1)	-	-	5	-
ABS	4,916	1	(66)	766	(1)	(263)	-	(7)	5,346	-
Corporate – non-U.S.	1,336	(91)	7	1,985	-	(2,009)	-	(44)	1,184	-
Government – non-U.S.	41	-	(3)	-	-	-	-	-	38	-
U.S. government and federal agency	264	-	-	-	-	-	-	-	264	-
Retained interests	91	2	6	2	-	(8)	-	-	93	-
Equity										
Available-for-sale	11	-	-	-	-	-	-	-	11	-
Derivatives(d)(e)	170	(25)	1	(1)	-	(1)	26	-	170	(27)
Other	409	(100)	4	126	(1)	-	-	-	438	(92)
Total	$ 10,972	$ (206)	$ (58)	$ 2,923	$ (345)	$ (2,331)	$ 41	$ (51)	$ 10,945	$ (119)

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

(b) Transfers in and out of Level 3 are considered to occur at the beginning of the period. Transfers out of Level 3 were primarily 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 $11 million and $6 million not reflected in the fair value hierarchy table in the three months ended June 30, 2014 and 2013, respectively.

(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 Six Months Ended

(In millions)	Balance at January 1	Net realized/ unrealized gains (losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in AOCI	Purchases	Sales	Settlements	Transfers into Level 3(b)	Transfers out of Level 3(b)	Bal Jun
2014									
Investment securities									
Debt									
U.S. corporate	$ 2,918	$ 21	$ 120	$ 343	$ (159)	$ (139)	$ 138	$ (116)	$ 3,
State and municipal	96	-	31	13	(7)	(8)	435	-	
RMBS	86	1	-	-	(16)	(5)	-	-	
CMBS	10	-	-	-	-	-	2	-	
ABS	6,898	2	(26)	996	-	(583)	-	(10)	7,
Corporate – non-U.S.	1,052	3	79	436	(66)	(457)	1	(6)	1,
Government – non-U.S.	31	-	-	-	-	-	-	(30)	
U.S. government and federal agency	225	-	26	-	-	-	-	(2)	
Retained interests	72	3	5	1	-	(8)	-	-	
Equity									
Available-for-sale	11	-	-	2	(2)	(2)	-	-	
Derivatives(d)(e)	163	(15)	-	(2)	-	(1)	(1)	-	
Other	293	3	-	237	-	(112)	-	(281)	
Total	$ 11,855	$ 18	$ 235	$ 2,026	$ (250)	$ (1,315)	$ 575	$ (445)	$ 12,
2013									
Investment securities									
Debt									
U.S. corporate	$ 3,552	$ (251)	$ 214	$ 94	$ (347)	$ (90)	$ 108	$ (73)	$ 3,
State and municipal	77	-	(4)	16	-	(1)	10	-	
RMBS	100	-	(2)	-	(2)	(5)	-	-	
CMBS	6	-	-	-	-	(1)	-	-	
ABS	5,023	2	(68)	910	(1)	(525)	12	(7)	5,
Corporate – non-U.S.	1,212	(83)	20	2,809	(3)	(2,742)	15	(44)	1,
Government – non-U.S.	42	-	(4)	-	-	-	-	-	
U.S. government and federal agency	277	-	(13)	-	-	-	-	-	

Retained interests	83	5	16	2	-	(13)	-	-	
Equity									
Available-for-sale	13	-	-	-	-	-	-	(2)	
Derivatives(d)(e)	262	(63)	1	(2)	-	(54)	26	-	
Other	432	(102)	4	159	(55)	-	-	-	
Total	$ 11,079	$ (492)	$ 164	$ 3,988	$ (408)	$ (3,431)	$ 171	$ (126)	$ 10,

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

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

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

(d) Represents derivative assets net of derivative liabilities and included cash accruals of $11 million and $6 million not reflected in the fair value hierarchy table for the six months ended June 30, 2014 and 2013, respectively.

(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 June 30, 2014 and December 31, 2013.

	Remeasured during the six months ended June 30, 2014				Remeasured during the year ended December 31, 2013			
(In millions)		Level 2		Level 3		Level 2		Level 3
Financing receivables and loans held for sale	$	89	$	2,007	$	210	$	2,986
Cost and equity method investments		296		428		–		649
Long-lived assets, including real estate		361		225		2,050		1,085
Total	$	746	$	2,660	$	2,260	$	4,720

The following table represents the fair value adjustments to assets measured at fair value on a non-recurring basis and still held at June 30, 2014 and 2013.

	Three months ended June 30				Six months ended June 30			
(In millions)		2014		2013		2014		2013
Financing receivables and loans held for sale	$	(119)	$	(102)	$	(196)	$	(212)
Cost and equity method investments		(59)		(157)		(247)		(220)
Long-lived assets, including real estate		(134)		(253)		(178)		(593)
Total	$	(312)	$	(512)	$	(621)	$	(1,025)

(28)

Level 3 Measurements – Significant Unobservable Inputs

(Dollars in millions)	Fair value	Valuation technique	Unobservable inputs	Range (weighted average)
June 30, 2014				
Recurring fair value measurements				
Investment securities - Debt				
U.S. corporate	$ 968	Income approach	Discount rate(a)	1.4%-10.0% (6.4%)
State and municipal	466	Income approach	Discount rate(a)	1.8%-5.4% (3.3%)
Asset-backed	7,250	Income approach	Discount rate(a)	1.3%-9.5% (4.0%)
Corporate non-U.S.	605	Income approach	Discount rate(a)	0.8%-15.7% (8.5%)
Other financial assets	140	Income approach	Discount rate(a)	4.3%-4.8% (4.5%)
Non-recurring fair value measurements				
Financing receivables and loans held for sale	$ 909	Income approach, Business enterprise value	Capitalization rate(b) EBITDA multiple	2.7%-11.3% (7.0%) 4.3X-6.5X (6.0X)
Cost and equity method investments	154	Income approach, Business enterprise value, Market comparables	Discount rate(a) EBITDA multiple	8.0%-10.0% (8.5%) 1.8X-9.4X (7.6X)
Long-lived assets, including real estate	69	Income approach	Capitalization rate(b) Discount rate(a)	5.0%-15.3% (7.3%) 4.0%-19.0% (8.9%)
December 31, 2013				
Recurring fair value measurements				
Investment securities - Debt				

U.S. corporate	$	898	Income approach	Discount rate(a)	1.5%-13.3% (6.5%)
Asset-backed		6,854	Income approach	Discount rate(a)	1.2%-10.5% (3.7%)
Corporate non-U.S.		819	Income approach	Discount rate(a)	1.4%-46.0% (15.1%)
Other financial assets		288	Income approach, Market comparables	WACC(c)	9.3%-9.3% (9.3%)
				Discount rate(a)	5.2%-5.3% (5.3%)
				EBITDA multiple	8.3X-12.5X (10.6X)
Non-recurring fair value measurements					
Financing receivables and loans held for sale	$	1,937	Income approach, Business enterprise value	Capitalization rate(b)	5.5%-16.7% (8.0%)
				EBITDA multiple	4.3X-5.5X (4.8X)
				Discount rate(a)	6.6%-6.6% (6.6%)
Cost and equity method investments		100	Income approach, Market comparables	Discount rate(a)	5.7%-5.9% (5.8%)
				Capitalization rate(b)	8.5%-10.6% (10.0%)
				WACC(c)	9.3%-9.6% (9.4%)
				EBITDA multiple	7.1X-14.5X (11.3X)
				Revenue multiple	9.3X-12.6X (10.9X)
Long-lived assets, including real estate		691	Income approach	Capitalization rate(b)	5.4%-14.5% (7.8%)
				Discount rate(a)	4.0%-23.0% (8.8%)

(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 that 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.

(c) Weighted average cost of capital (WACC).

At June 30, 2014 and December 31, 2013, other Level 3 recurring fair value measurements of $3,110 million and $2,813 million, respectively, and non-recurring measurements of $1,239 million and $1,426 million, respectively, are valued using non-binding broker quotes or other third-party sources. At June 30, 2014 and December 31, 2013, other recurring fair value measurements of $149 million and $173 million, respectively, and non-recurring fair value measurements of $289 million and $566 million, respectively, were individually insignificant and utilize a number of different unobservable inputs not subject to meaningful aggregation.

(29)

11. FINANCIAL INSTRUMENTS

The following table provides information about assets and liabilities not carried at fair value. The table excludes finance leases and non-financial assets and liabilities. Substantially all of the assets discussed below are considered to be Level 3. The vast majority of our liabilities' fair value can be determined based on significant observable inputs and thus considered Level 2. 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.

	June 30, 2014			December 31, 2013		
		Assets (liabilities)			Assets (liabilities)	
(In millions)	Notional amount	Carrying amount (net)	Estimated fair value	Notional amount	Carrying amount (net)	Estimated fair value
Assets						
Loans	$ (a)	$ 215,972	$ 220,614	$ (a)	$ 226,293	$ 230,792
Other commercial mortgages	(a)	1,967	1,997	(a)	2,270	2,281
Loans held for sale	(a)	1,998	2,136	(a)	512	512
Other financial instruments(c)	(a)	1,239	1,853	(a)	1,622	2,203
Liabilities						
Borrowings and bank deposits(b)(d)	(a)	(362,982)	(380,147)	(a)	(371,062)	(386,823)
Investment contract benefits	(a)	(3,097)	(3,665)	(a)	(3,144)	(3,644)
Guaranteed investment contracts	(a)	(1,424)	(1,424)	(a)	(1,471)	(1,459)
Insurance - credit life(e)	2,227	(110)	(96)	2,149	(108)	(94)

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

(b) See Note 6.

(c) Principally comprises cost method investments.

(d) Fair values exclude interest rate and currency derivatives designated as hedges of borrowings. Had they been included, the fair value of borrowings at June 30, 2014 and December 31, 2013 would have been reduced by $4,057 million and $2,284 million, respectively.

(e) Net of reinsurance of $1,250 million at both June 30, 2014 and December 31, 2013.

Notional Amounts of Loan Commitments

(In millions)	June 30, 2014	December 31, 2013

Ordinary course of business lending commitments(a)	$ 4,258	$ 4,756
Unused revolving credit lines(b)		
Commercial(c)	13,934	16,570
Consumer - principally credit cards	301,290	290,662

(a) Excluded investment commitments of $1,293 million and $1,395 million at June 30, 2014 and December 31, 2013, respectively.

(b) Excluded amounts related to inventory financing arrangements, which may be withdrawn at our option, of $15,094 million and $13,502 million at June 30, 2014 and December 31, 2013, respectively.

(c) Included amounts related to commitments of $10,113 million and $11,629 million at June 30, 2014 and December 31, 2013, respectively, associated with secured financing arrangements that could have increased to a maximum of $12,772 million and $14,590 million at June 30, 2014 and December 31, 2013, 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 June 30, 2014, we were party to repurchase agreements totaling $108 million, which were reported in short-term borrowings on the financial statements. We have had no repurchase agreements that 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 June 30, 2014, we were party to reverse repurchase agreements totaling $15.4 billion, which were reported 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 within pre-defined limits. 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 $317,000 million, approximately 97% or $307,000 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.

Fair Value of Derivatives

	June 30, 2014 Fair value		December 31, 2013 Fair value	
(In millions)	Assets	Liabilities	Assets	Liabilities
Derivatives accounted for as hedges				
Interest rate contracts	$ 4,548	$ 969	$ 3,837	$ 1,989
Currency exchange contracts	1,385	679	1,746	958
Other contracts	-	-	-	-
	5,933	1,648	5,583	2,947
Derivatives not accounted for as hedges				
Interest rate contracts	295	201	270	175
Currency exchange contracts	813	1,498	1,753	1,765
Other contracts	19	23	57	22
	1,127	1,722	2,080	1,962
Gross derivatives recognized in statement of financial position				
Gross derivatives	7,060	3,370	7,663	4,909
Gross accrued interest	1,236	150	1,227	241
	8,296	3,520	8,890	5,150
Amounts offset in statement of financial position				
Netting adjustments(a)	(2,753)	(2,771)	(3,927)	(3,920)
Cash collateral(b)	(3,185)	(337)	(2,619)	(242)
	(5,938)	(3,108)	(6,546)	(4,162)
Net derivatives recognized in statement of financial position				
Net derivatives	2,358	412	2,344	988
Amounts not offset in statement of financial position				
Securities held as collateral(c)	(1,810)	-	(1,838)	-
Net amount	$ 548	$ 412	$ 506	$ 988

Derivatives are classified in other assets and other liabilities and the related accrued interest is classified in other receivables and other liabilities in our financial statements.

(a) The netting of derivative receivables and payables is permitted when a legally enforceable master netting agreement exists. Amounts include fair value adjustments related to our own and counterparty non-performance risk. At June 30, 2014 and December 31, 2013, the cumulative adjustment for non-performance risk was a gain (loss) of $18 million and $(7) million, respectively.

(b) Excluded excess cash collateral received and posted of $50 million and $29 million, and $160 million and $37 million at June 30, 2014 and December 31, 2013, respectively.

(c) Excluded excess securities collateral received of $50 million and $286 million at June 30, 2014 and December 31, 2013, respectively.

Fair value hedges

We use interest rate and currency exchange derivatives to hedge the fair value effects of interest rate and currency exchange rate changes on local and non-functional currency denominated fixed-rate debt. For relationships designated as fair value hedges, changes in fair value of the derivatives are recorded in earnings within interest along with offsetting adjustments to the carrying amount of the hedged debt.

(32)

Earnings Effects of Fair Value Hedging Relationships

	Three months ended June 30			
	2014		2013	
(In millions)	Gain (loss) on hedging derivatives	Gain (loss) on hedged items	Gain (loss) on hedging derivatives	Gain (loss) on hedged items
Interest rate contracts	$ 725	$ (774)	$ (2,932)	$ 2,945
Currency exchange contracts	(5)	5	2	(1)

Fair value hedges resulted in $(49) million and $14 million of ineffectiveness in the three months ended June 30, 2014 and 2013, respectively. In both the three months ended June 30, 2014 and 2013, there were insignificant amounts excluded from the assessment of effectiveness.

	Six months ended June 30			
	2014		2013	
(In millions)	Gain (loss) on hedging derivatives	Gain (loss) on hedged items	Gain (loss) on hedging derivatives	Gain (loss) on hedged items
Interest rate contracts	$ 1,715	$ (1,779)	$ (3,841)	$ 3,826
Currency exchange contracts	(3)	2	(7)	7

Fair value hedges resulted in $(65) million and $(15) million of ineffectiveness in the six months ended June 30, 2014 and 2013, respectively. In both the six months ended June 30, 2014 and 2013, there were insignificant amounts excluded from the assessment of effectiveness.

Cash flow hedges

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

Gains (Losses) Recognized through AOCI

	Gain (loss) recognized in AOCI	Gain (loss) reclassified from AOCI into earnings

(In millions)	for the three months ended June 30 2014	2013	for the three months ended June 30 2014	2013
Interest rate contracts	$ (12)	$ 20	$ (60)	$ (92)
Currency exchange contracts	(148)	272	(144)	164
Total(a)	$ (160)	$ 292	$ (204)	$ 72

(a) Gain (loss) is recorded in revenues from services and interest when reclassified to earnings.

(33)

	Gain (loss) recognized in AOCI for the six months ended June 30		Gain (loss) reclassified from AOCI into earnings for the six months ended June 30	
(In millions)	2014	2013	2014	2013
Interest rate contracts	$ (9)	$ 9	$ (129)	$ (194)
Currency exchange contracts	35	238	(10)	119
Total(a)	$ 26	$ 247	$ (139)	$ (75)

(a) Gain (loss) is recorded in revenues from services and interest when reclassified to earnings.

The total pre-tax amount in AOCI related to cash flow hedges of forecasted transactions was a $142 million loss at June 30, 2014. We expect to transfer $173 million to earnings as an expense in the next 12 months contemporaneously with the earnings effects of the related forecasted transactions. In both the six months ended June 30, 2014 and 2013, we recognized insignificant gains and losses related to hedged forecasted transactions and firm commitments that did not occur by the end of the originally specified period. At June 30, 2014 and 2013, the maximum term of derivative instruments that hedge forecasted transactions was 18 years and 19 years, respectively. See Note 8 for additional information about reclassifications out of AOCI.

For cash flow hedges, the amount of ineffectiveness in the hedging relationship and amount of the changes in fair value of the derivatives that are not included in the measurement of ineffectiveness were insignificant for each reporting period.

Net investment hedges in foreign operations

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

Gains (Losses) Recognized through CTA

	Gain (loss) recognized in CTA for the three months ended June 30		Gain (loss) reclassified from CTA for the three months ended June 30	
(In millions)	2014	2013	2014	2013
Currency exchange contracts(a)	$ 435	$ 412	$ –	$ 15

(a) Gain (loss) is recorded in revenues from services when reclassified out of AOCI.

	Gain (loss) recognized in CTA for the six months ended June 30		Gain (loss) reclassified from CTA for the six months ended June 30	

(In millions)	2014	2013	2014	2013
Currency exchange contracts(a)	$ (598)	$ 2,517	$ 10	$ (109)

(a) Gain (loss) is recorded in revenues from services when reclassified out of AOCI.

The amounts related to the change in the fair value of the forward points that are excluded from the measure of effectiveness were $(169) million and $(187) million in the three months ended June 30, 2014 and 2013, respectively, and $(311) million and $(353) million in the six months ended June 30, 2014 and 2013, respectively, and were recorded in interest.

(34)

Free-standing derivatives

Changes in the fair value of derivatives that are not designated as hedges are recorded in earnings each period. As discussed above, these derivatives are typically entered into as economic hedges of changes in interest rates, currency exchange rates, commodity prices and other risks. Gains or losses related to the derivative are typically recorded in revenues from services, based on our accounting policy. In general, the earnings effects of the item that represent the economic risk exposure are recorded in the same caption as the derivative. Gains (losses) for the six months ended June 30, 2014 on derivatives not designated as hedges were $668 million composed of amounts related to interest rate contracts of $(3) million, currency exchange contracts of $682 million, and other derivatives of $(11) million. These gains were more than offset by the earnings effects from the underlying items that were economically hedged. Gains (losses) for the six months ended June 30, 2013 on derivatives not designated as hedges were $(1,052) million composed of amounts related to interest rate contracts of $(79) million, currency exchange contracts of $(997) million, and other derivatives of $24 million. These losses were more than offset by the earnings effects from the underlying items that were economically hedged.

Counterparty credit risk

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

As discussed above, we have provisions in certain of our master agreements that require counterparties to post collateral (typically, cash or U.S. Treasury securities) when our receivable due from the counterparty, measured at current market value, exceeds a specified limit. The fair value of such collateral was $4,995 million at June 30, 2014, of which $3,185 million was cash and $1,810 million was in the form of securities held by a custodian for our benefit. Under certain of these same agreements, we post collateral to our counterparties for our derivative obligations, the fair value of which was $337 million at June 30, 2014. At June 30, 2014, our exposure to counterparties (including accrued interest), net of collateral we hold, was $535 million. This excludes exposure related to embedded derivatives.

Additionally, our master agreements typically contain mutual downgrade provisions that provide the ability of each party to require termination if the long-term credit rating of the counterparty were to fall below A-/A3. In certain of these master agreements, each party also has the ability to require termination if the short-term rating of the counterparty were to fall below A-1/P-1. Our master agreements also typically contain provisions that provide termination rights upon the occurrence of certain other events, such as a bankruptcy or events of default by one of the parties. If an agreement was terminated under any of these circumstances, the termination amount payable would be determined on a net basis and could also take into account any collateral posted. The net amount of our derivative liability, after consideration of collateral posted by us and outstanding interest payments was $392 million at June 30, 2014. This excludes embedded derivatives.

12. VARIABLE INTEREST ENTITIES

We use variable interest entities primarily to securitize financial assets and arrange other forms of asset-backed financing in the ordinary course of business. Except as noted below, investors in these entities only have recourse to the assets owned by the entity and not to our general credit. We do not have implicit support arrangements with any VIE. We did not provide non-contractual support for previously transferred financing receivables to any VIE in 2014 or 2013.

Consolidated Variable Interest Entities

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

- Trinity comprises two consolidated entities that hold investment securities, the majority of which are investment-grade, and were funded by the issuance of GICs. The GICs include conditions under which certain holders could require immediate repayment of their investment should the long-term credit ratings of GECC fall below AA-/Aa3 or the short-term credit ratings fall below A-1+/P-1. The outstanding GICs are 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, and are reported in investment contracts, insurance liabilities and insurance annuity benefits.

- Consolidated Securitization Entities (CSEs) were created to facilitate securitization of financial assets and other forms of asset-backed financing that serve as an alternative funding source by providing access to variable funding notes and term markets. The securitization transactions executed with these entities are similar to those used by many financial institutions and substantially all are non-recourse. We provide servicing for substantially all of the assets in these entities.

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

- Other remaining assets and liabilities of consolidated VIEs relate primarily to three categories of entities: (1) joint ventures that lease equipment with $1,604 million of assets and $707 million of liabilities; (2) other entities that are involved in power generating and leasing activities with $711 million of assets and no liabilities; and (3) insurance entities that, among other lines of business, provide property and casualty and workers' compensation coverage for GE with $1,234 million of assets and $575 million of liabilities.

(36)

Assets and Liabilities of Consolidated VIEs

		Consolidated Securitization Entities				
(In millions)	Trinity(a)	Credit cards(b)	Equipment(b)	Trade receivables	Other	Total
June 30, 2014						
Assets(c)						
Financing receivables, net	$ -	$ 25,334	$ 13,084	$ 2,726	$ 2,732	$ 43,876
Investment securities	2,685	-	-	-	1,037	3,722
Other assets	15	732 (d)	669	2	1,748	3,166
Total	$ 2,700	$ 26,066	$ 13,753	$ 2,728	$ 5,517	$ 50,764
Liabilities(c)						
Borrowings	$ -	$ -	$ -	$ -	$ 563	$ 563
Non-recourse borrowings	-	15,114	10,911	2,178	448	28,651
Other liabilities	1,446	338	393	32	1,292	3,501
Total	$ 1,446	$ 15,452	$ 11,304	$ 2,210	$ 2,303	$ 32,715
December 31, 2013						
Assets(c)						
Financing receivables, net	$ -	$ 24,766	$ 12,928	$ 2,509	$ 2,044	$ 42,247
Investment securities	2,786	-	-	-	1,044	3,830
Other assets	213	20	557	1	1,563	2,354
Total	$ 2,999	$ 24,786	$ 13,485	$ 2,510	$ 4,651	$ 48,431
Liabilities(c)						
Borrowings	$ -	$ -	$ -	$ -	$ 597	$ 597
Non-recourse borrowings	-	15,363	10,982	2,180	49	28,574
Other liabilities	1,482	228	248	25	1,235	3,218
Total	$ 1,482	$ 15,591	$ 11,230	$ 2,205	$ 1,881	$ 32,389

(a) Excluded intercompany advances from GECC to Trinity, which were eliminated in consolidation of $1,490 million and $1,837 million at June 30, 2014 and December 31, 2013, respectively.

(b) We provide servicing to the CSEs and are contractually permitted to commingle cash collected from customers on financing receivables sold to CSE investors with our own cash prior to payment to a CSE, provided our short-term credit rating does not fall below A-1/P-1. These CSEs also owe us amounts for purchased financial assets and scheduled interest and principal payments. At June 30, 2014 and December 31, 2013, the amounts of commingled cash owed to the CSEs were $3,074 million and $6,314 million, respectively, and the amounts owed to us by CSEs were $3,121 million and $5,540 million, respectively.

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

(d) Receivables required to be classified as held-for-sale following third-party notice to terminate a private label credit card program and purchase the program receivables.

Revenues from services from our consolidated VIEs were $1,660 million and $1,669 million in the three months ended June 30, 2014 and 2013, respectively, and $3,293 million and $3,372 million in the six months ended June 30, 2014 and 2013, respectively. Related expenses consisted primarily of provisions for losses of $267 million and $175 million in the three months ended June 30, 2014 and 2013, respectively, and $568 million and $589 million in the six months ended June 30, 2014 and 2013, respectively, and interest of $88 million and $95 million in the three months ended June 30, 2014 and 2013, respectively, and $168 million and $184 million in the six months ended June 30, 2014 and 2013, respectively. These amounts do not include intercompany revenues and costs, principally fees and interest between GECC and the VIEs, which are eliminated in consolidation.

Investments in Unconsolidated Variable Interest Entities

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

Our largest exposure to any single unconsolidated VIE at June 30, 2014 is a $8,018 million investment in asset-backed securities issued by the Senior Secured Loan Program ("SSLP"), a fund that invests in high-quality senior secured debt of various middle-market companies. Other significant unconsolidated VIEs include investments in real estate entities ($2,124 million), which generally consist of passive limited partnership investments in tax-advantaged, multi-family real estate and investments in various European real estate entities; and exposures to joint ventures that purchase factored receivables ($2,387 million).

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

Investments in Unconsolidated VIEs

(In millions)		June 30, 2014		December 31, 2013
Other assets and investment securities	$	9,463	$	9,089
Financing receivables – net		3,054		3,344
Total investments		12,517		12,433
Contractual obligations to fund investments or guarantees		2,658		2,731
Revolving lines of credit		32		31
Total	$	15,207	$	15,195

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

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

Credit Quality Indicators

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

Past Due and Nonaccrual Financing Receivables

	June 30, 2014			December 31, 2013		
(In millions)	Over 30 days past due	Over 90 days past due	Nonaccrual	Over 30 days past due	Over 90 days past due	Nonaccrual
Commercial						
CLL						
Americas	$ 651	$ 379	$ 1,306	$ 755	$ 359	$ 1,275
International	1,549	931	1,224	1,490	820	1,459
Total CLL	2,200	1,310	2,530	2,245	1,179	2,734
Energy Financial Services	-	-	76	-	-	4
GECAS	1	-	153	-	-	-
Other	-	-	-	-	-	6
Total Commercial	2,201	1,310	2,759 (a)	2,245	1,179	2,744 (a)
Real Estate	295	224	1,948 (b)	247	212	2,551 (b)
Consumer						
Non-U.S. residential mortgages	3,304	2,032	2,082	3,406	2,104	2,161
Non-U.S. installment and revolving credit	391	109	51	512	146	88
U.S. installment and revolving credit	2,055	894	1	2,442	1,105	2
Non-U.S. auto	85	12	16	89	13	18
Other	147	76	269	172	99	351
Total Consumer	5,982	3,123 (c)	2,419 (d)	6,621	3,467 (c)	2,620 (d)
Total	$ 8,478	$ 4,657	$ 7,126	$ 9,113	$ 4,858	$ 7,915

Total as a percent of financing receivables	3.4 %	1.9 %	2.9 %	3.5 %	1.9 %	3.1 %

(a) Included $1,476 million and $1,397 million at June 30, 2014 and December 31, 2013, respectively, that are currently paying in accordance with their contractual terms.

(b) Included $1,654 million and $2,308 million at June 30, 2014 and December 31, 2013, respectively, that are currently paying in accordance with their contractual terms.

(c) Included $991 million and $ 1,197 million of Consumer loans at June 30, 2014 and December 31, 2013, respectively, that are over 90 days past due and continue to accrue interest until the accounts are written off in the period that the account becomes 180 days past due.

(d) Included $244 million and $324 million at June 30, 2014 and December 31, 2013, respectively, that are currently paying in accordance with their contractual terms.

(39)

Impaired Loans and Related Reserves

	With no specific allowance			With a specific allowance			
(In millions)	Recorded investment in loans	Unpaid principal balance	Average investment in loans	Recorded investment in loans	Unpaid principal balance	Associated allowance	Average investment in loans
June 30, 2014							
Commercial							
CLL							
Americas	$ 1,806	$ 2,302	$ 1,756	$ 238	$ 336	$ 50	$ 304
International(a)	1,174	3,136	1,164	428	747	155	574
Total CLL	2,980	5,438	2,920	666	1,083	205	878
Energy Financial Services	1	1	6	76	76	15	35
GECAS	48	48	16	10	10	3	25
Other	-	-	1	-	-	-	1
Total Commercial(b)	3,029	5,487	2,943	752	1,169	223	939
Real Estate(c)	2,337	2,668	2,626	654	803	38	879
Consumer(d)	88	136	109	2,607	2,744	514	2,774
Total	$ 5,454	$ 8,291	$ 5,678	$ 4,013	$ 4,716	$ 775	$ 4,592