GENERAL ELECTRIC CAPITAL CORP
Form 10-Q
November 04, 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 September 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	13-1500700
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
901 Main Avenue, Norwalk, CT	06851-1168
(Address of principal executive offices)	(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 September 30, 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," "would," or "target." Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about expected income; revenues; net interest margin; cost structure; restructuring charges; cash flows; assets; return on capital or assets; capital structure, including Tier 1 common ratio; and dividends. 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 interest and exchange rate volatility, commodity and equity prices and the value of financial assets; the impact of conditions in the financial and credit markets on the availability and cost of our funding, our exposure to counterparties and our ability to reduce 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 and customers GE serves; the effectiveness of our risk management framework; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation; adverse market conditions, timing of and ability to obtain required bank regulatory approvals, or other factors relating to GE or Synchrony Financial that could prevent GE from completing the Synchrony split-off as planned; our success in completing announced transactions, including the sale of GE Money Bank AB (Nordics); our success in integrating acquired businesses and operating joint ventures; the impact of potential information technology or data security breaches; and the other factors that are described in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013. 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.
(3)

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	Three months ended September 30		Nine months ended September 30	
(In millions)	2014	2013	2014	2013
Revenues				
Revenues from services(a)	$ 10,428	$ 10,629	$ 31,172	$ 33,367
Other-than-temporary impairment on investment securities:				
Total other-than-temporary impairment on investment securities	(5)	(62)	(52)	(503)
Less other-than-temporary impairment recognized in accumulated other comprehensive income	-	6	4	36
Net other-than-temporary impairment on investment securities recognized in earnings	(5)	(56)	(48)	(467)
Revenues from services (Note 9)	10,423	10,573	31,124	32,900
Sales of goods	28	33	89	90
Total revenues	10,451	10,606	31,213	32,990
Costs and expenses				
Interest	2,093	2,224	6,325	6,994
Operating and administrative	3,188	2,968	9,373	9,262
Cost of goods sold	25	29	81	75
Investment contracts, insurance losses and insurance annuity benefits	700	714	2,041	2,131
Provision for losses on financing receivables	957	789	2,895	3,256
Depreciation and amortization	1,894	1,966	5,104	5,369
Total costs and expenses	8,857	8,690	25,819	27,087
Earnings from continuing operations before income taxes	1,594	1,916	5,394	5,903
Benefit (provision) for income taxes	(47)	(3)	(29)	(100)
Earnings from continuing operations	1,547	1,913	5,365	5,803
Earnings (loss) from discontinued operations, net of taxes (Note 2)	57	(91)	33	(334)
Net earnings	1,604	1,822	5,398	5,469
Less net earnings (loss) attributable to noncontrolling interests	55	10	76	38
Net earnings attributable to GECC	1,549	1,812	5,322	5,431
Preferred stock dividends declared	-	-	(161)	(135)
Net earnings attributable to GECC common shareowner	$ 1,549	$ 1,812	$ 5,161	$ 5,296
Amounts attributable to GECC common shareowner:				
Earnings from continuing operations	$ 1,547	$ 1,913	$ 5,365	$ 5,803
Less net earnings (loss) attributable to noncontrolling interests	55	10	76	38
Earnings from continuing operations attributable to GECC	1,492	1,903	5,289	5,765

Preferred stock dividends declared	-	-	(161)	(135)
Earnings from continuing operations attributable to GECC common shareowner	1,492	1,903	5,128	5,630
Earnings (loss) from discontinued operations, net of taxes	57	(91)	33	(334)
Net earnings attributable to GECC common shareowner	$ 1,549	$ 1,812	$ 5,161	$ 5,296

(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 September 30 2014	2013	Nine months ended September 30 2014	2013
Net earnings	$ 1,604	$ 1,822	$ 5,398	$ 5,469
Less net earnings (loss) attributable to noncontrolling interests	55	10	76	38
Net earnings attributable to GECC	$ 1,549	$ 1,812	$ 5,322	$ 5,431
Other comprehensive income (loss)				
Investment securities	$ (260)	$ 159	$ 523	$ (377)
Currency translation adjustments	(546)	(122)	(510)	(115)
Cash flow hedges	90	63	188	349
Benefit plans	11	8	3	30
Other comprehensive income (loss)	(705)	108	204	(113)
Less other comprehensive income (loss) attributable to noncontrolling interests	(4)	12	1	(10)
Other comprehensive income (loss) attributable to GECC	$ (701)	$ 96	$ 203	$ (103)
Comprehensive income	$ 899	$ 1,930	$ 5,602	$ 5,356
Less comprehensive income (loss) attributable to noncontrolling interests	51	22	77	28
Comprehensive income attributable to GECC	$ 848	$ 1,908	$ 5,525	$ 5,328

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

See accompanying notes.

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

(In millions)	Nine months ended September 30 2014	2013
GECC shareowners' equity balance at January 1,	$ 82,694	$ 81,890
Increases from net earnings attributable to GECC	5,322	5,431
Dividends and other transactions with shareowners	(2,382)	(4,082)
Other comprehensive income (loss) attributable to GECC	203	(103)
Changes in additional paid-in capital	436	978
Ending balance at September 30	86,273	84,114
Noncontrolling interests	2,804	539

Total equity balance at September 30	$ 89,077	$ 84,653

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

See accompanying notes.
(5)

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

(In millions, except share information)	September 30, 2014 (Unaudited)	December 31, 2013
Assets		
Cash and equivalents	$ 79,863	$ 74,873
Investment securities (Note 3)	46,701	43,662
Inventories	57	68
Financing receivables – net (Notes 4 and 13)	237,405	253,029
Other receivables	15,273	16,513
Property, plant and equipment, less accumulated amortization of $27,236 and $26,960	49,135	51,607
Goodwill (Note 5)	25,666	26,195
Other intangible assets – net (Note 5)	1,195	1,136
Other assets	47,140	47,366
Assets of businesses held for sale (Note 2)	3,158	50
Assets of discontinued operations (Note 2)	1,321	2,330
Total assets(a)	$ 506,914	$ 516,829
Liabilities and equity		
Short-term borrowings (Note 6)	$ 68,676	$ 77,298
Accounts payable	7,182	6,549
Non-recourse borrowings of consolidated securitization entities (Note 6)	30,231	30,124
Bank deposits (Note 6)	60,815	53,361
Long-term borrowings (Note 6)	198,735	210,279
Investment contracts, insurance liabilities and insurance annuity benefits	27,991	26,979
Other liabilities	16,593	20,531
Deferred income taxes	5,696	4,786
Liabilities of businesses held for sale (Note 2)	914	6
Liabilities of discontinued operations (Note 2)	1,004	3,790
Total liabilities(a)	417,837	433,703
Preferred stock, $0.01 par value (750,000 shares authorized at both September 30, 2014 and December 31, 2013, and 50,000 shares issued and outstanding at both September 30, 2014 and December 31, 2013)	-	-
Common stock, $14 par value (4,166,000 shares authorized at both September 30, 2014 and December 31, 2013 and 1,000 shares issued and outstanding at both September 30, 2014 and December 31, 2013)	-	-
Accumulated other comprehensive income (loss) – net(b)		
Investment securities	830	309
Currency translation adjustments	(1,196)	(687)
Cash flow hedges	(105)	(293)
Benefit plans	(360)	(363)
Additional paid-in capital	32,999	32,563
Retained earnings	54,105	51,165
Total GECC shareowners' equity	86,273	82,694
Noncontrolling interests(c)(Note 8)	2,804	432

Total equity	89,077	83,126
Total liabilities and equity	$ 506,914	$ 516,829

(a) Our consolidated assets at September 30, 2014 included total assets of $49,661 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 $42,799 million and investment securities of $3,500 million. Our consolidated liabilities at September 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 $28,780 million. See Note 12.

(b) The sum of accumulated other comprehensive income (loss) (AOCI) attributable to GECC was $(831) million and $(1,034) million at September 30, 2014 and December 31, 2013, respectively.

(c) Included AOCI attributable to noncontrolling interests of $(138) million and $(139) million at September 30, 2014 and December 31, 2013, respectively.

See accompanying notes.

(6)

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

	Nine months ended September 30	
(In millions)	2014	2013
Cash flows – operating activities		
Net earnings	$ 5,398	$ 5,469
Less net earnings (loss) attributable to noncontrolling interests	76	38
Net earnings attributable to GECC	5,322	5,431
(Earnings) loss from discontinued operations	(33)	334
Adjustments to reconcile net earnings attributable to GECC to cash provided from operating activities		
Depreciation and amortization of property, plant and equipment	5,104	5,369
Deferred income taxes	(1,319)	525
Increase in accounts payable	811	741
Provision for losses on financing receivables	2,895	3,256
All other operating activities	(1,063)	(3,848)
Cash from (used for) operating activities – continuing operations	11,717	11,808
Cash from (used for) operating activities – discontinued operations	136	(46)
Cash from (used for) operating activities	11,853	11,762
Cash flows – investing activities		
Additions to property, plant and equipment	(7,351)	(7,581)
Dispositions of property, plant and equipment	4,935	4,119
Increase in loans to customers	(220,926)	(218,833)
Principal collections from customers – loans	224,138	228,885
Investment in equipment for financing leases	(5,955)	(6,251)
Principal collections from customers – financing leases	6,656	8,001
Net change in credit card receivables	(2,950)	(3,204)
Proceeds from sale of discontinued operations	232	-
Proceeds from principal business dispositions	-	841
Net cash from (payments for) principal businesses purchased	-	6,384
All other investing activities	4,901	15,922
Cash from (used for) investing activities – continuing operations	3,680	28,283
Cash from (used for) investing activities – discontinued operations	(232)	(15)
Cash from (used for) investing activities	3,448	28,268
Cash flows – financing activities		
Net increase (decrease) in borrowings (maturities of 90 days or less)	(6,611)	(9,917)
Net increase (decrease) in bank deposits	9,004	(2,229)
Newly issued debt (maturities longer than 90 days)	30,432	41,355
Repayments and other debt reductions (maturities longer than 90 days)	(41,768)	(50,396)
Proceeds from issuance of preferred stock	-	990
Dividends paid to shareowners	(2,382)	(4,082)
Proceeds from initial public offering of Synchrony Financial	2,842	-
All other financing activities	(552)	(425)
Cash from (used for) financing activities – continuing operations	(9,035)	(24,704)

Cash from (used for) financing activities – discontinued operations	(6)	22
Cash from (used for) financing activities	(9,041)	(24,682)
Effect of currency exchange rate changes on cash and equivalents	(1,267)	(986)
Increase (decrease) in cash and equivalents	4,993	14,362
Cash and equivalents at beginning of year	75,105	62,044
Cash and equivalents at September 30	80,098	76,406
Less cash and equivalents of discontinued operations at September 30	130	152
Cash and equivalents of continuing operations at September 30	$ 79,968	$ 76,254

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.

Synchrony Financial Initial Public Offering

On August 5, 2014, we completed the initial public offering (IPO) of our North American Retail Finance business, Synchrony Financial, as a first step in a planned, staged exit from that business. Synchrony Financial closed the IPO of 125 million shares of common stock at a price to the public of $23.00 per share and on September 3, 2014, Synchrony Financial issued an additional 3.5 million shares of common stock pursuant to an option granted to the underwriters in the IPO (Underwriters' Option). We received net proceeds from the IPO and the Underwriters' Option of $2,842 million, which remain at Synchrony Financial. Following the closing of the IPO and the Underwriters' Option, we currently own approximately 85% of Synchrony Financial and as a result, GECC will continue to consolidate the business. In addition, in August 2014, Synchrony Financial completed issuances of $3,593 million of senior unsecured debt with maturities up to 10 years and $8,000 million of unsecured term loans maturing in 2019 under the New Bank Term Loan Facility with third party lenders.

Summary of Significant Accounting Policies

See the Notes in our 2013 consolidated financial statements for a summary of our significant accounting policies.
(8)

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.

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 $3,158 million and liabilities of $914 million to Santander. The transaction is targeted to close in the fourth quarter of 2014.

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)	September 30, 2014	December 31, 2013
Assets		
Cash and equivalents	$ 105	$ 5

Financing receivables – net	2,684	-
Goodwill	220	24
Other	149	21
Assets of businesses held for sale	$ 3,158	$ 50
Liabilities		
Bank deposits	$ 757	$ -
Other	157	6
Liabilities of businesses held for sale	$ 914	$ 6

(9)

Discontinued Operations

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

Financial Information for Discontinued Operations

(In millions)	Three months ended September 30 2014	2013	Nine months ended September 30 2014	2013
Operations				
Total revenues (loss)	$ (34)	$ 143	$ (45)	$ 304
Earnings (loss) from discontinued operations before income taxes	$ (46)	$ (10)	$ (113)	$ (185)
Benefit (provision) for income taxes	103	12	131	158
Earnings (loss) from discontinued operations, net of taxes	$ 57	$ 2	$ 18	$ (27)
Disposal				
Gain (loss) on disposal before income taxes	$ -	$ (108)	$ 14	$ (390)
Benefit (provision) for income taxes	-	15	1	83
Gain (loss) on disposal, net of taxes	$ -	$ (93)	$ 15	$ (307)
Earnings (loss) from discontinued operations, net of taxes	$ 57	$ (91)	$ 33	$ (334)

(In millions)	September 30, 2014	December 31, 2013
Assets		
Cash and equivalents	$ 130	$ 232
Financing receivables – net	1	711
Other	1,190	1,387
Assets of discontinued operations	$ 1,321	$ 2,330
Liabilities		
Deferred income taxes	$ 230	$ 250
Other	774	3,540
Liabilities of discontinued operations	$ 1,004	$ 3,790

Other assets at September 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.

Financial Information for GE Money Japan

	Three months ended September 30		Nine months ended September 30	
(In millions)	2014	2013	2014	2013
Earnings (loss) from discontinued operations, net of taxes	$ 62	$ (80)	$ 59	$ (196)

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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.

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 September 30, 2014, such claims consisted of $3,694 million of individual claims generally submitted before the filing of a lawsuit (compared to $5,643 million at December 31, 2013) and $8,266 million of additional claims asserted against WMC in litigation without making a prior claim (Litigation Claims) (compared to $6,780 million at December 31, 2013). The total amount of these claims, $11,960 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 September 30, 2014, these amounts do not include approximately $1,156 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. Subsequent to the end of the third quarter, WMC received additional Litigation Claims of $864 million and other non-Litigation Claims of $308 million, all of which are beyond the applicable statute of limitations.

Reserves related to repurchase claims made against WMC were $588 million at September 30, 2014, reflecting a net decrease to reserves in the nine months ended September 30, 2014 of $212 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 September 30		Nine months ended September 30	
(In millions)	2014	2013	2014	2013
Balance, beginning of period	$ 549	$ 787	$ 800	$ 633
Provision	40	18	142	172
Claim resolutions / rescissions	(1)	(5)	(354)	(5)
Balance, end of period	$ 588	$ 800	$ 588	$ 800

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 September 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.

(11)

At September 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. Subsequent to the end of the third quarter, WMC learned of an additional lawsuit filed on October 10, 2014, bringing the total to 15 pending lawsuits on 14 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.

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.

Financial Information for WMC

	Three months ended September 30		Nine months ended September 30	
(In millions)	2014	2013	2014	2013
Total revenues (loss)	$ (35)	$ (13)	$ (70)	$ (167)
Earnings (loss) from discontinued operations, net of taxes	$ (25)	$ (11)	$ (57)	$ (116)

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.

Financial Information for Consumer Russia

	Three months ended	Nine months ended

(In millions)	September 30 2014	2013	September 30 2014	2013
Total revenues (loss)	$ -	$ 64	$ 24	$ 195
Gain (loss) on disposal, net of taxes	$ -	$ -	$ 4	$ -
Earnings (loss) from discontinued operations, net of taxes	$ (1)	$ (9)	$ (1)	$ (22)

(12)

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.

Financial Information for CLL Trailer Services

	Three months ended September 30		Nine months ended September 30	
(In millions)	2014	2013	2014	2013
Total revenues (loss)	$ -	$ 91	$ 1	$ 274
Gain (loss) on disposal, net of taxes	$ -	$ (21)	$ 12	$ (118)
Earnings (loss) from discontinued operations, net of taxes	$ 23	$ (9)	$ 34	$ (19)

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.

	September 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	$ 20,000	$ 3,524	$ (99)	$ 23,425	$ 19,600	$ 2,323	$ (217)	$ 21,706
State and municipal	5,176	517	(89)	5,604	4,245	235	(191)	4,289
Residential mortgage-backed(a)	1,698	155	(25)	1,828	1,819	139	(48)	1,910
Commercial mortgage-backed	2,993	181	(40)	3,134	2,929	188	(82)	3,035
Asset-backed	7,767	12	(119)	7,660	7,373	60	(46)	7,387
Corporate – non-U.S.	1,569	175	(44)	1,700	1,741	103	(86)	1,758
Government – non-U.S.	2,250	129	(2)	2,377	2,336	81	(7)	2,410
U.S. government and federal agency	579	53	-	632	752	45	(27)	770
Retained interests	25	2	-	27	64	8	-	72
Equity								
Available-for-sale	251	51	(10)	292	203	51	(3)	251
Trading	22	-	-	22	74	-	-	74
Total	$ 42,330	$ 4,799	$ (428)	$ 46,701	$ 41,136	$ 3,233	$ (707)	$ 43,662

(a) Substantially collateralized by U.S. mortgages. At September 30, 2014, $1,218 million related to securities issued by government-sponsored entities and $610 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)
September 30, 2014						
Debt						
U.S. corporate	$ 647	$ (8)		$ 1,433	$ (91)	
State and municipal	134	(2)		649	(87)	
Residential mortgage-backed	96	(1)		436	(24)	
Commercial mortgage-backed	126	(1)		853	(39)	
Asset-backed	7,172	(86)		274	(33)	
Corporate – non-U.S.	29	-		317	(44)	
Government – non-U.S.	880	(2)		2	-	
U.S. government and federal agency	-	-		7	-	
Retained interests	-	-		-	-	
Equity	86	(10)		-	-	
Total	$ 9,170	$ (110)		$ 3,971	$ (318)	(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 $(55) million at September 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 September 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 September 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 nine months ended September 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 September 30, 2014, $1,218 million and $610 million related to agency and non-agency securities, respectively. Additionally, $316 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 September 30		Nine months ended September 30	
(In millions)	2014	2013	2014	2013
Total pre-tax, OTTI recognized	$ 5	$ 62	$ 52	$ 503
Pre-tax, OTTI recognized in AOCI	-	(6)	(4)	(36)
Pre-tax, OTTI recognized in earnings(a)	$ 5	$ 56	$ 48	$ 467

(a) Included pre-tax, other-than-temporary impairments recorded in earnings related to equity securities of an insignificant amount and $13 million in the three months ended September 30, 2014 and 2013, respectively, and $3 million and $14 million in the nine months ended September 30, 2014 and 2013, respectively. The nine months ended September 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 September 30	Nine months ended September 30

(In millions)	2014	2013	2014	2013
Cumulative credit loss impairments recognized, beginning of period	$ 1,003	$ 777	$ 1,025	$ 420
Credit loss impairments recognized on securities not previously impaired	2	-	3	385
Incremental credit loss impairments recognized on securities previously impaired	3	42	34	61
Less credit loss impairments previously recognized on securities sold during the period	6	52	60	99
Cumulative credit loss impairments recognized, end of period	$ 1,002	$ 767	$ 1,002	$ 767

(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	$ 1,834	$ 1,840
After one year through five years	3,804	4,146
After five years through ten years	5,294	5,626
After ten years	18,642	22,126

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 September 30		Nine months ended September 30	
(In millions)	2014	2013	2014	2013
Gains	$ 42	$ 34	$ 104	$ 219
Losses, including impairments	(8)	(60)	(53)	(477)
Net	$ 34	$ (26)	$ 51	$ (258)

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 $1,688 million and $2,890 million in the three months ended September 30, 2014 and 2013, respectively, and $4,235 million and $12,815 million in the nine months ended September 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 an insignificant amount and $4 million in the three months ended September 30, 2014 and 2013, respectively, and $(4) million and $45 million in the nine months ended September 30, 2014 and 2013, respectively.

4. FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

(In millions)	September 30, 2014	December 31, 2013
Loans, net of deferred income	$ 217,444	$ 231,268
Investment in financing leases, net of deferred income	25,131	26,939
	242,575	258,207
Allowance for losses	(5,170)	(5,178)
Financing receivables – net(a)	$ 237,405	$ 253,029

(a) Financing receivables at September 30, 2014 and December 31, 2013 included $372 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)	September 30, 2014	December 31, 2013
Commercial		
CLL		
Americas	$ 66,871	$ 69,036
International	43,268	47,431
Total CLL	110,139	116,467
Energy Financial Services	2,798	3,107
GE Capital Aviation Services (GECAS)	8,449	9,377
Other	134	318
Total Commercial	121,520	129,269
Real Estate	19,799	19,899
Consumer		
Non-U.S. residential mortgages	27,674	30,501
Non-U.S. installment and revolving credit	10,098	13,677
U.S. installment and revolving credit	55,258	55,854
Non-U.S. auto	1,588	2,054
Other	6,638	6,953
Total Consumer	101,256	109,039
Total financing receivables	242,575	258,207
Allowance for losses	(5,170)	(5,178)
Total financing receivables – net	$ 237,405	$ 253,029

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 September 30
2014						
Commercial						
CLL						
Americas	$ 473	$ 195	$ (1)	$ (316)	$ 75	$ 426
International	505	107	(22)	(287)	76	379
Total CLL	978	302	(23)	(603)	151	805
Energy Financial Services	8	13	-	(17)	2	6
GECAS	17	9	-	(11)	-	15
Other	2	-	(2)	-	-	-
Total Commercial	1,005	324	(25)	(631)	153	826
Real Estate	192	(92)	-	(49)	103	154
Consumer						
Non-U.S. residential mortgages	358	209	(21)	(139)	32	439
Non-U.S. installment and revolving credit	594	184	(88)	(574)	329	445
U.S. installment and revolving credit	2,823	2,089	18	(2,302)	425	3,053
Non-U.S. auto	56	127	(7)	(67)	38	147
Other	150	54	(22)	(121)	45	106
Total Consumer	3,981	2,663	(120)	(3,203)	869	4,190
Total	$ 5,178	$ 2,895	$ (145)	$ (3,883)	$ 1,125	$ 5,170
2013						
Commercial						
CLL						
Americas	$496	$ 203	$(1)	$(319)	$ 91	$ 470
International	525	265	(9)	(434)	70	417
Total CLL	1,021	468	(10)	(753)	161	887
Energy Financial Services	9	2	-	-	-	11
GECAS	8	2	-	-	-	10
Other	3	(1)	-	(2)	2	2
Total Commercial	1,041	471	(10)	(755)	163	910
Real Estate	320	(21)	(5)	(133)	9	170
Consumer						
Non-U.S. residential mortgages	480	138	(1)	(216)	39	440
Non-U.S. installment and revolving credit	582	322	(39)	(662)	390	593
U.S. installment and revolving credit	2,282	2,198	(50)	(2,118)	409	2,721
Non-U.S. auto	67	51	(11)	(96)	56	67
Other	172	97	4	(149)	59	183
Total Consumer	3,583	2,806	(97)	(3,241)	953	4,004
Total	$4,944	$ 3,256	$(112)	$(4,129)	$ 1,125	$ 5,084

(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.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

(In millions)	Balance at January 1, 2014	Acquisitions	Dispositions, currency exchange and other	Balance at September 30, 2014
CLL	$ 13,522	$ -	$ (205)	$ 13,317
Consumer	10,277	-	(222)	10,055
Real Estate	742	-	(103)	639
Energy Financial Services	1,507	-	1	1,508
GECAS	147	-	-	147
Total	$ 26,195	$ -	$ (529)	$ 25,666

Goodwill balances decreased $529 million during the nine months ended September 30, 2014, primarily as a result of currency exchange effects of a stronger U.S. dollar and a reclassification of goodwill associated with GEMB-Nordic to assets of businesses held for sale.

We test goodwill for impairment annually in the third quarter of each year using data as of July 1 of that year. The impairment test consists of two steps: in step one, the carrying value of the reporting unit is compared with its fair value; in step two, which is applied when the carrying value is more than its fair value, the amount of goodwill impairment, if any, is derived by deducting the fair value of the reporting unit's assets and liabilities from the fair value of its equity, and comparing that amount with the carrying amount of goodwill. We determined fair values for each of the reporting units using an income approach. For our Consumer reporting unit, we incorporated market observable data in determining fair value. When available and appropriate, we use comparative market multiples to corroborate discounted cash flow results. We assess the valuation methodology based upon the relevance and availability of the data at the time we perform the valuation.

Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for each business. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the cost of equity financing. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our reporting unit valuations ranged from 10.5% to 13.3%.

During the third quarter of 2014, we performed our annual impairment test of goodwill for all of our reporting units (i.e., CLL, Consumer, Real Estate, Energy Financial Services and GECAS). Based on the results of our step one testing, the fair values of each of the GECC reporting units exceeded their carrying values; therefore, the second step of the impairment test was not required to be performed for any of our reporting units and no goodwill impairment was recognized.

In 2013, while the Real Estate reporting unit's book value was within the range of its fair value, we further substantiated our Real Estate goodwill balance by performing the second step analysis in which the implied fair value of goodwill exceeded its carrying value by approximately $3.7 billion. In the current year, it was determined that the second step was not required as the results of step one indicated that the fair value of the Real Estate reporting unit exceeded its book value.

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. It is reasonably possible that the judgments and estimates described above could change in future periods.
(19)

Intangible Assets Subject to Amortization

	September 30, 2014			December 31, 2013		
(In millions)	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Capitalized software	$ 2,262	$ (1,735)	$ 527	$ 2,200	$ (1,707)	$ 493
Customer-related	1,316	(841)	475	1,173	(802)	371
Lease valuations	594	(444)	150	703	(498)	205
Present value of future profits(a)	605	(605)	-	574	(574)	-
Patents and technology	88	(84)	4	106	(102)	4
Trademarks	30	(20)	10	49	(36)	13
All other	343	(314)	29	326	(276)	50
Total	$ 5,238	$ (4,043)	$ 1,195	$ 5,131	$ (3,995)	$ 1,136

(a) Balances at September 30, 2014 and December 31, 2013 reflect adjustments of $300 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 $109 million and $102 million in the three months ended September 30, 2014 and 2013, respectively, and $308 million and $321 million in the nine months ended September 30, 2014 and 2013, respectively, and is recorded in operating and administrative expense on the financial statements.

(20)

6. BORROWINGS AND BANK DEPOSITS

(In millions)	September 30, 2014	December 31, 2013
Short-term borrowings		
Commercial paper		
U.S.	$ 21,999	$ 24,877
Non-U.S.	3,014	4,168
Current portion of long-term borrowings(a)(b)	37,319	39,215
GE Interest Plus notes(c)	5,732	8,699
Other(b)	612	339
Total short-term borrowings	$ 68,676	$ 77,298
Long-term borrowings		
Senior unsecured notes(a)(d)	$ 170,048	$ 186,433
Subordinated notes(e)	4,775	4,821
Subordinated debentures(f)(g)	7,263	7,462
Other(b)(h)	16,649	11,563
Total long-term borrowings	$ 198,735	$ 210,279
Non-recourse borrowings of consolidated securitization entities(i)	$ 30,231	$ 30,124
Bank deposits(j)	$ 60,815	$ 53,361
Total borrowings and bank deposits	$ 358,457	$ 371,062

(a) Included $461 million and $481 million of obligations to holders of GICs at September 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 $7,385 million and $9,468 million of funding secured by real estate, aircraft and other collateral at September 30, 2014 and December 31, 2013, respectively, of which $2,524 million and $2,868 million is non-recourse to GECC at September 30, 2014 and December 31, 2013, respectively.

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

(d) Included $700 million of debt at both September 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. Also included $3,593 million related to Synchrony Financial. See Note 1.

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

(f) Subordinated debentures receive rating agency equity credit.

(g) Included $2,873 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 $7,495 million related to Synchrony Financial. See Note 1.

(i) Included $8,160 million and $9,047 million of current portion of long-term borrowings at September 30, 2014 and December 31, 2013, respectively. See Note 12.

(j)

Included $12,259 million and $13,614 million of deposits in non-U.S. banks at September 30, 2014 and December 31, 2013, respectively, and $22,872 million and $18,275 million of certificates of deposits with maturities greater than one year at September 30, 2014 and December 31, 2013, respectively.

(21)

7. INCOME TAXES

Unrecognized Tax Benefits

(In millions)	September 30, 2014		December 31, 2013	
Unrecognized tax benefits	$	3,343	$	3,223
Portion that, if recognized, would reduce tax expense and effective tax rate(a)		2,205		2,346
Accrued interest on unrecognized tax benefits		430		570
Accrued penalties on unrecognized tax benefits		29		97
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months		0-600		0-800
Portion that, if recognized, would reduce tax expense and effective tax rate(a)		0-50		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)

(In millions)	Three months ended September 30 2014	2013	Nine months ended September 30 2014	2013
Investment securities				
Beginning balance	$ 1,092	$ 138	$ 309	$ 673
Other comprehensive income (loss) (OCI) before reclassifications – net of deferred taxes of $(131), $68, $341 and $(296)	(241)	143	555	(518)
Reclassifications from OCI – net of deferred taxes of $(15), $10, $(19) and $117	(19)	16	(32)	141
Other comprehensive income (loss)(a)	(260)	159	523	(377)
Less OCI attributable to noncontrolling interests	2	-	2	(1)
Ending balance	$ 830	$ 297	$ 830	$ 297
Currency translation adjustments (CTA)				
Beginning balance	$ (656)	$ (102)	$ (687)	$ (131)
OCI before reclassifications – net of deferred taxes of $201, $(17), $306 and $(328)	(532)	(67)	(502)	36
Reclassifications from OCI – net of deferred taxes of $1, $7, $124 and $86	(14)	(55)	(8)	(151)
Other comprehensive income (loss)(a)	(546)	(122)	(510)	(115)
Less OCI attributable to noncontrolling interests	(6)	14	(1)	(8)
Ending balance	$ (1,196)	$ (238)	$ (1,196)	$ (238)
Cash flow hedges				
Beginning balance	$ (195)	$ (461)	$ (293)	$ (746)
OCI before reclassifications – net of deferred taxes of $(44), $46, $(6) and $130	(314)	26	(341)	181
Reclassifications from OCI – net of deferred taxes of $27, $(16), $40 and $(72)	404	37	529	168
Other comprehensive income (loss)(a)	90	63	188	349
Less OCI attributable to noncontrolling interests	-	(2)	-	(1)
Ending balance	$ (105)	$ (396)	$ (105)	$ (396)
Benefit plans				
Beginning balance	$ (371)	$ (714)	$ (363)	$ (736)
Net actuarial gain (loss) – net of deferred taxes of $1, $0, $(5) and $18	7	(1)	(10)	1
Prior service cost amortization – net of deferred taxes of $0, $0, $0 and $0	-	-	1	-
Net actuarial loss amortization – net of deferred taxes of $2, $5, $6 and $12	4	9	12	29
Other comprehensive income (loss)(a)	11	8	3	30
Less OCI attributable to noncontrolling interests	-	-	-	-
Ending balance	$ (360)	$ (706)	$ (360)	$ (706)

Accumulated other comprehensive income (loss) at September 30	$ (831)	$ (1,043)	$ (831)	$ (1,043)

(a) Total other comprehensive income (loss) was $(705) million and $108 million for the three months ended September 30, 2014 and 2013, respectively, and $204 million and $(113) million for the nine months ended September 30, 2014 and 2013, respectively.

(23)

Reclassification out of AOCI

(In millions)	Three months ended September 30 2014	2013	Nine months ended September 30 2014	2013	Statement of Earnings Caption
Available-for-sale securities					
Realized gains (losses) on sale/impairment of securities	$ 34	$ (26)	$ 51	$ (258)	Revenues from services
	(15)	10	(19)	117	Benefit (provision) for income taxes
	$ 19	$ (16)	$ 32	$ (141)	Net of tax
Currency translation adjustments					
Gains (losses) on dispositions	$ 13	$ 48	$ (116)	$ 65	Costs and expenses
	1	7	124	86	Benefit (provision) for income taxes
	$ 14	$ 55	$ 8	$ 151	Net of tax
Cash flow hedges					
Gains (losses) on interest rate derivatives	$ (53)	$ (88)	$ (182)	$ (282)	Interest
Foreign exchange contracts	(377)	67	(387)	186	(a)
	(430)	(21)	(569)	(96)	Total before tax
	26	(16)	40	(72)	Benefit (provision) for income taxes
	$ (404)	$ (37)	$ (529)	$ (168)	Net of tax
Benefit plan items					
Amortization of prior service costs	$ -	$ -	$ (1)	$ -	(b)
Amortization of actuarial gains (losses)	(6)	(14)	(18)	(41)	(b)
	(6)	(14)	(19)	(41)	Total before tax
	2	5	6	12	Benefit (provision) for income taxes
	$ (4)	$ (9)	$ (13)	$ (29)	Net of tax
Total reclassification adjustments	$ (375)	$ (7)	$ (502)	$ (187)	Net of tax

(a) Included $(357) million and $73 million in revenues from services and $(20) million and $(6) million in interest in the three months ended September 30, 2014 and 2013, respectively, and $(368) million and $210 million in revenues from services and $(19) million and $(24) million in interest in the nine months ended September 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

(In millions)	Three months ended September 30 2014	2013	Nine months ended September 30 2014	2013
Beginning balance	$ 350	$ 550	$ 432	$ 707
Net earnings	55	10	76	38
Dividends	-	(3)	(1)	(44)
Dispositions	(6)	(14)	(98)	(118)
Synchrony Financial IPO	2,393	-	2,393	-

Other (including AOCI)	12	(4)	2	(44)
Ending balance	$ 2,804	$ 539	$ 2,804	$ 539

Other

We paid quarterly dividends of $472 million and $500 million and special dividends of $333 million and $1,500 million to GE in the three months ended September 30, 2014 and 2013, respectively. We paid quarterly dividends of $1,555 million and $947 million and special dividends of $666 million and $3,000 million to GE in the nine months ended September 30, 2014 and 2013, respectively.

(24)

9. REVENUES FROM SERVICES

(In millions)	Three months ended September 30 2014	2013	Nine months ended September 30 2014	2013
Interest on loans	$ 4,350	$ 4,532	$ 12,912	$ 13,443
Equipment leased to others	2,417	2,435	7,514	7,397
Fees	1,177	1,195	3,412	3,485
Investment income(a)	617	514	1,785	1,502
Financing leases	345	395	1,075	1,220
Associated companies(b)	211	406	884	852
Premiums earned by insurance activities	397	403	1,130	1,208
Real estate investments(c)	358	331	1,058	2,139
Other items	551	362	1,354	1,654
Total	$ 10,423	$ 10,573	$ 31,124	$ 32,900

(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 the nine months ended September 30, 2013.

(b) Aggregate summarized financial information for significant associated companies assuming a 100% ownership interest is included total assets at September 30, 2014 and December 31, 2013 of $81,840 million and $84,305 million, respectively. Assets were primarily financing receivables of $46,810 million and $46,655 million at September 30, 2014 and December 31, 2013, respectively. Total liabilities were $57,689 million and $59,559 million, consisted primarily of bank deposits of $1,894 million and $5,876 million at September 30, 2014 and December 31, 2013, respectively, and debt of $40,193 million and $39,034 million at September 30, 2014 and December 31, 2013, respectively. Revenues for the three months ended September 30, 2014 and 2013 totaled $27,334 million and $4,205 million, respectively, and net earnings (loss) for the three months ended September 30, 2014 and 2013 totaled $(2,861) million and $692 million, respectively. Revenues for the nine months ended September 30, 2014 and 2013 totaled $34,548 million and $12,718 million, respectively, and net earnings (loss) for the nine months ended September 30, 2014 and 2013 totaled $(1,826) million and $2,052 million, respectively.

(c) During the nine months ended September 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.

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
September 30, 2014					
Assets					
Investment securities					
Debt					
U.S. corporate	$ -	$ 20,315	$ 3,110	$ -	$ 23,425
State and municipal	-	5,032	572	-	5,604
Residential mortgage-backed	-	1,812	16	-	1,828
Commercial mortgage-backed	-	3,124	10	-	3,134
Asset-backed(c)	-	393	7,267	-	7,660
Corporate non-U.S.	-	711	989	-	1,700
Government non-U.S.	59	2,318	-	-	2,377
U.S. government and federal agency	-	368	264	-	632
Retained interests	-	-	27	-	27
Equity					
Available-for-sale	268	15	9	-	292
Trading	20	2	-	-	22
Derivatives(d)	-	8,684	135	(7,053)	1,766
Other(e)	-	-	126	-	126
Total	$ 347	$ 42,774	$ 12,525	$ (7,053)	$ 48,593
Liabilities					
Derivatives	$ -	$ 3,787	$ 17	$ (3,772)	$ 32
Other	-	22	-	-	22
Total	$ -	$ 3,809	$ 17	$ (3,772)	$ 54
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) Included $912 million of Government – non-U.S. and $17 million of Corporate – non-U.S. available-for-sale debt securities transferred from Level 1 to Level 2 primarily attributable to changes in market observable data in the nine months ended September 30, 2014. The fair value of securities transferred between Level 1 and Level 2 was $2 million in the twelve months ended December 31, 2013.

(b) The netting of derivative receivables and payables (including the effects of any collateral posted or received) is permitted when a legally enforceable master netting agreement exists.

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

(d) The fair value of derivatives includes an adjustment for non-performance risk. The cumulative adjustment was a gain (loss) of $20 million and $(7) million at September 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.

(26)

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 July 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 September 30	Net change in unrealized gains (losses) relating to instruments still held at September 30(c)
2014										
Investment securities										
Debt										
U.S. corporate	$3,126	$ 6	$ (4)	$ 102	$ (61)	$ (91)	$ 32	$ -	$3,110	$ -
State and municipal	560	-	-	4	(10)	(1)	19	-	572	-
RMBS	66	-	-	-	-	(3)	-	(47)	16	-
CMBS	12	-	-	-	-	(2)	-	-	10	-
ABS	7,277	1	(106)	783	-	(688)	-	-	7,267	-
Corporate – non-U.S.	1,042	6	(18)	176	(9)	(208)	-	-	989	-
Government – non-U.S.	1	-	-	-	-	-	-	(1)	0	-
U.S. government and federal agency	249	-	6	-	-	-	9	-	264	-
Retained interests	73	32	(10)	-	(67)	(1)	-	-	27	-
Equity										
Available-for-sale	9	-	-	-	-	-	-	-	9	-
Derivatives(d)(e)	144	(11)	1	(2)	-	(2)	-	-	130	(12)
Other	140	(2)	-	266	-	(280)	-	2	126	-
Total	$ 12,699	$ 32	$ (131)	$ 1,329	$ (147)	$ (1,276)	$ 60	$ (46)	$12,520	$ (12)
2013										
Investment securities										
Debt										
U.S. corporate	$3,207	$ 24	$ (40)	$ 158	$ (34)	$ (49)	$ -	$ -	$ 3,266	$ -
State and municipal	98	-	(4)	4	-	(4)	-	-	94	-

RMBS	91	-	(2)	-	-	(1)	-	-	88	-
CMBS	5	-	-	-	-	(1)	10	-	14	-
ABS	5,346	1	36	569	-	(14)	-	-	5,938	-
Corporate – non-U.S.	1,184	(29)	(4)	1,828	-	(1,930)	-	(10)	1,039	-
Government – non-U.S.	38	1	(6)	-	-	-	-	-	33	-
U.S. government and										
federal agency	264	-	(52)	-	-	-	-	-	212	-
Retained interests	93	-	(12)	-	-	(3)	-	-	78	-
Equity										
Available-for-sale	11	-	-	-	-	-	-	-	11	-
Derivatives(d)(e)	170	(1)	1	(1)	-	1	-	(2)	168	10
Other	438	13	(1)	149	(146)	-	-	(4)	449	3
Total	$10,945	$9	$(84)	$2,707	$(180)	$(2,001)	$10	$(16)	$11,390	$13

(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 $12 million and $8 million not reflected in the fair value hierarchy table in the three months ended September 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.

Changes in Level 3 Instruments for the Nine 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)	Balance at September 30	Net change in unrealized gains (losses) relating to instruments still held at September 30(c)
2014										
Investment securities										
Debt										
U.S. corporate	$ 2,918	$ 27	$ 116	$ 445	$ (220)	$ (230)	$ 170	$ (116)	$ 3,110	$ -
State and municipal	96	-	31	17	(17)	(9)	454	-	572	-
RMBS	86	1	-	-	(16)	(8)	-	(47)	16	-
CMBS	10	-	-	-	-	(2)	2	-	10	-
ABS	6,898	3	(132)	1,779	-	(1,271)	-	(10)	7,267	-
Corporate – non-U.S.	1,052	9	61	612	(75)	(665)	1	(6)	989	-
Government – non-U.S.	31	-	-	-	-	-	-	(31)	-	-
U.S. government and									-	
federal agency	225	-	32	-	-	-	9	(2)	264	-
Retained interests	72	35	(5)	1	(67)	(9)	-	-	27	-
Equity										
Available-for-sale	11	-	-	2	(2)	(2)	-	-	9	-
Derivatives(d)(e)	163	(26)	1	(4)	-	(3)	(1)	-	130	(20)
Other	293	1	-	503	-	(392)	-	(279)	126	-
Total	$ 11,855	$ 50	$ 104	$ 3,355	$ (397)	$ (2,591)	$ 635	$ (491)	$ 12,520	$ (20)
2013										
Investment securities										
Debt										
U.S. corporate	$ 3,552	$ (227)	$ 174	$ 252	$ (381)	$ (139)	$ 108	$ (73)	$ 3,266	$ -
State and municipal	77	-	(8)	20	-	(5)	10	-	94	-
RMBS	100	-	(4)	-	(2)	(6)	-	-	88	-
CMBS	6	-	-	-	-	(2)	10	-	14	-
ABS	5,023	3	(32)	1,479	(1)	(539)	12	(7)	5,938	-
Corporate – non-U.S.	1,212	(112)	16	4,637	(3)	(4,672)	15	(54)	1,039	-

Government – non-U.S.	42	1	(10)	-	-	-	-	-	33	-
U.S. government and										